UDR, Inc.
Form 10-Q
October 29, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
FORM 10-Q

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

For the quarterly period ended September 30, 2014
OR

o	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.)
333-156002-01 (United Dominion Realty, L.P.)
UDR, Inc.
United Dominion Realty, L.P.
(Exact name of registrant as specified in its charter)

Maryland (UDR, Inc.)	54-0857512
Delaware (United Dominion Realty, L.P.)	54-1776887
(State or other jurisdiction of incorporation of organization)	(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.

UDR, Inc.	Yes x No o
United Dominion Realty, L.P.	Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

UDR, Inc.	Yes x No o
United Dominion Realty, L.P.	Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

UDR, Inc.:

Large accelerated filer x	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

United Dominion Realty, L.P.:

Large accelerated filer o	Accelerated filer o	Non-accelerated filer x (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

UDR, Inc.	Yes o No x
United Dominion Realty, L.P.	Yes o No x

The number of shares of UDR, Inc.'s common stock, $0.01 par value, outstanding as of October 27, 2014 was 255,217,903.

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PART II — OTHER INFORMATION

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EXPLANATORY NOTE

This report combines the quarterly reports on Form 10-Q for the quarter ended September 30, 2014 of UDR, Inc., a Maryland corporation, and United Dominion Realty, L.P., a Delaware limited partnership, of which UDR, Inc. is the parent company and sole general partner. Unless the context otherwise requires, all references in this Report to “we,” “us,” “our,” the “Company”, “UDR” or “UDR, Inc.” refer collectively to UDR, Inc., together with its consolidated subsidiaries and joint ventures, including the Operating Partnership. Unless the context otherwise requires, the references in this Report to the “Operating Partnership” or the “OP” refer to United Dominion Realty, L.P. together with its consolidated subsidiaries. “Common stock” refers to the common stock of UDR and “stockholders” means the holders of shares of UDR’s common stock and preferred stock. The limited partnership interests of the Operating Partnership are referred to as the “OP Units” and the holders of the OP Units are referred to as “unitholders”. This combined Form 10-Q is being filed separately by UDR and the Operating Partnership.

There are a number of differences between our Company and our Operating Partnership, which are reflected in our disclosure in this report. UDR is a real estate investment trust (a “REIT”), whose most significant asset is its ownership interest in the Operating Partnership. UDR also conducts business through other subsidiaries, including its taxable REIT subsidiary (“TRS”), RE^3, whose activities include development of land and land entitlement. UDR acts as the sole general partner of the Operating Partnership, holds interests in subsidiaries and joint ventures, owns and operates properties, issues securities from time to time and guarantees debt of certain of our subsidiaries. The Operating Partnership conducts the operations of a substantial portion of the business and is structured as a partnership with no publicly traded equity securities. The Operating Partnership has guaranteed certain outstanding debt of UDR.

As of September 30, 2014, UDR owned 110,883 units (100%) of the general partnership interests of the Operating Partnership and 174,000,344 units (approximately 95.0%) of the limited partnership interests of the Operating Partnership. UDR conducts a substantial amount of its business and holds a substantial amount of its assets through the Operating Partnership, and, by virtue of its ownership of the OP Units and being the Operating Partnership’s sole general partner, UDR has the ability to control all of the day-to-day operations of the Operating Partnership. Separate financial statements and accompanying notes, as well as separate discussions under “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” are provided for each of UDR and the Operating Partnership.

UDR, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)

	September 30, 2014 (unaudited)	December 31, 2013 (audited)
ASSETS		
Real estate owned:		
Real estate held for investment	$8,106,684	$7,723,844
Less: accumulated depreciation	(2,378,520)	(2,200,815)
Real estate held for investment, net	5,728,164	5,523,029
Real estate under development (net of accumulated depreciation of $513 and $1,411, respectively)	321,094	466,002
Real estate held for disposition (net of accumulated depreciation of $0 and $6,568, respectively)	—	10,152
Total real estate owned, net of accumulated depreciation	6,049,258	5,999,183
Cash and cash equivalents	14,605	30,249
Restricted cash	23,969	22,796
Deferred financing costs, net	24,344	26,924
Notes receivable, net	18,318	83,033
Investment in and advances to unconsolidated joint ventures, net	650,441	507,655
Other assets	117,153	137,882
Total assets	$6,898,088	$6,807,722
LIABILITIES AND EQUITY		
Liabilities:		
Secured debt	$1,399,372	$1,442,077
Unsecured debt	2,228,820	2,081,626
Real estate taxes payable	29,403	13,847
Accrued interest payable	27,131	32,279
Security deposits and prepaid rent	32,710	27,203
Distributions payable	69,487	61,907
Accounts payable, accrued expenses, and other liabilities	82,233	118,682
Total liabilities	3,869,156	3,777,621
Commitments and contingencies (Note 12)		
Redeemable noncontrolling interests in the Operating Partnership	249,814	217,597
Equity:		
Preferred stock, no par value; 50,000,000 shares authorized:		
8.00% Series E Cumulative Convertible; 2,803,812 shares issued and outstanding at September 30, 2014 and December 31, 2013	46,571	46,571
Common stock, $0.01 par value; 350,000,000 shares authorized; 255,215,905 and 250,749,665 shares issued and outstanding at September 30, 2014 and December 31, 2013, respectively	2,552	2,507
Additional paid-in capital	4,223,893	4,109,765
Distributions in excess of net income	(1,493,890)	(1,342,070)
Accumulated other comprehensive income/(loss), net	(866)	(5,125)

Total stockholders’ equity	2,778,260	2,811,648
Noncontrolling interests	858	856
Total equity	2,779,118	2,812,504
Total liabilities and equity	$6,898,088	$6,807,722

See accompanying notes to consolidated financial statements.

UDR, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
REVENUES:				
Rental income	$203,587	$187,917	$598,898	$556,163
Joint venture management and other fees	3,165	3,207	9,599	9,347
Total revenues	206,752	191,124	608,497	565,510
OPERATING EXPENSES:				
Property operating and maintenance	39,086	36,686	112,646	107,660
Real estate taxes and insurance	24,697	24,080	73,844	70,288
Property management	5,598	5,168	16,470	15,295
Other operating expenses	2,009	1,775	6,097	5,211
Real estate depreciation and amortization	89,339	83,738	266,748	251,231
General and administrative	11,554	11,364	36,078	30,706
Casualty-related (recoveries)/charges, net	—	(6,460)	500	(12,253)
Other depreciation and amortization	1,385	1,176	3,658	3,460
Total operating expenses	173,668	157,527	516,041	471,598
Operating income	33,084	33,597	92,456	93,912
Income/(loss) from unconsolidated entities	(939)	(3,794)	(4,932)	(6,081)
Interest expense	(33,087)	(30,939)	(97,662)	(92,723)
Interest and other income/(expense), net	9,061	829	11,902	3,291
Income/(loss) before income taxes and discontinued operations	8,119	(307)	1,764	(1,601)
Tax benefit/(expense), net	2,492	2,658	8,011	7,314
Income/(loss) from continuing operations	10,611	2,351	9,775	5,713
Income/(loss) from discontinued operations, net of tax	79	884	10	2,567
Income/(loss) before gain/(loss) on sale of real estate owned	10,690	3,235	9,785	8,280
Gain/(loss) on sale of real estate owned, net of tax	31,302	—	82,305	—
Net income/(loss)	41,992	3,235	92,090	8,280
Net (income)/loss attributable to redeemable noncontrolling interests in the Operating Partnership	(1,447)	(84)	(3,171)	(198)
Net (income)/loss attributable to noncontrolling interests	4	37	(2)	30
Net income/(loss) attributable to UDR, Inc.	40,549	3,188	88,917	8,112
Distributions to preferred stockholders — Series E (Convertible)	(931)	(931)	(2,793)	(2,793)
Net income/(loss) attributable to common stockholders	$39,618	$2,257	$86,124	$5,319
Income/(loss) per weighted average common share — basic:				
Income/(loss) from continuing operations attributable to common stockholders	$0.16	$0.01	$0.34	$0.01
Income/(loss) from discontinued operations attributable to common stockholders	0.00	0.00	0.00	0.01
Net income/(loss) attributable to common stockholders	$0.16	$0.01	$0.34	$0.02
Income/(loss) per weighted average common share — diluted:				
	$0.16	$0.01	$0.34	$0.01

Income/(loss) from continuing operations attributable to common stockholders				
Income/(loss) from discontinued operations attributable to common stockholders	0.00	0.00	0.00	0.01
Net income/(loss) attributable to common stockholders	$0.16	$0.01	$0.34	$0.02
Common distributions declared per share	$0.260	$0.235	$0.780	$0.705
Weighted average number of common shares outstanding — basic	251,655	249,985	250,701	249,962
Weighted average number of common shares outstanding — diluted	253,732	251,454	252,675	251,439

See accompanying notes to consolidated financial statements.

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UDR, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME/(LOSS)
(In thousands)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Net income/(loss)	$41,992	$3,235	$92,090	$8,280
Other comprehensive income/(loss), including portion attributable to noncontrolling interests:				
Other comprehensive income/(loss) - derivative instruments:				
Unrealized holding gain/(loss)	362	(386)	611	(334)
(Gain)/loss reclassified into earnings from other comprehensive income/(loss)	1,130	1,635	3,809	5,180
Other comprehensive income/(loss), including portion attributable to noncontrolling interests	1,492	1,249	4,420	4,846
Comprehensive income/(loss)	43,484	4,484	96,510	13,126
Comprehensive (income)/loss attributable to noncontrolling interests	(1,500)	(92)	(3,336)	(364)
Comprehensive income/(loss) attributable to UDR, Inc.	$41,984	$4,392	$93,174	$12,762

See accompanying notes to consolidated financial statements.

UDR, INC.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(In thousands, except share and per share data)
(Unaudited)

	Preferred Stock		Common Stock		Paid-in Capital	Distributions in Excess of Net Income	Accumulated Other Comprehensive Income/(Loss), net	Noncontrolling Interests	Total
	Shares	Amount	Shares	Amount					
Balance at December 31, 2013	2,803,812	$46,571	250,749,665	$2,507	$4,109,765	$(1,342,070)	$(5,125)	$856	$2,812,504
Net income/(loss) attributable to UDR, Inc.	—	—	—	—	—	88,917	—	—	88,917
Net income/(loss) attributable to noncontrolling interests	—	—	—	—	—	—	—	2	2
Other comprehensive income/(loss)	—	—	—	—	—	—	4,259	—	4,259
Issuance/(forfeiture) of common and restricted shares, net	—	—	904,354	9	9,855	—	—	—	9,864
Issuance of common shares through public offering	—	—	3,410,433	34	99,957	—	—	—	99,991
Adjustment for conversion of noncontrolling interest of unitholders in the Operating Partnership	—	—	151,453	2	4,316	—	—	—	4,318
Common stock distributions declared ($0.78 per share)	—	—	—	—	—	(197,173)	—	—	(197,173)
Preferred stock distributions declared-Series E ($0.9966 per share)	—	—	—	—	—	(2,793)	—	—	(2,793)
Adjustment to reflect redemption value of redeemable noncontrolling interests	—	—	—	—	—	(40,771)	—	—	(40,771)

Balance at September 30, 2014	2,803,812	$46,571	255,215,905	$2,552	$4,223,893	$(1,493,890)	$(866)	$858	$2,779,118

See accompanying notes to consolidated financial statements.

UDR, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands, except for share data)
(Unaudited)

	Nine Months Ended September 30,	
	2014	2013
Operating Activities		
Net income/(loss)	$92,090	$8,280
Adjustments to reconcile net income/(loss) to net cash provided by/(used in) operating activities:		
Depreciation and amortization	270,405	256,299
Gain on sale of real estate owned, net of tax	(82,380)	—
Tax benefit, net	(8,049)	(7,314)
Loss from unconsolidated entities	4,932	6,081
Casualty-related (recoveries)/charges, net	500	(618)
Other	19,952	19,641
Changes in operating assets and liabilities:		
Decrease/(increase) in operating assets	(5,870)	(12,543)
Increase/(decrease) in operating liabilities	(9,602)	(8,529)
Net cash provided by/(used in) operating activities	281,978	261,297
Investing Activities		
Acquisition of real estate assets	(199,012)	—
Proceeds from sale of real estate investments, net	233,913	140,834
Development of real estate assets	(160,643)	(229,650)
Capital expenditures and other major improvements — real estate assets, net of escrow reimbursement	(82,332)	(112,822)
Capital expenditures — non-real estate assets	(4,277)	(6,174)
Investment in unconsolidated joint ventures	(167,160)	(24,626)
Distributions received from unconsolidated joint ventures	17,884	106,618
Purchase deposits on pending acquisitions	(4,000)	—
Repayment/(issuance) of notes receivable	64,715	(2,680)
Net cash provided by/(used in) investing activities	(300,912)	(128,500)
Financing Activities		
Payments on secured debt	(44,390)	(44,525)
Proceeds from the issuance of secured debt	5,502	—
Payments on unsecured debt	(312,500)	(122,500)
Proceeds from the issuance of unsecured debt	298,956	299,943
Net proceeds of revolving bank debt	160,000	(76,000)
Proceeds from the issuance of common shares through public offering, net	99,991	—
Distributions paid to redeemable noncontrolling interests	(7,419)	(6,987)
Distributions paid to preferred stockholders	(2,793)	(2,794)
Distributions paid to common stockholders	(189,742)	(172,897)
Other	(4,315)	(8,003)
Net cash provided by/(used in) financing activities	3,290	(133,763)
Net increase/(decrease) in cash and cash equivalents	(15,644)	(966)
Cash and cash equivalents, beginning of period	30,249	12,115

Cash and cash equivalents, end of period	14,605	11,149

	Nine Months Ended September 30,	
	2014	2013
Supplemental Information:		
Interest paid during the period, net of amounts capitalized	$105,232	$99,266
Non-cash transactions:		
Conversion of OP Units into common shares (151,453 shares in 2014 and 71,841 shares in 2013)	$4,318	$1,711
Transfer of real estate owned to investment in and advances to unconsolidated joint ventures	$—	$139,950

See accompanying notes to consolidated financial statements.

UDR, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

1. CONSOLIDATION AND BASIS OF PRESENTATION

Consolidation and Basis of Presentation

UDR, Inc., collectively with our consolidated subsidiaries ("UDR," the "Company," "we," "our," or "us") is a self-administere real estate investment trust, or REIT, that owns, operates, acquires, renovates, develops, redevelops, and manages apartment communities. The accompanying consolidated financial statements include the accounts of UDR and its subsidiaries, including United Dominion Realty, L.P. (the "Operating Partnership" or the "OP"). As of September 30, 2014, there were 183,278,698 units in the Operating Partnership outstanding, of which 174,111,227 units, or 95.0%, were owned by UDR and 9,167,471 units, or 5.0%, were owned by limited partners. The consolidated financial statements of UDR include the noncontrolling interests of the unitholders in the Operating Partnership.

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 note 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. In the opinion of management, all adjustments and eliminations necessary for the fair presentation of our financial position as of September 30, 2014, and results of operations for the three and nine months ended September 30, 2014 and 2013 have been included. 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 accompanying interim unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and related notes for the year ended December 31, 2013 appearing in UDR's Annual Report on Form 10-K, filed with the Securities and Exchange Commission on February 25, 2014.

The accompanying interim unaudited consolidated financial statements are presented in accordance with U.S. generally accepted accounting principles ("GAAP"). GAAP 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 interim unaudited consolidated financial statements and the amounts of revenues and expenses during the reporting periods. Actual amounts realized or paid could differ from those estimates. All significant intercompany accounts and transactions have been eliminated in consolidation.

The Company evaluated subsequent events through the date its financial statements were issued. No significant recognized or non-recognized subsequent events were noted.

2. SIGNIFICANT ACCOUNTING POLICIES

Recent Accounting Pronouncements

In April 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-08, Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity, which incorporates a requirement that a disposition represent a strategic shift in an entity's operations into the definition of a discontinued operation. In accordance with the ASU, a discontinued operation represents (1) a component of an entity or group of components that has been disposed of or is classified as held for sale in a single transaction and represents a strategic shift that has or will have a major effect on an entity's financial results, or (2) an acquired business that is classified as held for sale on the date of acquisition. A strategic shift could include a disposal of (1) a separate major line of business, (2) a separate major geographic area of operations, (3) a major equity method investment, or (4) other major parts of an entity. The standard requires prospective application and will be effective for interim and annual periods beginning on or after December 15, 2014, with early adoption permitted. The early adoption provision excludes components of an entity that were sold or classified as held for sale prior to the adoption of the standard.

The Company elected to early adopt this standard effective January 1, 2014, which had a significant impact on the Company's consolidated financial statements as further discussed in Note 4, Discontinued Operations. Subsequent to the Company's adoption of ASU 2014-08, the sale of real estate that does not meet the definition of a discontinued operation under the standard is included in Gain/(loss) on sale of real estate owned, net of tax on the Consolidated Statements of Operations.

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UDR, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
SEPTEMBER 30, 2014

In May 2014, FASB issued ASU No. 2014-09, Revenue from Contracts with Customers. The standard provides companies with a single model for use in accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance, including industry-specific revenue guidance. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The standard specifically excludes lease contracts. The ASU allows for the use of either the full or modified retrospective transition method, and the standard will be effective for the Company on January 1, 2017; early adoption is not permitted. The Company has not yet selected a transition method and we are currently evaluating the effect that the updated standard will have on our consolidated financial statements and related disclosures.

Revenue and Real Estate Sales Gain Recognition

Rental income related to leases is recognized on an accrual basis when due from residents and tenants in accordance with GAAP. Rental payments are generally due on a monthly basis and recognized when earned. The Company recognizes interest income, management and other fees and incentives when earned, and the amounts are fixed and determinable.

For sale transactions meeting the requirements for full accrual profit recognition, we remove the related assets and liabilities from our Consolidated Balance Sheets and record the gain or loss in the period the transaction closes. For sale transactions that do not meet the full accrual sale criteria due to our continuing involvement, we evaluate the nature of the continuing involvement and account for the transaction under an alternate method of accounting. Unless certain limited criteria are met, non-monetary transactions, including property exchanges, are accounted for at fair value.

Sales to entities in which we retain or otherwise own an interest are accounted for as partial sales. If all other requirements for recognizing profit under the full accrual method have been satisfied and no other forms of continuing involvement are present, we recognize profit proportionate to the outside interest in the buyer and defer the gain on the interest we retain. The Company recognizes any deferred gain when the property is sold to a third party. In transactions accounted for by us as partial sales, we determine if the buyer of the majority equity interest in the venture was provided a preference as to cash flows in either an operating or a capital waterfall. If a cash flow preference has been provided, we recognize profit only to the extent that proceeds from the sale of the majority equity interest exceed costs related to the entire property.

Notes Receivable

The following table summarizes our notes receivable, net as of September 30, 2014 and December 31, 2013 (dollars in thousands):

	Balance outstanding			
	September 30, 2014	December 31, 2013	Interest rate at September 30, 2014	
Note due June 2014 (a)	$—	$40,800	—	%
Note due February 2017 (b)	15,818	14,580	10.00	%
Note due July 2017 (c)	2,500	1,400	8.00	%
Note due June 2022 (net of discount of $0 and $247, respectively) (d)	—	26,253	—	%
Total notes receivable, net	$18,318	$83,033		

(a) In the fourth quarter of 2013, in conjunction with the sale of its 95% interest in the Lodge at Stoughton, one of its unconsolidated joint ventures, the Company provided the buyer with a $40.8 million loan secured by the property at LIBOR plus a spread of 350 basis points with two three-month extension options at increased rates and a financing fee. In June 2014, the note was paid in full.

(b) The Company has a secured note receivable with an unaffiliated third party with an aggregate commitment of $15.8 million, which bears an interest rate of 10.00% per annum. During the nine months ended September 30, 2014, the Company loaned an additional $1.2 million under the note. Interest payments are due monthly. The note matures at the earliest of the following: (a) the closing of any private or public capital raising in the amount of $5.0 million or greater; (b) an acquisition; (c) acceleration in the event of default; or (d) the fifth anniversary of the date of the note (February 2017).

(c) The Company has a secured note receivable with an unaffiliated third party with an aggregate commitment of $2.5 million, which bears an interest rate of 8.00% per annum. During the nine months ended September 30, 2014, the Company loaned an additional $1.1 million. Interest payments are due monthly. The note matures at the earliest of the following: (a) the closing of any private or public capital raising in the amount of $5.0 million or greater; (b) an acquisition; (c) acceleration in the event of default; or (d) the fifth anniversary of the date of the note (July 2017).

(d) In 2012, the Company purchased a "B" Note secured by a first mortgage on a class A community in West Los Angeles. The $26.5 million loan was purchased at a yield of 7.25% and bore a coupon rate of 7.00%. Interest payments are due monthly and the note is due June 2022. The discount is amortized using the effective interest method. In July 2014, the Company received proceeds of $36.0 million from the repayment of this note, resulting in a net gain of approximately $8.4 million, which is included in Interest and other income/(expense), net on the Consolidated Statements of Operations.

The Company recognized $0.4 million and $3.0 million of interest income from these notes receivable during the three and nine months ended September 30, 2014, respectively, and $1.1 million and $3.1 million during the three and nine months ended September 30, 2013, respectively. Included in the three and nine months ended September 30, 2013 are $184,000 and $547,000 of related party interest income, respectively. Interest income is included in Interest and other income/(expense), net on the Consolidated Statements of Operations.

Comprehensive Income/(Loss)

Comprehensive income/(loss), which is defined as the change in equity during each period from transactions and other events and circumstances from nonowner sources, including all changes in equity during a period except for those resulting from investments by or distributions to stockholders, is displayed in the accompanying Consolidated Statements of Comprehensive Income/(Loss). For the three and nine months ended September 30, 2014 and 2013, the Company’s other comprehensive income/(loss) consisted of the gain/(loss) (effective portion) on derivative instruments that are designated as and qualify as cash flow hedges, (gain)/loss on derivative instruments reclassified from other comprehensive income/(loss) into earnings, and the allocation of other comprehensive income/(loss) to redeemable noncontrolling interests. The (gain)/loss on derivative instruments reclassified from other comprehensive income/(loss) is included in Interest expense on the Consolidated Statements of Operations. See Note 10, Derivatives and Hedging Activity, for further discussion. The allocation of other comprehensive income/(loss) to redeemable noncontrolling interests was $57,000 and $163,000 during the three and nine months ended September 30, 2014, respectively, and $45,000 and $196,000 during the three and nine months ended September 30, 2013, respectively.

Income Taxes

Due to the structure of the Company as a REIT and the nature of the operations for the operating properties, no provision for federal income taxes has been provided for at UDR. Historically, the Company has generally incurred only state and local excise and franchise taxes. UDR has elected for certain consolidated subsidiaries to be treated as taxable REIT subsidiaries (“TRS”), primarily those engaged in development activities.

Income taxes for our TRS, RE^3, are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities from a change in tax rate is recognized in earnings in the period of the enactment date. The Company’s deferred tax assets are generally the result of differing depreciable lives on capitalized assets and timing of expense recognition for certain accrued liabilities. As of September 30, 2014, UDR’s net deferred tax asset was $9.1 million (net of a valuation allowance of $1.4 million), which is included in Other assets on the Consolidated Balance Sheets.

GAAP defines a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. GAAP also provides guidance on derecognition, classification, interest and penalties, accounting for interim periods, disclosure and transition.
The Company recognizes its tax positions and evaluates them using a two-step process. First, UDR determines whether a tax position is more likely than not (greater than 50 percent probability) to be sustained upon examination, including resolution

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of any related appeals or litigation processes, based on the technical merits of the position. Second, the Company will determine the amount of benefit to recognize and record the amount that is more likely than not to be realized upon ultimate settlement.

UDR had no material unrecognized tax benefit, accrued interest or penalties at September 30, 2014. UDR and its subsidiaries are subject to federal income tax as well as income tax of various state and local jurisdictions. The tax years 2010 through 2013 remain open to examination by tax jurisdictions to which we are subject. When applicable, UDR recognizes interest and/or penalties related to uncertain tax positions in Tax benefit/(expense), net on the Consolidated Statements of Operations.

3. REAL ESTATE OWNED

Real estate assets owned by the Company consist of income producing operating properties, properties under development, land held for future development, and sold or held for disposition properties. As of September 30, 2014, the Company owned and consolidated 141 communities in 10 states plus the District of Columbia totaling 40,477 apartment homes. The following table summarizes the carrying amounts for our real estate owned (at cost) as of September 30, 2014 and December 31, 2013 (dollars in thousands):

	September 30, 2014	December 31, 2013
Land and land improvements	$1,955,007	$1,847,127
Depreciable property — held and used:		
Building, improvements, and furniture, fixtures and equipment	6,151,677	5,876,717
Under development:		
Land and land improvements	47,038	110,769
Building, improvements, and furniture, fixtures and equipment	274,569	356,644
Real estate held for disposition:		
Land and land improvements	—	10,751
Building, improvements, and furniture, fixtures and equipment	—	5,969
Real estate owned	8,428,291	8,207,977
Accumulated depreciation	(2,379,033)	(2,208,794)
Real estate owned, net	$6,049,258	$5,999,183

During the nine months ended September 30, 2014, the Company sold six communities with a total of 1,904 apartment homes, an adjacent parcel of land, and one operating property for gross proceeds of $237.7 million, resulting in net proceeds of $233.9 million and a total gain (net of tax) of $82.4 million. A portion of the sale proceeds was designated for tax-deferred exchanges under Section 1031 of the Internal Revenue Code and was used to fund acquisitions of real estate as discussed below. Gains (net of tax) of $82.3 million are included in Gain/(loss) on sale of real estate owned, net of tax on the Consolidated Statements of Operations. The remaining gains (net of tax) of $0.1 million related to the sale of one operating property, which was classified as held for disposition prior to the Company's adoption of ASU 2014-08 (as described in Note 2, Significant Accounting Policies and Note 4, Discontinued Operations), and, therefore, was included in Income/(loss) from discontinued operations, net of tax on the Consolidated Statements of Operations.

In January 2014, the Company acquired a fully-entitled land parcel for future development located in Huntington Beach, California for $77.8 million. In the third quarter of 2014, the Company acquired two communities, located in Seattle, Washington and Kirkland, Washington, with a total of 358 apartment homes for $45.5 million and $75.2 million, respectively. The three acquisitions during the nine months ended September 30, 2014 were accomplished through tax-deferred exchanges under Section 1031 of the Internal Revenue Code.

There were no sales during the nine months ended September 30, 2013.

Predevelopment, development, and redevelopment projects and related costs are capitalized and reported on the Consolidated Balance Sheets as Total real estate owned, net of accumulated depreciation. The Company capitalizes costs directly related to the predevelopment, development, and redevelopment of a capital project, which include, but are not limited to, interest, real estate taxes, insurance, and allocated development and redevelopment overhead related to support costs for personnel working on the capital projects. We use our professional judgment in determining whether such costs meet the criteria for capitalization or must be expensed as incurred. These costs are capitalized only during the period in which activities necessary to ready an asset for its intended use are in progress and such costs are incremental and identifiable to a specific activity to get the asset ready for its intended use. These costs, excluding the direct costs of development and redevelopment and capitalized interest, were $1.7 million and $7.2 million for the three and nine months ended September 30, 2014, respectively, and $2.4 million and $8.5 million for the three and nine months ended September 30, 2013, respectively. Total interest capitalized was $5.2 million and $15.4 million for the three and nine months ended September 30, 2014, respectively, and $6.6 million and $23.2 million for the three and nine months ended September 30, 2013, respectively. As each home in a capital project is completed and becomes available for lease-up, the Company ceases capitalization on the related portion and depreciation commences over the estimated useful life.

In October 2012, Hurricane Sandy hit the East Coast, affecting three of the Company's operating communities located in New York City. The properties suffered some physical damage, and were closed to residents for a period following the hurricane. The Company had insurance policies that provided coverage for property damage and business interruption, subject to applicable retentions.

During the three and nine months ended September 30, 2013, the Company recorded $6.5 million and $12.3 million, respectively, of insurance recoveries related to the business interruption and other losses associated with Hurricane Sandy. In 2014, the Company recorded a $500,000 casualty-related loss for one property damaged during an earthquake in California. These recoveries/charges are included in Casualty-related (recoveries)/charges, net on the Consolidated Statements of Operations.

4. DISCONTINUED OPERATIONS

Effective January 1, 2014, UDR prospectively adopted ASU No. 2014-08, Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity, for all communities not previously sold or classified as held for sale. The standard had a material impact on the Company's consolidated financial statements. As a result of adopting the ASU, during the three and nine months ended September 30, 2014, gains (net of tax) of $31.3 million and $81.2 million, respectively, from disposition of real estate, excluding a $1.1 million gain related to the sale of land during the first quarter of 2014, are included in Gain/(loss) on sale of real estate owned, net of tax on the Consolidated Statements of Operations rather than in Income/(loss) from discontinued operations, net of tax on the Consolidated Statements of Operations.

Prior to the prospective adoption of ASU 2014-08, FASB Accounting Standards Codification ("ASC") Subtopic 205-20 required, among other things, that the primary assets and liabilities and the results of operations of UDR's real properties that have been sold or are held for disposition, be classified as discontinued operations and segregated in UDR's Consolidated Statements of Operations and Consolidated Balance Sheets. Consequently, the primary assets and liabilities and the net operating results of those properties sold or classified as held for disposition prior to January 1, 2014 are accounted for as discontinued operations for all periods presented. This presentation does not have an impact on net income available to common stockholders; it only results in the reclassification of the operating results within the Consolidated Statements of Operations for the periods ended September 30, 2014 and 2013.

In July 2014, the Company sold one operating property that was classified as held for disposition prior to the adoption of ASU 2014-08 and, therefore, met the requirements to be reported as a discontinued operation. The sale of this property resulted in an immaterial gain (net of tax) of less than $0.1 million. The gain (net of tax) and operating results of the property for the three and nine months ended September 30, 2014 and 2013, are included in Income/(loss) from discontinued operations, net of tax on the Consolidated Statements of Operations.

In December 2013, the Company sold two communities with 914 apartments in the Sacramento market. The operating results related to these communities for the three and nine months ended September 30, 2013 are included in Income/(loss) from discontinued operations, net of tax on the Consolidated Statements of Operations.

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UDR, INC.
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The following is a summary of income/(loss) from discontinued operations, net of tax for the three and nine months ended September 30, 2014 and 2013 (dollars in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Rental income	$21	$2,462	$147	$7,130
Rental expenses	11	970	225	2,733
Property management	1	68	4	196
Real estate depreciation	—	528	—	1,608
Other operating expenses	3	12	21	26
Income/(loss) attributable to disposed properties and assets held for sale	6	884	(103)	2,567
Net gain/(loss) on the sale of depreciable properties	75	—	75	—
Income tax benefit/(expense)	(2)	—	38	—
Income/(loss) from discontinued operations, net of tax	$79	$884	$10	$2,567
Income/(loss) from discontinued operations attributable to UDR, Inc.	$73	$852	$6	$2,475

5. JOINT VENTURES AND PARTNERSHIPS

UDR has entered into joint ventures and partnerships with unrelated third parties to acquire real estate assets that are either consolidated and included in Real estate owned on the Consolidated Balance Sheets or are accounted for under the equity method of accounting, and are included in Investment in and advances to unconsolidated joint ventures, net on the Consolidated Balance Sheets. The Company consolidates the entities that we control as well as any variable interest entity where we are the primary beneficiary. In addition, the Company consolidates any joint venture or partnership in which we are the general partner or managing member and the third party does not have the ability to substantively participate in the decision-making process nor the ability to remove us as general partner or managing member without cause.

UDR’s joint ventures and partnerships are funded with a combination of debt and equity. Our losses are limited to our investment and except as noted below, the Company does not guarantee any debt, capital payout or other obligations associated with our joint ventures and partnerships.

Consolidated Joint Ventures

In December 2013, the Company consolidated its 95%/5% development joint ventures: 13th and Market JV in San Diego, CA and Domain College Park JV in Metropolitan D.C. The consolidation was due to the Company becoming the managing member of each of the joint ventures pursuant to amendments to the limited liability company agreement for each joint venture. In connection with the amendments, our partner received equity distributions reducing its capital account balances to zero, the Company replaced our partner as the managing member, and our partner no longer has the ability to substantively participate in the decision-making process, with only protective rights remaining. We accounted for the consolidations as asset acquisitions since the joint ventures were under development and not complete at the time of consolidation, resulting in no gain or loss upon consolidation and increasing our real estate owned by $129.4 million and our debt by $63.6 million. In addition pursuant to the amendments, the Company paid a non-refundable deposit to our partner in January 2014 of $2.0 million for each joint venture, or $4.0 million in total, for the right to exercise options in 2014 to acquire our partner’s upside participation in the joint ventures. The non-refundable deposits will be applied towards the future purchase price, which will be equivalent to our partner's right to receive certain upside participation from the developments.

Unconsolidated Joint Ventures and Partnerships

The Company recognizes earnings or losses from our investments in unconsolidated joint ventures and partnerships consisting of our proportionate share of the net earnings or losses of the joint ventures and partnerships. In addition, we may earn fees for providing management services to the unconsolidated joint ventures and partnerships.

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UDR, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
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The following table summarizes the Company's investment in and advances to unconsolidated joint ventures and partnerships, net, which are accounted for under the equity method of accounting as of September 30, 2014 and December 31, 2013 (dollars in thousands):

Joint Venture	Location of Properties	Number of Properties	Number of Apartment Homes	Investment at		UDR's Ownership Interest	
		September 30, 2014	September 30, 2014	September 30, 2014	December 31, 2013	September 30, 2014	December 31, 2013
Operating and development:							
UDR/MetLife I (a)	Various	0 operating communities	—	$—	$ 40,336	— %	13.2 %
		5 land parcels	N/A	5,364	7,161	4.0 %	4.0 %
UDR/MetLife II (a)	Various	21 operating communities	4,642	436,805	327,926	50.0 %	50.0 %
UDR/MetLife Vitruvian Park®	Addison, TX	2 operating communities	739	79,807	79,318	50.0 %	50.0 %
		1 non-stabilized community	391				
		6 land parcels	N/A				
UDR/KFH	Washington, D.C.	3 operating communities	660	22,891	25,919	30.0 %	30.0 %
Texas	Texas	8 operating communities	3,359	(25,624)	(23,591)	20.0 %	20.0 %
Other UDR/MetLife Development Joint Ventures	Various	2 development communities (b)	828	87,376	36,313	51.0 %	51.0 %
		1 land parcel	N/A				
Investment in and advances to unconsolidated joint ventures, net, before participating loan investment				606,619	493,382		

	Location	Interest Rate	Years To Maturity	Investment at		Income From Participating Loan Investment For			
				September 30, 2014	December 31, 2013	Three Months Ended September 30		Nine Months Ended September 30	
						2014	2013	2014	2013
Participating loan investment:									
Steele Creek	Denver, CO	6.5%	3.1	43,822	14,273	$642	—	$1,419	—
				$ 650,441	$ 507,655				

Total investment in and advances to unconsolidated joint ventures, net

(a) On March 31, 2014, the Company sold its minority ownership interests in two small operating communities located in Los Angeles, CA to MetLife for cash proceeds of $3.0 million, which resulted in an immaterial gain. On April 21, 2014, the Company increased its ownership interest in the remaining six operating communities in the UDR/MetLife I Joint Venture from 12% to 50%, and MetLife and the Company contributed these communities to the UDR/MetLife II Joint Venture. The Company paid MetLife $82.5 million for the additional ownership interests. The Company continues to manage the operating communities that were contributed to the UDR/MetLife II Joint Venture as well as the two operating communities in which it sold its minority ownership interests.

In July 2014, the Company increased the ownership interest in two of these land sites to 50.1%. The remaining 49.9% continues to be held by our joint venture partner MetLife. The Company paid MetLife approximately $21.5 million for the additional ownership interests. As of September 30, 2014, the remaining assets in the UDR/MetLife I Joint Venture were comprised of five potential development land sites in which the Company has an average ownership interest of approximately 4%.

(b) The number of apartment homes for the communities under development presented in the table above is based on the projected number of total homes. As of September 30, 2014, no apartment homes had been completed in Other UDR/MetLife Development Joint Ventures.

As of September 30, 2014 and December 31, 2013, the Company had deferred fees and deferred profit from the sale of properties to joint ventures or partnerships of $27.1 million and $25.4 million, respectively, which will be recognized through earnings over the weighted average life of the related properties, upon the disposition of the properties to a third party, or upon completion of certain development obligations.

The Company recognized management fees for our management of the joint ventures and partnerships of $2.7 million and $8.3 million for the three and nine months ended September 30, 2014, respectively, and $2.8 million and $8.5 million during the three and nine months ended September 30, 2013, respectively, The management fees are included in Joint venture management and other fees on the Consolidated Statements of Operations.

The Company may, in the future, make additional capital contributions to certain of our joint ventures and partnerships should additional capital contributions be necessary to fund acquisitions or operations.

We evaluate our investments in unconsolidated joint ventures and partnerships when events or changes in circumstances indicate that there may be an other-than-temporary decline in value. We consider various factors to determine if a decrease in the value of the investment is other-than-temporary. The Company did not recognize any other-than-temporary decreases in the value of its investments in unconsolidated joint ventures or partnerships during the three and nine months ended September 30, 2014 and 2013.

Combined summary balance sheets relating to all of the unconsolidated joint ventures and partnerships (not just our proportionate share) are presented below as of September 30, 2014 and December 31, 2013 (dollars in thousands):

	September 30, 2014	December 31, 2013
Total real estate, net	$3,012,380	$3,124,178
Cash and cash equivalents	40,656	41,792
Other assets	37,903	32,234
Total assets	$3,090,939	$3,198,204
Amount due to UDR	$10,856	$12,187
Third party debt	1,659,316	1,722,960
Accounts payable and accrued liabilities	49,388	41,562
Total liabilities	1,719,560	1,776,709
Total equity	1,371,379	1,421,495
Total liabilities and equity	$3,090,939	$3,198,204
UDR’s investment in unconsolidated joint ventures	$650,441	$507,655

Combined summary financial information relating to all of the unconsolidated joint ventures' and partnerships' operations (not just our proportionate share), is presented below for the three and nine months ended September 30, 2014 and 2013 (dollars in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Total revenues	$63,449	$61,198	$187,340	$166,796
Property operating expenses	(24,769)	(24,509)	(74,324)	(64,532)
Real estate depreciation and amortization	(24,525)	(21,285)	(73,727)	(58,699)
Operating income/(loss)	14,155	15,404	39,289	43,565
Interest expense	(18,879)	(19,370)	(56,745)	(53,282)
Other income/(expense)	—	—	(190)	4
Gain/(loss) on sale of real estate	(113)	—	(25,492)	—
Income/(loss) from discontinued operations	—	(806)	14	(22,592)
Net income/(loss)	$(4,837)	$(4,772)	$(43,124)	$(32,305)
UDR income/(loss) from unconsolidated entities	$(939)	$(3,794)	$(4,932)	$(6,081)

UDR, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
SEPTEMBER 30, 2014

6. SECURED AND UNSECURED DEBT

The following is a summary of our secured and unsecured debt at September 30, 2014 and December 31, 2013 (dollars in thousands):

	Principal Outstanding		For the Nine Months Ended September 30, 2014			
	September 30, 2014	December 31, 2013	Weighted Average Interest Rate		Weighted Average Years to Maturity	Number of Communities Encumbered
Secured Debt:						
Fixed Rate Debt						
Mortgage notes payable (a)	$438,172	$445,706	5.47	%	1.8	8
Fannie Mae credit facilities (b)	623,754	626,667	4.99	%	4.3	22
Total fixed rate secured debt	1,061,926	1,072,373	5.19	%	3.2	30
Variable Rate Debt						
Mortgage notes payable	31,337	63,595	1.94	%	2.3	1
Tax-exempt secured notes payable (c)	94,700	94,700	0.77	%	8.4	2
Fannie Mae credit facilities (b)	211,409	211,409	1.58	%	5.8	7
Total variable rate secured debt	337,446	369,704	1.39	%	6.2	10
Total Secured Debt	1,399,372	1,442,077	4.27	%	4.0	40
Unsecured Debt:						
Commercial Banks						
Borrowings outstanding under an unsecured credit facility due December 2017 (d) (f)	160,000	—	1.10	%	3.2	
Senior Unsecured Notes						
3.70% Medium-Term Notes due October 2020 (net of discounts of $48 and $54, respectively) (f)	299,952	299,946	3.70	%	6.0	
4.63% Medium-Term Notes due January 2022 (net of discounts of $2,613 and $2,882, respectively) (f)	397,387	397,118	4.63	%	7.3	
3.75% Medium-Term Notes due July 2024 (net of discount of $1,017) (e) (f)	298,983	—	3.75	%	9.8	
1.30% Term Notes due June 2018 (f)	35,000	35,000	1.30	%	3.7	
1.53% Term Notes due June 2018 (f)	100,000	65,000	1.53	%	3.7	
5.13% Medium-Term Notes due January 2014	—	184,000	—	%	—	
5.50% Medium-Term Notes due April 2014 (net of discount of $20)	—	128,480	—	%	—	
5.25% Medium-Term Notes due January 2015 (net of discounts of $37 and $134, respectively)	325,138	325,041	5.25	%	0.3	
	83,260	83,260	5.25	%	1.3	

5.25% Medium-Term Notes due January 2016					
2.17% Term Notes due June 2018 (f)	215,000	250,000	2.17	%	3.7
8.50% Debentures due September 2024	15,644	15,644	8.50	%	10.0
4.25% Medium-Term Notes due June 2018 (net of discounts of $1,572 and $1,893, respectively) (f)	298,428	298,107	4.25	%	3.7
Other	28	30	N/A		N/A
Total Unsecured Debt	2,228,820	2,081,626	3.80	%	4.9
Total Debt	$3,628,192	$3,523,703	3.98	%	4.5

Our secured debt instruments generally feature either monthly interest and principal or monthly interest-only payments with balloon payments due at maturity. For purposes of classification of the above table, variable rate debt with a derivative financial instrument designated as a cash flow hedge is deemed as fixed rate debt due to the Company having effectively established a fixed interest rate for the underlying debt instrument. Secured debt encumbers $2.3 billion or 26.9% of UDR's total real estate owned based upon gross book value ($6.1 billion or 73.1% of UDR's real estate owned based on gross book value is unencumbered) as of September 30, 2014.

(a) At September 30, 2014, fixed rate mortgage notes payable are generally due in monthly installments of principal and interest and mature at various dates from December 2014 through May 2019 and carry interest rates ranging from 3.43% to 5.94%.

The Company will from time to time acquire properties subject to fixed rate debt instruments. In those situations, the Company records the secured debt at its estimated fair value and amortizes any difference between the fair value and par to interest expense over the life of the underlying debt instrument. The Company had a reduction to interest expense based on the amortization of the fair market adjustment of debt assumed in the acquisition of properties of $1.3 million and $3.8 million during the three and nine months ended September 30, 2014, respectively, and $1.3 million and $3.8 million during the three and nine months ended September 30, 2013, respectively. The unamortized fair market adjustment was a net premium of $8.0 million and $11.8 million at September 30, 2014 and December 31, 2013, respectively.

(b) UDR has three secured credit facilities with Fannie Mae with an aggregate commitment of $835.2 million at September 30, 2014. The Fannie Mae credit facilities are for terms of seven to ten years (maturing at various dates from May 2017 through July 2023) and bear interest at floating and fixed rates. At September 30, 2014, $623.8 million of the outstanding balance was fixed and had a weighted average interest rate of 4.99% and the remaining balance of $211.4 million had a weighted average variable interest rate of 1.58%.

Further information related to these credit facilities is as follows (dollars in thousands):

	September 30, 2014	December 31, 2013
Borrowings outstanding	$835,163	$838,076
Weighted average borrowings during the period ended	836,305	839,597
Maximum daily borrowings during the period ended	837,564	841,494
Weighted average interest rate during the period ended	4.1 %	4.2 %
Weighted average interest rate at the end of the period	4.1 %	4.1 %

(c) The variable rate mortgage notes payable that secure tax-exempt housing bond issues mature in August 2019 and March 2032. Interest on these notes is payable in monthly installments. The variable rate mortgage notes have interest rates of 0.74% and 0.79% as of September 30, 2014.

(d) As of September 30, 2014, the Company has a $900 million unsecured revolving credit facility that matures in December 2017. The credit facility has a six month extension option and contains an accordion feature that allows us to increase the facility to $1.45 billion. Based on the Company's current credit rating, the credit facility carries an interest rate equal to LIBOR plus a spread of 100 basis points and a facility fee of 15 basis points.

The following is a summary of short-term bank borrowings under UDR's bank credit facility at September 30, 2014 and December 31, 2013 (dollars in thousands):

	September 30, 2014		December 31, 2013	
Total revolving credit facility	$900,000		$900,000	
Borrowings outstanding at end of period (1)	160,000		—	
Weighted average daily borrowings during the period ended	321,821		169,844	
Maximum daily borrowings during the period ended	625,000		372,000	
Weighted average interest rate during the period ended	1.2	%	1.2	%
Interest rate at end of the period	1.1	%	1.3	%

(1) Excludes $2.2 million of letters of credit at September 30, 2014 and December 31, 2013.

(e) On June 26, 2014, the Company issued $300 million of 3.750% senior unsecured medium-term notes due July 1, 2024. Interest is payable semi-annually beginning on January 1, 2015. The notes were priced at 99.652% of the principal amount at issuance and had a discount of $1.0 million at September 30, 2014. The Company used the net proceeds to pay down borrowings outstanding on our $900 million unsecured credit facility and for general corporate purposes. The notes are fully and unconditionally guaranteed by the Operating Partnership.

(f) The Operating Partnership is a guarantor at September 30, 2014 and December 31, 2013.

The aggregate maturities, including amortizing principal payments of unsecured and secured debt, of total debt for the next five calendar years subsequent to September 30, 2014 are as follows (dollars in thousands):

Year	Total Fixed Secured Debt	Total Variable Secured Debt	Total Secured Debt	Total Unsecured Debt (a)	Total Debt
2014	$37,835	$—	$37,835	$—	$37,835
2015	197,359	—	197,359	323,874	521,233
2016	136,434	31,337	167,771	82,417	250,188
2017	177,955	65,000	242,955	160,000	402,955
2018	176,472	50,000	226,472	648,510	874,982
Thereafter	335,871	191,109	526,980	1,014,019	1,540,999
Total	$1,061,926	$337,446	$1,399,372	$2,228,820	$3,628,192

(a) With the exception of the 1.30% Term Notes due June 2018 and the revolving credit facility which carry a variable interest rate, all unsecured debt carries fixed interest rates.
We were in compliance with the covenants of our debt instruments at September 30, 2014.

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UDR, INC.
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7. INCOME/(LOSS) PER SHARE
The following table sets forth the computation of basic and diluted income/(loss) per share for the periods presented (dollars and shares in thousands, except per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Numerator for income/(loss) per share:				
Income/(loss) from continuing operations	$10,611	$2,351	$9,775	$5,713
Gain/(loss) on sale of real estate owned, net of tax	31,302	—	82,305	—
(Income)/loss from continuing operations attributable to redeemable noncontrolling interests in the Operating Partnership	(1,441)	(52)	(3,167)	(106)
(Income)/loss from continuing operations attributable to noncontrolling interests	4	37	(2)	30
Income/(loss) from continuing operations attributable to UDR, Inc.	40,476	2,336	88,911	5,637
Distributions to preferred stockholders - Series E (Convertible)	(931)	(931)	(2,793)	(2,793)
Income/(loss) from continuing operations attributable to common stockholders	$39,545	$1,405	$86,118	$2,844
Income/(loss) from discontinued operations, net of tax	$79	$884	$10	$2,567
(Income)/loss from discontinued operations attributable to redeemable noncontrolling interests in the Operating Partnership	(6)	(32)	(4)	(92)
Income/(loss) from discontinued operations attributable to common stockholders	$73	$852	$6	$2,475
Net income/(loss) attributable to common stockholders	$39,618	$2,257	$86,124	$5,319
Denominator for income/(loss) per share:				
Weighted average common shares outstanding	252,891	250,744	251,860	250,663
Non-vested restricted stock awards	(1,236)	(759)	(1,159)	(701)
Denominator for basic income/(loss) per share	251,655	249,985	250,701	249,962
Incremental shares issuable from assumed conversion of stock options and unvested restricted stock	2,077	1,469	1,974	1,477
Denominator for diluted income/(loss) per share	253,732	251,454	252,675	251,439
Income/(loss) per weighted average common share-basic:				
Income/(loss) from continuing operations attributable to common stockholders	$0.16	$0.01	$0.34	$0.01
Income/(loss) from discontinued operations attributable to common stockholders	0.00	0.00	0.00	0.01
Net income/(loss) attributable to common stockholders	$0.16	$0.01	$0.34	$0.02

Income/(loss) per weighted average common share-diluted:				
Income/(loss) from continuing operations attributable to common stockholders	$0.16	$0.01	$0.34	$0.01
Income/(loss) from discontinued operations attributable to common stockholders	0.00	0.00	0.00	0.01
Net income/(loss) attributable to common stockholders	$0.16	$0.01	$0.34	$0.02

Basic income/(loss) per common share is computed based upon the weighted average number of common shares outstanding. Diluted income/(loss) per share is computed based upon the weighted average number of common shares outstanding plus the common shares issuable from the assumed conversion of the OP Units, convertible preferred stock, stock options, and restricted stock. Only those instruments having a dilutive impact on our basic income/(loss) per share are included in diluted income/(loss) per share during the periods.

The following table sets forth the additional shares of common stock outstanding by equity instrument if converted to common stock for each of the three and nine months ended September 30, 2014 and 2013 (shares in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
OP Units	9,189	9,323	9,274	9,343
Preferred stock	3,036	3,036	3,036	3,036
Stock options and unvested restricted stock	2,077	1,469	1,974	1,477

8. NONCONTROLLING INTERESTS

Redeemable Noncontrolling Interests in the Operating Partnership

Interests in the Operating Partnership held by limited partners are represented by OP Units. The income is allocated to holders of OP Units based upon net income attributable to common stockholders and the weighted average number of OP Units outstanding to total common shares plus OP Units outstanding during the period. Capital contributions, distributions, and profits and losses are allocated to noncontrolling interests in accordance with the terms of the individual partnership agreements.

Limited partners have the right to require the Operating Partnership to redeem all or a portion of the OP Units held by the limited partners at a redemption price equal to and in the form of the Cash Amount as defined in the Amended and Restated Agreement of Limited Partnership of the Operating Partnership (the "Operating Partnership Agreement"), provided that such OP Units have been outstanding for at least one year. UDR, as the general partner of the Operating Partnership may, in its sole discretion, purchase the OP Units by paying to the limited partner either the Cash Amount or the REIT Share Amount (generally one share of common stock of the Company for each OP Unit), as defined in the Operating Partnership Agreement. Accordingly, the Company records the OP Units outside of permanent equity and reports the OP Units at their redemption value using the Company's stock price at each balance sheet date.

The following table sets forth redeemable noncontrolling interests in the Operating Partnership for the following period (dollars in thousands):

Redeemable noncontrolling interests in the Operating Partnership, December 31, 2013	$217,597	
Mark-to-market adjustment to redeemable noncontrolling interests in the Operating Partnership	40,771	
Conversion of OP Units to Common Stock	(4,318	)
Net income/(loss) attributable to redeemable noncontrolling interests in the Operating Partnership	3,171	