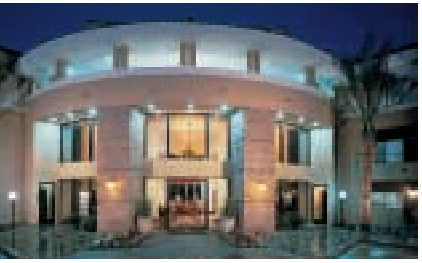
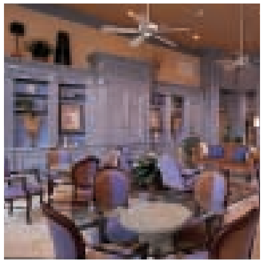
CAMDEN℠

living excellence

2000 annual report

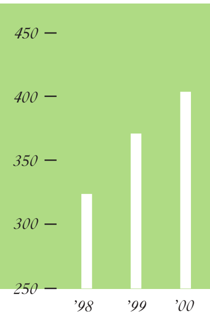
living excellence

Living Excellence captures the essence of who we are, an organization that promises excellence everywhere our customer looks. We are Camden—a name synonymous with high quality apartment home living. ❋ Camden, one of the largest multifamily companies in the nation, specializes in several disciplines within the residential real estate industry. We provide expertise in the ownership, development and management of apartment home communities; in the acquisition, disposition and redevelopment of communities; and in consulting, building and construction services for third party clients. ❋ Camden has built a solid reputation by delivering excellent product in the marketplace—and in delivering value to both our residents and shareholders. Our current geographic and product diversification, as well as upcoming initiatives, gives us the leverage to capitalize on dynamic new opportunities. ❋ At the beginning of 2001, we owned and managed 144 communities, consisting of 51,000 apartment homes, geographically dispersed in the Sunbelt and Midwestern markets from Florida to California. Through the ownership of land parcels and development rights in promising markets, Camden is uniquely prepared for future growth. Our development pipeline is substantial, with up to 5,100 apartment homes in the planning stages for future opportunities. ❋ Our corporate offices are strategically headquartered in Houston, Texas to better serve our national and regional markets.

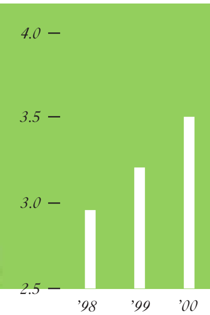
financial highlights

(In thousands, except per share amounts and number of properties)	Year Ended December 31, 2000	1999	1998
Revenues	$ 403,539	$ 371,296	$ 323,839
Net income to common shareholders	65,053	52,252	47,962
Funds from operations	156,274	152,369	137,996
Basic earnings per share	1.71	1.27	1.16
Diluted earnings per share	1.63	1.23	1.12
Funds from operations per share	3.50	3.20	2.95
Distributions per common share	2.25	2.08	2.02
Total operating properties	145	153	149
Properties under development	3	6	14
Total number of apartment homes in operation and under development	52,874	55,785	56,968
Real estate assets (at cost)	$2,646,341	$2,678,034	$2,487,942

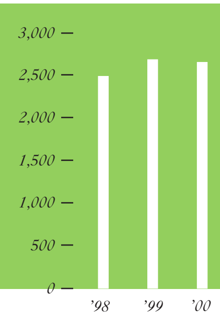
Revenues
($ in millions)



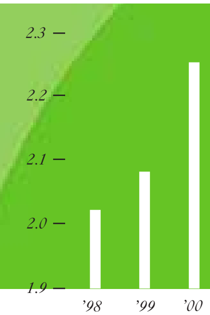
Funds from Operations
($ per share)



Real Estate Assets
($ in millions)



Distributions
($ per common share)



to our fellow shareholders

Richard J. Campo
Chairman and Chief Executive Officer

Living Excellence At Camden, the pursuit of excellence is the catalyst for everything we do. It drives our strategies, motivates our people and helps us achieve steady, predictable growth. It has enabled us to double in size twice since 1996, and transition from a regional business to a company whose presence extends to key markets from coast to coast.

Camden's successes in 2000 clearly demonstrate the strength of our commitment to excellence. It was a year in which we moved with vision and purpose to enhance our portfolio by selling lower-quality assets and developing and acquiring new and higher-quality assets in desirable markets. We continued to invest wisely in technologies that increased the value of our communities. We finalized a branding strategy that will take Camden another step toward becoming the best in our industry. And we achieved all of this because of our employees—from a deep management team to our people in the field—whose willingness to do whatever it takes to deliver superior performance is unmatched.

Excellence in Financial Performance In our industry, sound financial performance means being able to deliver predictable, steadily increasing cash flow. Since going public in 1993, Camden has done this consistently and enhanced the underlying value of our communities, which has provided even more opportunities for additional growth.

Camden's strong financial performance in 2000 reinforced the fact that our company is structured to achieve stable increases in the key aspects of financial performance. Funds from operations grew, revenues increased and we surpassed targets for same-property net operating income.

For the year ending December 31, 2000, Camden reported the following results:

- Funds from operations (FFO) increased 9.4 percent to $3.50 per share, or $156.3 million, from $3.20 per share, or $152.4 million, in 1999.
- Revenues increased 8.7 percent to $403.5 million, compared with $371.3 million in 1999.
- Same property net operating income increased 5.3 percent.
- Dividends increased to $2.25 per share compared to $2.08 per share in 1999.
- Total shareholder return was 31.2 percent, bringing the two-year total to 52 percent.

In 2000, we raised our dividend by 8 percent, reaching our minimum payout ratio of 64 percent—among the lowest in the industry. At year end we had over $200 million available on our line of credit, ensuring the flexibility to seize any strategic opportunities the market may present.

Our financial position remains sound, with a ratio of debt-to-assets at cost of 46.8 percent that was identical to 1999. Our coverage ratios were strong throughout the year. Earnings before interest, taxes, depreciation and amortization (EBITDA) were at 3.4 times interest expense, compared with 3.7 times in 1999, and 2.5 times fixed charge expense compared with 2.7 last year. This prudent management enables us to select and best time the opportunities for raising cost-efficient capital.

Achievements 2000

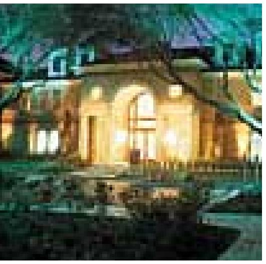
Camden's accomplishments in 2000 prove we have the right strategies to achieve excellence in every aspect of our business. They also provide a solid foundation for continued success and predictable earnings growth.

Portfolio Rebalancing. In 1997, we undertook a program to diversify the mix, markets and geography of our communities. Our efforts have been subtle, measured and successful. We completed the sale of $158.6 million in non-strategic assets during 2000, bringing the total in excess of $600 million in four years. While we are exiting or reducing assets in certain markets, we are doing so at the right time and at the right price. This sensible approach supports our objective of having high-quality assets in good locations.

New Construction. In 2000, we completed construction on 4 new communities, including 1,474 apartment homes that represent a total investment of $105.9 million. Additionally, we completed lease-ups at 4 communities. At year end, we had 51,336 apartment homes, making Camden one of the largest, multifamily real estate investment trusts (REIT).

Value-Added Land Planning. We continued to implement our strategy to purchase large development sites, sell select parcels for commercial and retail use, and develop our own communities. This approach helps us to reduce our cost associated with Camden's multifamily communities, and in some cases, recoup our entire investment.

In 2000, we secured the entitlements, permits and approvals at Camden Harbour View in Long Beach, California, and broke ground in December for the 538 apartment



community. This expands our development platform in Southern California, and is in line with Camden's strategy to diversify our portfolio and strengthen our presence in new growth markets.

In Houston, where we purchased the Andrau Airpark site in 1999 to develop quality apartment homes adjacent to an exclusive country club community, we sold 38 acres for retail use last year and have completed the sale of another 15 acres for a new shopping center. And at our Farmer's Market community in the Central Business District of Dallas, we leased approximately 50 percent of the apartment homes in 2000, and are now focusing on the next phase: construction and marketing of 55 for-sale townhomes adjacent to the community. Remaining parcels will be sold or developed for commercial and retail use, further enhancing the value of the entire site.

Technology. We continued to leverage our infrastructure investments through ongoing strategic relationships that add value to our communities and contribute to a high-quality lifestyle for residents. Our leadership in this area—driven by the demands of our residents—was recognized by Multifamily Executive with the "Award for Best Use of Technology" in October of 2000.

Branding Strategy. Throughout 2000, we developed a branding strategy that would truly capture the essence of Camden—a strategy that is compelling to employees and customers, true to our values, respectful of our culture, and consistent with our core competencies. Our aim was to stake out a brand that reflected our mission: To be the best multifamily company in the industry.

Living Excellence is our new positioning theme. It captures Camden's brand promise: To deliver exemplary levels of customer service and management. Everything we do—from our business strategies to our technology investments—springs from this promise. Every employee is focused on this commitment. Every Camden community reflects this pledge to ensure that customers see and experience absolute excellence at every point of contact.

The timing of this strategy is not coincidental. It is the next step in our journey to be the best multifamily company in the industry. With our accomplishments and proven track record, we believe we are now in the strongest possible position to consistently deliver on our brand promise under the Camden flagship name. This strategy is our signal to the market, to our shareholders, to our employees and to our customers that we are a leader in the industry and in the marketplace.

Outlook 2001 Camden will continue to implement strategies for solid growth and performance excellence in 2001. Our customer-focused, value-added investment approach should provide predictable, steadily increasing cash flow that delivers benefits to shareholders and residents.

We will dispose of non-strategic assets to further enhance the quality of our portfolio. Over the next three years, we anticipate further rebalancing our portfolio to limit it to no more than 12 percent of assets in any single market. We will seek to continue reducing our presence in Houston, Dallas and Las Vegas. As we diversify geographically, we will also reinvest in new assets in growth markets where we are under-represented, as well as selected strategic markets where our size and resources provide a clear competitive advantage.

The conditions that shaped the marketplace last year—competition from home sales and new apartment construction—will likely continue in 2001. However, we believe our momentum in 2000 will carry over and produce another year of stable cash flow. Southern California, Austin and Denver are expected to be our top performers, and we see a return to solid growth in Houston, Dallas and Louisville.

As our branding strategy expands, we will build on our efforts to communicate Camden's identity. In doing so, we will not simply change our corporate signature, name, positioning statement and signage. We will also become the best of class, an organization defined by what it provides: Strategic excellence, management excellence, technology excellence, portfolio excellence, employee excellence and brand excellence.

In the section that follows, we will discuss how Camden is strengthening that commitment to shareholders, employees and residents. It is our blueprint for achieving Living Excellence. Beyond that, it captures the essence of who we are, what we do and how we will secure Camden's position as the industry's leading provider of high-quality communities and living environments.

Respectfully,

Richard J. Campo
Chairman and Chief Executive Officer

D. Keith Oden
President and Chief Operating Officer

D. Keith Oden
President and Chief Operating Officer

portfolio excellence

James M. Hinton
Senior Vice President—Development

Camden's culture is driven by one commitment: Excellence. Our goal is to make that commitment evident in every aspect of our company. Our business strategies optimize value and ensure growth. Our portfolio balance recognizes the importance of diversity. Our approach to technology is aimed at delivering demonstrable benefits to residents and to the bottom line. And our people make it all happen. These factors enable us to meet the challenge implicit in our brand promise: Living Excellence.

Strategic Excellence Camden is organized to provide stable cash flow growth. We have consistently achieved this objective with a strategy that mixes market opportunism, professional expertise, innovation and controlled expansion. This has enabled Camden to maximize value to shareholders and ensure that our residents enjoy the benefits of high-quality communities.

Camden's commitment to strategic excellence begins with a total return strategy whose goal is to deliver predictable returns to shareholders. Our performance reflects the value of that strategy. During the past five years, funds from operations have grown at an annual compound rate of 9.9 percent, with total shareholder return of 17 percent annually.

The ability to seize appropriate opportunities is based in an absolute understanding of the marketplace and the conditions that affect it. Before committing resources for any community, we research every variable: demand, competition, disposable income levels, permits, housing affordability and employment rates. We forecast rent growth, and potential changes in rates. Only then do we make our decisions.

This depth of knowledge and research allows us to enter new markets fast and with reasonable confidence of better-than-average growth. It gives us



"The ability to seize appropriate opportunities is based in an absolute understanding of the marketplace and the conditions that affect it."

an edge in high barrier-to-entry markets such as Southern California. It assures that when we do expand, the process is well planned and measured. Equally important, it affords us a reliable, sophisticated tool to minimize risk.

Complementing this expertise is a skill in analyzing and anticipating cycles. We are committed to knowing the right time to enter and exit a market, and the right price at which to do both. This allows us to take full advantage of whatever opportunities the market may present, and reinforces Camden's belief that acquisitions and development do not have to be constantly undertaken for the company to grow and prosper.

As our innovative approach to value-added land planning has shown, we blend this knowledge with a willingness to think "out of the box." Royal Oaks at Andrau, Farmer's Market and Camden Harbour View go beyond traditional build-and-lease. They enhance development returns, lower our risk and allow us to control adjacent land use. Moreover, they enable us to increase the value of the real estate and, ultimately, the community itself. As a result, we can generate a greater cash flow from the asset and maintain the pattern of consistent growth that is essential to our business.

Strategic excellence at Camden is in many ways a function of a forward-looking business structure that still allows us to do what we do best: Be real estate professionals. Our broad industry background in operations, development and construction will be particularly beneficial given the changes that are occurring in apartment living. Today, more and more communities are seeing a convergence of techniques for multifamily and high-rise construction. We have experience in both, and our structure and talent make us better prepared to compete in this evolving market.

management excellence

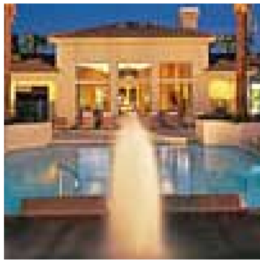
G. Steven Dawson
Chief Financial Officer,
Senior Vice President—Finance and Secretary

Portfolio Excellence An essential part of Camden's business strategy is to diversify our portfolio in terms of both geography and communities. This ensures that we can maintain stable, predictable growth in the face of market and economic changes. The portfolio rebalancing has been implemented in a measured, reasonable way over the past few years. We have sold mid-market assets and developed or acquired luxury communities. Since 1997, we have successfully completed the sale in excess of $600 million in non-strategic assets.

This is not diversification for its own sake. Rather, it is part of an overall plan to have a high percentage of assets in markets that are less volatile in terms of cash flow. The results of this strategy speak for themselves. In 1997, we began to move into West Coast markets. We have communities representing $300 million in our Southern California development pipeline alone. Upon completion, about 15 percent of our portfolio will be located there. Simultaneously, we have reduced our concentration in Texas from 42 percent of net operating income in 1998 to about 33 percent today.

Throughout this rebalancing, Camden has also attempted to maintain a strategic mix of mid-market and luxury communities. This is compatible with our goal of ensuring predictable growth. Mid-market communities may outperform luxury communities at different times, and vice versa. Having both in our portfolio significantly reduces cash flow volatility.

Based on total apartment homes, 46 percent of Camden's assets are luxury communities. As we balance our portfolio with new development and continue to dispose of non-strategic communities, we are aiming to increase this to 50 percent.



"We employ local people with local expertise, and give them the flexibility to put that knowledge to the best possible use."

Our objective in portfolio rebalancing is clear: To maintain a diversity of geographic markets, types of markets and types of communities within those markets. We want to be in stable areas that can contribute to our growth. Through the continuing pursuit of portfolio excellence, we will achieve these goals.

Employee Excellence We recognize that our employees are a key factor in Camden's formula to provide excellent value, service and operating performance. For that reason, we have built the company on a foundation of people whose multiple skills and professional expertise are without parallel. Their capabilities include operations, management, technology, development, construction, acquisitions, and project management. But regardless of their individual abilities, they work as one to create a unified organization focused on doing the job right, doing it well, and doing it profitably.

It starts with an executive management team that has depth and experience. They have worked together in some cases for more than two decades, and our 6 senior executives have an average of 14 years tenure with Camden. Even as Camden has grown and prospered, they have maintained a course that blends three vital elements of success: A forward-thinking, can-do attitude; a sophisticated approach to management, construction, safety and employee education; and an intellectual soundness that enables Camden to be opportunistic while minimizing risk.

This depth extends to the regional levels as well. We employ local people with local market expertise, and give them the flexibility to put that knowledge to the best possible use. As a result, we can confidently determine whether to build or buy a community, and where and when to do it.

employee excellence

H. Malcolm Stewart
Executive Vice President

We encourage and empower our employees throughout the organization to contribute to Camden's success. Camden is fortunate to have people who share our vision. Their efficiency, productivity and commitment define our performance. By offering state-of-the-industry technical resources, corporate support and services, such as human resources, accounting and property services, and continuing education through our Corporate University, computer-based training and distance-learning, we provide them with tools to achieve peak performance—enabling us to grow and prosper together.

Technology Excellence The right technology, properly applied, can add significant value to Camden communities. However, we believe these investments should be made wisely, and with manageable risk. For that reason, Camden has established a template in which any potential venture must meet strict criteria:

It must have direct relevance to our business. It must increase revenues or decrease costs. It must substantially increase customer service. In other words, if the technology does not add to the excellence of our communities, service or operations, we will not proceed.

Camden is making investments that we believe will pay off for years to come. We have invested in companies whose products contribute direct value to Camden by making us more efficient. We have invested in hardware in our communities and throughout our organization that provides leading-edge benefits to our residents. We have invested in education and professional development for our employees that strengthens their skill base and helps them deliver a consistently superior performance.

"Camden is fortunate to have people who share our vision. Their efficiency, productivity and commitment define our performance."

We currently maintain several strategic technology partnerships. The alliances enable us to provide Camden communities with high-speed data, video and telephony services as well as a highly interactive virtual community. These are exactly the types of value-added, cutting edge services that our residents are both desiring and demanding.

To minimize risk, we adopt the technologies in which we have invested. This helps us get better terms and enhanced customer service, maximizing benefits to residents. Additionally, we work with the partners to create enterprise value for their companies. This has the collective benefit of providing shareholder value through our equity interest in the venture.

We believe our technology strategy is right for the future, and will help deliver significant revenue growth and cost reductions within two to three years.

Brand Excellence A brand is a promise to customers of what they can expect. It embodies the core values and attributes of a company, and communicates a larger benefit to its audiences. At Camden, our brand promise is excellence.

Over the past few years, we have worked aggressively to integrate the company and management team so we can deliver on this promise. We disposed of communities that were inconsistent with our portfolio strategy and diversified into new markets. These moves were part of an organization-wide effort to create a strong customer service environment that increased long-term cash flow.

We believe those efforts are paying off. Excellence runs deeply in this company. It can be applied at every level because everyone is focused on delivering excellence at every point of contact. Providing people with homes,

brand excellence

Alison L. Dimick
Senior Vice President—Acquisitions and Dispositions

including a quality lifestyle and a sense of community, is a worthy endeavor, and we do it consistently well. We are branding from a position of strength.

As such, we are introducing a branding strategy utilizing the positioning theme *Living Excellence*, a statement that tells people what they can expect from Camden. It is combined with a new company signature that uses letterforms, color and symbology to communicate an organization that is solid, stable, agile, innovative, friendly, energetic and professional. It will ensure that the Camden brand is associated with excellent communities in excellent locations.

The benefits of this strategy go beyond perception alone. A strong brand supports same store growth, keeps occupancies stable and reduces turnover. This will help us perform better when the market is down, capture greater opportunities when the market is up, and leverage benefits where we have a dominant presence.

From now on, we will be known only as Camden. And we will be remembered for consistently keeping our promise of excellence to our residents, our employees, and our shareholders.

The following discussion should be read in conjunction with all of the financial statements and notes appearing elsewhere in this report. Historical results and trends which might appear should not be taken as indicative of future operations.

We have made statements in this report that are "forward-looking" in that they do not discuss historical fact, but instead note future expectations, projections, intentions or other items relating to the future. You should not rely on these forward-looking statements because they are subject to known and unknown risks, uncertainties and other factors that may cause our actual results or performance to differ materially from those contemplated by the forward-looking statements. Many of those factors are noted in conjunction with the forward-looking statements in the text. Other important factors that could cause actual results to differ include:

- the results of our efforts to implement our property development strategy;
- the effect of economic and market conditions;
- our failure to qualify as a real estate investment trust;
- our cost of capital;
- the actions of our competitors and our ability to respond to those actions;
- changes in government regulations, tax rates and similar matters; and
- environmental uncertainties and natural disasters.

Do not rely on these forward-looking statements, which only represent our estimates and assumptions as of the date of this report. We assume no obligation to update or revise any forward-looking statement.

Business

Camden Property Trust is a real estate investment trust and, with our subsidiaries, reports as a single business segment. As of December 31, 2000, we owned interests in, operated or were developing 148 multifamily properties containing 52,874 apartment homes located in nine states. Our properties, excluding properties in lease-up and under development, had a weighted average occupancy rate of 94% for the year ended December 31, 2000. This represents the average occupancy for all our properties in 2000 weighted by the number of apartment homes in each property. Three of our multifamily properties containing 1,538 apartment homes were under development at December 31, 2000. Additionally, we have several sites which we intend to develop into multifamily apartment communities.

On April 8, 1998, we acquired, through a tax-free merger, Oasis Residential, Inc., a publicly traded Las Vegas-based multifamily REIT. Through this acquisition, we acquired 52 completed multifamily properties and 15,514 apartment homes. Each share of Oasis common stock outstanding on April 8, 1998 was exchanged for 0.759 of a Camden common share. Each share of Oasis Series A cumulative convertible preferred stock outstanding on April 8, 1998 was exchanged for one Camden Series A cumulative convertible preferred share with terms and conditions comparable to the Oasis preferred stock. We issued 12.4 million common shares and 4.2 million preferred shares in exchange for the outstanding Oasis common and preferred stock, respectively. We assumed approximately $484 million of Oasis debt, at fair value in the merger. The accompanying consolidated financial statements include the operations of Oasis since April 1, 1998, the effective date of the Oasis merger for accounting purposes.

In connection with the merger with Oasis, on June 30, 1998, we completed a transaction in which Camden USA, Inc., one of our wholly owned subsidiaries, and TMT-Nevada, L.L.C., a Delaware limited liability company, formed Sierra-Nevada Multifamily Investments, LLC. We entered into this transaction to reduce our market risk in the Las Vegas area. TMT-Nevada holds an 80% interest in Sierra-Nevada and Camden USA holds the remaining 20% interest.

In the above transaction, we transferred to Sierra-Nevada 19 apartment communities containing 5,119 apartment homes for an aggregate of $248 million. Prior to the merger, Oasis owned 100% of each of these communities. In the merger, Camden USA acquired these communities. As a result, after the merger and prior to the Sierra-Nevad a transaction, Camden USA owned 100% of each of these 19 properties which are located in Las Vegas, Nevada. This transaction was funded with capital invested by the members of Sierra-Nevada, the assumption of $9.9 million of existing nonrecourse indebtedness, the issuance of 17 nonrecourse cross collateralized and cross defaulted loans totaling $180 million and the issuance of two nonrecourse second lien mortgages totaling $7 million.

Property Update. During 2000, we completed construction on the following four development properties totaling 1,474 apartment homes: The Park at Caley in Denver, The Park at Lee Vista in Orlando, The Park at Oxmoor in Louisville, and The Park at Arizona Center in Phoenix. We also completed the construction of an additional 151 apartment homes at Miramar, an existing operating property located in Corpus Christi, Texas. Stabilization occurred during 2000 at The Park at Caley, The Park at Holly Springs and The Park at Greenway, both of which are located in Houston, The Park at Goose Creek in Baytown, Texas and for the new units at Miramar. We consider a property stabilized once it reaches 90% occupancy, or generally one year from opening the leasing office, with some allowances for larger than average properties. We expect stabilization to occur at the remaining development properties during 2001. Additionally, construction continued at two properties: The Park at Farmers Market in Dallas and The Park at Crown Valley in Mission Viejo, California, both of which have begun leasing; and we began construction on Camden Harbour View, a 538-unit property located in Long Beach, California.

Dispositions during the year included eleven properties containing 3,599 apartment homes, a mini-storage facility located in Las Vegas and four parcels of undeveloped land. Of the eleven properties sold, three were located in each of Houston, Dallas and Las Vegas, and one was located in each of St. Louis and El Paso. As a result of these sales, we have exited the El Paso market, reduced the number of assets in our three largest markets and believe that we have improved the overall quality and geographic mix of our portfolio. The land sales consisted of two parcels totaling 2.9 acres located in downtown Dallas and one parcel totaling 38.5 acres located in Houston. These parcels of land are adjacent to our land development projects located in those cities, and were sold for commercial and retail use. Additionally, we sold a 19.5 acre tract of land located in Las Vegas which we acquired in our merger with Oasis. We used the net proceeds from these dispositions, totaling $150.1 million, to reduce indebtedness outstanding under our unsecured line of credit.

Our multifamily property portfolio, excluding land we hold for future development and joint venture properties we do not manage, at December 31, 2000, 1999 and 1998 is summarized as follows:

	2000		1999		1998	
	Apartment Homes	Properties	Apartment Homes	Properties	Apartment Homes	Properties
Operating Properties						
Texas						
Houston	7,190	16	8,258	19	6,345	15
Dallas (a)	8,447	23	9,381	26	9,381	26
Austin	1,745	6	1,745	6	1,745	6
Other	1,663	4	1,641	5	1,641	5
Total Texas Operating Properties	19,045	49	21,025	56	19,112	52
Arizona	2,658	8	2,326	7	2,326	7
California	1,272	3	1,272	3	1,272	3
Colorado (a)	2,529	8	2,312	7	1,972	6
Florida (b)	7,827	17	7,335	17	7,261	17
Kentucky	1,448	5	1,016	4	1,142	5
Missouri	2,719	7	3,327	8	3,327	8
Nevada (a)	11,103	38	11,963	41	12,163	41
North Carolina (a)	2,735	10	2,735	10	2,735	10
Total Operating Properties	51,336	145	53,311	153	51,310	149
Properties Under Development						
Texas						
Houston (c)					2,213	5
Dallas	620	1	620	1	600	1
Arizona			332	1	325	1
California	918	2	380	1	380	1
Colorado			218	1	558	2
Florida (c)			492	1	1,150	3
Kentucky			432	1	432	1
Total Properties Under Development	1,538	3	2,474	6	5,658	14
Total Properties	52,874	148	55,785	159	56,968	163
Less: Joint Venture Apartment Homes (a)	6,503		6,504		6,704	
Total Apartment Homes Owned 100%	46,371		49,281		50,264	

(a) The figures include properties held in joint ventures as follows: one property with 708 apartment homes in Dallas and two properties with 556 apartment homes in North Carolina in which we own a 44% interest, the remaining interest is owned by unaffiliated private investors; one property with 320 apartment homes (321 apartment homes at December 31, 1999 and 1998) in Colorado in which we own a 50% interest, the remaining interest is owned by an unaffiliated private investor; and 19 properties with 4,919 apartment homes (5,119 apartment homes at December 31, 1998) in Nevada owned through Sierra-Nevada Multifamily Investments, LLC in which we own a 20% interest.

(b) Includes the combination of operations at January 1, 2000 of two adjacent properties.

(c) The 2000 and 1999 figures exclude two properties classified as Properties Under Development at December 31, 1998 as follows: one property with 300 apartment homes in Houston which is now classified as land held for future development, and one property with 352 apartment homes in Florida which was sold during 1999.

At December 31, 2000, we had three completed properties in lease-up as follows:

Property and Location	Product Type	Number of Apartment Homes	% Leased at 3/16/01	Date of Completion	Estimated Date of Stabilization
The Park at Oxmoor Louisville, KY	Garden	432	86%	1Q00	1Q01
The Park at Lee Vista Orlando, FL	Garden	492	92%	1Q00	1Q01
The Park at Arizona Center Phoenix, AZ	Urban	332	70%	1Q00	3Q01

At December 31, 2000, we had three development properties in various stages of construction as follows:

Property and Location	Product Type	Number of Apartment Homes	Estimated Cost ($ millions)*	Estimated Date of Completion	Estimated Date of Stabilization
In Lease-Up					
The Park at Farmers Market, Phase I Dallas, TX	Urban	620	$ 59.9	1Q01	4Q01
The Park at Crown Valley Mission Viejo, CA	Garden	380	58.5	2Q01	4Q01
Under Construction					
Camden Harbour View Long Beach, CA	Urban	538	120.0	2Q03	2Q04
Total development properties		1,538	$238.4		

*As of December 31, 2000, we had incurred $123.5 million of the estimated $238.4 million.

Properties under development in our consolidated financial statements includes $101.9 million related to the development of three urban land projects located in Dallas, Houston and Long Beach, California. Of this amount, $47.2 million relates to two of our current development projects—The Park at Farmers Market in Dallas and Camden Harbour View in Long Beach. We have an additional $22.3 million invested in Dallas, which we may use for the future development of Farmers Market, Phase II, and we are also in the construction phase of for-sale townhomes in this area. We have $32.4 million invested in additional land under development in Houston and Long Beach. We are currently in the planning phase with respect to these properties to determine whether to further develop apartment homes in these areas. We may also sell certain parcels of all three properties to third parties for commercial and retail development.

Our multifamily property portfolio is diversified throughout markets in the Southwest, Southeast, Midwest and Western regions of the United States. At December 31, 2000 and 1999, our investment in various geographic areas, excluding investment in joint ventures, was as follows:

(Dollars in thousands)	2000		1999	
Texas				
Houston	$ 379,036	14%	$ 402,997	15%
Dallas	388,212	15	393,223	15
Austin	70,244	3	69,162	3
Other	59,143	2	59,200	2
Total Texas Properties	896,635	34	924,582	35
Arizona	155,225	6	148,871	6
California	212,785	8	177,394	7
Colorado	188,507	7	184,798	7
Florida	401,748	15	393,569	15
Kentucky	74,595	3	69,322	3
Missouri	149,593	6	172,454	6
Nevada	448,670	17	491,226	18
North Carolina	95,971	4	93,949	3
Total Properties	$2,623,729	100%	$2,656,165	100%

Beginning in 1999, we entered into agreements with unaffiliated third parties to develop, construct and manage nine multifamily projects in five states containing a total of 3,112 apartment homes. We are providing financing for a portion of each project in the form of notes receivable which mature through 2005. These notes earn interest at 10% annually and are secured by second liens on the assets and partial guarantees by the third party owners. At December 31, 2000 and 1999, these notes had principal balances totaling $72.9 million and $28.1 million, respectively. We anticipate funding up to an aggregate of $110 million in connection with these projects. We expect these notes to be repaid from operating cash flow or proceeds from the sale of the individual properties. We have begun construction on four of these projects, and initial occupancy has begun on three of the projects. We have the option to purchase these properties in the future at a price to be determined based upon the property's performance and an agreed valuation model.

Liquidity and Capital Resources

Financial Structure. We intend to continue maintaining what management believes to be a conservative capital structure by:

(i) using what management believes is a prudent combination of debt and common and preferred equity;
(ii) extending and sequencing the maturity dates of our debt where possible;
(iii) managing interest rate exposure using fixed rate debt and hedging where management believes it is appropriate;
(iv) borrowing on an unsecured basis in order to maintain a substantial number of unencumbered assets; and
(v) maintaining conservative coverage ratios.

The interest expense coverage ratio, net of capitalized interest, was 3.4 and 3.7 times for the years ended December 31, 2000 and 1999, respectively. At December 31, 2000 and 1999, 75.6% and 76.0%, respectively, of our real estate assets (based on invested capital) were unencumbered.

Liquidity. We intend to meet our short-term liquidity requirements through cash flows provided by operations, our unsecured line of credit discussed in the "Financial Flexibility" section and other short-term borrowings. We expect that our ability to generate cash will be sufficient to meet our short-term liquidity needs, which include:

(i) normal operating expenses;
(ii) current debt service requirements;
(iii) recurring capital expenditures;
(iv) property development; and
(v) distributions on our common and preferred equity.

We consider our long-term liquidity requirements to be the repayment of maturing debt and borrowings under our unsecured line of credit and funding of acquisitions. We intend to meet our long-term liquidity requirements through the use of common and preferred equity capital, senior unsecured debt and property dispositions.

We intend to concentrate our growth efforts toward selective development and acquisition opportunities in our current markets, and through the acquisition of existing operating and development properties in selected new markets. During the year ended December 31, 2000, we incurred $94.4 million in development costs and no acquisition costs. We are developing three additional properties at an aggregate cost of approximately $238.4 million of which we incurred $68.1 million during 2000. Remaining costs on these three properties, at December 31, 2000, totaled approximately $114.9 million. At year end, we were obligated for approximately $13 million under construction contracts (a substantial amount of which we expect to fund by debt). We intend to fund our developments and acquisitions through a combination of equity capital, partnership units, medium-term notes, construction loans, other debt securities and the unsecured line of credit. We also seek to selectively dispose of assets that management believes have a lower projected net operating income growth rate than the overall portfolio, or no longer conform to our operating and investment strategies. Additionally, over the next three years, we will continue rebalancing our portfolio with the goal of limiting any one market to no more than 12% of total real estate assets. Such sales may generate capital for acquisitions and new developments or for debt reduction.

Dispositions during the year included eleven properties containing 3,599 apartment homes, a mini-storage facility located in Las Vegas and four parcels of undeveloped land. Of the eleven properties sold, three were located in each of Houston, Dallas and Las Vegas, and one was located in each of St. Louis and El Paso. The land sales consisted of two parcels totaling 2.9 acres located in downtown Dallas and one parcel totaling 38.5 acres located in Houston. Additionally, we sold a 19.5 acre tract of land located in Las Vegas which we acquired in our merger with Oasis. We used the net proceeds from these dispositions, totaling $150.1 million, to reduce indebtedness outstanding under our unsecured line of credit.

During 2000, we invested approximately $750,000 into BroadBand Residential Inc., a multi-unit owner-sponsored broadband company providing high-speed data services to multifamily residents, and invested approximately $2.1 million in Viva Group, Inc., an internet based company that provides online owner-renter matching services for the multifamily housing industry. Our investment in Broadband Residential is recorded using the equity method, and our investment in Viva is recorded at cost. Both of these investments are recorded in other assets in our consolidated financial statements. Additionally, we have signed a commitment to invest up to $3.5 million with a consortium of real estate and technology companies which intends to pursue a broad range of real estate technology initiatives and opportunities. All of these investments were made along with other multifamily real estate owners. Subsequent to year end, we committed an additional $1.8 million to BroadBand Residential which will be funded through a note receivable, of which we have funded approximately $600,000.

Net cash provided by operating activities totaled $163.8 million for 2000 compared to $164.0 million for 1999. This slight decrease was attributable to a $20.4 million increase in net operating income from the real estate portfolio for 2000 as compared to 1999, offset by a $11.1 million increase in interest expense and a $4.6 million increase in distributions on units convertible into perpetual preferred shares. Net operating income represents total property revenues less property operating and maintenance expenses, including real estate taxes. Also during the year, other assets increased $9.2 million.

Net cash used in investing activities totaled $13.1 million for the year ended 2000 compared to $220.6 million in 1999. Total real estate assets, before accumulated depreciation, decreased $31.7 million for 2000 as a result of property sales in excess of property additions, compared to an increase of $190.1 million during 1999. Net cash flows used in investing activities during 2000 included $150.1 million in net proceeds received from property dispositions. This increase in cash was offset by expenditures for property development and capital improvements totaling $94.4 million and $27.9 million, respectively for the year. For the year ended 1999, expenditures for property development and capital improvements were $188.5 million and $33.4 million, respectively. Additionally, we received $13.2 million in net proceeds from property dispositions during 1999.

Net cash used in financing activities totaled $151.3 million for the year ended 2000 compared to net cash provided by financing activities of $56.4 million for 1999. During 2000, we paid distributions totaling $112.9 million, repaid notes payable totaling $107.4 million and repurchased $31.2 million in common shares and units convertible into common shares. These payments were offset by the issuances of $17.5 million of preferred units, which are discussed in the "Financial Flexibility" section, and an increase in borrowings under our line of credit of $80.0 million. For the year ended 1999, we paid distributions totaling $108.3 million and repurchased $128.9 million common shares and units convertible into common shares. Additionally, during the year ended 1999, we issued $135.5 million of preferred units and $254.5 million of senior unsecured notes. The proceeds from these issuances were used to pay down borrowings under our line of credit, which decreased $66.0 million during 1999.

In 1998, we began repurchasing our securities under a program approved by our Board of Trust Managers. The plan allows us to repurchase or redeem up to $200 million of our securities through open market purchases and private transactions. Management consummates these repurchases and redemptions at the time when they believe that we can reinvest available cash flow into our own securities at yields which exceed those currently available on direct real estate investments. These repurchases were made and we expect that future repurchases, if any, will be made without incurring additional debt and, in management's opinion, without reducing our financial flexibility. At December 31, 2000, we had repurchased approximately 6.9 million common shares and redeemed approximately 106,000 units at a total cost of $180.9 million.

On January 17, 2001, we paid a distribution of $0.5625 per share for the fourth quarter of 2000 to all holders of record of our common shares as of December 18, 2000, and paid an equivalent amount per unit to holders of common limited partnership units in Camden Operating, L.P. Total distributions to common shareholders and holders of common operating partnership units for the year ended December 31, 2000 were $2.25 per share or unit. We determine the amount of cash available for distribution to unitholders in accordance with the partnership agreements and have made and intend to continue to make distributions to the holders of common operating partnership units in amounts equivalent to the per share distributions paid to holders of common shares. We intend to continue to make shareholder distributions in accordance with REIT qualification requirements under the federal tax code while maintaining what management believes to be a conservative payout ratio, and expect to continue reducing the payout ratio. The dividend payout ratio was 64% and 65% for the years ended December 31, 2000 and 1999, respectively.

On February 15, 2001, we paid a quarterly dividend on our preferred shares of $0.5625 per share to all preferred shareholders of record as of December 18, 2000. Total dividends to holders of preferred shares for the year ended December 31, 2000 were $2.25 per share.

In 1999, our operating partnership issued $100 million of 8.5% Series B Cumulative Redeemable Perpetual Preferred Units. Also during 1999 and 2000, our operating partnership issued $53 million of 8.25% Series C Cumulative Redeemable Perpetual Preferred Units. Distributions on the preferred units are payable quarterly in arrears. The preferred units are redeemable for cash by the operating partnership on or after the fifth anniversary of issuance at par plus the amount of any accumulated and unpaid distributions. The preferred units are convertible after 10 years by the holder into corresponding Cumulative

Redeemable Perpetual Preferred Shares. The preferred units are subordinate to present and future debt. Distributions on the preferred units totaled $12.8 million for the year ended December 31, 2000.

Financial Flexibility. During the third quarter of 2000, our line of credit, which was entered into in August 1999 with 14 banks for a total commitment of $375 million, was increased to $400 million and the maturity was extended to August 2003. The scheduled interest rate is currently based on a spread over LIBOR or Prime. The scheduled interest rates are subject to change as our credit ratings change. Advances under the line of credit may be priced at the scheduled rates, or we may enter into bid rate loans with participating banks at rates below the scheduled rates. These bid rate loans have terms of six months or less and may not exceed the lesser of $200 million or the remaining amount available under the line of credit. The line of credit is subject to customary financial covenants and limitations. At year end, we were in compliance with all covenants and limitations.

As an alternative to our unsecured line of credit, we from time to time borrow using competitively bid unsecured short-term notes with lenders who may or may not be a part of the unsecured line of credit bank group. Such borrowings vary in term and pricing and are typically priced at interest rates below those available under the unsecured line of credit.

As of December 31, 2000, we had $204 million available under the unsecured line of credit. During January 2000, we combined our three outstanding shelf registrations into a single $750 million universal shelf registration, all of which was available at year end. The shelf registration allows us to issue up to $750 million in debt securities and common and preferred equity securities. We have significant unencumbered real estate assets which could be sold or used as collateral for financing purposes should other sources of capital not be available.

Subsequent to year end, we issued from our $750 million shelf registration an aggregate principal amount of $50 million of 7% five-year senior unsecured notes maturing on February 15, 2006 and $150 million of 7.625% ten-year senior unsecured notes maturing on February 15, 2011. Interest on the notes is payable semiannually on February 15 and August 15, commencing on August 15, 2001. We may redeem the notes at any time at a redemption price equal to the principal amount and accrued interest, plus a make-whole provision. The notes are direct, senior unsecured obligations and rank equally with all other unsecured and unsubordinated indebtedness. The proceeds from the sale of the notes were $197.8 million, net of issuance costs. We used the net proceeds to reduce indebtedness outstanding under the unsecured line of credit.

Market Risk

We use fixed and floating rate debt to finance acquisitions, developments and maturing debt. These transactions expose us to market risk related to changes in interest rates. Management's policy is to review our borrowings and attempt to mitigate interest rate exposure through the use of derivative instruments. Our policy regarding the use of derivative financial instruments in managing market risk exposures is consistent with the prior year and is not expected to change in future years. We do not use derivative financial instruments for trading or speculative purposes. As of December 31, 2000, we had no derivative instruments outstanding.

For fixed rate debt, interest rate changes affect the fair market value but do not impact net income to common shareholders or cash flows. Conversely, for floating rate debt, interest rate changes generally do not affect the fair market value but do impact net income to common shareholders and cash flows, assuming other factors are held constant.

At December 31, 2000, we had fixed rate debt of $879.5 million and floating rate debt of $258.6 million. Holding other variables constant (such as debt levels), a one percentage point variance in interest rates would change the unrealized fair market value of the fixed rate debt by approximately $27.6 million. The net income to common shareholders and cash flows impact on the next year resulting from a one percentage point variance in interest rates on floating rate debt would be approximately $2.6 million, holding all other variables constant.

Funds from Operations

Management considers FFO to be an appropriate measure of performance of an equity REIT. The National Association of Real Estate Investment Trusts currently defines FFO as net income (computed in accordance with generally accepted accounting principles), excluding gains (or losses) from debt restructuring and sales of property, plus real estate depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. Our definition of diluted FFO also assumes conversion at the beginning of the period of all dilutive convertible securities, including minority interest, which are convertible into common equity.

We believe that in order to facilitate a clear understanding of our consolidated historical operating results, FFO should be examined in conjunction with net income as presented in the consolidated financial statements and data included elsewhere in this report. FFO is not defined by generally accepted accounting principles. FFO should not be considered as an alternative to net income as an indication of our operating performance or to net cash provided by operating activities as a measure of our liquidity. Further, FFO as disclosed by other REIT's may not be comparable to our calculation. Our diluted FFO for the year ended December 31, 2000 increased $3.9 million over 1999. On a per share basis, diluted FFO for 2000 increased 9.4% over 1999. This increase in diluted FFO was due to a $20.4 million increase in net operating income from our real estate portfolio, offset by an increase in interest on debt which was used to fund developments and repurchase shares under our securities repurchase program, and an increase in distributions on units convertible into perpetual preferred shares.

The calculation of basic and diluted FFO for the years ended December 31, 2000 and 1999 follows:

(In thousands)	2000	1999
Funds from operations		
Net income to common shareholders	$ 65,053	$ 52,252
Real estate depreciation	94,277	87,491
Real estate depreciation from unconsolidated ventures	3,238	3,198
Loss on sale of property held in unconsolidated ventures		738
Gain on sales of properties and joint venture interests	(18,323)	(2,979)
Funds from operations—basic	144,245	140,700
Preferred share dividends	9,371	9,371
Income allocated to units convertible into common shares	2,461	2,014
Interest on convertible subordinated debentures	177	258
Amortization of deferred costs on convertible debentures	20	26
Funds from operations—diluted	$156,274	$152,369
Weighted average shares—basic	38,112	41,236
Common share options and awards granted	729	431
Preferred shares	3,207	3,207
Minority interest units	2,547	2,624
Convertible subordinated debentures	105	146
Weighted average shares—diluted	44,700	47,644

Results of Operations

Changes in revenues and expenses related to the operating properties from period to period are primarily due to property acquisitions, including the Oasis merger during 1998, developments, dispositions and improvements in the performance of the stabilized properties in the portfolio. Where appropriate, comparisons are made on a dollars-per-weighted-average-apartment homes basis in order to adjust for such changes in the number of apartment homes owned during each period. Selected weighted average revenues and expenses per operating apartment home for the three years ended December 31, 2000 are as follows:

	2000	1999	1998
Rental income per apartment home per month	$ 653	$ 623	$ 591
Property operating and maintenance per apartment home per year	$ 2,424	$ 2,367	$ 2,290
Real estate taxes per apartment home per year	$ 840	$ 798	$ 742
Weighted average number of operating apartment homes	46,501	45,606	42,411

2000 Compared to 1999

Earnings before interest, depreciation and amortization increased $21.1 million, or 9.8%, from $216.3 million to $237.4 million for the years ended December 31, 1999 and 2000, respectively. The weighted average number of apartment homes increased by 895 apartment homes, or 1.9%, from 45,606 to 46,501 for the years ended December 31, 1999 and 2000, respectively. Total operating properties were 122 and 130 at December 31, 2000 and 1999, respectively. The weighted average number of apartment homes and the operating properties exclude the impact of our ownership interest in properties owned in joint ventures.

Our apartment communities generate rental revenue and other income through the leasing of apartment homes. Revenues from our rental operations comprised 97%and 98% of our total revenues for the years ended December 31, 2000 and 1999, respectively. Our primary financial focus for our apartment communities is net operating income. Net operating income represents total property revenues less property operating and maintenance expenses, including real estate taxes. Net operating income increased $20.4 million, or 9.3%, from $218.9 million to $239.4 million for the years ended December 31, 1999 and 2000, respectively.

Rental income for the year ended December 31, 2000 increased $22.9 million, or 6.7% over the year ended December 31, 1999. Rental income per apartment home per month increased $30, or 4.8%, from $623 to $653 for the years ended December 31, 1999 and 2000, respectively. The increase was primarily due to increased revenue growth from the stabilized real estate portfolio and higher average rental rates on the completed development properties. Additionally, overall average occupancy increased from 93.4% for the year ended December 31, 1999 to 94.0% for the year ended December 31, 2000.

Other property income increased $4.9 million from $22.1 million to $27.0 million for the years ended December 31, 1999 and 2000, respectively, which represents a monthly increase of $8 per apartment home. This increase in other property income was primarily due to increases from revenue sources such as telephone, cable and water.

Other income increased $3.9 million from $1.9 million to $5.8 million for the years ended December 31, 1999 and 2000, respectively. This increase was primarily due to interest earned on our notes receivable which increased $38.5 million during the year.

Property operating and maintenance expenses increased $4.8 million or 4.4%, from $108.0 million to $112.7 million, but decreased as a percent of total property income from 29.7% to 28.8%, for the years ended December 31, 1999 and 2000, respectively. The increase in operating expense was due to a larger number of apartment homes in operation and an increase in salary and benefit expenses per unit. Our operating expense ratios decreased primarily as a result of operating efficiencies generated by our newly developed properties.

Real estate taxes increased $2.6 million from $36.4 million to $39.1 million for the years ended December 31, 1999 and 2000, respectively, which represents an annual increase of $42 per apartment home. The increase was primarily due to increases in the valuations of renovated and developed properties and increases in property tax rates.

General and administrative expenses increased $3.7 million, from $10.6 million in 1999 to $14.3 million in 2000, and increased as a percent of revenues from 2.9% to 3.6%. The increase was primarily due to increases in incentive-based compensation expense, including the vesting of previously issued and outstanding restricted performance-based compensation awards related to successful implementation of our land development strategy, and expenses related to our information technology initiatives. Excluding the vesting of the restricted awards associated with the land sales, the general and administrative expense percentage would have been 3.0% of revenues for the year ended December 31, 2000.

Interest expense increased from $57.9 million in 1999 to $69.0 million in 2000 primarily due to interest on debt incurred to fund new development and repurchase securities under our repurchase program. Interest capitalized was $15.3 million and $16.4 million for the years ended December 31, 2000 and 1999, respectively.

Depreciation and amortization increased from $89.5 million to $97.0 million. This increase was due primarily to the completion of new development and capital expenditures over the past two years, partially offset by property dispositions.

Gains on sales of properties for the year ended December 31, 2000 totaled $18.3 million due to the sale of eleven properties containing a total of 3,599 apartment homes. Also included in the gain is the sale of a mini-storage facility in Las Vegas and the sale of approximately 61 acres of undeveloped land located in Las Vegas, Dallas and Houston. Gains on sales of properties for the year ended December 31, 1999 totaled $3.0 million due to the sale of two multifamily properties containing 358 units and the sale of our investment in two commercial office buildings. The gains recorded on these 1999 dispositions were partially offset by a loss on the sale of a retail/commercial center. The gains in 1999 do not include a loss on the sale of a 408 unit property held in a joint venture of $738,000 which is included in "Equity in income of joint ventures."

Distributions on units convertible into perpetual preferred shares increased $4.6 million, from $8.3 million for the year ended December 31, 1999 to $12.8 million for the year ended December 31, 2000. This increase is attributable to our issuances of perpetual preferred units during 1999 and 2000 as follows: $100 million in February 1999; $35.5 million in August and September of 1999; and $17.5 million in January 2000.

1999 Compared to 1998

Earnings before interest, depreciation and amortization increased $29.1 million, or 15.5%, from $187.2 million to $216.3 million for the years ended December 31, 1998 and 1999, respectively. The weighted average number of apartment homes increased by 3,195 apartment homes, or 7.5%, from 42,411 to 45,606 for the years ended December 31, 1998 and 1999, respectively. Total operating properties were 126 and 130 at December 31, 1998 and 1999, respectively. The weighted average number of apartment homes and the operating properties exclude the impact of our ownership interest in operating properties and apartment homes owned in joint ventures.

Our apartment communities generate rental revenue and other income through the leasing of apartment homes. Revenues from our rental operations comprised 98% of our total revenues for the years ended December 31, 1999 and 1998. Our primary financial focus for our apartment communities is net operating income. Net operating income represents total property revenues less property operating and maintenance expenses, including real estate taxes. Net operating income increased $28.8 million, or 15.2%, from $190.1 million to $218.9 million for the years ended December 31, 1998 and 1999, respectively.

Rental income per apartment home per month increased $32, or 5.4%, from $591 to $623 for the years ended December 31, 1998 and 1999, respectively. The increase was primarily due to a 3.0% increase in revenues from the stabilized real estate portfolio, higher average rental rates on properties added to the portfolio through the Oasis merger and on four of the five acquired properties, and the completion of new development properties with higher average rental rates. Additionally, seven of the eight disposed properties had average rental rates significantly lower than the portfolio average.

Other property income increased $4.1 million from $18.1 million to $22.1 million for the years ended December 31, 1998 and 1999, respectively, which represents a monthly increase of $4 per apartment home. This increase in other property income was primarily due to a larger number of apartment homes owned and in operation and a $2.7 million increase from revenue sources such as telephone, cable and water.

Fee and asset management income increased $3.8 million from $1.6 million to $5.4 million for the years ended December 31, 1998 and 1999, respectively. This increase is primarily due to fees generated from the construction and renovation of multifamily properties for third parties.

Property operating and maintenance expenses increased $10.8 million, from $97.1 million to $108.0 million, but decreased as a percent of total property income from 30.5% to 29.7% for the years ended December 31, 1998 and 1999, respectively. Our operating expense ratio decreased from the prior year primarily as a result of our continued focus on creating operating efficiencies in the stabilized portfolio, and the impact of our April 1, 1998 adoption of a new accounting policy, whereby expenditures for floor coverings, appliances and HVAC unit replacements are expensed in the first five years of a property's life and capitalized thereafter. Prior to the adoption of this policy, we had been expensing these costs. Had this policy change been adopted as of January 1, 1998, the operating expense ratio would have been 30.1%.

Real estate taxes increased $4.9 million from $31.5 million to $36.4 million for the years ended December 31, 1998 and 1999, respectively, which represents an annual increase of $56 per apartment home. Real estate taxes per apartment home have increased due to increases in the valuations of renovated, acquired and developed properties and increases in property tax rates. This increase per apartment home was partially offset by lower property taxes in the portfolio added through the Oasis merger.

General and administrative expenses increased from $8.0 million in 1998 to $10.6 million in 1999, and increased as a percent of revenues from 2.5% to 2.9%. The general and administrative expense ratio increase is primarily attributable to the impact of our March 20, 1998 adoption of Issue No. 97-11, "Accounting for Internal Costs Relating to Real Estate Property Acquisitions," which required certain costs that were previously capitalized to be expensed, an increase in compensation costs and additional expenses associated with training and information systems functions.

Interest expense increased from $50.5 million in 1998 to $57.9 million in 1999 primarily due to increased indebtedness related to the Oasis merger, completed developments, renovations and property acquisitions. Additionally, the average interest rate on our debt increased slightly from 7.1% for 1998 to 7.2% for the year ended 1999. Interest capitalized was $16.4 million and $9.9 million for the years ended December 31, 1999 and 1998, respectively.

Depreciation and amortization increased from $78.1 million to $89.5 million. This increase was due primarily to the Oasis merger, developments, renovations and property acquisitions.

Gains on sales of properties and joint venture interests increased $3.0 million due to gains from the disposition of two multifamily properties containing 358 units and the sale of our joint venture investment in two commercial office buildings. The gains recorded on these dispositions were partially offset by a loss on the sale of a retail/commercial center. These gains do not include a loss on the sale of a 408 unit property held in a joint venture of $738,000 which is included in "Equity in income of joint ventures."

Inflation

We lease apartments under lease terms generally ranging from six to thirteen months. Management believes that such short-term lease contracts lessen the impact of inflation due to the ability to adjust rental rates to market levels as leases expire.

Impact of New Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 133, Accounting for Derivative Instruments and Hedging Activities, which is effective for all fiscal years beginning after June 15, 2000. SFAS No. 133, as amended, establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities. Under SFAS No. 133, certain contracts that were not formerly considered derivatives may now meet the definition of a derivative. We have adopted SFAS No. 133 effective January 1, 2001. The adoption of SFAS No. 133 did not have a material impact on our financial position, results of operations, or cash flows.

In December 1999, the SEC issued Staff Accounting Bulletin ("SAB") No. 101, "Revenue Recognition in Financial Statements." SAB No. 101 provides guidance on revenue recognition as well as the presentation and disclosure of revenue in financial statements for all public companies. Our rental and other property income is recorded when due from residents and is recognized monthly as it is earned. Our apartment homes are rented to residents on lease terms generally ranging from six to thirteen months, with monthly payments due in advance. We are currently following the criteria set forth in SAB No. 101 to determine when revenue can be recognized, and therefore our adoption of SAB No. 101 during 2000 did not have a material impact on our financial statements.

Independent Auditors' Report

To the Shareholders of Camden Property Trust

We have audited the accompanying consolidated balance sheets of Camden Property Trust as of December 31, 2000 and 1999, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the management of Camden Property Trust. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Camden Property Trust at December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000 in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

Houston, Texas
February 7, 2001

Consolidated Balance Sheets

	December 31,	
(In thousands, except per share amounts)	2000	1999
Assets		
Real estate assets, at cost		
Land	$ 350,248	$ 354,833
Buildings and improvements	2,124,740	2,122,793
	2,474,988	2,477,626
Less: accumulated depreciation	(326,723)	(253,545)
Net operating real estate assets	2,148,265	2,224,081
Properties under development, including land	148,741	178,539
Investment in joint ventures	22,612	21,869
Total real estate assets	2,319,618	2,424,489
Accounts receivable—affiliates	3,236	2,228
Notes receivable:		
Affiliates	1,800	1,800
Other	72,893	34,442
Other assets, net	23,923	14,744
Cash and cash equivalents	4,936	5,517
Restricted cash	4,475	4,712
Total assets	$2,430,881	$2,487,932
Liabilities and Shareholders' Equity		
Liabilities		
Notes payable:		
Unsecured	$ 799,026	$ 820,623
Secured	339,091	344,467
Accounts payable	13,592	20,323
Accrued real estate taxes	26,781	24,485
Accrued expenses and other liabilities	36,981	33,987
Distributions payable	28,900	27,114
Total liabilities	1,244,371	1,270,999
Minority interests:		
Units convertible into perpetual preferred shares	149,815	132,679
Units convertible into common shares	60,562	64,173
Total minority interests	210,377	196,852
7.33% Convertible Subordinated Debentures	1,950	3,406
Shareholders' Equity		
Convertible preferred shares of beneficial interest; $2.25 Series A Cumulative Convertible, $0.01 par value per share, liquidation preference of $25 per share, 10,000 shares authorized, 4,165 issued and outstanding at December 31, 2000 and 1999	42	42
Common shares of beneficial interest; $0.01 par value per share; 100,000 shares authorized; 45,760 and 45,317 issued at December 31, 2000 and 1999, respectively	450	448
Additional paid-in capital	1,312,323	1,303,645
Distributions in excess of net income	(153,972)	(132,198)
Unearned restricted share awards	(6,680)	(8,485)
Less: treasury shares, at cost	(177,980)	(146,777)
Total shareholders' equity	974,183	1,016,675
Total liabilities and shareholders' equity	$2,430,881	$2,487,932

See Notes to Consolidated Financial Statements.

Consolidated Statements of Operations

(In thousands, except per share amounts)	2000	1999	1998
	Year Ended December 31,		
Revenues			
Rental income	$364,111	$341,168	$300,632
Other property income	27,030	22,148	18,093
Total property income	391,141	363,316	318,725
Equity in income of joint ventures	765	683	1,312
Fee and asset management	5,810	5,373	1,552
Other income	5,823	1,924	2,250
Total revenues	403,539	371,296	323,839
Expenses			
Property operating and maintenance	112,727	107,972	97,137
Real estate taxes	39,054	36,410	31,469
General and administrative	14,349	10,606	7,998
Interest	69,036	57,856	50,467
Depreciation and amortization	96,966	89,516	78,113
Total expenses	332,132	302,360	265,184
Income before gain on sales of properties and joint venture interests, and minority interests	71,407	68,936	58,655
Gain on sales of properties and joint venture interests	18,323	2,979	
Income before minority interests	89,730	71,915	58,655
Income allocated to minority interests			
Distributions on units convertible into perpetual preferred shares	(12,845)	(8,278)	
Income allocated to units convertible into common shares	(2,461)	(2,014)	(1,322)
Total income allocated to minority interests	(15,306)	(10,292)	(1,322)
Net income	74,424	61,623	57,333
Preferred share dividends	(9,371)	(9,371)	(9,371)
Net income to common shareholders	$ 65,053	$ 52,252	$ 47,962
Basic earnings per share	$ 1.71	$ 1.27	$ 1.16
Diluted earnings per share	$ 1.63	$ 1.23	$ 1.12
Distributions declared per common share	$ 2.25	$ 2.08	$ 2.02
Weighted average number of common shares outstanding	38,112	41,236	41,174
Weighted average number of common and common dilutive equivalent shares outstanding	41,388	44,291	44,183

See Notes to Consolidated Financial Statements.

Consolidated Statements of Shareholders' Equity

(In thousands, except per share amounts)	Preferred Shares of Beneficial Interest	Common Shares of Beneficial Interest	Additional Paid-In Capital	Distributions in Excess of Net Income	Unearned Restricted Share Awards	Treasury Shares
Shareholders' Equity, January 1, 1998	$	$317	$ 780,738	$ (63,526)	$ (6,965)	$
Net income to common shareholders				47,962		
Common shares issued in Oasis Merger (12,393 shares)		124	395,404			
Preferred shares issued in Oasis Merger (4,165 shares)	42		104,083			
Common shares issued under dividend reinvestment plan			35			
Conversion of debentures (102 shares)		1	2,408			
Restricted shares issued under benefit plan (232 shares)		2	6,675		(3,076)	
Employee Stock Purchase Plan			(136)			
Restricted shares placed into Rabbi Trust (236 shares)		(2)			2	
Common share options exercised (82 shares)		1	428			
Conversion of Operating Partnership units (346 shares)		4	9,904			
Repurchase of common shares (801 shares)						(20,704)
Cash distributions ($2.02 per share)				(83,333)		
Shareholders' Equity, December 31, 1998	42	447	1,299,539	(98,897)	(10,039)	(20,704)
Net income to common shareholders				52,252		
Common shares issued under dividend reinvestment plan			28			
Conversion of debentures (7 shares)			169			
Restricted shares issued under benefit plan (90 shares)		1	2,041		1,559	
Employee Stock Purchase Plan			(522)			
Restricted shares placed into Rabbi Trust (35 shares)			5		(5)	
Common share options exercised (80 shares)			1,806			
Conversion of Operating Partnership units (23 shares)			479			
Repurchase of minority interest units			100			
Repurchase of common shares (4,890 shares)						(126,073)
Cash distributions ($2.08 per share)				(85,553)		
Shareholders' Equity, December 31, 1999	42	448	1,303,645	(132,198)	(8,485)	(146,777)
Net income to common shareholders				65,053		
Common shares issued under dividend reinvestment plan			23			
Conversion of debentures (61 shares)		1	1,462			
Restricted shares issued under benefit plan (329 shares)		3	6,195		1,805	
Employee Stock Purchase Plan			(189)			
Restricted shares placed into Rabbi Trust (241 shares)		(2)	2			
Common share options exercised (46 shares)			1,052			
Conversion of Operating Partnership units (6 shares)			133			
Repurchase of common shares (1,166 shares)						(31,203)
Cash distributions ($2.25 per share)				(86,827)		
Shareholders' Equity, December 31, 2000	$42	$450	$1,312,323	$(153,972)	$ (6,680)	$(177,980)

See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

	Year Ended December 31,		
(In thousands)	2000	1999	1998
Cash Flow from Operating Activities			
Net income	$ 74,424	$ 61,623	$ 57,333
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	96,966	89,516	78,113
Equity in income of joint ventures, net of cash received	1,959	2,491	1,278
Gain on sales of properties and joint venture interests	(18,323)	(2,979)	
Income allocated to units convertible into common shares	2,461	2,014	1,322
Accretion of discount on unsecured notes payable	403	320	169
Net change in operating accounts	5,931	11,036	204
Net cash provided by operating activities	163,821	164,021	138,419
Cash Flow from Investing Activities			
Cash of Oasis at acquisition			7,253
Net proceeds from Sierra-Nevada transaction			226,128
Increase in real estate assets	(120,636)	(213,352)	(335,567)
Net proceeds from sales of properties	150,141	13,226	42,513
Net proceeds from sale of joint venture interests		5,465	6,841
Increase in investment in joint ventures	(2,702)	(2,012)	(4,922)
Decrease in investment in joint ventures		1,505	1,478
Increase in notes receivable	(38,451)	(23,530)	
Net decrease in affiliate notes receivable			5,389
Other	(1,488)	(1,873)	(4,126)
Net cash used in investing activities	(13,136)	(220,571)	(55,013)
Cash Flow from Financing Activities			
Net increase (decrease) in unsecured lines of credit and short-term borrowings	80,000	(66,000)	146,792
Proceeds from notes payable		253,380	152,600
Repayment of notes payable	(107,376)	(25,178)	(274,473)
Proceeds from issuance of preferred units, net	17,136	132,679	
Distributions to shareholders and minority interests	(112,850)	(108,253)	(89,115)
Repurchase of common shares and units	(31,203)	(128,929)	(20,704)
Other	3,027	(1,279)	673
Net cash (used in) provided by financing activities	(151,266)	56,420	(84,227)
Net decrease in cash and cash equivalents	(581)	(130)	(821)
Cash and cash equivalents, beginning of period	5,517	5,647	6,468
Cash and cash equivalents, end of period	$ 4,936	$ 5,517	$ 5,647

Consolidated Statements of Cash Flows *(continued)*

(In thousands)	Year Ended December 31, 2000	1999	1998
Supplemental Information			
Cash paid for interest, net of interest capitalized	$ 70,310	$ 54,226	$ 51,574
Interest capitalized	15,303	16,396	9,929
Supplemental Schedule of Noncash Investing and Financing Activities			
Acquisition of Oasis (including the Sierra-Nevada transaction), net of cash acquired:			
Fair value of assets acquired	$	$ 835	$ 793,513
Liabilities assumed		835	505,721
Common shares issued			395,528
Preferred shares issued			104,125
Fair value of minority interest			21,520
Notes payable assumed upon purchase of properties			22,424
Conversion of 7.33% subordinated debentures to common shares, net	1,456	169	2,409
Value of shares issued under benefit plans, net	5,873	2,047	6,821
Conversion of operating partnership units to common shares	144	479	9,881
Notes receivable issued upon sale of real estate assets		10,912	

See Notes to Consolidated Financial Statements.

1. Business

Camden Property Trust is a self-administered and self-managed real estate investment trust organized on May 25, 1993. We, with our subsidiaries, report as a single business segment, with activities related to the ownership, development, construction and management of multifamily apartment communities in the Southwest, Southeast, Midwest and Western regions of the United States. As of December 31, 2000, we owned interests in, operated or were developing 148 multifamily properties containing 52,874 apartment homes located in nine states. Three of our multifamily properties containing 1,538 apartment homes were under development at December 31, 2000. Additionally, we have several sites which we intend to develop into multifamily apartment communities.

Acquisition of Oasis Residential, Inc. On April 8, 1998, we acquired, through a tax-free merger, Oasis Residential, Inc., a publicly traded Las Vegas-based multifamily REIT. Through this acquisition, we acquired 52 completed multifamily properties and 15,514 apartment homes at the date of acquisition. Each share of Oasis common stock outstanding on April 8, 1998 was exchanged for 0.759 of a Camden common share. Each share of Oasis Series A cumulative convertible preferred stock outstanding on April 8, 1998 was exchanged for one Camden Series A cumulative convertible preferred share with terms and conditions comparable to the Oasis preferred stock. We issued 12.4 million common shares and 4.2 million preferred shares in exchange for the outstanding Oasis common and preferred stock, respectively. We assumed approximately $484 million of Oasis debt, at fair value, in the merger. The accompanying consolidated financial statements include the operations of Oasis since April 1, 1998, the effective date of the Oasis merger for accounting purposes.

In connection with the merger with Oasis, on June 30, 1998, we completed a transaction in which Camden USA, Inc., one of our wholly owned subsidiaries, and TMT-Nevada, L.L.C., a Delaware limited liability company, formed Sierra-Nevada Multifamily Investments, LLC. We entered into this transaction to reduce our market risk in the Las Vegas area. TMT-Nevada holds an 80% interest in Sierra-Nevada and Camden USA holds the remaining 20% interest.

In the above transaction, we transferred to Sierra-Nevada 19 apartment communities containing 5,119 apartment homes for an aggregate of $248 million. Prior to the merger, Oasis owned 100% of each of these communities. In the merger, Camden USA acquired these communities. As a result, after the merger and prior to the Sierra-Nevada transaction, Camden USA owned 100% of each of these 19 properties which are located in Las Vegas, Nevada. This transaction was funded with capital invested by the members of Sierra-Nevada, the assumption of $9.9 million of existing nonrecourse indebtedness, the issuance of 17 nonrecourse cross collateralized and cross defaulted loans totaling $180 million and the issuance of two nonrecourse second lien mortgages totaling $7 million.

2. Summary of Significant Accounting Policies

Principles of Consolidation. The consolidated financial statements include our assets, liabilities and operations and those of our wholly owned subsidiaries and partnerships in which our aggregate ownership is greater than 50%. Those entities owned less than 50% where significant influence is in effect are accounted for using the equity method. Those entities owned less than 50% where significant influence is not exercised are accounted for using the cost method. All significant intercompany accounts and transactions have been eliminated in consolidation. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, results of operations during the reporting periods and related disclosures. Actual results could differ from those estimates.

Operating Partnership and Minority Interests. Approximately 27% of our multifamily apartment units at December 31, 2000 were held in Camden Operating, L.P. This operating partnership has issued both common and preferred limited partnership units. As of December 31, 2000, we held 82.4% of the common limited partnership units and the sole 1% general partnership interest of the operating partnership. The remaining 16.6% of the common limited partnership units are primarily held by former officers, directors and investors of Paragon Group, Inc., which we acquired in 1997, who collectively owned 1,969,272 common limited partnership units at December 31, 2000. Each common limited partnership unit is redeemable for one common share of Camden or cash at our election. Holders of common limited partnership units are not entitled to rights as shareholders prior to redemption of their common limited partnership units. No member of our management owns common limited partnership units and only two of our eight Trust Managers own common limited partnership units.

In 1999, our operating partnership issued $100 million of 8.5% Series B Cumulative Redeemable Perpetual Preferred Units. Also during 1999 and 2000, our operating partnership issued $53 million of 8.25% Series C Cumulative Redeemable Perpetual Preferred Units. Distributions on the preferred units are payable quarterly in arrears. The preferred units are redeemable for cash by the operating partnership on or after the fifth anniversary of issuance at par plus the amount of any accumulated and unpaid distributions. The preferred units are convertible after 10 years by the holder into corresponding Cumulative Redeemable Perpetual Preferred Shares. The preferred units are subordinate to present and future debt.

Additionally, in conjunction with the Oasis merger, we acquired the controlling managing member interest in Oasis Martinique, LLC which owns one property in Orange County, California and is included in our consolidated financial statements. The remaining interests comprising 754,270 units are exchangeable into 572,490 of our common shares.

Minority interests in the accompanying consolidated financial statements relate to holders of common and preferred limited partnership units of Camden Operating, L.P. and units in Oasis Martinique, LLC.

Cash and Cash Equivalents. All cash and investments in money market accounts and other securities with a maturity of three months or less at the date of purchase are considered to be cash and cash equivalents.

Restricted Cash. Restricted cash mainly consists of escrow deposits held by lenders for property taxes, insurance and replacement reserves. Substantially all restricted cash is invested in short-term securities.

Real Estate Assets, at Cost. Real estate assets are carried at cost plus capitalized carrying charges. Expenditures directly related to the development, acquisition and improvement of real estate assets, excluding internal costs relating to acquisitions, are capitalized at cost as land, buildings and improvements. All construction and carrying costs are capitalized and reported on the balance sheet in "Properties under development, including land" until individual buildings are completed. Upon completion of each building, the total cost of that building and the associated land is transferred to "Land" and "Buildings and improvements" and the assets are depreciated over their estimated useful lives using the straight line method of depreciation. All operating expenses, excluding depreciation, associated with occupied apartment homes for properties in the development and leasing phase are expensed against revenues generated by those apartment homes as they become occupied. Upon achieving 90% occupancy, or generally one year from opening the leasing office (with some allowances for larger than average properties), whichever occurs first, all apartment homes are considered operating and we begin expensing all items that were previously considered as carrying costs.

If an event or change in circumstance indicates a potential impairment in the value of a property has occurred, our policy is to assess any potential impairment by making a comparison of the current and projected operating cash flows for such property over its remaining useful life, on an undiscounted basis, to the carrying amount of the property. If such carrying amounts are in excess of the estimated projected operating cash flows of the property, we would recognize an impairment loss equivalent to an amount required to adjust the carrying amount to its estimated fair market value.

Real estate to be disposed of is reported at the lower of its carrying amount or its estimated fair value, less its cost to sell. Depreciation expense is not recorded during the period in which such assets are held for sale.

Effective April 1, 1998, we implemented prospectively a new accounting policy whereby expenditures for carpet, appliances and HVAC unit replacements are capitalized and depreciated over their estimated useful lives. Previously, all such replacements had been expensed. We believe that the newly adopted accounting policy is preferable as it is consistent with standards and practices utilized by the majority of our peers and provides a better matching of expenses with the related benefit of the expenditure. The change in accounting principle is inseparable from the effect of the change in accounting estimate and is therefore treated as a change in accounting estimate. See New Accounting Pronouncements section for the effect of this change and our adoption of a new accounting pronouncement on our financial results for the nine months ended December 31, 1998.

We capitalized $27.9 million and $33.4 million in 2000 and 1999, respectively, of renovation and improvement costs which extended the economic lives and enhanced the earnings of our multifamily properties.

Carrying charges, principally interest and real estate taxes, of land under development and buildings under construction are capitalized as part of properties under development and buildings and improvements to the extent that such charges do not cause the carrying value of the asset to exceed its net realizable value. Capitalized interest was $15.3 million in 2000, $16.4 million in 1999 and $9.9 million in 1998. Capitalized real estate taxes were $2.9 million in 2000, $3.2 million in 1999 and $1.4 million in 1998.

All initial buildings and improvements costs are depreciated over their remaining estimated useful lives of 5 to 35 years using the straight line method. Capital improvements subsequent to the initial renovation period are depreciated over their expected useful lives of 3 to 15 years using the straight line method.

Other Assets, Net. Other assets in our consolidated financial statements include deferred financing costs, non-real estate leasehold improvements and equipment, investments in e-commerce initiatives and other miscellaneous receivables. Deferred financing costs are amortized over the terms of the related debt on the straight line method. Leasehold improvements and equipment are depreciated on the straight line method over the shorter of the expected useful lives or the lease terms which range from 3 to 10 years. Accumulated depreciation and amortization for such assets was $9.0 million in 2000 and $5.6 million in 1999.

Interest Rate Swap Agreements. The differential to be paid or received on interest rate swap agreements is accrued as interest rates change and is recognized over the life of the agreements as an increase or decrease in interest expense. We do not use these instruments for trading or speculative purposes.

Income Recognition. In December 1999, the SEC issued Staff Accounting Bulletin ("SAB") No. 101, "Revenue Recognition in Financial Statements." SAB No. 101 provides guidance on revenue recognition as well as the presentation and disclosure of revenue in financial statements for all public companies. Our rental and other property income is recorded when due from residents and is recognized monthly as it is earned. Our apartment homes are rented to residents on lease terms generally ranging from six to thirteen months, with monthly payments due in advance. Interest, fee and asset management and all other sources of income are recognized as earned. We are currently following the criteria set forth in SAB No. 101 to determine when revenue can be recognized, and therefore our adoption of SAB No. 101 during 2000 did not have a material impact on our financial statements.

Rental Operations. We own and operate multifamily apartment homes that are rented to residents. None of the properties are subject to rent control or rent stabilization. Operations of apartment properties acquired are recorded from the date of acquisition in accordance with the purchase method of accounting. In management's opinion, due to the number of residents, the type and diversity of submarkets in which the properties operate, and the collection terms, there is no concentration of credit risk.

Income Taxes and Distributions. We have maintained and intend to maintain our election as a REIT under the Internal Revenue Code of 1986, as amended. As a result, we generally will not be subject to federal taxation to the extent we distribute 95% of our REIT taxable income to our shareholders and satisfy certain other requirements. The distribution percentage decreases to 90% beginning 2001. Accordingly, no provision for federal income taxes has been included in the accompanying consolidated financial statements.

Taxable income differs from net income for financial reporting purposes due principally to the timing of the recognition of depreciation expense. This difference is primarily due to the difference in the book/tax basis of the real estate assets and the differing methods of depreciation and useful lives of the assets. During 2000, book depreciation expense exceeded the amount reported for tax purposes by $19.1 million. The net book basis of our real estate assets exceeds our net tax basis by $185.5 million at December 31, 2000.

A schedule of per share distributions we paid and reported to our shareholders is set forth in the following tables:

	Year Ended December 31,		
Common Share Distributions	**2000**	1999	1998
Ordinary income	**$1.71**	$2.08	$1.68
20% Long-term capital gain	**0.11**		0.10
25% Sec. 1250 capital gain	**0.43**		0.24
Total	**$2.25**	$2.08	$2.02
Percentage of distributions representing tax preference items	**12.090%**	12.187%	9.052%

	Year Ended December 31		
Preferred Share Dividends	**2000**	1999	1998*
Ordinary income	**$1.71**	$2.25	$1.40
20% Long-term capital gain	**0.11**		0.09
25% Sec. 1250 capital gain	**0.43**		0.20
Total	**$2.25**	$2.25	$1.69

* Preferred share dividends for 1998 only include dividends paid from date of the Oasis merger through December 31, 1998.

Property Operating and Maintenance Expenses. Property operating and maintenance expenses included normal repairs and maintenance totaling $27.6 million in 2000, $24.5 million in 1999 and $21.5 million in 1998.

Earnings Per Share. Basic earnings per share is computed based on net income to common shareholders and the weighted average number of common shares outstanding. Diluted earnings per share reflects common shares issuable from the assumed conversion of common share options and awards granted, preferred shares, units convertible into common shares and convertible subordinated debentures. Only those items that have a dilutive impact on our basic earnings per share are included in diluted earnings per share. The following table presents information necessary to calculate basic and diluted earnings per share for the periods indicated (in thousands, except per share amounts).

	Year Ended December 31,		
	2000	1999	1998
Basic Earnings per Share			
Weighted average common shares outstanding	**38,112**	41,236	41,174
Basic earnings per share	**$ 1.71**	$ 1.27	$ 1.16
Diluted Earnings per Share			
Weighted average common shares outstanding	**38,112**	41,236	41,174
Shares issuable from assumed conversion of:			
Common share options and awards granted	**729**	431	399
Units convertible into common shares	**2,547**	2,624	2,610
Weighted average common shares outstanding, as adjusted	**41,388**	44,291	44,183
Diluted earnings per share	**$ 1.63**	$ 1.23	$ 1.12
Earnings for Basic and Diluted Computation			
Net income	**$74,424**	$61,623	$57,333
Less: preferred share dividends	**9,371**	9,371	9,371
Net income to common shareholders (basic earnings per share computation)	**65,053**	52,252	47,962
Income allocated to units convertible into common shares	**2,461**	2,014	1,322
Net income to common shareholders, as adjusted (diluted earnings per share computation)	**$67,514**	$54,266	$49,284

Reclassifications. Certain reclassifications have been made to amounts in prior year financial statements to conform with current year presentations.

New Accounting Pronouncements. In March 1998, the Emerging Issues Task Force ("EITF") of the Financial Accounting Standards Board ("FASB") reached a consensus decision on Issue No. 97-11, "Accounting for Internal Costs Relating to Real Estate Property Acquisitions," which requires that internal costs of identifying and acquiring operating properties be expensed as incurred for transactions entered into on or after March 20, 1998. Prior to our adoption of this policy, we had been capitalizing such costs. Had we adopted Issue No. 97-11 and the new accounting policy for floor coverings, appliances and HVAC unit replacements as of January 1, 1998, net income to common shareholders would have increased $650,000 or $0.02 per basic and diluted earnings per share for the year ended December 31, 1998.

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities," which is effective for all fiscal years beginning after June 15, 2000. SFAS No. 133, as amended, establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities. Under SFAS No. 133, certain contracts that were not formerly considered derivatives may now meet the definition of a derivative. We have adopted SFAS No. 133 effective January 1, 2001. The adoption of SFAS No. 133 did not have a material impact on our financial position, results of operations, or cash flows.

3. Notes Receivable

Beginning in 1999, we entered into agreements with unaffiliated third parties to develop, construct and manage nine multifamily projects containing a total of 3,112 apartment homes. We are providing financing for a portion of each project in the form of notes receivable which mature through 2005. These notes earn interest at 10% annually and are secured by second liens on the assets and partial guarantees by the third party owners. We expect these notes to be repaid from operating cash flow or proceeds from the sale of the individual properties. At December 31, 2000 and 1999, these notes had principal balances totaling $72.9 million and $28.1 million, respectively, and we anticipate funding up to an aggregate of $110 million in connection with these projects. We earn fees for managing the development, construction and eventual operations of these properties.

The related fees we earned for these projects totaled $2.2 million and $1.7 million for the years ended December 31, 2000 and 1999, respectively. We have begun construction on four of these projects, and initial occupancy has begun on three of the projects. We have the option to purchase these properties in the future at a price to be determined based upon the property's performance and an agreed valuation model. The following is a detail of our third party construction subject to notes receivable:

Property and Location	Number of Apartment Homes	Estimated Cost ($ millions)	Estimated/ Actual Date of Completion	Estimated Date of Stabilization
In Lease-up				
Pecos Ranch				
Phoenix, AZ	272	$ 21	4Q00	1Q01
Marina Pointe II				
Tampa, FL	352	30	1Q01	3Q01
Creekside				
Denver, CO	279	32	1Q01	4Q01
Under Construction				
Ybor City				
Tampa, FL	454	40	4Q01	3Q02
Pre-Development				
Little Italy				
San Diego, CA	160	32		
Otay Ranch				
San Diego, CA	422	57		
California Oaks				
Murietta, CA	264	35		
Lee Vista II				
Orlando, FL	366	31		
Midtown West				
Houston, TX	543	54		
Total Third Party Development	3,112	$332		

4. Notes Payable

The following is a summary of our indebtedness:

	December 31,	
(In millions)	2000	1999
Senior Unsecured Notes:		
6.73%–7.28% Notes, due 2001–2006	$ 523.5	$ 523.1
6.68%–7.63% Medium-Term Notes, due 2002–2009	79.5	181.5
Unsecured Line of Credit and Short-Term Borrowings	196.0	116.0
	799.0	820.6
Secured Notes—Mortgage Loans (5.75%–8.63%), due 2001–2028	339.1	344.5
Total notes payable	$1,138.1	$1,165.1
Floating rate debt included in unsecured notes payable agreements (7.31%–7.73%)	$ 196.0	$ 161.0
Floating rate tax-exempt debt included in mortgage loans (5.87%–6.10%)	$ 62.6	$ 63.5
Net book value of real estate assets subject to mortgage notes	$ 577.6	$ 605.5

During the third quarter of 2000, our line of credit, which was entered into in August 1999 with 14 banks for a total commitment of $375 million, was increased to $400 million and the maturity was extended to August 2003. The scheduled interest rate is currently based on a spread over LIBOR or Prime. The scheduled interest rates are subject to change as our credit ratings change. Advances under the line of credit may be priced at the scheduled rates, or we may enter into bid rate loans with participating banks at rates below the scheduled rates. These bid rate loans have terms of six months or less and may not exceed the lesser of $200 million or the remaining amount available under the line of credit. The line of credit is subject to customary financial covenants and limitations. At year end, we were in compliance with all covenants and limitations.

As of December 31, 2000, we had $204 million available under our unsecured line of credit. The weighted average balance outstanding on the unsecured lines of credit during the year ended December 31, 2000 was $156.4 million, with a maximum outstanding balance of $222 million.

During September 1999, we executed three interest rate swap agreements totaling $70 million which matured in October 2000. These swaps were being used as a hedge of interest rate exposure on our $90 million medium-term notes issued in October 1998 which matured in October 2000.

At December 31, 2000, the weighted average interest rate on floating rate debt was 7.18%.

Scheduled principal repayments on all notes payable outstanding at December 31, 2000 over the next five years are $167.5 million in 2001, $40.4 million in 2002, $321.5 million in 2003, $235.3 million in 2004, $61.9 million in 2005 and $311.5 million thereafter.

During January 2000, we combined our three outstanding shelf registrations into a single $750 million universal shelf registration, all of which was available at year end.

On February 7, 2001, we issued from our $750 million shelf registration an aggregate principal amount of $50 million of 7% five-year senior unsecured notes maturing on February 15, 2006 and $150 million of 7.625% ten-year senior unsecured notes maturing on February 15, 2011. Interest on the notes is payable semiannually on February 15 and August 15, commencing on August 15, 2001. We may redeem the notes at any time at a redemption price equal to the principal amount and accrued interest, plus a make-whole provision. The notes are direct, senior unsecured obligations and rank equally with all other unsecured and unsubordinated indebtedness. The proceeds from the sale of the notes were $197.8 million, net of issuance costs. We used the net proceeds to reduce indebtedness outstanding under the unsecured line of credit.

5. Convertible Subordinated Debentures

In April 1994, we issued $86.3 million aggregate principal amount of 7.33% Convertible Subordinated Debentures due April 2001. The debentures are convertible at any time prior to maturity into our common shares of beneficial interest at a conversion price of $24 per share, subject to adjustment under certain circumstances. The debentures will not be redeemable prior to maturity, except in certain circumstances intended to maintain our status as a REIT. Interest on the debentures is payable on April and October 1 of each year. The debentures are unsecured and subordinated to present and future senior debt and will be effectively subordinated to all debt and other liabilities.

6. Incentive and Benefit Plans

We have elected to follow Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees ("APB No. 25") and related interpretations in accounting for our share-based compensation. Under APB No. 25, since the exercise price of share options equals the market price of our shares at the date of grant, no compensation expense is recorded. Restricted shares are recorded to compensation expense over the vesting periods based on the market value on the date of grant, and no compensation expense is recorded for our Employee Stock Purchase Plan ("ESPP"), since the ESPP is considered non-compensatory. We have adopted the disclosure-only provisions of SFAS No. 123, Accounting for Stock-Based Compensation.

Incentive Plan. We have a non-compensatory option plan which was amended in 2000 by our shareholders and trust managers. This amendment resulted in an increase in the maximum number of common shares available for issuance under the plan to 10% of the common shares outstanding at any time plus the number of common shares, if any, held as treasury shares, plus the number of common shares reserved for issuance upon the conversion of securities convertible into or exchangeable for common shares. Compensation awards that can be granted under the plan include various forms of incentive awards including incentive share options, non-qualified share options and restricted share awards. The class of eligible persons that can receive grants of incentive awards under the plan consists of non-employee trust managers, key employees, consultants, and directors of subsidiaries as determined by a committee of our Board of Trust Managers. No incentive awards may be granted under this plan after May 27, 2003.

Following is a summary of the activity of the plan for the three years ended December 31, 2000:

	Shares Available for Issuance	Options and Restricted Shares					
	2000	2000	Weighted Average 2000 Price	1999	Weighted Average 1999 Price	1998	Weighted Average 1998 Price
Balance at January 1	196,273	3,311,705	$27.50	2,838,499	$28.03	1,303,849	$24.94
Current Year Share Adjustment (a)	1,507,731						
Options							
Granted	(5,250)	5,250	25.88	603,072	24.88	1,657,008	29.32
Exercised		(147,589)	29.22	(79,650)	22.67	(82,327)	22.96
Forfeited	36,083	(36,083)	27.09	(139,768)	27.38	(271,538)	23.57
Net Options	30,833	(178,422)	28.91	383,654	27.71	1,303,143	30.92
Restricted Shares							
Granted	(260,114)	260,114	26.91	142,826	25.31	248,769	29.06
Forfeited		(41,693)	27.24	(53,274)	27.01	(17,262)	27.67
Net Restricted Shares	(260,114)	218,421	26.80	89,552	26.79	231,507	29.16
Balance at December 31	1,474,723	3,351,704	$28.30	3,311,705	$27.50	2,838,499	$28.03
Exercisable options at December 31		889,654	$28.78	1,056,076	$27.86	586,607	$26.15
Vested restricted shares at December 31		655,504	$25.56	343,702	$25.93	213,782	$25.20

(a) Current year share adjustment reflects the new method of accounting for shares available for issuance, which now includes treasury shares repurchased, and common shares underlying Camden Operating, L.P. units, convertible preferred shares, convertible debentures, Martinique LLC units, and restricted shares outstanding in the total shares available pool.

Options are exercisable, subject to the terms and conditions of the plan, in increments of 33.33% per year on each of the first three anniversaries of the date of grant. The plan provides that the exercise price of an option will be determined by the compensation committee of the Board on the day of grant and to date all options have been granted at an exercise price which equals the fair market value on the date of grant. Options exercised during 2000 were exercised at prices ranging from $22 to $29.44 per share. At December 31, 2000, options outstanding were at exercise prices ranging from $22 to $30.75 per share. Such options have a weighted average remaining contractual life of eight years.

In 1998, in connection with the merger with Oasis, we assumed the Oasis stock incentive plans. We converted all unexercised Oasis stock options issued under the former Oasis stock incentive plans that are held by former employees of Oasis into 894,111 options to purchase Camden common shares based on the 0.759 exchange ratio described in Note 1. The options are exercisable at prices ranging from $28.66 to $33.76. All of the Oasis options became fully vested upon conversion, and have a weighted average remaining contractual life of four years. As of December 31, 2000, there were 599,618 Oasis options outstanding, which are exercisable at prices ranging from $28.66 to $33.76 per share.

The fair value of each option grant, excluding the Oasis stock options, was estimated on the date of grant utilizing the Black-Scholes option-pricing model with the following weighted average assumptions used for grants in 2000, 1999 and 1998, respectively: risk-free interest rates of 6.6%, 4.9% and 5.5% to 5.6%, expected life of ten years, dividend yield of 6.7%, 7.6% and 7.8%, and expected share volatility of 13.4%, 13.7% and 13.9%. The weighted average fair value of options granted in 2000, 1999 and 1998, respectively, was $2.54, $0.91 and $1.27 per share.

Restricted shares have vesting periods of up to five years. The compensation cost for restricted shares has been recognized at the fair market value of our shares. During 2000, we accelerated vesting of 180,634 restricted shares, which had a weighted average price of $27.74, in connection with the successful implementation of our land development strategy.

Employee Stock Purchase Plan. In July 1997, we established and commenced an ESPP for all active employees, officers, and trust managers who have completed one year of continuous service. Participants may elect to purchase Camden common shares through payroll or director fee deductions and/or through quarterly contributions. At the end of each six-month offering period, each participant's account balance is applied to acquire common shares on the open market at 85% of the market value, as defined, on the first or last day of the offering period, whichever price is lower. Effective for the 2000 plan year, each participant must hold the shares purchased for nine months in order to receive the discount. A participant may not purchase more than $25,000 in value of shares during any plan year, as defined. No compensation expense was recognized for the difference in price paid by employees and the fair market value of our shares at the date of purchase. There were 35,900, 98,456 and 32,678 shares purchased under the ESPP during 2000, 1999 and 1998, respectively. The weighted average fair value of ESPP shares purchased in 2000, 1999, and 1998 was $28.67, $27.42 and $30.41 per share, respectively. On January 3, 2001, 6,020 shares were purchased under the ESPP related to the 2000 plan year.

If we applied the recognition provisions of SFAS No. 123 to our option grants and ESPP, our net income to common shareholders and related basic and diluted earnings per share would be as follows (in thousands, except per share amounts):

	Year Ended December 31,		
	2000	1999	1998
Net income to common shareholders	**$64,317**	$51,076	$47,360
Basic earnings per share	**$ 1.69**	$ 1.24	$ 1.15
Diluted earnings per share	**$ 1.62**	$ 1.20	$ 1.10

The effects of applying SFAS No. 123 in this pro forma disclosure are not indicative of future amounts.

Rabbi Trust. In February 1997, we established a rabbi trust in which salary and bonus amounts awarded to certain officers under the key employee share option plan and restricted shares awarded to certain officers and trust managers may be deposited. We account for the rabbi trust similar to a compensatory stock option plan. At December 31, 2000, approximately 773,000 restricted shares were held in the rabbi trust.

401(k) Savings Plan. We have a 401(k) savings plan which is a voluntary defined contribution plan. Under the savings plan, every employee is eligible to participate beginning on the earlier of January 1 or July 1 following the date the employee has completed six months of continuous service with us. Each participant may make contributions to the savings plan by means of a pre-tax salary deferral which may not be less than 1% nor more than 15% of the participant's compensation. The federal tax code limits the annual amount of salary deferrals that may be made by any participant. We may make matching contributions on the participant's behalf. A participant's salary deferral contribution will always be 100% vested and nonforfeitable. A participant will become vested in our matching contributions 33.33% after one year of service, 66.67% after two years of service and 100% after three years of service. Expenses under the savings plan were not material.

7. Securities Repurchase Program

In 1998 and 1999, the Board of Trust Managers authorized us to repurchase or redeem up to $200 million of our common equity securities through open market purchases and private transactions. As of December 31, 2000, we had repurchased 6,857,726 common shares and redeemed 105,814 units for a total cost of $178.0 million and $2.9 million, respectively.

8. Convertible Preferred Shares

The 4,165,000 preferred shares pay a cumulative dividend quarterly in arrears in an amount equal to $2.25 per share per annum. The preferred shares generally have no voting rights and have a liquidation preference of $25 per share plus accrued and unpaid distributions. The preferred shares are convertible at the option of the holder at any time into common shares at a conversion price of $32.4638 per common share (equivalent to a conversion rate of 0.7701 per common share for each preferred share), subject to adjustment in certain circumstances. The preferred shares are not redeemable prior to April 30, 2001.

9. E-commerce Investments

During 2000, our Board of Trust Managers authorized us to invest in non-real estate initiatives, including investments in e-commerce initiatives with other multifamily real estate owners. These investments may be made in companies that will provide our residents with a broad range of real estate technology services including high-speed data, video and entertainment services, as well as resident portals. These portals will provide our residents with a variety of online services, including online rental payments and maintenance requests, which we believe will improve their overall living experience.

During 2000, we invested approximately $750,000 into BroadBand Residential Inc., a multi-unit owner-sponsored broadband company providing high-speed data services to multifamily residents, and invested approximately $2.1 million in Viva Group, Inc., an internet based company that provides online owner-renter matching services for the multifamily housing industry. Our investment in Broadband Residential is recorded using the equity method, and our investment in Viva is recorded at cost. Both of these investments are recorded in other assets in our consolidated financial statements. Additionally, we have signed a commitment to invest up to $3.5 million with a consortium of real estate and technology companies which intends to pursue a broad range of real estate technology initiatives and opportunities. All of these investments were made along with other multifamily real estate owners. In January 2001, we committed an additional $1.8 million to BroadBand Residential which will be funded through a note receivable, of which we have funded approximately $600,000.

10. Related Party Transactions

Two of our executive officers have loans totaling $1.8 million with one of our nonqualified-REIT subsidiaries. The executives utilized amounts received from these loans to purchase our common shares in 1994. The loans mature in February 2004 and bear interest at the fixed rate of 5.23%. These loans are full recourse obligations of the officers and do not require any prepayments of principal until maturity.

In connection with the Paragon and Oasis mergers and the formation of Sierra-Nevada, we began performing property management services for owners of affiliated properties. Management fees earned on the properties amounted to $944,000, $845,000, and $583,000 for the years ended December 31, 2000, 1999, and 1998, respectively.

In connection with the Oasis merger, we entered into consulting agreements with two former Oasis executives, one of whom currently serves as a trust manager, to locate potential investment opportunities in California. We paid consulting fees totaling $389,000 and $340,000 to these executives in 1999 and 1998, respectively. No fees were paid during 2000.

In 1999 and 2000, our Board of Trust Managers approved a plan which permitted six of our senior executive officers to complete the purchase of $23.0 million of our common shares in open market transactions. The purchases were funded with unsecured full recourse personal loans made to each of the executives by a third party lender. The loans mature in five years, bear interest at market rates and require interest to be paid quarterly. In order to facilitate the employee share purchase transactions, we entered into a guaranty agreement with the lender for payment of all indebtedness, fees and liabilities of the officers to the lender. Simultaneously, we entered into a reimbursement agreement with each of the executive officers whereby each executive officer has indemnified us and absolutely and unconditionally agreed to reimburse us should any amounts ever be paid by us pursuant to the terms of the guaranty agreement. The reimbursement agreements require the executives to pay interest from the date any amounts are paid by us until repayment by the officer. We have not had to perform under the guaranty agreement.

As described in Note 9, we invested approximately $750,000 in BroadBand Residential, Inc. and $2.1 million in Viva Group, Inc. One of our trust managers is a director, executive officer and significant shareholder of Viva. In connection with our investment in BroadBand Residential, one of our executive officers was given a seat on its board of directors.

11. Fair Value of Financial Instruments

SFAS No. 107 requires disclosure about fair value for all financial instruments, whether or not recognized, for financial statement purposes. Disclosure about fair value of financial instruments is based on pertinent information available to management as of December 31, 2000 and 1999. Considerable judgment is necessary to interpret market data and develop estimated fair values. Accordingly, the estimates presented herein are not necessarily indicative of the amounts we could obtain on disposition of the financial instruments. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

As of December 31, 2000 and 1999, management estimates that the fair value of cash and cash equivalents, accounts receivable, notes receivable, accounts payable, accrued expenses and other liabilities and distributions payable are carried at amounts which reasonably approximate their fair value.

As of December 31, 2000, the outstanding balance of fixed rate notes payable approximates fair value. As of December 31, 1999, the outstanding balance of fixed rate notes payable of $985.6 million (excluding $25 million of variable rate debt fixed through an interest rate swap agreement) had a fair value of $963.5 million. Both estimates were based upon interest rates available for the issuances of debt with similar terms and remaining maturities. The floating rate notes payable balance at December 31, 2000 and 1999 approximates fair value.

The fair value of our interest rate swap agreements, which were used for hedging purposes, were estimated by obtaining quotes from an investment broker. At December 31, 1999, there were no carrying amounts related to these arrangements in the consolidated balance sheet, and the fair value of these agreements was approximately $90,000. At December 31, 2000, we were not party to any interest rate swap agreements.

We were exposed to credit risk in the event of nonperformance by counterparties to our interest rate swap agreements, but had no off-balance sheet risk of loss. Our counterparties fully performed their obligations under the agreements.

12. Net Change in Operating Accounts

The effect of changes in the operating accounts on cash flows from operating activities is as follows:

	Year Ended December 31,		
(In thousands)	**2000**	1999	1998
Decrease (increase) in assets:			
Accounts receivable—affiliates	**$ (65)**	$ (1,085)	$ 1,496
Other assets, net	**(3,565)**	38	1,518
Restricted cash	**237**	(426)	1,272
Increase (decrease) in liabilities:			
Accounts payable	**(6,999)**	(3,768)	11,570
Accrued real estate taxes	**3,526**	3,011	3,879
Accrued expenses and other liabilities	**12,797**	13,266	(19,531)
Change in operating accounts	**$ 5,931**	$11,036	$ 204

13. Commitments and Contingencies

Construction Contracts. As of December 31, 2000, we were obligated for approximately $13.0 million of additional expenditures (a substantial amount of which we expect to be provided by debt).

Lease Commitments. At December 31, 2000, we had long-term leases covering certain land, office facilities and equipment. Rental expense totaled $1.6 million in 2000, $1.7 million in 1999 and $1.0 million in 1998. Minimum annual rental commitments for the years ending December 31, 2001 through 2005 are $1.7 million, $1.5 million, $1.3 million, $1.2 million and $1.2 million, respectively, and $7.0 million in the aggregate thereafter.

Employment Agreements. We have employment agreements with six of our senior officers, the terms of which expire at various times through August 20, 2001. Such agreements provide for minimum salary levels as well as various incentive compensation arrangements, which are payable based on the attainment of specific goals. The agreements also provide for severance payments in the event certain situations occur such as termination without cause or a change of control. The severance payments vary based on the officer's position and amount to one times the current salary base for four of the officers and 2.99 times the average annual compensation over the previous three fiscal years for the two remaining officers. Six months prior to expiration, unless notification of termination is given by the senior officers, these agreements extend for one year from the date of expiration.

Contingencies. Prior to our merger with Oasis, Oasis had been contacted by certain regulatory agencies with regards to alleged failures to comply with the Fair Housing Amendments Act (the "Fair Housing Act") as it pertained to nine properties (seven of which we currently own) constructed for first occupancy after March 31, 1991. On February 1, 1999, the Justice Department filed a lawsuit against us and several other defendants in the United States District Court for the District of Nevada alleging (1) that the design and construction of these properties violates the Fair Housing Act and (2) that we, through the merger with Oasis, had discriminated in the rental of dwellings to persons because of handicap. The complaint requests an order that (i) declares that the defendant's policies and practices violate the Fair Housing Act; (ii) enjoins us from (a) failing or refusing, to the extent possible, to bring the dwelling units and public use and common use areas at these properties and other covered units that Oasis has designed and/or constructed into compliance with the Fair Housing Act, (b) failing or refusing to take such affirmative steps as may be necessary to restore, as nearly as possible, the alleged victims of the defendants alleged unlawful practices to positions they would have been in but for the discriminatory conduct and (c) designing or constructing any covered multifamily dwellings in the future that do not contain the accessibility and adaptability features set forth in the Fair Housing Act; and requires us to pay damages, including punitive damages, and a civil penalty.

With any acquisition, we plan for and undertake renovations needed to correct deferred maintenance, life/safety and Fair Housing matters. On January 30, 2001, a consent decree was ordered and executed in the above Justice Department action. Under the terms of the decree, we were ordered to make certain retrofits and implement certain educational programs and fair housing advertising. These changes are to take place over the next five years. In management's opinion, the costs associated with complying with the decree are not expected to have a material impact on our financial statements.

We are subject to various legal proceedings and claims that arise in the ordinary course of business. These matters are generally covered by insurance. While the resolution of these matters cannot be predicted with certainty, management believes that the final outcome of such matters will not have a material adverse effect on our consolidated financial statements.

14. Subsequent Events

In the ordinary course of our business, we issue letters of intent indicating a willingness to negotiate for the purchase or sale of multifamily properties or development land. In accordance with local real estate market practice, such letters of intent are non-binding, and neither party to the letter of intent is obligated to pursue negotiations unless and until a definitive contract is entered into by the parties. Even if definitive contracts are entered into, the letters of intent and resulting contracts contemplate that such contracts will provide the purchaser with time to evaluate the properties and conduct due diligence and during which periods the purchaser will have the ability to terminate the contracts without penalty or forfeiture of any deposit or earnest money. There can be no assurance that definitive contracts will be entered into with respect to any properties covered by letters of intent or that we will acquire or sell any property as to which we may have entered into a definitive contract. Further, due diligence periods are frequently extended as needed. An acquisition or sale becomes probable at the time that the due diligence period expires and the definitive contract has not been terminated. We are then at risk under an acquisition contract, but only to the extent of any earnest money deposits associated with the contract, and is obligated to sell under a sales contract.

We are currently in the due diligence period for the purchase of land for development. No assurance can be made that we will be able to complete the negotiations or become satisfied with the outcome of the due diligence.

15. Quarterly Financial Data (unaudited)

Summarized quarterly financial data for the years ended December 31, 2000 and 1999 are as follows:

(In thousands, except per share amounts)	First	Second	Third	Fourth	Total
2000:					
Revenues	**$98,714**	**$101,327**	**$102,395**	**$101,103**	**$403,539**
Net income to common shareholders	**12,676***	**10,594**	**28,203****	**13,580**	**65,053**
Basic earnings per share	**0.33***	**0.28**	**0.74****	**0.36**	**1.71**
Diluted earnings per share	**0.31***	**0.27**	**0.72****	**0.33**	**1.63**
1999:					
Revenues	$88,835	$ 91,412	$ 94,177	$ 96,872	$371,296
Net income to common shareholders	13,706***	12,838	13,535****	12,173	52,252
Basic earnings per share	0.32***	0.31	0.33****	0.30	1.27
Diluted earnings per share	0.31***	0.30	0.32****	0.29	1.23

* Includes a $1,933, or $0.05 basic and diluted earnings per share, impact related to the gain on sale of land.

** Includes a $16,440, or $0.43 basic and $0.37 diluted earnings per share, impact related to the gain on sale of properties.

*** Includes a $720, or $0.02 basic and diluted earnings per share, impact related to gain on the sale of a property.

**** Includes a $2,259, or $0.06 basic and $0.05 diluted earnings per share, impact related to gain on sales of properties.

16. Price Range of Common Shares (unaudited)

The high and low sales prices per share of our common shares, as reported on the New York Stock Exchange composite tape, and distributions per share declared for the quarters indicated were as follows:

	High	Low	Distributions
2000:			
First	**$27 3/8**	**$25 7/8**	**$0.5625**
Second	**30 3/4**	**27 1/16**	**0.5625**
Third	**32**	**29 7/16**	**0.5625**
Fourth	**33 13/16**	**28 1/2**	**0.5625**
1999:			
First	$26 11/16	$24 3/16	$ 0.520
Second	28 3/16	24 1/8	0.520
Third	28 3/16	25 15/16	0.520
Fourth	27 3/4	25 9/16	0.520

Comparative Summary of Selected Financial and Property Data

(In thousands, except per share amounts)	Year Ended December 31, 2000	1999	1998*	1997**	1996
Operating Data					
Revenues					
Rental income	$364,111	$341,168	$300,632	$187,928	$105,785
Other property income	27,030	22,148	18,093	9,446	4,453
Total property income	391,141	363,316	318,725	197,374	110,238
Equity in income of joint ventures	765	683	1,312	1,141	
Fee and asset management	5,810	5,373	1,552	743	949
Other income	5,823	1,924	2,250	531	419
Total revenues	403,539	371,296	323,839	199,789	111,606
Expenses					
Property operating and maintenance	112,727	107,972	97,137	70,679	40,604
Real estate taxes	39,054	36,410	31,469	21,028	13,192
General and administrative	14,349	10,606	7,998	4,389	2,631
Interest	69,036	57,856	50,467	28,537	17,336
Depreciation and amortization	96,966	89,516	78,113	44,836	23,894
Total expenses	332,132	302,360	265,184	169,469	97,657
Income before gain on sales of properties and joint venture interests, losses related to early retirement of debt and minority interests	71,407	68,936	58,655	30,320	13,949
Gain on sales of properties and joint venture interests	18,323	2,979		10,170	115
Losses related to early retirement of debt				(397)	(5,351)
Income before minority interests	89,730	71,915	58,655	40,093	8,713
Income allocated to minority interests					
Distributions on units convertible into perpetual preferred shares	(12,845)	(8,278)			
Income allocated to units convertible into common shares	(2,461)	(2,014)	(1,322)	(1,655)	
Total income allocated to minority interests	(15,306)	(10,292)	(1,322)	(1,655)	
Net income	74,424	61,623	57,333	38,438	8,713
Preferred share dividends	(9,371)	(9,371)	(9,371)		(4)
Net income to common shareholders	$ 65,053	$ 52,252	$ 47,962	$ 38,438	$ 8,709
Basic earnings per share	$ 1.71	$ 1.27	$ 1.16	$ 1.46	$ 0.59
Diluted earnings per share	$ 1.63	$ 1.23	$ 1.12	$ 1.41	$ 0.58
Distributions per common share	$ 2.25	$ 2.08	$ 2.02	$ 1.96	$ 1.90
Weighted average number of common shares outstanding	38,112	41,236	41,174	26,257	14,849
Weighted average number of common and common dilutive equivalent shares outstanding	41,388	44,291	44,183	28,356	14,979

Comparative Summary of Selected Financial and Property Data *(continued)*

	Year Ended December 31,				
(In thousands, except property data amounts)	2000	1999	1998*	1997**	1996
Balance Sheet Data (at end of period)					
Real estate assets	$2,646,341	$2,678,034	$2,487,942	$1,397,138	$646,545
Accumulated depreciation	(326,723)	(253,545)	(167,560)	(94,665)	(56,369)
Total assets	2,430,881	2,487,932	2,347,982	1,323,620	603,510
Notes payable	1,138,117	1,165,090	1,002,568	480,754	244,182
Minority interests	210,377	196,852	71,783	63,325	
Convertible subordinated debentures	1,950	3,406	3,576	6,025	27,702
Shareholders' Equity	974,183	1,016,675	1,170,388	710,564	295,428
Common shares outstanding	38,129	39,093	43,825	31,694	16,521
Other Data					
Cash flows provided by (used in):					
Operating activities	$ 163,821	$ 164,021	$ 138,419	$ 65,974	$ 41,267
Investing activities	(13,136)	(220,571)	(55,013)	(73,709)	(41,697)
Financing activities	(151,266)	56,420	(84,227)	11,837	2,560
Funds from operations***	156,274	152,369	137,996	75,753	39,999
Property Data					
Number of operating properties (at end of period)	145	153	149	100	48
Number of operating apartment homes (at end of period)	51,336	53,311	51,310	34,669	17,611
Number of operating apartment homes (weighted average)	46,501	45,606	42,411	29,280	17,362
Weighted average monthly total property income per apartment home	$ 701	$ 664	$ 626	$ 562	$ 529
Properties under development (at end of period)	3	6	14	6	5

* Effective April 1, 1998 we acquired Oasis.

** Effective April 1, 1997 we acquired Paragon.

*** Management considers FFO to be an appropriate measure of the performance of an equity REIT. The National Association of Real Estate Investment Trusts ("NAREIT") currently defines FFO as net income (computed in accordance with generally accepted accounting principles), excluding gains (or losses) from debt restructuring and sales of property, plus real estate depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. In addition, extraordinary or unusual items, along with significant non-recurring events that materially distort the comparative measure of FFO are typically disregarded in its calculation. Our definition of diluted FFO also assumes conversion at the beginning of the period of all convertible securities, including minority interests, which are convertible into common equity. We believe that in order to facilitate a clear understanding of our consolidated historical operating results, FFO should be examined in conjunction with net income as presented in the consolidated financial statements and data included elsewhere in this report. FFO is not defined by generally accepted accounting principles. FFO should not be considered as an alternative to net income as an indication of our operating performance or to net cash provided by operating activities as a measure of our liquidity. Further, FFO as disclosed by other REIT's may not be comparable to our calculation.

Corporate Information

Trust Managers

Richard J. Campo
Chairman of the Board of Trust Managers and Chief Executive Officer

D. Keith Oden
President and Chief Operating Officer

William R. Cooper
Private Investor

George A. Hrdlicka
Partner
Chamberlain, Hrdlicka, White, Williams, & Martin

Scott S. Ingraham
Chief Executive Officer
Viva Group, Inc.

Lewis A. Levey
Private Investor

F. Gardner Parker
Private Investor

Steven A. Webster
Managing Director
Global Energy Partners

Senior Executive Officers

Richard J. Campo
Chairman of the Board of Trust Managers and Chief Executive Officer

D. Keith Oden
President, Chief Operating Officer and Trust Manager

H. Malcolm Stewart
Executive Vice President

G. Steven Dawson
Chief Financial Officer,
Senior Vice President—Finance and Secretary

Alison L. Dimick
Senior Vice President—Acquisitions and Dispositions

James M. Hinton
Senior Vice President—Development

Market Information

Our common shares are traded on the NYSE under the symbol CPT. The range of high and low bid prices for the quarterly periods in which the shares were traded, as reported on the NYSE, is set forth below:

2000 Quarter Ended	High	Low
First	27⅜	25⅞
Second	30¾	27 1/16
Third	32	29 7/16
Fourth	33 13/16	28½

On December 31, 2000, the closing sale price for our common shares was $33.50 per share.

As of December 31, 2000, the number of record holders of our common shares and preferred shares was 1,077 and 93, respectively. Management believes after inquiry that the number of beneficial owners of our common shares is in excess of 25,000.

Annual Meeting

Our Annual Meeting of Shareholders will be held May 15, 2001, at 10:00 a.m. Central Time at The Westin Galleria Hotel, located at 5060 West Alabama in Houston, Texas.

Transfer Agent for Common and Preferred Shares

For information regarding change of address or other matters concerning your shareholder account, please contact the transfer agent directly at:

American Stock Transfer and Trust Company
(800) 937-5449

Trustee for Convertible Subordinated Debentures

State Street Bank and Trust Company
(800) 531-0368

Dividend Reinvestment Plan

We offer our shareholders the opportunity to purchase additional shares of common stock through the Dividend Reinvestment Plan. For a copy of the Plan prospectus, please contact:

American Stock Transfer and Trust Company
(800) 278-4353

Independent Auditors

Deloitte & Touche LLP
Houston, Texas

Corporate Address

3 Greenway Plaza, Suite 1300
Houston, Texas 77046
(713) 354-2500
(800) 9-CAMDEN

Outside General Counsel

Locke Liddell & Sapp LLP
Dallas, Texas

Web Site

camdenliving.com

Form 10-K

Shareholders may obtain, without charge, a copy of Camden's Form 10-K report as filed with the Securities and Exchange Commission. For copies or answers to questions about Camden, you are invited to contact Investor Relations at the corporate address.

Designed by Curran & Connors, Inc. / www.curran-connors.com

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