

UDR, Inc.
Form 10-Q
May 10, 2007

Table of Contents

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

Form 10-Q

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

For the quarterly period ended March 31, 2007

or

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

For the transition period from to

Commission file number 1-10524

UDR, Inc.

(Exact name of registrant as specified in its charter)

Maryland

(State or other jurisdiction of
incorporation of organization)

54-0857512

(I.R.S. Employer
Identification No.)

1745 Shea Center Drive, Suite 200, Highlands Ranch, Colorado 80129

(Address of principal executive offices) (zip code)

(720) 283-6120

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares of the issuer's common stock, \$0.01 par value, outstanding as of May 7, 2007 was 135,873,210.

UDR, Inc.

FORM 10-Q

INDEX

PAGE

PART I FINANCIAL INFORMATION

| | | |
|----------------|---|----|
| <u>Item 1.</u> | <u>Condensed Consolidated Financial Statements (unaudited)</u> | |
| | <u>Consolidated Balance Sheets as of March 31, 2007 and December 31, 2006</u> | 2 |
| | <u>Consolidated Statements of Operations for the three months ended March 31, 2007 and 2006</u> | 3 |
| | <u>Consolidated Statements of Cash Flows for the three months ended March 31, 2007 and 2006</u> | 4 |
| | <u>Consolidated Statement of Stockholders' Equity for the three months ended March 31, 2007</u> | 5 |
| | <u>Notes to Consolidated Financial Statements</u> | 6 |
| <u>Item 2.</u> | <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> | 15 |
| <u>Item 3.</u> | <u>Quantitative and Qualitative Disclosures About Market Risk</u> | 27 |
| <u>Item 4.</u> | <u>Controls and Procedures</u> | 27 |

PART II OTHER INFORMATION

| | | |
|-----------------|--|----|
| <u>Item 1A.</u> | <u>Risk Factors</u> | 28 |
| <u>Item 2.</u> | <u>Unregistered Sales of Equity Securities and Use of Proceeds</u> | 34 |
| <u>Item 6.</u> | <u>Exhibits</u> | 34 |
| | <u>Signatures</u> | 35 |

5.50% Medium-Term Note, Series A due April 2014

Computation of Ratio of Earnings to Fixed Charges

Rule 13a-14(a) Certification of the Chief Executive Officer

Rule 13a-14(a) Certification of the Chief Financial Officer

Section 1350 Certification of the Chief Executive Officer

Section 1350 Certification of the Chief Financial Officer

Table of Contents**PART I FINANCIAL INFORMATION****Item 1. FINANCIAL STATEMENTS****UDR, Inc.****CONSOLIDATED BALANCE SHEETS****(In thousands, except for share data)****(Unaudited)**

| | March 31, 2007 | December 31, 2006 |
|---|---------------------------|------------------------------|
| ASSETS | | |
| Real estate owned: | | |
| Real estate held for investment | \$ 5,642,942 | \$ 5,502,469 |
| Less: accumulated depreciation | (1,300,634) | (1,237,010) |
| | 4,342,308 | 4,265,459 |
| Real estate under development (net of accumulated depreciation of \$83 and \$527) | 177,463 | 203,786 |
| Real estate held for disposition (net of accumulated depreciation of \$7,831 and \$16,190) | 75,866 | 97,150 |
| Total real estate owned, net of accumulated depreciation | 4,595,637 | 4,566,395 |
| Cash and cash equivalents | 1,676 | 2,143 |
| Restricted cash | 6,168 | 5,602 |
| Deferred financing costs, net | 35,972 | 35,160 |
| Notes receivable | 6,500 | 10,500 |
| Funds held in escrow from IRC Section 1031 exchanges pending the acquisition of real estate | 25,373 | |
| Investment in unconsolidated joint ventures | 27,348 | 5,850 |
| Other assets | 37,043 | 37,247 |
| Other assets real estate held for disposition | 9,278 | 12,978 |
| Total assets | \$ 4,744,995 | \$ 4,675,875 |
| LIABILITIES AND STOCKHOLDERS EQUITY | | |
| Secured debt | \$ 1,207,302 | \$ 1,182,919 |
| Unsecured debt | 2,263,361 | 2,155,866 |
| Real estate taxes payable | 21,213 | 25,560 |
| Accrued interest payable | 26,175 | 34,347 |
| Security deposits and prepaid rent | 26,782 | 25,154 |
| Distributions payable | 49,518 | 46,936 |

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| | | |
|---|---------------------|---------------------|
| Accounts payable, accrued expenses, and other liabilities | 37,269 | 54,887 |
| Other liabilities – real estate held for disposition | 3,122 | 6,118 |
| Total liabilities | 3,634,742 | 3,531,787 |
| Minority interests | 65,215 | 88,833 |
| Stockholders' equity: | | |
| Preferred stock, no par value; 50,000,000 shares authorized | | |
| 5,416,009 shares 8.60% Series B Cumulative Redeemable issued and outstanding (5,416,009 at December 31, 2006) | 135,400 | 135,400 |
| 2,803,812 shares 8.00% Series E Cumulative Convertible issued and outstanding (2,803,812 at December 31, 2006) | 46,571 | 46,571 |
| Common stock, \$0.01 par value; 250,000,000 shares authorized | | |
| 135,725,384 shares issued and outstanding (135,029,126 at December 31, 2006) | 1,357 | 1,350 |
| Additional paid-in capital | 1,689,434 | 1,682,809 |
| Distributions in excess of net income | (827,724) | (810,875) |
| Total stockholders' equity | 1,045,038 | 1,055,255 |
| Total liabilities and stockholders' equity | \$ 4,744,995 | \$ 4,675,875 |

See accompanying notes to consolidated financial statements.

Table of Contents**UDR, Inc.****CONSOLIDATED STATEMENTS OF OPERATIONS****(In thousands, except per share data)****(Unaudited)**

| | Three Months Ended | |
|--|---------------------------|-------------|
| | March 31, | |
| | 2007 | 2006 |
| REVENUES | | |
| Rental income | \$ 181,145 | \$ 166,432 |
| Non-property income: | | |
| Other income | 477 | 1,178 |
| Total revenues | 181,622 | 167,610 |
| EXPENSES | | |
| Rental expenses: | | |
| Real estate taxes and insurance | 21,778 | 22,033 |
| Personnel | 18,254 | 16,039 |
| Utilities | 11,263 | 10,584 |
| Repair and maintenance | 10,350 | 9,592 |
| Administrative and marketing | 4,883 | 5,006 |
| Property management | 5,045 | 4,991 |
| Other operating expenses | 311 | 298 |
| Real estate depreciation and amortization | 63,688 | 54,337 |
| Interest | 44,194 | 44,470 |
| General and administrative | 9,826 | 6,764 |
| Other depreciation and amortization | 853 | 689 |
| Total expenses | 190,445 | 174,803 |
| Loss before minority interests and discontinued operations | (8,823) | (7,193) |
| Minority interests of outside partnerships | (30) | (16) |
| Minority interests of unitholders in operating partnerships | 724 | 676 |
| Loss before discontinued operations, net of minority interests | (8,129) | (6,533) |
| Income from discontinued operations, net of minority interests | 39,961 | 18,540 |
| Net income | 31,832 | 12,007 |
| Distributions to preferred stockholders Series B | (2,911) | (2,911) |
| Distributions to preferred stockholders Series E (Convertible) | (931) | (931) |
| Net income available to common stockholders | \$ 27,990 | \$ 8,165 |
| Earnings per weighted average common share basic and diluted: | | |

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| | | |
|---|-----------|-----------|
| Loss from continuing operations available to common stockholders, net of minority interests | \$ (0.09) | \$ (0.08) |
| Income from discontinued operations, net of minority interests | \$ 0.30 | \$ 0.14 |
| Net income available to common stockholders | \$ 0.21 | \$ 0.06 |
| Common distributions declared per share | \$ 0.3300 | \$ 0.3125 |
| Weighted average number of common shares outstanding basic | 134,511 | 133,589 |
| Weighted average number of common shares outstanding diluted | 134,511 | 133,589 |

See accompanying notes to consolidated financial statements.

Table of Contents**UDR, Inc.****CONSOLIDATED STATEMENTS OF CASH FLOWS****(In thousands, except for share data)****(Unaudited)**

| | Three Months Ended | |
|---|---------------------------|-------------|
| | March 31, | |
| | 2007 | 2006 |
| Operating Activities | | |
| Net income | \$ 31,832 | \$ 12,007 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 65,014 | 59,435 |
| Net gains on the sale of land and depreciable property | (41,532) | (15,347) |
| Minority interests | 1,726 | 549 |
| Amortization of deferred financing costs and other | 1,787 | 1,427 |
| Amortization of deferred compensation | | 1,210 |
| Prepayments on income taxes | 325 | |
| Changes in operating assets and liabilities: | | |
| Decrease in operating assets | 5,882 | 1,633 |
| Decrease in operating liabilities | (28,689) | (28,697) |
| Net cash provided by operating activities | 36,345 | 32,217 |
| Investing Activities | | |
| Proceeds from sales of real estate investments, net | 59,111 | 29,135 |
| Repayment of note receivable | 4,000 | 29,385 |
| Acquisition of real estate assets (net of liabilities assumed) and initial capital expenditures | (60,600) | (18,556) |
| Development of real estate assets | (17,280) | (12,575) |
| Capital expenditures and other major improvements real estate assets, net of escrow reimbursement | (50,042) | (48,006) |
| Capital expenditures non-real estate assets | (680) | (367) |
| Investment in unconsolidated joint venture | (5,929) | |
| Purchase deposits on pending real estate acquisitions | (1,752) | |
| Increase in funds held in escrow from IRC Section 1031 exchanges pending the acquisition of real estate | (25,373) | |
| Net cash used in investing activities | (98,545) | (20,984) |
| Financing Activities | | |
| Scheduled principal payments on secured debt | (1,173) | (955) |
| Proceeds from the issuance of unsecured debt | 150,000 | |
| Proceeds from the issuance of secured debt | 6,508 | 6,858 |
| Payments on unsecured debt | (92,255) | (24,820) |
| Net proceeds from revolving bank debt | 48,900 | 73,400 |
| Payment of financing costs | (1,725) | (827) |
| Proceeds from the issuance of common stock | 617 | 3,167 |
| Proceeds from the investment of performance based programs | 126 | |

| | | |
|---|-----------|-----------|
| Distributions paid to minority interests | (3,165) | (3,192) |
| Distributions paid to preferred stockholders | (3,842) | (3,842) |
| Distributions paid to common stockholders | (42,258) | (40,229) |
| Net cash provided by financing activities | 61,733 | 9,560 |
| Net (decrease)/increase in cash and cash equivalents | (467) | 20,793 |
| Cash and cash equivalents, beginning of period | 2,143 | 15,543 |
| Cash and cash equivalents, end of period | \$ 1,676 | \$ 36,336 |
| Supplemental Information: | | |
| Interest paid during the period | \$ 50,894 | \$ 46,622 |
| Non-cash transactions: | | |
| Conversion of operating partnership minority interests to common stock (510,264 shares in 2007 and 3,900 shares in 2006) | 4,373 | 29 |
| Issuance of restricted stock awards | 2,449 | 201 |
| Secured debt assumed with the acquisition of properties | 41,318 | |

See accompanying notes to consolidated financial statements.

Table of Contents

UDR, Inc.

CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY

(In thousands, except share data)

(Unaudited)

| | Preferred Stock | | Common Stock | | Paid-in Capital | Distributions in Excess of Net Income | Total |
|---|------------------|-------------------|--------------------|-----------------|---------------------|---|---------------------|
| | Shares | Amount | Shares | Amount | | | |
| Balance, December 31, 2006 | 8,219,821 | \$ 181,971 | 135,029,126 | \$ 1,350 | \$ 1,682,809 | \$ (810,875) | \$ 1,055,255 |
| Comprehensive Income | | | | | | | |
| Net income | | | | | | 31,832 | 31,832 |
| Issuance of common and restricted shares | | | 185,994 | 2 | 2,257 | | 2,259 |
| Adjustment for conversion of minority interests of unitholders in operating partnerships | | | 510,264 | 5 | 4,368 | | 4,373 |
| Common stock distributions declared (\$0.3300 per share) | | | | | | (44,839) | (44,839) |
| Preferred stock distributions declared-Series B (\$0.5375 per share) | | | | | | (2,911) | (2,911) |
| Preferred stock distributions declared-Series E (\$0.3322 per share) | | | | | | (931) | (931) |
| Balance, March 31, 2007 | 8,219,821 | \$ 181,971 | 135,725,384 | \$ 1,357 | \$ 1,689,434 | \$ (827,724) | \$ 1,045,038 |

See accompanying notes to consolidated financial statements.

Table of Contents

UDR, Inc.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2007
(UNAUDITED)**

1. CONSOLIDATION AND BASIS OF PRESENTATION

UDR, Inc. is a self-administered real estate investment trust, or REIT, that owns, acquires, renovates, develops, and manages middle-market apartment communities nationwide. The accompanying consolidated financial statements include the accounts of UDR and its subsidiaries, including United Dominion Realty, L.P. (the Operating Partnership), and Heritage Communities L.P. (the Heritage OP) (collectively, UDR). As of March 31, 2007, there were 166,185,740 units in the Operating Partnership outstanding, of which 157,001,747 units or 94% were owned by UDR and 9,183,993 units or 6% were owned by limited partners (of which 1,650,322 are owned by the holders of the Series A OPPS). As of March 31, 2007, there were 5,542,200 units in the Heritage OP outstanding, of which 5,215,210 units or 94% were owned by UDR and 326,990 units or 6% were owned by limited partners. The consolidated financial statements of UDR include the minority interests of the unitholders in the Operating Partnership and the Heritage OP. All significant intercompany accounts and transactions have been eliminated in consolidation.

The accompanying interim unaudited consolidated financial statements have been prepared according to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted according to such rules and regulations, although management believes that the disclosures are adequate to make the information presented not misleading. The accompanying consolidated financial statements should be read in conjunction with the audited financial statements and related notes appearing in UDR's Annual Report on Form 10-K for the year ended December 31, 2006, filed with the Securities and Exchange Commission.

In the opinion of management, the consolidated financial statements reflect all adjustments that are necessary for the fair presentation of financial position at March 31, 2007, and results of operations for the interim periods ended March 31, 2007 and 2006. Such adjustments are normal and recurring in nature. The interim results presented are not necessarily indicative of results that can be expected for a full year.

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the dates of the financial statements and the amounts of revenues and expenses during the reporting periods. Actual amounts realized or paid could differ from those estimates. Certain previously reported amounts have been reclassified to conform to the current financial statement presentation.

UDR adopted FASB Interpretation 48, Accounting for Uncertainty in Income Taxes (FIN 48), on January 1, 2007. As a result of the implementation of FIN 48, UDR recognized no material adjustments to liabilities related to unrecognized income tax benefits. At the adoption date of January 1, 2007, UDR's taxable REIT subsidiaries had \$538,000 of net unrecognized tax benefits, which would favorably impact our effective tax rate if recognized. At March 31, 2007, we had \$588,000 of net unrecognized tax benefits. UDR and its subsidiaries are subject to U.S. federal income tax as well as income tax of multiple state jurisdictions. The tax years 2003 to 2006 remain open to examination by the major taxing jurisdictions to which we are subject. UDR recognizes interest and/or penalties related to uncertain tax positions in income tax expense. As of March 31, 2007, UDR had \$44,000 accrued for interest and \$0 accrued for penalties.

In September 2006, the FASB issued Statements No. 157, Fair Value Measurements, and in February 2007, Statement No. 159, The Fair Value Option for Financial Assets and Financial Liabilities. Statement 157 increases the consistency and comparability in fair value measurements and expands disclosures about fair value measurements. Statement 159 allows an entity to make a one-time election to measure many financial assets and financial liabilities at fair value (the fair value option). The election is made on an instrument-by-instrument basis and is irrevocable. If the fair value option is elected for an instrument, this

Table of Contents**UDR, Inc.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

statement specifies that all subsequent changes in fair value for that instrument are reported in earnings. Both statements are effective for fiscal years beginning after November 15, 2007. UDR is currently assessing the impact that these statements will have on its consolidated financial statements.

2. REAL ESTATE HELD FOR INVESTMENT

At March 31, 2007, there are 242 communities with 69,755 apartment homes classified as real estate held for investment. The following table summarizes the components of real estate held for investment (*dollars in thousands*):

| | March 31, 2007 | December 31, 2006 |
|--------------------------------------|---------------------------|------------------------------|
| Land and land improvements | \$ 1,401,680 | \$ 1,347,707 |
| Buildings and improvements | 3,932,641 | 3,855,313 |
| Furniture, fixtures, and equipment | 308,621 | 299,449 |
| Real estate held for investment | 5,642,942 | 5,502,469 |
| Accumulated depreciation | (1,300,634) | (1,237,010) |
| Real estate held for investment, net | \$ 4,342,308 | \$ 4,265,459 |

3. INCOME FROM DISCONTINUED OPERATIONS

UDR adopted FASB Statement No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, (FAS 144) as of January 1, 2002. FAS 144 requires, among other things, that the primary assets and liabilities and the results of operations of UDR's real properties which have been sold subsequent to January 1, 2005, or are held for disposition subsequent to January 1, 2005, be classified as discontinued operations and segregated in UDR's Consolidated Statements of Operations and Balance Sheets. Properties classified as real estate held for disposition generally represent properties that are actively marketed or contracted for sale which are expected to close within the next twelve months.

For purposes of these financial statements, FAS 144 results in the presentation of the primary assets and liabilities and the net operating results of those properties sold or classified as held for disposition through March 31, 2007, as discontinued operations for all periods presented. The adoption of FAS 144 does not have an impact on net income available to common stockholders. FAS 144 only results in the reclassification of the operating results of all properties sold or classified as held for disposition through March 31, 2007, within the Consolidated Statements of Operations for the three months ended March 31, 2007 and 2006, and the reclassification of the assets and liabilities within the Consolidated Balance Sheets for 2007 and 2006.

For the three months ended March 31, 2007, UDR sold two communities and eight condominiums from one community with a total of 320 condominiums, and one parcel of land. We recognized after-tax gains for financial reporting purposes of \$41.5 million on these sales. At March 31, 2007, UDR had one community with a net book

value of \$54.9 million, one community with a total of 312 condominiums and a net book value of \$20.6 million, and one commercial unit with a net book value of \$0.4 million included in real estate held for disposition. For the three months ended March 31, 2006, UDR sold 181 condominiums from four communities with a total of 612 condominiums. We recognized after-tax gains for financial reporting purposes of \$9.1 million on these sales. In conjunction with the sale of ten properties in July 2005, we received short-term notes for \$124.7 million that bear interest at 6.75% and had maturities ranging from September 2005 to July 2006. As of March 31, 2006, the balance on the notes receivable was \$30.4 million. We recognized gains for financial reporting purposes on these notes of \$6.2 million during the three months ended March 31, 2006. The results of operations for these properties and the interest expense associated with the secured debt on

Table of Contents**UDR, Inc.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

these properties are classified on the Consolidated Statements of Operations in the line item titled Income from discontinued operations, net of minority interests.

UDR has elected Taxable REIT Subsidiary (TRS) status for certain of its corporate subsidiaries, primarily those engaged in condominium conversion and development activities. UDR recognized a \$4.2 million income tax benefit for the three months ended March 31, 2007, and a provision for income taxes of \$4.8 million for the three months ended March 31, 2006. These amounts are included in the income from discontinued operations, net of minority interests in the accompanying consolidated statements of operations.

The following is a summary of income from discontinued operations for the periods presented, *(dollars in thousands)*:

| | Three Months Ended March 31, | |
|---|---|-------------|
| | 2007 | 2006 |
| Rental income | \$ 2,314 | \$ 15,081 |
| Rental expenses | 992 | 6,647 |
| Real estate depreciation | 472 | 4,386 |
| Interest income | | (377) |
| Other expenses | 1 | 23 |
| | 1,465 | 10,679 |
| Income before net gain on the sale of depreciable property and minority interests | 849 | 4,402 |
| Net gain on the sale of land and depreciable property | 41,532 | 15,347 |
| | 42,381 | 19,749 |
| Minority interests on income from discontinued operations | (2,420) | (1,209) |
| Income from discontinued operations, net of minority interests | \$ 39,961 | \$ 18,540 |

4. SECURED DEBT

Secured debt on continuing and discontinued operations, which encumbers \$2.0 billion or 34% of UDR's real estate owned based upon book value (\$3.9 billion or 66% of UDR's real estate owned is unencumbered) consists of the following as of March 31, 2007 *(dollars in thousands)*:

| Principal Outstanding | | Weighted Average Interest Rate | Weighted Average Years to Maturity | Number of Communities Encumbered |
|------------------------------|---------------------|---|---|---|
| March 31, | December 31, | | | |

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| | 2007 | 2006 | 2007 | 2007 | 2007 |
|----------------------------------|--------------|--------------|-------|------|------|
| Fixed Rate Debt | | | | | |
| Mortgage notes payable | \$ 392,759 | \$ 352,159 | 5.52% | 4.4 | 17 |
| Tax-exempt secured notes payable | 26,070 | 26,070 | 5.84% | 17.9 | 3 |
| Fannie Mae credit facilities | 399,362 | 399,362 | 6.09% | 4.2 | 9 |
| Total fixed rate secured debt | 818,191 | 777,591 | 5.81% | 4.7 | 29 |
| Variable Rate Debt | | | | | |
| Mortgage notes payable | 88,872 | 105,089 | 6.10% | 4.1 | 3 |
| Tax-exempt secured note payable | 7,770 | 7,770 | 3.65% | 21.3 | 1 |
| Fannie Mae credit facilities | 292,469 | 292,469 | 5.84% | 5.5 | 46 |
| Total variable rate secured debt | 389,111 | 405,328 | 5.85% | 5.5 | 50 |
| Total secured debt | \$ 1,207,302 | \$ 1,182,919 | 5.82% | 5.0 | 79 |

Table of Contents**UDR, Inc.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Approximate principal payments due during each of the next five calendar years and thereafter, as of March 31, 2007, are as follows (*dollars in thousands*):

| Year | Fixed Rate Maturities | Variable Rate Maturities | Total Secured Maturities |
|-------------|----------------------------------|---|---|
| 2007 | \$ 80,962 | \$ | \$ 80,962 |
| 2008 | 9,579 | | 9,579 |
| 2009 | 28,092 | 51,457 | 79,549 |
| 2010 | 237,199 | | 237,199 |
| 2011 | 102,955 | 39,513 | 142,468 |
| Thereafter | 359,404 | 298,141 | 657,545 |
| | \$ 818,191 | \$ 389,111 | \$ 1,207,302 |

5. UNSECURED DEBT

A summary of unsecured debt as of March 31, 2007 and December 31, 2006 is as follows (*dollars in thousands*):

| | 2007 | 2006 |
|---|-------------|-------------|
| Commercial Banks | | |
| Borrowings outstanding under an unsecured credit facility due May 2008(a) | \$ 136,100 | \$ 87,200 |
| Senior Unsecured Notes Other | | |
| 7.25% Notes due January 2007 | | 92,255 |
| 4.30% Medium-Term Notes due July 2007 | 75,000 | 75,000 |
| 4.50% Medium-Term Notes due March 2008 | 200,000 | 200,000 |
| 8.50% Monthly Income Notes due November 2008 | 29,081 | 29,081 |
| 4.25% Medium-Term Notes due January 2009 | 50,000 | 50,000 |
| 6.50% Notes due June 2009 | 200,000 | 200,000 |
| 3.90% Medium-Term Notes due March 2010 | 50,000 | 50,000 |
| 3.625 Convertible Senior Notes due September 2011(b) | 250,000 | 250,000 |
| 5.00% Medium-Term Notes due January 2012 | 100,000 | 100,000 |
| 6.05% Medium-Term Notes due June 2013 | 121,345 | 121,345 |
| 5.13% Medium-Term Notes due January 2014 | 200,000 | 200,000 |
| 5.50% Medium-Term Notes due April 2014(c) | 150,000 | |
| 5.25% Medium-Term Notes due January 2015 | 250,000 | 250,000 |
| 5.25% Medium-Term Notes due January 2016 | 100,000 | 100,000 |
| 8.50% Debentures due September 2024 | 54,118 | 54,118 |
| 4.00% Convertible Senior Notes due December 2035(d) | 250,000 | 250,000 |

| | | |
|---|---------------------|--------------|
| Other | 165 | 167 |
| | 2,079,709 | 2,021,966 |
| Unsecured Notes - Other | | |
| ABAG Tax-Exempt Bonds due August 2008 | 46,700 | 46,700 |
| Unsecured Notes - Premiums | | |
| Premium on \$75 million Medium-Term Notes due July 2007 | 473 | |
| Premium on \$250 million Medium-Term Notes due January 2015 | 379 | |
| | 852 | |
| Total Unsecured Debt | \$ 2,263,361 | \$ 2,155,866 |

(a) UDR has a \$500 million unsecured revolving credit facility that matures on May 31, 2008, and at UDR's option, can be extended for an additional year. UDR has the right to increase the credit facility to

Table of Contents

UDR, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

\$750 million under certain circumstances. Based on UDR's current credit ratings, the credit facility carries an interest rate equal to LIBOR plus a spread of 57.5 basis points. Under a competitive bid feature and for so long as UDR maintains an Investment Grade Rating, UDR has the right to bid out 100% of the commitment amount.

- (b) At any time on or after July 15, 2011, prior to the close of business on the second business day prior to September 15, 2011, and also following the occurrence of certain events, the notes will be convertible at the option of the holder. Upon conversion of the notes, UDR will deliver cash and common stock, if any, based on a daily conversion value calculated on a proportionate basis for each trading day of the relevant 30 trading day observation period. The initial conversion rate for each \$1,000 principal amount of notes is 26.6326 shares of our common stock, subject to adjustment under certain circumstances. In connection with the issuance of the 3.625% convertible senior notes, UDR entered into a capped call transaction with respect to its common stock. The convertible note and capped call transaction, both of which expire September 2011, must be net share settled. The maximum number of shares to be issued under the convertible notes is 6.7 million shares, subject to certain adjustment provisions. The capped call transaction combines a purchased call option with a strike price of \$37.548 with a written call option with a strike price of \$43.806. These transactions have no effect on the terms of the 3.625% convertible senior notes by effectively increasing the initial conversion price to \$43.806 per share, representing a 40% conversion premium. The net cost of \$12.6 million of the capped call transaction was included in stockholders' equity.
- (c) In March 2007, UDR sold \$150 million aggregate principal amount of 5.50% senior unsecured notes due April 2014 under its medium-term note program. The net proceeds of approximately \$149 million were used for debt repayment.
- (d) Prior to December 15, 2030, upon the occurrence of specified events, the notes will be convertible at the option of the holder into cash and, in certain circumstances, shares of UDR's common stock at an initial conversion price of approximately 35.2988 shares per \$1,000 principal amount of notes. On or after December 15, 2030, the notes will be convertible at any time prior to the second business day prior to maturity at the option of the holder into cash, and, in certain circumstances, shares of UDR's common stock at the above initial conversion rate. The initial conversion rate is subject to adjustment in certain circumstances.

6. EARNINGS PER SHARE

Basic earnings per common share is computed based upon the weighted average number of common shares outstanding during the period. Diluted earnings per common share is computed based upon common shares outstanding plus the effect of dilutive stock options and other potentially dilutive common stock equivalents. The dilutive effect of stock options and other potentially dilutive common stock equivalents is determined using the treasury stock method based on UDR's average stock price.

Table of Contents**UDR, Inc.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The following table sets forth the computation of basic and diluted earnings per share for the periods presented, (dollars in thousands, except per share data):

| | Three Months Ended March 31, | |
|--|---|-------------|
| | 2007 | 2006 |
| Numerator for basic and diluted earnings per share | | |
| Net income available to common stockholders | \$ 27,990 | \$ 8,165 |
| Denominator: | | |
| Denominator for basic earnings per share | | |
| Weighted average common shares outstanding | 135,376 | 134,216 |
| Non-vested restricted stock awards | (865) | (627) |
| | 134,511 | 133,589 |
| Effect of dilutive securities: | | |
| Employee stock options, non-vested restricted stock awards, and convertible debt | | |
| Denominator for diluted earnings per share | 134,511 | 133,589 |
| Basic and diluted earnings per share | \$ 0.21 | \$ 0.06 |

The effect of the conversion of the operating partnership units, Series A, Series C, Series D and Series E Out-Performance Partnership Shares, convertible preferred stock, and convertible debt, is not dilutive and is therefore not included in the above calculations. If the operating partnership units were converted to common stock, the additional shares of common stock outstanding for the three months ended March 31, 2007 and 2006 would be 8,202,258 and 8,753,433 weighted average common shares, respectively. If the Series A Out-Performance Partnership Shares were converted to common stock, the additional shares of common stock outstanding for the three months ended March 31, 2007 and 2006, would be 1,650,323 and 1,764,662 weighted average common shares, respectively. If the Series C, Series D, and Series E Out-Performance Partnership Shares had been measured and were converted to common stock, the additional shares of common stock outstanding for the three months ended March 31, 2007, would be 630,275, 619,781, and 0 weighted average common shares, respectively, and 557,850, 580,958, and 0 weighted average common shares, respectively, for the three months ended March 31, 2006. If the convertible preferred stock were converted to common stock, the additional shares of common stock outstanding for the three months ended March 31, 2007 and 2006 would be 2,803,812 weighted average common shares. If the convertible debt was converted to common stock, the additional shares of common stock outstanding for the three months ended March 31, 2007 and 2006 would be 1,038,963 and 0 weighted average common shares.

7. COMMITMENTS AND CONTINGENCIES

Commitments

UDR is committed to completing its wholly owned real estate under development, which has an estimated cost to complete of \$47.6 million at March 31, 2007.

UDR is committed to completing its development joint venture projects, which have an estimated cost to complete of \$218.7 million at March 31, 2007. The estimated cost to complete consists of \$53.9 million related to a consolidated joint venture and \$164.8 million related to unconsolidated joint ventures in which UDR owns 49%. These consolidated joint ventures are expected to be completed at various times between the second quarter of 2008 and the third quarter of 2010.

UDR has entered into four contracts to purchase apartment communities upon their development completion. Provided that the developer meets certain conditions, UDR will purchase these communities for

Table of Contents

UDR, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

approximately \$154 million. The apartment communities are expected to be completed at various times between the fourth quarter of 2007 and the first quarter of 2009.

Contingencies

Series C Out-Performance Program

In May 2005, the stockholders of UDR approved a new Out-Performance Program and the first series of new Out-Performance Partnership Shares under the program are the Series C Out-Performance Units (the Series C Program) pursuant to which certain executive officers and other key employees of UDR (the Series C Participants) were given the opportunity to invest indirectly in UDR by purchasing interests in UDR Out-Performance III, LLC, a Delaware limited liability company (the Series C LLC), the only asset of which is a special class of partnership units of the Operating Partnership (Series C Out-Performance Partnership Shares or Series C OPPSs). The purchase price for the Series C OPPSs was determined by the Compensation Committee of UDR's board of directors to be \$750,000, assuming 100% participation, and was based upon the advice of an independent valuation expert. UDR's performance for the Series C Program will be measured over the 36-month period from June 1, 2005 to May 30, 2008.

The Series C Program is designed to provide participants with the possibility of substantial returns on their investment if the cumulative total return on UDR's common stock, as measured by the cumulative amount of dividends paid plus share price appreciation during the measurement period is at least the equivalent of a 36% total return, or 12% annualized (Minimum Return).

At the conclusion of the measurement period, if UDR's cumulative total return satisfies these criteria, the Series C LLC as holder of the Series C OPPSs will receive (for the indirect benefit of the Series C Participants as holders of interests in the Series C LLC) distributions and allocations of income and loss from the Operating Partnership equal to the distributions and allocations that would be received on the number of OP Units obtained by:

- i. determining the amount by which the cumulative total return of UDR's common stock over the measurement period exceeds the Minimum Return (such excess being the Excess Return);
- ii. multiplying 2% of the Excess Return by UDR's market capitalization (defined as the average number of shares outstanding over the 36-month period, including common stock, common stock equivalents and OP Units); and
- iii. dividing the number obtained in clause (ii) by the market value of one share of UDR's common stock on the valuation date, computed as the volume-weighted average price per day of common stock for the 20 trading days immediately preceding the valuation date.

For the Series C OPPSs, the number determined pursuant to (ii) above is capped at 1% of market capitalization.

If, on the valuation date, the cumulative total return of UDR's common stock does not meet the Minimum Return, then the Series C Participants will forfeit their entire initial investment.

Based on the results through March 31, 2007, 630,275 Series C OPPSs would have been issued had the Series C Program terminated on that date. However, since the ultimate determination of Series C OPPSs to be issued will not occur until May 30, 2008, and the number of Series C OPPSs is determinable only upon future events, the financial

statements do not reflect any impact for these events. Accordingly, the contingently issuable Series C OPPSs will only be included in basic earnings per share after the measurement period has ended and the applicable hurdle has been met. Furthermore, the Series C OPPSs will only be included in common stock and common stock equivalents in the calculation of diluted earnings per share after the hurdle has been met at the end of the reporting period (if any), assuming the measurement period ended at the end of the reporting period.

Table of Contents

UDR, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Series D Out-Performance Program

In February 2006, the board of directors of UDR approved the Series D Out-Performance Program (the Series D Program) pursuant to which certain executive officers and other key employees of UDR (the Series D Participants) were given the opportunity to invest indirectly in UDR by purchasing interests in UDR Out-Performance IV, LLC, a Delaware limited liability company (the Series D LLC), the only asset of which is a special class of partnership units of the Operating Partnership (Series D Out-Performance Partnership Shares or Series D OPPSs). The Series D Program is part of the New Out-Performance Program approved by UDR's stockholders in May 2005. The Series D LLC has agreed to sell 830,000 membership units to members of UDR's senior management at a price of \$1.00 per unit. The aggregate purchase price of \$830,000 for the Series D OPPSs, assuming 100% participation, is based upon the advice of an independent valuation expert. The Series D Program will measure the cumulative total return on our common stock over the 36-month period beginning January 1, 2006 and ending December 31, 2008.

The Series D Program is designed to provide participants with the possibility of substantial returns on their investment if the cumulative total return on UDR's common stock, as measured by the cumulative amount of dividends paid plus share price appreciation during the measurement period is at least the equivalent of a 36% total return, or 12% annualized (Minimum Return).

At the conclusion of the measurement period, if UDR's cumulative total return satisfies these criteria, the Series D LLC as holder of the Series D OPPSs will receive (for the indirect benefit of the Series D Participants as holders of interests in the Series D LLC) distributions and allocations of income and loss from the Operating Partnership equal to the distributions and allocations that would be received on the number of OP Units obtained by:

- i. determining the amount by which the cumulative total return of UDR's common stock over the measurement period exceeds the Minimum Return (such excess being the Excess Return);
- ii. multiplying 2% of the Excess Return by UDR's market capitalization (defined as the average number of shares outstanding over the 36-month period, including common stock, OP Units, common stock equivalents and OP Units); and
- iii. dividing the number obtained in (ii) by the market value of one share of UDR's common stock on the valuation date, computed as the volume-weighted average price per day of the common stock for the 20 trading days immediately preceding the valuation date.

For the Series D OPPSs, the number determined pursuant to clause (ii) above is capped at 1% of market capitalization.

If, on the valuation date, the cumulative total return of UDR's common stock does not meet the Minimum Return, then the Series D Participants will forfeit their entire initial investment.

Based on the results through March 31, 2007, 619,781 Series D OPPSs would have been issued had the Series D Program terminated on that date. However, since the ultimate determination of Series D OPPSs to be issued will not occur until December 31, 2008, and the number of Series D OPPSs is determinable only upon future events, the financial statements do not reflect any impact for these events. Accordingly, the contingently issuable Series D OPPSs will only be included in basic earnings per share after the measurement period has ended and the applicable hurdle has

been met. Furthermore, the Series D OPPSs will only be included in common stock and common stock equivalents in the calculation of diluted earnings per share after the hurdle has been met at the end of the reporting period (if any), assuming the measurement period ended at the end of the reporting period.

Series E Out-Performance Program

In February 2007, the board of directors of UDR approved the Series E Out-Performance Program (the Series E Program) pursuant to which certain executive officers and other key employees of UDR (the

Table of Contents

UDR, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Series E Participants) were given the opportunity to invest indirectly in UDR by purchasing interests in UDR Out-Performance V, LLC, a Delaware limited liability company (the Series E LLC), the only asset of which is a special class of partnership units of the Operating Partnership (Series E Out-Performance Partnership Shares or Series E OPPSs). The Series E Program is part of the New Out-Performance Program approved by UDR's stockholders in May 2005. The Series E LLC has agreed to sell 805,000 membership units to members of UDR's senior management at a price of \$1.00 per unit. The aggregate purchase price of \$805,000 for the Series E OPPSs, assuming 100% participation, is based upon the advice of an independent valuation expert. The Series E Program will measure the cumulative total return on our common stock over the 36-month period beginning January 1, 2007 and ending December 31, 2009.

The Series E Program is designed to provide participants with the possibility of substantial returns on their investment if the cumulative total return on UDR's common stock, as measured by the cumulative amount of dividends paid plus share price appreciation during the measurement period is at least the equivalent of a 36% total return, or 12% annualized (Minimum Return).

At the conclusion of the measurement period, if UDR's cumulative total return satisfies these criteria, the Series E LLC as holder of the Series E OPPSs will receive (for the indirect benefit of the Series E Participants as holders of interests in the Series E LLC) distributions and allocations of income and loss from the Operating Partnership equal to the distributions and allocations that would be received on the number of OP Units obtained by:

- i. determining the amount by which the cumulative total return of UDR's common stock over the measurement period exceeds the Minimum Return (such excess being the Excess Return);
- ii. multiplying 2% of the Excess Return by UDR's market capitalization (defined as the average number of shares outstanding over the 36-month period, including common stock, OP Units, common stock equivalents and OP Units); and
- iii. dividing the number obtained in (ii) by the market value of one share of UDR's common stock on the valuation date, computed as the volume-weighted average price per day of the common stock for the 20 trading days immediately preceding the valuation date.

For the Series E OPPSs, the number determined pursuant to clause (ii) above is capped at 0.5% of market capitalization.

If, on the valuation date, the cumulative total return of UDR's common stock does not meet the Minimum Return, then the Series E Participants will forfeit their entire initial investment.

Based on the results through March 31, 2007, no Series E OPPSs would have been issued had the Series E Program terminated on that date. However, since the ultimate determination of Series E OPPSs to be issued will not occur until December 31, 2009, and the number of Series E OPPSs is determinable only upon future events, the financial statements do not reflect any impact for these events. Accordingly, the contingently issuable Series E OPPSs will only be included in basic earnings per share after the measurement period has ended and the applicable hurdle has been met. Furthermore, the Series E OPPSs will only be included in common stock and common stock equivalents in the calculation of diluted earnings per share after the hurdle has been met at the end of the reporting period (if any), assuming the measurement period ended at the end of the reporting period.

Litigation and Legal Matters

UDR is subject to various legal proceedings and claims arising in the ordinary course of business. UDR cannot determine the ultimate liability with respect to such legal proceedings and claims at this time. UDR believes that such liability, to the extent not provided for through insurance or otherwise, will not have a material adverse effect on our financial condition, results of operations or cash flow.

Table of Contents

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements

This Report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Such forward-looking statements include, without limitation, statements concerning property acquisitions and dispositions, development activity and capital expenditures, capital raising activities, rent growth, occupancy, and rental expense growth. Words such as expects, anticipates, intends, plans, believes, seeks, estimates, and variations of such words and similar expressions are intended to identify such forward-looking statements. Such statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to be materially different from the results of operations or plans expressed or implied by such forward-looking statements. Such factors include, among other things, unanticipated adverse business developments affecting us, or our properties, adverse changes in the real estate markets and general and local economies and business conditions. Although we believe that the assumptions underlying the forward-looking statements contained herein are reasonable, any of the assumptions could be inaccurate, and therefore such statements included in this Report may not prove to be accurate. In light of the significant uncertainties inherent in the forward-looking statements included herein, the inclusion of such information should not be regarded as a representation by us or any other person that the results or conditions described in such statements or our objectives and plans will be achieved.

The following factors, among others, could cause our future results to differ materially from those expressed in the forward-looking statements:

unfavorable changes in apartment market and economic conditions that could adversely affect occupancy levels and rental rates,

the failure of acquisitions to achieve anticipated results,

possible difficulty in selling apartment communities,

the timing and closing of planned dispositions under agreement,

competitive factors that may limit our ability to lease apartment homes or increase or maintain rents,

insufficient cash flow that could affect our debt financing and create refinancing risk,

failure to generate sufficient revenue, which could impair our debt service payments and distributions to stockholders,

development and construction risks that may impact our profitability,

potential damage from natural disasters, including hurricanes and other weather-related events, which could result in substantial costs to us,

risks from extraordinary losses for which we may not have insurance or adequate reserves,

uninsured losses due to insurance deductibles, self-insurance retention, uninsured claims or casualties, or losses in excess of applicable coverage,

delays in completing developments and lease-ups on schedule,

our failure to succeed in new markets,

changing interest rates, which could increase interest costs and affect the market price of our securities,

potential liability for environmental contamination, which could result in substantial costs to us,

the imposition of federal taxes if we fail to qualify as a REIT under the Internal Revenue Code in any taxable year,

Table of Contents

our internal control over financial reporting may not be considered effective which could result in a loss of investor confidence in our financial reports, and in turn have an adverse effect on our stock price, and

changes in real estate tax laws, tax laws and other laws affecting our business.

A discussion of these and other factors affecting our business and prospects is set forth below in Part II, Item 1A. Risk Factors. We encourage investors to review these risks factors.

Business Overview

We are a real estate investment trust, or REIT, that owns, acquires, renovates, develops, and manages apartment communities nationwide. We were formed in 1972 as a Virginia corporation. In June 2003, we changed our state of incorporation from Virginia to Maryland. Our subsidiaries include two operating partnerships, Heritage Communities L.P., a Delaware limited partnership, and United Dominion Realty, L.P., a Delaware limited partnership. Unless the context otherwise requires, all references in this Report to we, us, our, the company, or UDR refer collectively to UDR, Inc. and its subsidiaries.

At March 31, 2007, our portfolio included 244 communities with 70,325 apartment homes nationwide. The following table summarizes our market information by major geographic markets (includes real estate held for disposition, real estate under development, and land, but excludes commercial properties):

| | As of March 31, 2007 | | | Three Months Ended March 31, 2007 | | |
|----------------------------|--|------------------------------------|---------------------------------------|--|----------------------------------|--|
| | Number of Apartment Communities | Number of Apartment Homes | Percentage of Carrying Value | Carrying Value (In thousands) | Average Physical Occupancy | Total Income per Occupied Home(a) |
| WESTERN REGION | | | | | | |
| Orange Co., CA | 13 | 4,067 | 11.7% | \$ 686,654 | 94.9% | \$ 1,494 |
| San Francisco, CA | 11 | 2,449 | 7.8% | 458,475 | 96.5% | 1,625 |
| Los Angeles, CA | 6 | 1,210 | 3.4% | 197,965 | 93.9% | 1,454 |
| San Diego, CA | 5 | 1,123 | 2.8% | 163,724 | 93.6% | 1,291 |
| Inland Empire, CA | 3 | 1,074 | 2.5% | 146,323 | 88.2% | 1,134 |
| Monterey Peninsula, CA | 7 | 1,565 | 2.5% | 144,632 | 89.0% | 955 |
| Seattle, WA | 6 | 1,199 | 2.0% | 115,151 | 94.8% | 1,025 |
| Portland, OR | 5 | 1,365 | 1.5% | 88,120 | 94.5% | 796 |
| Sacramento, CA | 2 | 914 | 1.1% | 64,696 | 94.5% | 877 |
| MID-ATLANTIC REGION | | | | | | |
| Metropolitan DC | 9 | 2,640 | 5.4% | 317,398 | 94.6% | 1,166 |
| Raleigh, NC | 11 | 3,663 | 3.9% | 231,276 | 92.7% | 719 |
| Richmond, VA | 9 | 2,636 | 3.0% | 178,735 | 91.3% | 915 |
| Baltimore, MD | 10 | 2,118 | 3.0% | 177,526 | 95.0% | 1,072 |
| Wilmington, NC | 6 | 1,868 | 1.8% | 104,907 | 94.1% | 769 |
| Charlotte, NC | 6 | 1,226 | 1.5% | 89,739 | 94.5% | 781 |
| Norfolk, VA | 6 | 1,438 | 1.3% | 74,766 | 93.8% | 934 |

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| | | | | | | |
|----------------------------|----|-------|------|---------|-------|-----|
| Other Mid-Atlantic | 13 | 2,817 | 2.5% | 147,420 | 92.6% | 870 |
| SOUTHEASTERN REGION | | | | | | |
| Tampa, FL | 12 | 4,138 | 4.8% | 280,628 | 88.5% | 962 |
| Orlando, FL | 12 | 3,476 | 3.9% | 226,973 | 88.8% | 949 |
| Nashville, TN | 10 | 2,966 | 3.2% | 190,541 | 94.3% | 775 |
| Jacksonville, FL | 4 | 1,557 | 1.9% | 111,909 | 91.9% | 854 |
| Atlanta, GA | 6 | 1,426 | 1.5% | 85,854 | 94.8% | 735 |
| Other Florida | 8 | 2,400 | 2.8% | 165,970 | 87.5% | 945 |
| Other Southeastern | 7 | 1,752 | 1.4% | 80,477 | 94.5% | 666 |

Table of Contents

| | As of March 31, 2007 | | | Three Months Ended March 31, 2007 | | |
|--------------------------------------|--|------------------------------------|---------------------------------------|--|----------------------------------|---|
| | Number of Apartment Communities | Number of Apartment Homes | Percentage of Carrying Value | Carrying Value (In thousands) | Average Physical Occupancy | Total Income per Occupied Home(a) |
| SOUTHWESTERN REGION | | | | | | |
| Houston, TX | 16 | 5,447 | 4.5% | 267,323 | 93.2% | 695 |
| Dallas, TX | 8 | 2,969 | 3.6% | 213,573 | 89.8% | 762 |
| Arlington, TX | 6 | 1,828 | 1.6% | 96,613 | 93.6% | 698 |
| Phoenix, AZ | 4 | 1,226 | 1.6% | 94,051 | 88.2% | 918 |
| Austin, TX | 5 | 1,425 | 1.5% | 87,982 | 96.8% | 743 |
| Denver, CO | 2 | 884 | 1.2% | 71,318 | 92.3% | 755 |
| Other Southwestern | 6 | 2,469 | 2.6% | 150,841 | 96.6% | 759 |
| MIDWESTERN REGION | | | | | | |
| Columbus, OH | 6 | 2,530 | 2.8% | 166,885 | 94.5% | 757 |
| Other Midwestern | 3 | 444 | 0.4% | 25,065 | 90.4% | 784 |
| Real Estate Under Development | 1 | 16 | 0.4% | 26,180 | | |
| Land | | | 2.6% | 151,367 | | |
| Total | 244 | 70,325 | 100.0% | \$ 5,881,057 | 92.7% | \$ 924 |

(a) Total Income per Occupied Home represents total revenues per weighted average number of apartment homes occupied.

Liquidity and Capital Resources

Liquidity is the ability to meet present and future financial obligations either through operating cash flows, the sale or maturity of existing assets, or by the acquisition of additional funds through capital management. Both the coordination of asset and liability maturities and effective capital management are important to the maintenance of liquidity. Our primary source of liquidity is our cash flow from operations as determined by rental rates, occupancy levels, and operating expenses related to our portfolio of apartment homes. We routinely use our unsecured bank credit facility to temporarily fund certain investing and financing activities prior to arranging for longer-term financing. During the past several years, proceeds from the sale of real estate have been used for both investing and financing activities.

We expect to meet our short-term liquidity requirements generally through net cash provided by operations and borrowings under credit arrangements. We expect to meet certain long-term liquidity requirements such as scheduled debt maturities, the repayment of financing on development activities, and potential property acquisitions, through long-term secured and unsecured borrowings, the disposition of properties, and the issuance of additional debt or equity securities. We believe that our net cash provided by operations will continue to be adequate to meet both operating requirements and the payment of dividends by the company in accordance with REIT requirements in both the short- and long-term. Likewise, the budgeted expenditures for improvements and renovations of certain properties

are expected to be funded from property operations.

We have a shelf registration statement filed with the Securities and Exchange Commission which provides for the issuance of an indeterminate amount of common stock, preferred stock, debt securities, warrants, purchase contracts and units to facilitate future financing activities in the public capital markets. Access to capital markets is dependent on market conditions at the time of issuance.

Future Capital Needs

Future development expenditures are expected to be funded with proceeds from the sale of property, with construction loans, through joint ventures, the use of our unsecured revolving credit facility, and, to a lesser extent, with cash flows provided by operating activities. Acquisition activity in strategic markets is expected to be largely financed through the issuance of equity and debt securities, the issuance of operating partnership units, the assumption or placement of secured and/or unsecured debt, and by the reinvestment of proceeds from the sale of properties.

Table of Contents

During the remainder of 2007, we have approximately \$81.0 million of secured debt and \$75.5 million of unsecured debt maturing and we anticipate repaying that debt with proceeds from borrowings under our secured or unsecured credit facilities, the issuance of new unsecured debt securities or equity, or from disposition proceeds.

Critical Accounting Policies and Estimates

Our critical accounting policies are those having the most impact on the reporting of our financial condition and results and those requiring significant judgments and estimates. These policies include those related to (1) capital expenditures, (2) impairment of long-lived assets, and (3) real estate investment properties. Our critical accounting policies are described in more detail in the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2006. There have been no significant changes in our critical accounting policies from those reported in our 2006 Annual Report on Form 10-K. With respect to these critical accounting policies, we believe that the application of judgments and assessments is consistently applied and produces financial information that fairly depicts the results of operations for all periods presented.

Statements of Cash Flow

The following discussion explains the changes in net cash provided by operating activities and net cash used in investing and financing activities that are presented in our Consolidated Statements of Cash Flow.

Operating Activities

For the three months ended March 31, 2007, our cash flow provided by operating activities was \$36.3 million compared to \$32.2 million for the same period in 2006. The slight increase in cash flow from operating activities resulted primarily from the increase in property operating income from our apartment community portfolio for the three months ended March 31, 2007 (see discussion under "Apartment Community Operations").

Investing Activities

For the three months ended March 31, 2007, net cash used in investing activities was \$98.5 million as compared to \$21.0 million for the same period in 2006. Changes in the level of investing activities from period to period reflects our strategy as it relates to our acquisition, capital expenditure, development, and disposition programs, as well as the impact of the capital market environment on these activities, all of which are discussed in further detail below.

Acquisitions

During the three months ended March 31, 2007, we acquired three apartment communities with 456 apartment homes for an aggregate consideration of \$78.3 million and three parcels of land for \$24.6 million. Our long-term strategic plan is to achieve greater operating efficiencies by investing in fewer, more concentrated markets. As a result, we have been expanding our interests in the fast growing Southern California, Florida, and Metropolitan Washington DC markets over the past four years. During 2007, we plan to continue to channel new investments into those markets that we believe will provide the best investment returns. Markets will be targeted based upon defined criteria including past performance, expected job growth, current and anticipated housing supply and demand, the ability to attract and support household formation.

Capital Expenditures

In conformity with accounting principles generally accepted in the United States, we capitalize those expenditures related to acquiring new assets, materially enhancing the value of an existing asset, or substantially extending the useful life of an existing asset. Expenditures necessary to maintain an existing property in ordinary operating condition are expensed as incurred.

Table of Contents

During the first three months of 2007, we spent \$50.0 million or \$726 per home on capital expenditures for all of our communities, excluding development and commercial properties. These capital improvements included turnover related expenditures for floor coverings and appliances, other recurring capital expenditures such as roofs, siding, parking lots, and other non-revenue enhancing capital expenditures, which aggregated \$7.5 million or \$110 per home. In addition, revenue enhancing capital expenditures, kitchen and bath upgrades, upgrades to HVAC equipment, and other extensive exterior/interior upgrades totaled \$23.9 million or \$346 per home and major renovations totaled \$18.6 million or \$270 per home for the three months ended March 31, 2007.

The following table outlines capital expenditures and repair and maintenance costs for all of our communities, excluding real estate under development, condominium conversions and commercial properties, for the periods presented:

| | Three Months Ended March 31, (dollars in thousands) | | | Three Months Ended March 31, (per home) | | |
|--------------------------------------|--|-----------|-------------|---|--------|-------------|
| | 2007 | 2006 | % Change | 2007 | 2006 | % Change |
| Turnover capital expenditures | \$ 3,291 | \$ 2,991 | 10.0% | \$ 48 | \$ 40 | 20.0% |
| Other recurring capital expenditures | 4,271 | 1,724 | 147.7% | 62 | 23 | 169.6% |
| Total recurring capital expenditures | 7,562 | 4,715 | 60.4% | 110 | 63 | 74.6% |
| Revenue enhancing improvements | 23,885 | 34,524 | (30.8)% | 346 | 466 | (25.8)% |
| Major renovations | 18,595 | 8,767 | 112.1% | 270 | 118 | 128.8% |
| Total capital improvements | \$ 50,042 | \$ 48,006 | 4.2% | \$ 726 | \$ 647 | 12.2% |
| Repair and maintenance | 10,275 | 10,624 | (3.3)% | 149 | 143 | 4.2% |
| Total expenditures | \$ 60,317 | \$ 58,630 | 2.9% | \$ 875 | \$ 790 | 10.8% |

Total capital improvements increased \$2.0 million or \$79 per home for the three months ended March 31, 2007, compared to the same period in 2006. This increase was partially attributable to an additional \$9.8 million of major renovations at certain of our properties. These renovations may include the re-wiring and/or re-plumbing of an entire building as well as major structural changes and/or architectural revisions to existing buildings. The increase was also attributable to an additional \$2.8 million being invested in recurring capital expenditures as compared to the same period in 2006. These increases were offset by \$10.6 million less being invested in revenue enhancing improvements compared to the same period in 2006. We will continue to selectively add revenue enhancing improvements which we believe will provide a return on investment substantially in excess of our cost of capital. Recurring capital expenditures during 2007 are currently expected to be approximately \$610 per home.

Development

Development activity is focused in core markets in which we have strong operations in place. For the three months ended March 31, 2007, we invested approximately \$17.3 million on development projects, an increase of \$4.7 million from \$12.6 million for the same period in 2006.

Table of Contents*Wholly Owned Under Development*

The following wholly owned projects were under development as of March 31, 2007:

| | Number of Apartment Homes | Completed Apartment Homes | Cost to Date (In thousands) | Budgeted Cost (In thousands) | Estimated Cost per Home | Expected Completion Date |
|--|--|--|--|---|--|---|
| Villas at Ridgeview Townhomes Plano, TX | 48 | 16 | \$ 8,635 | \$ 10,000 | \$ 208,333 | 2Q07 |
| RIACHI at One21 Plano, TX | 202 | | 11,598 | 18,000 | 89,109 | 3Q07 |
| Northwest Houston Phase I Houston, TX | 320 | | 1,905 | 22,000 | 68,750 | 2Q08 |
| Lincoln Towne Square Phase II Plano, TX | 302 | | 5,255 | 25,000 | 82,781 | 3Q08 |
| Total wholly owned under development | 872 | 16 | \$ 27,393 | \$ 75,000 | \$ 86,009 | |

In addition, we own nine parcels of land held for future development aggregating \$65.3 million at March 31, 2007.

In January 2007, we completed the development of 2161 Sutter, a 24-home apartment community located in San Francisco, California. The project was completed at a cost of \$458,333 per home.

Consolidated Development Joint Ventures

In June 2006, we completed the formation of a development joint venture that will invest approximately \$138 million to develop one apartment community with 298 apartment homes in Marina del Rey, California. UDR is the financial partner and is responsible for funding the costs of development and receives a preferred return from 7% to 8.5% before our partner is entitled to a 50% participation. Our initial investment was \$27.5 million. Under FASB Interpretation No. 46, Consolidation of Variable Interest Entities, this venture has been consolidated into UDR's financial statements. Our joint venture partner is the managing partner as well as the developer, general contractor, and property manager.

The following consolidated joint venture project was under development as of March 31, 2007:

| | Number of Apartment Homes | Completed Apartment Homes | Cost to Date (In thousands) | Budgeted Cost (In thousands) | Estimated Cost per Home | Expected Completion Date |
|--|--|--|--|---|--|---|
|--|--|--|--|---|--|---|

| | | | | | | | | |
|---|-----|----|--------|----|---------|----|---------|------|
| Jefferson at Marina del Rey Marina del Rey, CA | 298 | \$ | 84,122 | \$ | 138,000 | \$ | 463,100 | 2Q08 |
|---|-----|----|--------|----|---------|----|---------|------|

Unconsolidated Development Joint Ventures

In July 2006, we closed on a joint venture to develop a site in Bellevue, Washington. At closing, we owned 49% of the \$135 million project that involves building a 400 home high rise apartment building with ground floor retail. Our initial investment was \$5.7 million.

In November 2006, we closed on a joint venture site adjacent to our Bellevue Plaza development in the central business district of Bellevue, Washington. This project will include the development of 271 apartment homes. Construction began in the fourth quarter of 2006 and is scheduled for completion in 2008. At closing, we owned 49% of the \$97 million project. Our initial investment was \$10.0 million.

Table of Contents

The following unconsolidated joint venture projects were under development as of March 31, 2007:

| | Number of Apartment Homes | Completed Apartment Homes | Cost to Date (In thousands) | Budgeted Cost (In thousands) | Estimated Cost per Home | Expected Completion Date |
|--|--|--|--|---|--|---|
| Bellevue Plaza Bellevue, WA | 400 | | \$ 36,825 | \$ 135,000 | \$ 337,500 | 3Q10 |
| Ashwood Commons Bellevue, WA | 271 | | 30,339 | 97,000 | 357,900 | 4Q08 |
| Total unconsolidated development joint ventures | 671 | | \$ 67,164 | \$ 232,000 | \$ 345,753 | |

Unconsolidated Operating Joint Venture

In January 2007, we closed on a joint venture for a recently completed 23-story, 166 apartment home high rise community in the central business district of Bellevue, Washington. At closing, UDR owned 49% of the \$58 million project (subject to a \$34 million mortgage). Our initial investment was \$11.8 million.

Disposition of Investments

For the three months ended March 31, 2007, UDR sold two communities with a total of 475 apartment homes for a gross consideration of \$57 million, eight condominiums from one community with a total of 320 condominiums for a gross consideration of \$1.3 million, and one parcel of land for \$4.5 million. We recognized after-tax gains for financial reporting purposes of \$41.5 million on these sales. Proceeds from the sales were used primarily to reduce debt.

During 2007, we plan to continue to pursue our strategy of exiting markets where long-term growth prospects are limited and redeploying capital into markets we believe will provide the best investment returns. We intend to use the proceeds from 2007 dispositions to reduce debt, acquire communities, and fund development activity.

Financing Activities

Net cash used in financing activities during the three months ended March 31, 2007, was \$61.7 million as compared to net cash provided by financing activities of \$9.6 million for the same period in 2006. As part of the plan to improve our balance sheet, we utilized proceeds from dispositions to pay down existing debt and purchase new properties.

The following is a summary of our financing activities for the three months ended March 31, 2007:

Repaid \$1.2 million of secured debt and \$92.3 million of unsecured debt.

Sold \$150 million aggregate principal amount of 5.50% senior unsecured notes due April 2014 in March 2007 under our medium-term note program. The net proceeds of approximately \$149 million were used for debt

repayment.

Credit Facilities

We have four secured revolving credit facilities with Fannie Mae with an aggregate commitment of \$860 million. As of March 31, 2007, \$691.8 million was outstanding under the Fannie Mae credit facilities leaving \$168.2 million of unused capacity. The Fannie Mae credit facilities are for an initial term of ten years, bear interest at floating and fixed rates, and can be extended for an additional five years at our option. We have \$399.4 million of the funded balance fixed at a weighted average interest rate of 6.1% and remaining balance is currently at a weighted average variable rate of 5.8%.

Table of Contents

We have a \$500 million unsecured revolving credit facility that matures on May 31, 2008 and, at our option, can be extended for an additional year. We have the right to increase the credit facility to \$750 million under certain circumstances. Based on our current credit ratings, the credit facility bears interest at a rate equal to LIBOR plus 57.5 basis points. Under a competitive bid feature, and for so long as we maintain an Investment Grade Rating, we have the right to bid out 100% of the commitment amount. As of March 31, 2007, \$136.1 million was outstanding under the credit facility leaving \$363.9 million of unused capacity.

The Fannie Mae credit facility and the unsecured revolving credit facility are subject to customary financial covenants and limitations.

Information concerning short-term borrowings under our unsecured revolving credit facility is summarized in the table that follows (dollars in thousands):

| | Three Months Ended March 31, 2007 | Twelve Months Ended December 31, 2006 |
|---|--|--|
| Total revolving credit facility | \$ 500,000 | \$ 500,000 |
| Borrowings outstanding at end of period | 136,100 | 87,200 |
| Weighted average daily borrowings during the period | 208,786 | 264,102 |
| Maximum daily borrowings during the period | 372,200 | 415,800 |
| Weighted average interest rate during the period | 5.6% | 5.3% |
| Weighted average interest rate at end of period | 5.6% | 5.6% |

Funds from Operations

Funds from operations, or FFO, is defined as net income (computed in accordance with generally accepted accounting principles), excluding gains (or losses) from sales of depreciable property, premiums or original issuance costs associated with preferred stock redemptions, plus real estate depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. We compute FFO for all periods presented in accordance with the recommendations set forth by the National Association of Real Estate Investment Trusts (NAREIT) April 1, 2002 White Paper. We consider FFO in evaluating property acquisitions and our operating performance, and believe that FFO should be considered along with, but not as an alternative to, net income and cash flow as a measure of our activities in accordance with generally accepted accounting principles. FFO does not represent cash generated from operating activities in accordance with generally accepted accounting principles and is not necessarily indicative of cash available to fund cash needs.

Historical cost accounting for real estate assets in accordance with generally accepted accounting principles implicitly assumes that the value of real estate assets diminishes predictably over time. Since real estate values instead have historically risen or fallen with market conditions, many industry investors and analysts have considered the presentation of operating results for real estate companies that use historical cost accounting to be insufficient by themselves. Thus, NAREIT created FFO as a supplemental measure of REIT operating performance and defines FFO as net income (computed in accordance with accounting principles generally accepted in the United States), excluding gains (or losses) from sales of depreciable property, plus depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. The use of FFO, combined with the required presentations, has been fundamentally beneficial, improving the understanding of operating results of REITs among the investing public and making comparisons of REIT operating results more meaningful. We generally consider FFO to be a useful measure

for reviewing our comparative operating and financial performance (although FFO should be reviewed in conjunction with net income which remains the primary measure of performance) because by excluding gains or losses related to sales of previously depreciated operating real estate assets and excluding real estate asset depreciation and amortization, FFO can help one compare the operating performance of a company's real estate between periods or as compared to different companies. We believe that FFO is the best measure of economic profitability for real estate investment trusts.

Table of Contents

The following table outlines our FFO calculation and reconciliation to generally accepted accounting principles for the three months ended March 31, (*dollars and shares in thousands*):

| | Three Months Ended March 31, | |
|--|---|------------------|
| | 2007 | 2006 |
| Net income | \$ 31,832 | \$ 12,007 |
| Adjustments: | | |
| Distributions to preferred stockholders | (3,842) | (3,842) |
| Real estate depreciation and amortization | 63,688 | 54,337 |
| Minority interests of unitholders in operating partnership | (724) | (676) |
| Contribution of unconsolidated joint ventures | 265 | |
| Discontinued Operations: | | |
| Real estate depreciation | 472 | 4,386 |
| Minority interests of unitholders in operating partnership | 2,420 | 1,209 |
| Net gains on the sale of land and depreciable property | (41,532) | (15,347) |
| RE3 gain on sales, net of tax | 4,363 | 8,481 |
| Funds from operations basic | \$ 56,942 | \$ 60,555 |
| Distributions to preferred stockholders Series E (Convertible) | 931 | 931 |
| Funds from operations diluted | \$ 57,873 | \$ 61,486 |
| Weighted average number of common shares and OP Units outstanding basic | 142,713 | 142,342 |
| Weighted average number of common shares, OP Units, and common stock equivalents outstanding diluted | 149,227 | 147,801 |
| FFO per common share basic | \$ 0.40 | \$ 0.43 |
| FFO per common share diluted | \$ 0.39 | \$ 0.42 |

In the computation of diluted FFO, OP Units, out-performance partnership shares, and the shares of Series E Cumulative Convertible Preferred Stock are dilutive; therefore, they are included in the diluted share count.

RE3 gain on sales, net of taxes, is defined as net sales proceeds less a tax provision and the gross investment basis of the asset before accumulated depreciation. We consider FFO with RE3 gain on sales, net of taxes, to be a meaningful supplemental measure of performance because the short-term use of funds produce a profit that differs from the traditional long-term investment in real estate for REITs.

Table of Contents

The following table is our reconciliation of FFO share information to weighted average common shares outstanding, basic and diluted, reflected on the Consolidated Statements of Operations for the three months ended March 31, (*shares in thousands*):

| | Three Months Ended March 31, | |
|--|---|-------------|
| | 2007 | 2006 |
| Weighted average number of common shares and OP units outstanding basic | 142,713 | 142,342 |
| Weighted average number of OP units outstanding | (8,202) | (8,753) |
| Weighted average number of common shares outstanding basic per the Consolidated Statements of Operations | 134,511 | 133,589 |
| Weighted average number of common shares, OP units, and common stock equivalents outstanding diluted | 149,227 | 147,801 |
| Weighted average number of OP units outstanding | (8,202) | (8,753) |
| Weighted average incremental shares from assumed conversion of stock options | (830) | (772) |
| Weighted average incremental shares from unvested restricted stock | (191) | (118) |
| Weighted average incremental shares from assumed conversion of \$250 million convertible debt | (1,039) | |
| Weighted average number of Series A OPPSs outstanding | (1,650) | (1,765) |
| Weighted average number of Series E preferred shares outstanding | (2,804) | (2,804) |
| Weighted average number of common shares outstanding diluted per the Consolidated Statements of Operations | 134,511 | 133,589 |

FFO also does not represent cash generated from operating activities in accordance with generally accepted accounting principles, and therefore should not be considered an alternative to net cash flows from operating activities, as determined by generally accepted accounting principles, as a measure of liquidity. Additionally, it is not necessarily indicative of cash availability to fund cash needs.

A presentation of cash flow metrics based on generally accepted accounting principles is as follows for the three months ended March 31, (*dollars in thousands*):

| | Three Months Ended March 31, | |
|---|---|-------------|
| | 2007 | 2006 |
| Net cash provided by operating activities | \$ 36,345 | \$ 32,217 |
| Net cash used in investing activities | (98,545) | (20,984) |
| Net cash provided by financing activities | 61,733 | 9,560 |

Results of Operations

The following discussion includes the results of both continuing and discontinued operations for the periods presented.

Net Income Available to Common Stockholders

Net income available to common stockholders was \$28.0 million (\$0.21 per diluted share) for the three months ended March 31, 2007, compared to \$8.2 million (\$0.06 per diluted share) for the same period in the prior year. The increase for the three months ended March 31, 2007, when compared to the same period in 2006, resulted primarily from the following items, all of which are discussed in further detail elsewhere within this Report:

- a \$26.2 million increase in gains recognized from the sale of depreciable property, and
- a \$3.3 million increase in apartment community operating results.

Table of Contents

These increases in income were partially offset by a \$5.4 million increase in real estate depreciation and amortization expense, a \$3.1 million increase in general and administrative expense, and a \$2.2 million increase in personnel costs during the first quarter of 2007 when compared to the same period in 2006.

Apartment Community Operations

Our net income is primarily generated from the operation of our apartment communities. The following table summarizes the operating performance of our total apartment portfolio for each of the periods presented (*dollars in thousands*):

| | 2007 | 2006 | % Change |
|----------------------------------|-------------------|------------|-------------|
| Property rental income | \$ 182,684 | \$ 181,335 | 0.7% |
| Property operating expense* | (67,298) | (69,245) | (2.8)% |
| Property operating income | \$ 115,386 | \$ 112,090 | 2.9% |
| Weighted average number of homes | 70,248 | 75,115 | (6.5)% |
| Physical occupancy** | 92.7% | 94.3% | (1.6)% |

* Excludes depreciation, amortization, and property management expenses.

** Based upon weighted average stabilized homes.

The following table is our reconciliation of property operating income to net income as reflected on the Consolidated Statements of Operations for the periods presented, (*dollars in thousands*):

| | 2007 | 2006 |
|--|-------------------|------------|
| Property operating income | \$ 115,386 | \$ 112,090 |
| Commercial operating income | 553 | 88 |
| Non-property income | 477 | 1,178 |
| Real estate depreciation and amortization | (65,014) | (59,435) |
| Interest | (44,194) | (44,094) |
| General and administrative and property management | (14,871) | (11,755) |
| Other operating expenses | (311) | (863) |
| Net gain on the sale of land and depreciable property | 41,532 | 15,347 |
| Minority interests | (1,726) | (549) |
| Net income per the Consolidated Statements of Operations | \$ 31,832 | \$ 12,007 |

Same Communities

For the three months ended March 31, 2007, our same communities (those communities acquired, developed, and stabilized prior to March 31, 2006, and held on March 31, 2006, which consisted of 61,491 apartment homes) provided 90% of our property operating income.

For the first quarter of 2007, same community property operating income increased 6.9% or \$6.7 million compared to the same period in 2006. The increase in property operating income was primarily attributable to a 4.6% or \$7.1 million increase in revenues from rental and other income and a 0.7% or \$0.4 million increase in operating expenses. The increase in revenues from rental and other income was primarily driven by a 5.1% or \$7.9 million increase in rental rates and an 11.9% or \$1.3 million increase in reimbursement income and fee income. These increases were partially offset by a 17.0% or \$1.4 million increase in vacancy loss, a 131.2% or \$0.4 million increase in bad debt expense, and a 6.6% or \$0.2 million increase in concession expense. Physical occupancy decreased 0.9% to 94.0%.

The increase in property operating expenses was primarily driven by a 10.3% or \$1.5 million increase in personnel expense that was partially offset by an 18.6% or \$0.6 million decrease in insurance costs and a 7.9% or \$0.4 million decrease in administrative and marketing costs.

Table of Contents

As a result of the percentage changes in property rental income and property operating expenses, the operating margin (property operating income divided by property rental income) increased 1.4% to 64.1%.

Non-Mature Communities

The remaining 10% of our property operating income during the first three months of 2007 was generated from communities that we classify as non-mature communities (primarily those communities acquired or developed in 2005, 2006 and 2007, sold properties, and those properties classified as real estate held for disposition). The 11 communities with 3,306 apartment homes that we acquired in 2005, 2006 and 2007 provided \$3.6 million of property operating income. The two communities with 475 homes that we sold in 2007 provided \$0.5 million of property operating income. In addition, our development communities, which included three communities with 454 apartment homes completed in 2006 and 2007, provided \$1.1 million of operating income and the one community with 250 apartment homes and 312 condominiums classified as real estate held for disposition provided \$0.9 million of property operating income. Other non-mature communities provided \$5.9 million of property operating income for the three months ended March 31, 2007.

Real Estate Depreciation and Amortization

For the three months ended March 31, 2007, real estate depreciation and amortization on both continuing and discontinued operations increased 9.3% or \$5.4 million compared to the same period in 2006, primarily due to the significant increase in per home acquisition cost compared to the existing portfolio and other capital expenditures.

Interest Expense

For the three months ended March 31, 2007, interest expense on both continuing and discontinued operations remained relatively constant at \$44.2 million compared to the same period in 2006. For the three months ended March 31, 2007, the weighted average amount of debt outstanding increased 5.2% or \$170.7 million compared to the same period in 2006 and the weighted average interest rate remained constant at 5.4%. The weighted average amount of debt outstanding during 2007 is slightly higher than 2006 as acquisition costs in 2007 have been funded, in most part, by the issuance of debt. Both 2006 and 2007 weighted average interest rates reflect short-term bank borrowings and variable rate debt that had comparable interest rates.

General and Administrative

For the three months ended March 31, 2007, general and administrative expenses increased \$3.1 million or 45.3% compared to the same period in 2006. The increase was due to a number of factors, including increases in incentive compensation, professional fees, and relocation costs.

Gains on the Sales of Land and Depreciable Property

For the three months ended March 31, 2007, we recognized after-tax gains for financial reporting purposes of \$41.5 million and compared to \$15.3 million for the comparable period in 2006. Changes in the level of gains recognized from period to period reflect the changing level of our divestiture activity from period to period, as well as the extent of gains related to specific properties sold.

Inflation

We believe that the direct effects of inflation on our operations have been immaterial. While inflation primarily impacts our results through wage pressures, utilities and material costs, substantially all of our leases are for a term of one year or less, which generally enables us to compensate for inflationary effects by increasing rents. Although extreme growth in energy prices could have a negative impact on our residents and their ability to absorb rent increases, this has not had a material impact on our results.

Table of Contents

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on our financial condition, changes in financial condition, revenue or expenses, results of operations, liquidity, capital expenditures or capital resources that are material.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to interest rate changes associated with our unsecured credit facility and other variable rate debt as well as refinancing risk on our fixed rate debt. UDR's involvement with derivative financial instruments is limited and we do not expect to use them for trading or other speculative purposes. In prior periods, UDR had used derivative instruments solely to manage its exposure to interest rates.

See our Annual Report on Form 10-K for the year ended December 31, 2006 Item 7A. Quantitative and Qualitative Disclosures About Market Risk for a more complete discussion of our interest rate sensitive assets and liabilities. As of March 31, 2007, our market risk has not changed materially from the amounts reported on our Annual Report on Form 10-K for the year ended December 31, 2006.

Item 4. CONTROLS AND PROCEDURES

As of March 31, 2007, we carried out an evaluation, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Our disclosure controls and procedures are designed with the objective of ensuring that information required to be disclosed in our reports filed under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective in timely alerting them to material information required to be included in our periodic SEC reports. In addition, our Chief Executive Officer and our Chief Financial Officer concluded that during the quarter ended March 31, 2007, there has been no change in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. Our internal control over financial reporting is designed with the objective of providing reasonable assurance regarding the reliability of our financial reporting and preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

It should be noted that the design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote. However, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are effective under circumstances where our disclosure controls and procedures should reasonably be expected to operate effectively.

Table of Contents

PART II OTHER INFORMATION

Item 1A. RISK FACTORS

There are many factors that affect our business and our results of operations, some of which are beyond our control. The following is a description of important factors that may cause our actual results of operations in future periods to differ materially from those currently expected or discussed in forward-looking statements set forth in this Report relating to our financial results, operations and business prospects. Except as required by law, we undertake no obligation to update any such forward-looking statements to reflect events or circumstances after the date on which it is made.

Unfavorable Changes in Apartment Market and Economic Conditions Could Adversely Affect Occupancy Levels and Rental Rates. Market and economic conditions in the metropolitan areas in which we operate may significantly affect our occupancy levels and rental rates and, therefore, our profitability. Factors that may adversely affect these conditions include the following:

a reduction in jobs and other local economic downturns,

declines in mortgage interest rates, making alternative housing more affordable,

government or builder incentives which enable first time homebuyers to put little or no money down, making alternative housing decisions easier to make,

oversupply of, or reduced demand for, apartment homes,

declines in household formation, and

rent control or stabilization laws, or other laws regulating rental housing, which could prevent us from raising rents to offset increases in operating costs.

The strength of the United States economy has become increasingly susceptible to global events and threats of terrorism. At the same time, productivity enhancements and the increased exportation of labor have resulted in limited job growth despite an improving economy. Continued weakness in job creation, or any worsening of current economic conditions, generally and in our principal market areas, could have a material adverse effect on our occupancy levels, our rental rates and our ability to strategically acquire and dispose of apartment communities. This may impair our ability to satisfy our financial obligations and pay distributions to our stockholders.

New Acquisitions, Developments and Condominium Projects May Not Achieve Anticipated Results. We intend to continue to selectively acquire apartment communities that meet our investment criteria and to develop apartment communities for rental operations, to convert properties into condominiums and to develop condominium projects. Our acquisition, development and condominium activities and their success are subject to the following risks:

an acquired apartment community may fail to perform as we expected in analyzing our investment, or a significant exposure related to the acquired property may go undetected during our due diligence procedures,

when we acquire an apartment community, we often invest additional amounts in it with the intention of increasing profitability. These additional investments may not produce the anticipated improvements in

profitability,

new developments may not achieve pro forma rents or occupancy levels, or problems with construction or local building codes may delay initial occupancy dates for all or a portion of a development community, and

an over supply of condominiums in a given market may cause a decrease in the prices at which we expect to sell condominium properties.

Table of Contents

Possible Difficulty of Selling Apartment Communities Could Limit Operational and Financial Flexibility. We periodically dispose of apartment communities that no longer meet our strategic objectives, but market conditions could change and purchasers may not be willing to pay prices acceptable to us. A weak market may limit our ability to change our portfolio promptly in response to changing economic conditions. Furthermore, a significant portion of the proceeds from our overall property sales may be held by intermediaries in order for some sales to qualify as like-kind exchanges under Section 1031 of the Internal Revenue Code, so that any related capital gain can be deferred for federal income tax purposes. As a result, we may not have immediate access to all of the cash flow generated from our property sales. In addition, federal tax laws limit our ability to profit on the sale of communities that we have owned for fewer than four years, and this limitation may prevent us from selling communities when market conditions are favorable.

Increased Competition Could Limit Our Ability to Lease Apartment Homes or Increase or Maintain Rents. Our apartment communities compete with numerous housing alternatives in attracting residents, including other apartment communities and single-family rental homes, as well as owner occupied single- and multi-family homes. Competitive housing in a particular area could adversely affect our ability to lease apartment homes and increase or maintain rents.

Insufficient Cash Flow Could Affect Our Debt Financing and Create Refinancing Risk. We are subject to the risks normally associated with debt financing, including the risk that our operating income and cash flow will be insufficient to make required payments of principal and interest, or could restrict our borrowing capacity under our line of credit due to debt covenant restraints. Sufficient cash flow may not be available to make all required principal payments and still satisfy our distribution requirements to maintain our status as a REIT for federal income tax purposes, and the full limits of our line of credit may not be available to us if our operating performance falls outside the constraints of our debt covenants. Additionally, we are likely to need to refinance substantially all of our outstanding debt as it matures. We may not be able to refinance existing debt, or the terms of any refinancing may not be as favorable as the terms of the existing debt, which could create pressures to sell assets or to issue additional equity when we would otherwise not choose to do so.

Failure to Generate Sufficient Revenue Could Impair Debt Service Payments and Distributions to Stockholders. If our apartment communities do not generate sufficient net rental income to meet rental expenses, our ability to make required payments of interest and principal on our debt securities and to pay distributions to our stockholders will be adversely affected. The following factors, among others, may affect the net rental income generated by our apartment communities:

the national and local economies,

local real estate market conditions, such as an oversupply of apartment homes,

tenants' perceptions of the safety, convenience, and attractiveness of our communities and the neighborhoods where they are located,

our ability to provide adequate management, maintenance and insurance, and

rental expenses, including real estate taxes and utilities.

Expenses associated with our investment in a community, such as debt service, real estate taxes, insurance and maintenance costs, are generally not reduced when circumstances cause a reduction in rental income from that community. If a community is mortgaged to secure payment of debt and we are unable to make the mortgage payments, we could sustain a loss as a result of foreclosure on the community or the exercise of other remedies by the

mortgage holder.

Debt Level May Be Increased. Our current debt policy does not contain any limitations on the level of debt that we may incur, although our ability to incur debt is limited by covenants in our bank and other credit agreements. We manage our debt to be in compliance with these debt covenants, but subject to compliance with these covenants, we may increase the amount of our debt at any time without a concurrent improvement in our ability to service the additional debt.

Table of Contents

Financing May Not Be Available and Could Be Dilutive. Our ability to execute our business strategy depends on our access to an appropriate blend of debt financing, including unsecured lines of credit and other forms of secured and unsecured debt, and equity financing, including common and preferred equity. Debt or equity financing may not be available in sufficient amounts, or on favorable terms or at all. If we issue additional equity securities to finance developments and acquisitions instead of incurring debt, the interests of our existing stockholders could be diluted.

Development and Construction Risks Could Impact Our Profitability. We intend to continue to develop and construct apartment communities. Development activities may be conducted through wholly owned affiliated companies or through joint ventures with unaffiliated parties. Our development and construction activities may be exposed to the following risks:

we may be unable to obtain, or face delays in obtaining, necessary zoning, land-use, building, occupancy and other required governmental permits and authorizations, which could result in increased development costs and could require us to abandon our activities entirely with respect to a project for which we are unable to obtain permits or authorizations,

if we are unable to find joint venture partners to help fund the development of a community or otherwise obtain acceptable financing for the developments, our development capacity may be limited,

we may abandon development opportunities that we have already begun to explore, and we may fail to recover expenses already incurred in connection with exploring such opportunities,

we may be unable to complete construction and lease-up of a community on schedule, or incur development or construction costs that exceed our original estimates, and we may be unable to charge rents that would compensate for any increase in such costs,

occupancy rates and rents at a newly developed community may fluctuate depending on a number of factors, including market and economic conditions, preventing us from meeting our profitability goals for that community, and

when we sell to third parties homes or properties that we developed or renovated, we may be subject to warranty or construction defect claims that are uninsured or exceed the limits of our insurance.

Construction costs have been increasing in our existing markets, and the costs of upgrading acquired communities have, in some cases, exceeded our original estimates. We may experience similar cost increases in the future. Our inability to charge rents that will be sufficient to offset the effects of any increases in these costs may impair our profitability.

Some Potential Losses Are Not Covered by Insurance. We have a comprehensive insurance program covering our property and operating activities. We believe the policy specifications and insured limits of these policies are adequate and appropriate. There are, however, certain types of extraordinary losses for which we may not have insurance. Accordingly, we may sustain uninsured losses due to insurance deductibles, self-insured retention, uninsured claims or casualties, or losses in excess of applicable coverage.

We may not be able to renew insurance coverage in an adequate amount or at reasonable prices. In addition, insurance companies may no longer offer coverage against certain types of losses, such as losses due to asbestos, or, if offered, these types of insurance may be prohibitively expensive. If an uninsured loss or a loss in excess of insured limits occur, we could lose all or a portion of the capital we have invested in a property, as well as the anticipated future

revenue from the property. In such an event, we might nevertheless remain obligated for any mortgage debt or other financial obligations related to the property. Material losses in excess of insurance proceeds may occur in the future. If one or more of our significant properties were to experience a catastrophic loss, it could seriously disrupt our operations, delay revenue and result in large expenses to repair or rebuild the property. Such events could adversely affect our cash flow and ability to make distributions to stockholders.

Failure to Succeed in New Markets May Limit Our Growth. We may from time to time make acquisitions outside of our existing market areas if appropriate opportunities arise. We may be exposed to a

Table of Contents

variety of risks if we choose to enter new markets, and we may not be able to operate successfully in new markets. These risks include, among others:

- inability to accurately evaluate local apartment market conditions and local economies,
- inability to obtain land for development or to identify appropriate acquisition opportunities,
- inability to hire and retain key personnel, and
- lack of familiarity with local governmental and permitting procedures.

Changing Interest Rates Could Increase Interest Costs and Adversely Affect Our Cash Flow and the Market Price of Our Securities. We currently have, and expect to incur in the future, interest-bearing debt at rates that vary with market interest rates. As of March 31, 2007, we had approximately \$525.2 million of variable rate indebtedness outstanding, which constitutes approximately 15% of our total outstanding indebtedness as of such date. An increase in interest rates would increase our interest expenses to the extent our variable rate debt is not hedged effectively, and it would increase the costs of refinancing existing indebtedness and of issuing new debt. Accordingly, higher interest rates could adversely affect cash flow and our ability to service our debt and to make distributions to security holders. In addition, an increase in market interest rates may lead our security holders to demand a higher annual yield, which could adversely affect the market price of our common and preferred stock and debt securities.

Risk of Inflation/Deflation. Substantial inflationary or deflationary pressures could have a negative effect on rental rates and property operating expenses.

Limited Investment Opportunities Could Adversely Affect Our Growth. We expect that other real estate investors will compete with us to acquire existing properties and to develop new properties. These competitors include insurance companies, pension and investment funds, developer partnerships, investment companies and other apartment REITs. This competition could increase prices for properties of the type that we would likely pursue, and our competitors may have greater resources than we do. As a result, we may not be able to make attractive investments on favorable terms, which could adversely affect our growth.

Failure to Integrate Acquired Communities and New Personnel Could Create Inefficiencies. To grow successfully, we must be able to apply our experience in managing our existing portfolio of apartment communities to a larger number of properties. In addition, we must be able to integrate new management and operations personnel as our organization grows in size and complexity. Failures in either area will result in inefficiencies that could adversely affect our expected return on our investments and our overall profitability.

Interest Rate Hedging Contracts May Be Ineffective and May Result in Material Charges. From time to time when we anticipate issuing debt securities, we may seek to limit our exposure to fluctuations in interest rates during the period prior to the pricing of the securities by entering into interest rate hedging contracts. We may do this to increase the predictability of our financing costs. Also, from time to time we may rely on interest rate hedging contracts to limit our exposure under variable rate debt to unfavorable changes in market interest rates. If the terms of new debt securities are not within the parameters of, or market interest rates fall below that which we incur under a particular interest rate hedging contract, the contract is ineffective. Furthermore, the settlement of interest rate hedging contracts has involved and may in the future involve material charges.

Potential Liability for Environmental Contamination Could Result in Substantial Costs. Under various federal, state and local environmental laws, as a current or former owner or operator of real estate, we could be required to investigate and remediate the effects of contamination of currently or formerly owned real estate by hazardous or toxic

substances, often regardless of our knowledge of or responsibility for the contamination and solely by virtue of our current or former ownership or operation of the real estate. In addition, we could be held liable to a governmental authority or to third parties for property damage or other injury and for investigation and clean-up costs incurred in connection with the contamination. These costs could be substantial, and in many cases environmental laws create liens in favor of governmental authorities to secure their payment. The presence of such substances or a failure to properly remediate any resulting contamination could materially and adversely affect our ability to borrow against, sell or rent an affected property.

Table of Contents

We Would Incur Adverse Tax Consequences if We Fail to Qualify as a REIT. We have elected to be taxed as a REIT under the Internal Revenue Code. Our qualification as a REIT requires us to satisfy numerous requirements, some on an annual and quarterly basis, established under highly technical and complex Internal Revenue Code provisions for which there are only limited judicial or administrative interpretations, and involves the determination of various factual matters and circumstances not entirely within our control. We intend that our current organization and method of operation enable us to continue to qualify as a REIT, but we may not so qualify or we may not be able to remain so qualified in the future. In addition, U.S. federal income tax laws governing REITs and other corporations and the administrative interpretations of those laws may be amended at any time, potentially with retroactive effect. Future legislation, new regulations, administrative interpretations or court decisions could adversely affect our ability to qualify as a REIT or adversely affect our stockholders.

If we fail to qualify as a REIT in any taxable year, we would be subject to federal income tax (including any applicable alternative minimum tax) on our taxable income at regular corporate rates, and would not be allowed to deduct dividends paid to our stockholders in computing our taxable income. Also, unless the Internal Revenue Service granted us relief under certain statutory provisions, we would be disqualified from treatment as a REIT for the four taxable years following the year in which we first failed to qualify. The additional tax liability from the failure to qualify as a REIT would reduce or eliminate the amount of cash available for investment or distribution to our stockholders. This would likely have a significant adverse effect on the value of our securities and our ability to raise additional capital. In addition, we would no longer be required to make distributions to our stockholders. Even if we continue to qualify as a REIT, we will continue to be subject to certain federal, state and local taxes on our income and property.

We May Conduct a Portion of Our Business Through Taxable REIT Subsidiaries, Which are Subject to Certain Tax Risks. We have established several taxable REIT subsidiaries. Despite our qualification as a REIT, our taxable REIT subsidiaries must pay income tax on their taxable income. In addition, we must comply with various tests to continue to qualify as a REIT for federal income tax purposes, and our income from and investments in our taxable REIT subsidiaries generally do not constitute permissible income and investments for these tests. While we will attempt to ensure that our dealings with our taxable REIT subsidiaries will not adversely affect our REIT qualification, we cannot provide assurance that we will successfully achieve that result. Furthermore, we may be subject to a 100% penalty tax, we may jeopardize our ability to retain future gains on real property sales, or our taxable REIT subsidiaries may be denied deductions, to the extent our dealings with our taxable REIT subsidiaries are not deemed to be arm's length in nature or are otherwise not respected.

Certain Property Transfers May Generate Prohibited Transaction Income, Resulting in a Penalty Tax on Gain Attributable to the Transaction. From time to time, we may transfer or otherwise dispose of some of our properties. Under the Internal Revenue Code, any gain resulting from transfers of properties that we hold as inventory or primarily for sale to customers in the ordinary course of business would be treated as income from a prohibited transaction subject to a 100% penalty tax. Since we acquire properties for investment purposes, we do not believe that our occasional transfers or disposals of property are prohibited transactions. However, whether property is held for investment purposes is a question of fact that depends on all the facts and circumstances surrounding the particular transaction. The Internal Revenue Service may contend that certain transfers or disposals of properties by us are prohibited transactions. If the Internal Revenue Service were to argue successfully that a transfer or disposition of property constituted a prohibited transaction, then we would be required to pay a 100% penalty tax on any gain allocable to us from the prohibited transaction and we may jeopardize our ability to retain future gains on real property sales. In addition, income from a prohibited transaction might adversely affect our ability to satisfy the income tests for qualification as a REIT for federal income tax purposes.

Changes in Market Conditions and Volatility of Stock Prices Could Adversely Affect the Market Price of Our Common Stock. The stock markets, including the New York Stock Exchange, on which we list our common shares, have experienced significant price and volume fluctuations. As a result, the market price of our common stock could be similarly volatile, and investors in our common stock may experience a decrease in the value of their shares, including decreases unrelated to our operating performance or prospects.

Table of Contents

Property Ownership Through Joint Ventures May Limit Our Ability to Act Exclusively in Our Interest. We have in the past and may in the future develop and acquire properties in joint ventures with other persons or entities when we believe circumstances warrant the use of such structures. If we use such a structure, we could become engaged in a dispute with one or more of our joint venture partners that might affect our ability to operate a jointly-owned property. Moreover, joint venture partners may have business, economic or other objectives that are inconsistent with our objectives, including objectives that relate to the appropriate timing and terms of any sale or refinancing of a property. In some instances, joint venture partners may have competing interests in our markets that could create conflicts of interest.

Real Estate Tax and Other Laws. Generally we do not directly pass through costs resulting from compliance with or changes in real estate tax laws to residential property tenants. We also do not generally pass through increases in income, service or other taxes, to tenants under leases. These costs may adversely affect funds from operations and the ability to make distributions to stockholders. Similarly, compliance with or changes in (i) laws increasing the potential liability for environmental conditions existing on properties or the restrictions on discharges or other conditions or (ii) rent control or rent stabilization laws or other laws regulating housing, such as the Americans with Disabilities Act of 1990 and the Fair Housing Amendments Act of 1988, may result in significant unanticipated expenditures, which would adversely affect funds from operations and the ability to make distributions to stockholders.

Any Weaknesses Identified in Our Internal Control Over Financial Reporting Could Have an Adverse Effect on Our Stock Price. Section 404 of the Sarbanes-Oxley Act of 2002 requires us to evaluate and report on our internal report over financial reporting. If we identify one or more material weaknesses in our internal control over financial reporting, we could lose investor confidence in the accuracy and completeness of our financial reports, which in turn could have an adverse effect on our stock price.

Maryland Law May Limit the Ability of a Third Party to Acquire Control of Us, Which May Not be in Our Stockholders' Best Interests. Maryland business statutes may limit the ability of a third party to acquire control of us. As a Maryland corporation, we are subject to various Maryland laws which may have the effect of discouraging offers to acquire our company and of increasing the difficulty of consummating any such offers, even if our acquisition would be in our stockholders' best interests. The Maryland General Corporation Law restricts mergers and other business combination transactions between us and any person who acquires beneficial ownership of shares of our stock representing 10% or more of the voting power without our board of directors' prior approval. Any such business combination transaction could not be completed until five years after the person acquired such voting power, and generally only with the approval of stockholders representing 80% of all votes entitled to be cast and 66²/₃% of the votes entitled to be cast, excluding the interested stockholder, or upon payment of a fair price. Maryland law also provides generally that a person who acquires shares of our equity stock that represents 10% (and certain higher levels) of the voting power in electing directors will have no voting rights unless approved by a vote of two-thirds of the shares eligible to vote.

Limitations on Share Ownership and Limitations on the Ability of Our Stockholders to Effect a Change in Control of Our Company May Prevent Takeovers That are Beneficial to Our Stockholders. One of the requirements for maintenance of our qualification as a REIT for U.S. federal income tax purposes is that no more than 50% in value of our outstanding capital stock may be owned by five or fewer individuals, including entities specified in the Internal Revenue Code, during the last half of any taxable year. Our charter contains ownership and transfer restrictions relating to our stock primarily to assist us in complying with this and other REIT ownership requirements; however, the restrictions may have the effect of preventing a change of control, which does not threaten REIT status. These restrictions include a provision that generally limits ownership by any person of more than 9.9% of the value of our outstanding equity stock, unless our board of directors exempts the person from such ownership limitation, provided that any such exemption shall not allow the person to exceed 13% of the value of our outstanding equity stock. These

provisions may have the effect of delaying, deferring or preventing someone from taking control of us, even though a change of control might involve a premium price for our stockholders or might otherwise be in our stockholders' best interests.

Under the terms of our shareholder rights plan, our board of directors can, in effect, prevent a person or group from acquiring more than 15% of the outstanding shares of our common stock. Unless our board of

Table of Contents

directors approves the person's purchase, after that person acquires more than 15% of our outstanding common stock, all other stockholders will have the right to purchase securities from us at a price that is less than their then fair market value. Purchases by other stockholders would substantially reduce the value and influence of the shares of our common stock owned by the acquiring person. Our board of directors, however, can prevent the shareholder rights plan from operating in this manner. This gives our board of directors significant discretion to approve or disapprove a person's efforts to acquire a large interest in us.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**Repurchase of Equity Securities**

In February 2006, our Board of Directors authorized a 10 million share repurchase program. This program authorizes the repurchase of our common stock in open market purchases, in block purchases, privately negotiated transactions, or otherwise. As reflected in the table below, no shares of common stock were repurchased under this program or otherwise during the quarter ended March 31, 2007.

| Period | Total Number of Shares Purchased | Average Price per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Maximum Number of Shares that May Yet be Purchased Under the Plans or Programs |
|--|---|--|---|---|
| Beginning Balance | | | | 10,000,000 |
| January 1, 2007 through January 31, 2007 | 0 | N/A | 0 | 10,000,000 |
| February 1, 2007 through February 28, 2007 | 0 | N/A | 0 | 10,000,000 |
| March 1, 2007 through March 31, 2007 | 0 | N/A | 0 | 10,000,000 |
| Balance as of March 31, 2007 | 0 | N/A | 0 | 10,000,000 |

Item 6. EXHIBITS

The exhibits filed or furnished with this Report are set forth in the Exhibit Index.

Table of Contents

SIGNATURES

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

UDR, INC.
(registrant)

Date: May 10, 2007

/s/ Michael A. Ernst
Michael A. Ernst
Executive Vice President and Chief Financial Officer

Date: May 10, 2007

/s/ David L. Messenger
David L. Messenger
Senior Vice President and Chief Accounting Officer

Table of Contents**EXHIBIT INDEX**

| Exhibit No. | Description |
|------------------------|---|
| 3.1 | Articles of Restatement (incorporated by reference to Exhibit 3.09 to the Company's Current Report on Form 8-K dated July 27, 2005 and filed with the SEC on August 1, 2005 (Commission File No. 1-10524)). |
| 3.2 | Articles of Amendment to the Articles of Restatement dated and filed with the State Department of Assessments and Taxation of the State of Maryland on March 14, 2007 (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K dated March 14, 2007 and filed with the SEC on March 15, 2007 (Commission File No. 1-10524)). |
| 3.3 | Amended and Restated Bylaws (as amended through March 14, 2007) (incorporated by reference to Exhibit 3.3 to the Company's Current Report on Form 8-K dated March 14, 2007 and filed with the SEC on March 15, 2007 (Commission File No. 1-10524)). |
| 4.1 | Form of Common Stock Certificate (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated March 14, 2007 and filed with the SEC on March 15, 2007 (Commission File No. 1-10524)). |
| 4.2 | Form of Certificate for Shares of 8.60% Series B Cumulative Redeemable Preferred Stock (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K dated March 14, 2007 and filed with the SEC on March 15, 2007 (Commission File No. 1-10524)). |
| 4.3 | Form of Fixed Rate Medium-Term Note, Series A (incorporated by reference to Exhibit 4.01 to the Company's Current Report on Form 8-K dated March 20, 2007 and filed with the SEC on March 22, 2007 (Commission File No. 1-10524)). |
| 4.4 | Form of Floating Rate Medium-Term Note, Series A (incorporated by reference to Exhibit 4.02 to the Company's Current Report on Form 8-K dated March 20, 2007 and filed with the SEC on March 22, 2007 (Commission File No. 1-10524)). |
| 4.5 | 5.50% Medium-Term Note, Series A due April 2014, issued March 27, 2007. |
| 10.1 | Amended and Restated Master Credit Facility Agreement dated June 24, 2002 between the Company and Green Park Financial Limited Partnership, as amended through February 14, 2007 (incorporated by reference to Exhibit 10.41 to the Company's Annual Report on Form 10-K for the year ended December 31, 2006 (Commission File No. 1-10524)). |
| 12 | Computation of Ratio of Earnings to Fixed Charges. |
| 31.1 | Rule 13a-14(a) Certification of the Chief Executive Officer. |
| 31.2 | Rule 13a-14(a) Certification of the Chief Financial Officer. |
| 32.1 | Section 1350 Certification of the Chief Executive Officer. |
| 32.2 | Section 1350 Certification of the Chief Financial Officer. |