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HOME PROPERTIES OF NEW YORK INC
Form 424B2
March 14, 2002

Subject to Completion, dated March 14, 2002

PROSPECTUS SUPPLEMENT
(To prospectus dated May 26, 1998)

1,600,000 SHARES
HOME PROPERTIES OF NEW YORK, INC.

% SERIES F CUMULATIVE REDEEMABLE PREFERRED STOCK
(LIQUIDATION PREFERENCE \$25.00 PER SHARE)

We are offering 1,600,000 shares of our % Series F Cumulative Redeemable Preferred Stock, par value \$.01 per share. We will receive all of the net proceeds from the sale of the Series F Preferred Stock.

We will pay cumulative dividends on the Series F Preferred Stock, from the date of original issuance, in the amount of \$ per share each year, which is equivalent to % of the \$25.00 liquidation preference per share. Dividends on the Series F Preferred Stock will be payable quarterly in arrears, beginning on May 31, 2002. We may not redeem the Series F Preferred Stock before March , 2007, except in order to preserve our status as a real estate investment trust. On and after March , 2007, we may, at our option, redeem the Series F Preferred Stock, in whole or in part, by paying \$25.00 per share, plus any accumulated, accrued and unpaid dividends. The Series F Preferred Stock has no stated maturity, will not be subject to any sinking fund or mandatory redemption and will not be convertible into any of our other securities. Investors in the Series F Preferred Stock will generally have no voting rights, but will have limited voting rights if we fail to pay dividends for six or more quarters and in certain other events.

The New York Stock Exchange, Inc. has authorized, upon official notice of issuance, the listing of the shares of the Series F Preferred Stock under the symbol "HME PrF." We expect that trading on the New York Stock Exchange will commence within 30 days after the initial delivery of the Series F Preferred Stock.

INVESTING IN THE SERIES F PREFERRED STOCK INVOLVES CERTAIN RISKS. SEE "RISK FACTORS" BEGINNING ON PAGE S-6 OF THIS PROSPECTUS SUPPLEMENT.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS SUPPLEMENT OR THE ACCOMPANYING PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	PER SHARE	TOTAL
Public Offering Price.....	\$	\$
Underwriting Discounts and Commissions.....	\$	\$
Proceeds, before expenses, to us.....	\$	\$

The underwriters are severally underwriting the shares being offered. The underwriters have an option to purchase up to an additional 240,000 shares of Series F Preferred Stock from us to cover over-allotments, if any.

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The underwriters expect that the Series F Preferred Stock will be ready for delivery in book-entry form through The Depository Trust Company on or about March , 2002.

BEAR, STEARNS & CO. INC.

A.G. EDWARDS & SONS, INC.

BB&T CAPITAL MARKETS

MCDONALD INVESTMENTS INC.

STIFEL, NICOLAUS & COMPANY
INCORPORATED

U.S. BANCORP PIPER JAFFRAY

WACHOVIA SECURITIES

The date of this prospectus supplement is March , 2002

The information in this prospectus is not complete and may be changed. This prospectus supplement and the accompanying prospectus are not an offer to sell these securities and we are not soliciting offers to buy securities in any state where the offer or sale is not permitted.

SUMMARY

This summary highlights information from this prospectus supplement. It may not contain all of the information that is important to you in deciding whether to invest in our company. To understand this offering fully, you should read carefully this entire prospectus supplement and the accompanying prospectus, including the risk factors beginning on page S-6 of this prospectus supplement, as well as the documents we have filed with the Securities and Exchange Commission which are incorporated by reference. In this prospectus supplement and the accompanying prospectus, unless otherwise indicated, the "company," "we," "us" and "our" refer to Home Properties of New York, Inc. and its subsidiaries, the "operating partnership" refers to Home Properties of New York, L.P. and the "management companies" refers to Home Properties Management, Inc. and Home Properties Resident Services, Inc. Unless otherwise indicated, all information in this prospectus supplement assumes that the underwriters do not exercise the over-allotment option described in "Underwriting."

THE COMPANY

Home Properties of New York, Inc., the 10th largest apartment company in the United States, is a fully integrated, self-managed real estate investment trust (a "REIT"). With operations in select Northeast, Midwest and Mid-Atlantic markets, we own, operate, acquire, rehabilitate and develop apartment communities. As of December 31, 2001, we operated 293 communities containing an aggregate of 49,745 apartment units. Of these, we owned 39,007 units in 143 communities, we partially owned and managed as general partner 8,035 units in 132 communities, and we managed for other owners 2,703 units in 18 communities. We also managed 2.2 million square feet of commercial space. While our portfolio is geographically diverse, our primary focus is in the following metropolitan areas: Baltimore, Philadelphia, Detroit, suburban Washington, D.C. and Rochester, New York.

We were incorporated in November 1993 as a Maryland corporation. We are the general partner of Home Properties of New York, L.P., a New York limited partnership through which we own, acquire and operate most of our market rate apartments. Certain of our activities, such as residential and commercial property management for others, development activities and construction,

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development and redevelopment services, are carried on through two of our subsidiaries: Home Properties Management, Inc. and Home Properties Resident Services, Inc. We own 95% and 99%, respectively, of the economic interest in the management companies while certain members of our management hold the remaining 5% and 1%, respectively.

Our principal executive offices are located at 850 Clinton Square, Rochester, New York 14604. Our telephone number is (585) 546-4900.

RECENT DEVELOPMENTS

On January 24, 2002, we sold six properties with a total of 339 units in two unrelated transactions for an aggregate sale price of approximately \$13.6 million. A gain on sale of approximately \$500,000 is expected to be reported in the first quarter of 2002 from the sale of these properties. On March 1, 2002, we completed the acquisition of six properties with a total of 1,031 units and expect to close on five additional properties with 657 units under contract from the same group of related sellers (the "Holiday Portfolio") in the near future. The total purchase price for the 11 properties with a total of 1,688 units in the Holiday Portfolio is expected to be approximately \$147.3 million. In addition, since December 31, 2001, we discontinued the management of one property for a third party and we sold one property managed as a general partner. As a result of the transactions completed in 2002, we now operate 291 communities containing an aggregate of 50,278 apartment units. Of these, we own 39,699 units in 143 communities, we partially own and manage as general partner 7,979 units in 131 communities, and we manage for other owners 2,600 units in 17 communities. We continue to manage 2.2 million square feet of commercial space. Our owned and managed apartment communities and commercial space are referred to herein as the "Properties."

On February 14, 2002, the holder of our 8.36% Series B Convertible Cumulative Preferred Stock converted one million of its shares into 839,771 shares of our common stock, leaving outstanding an aggregate of one million shares of the Series B Preferred Stock. On February 28, 2002, we closed two separate common equity offerings totaling an aggregate of 704,602 shares of our common stock at a weighted average price of \$30.99 per share and resulting in aggregate net proceeds to us of approximately \$21.8 million.

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THE OFFERING

ISSUER.....Home Properties of New York, Inc.

SECURITIES OFFERED.....1,600,000 shares of % Series F Cumulative Redeemable Preferred Stock (the "Series F Preferred Stock") (1,840,000 shares if the underwriters' over-allotment option is exercised in full).

DIVIDENDS.....Dividends are cumulative from the date of original issue and are payable quarterly in arrears on or about the last day of February, May, August and November of each year, when and as declared, beginning on May 31, 2002. We will pay cumulative dividends on the Series F Preferred Stock at the fixed rate of \$ per share each year, which is equivalent to % of the \$25.00 liquidation preference. The first dividend we pay on May 31, 2002 will be for less than a full

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quarter. Dividends on the Series F Preferred Stock will continue to accumulate even if any of our agreements prohibits the current payment of dividends, we do not have earnings or funds legally available to pay such dividends or we do not declare the payment of dividends.

LIQUIDATION PREFERENCE.....\$25.00 per share of Series F Preferred Stock, plus an amount equal to accumulated, accrued and unpaid dividends, whether or not declared.

OPTIONAL REDEMPTION.....The Series F Preferred Stock is not redeemable prior to March , 2007, except in limited circumstances relating to the preservation of our qualification as a REIT. On and after March , 2007, the Series F Preferred Stock will be redeemable at our option for cash, in whole or from time to time in part, at a price per share equal to the liquidation preference, plus accumulated, accrued and unpaid dividends, if any, to the redemption date.

RANKING..... The Series F Preferred Stock will rank senior to our common stock and on a parity with our outstanding 8.36% Series B Convertible Cumulative Preferred Stock (\$25.00 liquidation preference), our 8.75% Series C Convertible Cumulative Preferred Stock (\$100.00 liquidation preference), our 8.78% Series D Convertible Cumulative Preferred Stock (\$100.00 liquidation preference) and our 8.55% Series E Convertible Cumulative Preferred Stock (\$100.00 liquidation preference) and any other parity securities that we may issue in the future, in each case with respect to the payment of distributions and amounts upon liquidation, dissolution or winding up.

VOTING RIGHTS.....Holders of the Series F Preferred Stock will generally have no voting rights. However, if dividends on any outstanding Series F Preferred Stock have not been paid for six or more quarterly periods (whether or not consecutive), or if we fail to meet the 1.75 to 1.0 fixed charge coverage covenant described below for six consecutive quarterly periods, holders of the Series F Preferred Stock and the holders of all other shares of any class or series ranking on a parity with the Series F Preferred Stock which are entitled to similar voting rights (voting as a single class) will be entitled to elect two additional directors to our Board of Directors to serve until all unpaid dividends have been paid or declared and set apart for payment or until we meet the fixed charge coverage ratio for the preceding fiscal quarter, as the case may be. In

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addition, certain material and adverse changes to the terms of the Series F Preferred Stock cannot be made without the affirmative vote of holders of at least 66 2/3% of the outstanding shares of Series F Preferred Stock.

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FIXED CHARGE COVERAGE

COVENANT.....For each fiscal quarter, we will maintain a ratio of EBITDA to fixed charges, as defined herein, of greater than 1.75 to 1.0. See "Description of Series F Cumulative Redeemable Preferred Stock - Fixed Charge Coverage Covenant." For the past four fiscal quarters our fixed charge coverage ratio was 2.10:1 for the first quarter of 2001, 2.45:1 for the second quarter of 2001, 2.52:1 for the third quarter of 2001, and 2.52:1 for the fourth quarter of 2001.

OWNERSHIP LIMIT.....To maintain our qualification as a REIT for federal income tax purposes, no person or entity may acquire more than 8.0% of the aggregate value of all outstanding shares of our common and preferred stock.

LISTING.....The New York Stock Exchange, Inc. (the "NYSE") has authorized, upon official notice of issuance, the listing of the shares of the Series F Preferred Stock under the symbol "HME PrF." We expect that trading on the NYSE will commence within 30 days after the initial delivery of the Series F Preferred Stock.

FORM.....The Series F Preferred Stock will be issued and maintained in book-entry form registered in the name of the nominee of The Depositary Trust Company except under limited circumstances.

USE OF PROCEEDS.....The net proceeds from this offering will be used to repay existing indebtedness outstanding under our line of credit and for general corporate purposes, including funding future acquisitions of additional properties and revenue-enhancing upgrades at certain of our Properties.

For additional information regarding the terms of the Series F Preferred Stock, see "Description of Series F Cumulative Redeemable Preferred Stock" beginning on page S-20.

RISK FACTORS

Your investment in the Series F Preferred Stock will involve certain

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risks. You should carefully consider the information under "Risk Factors," beginning on page S-6 of this prospectus supplement and all other information included in or incorporated by reference into this prospectus supplement and the accompanying prospectus before deciding whether an investment in the Series F Preferred Stock is suitable for you.

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SUMMARY FINANCIAL INFORMATION

The following table contains summary historical operating, balance sheet and other data as of and for the years ended December 31, 2001, 2000 and 1999, derived from our audited financial statements for those years. Since this information is only a summary, you should read it in conjunction with the more detailed information contained in our consolidated financial statements and notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2001, which is incorporated by reference into this prospectus supplement.

	FOR THE YEARS ENDED DECEMBER		
	2001	2000	1999
	(Dollars in thousands, except per share)		
OPERATING DATA:			
Total revenues.....	\$ 367,523	\$319,048	\$295,508
	=====	=====	=====
Total expenses.....	\$ 295,508	\$250,491	\$250,491
	=====	=====	=====
Income before minority interest and extraordinary item.....	\$ 98,256	\$67,171	\$67,171
	=====	=====	=====
Net income available to common stockholders.....	\$ 46,825	\$29,278	\$29,278
	=====	=====	=====
Net income before extraordinary item per common share:			
Basic.....	\$2.12	\$1.42	\$1.42
	=====	=====	=====
Diluted.....	\$2.11	\$1.41	\$1.41
	=====	=====	=====
Net income per common share:			
Basic.....	\$2.12	\$1.42	\$1.42
	=====	=====	=====
Diluted.....	\$2.11	\$1.41	\$1.41
	=====	=====	=====
Cash dividends declared per common share.....	\$2.31	\$2.16	\$2.16
	=====	=====	=====
BALANCE SHEET DATA (AT PERIOD END):			
Real estate, before accumulated depreciation.....	\$2,135,078	\$1,895,269	\$1,895,269
Total assets.....	\$2,063,789	\$1,871,888	\$1,871,888
Total debt.....	\$ 992,858	\$ 832,783	\$ 832,783
8.36% Series B Convertible Cumulative Preferred Stock.....	\$ 48,733	\$ 48,733	\$ 48,733
Stockholders' equity.....	\$ 620,596	\$ 569,528	\$ 569,528
	=====	=====	=====
OTHER DATA:			
Funds from operations (1).....	\$ 136,604	\$ 120,854	\$ 120,854

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Cash available for distribution (2).....	\$ 120,994	\$ 107,300	\$ 7
Net cash provided by operating activities.....	\$ 148,389	\$ 127,197	\$ 9
Net cash used in investing activities.....	(\$ 139,106)	(\$ 178,445)	(\$ 1
Net cash (used in) provided by financing activities.....	(\$ 9,013)	\$ 56,955	\$
Weighted average number of common shares outstanding:			
Basic.....	22,101,027	20,639,241	18,6
Diluted.....	22,227,521	20,755,721	18,8
Total communities owned at end of period.....	143	147	
Total apartment units owned at end of period.....	39,007	39,041	

- (1) Our management considers funds from operations ("FFO") to be an appropriate measure of performance of an equity REIT. FFO is generally defined as net income (loss) before gains (losses) from operations of property and business and extraordinary items, before minority interest in the operating partnership, plus real estate depreciation. Our management believes that in order to facilitate a clear understanding of the combined historical operating results of the company, FFO should be considered in conjunction with net income as presented in the consolidated financial statements incorporated herein. FFO does not represent cash generated from operating activities in accordance with generally accepted accounting principles and is not necessarily indicative of cash available for fund cash needs. FFO should not be considered as an alternative to net income as an indicator of our performance or to cash flow as a measure of liquidity. All REITs may not be using the same definition for FFO. Accordingly, the presentation above may not be comparable to other similar titled measures of "FFO" of other REITs.
- (2) We define "cash available for distribution" as FFO less an annual reserve for anticipated non-revenue generating capitalized costs of \$400 (\$375 for 1999 and 2000) per apartment unit. We follow our policy to fund our investing activities and financing activities with the proceeds from operations of credit, new debt, by the issuance of additional units of limited partner interests ("Units") in the operating partnership, or proceeds from property dispositions. We believe that because the calculation begins with FFO it is appropriate to present this measure of performance.

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RATIO OF EARNINGS AND FREE CASH FLOW TO FIXED CHARGES

	FOR THE YEARS ENDED DECEMBER 31,				
	2001	2000	1999	1998	1997
	----	----	----	----	----
Ratio of earnings to fixed charges (1).....	2.45x	2.16x	2.08x	2.31x	1.96x
Ratio of earnings to combined fixed charges and preferred stock dividends (2).....	1.94x	1.79x	2.03x	2.31x	1.96x
Ratio of free cash flow to interest expense(3) (4)	3.09x	3.10x	2.81x	3.05x	2.77x
Ratio of free cash flow to combined interest expense and preferred stock dividends (3) (5).....	2.44x	2.56x	2.73x	3.05x	2.77x

- (1) The ratio of earnings to fixed charges was computed by dividing earnings by fixed charges. We define "earnings" as income before minority interest and extraordinary item plus fixed charges (other than interest which has been capitalized); and "fixed charges" as interest costs, whether expensed or

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capitalized, amortization of debt issue costs, and the interest portion of rent expense.

- (2) The ratio of earnings to combined fixed charges and preferred stock dividends was computed by dividing earnings by combined fixed charges and preferred stock dividends. We define "earnings" and "fixed charges" as described in Note (1) above. We define "preferred stock dividends" as the amount of net income that would be required to cover preferred stock dividend requirements.
- (3) We are presenting the ratios of free cash flow to interest and free cash flow to interest expense and preferred dividends for additional information. We do not consider these ratios more important than the ratios of earnings to fixed charges and earnings to fixed charges and preferred stock dividends. We believe that because the calculation of free cash flow to interest and free cash flow to interest and preferred stock dividends begins with FFO, it is appropriate to present this measure of performance. We consider FFO to be an appropriate measure of performance of an equity REIT.
- (4) The ratio of free cash flow to interest expense was computed by dividing free cash flow by interest expense. We define "free cash flow" as FFO less a reserve for capital replacements of \$400 (\$375 for 1998-2000, \$350 for 1997) per apartment unit, plus interest expense and preferred stock dividends. "Interest expense" consists of interest expense (including amortization of loan costs).
- (5) The ratio of free cash flow to combined interest expense and preferred stock dividends was computed by dividing free cash flow by interest expense plus preferred stock dividends. We define "free cash flow," "interest expense" and "preferred stock dividends" as described in Notes (2) and (4) above.

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RISK FACTORS

An investment in our Series F Preferred Stock involves various risks. Before making an investment decision, you should carefully consider all of the risks described in this prospectus supplement, which replace completely the information under the heading "Risks Factors" described in the accompanying prospectus. If any of the risks discussed in this prospectus supplement actually occur, our business, financial condition, results of operations and prospects could be materially and adversely affected. In addition to general investment risks and those factors set forth elsewhere in this prospectus supplement and the accompanying prospectus, prospective investors should consider, among other things, the following factors.

ASSIMILATION OF A SUBSTANTIAL NUMBER OF NEW ACQUISITIONS

Since our formation, we have undertaken a strategy of aggressive growth through acquisitions. Our ability to manage our growth effectively requires that we, among other things, successfully apply our experience in managing our existing portfolio to an increased number of properties. In addition, we will be required to successfully manage the integration of a substantial number of new personnel. There can be no assurances that we will be able to integrate and manage these operations effectively or maintain or improve on their historical financial performance.

REAL ESTATE FINANCING RISKS

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General. We are subject to the customary risks associated with debt financing, including the potential inability to refinance existing mortgage indebtedness upon maturity on favorable terms. If a Property is mortgaged to secure payment of indebtedness and we are unable to meet its debt service obligations, the Property could be foreclosed upon. This could adversely affect our cash flow and, consequently, the amount available for distributions to our stockholders.

No Limitation on Debt. Our Board of Directors has adopted a policy of limiting our indebtedness to approximately 50% of our total market capitalization (i.e., the market value of issued and outstanding shares of our common stock and Units in the operating partnership plus total debt), but our organizational documents do not contain any limitation on the amount or percentage of indebtedness, funded or otherwise, that we may incur. Accordingly, our Board of Directors could alter or eliminate its current policy on borrowing. If this policy were changed, we could become more highly leveraged, resulting in an increase in debt service that could adversely affect our ability to make expected distributions to stockholders and increase the risk of default on our indebtedness. Our debt to total market capitalization ratio fluctuates based on the timing of acquisitions and financings. At December 31, 2001, our ratio of debt to total market capitalization was 41%. Our bank agreements and certain agreements with holders of our preferred stock limit the amount of indebtedness that we may incur.

Existing Debt Maturities. We are subject to the risks normally associated with debt financing, including the risk that our cash flow will be insufficient to meet the required payments of principal and interest. Because much of the financing is not fully self-amortizing, we anticipate that only a portion of the principal of our indebtedness will be repaid prior to maturity. So, we will need to refinance debt. Accordingly, there is a risk that we will not be successful in refinancing existing indebtedness or that the terms of such refinancing will not be as favorable as the terms of the existing indebtedness. We stagger our debt maturities with the goal of minimizing the amount of debt which must be refinanced in any year.

REAL ESTATE INVESTMENT RISKS

General Risks. Real property investments are subject to varying degrees of risk. If our communities do not generate revenues sufficient to meet operating expenses, including debt service and capital expenditures, our cash flow and ability to make distributions to our stockholders will be adversely affected. A multifamily apartment community's revenues and value may be adversely affected by the general economic climates; the local economic climate; local real estate considerations (such as over supply of, or reduced demand for, apartments); the perception by prospective residents of the safety, convenience and attractiveness of the communities or neighborhoods in which they are located and the quality of local schools and other amenities; and increased operating costs (including real

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estate taxes and utilities). Certain significant fixed expenses are generally not reduced when circumstances cause a reduction in income from the investment.

Operating Risks. We are dependent on rental income to pay operating expenses and to generate cash to enable us to make distributions to our stockholders. If we are unable to attract and retain residents or if our residents are unable, due to an adverse change in the economic condition of a particular region or otherwise, to pay their rental obligations, our ability to make expected distributions will be adversely affected.

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Illiquidity of Real Estate. Real estate investments are relatively illiquid and, therefore, we have limited ability to vary our portfolio quickly in response to changes in economic or other conditions. In addition, the prohibition in the Internal Revenue Code of 1986, as amended (the "Code"), on REITs holding property for sale and related regulations may affect our ability to sell properties without adversely affecting distributions to stockholders. A significant number of our Properties were acquired using Units, subject to certain agreements, which restrict our ability to sell such Properties in transactions that would create current taxable income to the former owners.

Competition. We plan to continue to acquire additional multifamily residential properties in the Northeast, Midwest and Mid-Atlantic regions of the United States. There are a number of multifamily developers and other real estate companies that compete with us in seeking properties for acquisition, prospective residents and land for development. Most of our Properties are in developed areas where there are other properties of the same type. Competition from other properties may affect our ability to attract and retain residents, to increase rental rates and to minimize expenses of operation. Virtually all of the leases for our Properties are short-term leases (generally, one year or less).

Uninsured Losses. Certain extraordinary losses may not be covered by our comprehensive liability, fire, extended and rental loss insurance. If an uninsured loss occurred, we could lose our investment in, and cash flow from, the affected Property (but we would be required to repay any recourse indebtedness secured by that Property and related taxes and other charges).

COMPLIANCE WITH LAWS AND REGULATIONS

Many laws and governmental regulations are applicable to our Properties and changes in these laws and regulations, or their interpretation by agencies and the courts, occur frequently. Under the Americans with Disabilities Act of 1990 (the "ADA"), all places of public accommodation are required to meet certain federal requirements related to access and use by disabled persons. These requirements became effective in 1992. The ADA requires removal of structural barriers to handicapped access in certain public areas, where such removal is "readily achievable." The ADA does not, however, consider residential properties, such as apartment communities, to be public accommodations or commercial facilities, except to the extent portions of such facilities, such as a leasing office, are open to the public. A number of additional federal, state and local laws exist which also may require modifications to our Properties, or restrict certain further renovations thereof, with respect to access thereto by disabled persons. For example, the Fair Housing Amendments Act of 1988 (the "FHAA") requires apartment communities first occupied after March 13, 1990 to be accessible to the handicapped. Noncompliance with the ADA or the FHAA could result in the imposition of fines or an award of damages to private litigants. Although management believes that the Properties are substantially in compliance with present requirements, we may incur additional costs in complying with the ADA for both existing properties and properties acquired in the future. We believe that our Properties that are subject to the ADA and the FHAA are in compliance with such laws.

Under the federal Fair Housing Act and state fair housing laws, discrimination on the basis of certain protected classes is prohibited. We have a policy against any kind of discriminatory behavior and we train our employees to avoid discrimination or the appearance of discrimination. There is no assurance, however, that an employee will not violate our policy against discrimination and violate the fair housing laws. Such a violation could subject us to legal action and the possible awards of damages.

Under various laws, ordinances and regulations relating to the

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protection of the environment, a current or previous owner or operator of real estate may be held liable for the costs of removal or remediation of certain hazardous or toxic substances located on, under or in the property. These laws often impose liability without regard to whether the owner or operator was responsible for, or even knew of, the presence of such substances. The

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presence of contamination from hazardous or toxic substances, or the failure to remediate such contaminated property properly, may adversely affect the owner's ability to rent or sell that property or use that property as collateral. Independent environmental consultants conducted "Phase I" environmental audits (which involve visual inspection but not soil or groundwater analysis) on substantially all of our Properties prior to their acquisition. None of the Phase I audit reports revealed any significant issues of environmental concern, nor are we aware of any environmental liability that we believe would have a material adverse effect on us. There is no assurance that the Phase I reports would reveal all environmental liabilities or that environmental conditions not known to us may exist now or in the future on our existing Properties or those subsequently acquired which would result in liability to us for remediation or fines, either under existing laws and regulations or future changes to such requirements. If compliance with the various laws and regulations, now existing or hereafter adopted, exceeds our budgets for such items, our ability to make expected distributions could be adversely affected.

FEDERAL INCOME TAX RISKS

General. We believe that we have been organized and have operated in such manner so as to qualify as a REIT under the Code, commencing with our taxable year ended December 31, 1994, and we intend to continue to so qualify. A REIT generally is not taxed at the corporate level on income it currently distributes to its stockholders as long as it distributes currently at least 90% (95% in years prior to 2001) of its taxable income (excluding net capital gain). No assurance can be provided, however, that we have qualified or will continue to qualify as a REIT or that new legislation, Treasury Regulations, administrative interpretations or court decisions will not significantly change the tax laws with respect to our qualification as a REIT or the federal income tax consequences of such qualification.

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

Adverse Consequences of Our Failure to Qualify as a REIT. If we fail to qualify as a REIT, we will be subject to federal income tax (including any

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

The Operating Partnership's Failure to Qualify as a Partnership. We believe that the operating partnership qualifies as a partnership for federal income tax purposes. No assurance can be provided, however, that the Internal Revenue Service (the "IRS") will not challenge its status as a partnership for federal income tax purposes, or that a court would not sustain such a challenge. If the IRS were to be successful in treating the operating partnership as an entity that is taxable as a corporation, we would cease to qualify as a REIT because the value of our ownership interest in the operating partnership would exceed 5% of our assets and because we would be considered to hold more than 10% of another corporation. See "Certain Federal Income Tax Consequences - Taxation of Home Properties - Asset Tests" in this prospectus supplement. Also, the imposition of a corporate tax on the operating

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partnership would reduce significantly the amount of cash available for distribution to its partners. See "Certain Federal Income Tax Consequences - Tax Aspects of the Operating Partnership" in this prospectus supplement.

LIMITS ON OWNERSHIP

In order for us to maintain our qualification as a REIT, not more than 50% in value of our outstanding stock may be owned, directly or indirectly, by five or fewer individuals (as defined in the Code to include certain entities) at any time during the last half of a taxable year. We have limited ownership of the issued and outstanding shares of our common stock by any single stockholder to 8.0% of the aggregate value of our outstanding shares, with certain exceptions. Shares of common stock held by certain entities, such as qualified pension plans, are treated as if the beneficial owners of such entities were the holders of the common stock. These restrictions can be waived by our Board of Directors if it were satisfied, based upon the advice of tax counsel or otherwise, that such action would be in our best interests. Waivers have been granted to certain institutional investors in connection with the sale of our preferred stock. Shares acquired or transferred in breach of the limitation may be redeemed by us for the lesser of the price paid or the average closing price for the ten trading days immediately preceding redemption or may be sold at our direction. A transfer of shares of common stock to a person who, as a result of the transfer, violates the ownership limit will be void and the shares will automatically be converted into shares of "excess stock," which is subject to a number of limitations. See "Description of Capital Stock - Restrictions on Transfer" in the accompanying prospectus for additional information regarding the ownership limits.

CHANGE OF CONTROL

Our Articles of Amendment and Restatement of the Articles of Incorporation, as amended (the "Articles of Incorporation"), authorize our Board

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of Directors to issue up to a total of 80 million shares of common stock, 10 million shares of "excess stock" and 10 million shares of preferred stock and to establish the rights and preferences of any shares issued. Further, under the Articles of Incorporation, our stockholders do not have cumulative voting rights.

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

We have various agreements which may have the effect of discouraging a change of control of us due to the costs involved. The articles supplementary to our Articles of Incorporation under which several series of our outstanding preferred stock were issued provide that upon a change of control of us or the operating partnership, under certain circumstances, the holder of such preferred stock may require us to redeem it. Also, to ensure that our management has appropriate incentives to focus on our business and Properties in the face of a change of control situation, we have adopted an executive retention plan which provides some key employees with salary, bonus and certain benefit continuation in the event of a change of control.

POTENTIAL CONFLICTS OF INTEREST

Unlike persons acquiring common stock, some of our executive officers own most of their interest in us through Units. As a result of their status as holders of Units, these executive officers and other limited partners may have interests that conflict with stockholders with respect to business decisions affecting us and the operating partnership. In particular, certain executive officers may suffer different or more adverse tax consequences than us upon the sale or refinancing of some of our Properties as a result of unrealized gain attributable to those Properties. Thus, executive officers and the stockholders may have different objectives regarding the appropriate pricing and timing of any sale or refinancing of Properties. In addition, those executive officers, as limited partners of the operating partnership, have the right to approve certain fundamental transactions such as the sale of all or substantially all of the assets of the operating partnership, merger or consolidation or dissolution of the operating partnership and certain amendments to the partnership agreement.

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We manage multifamily residential properties through the operating partnership and commercial and development properties and certain multifamily residential properties not owned by us through the management companies. As a result, some of our officers will devote a significant portion of their business time and efforts to the management of properties not owned by us. Some of our officers have a significant interest in certain of the managed properties as the only stockholders of the general partners of the partnerships that own such managed properties and as holders of other ownership interests. Accordingly, these officers will have conflicts of interest between their fiduciary obligations to the partnerships that own the managed properties and their fiduciary obligations as our officers and directors, particularly with respect to the enforcement of the management contracts and timing of the sale of the managed properties. The operating partnership owns all of the outstanding non-voting common stock (990 shares) of one of the management companies, Home Properties Management, Inc., and Norman and Nelson Leenhouts own all of the outstanding voting common stock (52 shares). The operating partnership also owns

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all of the outstanding non-voting common stock (4,752 shares) of the other management company, Home Properties Resident Services, Inc., and Norman and Nelson Leenhouts own all of the outstanding voting common stock (48 shares). As a result, although we will receive substantially all of the economic benefits of the business carried on by the management companies through our right to receive dividends, we will not be able to elect directors and officers of the management companies and, therefore, our ability to cause dividends to be declared or paid or influence the day-to-day operations of the management companies will be limited. Furthermore, although we will receive a management fee for managing the managed properties, this fee has not been negotiated at arm's length and may not represent a fair price for the services rendered. We believe these management fees to be comparable to fees charged in arm's length transactions.

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USE OF PROCEEDS

We expect to receive net proceeds from the sale of the Series F Preferred Stock of approximately \$ (\$ if the underwriters' over-allotment option is exercised in full) after deducting the underwriting discounts and commissions and estimated offering expenses. We intend to use the net proceeds to repay existing indebtedness outstanding under our line of credit and for general corporate purposes, including funding future acquisitions of additional properties and revenue-enhancing upgrades at certain of our Properties. Our \$100 million line of credit with M&T Bank had approximately \$11.0 million outstanding at March 7, 2002. Borrowings under our line of credit bear interest at a floating rate of 1.25% over the one-month LIBOR rate. Our line of credit expires on September 1, 2002.

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CAPITALIZATION

The following table sets forth our capitalization as of December 31, 2001:

- o on a historical basis;
- o as adjusted to give effect to the conversion of one million shares of our 8.36% Series B Convertible Cumulative Preferred Stock into 839,771 shares of our common stock on February 4, 2002 and the sale of an aggregate of 704,602 shares of our common stock at a weighted average sale price of \$30.99 on February 28, 2002 and the application of the net proceeds therefrom (together, the "2002 Capital Transactions");
- o as adjusted to give effect to the acquisition in March 2002 of six of the properties of the Holiday Portfolio and the disposition in January 2002 of six properties previously owned by us (together, the "2002 Acquisitions and Dispositions");
- o as adjusted to give effect to the sale of 1,600,000 shares of Series F Preferred Stock at \$25.00 per share and the application of the net proceeds from this offering as described in "Use of Proceeds"; and
- o on a pro forma basis as adjusted to give effect to the 2002 Capital Transactions, the 2002 Acquisitions and Dispositions and

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the offering of the Series F Preferred Stock and the application of the net proceeds from this offering as described in "Use of Proceeds."

The information set forth in the following table should be read in conjunction with, and is qualified in its entirety by, the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2001, which is incorporated by reference into this prospectus supplement.

AT DECEMBER 31, 2001				
	HISTORICAL	ADJUSTED FOR 2002 CAPITAL TRANSACTIONS	ADJUSTED FOR 2002 ACQUISITIONS AND DISPOSITIONS	ADJUSTED FOR THIS OFFERING
(Dollars in thousands)				
DEBT:				
Line of credit.....	\$32,500	(\$21,829)		(\$10,671)
Mortgage notes payable.....	960,358		\$100,000	
Total Debt.....	\$992,858	(\$21,829)	\$100,000	(\$10,671)
Minority interest in operating partnership	341,854			
8.36% Series B Preferred Stock (1).....	48,733	(24,367)		
STOCKHOLDERS' EQUITY:				
8.75% Series C Preferred Stock (2).....	59,000			
8.78% Series D Preferred Stock (3).....	25,000			
8.55% Series E Preferred Stock (4).....	30,000			
% Series F Preferred Stock (5) ..	-			40,000
Common stock (6).....	240	15		
Additional paid-in capital.....	572,273	46,181		(1,400)
Distributions in excess of accumulated earnings.....	(57,768)			
Accumulated other comprehensive loss...	(532)			
Officer and director notes for stock purchases.....	(7,617)			
TOTAL STOCKHOLDERS' EQUITY.....	620,596	46,196	-	38,600
TOTAL CAPITALIZATION.....	\$2,004,041	\$ -	\$100,000	\$27,929

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- (1) 8.36% Series B Convertible Cumulative Preferred Stock, \$.01 par value; 2,000,000 shares authorized, 2,000,000 shares issued and outstanding on a historical basis and 1,000,000 shares issued and outstanding on an adjusted and pro forma basis; \$25.00 liquidation preference.
- (2) 8.75% Series C Convertible Cumulative Preferred Stock, \$.01 par value; 600,000 shares authorized, 600,000 shares issued and outstanding on a historical and pro forma basis; \$100.00 liquidation preference.
- (3) 8.78% Series D Convertible Cumulative Preferred Stock, \$.01 par value; 500,000 shares authorized, 500,000 shares issued and outstanding on a historical and pro forma basis; \$100.00 liquidation preference.
- (4) 8.55% Series E Convertible Cumulative Preferred Stock, \$.01 par value; 300,000 shares authorized, 300,000 shares issued and outstanding on a historical and pro forma basis; \$100.00 liquidation preference.
- (5) % Series F Cumulative Redeemable Preferred Stock, \$.01 par value; 3,000,000 shares authorized, 3,000,000 shares issued and outstanding on a historical basis and 1,600,000 shares issued and outstanding on a pro forma basis; \$25.00 liquidation preference.
- (6) Common stock, \$.01 par value; 80,000,000 shares authorized; 24,010,855 issued and outstanding on a historical basis and 25,555,228 issued and outstanding on an as adjusted and pro forma basis. Does not include adjustments for outstanding options, shares or rights under our employee stock benefit plans, restricted stock purchase and dividend reinvestment plans, which were exercised or purchased during the period from January 1, 2002 to March 14, 2002.

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THE COMPANY

Home Properties of New York, Inc., the 10th largest apartment company in the United States, is a fully integrated, self-managed real estate investment trust. With operations in select Northeast, Midwest and Mid-Atlantic markets, we own, operate, acquire, rehabilitate and develop apartment communities.

We were incorporated in November 1993 as a Maryland corporation. We are the general partner of Home Properties of New York, L.P., a New York limited liability partnership through which we own, acquire and operate most of our market rate apartments. Certain of our activities, such as residential and commercial property management for others, development activities and construction, development and redevelopment services, are carried on through the management companies. We own 95% and 99%, respectively, of the economic interest in the management companies while certain members of our management hold the remaining 5% and 1%, respectively.

Our principal executive offices are located at 850 Clinton Square, Rochester, New York 14604. Our telephone number is (585) 546-4900.

RECENT DEVELOPMENTS

On January 24, 2002, we sold six properties with a total of 339 units in two unrelated transactions for an aggregate sale price of approximately \$13.6 million, or an average of \$41,100 per unit. A gain on sale of approximately \$500,000 is expected to be reported in the first quarter of 2002 from the sale of these properties. In addition, since December 31, 2001, we discontinued management of one property for a third party and we sold one property managed by us as a general partner.

On March 1, 2002, we completed the acquisition of six of the properties in the Holiday Portfolio, containing a total of 1,031 units. We expect to close on the five remaining properties in the Holiday Portfolio under contract in the

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near future. The acquisition price to be paid for the 11 properties in the Holiday Portfolio, containing a total of 1,688 units, is expected to be approximately \$147.3 million, which will be funded by approximately \$65.0 million of assumed debt and \$82.3 million of cash on hand. Ten of the properties in the Holiday Portfolio are located on Long Island, New York (four in Nassau County and six in Suffolk County) and one property is located in Kingston, Pennsylvania, a suburb of Wilkes-Barre.

For the six properties we acquired on March 1, 2002, the total purchase price of approximately \$100.3 million, including closing costs, equates to approximately \$95,800 per unit. Consideration for these properties included approximately \$47.0 million of assumed debt and \$53.3 million in cash. The weighted average interest rate on the assumed debt is 7.4% with a weighted average maturity of 6.25 years. Cash for the closing was derived from borrowings on our line of credit (which was then repaid with the net proceeds from the offerings of our common stock in February 2002) and a portion of various non-recourse mortgage loans totaling approximately \$56.7 million on six of our Properties provided by Freddie Mac through Manufacturers and Traders Trust Company. The six financed Properties (unrelated to the acquisition of the properties in the Holiday Portfolio) were financed at a weighted average fixed rate of 6.76% with a thirty-year amortization for a term of ten years. The \$25.2 million proceeds of the mortgage financing not needed for the acquisition of the five properties on March 1, 2002 were used to pay down our line of credit.

The six properties acquired from the Holiday Portfolio, all containing two story, garden-style apartments, currently are 95.2% occupied with monthly rents averaging \$1,173. The unit mix at these properties consists of 32 studio units, 492 one-bedroom units, 473 two-bedroom units and 34 three-bedroom units. The buildings, built primarily in the late 1960s, have a combination of brick, brick veneer, cedar shake and aluminum siding. Five of these properties have pitched roofs. Several of these properties have balconies or wood decks. Community amenities at these properties include swimming pools, fitness or recreation centers, and laundry facilities.

We expect to spend approximately \$17.9 million over the next several years on improvements on the Holiday Portfolio properties to correct deferred maintenance, upgrade kitchens, add community centers and generally improve the properties.

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On February 14, 2002, the holder of our 8.36% Series B Convertible Cumulative Preferred Stock converted one million of its shares into 839,771 shares of our common stock, leaving outstanding an aggregate of one million shares of Series B Preferred Stock. On February 28, 2002, we closed two common equity offerings, totaling an aggregate of 704,602 shares of our common stock at a weighted average sale price of \$30.99 per share and resulting in aggregate net proceeds to us of approximately \$21.8 million. In one of the offerings, Salomon Smith Barney Inc. purchased 398,230 shares of our common stock at \$31.01 per share generating approximately \$12.3 million in net proceeds to us. Salomon Smith Barney Inc. contributed these shares of our common stock to a newly-formed unit investment trust, The Equity Focus Trusts-REIT Portfolio Series, 2002-A. In the other offering, Cohen & Steers Quality Income Realty Fund, Inc. purchased 306,372 shares of our common stock resulting in net proceeds to us of approximately \$9.5 million, equivalent to a price of \$30.97 per share.

OUR PORTFOLIO

As of December 31, 2001, we operated 293 communities containing 49,745 apartment units. Of these, we owned 39,007 units in 143 communities, we

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partially owned and managed as general partner 8,035 units in 132 communities, and we manage for other owners 2,703 units in 18 communities. We also managed 2.2 million square feet of commercial space. While our portfolio is geographically diverse, our primary focus is in the following metropolitan areas: Baltimore, Philadelphia, Detroit, suburban Washington, D.C. and Rochester, New York.

As of December 31, 2001, we concentrated our activities in the following market areas:

MARKET AREA -----	APTS. OWNED -----	% OF APTS. OWNED -----	APTS. MANAGED AS GENERAL PARTNER -----	APTS. FEE MANAGED -----	A TO -----
Baltimore, MD.....	6,322	16.2%	-	2,158	8
Philadelphia/Lehigh Valley, PA.....	6,276	16.1	-	-	6
Detroit, MI.....	5,694	14.6	-	108	5
Suburban Washington, D.C.....	4,277	11.0	-	-	4
Rochester, NY.....	2,565	6.6	1,747	365	4
Northern NJ.....	2,520	6.5	352	-	2
Chicago, IL.....	2,242	5.7	-	-	2
Long Island, NY.....	1,933	5.0	-	-	1
Buffalo, NY.....	1,644	4.2	156	-	1
Syracuse, NY.....	1,565	4.0	1,486	-	3
South Bend, IN.....	706	1.8	168	-	-
Albany/Hudson Valley, NY.....	684	1.7	777	61	1
Central VA.....	664	1.7	-	-	-
Portland, ME.....	595	1.5	-	-	-
Hamden, CT.....	498	1.3	-	-	-
Delaware.....	432	1.1	-	-	-
Columbus, OH.....	242	0.6	948	-	1
Western PA.....	148	0.4	2,401	11	2
	-----	-----	-----	-----	-----
Total Number of Apartment Units..	39,007	100.0%	8,035	2,703	49
	=====	=====	=====	=====	==
Total Number of Communities.....	143		132	18	
	===		===	==	

As a result of the transactions completed in 2002, as of March 14, 2002, we operate 291 communities containing an aggregate of 50,278 apartment units. Of these, we own 39,699 units in 143 communities, we partially own and manage as general partner 7,979 units in 131 communities, and we manage for other owners 2,600 units in 17 communities. We also manage 2.2 million square feet of commercial space.

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BUSINESS AND GROWTH STRATEGIES

Business and Operating Strategies. We will continue to focus on enhancing the investment returns of our Properties by:

- o acquiring apartment communities at prices below new construction

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- costs to reposition for long-term growth;
- o disposing of Properties that have reached their potential or are less efficient to operate due to size or remote location;
- o reinforcing our decentralized company philosophy, encouraging employees' personal improvement and extensive training;
- o enhancing the quality of living for our residents by improving the quality of service and physical amenities;
- o readily adopting new technology to provide efficient administration and permitting maximum time spent attracting and serving residents;
- o continuing to utilize our written "Pledge" of customer satisfaction; and
- o engaging in aggressive cost controls and taking advantage of volume discounts.

The following table illustrates our growth in the number of apartment units owned and average monthly rents while maintaining stable occupancies.

	FOR THE YEARS ENDED DECEMBER 31,			
	1997	1998	1999	2000
"Same-Store" Occupancy (1).....	95.3%	94.1%	94.5%	94.7%
Same Store Avg. Monthly Rent (1).....	\$600	\$627	\$661	\$701
Owned Communities.....	63	96	126	147
Owned Apartment Units.....	14,048	23,680	33,807	39,041

(1) By "same-store" we mean individual Properties held for the full 12 months of the current period or the full 12 months of the preceding period.

Acquisition, Sale and Development Strategies. Our core strategy is to grow primarily through acquisitions in geographic regions that have:

- o enough apartments available for acquisition to achieve a critical mass;
- o easy access to our regional offices; and
- o minimal investment ownership by other apartment REITs.

Targeted markets also possess other characteristics similar to our existing markets, including a limited amount of new construction, acquisition opportunities below replacement costs, a mature housing stock and stable or moderate job growth. We expect that our growth will be focused in select metropolitan areas in the Northeast, Mid-Atlantic and Midwestern regions of the United States, where we have already established a presence. The major metropolitan areas where we will focus include: Baltimore, Washington, D.C., Boston, Chicago, Detroit, New York and Philadelphia. We also expect to maintain

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or grow our portfolios in our existing markets as economic/market conditions permit. We expect continued geographic specialization to produce operating efficiencies. We will continue to pursue the acquisition of individual properties as well as multi-property portfolios. We may also consider strategic investments in other apartment companies.

We will continue to contemplate the sale of several of our mature communities in order to fund new acquisitions which are expected to generate higher returns on investment. During 2001, we completed the sale of 14 communities with a total of 2,855 units for an aggregate consideration of approximately \$122.0 million. The properties sold were either in slower growth markets or less efficient to operate due to their remote locations and/or smaller size. We reinvested proceeds from the sale of these properties, which were expected to produce an unleveraged internal rate of return ("IRR") from 9% to 10%, by purchasing properties expected to produce an

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unleveraged IRR of at least 12% and by repurchasing 1.2 million shares of our common stock and Units in the operating partnership at an aggregate cost of \$32.5 million, or an average of \$27.08 per share/Unit.

We have also identified seven Properties with over 1,700 units for potential sale during 2002 with an estimated aggregate value of approximately \$100.0 million. These Properties are spread over several of our markets and are less efficient to operate due to their remote locations and/or their smaller size. We will not sell any of these Properties unless we achieve targeted prices at levels which would allow us to reinvest the proceeds from such sales at higher returns by making acquisitions with repositioning potential.

Effective December 31, 2000, we sold our affordable housing development operations to Conifer Realty, LLC. In connection with the sale, we retained the property management operations for 8,325 apartment units in 136 existing affordable communities. These activities are expected to generate ongoing management fees, incentive management fees and participation in residual value. They also increase our volume purchasing ability and position us to build market rate or affordable communities when, and if, market factors warrant.

Financing and Capital Strategies. We intend to adhere to the following financing policies:

- o maintaining a ratio of debt-to-total market capitalization (our total debt as a percentage of the market value of our outstanding diluted common stock and Units plus total debt) of approximately 50% or less;
- o utilizing primarily fixed rate debt;
- o varying debt maturities to avoid significant exposure to interest rate changes upon refinancing; and
- o maintaining a line of credit so that we can respond quickly to acquisition opportunities.

At December 31, 2001, our outstanding debt was approximately \$993.0 million and our debt-to-total market capitalization ratio was 41%, based on the December 31, 2001 closing price of our common stock of \$31.60 per share. The weighted average interest rate on our mortgage debt as of December 31, 2001 was 7.2% and the weighted average maturity was approximately ten years. Our debt maturities are staggered, ranging from August 2002 through June 2036. As of December 31, 2001, we had a \$100 million unsecured line of credit from M&T Bank.

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This line of credit is available for acquisitions and other corporate purposes. Borrowings under this line of credit bear interest at a rate equal to 1.25% over the one-month LIBOR rate. As of December 31, 2001, we had approximately \$33.0 million in outstanding borrowings on this line of credit.

We expect to continue to fund a significant portion of our continued growth by taking advantage of our operating partnership structure by using Units as currency in acquisition transactions. We issued Units valued at approximately \$19.0 million as partial consideration in acquisition transactions during 2001.

We also intend to continue to pursue other equity transactions to raise capital with limited transaction costs. Our Dividend Reinvestment and Direct Stock Purchase Plan has provided an inexpensive source of equity, allowing purchases up to \$1,000 a month at a discount of 2%. Through discretionary use of waivers of the investment limit, we have balanced capital raising desires with limiting dilution when our stock price was at or below our estimate of net asset value.

We have also adopted a strategy to repurchase shares of our common stock and Units of the operating partnership when our common stock is trading at a discount to our estimate of the underlying net asset value, thereby continuing to build value for long-term shareholders. We have authority from our Board of Directors to purchase from time to time an additional 1,135,800 shares of common stock and/or Units in the operating partnership in open market or privately negotiated transactions.

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SELECTED FINANCIAL DATA

The following table contains selected historical operating, balance sheet and other data as of and for the years ended December 31, 2001, 2000, 1999, 1998 and 1997, derived from our audited financial statement for those years. Since this is only selected information, you should read it in conjunction with the more detailed information contained in our consolidated financial statements and notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our Annual Report on Form 10-K for the year ended December 31, 2001, which is incorporated by reference in this prospectus supplement.

	FOR THE YEARS ENDED DECEMBER			
	2001	2000	1999	1998
	(Dollars in thousands, except per share)			
OPERATING DATA:				
Revenues:				
Rental income.....	\$348,914	\$298,860	\$217,591	\$137,591
Other income.....	18,609	20,188	16,872	11,872
	367,523	319,048	234,463	149,463
Expenses:				
Operating and maintenance.....	145,558	128,034	95,200	63,200
General and administrative.....	18,614	13,235	10,696	6,696

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Interest.....	66,446	56,792	39,558	23,
Depreciation and amortization.....	64,890	52,430	37,350	23,
Loss on available-for-sale securities.....	-	-	2,123	
Non-recurring acquisition expense.....	-	-	6,225	
	-----	-----	-----	-----
Total expenses.....	295,508	250,491	191,152	116,
	-----	-----	-----	-----
Income before gain (loss) on disposition of property and business, minority interest and extraordinary item	72,015	68,557	43,311	32,
Gain (loss) on disposition of property and business	26,241	(1,386)	457	
	-----	-----	-----	-----
Income before minority interest and extraordinary item.....	98,256	67,171	43,768	32,
Minority interest.....	33,682	25,715	17,390	12,
	-----	-----	-----	-----
Income before extraordinary item.....	64,574	41,456	26,378	19,
Extraordinary item, prepayment penalties, net of allocation to minority interest.....	(68)	-	(96)	(
	-----	-----	-----	-----
Net income.....	64,506	41,456	26,282	18,
Preferred dividends.....	(17,681)	(12,178)	(1,153)	
	-----	-----	-----	-----
Net income available to common stockholders.....	\$46,825	\$29,278	\$25,129	\$18,
	=====	=====	=====	=====
Net income before extraordinary item per common share:				
Basic.....	\$2.12	\$1.42	\$1.35	\$1
	=====	=====	=====	=====
Diluted.....	\$2.11	\$1.41	\$1.34	\$1
	=====	=====	=====	=====
Net income per common share:				
Basic.....	\$2.12	\$1.42	\$1.34	\$1
	=====	=====	=====	=====
Diluted.....	\$2.11	\$1.41	\$1.34	\$1
	=====	=====	=====	=====
Cash dividends declared per common share.....	\$2.31	\$2.16	\$1.97	\$1
	=====	=====	=====	=====

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FOR THE YEARS ENDED DECEMBER

2001 2000 1999 1

(Dollars in thousands, except per s

BALANCE SHEET DATA (AT PERIOD END):

Real estate, before accumulated depreciation.....	\$2,135,078	\$1,895,269	\$1,480,753	\$940,
Total assets.....	2,063,789	1,871,888	1,503,617	1,012,
Total debt.....	992,858	832,783	669,701	418,
8.36% Series B Convertible Cumulative				

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Preferred Stock.....	48,733	48,733	48,733	
Stockholders' equity.....	620,596	569,528	448,390	361,
 OTHER DATA:				
Funds from operations (1).....	\$136,604	\$120,854	\$80,784	\$55,
Cash available for distribution (2).....	\$120,994	\$107,300	\$78,707	\$49,
Net cash provided by operating activities.....	\$148,389	\$127,197	\$90,526	\$60,
Net cash used in investing activities.....	(\$139,106)	(\$178,445)	(\$190,892)	(\$297,
Net cash (used in) provided by financing activities	(\$9,013)	\$56,955	\$71,662	\$266,
Weighted average number of common shares outstanding:				
Basic.....	22,101,027	20,639,241	18,697,731	13,898,
Diluted.....	22,227,521	20,755,721	18,800,907	14,022,
Total communities owned at end of period...	143	147	126	
Total apartment units owned at end of period....	39,007	39,041	33,807	23,

-
- (1) Our management considers FFO to be an appropriate measure of performance of an equity REIT. defined as net income (loss) before gains (losses) from the sale of property and business items, before minority interest in the operating partnership, plus real estate depreciation. believes that in order to facilitate a clear understanding of the combined historical operat company, FFO should be considered in conjunction with net income as presented in the consoli statements included elsewhere herein. FFO does not represent cash generated from operating a accordance with generally accepted accounting principles and is not necessarily indicative o to fund cash needs. FFO should not be considered as an alternative to net income as an indic performance or to cash flow as a measure of liquidity. All REITs may not be using the same d Accordingly, the presentation above may not be comparable to other similarly titled measures REITs.
- (2) "Cash available for distribution" is defined as FFO less an annual reserve for anticipated r non-revenue generating capitalized costs of \$400 (\$375 for 1998-2000, \$350 for 1997) per apa our policy to fund our investing activities and financing activities with the proceeds of ou new debt, by the issuance of additional Units, or proceeds from property dispositions. We be this calculation begins with FFO, it is appropriate to present this measure of performance.

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DESCRIPTION OF SERIES F CUMULATIVE REDEEMABLE PREFERRED STOCK

The following is a summary of the material terms and provisions of the Series F Preferred Stock . The Series F Preferred Stock is more completely described in the articles supplementary to our Articles of Incorporation establishing the Series F Preferred Stock, which is available from us and is incorporated into this prospectus supplement by reference. This description of the particular terms of the Series F Preferred Stock supplements the description of the general terms and provisions of our preferred stock set forth in the accompanying prospectus. However, if the terms set forth herein differ from the terms set forth in the accompanying prospectus, you should rely on the terms set forth below.

GENERAL

Under our Articles of Incorporation, we are currently authorized to issue up to 100 million shares of our capital stock, including common stock and preferred stock. As of December 31, 2001, 80 million shares were classified as common stock, 10 million shares were classified as preferred stock and 10 million shares were classified as excess stock.

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We are authorized to issue shares of preferred stock in one or more series, with such designations, preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends, qualifications and terms and conditions of redemption, in each case, if any, as are permitted by Maryland law and as our Board of Directors may determine by resolution. See "Description of Preferred Stock" in the accompanying prospectus.

Prior to the completion of this offering, our Board of Directors will adopt articles supplementary to our Articles of Incorporation determining the number and terms of a series of preferred stock that will be designated " % Series F Cumulative Redeemable Preferred Stock." Up to 3,000,000 shares of Series F Preferred Stock will be authorized. As of the date of this prospectus supplement, no shares of Series F Preferred Stock are outstanding. Our other authorized series of preferred stock are described in this prospectus supplement under the heading "Capitalization" and in the documents incorporated by reference into this prospectus supplement and the accompanying prospectus.

MATURITY

The Series F Preferred Stock has no stated maturity and will not be subject to any sinking fund or mandatory redemption, except as described under "Description of Capital Stock - Restrictions on Transfer" in the accompanying prospectus.

RANKING

The Series F Preferred Stock will, with respect to dividend rights and rights upon our liquidation, dissolution or winding up, rank:

- o senior to all classes or series of our common stock and to all other equity securities ranking junior to the Series F Preferred Stock with respect to dividend rights or rights upon our liquidation, dissolution or winding up (collectively, the "Junior Stock");

- o on a parity with the other series of our outstanding preferred stock and any other equity securities authorized or designated by us, the terms of which specifically provide that such equity securities rank on a parity with the Series F Preferred Stock with respect to dividend rights or rights upon our liquidation, dissolution or winding up (collectively, the "Parity Stock"); and

- o junior to all of our existing and future indebtedness and to any class or series of equity securities authorized or designated by us in the future which specifically provides that such class or series ranks senior to the Series F Preferred Stock with respect to dividend rights or rights upon our liquidation, dissolution or winding up (collectively, the "Senior Stock").

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DIVIDENDS

Subject to the rights of series of preferred stock which may from time to time come into existence, holders of shares of the Series F Preferred Stock will be entitled to receive, when and as declared by our Board of Directors, out of funds legally available for the payment of dividends, cumulative preferential cash dividends at the rate of % per year of the Liquidation Preference (as defined below) per share (equivalent to a fixed annual amount of \$ per share).

Dividends on the Series F Preferred Stock will be cumulative from the date of original issue and will be payable quarterly in arrears on or about February 28th, May 31st, August 31st and November 30th of each year or, if any

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such day is not a business day, then on the next succeeding business day. The first dividend will be paid on or about May 31, 2002 and will be for less than a full quarter. Dividends payable on the Series F Preferred Stock for any partial dividend period will be computed on the basis of a 360-day year consisting of twelve 30-day months. Dividends will be payable to holders of record as they appear in our stock records at the close of business on the applicable record date, which will be the same date set for any quarterly dividend payable to holders of our common stock or on such other date designated by our Board of Directors that is not more than 30 nor less than 10 days prior to the applicable dividend payment date (each, a "Dividend Record Date"). The first Dividend Record Date for determination of stockholders entitled to receive dividends on the Series F Preferred Stock is expected to be , 2002.

No dividends on shares of the Series F Preferred Stock may be declared by our Board of Directors or paid or set apart for payment by us at such time as the terms and provisions of any of our agreements, including any agreement relating to our indebtedness, prohibit such declaration, payment or setting apart for payment or provide that such declaration, payment or setting apart for payment would constitute a breach thereof or a default thereunder, or if such declaration or payment is restricted or prohibited by law.

Notwithstanding the foregoing, dividends on the Series F Preferred Stock will accrue whether or not we have earnings, whether or not there are funds legally available for the payment of such dividends and whether or not such dividends are declared. Accrued but unpaid dividends on the Series F Preferred Stock will accumulate as of the dividend payment date on which they became payable.

When dividends are not paid in full upon the Series F Preferred Stock or any Parity Stock, or a sum sufficient for such payment is not set apart, all dividends declared upon the Series F Preferred Stock and any Parity Stock shall be declared ratably in proportion to the respective amounts of dividends accumulated, accrued and unpaid on the Series F Preferred Stock and accumulated, accrued and unpaid on such Parity Stock. Except as set forth in the preceding sentence, unless dividends on the Series F Preferred Stock equal to the full amount of accumulated, accrued and unpaid dividends have been or contemporaneously are declared and paid or declared and are sufficient for the payment thereof has been or contemporaneously is set apart for such payment, for all past dividend periods and the then current dividend period, no dividends shall be declared or paid or set apart for payment by us and no other distribution of cash or other property may be declared or made, directly or indirectly, by us with respect to any Parity Stock. Unless dividends equal to the full amount of all accumulated, accrued and unpaid dividends on the Series F Preferred Stock and any Parity Stock have been declared and paid, or declared and a sum sufficient for the payment thereof has been set apart for such payment, for all past dividend periods and the then current dividend period, no dividends (other than dividends or distributions paid in shares of Junior Stock or options, warrants or rights to subscribe for or purchase shares of Junior Stock) may be declared or paid or set apart for payment by us and no other distribution of cash or other property may be declared or made, directly or indirectly, by us with respect to any shares of Junior Stock, nor shall any shares of Junior Stock be redeemed, purchased or otherwise acquired (other than a redemption, purchase or other acquisition of common stock made for purposes of any of our employee incentive or benefit plans) for any consideration (or any monies be paid to or made available for a sinking fund for the redemption of any shares of any such stock), directly or indirectly, by us (except by conversion into or exchange for shares of Junior Stock or options, warrants or rights to subscribe for or purchase shares of Junior Stock), nor shall any other cash or other property be paid or distributed to or for the benefit of holders of shares of Junior Stock.

No interest, or sum of money in lieu of interest, will be payable in

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respect of any dividend payment or payments on the Series F Preferred Stock which may be in arrears.

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Any dividend payment made on the Series F Preferred Stock will first be credited against the earliest accrued but unpaid dividend due which remains payable.

LIQUIDATION PREFERENCE

Subject to the rights of other series of preferred stock which may from time to time come into existence, upon any voluntary or involuntary liquidation, dissolution or winding up of our affairs, before we make or set apart any payment or distribution for the holders of any shares of Junior Stock, the holders of shares of Series F Preferred Stock shall be entitled to be paid out of assets legally available for distribution to our stockholders a liquidation preference of \$25.00 per share (the "Liquidation Preference"), plus an amount equal to all accumulated, accrued and unpaid dividends (whether or not earned or declared) to the date of final distribution to such holders. Until the holders of the Series F Preferred Stock have been paid the Liquidation Preference in full, plus an amount equal to all accumulated, accrued and unpaid dividends (whether or not earned or declared) to the date of final distribution to such holders, no payment shall be made to any holder of Junior Stock upon the liquidation, dissolution or winding up of our affairs. If upon any liquidation, dissolution or winding up of our affairs, our available assets, or proceeds thereof, shall be insufficient to pay in full the amount of the liquidation distributions on all outstanding shares of Series F Preferred Stock and the corresponding amounts payable on any other shares of Parity Stock, then such available assets, or the proceeds thereof, shall be distributed among the holders of Series F Preferred Stock and any such other Parity Stock ratably in the same proportion as the respective amounts that would be payable on such Series F Preferred Stock and any such Parity Stock if all amounts payable thereon were paid in full. A voluntary or involuntary liquidation, dissolution or winding up of our affairs shall not include our consolidation or merger with one or more corporations, a sale or transfer of all or substantially all of our assets, or a statutory share exchange. Upon any liquidation, dissolution or winding up of our affairs, after payment shall have been made in full to the holders of Series F Preferred Stock and any Parity Stock, any other series or class or classes of Junior Stock shall be entitled to receive any and all assets remaining to be paid or distributed, and the holders of the Series F Preferred Stock and any Parity Stock shall not be entitled to share therein.

OPTIONAL REDEMPTION

We may not redeem the Series F Preferred Stock before March , 2007, except in certain limited circumstances relating to maintaining our ability to qualify as a REIT for federal income tax purposes as described under "Description of Capital Stock - Restrictions on Transfer" in the accompanying prospectus. On and after March , 2007, we may, at our option upon not less than 30 nor more than 60 days written notice, redeem shares of the Series F Preferred Stock, in whole or in part, at any time or from time to time, for cash at a redemption price equal to 100% of the Liquidation Preference, plus all accumulated, accrued and unpaid dividends thereon, if any, to the date fixed for redemption (except as provided below), without interest.

Holders of Series F Preferred Stock to be redeemed will be required to surrender such Series F Preferred Stock at the place designated in such notice and will be entitled to the redemption price and any accumulated, accrued and unpaid dividends payable upon such redemption following such surrender. If notice of redemption of any shares of Series F Preferred Stock has been given

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and if the funds necessary for such redemption have been set aside by us in trust for the benefit of the holders of any shares of Series F Preferred Stock so called for redemption, then from and after the redemption date dividends will cease to accrue on such shares of Series F Preferred Stock, such shares of Series F Preferred Stock will no longer be deemed outstanding and all rights of the holders of such shares will terminate, except the right to receive the redemption price. If less than all of the outstanding Series F Preferred Stock is to be redeemed, the Series F Preferred Stock to be redeemed will be selected on a pro rata basis (as nearly as may be practicable without creating fractional shares) or by any other equitable method determined by us. Our ability to redeem Series F Preferred Stock is subject to the limitation on distributions in the Maryland General Corporation Law.

Unless dividends equal to the full amount of all accumulated, accrued and unpaid dividends on all outstanding shares of Series F Preferred Stock have been declared and paid, or declared and a sum sufficient for the payment thereof set apart for such payment, for all past dividend periods and the then current dividend period, no shares of Series F Preferred Stock or Parity Stock may be redeemed unless all outstanding shares of Series F Preferred Stock are simultaneously redeemed and we will not have the right to purchase or otherwise acquire, directly or indirectly, any shares of Series F Preferred Stock (except by exchange for Junior Stock); provided,

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however, that the foregoing shall not prevent the exchange by us of Series F Preferred Stock or Parity Stock for an equal number of shares of our excess stock in order to ensure that we continue to meet the requirements for qualification as a REIT for federal income tax purposes as described under "Description of Capital Stock - Restrictions on Transfer" in the accompanying prospectus, or the purchase or acquisition of shares of Series F Preferred Stock pursuant to a purchase or exchange offer made on the same terms to holders of all outstanding shares of Series F Preferred Stock.

Notice of redemption will be given by publication in a newspaper of general circulation in the City of New York, such publication to be made once a week for two successive weeks commencing not less than 30 nor more than 60 days prior to the redemption date. A similar notice will be mailed by us not less than 30 nor more than 60 days prior to the redemption date, addressed to the respective holders of record of the Series F Preferred Stock to be redeemed at their respective addresses as they appear on our stock transfer records. No failure to give such notice or any defect therein or in the mailing thereof shall affect the validity of the proceedings for the redemption of any shares of Series F Preferred Stock except as to the holder to whom notice was defective or not given. Each notice will state:

- o the redemption date;
- o the redemption price;
- o the number of shares of Series F Preferred Stock to be redeemed;
- o the procedures with respect to redemption of uncertificated shares or place or places where certificates for shares of the Series F Preferred Stock are to be surrendered for payment of the redemption price; and
- o that dividends on the shares to be redeemed will cease to accrue on such redemption date.

If less than all of the Series F Preferred Stock held by any holder is to be

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redeemed, the notice mailed to such holder will also specify the number of shares of Series F Preferred Stock held by such holder to be redeemed.

On any redemption of Series F Preferred Stock, we will pay, in cash, any accumulated, accrued and unpaid dividends through the redemption date, unless a redemption date falls after a Dividend Record Date and prior to the corresponding dividend payment date, in which case each holder of Series F Preferred Stock at the close of business on such Dividend Record Date will be entitled to the dividend payable on such shares on the corresponding dividend payment date notwithstanding the redemption of such shares between such Dividend Record Date and the corresponding dividend payment date or our default in the payment of the dividend due. Except as provided above, we will make no payment or allowance for unpaid dividends, whether or not in arrears, on shares of Series F Preferred Stock which may have been called for redemption.

The Series F Preferred Stock has no stated maturity and will not be subject to any sinking fund or mandatory redemption. However, in order to ensure that we continue to meet the requirements for qualification as a REIT for federal income tax purposes, Series F Preferred Stock acquired by a stockholder in excess of our 8.0% ownership limit will automatically be exchanged for shares of our excess stock. See "Description of Capital Stock - Restrictions on Transfer" in the accompanying prospectus.

Subject to applicable law and the limitation on purchases when dividends on the Series F Preferred Stock are in arrears, we may, at any time and from time to time, purchase any shares of Series F Preferred Stock in the open market, by tender or by private agreement.

VOTING RIGHTS

Holders of shares of Series F Preferred Stock will not have any voting rights, except as set forth below and except as otherwise required by applicable law.

If we do not declare and pay dividends on our Series F Preferred Stock or any Parity Stock for six or more quarterly periods, whether or not consecutive, or if we do not satisfy the fixed charge coverage ratio described below for six consecutive quarterly periods, the number of directors then constituting our Board of Directors shall be

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increased by two, if not already increased by reason of similar types of provisions with respect to any Parity Stock which is entitled to similar voting rights (the "Voting Preferred Stock"), and the holders of shares of Series F Preferred Stock, together with the holders of all other Voting Preferred Stock then entitled to exercise similar voting rights, voting as a single class regardless of series, will be entitled to vote for the election of the two additional directors at any annual meeting of stockholders or at a special meeting of the holders of the Series F Preferred Stock and the Voting Preferred Stock called for that purpose. We must call such special meeting upon the request of any holder of Series F Preferred Stock. A quorum for any such meeting will be deemed to exist if at least a majority of the outstanding shares of the Series F Preferred Stock and the Voting Preferred Stock then entitled to exercise similar voting rights are represented in person or by proxy at such meeting. Such additional directors will be elected upon the affirmative vote of a plurality of the shares of Series F Preferred Stock and Voting Preferred Stock present and voting in person by proxy at a duly called and held meeting at which a quorum is present.

Whenever dividends in arrears on outstanding shares of the Series F Preferred Stock and the Voting Preferred Stock shall have been paid and

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dividends thereon for the current quarterly dividend period shall have been paid or declared and set apart for payment, or whenever we have a fiscal quarter where the fixed charge coverage covenant is met, as the case may be, then the right of the holders of the Series F Preferred Stock and the Voting Preferred Stock to elect the additional two directors shall cease and the terms of office of such directors will terminate and the number of directors constituting our Board of Directors will be reduced accordingly.

The affirmative vote or consent of at least 66 2/3% of the votes entitled to be cast by the holders of the outstanding shares of Series F Preferred Stock will be required to effect:

- o Any amendment, alteration or repeal of any of the provisions of our Articles of Incorporation, our bylaws, or our articles supplementary, that materially and adversely affects the powers, rights or preferences of the holders of the Series F Preferred Stock; provided, however, that the amendment of the provisions of our Articles of Incorporation so as to authorize or create or increase the authorized amount of any shares of Junior Stock or any shares of Parity Stock shall not be deemed to materially adversely affect the powers, rights or preferences of the Series F Preferred Stock; or
- o A share exchange that affects the Series F Preferred Stock, a consolidation with or merger of the company into another entity, or a consolidation with or merger of another entity into the company, unless in each such case each share of Series F Preferred Stock (i) shall remain outstanding without a material and adverse change to its terms and rights or (ii) shall be converted into or exchanged for preferred stock of the surviving entity having preferences, rights, powers, restrictions, limitations as to dividends, qualifications and terms or conditions of redemption thereof identical to that of the Series F Preferred Stock (except for changes that do not materially and adversely affect the holders of the Series F Preferred Stock); or
- o The authorization, reclassification or creation of, or the increase in the authorized or issued amount of, any class or series of Senior Stock or any security convertible into any class or series of Senior Stock; or
- o Any increase in the authorized amount of shares of Series F Preferred Stock or decrease in the authorized amount of shares of Series F Preferred Stock below the number of shares then issued and outstanding;

provided, however, that no such vote of the holders of the Series F Preferred Stock shall be required if, at or prior to the time such amendment, alteration or repeal is to take effect or the issuance of any such Senior Stock or security convertible into Senior Stock is to be made, as the case may be, provisions are made for the redemption of all outstanding shares of Series F Preferred Stock.

FIXED CHARGE COVERAGE COVENANT

For each fiscal quarterly period, we will maintain a ratio of EBITDA, calculated as described below, to fixed charges of greater than 1.75 to 1.0. This ratio is called a "fixed charge coverage ratio." EBITDA is our

consolidated income before gain (loss) on disposition of property and business,

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minority interest and extraordinary item, before giving effect to expenses for interest, taxes, depreciation and amortization. "fixed charges" means "total interest expense" and all dividends declared and payable on our preferred stock and preferred Units of the operating partnership, other than the preferred Units which we hold which have the same distribution and liquidation preferences as our preferred stock. "Total interest expense" means our consolidated interest paid during the quarter plus any accrued or capitalized interest expense for that period. This covenant is contained in our articles supplementary with respect to the Series F Preferred Stock. Within 45 days after the end of each of our first three quarters of the year, and within 90 days after the end of our fourth quarter, we will file a report under the Exchange Act including information on the calculation of the fixed charge coverage ratio. If we fail to maintain the ratio for six or more consecutive fiscal quarters, the holders of the Series F Preferred Stock, together with certain other holders of our preferred stock, will be entitled to elect two directors to our Board of Directors until we again complete a quarter in compliance with the ratio. See "- Voting Rights" above. For the past four fiscal quarters, our fixed charge coverage ratio was 2.10:1 for the first quarter of 2001, 2.45:1 for the second quarter of 2001, 2.52:1 for the third quarter of 2001, and 2.52:1 for the fourth quarter of 2001.

We will remain subject to the fixed charge coverage covenant until the earliest of: (i) a class of our senior unsecured debt is rated BBB or higher by Fitch, Inc., (ii) we are merged into a company with such a rating, or (iii) if Fitch, Inc. is no longer generally issuing ratings with respect to real estate investment trusts comparable to us, a class of our senior unsecured debt is rated BBB by Standard & Poors Corporation or Baa2 by Moody's Investors Service, Inc. We do not have any current plans to issue rated unsecured debt.

CONVERSION

The Series F Preferred Stock is not convertible into or exchangeable for any of our other property or securities, except that the shares of Series F Preferred Stock may be exchanged for shares of our excess stock in order to ensure that we remain qualified as a REIT for federal income tax purposes.

FORM

The Series F Preferred Stock will be issued and maintained in book-entry form registered in the name of the nominee of The Depositary Trust Company except under limited circumstances.

TRANSFER AGENT

The registrar and transfer agent for the Series F Preferred Stock will be Mellon Financial Services.

The shares of Series F Preferred Stock are subject to certain restrictions on ownership and transfer which are described under "Description of Capital Stock - Restrictions on Transfer" in the accompanying prospectus.

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CERTAIN FEDERAL INCOME TAX CONSEQUENCES

The following summary of certain federal income tax considerations regarding an investment in Series F Preferred Stock is based on current law, is for general information only and is not tax advice. This summary supersedes the discussion set forth in the accompanying prospectus under the heading "Federal Income Tax Considerations."

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The information in this section is based on the Code as currently in effect, current, temporary and proposed Treasury Regulations promulgated under the Code, the legislative history of the Code, current administrative interpretations and practices of the IRS, including its practices and policies as expressed in private letter rulings which are not binding on the IRS except with respect to the particular taxpayers who requested and received such rulings, and court decisions, all as of the date of this prospectus. There is no assurance that future legislation, Treasury Regulations, administrative interpretations and practices or court decisions will not adversely affect existing interpretations. Any change could apply retroactively to transactions preceding the date of the change.

We have not requested, and do not plan to request, any rulings from the IRS concerning our tax treatment and the statements in this prospectus supplement are not binding on the IRS or a court of law. Thus, we can provide no assurance that these statements will not be challenged by the IRS or sustained by a court of law if challenged by the IRS. The tax treatment to holders of our capital stock will vary depending on a holder's particular situation and this discussion does not purport to deal with all aspects of address all tax considerations applicable to prospective investors, nor does the discussion give a detailed description of any state, local, or foreign tax considerations. This discussion does not describe all of the aspects of federal income taxation that may be relevant to a holder of common stock or prospective stockholder in light of his or her personal investments or tax particular circumstances, or to certain types of stockholders (including insurance companies, tax-exempt entities, financial institutions or broker dealers, foreign corporations and persons who are not citizens or residents of the United States) subject to special treatment under the federal income tax laws except to the extent discussed under the headings "Taxation of Tax-Exempt Stockholders" and "Taxation of Non-U.S. Stockholders." Stockholders subject to special treatment include, without limitation, insurance companies, financial institutions or broker-dealers, tax-exempt organizations, stockholders holding securities as part of a conversion transaction or hedge or hedging transaction or as a position in a straddle for tax purposes, foreign corporations and persons who are not citizens or residents of the United States.

In addition, the summary below does not consider the effect of any foreign, state, local or other tax laws that may be applicable to holders of our Series F Preferred Stock. If we meet the detailed requirements in the Code for qualification as a REIT, which are summarized below, we will be treated as a REIT for federal income tax purposes. In this case, we generally will not be subject to federal corporate income taxes on our net income that is currently distributed to our stockholders. This treatment substantially eliminates the "double taxation" that generally results from investments in a corporation. Double taxation refers to the imposition of corporate level tax on income earned by a corporation and taxation at the shareholder level on funds distributed to a corporation's shareholders. If we fail to qualify as a REIT in any taxable year, we would not be allowed a deduction for dividends paid to our stockholders in computing taxable income and would be subject to federal income tax at regular corporate rates. Unless entitled to relief under specific statutory provisions, we would be ineligible.

Each prospective purchaser is advised to consult with his or her own tax advisor regarding the specific tax consequences to him or her of the purchase, ownership and sale of Series F Preferred Stock in an entity electing to be taxed as a REIT. Each prospective purchaser should consult his or her own tax advisor regarding the specific tax consequences of the purchase, ownership and sale of common stock real estate investment trust, including the federal, state, local, foreign and other tax consequences of such purchase, ownership and sale and of potential changes in applicable tax laws.

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TAXATION OF HOME PROPERTIES

General. We elected to be taxed as a REIT under Sections 856 through 860 of the Code, commencing with our taxable year ended December 31, 1994. We believe we have been organized and have operated in a manner so as to qualify for taxation as a REIT under the Code commencing with our taxable year ended December 31, 1994. We intend to continue to operate in this manner. However, our qualification and taxation as a REIT depends upon our ability to meet, through actual annual operating results, asset diversification, distribution levels and diversity of

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stock ownership, the various qualification tests imposed under the Code. Accordingly, there is no assurance that we have operated or will continue to operate in a manner so as to qualify or remain qualified as a REIT. Further, legislative, administrative or judicial action may change, perhaps retroactively, the anticipated income tax treatment described in this prospectus. See " - Failure to Qualify."

In the opinion of Nixon Peabody LLP, commencing with its taxable year ended December 31, 1994, Home Properties was organized in conformity with the requirements for qualification as a REIT, and its method of operation has enabled it to meet the requirements for qualification and taxation as a REIT under the Code and its proposed method of operation will enable it to continue to so qualify. This opinion is based on certain assumptions and is conditioned upon certain representations made by us as to certain factual matters relating to our organization, manner of operation, income and assets. Nixon Peabody LLP is not aware of any facts or circumstances that are inconsistent with these assumptions and representations. Our qualification and taxation as a REIT will depend upon satisfaction of the requirements necessary to be classified as a REIT, discussed below, on a continuing basis. Nixon Peabody LLP will not review compliance with these tests on a continuing basis. Therefore, no assurance can be given that we will satisfy such tests on a continuing basis.

The sections of the Code that relate to the qualification and operation as a REIT are highly technical and complex. The following sets forth the material aspects of the sections of the Code that govern the federal income tax treatment of a REIT and its stockholders. This summary is qualified in its entirety by the applicable Code provisions, relevant rules and regulations promulgated under the Code, and administrative and judicial interpretations of the Code, and these rules and these regulations.

If we qualify for taxation as a REIT, we generally will not be subject to federal corporate income tax on our net income that is currently distributed to our stockholders. This treatment substantially eliminates the "double taxation" that generally results from investment in a corporation. However, we will be subject to federal income tax as follows:

First, we will be taxed at regular corporate rates on any undistributed REIT taxable income, including undistributed net capital gains; provided, however, that properly designated undistributed capital gains will effectively avoid taxation at the stockholder level. A REIT's "REIT taxable income" is the otherwise taxable income of the REIT subject to certain adjustments, including a deduction for dividends paid.

Second, we may be subject to the "alternative minimum tax" on our items of tax preference under some circumstances.

Third, if we have (a) net income from the sale or other disposition of "foreclosure property" which is held primarily for sale to customers in the

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ordinary course of business or (b) other nonqualifying income from foreclosure property, we will be subject to tax at the highest corporate rate on this income. Foreclosure property is defined generally as Property we acquired through foreclosure or after a default on a loan secured by the Property or a lease of the Property.

Fourth, we will be subject to a 100% tax on any net income from prohibited transactions. Prohibited transactions generally include sales or other dispositions of Property held primarily for sale to customers in the ordinary course of business, other than the sale or disposition of foreclosure property.

Fifth, if we fail to satisfy the 75% gross income test or the 95% gross income test but have maintained our qualification as a REIT because we satisfied other requirements, we will be subject to a 100% tax on an amount equal to (a) the gross income attributable to the greater of the amount by which we fail the 75% or 95% test multiplied by (b) a fraction intended to reflect our profitability. The gross income tests are discussed below.

Sixth, if we fail to distribute during each calendar year at least the sum of: 85% of our REIT ordinary income for the year, 95% of our REIT capital gain net income for the year, and any undistributed taxable income from prior periods, then we will be subject to a 4% excise tax on the excess of such required distribution over the amounts actually distributed.

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Seventh, if we acquire any asset from a corporation which is or has been a C corporation in a transaction in which the basis of the acquired asset in our hands is determined by reference to the basis of such asset in the hands of the C corporation, and we subsequently recognize gain on the disposition of such asset during the ten-year period beginning on the date on which we acquired the asset, then we will be subject to tax at the highest regular corporate tax rate on this gain to the extent of the "built-in-gain" of the asset. The built-in-gain of an asset equals the excess of (a) the fair market value of the asset over (b) our adjusted basis in the asset, determined as of the date we acquired the asset from the C corporation. A C corporation is generally a corporation subject to full corporate-level tax. The results described in this paragraph with respect to the recognition of built-in gain assume that we will not make an election pursuant to temporary and proposed Treasury Regulations to have such gain taxed currently upon such an acquisition.

Eighth, we will be subject to a 100% tax on amounts received through arrangements between us, our tenants and a taxable REIT subsidiary (as defined below) that are not arm's length.

Requirements for Qualification as a REIT. The Code defines a REIT as a corporation, trust or association that:

- (1) is managed by one or more trustees or directors;
- (2) uses transferable shares or transferable certificates to evidence beneficial ownership;
- (3) would be taxable as a domestic corporation, but for Sections 856 through 860 of the Code;
- (4) is not a financial institution referred to in Section 582(c) of the Code or an insurance company to which subchapter L of the Code applies;

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(5) is beneficially owned by 100 or more persons;

(6) during the last half of each taxable year not more than 50% in value of its outstanding stock is owned, actually or constructively, by five or fewer individuals, as defined in the Code to include the entities set forth in Section 542(a)(2) of the Code; and

(7) meets other tests, described below, regarding the nature of its income and assets and the amount of its distributions.

The Code provides that conditions (1) to (4), inclusive, must be met during the entire taxable year and that condition (5) must be met during at least 335 days of a taxable year of twelve months, or during a proportionate part of a taxable year of less than twelve months. Conditions (5) and (6) do not apply until after the first taxable year for which an election made to be taxed as a REIT. For purposes of condition (6), pension funds and some other tax-exempt entities are treated as individuals, subject to a "look-through" exception in the case of pension funds. We have satisfied condition (5) and believe that we have sufficient diversity of ownership to satisfy condition (6). In addition, our articles of incorporation provides for restrictions regarding ownership and transfer of shares. These restrictions are intended to assist us in continuing to satisfy the share ownership requirements described in (5) and (6) above. These ownership and transfer restrictions are described in "Restrictions on Transfer" in the accompanying prospectus. Primarily, though not exclusively, as a result of fluctuations in value among the different classes of our stock, these restrictions may not ensure that we will, in all cases, be able to satisfy the share ownership requirements described in conditions (5) and (6) above. If we fail to satisfy these share ownership requirements, our status as a REIT could terminate. However, if we comply with the rules contained in applicable Treasury Regulations that require us to ascertain the actual ownership of our shares and we do not know, or would not have known through the exercise of reasonable diligence, that we failed to meet the requirement described in condition (6) above, we will be treated as having met this requirement. See "- Failure to Qualify."

In addition, a corporation may not elect to become a REIT unless its taxable year is the calendar year. We have and will continue to have a calendar taxable year.

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Taxable REIT Subsidiaries. A taxable REIT subsidiary is a corporation other than a REIT in which we directly or indirectly hold stock and that has made a joint election with us to be treated as a taxable REIT subsidiary. A taxable REIT subsidiary also includes any corporation other than a REIT with respect to which a taxable REIT subsidiary of ours owns securities possessing more than 35% of the total voting power or value of the outstanding securities of such corporation. However, a taxable REIT subsidiary does not include certain health care and lodging facilities. A taxable REIT subsidiary is subject to regular federal income tax, and state and local income tax where applicable, as a regular "C" corporation. In addition, a taxable REIT subsidiary of ours may be limited in its ability to deduct interest paid to us, or we may be subject to a 100% excise tax on payments between us and our taxable REIT subsidiaries to the extent such payments exceed amounts that would be pa