UDR, Inc.
Form 10-K
February 25, 2010

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

Form 10-K

þ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2009
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.
(Exact name of registrant as specified in its charter)

Maryland	**54-0857512**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

1745 Shea Center Drive, Suite 200, Highlands Ranch, Colorado 80129
(Address of principal executive offices) (zip code)

Registrant s telephone number, including area code: (720) 283-6120

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, $0.01 par value	New York Stock Exchange
6.75% Series G Cumulative Redeemable Preferred Stock	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by checkmark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes þ No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No þ

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 þ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, 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). Yes o No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. 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):

Large accelerated filer þ	Accelerated filer o	Non-accelerated filer o (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). Yes o No þ

The aggregate market value of the shares of common stock held by non-affiliates on June 30, 2009 was approximately $936.4 million. This calculation excludes shares of common stock held by the registrant s officers and directors and each person known by the registrant to beneficially own more than 5% of the registrant s outstanding shares, as such persons may be deemed to be affiliates. This determination of affiliate status should not be deemed conclusive for any other purpose. As of February 19, 2010 there were 156,058,930 shares of the registrant s common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

The information required by Part III of this Report, to the extent not set forth herein, is incorporated by reference from the registrant s definitive proxy statement for the Annual Meeting of Stockholders to be held on May 14, 2010.

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PART I

Item 1. BUSINESS

General

UDR, Inc. is a self administered real estate investment trust, or REIT, that owns, acquires, renovates, develops, and manages apartment communities nationwide. At December 31, 2009, our consolidated apartment portfolio included 165 communities located in 23 markets, with a total of 45,913 completed apartment homes. In addition, we have an ownership interest in 3,992 apartment homes through our unconsolidated joint ventures.

We have elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended, which we refer to in this Report as the Code . To continue to qualify as a REIT, we must continue to meet certain tests which, among other things, generally require that our assets consist primarily of real estate assets, our income be derived primarily from real estate assets, and that we distribute at least 90% of our REIT taxable income (other than our net capital gains) to our stockholders annually. As a qualified REIT, we generally will not be subject to U.S. federal income taxes at the corporate level on our net income to the extent we distribute such net income to our stockholders annually. In 2009, we declared total distributions of $0.845 per common share. Dividends paid in 2009 include a special dividend of $0.96 per common share that was declared in the fourth quarter of 2008 and paid to our common stockholders in the first quarter of 2009. Beginning with the dividend declared in the second quarter of 2009, we reduced the regularly declared quarterly dividend on our common stock to $0.18 per share in order to increase our retained capital.

	Dividends Declared in 2009		Dividends Paid in 2009	
First Quarter	$	0.305	$	1.290
Second Quarter		0.180		0.305
Third Quarter		0.180		0.180
Fourth Quarter		0.180		0.180
Total	$	0.845	$	1.955

We were formed in 1972 as a Virginia corporation. In June 2003, we changed our state of incorporation from Virginia to Maryland. Our corporate offices are located at 1745 Shea Center Drive, Suite 200, Highlands Ranch, Colorado. As of February 12, 2010, we had 1,280 full-time employees and 83 part-time employees.

Our subsidiaries include two operating partnerships, Heritage Communities L.P., a Delaware limited partnership, and United Dominion Realty L.P., a Delaware limited partnership, and RE3, our subsidiary that focuses on development, land entitlement and short-term hold investments. Unless the context otherwise requires, all references in this Report to we, us, our, the Company, or UDR refer collectively to UDR, Inc. its subsidiaries, and its consolidated joint ventures.

Business Objectives

Our principal business objective is to maximize the economic returns of our apartment communities to provide our stockholders with the greatest possible total return and value. To achieve this objective, we intend to continue to pursue the following goals and strategies:

- own and operate apartments in markets that have the best growth prospects based on favorable job formation and low home affordability, thus enhancing stability and predictability of returns to our stockholders;
- manage real estate cycles by taking an opportunistic approach to buying, selling, renovating, and building apartment communities;
- empower site associates to manage our communities efficiently and effectively;
- measure and reward associates based on specific performance targets; and
- manage our capital structure to help enhance predictability of earnings and dividends.

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2009 Accomplishments

Repaid $159.6 million of secured debt and $658.2 million of unsecured debt (represents the notional amount of debt repaid and excludes the gain on extinguishment). The $658.2 million of unsecured debt includes the prepayment of our $240 million term loan, $141.9 million for maturing medium-term notes and $276.3 million for the repurchase of unsecured debt. The unsecured debt repurchases includes the tender offer of $37.5 million in aggregate principle amount of our 8.50%, debentures due September 15, 2024 for $41.2 million of cash.

We repurchased unsecured debt with a notional amount of $238.9 million for $222.3 million, which is included in the $658.2 million above, resulting in a gain on extinguishment of $9.8 million, net of deferred finance charges. The unsecured debt repurchased by the Company matured in 2009, 2011, 2013, 2024 and 2035.

We closed on a $200 million secured credit facility. At December 31, 2009, $106.9 million of the amount drawn under the facility matures October 2019 and carries a fixed rate of 5.38% and $88.9 million of the amount drawn under the facility matures December 2019 and carries a fixed interest rate of 5.16%. The Company has one year from September 11, 2009 to draw on the remaining $4.2 million of capacity.

Initiated an At the Market equity distribution program pursuant to which we may sell up to 15 million shares of common stock from time to time to or through sales agents, by means of ordinary brokers transactions on the New York Stock Exchange at prevailing market prices at the time of sale, or as otherwise agreed with the applicable agent. As of December 31, 2009, the Company sold 4,460,032 shares of common stock under the program at an average price per share of $15.48, for aggregate gross proceeds of approximately $69.1 million. Aggregate net proceeds from such sales, after deducting commissions paid to the sales agents of approximately $1.4 million and related issuance costs of approximately $500,000, were approximately $67.2 million.

We established a joint venture with Kuwait Finance House for the investment of up to $450.0 million in multifamily properties located in key, high barrier to entry markets.

We acquired a newly constructed community with 289 units located in Dallas, Texas for approximately $28.5 million.

We completed development on three wholly-owned communities with 831 apartment homes at a total cost of $119.5 million.

UDR s Strategies and Vision

UDR previously announced its vision to be the innovative multifamily public real estate investment of choice. We identified the following strategies to guide decision-making and growth:

1. Strengthen our portfolio

2. Continually improve operations

3. Maintain access to low-cost capital

Strengthen our Portfolio

UDR is focused on increasing its presence in markets with favorable job formation, low single-family home affordability, and a favorable demand/supply ratio for multifamily housing. Portfolio decisions consider third-party research, taking into account job growth, multifamily permitting and housing affordability.

In 2008, UDR sold a portfolio of properties in 86 communities for total consideration of approximately $1.7 billion. This portfolio sale dramatically accelerated our transformation to focus on markets that have the best growth prospects based on favorable job formation and low single-family home affordability. At

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December 31, 2009, approximately 56.8% of the Company s same store net operating income was provided by our communities located in California, Metropolitan Washington, D.C., Oregon and Washington State.

Acquisitions and Dispositions

During 2009, in conjunction with our strategy to strengthen our portfolio, UDR acquired a new constructed community with 289 apartment homes for approximately $28.5 million. UDR targets apartment community acquisitions in markets where job growth expectations are favorable, single-family home affordability is low, and the demand/supply ratio for multi-family housing is favorable.

When evaluating potential acquisitions, we consider:

- population growth, cost of alternative housing, overall potential for economic growth and the tax and regulatory environment of the community in which the property is located;
- geographic location, including proximity to jobs, entertainment, transportation, and our existing communities which can deliver significant economies of scale;
- construction quality, condition and design of the community;
- current and projected cash flow of the property and the ability to increase cash flow;
- potential for capital appreciation of the property;
- ability to increase the value and profitability of the property through upgrades and repositioning;
- terms of resident leases, including the potential for rent increases;
- occupancy and demand by residents for properties of a similar type in the vicinity;
- prospects for liquidity through sale, financing, or refinancing of the property; and
- competition from existing multifamily communities and the potential for the construction of new multifamily properties in the area.

We regularly monitor our assets to increase the quality and performance of our portfolio. Factors we consider in deciding whether to dispose of a property include:

- current market price for an asset compared to projected economics for that asset;
- potential increases in new construction in the market area;
- areas where the economy is not expected to grow substantially; and
- markets where we do not intend to establish long-term concentration.

We did not have any dispositions of properties in 2009.

The following table summarizes our apartment community acquisitions, apartment community dispositions, and our year-end ownership position for the past five years (*dollars in thousands*):

	2009	2008	2007	2006	2005
Homes acquired	**289**	4,558	2,671	2,763	2,561
Homes disposed		25,684	7,125	7,653	6,352
Homes owned at December 31	**45,913**	44,388	65,867	70,339	74,875
Total real estate owned, at cost	**$ 6,315,047**	$ 5,831,753	$ 5,956,481	$ 5,820,122	$ 5,512,424

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Development Activities

The following wholly owned projects were under development as of December 31, 2009:

	Number of Apartment Homes	Completed Apartment Homes	Cost to Date (In thousands)	Budgeted Cost (In thousands)	Estimated Cost Per Home	Expected Completion Date
Tribute Raleigh, NC	359		$ 42,644	$ 46,500	$ 129,526	1Q10
Belmont Dallas, TX	465	176	62,516	62,900	135,269	2Q10
Vitruvian Park Addison, TX	392		59,432	66,500	169,643	3Q10
Signal Hill Woodbridge, VA	360		52,323	82,700	229,722	3Q10
	1,576	176	$ 216,915	$ 258,600	$ 164,086	

Redevelopment Activities

During 2009, we continued to reposition properties in targeted markets where we concluded there was an opportunity to add value. During the year ended December 31, 2009, we incurred $33.5 million in major renovations, which include major structural changes and/or architectural revisions to existing buildings.

Joint Venture Activities

The Company has an interest in a consolidated joint venture, which has the following project under development as of December 31, 2009 (amounts are based on 100% ownership interest):

	Number of Apartment Homes	Completed Apartment Homes	Cost to Date(a) (In thousands)	Budgeted Cost (In thousands)	Estimated Cost Per Home	Expected Completion Date
Elements Too Bellevue, WA	274	259	$ 120,057	$ 123,000	$ 369,343	1Q10

(a) This represents cost incurred to date and does not include fair value and other-than-temporary decline in value adjustments.

On October 16, 2009, our partner in the joint venture, noted in the table above, resigned as managing member and appointed UDR as managing member. In addition, our partner relinquished its voting rights and approval rights and its ability to substantively participate in the decision-making process of the joint venture. As a result of UDR s control of the joint venture, the Company is required to consolidate the joint venture. On December 30, 2009, UDR entered into an agreement with our partner to purchase its 49% interest in Elements Too for $3.2 million (outstanding at December 31, 2009). Upon the closing of the agreement, the Company s equity interest in Elements Too will be 98%.

UDR is a partner with an unaffiliated third party in a joint venture (989 Elements) which owns and operates a 23-story, 166 home high-rise apartment community in the central business district of Bellevue, Washington. At closing, UDR owned 49% of the joint venture. Our initial investment was $11.8 million. On December 30, 2009, UDR entered into an agreement with our partner to purchase its 49% interest in 989 Elements for $7.8 million (outstanding at December 31, 2009). Concurrently, our partner resigned as managing member and appointed UDR as managing member. In addition, our partner relinquished its voting rights and approval rights and its ability to substantively participate in the decision-making process of the joint venture. At closing, the Company s equity interest in 989 Elements will increase to 98%.

UDR is a partner with an unaffiliated third party in a joint venture (Bellevue Plaza) which owns an operating retail site in Bellevue, Washington. The Company initially planned to develop a 430 home high rise apartment building with ground floor retail on an existing operating retail center. However, during the year ended December 31, 2009, the joint venture decided to continue to operate the retail property as opposed to developing a high rise apartment building on the site. On December 30, 2009, UDR entered into an agreement with our partner to purchase its 49% interest in Bellevue Plaza for $5.2 million (outstanding at December 31, 2009). In addition, our partner resigned as managing member and appointed UDR as managing member. Concurrent with its resignation, our partner relinquished its voting rights and approval rights and its ability to substantively participate in the decision-making process of the joint venture. At closing, the Company s equity interest in Bellevue Plaza will increase from 49% to 98%.

For additional information regarding these consolidated joint ventures, see Note 4 Joint Ventures to the Consolidated Financial Statements included in this Report.

During 2009, the Company established a joint venture with Kuwait Finance House for the investment of up to $450.0 million in multifamily properties located in key, high barrier to entry markets. The partners will contribute equity of $180.0 million of which the Company s maximum equity contribution will be 30% or $54.0 million when fully invested. At closing, we owned 30% of the joint venture. Our investment at December 31, 2009 was $242,000. At December 31, 2009, the joint venture did not own any multi-family properties. The joint venture intends to be fully invested over a two year investment period, and the Company will receive asset and property management fees from the jont venture.

Continually Improve Operations

The Company continues to make progress on automating its business as a way to drive operating efficiencies and to better meet the changing needs of our residents. Since its launch in January 2009, UDR residents have been utilizing the resident internet portal on our website. UDR s residents have access to conduct business with us 24 hours a day, 7 days a week to pay rent on line and to submit service requests. As a result of transforming operations through technology our residents get the convenience they want and our operating teams have become more efficient. These improvements in adopting the web as a way to conduct business with the Company have also resulted in a decline in marketing and advertising costs and improved cash management.

During 2009, UDR continually enhanced *www.udr.com* and individual community websites through deploying an innovative customized room painter selection program, apartment floor selector application, and updating the websites source code to make the webpages load faster. In addition to improvements to UDR.com, we also added an augmented reality apartment search application, an iPhone apartment search application and soon to be released Android, BlackBerry and Palm Pre apartment search applications. These enhancements have increased overall web visitor traffic to over 1.9 million visitors and almost 1.2 million organic search engine visitors which contributed to a 78% year-over-year lead stream increase.

Maintaining Access to Low-Cost Capital

We seek to maintain a capital structure that allows us to seek, and not just react to, opportunities available in the marketplace. We have structured our borrowings to stagger our debt maturities and to be able to opportunistically access both secured and unsecured debt.

Special Dividend

On November 5, 2008, our Board of Directors declared a dividend on a pre-adjusted basis of $1.29 per share (the Special Dividend). The Special Dividend was paid on January 29, 2009 to stockholders of record on December 9, 2008. The dividend represented the Company s fourth quarter recurring distribution of $0.33 per share and an additional special distribution of $0.96 per share due to taxable income arising from our dispositions occurring during the year. Subject to the Company s right to pay the entire Special Dividend in cash, stockholders had the option to make an election to receive payment in cash or in shares, however, the aggregate amount of cash payable to stockholders, other than cash payable in lieu of fractional shares, would not be less than $44.0 million.

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The Special Dividend, totaling $177.1 million, was paid on 137,266,557 shares issued and outstanding on the record date. Approximately $133.1 million of the Special Dividend was paid through the issuance of 11,358,042 shares of common stock, which was determined based on the volume weighted average closing sales price of our common stock of $11.71 per share on the NYSE on January 21, 2009 and January 22, 2009. In January 2010, the Financial Accounting Standards Board s (FASB) issued Accounting Standards Update 2010-01, *Accounting for Distributions to Shareholders with Components of Stock and Cash* (ASU 2010-01), which considers distributions that contain components of cash and stock and allows shareholders to select their preferred form of distribution as a stock dividend. Such a distribution is treated as a stock issuance on the date the dividend is paid. At December 31, 2008, the Company accrued $133.1 million of distribution payable related to the Special Dividend. ASU 2010-01 is effective for the Company on December 15, 2009 and should be applied on a retrospective basis. As a result, the Company reversed the effect of the issuance of additional shares of common stock pursuant to the Special Dividend, which was retroactively reflected in each of the historical periods presented within the Company s Form 8-K filed with the Securities and Exchange Commission, or the SEC on May 22, 2009, and effectively issued these shares on January 29, 2009 (the payment date of the Special Dividend).

Financing Activities

As part of our plan to strengthen our capital structure, we utilized proceeds from debt and equity offerings and refinancings to extend maturities, pay down existing debt, and acquire apartment communities. The following is a summary of our major financing activities in 2009:

Repaid $159.6 million of secured debt and $658.2 million of unsecured debt (represents the notional amount of debt repaid and excludes the gain on extinguishment). The $658.2 million of unsecured debt includes the prepayment of our $240 million term loan, $141.9 million for maturing medium-term notes and $276.3 million for the repurchase of unsecured debt. The unsecured debt repurchases includes the tender offer of $37.5 million in aggregate principle amount of our 8.50% debentures due September 15, 2024 for $41.2 million of cash.

Repurchased unsecured debt with a notional amount of $238.9 million for $222.3 million, which is included in the $658.2 million above, resulting in a gain on extinguishment of $9.8 million, net of deferred finance charges. The unsecured debt repurchased by the Company matured in 2009, 2011, 2013, 2024 and 2035.

Closed on a $200 million secured credit facility. At December 31, 2009, $106.9 million of the amount drawn under the facility matures October 2019 and carries a fixed rate of 5.38% and $88.9 million of the amount drawn under the facility matures December 2019 and carries a fixed interest rate of 5.16%. The Company has one year from September 11, 2009 to draw on the remaining $4.2 million of capacity.

Repurchased 997,738 shares of our 6.75% Series G Cumulative Redeemable Preferred Stock for $21.5 million, less than their liquidation value of $24.9 million.

Initiated an At the Market equity distribution program pursuant to which we may sell up to 15 million shares of common stock from time to time to or through sales agents, by means of ordinary brokers transactions on the New York Stock Exchange at prevailing market prices at the time of sale, or as otherwise agreed with the applicable agent. As of December 31, 2009, the Company sold 4,460,032 shares of common stock under the program at an average price per share of $15.48, resulting in gross proceeds of approximately $69.1 million. Aggregate net proceeds from such sales, after deducting commissions paid to the sales agents of approximately $1.4 million and related issuance costs of approximately $500,000, were approximately $67.2 million.

Markets and Competitive Conditions

At December 31, 2009, 56.8% of the Company s same store net operating income was generated from apartment homes located in California, Metropolitan Washington D.C., Oregon, and Washington State. We

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believe that this diversification increases investment opportunity and decreases the risk associated with cyclical local real estate markets and economies, thereby increasing the stability and predictability of our earnings.

Competition for new residents is generally intense across all of our markets. Some competing communities offer features that our communities do not have. Competing communities can use concessions or lower rents to obtain temporary competitive advantages. Also, some competing communities are larger or newer than our communities. The competitive position of each community is different depending upon many factors including sub-market supply and demand. In addition, other real estate investors compete with us to acquire existing properties and to develop new properties. These competitors include insurance companies, pension and investment funds, public and private real estate companies, investment companies and other public and private apartment REITs, some of which may have greater resources, or lower capital costs, than we do.

We believe that, in general, we are well-positioned to compete effectively for residents and investments. We believe our competitive advantages include:

- a fully integrated organization with property management, development, redevelopment, acquisition, marketing, sales and financing expertise;
- scalable operating and support systems, which include automated systems to meet the changing electronic needs of our residents and to effectively focus on our Internet marketing efforts;
- purchasing power;
- geographic diversification with a presence in 23 markets across the country; and
- significant presence in many of our major markets that allows us to be a local operating expert.

Moving forward, we will continue to emphasize aggressive lease management, improved expense control, increased resident retention efforts and the alignment of employee incentive plans tied to our bottom line performance. We believe this plan of operation, coupled with the portfolio s strengths in targeting renters across a geographically diverse platform, should position us for continued operational improvement in spite of the difficult economic environment.

Communities

At December 31, 2009, our apartment portfolio included 165 consolidated communities having a total of 45,913 completed apartment homes and an additional 1,415 under development. The overall quality of our portfolio enables us to raise rents and to attract residents with higher levels of disposable income who are more likely to accept the transfer of expenses, such as water and sewer costs, from the landlord to the resident. In addition, it potentially reduces recurring capital expenditures per apartment home, and therefore should result in increased cash flow in the future.

Same Community Comparison

We believe that one pertinent qualitative measurement of the performance of our portfolio is tracking the results of our same store community s net operating income (NOI), which is total rental revenue, less rental expenses excluding property management and other operating expenses. Our same store population are operating communities which we own and have stabilized occupancy, revenues and expenses as of the beginning of the prior year. For the year ended December 31, 2009, our same store NOI decreased by $6.6 million or 2.2% compared to the prior year. The decrease in NOI for the 33,166 apartment homes which make up the same store population was driven by a decrease in revenue rental rates which was partially offset by increased occupancy and a decrease in expenses.

Revenue growth in 2010 may be impacted by general adverse conditions affecting the economy, reduced occupancy rates, increased rental concessions, increased bad debt and other factors which may adversely impact our ability to increase rents.

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Tax Matters

We have elected to be taxed as a REIT under the Code. To continue to qualify as a REIT, we must continue to meet certain tests that, among other things, generally require that our assets consist primarily of real estate assets, our income be derived primarily from real estate assets, and that we distribute at least 90% of our REIT taxable income (other than net capital gains) to our stockholders annually. Provided we maintain our qualification as a REIT, we generally will not be subject to U.S. federal income taxes at the corporate level on our net income to the extent such net income is distributed to our stockholders annually. 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 utilize taxable REIT subsidiaries to engage in activities that REITs may be prohibited from performing, including the provision of management and other services to third parties and the conduct of certain nonqualifying real estate transactions. Taxable REIT subsidiaries generally are taxable as regular corporations and therefore are subject to federal, state and local income taxes.

Inflation

We believe that the direct effects of inflation on our operations have been immaterial. While the impact of 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 any inflationary effects by increasing rents on our apartment homes. Although an extreme escalation in energy and food costs could have a negative impact on our residents and their ability to absorb rent increases, we do not believe this has had a material impact on our results for the year ended December 31, 2009.

Environmental Matters

Various environmental laws govern certain aspects of the ongoing operation of our communities. Such environmental laws include those regulating the existence of asbestos-containing materials in buildings, management of surfaces with lead-based paint (and notices to residents about the lead-based paint), use of active underground petroleum storage tanks, and waste-management activities. The failure to comply with such requirements could subject us to a government enforcement action and/or claims for damages by a private party.

To date, compliance with federal, state and local environmental protection regulations has not had a material effect on our capital expenditures, earnings or competitive position. We have a property management plan for hazardous materials. As part of the plan, Phase I environmental site investigations and reports have been completed for each property we acquire. In addition, all proposed acquisitions are inspected prior to acquisition. The inspections are conducted by qualified environmental consultants, and we review the issued report prior to the purchase or development of any property. Nevertheless, it is possible that our environmental assessments will not reveal all environmental liabilities, or that some material environmental liabilities exist of which we are unaware. In some cases, we have abandoned otherwise economically attractive acquisitions because the costs of removal or control of hazardous materials have been prohibitive or we have been unwilling to accept the potential risks involved. We do not believe we will be required to engage in any large-scale abatement at any of our properties. We believe that through professional environmental inspections and testing for asbestos, lead paint and other hazardous materials, coupled with a relatively conservative posture toward accepting known environmental risk, we can minimize our exposure to potential liability associated with environmental hazards.

Federal legislation requires owners and landlords of residential housing constructed prior to 1978 to disclose to potential residents or purchasers of the communities any known lead paint hazards and imposes treble damages for failure to provide such notification. In addition, lead based paint in any of the communities may result in lead poisoning in children residing in that community if chips or particles of such lead based paint are ingested, and we may be held liable under state laws for any such injuries caused by ingestion of lead based paint by children living at the communities.

We are unaware of any environmental hazards at any of our properties that individually or in the aggregate may have a material adverse impact on our operations or financial position. We have not been notified by any governmental authority, and we are not otherwise aware, of any material non-compliance, liability, or claim relating to environmental liabilities in connection with any of our properties. We do not believe that the cost of continued compliance with applicable environmental laws and regulations will have a material adverse effect on us or our financial condition or results of operations. Future environmental laws, regulations, or ordinances, however, may require additional remediation of existing conditions th