UDR, Inc.
Form 10-Q
August 03, 2010

Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
FORM 10-Q

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

For the quarterly period ended June 30, 2010

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 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. Yes þ 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). Yes þ 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 definition 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 number of shares of the issuer s common stock, $0.01 par value, outstanding as of July 30, 2010, was 163,386,174.

UDR, Inc.
INDEX

	PAGE
PART I FINANCIAL INFORMATION	
Item 1. Condensed Consolidated Financial Statements	
Consolidated Balance Sheets as of June 30, 2010 (unaudited) and December 31, 2009 (audited)	3
Consolidated Statements of Operations for the three and six months ended June 30, 2010 and 2009 (unaudited)	4
Consolidated Statements of Cash Flows for the six months ended June 30, 2010 and 2009 (unaudited)	5
Consolidated Statements of Stockholders Equity and Comprehensive Income/(Loss) for the six months ended June 30, 2010 (unaudited)	6
Notes to Consolidated Financial Statements (unaudited)	7
Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations	28
Item 3. Quantitative and Qualitative Disclosures About Market Risk	42
Item 4. Controls and Procedures	42
PART II OTHER INFORMATION	
Item 1. Legal Proceedings	42
Item 1A. Risk Factors	42
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	53
Item 3. Defaults Upon Senior Securities	54
Item 4. (Removed and Reserved)	54
Item 5. Other Information	54
Item 6. Exhibits	54
Signatures	55

Exhibit 12
Exhibit 31.1
Exhibit 31.2
Exhibit 32.1
Exhibit 32.2
EX-101 INSTANCE DOCUMENT

EX-101 SCHEMA DOCUMENT
EX-101 CALCULATION LINKBASE DOCUMENT
EX-101 LABELS LINKBASE DOCUMENT
EX-101 PRESENTATION LINKBASE DOCUMENT
EX-101 DEFINITION LINKBASE DOCUMENT

Table of Contents

PART I- FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

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

	June 30, 2010 (unaudited)	December 31, 2009 (audited)
ASSETS		
Real estate owned:		
Real estate held for investment	**$ 6,251,365**	$ 5,995,290
Less: accumulated depreciation	**(1,488,706)**	(1,350,067)
Real estate held for investment, net	**4,762,659**	4,645,223
Real estate under development (net of accumulated depreciation of $758 and $1,226)	**153,208**	318,531
Total real estate owned, net of accumulated depreciation	**4,915,867**	4,963,754
Cash and cash equivalents	**8,074**	5,985
Marketable securities	**37,878**	37,650
Restricted cash	**9,744**	8,879
Deferred financing costs, net	**25,508**	26,601
Notes receivable	**7,800**	7,800
Investment in unconsolidated joint ventures	**17,477**	14,126
Other assets	**57,021**	67,822
Total assets	**$ 5,079,369**	$ 5,132,617
LIABILITIES AND STOCKHOLDERS EQUITY		
Secured debt	**$ 1,957,406**	$ 1,989,434
Unsecured debt	**1,454,252**	1,437,155
Real estate taxes payable	**15,215**	16,976
Accrued interest payable	**20,002**	19,146
Security deposits and prepaid rent	**24,920**	31,798
Distributions payable	**32,291**	30,857
Deferred gains on the sale of depreciable property	**28,836**	28,826
Accounts payable, accrued expenses, and other liabilities	**59,585**	80,685
Total liabilities	**3,592,507**	3,634,877
Redeemable non-controlling interests in operating partnership	**113,752**	98,758
Stockholders equity		
Preferred stock, no par value; 50,000,000 shares authorized	**46,571**	46,571

2,803,812 shares of 8.00% Series E Cumulative Convertible issued and outstanding (2,803,812 shares at December 31, 2009)		
3,405,562 shares of 6.75% Series G Cumulative Redeemable issued and outstanding (3,432,962 shares at December 31, 2009)	**85,139**	85,824
Common stock, $0.01 par value; 250,000,000 shares authorized 163,040,383 shares issued and outstanding (155,465,482 shares at December 31, 2009)	**1,630**	1,555
Additional paid-in capital	**2,061,811**	1,948,669
Distributions in excess of net income	**(822,057)**	(687,180)
Accumulated other comprehensive (loss)/income, net	**(3,605)**	2
Total UDR, Inc. stockholders equity	**1,369,489**	1,395,441
Non-controlling interest	**3,621**	3,541
Total equity	**1,373,110**	1,398,982
Total liabilities and stockholders equity	**$ 5,079,369**	$ 5,132,617

See accompanying notes to consolidated financial statements

Table of Contents

UDR, Inc.
Consolidated Statements of Operations
(In thousands, except per share data)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
REVENUES				
Rental income	$ 153,921	$ 151,844	$ 305,550	$ 302,459
Non-property income:				
Other income	2,056	3,958	5,376	8,982
Total Revenues	155,977	155,802	310,926	311,441
EXPENSES				
Rental expenses:				
Real estate taxes and insurance	19,115	18,843	38,716	38,863
Personnel	14,086	12,782	27,619	25,415
Utilities	7,951	7,350	16,661	15,717
Repair and maintenance	8,516	7,899	16,428	15,108
Administrative and marketing	3,999	3,584	7,849	6,917
Property management	4,233	4,176	8,403	8,318
Other operating expenses	1,457	2,010	2,942	3,664
Real estate depreciation and amortization	73,726	69,067	145,933	138,052
Interest				
Expense incurred	35,987	35,376	71,886	71,885
Net loss/(gain) on debt extinguishment	1,030	(2,736)	1,030	(9,849)
Amortization of convertible debt premium	928	1,053	1,895	2,349
Storm related expenses	721		721	
General and administrative	9,491	8,905	19,066	18,602
Other depreciation and amortization	1,308	1,478	2,531	2,872
Total Expenses	182,548	169,787	361,680	337,913
Loss from operations	(26,571)	(13,985)	(50,754)	(26,472)
Loss from unconsolidated entities	(1,185)	(728)	(1,922)	(1,445)
Tax expense for taxable REIT subsidiary	(81)		(146)	(51)
Loss from continuing operations	(27,837)	(14,713)	(52,822)	(27,968)
Income from discontinued operations	197	2,053	156	1,885
Consolidated net loss	(27,640)	(12,660)	(52,666)	(26,083)
Net loss attributable to non-controlling interests	1,019	602	1,989	1,396
Net loss attributable to UDR, Inc.	(26,621)	(12,058)	(50,677)	(24,687)
Distributions to preferred stockholders Series E (Convertible)	(931)	(931)	(1,862)	(1,862)
Distributions to preferred stockholders Series G	(1,441)	(1,869)	(2,889)	(3,738)
Discount on preferred stock repurchases, net	25		25	

Net loss attributable to common stockholders	**$**	**(28,968)**	$	(14,858)	**$**	**(55,403)**	$	(30,287)
Earnings per weighted average common share basic:								
Loss from continuing operations attributable to common stockholders	**$**	**(0.18)**	$	(0.11)	**$**	**(0.35)**	$	(0.22)
Income from discontinued operations	**$**	**0.00**	$	0.01	**$**	**0.00**	$	0.01
Net loss attributable to common stockholders	**$**	**(0.18)**	$	(0.10)	**$**	**(0.35)**	$	(0.21)
Earnings per weighted average common share diluted:								
Loss from continuing operations attributable to common stockholders	**$**	**(0.18)**	$	(0.11)	**$**	**(0.35)**	$	(0.22)
Income from discontinued operations	**$**	**0.00**	$	0.01	**$**	**0.00**	$	0.01
Net loss attributable to common stockholders	**$**	**(0.18)**	$	(0.10)	**$**	**(0.35)**	$	(0.21)
Common distributions declared per share	**$**	**0.180**	$	0.305	**$**	**0.360**	$	0.485
Weighted average number of common shares outstanding basic		**160,886**		149,444		**158,522**		146,807
Weighted average number of common shares outstanding diluted		**160,886**		149,444		**158,522**		146,807

See accompanying notes to consolidated financial statements

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

	Six Months Ended June 30 ,	
	2010	**2009**
	(unaudited)	**(unaudited)**
Operating Activities		
Consolidated net loss	**$ (52,666)**	$ (26,083)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	**148,464**	140,924
Net gain on the sale of depreciable property	**(156)**	(1,885)
Loss/(gain) on debt extinguishment	**1,030**	(9,849)
Write off of bad debt	**1,208**	1,826
Write off of note receivable and other assets		952
Loss from unconsolidated entities	**1,922**	1,445
Amortization of deferred financing costs and other	**3,939**	3,407
Amortization of deferred compensation	**6,008**	4,196
Amortization of convertible debt discount	**1,895**	2,349
Changes in income tax accrual	**(292)**	1,127
Changes in operating assets and liabilities:		
Decrease in operating assets	**2,973**	8,849
Decrease in operating liabilities	**(12,546)**	(3,264)
Net cash provided by operating activities	**101,779**	123,994
Investing Activities		
Proceeds from note receivable		200,000
Payments related to the buyout of joint venture partner	**(16,141)**	
Development of real estate assets	**(61,771)**	(97,761)
Capital expenditures and other major improvements real estate assets, net of escrow reimbursement	**(36,432)**	(36,724)
Capital expenditures non-real estate assets	**(2,645)**	(6,645)
Investment in unconsolidated joint ventures	**(5,681)**	(17,341)
Distributions received from unconsolidated joint venture	**479**	
Purchase of marketable securities		(30,939)
Purchase deposits on pending real estate acquisitions		(500)
Net cash (used in)/provided by investing activities	**(122,191)**	10,090
Financing Activities		
Payments on secured debt	**(83,845)**	(22,806)
Proceeds from the issuance of secured debt	**51,880**	289,625
Proceeds from the issuance of unsecured debt	**149,190**	
Payments on unsecured debt	**(79,488)**	(364,233)
Net (repayment)/proceeds of revolving bank debt	**(55,400)**	61,100
Payment of financing costs	**(2,491)**	(3,792)
Issuance of common and restricted stock, net	**4,376**	(1,253)
Proceeds from the issuance of common shares through public offering, net	**103,444**	

Payments on the repurchase of Series G preferred stock, net	**(637)**	
Distributions paid to non-controlling interests	**(2,685)**	(4,159)
Distributions paid to preferred stockholders	**(4,751)**	(5,600)
Distributions paid to common stockholders	**(57,092)**	(89,925)
Repurchase of common stock		(798)
Net cash provided by/(used in) financing activities	**22,501**	(141,841)
Net increase/(decrease) in cash and cash equivalents	**2,089**	(7,757)
Cash and cash equivalents, beginning of period	**5,985**	12,740
Cash and cash equivalents, end of period	**$ 8,074**	$ 4,983
Supplemental Information:		
Interest paid during the year, net of amounts capitalized	**$ 78,991**	$ 81,550
Non-cash transactions:		
Conversion of operating partnership non-controlling interests to common stock (39,638 in 2010 and 1,096,105 shares in 2009)	**551**	17,259
Payment of Special Dividend through the issuance of 11,358,042 shares of common stock		132,787
Issuance of restricted stock awards	**16**	1
Retirement of fully depreciated assets	**7,183**	

See accompanying notes to consolidated financial statements

Table of Contents

UDR, Inc.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY AND COMPREHENSIVE INCOME/(LOSS)
(In thousands, except per share data)
(Unaudited)

	Preferred Stock		Common Stock		Paid-in	Distributions in Excess of Net	Other Comprehensive	Non-controlling	
	Shares	**Amount**	**Shares**	**Amount**	**Capital**	**Income**	**Income/(Loss)**	**Interest**	**Total**
Balance, December 31, 2009	**6,236,774**	**$ 132,395**	**155,465,482**	**$ 1,555**	**$ 1,948,669**	**$ (687,180)**	**$ 2**	**$ 3,541**	**$ 1,398,982**
Comprehensive income (loss)									
Net loss						(50,677)			(50,677)
Change in equity attributable to non-controlling interest								80	80
Other comprehensive income (loss)									
Change in fair value of marketable securities							(904)		(904)
Unrealized gain on derivative financial instruments							(2,838)		(2,838)
Allocation to redeemable non-controlling interests							135		135
Comprehensive income (loss)						**(50,677)**	**(3,607)**	**80**	**(54,204)**
Issuance of common and restricted shares			1,629,910	16	9,183				9,199
Issuance of common shares through public offering			5,905,353	59	103,385				103,444
	(27,400)	(685)			23	25			(637)

Repurchase of 27,400 shares of 6.75% Series G Cumulative Redeemable Shares									
Adjustment for conversion of non-controlling interests of unitholders in operating partnerships			39,638		551				551
Common stock distributions declared ($0.36 per share)						(58,637)			(58,637)
Preferred stock distributions declared-Series E ($0.6644 per share)						(1,862)			(1,862)
Preferred stock distributions declared-Series G ($0.84375 per share)						(2,889)			(2,889)
Adjustment to reflect redeemable non-controlling redemption value						(20,837)			(20,837)
Balance, June 30, 2010	**6,209,374**	**$ 131,710**	**163,040,383**	**$ 1,630**	**$ 2,061,811**	**$ (822,057)**	**$ (3,605)**	**$ 3,621**	**$ 1,373,110**

See accompanying notes to consolidated financial statements

Table of Contents

UDR, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2010
(UNAUDITED)

1. CONSOLIDATION AND BASIS OF PRESENTATION

Consolidation and Basis of Presentation

UDR, Inc., collectively with our consolidated subsidiaries (we , our , us , the Company or UDR) is a self-administ real estate investment trust, or REIT, that owns, acquires, renovates, develops, and manages apartment communities nationwide. The accompanying consolidated financial statements include the accounts of UDR and its subsidiaries, including United Dominion Realty, L.P. (the Operating Partnership), and Heritage Communities L.P. (the Heritage OP). As of June 30, 2010, there were 179,863,065 units in the Operating Partnership outstanding, of which 173,916,795 units or 96.7% were owned by UDR and 5,946,270 units or 3.3% were owned by limited partners. The consolidated financial statements of UDR include the non-controlling interests of the unitholders in the Operating Partnership. The consolidated financial statements of UDR include the non-controlling interests of the unitholders in the Heritage OP prior to UDR s ownership of 100% of the units outstanding in Heritage OP.

The accompanying interim unaudited consolidated financial statements have been prepared according to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted according to such rules and regulations, although management believes that the disclosures are adequate to make the information presented not misleading. In the opinion of management, all adjustments and eliminations necessary for the fair presentation of our financial position as of June 30, 2010, and results of operations for the three and six months ended June 30, 2010 and 2009 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 appearing in UDR s Annual Report on Form 10-K for the year ended December 31, 2009, filed with the Securities and Exchange Commission on February 25, 2010.

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. Certain previously reported amounts have been reclassified to conform to the current financial statement presentation.

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

2. SIGNIFICANT ACCOUNTING POLICIES

Accounting Policies

Real Estate Sales

For sales transactions meeting the requirements for full accrual profit recognition, such as the Company no longer having continuing involvement in the property, we remove the related assets and liabilities from our consolidated balance sheet 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.

Table of Contents

Sales of real estate 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 interest of the buyer in the real estate and defer the gain on the interest we retain in the real estate. The Company will recognize any deferred gain when the property is then sold to a third party. In transactions accounted 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.

Redeemable non-controlling interests in operating partnerships

Interests in operating partnerships held by limited partners are represented by operating partnership units (OP Units). The income is allocated to holders of OP Units based upon net income available 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 non-controlling 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 partner at a redemption price equal to and in the form of the Cash Amount (as defined in the limited partnership agreement of the Operating Partnership (the 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 Partnership Agreement. Accordingly, the Company records the OP Units outside of permanent equity and reports the OP Units at their redemption value at each balance sheet date.

Marketable Securities

Marketable securities represent publicly traded debt securities and are classified as available for sale and carried at fair value, with unrealized gains and losses reported as a separate component of stockholders equity. Declines in the value of public and private investments that management determines are other than temporary are recorded as a provision for loss on investments. The amortization of any discount and interest income are recorded in Other Income on the Consolidated Statements of Operations.

Investment in Unconsolidated Joint Ventures

We continually evaluate our investments in unconsolidated joint ventures 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. These factors include, but are not limited to, age of the venture, our intent and ability to retain our investment in the entity, the financial condition and long-term prospects of the entity, and the relationships with the other joint venture partners and its lenders. The amount of loss recognized is the excess of the investment s carrying amount over its estimated fair value. If we believe that the decline in fair value is temporary, no impairment is recorded. The aforementioned factors are taken as a whole by management in determining the valuation of our investment in unconsolidated entities. Should the actual results differ from management s judgment, the valuation could be negatively affected and may result in a negative impact to our Consolidated Financial Statements.

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 income, excise and franchise taxes. UDR has elected for certain consolidated subsidiaries to be treated as Taxable REIT Subsidiaries (TRS), primarily those engaged in condominium conversion and development activities.

Table of Contents

Income taxes for our TRS 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 June 30, 2010, UDR has recorded a net current liability of $3.3 million and a deferred tax asset of approximately $6.6 million and recorded income tax expense of $81,000 and $146,000 for the three and six months ended June 30, 2010.

Effective January 1, 2007, the Company adopted guidance which 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. It 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, we determine whether a tax position is more likely than not (greater than 50 percent probability) to be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. Then 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 unrecognized tax benefit, accrued interest or penalties at June 30, 2010. UDR and its subsidiaries are subject to U.S. federal income tax as well as income tax of multiple state jurisdictions. The tax years 2005 2009 remain open to examination by the major taxing jurisdictions to which we are subject. When applicable, UDR recognizes interest and/or penalties related to uncertain tax positions in income tax expense.

3. REAL ESTATE OWNED

Real estate assets owned by the Company consist of income producing operating properties, properties under development and land held for future development. As of June 30, 2010 the Company owned and consolidated 168 communities in 10 states plus the District of Columbia totaling 46,932 apartment homes. The following table summarizes the carrying amounts for our real estate owned (at cost) as of June 30, 2010 and December 31, 2009 *(dollar amounts in thousands):*

	June 30, 2010	December 31, 2009
Land	**$ 1,702,551**	$ 1,635,401
Depreciable property held and used:		
Building and improvements	**4,273,637**	4,111,254
Furniture, fixtures and equipment	**275,177**	248,635
Under development:		
Land	**33,857**	65,525
Construction in progress	**120,109**	254,232
Real estate owned	**$ 6,405,331**	$ 6,315,047
Accumulated depreciation	**(1,489,464)**	(1,351,293)
Real estate owned, net	**$ 4,915,867**	$ 4,963,754

Table of Contents

4. DISCONTINUED OPERATIONS

Discontinued operations represent properties that UDR has either sold or which management believes meet the criteria to be classified as held for sale. In order to be classified as held for sale and reported as discontinued operations, a property s operations and cash flows have or will be divested to a third party by the Company whereby UDR will not have any significant continuing involvement in the ownership or operation of the property after the sale or disposition. The results of operations of the property are presented as discontinued operations for all periods presented and do not impact the net earnings reported by the Company. Once a property is deemed as held for sale, depreciation is no longer recorded. However, if the Company determines that the property no longer meets the criteria of held for sale, the Company will recapture any unrecorded depreciation for the property. The assets and liabilities of properties deemed as held for sale are presented separately on the Consolidated Balance Sheets. Properties deemed as held for sale are reported at the lower of their carrying amount or their estimated fair value less the costs to sell the assets.

UDR did not dispose of any communities during the three and six months ended June 30, 2010 and 2009, nor did we have any communities classified as held for disposition at June 30, 2010 and December 31, 2009. During the three and six months ended June 30, 2010 and 2009, the Company recognized $197,000 and $156,000 and $2.1 million and $1.9 million, respectively, of Income from Discontinued Operations which relate to residual activities from sold communities.

5. JOINT VENTURES

UDR has entered into joint ventures with unrelated third parties that are either consolidated and included in real estate owned on our Consolidated Balance Sheets or are accounted for under the equity method of accounting, which are not consolidated and are included in investment in unconsolidated joint ventures on our Consolidated Balance Sheets. The Company consolidates an entity in which we own less than 100% when we have the power to direct the activities of the entity that most significantly affect the entity s economic performance. In addition, the Company consolidates any joint venture in which we are the general partner or managing member and the third party partner or member 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 are funded with a combination of debt and equity. Our losses are limited to our investment and the Company does not guarantee any debt issued by our unconsolidated joint ventures, capital payout or other obligations associated with our joint ventures. The Company guarantees 100% of the debt owed by one of our consolidated joint ventures for which our equity ownership percentage is 98%.

Consolidated Joint Ventures

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. On December 30, 2009, UDR entered into an agreement with our partner to purchase its 49% interest in 989 Elements for $7.7 million. 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 resulting in the consolidation of the joint venture. The joint venture assets and liabilities were recorded at fair value. The fair value of the assets was $55.0 million ($54.8 million of real estate owned and $200,000 of current assets) and the fair value of liabilities was $34.1 million ($33.4 million of a construction loan, net of fair market value adjustment of $1.6 million and $700,000 of current liabilities) at the consolidation date. On December 31, 2009, the Company repaid the outstanding balance of $35.0 million on the construction loan held by 989 Elements. In March 2010, the Company paid $7.7 million and acquired our partner s 49% interest in the joint venture. At closing of the agreement and at June 30, 2010, the Company s interest in 989 Elements was 98%.

UDR is a partner with an unaffiliated third party in a joint venture (Elements Too) which owns and operates a 274 home apartment community in the central business district of Bellevue, Washington. Construction began in the fourth quarter of 2006 and was completed in the first quarter of 2010. On October 16, 2009, 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 resulting in the consolidation of the joint venture. The joint venture assets and liabilities were recorded at fair value. Prior to consolidation, our equity investment in Elements Too was $24.4 million (net of an $11.0 million equity loss recorded as of December 31, 2009) at October 16, 2009. The fair value of the assets was $100.3 million ($99.5 million of real estate owned and $814,000 of current assets) and the fair value of liabilities was $75.6 million ($70.5 million of a construction loan, $917,000 of a derivative instrument, and $4.2 million of current liabilities). On December 30, 2009, UDR entered into an agreement with our partner to purchase its 49% interest in Elements Too for $3.2 million. In March 2010, the Company paid the outstanding balance of $3.2 million and acquired our partner s 49% interest in the joint venture. At closing of the agreement and at June 30, 2010, the Company s interest in Elements Too was 98%. During the six months ended June 30, 2010, the Company repaid the outstanding balance of $70.5 million on the construction loan held by Elements Too.

UDR is a partner with an unaffiliated third party in a joint venture (Bellevue) 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 for $5.2 million. 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 resulting in the consolidation of the joint venture at fair value. Prior to consolidation, our equity investment in Bellevue was $5.0 million (net of a $5.0 million equity loss recorded as of December 31, 2009). The fair value of the assets was $33.0 million ($32.8 million of real estate owned and $211,000 of current assets) and the fair value of liabilities was $23.0 million ($22.3 million of a mortgage payable, $506,000 of a derivative instrument, and $213,000 of current liabilities). In March 2010, the Company paid $5.2 million and acquired our partner s 49% interest in the joint venture. At closing of the agreement and at June 30, 2010, the Company s interest in Bellevue was 98%. At June 30, 2010, the carrying value of the mortgage payable guaranteed by the Company was $22.3 million.

Prior to their consolidation in 2009, we evaluated our investments in these joint ventures when events or changes in circumstances indicate that there may be an other-than-temporary decline in value. We considered various factors to determine if a decrease in value of each of these investments is other-than-temporary. In 2009, we recognized a non-cash charge of $16.0 million representing the other-than-temporary decline in fair values below the carrying values of two of the Company s Bellevue, Washington joint ventures.

The activities and accounts of these joint ventures are included in the Company s consolidated financial position as of June 30, 2010 and December 31, 2009, consolidated results of operations for the three and six months ended June 30, 2010, and consolidated cash flows for the six months ended June 30, 2010.

Unconsolidated Joint Ventures

The Company recognizes earnings or losses from our investments in unconsolidated joint ventures consisting of our proportionate share of the net earnings or loss of the joint venture. In addition, we may earn fees for providing management and development services to the unconsolidated joint ventures. As of June 30, 2010, UDR had investments in the following unconsolidated joint ventures which are accounted for under the equity method of accounting.

In August 2009, UDR and an unaffiliated third party, Kuwait Finance House, formed a jointed venture 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 will be 30% or $54.0 million when fully invested. During the quarter ended June 30, 2010, the joint venture acquired its first property (151 homes) located in Metropolitan Washington D.C. for $43.1 million. At closing and at June 30, 2010, the Company owned

30%. Our investment at June 30, 2010 and December 31, 2009 was $5.4 million and $242,000, respectively.

Table of Contents

In November 2007, UDR and an unaffiliated third party formed a joint venture which owns and operates 10 operating properties located in Texas (3,992 homes). UDR contributed cash and property equal to 20% of the fair value of the properties. The unaffiliated member contributed cash equal to 80% of the fair value of the properties comprising the joint venture, which was then used to purchase the nine operating properties from UDR. Our initial investment was $20.4 million. Our investment at June 30, 2010 and December 31, 2009 was $12.1 million and $13.9 million, respectively.

We evaluate our investments in unconsolidated joint ventures 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. During the three and six months ended June 30, 2010, the Company did not recognize any other-than-temporary decreases in the value of its investments in unconsolidated joint ventures.

Summary financial information relating to 100% of all the unconsolidated joint ventures operations (not just our proportionate share), is presented below for the three and six months ended June 30, (*dollars in thousands):*

	2010	2009 (a)
For the three months ended June 30,:		
Revenues	**$ 10,629**	$ 11,517
Real estate depreciation and amortization	**5,526**	5,232
Net loss	**(5,051)**	(3,541)
For the six months ended June 30,:		
Revenues	**$ 20,632**	$ 23,037
Real estate depreciation and amortization	**10,569**	10,387
Net loss	**(8,665)**	(6,427)

(a) Includes results of operations of joint ventures subsequently consolidated during the fourth quarter of 2009. See Consolidated Joint Ventures above.

The combined summary balance sheets relating to 100% of all the unconsolidated joint ventures (not just our proportionate share) is presented below as of June 30, 2010 and December 31, 2009 (*dollars in thousands*):

	June 30, 2010	**December 31, 2009**
Real estate, net	**$ 354,362**	$ 320,786
Total assets	**363,865**	332,694
Amount due to UDR	**753**	779
Third party debt	**280,000**	254,000
Total liabilities	**287,840**	265,091
Equity	**76,025**	67,603

As of June 30, 2010, the Company had deferred profit from the sale of properties of $28.8 million, which the Company will not recognize until the underlying property is sold to a third party. The Company recognized $689,000

and $1.1 million and $513,000 and $987,000 of management fees for our involvement in the joint ventures for the three and six months ended June 30, 2010 and 2009, respectively.

The Company may, in the future, make additional capital contributions to certain of our joint ventures should additional capital contributions be necessary to fund development costs or operating shortfalls.

Table of Contents

6. SECURED DEBT

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 following 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 the interest rate for the underlying debt instrument. Secured debt on continuing operations, which encumbers $3.0 billion or 47% of UDR s real estate owned based upon book value ($3.4 billion or 53% of UDR s real estate owned is unencumbered) consists of the following as of June 30, 2010 (*dollars in thousands*):

	Principal Outstanding		Six Months Ended June 30, 2010		
	June 30, 2010	**December 31, 2009**	**Weighted Average Interest Rate**	**Weighted Average Years to Maturity**	**Number of Communities Encumbered**
Fixed Rate Debt					
Mortgage notes payable	**$ 337,298**	$ 506,203	5.09%	2.6	9
Tax-exempt secured notes payable	**13,325**	13,325	5.30%	20.7	1
Fannie Mae credit facilities	**948,649**	949,971	5.40%	6.6	14
Total fixed rate secured debt	**1,299,272**	1,469,499	5.32%	5.7	24
Variable Rate Debt					
Mortgage notes payable	**370,683**	243,810	2.38%	2.2	14
Tax-exempt secured note payable	**27,000**	27,000	1.38%	19.7	1
Fannie Mae credit facilities	**260,451**	249,125	1.75%	5.6	35
Total variable rate secured debt	**658,134**	519,935	2.08%	4.3	50
Total secured debt	**$ 1,957,406**	$ 1,989,434	4.23%	5.2	74

UDR has five revolving secured credit facilities with Fannie Mae with an aggregate commitment of $1.4 billion at June 30, 2010. The Fannie Mae credit facilities are for an initial term of 10 years, bear interest at floating and fixed rates, and certain variable rate facilities can be extended for an additional five years at our option. We have $948.6 million of the funded balance fixed at a weighted average interest rate of 5.4% and the remaining balance on these facilities is currently at a weighted average variable rate of 1.8%.

	June 30, 2010	**December 31, 2009**
	(dollar amounts in thousands)	
Borrowings outstanding	**$ 1,209,100**	$ 1,199,096
Weighted average borrowings during the period ended	**1,205,879**	1,033,658
Maximum daily borrowings during the period ended	**1,209,739**	1,199,322
Weighted average interest rate during the period ended	**4.6%**	4.6%
Weighted average interest rate at the end of the period	**4.6%**	4.6%

The Company will from time to time acquire properties subject to fixed rate debt instruments. In those situations, management will record the secured debt at its estimated fair value and amortize any difference between the fair value and par to interest expense over the life of the underlying debt instrument. The unamortized fair market adjustment was a net discount of $968,000 and $987,000 at June 30, 2010 and December 31, 2009, respectively.

Fixed Rate Debt

Mortgage notes payable. Fixed rate mortgage notes payable are generally due in monthly installments of principal and interest and mature at various dates from August 2010 through June 2016 and carry interest rates ranging from 2.50% to 6.84%. Mortgage notes payable includes debt associated with development activities.

Tax-exempt secured notes payable. Fixed rate mortgage notes payable that secure tax-exempt housing bond issues mature in March 2031 and carry an interest rate of 5.30%. Interest on these notes is payable in semi-annual installments.

Secured credit facilities. At June 30, 2010, the Company had $948.6 million outstanding of fixed rate secured credit facilities with Fannie Mae with a weighted average fixed interest rate of 5.40%.

Table of Contents

Variable Rate Debt

Mortgage notes payable. Variable rate mortgage notes payable are generally due in monthly installments of principal and interest and mature at various dates from August 2010 through April 2016. The mortgage notes payable are based on LIBOR plus basis points, which translate into interest rates ranging from 1.02% to 5.25% at June 30, 2010.

Tax-exempt secured note payable. The variable rate mortgage note payable that secures tax-exempt housing bond issue matures in March 2030. Interest on this note is payable in monthly installments. The variable mortgage note has an interest rate of 1.38% as of June 30, 2010.

Secured credit facilities. At June 30, 2010, the Company had $260.5 million outstanding of variable rate secured credit facilities with Fannie Mae with a weighted average floating interest rate of 1.75%.

The aggregate maturities, including amortizing principal payments, of our secured debt due during each of the next five calendar years and thereafter are as follows *(dollars in thousands):*

		Fixed			Variable		
	Mortgage Notes	Tax Exempt Notes Payable	Credit Facilities	Mortgage Notes	Tax Exempt Notes Payable	Credit Facilities	Total
2010	$ 21,520	$	$ 1,332	$ 111,708	$	$	$ 134,560
2011	127,294		52,808	85,582		39,513	305,197
2012	56,782		177,944	57,176		59,529	351,431
2013	61,379		38,631	38,469			138,479
2014			3,328	1,065			4,393
Thereafter	70,323	13,325	674,606	76,683	27,000	161,409	1,023,346
Total	$ 337,298	$ 13,325	$ 948,649	$ 370,683	$ 27,000	$ 260,451	$ 1,957,406

Table of Contents

7. UNSECURED DEBT

A summary of unsecured debt as of June 30, 2010 and December 31, 2009 is as follows *(dollars in thousands):*

	June 30, 2010	December 31, 2009
Commercial Banks		
Borrowings outstanding under an unsecured credit facility due July 2012 (a)	**$ 133,900**	$ 189,300
Senior Unsecured Notes		
3.90% Medium-Term Notes due March 2010 (includes premium of $34)		50,034
3.63% Convertible Senior Notes due September 2011 (net of discount of $1,857 and $3,351) (b), (d), (h)	**95,242**	122,984
5.00% Medium-Term Notes due January 2012	**100,000**	100,000
3.84% Term Notes due July 2012 (c)	**100,000**	100,000
6.05% Medium-Term Notes due June 2013	**122,500**	122,500
5.13% Medium-Term Notes due January 2014 (e)	**184,000**	184,000
5.50% Medium-Term Notes due April 2014 (net of discount of $260 and $295) (e)	**128,240**	128,205
5.25% Medium-Term Notes due January 2015 (includes net discount of $583 and premium $177) (e),(f)	**324,592**	175,352
5.25% Medium-Term Notes due January 2016 (e)	**83,260**	83,260
8.50% Debentures due September 2024	**15,644**	15,644
4.00% Convertible Senior Notes due December 2035 (net of discount of $916 and $1,916) (g), (h)	**166,834**	165,834
Other	**40**	42
	1,320,352	1,247,855
	$ 1,454,252	$ 1,437,155

(a) We have a $600 million unsecured revolving credit facility that matures in July 2012. Under certain circumstances, we may increase the $600 million credit facility to $750 million. Based on our current credit rating, the

$600 million credit facility carries an interest rate equal to LIBOR plus 47.5 basis points. In addition, the unsecured credit facility contains a provision that allows us to bid up to 50% of the commitment and we can bid out the entire unsecured credit facility once per quarter so long as we maintain an investment grade rating.

(b) Subject to the restrictions on ownership of our common stock and certain other conditions, at any time on or after July 15, 2011 and prior to the close of business on the second business day prior to the maturity date of September 15, 2011, and also following the occurrence of certain events, holders of outstanding 3.625% notes may convert their notes into cash and, if applicable, shares of our

common stock, at the conversion rate in effect at such time. Upon conversion of the notes, UDR will deliver cash and common stock, if any, based on a daily conversion value calculated on a proportionate basis for each trading day of the relevant 30 trading day observation period. The initial conversion rate for each $1,000 principal amount of notes was 26.6326 shares of our common stock (equivalent to an initial conversion price of approximately $37.55 per share), subject to adjustment under certain circumstances. The Company s Special Dividend paid in January 2009 met the criteria to adjust the conversion rate and resulted in an adjusted conversion rate of 29.0207 shares of our

common stock for each $1,000 of principal (equivalent to a conversion price of approximately $34.46 per share). If UDR undergoes certain change in control transactions, holders of the 3.625% notes may require us to repurchase their notes in whole or in part for cash equal to 100% of the principal amount of the notes to be repurchased plus any unpaid interest accrued to the repurchase date. In connection with the issuance of the 3.625% notes, UDR entered into a capped call transaction covering approximately 6.7 million shares of our common stock, subject to anti-dilution adjustments similar to those contained in the notes. The capped call expires on the maturity date of the 3.625%

notes. The capped call transaction combines a purchased call option with a strike price of $37.548 with a written call option with a strike price of $43.806. The capped call transaction effectively increased the initial conversion price to $43.806 per share, representing a 40% conversion premium. The net cost of approximately $12.6 million of the capped call transaction was included in stockholders equity.

(c) The Company had an interest rate swap agreement related to these notes, which expired during the three months ended March 31, 2010. The notes carried a variable interest rate of 3.84% at June 30, 2010 and a fixed interest rate of 6.26% at December 31,

2009.

Table of Contents

(d) During the three months ended June 30, 2010, the Company repurchased some of its 3.63% convertible Senior Notes in open market purchases. As a result of these transactions, we retired debt with a notional value of $29.2 million for $29.4 million of cash. Consistent with our accounting policy, the Company expensed $206,000 of unamortized financing costs and $599,000 of unamortized discount on convertible debt as a result of these debt retirements for the three months ended June 30, 2010. The loss of $1.0 million is presented as a separate component of interest expense on our Consolidated Statements of Operations for the three and six months ended June 30, 2010.

(e) During the three and six months ended June 30, 2009, the Company repurchased several different tranches of its unsecured debt in open market purchases. As a result of these transactions, we retired debt with a notional value of $79.3 million and $238.9 million for $72.3 million and $222.3 million of cash, respectively. Consistent with our accounting policy, the Company expensed $1.6 million and $3.4 million of unamortized discount on convertible debt as a result of these debt retirements for the three and six months ended June 30, 2009. The gains of $2.7 million and $9.8 million are presented as a separate component of interest expense on our Consolidated Statements of Operations for

the three and six months ended June 30, 2009.

(f) On December 7, 2009, the Company entered into an Amended and Restated Distribution Agreement with respect to the issue and sale by the Company from time to time of its Medium-Term Notes, Series A Due Nine Months or More From Date of Issue. During the three months ended March 31, 2010, the Company issued $150 million of 5.25% senior unsecured medium-term notes under the Amended and Restated Distribution Agreement. These notes were priced at 99.46% of the principal amount at issuance and had a discount of $742,000 at June 30, 2010.

(g) Holders of the outstanding 4.00% notes may require us to repurchase their notes in whole or

in part on January 15, 2011, December 15, 2015, December 15, 2020, December 15, 2025 and December 15, 2030, or upon the occurrence of a fundamental change, for cash equal to 100% of the principal amount of the notes to be repurchased plus any accrued and unpaid interest. On or after January 15, 2011, UDR will have the right to redeem the 4.00% notes in whole or in part, at any time or from time to time, for cash equal to 100% of the principal amount of the notes to be redeemed plus any accrued and unpaid interest. Subject to the restrictions on ownership of shares of our common stock and certain other conditions, holders of the 4.00% notes may convert their notes, into cash and, if applicable,

shares of our common stock, at the conversion rate in effect at such time, as follows: (i) prior to the close of business on the second business day immediately preceding the stated maturity date at any time on or after December 15, 2030, and (ii) prior to December 15, 2030 under certain specified circumstances. The initial conversion rate for the notes was 35.2988 shares of our common stock per $1,000 principal amount of notes (equivalent to an initial conversion price of approximately $28.33 per share), subject to adjustment under certain circumstances. The Company s Special Dividend paid in January 2009 met the criteria to adjust the conversion rate and the conversion rate was adjusted to 38.7123 shares of our common stock for each

$1,000 of principal (equivalent to a conversion price of approximately $25.83 per share).

(h) Effective January 1, 2009, the Company adopted guidance that applies to all convertible debt instruments that have a net settlement feature , which means that such convertible debt instruments, by their terms, may be settled either wholly or partially in cash upon conversion. This guidance requires issuers of convertible debt instruments that may be settled wholly or partially in cash upon conversion to separately account for the liability and equity components in a manner reflective of the issuers nonconvertible debt borrowing rate. The adoption impacted the historical accounting for the 3.625%

convertible senior notes due September 2011 and the 4.00% convertible senior notes due December 2035, and resulted in increased interest expense of $928,000 and $1.9 million and $1.1 million and $2.3 million for the three and six months ended June 30, 2010 and 2009, respectively.

Table of Contents

The following is a summary of short-term bank borrowings under UDR s bank credit facility at June 30, 2010 and December 31, 2009 *(dollars in thousands):*

	June 30, 2010	December 31, 2009
Total revolving credit facility	**$ 600,000**	$ 600,000
Borrowings outstanding at end of period (1)	**133,900**	189,300
Weighted average daily borrowings during the period ended	**142,466**	83,875
Maximum daily borrowings during the period ended	**296,700**	279,400
Weighted average interest rate during the period ended	**0.8%**	0.9%
Weighted average interest rate at the end of the period	**0.9%**	0.7%

(1) Excludes $8.0 million of letters of credit at June 30, 2010

The convertible notes are convertible at the option of the holder, and as such are presented as if the holder will convert the debt instrument at the earliest available date. The aggregate maturities of unsecured debt for the five years subsequent to June 30, 2010 are as follows *(dollars in thousands):*

	Bank Lines	Unsecured Debt	Total
2010	$	$	$
2011 (a)		261,884	261,884
2012	133,900	199,808	333,708
2013		122,308	122,308
2014		312,353	312,353
Thereafter		423,999	423,999
	$ 133,900	$ 1,320,352	$ 1,454,252

(a) The convertible debt balances have been adjusted to reflect the effect of guidance adopted effective January 2009. Excluding the adjustment, the total maturities in 2011 would be $262.1 million.

Our debt instruments contain covenants that we were in compliance with at June 30, 2010.

Table of Contents

8. LOSS PER SHARE

Basic loss per common share is computed based upon the weighted average number of common shares outstanding during the period. Diluted loss per common share is computed based upon common shares outstanding plus the effect of dilutive stock options and other potentially dilutive common stock equivalents such as the non-vested restricted stock awards.

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

	Three months ended June 30,		Six months ended June 30,	
	2010	**2009**	**2010**	**2009**
Numerator for loss per share basic and diluted:				
Net loss attributable to common stockholders	**$ (28,968)**	$ (14,858)	**$ (55,403)**	$ (30,287)
Denominator for loss per share basic and diluted:				
Weighted average common shares outstanding	**162,525**	150,393	**159,873**	147,981
Non-vested restricted stock awards	**(1,639)**	(949)	**(1,351)**	(1,174)
Denominator for basic and diluted loss per share	**160,886**	149,444	**158,522**	146,807
Loss per share basic and diluted	**$ (0.18)**	$ (0.10)	**$ (0.35)**	$ (0.21)

The effect of the conversion of the OP Units, convertible preferred stock, convertible debt, stock options and restricted stock is not dilutive and is therefore not included in the above calculations as the Company reported a loss from continuing operations.

If the OP Units were converted to common stock, the additional weighted average common shares outstanding for the three and six months ended June 30, 2010 and 2009, would be 5,963,669 and 5,969,784, and 6,513,951 and 7,180,686, respectively.

The effect of the conversion of the Series E Out-Performance Partnership Shares (the Series E Out-Performance Program terminated on December 31, 2009) is not dilutive for the three and six months ended June 30, 2009 and is not included in the above calculations as the Company reported a loss from continuing operations.

If the convertible preferred stock were converted to common stock, the additional shares of common stock outstanding for the three and six months ended June 30, 2010 and 2009 would be 3,035,548 weighted average common shares.

The dilution from unvested restricted stock and stock options would be an additional 2,223,682 and 1,957,850, and 45,765 and 20,411 weighted average common shares for the three and six months ended June 30, 2010 and 2009, respectively.

9. FAIR VALUE OF DERIVATIVES AND FINANCIAL INSTRUMENTS

Fair value is based on the price that would be received to sell an asset or the exit price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. A three-level valuation hierarchy prioritizes observable and unobservable inputs used to measure fair value. The fair value hierarchy consists of three broad levels, which are described below:

Level 1 Quoted prices in active markets for identical assets or liabilities that the entity has the ability to access.

Level 2 Observable inputs other than prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated with observable market data.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

Table of Contents

The estimated fair values of the Company s financial instruments either recorded or disclosed on a recurring basis as of June 30, 2010 and December 31, 2009 are summarized as follows *(dollars in thousands)*:

		Fair Value at June 30, 2010 Using		
Description:	**June 30, 2010**	**Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Available-for-sale debt securities- Corporate debt	$ 37,878	$ 37,878	$	$
Derivatives- Interest rate contracts (c)	452		452	
Total assets	$ 38,330	$ 37,878	$ 452	$
Derivatives- Interest rate contracts (c)	$ 7,188	$	$ 7,188	$
Contingent purchase consideration (d)	6,037			6,037
Secured debt instruments- fixed rate: (a)				
Mortgage notes payable	353,738			353,738
Tax-exempt secured notes payable	15,444			15,444
Fannie Mae credit facilities	993,350			993,350
Secured debt instruments- variable rate: (a)				
Mortgage notes payable	370,683			370,683
Tax-exempt secured notes payable	27,000			27,000
Fannie Mae credit facilities	260,451			260,451
Unsecured debt instruments: (b)				
Commercial bank	133,900			133,900
Senior Unsecured Notes	1,352,809			1,352,809
Total liabilities	$ 3,520,600	$	$ 7,188	$ 3,513,412

		Fair Value at December 31, 2009 Using		
Description:	December 31, 2009	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Available-for-sale debt securities- Corporate debt	$ 37,650	$ 37,650	$	$
Derivatives- Interest rate contracts (c)	2,294		2,294	
Total assets	$ 39,944	$ 37,650	$ 2,294	$
Derivatives- Interest rate contracts (c)	$ 5,947	$	$ 5,947	$
Secured debt instruments- fixed rate: (a)				
Mortgage notes payable	516,578			516,578
Tax-exempt secured notes payable	13,540			13,540
Fannie Mae credit facilities	952,468			952,468
Secured debt instruments- variable rate: (a)				
Mortgage notes payable	243,810			243,810
Tax-exempt secured notes payable	27,000			27,000
Fannie Mae credit facilities	249,125			249,125
Unsecured debt instruments: (b)				
Commercial bank	189,300			189,300
Senior Unsecured Notes	1,236,515			1,236,515
Total liabilities	$ 3,434,283	$	$ 5,947	$ 3,428,336

(a) See Note 6, Secured Debt

(b) See Note 7, Unsecured Debt

(c) See Note 10, Derivatives and Hedging Activity

(d)

As of June 30, 2010, the Company accrued a liability of $6.0 million related to a contingent purchase consideration on one of its properties. The contingent consideration was determined based on the fair market value of the related asset which is estimated using Level 3 inputs utilized in a third party appraisal.

Financial Instruments Carried at Fair Value

The fair value of the corporate debt securities is determined by Level 1 inputs which utilize quoted prices in active markets where we have the ability to access values for identical assets.

The amortized cost, gross unrealized gains and fair value of the Company s investments at June 30, 2010 and December 31, 2009 are as follows (*dollars in thousands*):

	June 30, 2010	**December 31, 2009**
Corporate debt securities- U.S.:		
Amortized cost	$ 34,198	$ 33,066
Gross unrealized gains	3,680	4,584
Estimated fair value (net carrying amount)	$ 37,878	$ 37,650

The fair values of interest rate swaps are determined using the market standard methodology of netting the discounted future fixed cash receipts (or payments) and the discounted expected variable cash payments (or receipts). The variable cash payments (or receipts) are based on an expectation of future interest rates (forward curves) derived from observable market interest rate curves. The fair values of interest rate options are determined using the market standard methodology of discounting the future expected cash receipts that would occur if variable interest rates rise above the strike rate of the caps. The variable interest rates used in the calculation of projected receipts on the cap are based on an expectation of future interest rates derived from observable market interest rate curves and volatilities.

The Company incorporates credit valuation adjustments to appropriately reflect both its own nonperformance risk and the respective counterparty s nonperformance risk in the fair value measurements. In adjusting the fair value of its derivative contracts for the effect of nonperformance risk, the Company has considered the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts, and guarantees.

Although the Company has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by itself and its counterparties. However, as of June 30, 2010 and 2009, the Company has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit valuation adjustments are not significant to the overall valuation of its derivatives. As a result, the Company has determined that its derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy.

Financial Instruments Not Carried at Fair Value

At June 30, 2010, the fair values of cash and cash equivalents, restricted cash, notes receivable, accounts receivable, prepaids, real estate taxes payable, accrued interest payable, security deposits and prepaid rent, distributions payable and accounts payable approximated their carrying values because of the short term nature of these instruments. The estimated fair values of other financial instruments were determined by the Company using available market information and appropriate valuation methodologies. Considerable judgment is necessary to interpret market data and develop estimated fair values. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company would realize on the disposition of the financial instruments. The use of different market assumptions or estimation methodologies may have a material effect on the estimated fair value amounts.

We estimate the fair value of our debt instruments by discounting the remaining cash flows of the debt instrument at a discount rate equal to the replacement market credit spread plus the corresponding treasury yields. Factors considered in determining a replacement market credit spread include general market conditions, borrower specific credit spreads, time remaining to maturity, loan-to-value ratios and collateral quality (Level 3).

We record impairment losses on long-lived assets used in operations when events and circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by the future operation and disposition of those assets are less than the net book value of those assets. Our cash flow estimates are based upon historical results adjusted to reflect our best estimate of future market and operating conditions and our estimated holding periods. The net book value of impaired assets is reduced to fair value. Our estimates of fair value represent our best estimate based upon Level 3 inputs such as industry trends and reference to market rates and transactions.

The Company did not recognize any other-than-temporary decrease in the value of its other investments in unconsolidated joint ventures during the three and six months ended June 30, 2010 and 2009. We consider various factors to determine if a decrease in the value of the investment is other-than-temporary. These factors include, but are not limited to, age of the venture, our intent and ability to retain our investment in the entity, the financial condition and long-term prospects of the entity, and the relationships with the other joint venture partners and its lenders. Based on the significance of the unobservable inputs, we classify these fair value measurements within Level 3 of the valuation hierarchy.

After determining an other-than-temporary decrease in the value of an equity method investment has occurred, we estimate the fair value of our investment by estimating the proceeds we would receive upon a hypothetical liquidation of the investment at the date of measurement. Inputs reflect management s best estimate of what market participants would use in pricing the investment giving consideration to the terms of the joint venture agreement and the estimated discounted future cash flows to be generated from the underlying joint venture asset. The inputs and assumptions utilized to estimate the future cash flows of the underlying asset are based upon the Company s evaluation of the economy, market trends, operating results, and other factors, including judgments regarding costs to complete any construction activities, lease up and occupancy rates, rental rates, inflation rates, capitalization rates utilized to estimate the projected cash flows at the disposition, and discount rates.

10. DERIVATIVES AND HEDGING ACTIVITY

Risk Management Objective of Using Derivatives

The Company is exposed to certain risk arising from both its business operations and economic conditions. The Company principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. The Company manages economic risks, including interest rate, liquidity, and credit risk primarily by managing the amount, sources, and duration of its debt funding and the use of derivative financial instruments. Specifically, the Company enters into derivative financial instruments to manage exposures that arise from business activities that result in the receipt or payment of future known and uncertain cash amounts, the value of which are determined by interest rates. The Company s derivative financial instruments are used to manage differences in the amount, timing, and duration of the Company s known or expected cash receipts and its known or expected cash payments principally related to the Company s investments and borrowings.

Cash Flow Hedges of Interest Rate Risk

The Company s objectives in using interest rate derivatives are to add stability to interest expense and to manage its exposure to interest rate movements. To accomplish this objective, the Company primarily uses interest rate swaps and caps as part of its interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable-rate amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount. Interest rate caps designated as cash flow hedges involve the receipt of variable-rate amounts from a counterparty if interest rates rise above the strike rate on the contract in exchange for an up front premium.

The effective portion of changes in the fair value of derivatives designated and that qualify as cash flow hedges is recorded in Accumulated Other Comprehensive Income/(Loss) and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. During the three and six months ended June 30, 2010 and 2009, such derivatives were used to hedge the variable cash flows associated with existing variable-rate debt. The ineffective portion of the change in fair value of the derivatives is recognized directly in earnings. During the three and six months ended June 30, 2010 and 2009, the Company recorded less than a $1,000 loss of ineffectiveness in earnings attributable to reset date and index mismatches between the derivative and the hedged item, and the fair value of interest rate swaps that were not zero at inception of the hedging relationship.

Amounts reported in Accumulated Other Comprehensive Income/(Loss) related to derivatives will be reclassified to interest expense as interest payments are made on the Company s variable-rate debt. Through June 30, 2011, the Company estimates that an additional $5.2 million will be reclassified as an increase to interest expense.

As of June 30, 2010, the Company had the following outstanding interest rate derivatives that were designated as cash flow hedges of interest rate risk (*dollar amounts in thousands*):

Interest Rate Derivative	**Number of Instruments**	**Notional**
Interest rate swaps	12	$ 387,968
Interest rate caps	3	$ 137,004

Derivatives not designated as hedges are not speculative and are used to manage the Company s exposure to interest rate movements and other identified risks but do not meet the strict hedge accounting requirements of FASB ASC 815, *Derivatives and Hedging* (formerly SFAS 133, Accounting for Derivative Instruments and Hedging Activities). Changes in the fair value of derivatives not designated in hedging relationships are recorded directly in earnings and resulted in losses of $330,000 and $647,000 for the three and six months ended June, 2010, and gains of $720,000 and $665,000 for the three and six months ended June 30, 2009, respectively. As of June 30, 2010, the Company had the following outstanding derivatives that were not designated as hedges in qualifying hedging relationships (*dollar amounts in thousands*):

Product	**Number of Instruments**	**Notional**
Interest rate caps	4	$ 244,787

Table of Contents

Tabular Disclosure of Fair Values of Derivative Instruments on the Balance Sheet

The table below presents the fair value of the Company s derivative financial instruments as well as their classification on the Consolidated Balance Sheets as of June 30, 2010 and December 31, 2009 (amounts in thousands).

	Asset Derivatives			Liability Derivatives		
		Fair Value at:			Fair Value at:	
	Balance Sheet Location	June 30, 2010	December 31, 2009	Balance Sheet Location	June 30, 2010	December 31, 2009
Derivatives designated as hedging instruments:						
Interest Rate Products	Other Assets	$ 260	$ 1,348	Other Liabilities	$ 7,188	$ 5,282
Total derivatives designated as hedging instruments		$ 260	$ 1,348		$ 7,188	$ 5,282
Derivatives **not** designated as hedging instruments:						
Interest Rate Products	Other Assets	$ 192	$ 946	Other Liabilities	$	$ 665
Total derivatives **not** designated as hedging instruments		$ 192	$ 946		$	$ 665

Tabular Disclosure of the Effect of Derivative Instruments on the Consolidated Statements of Operations

The tables below present the effect of the Company s derivative financial instruments on the Consolidated Statements of Operations for the three and six months ended June 30, 2010 and 2009 (*dollar amounts in thousands*):

Derivatives in Cash Flow Hedging	Amount of Gain or (Loss) Recognized in OCI on Derivative (Effective Portion)	Location of Gain or (Loss) Reclassified from Accumulated OCI into Income	Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Location of Gain or (Loss Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from	Amount of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from

Relationships	2010	2009	(Effective Portion)	2010	2009	Effectiveness Testing)	Effectiveness Testing) 2010	2009
For the three months ended June 30,								
Interest rate products	$ (3,155)	$ 2,018	Interest expense	$ (1,552)	$ (3,138)	Other expense	$ (1)	$ (1)
Total	$ (3,155)	$ 2,018		$ (1,552)	$ (3,138)		$ (1)	$ (1)
For the six months ended June 30,								
Interest rate products	$ (6,469)	$ (475)	Interest expense	$ (3,632)	$ (5,784)	Other expense	$ (1)	$ (1)
Total	$ (6,469)	$ (475)		$ (3,632)	$ (5,784)		$ (1)	$ (1)

Table of Contents

Derivatives Not Designated as Hedging Instruments	Location of Gain or (Loss) Recognized in Income on Derivative	Amount of Gain or (Loss) Recognized in Income on Derivative			
		2010		2009	
For the three months ended June 30, Interest Rate Products	Other income / (expense)	$	(330)	$	720
Total		$	(330)	$	720
For the six months ended June 30, Interest Rate Products	Other income / (expense)	$	(647)	$	665
Total		$	(647)	$	665

Credit-risk-related Contingent Features

The Company has agreements with some of its derivative counterparties that contain a provision where (1) if the Company defaults on any of its indebtedness, including default where repayment of the indebtedness has not been accelerated by the lender, then the Company could also be declared in default on its derivative obligations; or (2) the Company could be declared in default on its derivative obligations if repayment of the underlying indebtedness is accelerated by the lender due to the Company s default on the indebtedness.

Certain of the Company s agreements with its derivative counterparties contain provisions where if there is a change in the Company s financial condition that materially changes the Company s creditworthiness in an adverse manner, the Company may be required to fully collateralize its obligations under the derivative instrument.

The Company also has an agreement with a derivative counterparty that incorporates the loan and financial covenant provisions of the Company s indebtedness with a lender affiliate of the derivative counterparty. Failure to comply with these covenant provisions would result in the Company being in default on any derivative instrument obligations covered by the agreement.

As of June 30, 2010, the fair value of derivatives in a net liability position, which includes accrued interest but excludes any adjustment for nonperformance risk, related to these agreements was $7.7 million. As of June 30, 2010, the Company has not posted any collateral related to these agreements. If the Company had breached any of these provisions at June 30, 2010, it would have been required to settle its obligations under the agreements at their termination value of $7.7 million.

11. OTHER COMPREHENSIVE INCOME/(LOSS)

During the three and six months ended June 30, 2010 and 2009, components of comprehensive income/(loss) consisted of an unrealized (loss)/gain of ($680,000) and $(904,000) and $1.3 million and $2.0 million, respectively, from the mark-to-market of marketable securities classified as available-for-sale and an unrealized (loss)/gain of ($1.6 million) and ($2.8 million) and $5.2 million and $5.3 million, respectively, from derivative financial instruments. The Company allocated a pro-rata share of gain/(loss) of $82,000 and $135,000 and ($492,000) and ($539,000) to redeemable non-controlling interests for the three and six months ended June 30, 2010 and 2009, respectively. Total comprehensive loss for the three and six months ended June 30, 2010 and 2009 was $28.8 million and $54.2 million and $6.1 million and $17.8 million, respectively.

12. STOCK BASED COMPENSATION

Effective January 1, 2006, the Company adopted the modified prospective method for stock based compensation. During the six months ended June 30, 2010 and 2009, we recognized $6.0 million and $4.2 million, respectively as stock based compensation expense, which is inclusive of awards granted to our outside directors.

13. COMMITMENTS AND CONTINGENCIES

Commitments

Real Estate Under Development

The following summarizes the Company s real estate commitments at June 30, 2010 (*dollars in thousands*):

	Number of Properties	Costs Incurred to Date	Expected Costs to Complete
Wholly owned under development	3	$ 153,966	$ 64,234

Contingencies

Litigation and Legal Matters

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

14. REPORTABLE SEGMENTS

GAAP guidance requires that segment disclosures present the measure(s) used by the chief operating decision maker to decide how to allocate resources and for purposes of assessing such segments performance. UDR s chief operating decision maker is comprised of several members of its executive management team who use several generally accepted industry financial measures to assess the performance of the business for our reportable operating segments.

UDR owns and operates multifamily apartment communities throughout the United States that generate rental and other property related income through the leasing of apartment homes to a diverse base of tenants. The primary financial measures for UDR s apartment communities are rental income and net operating income (NOI). Rental income represents gross market rent less adjustments for concessions, vacancy loss and bad debt. NOI is defined as total revenues less direct property operating expenses. UDR s chief operating decision maker utilizes NOI as the key measure of segment profit or loss.

UDR s two reportable segments are same communities and non-mature/other communities:

Same communities represent those communities acquired, developed, and stabilized prior to April 1, 2009, and held as of June 30, 2010. A comparison of operating results from the prior year is meaningful as these communities were owned and had stabilized occupancy and operating expenses as of the beginning of the prior year, there is no plan to conduct substantial redevelopment activities, and the community is not held for disposition within the current year. A community is considered to have stabilized occupancy once it achieves 90% occupancy for at least three consecutive months.

Non-mature/other communities represent those communities that were acquired or developed in 2008, 2009 or 2010, sold properties, redevelopment properties, properties classified as real estate held for disposition, condominium conversion properties, joint venture properties, properties managed by third parties and the non-apartment components of mixed use properties.

Management evaluates the performance of each of our apartment communities on a same community and non-mature/other basis, as well as individually and geographically. This is consistent with the aggregation criteria under GAAP as each of our apartment communities generally has similar economic characteristics, facilities, services, and tenants. Therefore, the Company s reportable segments have been aggregated by geography in a manner identical to that which is provided to the chief operating decision maker.

All revenues are from external customers and no single tenant or related group of tenants contributed 10% or more of UDR s total revenues during the three and six months ended June 30, 2010 and 2009.

The accounting policies applicable to the operating segments described above are the same as those described in Note 2, Significant Accounting Policies. The following table details rental income and NOI for UDR s reportable segments for the three and six months ended June 30, 2010 and 2009, and reconciles NOI to loss from continuing operations per the Consolidated Statements of Operations *(dollars in thousands)*:

	Three Months Ended June 30 ,		Six Months Ended June 30 ,	
	2010	**2009**	**2010**	**2009**
Reportable apartment home segment rental income				
Same Communities				
Western Region	**$ 56,857**	$ 59,360	**$ 113,267**	$ 118,855
Mid-Atlantic Region	**38,270**	37,921	**75,958**	75,662
Southeastern Region	**28,913**	29,517	**57,785**	59,245
Southwestern Region	**11,279**	11,390	**22,580**	22,948
Non-Mature communities/Other	**18,602**	13,656	**35,960**	25,749
Total segment and consolidated rental income	**$ 153,921**	$ 151,844	**$ 305,550**	$ 302,459
Reportable apartment home segment NOI				
Same Communities				
Western Region	**$ 39,437**	$ 42,189	**$ 78,148**	$ 84,299
Mid-Atlantic Region	**26,351**	26,573	**51,598**	52,205
Southeastern Region	**18,005**	18,268	**36,135**	36,847
Southwestern Region	**6,522**	6,470	**13,156**	12,984
Non-Mature communities/Other	**9,939**	7,886	**19,240**	14,104
Total segment and consolidated NOI	**100,254**	101,386	**198,277**	200,439
Reconciling items:				
Non-property income	**2,056**	3,958	**5,376**	8,982
Property management	**(4,233)**	(4,176)	**(8,403)**	(8,318)
Other operating expenses	**(1,457)**	(2,010)	**(2,942)**	(3,664)
Depreciation and amortization	**(73,726)**	(69,067)	**(145,933)**	(138,052)
Interest, net	**(37,945)**	(33,693)	**(74,811)**	(64,385)
General and administrative	**(10,212)**	(8,905)	**(19,787)**	(18,602)
Other depreciation and amortization	**(1,308)**	(1,478)	**(2,531)**	(2,872)
Loss from unconsolidated entities	**(1,185)**	(728)	**(1,922)**	(1,445)

Tax expense for the TRS		**(81)**				**(146)**		(51)
Loss from continuing operations	**$**	**(27,837)**	$	(14,713)	**$**	**(52,822)**	$	(27,968)

26

Table of Contents

The following table details the assets of UDR s reportable segments as of June 30, 2010 and December 31, 2009 *(dollars in thousands)*:

	June 30, 2010	December 31, 2009
Reportable apartment home segment assets:		
Same communities:		
Western Region	**$ 2,412,918**	$ 2,404,218
Mid-Atlantic Region	**1,265,409**	1,263,755
Southeastern Region	**918,362**	911,973
Southwestern Region	**421,105**	418,303
Non-mature communities/Other	**1,387,537**	1,316,798
Total segment assets	**6,405,331**	6,315,047
Accumulated depreciation	**(1,489,464)**	(1,351,293)
Total segment assets net book value	**4,915,867**	4,963,754
Reconciling items:		
Cash and cash equivalents	**8,074**	5,985
Marketable securities	**37,878**	37,650
Restricted cash	**9,744**	8,879
Deferred financing costs, net	**25,508**	26,601
Notes receivable	**7,800**	7,800
Investment in unconsolidated joint ventures	**17,477**	14,126
Other assets	**57,021**	67,822
Total consolidated assets	**$ 5,079,369**	$ 5,132,617

Capital expenditures related to our same communities totaled $14.3 million and $22.7 million and $14.1 million and $27.4 million for the three and six months ended June 30, 2010 and 2009, respectively. Capital expenditures related to our non-mature/other communities totaled $1.1 million and $1.6 million and $585,000 and $2.6 million for the three and six months ended June 30, 2010 and 2009, respectively.

Markets included in the above geographic segments are as follows:

i. Western Orange County, San Francisco, Seattle, Monterey Peninsula, Los Angeles, San Diego, Inland Empire, Sacramento, and Portland

ii. Mid-Atlantic Metropolitan DC, Richmond, Baltimore, Norfolk, and Other Mid-Atlantic

iii. Southeastern Tampa, Orlando, Nashville, Jacksonville, and Other Florida

iv. Southwestern Dallas, Phoenix, Austin, and Houston

Table of Contents

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

Forward-Looking Statements

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

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

- general economic conditions,
- unfavorable changes in apartment market and economic conditions that could adversely affect occupancy levels and rental rates,
- the failure of acquisitions to achieve anticipated results,
- possible difficulty in selling apartment communities,
- competitive factors that may limit our ability to lease apartment homes or increase or maintain rents,
- insufficient cash flow that could affect our debt financing and create refinancing risk,
- failure to generate sufficient revenue, which could impair our debt service payments and distributions to stockholders,
- development and construction risks that may impact our profitability,
- potential damage from natural disasters, including hurricanes and other weather-related events, which could result in substantial costs to us,
- risks from extraordinary losses for which we may not have insurance or adequate reserves,
- uninsured losses due to insurance deductibles, self-insurance retention, uninsured claims or casualties, or losses in excess of applicable coverage,
- delays in completing developments and lease-ups on schedule,
- our failure to succeed in new markets,

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

Table of Contents

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

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

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

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

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

Business Overview

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

At June 30, 2010, our consolidated real estate portfolio included 168 communities with 46,932 apartment homes and our total real estate portfolio, inclusive of our unconsolidated communities, included an additional 11 communities with 4,143 apartment homes.

Table of Contents

The following table summarizes our market information by major geographic markets as of June 30, 2010.

Same Communities	As of June 30, 2010 Number of Apartment Communities	Number of Apartment Homes	Percentage of Total Carrying Value	Total Carrying Value (in thousands)	Three Months Ended June 30, 2010 Average Physical Occupancy	Total Income per Occupied Home (b)	Six Months Ended June 30, 2010 (a) Average Physical Occupancy	Total Income per Occupied Home (b)
Western Region								
Orange Co, CA	14	4,363	12.5%	$ 803,543	95.7%	$ 1,473	95.6%	$ 1,470
San Francisco, CA	9	1,727	6.3%	403,728	97.3%	1,896	96.8%	1,892
Seattle, WA	9	1,725	4.7%	303,677	96.8%	1,174	96.8%	1,167
Monterey Peninsula, CA	7	1,565	2.4%	151,777	95.1%	1,063	94.3%	1,054
Los Angeles, CA	7	1,380	4.5%	288,936	96.0%	1,532	96.3%	1,531
San Diego, CA	5	1,123	2.7%	174,274	95.6%	1,331	95.5%	1,326
Inland Empire, CA	3	1,074	2.3%	149,970	94.9%	1,220	95.1%	1,215
Sacramento, CA	2	914	1.1%	67,721	92.5%	863	93.4%	868
Portland, OR	3	716	1.1%	69,292	95.8%	936	95.6%	936
Mid-Atlantic Region								
Metropolitan DC	11	3,765	10.4%	668,836	97.0%	1,531	96.8%	1,519
Richmond, VA	6	2,211	2.9%	184,291	95.6%	1,010	95.7%	1,010
Baltimore, MD	10	2,121	3.9%	250,434	97.1%	1,261	97.1%	1,251
Norfolk VA	6	1,438	1.3%	83,750	95.8%	966	95.6%	954
Other Mid-Atlantic	5	1,132	1.2%	78,098	96.5%	1,010	96.4%	1,007
Southeastern Region								
Tampa, FL	10	3,278	3.9%	252,842	95.6%	919	95.6%	917
Orlando, FL	10	2,796	3.4%	219,443	95.2%	897	95.3%	899
Nashville, TN	8	2,260	2.8%	178,889	97.2%	846	96.8%	839
Jacksonville, FL	5	1,857	2.4%	155,678	94.7%	810	95.0%	812
Other FL	4	1,184	1.7%	111,510	94.4%	973	94.9%	975
Southwestern Region								
Dallas, TX	9	2,595	4.2%	267,709	95.3%	950	95.6%	949
Phoenix, AZ	3	914	1.1%	71,330	95.7%	850	95.5%	848
Austin, TX	1	390	1.0%	59,978	94.7%	1,098	95.9%	1,090
Other, TX	1	320	0.4%	22,088	91.7%	893	91.3%	896
Total/Average Same Communities	148	40,848	78.2%	5,017,794	95.8%	$ 1,153	95.8%	$ 1,148
	18	5,728	19.3%	1,233,571				

Non Matures, Commercial Properties & Other				
Total Real Estate Held for Investment	166	46,576	97.5%	6,251,365
Real Estate Under Development (c)	2	356	2.5%	153,966
Total Real Estate Owned	168	46,932	100.0%	6,405,331
Total Accumulated Depreciation				(1,489,464)
Total Real Estate Owned, Net of Accumulated Depreciation				$ 4,915,867

(a) There was no change in the Same Community population for the three and six months ended June 30, 2010.

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

(c) The Company is currently developing three wholly-owned communities with a total of 1,104 apartment homes of which

748 have not yet
been completed.

Liquidity and Capital Resources

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

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

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

On September 15, 2009, the Company entered into an equity distribution agreement under which the Company may offer and sell up to 15.0 million shares of its common stock over time to or through its sales agents. During the three months ended June 30, 2010, we sold 1,546,600 shares of common stock through this program for aggregate gross proceeds of approximately $30.9 million at a weighted average price per share of $19.98. Aggregate net proceeds from such sales, after deducting related expenses, including commissions paid to the sales agents of approximately $600,000, were approximately $30.1 million. During the six months ended June 30, 2010, we sold 5,905,353 shares of common stock through this program for aggregate gross proceeds of approximately $105.7 million at a weighted average price per share of $17.90. Aggregate net proceeds from such sales, after deducting related expenses, including commissions paid to the sales agents of approximately $2.3 million, were approximately $103.4 million.

On December 7, 2009, the Company entered into an Amended and Restated Distribution Agreement with respect to the issue and sale by the Company from time to time of its Medium-Term Notes, Series A Due Nine Months or More From Date of Issue. In February 2010, the Company issued $150 million of 5.25% senior unsecured medium-term notes under the Amended and Restated Distribution Agreement. These notes were priced at 99.46% of the principal amount at issuance and had a discount of $742,000 at June 30, 2010.

Future Capital Needs

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

During the remainder of 2010, we have approximately $134.6 million of secured debt, including principal amortization, and no unsecured debt maturing, and we anticipate exercising extension rights of $131.7 million with respect to such debt.

Critical Accounting Policies and Estimates

Our critical accounting policies are those having the most impact on the reporting of our financial condition and results and those requiring significant judgments and estimates. These policies include those related to (1) capital expenditures, (2) impairment of long-lived assets, (3) real estate investment properties, and (4) revenue recognition. Our other critical accounting policies are described in more detail in the section entitled Management s Discussion and Analysis of Financial Condition and Results of Operations in UDR s Annual Report on Form 10-K for the year ended December 31, 2009, filed with the SEC on February 25, 2010. There have been no significant changes in our critical accounting policies from those reported in our Form 10-K filed with the SEC on February 25, 2010. With respect to these critical accounting policies, we believe that the application of judgments and assessments is consistently applied and produces financial information that fairly depicts the results of operations for all periods presented.

Statements of Cash Flow

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

Operating Activities

For the six months ended June 30, 2010, our net cash flow provided by operating activities was $101.8 million compared to $124.0 million for the comparable period in 2009. The decrease in cash flow from operating activities is primarily due to changes in operating assets and liabilities.

Investing Activities

For the six months ended June 30, 2010, net cash (used in)/provided by investing activities was ($122.2) million compared to $10.1 million for the comparable period in 2009. The change is primarily driven by proceeds from the payment of a note receivable received in conjunction with the sale of 86 communities in 2008 partially offset by a reduction in development expenditures in 2010 as compared to 2009 and the purchase of marketable securities in 2009.

Acquisitions

We did not have any acquisitions during the six months ended June 30, 2010 Our long-term strategic plan is to achieve greater operating efficiencies by investing in fewer, more concentrated markets. As a result, we have been seeking to expand our interests in communities located in California, Metropolitan D.C., Texas and the Washington State markets over the past years. Prospectively, we plan to channel new investments into those markets we believe will provide the best investment returns. Markets will be targeted based upon defined criteria including favorable job formation, low single-family home affordability and favorable demand/supply ratio for multifamily housing.

Capital Expenditures

In conformity with GAAP, we capitalize those expenditures that materially enhance the value of an existing asset or substantially extend the useful life of an existing asset. Expenditures necessary to maintain an existing property in ordinary operating condition are expensed as incurred.

During the six months ended June 30, 2010, $23.5 million or $530 per home was spent on recurring capital expenditures. These include revenue enhancing capital expenditures, exterior/interior upgrades, turnover related expenditures for floor coverings and appliances, other recurring capital expenditures such as exterior paint, roofs, siding, parking lots, and asset preservation capital expenditures. In addition, major renovations totaled $12.9 million for the six months ended June 30, 2010. Total capital expenditures, which in aggregate include recurring capital expenditures and major renovations, of $36.4 million or $822 per home was spent on all of our communities, excluding development and commercial properties, for the six months ended June 30, 2010.

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

	Six months ended June 30, (dollars in thousands)			Six months ended June 30, (per home)		
	2010	**2009**	**% Change**	**2010**	**2009**	**% Change**
Revenue enhancing improvements	**$ 9,389**	$ 13,406	-30.0%	**$ 212**	$ 309	-31.4%
Turnover capital expenditures	**4,048**	4,510	-10.2%	**91**	104	-12.5%
Asset preservation expenditures	**10,057**	9,924	1.3%	**227**	228	-0.4%
Total recurring capital expenditures	**23,494**	27,840	-15.6%	**530**	641	-17.3%
Major renovations	**12,921**	12,310	5.0%	**292**	283	3.2%
Total capital expenditures	**$ 36,415**	$ 40,150	-9.3%	**$ 822**	$ 924	-11.0%
Repair and maintenance expense	**$ 15,443**	$ 14,622	5.6%	**$ 348**	$ 337	3.3%
Average stabilized home count	**44,316**	43,452				

We will continue to selectively add revenue enhancing improvements which we believe will provide a return on investment substantially in excess of our cost of capital. Recurring capital expenditures during 2010 are currently expected to be approximately $1,050 per home.

Development

At June 30, 2010, our development pipeline for wholly-owned communities totaled 1,104 homes with a budget of $218.2 million in which we have a carrying value of $154.0 million. We anticipate the completion of these communities through the first quarter of 2012.

For the six months ended June 30, 2010, we invested approximately $61.8 million in development projects, a decrease of $36.0 million from our 2009 level of $97.8 million. We also completed development of two wholly-owned communities with 823 apartment homes with costs of $114.1 million, and one community held by a consolidated joint venture with 274 apartment homes and retail space with costs of $120.7 million as of June 30, 2010.

Consolidated Joint Ventures

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. On December 30, 2009, UDR entered into an agreement with our partner to purchase its 49% interest in 989 Elements for $7.7 million. 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 resulting in the consolidation of the joint venture. The joint venture assets and liabilities were recorded at fair value. The fair value of the assets was $55.0 million ($54.8 million of real estate owned and $200,000 of current assets) and the fair value of liabilities was $34.1 million ($33.4 million of a construction loan, net of fair market value adjustment of $1.6 million and $700,000 of current liabilities) at the

consolidation date. On December 31, 2009, the Company repaid the outstanding balance of $35.0 million on the construction loan held by 989 Elements. In March 2010, the Company paid $7.7 million and acquired our partner s 49% interest in the joint venture. At closing of the agreement and at June 30, 2010, the Company s interest in 989 Elements was 98%.

Table of Contents

UDR is a partner with an unaffiliated third party in a joint venture (Elements Too) which owns and operates a 274 home apartment community in the central business district of Bellevue, Washington. Construction began in the fourth quarter of 2006 and was completed in the first quarter of 2010. On October 16, 2009, 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 resulting in the consolidation of the joint venture. The joint venture assets and liabilities were recorded at fair value. Prior to consolidation, our equity investment in Elements Too was $24.4 million (net of an $11.0 million equity loss recorded as of December 31, 2009) at October 16, 2009. The fair value of the assets was $100.3 million ($99.5 million of real estate owned and $814,000 of current assets) and the fair value of liabilities was $75.6 million ($70.5 million of a construction loan, $917,000 of a derivative instrument, and $4.2 million of current liabilities). On December 30, 2009, UDR entered into an agreement with our partner to purchase its 49% interest in Elements Too for $3.2 million. In March 2010, the Company paid the outstanding balance of $3.2 million and acquired our partner s 49% interest in the joint venture. During the six months ended June 30, 2010, the Company repaid the outstanding balance of $70.5 million on the construction loan held by Elements Too.

UDR is a partner with an unaffiliated third party in a joint venture (Bellevue) 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 for $5.2 million. 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 resulting in the consolidation of the joint venture at fair value. Prior to consolidation, our equity investment in Bellevue was $5.0 million (net of a $5.0 million equity loss recorded as of December 31, 2009). The fair value of the assets was $33.0 million ($32.8 million of real estate owned and $211,000 of current assets) and the fair value of liabilities was $23.0 million ($22.3 million of a mortgage payable, $506,000 of a derivative instrument, and $213,000 of current liabilities). In March 2010, the Company paid $5.2 million and acquired our partner s 49% interest in the joint venture. At closing of the agreement and at June 30, 2010, the Company s interest in Bellevue was 98%.

Prior to their consolidation in 2009, we evaluated our investments in these joint ventures when events or changes in circumstances indicate that there may be an other-than-temporary decline in value. We considered various factors to determine if a decrease in value of each of these investments is other-than-temporary. In 2009, we recognized a non-cash charge of $16.0 million representing the other-than-temporary decline in fair values below the carrying values of two of the Company s Bellevue, Washington joint ventures.

For additional information regarding these joint ventures, see Note 5, Joint Ventures, in the condensed Consolidated Financial Statements included in this Report.

Unconsolidated Joint Ventures

In August 2009, UDR and an unaffiliated third party, Kuwait Finance House, formed a jointed venture 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 will be 30% or $54.0 million when fully invested. During the quarter ended June 30, 2010, the joint venture acquired its first property (151 homes) located in Metropolitan Washington D.C. for $43.1 million. At closing and at June 30, 2010, the Company owned 30%. Our investment at June 30, 2010 and December 31, 2009 was $5.4 million and $242,000, respectively.

In November 2007, UDR and an unaffiliated third party formed a joint venture which owns and operates various properties located in Texas. UDR contributed cash and property equal to 20% of the fair value of the properties. The unaffiliated member contributed cash equal to 80% of the fair value of the properties comprising the joint venture, which was then used to purchase the nine operating properties from UDR. Our initial investment was $20.4 million. Our investment at June 30, 2010 and December 31, 2009 was $12.1 million and $13.9 million, respectively.

For additional information regarding these joint ventures, see Note 5, Joint Ventures, in the condensed Consolidated Financial Statements included in this Report.

Disposition of Investments

During the six months ended June 30, 2010, we did not dispose of any communities. We plan to continue to pursue our strategy of exiting markets where long-term growth prospects are limited and redeploying capital into markets we believe will provide the best investment returns.

Financing Activities

For the six months ended June 30, 2010, our net cash provided by/(used in) financing activities was $22.5 million compared to ($141.8) million for the comparable period of 2009.

The following significant financing activities occurred during the six months ended June 30, 2010:

- repaid $83.8 million of secured debt and $50.0 million of maturing medium-term unsecured notes. The $83.8 million of secured debt includes $70.5 million for a maturing construction loan held by one of our consolidated joint ventures, repayment of $1.3 million of credit facilities and $12.0 million of mortgage payments;
- repurchased unsecured debt with a notional amount of $29.2 million for $29.4 million resulting in a loss on extinguishment of $1.0 million, which includes the write off of related deferred finance charges. The unsecured debt repurchased by the Company matures in 2011. As a result of this repurchase, the loss is represented as an addition to interest expense on the Consolidated Statement of Operations.
- net repayments of $55.4 million were applied toward the Company s $600 million revolving credit facility;
- received proceeds of $51.9 million from secured debt financings. The $51.9 million includes $27.8 million in variable rate mortgages, $12.8 million in fixed rate mortgages, and $11.3 million in credit facilities;
- in December 2009, the Company entered into an Amended and Restated Distribution Agreement with respect to the issue and sale by the Company from time to time of its Medium-Term Notes, Series A Due Nine Months or More From Date of Issue. In February 2010, the Company issued $150 million of 5.25% senior unsecured medium-term notes under the Amended and Restated Distribution Agreement . These notes were priced at 99.46% of the principal amount at issuance and had a discount of $742,000 at June 30, 2010; and
- in September 2009, the Company 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. During the six months ended June 30, 2010, we sold 5,905,353 shares of common stock through this program for aggregate gross proceeds of approximately $105.7 million at a weighted average price per share of $17.90. Aggregate net proceeds from such sales, after deducting related expenses, including commissions paid to the sales agents of approximately $2.3 million, were approximately $103.4 million.

Credit Facilities

As of June 30, 2010, we have secured revolving credit facilities with Fannie Mae with an aggregate commitment of $1.4 billion with $1.2 billion outstanding. The Fannie Mae credit facilities are for an initial term of 10 years, bear interest at floating and fixed rates, and certain variable rate facilities can be extended for an additional five years at our option. We have $948.6 million of the funded balance fixed at a weighted average interest rate of 5.4% and the remaining balance on these facilities is currently at a weighted average variable rate of 1.8%.

We have a $600 million unsecured revolving credit facility that matures on July 26, 2012. Under certain circumstances, we may increase the $600 million credit facility to $750 million. Based on our current credit rating, the $600 million credit facility carries an interest rate equal to LIBOR plus 47.5 basis points. In addition, the unsecured credit facility contains a provision that allows us to bid up to 50% of the commitment and we can bid out the entire unsecured credit facility once per quarter so long as we maintain an investment grade rating. As of June 30, 2010, we had $133.9 million of borrowings outstanding under the credit facility leaving $466.1 million of unused capacity (excluding $8.0 million of letters of credit at June 30, 2010).

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

Derivative Instruments

As part of UDR s overall interest rate risk management strategy, we use derivatives as a means to fix the interest rates of variable rate debt obligations or to hedge anticipated financing transactions. UDR s derivative transactions used for interest rate risk management includes interest rate swaps with indexes that relate to the pricing of specific financial instruments of UDR. We believe that we have appropriately controlled our interest rate risk through the use of derivative instruments to minimize any unintended effect on consolidated earnings. Derivative contracts did not have a material impact on the results of operations during the six months ended June 30, 2010 *(see Note 10- Derivatives and Hedging Activity in Notes to Consolidated Financial Statements* in this Report*).*

Funds from Operations

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

Historical cost accounting for real estate assets in accordance with GAAP implicitly assumes that the value of real estate assets diminishes predictably over time. Since real estate values instead have historically risen or fallen with market conditions, many industry investors and analysts have considered the presentation of operating results for real estate companies that use historical cost accounting to be insufficient by themselves. Thus, NAREIT created FFO as a supplemental measure of REIT operating performance and defines FFO as net income (computed in accordance with accounting principles generally accepted in the United States), excluding gains (or losses) from sales of depreciable property, plus depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. The use of FFO, combined with the required presentations, has been fundamentally beneficial, improving the understanding of operating results of REITs among the investing public and making comparisons of REIT operating results more meaningful. We generally consider FFO to be a useful measure for reviewing our comparative operating and financial performance (although FFO should be reviewed in conjunction with net income which remains the primary measure of performance) because by excluding gains or losses related to sales of previously depreciated operating real estate assets and excluding real estate asset depreciation and amortization, FFO can help one compare the operating performance of a Company s real estate between periods or as compared to different companies. We believe that FFO is the best measure of economic profitability for real estate investment trusts.

Table of Contents

The following table outlines our FFO calculation and reconciliation to GAAP for the three and six months ended June 30, 2010 and 2009 (*dollars in thousands):*

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	**2009**	**2010**	**2009**
Net loss attributable to UDR, Inc.	**$ (26,621)**	$ (12,058)	**$ (50,677)**	$ (24,687)
Distributions to preferred stockholders	**(2,372)**	(2,800)	**(4,751)**	(5,600)
Real estate depreciation and amortization, including discontinued operations	**73,726**	69,067	**145,933**	138,052
Non-controlling interest	**(1,019)**	(602)	**(1,989)**	(1,396)
Real estate depreciation and amortization on unconsolidated joint ventures	**1,151**	1,165	**2,160**	2,308
Net gain on the sale of depreciable property in discontinued operations, excluding RE3	**(162)**	(2,053)	**(121)**	(1,885)
Discount on preferred stock repurchases, net	**25**		**25**	
Funds from operations (FFO) basic	**$ 44,728**	$ 52,719	**$ 90,580**	$ 106,792
Distribution to preferred stockholders Series E (Convertible)	**931**	931	**1,862**	1,862
Funds from operations diluted	**$ 45,659**	$ 53,650	**$ 92,442**	$ 108,654
FFO per common share basic	**$ 0.27**	$ 0.34	**$ 0.55**	$ 0.69
FFO per common share diluted	**$ 0.27**	$ 0.34	**$ 0.55**	$ 0.69
Weighted average number of common shares and OP Units outstanding basic	**166,850**	155,958	**164,492**	153,987
Weighted average number of common shares, OP Units, and common stock equivalents outstanding diluted	**172,109**	159,039	**169,485**	157,043

In the computation of diluted FFO, OP Units, unvested restricted stock, stock options, and the shares of Series E Cumulative Convertible Preferred Stock are dilutive; therefore, they are included in the diluted share count. The effect of the conversion of the Series E Out-Performance Partnership Shares (the Series E Out-Performance Program terminated on December 31, 2009) are anti-dilutive for the three and six months ended June 30, 2009 and are excluded from the diluted share count.

RE^3 is our subsidiary that focuses on development, land entitlement and short-term hold investments. RE^3 tax benefits and gain on sales, net of taxes, is defined as net sales proceeds less a tax provision and the gross investment basis of the asset before accumulated depreciation. We consider FFO with RE^3 tax benefits and gain on sales, net of taxes, to be a meaningful supplemental measure of performance because the short-term use of funds produce a profit that differs from the traditional long-term investment in real estate for REITs.

Table of Contents

The following table is our reconciliation of FFO share information to weighted average common shares outstanding, basic and diluted, reflected on the Consolidated Statements of Operations for the three and six months ended June 30, 2010 and 2009 *(shares in thousands):*

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	**2009**	**2010**	**2009**
Weighted average number of common shares and OP units outstanding basic	**166,850**	155,958	**164,492**	153,987
Weighted average number of OP units outstanding	**(5,964)**	(6,514)	**(5,970)**	(7,180)
Weighted average number of common shares outstanding basic per the Consolidated Statements of Operations	**160,886**	149,444	**158,522**	146,807
Weighted average number of common shares, OP units, and common stock equivalents outstanding diluted	**172,109**	159,039	**169,485**	157,043
Weighted average number of OP units outstanding	**(5,964)**	(6,514)	**(5,970)**	(7,180)
Weighted average incremental shares from assumed conversion of stock options	**(1,693)**	(45)	**(1,525)**	(20)
Weighted average incremental shares from unvested restricted stock	**(530)**		**(432)**	
Weighted average number of Series E preferred shares outstanding	**(3,036)**	(3,036)	**(3,036)**	(3,036)
Weighted average number of common shares outstanding diluted per the Consolidated Statements of Operations	**160,886**	149,444	**158,522**	146,807

FFO also does not represent cash generated from operating activities in accordance with GAAP, and therefore should not be considered an alternative to net cash flows from operating activities, as determined by generally accepted accounting principles, as a measure of liquidity. Additionally, it is not necessarily indicative of cash availability to fund cash needs. A presentation of cash flow metrics based on GAAP is as follows (*dollars in thousands*):

	Six Months Ended June 30,	
	2010	**2009**
Net cash provided by operating activities	**$ 101,779**	$ 123,994
Net cash (used in)/provided by investing activities	**(122,191)**	10,090
Net cash provided by/(used in) financing activities	**22,501**	(141,841)

Results of Operations

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

Net Loss Attributable to Common Stockholders

Net loss attributable to common stockholders was $29.0 million ($0.18 per diluted share) for the three months ended June 30, 2010 as compared to net loss attributable to common stockholders of $14.9 million ($0.10 per diluted share) for the comparable period in the prior year. The increase in net loss attributable to common stockholders for the three months ended June 30, 2010 resulted primarily from the following items, all of which are discussed in further detail elsewhere within this Report:

- a slight decrease in our net operating income;
- an increase in depreciation expense primarily due to the Company s consolidation of certain joint venture assets in the fourth quarter of 2009 and the completion of redevelopment and development communities in 2009 and 2010;
- an increase in interest expense, primarily due to a net gain on debt extinguishment related to unsecured debt repurchase activity in 2009;

Table of Contents

a decrease in other income primarily due to a decrease in interest income and increase in losses due to changes in the fair value of derivatives; and

a decrease in net gain on the sale of depreciable property.

Net loss attributable to common stockholders was $55.4 million ($0.35 per diluted share) for the six months ended June 30, 2010 as compared to net loss attributable to common stockholders of $30.3 million ($0.21 per diluted share) for the comparable period in the prior year. The increase in net loss attributable to common stockholders for the six months ended June 30, 2010 resulted primarily from the following items, all of which are discussed in further detail elsewhere within this Report:

a slight decrease in our net operating income;

an increase in depreciation expense primarily due to the Company s consolidation of certain joint venture assets in the fourth quarter of 2009 and the completion of redevelopment and development communities in 2009 and 2010;

an increase in interest expense, primarily due to a net gain on debt extinguishment related to unsecured debt repurchase activity in 2009;

a decrease in other income primarily due to a decrease in interest income and increase in losses due to changes in the fair value of derivatives partially offset by an increase in recoveries from real estate tax accruals; and

a decrease in net gain on the sale of depreciable property.

Apartment Community Operations

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

	Three Months Ended June 30,			Six Months Ended June 30,		
	2010	**2009**	**% Change**	**2010**	**2009**	**% Change**
Property rental income	**$ 152,340**	$ 149,968	1.6%	**$ 302,285**	$ 298,730	1.2%
Property operating expense (a)	**(53,367)**	(50,001)	6.7%	**(106,074)**	(100,364)	5.7%
Property net operating income	**$ 98,973**	$ 99,967	-1.0%	**$ 196,211**	$ 198,366	-1.1%

(a) Excludes depreciation, amortization, and property management expenses.

The following table is our reconciliation of property NOI to net loss attributable to UDR as reflected, for both continuing and discontinued operations, for the periods presented (*dollars in thousands):*

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	**2009**	**2010**	**2009**
Property net operating income	**$ 98,973**	$ 99,967	**$ 196,211**	$ 198,366
Other net operating income	**1,281**	1,419	**2,066**	2,073
Non-property income, net	**2,056**	3,958	**5,376**	8,982
Real estate depreciation and amortization	**(73,726)**	(69,067)	**(145,933)**	(138,052)
Interest, net	**(37,945)**	(33,693)	**(74,811)**	(64,385)
General and administrative and property management	**(14,445)**	(13,081)	**(28,190)**	(26,920)
Other expenses	**(1,457)**	(2,010)	**(2,942)**	(3,664)
Other depreciation and amortization	**(1,308)**	(1,478)	**(2,531)**	(2,872)
Loss from unconsolidated entities	**(1,185)**	(728)	**(1,922)**	(1,445)
Tax expense for taxable REIT subsidiary	**(81)**		**(146)**	(51)
Net gain on sale of depreciable property	**197**	2,053	**156**	1,885
Non-controlling interests	**1,019**	602	**1,989**	1,396
Net loss attributable to UDR	**$ (26,621)**	$ (12,058)	**$ (50,677)**	$ (24,687)

Same Communities

Our same community properties (those acquired, developed, and stabilized prior to April 1, 2009 and held on June 30, 2010) consisted of 40,848 apartment homes and provided 91% of our total property NOI for the three months ended June 30, 2010.

NOI for our same community properties decreased 3.4% or $3.2 million for the three months ended June 30, 2010 compared to the same period in 2009. The decrease in property NOI was attributable to a 2.1% or $2.9 million decrease in property rental income and a 0.7% or $316,000 increase in operating expenses. The decrease in revenues was primarily driven by a 3.7% or $5.1 million decrease in rental rates which was partially offset by a 57.2% or $657,000 decrease in rental concessions, an 8.2% or $430,000 decrease in vacancy loss, a 43.6% or $382,000 decrease in bad debt, and a 13.2% or $746,000 increase in reimbursement income. Physical occupancy increased 0.3% to 95.8% and total monthly income per occupied home decreased $28 to $1,153.

The increase in property operating expenses was primarily driven by a 3.7% or $416,000 increase in personnel costs, a 2.4% or $160,000 increase in utilities, and a 1.8% or $130,000 increase in repairs and maintenance, partially offset by a 10.1% or $307,000 decrease in administrative and marketing costs and a 0.9% or $126,000 decrease in real estate taxes.

As a result of the percentage changes in property rental income and property operating expenses, the operating margin (property net operating income divided by property rental income) decreased to 66.7% for the three months ended June 30, 2010 as compared to 67.7% for the comparable period in 2009.

Our same community properties (those acquired, developed, and stabilized prior to January 1, 2009 and held on June 30, 2010) consisted of 40,848 apartment homes and provided 91% of our total property NOI for the six months ended June 30, 2010.

NOI for our same community properties decreased 3.9% or $7.3 million for the six months ended June 30, 2010 compared to the same period in 2009. The decrease in property NOI was attributable to a 2.6% or $7.1 million decrease in property rental income and a 0.2% or $178,000 increase in operating expenses. The decrease in revenues was primarily driven by a 4.4% or $12.1 million decrease in rental rates which was partially offset by a 49.5% or

$1.1 million decrease in rental concessions, an 18.6% or $2.2 million decrease in vacancy loss, a 41.3% or $723,000 decrease in bad debt, and a 12.6% or $1.4 million increase in reimbursement income. Physical occupancy increased 0.7% to 95.8% and total monthly income per occupied home decreased $39 to $1,148.

The increase in property operating expenses was primarily driven by a 3.0% or $678,000 increase in personnel costs and a 3.2% or $442,000 increase in repairs and maintenance partially offset by a 3.6% or $1.1 million decrease in real estate taxes.

As a result of the percentage changes in property rental income and property operating expenses, the operating margin (property net operating income divided by property rental income) decreased to 66.4% for the six months ended June 30, 2010 as compared to 67.3% for the comparable period in 2009.

Non-Mature/Other Communities

The remaining $9.9 million or 10% and $19.2 million or 10% of our total NOI during the three and six months ended June 30, 2010, respectively, was generated from communities that we classify as non-mature communities. UDR s non-mature communities consist of communities that do not meet the criteria to be included in same communities, which includes communities developed or acquired, redevelopment properties, sold properties, non-apartment components of mixed use properties, properties classified as real estate held for disposition and condominium properties. For the three and six months ended June 30, 2010, we recognized NOI for our developments of $2.8 million and $5.4 million, respectively, acquired communities of $1.4 million and $2.9 million, respectively, and redeveloped properties of $3.3 million and $6.2 million, respectively.

Other Income

For the three and six months ended June 30, 2010, significant amounts reflected in other income include: interest income and discount amortization from an interest in a convertible debt security, a recovery from real estate tax accruals, and fees earned for both recurring and non-recurring items related to the Company s joint ventures. Other income for the three and six months ended June 30, 2009 includes interest income on a note receivable.

Real Estate Depreciation and Amortization

For the three and six months ended June 30, 2010, real estate depreciation and amortization in continuing operations increased 6.7% or $4.7 million and 5.7% or $7.9 million, respectively, as compared to the comparable periods in 2009. The increase in depreciation and amortization for the three and six months ended June 30, 2010 is primarily the result of the consolidation of certain joint venture assets in the fourth quarter of 2009, development completions during 2010 and 2009, and additional capital expenditures. As part of the Company s acquisition activity a portion of the purchase price is attributable to the fair value of intangible assets which are typically amortized over a period of less than one year.

Interest Expense

For the three and six months ended June 30, 2010, interest expense in continuing operations increased 12.6% or $4.3 million and 16.2% or $10.4 million, respectively, as compared to the comparable periods in 2009. This increase is primarily due to the recognition of a loss of $1.0 million during the three and six months June 30, 2010 and the recognition of gains of $2.7 million and $9.8 million during the three and six months June 30, 2009, respectively, from the repurchase of unsecured debt securities.

General and Administrative

For the three and six months ended June 30, 2010, general and administrative expenses increased 6.6% or $586,000 and 2.5% or $464,000, respectively, as compared to the comparable periods in 2009. The increase was due to a number of factors, none of which were significant.

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 three and six months ended June 30, 2010.

Off-Balance Sheet Arrangements

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

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

See our Annual Report on Form 10-K for the year ended December 31, 2009 under the heading Item 7A. Quantitative and Qualitative Disclosures About Market Risk for a more complete discussion of our interest rate sensitive assets and liabilities. As of June 30, 2010, our market risk has not changed materially from the amounts reported on our Annual Report on Form 10-K for the year ended December 31, 2009.

Item 4. CONTROLS AND PROCEDURES

As of June 30, 2010, we carried out an evaluation, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Our disclosure controls and procedures are designed with the objective of ensuring that information required to be disclosed in our reports filed under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective in timely alerting them to material information required to be included in our periodic SEC reports. In addition, our Chief Executive Officer and our Chief Financial Officer concluded that during the quarter ended June 30, 2010, there has been no change in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. Our internal control over financial reporting is designed with the objective of providing reasonable assurance regarding the reliability of our financial reporting and preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

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

PART II OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

The Company is a party to various claims and routine litigation arising in the ordinary course of business. We do not believe that the results of any such claims and litigation, individually or in the aggregate, will have a material adverse effect on our business, financial position or results of operations.

Item 1A. RISK FACTORS

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

Risks Related to Our Real Estate Investments and Our Operations

Unfavorable Apartment Market and Economic Conditions Could Adversely Affect Occupancy Levels, Rental Revenues and the Value of Our Real Estate Assets. Unfavorable market conditions in the areas in which we operate and unfavorable economic conditions generally may significantly affect our occupancy levels, our rental rates and collections, the value of the properties and our ability to strategically acquire or dispose of apartment communities on economically favorable terms. Our ability to lease our properties at favorable rates is adversely affected by the increase in supply in the multifamily market and is dependent upon the overall level in the economy, which is adversely affected by, among other things, job losses and unemployment levels, recession, personal debt levels, the downturn in the housing market, stock market volatility and uncertainty about the future. Some of our major expenses, including mortgage payments and real estate taxes, generally do not decline when related rents decline. We would expect that declines in our occupancy levels, rental revenues and/or the values of our apartment communities would cause us to have less cash available to pay our indebtedness and to distribute to our stockholders, which could adversely affect our financial condition and the market value of our securities. Factors that may affect our occupancy levels, our rental revenues, and/or the value of our properties include the following, among others:

- downturns in the national, regional and local economic conditions, particularly increases in unemployment;
- declines in mortgage interest rates, making alternative housing more affordable;
- government or builder incentives which enable first time homebuyers to put little or no money down, making alternative housing options more attractive;
- local real estate market conditions, including oversupply of, or reduced demand for, apartment homes;
- declines in the financial condition of our tenants, which may make it more difficult for us to collect rents from some tenants;
- changes in market rental rates;
- the timing and costs associated with property improvements, repairs or renovations;
- declines in household formation; and
- rent control or stabilization laws, or other laws regulating rental housing, which could prevent us from raising rents to offset increases in operating costs.

We Are Subject to Certain Risks Associated with Selling Apartment Communities, Which Could Limit Our Operational and Financial Flexibility. We have periodically disposed of apartment communities that no longer meet our strategic objectives, but adverse market conditions may make it difficult to sell apartment communities like the ones we own. We cannot predict whether we will be able to sell any property for the price or on the terms we set, or whether any price or other terms offered by a prospective purchaser would be acceptable to us. We also cannot predict the length of time needed to find a willing purchaser and to close the sale of a property. These conditions may limit our ability to dispose of properties and to change our portfolio promptly in order to meet our strategic objectives, which may in turn have a materially adverse effect on our financial condition and the market value of our securities. We are also subject to the following risks in connection with sales of our apartment communities:

- a significant portion of the proceeds from our overall property sales may be held by intermediaries in order for some sales to qualify as like-kind exchanges under Section 1031 of the Internal Revenue Code of 1986, as amended, or the Code, so that any related capital gain can be deferred for federal income tax purposes. As a result, we may not have immediate access to all of the cash flow generated from our property sales;
- federal tax laws limit our ability to profit on the sale of communities that we have owned for less than two years, and this limitation may prevent us from selling communities when market conditions are favorable.

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

We May Not Realize the Anticipated Benefits of Past or Future Acquisitions, and the Failure to Integrate Acquired Communities and New Personnel Successfully Could Create Inefficiencies. We have selectively acquired in the past, and if presented with attractive opportunities we intend to selectively acquire in the future, apartment communities that meet our investment criteria. Our acquisition activities and their success are subject to the following risks:

- we may be unable to obtain financing for acquisitions on favorable terms or at all;
- even if we enter into an acquisition agreement for an apartment community, we may be unable to complete the acquisition after incurring certain acquisition-related costs;
- an acquired apartment community may fail to perform as we expected in analyzing our investment, or a significant exposure related to the acquired property may go undetected during our due diligence procedures;
- when we acquire an apartment community, we may invest additional amounts in it with the intention of increasing profitability, and these additional investments may not produce the anticipated improvements in profitability; and
- we may be unable to quickly and efficiently integrate acquired apartment communities and new personnel into our existing operations, and the failure to successfully integrate such apartment communities or personnel will result in inefficiencies that could adversely affect our expected return on our investments and our overall profitability.

We do not expect to acquire apartment communities at the rate we have in prior years, which may limit our growth and have a material adverse effect on our business and the market value of our securities. In the past, other real estate investors, including insurance companies, pension and investment funds, developer partnerships, investment companies and other public and private apartment REITs, have competed with us to acquire existing properties and to develop new properties, and such competition in the future may make it more difficult for us to pursue attractive investment opportunities on favorable terms, which could adversely affect growth.

Development and Construction Risks Could Impact Our Profitability. In the past we have selectively pursued the development and construction of apartment communities, and we intend to do so in the future as appropriate opportunities arise. Development activities have been, and in the future may be, conducted through wholly owned affiliated companies or through joint ventures with unaffiliated parties. Our development and construction activities are subject to the following risks:

- we may be unable to obtain construction financing for development activities under favorable terms, including but not limited to interest rates, maturity dates and/or loan to value ratios, or at all which could cause us to delay or even abandon potential developments;
- we may be unable to obtain, or face delays in obtaining, necessary zoning, land-use, building, occupancy and other required governmental permits and authorizations, which could result in increased development costs, could delay initial occupancy dates for all or a portion of a development community, and could require us to abandon our activities entirely with respect to a project for which we are unable to obtain permits or authorizations;

- yields may be less than anticipated as a result of delays in completing projects, costs that exceed budget and/or higher than expected concessions for lease up and lower rents than pro forma;
- if we are unable to find joint venture partners to help fund the development of a community or otherwise obtain acceptable financing for the developments, our development capacity may be limited;
- we may abandon development opportunities that we have already begun to explore, and we may fail to recover expenses already incurred in connection with exploring such opportunities;
- we may be unable to complete construction and lease-up of a community on schedule, or incur development or construction costs that exceed our original estimates, and we may be unable to charge rents that would compensate for any increase in such costs;
- occupancy rates and rents at a newly developed community may fluctuate depending on a number of factors, including market and economic conditions, preventing us from meeting our profitability goals for that community; and
- when we sell to third parties communities or properties that we developed or renovated, we may be subject to warranty or construction defect claims that are uninsured or exceed the limits of our insurance.

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

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

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

Failure to Succeed in New Markets May Limit Our Growth. We have acquired in the past, and we may acquire in the future if appropriate opportunities arise, apartment communities that are outside of our existing markets. Entering into new markets may expose us to a variety of risks, and we may not be able to operate successfully in new markets. These risks include, among others:

- inability to accurately evaluate local apartment market conditions and local economies;
- inability to hire and retain key personnel;
- lack of familiarity with local governmental and permitting procedures; and
- inability to achieve budgeted financial results.

Risk of Inflation/Deflation. Substantial inflationary or deflationary pressures could have a negative effect on rental rates and property operating expenses. Neither inflation nor deflation have materially impacted our operations in the recent past. The general risk of inflation is that our debt interest and general and administrative expenses increase at a rate higher than our rental rates. The predominate effects of deflation include high unemployment and credit contraction. Restricted lending practices could impact our ability to obtain financing or refinancing for our properties. High unemployment may have a negative effect on our occupancy levels and our rental revenues.

Potential Liability for Environmental Contamination Could Result in Substantial Costs. Under various federal, state and local environmental laws, as a current or former owner or operator of real estate, we could be required to investigate and remediate the effects of contamination of currently or formerly owned real estate by hazardous or toxic substances, often regardless of our knowledge of or responsibility for the contamination and solely by virtue of our current or former ownership or operation of the real estate. In addition, we could be held liable to a governmental authority or to third parties for property damage and for investigation and clean-up costs incurred in connection with the contamination. These costs could be substantial, and in many cases environmental laws create liens in favor of governmental authorities to secure their payment. The presence of such substances or a failure to properly remediate any resulting contamination could materially and adversely affect our ability to borrow against, sell or rent an affected property.

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

Compliance or Failure to Comply with the Americans with Disabilities Act of 1990 or Other Safety Regulations and Requirements Could Result in Substantial Costs. The Americans with Disabilities Act generally requires that public buildings, including our properties, be made accessible to disabled persons. Noncompliance could result in the imposition of fines by the federal government or the award of damages to private litigants. From time to time claims may be asserted against us with respect to some of our properties under this Act. If, under the Americans with Disabilities Act, we are required to make substantial alterations and capital expenditures in one or more of our properties, including the removal of access barriers, it could adversely affect our financial condition and results of operations.

Our properties are subject to various federal, state and local regulatory requirements, such as state and local fire and life safety requirements. If we fail to comply with these requirements, we could incur fines or private damage awards. We do not know whether existing requirements will change or whether compliance with future requirements will require significant unanticipated expenditures that will affect our cash flow and results of operations.

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

Risk of Damage from Catastrophic Weather Events. Certain of our communities are located in the general vicinity of active earthquake faults, mudslides and fires, and others where there are hurricanes, tornadoes or risks of other inclement weather. The adverse weather events could cause damage or losses that may be greater than insured levels. In the event of a loss in excess of insured limits, we could lose our capital invested in the affected community, as well as anticipated future revenue from that community. We would also continue to be obligated to repay any mortgage indebtedness or other obligations related to the community. Any such loss could materially and adversely affect our business and our financial condition and results of operations.

Actual or Threatened Terrorist Attacks May Have an Adverse Effect on Our Business and Operating Results and Could Decrease the Value of Our Assets. Actual or threatened terrorist attacks and other acts of violence or war could have a material adverse effect on our business and operating results. Attacks that directly impact one or more of our apartment communities could significantly affect our ability to operate those communities and thereby impair our

ability to achieve our expected results. Further, our insurance coverage may not cover all losses caused by a terrorist attack. In addition, the adverse effects that such violent acts and threats of future attacks could have on the U.S. economy could similarly have a material adverse effect on our business and results of operations.

Table of Contents

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

Our Success Depends on Our Senior Management. Our success depends upon the retention of our senior management, whose continued service in not guaranteed. We may not be able to find qualified replacements for the individuals who make up our senior management if their services should no longer be available to us. The loss of services of one or more members of our senior management team could have a material adverse effect on our business, financial condition and results of operations.

We are Unable to Predict the Effect of Current Governmental Proposals. The current United States administration and Congress have enacted, or called for consideration of, proposals relating to a variety of issues, including with respect to health care, financial regulation reform, climate control, executive compensation and others. We believe that these and other potential proposals could have varying degrees of impact on us ranging from minimal to material. At this time, we are unable to predict with certainty what level of impact any such proposal could have on us.

Risks Related to Our Indebtedness and Financings

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

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

- the national and local economies;
- local real estate market conditions, such as an oversupply of apartment homes;
- tenants perceptions of the safety, convenience, and attractiveness of our communities and the neighborhoods where they are located;
- our ability to provide adequate management, maintenance and insurance;
- rental expenses, including real estate taxes and utilities;
- competition from other apartment communities;
- changes in interest rates and the availability of financing;
- changes in governmental regulations and the related costs of compliance; and
- changes in tax and housing laws, including the enactment of rent control laws or other laws regulating multi-family housing.

47

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

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

Financing May Not Be Available and Could Be Dilutive. Our ability to execute our business strategy depends on our access to an appropriate blend of debt financing, including unsecured lines of credit and other forms of secured and unsecured debt, and equity financing, including common and preferred equity. We and other companies in the real estate industry have experienced limited availability of financing from time to time. If we issue additional equity securities to finance developments and acquisitions instead of incurring debt, the interests of our existing stockholders could be diluted.

Financing Could be Impacted by Negative Capital Market Conditions. Recently, domestic financial markets have experienced unusual volatility and uncertainty. While this condition has occurred most visibly within the subprime mortgage lending sector of the credit market, liquidity has tightened in overall domestic financial markets, including the investment grade debt and equity capital markets. Consequently, there is greater risk that the financial institutions we do business with could experience disruptions that would negatively affect our ability to obtain financing.

Disruptions in Financial Markets May Adversely Impact Availability and Cost of Credit, Impact Our Tenant Base, and Have Other Adverse Effects on Us and the Market Price of Our Stock. Our ability to make scheduled payments or to refinance debt obligations will depend on our operating and financial performance, which in turn is subject to prevailing economic conditions and to financial, business and other factors beyond our control. The United States stock and credit markets have recently experienced significant price volatility, dislocations and liquidity disruptions, which have caused market prices of many stocks to fluctuate substantially and the spreads on prospective debt financings to widen considerably. These circumstances have materially impacted liquidity in the financial markets, making terms for certain financings less attractive, and in some cases have resulted in the unavailability of financing. Continued uncertainty in the stock and credit markets may negatively impact our ability to access additional financing for acquisitions, development of our properties and other purposes at reasonable terms, which may negatively affect our business. Additionally, due to this uncertainty, we may be unable to refinance our existing indebtedness or the terms of any refinancing may not be as favorable as the terms of our existing indebtedness. If we are not successful in refinancing this debt when it becomes due, we may be forced to dispose of properties on disadvantageous terms, which might adversely affect our ability to service other debt and to meet our other obligations. A prolonged downturn in the financial markets may cause us to seek alternative sources of potentially less attractive financing, and may require us to adjust our business plan accordingly. These events also may make it more difficult or costly for us to raise capital through the issuance of our common or preferred stock. The disruptions in the financial markets have had and may continue to have a material adverse effect on the market value of our common shares and other adverse effects on us and our business.

Prospective buyers of our properties may also experience difficulty in obtaining debt financing which might make it more difficult for us to sell properties at acceptable pricing levels. Current tightening of credit in financial markets and increasing unemployment may also adversely affect the ability of tenants to meet their lease obligations and for us to continue increasing rents on a prospective basis. Disruptions in the credit and financial markets may also have other adverse effects on us and the overall economy.

A Change in U.S. Government Policy Regarding Fannie Mae or Freddie Mac Could Have a Material Adverse Impact on Our Business. Fannie Mae and Freddie Mac are a major source of financing for secured multifamily rental real estate. We and other multifamily companies depend heavily on Fannie Mae and Freddie Mac to finance growth by purchasing or guaranteeing apartment loans. In September 2008, the U.S. government assumed control of Fannie Mae and Freddie Mac and placed both companies into a government conservatorship under the Federal Housing Finance Agency. While we believe Fannie Mae and Freddie Mac will continue to provide liquidity to our sector, should they discontinue doing so, have their mandates changed or reduced or be disbanded or reorganized by the government, it would significantly reduce our access to debt capital and adversely affect our ability to finance or refinance existing indebtedness at competitive rates and it may adversely affect our ability to sale assets. Uncertainty in the future activity and involvement of Fannie Mae and Freddie Mac as a source of financing could negatively impact our ability to make acquisitions and make it more difficult or not possible for us to sell properties or may adversely affect the price we receive for properties that we do sell, as prospective buyers may experience increased costs of debt financing or difficulties in obtaining debt financing.

The Soundness of Financial Institutions Could Adversely Affect Us. We have relationships with many financial institutions, including lenders under our credit facilities, and, from time to time, we execute transactions with counterparties in the financial services industry. As a result, defaults by, or even rumors or questions about, financial institutions or the financial services industry generally, could result in losses or defaults by these institutions. In the event that the volatility of the financial markets adversely affects these financial institutions or counterparties, we or other parties to the transactions with us may be unable to complete transactions as intended, which could adversely affect our business and results of operations.

Changing Interest Rates Could Increase Interest Costs and Adversely Affect Our Cash Flow and the Market Price of Our Securities. We currently have, and expect to incur in the future, interest-bearing debt at rates that vary with market interest rates. As of June 30, 2010, we had approximately $892.0 million of variable rate indebtedness outstanding, which constitutes approximately 26.1% of our total outstanding indebtedness as of such date. An increase in interest rates would increase our interest expenses and increase the costs of refinancing existing indebtedness and of issuing new debt. Accordingly, higher interest rates could adversely affect cash flow and our ability to service our debt and to make distributions to security holders. The effect of prolonged interest rate increases could negatively impact our ability to make acquisitions and develop properties. In addition, an increase in market interest rates may lead our security holders to demand a higher annual yield, which could adversely affect the market price of our common and preferred stock and debt securities.

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

Risks Related to Tax Laws

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

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

REITs May Pay a Portion of Dividends in Common Stock. In December 2009, the Internal Revenue Service issued Revenue Procedure 2010-12, which expanded previously issued temporary guidance relating to certain stock distributions made by publicly traded REITs to satisfy their tax-related distribution requirements. This expanded temporary guidance is intended to permit REITs to limit cash distributions in order to maintain liquidity during the current downturn in economic conditions. Under this expanded guidance, for stock dividends declared on or after January 1, 2008 and before December 31, 2012, with respect to a taxable year ending on or before December 31, 2011, the Internal Revenue Service will treat a distribution of stock by a publicly traded REIT, pursuant to certain stockholder elections to receive either stock or cash, as a taxable distribution of property, provided that, among other conditions, (i) the total amount of cash available for distribution is not less than 10% of the aggregate declared distribution, and (ii) if too many stockholders elect to receive cash, each stockholder electing to receive cash will receive a pro rata amount of cash corresponding to its respective entitlement under the declaration, but in no event will any such electing stockholder receive less than 10% of the stockholder s entire entitlement in money. The amount of such stock distribution will generally be treated as equal to the amount of cash that could have been received instead. If we pay a portion of our dividends in shares of our common stock pursuant to this temporary guidance, our stockholders may receive less cash than they received in distributions in prior years and the market value of our securities may decline.

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

REIT Distribution Requirements Limit Our Available Cash. As a REIT, we are subject to annual distribution requirements, which limit the amount of cash we retain for other business purposes, including amounts to fund our growth. We generally must distribute annually at least 90% of our net REIT taxable income, excluding any net capital gain, in order for our distributed earnings not to be subject to corporate income tax. We intend to make distributions to our stockholders to comply with the requirements of the Code. However, differences in timing between the recognition of taxable income and the actual receipt of cash could require us to sell assets or borrow funds on a short-term or long-term basis to meet the 90% distribution requirement of the Code.

Certain Property Transfers May Generate Prohibited Transaction Income, Resulting in a Penalty Tax on Gain Attributable to the Transaction. From time to time, we may transfer or otherwise dispose of some of our properties. Under the Code, any gain resulting from transfers of properties that we hold as inventory or primarily for sale to customers in the ordinary course of business would be treated as income from a prohibited transaction and subject to a 100% penalty tax. Since we acquire properties for investment purposes, we do not believe that our occasional transfers or disposals of property are prohibited transactions. However, whether property is held for investment purposes is a

question of fact that depends on all the facts and circumstances surrounding the particular transaction. The Internal Revenue Service may contend that certain transfers or disposals of properties by us are prohibited transactions. If the Internal Revenue Service were to argue successfully that a transfer or disposition of property constituted a prohibited transaction, then we would be required to pay a 100% penalty tax on any gain allocable to us from the prohibited transaction and we may jeopardize our ability to retain future gains on real property sales. In addition, income from a prohibited transaction might adversely affect our ability to satisfy the income tests for qualification as a REIT for federal income tax purposes.

We Could Face Possible State and Local Tax Audits and Adverse Changes in State and Local Tax Laws. As discussed in the risk factors above, because we are organized and qualify as a REIT we are generally not subject to federal income taxes, but we are subject to certain state and local taxes. From time to time, changes in state and local tax laws or regulations are enacted, which may result in an increase in our tax liability. A shortfall in tax revenues for states and municipalities in which we own apartment communities may lead to an increase in the frequency and size of such changes. If such changes occur, we may be required to pay additional state and local taxes. These increased tax costs could adversely affect our financial condition and the amount of cash available for the payment of distributions to our stockholders. In the normal course of business, entities through which we own real estate may also become subject to tax audits. If such entities become subject to state or local tax audits, the ultimate result of such audits could have an adverse effect on our financial condition.

Risks Related to Our Organization and Our Shares

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

The market price per share of our common stock may decline or fluctuate significantly in response to many factors, including:

- general market and economic conditions,
- actual or anticipated variations in our quarterly operating results or dividends or our payment of dividends in shares of our stock,
- changes in our funds from operations or earnings estimates,
- difficulties or inability to access capital or extend or refinance existing debt,
- decreasing (or uncertainty in) real estate valuations,
- publication of research reports about us or the real estate industry,
- the general reputation of real estate investment trusts and the attractiveness of their equity securities in comparison to other equity securities (including securities issued by other real estate companies),
- general stock and bond market conditions, including changes in interest rates on fixed income securities, that may lead prospective purchasers of our stock to demand a higher annual yield from future dividends,
- a change in analyst ratings,
- adverse market reaction to any additional debt we incur in the future,
- speculation in the press or investment community,
- terrorist activity which may adversely affect the markets in which our securities trade, possibly increasing market volatility and causing the further erosion of business and consumer confidence and spending,
- governmental regulatory action and changes in tax laws, and

the issuance of additional shares of our common stock, or the perception that such sales might occur, including under our at-the-market equity distribution program.

Many of the factors listed above are beyond our control. These factors may cause the market price of shares of our common stock to decline, regardless of our financial condition, results of operations, business or our prospects.

We May Change the Dividend Policy for Our Common Stock in the Future. The decision to declare and pay dividends on our common stock in the future, as well as the timing, amount and composition of any such future dividends, will be at the sole discretion of our board of directors and will depend on our earnings, funds from operations, liquidity, financial condition, capital requirements, contractual prohibitions or other limitations under our indebtedness, the annual distribution requirements under the REIT provisions of the Code, state law and such other factors as our board of directors considers relevant. Any change in our dividend policy could have a material adverse effect on the market price of our common stock.

Maryland Law May Limit the Ability of a Third Party to Acquire Control of Us, Which May Not be in Our Stockholders Best Interests. Maryland business statutes may limit the ability of a third party to acquire control of us. As a Maryland corporation, we are subject to various Maryland laws which may have the effect of discouraging offers to acquire our Company and of increasing the difficulty of consummating any such offers, even if our acquisition would be in our stockholders best interests. The Maryland General Corporation Law restricts mergers and other business combination transactions between us and any person who acquires beneficial ownership of shares of our stock representing 10% or more of the voting power without our board of directors prior approval. Any such business combination transaction could not be completed until five years after the person acquired such voting power, and generally only with the approval of stockholders representing 80% of all votes entitled to be cast and 66-2/3% of the votes entitled to be cast, excluding the interested stockholder, or upon payment of a fair price. Maryland law also provides generally that a person who acquires shares of our equity stock that represents 10% (and certain higher levels) of the voting power in electing directors will have no voting rights unless approved by a vote of two-thirds of the shares eligible to vote.

Limitations on Share Ownership and Limitations on the Ability of Our Stockholders to Effect a Change in Control of Our Company Restricts the Transferability of Our Stock and May Prevent Takeovers That are Beneficial to Our Stockholders. One of the requirements for maintenance of our qualification as a REIT for U.S. federal income tax purposes is that no more than 50% in value of our outstanding capital stock may be owned by five or fewer individuals, including entities specified in the Code, during the last half of any taxable year. Our charter contains ownership and transfer restrictions relating to our stock primarily to assist us in complying with this and other REIT ownership requirements; however, the restrictions may have the effect of preventing a change of control, which does not threaten REIT status. These restrictions include a provision that generally limits ownership by any person of more than 9.9% of the value of our outstanding equity stock, unless our board of directors exempts the person from such ownership limitation, provided that any such exemption shall not allow the person to exceed 13% of the value of our outstanding equity stock. Absent such an exemption from our board of directors, the transfer of our stock to any person in excess of the applicable ownership limit, or any transfer of shares of such stock in violation of the ownership requirements of the Code for REITs, will be considered null and void, and the intended transferee of such stock will acquire no rights in such shares. These provisions of our charter may have the effect of delaying, deferring or preventing someone from taking control of us, even though a change of control might involve a premium price for our stockholders or might otherwise be in our stockholders best interests.

Table of Contents

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Unregistered Sales of Equity Securities

From time to time we issue shares of our common stock in exchange for operating partnership units (OP Units), tendered to our operating partnership, United Dominion Realty, L.P., a Delaware limited partnership of which we are the general partner (UDR LP), for redemption in accordance with the provisions of the UDR LP limited partnership agreement. Under the terms of the UDR LP limited partnership agreement, the holders of OP Units have the right to require UDR LP to redeem all or a portion of the OP Units held by the holder in exchange for a cash payment based on the market value of our common stock at the time of redemption. However, UDR LP s obligation to pay the cash amount is subject to the prior right of the Company to acquire such OP Units in exchange for either the cash amount or the number of shares of our common stock equal to the number of OP Units being redeemed.

On June 23, 2010, we issued 19,076 shares of our common stock upon redemption of OP Units. Because these shares of common stock were issued to accredited investors in transactions not involving a public offering, the transaction is exempt from registration under the Securities Act of 1933 in accordance with Section 4(2) of the Securities Act. We did not issue any other shares of our common stock upon redemption of OP Units during the three months ended June 30, 2010.

On May 4, 2010, the Company sold a total of 249,278 shares of its Series F Preferred Stock, without par value, to a holder of OP Units who is an accredited investor, at a purchase price of $0.0001 per share, for an aggregate purchase price of $24.93. The Series F Preferred Stock, which is offered only to holders of OP Units, entitles its holders to one vote per share on each matter upon which the Company s common stockholders are entitled to vote at stockholder meetings. The Series F Preferred Stock votes together as a single class with the Company s common stock and other capital stock eligible to vote. The Series F Preferred Stock is not convertible or exchangeable into any other equity securities, and it does not entitle its holders to any other rights, privileges or preferences. Because the shares of Series F Preferred Stock were sold to an accredited investor in a transaction not involving a public offering, the transaction is exempt from registration under the Securities Act of 1933 in accordance with Section 4(2) of the Securities Act of 1933.

Repurchase of Equity Securities

In February 2006, our Board of Directors authorized a 10 million share repurchase program. In January 2008, our Board of Directors authorized a new 15 million share repurchase program. Under the two share repurchase programs, UDR may repurchase shares of our common stock in open market purchases, block purchases, privately negotiated transactions or otherwise. As reflected in the table below, no shares of common stock were repurchased under these programs during the quarter ended June 30, 2010.

Period	Total Number of Shares Purchased	Average Price Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (1)
Beginning Balance	9,967,490	$ 22.00	9,967,490	15,032,510
April 1, 2010 through April 30, 2010				15,032,510
May 1, 2010 through May 31, 2010				15,032,510
June 1, 2010 through June 30, 2010				15,032,510
Balance as of June 30, 2010	9,967,490	$ 22.00	9,967,490	15,032,510

(1) This number reflects the amount of shares that were available for purchase under our 10 million share repurchase program in effect on December 31, 2007 and our 15 million share repurchase program announced on January 31, 2008.

Table of Contents

Item 3. DEFAULTS UPON SENIOR SECURITIES

None.

Item 4. (REMOVED AND RESERVED)

Item 5. OTHER INFORMATION

There is no other information required to be disclosed in a report on Form 8-K during the quarter ended June 30, 2010, that was not previously disclosed in a Form 8-K.

Item 6. EXHIBITS

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

Table of Contents

SIGNATURES

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

	UDR, Inc.
	(registrant)
Date: August 3, 2010	/s/ David L. Messenger
	David L. Messenger Senior Vice President and Chief Financial Officer *(duly authorized officer, principal financial officer and chief accounting officer)*

Table of Contents

EXHIBIT INDEX

Exhibit No.	Description
3.1	Amended and Restated Bylaws (as amended through May 14, 2010) (incorporated by reference to Exhibit 3.1 to the Company s Current Report on Form 8-K dated May 14, 2010 and filed with the SEC on May 17, 2010, Commission File No. 1-10524).
12	Computation of Ratio of Earnings to Fixed Charges
31.1	Rule 13a-14(a) Certification of the Chief Executive Officer.
31.2	Rule 13a-14(a) Certification of the Chief Financial Officer.
32.1	Section 1350 Certification of the Chief Executive Officer.
32.2	Section 1350 Certification of the Chief Financial Officer.
101	XBRL (Extensible Business Reporting Language). The following materials from UDR, Inc. s Quarterly Report on Form 10-Q for the period ended June 30, 2010, formatted in XBRL: (i) consolidated balance sheets, (ii) consolidated statements of operations, (iii) consolidated statements of cash flows, (iv) consolidated statements of stockholders equity and comprehensive income/(loss), and (v) notes to consolidated financial statements.