COLONIAL
PROPERTIES TRUST

Simplified. **Stronger.**

2012 ANNUAL REPORT

We accomplished each of our directives for 2012 with record growth in multifamily same-property net operating income; external growth from our development pipeline and acquisitions; dispositions that included unwinding our largest remaining commercial joint venture; and achieving an unsecured investment grade credit rating as a result of our improved balance sheet, higher growth profile and simplified operating platform.

$180M
Multifamily properties acquired

7.6%
Multifamily same-property NOI growth

$179M
Current active development pipeline

<45%
Debt/gross asset value leverage ratio

The transformation of our multifamily platform has produced one of the stronger portfolios in the industry.

Over the past four years, we have transformed our portfolio from a diversified platform to a multifamily focused platform, with over 90% of our 2013 net operating income (NOI) expected to be derived from our multifamily portfolio. Our properties are located throughout the Sunbelt region of the United States from Virginia to Nevada.

Over 87% of the NOI in our multifamily portfolio is concentrated in the top quartile Sunbelt markets, as measured by job growth, population growth and household income growth. These markets have historically been the most resilient in terms of job growth and typically the first to recover from any downturn. We expect several of these, such as Austin, Atlanta, Dallas, Orlando and Charlotte, to be our strongest markets again in 2013.

Although any new development or acquisition investment is made based on a long-term holding period, we monitor new supply very closely. All of the multifamily units that have been delivered throughout 2012 have been absorbed, while all the existing properties maintained solid occupancy and good rental rate growth. We anticipate those same conditions to occur in 2013.

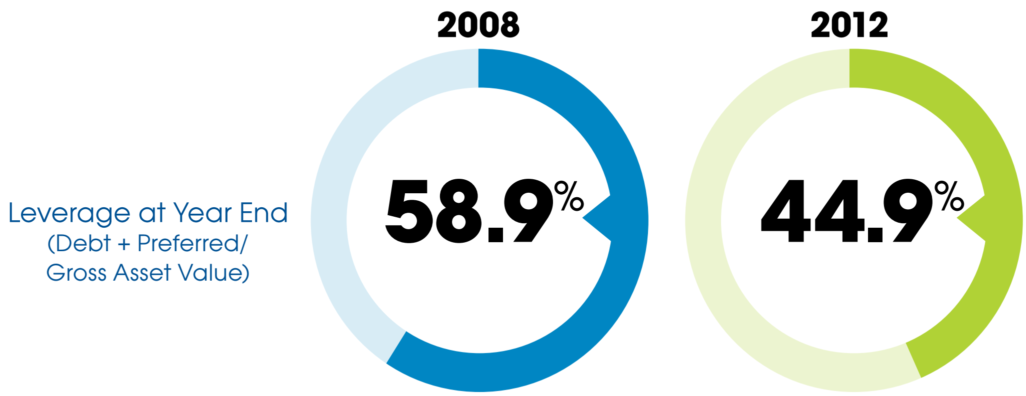
Today, we see supply being delivered in all of our major markets, but currently only 11 of our properties in our same-property portfolio are competing with new supply. On average, all of those properties maintained occupancy above 96% and generated 6.5% in revenue growth in 2012.

When we look at third-party industry demographic sources, we believe an even stronger case can be made for the strength of our portfolio:

- We are located in seven of the top 12 markets in the United States for projected apartment rental revenue growth in 2013;
- 10 of our key markets are in the top 15 for employment growth over the next three years; and
- Only three of our markets are in the top 10 in terms of new supply to be delivered in the near term.

Q: Why was it important to achieve an investment grade rating?

Achieving an investment grade rating on our senior unsecured debt again has been a top priority for us. Ultimately, it's significant in terms of our access to and the overall cost of capital. It's also consistent with the strategy to simplify our company and focus primarily on multifamily properties. With our transformation have come stronger financial and operating metrics, which we expect to continue to improve in 2013.



Q: How is Colonial's development pipeline adding value for investors?

We expect our multifamily development pipeline to be a significant driver of external growth for us. While we are ever mindful of new supply concerns and closely monitor our markets, we believe we are at an opportune point in the multifamily cycle to monetize undeveloped land on our balance sheet and further concentrate our portfolio in higher growth markets. Our multifamily developments that were completed in 2012 reached stabilization anywhere from two to five quarters ahead of schedule and total costs came in under budget. The two developments we placed in service in 2012 are anticipated to provide an average first year stabilized yield of 7.75%. Their addition to the portfolio further enhanced the quality of our earnings growth.

Q: What does the Colonial platform look like today compared with 2008?

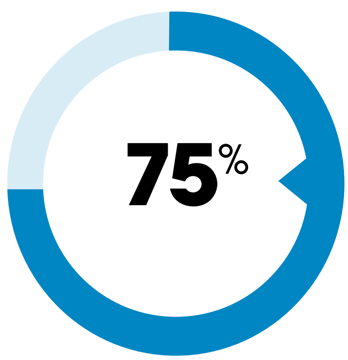
We have a much simpler and focused platform with our multifamily properties projected to account for over 90% of our total NOI in 2013. Previously, our diversified structure required a significant amount of overhead to manage the large commercial portfolio with multiple asset types and a multitude of joint venture partners. We can now better leverage the exceptional fundamentals in our multifamily portfolio along with a focused effort on acquisitions, development, management and leasing. Within our multifamily portfolio, we have also improved the average age and revenue per unit by acquiring newer properties and recycling certain older assets with lower revenue per unit and higher maintenance capital expenditures.

Improved Portfolio. In addition to achieving our goal of multifamily assets representing at least 90% of our property NOI in 2013 and an investment grade rating, we exited the majority of our commercial joint ventures. We also executed on our multifamily asset recycling strategy by selling four older apartment communities with an average age of 31 years and acquiring five newer apartment communities with an average age of six years and higher revenue and lower capital expenditures per unit.

> "As the multifamily percentage of total NOI has increased and the simplification of our platform is nearing completion, our growth profile has improved dramatically. This platform has converged with strong market fundamentals and positions us well for continued growth."

Tom Lowder

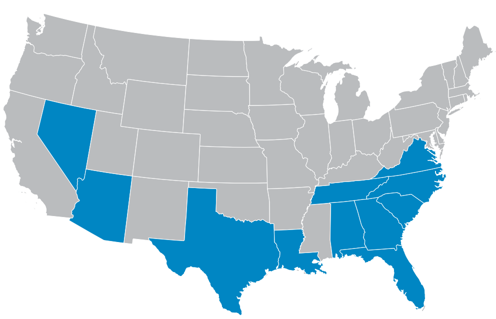
2008



NOI contribution from multifamily portfolio.

2013

The projected share of NOI from multifamily portfolio.



Apartment Homes by Major Market[1]

Charlotte, NC	4,375
Austin, TX	3,287
Raleigh, NC	3,114
Dallas, TX	2,828
Atlanta, GA	2,598
Fort Worth, TX	2,012
Orlando, FL	1,988
Charleston, SC	1,890
Richmond, VA	1,700
Birmingham, AL	1,608

[1] *Represents the company's wholly-owned apartment homes in its top 10 markets.*

The number of commercial property interests sold in 2012.

-29 commercial assets

1,300 multifamily units are under construction.

5 multifamily communities in the development pipeline

Total projected costs of the current multifamily development pipeline.

$171M

To Our Shareholders:

This is a great time to be in the apartment business as we continue to see some of the best operating fundamentals we have seen in many years. Since our shareholder letter for 2008, each year we outline specific directives to focus our management team on the same goals and provide a roadmap for discussions with our shareholders. Over the past four years, we have executed on every directive made with measurable financial results and increased shareholder value. For 2012, we set out to grow the company, achieve an investment grade rating and improve our portfolio. We met each of these objectives with record growth in same-property net operating income (NOI), external growth through an active development pipeline, acquisitions of newer multifamily properties along with dispositions of older multifamily properties and non-core properties, the unwinding of commercial joint ventures and a return to an investment grade credit rating on our senior unsecured debt. As a result, today we have a more simplified operating platform, and we are a much stronger company.

We achieved a 7.6 percent increase in same-property NOI for 2012, which was the second straight year of record NOI growth in our multifamily same-property portfolio. The underlying fundamentals of a growing population with prime demographics and a preference for renting over home ownership, as well as manageable new supply growth, continue to converge with strong same-property occupancy around 96 percent and the ability to increase both new and renewal lease rates. We are anticipating this combination will enable us to once again post solid same-property NOI growth in 2013.

Our multifamily development pipeline remains the main source of external growth. We placed two apartment communities into service in 2012 representing 718 units. The first, Colonial Grand at Hampton Preserve in Tampa, achieved stabilization five quarters ahead of schedule, and the second, Colonial Grand at Lake Mary Phase I in Orlando, was two quarters ahead of our original plan. We also expect to achieve first year stabilized yields on these developments well above what we had underwritten. The contributions from the development pipeline will continue as we currently have five developments underway in Austin, Orlando and Charlotte totaling 1,300 units, representing a total investment of $171 million. We will continue to monetize the land we are carrying on our balance sheet, as we expect to start construction on at least four additional existing sites during 2013.

We improved the long-term growth profile of the company during the year with the disposition of four older apartment communities for total proceeds of $96 million. These properties had an average age of 31 years and average monthly rent of $695 per unit. We were also active with commercial dispositions, as we sold the Colonial Promenade Alabaster retail center in Birmingham as well as our remaining interests in an 18-asset office joint venture with DRA Advisors, a 9-asset office portfolio in Huntsville, and the Colonial Promenade Madison retail center in Huntsville. The commercial dispositions had a total sales value of $173 million, which included the elimination of our share of associated mortgage debt.

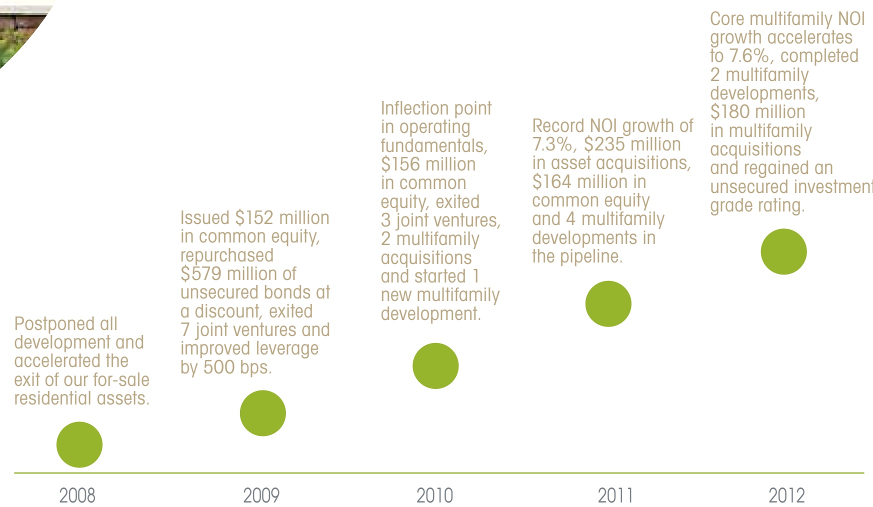
The proceeds from this disposition activity were deployed to fund our multifamily development pipeline and the acquisition of five apartment communities (one of which was the remaining 80 percent interest in an existing joint venture) totaling 1,554 units and a total investment of $180 million. The properties acquired in 2012 have an average age of 6 years and an average monthly rent of $992 per unit.

Without discounting the importance of our other 2012 objectives, we achieved an important milestone in receiving an investment grade rating on our senior unsecured debt. It was a long road back, and we believe that the improvement in our balance sheet ratios and the benefits from the ongoing simplification of our platform were instrumental. During the year, we entered into a new $500 million syndicated unsecured line of credit with an initial maturity date of March 2016 and a $150 million 5-year unsecured term loan with an all-in fixed interest rate of 2.71 percent. We ended the year with our debt plus preferred to gross asset value at 44.9 percent, a fixed charge ratio of 2.3 times and only $100 million of unsecured bonds maturing in 2013. While we are pleased with our accomplishments to date, our objective is to continue to improve on these metrics.

Another milestone was reached shortly after we completed the year with the sale of Metropolitan Midtown, our mixed-use property in Charlotte, for $94 million. With this disposition, we reached our goal of having at least 90 percent of our total NOI generated from our multifamily properties.

$1.6B

Over the last four years we have raised $472 million in common equity, completed $617 million in unsecured note repurchases at a discount and exited $498 million of joint ventures.



The *"**Simplified. Stronger.**"* theme that summarizes our accomplishments for 2012 is also the driving force behind our CEO directives for 2013: Advance the Company, Fortify the Balance Sheet and Enhance the Portfolio.

When we say we will advance the company, it represents growth the right way – quality earnings with an ever-improving product. This will be achieved through completing the properties in our development pipeline I outlined earlier and improving our core operations. We are currently projecting development spending of approximately $125 million to $150 million for 2013 and year-over-year improvement in same-property NOI of 4.0 percent to 6.0 percent driven by strong occupancy, expense controls and increased rental rates.

Fortifying our balance sheet will involve continuing to lower our overall debt levels, primarily with commercial asset dispositions, and improving our financial ratios with improved earnings. As a result of our improved operating performance and strong liquidity position, our Board of Trustees increased our quarterly dividend for 2013 by 17 percent to $0.21 per diluted share.

We will enhance our portfolio through additional multifamily asset recycling, which will reduce the multifamily portfolio's average age, increase average rents and lower our capital expenditure requirements. For 2013, we are currently projecting acquisitions of approximately $150 million to $175 million along with dispositions of $275 million to $325 million, half of which are expected to be commercial properties. Given the significant amount of asset recycling we have completed over the last two years, we expect this activity will continue to transform the company.

I am confident the directives we've established for 2013 will build on the strong results we delivered in 2012 and the execution of our strategy over the past four years. Thank you for your continued support and investment. I look forward to reporting our progress to you during the year.

Sincerely,

Thomas H. Lowder
Chairman and Chief Executive Officer

Representative Portfolio

Colonial Grand at Brier Falls
Raleigh, N.C.

Colonial Reserve at Medical District
Dallas, TX

Colonial Grand at Lake Mary
Orlando, FL

Colonial Grand at Ayrsley
Charlotte, N.C.

Colonial Grand at Commerce Park
Charleston, S.C.

Colonial Grand at Ashton Oaks
Austin, TX

Financial Highlights

($ in thousands, unless otherwise noted)	2012	2011	2010
For the Period			
Revenues[1]	$ 393,544	$ 353,389	$ 324,083
Funds from Operations Available to Common Shareholders and Unitholders (FFO)[1]	92,461	104,712	81,310
Net Income (Loss) Available to Common Shareholders	8,160	3,428	(48,054)
Per Share			
FFO - Diluted[2]	$ 0.98	$ 1.15	$ 1.02
FFO - Basic[2]	$ 0.98	$ 1.15	$ 1.02
Net Income (Loss) - Diluted	$ 0.09	$ 0.04	$ (0.67)
Net Income (Loss) - Basic	$ 0.09	$ 0.04	$ (0.67)
Dividends	$ 0.72	$ 0.60	$ 0.60
At Year End			
Total Market Capitalization (in millions)[3]	$ 3,870	$ 3,734	$ 3,357
Total Long-Term Liabilities	$ 1,832	$ 1,760	$ 1,762
Shares and Units Outstanding (in thousands)	95,365	94,643	85,634
Market Price of Common Shares	$ 21.37	$ 20.86	$ 18.05
Real Estate Portfolio			
Number of Operating Properties[4]	125	153	156
Multifamily - Apartment Homes[5]	34,497	34,461	33,569
Commercial - Leasable Square Feet (in millions)[6]	2.5	9.8	10.7
Real Estate Before Accumulated Depreciation (in millions)	$ 3,879	$ 3,763	$ 3,610

(1) Total consolidated revenue adjusted to reflect current year discontinued operations classifications made after filing of prior period financials.
(2) Funds from operations (FFO) is a supplemental non-GAAP financial measure used to measure the operating performance of equity REITs. A discussion of FFO and a reconciliation of FFO to net income available to common shareholders is included in Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2012, as filed with the Securities and Exchange Commission on February 28, 2013. FFO per share is calculated by dividing FFO by the weighted-average shares and units outstanding for the period.
(3) Consists of all outstanding indebtedness, the liquidation preference of the preferred shares, and the market price of our common shares and operating partnership units at year end.
(4) Represents properties which the company owns or maintains a partial ownership interest.
(5) Represents apartment homes in which the company owns or maintains a partial ownership interest, including units in lease-up.
(6) Represents commercial leasable square feet in which the company owns or maintains a partial ownership interest.

CONSOLIDATED BALANCE SHEETS
(In thousands, except per share data)

	December 31, 2012	December 31, 2011
ASSETS		
Land, buildings and equipment	$ 3,489,324	$ 3,445,455
Undeveloped land and construction in progress	296,153	306,826
Less: Accumulated depreciation	(804,964)	(731,894)
Real estate assets held for sale, net	93,450	10,543
Net real estate assets	3,073,963	3,030,930
Cash and cash equivalents	11,674	6,452
Restricted cash	38,128	43,489
Accounts receivable, net	23,977	26,762
Notes receivable	42,399	43,787
Prepaid expenses	19,460	19,912
Deferred debt and lease costs	23,938	22,408
Investment in partially-owned unconsolidated entities	7,777	12,303
Other assets	44,892	52,562
Total assets	$ 3,286,208	$ 3,258,605
LIABILITIES, NONCONTROLLING INTEREST AND SHAREHOLDERS' EQUITY		
Notes and mortgages payable	$ 1,643,361	$ 1,575,727
Unsecured credit facility	188,631	184,000
Total debt	1,831,992	1,759,727
Accounts payable	53,545	50,266
Accrued interest	10,209	11,923
Accrued expenses	41,652	15,731
Investment in partially-owned unconsolidated entities	—	31,577
Other liabilities	36,751	25,208
Total liabilities	1,974,149	1,894,432
Redeemable noncontrolling interest:		
Common units	162,056	159,582
Equity:		
Common shares of beneficial interest, $0.01 par value, 125,000,000 shares authorized; 93,835,794 and 93,096,722 shares issued at December 31, 2012 and 2011, respectively	938	931
Additional paid-in capital	1,973,594	1,964,881
Cumulative earnings	1,276,118	1,267,958
Cumulative distributions	(1,926,167)	(1,862,838)
Noncontrolling interest	695	728
Treasury shares, at cost; 5,623,150 shares at December 31, 2012 and 2011	(150,163)	(150,163)
Accumulated other comprehensive loss	(25,012)	(16,906)
Total shareholders' equity	1,150,003	1,204,591
Total liabilities, noncontrolling interest and shareholders' equity	$ 3,286,208	$ 3,258,605

See accompanying notes to consolidated financial statements included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 28, 2013.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

(In thousands, except share and per share data)

	For The Years Ended December 31,		
	2012	**2011**	**2010**
Revenues:			
Minimum rent	$320,489	$287,431	$260,635
Rentals from affiliates	—	236	203
Tenant recoveries	9,574	9,329	8,627
Other property related revenue	57,769	48,346	42,925
Other non-property related revenue	5,712	8,047	11,693
Total revenues	393,544	353,389	324,083
Operating expenses:			
Property operating expense	107,657	98,108	92,080
Taxes, licenses and insurance	44,413	40,039	37,612
Property management expense	12,858	9,185	8,584
General and administrative expense	22,615	20,439	18,563
Management fees and other expenses	6,298	8,067	9,504
Restructuring charges	1,848	153	361
Investment and development expenses	1,285	1,781	422
Depreciation	120,993	113,475	106,205
Amortization	6,122	7,446	6,807
Impairment, legal contingencies and other losses	26,013	5,736	1,308
Total operating expenses	350,102	304,429	281,446
Income from operations	43,442	48,960	42,637
Other income (expense):			
Interest expense	(92,085)	(86,573)	(83,091)
Debt cost amortization	(5,697)	(4,767)	(4,618)
Gain on retirement of debt	—	—	1,044
Interest income	2,569	1,521	1,580
Income from partially-owned unconsolidated entities	31,862	17,497	3,365
Loss on hedging activities	—	—	(289)
(Loss) gain on sale of property, net of income taxes of $ - , $ - and $117 for 2012, 2011 and 2010	(4,306)	115	(1,391)
Taxes and other	(907)	(872)	(1,084)
Total other income (expense)	(68,564)	(73,079)	(84,484)
Loss from continuing operations	(25,122)	(24,119)	(41,847)
Income from discontinued operations	11,258	6,565	3,699
Gain (loss) on disposal of discontinued operations	22,729	23,733	(395)
Net income from discontinued operations	33,987	30,298	3,304
Net income (loss)	8,865	6,179	(38,543)
Continuing operations:			
Noncontrolling interest in CRLP — common unitholders	1,893	2,094	5,382
Noncontrolling interest in CRLP — preferred unitholders	—	(3,586)	(7,161)
Noncontrolling interest of limited partners	(43)	(53)	103
Discontinued operations:			
Noncontrolling interest in CRLP	(2,555)	(2,387)	(314)
Noncontrolling interest of limited partners	—	—	(4)
Income attributable to noncontrolling interest	(705)	(3,932)	(1,994)
Net income (loss) attributable to parent company	8,160	2,247	(40,537)
Dividends to preferred shareholders	—	—	(5,649)
Preferred unit repurchase gains	—	2,500	3,000
Preferred share/unit issuance costs write-off	—	(1,319)	(4,868)
Net income (loss) available to common shareholders	$8,160	$3,428	$(48,054)
Net income (loss) per common share — basic:			
Continuing operations	$(0.27)	$(0.30)	$(0.71)
Discontinued operations	0.36	0.34	0.04
Net income (loss) per common share — basic	$0.09	$0.04	$(0.67)
Net income (loss) per common share — diluted:			
Continuing operations	$(0.27)	$(0.30)	$(0.71)
Discontinued operations	0.36	0.34	0.04
Net income (loss) per common share — diluted	$0.09	$0.04	$(0.67)
Weighted average common shares outstanding:			
Basic	87,251	84,142	71,919
Diluted	87,251	84,142	71,919
Net income (loss)	8,865	6,179	(38,543)
Other comprehensive income (loss):			
Changes in fair value of qualifying hedges	(15,985)	(19,302)	—
Adjust for amounts included in net income (loss)	7,222	3,164	726
Comprehensive income (loss)	$102	$(9,959)	$(37,817)

See accompanying notes to consolidated financial statements included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 28, 2013.

Trustees & Senior Officers

Corporate Shareholder Information

Corporate Headquarters
2101 Sixth Avenue North, Suite 750
Birmingham, AL 35203
(205) 250-8700
www.colonialprop.com

Independent Accountants
Deloitte & Touche LLP
Birmingham, AL

Corporate Counsel
Hogan Lovells US LLP
Washington, DC

Co-General Counsel
W. Michael Atchison and
Edward Hardin, Jr.
Burr & Forman LLP
Birmingham, AL

Transfer Agent and Registrar
Computershare Investor Services
P.O. Box 43078
Providence, RI 02940-3078
www.computershare.com

Shares Listed
New York Stock Exchange symbol: CLP

Annual Meeting
The Annual Meeting of Shareholders of Colonial Properties Trust is scheduled for Wednesday, April 24, 2013, at 10:30 a.m. CDT, 1st floor conference room of Colonial Brookwood Center, 569 Brookwood Village, Suite 131, Homewood, AL 35209.

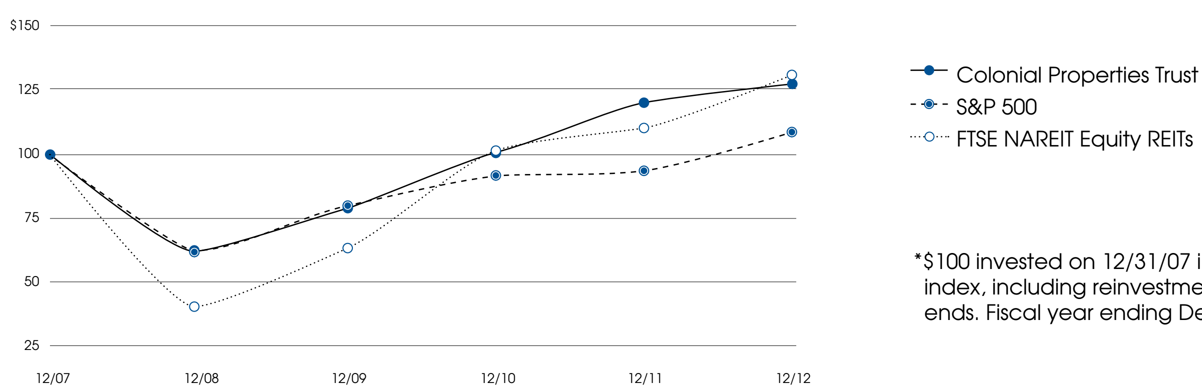
Form 10-K
A copy of the company's Annual Report on Form 10-K for the year ended December 31, 2012, which has been filed with the Securities and Exchange Commission, accompanies this annual report. Address inquiries to Investor Relations at the company's corporate headquarters.

Share Ownership
As of February 15, 2013, the company had an estimated 2,455 shareholders of record and 20,286 beneficial owners.

Direct Investment Program
Colonial Properties Trust offers a Direct Investment Program that allows shareholders to make initial purchases of shares directly from the company and automatically invest dividends, as well as make voluntary cash payments for the purchase of additional shares. To receive more information, contact the company's Transfer Agent, Computershare Investor Services, at (866) 897-1807 or the Investor Relations department at (800) 645-3917.

Comparison of 5 Year Cumulative Total Return*

Among Colonial Properties Trust, The S&P Index and the FTSE NAREIT Equity REITs Index



*$100 invested on 12/31/07 in stock or index, including reinvestment of dividends. Fiscal year ending December 31.

Forward-Looking Statements

Certain statements in this annual report, including statements regarding the company's credit rating, projections regarding NOI mix and developments and dispositions, signs of improvement in multifamily fundamentals and the company's efforts to advance the company, fortify the balance sheet and enhance the portfolio, may constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 and involve known and unknown risks, uncertainties and other factors that may cause the company's actual results, performance, achievements or transactions to be materially different from the results, performance, achievements or transactions expressed or implied by the forward-looking statements.

Factors that impact such forward looking statements include, among others, changes in national, regional and local economic conditions, which may be negatively impacted by concerns about inflation, deflation, government deficits (including the European sovereign debt crisis), high unemployment rates, decreased consumer confidence and liquidity concerns, particularly in markets in which we have a high concentration of properties; exposure, as a multifamily REIT, to risks inherent in investments in a single industry; ability to obtain financing at favorable rates, if at all; performance of affiliates or companies in which we have made investments; changes in operating costs; higher than expected construction costs; uncertainties associated with the timing and amount of real estate disposition and the resulting gains/losses associated with such dispositions; legislative or regulatory decisions; the Company's ability to continue to maintain its status as a REIT for federal income tax purposes; price volatility, dislocations and liquidity disruptions in the financial markets and the resulting impact on availability of financing; the effect of any rating agency actions on the cost and availability of new debt financings; level and volatility of interest or capitalization rates or capital market conditions; effect of any terrorist activity or other heightened geopolitical crisis; or other factors affecting the real estate industry generally.

COLONIAL PROPERTIES TRUST

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