CAMDEN ADDISON CAMDEN ARBORS CAMDEN ASHBURN FARM CAMDEN AVENTURA CAMDEN BALLANTYNE CAMDEN BAY CAMDEN BAY POINTE CAMDEN BAYSIDE CAMDEN BAYTOWN CAMDEN BEL AIR CAMDEN BREAKERS CAMDEN BREEZE CAMDEN BRIAR OAKS CAMDEN BRICKELL CAMDEN BROOKWOOD CAMDEN BUCKINGHAM CAMDEN CALEY CAMDEN CANYON CAMDEN CEDAR LAKES CAMDEN CENTENNIAL CAMDEN CENTREPORT CAMDEN CIMARRON CAMDEN CITRUS PARK CAMDEN CITY CENTRE CAMDEN CLEARBROOK CAMDEN CLUB CAMDEN COLLEGE PARK CAMDEN COMMONS CAMDEN COPPER RIDGE CAMDEN COPPER SQUARE CAMDEN COTTON MILLS CAMDEN COVE CAMDEN COVE WEST CAMDEN CREEK CAMDEN CREST CAMDEN CROSS CREEK CAMDEN CROWN VALLEY CAMDEN DEL MAR CAMDEN DENVER WEST CAMDEN DILWORTH CAMDEN DORAL CAMDEN DORAL VILLAS CAMDEN DOWNS CAMDEN DUNWOODY CAMDEN EASTCHASE CAMDEN FAIR LAKES CAMDEN FAIRFAX CORNER CAMDEN FAIRVIEW CAMDEN FAIRWAYS CAMDEN FALLSGROVE

CAMDEN ROCKS!

the year in review

Special Collector's Edition

2006 ANNUAL REPORT

plus:

Amazing Results
Top 15 List

fan mail

letter from the A-Team

SMART TECHNOLOGY

the year of BIG VALUE

Premier Investor's Issue

The Year of

BIG VALUE

2006 was a year to remember for Camden. We achieved the highest level of per share earnings in our 14-year history as a public company. Our same-property operating results were spectacular, marking our best performance ever in revenue and NOI growth. And, certainly, a traditional annual report would do the job. But at Camden, there is value in everything we do. This year is no different. Our Annual Report reflects not only our solid gold performance but the value of staying true to **living excellence**.

The Customer is King at Camden

The winning

Team

see p.12

2006 ANNUAL REPORT

contents

THE REAL VALUE STORY

Camden has consistently focused on delivering value to its residents and shareholders. A commitment to providing Living Excellence, Working Excellence and Investing Excellence has resulted in continued success year after year.

fan mail & news

Here are some of the many interesting things we heard from our fans last year.

Performance

"We take great pride in so many aspects of our organization: our financial performance; the level of service that we provide to our customers internally and externally; the beautiful communities that we own, manage and develop; the edgy marketing and communications materials we produce; the comprehensive training that we offer; and the compassion and generosity we show to each other and as a corporate citizen. While all of these things give a sense of satisfaction, it is our sense of community, the authentic and transparent way in which we interact that creates our unique culture of personally connected yet geographically dispersed people who choose to spend the majority of the day working, giving, caring and having fun with each other."

Dan
CAMDEN GRANDVIEW

eFriends

"Camden, in my opinion, is fair to all employees and works to build a true team spirit and that shows, both internally and externally. I also take pride in the fact that we deliver a visible, quantifiable, quality product. The Camden name is recognizable and from what I can tell, perceived well by the general public."

Nellie
CAMDEN TUSCANY

Teamwork

"Our team works well together. We have good leadership. We stand behind our product. My boss respects me."

Natalie
CAMDEN WESTWOOD

Great people

"The people that represent Camden are genuine, driven, compassionate individuals and I am lucky to be a part of such an organization."

Julie
CAMDEN ROOSEVELT

Heard on Wall Street:

"savvy operator,"
"solid company,"
"reliable,"
"highly-regarded management team,"
"proven operating expertise,"
"one of the best multifamily REITs,"
"top pick in the multifamily space."

All the support

"It is amazing to see and feel the difference executive support can have on a company. We have introduced so much change over the last two years ~ changes that impact the fundamental way our communities do business, and remarkably, the changes have been embraced! These changes have allowed us to tap into the full potential of our technology and refine our business processes. We are working smarter."

Jenney
CAMDEN MIDTOWN

Strong

"Camden is a strong, reliable company that I can be proud to work for."

Toni
CAMDEN BRICKELL

Respect

"Everyone is treated with respect and equality, regardless of position."

Carla
CAMDEN VANDERBILT

Family feeling

"I love that there is a feeling of family within the company. I do the best job I can because I know that if I do, the rest of the company benefits and my co-workers appreciate it, as I appreciate their hard work."

Vickie
CAMDEN LAS OLAS

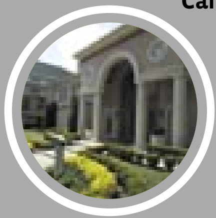
Big Strategies

Big Value

Big Results

Camden Copper Square
Phoenix, AZ

Camden Greenway
Houston, TX



Camden Midtown Atlanta
Atlanta, GA

Geographic Diversity

Camden Denver West
Golden, CO

Camden Brickell
Miami, FL

Camden Largo Town Center
Largo, MD

Camden Harbor View
Long Beach, CA

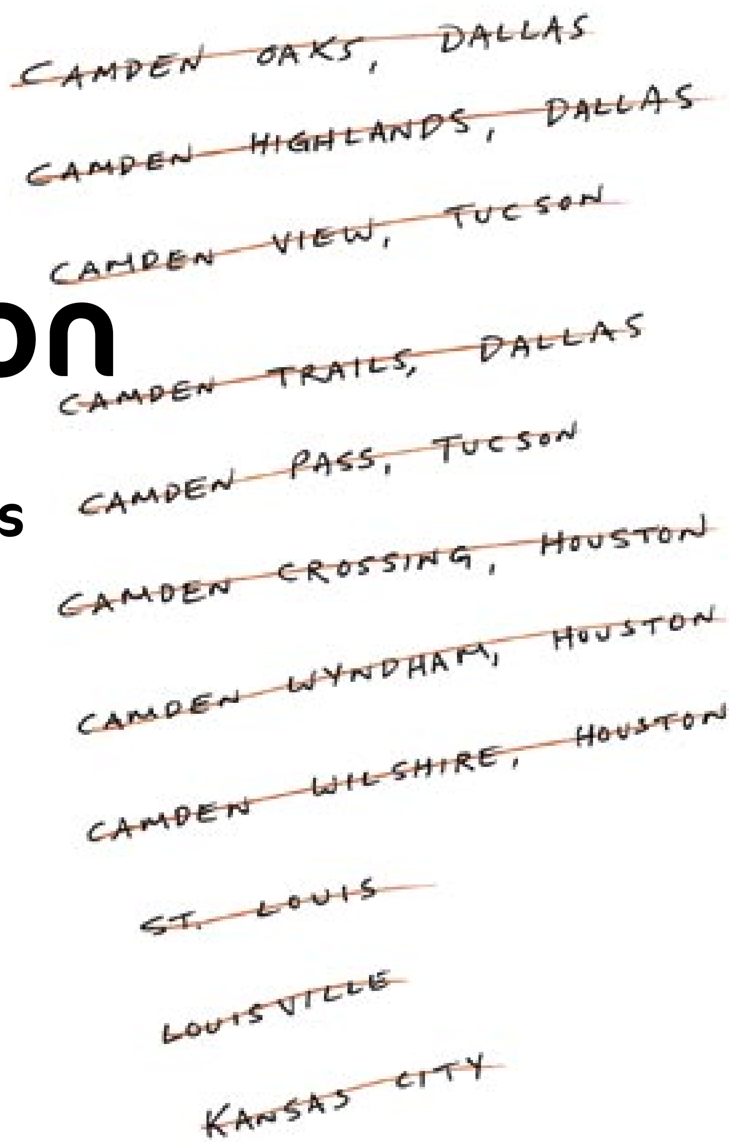
Camden Grandview
Charlotte, NC

Diversified and Balanced Portfolio

Know what to sell
Know when to hold
Know where to develop

A total of 27.6 acres of undeveloped land and 20 communities sold. The communities sold had an average age of more than 20 years.

$26 million gain on land sales



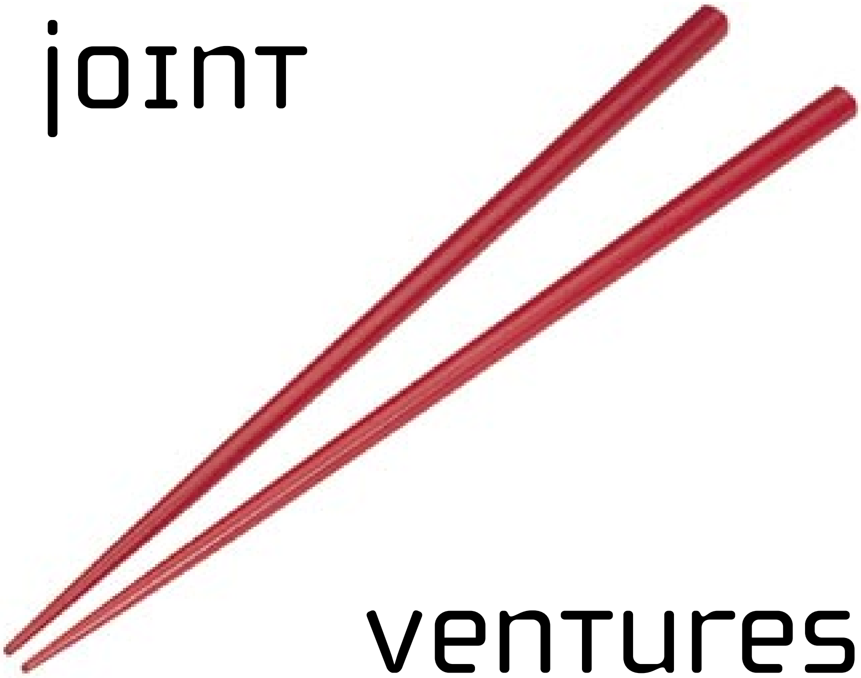
nearly

$2.4 billion

development pipeline

creating value through new developments

joint



ventures

Camden contributed nine existing multifamily communities with 3,237 apartment homes located in its Midwest markets to a newly created $239 million joint venture. We retained a 15% ownership interest in the venture and will continue to serve as the property manager for all nine communities.

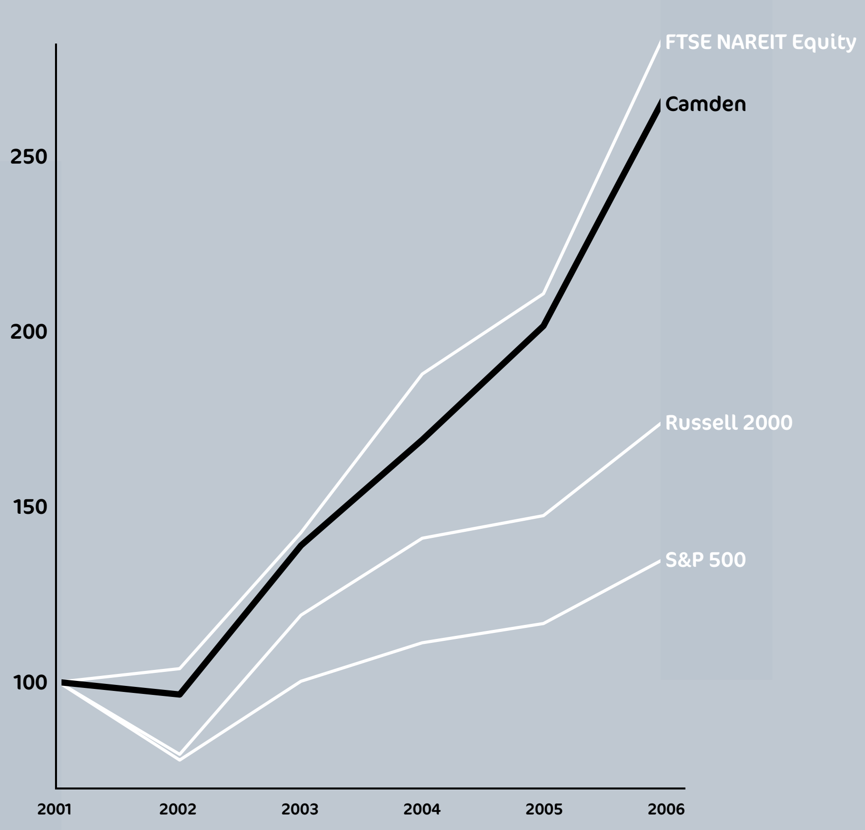
We created five new development joint ventures in 2006 for multifamily communities in Houston, Southern California and the Washington D.C. area. This will allow us to participate in the development of nearly $400 million of new projects with lower capital commitments and greater returns on our investments.

Camden Top 15 list*

		Revenue	NOI	4Q06 Percent of Total NOI
1.	Phoenix, AZ	12.7%	16.6%	3.2%
2.	Charlotte, NC	9.0%	10.2%	7.0%
3.	Austin, TX	6.7%	9.8%	3.2%
4.	Tampa, FL	9.4%	9.6%	8.0%
5.	Raleigh, NC	8.9%	9.6%	4.0%
6.	SE Florida	8.9%	9.4%	7.4%
7.	Atlanta, GA	6.6%	9.3%	5.8%
8.	Houston, TX	5.9%	8.8%	7.2%
9.	Las Vegas, NV	7.4%	8.5%	9.1%
10.	DC Metro	6.8%	8.2%	12.2%
11.	Dallas, TX	6.3%	8.2%	8.6%
12.	Southern CA	6.7%	7.9%	8.6%
13.	Other markets	5.3%	7.7%	5.6%
14.	Orlando, FL	8.6%	6.9%	6.0%
15.	Denver, CO	1.6%	1.3%	4.1%
	Weighted average/total	7.4%	8.6%	100.0%

* 2006 same property revenue and NOI growth rates

Camden Teams Executing at Peak Performance



This graph assumes the investment of $100 on December 31, 2001 and quarterly reinvestment of dividends. (Source: NAREIT)

Same-property revenues and NOI increased year-over-year in every one of Camden's markets. Same-property revenue growth was 7.4% for 2006, representing an all-time high for Camden and the best performance in the multifamily REIT sector. Same-property NOI growth was 8.6%, once again setting a record for Camden.

Camden beats all

'06 same property revenue growth

CPT	7.4%
ESS	6.9%
AIV	6.8%
AVB	6.8%
ASN	6.5%
BRE	6.2%
AEC	6.0%
UDR	6.0%
EQR	5.8%
PPS	5.4%
MAA	5.3%
HME	5.0%

source: company reports

CAMDEN ACES ROCK ON!

Here's to Camden's Hall of Famers who continue our tradition of achieving excellence.

You'll find there's much more to our employees than meets the eye.

Our diverse workforce has certain things in common–a tireless work ethic, pride in everything we do, and a deep connection to Camden. These are traits that can't be seen, qualities that don't appear on a balance sheet.

The most valuable players: our people.

Our amazing results would not be possible without the hard work and dedication of our experienced professionals.

We consider our people to be our greatest asset and we place a premium on helping them fulfill their personal and professional goals. We remain focused on attracting and developing talent at all levels of the organization, because it is primarily the skill and commitment of our employees that allow us to lead in the marketplace.

This year
we were recognized by
Multifamily Executive Magazine as a
"Great Workplace" in the multifamily industry.

We were also named one of the 60 Best
Companies to Work for in Texas
by TexasMonthly
magazine.

say hello to smart technology

the smart use of technology

adds value to residents

maximizes revenue to Camden

improves operating efficiencies

increases return to shareholders

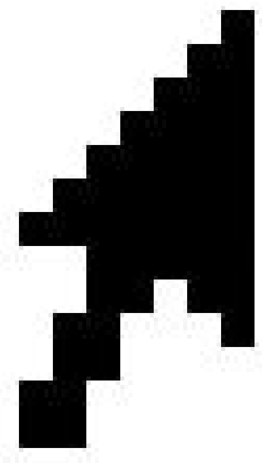
previously, we announced these great technologies.

CamdenConnect
Online service available to all Camden residents that allows them to set up utilities and other services from the comfort of their new home.

OneSite®
Web-based property management.

YieldStar™
A revenue management system that evaluates supply, demand, and market response to maximize income with pricing recommendations made daily.

we continue to innovate with...



Online leasing

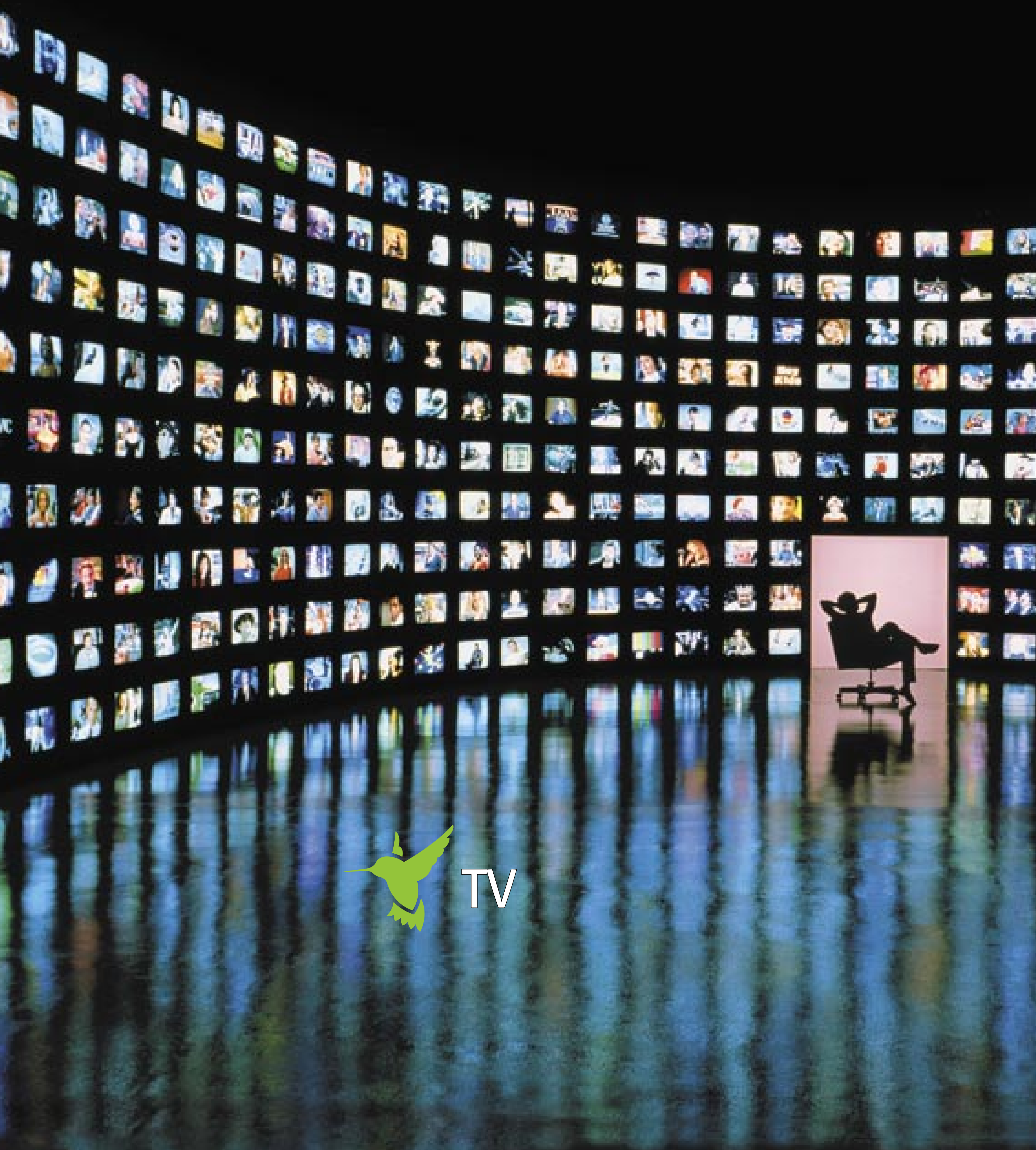
Online payments

We are constantly seeking new ways to deliver on our promise of *Living Excellence* to our residents. Online leasing and online payments are the latest examples of this commitment.

Residents can go online and select a community, complete an application, receive a real-time YieldStar™-generated quote for the apartment of their choice, be screened and approved for move-in without touching a single piece of paper.

available now at Camden

now...more
bright ideas



What's on Camden TV? Just about everything with *The Perfect Connection*.

The Perfect Connection features an apartment home pre-equipped with expanded basic cable. Our residents are spared the hassles and expenses associated with cable installation, and they benefit from lower monthly rates than those charged by the cable providers. Just imagine… no connection fee, no monthly cable bill and no cable guy. It's so easy, it's perfect.

A letter from the

A-Team

March 15, 2007

2006 was a year to remember for Camden. We achieved the highest level of per share earnings in our 14-year history as a public company; our same-property operating results were spectacular, marking our best performance ever in revenue and net operating income ("NOI") growth; we expanded our development pipeline to nearly $2.4 billion of current and future projects; and we made substantial progress in improving the quality of our portfolio through capital recycling, disposing of older, slower-growing assets and reinvesting the capital into newer properties through acquisitions and development.

Record Financial Performance

We began to see an improvement in apartment fundamentals during 2005, but 2006 clearly marked the first full year of recovery for multifamily market conditions. Camden's financial performance reflected this recovery, with record earnings per diluted share of $3.96 and Funds from Operations ("FFO") per diluted share of $3.88 reported for 2006.

Our results were driven by strong growth in property-level revenues and net operating income. Same-property revenue growth was 7.4% for 2006 compared to 2005, representing an all-time high for Camden and the best performance in the multifamily REIT sector for 2006. Same-property NOI growth was solid as well with an increase of 8.6% compared to 2005, once again setting a record for Camden. Most importantly, both same-property revenues and NOI increased year-over-year in every one of Camden's markets, representing yet another milestone for our achievements during 2006.

Significant profits were achieved through the sale of undeveloped land during 2006, further contributing to our financial success. We realized over $26 million in gains on the sale of several land parcels, primarily related to a 2.1 acre site in Long Beach, CA sold to a condominium developer and a 1.7 acre site in Fort Lauderdale, FL sold to an office developer. Historically Camden has utilized nearly all of its land holdings for multifamily development; however, in some cases the highest and best use for land is not the creation of additional rental housing. We elected to harvest value from these land sales and redeploy the capital and profits into other opportunities. We have three additional undeveloped land sites that are currently being marketed for sale, and we will continue seeking to maximize our returns on land sales in 2007 and beyond.

Our financial position remains strong as a result of our focus on conservative financial policies and financial flexibility. Camden's prudent balance sheet management and commitment to unsecured debt was recognized this year by our rating agencies and reflected in upgrades to our debt and securities ratings.

Value Creation Through Development

Camden's development pipeline will provide significant long-term value creation for our shareholders. Over the past few years our development pipeline has grown substantially and now represents nearly $2.4 billion in current and future projects. We have a proven track record of completing projects on time and on budget, with yields in-line with our original expectations.

believe this will allow these well-located communities to compete effectively with newly constructed properties. Although the program is slightly dilutive to 2007 earnings, it is the right decision for long-term value and should provide a 10% return on invested capital in the future.

Capital Recycling

Capital recycling remains an important part of our long-term strategy. In 2006, we continued our process of disposing of non-strategic assets in core markets and exiting secondary, low-growth markets, then

VALUE CREATION THROUGH DEVELOPMENT

Camden's development pipeline will provide significant long-term value creation for our shareholders

During 2006 we commenced construction on seven new development projects with a budgeted cost of $436 million; we completed construction on five projects with a total cost of $272 million; and we achieved stabilization at two communities with a total cost of $50 million. Our current development pipeline totals over $1.2 billion including joint venture developments and consists of four completed properties in lease-up, and 13 properties and the expansion of an existing property under construction.

Our nearly $1.2 billion future development pipeline also offers opportunities for additional growth. These projects represent developments where Camden either owns or has an option to purchase land for apartment development, and these projects will begin construction over the next several years. Given current market capitalization rates of 4.0% to 5.0% on high-quality, newly developed assets, we expect to create significant value for our shareholders by delivering these projects at yields of approximately 200 basis points over current capitalization rates.

In 2006 we also identified several communities that were excellent candidates for repositioning or redevelopment. We expect to spend approximately $36 million or $11,000 per apartment home during 2007 to update unit interiors with new counter tops, cabinets and upgraded kitchen and bath fixtures. We

reinvesting the capital into newer properties through acquisitions and development. Our sales included 17 wholly-owned and three joint venture assets, and allowed us to exit the Tucson market and substantially reduce our exposure to the Midwest markets.

We were a net seller of over $300 million in multifamily assets during 2006 and expect similar sales volumes in 2007. Although asset sales and portfolio improvements sometimes create near-term earnings dilution, we believe that the long-term value creation is worth the trade-off.

Market Conditions and Outlook

2006 marked a year of broad-based recovery in multifamily fundamentals, and we believe 2007 will be another solid year for the apartment industry. Demand for multifamily rental units should remain strong, driven by three main factors:

First, healthy economic conditions will promote job growth and household formations – the key drivers of multifamily demand. Sustained job growth and economic expansion are expected to continue for the next several years and will help support demand for multifamily housing. Camden's strategy of operating in high-growth markets with above-average projected job creation positions us well to capitalize on that demand.

Second, demographic trends are promising for the apartment industry. A large "Echo Boom" generation is now entering the 18- to 29-year-old age cohort, representing the age group with the highest propensity to rent. Immigration also remains strong and will add to the prospective renter pool, with nearly 85% of that sector choosing to rent during the first five years after immigration. In addition, as the "Baby Boom" generation ages, there will be opportunities to provide them with housing alternatives such as age-restricted communities.

rental revenues in certain markets, we do not expect to see a material impact to our operations in 2007. Our view is shared by numerous economists, third-party data providers and real estate experts.

Smart Technology

Technology has changed the way we do business. We continually look for ways to increase revenues, reduce operating costs, improve operating efficiencies and streamline our business processes. Web-based property management systems have become standard practice among

RIC CAMPO

KEITH ODEN

Third, after several years on the rise, homeownership rates appear to have peaked and are leveling off. Single family home affordability remains a challenge for many households and the perception of a "housing bubble" has sidelined many potential first-time home buyers. Home ownership has become less attractive due to rising interest rates and escalating home prices, further shifting the economic balance in favor of renting versus owning.

Multifamily supply remains at moderate and manageable levels, despite reports of condominium units coming back on the market as rentals in many major cities, and should be more than offset by growing demand for apartments. Although we have recently seen a barrage of media reports speculating on the impact "busted condo deals" could have on our ability to grow

large apartment operators, significantly reducing the amount of time spent by on-site employees and prospective residents filling out paperwork. Revenue management systems are the latest method for improving pricing strategy and adding to the bottom line, and online leasing and payment options are helping us achieve both time and cost savings.

Camden has been a leader in adopting new technology initiatives. In 2005 we completed the implementation of OneSite®, our web-based property management system, and YieldStar™, our revenue management system. Most recently we added CrossFire®, an online leasing program which allows prospective residents to search for an apartment home, reserve a specific unit, and complete most of their leasing information online. We also adopted an online rent payment option for our residents, making the process of paying rent easier and more time efficient for everyone.

One of the most exciting new programs kicked off in 2006 was *The Perfect Connection* – Camden's cable TV initiative. The program entails purchasing bulk service from local cable providers, then providing expanded basic cable TV service to each of our residents at a discount to the market rate available from the local cable provider. In addition, *The Perfect Connection* provides an "always on" cable signal for our residents, which eliminates the hassles and expenses associated with cable installation.

("ACE") award winners were featured on the magazine's cover. Camden was honored for its communication, approachable leadership, true teamwork and other best workplace practices. In addition, Camden was named one of the 60 Best Companies to Work for in Texas by TexasMonthly magazine, another testament to our focus on *Working Excellence*.

All of these accomplishments would not have been possible without the hard work and dedication of our nearly 2,000 Camden associates. Their commitment to excellence and passion for making Camden a great place to work is evident in all that they do.

SMART TECHNOLOGY

We continually look for ways to increase revenues, reduce operating costs, improve operating efficiencies and streamline our business processes.

The program has been quite successful, and we are on track to realize $6 million in annual profitability by early 2008.

All-Star Talent

Camden's mission is to be the best multifamily company in the industry. We are committed to providing *Living Excellence* to our residents, and we strive to achieve that same level of excellence in our workplace. Camden has consistently distinguished itself within the multifamily industry by demonstrating our company's values and creating a positive, dynamic work environment.

This year we were recognized by Multifamily Executive Magazine as a "Great Workplace" in the multifamily industry, and several of our Houston Achieving Camden Excellence

Summary & Closing

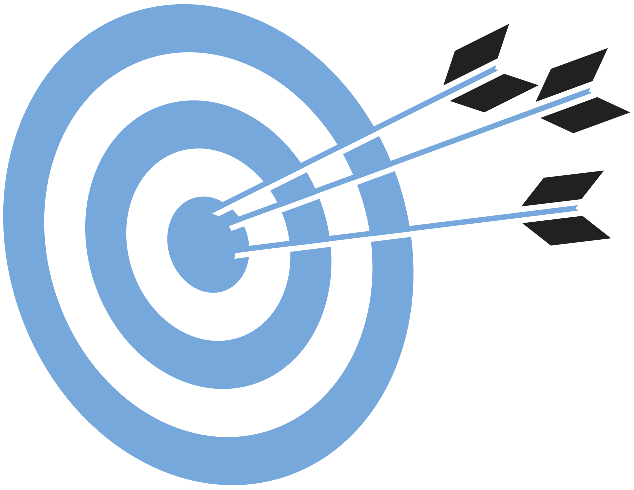
We have always believed that people are our greatest assets, and that having the right team managing our real estate will produce the best long-term results for our company. We know that our geographically diverse portfolio of assets located in high-growth markets has been another key to our success. We have consistently focused on delivering value to our residents and our shareholders. Our commitment to providing *Living Excellence*, *Working Excellence* and *Investing Excellence* has resulted in continued success year after year.

We had a rocking 2006 and the Camden team was on a roll. Thank you for your continued support, and we look forward to another year of solid gold performance in 2007.

Respectfully,

RICHARD J. CAMPO
CHAIRMAN AND
CHIEF EXECUTIVE OFFICER

D. KEITH ODEN
PRESIDENT AND
CHIEF OPERATING OFFICER



AMAZING RESULTS
GREAT VALUE

Our numbers are beautiful because they are BIG

BIG Returns in ’06

$3.88
FFO PER SHARE

$3.96
NET INCOME PER SHARE

8.6%
SAME PROPERTY NOI GROWTH

7.4%
SAME PROPERTY REVENUE GROWTH

HIGHER

32%
total shareholder return

90%
employee satisfaction

$2.4B
total development pipeline

1

And here's our biggest number of all.

Our 2006 same property revenue growth was
the best in the multifamily REIT sector.

Table of Contents

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

We consider portions of this report to be "forward-looking" within the meaning of Section 27A of the Securities Exchange Act of 1933 and Section 21E of the Securities Exchange Act of 1934, both as amended, with respect to our expectations for future periods. Forward-looking statements do not discuss historical fact, but instead include statements related to expectations, projections, intentions or other items relating to the future. Although we believe the expectations reflected in our forward-looking statements are based upon reasonable assumptions, we can give no assurance our expectations will be achieved. Any statements contained herein that are not statements of historical fact should be deemed forward-looking statements. Reliance should not be placed on these forward-looking statements as they are subject to known and unknown risks, uncertainties and other factors beyond our control and could differ materially from our actual results and performance.

Factors that may cause our actual results or performance to differ materially from those contemplated by forward-looking statements include, but are not limited to, the following:

- Insufficient cash flows could affect our ability to make required payments of debt obligations or pay distributions to shareholders and create refinancing risk;
- Unfavorable changes in economic conditions could adversely impact occupancy or rental rates;
- Various changes could adversely impact the market price of our common shares;
- Development and construction risks could impact our profitability;
- Our property acquisition strategy may not produce the cash flows expected;
- Difficulties of selling real estate could limit our flexibility;
- Our variable rate debt is subject to interest rate risk;
- Issuances of additional debt or equity may adversely impact our financial condition;
- Losses from catastrophes may exceed our insurance coverage;
- Potential liability for environmental contamination could result in substantial loss;
- Tax matters, including failure to qualify as a real estate investment trust ("REIT") could have adverse consequences;
- Investments in joint ventures and partnerships involve risks not present in investments in which we are the sole investor;
- Competition could limit our ability to lease apartments or increase or maintain rental income; and
- Changes in laws and litigation risks could affect our business.

These forward-looking statements represent our estimates and assumptions as of the date of this report.

Executive Summary

Based on our results for the year ended December 31, 2006 and the projected economic conditions, we expect moderate growth during 2007 from the revenue generated by our stabilized communities. The economic projections include meaningful job growth and population growth in a number of markets in which we operate and decreased housing demand due to rising interest rates resulting in multifamily apartment communities being an economically attractive alternative to purchasing a single-family home and positively affecting apartment housing demand.

We intend to continue to focus on our market balance investment strategy and to improve our portfolio mix through the acquisition and disposition of real estate assets. We expect market concentration risk to be mitigated as our property operations are not centralized in any one market.

In positioning for future growth, we intend to continue focusing on our development pipeline and maintain approximately $1.0 billion to $1.5 billion in our current and future development pipelines. Total projected capital costs and the commencement of future developments may be impacted by increasing construction costs and other factors.

Property Portfolio

Our multifamily property portfolio, excluding land held for future development and joint venture properties which we do not manage, is summarized as follows:

	December 31, 2006		December 31, 2005	
	Apartment Homes	Properties	Apartment Homes	Properties
Operating Properties				
Las Vegas, Nevada	8,064	30	8,064	30
Dallas, Texas	7,773	21	8,643	24
Houston, Texas	5,696	13	6,810	15
Tampa, Florida	5,635	12	5,635	12
Charlotte, North Carolina	4,146	17	4,493	18
Washington, D.C. Metro	3,834	11	2,882	9
Orlando, Florida	3,296	8	3,296	8
Atlanta, Georgia	3,202	10	3,202	10
Raleigh, North Carolina	2,704	7	2,631	7
Denver, Colorado	2,529	8	2,529	8
Austin, Texas	2,525	8	2,135	7
Southeast Florida	2,520	7	2,520	7
Phoenix, Arizona	2,433	8	2,433	8
Los Angeles/Orange County, California	2,191	5	2,191	5
St. Louis, Missouri	2,123	6	2,123	6
Louisville, Kentucky	1,448	5	1,448	5
Corpus Christi, Texas	1,410	3	1,410	3
San Diego/Inland Empire, California	846	3	846	3
Other	1,468	4	2,289	6
Total Operating Properties	63,843	186	65,580	191
Properties Under Development				
Washington, D.C. Metro	2,237	6	1,996	5
Houston, Texas	650	2	236	1
San Diego/Inland Empire, California	350	1	350	1
Los Angeles/Orange County, California	290	1	-	-
Orlando, Florida	261	1	-	-
Raleigh, North Carolina	-	-	484	1
Charlotte, North Carolina	-	-	145	1
Total Properties Under Development	3,788	11	3,211	9
Total Properties	67,631	197	68,791	200
Less: Joint Venture Properties(1)				
Las Vegas, Nevada	4,047	17	4,047	17
Dallas, Texas	456	1	456	1
Houston, Texas	1,487	4	1,216	3
Charlotte, North Carolina	-	-	492	2
Washington, D.C. Metro	508	1	464	1
Raleigh, North Carolina	-	-	411	1
Denver, Colorado	320	1	320	1
Phoenix, Arizona	992	4	992	4
Los Angeles/Orange County, California	711	2	421	1
St. Louis, Missouri	1,447	4	-	-
Louisville, Kentucky	1,194	4	-	-
Other	596	1	-	-
Total Joint Venture Properties	11,758	39	8,819	31
Total Properties Owned 100%	55,873	158	59,972	169

(1) Refer to Note 8, "Investments in Joint Ventures" in the Notes to Consolidated Financial Statements for further discussion of our joint venture investments.

Stabilized Communities

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. During the year ended December 31, 2006, stabilization was achieved at two recently completed properties as follows:

Property and Location	Number of Apartment Homes	Date of Completion	Date of Stabilization
Camden Farmers Market II *Dallas, TX*	284	3Q05	2Q06
Camden Dilworth *Charlotte, NC*	145	2Q06	3Q06

Acquisition Communities

On January 31, 2006, we acquired the remaining 80% interest in Camden-Delta Westwind, LLC, a joint venture in which we had a 20% interest, in accordance with the Agreement and Assignment of Limited Liability Company Interest. The 80% interest was previously owned by Westwind Equity, LLC ("Westwind"), an unrelated third party. As a result of the acquisition, we paid Westwind $31.0 million, which included a $2.0 million non-refundable earnest money deposit paid in October 2005. Concurrent with this transaction, the mezzanine loan we had provided to the joint venture, which totaled $12.1 million, was canceled. Additionally, we repaid the outstanding balance of a third-party construction loan, totaling $46.8 million. We used proceeds from our unsecured line of credit facility to fund this purchase. The purchase price was allocated to the tangible and intangible assets and liabilities acquired based on their estimated fair value at the date of acquisition. The intangible assets acquired at acquisition include in-place leases of $0.5 million.

In July 2006, we acquired Camden Stoneleigh, a 390-apartment home community located in Austin, Texas, for $35.3 million using proceeds from our unsecured line of credit. The purchase price of this property was allocated to the tangible and intangible assets and liabilities acquired based on their estimated fair values at the date of acquisition. The intangible assets acquired at acquisition include in-place leases of $0.6 million and above or below market leases of $0.1 million.

Dispositions and Partial Sales to Joint Ventures Included in Continuing Operations

During the year ended December 31, 2006, we recognized gains of $91.5 million from the partial sale of nine properties to an affiliated unconsolidated joint venture. This partial sale generated net proceeds of approximately $170.9 million. During the year ended December 31, 2005, we recognized gains of $132.1 million from the partial sales of twelve properties to twelve affiliated unconsolidated joint ventures. These partial sales generated net proceeds of approximately $316.8 million. The gains recognized on the partial sales of these assets were included in continuing operations as we retained a partial interest in the ventures which own these assets.

During the year ended December 31, 2006, we recognized gains of $0.5 million and $4.7 million on the partial sales of land to two joint ventures located in Houston, Texas and College Park, Maryland, respectively. The gains recognized on the sales of these assets were included in continuing operations as we retained a partial interest in the ventures which own these assets.

During the year ended December 31, 2006, we recognized a gain of $0.8 million on the sale of land located adjacent to one of our pre-development assets in College Park, Maryland. During the year ended December 31, 2005, we recognized a gain of $0.8 million on the sale of land located adjacent to one of our pre-development assets in Houston, Texas. Also during 2005, we sold undeveloped land located in Dallas, Texas to an unrelated third party. In connection with our decision to sell this undeveloped land, we recognized an impairment loss of $0.3 million. During the year ended December 31, 2004, we recognized gains totaling $1.6 million on the sales of land located adjacent to two of our pre-development assets in Houston, Texas. These gains were included in continuing operations as the cash flows from these land parcels were not separately identifiable from the cash flows generated by the adjacent pre-development assets.

Discontinued Operations

Income from discontinued operations includes the operations of properties, including land, sold during the period or classified as held for sale as of December 31, 2006. The components of earnings classified as discontinued operations include separately identifiable property-specific revenues, expenses, depreciation and interest expense, if any. The gain or loss on the disposal of the held for sale properties is also classified as discontinued operations. We intend to maintain a strategy of managing our invested capital through the selective sale of properties and to utilize the proceeds to fund investments with higher anticipated growth prospects in our markets.

A summary of our 2006 dispositions and properties held for sale as of December 31, 2006 is as follows:

($ in millions) Property and Location	Number of Apartment Homes	Date of Disposition	Year Built	Net Book Value[1]
Dispositions				
Camden Highlands				
Plano, TX	160	1Q06	1985	n/a
Camden View				
Tucson, AZ	365	1Q06	1974	n/a
Camden Trails				
Dallas, TX	264	2Q06	1984	n/a
Camden Wilshire				
Houston, TX	536	2Q06	1982	n/a
Camden Pass				
Tucson, AZ	456	2Q06	1984	n/a
Camden Oaks				
Dallas, TX	446	3Q06	1985	n/a
Camden Wyndham				
Houston, TX	448	4Q06	1978/1981	n/a
Camden Crossing				
Houston, TX	366	4Q06	1982	n/a
Held for Sale				
Camden Trace				
Maryland Heights, MO	372	n/a	1972	$ 6.9
Camden Taravue				
St. Louis, MO	304	n/a	1975	5.9
Camden Downs				
Louisville, KY	254	n/a	1975	5.2
Total apartment homes sold and held for sale	3,971			

(1) Net Book Value is land and buildings and improvements less the related accumulated depreciation as of December 31, 2006.

During the year ended December 31, 2006, we recognized gains of $78.8 million from the sale of eight operating properties to unaffiliated third parties. These sales generated net proceeds of approximately $137.3 million. During the year ended December 31, 2005, we recognized gains of $36.1 million from the sale of three operating properties, containing 1,317 apartment homes, to unaffiliated third parties. During the year ended December 31, 2004, we recognized a gain of $8.4 million on the sale of one operating property, containing 552 apartment homes, to an unaffiliated third party.

During the year ended December 31, 2006, the operations of two properties previously included in discontinued operations were reclassified to continuing operations as management made the decision not to sell these assets. As a result, we adjusted the current and prior period consolidated financial statements to reflect the necessary reclassifications. Additionally, we recorded a depreciation charge of $2.6 million during the year ended December 31, 2006 on these assets.

Upon our decision to abandon efforts to develop certain land parcels and to market these parcels as held for sale, we reclassified the operating expenses associated with these assets to discontinued operations. At December 31, 2006, we had several undeveloped land parcels classified as held for sale as follows:

($ in millions) Location	Acres	Net Book Value
Southeast Florida	3.1	$ 12.3
Dallas	2.6	2.5
Total land held for sale		$ 14.8

During the year ended December 31, 2006, we sold undeveloped land totaling an aggregate of 8.7 acres to unrelated third parties. In connection with these sales, we received net proceeds of $41.0 million and recognized gains totaling $20.5 million. During the year ended December 31, 2004, we sold undeveloped land totaling 2.1 acres to an unrelated third party. In connection with this sale, we recognized a gain of $1.0 million. Land sales during the year ended December 31, 2005 were immaterial.

During 2004, in connection with our decision to dispose of a 2.4 acre parcel of undeveloped land located in Dallas, we incurred an impairment charge of $1.1 million to write-down the carrying value of the land to its fair value, less costs to sell.

Development and Lease-Up Properties

At December 31, 2006, we had four completed properties in lease-up as follows:

($ in millions) Property and Location	Number of Apartment Homes	Cost to Date	% Leased at 2/19/07	Date of Completion	Estimated Date of Stabilization
In Lease-Up: Wholly-Owned					
Camden Fairfax Corner					
Fairfax, VA	488	$ 80.6	93%	3Q06	1Q07
Camden Westwind					
Ashburn, VA	464	95.0	71%	2Q06	3Q07
Camden Manor Park					
Raleigh, NC	484	49.3	78%	3Q06	3Q07
Camden Royal Oaks					
Houston, TX	236	20.8	46%	3Q06	1Q08
Total – wholly-owned	1,672	$ 245.7			

At December 31, 2006, we had eleven properties in various stages of construction as follows:

($ in millions) Property and Location	Number of Apartment Homes	Estimated Cost	Cost Incurred	Included in Properties Under Development	Estimated Date of Completion	Estimated Date of Stabilization
In Lease-Up: Wholly-Owned						
Camden Clearbrook						
Frederick, MD	297	$ 46.0	$ 45.3	$ 13.6	1Q07	3Q07
Camden Old Creek						
San Marcos, CA	350	98.0	90.0	44.5	2Q07	4Q07
Under Construction: Wholly-Owned						
Camden Largo, Phase II						
Largo, MD	26	5.5	3.9	3.9	1Q07	2Q07
Camden Monument Place						
Fairfax, VA	368	64.0	46.8	46.8	3Q07	1Q08
Camden Potomac Yards						
Arlington County, VA	379	110.0	75.3	75.3	3Q07	3Q08
Camden City Centre						
Houston, TX	379	54.0	31.0	31.0	4Q07	3Q08
Camden Summerfield						
Largo, MD	291	68.0	28.3	28.3	3Q08	1Q09
Camden Orange Court						
Orlando, FL	261	49.0	16.2	16.2	3Q08	1Q09
Camden Dulles Station						
Herndon, VA	368	77.0	26.1	26.1	4Q08	2Q09
Total – wholly-owned	2,719	$ 571.5	$ 362.9	$ 285.7		
Under Construction – Joint Ventures						
Camden Main & Jamboree						
Irvine, CA	290	$ 107.1	$ 94.0	$ 94.0	2Q07	4Q07
Camden Plaza						
Houston, TX	271	42.9	28.9	28.9	3Q07	2Q08
Camden College Park						
College Park, MD	508	139.9	68.3	68.3	1Q09	4Q09
Total – joint ventures	1,069	$ 289.9	$ 191.2	$ 191.2		

Our consolidated balance sheet at December 31, 2006 included $369.9 million related to wholly-owned properties under development. Of this amount, $285.7 million related to our wholly-owned projects currently under development. Additionally, at December 31, 2006, we had $84.2 million invested in land held for future development. Included in this amount was $41.9 million related to projects we expect to begin constructing during 2007. We also had $36.1 million invested in land tracts adjacent to development projects, which are being utilized in conjunction with those projects. Upon completion of these development projects, we may utilize this land to further develop apartment homes in these areas. We may also sell certain parcels of these undeveloped land tracts to third parties for commercial and retail development.

Geographic Diversification

At December 31, 2006 and 2005, our investments in various geographic areas, excluding investments in joint ventures, were as follows:

($ in thousands)	2006		2005	
Washington, D.C. Metro	**$ 1,038,981**	**20.2%**	$ 810,717	16.7%
Southeast Florida	**454,837**	**8.9**	371,579	7.6
Dallas, Texas	**381,521**	**7.4**	387,159	8.0
Los Angeles/Orange County, California	**343,853**	**6.7**	342,279	7.0
Charlotte, North Carolina	**336,337**	**6.6**	334,063	6.9
Houston, Texas	**334,019**	**6.5**	326,535	6.7
Tampa, Florida	**322,684**	**6.3**	257,963	5.3
Atlanta, Georgia	**314,595**	**6.1**	309,639	6.4
Orlando, Florida	**288,088**	**5.6**	274,569	5.7
Las Vegas, Nevada	**281,069**	**5.5**	277,503	5.7
Raleigh, North Carolina	**232,973**	**4.5**	222,019	4.6
Denver, Colorado	**198,185**	**3.9**	196,110	4.0
San Diego/Inland Empire, California	**190,341**	**3.7**	158,095	3.3
Austin, Texas	**158,673**	**3.1**	117,855	2.4
Phoenix, Arizona	**115,418**	**2.2**	113,370	2.3
Corpus Christi, Texas	**56,823**	**1.1**	56,067	1.2
St. Louis, Missouri	**12,772**	**0.3**	123,022	2.5
Louisville, Kentucky	**5,168**	**0.1**	79,659	1.6
Other	**65,885**	**1.3**	102,596	2.1
Total real estate assets, at cost	**5,132,222**	**100.0%**	4,860,799	100.0%
Properties held for sale	**32,763**		172,112	
Total properties held for investment, at cost	**$ 5,099,459**		$ 4,688,687	

Results of Operations

Changes in revenues and expenses related to our operating properties from period to period are due primarily to acquisitions, dispositions, the performance of stabilized properties in the portfolio, and the lease-up of newly constructed properties. Where appropriate, comparisons of income and expense on communities included in continuing operations are made on a dollars-per-weighted average apartment home basis in order to adjust for such changes in the number of apartment homes owned during each period. Selected weighted averages for the years ended December 31 are as follows:

	2006	2005	2004
Average monthly property revenue per apartment home	**$ 936**	$ 857	$ 765
Annualized total property expenses per apartment home	**$ 4,293**	$ 3,986	$ 3,737
Weighted average number of operating apartment homes owned 100%	**53,387**	50,765	41,712
Weighted average occupancy of operating apartment homes owned 100%	**95.1%**	95.0%	94.1%

Property-level operating results

The following tables present the property-level revenues and property-level expenses, excluding discontinued operations, for the year ended December 31, 2006 as compared to 2005 and for the year ended December 31, 2005 as compared to 2004:

($ in thousands)	Apartment Homes at 12/31/06	Year Ended December 31, 2006	2005	Change $	%
Property revenues					
Same store communities	33,465	$ 336,076	$ 314,308	$ 21,768	6.9%
Summit same store communities	13,100	171,943	133,584	38,359	28.7
Non-same store communities	3,154	38,765	22,593	16,172	71.6
Summit non-same store communities	833	14,741	9,975	4,766	47.8
Development and lease-up communities	4,391	13,585	405	13,180	100.0
Dispositions/other	-	24,320	41,216	(16,896)	(41.0)
Total property revenues	54,943	$ 599,430	$ 522,081	$ 77,349	14.8%
Property expenses					
Same store communities	33,465	$ 137,290	$ 130,190	$ 7,100	5.5%
Summit same store communities	13,100	57,450	45,865	11,585	25.3
Non-same store communities	3,154	13,934	7,789	6,145	78.9
Summit non-same store communities	833	5,088	3,863	1,225	31.7
Development and lease-up communities	4,391	4,308	87	4,221	100.0
Dispositions/other	-	11,128	14,566	(3,438)	(23.6)
Total property expenses	54,943	$ 229,198	$ 202,360	$ 26,838	13.3%

Same store communities are communities we (or Summit) owned and were stabilized as of January 1, 2005. Non-same store communities are stabilized communities we (or Summit) have acquired or developed after January 1, 2005. Development and lease-up communities are non-stabilized communities we (or Summit) have acquired or developed after January 1, 2005. Dispositions primarily represent communities we have partially sold to joint ventures in which we retained an ownership interest.

	Apartment Homes at 12/31/05	Year Ended December 31, 2005	2004	Change $	%
Property revenues					
Same store communities	35,916	$ 330,628	$ 318,976	$ 11,652	3.7%
Summit same store communities	11,083	114,229	-	114,229	100.0
Non-same store communities	3,266	32,120	22,698	9,422	41.5
Summit non-same store communities	2,705	29,820	-	29,820	100.0
Development and lease-up communities	3,031	806	-	806	100.0
Dispositions/other	-	14,478	41,342	(26,864)	(65.0)
Total property revenues	56,001	$ 522,081	$ 383,016	$ 139,065	36.3%
Property expenses					
Same store communities	35,916	$ 135,579	$ 131,191	$ 4,388	3.3%
Summit same store communities	11,083	39,185	-	39,185	100.0
Non-same store communities	3,266	11,562	9,282	2,280	24.6
Summit non-same store communities	2,705	10,811	-	10,811	100.0
Development and lease-up communities	3,031	539	-	539	100.0
Dispositions/other	-	4,684	15,420	(10,736)	(69.6)
Total property expenses	56,001	$ 202,360	$ 155,893	$ 46,467	29.8%

Same store communities are communities we (or Summit) owned and were stabilized as of January 1, 2004. Non-same store communities are stabilized communities we (or Summit) have acquired or developed after January 1, 2004. Development and lease-up communities are non-stabilized communities we (or Summit) have developed or acquired after January 1, 2004. Dispositions primarily represent communities we have partially sold to joint ventures in which we retained an ownership interest.

Same store analysis

Camden same store property revenues for the year ended December 31, 2006 increased $21.8 million, or 6.9%, from 2005 resulting primarily from higher rental income per apartment home. Same store property revenues for the year ended December 31, 2005 increased $11.7 million, or 3.7% from 2004 primarily from higher rental income per apartment home and decreased vacancy loss per apartment home. Our revenue growth is the result of improving market fundamentals resulting from growth in employment and population in the majority of our markets, the increasing cost of ownership versus rental, and rising interest rates and construction costs limiting new supply. In addition, we continue to believe our strong operating performance is not only the result of improving operating fundamentals, but also the continued enhancements we are making to many of our operational components, such as our web-based property management and revenue management systems. We believe these enhancements have created efficiencies within our business and have allowed us to take advantage of improvements in the rental market.

Total property expenses from our same store communities increased 5.5% and 3.3% for the year ended December 31, 2006 as compared to 2005 and for the year ended December 31, 2005 as compared to 2004, respectively. The increases in same store property expenses per apartment home for the year ended December 31, 2006 as compared to 2005 were primarily due to increases in repair and maintenance, salaries and utilities expenses. These three expense categories represent approximately 60% of total operating costs for the year ended December 31, 2006 and increased approximately 8% as compared to the year ended December 31, 2005. The increases for the year ended December 31, 2005 as compared to 2004 were primarily due to increases in salary and benefit expenses, real estate tax expenses and utilities expenses. These three expense categories represent approximately 68% of total operating costs for the period, and increased approximately 5% as compared to 2004.

The revenues and expenses related to Summit same store communities represent the operations of those assets since February 28, 2005, the effective time of the Summit merger. Increases in revenues and expenses on Summit same store communities for 2006 compared to 2005 and for 2005 compared to 2004 are due to our ownership of those assets for only a partial year, beginning in 2005.

Non-same store analysis and other analysis

Property revenues from non-same store, development and lease-up communities increased $34.1 million for the year ended December 31, 2006 as compared to 2005 and increased $40.0 million for the year ended December 31, 2005 as compared to 2004. The increase during both periods was primarily due to the completion and lease-up of properties in our development pipeline. Property revenues from non-same store, development and lease-up communities acquired in the Summit merger are only for periods subsequent to February 28, 2005, the effective date of the merger.

Property revenues from dispositions/other decreased $16.9 million and $26.9 million for the year ended December 31, 2006 as compared to 2005 and for the year ended December 31, 2005 as compared to 2004, respectively. Dispositions/other property revenues earned during the year ended December 31, 2006 primarily related to properties partially sold to joint ventures of $20.0 million and retail lease income of $3.1 million. For the year ended December 31, 2005, dispositions/other property revenues earned primarily related to properties partially sold into joint ventures of $35.1 million, retail lease income of $2.3 million and income associated with the amortization of above and below market leases on acquired communities of $2.8 million. For the year ended December 31, 2004, dispositions/other property revenue earned primarily related to properties partially sold into joint ventures of $40.8 million.

Property expenses from non-same store, development and lease-up communities increased $11.6 million for the year ended December 31, 2006 as compared to 2005 and $13.6 million for 2005 as compared to 2004. The increase in expenses during both periods was primarily due to the completion and lease-up of properties in our development pipeline. Property expenses from non-same store, development and lease-up communities acquired in the Summit merger are only for periods subsequent to February 28, 2005, the effective date of the merger.

Property expenses from dispositions/other decreased $3.4 million and $10.7 million for the year ended December 31, 2006 as compared to 2005 and for the year ended December 31, 2005 as compared to 2004, respectively. The decrease for the year ended December 31, 2006 as compared to December 31, 2005 was due to the partial sale of nine properties to a joint venture in 2006. The decrease for the year ended December 31, 2005 as compared to the year ended December 31, 2004 was due to the twelve communities partially sold to twelve individual affiliated joint ventures during 2005.

Non-property income

	Year Ended December 31,		Change		Year Ended December 31,		Change	
($ in thousands)	2006	2005	$	%	2005	2004	$	%
Fee and asset management	$14,041	$12,912	$ 1,129	8.7%	$12,912	$ 9,187	$ 3,725	40.5%
Sale of technology investments	1,602	24,206	(22,604)	(39.3)	24,206	863	23,343	*
Interest and other income	9,771	7,373	2,398	(71.5)	7,373	11,074	(3,701)	(33.4)
Income on deferred compensation plans	10,116	6,421	3,695	57.5	6,421	6,760	(339)	(5.0)
Total non-property income	$35,530	$50,912	$(15,382)	(30.2%)	$50,912	$27,884	$23,028	82.6%

** Not a meaningful percentage*

Fee and asset management income for the year ended December 31, 2006 increased $1.1 million as compared to 2005 and increased $3.7 million for the year ended December 31, 2005 as compared to 2004. The increase in fee and asset management income during 2006 as compared to 2005 was primarily due to fees earned on our third-party construction projects. The fees earned from the three joint ventures formed during the year ended December 31, 2006 were consistent with the structuring fees we earned from the partial sale of 12 properties to joint ventures in 2005. The increase in fee and asset management income during 2005 as compared to 2004 was primarily due to the structuring fees we earned from the partial sale of 12 properties to joint ventures in 2005.

Income from the sale of technology investments totaled $1.6 million, $24.2 million and $0.9 million for the years ended December 31, 2006, 2005 and 2004, respectively. During the year ended December 31, 2005, we recognized a $24.2 million gain on the sale of our investment in Rent.com, which was acquired by eBay Inc. during the first quarter of 2005. During the year ended December 31, 2006, we received additional distributions totaling $1.6 million from the sale of our investment in Rent.com.

Interest and other income increased $2.4 million for 2006 as compared to 2005 and decreased $3.7 million for 2005 as compared to 2004. Interest income, which primarily relates to interest earned on notes receivable outstanding under our mezzanine financing program, decreased $2.9 million for 2006 as compared to 2005 and decreased $2.0 million for 2005 as compared to 2004. These decreases were due to repayments of notes receivable during all years. Other income was $5.3 million in 2006 and $1.7 million in 2004. Other income represents income recognized upon the settlement of legal, insurance and warranty claims and contract disputes.

Income on deferred compensation plans increased $3.7 million during the year ended December 31, 2006 as compared to 2005 and decreased $0.3 million during the year ended December 31, 2005 as compared to 2004. The changes in income primarily related to the performance of the assets held in the deferred compensation plan for plan participants.

Other expenses

($ in thousands)	Year Ended December 31, 2006	Year Ended December 31, 2005	Change $	Change %	Year Ended December 31, 2005	Year Ended December 31, 2004	Change $	Change %
Property management	$ 18,490	$ 16,145	$ 2,345	14.5%	$ 16,145	$ 11,924	$ 4,221	35.4%
Fee and asset management	9,382	6,897	2,485	36.0	6,897	3,856	3,041	78.9
General and administrative	37,584	24,845	12,739	51.3	24,845	18,536	6,309	34.0
Transaction compensation and merger expenses	-	14,085	(14,085)	(100.0)	14,085	-	14,085	100.0
Impairment provisions on technology investments	-	130	(130)	(100.0)	130	-	130	100.0
Interest	118,344	111,548	6,796	6.1	111,548	78,260	33,288	42.5
Depreciation and amortization	158,510	164,705	(6,195)	(3.8)	164,705	94,730	69,975	73.9
Amortization of deferred financing costs	3,813	3,739	74	2.0	3,739	2,697	1,042	38.6
Expense on deferred compensation plans	10,116	6,421	3,695	57.5	6,421	6,760	(339)	(5.0)
Total Other Expenses	$356,239	$ 348,515	$ 7,724	2.2%	$348,515	$216,763	$131,752	60.8%

Property management expense, which represents regional supervision and accounting costs related to property operations, increased $2.3 million for the year ended December 31, 2006 as compared to 2005 and increased $4.2 million for 2005 as compared to 2004. The increases were primarily due to salary and benefit expenses, including long-term incentive compensation and amortization expense recorded for share awards. Additionally, increases in 2005 as compared to 2004 included the costs of additional regional supervision personnel and regional offices from the Summit merger. Property management expenses were 3.1% of total property revenues for the years ended December 31, 2006, 2005 and 2004.

Fee and asset management expense, which represents expenses related to third-party construction projects and property management, increased $2.5 million for 2006 as compared to 2005 and increased $3.0 million for 2005 as compared to 2004. These increases were primarily due to increases in costs and cost over-runs on third-party construction projects which totaled $7.0 million, $5.4 million and $2.7 million for the years ended December 31, 2006, 2005 and 2004, respectively.

General and administrative expenses increased $12.7 million during the year ended December 31, 2006 as compared to 2005 and increased $6.3 million during the year ended December 31, 2005 as compared to 2004, and were 5.8%, 4.1% and 4.1% of total revenues for the years ended December 31, 2006, 2005 and 2004, respectively. The increase in general and administrative expenses for the year ended December 31, 2006 as compared to 2005 was primarily due to increases in salary and benefit expenses, including long-term incentive compensation and amortization expense recorded for share awards, acceleration of vesting of previously granted share awards and legal costs. During 2006, an aggregate of 76,542 share awards that otherwise would have vested from time to time over the next five years became immediately exercisable. By accelerating the vesting of these share awards, we recognized a one-time expense of approximately $4.2 million. The increase in general and administrative expenses for the year ended December 31, 2005 as compared to 2004 was primarily due to costs associated with pursuing potential transactions not consummated, increases in salary and benefit expenses, including the addition of internal audit, information technology and personnel associated with the Summit merger, and professional fees associated with Sarbanes-Oxley Act of 2002 compliance requirements and information technology projects.

During the year ended December 31, 2005, we incurred transaction compensation and merger expenses totaling $14.1 million related to the Summit merger. Merger expenses primarily related to training and transitional employee costs.

Gross interest cost before interest capitalized to development properties increased $9.9 million for the year ended December 31, 2006 as compared to 2005 and increased $41.5 million for the year ended December 31, 2004 as compared to 2005. The overall increase in interest expense was due primarily to an increase in debt outstanding as a result of continued funding of the development pipeline, increases in the effective interest rate associated with variable rate debt and interest on notes acquired in the Summit merger. These increases were partially offset by the repayment of debt associated with our equity offering in 2006. Interest capitalized increased $3.1 million for 2006 as compared to 2005 and increased $8.2 million for 2005 as compared to 2004. The increase in interest capitalized was due to higher average balances in our development pipeline, including the increase in development assets acquired in the Summit merger in 2005.

Depreciation and amortization and amortization of deferred financing costs decreased 3.6% during the year ended December 31, 2006 as compared to 2005 and increased 72.9% during the year ended December 31, 2005 as compared to 2004. These variances were due primarily to amortization of the value of in-place leases acquired in connection with the merger with Summit of $32.3 million during the year ended December 31, 2005, offset by additional depreciation on assets acquired, depreciation charges on assets reclassified from discontinued operations to continuing operations, and new development and capital improvements placed in service during the preceding year.

Expense on deferred compensation plans increased $3.7 million during the year ended December 31, 2006 as compared to 2005 and decreased $0.3 million during the year ended December 31, 2005 as compared to 2004. The changes in expense primarily related to the performance of the assets held in the deferred compensation plan for plan participants.

Other

	Year Ended December 31,		Change		Year Ended December 31,		Change	
($ in thousands)	2006	2005	$	%	2005	2004	$	%
Gain on sale of properties, including land	$97,452	$132,914	$ (35,462)	(26.7%)	$132,914	$ 1,642	$ 131,272	*%
Equity in income of joint ventures	5,156	10,049	(4,893)	(48.7)	10,049	356	9,693	*
Distributions on perpetual preferred units	(7,000)	(7,028)	(28)	(0.4)	(7,028)	(10,461)	3,433	32.8
Original issuance costs on redeemed perpetual preferred units	-	(365)	365	100.0	(365)	(745)	380	51.0
Income allocated to common units and other minority interests	(16,163)	(2,223)	(13,940)	(627.1)	(2,223)	(2,733)	510	18.7

** Not a meaningful percentage*

Gain on sale of properties for the year ended December 31, 2006 included gains of $91.5 million from the partial sale of nine operating properties to an affiliated joint venture and $5.2 million from the partial sales of land to affiliated joint ventures. Also included in gain on sale of properties for the year ended December 31, 2006 was $0.8 million from the sale of undeveloped land to an unaffiliated third party.

Gain on sale of properties for the year ended December 31, 2005 included a gain of $132.1 million from the partial sale of 12 operating communities to affiliated joint ventures and $0.8 million from the sale of undeveloped land to an unaffiliated third party. Gain on sale of properties for the year ended December 31, 2004 included gains of $1.6 million from the sales of undeveloped land to unaffiliated third parties.

Equity in income of joint ventures decreased $4.9 million for the year ended December 31, 2006 as compared to 2005, and increased $9.7 million for the year December 31, 2005 as compared to 2004. Changes from period to period are due to an increase in the number of properties and gains recognized on the sale of assets held through joint ventures. We recognized $2.8 million of gains on the sale of three properties held through a joint venture during the year ended December 31, 2006. During the year ended December 31, 2005, we recognized $11.2 million in gains on the sale of three properties held in joint ventures. The gains recognized during the year ended December 31, 2005 were partially offset by losses recognized in one joint venture due to debt retirement costs associated with the refinancing of debt totaling $2.0 million.

Distributions on perpetual preferred units decreased $3.4 million for the year ended December 31, 2005 as compared to 2004 as a result of the redemption of $53 million Series C preferred units in September 2004 and January 2005. Original issuance costs of $0.4 million and $0.7 million were expensed in connection with these redemptions in 2005 and 2004, respectively.

Income allocated to common units and other minority interests increased $13.9 million during the year ended December 31, 2006 as compared to 2005 and decreased $0.5 million during the year ended December 31, 2005 as compared to 2004. The increase in 2006 was due primarily to gains recognized on the partial sale of eight properties held in Camden Operating, L.P. to a joint venture during the year ended December 31, 2006. A portion of the gains recognized were allocated to minority interest holders in Camden Operating, L.P.

Funds from Operations ("FFO")

Management considers FFO to be an appropriate measure of the financial 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 depreciable operating property sales, plus real estate depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. Diluted FFO also assumes conversion of all dilutive convertible securities, including convertible minority interests, which are convertible into common shares. We consider FFO to be an appropriate supplemental measure of operating performance because, by excluding gains or losses on dispositions of operating properties and excluding depreciation, FFO can help one compare the operating performance of a company's real estate between periods or as compared to different companies.

We believe 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 statements of operations and data included elsewhere in this report. FFO is not defined by generally accepted accounting principles and should not be considered as an alternative to net income as an indication of our operating performance. Additionally, FFO as disclosed by other REITs may not be comparable to our calculation.

Reconciliations of net income to diluted FFO for the years ended December 31, 2006, 2005 and 2004 are as follows:

(in thousands)	**2006**	2005	2004
Funds from operations			
Net income	**$ 232,846**	$ 199,086	$ 41,341
Real estate depreciation, including discontinued operations	**157,233**	168,777	104,339
Adjustments for unconsolidated joint ventures	**478**	(6,867)	2,097
Gain on sale of properties, including discontinued operations	**(170,304)**	(168,221)	(8,368)
Income allocated to common units, including discontinued operations	**17,537**	2,515	4,260
Funds from operations – diluted	**$ 237,790**	$ 195,290	$ 143,669
Weighted average shares – basic	**56,660**	52,000	41,430
Incremental shares issuable from assumed conversion of:			
Common share options and awards granted	**725**	483	434
Common units	**3,868**	3,830	2,438
Weighted average shares – diluted	**61,253**	56,313	44,302

Adjustments for unconsolidated joint ventures included in FFO for the years ended December 31, 2006 and 2005 includes net gains totaling $2.8 million and $11.2 million, respectively, from the sale of properties held in joint ventures. Included in the net gains recognized during the years ended December 31, 2006 and 2005 are $0.5 million and $0.3 million, respectively, in prepayment penalties associated with the repayment of mortgages associated with the sold properties.

Liquidity and Capital Resources

We are committed to maintaining a strong balance sheet and preserving our financial flexibility, which we believe enhances our ability to identify and capitalize on investment opportunities as they become available. We intend to maintain what management believes is a conservative capital structure by:

- using what management believes to be a prudent combination of debt and common and preferred equity;
- extending and sequencing the maturity dates of our debt where possible;
- managing interest rate exposure using what management believes to be prudent levels of fixed and floating rate debt;
- borrowing on an unsecured basis in order to maintain a substantial number of unencumbered assets; and
- maintaining conservative coverage ratios.

Our interest expense coverage ratio, net of capitalized interest, was 2.9, 2.8 and 3.0 times for the years ended December 31, 2006, 2005 and 2004, respectively. Interest expense coverage ratio is derived by dividing interest expense for the period into the sum of income from continuing operations before gain on sale of properties, equity in income (loss) of joint ventures and minority interests, depreciation, amortization, interest expense and income from discontinued operations. At December 31, 2006, 2005 and 2004, 80.5%, 78.8% and 88.6%, respectively, of our properties (based on invested capital) were unencumbered. Our weighted average maturity of debt, excluding our line of credit, was 4.7 years at December 31, 2006.

As a result of the significant cash flow generated by our operations, the availability under our unsecured credit facility and other short-term borrowings, proceeds from dispositions of properties and other investments and access to the capital markets by issuing securities under our automatic shelf registration statement, we believe our liquidity and financial condition are sufficient to meet all of our reasonably anticipated cash flow needs during 2007 including:

- normal recurring operating expenses;
- current debt service requirements;
- recurring capital expenditures;
- initial funding of property developments, acquisitions and notes receivable; and
- the minimum dividend payments required to maintain our REIT qualification under the Internal Revenue Code of 1986.

One of our principal long-term liquidity requirements includes the repayment of maturing debt, including borrowings under our unsecured line of credit used to fund development and acquisition activities. For unsecured notes, we anticipate that no significant portion of the principal of those notes will be repaid prior to maturity. Additionally, as of December 31, 2006, we had several development projects in various stages of construction, for which a total estimated cost of $208.6 million remained to be funded. We intend to meet our long-term liquidity requirements through the use of debt and equity offerings under our automatic shelf registration statement, draws on our unsecured credit facility and property dispositions.

In December 2006, we announced our Board of Trust Managers had declared a dividend distribution of $0.66 per share to holders of record as of December 22, 2006 of our common shares. The dividend was subsequently paid on January 17, 2007. We paid equivalent amounts per unit to holders of the common operating partnership units. This distribution to common shareholders and holders of common operating partnership units equates to an annualized dividend rate of $2.64 per share or unit.

Net cash provided by operating activities increased to $231.6 million during the year ended December 31, 2006 from $200.8 million for the same period in 2005. The increases were primarily due to additional property revenues from recently acquired properties and growth in property revenues from our stabilized communities. This increase was partially offset by the loss of property revenues due to sales of properties and other transactional expenses.

Cash flows used in investing activities during the year ended December 31, 2006 totaled $52.1 million, as compared to $207.6 million during the year ended December 31, 2005. We incurred $463.1 million in property development, acquisition and capital improvement costs during 2006 as compared to $301.6 million during 2005. During the year ended December 31, 2006, we paid $8.2 million of severance benefits associated with the Summit merger. Notes receivable – affiliates increased $41.6 million as five mezzanine loans were provided to joint ventures formed during the year ended December 31, 2006. Proceeds received from sales of properties and technology investments, sales of assets to joint ventures and joint venture distributions representing returns of investments totaled $445.2 million for the year ended December 31, 2006. Investing activities for the year ended December 31, 2005 primarily consisted of transactions associated with the Summit merger and expenditures related to real estate assets as we paid $509.8 million in connection with the Summit merger, either as consideration paid at acquisition or for merger liabilities assumed. These payments were ultimately funded using a portion of the proceeds received from the sales of properties and technology investments and distributions from joint ventures representing returns of investments, which totaled an aggregate of $555.7 million.

Net cash used in financing activities totaled $180.0 million for the year ended December 31, 2006, primarily as a result of the repayment of our line of credit of $45.0 million, payments of $227.3 million related to the payoff of senior unsecured notes and one mortgage note and distributions to shareholders and minority interest holders of $166.2 million. The cash used in financing activities was partially offset by $254.9 million of proceeds from the issuance of 3.6 million common shares. Net cash provided by financing activities for the year ended December 31, 2005 was $6.0 million, primarily due to a net increase in our unsecured line of credit of $195.0 million and proceeds from notes payable of $248.4 million, partially offset by the repayment of a secured credit facility assumed in our merger with Summit of $188.5 million, the repayment of $79.8 million in notes payable and distributions to shareholders and minority interest holders and redemption of preferred units of $165.8 million.

Financial Flexibility

In January 2005, we entered into a credit agreement which increased our unsecured credit facility to $600 million, with the ability to further increase it up to $750 million. This $600 million unsecured line of credit was originally scheduled to mature in January 2008. In January 2006, we entered into an amendment to our credit agreement to extend the maturity by two years to January 2010 and to amend certain covenants. The scheduled interest rate is based on spreads over the London Interbank Offered Rate ("LIBOR") or the Prime Rate. The scheduled interest rate spreads 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 $300 million or the remaining amount available under the line of credit. The line of credit is subject to customary financial covenants and limitations, all of which we were in compliance with at December 31, 2006.

Our line of credit provides us with the ability to issue up to $100 million in letters of credit. While our issuance of letters of credit does not increase our borrowings outstanding under our line, it does reduce the amount available. At December 31, 2006, we had outstanding letters of credit totaling $31.1 million, and had $362.9 million available, under our unsecured line of credit.

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.

During 2006 and 2005, we repaid $200.0 million and $25.0 million, respectively, of maturing unsecured notes with an effective interest rate of 6.8% and 3.6%, respectively. We also repaid one conventional mortgage note during 2006 totaling $13.1 million, which had an interest rate of 7.6%. Additionally, we repaid six conventional mortgage notes during 2005 totaling $40.8 million which had a weighted average interest rate of 7.3%. We repaid all notes payable using proceeds available under our unsecured line of credit.

In connection with our partial sale of nine apartment communities to a joint venture during 2006, as discussed in Note 8 to the consolidated financial statements, three variable rate tax-exempt mortgage notes totaling $30.5 million were assumed by the joint venture.

At December 31, 2006 and 2005, the weighted average interest rate on our floating rate debt, which includes our unsecured line of credit, was 5.4% and 4.5%, respectively.

In June 2006, we issued 3.6 million common shares at $71.25 per share in a public equity offering. We used the net proceeds of $254.9 million to reduce indebtedness on our unsecured line of credit and for general corporate purposes.

We filed an automatic shelf registration statement with the Securities and Exchange Commission during 2006 that became effective upon filing. We may use the shelf registration statement to offer, from time to time, common shares, preferred shares, debt securities or warrants. Our declaration of trust provides that we may issue up to 110,000,000 shares of beneficial interest, consisting of 100,000,000 common shares and 10,000,000 preferred shares. As of December 31, 2006, we had 65,005,959 common shares outstanding under our declaration of trust.

Contractual Obligations

The following table summarizes our known contractual obligations as of December 31, 2006:

(in millions)	Total	2007	2008	2009	2010	2011	Thereafter
Debt maturities	$ 2,331.0	$ 219.9	$ 200.7	$ 198.2	$ 658.8	$ 248.4	$ 805.0
Interest payments(1)	569.8	119.2	110.7	97.4	69.0	46.1	127.4
Non-cancelable operating lease payments	15.3	2.5	2.3	2.1	1.9	1.5	5.0
Postretirement benefit obligations	2.2	0.2	0.2	0.2	0.2	0.2	1.2
Construction contracts	156.5	127.4	29.1	-	-	-	-
	$ 3,074.8	$ 469.2	$ 343.0	$ 297.9	$ 729.9	$ 296.2	$ 938.6

(1) Includes contractual interest payments for our line of credit, senior unsecured notes, medium-term notes and secured notes. The interest payments on certain secured notes with floating interest rates and our line of credit were calculated based on the interest rates in effect as of December 31, 2006.

The joint ventures in which we have an interest have been funded with secured, third-party debt. We are not committed to any additional funding on third-party debt in relation to our joint ventures. We are committed to funding an additional $9.0 million under mezzanine loans provided to joint ventures. We have guaranteed our proportionate interest on construction loans in three of our development joint ventures. See further discussion of our investments in various joint ventures in Note 8 to our Consolidated Financial Statements.

Inflation

Substantially all of our apartment leases are for a term generally ranging from 6 to 13 months. In an inflationary environment, we may realize increased rents at the commencement of new leases or upon the renewal of existing leases. The short-term nature of our leases generally minimizes our risk from the adverse affects of inflation.

Critical Accounting Policies

Critical accounting policies are those most important to the presentation of a company's financial condition and results, and require management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. We follow financial accounting and reporting policies in accordance with generally accepted accounting principles in the United States of America.

Income Recognition. Our rental and other property income is recorded when due from residents and is recognized monthly as it is earned. Other property income consists primarily of utility rebillings, and administrative, application and other transactional fees charged to our residents. Retail lease income is recorded on a straight-line basis over the lease term, including any construction period if we are determined not to be the owner of the tenant improvements. Interest, fee and asset management and all other sources of income are recognized as earned.

Capital Expenditures. We capitalize renovation and improvement costs we believe extend the economic lives and enhance the earnings of the related assets. Capital expenditures, including carpet, appliances and HVAC unit replacements, subsequent to initial construction are capitalized and depreciated over their estimated useful lives, which range from 3 to 20 years.

Accounting for Joint Ventures. We make co-investments with unrelated third parties and are required to determine whether to consolidate or use the equity method of accounting for these ventures. FASB Interpretation No. 46R, *"Consolidation of Variable Interest Entities"* (as revised) and Emerging Issues Task Force No. 04-05, *"Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights"* are two of the primary sources of accounting guidance in this area. Appropriate application of these relatively complex rules requires substantial management judgment.

Asset Impairment. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows and costs to sell, an impairment charge equal to the excess is recognized.

Cost Capitalization. Real estate assets are carried at cost plus capitalized carrying charges. Carrying charges are primarily interest and real estate taxes which are capitalized as part of properties under development. Expenditures directly related to the development, acquisition and improvement of real estate assets, excluding internal costs relating to acquisitions of operating properties, are capitalized at cost as land, buildings and improvements. Indirect development costs, including salaries and benefits and other related costs attributable to the development of properties, are also capitalized. All construction and carrying costs are capitalized and reported on the balance sheet in properties under development until the apartment homes are substantially completed. Upon substantial completion of the apartment homes, the total cost for the apartment homes and the associated land is transferred to buildings and improvements and land, respectively, and the assets are depreciated over their estimated useful lives using the straight-line method of depreciation.

Where possible, we stage our construction to allow leasing and occupancy during the construction period, which we believe minimizes the duration of the lease-up period following completion of construction. Our accounting policy related to properties in the development and leasing phase is all operating expenses associated with completed apartment homes are expensed.

Allocations of Purchase Price. Upon the acquisition of real estate, we allocate the purchase price between tangible and intangible assets, which includes land, buildings, furniture and fixtures, the value of in-place leases, including above and below market leases, and acquired liabilities. When allocating the purchase price to acquired properties, we allocated costs to the estimated intangible value of in-place leases and above or below market leases and to the estimated fair value of furniture and fixtures, land and buildings on a value determined by assuming the property was vacant by applying methods similar to those used by independent appraisers of income-producing property. Depreciation and amortization is computed on a straight-line basis over the remaining useful lives of the related assets. The value of in-place leases and above or below market leases is amortized over the estimated average remaining life of leases in-place at the time of acquisition. Estimates of fair value of acquired debt are based upon interest rates available for the issuance of debt with similar terms and remaining maturities.

Use of Estimates. The preparation of our 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. Our more significant estimates relate to determining the allocation of the purchase price of our acquisitions, estimates supporting our impairment analysis related to the carrying value of our real estate assets, estimates of the useful lives of our assets, reserves related to co-insurance requirements under our property, general liability and employee benefit insurance programs and estimates of expected losses of variable interest entities. Future events rarely develop exactly as forecast, and the best estimates routinely require adjustment. Also, see Note 2 to our consolidated financial statements, Summary of Significant Accounting Policies.

New Accounting Standards

In December 2004, the FASB issued SFAS No. 123 (revised 2004), "Share-Based Payment" ("SFAS No. 123(R)") requiring the compensation cost relating to share-based payments be recognized over their vesting periods in the income statement based on their estimated fair values. In April 2005, the SEC issued Staff Accounting Bulletin No. 107, *"Shared-Based Payment"* providing for a phased-in implementation process for SFAS No. 123(R). SFAS No. 123(R) is effective for all public entities in the first annual reporting period beginning after June 15, 2005. We adopted SFAS No. 123(R) on January 1, 2006 using the modified prospective method. The impact of adopting this pronouncement is discussed in Note 12 *"Share-based Compensation."*

In May 2005, the FASB issued SFAS No. 154 *"Accounting Changes and Error Corrections, a replacement of APB Opinion No. 20 and FASB Statement No. 3"* ("SFAS No. 154"). This pronouncement applies to all voluntary changes in accounting principle and revises the requirements for accounting for and reporting a change in accounting principle. SFAS No. 154 requires retrospective application to prior periods' financial statements of a voluntary change in accounting principle, unless it is impracticable to do so. This pronouncement also requires changes to the method of depreciation, amortization, or depletion for long-lived, non-financial assets be accounted for as a change in accounting estimate that is effected by a change in accounting principle. SFAS No. 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. It does not change the transition provisions of any existing accounting pronouncements, including those which are in a transition phase as of the effective date. The adoption of SFAS No. 154 did not have a material impact on our financial position, results of operations or cash flows.

In June 2005, the FASB issued Emerging Issues Task Force ("EITF") Issue No. 04-5, *"Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights."* EITF Issue No. 04-5 provides a framework for determining whether a general partner controls, and should consolidate, a limited partnership or a similar entity. EITF Issue No. 04-5 was effective after June 29, 2005, for all newly formed limited partnerships and for any pre-existing limited partnerships that modify their partnership agreements after that date. General partners of all other limited partnerships are required to apply the consensus no later than the beginning of the first reporting period in fiscal years beginning after December 15, 2005. The adoption of EITF Issue No. 04-5 did not have a material impact on our financial position, results of operations or cash flows.

In June 2005, the FASB issued FASB Staff Position ("FSP") 78-9-1, *"Interaction of AICPA Statement of Position 78-9 and EITF Issue No. 04-5."* The EITF acknowledged the consensus in EITF Issue No. 04-5 conflicted with certain aspects of Statement of Position ("SOP") 78-9, *"Accounting for Investments in Real Estate Ventures."* The EITF agreed with the assessment of whether a general partner, or the general partners as a group, controls a limited partnership should be consistent for all limited partnerships, irrespective of the industry within which the limited partnership operates. Accordingly, the guidance in SOP 78-9 was amended in FSP 78-9-1 to be consistent with the guidance in EITF Issue No. 04-5. The effective dates for this FSP are the same as those mentioned above in EITF Issue No. 04-5. The adoption of FSP 78-9-1 did not have a material impact on our financial position, results of operations or cash flows.

In April 2006, the FASB issued FSP FASB Interpretation ("FIN") 46(R)-6, *"Determining the Variability to Be Considered in Applying FASB Interpretation No. 46(R)."* FIN 46(R)-6 addresses how a reporting enterprise should determine variability associated with a variable interest entity or variable interests in an entity when applying the provisions of FIN 46(R) and is effective for reporting periods beginning after June 15, 2006. We will evaluate the impact of FIN 46(R)-6 at the time any reconsideration event occurs, as defined by the provisions of FIN 46(R), and for any new entities with which we become involved in future periods.

In June 2006, the FASB issued FIN 48, *"Accounting for Uncertainty in Income Taxes – an Interpretation of FASB Statement No. 109,"* which clarifies the accounting for uncertainty in tax positions. FIN 48 requires we recognize in our financial statements the impact of a tax position, if the position is more likely than not of being sustained on audit, based on the technical merits of the position. FIN 48 is effective for fiscal years beginning after December 15, 2006. We have assessed the potential impact of FIN 48 and our adoption will not have a material impact on our financial position, results of operations or cash flows.

In September 2006, the FASB issued SFAS No. 157, *"Fair Value Measurements."* SFAS No. 157 defines fair value, establishes a framework for measuring fair value in GAAP and expands disclosures about fair value measurements. The statement does not require new fair value measurements, but is applied to the extent other accounting pronouncements require or permit fair value measurements. The statement emphasizes fair value as a market-based measurement which should be determined based on assumptions market participants would use in pricing an asset or liability. We will be required to disclose the extent to which fair value is used to measure assets and liabilities, the inputs used to develop the measurements, and the effect of certain of the measurements on earnings (or changes in net assets) for the period. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. We do not anticipate the adoption of this statement will have a material impact on our financial position, results of operations or cash flows.

In September 2006, the FASB issued SFAS No. 158, *"Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans—an amendment of FASB Statements No. 87, 88, 106, and 132(R),"* which requires an employer to recognize the over-funded or under-funded status of a defined benefit postretirement plan (other than a multiemployer plan) as an asset or liability in its statement of financial position and to recognize changes in funded status in the year in which the changes occur through comprehensive income of a business entity. SFAS No. 158 also requires an employer to measure the funded status of a plan as of the date of its year-end statement of financial position, with limited exceptions. This statement is effective for fiscal years ending after December 15, 2006. Our adoption of this statement did not have a material impact on our financial position, results of operations or cash flows.

Report of Independent Registered Public Accounting Firm

To the Board of Trust Managers and the Shareholders of Camden Property Trust

We have audited the accompanying consolidated balance sheets of Camden Property Trust and subsidiaries (the "Trust") as of December 31, 2006 and 2005, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2006. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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 and subsidiaries as of December 31, 2006 and 2005, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2006, in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

Houston, Texas
February 28, 2007

Consolidated Balance Sheets

(in thousands, except per share amounts)	2006	december 31, 2005
Assets		
Real estate assets, at cost		
Land	**$ 693,312**	$ 646,854
Buildings and improvements	**4,036,286**	3,840,969
	4,729,598	4,487,823
Accumulated depreciation	**(762,011)**	(716,650)
Net operating real estate assets	**3,967,587**	3,771,173
Properties under development, including land	**369,861**	372,976
Investments in joint ventures	**9,245**	6,096
Properties held for sale, including land	**32,763**	172,112
Total real estate assets	**4,379,456**	4,322,357
Accounts receivable – affiliates	**34,170**	34,084
Notes receivable		
Affiliates	**41,478**	11,916
Other	**3,855**	13,261
Other assets, net	**121,336**	99,516
Cash and cash equivalents	**1,034**	1,576
Restricted cash	**4,721**	5,089
Total assets	**$ 4,586,050**	$ 4,487,799
Liabilities and shareholders' equity		
Liabilities		
Notes payable		
Unsecured	**$ 1,759,498**	$ 2,007,164
Secured	**571,478**	625,927
Accounts payable and accrued expenses	**124,834**	108,979
Accrued real estate taxes	**23,306**	26,070
Distributions payable	**43,068**	38,922
Other liabilities	**105,999**	88,811
Total liabilities	**2,628,183**	2,895,873
Commitments and contingencies		
Minority interests		
Perpetual preferred units	**97,925**	97,925
Common units	**115,280**	112,637
Other minority interests	**10,306**	10,461
Total minority interests	**223,511**	221,023
Shareholders' equity		
Common shares of beneficial interest; $0.01 par value per share; 100,000 shares authorized; 67,451 and 63,111 issued; 65,006 and 60,763 outstanding at December 31, 2006 and 2005, respectively	**650**	608
Additional paid-in capital	**2,183,622**	1,902,595
Distributions in excess of net income	**(213,665)**	(295,074)
Employee notes receivable	**(2,036)**	(2,078)
Treasury shares, at cost	**(234,215)**	(235,148)
Total shareholders' equity	**1,734,356**	1,370,903
Total liabilities and shareholders' equity	**$ 4,586,050**	$ 4,487,799

See Notes to Consolidated Financial Statements.

Consolidated Statements of Operations

(in thousands, except per share amounts)	2006	2005	2004
			year ended december 31,
Property revenues			
Rental revenues	**$ 544,236**	$ 479,221	$ 351,513
Other property revenues	**55,194**	42,860	31,503
Total property revenues	**599,430**	522,081	383,016
Property expenses			
Property operating and maintenance	**165,810**	145,044	113,762
Real estate taxes	**63,388**	57,316	42,131
Total property expenses	**229,198**	202,360	155,893
Non-property income			
Fee and asset management	**14,041**	12,912	9,187
Sale of technology investments	**1,602**	24,206	863
Interest and other income	**9,771**	7,373	11,074
Income on deferred compensation plans	**10,116**	6,421	6,760
Total non-property income	**35,530**	50,912	27,884
Other expenses			
Property management	**18,490**	16,145	11,924
Fee and asset management	**9,382**	6,897	3,856
General and administrative	**37,584**	24,845	18,536
Transaction compensation and merger expenses	**-**	14,085	-
Impairment provisions on technology investments	**-**	130	-
Interest	**118,344**	111,548	78,260
Depreciation and amortization	**158,510**	164,705	94,730
Amortization of deferred financing costs	**3,813**	3,739	2,697
Expense on deferred compensation plans	**10,116**	6,421	6,760
Total other expenses	**356,239**	348,515	216,763
Income from continuing operations before gain on sale of properties, impairment loss on land held for sale, equity in income of joint ventures and minority interests	**49,523**	22,118	38,244
Gain on sale of properties, including land	**97,452**	132,914	1,642
Impairment loss on land held for sale	**-**	(339)	-
Equity in income of joint ventures	**5,156**	10,049	356
Income allocated to minority interests			
Distributions on perpetual preferred units	**(7,000)**	(7,028)	(10,461)
Original issuance costs on redeemed perpetual preferred units	**-**	(365)	(745)
Income allocated to common units and other minority interests	**(16,163)**	(2,223)	(2,733)
Income from continuing operations	**128,968**	155,126	26,303
Income from discontinued operations	**6,434**	8,249	8,357
Gain on sale of discontinued operations	**99,273**	36,175	9,351
Impairment loss on land held for sale	**-**	-	(1,143)
Income from discontinued operations, allocated to common units	**(1,829)**	(464)	(1,527)
Net income	**$ 232,846**	$ 199,086	$ 41,341
Earnings per share – basic			
Income from continuing operations	**$ 2.28**	$ 2.98	$ 0.64
Income from discontinued operations	**1.83**	0.85	0.36
Net income	**$ 4.11**	$ 3.83	$ 1.00
Earnings per share – diluted			
Income from continuing operations	**$ 2.21**	$ 2.79	$ 0.62
Income from discontinued operations	**1.75**	0.79	0.36
Net income	**$ 3.96**	$ 3.58	$ 0.98
Distributions declared per common share	**$ 2.64**	$ 2.54	$ 2.54
Weighted average number of common shares outstanding	**56,660**	52,000	41,430
Weighted average number of common and common dilutive equivalent shares outstanding	**59,524**	56,313	42,426

See Notes to Consolidated Financial Statements.

Consolidated Statements of Shareholders' Equity

(in thousands, except per share amounts)	Common shares of beneficial interest	Additional paid-in capital	Distributions in excess of net income	Employee notes receivable	Treasury shares, at cost
Shareholders' equity, January 1, 2004	$ 483	$ 1,318,637	$ (297,808)	$ -	$ (236,427)
Net income			41,341		
Common shares issued under dividend reinvestment plan		40			
Share awards issued under benefit plan (233 shares)	2	784			
Share awards canceled under benefit plan (32 shares)		-			
Amortization of previously granted share awards		4,615			
Employee share purchase plan		299			604
Share awards placed into deferred plans (384 shares)	(4)	4			
Common share options exercised (483 shares)	5	11,547			
Redemption of operating partnership units		(101)			
Cash distributions ($2.54 per share)			(105,506)		
Shareholders' equity, December 31, 2004	486	1,335,825	(361,973)	-	(235,823)
Net income			199,086		
Common shares issued in Summit merger (11,802 shares)	118	543,881			
Common shares issued under dividend reinvestment plan		34			
Share awards issued under benefit plan (298 shares)	3	5			
Share awards canceled under benefit plan (19 shares)		-			
Amortization of previously granted share awards		11,325			
Employee share purchase plan		523			675
Acquisition of employee notes receivable				(3,882)	
Repayment of employee notes receivable, net				1,804	
Share awards placed into deferred plans (202 shares)	(2)	2			
Common share options exercised (264 shares)	3	10,461			
Conversions and redemptions of operating partnership units		539			
Cash distributions ($2.54 per share)			(132,187)		
Shareholders' equity, December 31, 2005	608	1,902,595	(295,074)	(2,078)	(235,148)
Net income			232,846		
Common shares issued (3,600 shares)	36	254,895			
Common shares issued under dividend reinvestment plan		30			
Share awards issued under benefit plan (317 shares)	3	(1)			(2)
Share awards canceled under benefit plan (31 shares)		-			
Amortization of previously granted share awards		12,964			
Employee share purchase plan		1,359			935
Repayment of employee notes receivable, net				42	
Share awards placed into deferred plans (97 shares)	(1)	1			
Common share options exercised (119 shares)	1	5,293			
Conversions and redemptions of operating partnership units	3	6,486			
Cash distributions ($2.64 per share)			(151,437)		
Shareholders' equity, December 31, 2006	$ 650	$ 2,183,622	$ (213,665)	$ (2,036)	$ (234,215)

See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

(in thousands)	2006	2005	year ended december 31, 2004
Cash flows from operating activities			
Net income	**$ 232,846**	$ 199,086	$ 41,341
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization, including discontinued operations	**159,860**	171,254	106,183
Amortization of deferred financing costs	**3,813**	3,739	2,697
Equity in income of joint ventures	**(5,156)**	(10,049)	(356)
Gain on sale of discontinued operations	**(99,273)**	(36,175)	(9,351)
Gain on sale of properties, including land	**(97,452)**	(132,914)	(1,642)
Gain on sale of technology investments	**(1,602)**	(24,206)	(863)
Impairment loss on land held for sale	**-**	339	1,143
Impairment provisions on technology investments	**-**	130	-
Original issuance costs on redeemed perpetual preferred units	**-**	365	745
Income allocated to common units and other minority interests, including discontinued operations	**17,992**	2,687	4,260
Accretion of discount on unsecured notes payable	**694**	687	609
Amortization of share-based compensation	**11,619**	9,549	3,381
Interest on employee notes receivable	**(108)**	(96)	-
Net change in operating accounts	**8,336**	16,449	8,850
Net cash provided by operating activities	**231,569**	200,845	156,997
Cash flows from investing activities			
Increase in real estate assets	**(444,300)**	(297,790)	(107,640)
Proceeds from sale of properties, including land and discontinued operations	**181,963**	134,882	43,882
Proceeds from the sale of technology investments	**1,602**	24,651	863
Proceeds from partial sales of assets to joint ventures	**213,720**	316,746	-
Distributions from joint ventures	**47,922**	79,425	1,748
Investments in joint ventures	**(3,147)**	(878)	-
Payments received on notes receivable – other	**9,406**	31,383	9,320
Increase in notes receivable – other	**-**	(97)	(12,451)
Increase in notes receivable – affiliates	**(41,615)**	-	-
Cash of Summit at merger date	**-**	16,696	-
Cash consideration paid for Summit	**-**	(458,050)	-
Payment of merger related liabilities	**(8,233)**	(51,794)	-
Earnest money deposits on potential transactions	**(4,803)**	-	-
Change in restricted cash	**368**	362	2,746
Increase in non-real estate assets and other	**(4,950)**	(3,097)	(3,789)
Net cash used in investing activities	**(52,067)**	(207,561)	(65,321)
Cash flows from financing activities			
Net increase (decrease) in unsecured line of credit and short-term borrowings	**(45,000)**	195,000	9,000
Proceeds from the issuance of notes payable	**-**	248,423	349,709
Repayment of Summit secured credit facility	**-**	(188,500)	-
Repayment of notes payable	**(227,284)**	(79,753)	(292,590)
Proceeds from issuance of common shares	**254,931**	-	-
Distributions to shareholders and minority interests	**(166,234)**	(148,318)	(123,841)
Redemption of perpetual preferred units	**-**	(17,500)	(35,500)
Repayment of employee notes receivable	**150**	1,900	-
Repurchase of common units	**(170)**	(5,688)	(181)
Net increase in accounts receivable – affiliates	**382**	(1,439)	(1,151)
Common share options exercised	**4,155**	9,238	8,025
Payment of deferred financing costs	**(2,945)**	(7,247)	(4,825)
Other	**1,971**	(77)	(1,426)
Net cash provided by (used in) financing activities	**(180,044)**	6,039	(92,780)
Net (decrease) increase in cash and cash equivalents	**(542)**	(677)	(1,104)
Cash and cash equivalents, beginning of year	**1,576**	2,253	3,357
Cash and cash equivalents, end of year	**$ 1,034**	$ 1,576	$ 2,253

See Notes to Consolidated Financial Statements.

(in thousands)	2006	2005	year ended december 31, 2004
Supplemental information			
Cash paid for interest, net of interest capitalized	**$ 121,396**	$ 106,020	$ 80,929
Interest capitalized	**20,627**	17,513	9,332
Supplemental schedule of non-cash investing and financing activities			
Acquisition of Summit, net of cash acquired, at fair value			
Assets acquired	**$ 1,881**	$1,591,899	$ -
Liabilities assumed	**1,881**	982,966	-
Common shares issued	**-**	544,065	-
Common units issued	**-**	81,564	-
Value of shares issued under benefit plans, net	**16,144**	11,330	5,764
Cancellation of notes receivable – affiliate in connection with property acquisition	**12,053**	-	-
Distributions declared but not paid	**43,068**	38,922	30,412
Conversion of operating partnership units to common shares	**6,569**	424	-
Contribution of real estate assets to joint ventures	**33,493**	45,297	-
Decrease in liabilities in connection with property transactions, net	**2,581**	-	-
Assumption of debt by joint venture	**30,525**	-	-
Common units issued in connection with investment in joint venture	**1,900**	-	-

See Notes to Consolidated Financial Statements.

1. Description of Business

Business. Formed on May 25, 1993, Camden Property Trust, a Texas real estate investment trust ("REIT"), is engaged in the ownership, development, construction and management of multifamily apartment communities. Our multifamily apartment communities are referred to as "communities," "multifamily communities," "properties," or "multifamily properties" in the following discussion. As of December 31, 2006, we owned interests in, operated or were developing 197 multifamily properties comprising 67,631 apartment homes located in 13 states. We had 3,788 apartment homes under development at 11 of our multifamily properties, including 1,069 apartment homes at three multifamily properties owned through joint ventures, 26 apartment homes at one operating property, and several sites we intend to develop into multifamily apartment communities. Additionally, three properties comprised of 930 apartment homes were designated as held for sale.

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. We also assess the consolidation of any entity in which we have an equity interest. Any entities that do not meet the criteria for consolidation, but where we exercise significant influence are accounted for using the equity method. Any entities that do not meet the criteria for consolidation where we do not exercise significant influence are accounted for using the cost method. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates. The preparation of our 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. Our more significant estimates relate to determining the allocation of the purchase price of our acquisitions, estimates supporting our impairment analysis related to the carrying value of our real estate assets, estimates of the useful lives of our assets, reserves related to co-insurance requirements under our property, general liability and employee benefit insurance programs and estimates of expected losses of variable interest entities. Actual results could differ from those estimates.

Reportable Segments. Our multifamily communities are geographically diversified throughout the United States and management evaluates operating performance on an individual property level. However, as each of our apartment communities has similar economic characteristics, residents, and products and services, our apartment communities have been aggregated into one reportable segment with activities related to the ownership, development, construction and management of multifamily communities. Our multifamily communities generate rental revenue and other income through the leasing of apartment homes, which comprised 95% of our total consolidated revenues, excluding non-recurring gains on technology investments, for the years ended December 31, 2006, 2005 and 2004.

Cash and Cash Equivalents. All cash and investments in money market accounts and other highly liquid 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 consists of escrow deposits held by lenders for property taxes, insurance and replacement reserves, cash required to be segregated for the repayment of residents' security deposits and escrowed amounts related to our development activities. Substantially all restricted cash is invested in demand and short-term instruments.

Real Estate Assets, at Cost. Real estate assets are carried at cost plus capitalized carrying charges. 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 such charges do not cause the carrying value of the asset to exceed its net realizable value. Expenditures directly related to the development, acquisition and improvement of real estate assets, excluding internal costs relating to acquisitions of operating properties, are capitalized at cost as land, buildings and improvements. Indirect development costs, including salaries and benefits and other related costs that are clearly attributable to the development of properties, are also capitalized. All construction and carrying costs are capitalized and reported on the balance sheet in properties under development until the apartment homes are substantially completed. Upon substantial completion of the apartment homes, the total cost for the apartment homes and the associated land is transferred to buildings and improvements and land, respectively, and the assets are depreciated over their estimated useful lives using the straight-line method of depreciation.

Upon the acquisition of real estate, we allocate the purchase price between tangible and intangible assets, which includes land, buildings, furniture and fixtures, the value of in-place leases, including above and below market leases, and acquired liabilities. When allocating the purchase price to acquired properties, we allocated costs to the estimated intangible value of in-place leases and above or below market leases and to the estimated fair value of furniture and fixtures, land and buildings on a value determined by assuming the property was vacant by applying methods similar to those used by independent appraisers of income-producing property. Depreciation and amortization is computed on a straight-line basis over the remaining useful lives of the related assets. The value of in-place leases and above or below market leases is amortized over the estimated average remaining life of leases in-place at the time of acquisition. Estimates of fair value of acquired debt are based upon interest rates available for the issuance of debt with similar terms and remaining maturities.

Depreciation and amortization is computed over the expected useful lives of depreciable property on a straight-line basis as follows:

	Estimated Useful Life
Buildings and improvements	5-35 years
Furniture, fixtures, equipment and other	3-20 years
Intangible assets (in-place leases and above and below market leases)	6-13 months

As discussed above, carrying charges are principally interest and real estate taxes capitalized as part of properties under development and buildings and improvements. Capitalized interest was $20.6 million in 2006, $17.5 million in 2005 and $9.3 million in 2004. Capitalized real estate taxes were $2.6 million, $2.5 million and $2.2 million in 2006, 2005 and 2004, respectively. All operating expenses associated with completed apartment homes for properties in the development and leasing phase are expensed. Upon substantial completion of the project, all apartment homes are considered operating and we begin expensing all items that were previously considered carrying costs.

We capitalize renovation and improvement costs which we believe extend the economic lives and enhance the earnings of our multifamily properties. Capital expenditures totaled $58.5 million and $41.0 million in 2006 and 2005, respectively. Included in the $58.5 million for 2006 is $13.7 million of non-recurring capital improvements on renovation and rehabilitation projects at certain of our multifamily properties.

Costs recorded as repair and maintenance include all costs which do not alter the primary use, extend the expected useful life or improve the safety or efficiency of the related asset. Our largest repair and maintenance expenditures related to landscaping, interior painting and floor coverings. Property operating and maintenance expense and income from discontinued operations included repair and maintenance expenses totaling $41.6 million in 2006, $36.5 million in 2005 and $30.9 million in 2004.

Impairment of Long-Lived Assets. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows and costs to sell, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

Discontinued Operations. The results of operations for properties sold during the period or classified as held for sale at the end of the current period are required to be classified as discontinued operations in the current and prior periods. The property-specific components of earnings that are classified as discontinued operations include net operating income, depreciation expense and interest expense. The gain or loss on the eventual disposal of the held for sale properties is also classified as discontinued operations. Real estate assets held for sale are measured at the lower of the carrying amount or the fair value less costs to sell, and are presented separately in the accompanying consolidated balance sheets. Subsequent to classification of a property as held for sale, no further depreciation is recorded. Properties sold by our unconsolidated entities are not included in discontinued operations and related gains or losses are reported as a component of equity in income of joint ventures.

During the year ended December 31, 2006, the operations of two properties previously included in discontinued operations were reclassified to continuing operations as management made the decision not to sell these assets. As a result, we adjusted the current and prior period consolidated financial statements to reflect the necessary reclassifications. Additionally, we recorded a depreciation charge of $2.6 million during the year ended December 31, 2006.

Gains on sale of real estate are recognized using the full accrual or partial sale methods, as applicable, in accordance with SFAS No. 66 "Accounting for Real Estate Sales," provided various criteria relating to the terms of sale and any subsequent involvement with the real estate sold are met.

Other Assets, Net. Other assets in our consolidated financial statements include investments under deferred compensation plans, deferred financing costs, non-real estate leasehold improvements and equipment, prepaid expenses, the value of in-place leases and related accumulated amortization, and other miscellaneous receivables. Investments under deferred compensation plans are held as trading securities and are adjusted to fair market value at period end. See further discussion of our investments under deferred compensation plans in Note 12. Deferred financing costs are amortized over the terms of the related debt on the straight-line method, which approximates the effective interest method. Corporate 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 totaled $26.9 million in 2006 and $23.1 million in 2005.

Insurance. Our primary lines of insurance coverage are property, general liability, health and workers' compensation. We believe our insurance coverage adequately insures our properties against the risk of loss attributable to fire, earthquake, hurricane, tornado, flood and other perils and adequately insures us against other risks. Losses are accrued based upon our estimates of the aggregate liability for claims incurred using certain actuarial assumptions followed in the insurance industry and based on our experience.

Income Recognition. Our rental and other property income is recorded when due from residents and is recognized monthly as it is earned. Other property income consists primarily of utility rebillings, and administrative, application and other transactional fees charged to our residents. Our apartment homes are rented to residents on lease terms generally ranging from 6 to 13 months, with monthly payments due in advance. Interest, fee and asset management and all other sources of income are recognized as earned. Two of our 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 significant concentration of credit risk.

Retail Lease Income. We have approximately 178,000 square feet of leaseable space for retail and commercial uses. Retail lease income is recorded on a straight-line basis over the lease term, including the construction period if we are determined not to be the owner of the tenant improvements. The difference between the cash received and income in any period is recorded as deferred retail lease receivable in other assets in the consolidated balance sheets. Any tenant incentives, also recorded in other assets in the consolidated balance sheets, are amortized over the related term of the lease, commencing the date we pay the incentive, as a reduction of retail lease income.

Retail lease income for the year ended December 31, 2006 totaled $3.5 million which included a $0.3 million impact of recording the retail lease income on a straight-line basis. For retail leases outstanding as of December 31, 2006, minimum expected annual retail lease income for the years ending December 31, 2007 through 2011 are $3.3 million, $2.8 million, $2.6 million, $2.4 million and $1.8 million, respectively, and $2.2 million in the aggregate thereafter.

Third-Party Construction Services. Our construction division performs services for our internally developed communities, as well as provides construction management and general contracting services for third-party owners of multifamily, commercial and retail properties. Income from these third-party projects is recognized on a percentage-of-completion basis. For projects where our fee is based on a fixed price, any cost overruns, as compared to the original budget, incurred during construction will reduce the fee generated on those projects. For any project where cost overruns are expected to be in excess of the fee generated on the project, we will recognize the total projected loss in the period in which the loss is first estimated. See Note 9 for further discussion of our third-party construction services.

Recent Accounting Pronouncements. In December 2004, the FASB issued SFAS No. 123 (revised 2004), "Share-Based Payment" ("SFAS No. 123(R)") requiring the compensation cost relating to share-based payments be recognized over their vesting periods in the income statement based on their estimated fair values. In April 2005, the SEC issued Staff Accounting Bulletin No. 107, "Shared-Based Payment" providing for a phased-in implementation process for SFAS No. 123(R). SFAS No. 123(R) is effective for all public entities in the first annual reporting period beginning after June 15, 2005. We adopted SFAS No. 123(R) on January 1, 2006 using the modified prospective method. The impact of adopting this pronouncement is discussed in Note 12, "Share-based Compensation."

In May 2005, the FASB issued SFAS No. 154 "Accounting Changes and Error Corrections, a replacement of APB Opinion No. 20 and FASB Statement No. 3" ("SFAS No. 154"). This pronouncement applies to all voluntary changes in accounting principle and revises the requirements for accounting for and reporting a change in accounting principle. SFAS No. 154 requires retrospective application to prior periods' financial statements of a voluntary change in accounting principle, unless it is impracticable to do so. This pronouncement also requires changes to the method of depreciation, amortization, or depletion for long-lived, non-financial assets be accounted for as a change in accounting estimate that is effected by a change in accounting principle. SFAS No. 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. SFAS No. 154 does not change the transition provisions of any existing accounting pronouncements, including those which are in a transition phase as of the effective date. The adoption of SFAS No. 154 did not have a material impact on our financial position, results of operations or cash flows.

In June 2005, the FASB issued Emerging Issues Task Force ("EITF") Issue No. 04-5, "Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights." EITF Issue No. 04-5 provides a framework for determining whether a general partner controls, and should consolidate, a limited partnership or a similar entity. EITF Issue No. 04-5 was effective after June 29, 2005, for all newly formed limited partnerships and for any pre-existing limited partnerships that modify their partnership agreements after that date. General partners of all other limited partnerships are required to apply the consensus no later than the beginning of the first reporting period in fiscal years beginning after December 15, 2005. The adoption of EITF Issue No. 04-5 did not have a material impact on our financial position, results of operations or cash flows.

In June 2005, the FASB issued FASB Staff Position ("FSP") 78-9-1, "Interaction of AICPA Statement of Position 78-9 and EITF Issue No. 04-5." The EITF acknowledged the consensus in EITF Issue No. 04-5 conflicted with certain aspects of Statement of Position ("SOP") 78-9, "Accounting for Investments in Real Estate Ventures." The EITF agreed with the assessment of whether a general partner, or the general partners as a group, controls a limited partnership should be consistent for all limited partnerships, irrespective of the industry within which the limited partnership operates. Accordingly, the guidance in SOP 78-9 was amended in FSP 78-9-1 to be consistent with the guidance in EITF Issue No. 04-5. The effective dates for this FSP are the same as those mentioned above in EITF Issue No. 04-5. The adoption of FSP 78-9-1 did not have a material impact on our financial position, results of operations or cash flows.

In April 2006, the FASB issued FSP FASB Interpretation ("FIN") 46(R)-6, "Determining the Variability to Be Considered in Applying FASB Interpretation No. 46(R)." FIN 46(R)-6 addresses how a reporting enterprise should determine variability associated with a variable interest entity or variable interests in an entity when applying the provisions of FIN 46(R) and is effective for reporting periods beginning after June 15, 2006. We will evaluate the impact of FIN 46(R)-6 at the time any reconsideration event occurs, as defined by the provisions of FIN 46(R), and for any new entities with which we become involved in future periods.

In June 2006, the FASB issued FIN 48, "Accounting for Uncertainty in Income Taxes – an Interpretation of FASB Statement No. 109," which clarifies the accounting for uncertainty in tax positions. FIN 48 requires we recognize in our financial statements the impact of a tax position, if the position is more likely than not of being sustained on audit, based on the technical merits of the position. FIN 48 is effective for fiscal years beginning after December 15, 2006. We have assessed the potential impact of FIN 48 and our adoption will not have a material impact on our financial position, results of operations or cash flows.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements." SFAS No. 157 defines fair value, establishes a framework for measuring fair value in GAAP and expands disclosures about fair value measurements. The statement does not require new fair value measurements, but is applied to the extent other accounting pronouncements require or permit fair value measurements. The statement emphasizes fair value as a market-based measurement which should be determined based on assumptions market participants would use in pricing an asset or liability. We will be required to disclose the extent to which fair value is used to measure assets and liabilities, the inputs used to develop the measurements, and the effect of certain of the measurements on earnings (or changes in net assets) for the period. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. We do not anticipate the adoption of this statement will have a material impact on our financial position, results of operations or cash flows.

In September 2006, the FASB issued SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans—an amendment of FASB Statements No. 87, 88, 106, and 132(R)," which requires an employer to recognize the over-funded or under-funded status of a defined benefit postretirement plan (other than a multiemployer plan) as an asset or liability in its statement of financial position and to recognize changes in funded status in the year in which the changes occur through comprehensive income of a business entity. SFAS No. 158 also requires an employer to measure the funded status of a plan as of the date of its year-end statement of financial position, with limited exceptions. This statement is effective for fiscal years ending after December 15, 2006. Our adoption of this statement did not have a material impact on our financial position, results of operations or cash flows.

Reclassifications. In our Consolidated Statements of Operations for the year ended December 31, 2006, we present separately income and expense on deferred compensation plans. In the accompanying Consolidated Statements of Operations, we reclassified the income and expense on deferred compensation plans to be consistent with our 2006 presentation which resulted in a $6.4 million and $6.8 million increase to non-property income and to other expenses for the years ended December 31, 2005 and 2004, respectively.

3. Merger with Summit Properties Inc.

On February 28, 2005, Summit Properties Inc. ("Summit") was merged with and into Camden Summit Inc., one of our wholly-owned subsidiaries ("Camden Summit"), pursuant to an Agreement and Plan of Merger dated as of October 4, 2004 (the "Merger Agreement"), as amended. Prior to February 28, 2005, Summit was the sole general partner of Summit Properties Partnership, L.P. (the "Camden Summit Partnership"). At the effective time, Camden Summit became the sole general partner of the Camden Summit Partnership and the name of such partnership was changed to Camden Summit Partnership, L.P. As of February 28, 2005, Summit owned or held an ownership interest in 48 operating communities comprised of 15,002 apartment homes with an additional 1,834 apartment homes under construction in five new communities.

The aggregate consideration paid for the merger was as follows:

(in thousands)

Fair value of Camden common shares issued	$ 544,065
Fair value of Camden Summit Partnership units issued	81,564
Cash consideration paid for Summit common shares and partnership units exchanged	458,050
Total consideration	1,083,679
Fair value of liabilities assumed, including debt	984,847
Total purchase price	$ 2,068,526

Under the terms of the Merger Agreement, Summit stockholders had the opportunity to elect to receive cash or Camden shares for their Summit stock. Each stockholder's election was subject to proration, depending on the elections of all Summit stockholders, such that the aggregate amount of cash issued in the merger to Summit's stockholders approximated $436.3 million. As a result of this proration, Summit stockholders electing Camden shares received approximately .6383 of a Camden common share and $1.4177 in cash for each of their shares of Summit common stock. The final conversion ratio of the common shares was determined based on the average market price of our common shares over a five day trading period preceding the effective time of the merger. Fractional shares were paid in cash. Summit stockholders electing cash or who made no effective election received $31.20 in cash for each of their Summit shares. We issued approximately 11.8 million common shares to Summit stockholders.

In conjunction with the merger, the limited partners in the Camden Summit Partnership were offered, on a unit-by-unit basis, the opportunity to redeem their partnership units for $31.20 in cash, without interest, or to remain in the Camden Summit Partnership following the merger at a unit valuation equal to .6687 of a Camden common share. The limited partner elections resulted in the redemption of 0.7 million partnership units for cash, for an aggregate of $21.7 million, and the issuance of 1.8 million partnership units. The value of the common shares and partnership units issued was determined based on the average market price of our common shares for the five day period commencing two days prior to the announcement of the merger on October 4, 2004.

Revisions to the purchase price allocations during 2005 included reductions of $3.4 million due to the write-down of a property classified as held for sale which was sold in July 2005 and adjustments to retail lease commission balances, offset by increases of $3.9 million in accounts payable, accrued expenses and other liabilities and $0.4 million to other minority interests. Revisions to the purchase price during 2006 included increases of $1.3 million to land and $0.7 million to properties under development, including land, as a result of purchase price adjustments primarily related to increases of $1.9 million in accounts payable, accrued expenses and other liabilities for litigation.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the time of merger, net of cash acquired:

(in thousands)	
Land	$ 299,321
Buildings and improvements	1,528,124
Properties under development, including land	153,142
Investments in joint ventures	2,652
Properties held for sale	29,741
Other assets, including the value of in-place leases of $32.6 million	37,308
Cash and cash equivalents	16,696
Restricted cash	1,542
Total assets acquired	2,068,526
Notes payable	880,829
Accounts payable, accrued expenses and other liabilities	97,612
Employee notes receivable	(3,882)
Other minority interests	10,288
Fair value of liabilities assumed, including debt	984,847
Total consideration	$ 1,083,679

In connection with the merger, we incurred $69.8 million of termination, severance and settlement of share-based compensation costs. Of this amount, Summit had paid $26.3 million prior to the effective time of the merger. As of December 31, 2006, substantially all costs were paid.

The following unaudited pro forma financial information for the years ended December 31, 2005 and 2004 gives effect to the merger as if it had occurred at the beginning of the periods presented. The pro forma financial information for the year ended December 31, 2005 includes pro forma results for the first two months of 2005 and actual results for the remaining ten months. The pro forma results are based on historical data and are not intended to be indicative of the results of future operations.

	year ended december 31,	
(in thousands, except per share amounts)	**2005**	2004
Total property revenues	**$ 596,436**	$ 569,583
Net income to common shareholders	**184,318**	165,898
Net income per common and common equivalent share – Basic	**$ 2.89**	$ 3.12
Net income per common and common equivalent share – Diluted	**2.71**	3.06

4. Operating Partnership and Minority Interests

At December 31, 2006, approximately 14% of our multifamily apartment homes were held in Camden Operating, L.P. ("Camden Operating"). Camden Operating has issued both common and preferred limited partnership units. In connection with our joint venture in Camden Main & Jamboree, LP, as discussed in Note 8, "Investments in Joint Ventures," we issued 28,999 Series B common units during the year ended December 31, 2006. As of December 31, 2006, we held 85.3% of the common limited partnership units and the sole 1% general partnership interest of the operating partnership. The remaining common limited partnership units, comprising 1,630,691 units, are primarily held by former officers, directors and investors of Paragon Group, Inc., which we acquired in 1997. 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 Camden Operating common limited partnership units, and two of our ten trust managers own Camden Operating common limited partnership units.

Camden Operating had $100 million of 7.0% Series B Cumulative Redeemable Perpetual Preferred Units outstanding as of December 31, 2006. Distributions on the preferred units are payable quarterly in arrears. The Series B preferred units are redeemable beginning in 2008 by the operating partnership for cash at par plus the amount of any accumulated and unpaid distributions. The preferred units are convertible beginning in 2013 by the holder into a fixed number of corresponding Series B Cumulative Redeemable Perpetual Preferred Shares. The Series B preferred units are subordinate to present and future debt. Distributions on the Series B preferred units totaled $7.0 million for the years ended December 31, 2006, 2005 and 2004.

Additionally, Camden Operating had issued $53 million of 8.25% Series C Cumulative Redeemable Perpetual Preferred Units. During the third quarter of 2004, we redeemed 1.4 million Series C preferred units at their redemption price of $25.00 per unit, or an aggregate of $35.5 million, plus accrued and unpaid distributions at which time we expensed the issuance cost associated with these units. In January 2005, we redeemed the remaining 0.7 million Series C preferred units at their redemption price of $25.00 per unit, or an aggregate of $17.5 million, plus accrued and unpaid distributions, at which time we expensed the issuance cost associated with these units. Distributions on the Series C preferred units totaled $28,000 and $3.5 million for the years ended December 31, 2005 and 2004, respectively.

In conjunction with our acquisition of Oasis Residential, Inc. in 1998, 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 669,348 units, are exchangeable into 508,035 common shares.

In 2002, Summit entered into two separate joint ventures with a major financial services institution (the "investor member") to redevelop Summit Roosevelt and Summit Grand Parc, both located in the Washington, D.C. Metro area, in a manner to permit the use of federal rehabilitation income tax credits. The investor member contributed approximately $6.5 million for Summit Roosevelt and approximately $2.6 million for Summit Grand Parc in equity to fund a portion of the total estimated costs for the respective communities and will receive a preferred return on these capital investments and an annual asset management fee with respect to each community. The investor member's interests in the joint ventures are subject to put/call rights during the sixth and seventh years after the respective communities are placed in service. As a result of the merger, we have assumed these joint ventures and they are consolidated in our financial statements.

At December 31, 2006, approximately 22% of our multifamily apartment homes were held in the Camden Summit Partnership, as discussed in Note 3, "Merger with Summit Properties Inc." This operating partnership has issued common limited partnership units. As of December 31, 2006, we held 91.9% of the common limited partnership units and the sole 1% general partnership interest of the Camden Summit Partnership. The remaining common limited partnership units, comprising 1,621,891 million units, are primarily held by former officers, directors and investors of Summit. 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 Camden Summit Partnership common limited partnership units, and two of our ten trust managers own Camden Summit Partnership common limited partnership units.

5. Income Taxes

We have maintained and intend to maintain our election as a REIT under the Internal Revenue Code of 1986, as amended. To qualify as a REIT, we must meet a number of organizational and operational requirements, including a requirement we distribute at least 90% of our taxable income to our shareholders. As a REIT, we generally will not be subject to federal income tax on distributed taxable income. If our taxable income exceeds our dividends in a tax year, REIT tax rules allow us to designate dividends from the subsequent tax year in order to avoid current taxation on undistributed income. For the years ended December 31, 2006 and 2005, we designated dividends from 2007 and 2006, respectively, to meet our dividend distribution requirements. If we fail to qualify as a REIT in any taxable year, we will be subject to federal income taxes at regular corporate rates, including any applicable alternative minimum tax. Taxable income from non-REIT activities managed through taxable REIT subsidiaries is subject to applicable federal, state and local income taxes.

The following table reconciles net income to REIT taxable income for the years ended December 31, 2006, 2005 and 2004:

(in thousands)	2006	2005	2004
			year ended december 31,
Net income	$ 232,846	$ 199,086	$ 41,341
Net (income) loss of taxable REIT subsidiaries included above	(6,540)	6,871	2,504
Net income from REIT operations	226,306	205,957	43,845
Book depreciation and amortization, including discontinued operations	163,673	174,993	108,880
Tax depreciation and amortization	(177,153)	(142,303)	(100,803)
Book/tax difference on gains/losses from capital transactions	(90,694)	5,439	29,627
Book/tax difference on merger costs	(331)	(21,024)	-
Other book/tax differences, net	(767)	(17,867)	(3,697)
REIT taxable income	121,034	205,195	77,852
Dividends paid deduction	(121,034)(1)	(205,195)	(79,038)
Dividends paid in excess of taxable income	$ -	$ -	$ (1,186)

(1) The dividend deduction includes designated dividends from 2007 of $6.2 million.

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

	2006	2005	2004(2)
			year ended december 31,
Common Share Distributions			
Ordinary income	$ 0.26	$ 0.11	$ 0.97
Post May 5, 2004 long-term capital gain	1.85	2.28	0.72
25% Sec. 1250 capital gain	0.53	0.79	0.22
Total	$ 2.64	$ 3.18	$ 1.91
Percentage of distributions representing tax preference items	5.99%	3.91%	9.08%

(2) The dividend declared for the fourth quarter of 2004, with a record date of January 3, 2005, was taxable in 2005.

At December 31, 2006, our taxable REIT subsidiaries had net operating loss carryforwards ("NOL's") of approximately $19.8 million for income tax purposes that expire in years 2020 to 2026. Because NOL's are subject to certain change of ownership and separate return limitations, and because it is unlikely the available NOL's will be utilized, no benefits of these NOL's have been recognized in these consolidated financial statements.

SFAS No. 109, "Accounting for Income Taxes," requires a public enterprise to disclose the aggregate difference in the basis of its net assets for financial and tax reporting purposes. The carrying value reported in our consolidated financial statements exceeded the tax basis by $1,165.9 million.

Texas Margin Tax. On May 18, 2006, the Texas Governor signed into law a Texas margin tax which restructures the state business tax by replacing the taxable capital components of the current franchise tax with a new "taxable margin" component. Since the tax base on the Texas margin tax is derived from an income based measure, we believe the margin tax is an income tax and, therefore, the provisions of SFAS 109 regarding the recognition of deferred taxes apply to the new margin tax. In accordance with SFAS 109, the effect on deferred tax liabilities of a change in tax law should be included in tax expense attributable to continuing operations in the period including the enactment date. As a result, we calculated our deferred tax assets and liabilities for Texas based on the new margin tax. The cumulative effect of the change was immaterial and the impact of the change in deferred tax liabilities did not have a material impact on tax expense. Beginning in 2007, we anticipate we will incur tax expense related to this margin tax.

6. Per Share Data

Basic earnings per share is computed using income from continuing operations 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 and units convertible into common shares. Only those items that have a dilutive impact on our basic earnings per share are included in diluted earnings per share. For the years ended December 31, 2006 and 2004, 1.7 million and 1.9 million units convertible into common shares, respectively, were excluded from the diluted earnings per share calculated as they were not dilutive.

The following table presents information necessary to calculate basic and diluted earnings per share for the periods indicated:

(in thousands, except per share amounts)	2006	2005	year ended december 31, 2004
Basic earnings per share calculation			
Income from continuing operations	**$ 128,968**	$ 155,126	$ 26,303
Income from discontinued operations	**103,878**	43,960	15,038
Net income	**$ 232,846**	$ 199,086	$ 41,341
Income from continuing operations – per share	**$ 2.28**	$ 2.98	$ 0.64
Income from discontinued operations – per share	**1.83**	0.85	0.36
Net income – per share	**$ 4.11**	$ 3.83	$ 1.00
Weighted average number of common shares outstanding	**56,660**	52,000	41,430
Diluted earnings per share calculation			
Income from continuing operations	**$ 128,968**	$ 155,126	$ 26,303
Income allocated to common units	**2,432**	2,053	41
Income from continuing operations, as adjusted	**131,400**	157,179	26,344
Income from discontinued operations	**103,878**	43,960	15,038
Income from discontinued operations allocated to common units	**652**	463	-
Net income, as adjusted	**$ 235,930**	$ 201,602	$ 41,382
Income from continuing operations, as adjusted – per share	**$ 2.21**	$ 2.79	$ 0.62
Income from discontinued operations – per share	**1.75**	0.79	0.36
Net income, as adjusted – per share	**$ 3.96**	$ 3.58	$ 0.98
Weighted average common shares outstanding	**56,660**	52,000	41,430
Incremental shares issuable from assumed conversion of:			
Common share options and awards granted	**725**	483	434
Common units	**2,139**	3,830	562
Weighted average common shares outstanding, as adjusted	**59,524**	56,313	42,426

7. Property Acquisitions, Dispositions and Assets Held for Sale

Acquisitions. On January 31, 2006, we acquired the remaining 80% interest in Camden-Delta Westwind, LLC, a joint venture in which we had a 20% interest, in accordance with the Agreement and Assignment of Limited Liability Company Interest. The 80% interest was previously owned by Westwind Equity, LLC ("Westwind"), an unrelated third party. As a result of the acquisition, we paid Westwind $31.0 million, which included a $2.0 million non-refundable earnest money deposit paid in October 2005. Concurrent with this transaction, the mezzanine loan we had provided to the joint venture, which totaled $12.1 million, was canceled. Additionally, we repaid the outstanding balance of a third-party construction loan, totaling $46.8 million. We used proceeds from our unsecured line of credit facility to fund this purchase. The purchase price was allocated to the tangible and intangible assets and liabilities acquired based on their estimated fair value at the date of acquisition. The intangible assets acquired at acquisition include in-place leases of $0.5 million.

In July 2006, we acquired Camden Stoneleigh, a 390-apartment home community located in Austin, Texas, for $35.3 million using proceeds from our unsecured line of credit. The purchase price of this property was allocated to the tangible and intangible assets and liabilities acquired based on their estimated fair values at the date of acquisition. Tangible assets, which include land, buildings and improvements are being depreciated over their estimated useful lives, which range from 5 to 35 years. The intangible assets acquired at acquisition include in-place leases of $0.6 million and below market leases of $0.1 million. Intangible assets are being amortized over 10 months, which is the estimated average remaining life of in-place leases at time of acquisition.

Discontinued Operations and Assets Held for Sale. For the years ended December 31, 2006, 2005 and 2004, income from discontinued operations included the results of operations of three operating properties, containing 930 apartment homes, classified as held for sale at December 31, 2006 and the results of operations of eight operating properties sold in 2006 through their sale dates. For the years ended December 31, 2005 and 2004, income from discontinued operations also included the results of operations of three operating properties sold during 2005 and one operating property sold during 2004 through their sale dates. As of December 31, 2006, the three operating properties held for sale had a net book value of $17.9 million.

The following is a summary of income from discontinued operations for the years presented below:

(in thousands)	2006	2005	year ended december 31, 2004
Total property revenues	**$ 17,832**	$ 30,456	$ 39,018
Total property expenses	**10,048**	15,658	18,254
Net operating income	**7,784**	14,798	20,764
Interest	**-**	-	954
Depreciation	**1,350**	6,549	11,453
Income from discontinued operations	**$ 6,434**	$ 8,249	$ 8,357

During the year ended December 31, 2006, we recognized gains of $78.8 million from the sale of eight operating properties to unaffiliated third parties. These sales generated net proceeds of approximately $137.3 million. During the year ended December 31, 2005, we recognized gains of $36.1 million from the sale of three operating properties, containing 1,317 apartment homes, to unaffiliated third parties. During the year ended December 31, 2004, we recognized a gain of $8.4 million on the sale of one operating property, containing 552 apartment homes to an unaffiliated third party.

Upon our decision to abandon efforts to develop certain land parcels and to market these parcels as held for sale, we reclassified the operating expenses associated with these assets to discontinued operations. At December 31, 2006, we had several undeveloped land parcels classified as held for sale as follows:

($ in millions)

Location	**Acres**	**Net Book Value**
Southeast Florida	3.1	$ 12.3
Dallas	2.6	2.5
Total land held for sale		$ 14.8

During the year ended December 31, 2006, we sold undeveloped land totaling an aggregate of 8.7 acres to unrelated third parties. In connection with these sales, we received net proceeds of $41.0 million and recognized gains totaling $20.5 million. During the year ended December 31, 2004, we sold undeveloped land totaling 2.1 acres to an unrelated third party. In connection with this sale, we recognized a gain totaling $1.0 million.

During 2004, in connection with our decision to dispose of a 2.4 acre parcel of undeveloped land located in Dallas, we incurred an impairment charge of $1.1 million to write-down the carrying value of the land to its fair value, less costs to sell.

Asset Dispositions and Partial Sales to Joint Ventures. During the year ended December 31, 2006, we recognized gains of $91.5 million from the partial sale of nine properties to an affiliated unconsolidated joint venture. This partial sale generated net proceeds of approximately $170.9 million. During the year ended December 31, 2005, we recognized gains of $132.1 million from the partial sales of twelve properties to twelve affiliated unconsolidated joint ventures. These partial sales generated net proceeds of approximately $316.8 million. The gains recognized on the partial sales of these assets were included in continuing operations as we retained a partial interest in the ventures which own these assets.

During the year ended December 31, 2006, we recognized gains of $0.5 million and $4.7 million on the partial sales of land to two joint ventures located in Houston, Texas and College Park, Maryland, respectively. The gains recognized on the sales of these assets were included in continuing operations as we retained a partial interest in the ventures which own these assets.

During the year ended December 31, 2006, we recognized a gain of $0.8 million on the sale of land located adjacent to one of our pre-development assets in College Park, Maryland. During the year ended December 31, 2005, we recognized a gain of $0.8 million on the sale of land located adjacent to one of our pre-development assets in Houston, Texas. Also during 2005, we sold undeveloped land located in Dallas, Texas to an unrelated third party. In connection with our decision to sell this undeveloped land, we recognized an impairment loss of $0.3 million. During the year ended December 31, 2004, we recognized gains totaling $1.6 million on the sales of land located adjacent to two of our pre-development assets in Houston, Texas. These gains were included in continuing operations as the cash flows from these land parcels were not separately identifiable from the cash flows generated by the adjacent pre-development assets.

8. Investments in Joint Ventures

The joint ventures described below are accounted for using the equity method. The joint ventures in which we have an interest have been funded with secured, third-party debt and we are not committed to any additional funding on third-party debt in relation to our joint ventures. We have guaranteed our proportionate interest on construction loans in three of our development joint ventures. Additionally, we eliminate fee income from property management services to the extent of our ownership.

Our contributions of real estate assets to joint ventures at formation where we receive cash are treated as partial sales and, as a result, the amounts recorded as gain on sale of assets to joint ventures represents the change in ownership of the underlying assets. Our initial investment is determined based on our ownership percentage in the net book value of the underlying assets on the date of the transaction.

As of December 31, 2006, our equity investments in unconsolidated joint ventures accounted for under the equity method of accounting consisted of:

- A 20% interest in Sierra-Nevada Multifamily Investments, LLC ("Sierra-Nevada"), which owns 14 apartment communities with 3,098 apartment homes located in Las Vegas. We are providing property management services to Sierra-Nevada and fees earned for these services totaled $1.0 million, $1.1 million and $1.1 million for the years ended December 31, 2006, 2005 and 2004, respectively. At December 31, 2006, Sierra-Nevada had total assets of $135.0 million and third-party secured debt totaling $179.9 million.

- A 50% interest in Denver West Apartments, LLC ("Denver West"), which owns Camden Denver West, a 320-apartment home community located in Denver, Colorado. We are providing property management services to Denver West and fees earned for these services totaled $0.1 million for each of the years ended December 31, 2006, 2005 and 2004, respectively. At December 31, 2006, Denver West had total assets of $21.8 million and third-party secured debt totaling $17.0 million.

- A 20% interest in 12 apartment communities containing 4,034 apartment homes (located in the Las Vegas, Phoenix, Houston, Dallas and Orange County, California markets), which we partially sold to 12 individual affiliated joint ventures in March 2005. We are providing property management services to the joint ventures and fees earned for these services totaled $1.1 million and $0.8 million for the years ended December 31, 2006 and 2005, respectively. At December 31, 2006, the joint ventures had total assets of $388.1 million and had third-party secured debt totaling $272.6 million.

- A 30% interest in Camden Plaza, LP to which we partially sold undeveloped land located in Houston, Texas in January 2006. In connection with this partial sale, we received cash proceeds of $3.8 million. Of the total proceeds received, approximately $2.0 million was recognized as an immediate distribution and was applied against our initial investment balance. The remaining 70% interest is owned by an unaffiliated third party, who contributed cash of $3.2 million to the joint venture. The joint venture is developing a 271-apartment home community at a total estimated cost to complete of $42.9 million. We are providing construction and development services to this joint venture which totaled $1.1 million for 2006. Concurrent with this transaction, we provided a $6.4 million mezzanine loan to the joint venture which had a balance of $7.3 million at December 31, 2006, and is reported as "Notes receivable – affiliates" as discussed in Note 10. At December 31, 2006, the joint venture had total assets of $29.4 million and had third-party secured debt totaling $17.6 million.

- A 30% interest in Camden Main & Jamboree, LP to which we contributed $1.4 million in cash and $1.9 million in Camden Operating Series B common units in March 2006. The remaining 70% interest is owned by an unaffiliated third party who contributed $7.7 million to the joint venture. The joint venture purchased Camden Main & Jamboree, a 290-apartment home community located in Irvine, California, which is currently under development and has a total estimated cost to complete of $107.1 million as of December 31, 2006. We are providing construction management services to this joint venture which totaled $1.9 million for 2006. Concurrent with this transaction, we provided a mezzanine loan totaling $15.8 million to the joint venture, which had a balance of $17.7 million at December 31, 2006, and is reported as "Notes receivable – affiliates" as discussed in Note 10. At December 31, 2006, the joint venture had total assets of $95.1 million and had third-party secured debt totaling $66.1 million.

- A 30% interest in Camden College Park, LP to which we partially sold undeveloped land located in College Park, Maryland in August 2006. In connection with this partial sale, we received cash proceeds of $45.0 million. Of the total proceeds received, approximately $9.1 million was recognized as an immediate distribution and was applied against our initial investment balance. The remaining 70% interest is owned by an unaffiliated third party who contributed cash of $10.1 million to the joint venture. The joint venture is developing a 508-apartment home community and has a total estimated cost to complete of $139.9 million as of December 31, 2006. We are providing construction and development services to this joint venture which totaled $1.9 million for 2006. Concurrent with this transaction, we provided a mezzanine loan totaling $6.7 million to the joint venture, which had a balance of $7.1 million at December 31, 2006, and is reported as "Notes receivable – affiliates" as discussed in Note 10. At December 31, 2006, the joint venture had total assets of $70.7 million and had third-party secured debt totaling $49.4 million.

- A 15% interest in G&I V Midwest Residential LLC to which we partially sold nine apartment communities containing 3,237 apartment homes located in Kentucky and Missouri in September 2006. The remaining 85% of the joint venture is owned by an unaffiliated third party who contributed cash of $64.0 million to the joint venture. In connection with this partial sale, we received cash proceeds of approximately $194.9 million. Of the proceeds received, approximately $23.9 million was recognized as an immediate distribution and was applied against our initial investment balance. We are providing property management services to the joint venture, and fees earned for these services totaled $0.2 million for 2006. At December 31, 2006, the joint venture had total assets of $245.0 million and had third-party secured debt totaling $169.0 million.

- A 30% interest in two development joint ventures to which we contributed an aggregate of $2.3 million in cash. The remaining 70% interest in each joint venture is owned by an unaffiliated third party who contributed an aggregate of $5.4 million. Each joint venture has purchased certain parcels of real estate in Houston, Texas which it intends to develop into multifamily communities. Concurrent with this transaction, we provided mezzanine loans totaling $9.3 million to the joint ventures and is reported as "Notes receivable – affiliates" as discussed in Note 10. We are committed to funding an additional $9.0 million under the mezzanine loan. At December 31, 2006, the joint ventures had total assets of $17.3 million.

- A 25% interest in the Station Hill, LLC ("Station Hill") joint venture, which we acquired in connection with the Summit merger. The remaining 75% of the joint venture is owned by an unaffiliated third party who commenced termination of the joint venture's operations as all properties in the joint venture were sold as of December 31, 2006. In 2006, Station Hill sold three properties, Summit Creek, a 260-apartment home community located in Charlotte, North Carolina, Summit Hill, a 411-apartment home community located in Raleigh, North Carolina and Summit Hollow, a 232-apartment home community located in Charlotte, North Carolina for $63.0 million. Our share of these dispositions totaled $15.8 million and we recognized net gains on sale totaling $2.8 million during 2006. We provided property management services to the joint venture, and fees earned for these services totaled $33,000 and $0.2 million for the years ended December 31, 2006 and 2005, respectively.

9. Third-Party Construction Services

At December 31, 2006, we were under contract on third-party construction projects ranging from $2.4 million to $35.0 million. We earn fees on these projects ranging from 3.5% to 6.4% of the total contracted construction cost, which we recognize as earned. Fees earned from third-party construction projects totaled $3.3 million, $2.4 million and $3.8 million for the years ended December 31, 2006, 2005 and 2004, respectively, and are included in "Fee and asset management income" in our consolidated statements of operations. We recorded warranty and repair related costs on third-party construction projects of $5.3 million, $3.4 million and $1.0 million during the years ended December 31, 2006, 2005 and 2004, respectively. These costs are first applied against revenues earned on each project and any excess is included in "Fee and asset management expenses" in our consolidated statements of operations.

10. Notes Receivable

We have a mezzanine financing program under which we provide secured financing to owners of real estate properties. As of December 31, 2006, we had a $3.9 million secured note receivable due from an unrelated third party. This note, which matures in 2008, accrues interest at 9.25% per annum, which is recognized as earned. We have reviewed the terms and conditions underlying the outstanding note receivable and believe this note is collectable, and no impairment existed at December 31, 2006.

The following is a summary of our notes receivable under the mezzanine financing program during the periods presented, excluding notes receivable from affiliates:

(in millions)

Location	Property Type	Status	2006	2005
				year ended december 31,
Dallas/Fort Worth, Texas	Multifamily	Stabilized	$ -	$ 6.9
Houston, Texas	Multifamily	Predevelopment	3.9	3.9
Austin, Texas	Multifamily	Stabilized	-	2.5
Total			$ 3.9	$ 13.3

During the years ended December 31, 2006 and 2005, three loans totaling $9.4 million and eight loans totaling $31.4 million were repaid, respectively. These loans had rates ranging from 11.0% to 18.0%. Included in these repayments were approximately $0.1 million and $0.8 million of prepayment penalties, which are included in “Fee and asset management income” in our consolidated statements of operations during the years ended December 31, 2006 and 2005, respectively.

We provided mezzanine construction financing in connection with certain of our joint venture transactions as discussed in Note 8. As of December 31, 2006 and 2005, the balance of “Notes receivable – affiliates” totaled $41.4 million and $11.9 million, respectively. The note outstanding at December 31, 2005 was cancelled on January 31, 2006 in connection with our acquisition of the remaining 80% interest in the joint venture. At the time the mezzanine loan was cancelled, the balance of the note was $12.1 million. The notes outstanding as of December 31, 2006 accrue interest at rates ranging from the London Interbank Offered Rate (“LIBOR”) + 3% to 14% per year and mature through 2010.

11. Notes Payable

The following is a summary of our indebtedness:

(in millions)	2006	december 31, 2005
Unsecured line of credit and short-term borrowings	$ 206.0	$ 251.0
Senior unsecured notes		
$50.0 million 7.11% Notes, due 2006	-	50.0
$75.0 million 7.16% Notes, due 2006	-	74.9
$50.0 million 7.28% Notes, due 2006	-	50.0
$50.0 million 4.30% Notes, due 2007	51.0	52.3
$150.0 million 5.98% Notes, due 2007	149.9	149.8
$100.0 million 4.74% Notes, due 2009	99.9	99.9
$250.0 million 4.39% Notes, due 2010	249.9	249.9
$100.0 million 6.77% Notes, due 2010	99.9	99.9
$150.0 million 7.69% Notes, due 2011	149.7	149.6
$200.0 million 5.93% Notes, due 2012	199.4	199.4
$200.0 million 5.45% Notes, due 2013	199.1	199.0
$250.0 million 5.08% Notes, due 2015	248.6	248.5
	1,447.4	1,623.2
Medium-term notes		
$25.0 million 3.91% Notes, due 2006	-	25.3
$15.0 million 7.63% Notes, due 2009	15.0	15.0
$25.0 million 4.64% Notes, due 2009	26.6	27.2
$10.0 million 4.90% Notes, due 2010	11.2	11.5
$14.5 million 6.79% Notes, due 2010	14.5	14.5
$35.0 million 4.99% Notes, due 2011	38.8	39.5
	106.1	133.0
Total unsecured notes	1,759.5	2,007.2
Secured notes		
4.55% - 8.50% Conventional Mortgage Notes, due 2007 - 2013	506.4	529.2
4.20% - 7.29% Tax-exempt Mortgage Notes, due 2025 - 2028	65.1	96.7
	571.5	625.9
Total notes payable	$ 2,331.0	$ 2,633.1
Floating rate debt included in unsecured line of credit (5.56% - 5.79%)	$ 206.0	$ 251.0
Floating rate tax-exempt debt included in secured notes (4.20% - 4.53%)	58.6	90.0
Net book value of real estate assets subject to secured notes	914.1	985.2

As a result of the Summit merger, we assumed $488.4 million in conventional mortgage loans with effective interest rates ranging from 3.61% to 5.07% per year. We also assumed $50 million in senior unsecured notes payable issued by Summit in 1997, which are due in August 2007, with an effective interest rate of 4.30%, payable quarterly, and $120 million in medium-term notes, with effective interest rates ranging from 3.59% to 4.99%.

In connection with the merger, we recorded a $33.9 million fair value adjustment to account for the difference between the fixed rates and market rates for the mortgage loans, notes payable, and medium-term notes. The fixed interest rates on the various borrowings we assumed upon completion of the merger with Summit were primarily above prevailing market rates.

The following is a summary of the debt assumed at the time of merger:

(in millions)	Book Value	Fair Value Adjustment	Fair Value
Unsecured notes			
3.59% - 4.99% Notes, due 2005 - 2011	$ 170.0	$ 14.8	$ 184.8
Secured notes			
Secured Credit Facility[1]	188.5	-	188.5
3.61% - 5.07% Mortgage Notes, due 2005 - 2013	488.4	19.1	507.5
	676.9	19.1	696.0
Total notes payable	$ 846.9	$ 33.9	$ 880.8

(1) In connection with the merger, on February 28, 2005, we repaid amounts outstanding under the Summit secured credit facility using our $600 million credit facility.

In January 2005, we entered into a credit agreement which increased our unsecured credit facility to $600 million, with the ability to further increase it up to $750 million. This $600 million unsecured line of credit was originally scheduled to mature in January 2008. In January 2006, we entered into an amendment to our credit agreement to extend the maturity by two years to January 2010 and to amend certain covenants. The scheduled interest rate is based on spreads over LIBOR or the Prime Rate. The scheduled interest rate spreads 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 $300 million or the remaining amount available under the line of credit. The line of credit is subject to customary financial covenants and limitations, all of which we were in compliance with at December 31, 2006.

Our line of credit provides us with the ability to issue up to $100 million in letters of credit. While our issuance of letters of credit does not increase our borrowings outstanding under our line, it does reduce the amount available. At December 31, 2006, we had outstanding letters of credit totaling $31.1 million, and had $362.9 million available under our unsecured line of credit.

During the first quarter of 2005, we funded the cash portion of the merger consideration and payment of estimated fees and other expenses related to the merger using borrowings primarily from our $500 million senior unsecured bridge facility. The bridge facility had a term of 364 days from funding and an interest rate of LIBOR plus 80 basis points, which was subject to certain conditions. Certain of our subsidiaries had guaranteed any outstanding obligation under the bridge facility. We repaid all outstanding borrowings on the $500 million senior unsecured bridge facility and terminated the facility during the first quarter of 2005.

In connection with the merger, we assumed Summit's interest rate swap agreement with a notional amount of $50.0 million, relating to $50.0 million of 7.20% fixed rate notes issued. Under the interest rate swap agreement, through the maturity date of August 15, 2007, (a) Summit agreed to pay to the counterparty the interest on a $50.0 million notional amount at a floating interest rate of three-month LIBOR plus 241.75 basis points, and (b) the counterparty had agreed to pay Summit the interest on the same notional amount at the fixed rate of the underlying debt obligation. The swap was designated as a fair value hedge of the underlying fixed rate debt obligation and was recorded in "Other assets, net" in the allocation of the purchase price discussed in Note 3.

In March 2005, we terminated the interest rate swap and received $0.6 million from the counterparty. In accordance with SFAS No. 133, *"Accounting for Derivative Instruments and Hedging Activities,"* we are recording the $0.6 million as a reduction of interest expense over the period beginning from the termination date through the maturity date of the underlying debt obligation of August 15, 2007.

In June 2005, we issued from our $1.1 billion shelf registration an aggregate principal amount of $250 million 5.0% ten-year senior unsecured notes maturing on June 15, 2015. Interest on the notes is payable on June 15 and December 15 commencing December 15, 2005. We may redeem these notes at any time at a redemption price equal to the principal amount and accrued interest, plus a make-whole provision. The notes are a direct, senior unsecured obligation and rank equally with all other unsecured and unsubordinated indebtedness. The proceeds received from the sale of the notes were $246.8 million, net of issuance costs, and were used to reduce amounts outstanding under our unsecured line of credit.

During 2006 and 2005, we repaid $200.0 million and $25.0 million, respectively, of maturing unsecured notes with an effective interest rate of 6.8% and 3.6%, respectively. We also repaid one conventional mortgage note during 2006 totaling $13.1 million, which had an interest rate of 7.6%. Additionally, we repaid six conventional mortgage notes during 2005 totaling $40.8 million which had a weighted average interest rate of 7.3%. We repaid all notes payable using proceeds available under our unsecured line of credit to take advantage of lower borrowing rates.

In connection with our partial sale of nine apartment communities to a joint venture during the year ended December 31, 2006, as discussed in Note 8, three tax-exempt mortgage notes totaling $30.5 million were assumed by the joint venture.

At December 31, 2006 and 2005, the weighted average interest rate on our floating rate debt, which includes our unsecured line of credit, was 5.4% and 4.5%, respectively.

Our indebtedness, excluding our unsecured line of credit, had a weighted average maturity of 4.7 years. Scheduled repayments on outstanding debt, including our line of credit, and the weighted average interest rate on maturing debt at December 31, 2006 are as follows:

($ in millions) Year	Amount	Weighted Average Interest Rate
2007	$ 219.9	5.6%
2008	200.7	4.8
2009	198.2	5.0
2010	658.8	5.4
2011	248.4	6.5
2012 and thereafter	805.0	5.3
Total	$ 2,331.0	5.4%

12. Share Based Compensation and Benefit Plans

Adoption of SFAS 123(R). Under SFAS No. 123(R), we account for share-based awards on a prospective basis, with compensation expense, net of estimated forfeitures, being recognized in our statement of operations beginning in the first quarter of 2006 using the grant-date fair values.

Compensation cost for all share-based awards requires measurement at fair value on the grant date and recognition of compensation expense over the requisite service period for awards expected to vest. The fair value of stock option grants was determined using the Black-Scholes valuation model, which is consistent with our prior valuation techniques utilized for options granted after January 1, 2003, as previously reported in disclosures required under SFAS No. 123, "Accounting for Stock Based Compensation," ("SFAS No. 123") as amended by SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure" ("SFAS No. 148"). Employee awards granted prior to January 1, 2003 were accounted for under the recognition and measurement principles of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," ("APB 25") and related interpretations.

The adoption of SFAS No. 123(R) changes the accounting for our stock options and share awards ("SA's") under our 2002 Share Incentive Plan and our 1993 Share Incentive Plan as discussed below.

Share Awards. SA's have a vesting period of up to ten years. The compensation cost for SA's is based on the market value of the shares on the date of grant. The fair value method under SFAS No. 123(R) is similar to the fair value method under SFAS No. 123, as amended by SFAS No. 148, with respect to measurement and recognition of share-based compensation. However, SFAS No. 123 permitted us to recognize forfeitures as they occurred, while SFAS No. 123(R) requires us to estimate future forfeitures. To determine our estimated future forfeitures, we used actual forfeiture history.

Incentive Plan. During 2002, our Board of Trust Managers adopted, and our shareholders approved, the 2002 Share Incentive Plan of Camden Property Trust (the "2002 Share Plan"). Under the 2002 Share

Plan, we may issue up to 10% of the total of (i) the number of our common shares outstanding as of the plan date, February 5, 2002, plus (ii) the number of our common shares reserved for issuance upon conversion of securities convertible into or exchangeable for our common shares, plus (iii) the number of our common shares held as treasury shares. Compensation awards that can be granted under the 2002 Share Plan include various forms of incentive awards, including incentive share options, non-qualified share options and share awards. The class of eligible persons that can receive grants of incentive awards under the 2002 Share Plan consists of key employees, consultants and non-employee trust managers as determined by the Compensation Committee of our Board of Trust Managers. The 2002 Share Plan does not have a termination date; however, no incentive share options will be granted under this plan after February 5, 2012.

We also have a non-compensatory option plan (the "1993 Share Plan") that was amended in 2000 by our shareholders and Board of Trust Managers. The terms and conditions of the 1993 Share Plan are similar to the 2002 Share Plan, except no incentive awards were able to be granted under the 1993 Share Plan after May 27, 2004. As the terms and conditions of the 1993 Share Plan and the 2002 Share Plan are similar, when the term "plan" is used in the following discussion, we are referring to the plan from which the incentive award was granted.

Valuation Assumptions. The weighted average fair value of options granted was $7.88 and $4.47 in 2006 and 2005, respectively. We calculated the fair value of each option award on the date of grant using the Black-Scholes option pricing model. The following assumptions were used for each respective period:

	year ended december 31,	
	2006	2005
Expected volatility	**16.6%**	18.0%
Risk-free interest rate	**4.4%**	4.2%
Expected dividend yield	**4.1%**	5.6%
Expected life (in years)	**5**	10

Our computation of expected volatility for 2006 is based on the historical volatility of our common shares over a time period equal to the expected term of the option and ending on the grant date. Prior to 2006, our computation of expected volatility was based on historical volatility of our common shares over a time period from the inception of the 1993 Share Incentive Plan and ending on the grant date. The interest rate for periods within the contractual life of the award is based on the U.S. Treasury yield curve in effect at the time of grant. The expected dividend yield on our common shares is calculated using the annual dividends paid in prior year. Our computation of expected life for 2006 was determined based on historical experience of similar awards, giving consideration to the contractual terms of the share-based awards.

Options. 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 of Trust Managers on the day of grant, and to date all options have been granted at an exercise price that equals the fair market value on the date of grant. Options exercised during 2006 were exercised at prices ranging from $24.88 to $42.90 per share. At December 31, 2006, options outstanding were exercisable at prices ranging from $24.88 to $62.32 per share and had a weighted average remaining contractual life of 6.2 years.

The following table summarizes share options outstanding and exercisable at December 31, 2006:

	Outstanding Options		Exercisable Options		
Range of Exercise Prices	**Number**	**Weighted Average Price**	**Number**	**Weighted Average Price**	**Remaining Contractual Life**
$24.88-$40.40	386,321	$ 34.36	386,321	$ 34.36	5.0 years
$41.90-$43.90	451,538	42.91	318,538	42.91	6.7 years
$44.00-$62.32	445,838	48.39	312,506	49.62	6.9 years
Total options	1,283,697	$ 42.24	1,017,365	$ 41.73	6.2 years

In 1998, in connection with the merger with Oasis Residential, Inc., we assumed the Oasis stock incentive plans. We converted all unexercised Oasis stock options issued under the former Oasis stock incentive plans into options to purchase Camden common shares. All of the Oasis options became fully vested upon conversion and have a weighted average remaining contractual life of 0.6 years. As of December 31, 2006, there were 1,140 Oasis options outstanding, which are exercisable at $30.63 per share.

The following are summaries of the activity of the 1993 Share Plan and the 2002 Share Plan for the three years ended December 31, 2006:

	Options and Share awards					
1993 Share Plan	2006	Weighted Average 2006 Price	2005	Weighted Average 2005 Price	2004	Weighted Average 2004 Price
Balance at January 1	2,045,730	$ 32.12	2,201,915	$ 31.57	3,055,467	$ 30.46
Options						
Granted	-	-	-	-	-	-
Exercised	(89,879)	32.24	(154,165)	32.17	(776,032)	34.75
Forfeited	(1,086)	29.44	-	-	(63,981)	30.32
Net options	(90,965)		(154,165)		(840,013)	
Share awards						
Granted	-	-	-	-	-	-
Forfeited	(965)	34.71	(2,020)	34.22	(13,539)	32.54
Net share awards	(965)		(2,020)		(13,539)	
Balance at December 31	1,953,800	$ 31.99	2,045,730	$ 32.12	2,201,915	$ 31.57
Exercisable options at December 31	262,779	$ 32.78	245,454	$ 33.61	182,690	$ 32.78
Vested share awards at December 31	1,317,733	$ 28.85	1,283,225	$ 28.71	1,121,611	$ 28.01

	Shares Available For Issuance	Options and Share awards					
2002 Share Plan	2006	2006	Weighted Average 2006 Price	2005	Weighted Average 2005 Price	2004	Weighted Average 2004 Price
Balance at January 1	3,458,630	1,334,332	$ 42.72	1,042,623	$ 40.33	616,800	$ 35.96
Options							
Granted	-	-	-	200,000	45.53	412,500	42.88
Exercised	-	(75,366)	35.50	(144,783)	37.20	(129,904)	36.87
Forfeited	1,534	(1,534)	36.87	(5,320)	36.87	(77,987)	37.68
Net options	1,534	(76,900)		49,897		204,609	
Share awards							
Granted	(270,658)	270,658	65.24	258,322	46.99	238,395	44.24
Forfeited	29,179	(29,179)	52.63	(16,510)	44.74	(17,181)	37.30
Net share awards	(241,479)	241,479		241,812		221,214	
Balance at December 31	3,218,685	1,498,911	$ 46.40	1,334,332	$ 42.72	1,042,623	$ 40.33
Exercisable options at December 31		754,586	$ 44.84	586,103	$ 42.38	403,362	$ 40.77
Vested share awards at December 31		354,850	$ 46.44	168,691	$ 40.03	41,702	$ 33.95

Employee Share Purchase Plan. We have established an ESPP for all active employees and officers, who have completed one year of continuous service. Participants may elect to purchase Camden common shares through payroll deductions and/or through semi-annual contributions. At the end of each six-month offering period, each participant's account balance is applied to acquire common shares at 85% of the market value, as defined, on the first or last day of the offering period, whichever price is lower. The adoption of SFAS No. 123(R) had no effect on the accounting surrounding our ESPP as the plan was previously deemed compensatory under the provisions of SFAS No. 123. We currently use treasury shares to satisfy ESPP share requirements. Each participant must hold the shares purchased for nine months in order to receive the discount, and a participant may not purchase more than $25,000 in value of shares during any plan year, as defined. We expensed $0.5 million, $0.2 million, and $0.2 million related to ESPP purchases during 2006, 2005 and 2004, respectively. There were 30,352, 25,840 and 20,126 shares purchased under the ESPP during 2006, 2005 and 2004, respectively. The weighted average fair value of ESPP shares purchased in 2006, 2005 and 2004 was $73.61, $53.51 and $47.88 per share, respectively. In January 2007, 6,211 shares were purchased under the ESPP related to the 2006 plan year.

Pro Forma Information for Periods Prior to the Adoption of SFAS 123(R). The following table illustrates the effect on net income and net income per share had we applied the fair value recognition provisions of SFAS No. 123 to all outstanding and unvested option grants and Employee Share Purchase Plan ("ESPP") awards for the years ended December 31, 2005 and 2004, prior to the adoption of SFAS No. 123(R):

(in thousands, except per share amounts)	year ended december 31, 2005	2004
Net income, as reported	**$ 199,086**	$ 41,341
Add: stock-based employee compensation expense included in reported net income	**9,558**	3,842
Deduct: total stock-based employee compensation expense determined under fair value method for all awards	**(9,764)**	(4,536)
Pro forma net income	**$ 198,880**	$ 40,647
Net income per share:		
Basic – as reported	**$ 3.83**	$ 1.00
Basic – pro forma	**3.82**	0.98
Diluted – as reported	**$ 3.58**	$ 0.98
Diluted – pro forma	**3.58**	0.96

Impact of SFAS No. 123(R). Share-based compensation expense recognized during the year ended December 31, 2006 decreased income from continuing operations and net income by $0.6 million, and increased capitalized compensation cost by $0.2 million. The $0.6 million decrease to income from continuing operations and net income for the year ended December 31, 2006 was primarily related to expense associated with the accelerated vesting of certain share awards granted to individuals who met retirement conditions as defined in the 2002 Share Incentive Plan. As a result of SFAS 123(R), there was a $0.01 impact to basic and diluted earnings per share for the year ended December 31, 2006.

In our Consolidated Balance Sheets as of December 31, 2006, we presented unvested share awards as a component of "Additional paid-in capital." We previously presented unvested share awards as a separate component of shareholders' equity. In the accompanying Consolidated Balance Sheets, we reclassified the unvested share awards outstanding as of December 31, 2005 totaling $13.0 million to additional paid-in capital. These amounts represent the unvested portions of the estimated fair value of obligations under our share awards. There was no impact to the Consolidated Statements of Cash Flows as a result of our adoption of SFAS 123(R).

Accelerated Vesting. On October 30, 2006, the Compensation Committee of the Board of Trust Managers of Camden Property Trust authorized the acceleration of vesting of all unvested share awards held by two members of senior management issued under the 2002 share incentive plan. As a result of vesting acceleration, an aggregate of 76,542 share awards that otherwise would have vested from time to time over the next five years became immediately exercisable. All other terms and conditions applicable to such share awards remain in effect. By accelerating the vesting of these share awards, we recognized a one-time expense in 2006 of approximately $4.2 million. This action will reduce compensation expense by an equivalent amount over the five-year period these share awards would have originally vested.

Rabbi Trust. We have established a rabbi trust for a select group of participants in which share awards granted under the share incentive plan and salary and other cash amounts earned may be deposited. The rabbi trust is an irrevocable trust and no portion of the trust fund may be used for any purpose other than the delivery of those assets to the participants. The assets held in the rabbi trust are subject to the claims of the Company's general creditors in the event of bankruptcy or insolvency. As of December 31, 2006, the rabbi trust is in use only for deferrals made prior to 2005, including bonuses related to service in 2004 but paid in 2005.

We follow the provisions of EITF 97-14 "Accounting for Deferred Compensation Arrangements Where the Amounts Are Held in a Rabbi Trust and Invested" regarding the accounting for the rabbi trust. As a result, the assets of the rabbi trust are consolidated into our financial statements. Granted share awards held by the rabbi trust are classified in equity in a manner similar to the manner in which treasury stock is accounted. Subsequent changes in the fair value of the shares are not recognized. The deferred compensation obligation is classified as an equity instrument and changes in the fair value of the amount owed to the participant are not recognized. At December 31, 2006 and 2005, approximately 2.2 million and 2.3 million share awards, respectively, were held in the rabbi trust. Additionally, as of December 31, 2006 and 2005, the rabbi trust was holding trading securities totaling $65.8 million and $53.8 million, respectively, which represents cash deferrals made by plan participants. Market value fluctuations on these trading securities are recognized in income in accordance with SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities," and the fair value of the liability due to participants is adjusted accordingly.

At December 31, 2006 and 2005, $33.7 million and $33.6 million, respectively, was required to be paid to us by plan participants upon the withdrawal of any assets from the trust, and is included in "Accounts receivable-affiliates" in our consolidated financial statements.

Non-Qualified Deferred Compensation Plan. The Non-Qualified Deferred Compensation Plan (the "Plan"), effective December 1, 2004, is an unfunded arrangement established and maintained primarily for the benefit of a select group of participants. Eligible participants shall commence participation in the Plan on the date the deferral election first becomes effective. Participants in the Plan may elect to defer no less than 5% of total compensation, including option awards and restricted share awards. We will credit to the participant's account an amount equal to the amount designated as the participant's deferral for the plan year as indicated in the participant's deferral election. Any modification to or termination of the Plan will not reduce a participant's right to any vested amounts already credited to his or her account. At December 31, 2006 and 2005, approximately 0.4 million and 0.2 million share awards, respectively, were held in the Plan. Additionally, as of December 31, 2006 and 2005, the Plan was holding trading securities totaling $15.6 million and $8.9 million, respectively, which represents cash deferrals made by plan participants. Market value fluctuations on these trading securities are recognized in income in accordance with SFAS No. 115 and the fair value of the liability due to participants is adjusted accordingly.

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, April 1, July 1 or October 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 60% 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 up to a predetermined limit. The matching contributions made for the years ended December 31, 2006, 2005 and 2004 were $1.0 million, $1.2 million and $0.8 million, respectively. 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. Administrative expenses under the savings plan were paid by us and were not material.

13. Securities Repurchase Program

In 1998, we began repurchasing our common equity securities under a program approved by our Board of Trust Managers. To date, the Board has authorized us to repurchase or redeem up to $250 million of our securities through open market purchases and private transactions. As such, we had repurchased approximately 8.8 million common shares and redeemed approximately 106,000 common units for a total cost of $243.6 million. At December 31, 2006 and 2005, 8.6 million shares were held in treasury. No shares or units were repurchased under this program during 2006 and 2005.

14. Common Shares

In June 2006, we issued 3.6 million common shares at $71.25 per share in a public equity offering. We used the net proceeds of $254.9 million to reduce indebtedness on our unsecured line of credit and for general corporate purposes.

We filed an automatic shelf registration statement with the Securities and Exchange Commission in June 2006 which became effective upon filing. We may use the shelf registration statement to offer, from time to time, common shares, preferred shares, debt securities or warrants. Our declaration of trust provides that we may issue up to 110,000,000 shares of beneficial interest, consisting of 100,000,000 common shares and 10,000,000 preferred shares. As of December 31, 2006, we had 65,005,959 common shares outstanding under our declaration of trust.

15. Related Party Transactions

We perform property management services for properties owned by joint ventures in which we own an interest. Management fees earned on these properties amounted to $2.4 million, $2.2 million and $2.2 million for the years ended December 31, 2006, 2005 and 2004, respectively. See further discussion of our investments in joint ventures in Note 8.

In conjunction with our merger with Summit, we acquired employee notes receivable from nine former employees of Summit totaling $3.9 million. Subsequent to the merger, five employees repaid their loans totaling $1.8 million. At December 31, 2006, the notes receivable had an outstanding balance of $2.0 million. As of December 31, 2006, the employee notes receivable were 100% secured by Camden common shares.

16. Fair Value of Financial Instruments

Disclosure about the fair value of financial instruments is based on pertinent information available to management as of December 31, 2006 and 2005. 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, 2006 and 2005, management estimated the carrying value of cash and cash equivalents, restricted cash, accounts receivable, notes receivable, investments and liabilities under deferred compensation plans, accounts payable, accrued expenses and other liabilities and distributions payable were at amounts that reasonably approximated their fair value.

Estimates of fair value of our notes payable are based upon interest rates available for the issuance of debt with similar terms and remaining maturities. As of December 31, 2006, the outstanding balance of fixed rate notes payable of $2,059.6 million had a fair value of $2,050.2 million. As of December 31, 2005, the outstanding balance of fixed rate notes payable of $2,285.2 million had a fair value of $2,287.8 million. The floating rate notes payable balance at December 31, 2006 and 2005 approximated fair value.

17. Net Change in Operating Accounts

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

(in thousands)			year ended december 31,
	2006	2005	2004
Decrease (increase) in assets:			
Other assets, net	**$ (2,667)**	$ (9,493)	$ (8,147)
Increase (decrease) in liabilities:			
Accrued real estate taxes	**(110)**	(3,928)	130
Accounts payable and accrued expenses	**25,179**	27,300	(6,172)
Other liabilities	**(14,066)**	2,570	23,039
Change in operating accounts	**$ 8,336**	$ 16,449	$ 8,850

18. Commitments and Contingencies

Construction Contracts. As of December 31, 2006, we were obligated for approximately $156.5 million of additional expenditures on our recently completed projects and those currently under development. We expect to fund a substantial portion of this amount with our unsecured line of credit.

Fair Housing Amendments Act Contingency. Prior to our merger with Oasis Residential, Inc. ("Oasis") in April 1998, Oasis had been contacted by certain regulatory agencies with regard 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) the design and construction of these properties violated the Fair Housing Act and (2) we, through the merger with Oasis, had discriminated in the rental of dwellings to persons because of handicap. The complaint requested an order that (i) declares the defendants' 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 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 took place by July 31, 2006, consistent with the terms of the Consent Order. The costs associated with complying with the decree have been accrued for and are not material to our consolidated financial statements. As of this date, the Court's jurisdiction over this matter has expired, and no further action is required for continued compliance.

Summit Merger Contingencies. On May 25, 2001, through a joint venture of the Camden Summit Partnership and SZF, LLC, a Delaware limited liability company in which the Camden Summit Partnership owned 29.78% until July 3, 2003, on which date the Camden Summit Partnership purchased its joint venture partner's 70.22% interest, the Camden Summit Partnership entered into an agreement with Brickell View, L.C. ("Brickell View"), a Florida limited liability company, and certain of its affiliates relating to the formation of Coral Way, LLC, a Delaware limited liability company, to develop a new community in Miami, Florida. Brickell View agreed to be the developer of that community and certain of its affiliates signed guarantees obligating them to pay certain costs relating to the development. On August 12, 2003, the Camden Summit Partnership received notice of two suits filed by Brickell View and certain of its affiliates against SZF, LLC and certain entities affiliated with the Camden Summit Partnership. The suits were originally filed in the Miami-Dade Circuit Court and were subsequently removed to the U.S. District Court for the Southern District of Florida. One of the suits was remanded to the Miami-Dade Circuit Court, while the other was dismissed on October 12, 2005, after the execution of a tolling agreement to allow the pending Miami-Dade Circuit Court matter to proceed. Both suits related to the business agreement among the parties in connection with the development and construction of the community by Coral Way. Brickell View and its affiliates alleged, among other things, breach of an oral joint venture agreement, breach of contract, breach of implied covenant of good faith and fair dealing, breach of fiduciary duties and constructive fraud on the part of SZF, LLC and Camden Summit Partnership and its affiliates, and sought both a declaratory judgment that the guarantee agreements have been constructively terminated and unspecified monetary damages. On October 31, 2006, both matters were resolved by the parties entering into a settlement and the claims of Brickell View and its affiliates were dismissed.

On December 19, 2003, the Camden Summit Partnership received notice of a demand for arbitration asserted by Bermello, Ajamil & Partners, Inc. ("Bermello") against Coral Way, LLC for unpaid architectural fees. In this demand, Bermello alleged they were entitled to an increased architectural fee as a result of an increase in the cost of the project. Camden Summit Partnership asserted a counter-claim against Bermello for damages related to the cost to correct certain structural and other design defects, and delay damages. On October 31, 2006, the parties entered into a settlement of Bermello's claims for unpaid architectural fees and its claims were dismissed. Camden Summit Partnership's claims remain pending.

On May 6, 2003, the Camden Summit Partnership purchased certain assets of Brickell Grand, Inc. ("Brickell Grand"), including the community known as Summit Brickell. At the time of purchase, Summit Brickell was subject to a $4.1 million claim of construction lien filed by the general contractor, Bovis Lend Lease, Inc. ("Bovis"), due to Brickell Grand's alleged failure to pay the full amount of the construction costs. Bovis sought to enforce this claim of lien against Brickell Grand in a suit filed on October 18, 2002 in Miami-Dade Circuit Court, Florida. In September 2003, Bovis filed an amended complaint seeking to enforce an increased claim of lien of $4.6 million. On May 31, 2005, we paid Bovis $1.3 million, which was credited against amounts owed by the Camden Summit Partnership to Bovis. Settlement documents in this matter were executed and on December 22, 2005, we paid Bovis an additional $2.7 million to resolve this matter. This case was dismissed on February 22, 2006. Executory terms of the settlement on the part of Bovis and Camden Summit Partnership were completed by December 27, 2006.

In January 2005, Brickell Grand filed suit in Miami-Dade Circuit Court, Florida, asserting claims for breach of contract, fraud in the inducement, and rescission alleging Summit has an obligation to indemnify Brickell Grand in the Bovis lawsuit and Summit had failed to properly market the Summit Brickell apartments, increasing Brickell Grand's cost overrun obligations. Brickell Grand claimed Summit misappropriated its identity by filing eviction actions in its name. Brickell Grand sought rescission of the sale of Summit Brickell or, alternatively, unspecified damages. On October 31, 2006, the matter was resolved by the parties entering into a settlement and Brickell Grand claims were dismissed.

On December 30, 2005, the Camden Summit Partnership, L.P. filed suit against Willy A. Bermello, Luis Ajamil, and Henry Pino to enforce the terms of a promissory note executed by them in conjunction with the Camden Summit Partnership's purchase of Brickell Grand. Bermello, Ajamil, and Pino were entitled to certain credits against the promissory note based on a formula agreed upon between the parties. Bermello, Ajamil, and Pino filed a Second Amended Counter-Claim on July 10, 2006, alleging the Camden Summit Partnership fraudulently induced them to execute the promissory note and seek to void the promissory note. On October 31, 2006, the matter was resolved by the parties entering into a settlement and Bermello, Ajamil, and Pino's claims were dismissed.

All costs and expenses expected to be incurred associated with the defense and settlement of the above matters were accrued for at the time of merger.

Other Contingencies. In the ordinary course of our business, we issue letters of intent indicating a willingness to negotiate for acquisitions, dispositions or joint ventures and also enter into arrangements contemplating various transactions. Such letters of intent and other arrangements are non-binding, and neither party 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 relating to the purchase and sale of real property and resulting contracts generally contemplate such contracts will provide the purchaser with time to evaluate the property and conduct due diligence, 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 definitive contracts will be entered into with respect to any matter covered by letters of intent or we will consummate any transaction contemplated by any definitive contract. Furthermore, due diligence periods for real property are frequently extended as needed. An acquisition or sale of real property becomes probable at the time the due diligence period expires and the definitive contract has not been terminated. We are then at risk under a real property acquisition contract, but only to the extent of any earnest money deposits associated with the contract, and are obligated to sell under a real property sales contract.

We are currently in the due diligence period for certain acquisitions and dispositions and other various transactions. No assurance can be made we will be able to complete the negotiations or become satisfied with the outcome of the due diligence or otherwise complete the proposed transactions.

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 the final outcome of such matters will not have a material adverse effect on our consolidated financial statements.

Lease Commitments. At December 31, 2006, we had long-term operating leases covering certain land, office facilities and equipment. Rental expense totaled $2.9 million, $2.7 million and $2.2 million for the years ended December 31, 2006, 2005 and 2004, respectively. Minimum annual rental commitments for the years ending December 31, 2007 through 2011 are $2.5 million, $2.3 million, $2.1 million, $1.9 million and $1.5 million, respectively, and $5.0 million in the aggregate thereafter.

Employment Agreements. At December 31, 2006, we had employment agreements with six of our senior officers, the terms of which expire at various times through August 20, 2007. 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 plus a gross-up payment if certain situations occur, such as termination without cause or a change of control. In the case of four of the agreements, the severance payment equals one times the respective current salary base in the case of termination without cause and 2.99 times the respective average annual compensation over the previous three fiscal years in the case of change of control. In the case of the other two agreements, the severance payment generally equals 2.99 times the respective average annual compensation over the previous three fiscal years in connection with, among other things, a termination without cause or a change of control, and the officer would be entitled to receive continuation and vesting of certain benefits in the case of such termination.

19. Postretirement Benefits

At the effective date of the Summit merger, we entered into a separation agreement with two former Summit employees. Pursuant to the respective separation agreements, each of these individuals resigned as an officer and director of Summit and all entities related to Summit, and the respective employment agreement between Summit and each executive was terminated. Additionally, under the separation agreements, each of the executives received payments totaling $1.0 million and other benefits approximately equivalent to those he was entitled to receive upon termination of employment pursuant to his employment agreement with Summit. Other continuing benefits received by these former employees included postretirement benefits including office space and medical benefits.

Participants in the postretirement plan contribute to the cost of the benefits. Our contribution is limited to amounts between $198 and $824 per month per participant or participant and dependents, based upon the terms as defined in each separation agreement. For measurement purposes, a 15.0% annual rate of increase in the per capita cost of covered health care claims was assumed beginning 2005; the rate was assumed to decrease until 2012 at which point the annual rate would be 5.0% and remain at that level thereafter.

As of the measurement date (December 31), the status of the Company's defined postretirement benefit plan was as follows:

(in thousands)	**2006**	2005
Postretirement benefit obligation, beginning of year	**$ 3,208**	$ -
Postretirement benefit obligations, at time of merger	**-**	3,226
Interest cost	**176**	147
Actuarial (gain) loss	**18**	-
Benefits paid	**(200)**	(165)
Net periodic postretirement benefit cost, end of year	**$ 3,202**	$ 3,208

The weighted average discount rate used to determine the value of accumulated postretirement benefit cost for the year was 5.62%. This discount rate was based upon the High Quality Corporate Bond rate as reported in the Wall Street Journal on December 31, 2005. As of December 31, 2006, we had fully reserved for the $3.2 million associated with these postretirement liabilities. We paid $0.2 million during the year ended December 31, 2006. During 2007, we expect to pay approximately $0.2 million to the plan.

The benefits expected to be paid in each of the next five fiscal years, and in the aggregate for the five fiscal years thereafter are as follows:

(in thousands) **Year Beginning January 1**	**Estimated Benefit Payment**
2007	$ 207
2008	211
2009	213
2010	219
2011	216
Thereafter	1,127
Total	$ 2,193

A 1% change in assumed health care cost trend rates has no significant effect on the interest cost component of net periodic postretirement health care costs. A 1% increase or decrease in assumed health care cost trend rates would increase or decrease the accumulated postretirement benefit obligation by approximately $0.4 million.

20. Subsequent Events

During January 2007, we purchased 1.6 acres of undeveloped land located in Washington D.C. for $43.8 million. We intend to utilize this land in the development of multifamily apartment communities.

21. Quarterly Financial Data (unaudited)

Summarized quarterly financial data, which has been adjusted for discontinued operations as discussed in Note 7, for the years ended December 31, 2006 and 2005 is as follows:

(in thousands, except per share amounts)	First	Second	Third	Fourth	Total
2006:					
Revenues	$ 149,094	$ 158,445	$ 165,251	$ 162,170	$ 634,960
Net income	41,443	34,582	125,457	31,364	232,846
Net income per share - basic	0.76[(a)]	0.62[(b)]	2.15[(c)]	0.54[(d)]	4.11
Net income per share - diluted	0.75[(a)]	0.61[(b)]	2.07[(c)]	0.53[(d)]	3.96
2005:					
Revenues	$ 145,226	$ 137,949	$ 143,543	$ 146,275	$ 572,993
Net income (loss)	166,664	21,852	(2,317)	12,887	199,086
Net income (loss) per share - basic	3.63[(e)]	0.41[(f)]	(0.04)	0.24[(g)]	3.83
Net income (loss) per share - diluted	3.40[(e)]	0.39[(f)]	(0.05)	0.23[(g)]	3.58

(a) Includes a $27,392, or $0.50 basic and $0.49 diluted per share, impact related to the gain on sale of discontinued operations, as well as a $1,763, or $0.03 basic and diluted per share, impact related to the gain on sale of joint venture properties.

(b) Includes a $23,652, or $0.43 basic and $0.42 diluted per share, impact related to the gain on sale of discontinued operations.

(c) Includes a $91,581, or $1.57 basic and $1.50 diluted per share, impact related to the gain on sale of operating properties, as well as a $8,842, or $0.15 basic and $0.14 diluted per share, impact related to the gain on sale of discontinued operations, and a $1,085, or $0.02 basic and diluted per share, impact related to the gain on sale of joint venture properties.

(d) Includes a $18,937, or $0.32 basic and diluted per share, impact related to the gain on sale of discontinued operations.

(e) Includes a $132,117, or $2.88 basic and $2.68 diluted per share, impact related to the gain on sale of operating properties, as well as a $14,380, or $0.31 basic and $0.29 diluted per share, impact related to the gain on sale of discontinued operations.

(f) Includes a $21,724, or $0.40 basic and $0.39 diluted per share, impact related to the gain on sale of discontinued operations.

(g) Includes an $11,165, or $0.21 basic and $0.20 diluted per share, impact related to the gain on sale of joint venture properties.

Comparative Summary of Selected Financial and Property Data

(in thousands, except per share amounts)	2006	2005[c]	2004	2003	2002
				year ended december 31,	
Property Revenues					
Rental revenues	**$ 544,236**	$479,221	$ 351,513	$335,892	$332,290
Other property revenues	**55,194**	42,860	31,503	29,999	27,636
Total property revenues	**599,430**	522,081	383,016	365,891	359,926
Property Expenses					
Property operating and maintenance	**165,810**	145,044	113,762	106,148	96,918
Real estate taxes	**63,388**	57,316	42,131	40,191	37,678
Total property expenses	**229,198**	202,360	155,893	146,339	134,596
Non-property income					
Fee and asset management	**14,041**	12,912	9,187	7,276	6,264
Sale of technology investments	**1,602**	24,206	863	-	-
Interest and other income	**9,771**	7,373	11,074	5,685	8,214
Income (loss) on deferred compensation plans	**10,116**	6,421	6,760	(895)	(1,353)
Total non-property income	**35,530**	50,912	27,884	12,066	13,125
Other expenses					
Property management	**18,490**	16,145	11,924	10,154	10,027
Fee and asset management	**9,382**	6,897	3,856	3,908	2,499
General and administrative	**37,584**	24,845	18,536	16,231	14,439
Transaction compensation and merger expenses	**-**	14,085	-	-	-
Impairment provision for technology investments	**-**	130	-	-	-
Other expenses	**-**	-	-	1,389	2,790
Losses related to early retirement of debt	**-**	-	-	-	234
Interest	**118,344**	111,548	78,260	74,036	70,093
Depreciation and amortization	**158,510**	164,705	94,730	92,948	88,442
Amortization of deferred financing costs	**3,813**	3,739	2,697	2,633	2,165
Expense (gain) on deferred compensation plans	**10,116**	6,421	6,760	(895)	(1,353)
Total other expenses	**356,239**	348,515	216,763	200,404	189,336
Income from continuing operations before gain on sale of properties, impairment loss on land held for sale, equity in income of joint ventures and minority interests	**49,523**	22,118	38,244	31,214	49,119
Gain on sale of properties, including land	**97,452**	132,914	1,642	2,590	359
Impairment loss on land held for sale	**-**	(339)	-	-	-
Equity in income of joint ventures	**5,156**	10,049	356	3,200	366
Income allocated to minority interests					
Distributions on perpetual preferred units	**(7,000)**	(7,028)	(10,461)	(12,747)	(12,872)
Original issuance costs of redeemed perpetual preferred units	**-**	(365)	(745)	-	-
Income allocated to common units and other minority interests	**(16,163)**	(2,223)	(2,733)	(2,196)	(1,762)
Income from continuing operations	**128,968**	155,126	26,303	22,061	35,210
Income from discontinued operations	**6,434**	8,249	8,357	7,410	10,248
Gain on sale of discontinued operations	**99,273**	36,175	9,351	-	29,199
Impairment loss on land held for sale	**-**	-	(1,143)	-	-
Income from discontinued operations, allocated to common units	**(1,829)**	(464)	(1,527)	(41)	(45)
Net income	**$ 232,846**	$199,086	$ 41,341	$ 29,430	$ 74,612
Earnings per share – basic					
Income from continuing operations	**$ 2.28**	$ 2.98	$ 0.64	$ 0.56	$ 0.87
Income from discontinued operations, including gain on sale	**1.83**	0.85	0.36	0.19	0.97
Net income	**$ 4.11**	$ 3.83	$ 1.00	$ 0.75	$ 1.84
Earnings per share – diluted					
Income from continuing operations	**$ 2.21**	$ 2.79	$ 0.62	$ 0.53	$ 0.84
Income from discontinued operations, including gain on sale	**1.75**	0.79	0.36	0.18	0.89
Net income	**$ 3.96**	$ 3.58	$ 0.98	$ 0.71	$ 1.73
Distributions declared per common share	**$ 2.64**	$ 2.54	$ 2.54	$ 2.54	$ 2.54
Weighted average number of common shares outstanding	**56,660**	52,000	41,430	39,355	40,441
Weighted average number of common and common dilutive equivalent shares outstanding	**59,524**	56,313	42,426	41,354	44,216

Comparative Summary of Selected Financial and Property Data

(in thousands, except property data)	2006	2005[c]	2004	2003	2002
					year ended december 31,
Balance Sheet Data (at end of year)					
Real estate assets	**$5,141,467**	$ 5,039,007	$ 3,159,077	$ 3,099,856	$ 3,035,970
Accumulated depreciation	**(762,011)**	(716,650)	(688,333)	(601,688)	(498,776)
Total assets	**4,586,050**	4,487,799	2,629,364	2,625,561	2,608,899
Notes payable	**2,330,976**	2,633,091	1,576,405	1,509,677	1,427,016
Minority interests	**223,511**	221,023	159,567	196,385	200,729
Shareholders' equity	**$1,734,356**	$ 1,370,903	$ 738,515	$ 784,885	$ 839,453
Common shares outstanding	**65,006**	60,763	48,601	48,299	47,881
Other Data					
Cash flows provided by (used in):					
Operating activities	**$ 231,569**	$ 200,845	$ 156,997	$ 144,703	$ 184,808
Investing activities	**(52,067)**	(207,561)	(65,321)	(94,386)	(220,766)
Financing activities	**(180,044)**	6,039	(92,780)	(47,365)	33,184
Funds from operations – diluted[a]	**237,790**	195,290	143,669	135,699	150,443
Property Data					
Number of operating properties (at end of year)					
Included in continuing operations	**183**	180	131	130	129
Included in discontinued operations	**3**	11	13	14	14
Number of operating apartment homes (at end of year)					
Included in continuing operations	**62,913**	61,609	46,599	45,935	45,381
Included in discontinued operations	**930**	3,971	4,857	5,409	5,409
Number of operating apartment homes (weighted average)[b]					
Included in continuing operations	**53,387**	50,765	41,712	41,014	40,316
Included in discontinued operations	**2,463**	4,291	5,406	5,368	6,435
Weighted average monthly total property revenue per apartment home, excluding discontinued operations	**$ 936**	$ 857	$ 765	$ 743	$ 744
Properties under development (at end of period)	**11**	9	3	2	4

(a) Management considers Funds From Operations ("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 depreciable operating property sales, plus real estate depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. Diluted FFO also assumes conversion of all dilutive convertible securities, including minority interests, which are convertible into common shares. We consider FFO to be an appropriate supplemental measure of operating performance because, by excluding gains or losses on dispositions of operating properties and excluding depreciation, FFO can help one compare the operating performance of a company's real estate between periods or as compared to different companies.

(b) Excludes apartment homes owned in joint ventures.

(c) The 2005 results include the operations of Summit Properties Inc. subsequent to February 28, 2005.

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Camden Property Trust
NYSE: CPT

TRUST MANAGERS

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 and Chief Investment Officer
Dennis M. Steen
Chief Financial Officer, Senior Vice President, Finance and Secretary
Steven K. Eddington
Senior Vice President Operations

MARKET INFORMATION

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

2006 QUARTER	*HIGH*	*LOW*
First	$ 72.70	$ 58.40
Second	73.55	65.50
Third	77.99	72.80
Fourth	80.97	71.40

On December 31, 2006, the closing price for our common shares was $73.85 per share.

As of December 31, 2006, the number of record holders of our common shares was approximately 800. Management believes after inquiry that the number of beneficial owners of our common shares is approximately 29,000.

ANNUAL MEETING

Our Annual Meeting of Shareholders will be held May 1, 2007, at 1:30 p.m. Central Time at Renaissance Hotel, 6 East Greenway Plaza, Houston, Texas.

TRANSFER AGENT

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

AMERICAN STOCK TRANSFER & TRUST COMPANY
(800) 937.5449 or www.amstock.com

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 & TRUST COMPANY
(800) 278.4353 or www.amstock.com

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Deloitte & Touche LLP
Houston, Tx

OUTSIDE GENERAL COUNSEL

Locke Liddell & Sapp LLP
Dallas, Tx

CORPORATE ADDRESS

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(713) 354.2500
(800) 9.CAMDEN

WEB SITE

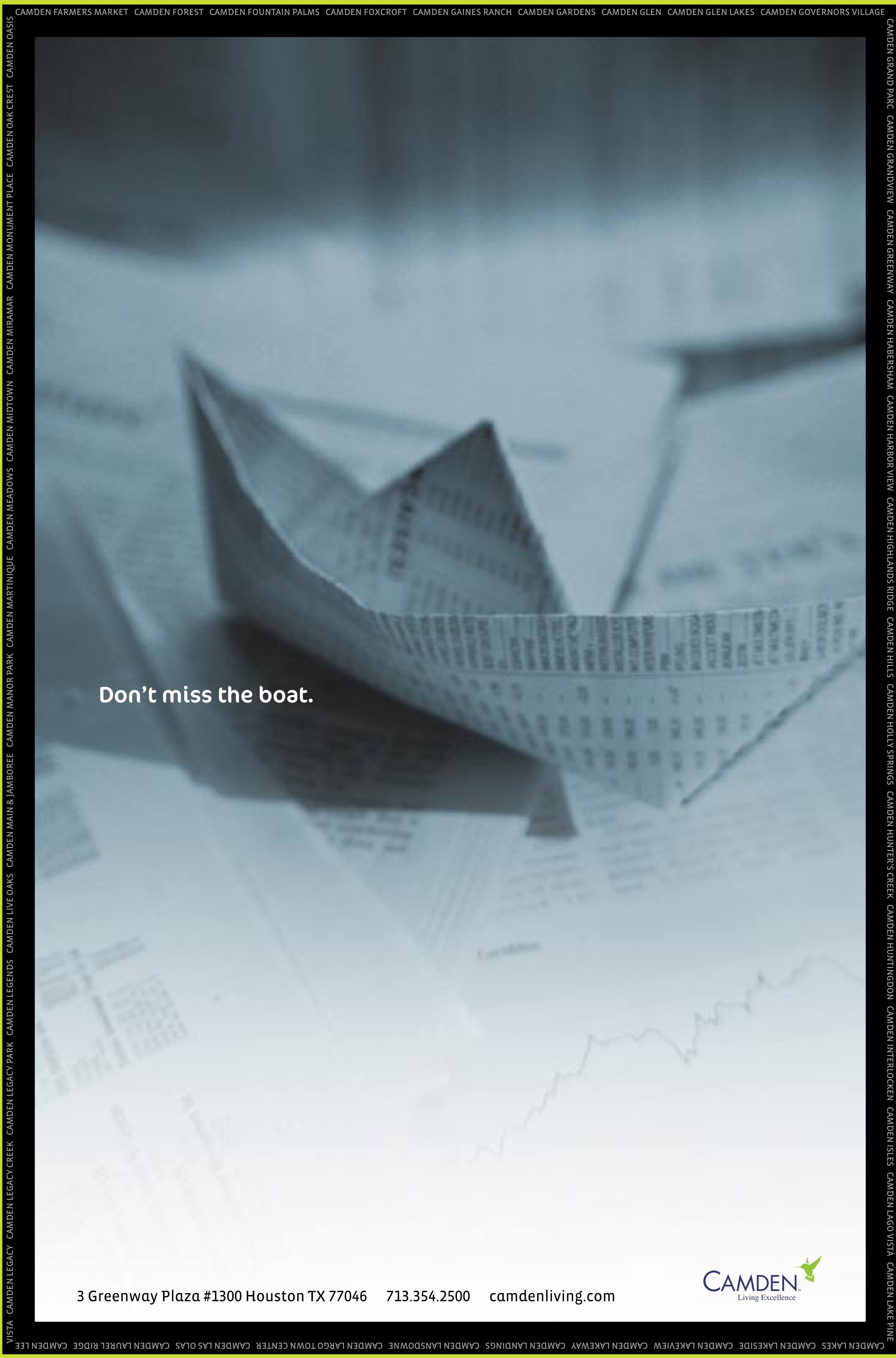
camdenliving.com

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 or ir@camdenliving.com

CERTIFICATIONS

We filed with the NYSE our 2006 Domestic Company Section 303A CEO Certification without qualification. We also filed with the SEC the certifications required pursuant to Sarbanes-Oxley Section 302 as exhibits to our Annual Report on Form 10-K for the year ended December 31, 2006.



CAMDEN FARMERS MARKET CAMDEN FOREST CAMDEN FOUNTAIN PALMS CAMDEN FOXCROFT CAMDEN GAINES RANCH CAMDEN GARDENS CAMDEN GLEN CAMDEN GLEN LAKES CAMDEN GOVERNORS VILLAGE
CAMDEN GRAND PARC CAMDEN GRANDVIEW CAMDEN GREENWAY CAMDEN HABERSHAM CAMDEN HARBOR VIEW CAMDEN HIGHLANDS RIDGE CAMDEN HILLS CAMDEN HOLLY SPRINGS CAMDEN HUNTER'S CREEK CAMDEN HUNTINGDON CAMDEN INTERLOCKEN CAMDEN ISLES CAMDEN LAGO VISTA CAMDEN LAKE PINE
CAMDEN LAKES CAMDEN LAKESIDE CAMDEN LAKEVIEW CAMDEN LAKEWAY CAMDEN LANDINGS CAMDEN LANSDOWNE CAMDEN LARGO TOWN CENTER CAMDEN LAS OLAS CAMDEN LAUREL RIDGE CAMDEN LEE
VISTA CAMDEN LEGACY CAMDEN LEGACY CREEK CAMDEN LEGACY PARK CAMDEN LEGENDS CAMDEN LIVE OAKS CAMDEN MAIN & JAMBOREE CAMDEN MANOR PARK CAMDEN MARTINIQUE CAMDEN MEADOWS CAMDEN MIDTOWN CAMDEN MIRAMAR CAMDEN MONUMENT PLACE CAMDEN OAK CREST CAMDEN OASIS
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