Seeking Alpha
Transcripts | **Financial**

UDR, Inc. (UDR) CEO Tom Toomey on Q3 2019 Results - Earnings Call Transcript

Oct. 30, 2019 9:45 PM ET | 1 Like
by: SA Transcripts

Q3: 10-29-19 Earnings Summary

Press Release SEC *10-Q*

EPS of $0.111 beats by $0.03 | Revenue of $289.01M (9.78% Y/Y) beats by $3.8M

Earning Call Audio

Subscribers Only

0:00:00 -1:15:18

UDR, Inc. (NYSE:UDR) Q3 2019 Earnings Conference Call October 30, 2019 1:00 PM ET

CompanyParticipants

Chris Van Ens - VP

Tom Toomey - Chairman & CEO

Jerry Davis - President & COO

Joe Fisher - CFO

Harry Alcock - EVP, Chief Investment Officer

Conference Call Participants

Nick Joseph - Citigroup

John Kim - BMO Capital Markets

Rich Hightower - Evercore

Austin Wurschmidt - KeyBanc Capital Markets

Trent Trujillo - Scotiabank

Rob Stevenson - Janney Montgomery Scott

Rich Anderson - SMBC

Rich Hill - Morgan Stanley

Hardik Goel - Zelman & Associates

Andrew Babin - Robert W. Baird

Alexander Goldfarb - Sandler O'Neill

Neil Malkin - Capital One

Operator

Greetings and welcome to UDR's Third Quarter 2019 Earnings call. [Operator Instructions]. A question-and-answer session will follow the formal presentation. [Operator Instructions] It is now my pleasure to introduce your host, Vice President, Chris Van Ens. Thank you. Mr. Van Ens, you may now begin.

Chris Van Ens

Welcome to UDR's quarterly financial results conference call. A press release and supplemental disclosure package were distributed yesterday afternoon and posted to the Investor Relations section of our website, ir.udr.com. In the supplement, we've reconciled all non-GAAP financial measures to the most directly comparable GAAP measure in accordance with Reg G requirements.

Statements made during this call, which are not historical, may constitute forward-looking statements. Although, we believe the expectations reflected in any forward-looking statements are based on reasonable assumptions, we can give no assurance that our expectations will be met. A discussion of risks and risk factors are detailed in our press release and included in our filings with the SEC. We do not undertake a duty to update any forward-looking statements.

When we get to the question and answer portion, we ask that you be respectful of everyone's time and limit your questions and follow ups. Management will be available after the call for your questions that did not get answered on the call.

I will now turn the call over to UDR's Chairman and CEO, Tom Toomey.

Tom Toomey

Thank you, Chris. And welcome to UDR's third quarter 2019 conference call. On the call with me today are Jerry Davis, President and Chief Operating Officer; and Joe Fisher, Chief Financial Officer, who will discuss our results as well as senior officers Warren Troupe and Harry Alcock who will be available during the Q&A portion of the call.

Our robust third quarter results highlighted by same-store NOI growth of 3.9% and FFO as adjusted per share growth of 6% continue to demonstrate strong execution across all aspects of our business. 2019 has been a very active and productive year for UDR.

First, we accretively grew our business through $1.8 billion and completed our announced acquisitions that have significant operational and investment upsides in markets targeted for expansion. These were funded with premium priced equity and low cost debt.

Second, we continue to make great progress implementing our next generation operation platform that has and will continue to drive controllable margin expansion by fundamentally changing how we interact with our current and prospective residents while also creating efficiencies throughout our cost structure.

Third, we simplified our business by winding down the KFH JV and announced an agreement to have our relationship with MetLife via an [ph] accretive asset swap.

And fourth, we de-risked our enterprise by proactively taking advantage of low interest rate environment to repay high cost debt, extend our consolidated pro forma durations to over eight years, and reduce aggregate maturities to just 5% of our total debt over the next three years.

In short, the team has done a great job in 2019 of executing on all aspects of our value creation capabilities, which will set up 2020 for continued strong NOI and cash flow growth, all of which fits into our strategic objective of being a full cycle investment.

Last, we received good news on the ESG front with our public GRESB disclosure score improving to an A. This compares favorably versus our comp set and further exhibits our commitment to consistently improve our ESG framework.

With that senior management team would like to extend a heartfelt thank you to all UDR associates for our continued hard work and for making 2019 a very special year.

I will now turn over the call to Jerry.

Jerry Davis

Thanks, Tom, and good afternoon, everyone. We're pleased to announce another quarter of strong operating results with the same-store revenue and expense and NOI growth of 3.7%, 3.1%. and 3.9%, respectively. Before delving into the quarterly details, let me take a moment to comment on how we view operations from 10,000 feet.

We prioritized cash flow growth, which is primarily driven by sustainable and consistent operating margin expansion and accretive capital allocation. Over the coming years, we expect that the ongoing implementation of our next-gen operating platform will not only satisfy our customers' desire for self-service, but will also drive the majority of our margin expansion by limiting controllable expense growth through a variety of efficiency initiatives and technological solutions.

To sum up, we are somewhat agnostic as to how margin expansion is achieved, given the drivers of that expansion will oscillate over time but we care deeply about achieving it. We think about revenue growth similarly, lease rates, occupancy and other income are the primary variables in our revenue growth equation.

At different points throughout the year and the real estate cycle, the importance of each variables contribution to our revenue growth fluctuates. As such our goal each and every quarter is to optimally manage these variables to maximize revenue growth, not fixate on a specific component of revenue growth.

In the third quarter, we continued to run an occupancy first strategy and harvest above trend other income growth, both of which offset new lease rate growth that was impacted by tough year-over-year comps, and elevated supply levels in some of our high rent markets such as the San Francisco Bay Area.

2019 deliveries have been back half loaded across the majority of our markets, and we saw some impact during the third quarter. For at least the next couple of quarters, we expect that this dynamic will continue to play out. Positively, we have not seen widespread irrational pricing on this new supply. Absorption has remained strong, up 5.3% renewal growth during the quarter was just 30 basis points below that of the second quarter. And third quarter resident turnover would have declined by 60 basis points after excluding the impact of move-outs from our short-term furnished home program, all of which reinforced that the lower-than-expected new lease rate growth was not a demand issue.

At the market level, the Monterey Peninsula, Seattle, and the San Francisco Bay Area, which represent 26% of our same-store NOI performed well, generating weighted average revenue growth of 5.9% in the quarter. Demand, occupancy, and other income contribution from items such as parking, short-term furnished rentals, and rentals of common area spaces generally remained strong in these markets. Although as previously referenced supply did impact new lease rate growth in the Bay Area.

Conversely, New York, Orange County and Dallas, which comprise 23% of our same-store NOI, continued to lag our portfolio growth with weighted average revenue growth of 1.7% primarily due to competitive supply. Although, New York continues to incrementally improve versus the past couple of years.

Moving on, the ongoing implementation and execution of our next-gen operating platform continues to drive the expansion of our controllable margin through initiatives that are and will reduce expense growth, thereby dropping more dollars to our bottom line. Year-over-year our same-store controllable margin grew 40 basis point due to controllable expense growth of just 1.2% in the third quarter and 1.4% year-to-date. On a normalized basis, we would expect these costs to be growing at an inflationary rate somewhere in the 3% range.

More specifically, the combined growth rate of personnel and repairs and maintenance expenses during the quarter was negative 0.1%, a solid achievement and representative of how limiting controllable expense growth will continue to expand our operating margin.

As a reminder, once fully implemented, our Next Gen Platform will fundamentally change how we interact with our customer and operate our portfolio. This will occur in stages and includes or will include, first gaining efficiencies through process improvement, outsourcing of certain non-customer facing tasks, and the centralization of sales operation.

Second, the installation of SmartHome Tech. We are currently over 27,000 homes into this program.

Third, a push towards self service via smart devices. This will include self-touring of our properties as well as a wide variety of other tasks, the residents used to have to visit our site office for, such as adding a pet to lease [ph].

And fourth, using big data and machine learning to drive revenue growth and greater efficiencies throughout our operating structure.

Finally, with regard to this topic, to achieve our goal of expanding controllable margin by 150 basis points to 200 basis points by year-end 2022 or $15 million to $20 million in incremental run rate NOI, we need the right team and the right culture in place. Over the years, our operating teams have accepted and supported the wide variety of other income initiatives we have implemented and our strong same-store growth results have reflected that.

While advancements like SmartHome Tech are fully replicable by any multifamily competitor willing to spend the necessary capital and operating team that embraces consistent evolution and a culture that thrives on it or not. We have both. Taken together, we tightened our full-year same-store revenue growth guidance range and reduced our same-store expense growth guidance by 15 basis points at the midpoint. Combined, these increased our full-year same-store NOI growth guidance range by 7.5 basis points at the midpoint.

Last, our $1.8 billion in year-to-date completed or announced acquisitions are performing in line with underwritten expectations. Nuts and bolts operating improvements, CapEx investment, and historical operating initiatives are all in the initial phases of implementation. While this level of growth has at times stretched our teams in the field and at the corporate office, we have a deep bench at UDR, which allowed many of our outstanding associates to advance their careers, by way of our expansion.

We are excited to overlay UDR's best-in-class operating platform onto these acquired properties and look forward to creating value over the next several years through the implementation of our next-gen platform.

In closing, I would like to thank all of our associates in the field and at corporate for producing another quarter of robust operating growth, while also continuing to embrace the future by our Next Gen Operating Platform. It has been an extremely eventful year, and I'm immensely proud of all of you.

With that, I'll turn it over to Joe.

Joe Fisher

Thank you, Jerry. The topics I will cover today include our third quarter results and updated full-year guidance, a transactions and capital markets update, and a balance sheet update.

Our third quarter earnings results came in at the midpoint to above the high-ends of previously provided guidance ranges. FFO adjusted per share was $0.52, approximately 6% higher year-over-year and driven by strong same-store and lease-up performance, accretive capital deployment, and lower interest rates.

Next, our full year guidance update. We raised our full-year FFO as adjusted guidance range by $0.005 at the midpoint to $2.07 to $2.09, driven by solid operations, interest expense savings, and capital deployment. A full guidance update including sources and uses expectations, the same-store updates Jerry referenced, and fourth quarter guidance ranges, is available on Attachment 15 of our supplement.

Moving on to transactions in capital markets. We have continued to drive long-term value creation and FFO accretion by remaining disciplined in our capital deployment and simultaneously match funding with low-cost equity and debt capital, all while pivoting to the best available risk-adjusted returns.

During the quarter, we acquired three apartment communities located at Norwood, Massachusetts; Englewood, New Jersey and Washington DC. The closing of the latter, 1301 Thomas Circle fully wound down our JV relationship with KFH. The three communities were acquired at an all-in valuation of $541 million and a weighted average year one NOI yield of 4.9% moving to the low-5s in year two.

In August, we announced a $1.8 billion transaction with our JV partner MetLife that further simplified UDR structure, will cut in half our JV exposure to just 5% of total NOI, will be accretive to future cash flow growth, increased exposure to target markets, and replaced lower multiple management fee income with higher multiple real estate income, all while minimizing cash needs.

As structured, we are under contract to acquire the approximately 50% interest, we did not previously own in 10 UDR/MetLife JV operating communities, one community under development, and four development land sites, cumulatively valued at $1.1 billion or $557 million at UDR's share.

And we will sell approximately 50% interest in five JV communities valued at $645 million or $323 million at UDR's share to MetLife. After accounting for the assumption of in-place debt, our net cash outflow to complete the asset swap is expected to be approximately $105 million. The transaction is expected to close during the fourth quarter subject to customary closing conditions and closing price adjustments.

Our year-to-date completed and announced acquisition activity now totals one $1.8 billion, including land for future development. These transactions are NAV accretive, have IRRs that exceed our weighted average cost of capital, were partially funded with the $962 million of equity issued in the last year at a weighted average 6% premium to consensus NAV and will be accretive to FFO per share growth rate in 2020 and beyond.

In addition, the acquired communities all have significant operational and investment upside, are primarily located in targeted expansion markets, and fit well with our Next Gen Operating Platform.

In September, we entered into a forward sales agreement under our ATM program for approximately 1.3 million common shares during the quarter. Expected proceeds are earmarked for another transaction, which we will provide additional information on at a future date. The final date by which shares sold under the forward sales agreement need to be settled is March 31st, 2020 as currently structured.

Moving on to debt, where we continue to take advantage of the low rate environment. During the quarter and subsequent to quarter end, we issued $800 million of long duration unsecured debt at a weighted average effective rate of 3.1%, $300 million of this debt qualified as a Green Bond and represented our first use of this ESG friendly product.

Proceeds have been or will be used to prepay $700 million of higher cost debt with a weighted average effective rate of 4.23%. Once completed, we will have only 5% of our debt coming due over the next three years, and our consolidated weighted average years to maturity will be eight years versus the 6.9 years reported at the end of the third quarter. Please see our third quarter earnings press release and supplement for further details on our transactional and capital markets activity.

Last the balance sheet. At quarter end, our liquidity, as measured by cash and credit facility capacity, net of the commercial paper balance was $1.1 billion. Our consolidated financial leverage was 31% on undepreciated book value, and 24% on enterprise value inclusive of joint ventures. Our consolidated net debt to EBITDA ROE was 5.5 times and inclusive of joint ventures was 5.8 times.

We remain comfortable with our credit metrics and don't plan to actively lever up or down.

With that I will open it up for Q&A. Operator?

Question-and-Answer Session

Operator

Thank you. At this time, we'll be conducting a question-and-answer session. So that we may address questions to as many participants as possible, we ask that you please limit yourself to one question and one follow up. If you've additional question, you may wait in queue, and time permitting, those questions will be addressed. [Operator Instructions] Thank you. And our first question is from the line of Nick Joseph with Citigroup. Please proceed with your question.

Nick Joseph

Thanks. Jerry. I appreciate the operating strategy color, which I guess helps to explain why blended lease rate growth was flat year-over-year versus positive the first two quarters. When you compare the current environment, I think your comments on supply, do you expect it to remain roughly flat going forward for the next few quarters or is there anything indicating an acceleration or deceleration from here?

Jerry Davis

I think it's going to be dependent, market by market. We do have several markets specifically San Francisco, Los Angeles, Orange County, and Orlando, where new supply has driven down new lease rate growth compared to where it was last year where we had strength in those markets.

On the opposite side you've got strength in New York City, Orange -- I mean the Inland Empire and Seattle. So it's all going to be dependent on the effects of that new supply. Currently, we see in the fourth quarter, new lease rate growth is probably going to be down compared to where it was last year. But when we look at renewal rate growth, which this quarter was at 5.3% that's the highest level, these past couple of quarters since it's been in 2016, I think it's going to continue to be strong.

The other thing we looked at, Nick, is when you look at the next quarter. Over the last four years it averaged probably about 0.3%; 2016, it was very low single digits; 2017, the fourth quarter was actually negative 0.5%. It rebounded the following year in 2018 to a 1.1% and this year, we expect it to be somewhere closer to the average. So it will be less than it was last year. But I think that's more indicative of the effects supply had back in '17, which kept new lease rate growth down. So when you anniversary, 2018 it was elevated, and now we are seeing that supply hit us in a couple of markets. And we're also comping against tougher numbers from last year.

Nick Joseph

That's helpful, thanks. And then you've been active on the capital raising front and in terms of equity doing a handful different ways. So assuming you have a use, how do you think about executing going forward between marketed deals, the ATM, and then on a forward basis?

Joe Fisher

Yes. Hi, Nick, this is Joe. I think the critical part of that that you referenced there is assuming that we have limited [ph] use, we've endeavored over the last 12 months to make sure that when we do raise capital on the equity side, we do have a match funded use teed up for it. So we haven't done any special lot [ph] of equity that we sit on and then force our transaction team to go out there and execute upon. So I think you'll continue to see that from that front. From a pipeline standpoint, Harry may have some comments here, but I think our pipeline today is probably a little bit lighter than we've seen at any point in the last 12 months, but if we do go out there again, we're going to make sure that we have premium cost of capital relative to NAV from a used standpoint, make sure it's in our target markets, make sure that we can deploy it accretively year one, and on a forward basis, and make sure that the assets have either operational investments or a platform story with them to keep driving 2020 growth and beyond. So if we have more to talk about on that front, we'll obviously come back to the market.

Nick Joseph

Thanks.

Operator

Our next question is from the line of John Kim with BMO Capital Markets. Please proceed with your questions.

John Kim

Thank you. Just a follow-up on the leasing spreads, which were healthy but down sequentially and then also it sounds like the fourth quarter will be down year-over-year, how should we think about the translation of that into same-store revenue next year and then also were the leasing spreads this quarter in line with your projections?

Jerry Davis

Leasing spreads in third quarter were down a bit from the original projections, mainly because we didn't fully anticipate the effect that new supply specifically in places like San Francisco. We're going to have on our new lease rates, on a blended basis again, they were down a bit, not as much as on the new because the renewals were higher, but we're not currently ready to give any indication or any numbers on 2020, we're in the midst of the budget process right now. I can tell you, when we look at supply next year, it's probably going to be slightly higher than it was this year, specific to a few markets that we operate in, we think Boston will be a bit more impacted by supply, you're going to have Los Angeles continuing to be affected by supply, I think the San Francisco supply issues that I've talked about earlier on this call, I think they probably persist through the first half of next year, but I think you see a little bit of relief in New York as well as in Orange County next year. And I think Seattle will feel some supply, I think the demand side of the equation should stay strong there.

Joe Fisher

Yes, I think, John, this is Joe, just beyond as you asked about 2020, obviously going through the fundamental side of the equation, but what we've really been focused on this year, when you look at activities that were taken for '19 to try to impact '20, what we've been doing on the balance sheet front to improve quality of the balance sheet and also drive accretion, all the transactional activity trying to drive accretion there and then all the platform work that Jerry talked about in his opening remarks trying to drop more cash to the bottom line next year and on a go-forward basis. So we're still working through on the fundamental side, but I think, on a relative basis, we're doing everything we can to set up the portfolio and platform to be in a better position next year.

John Kim

Okay. And then, Joe, with your cost of new debt declining by 140 basis points over the past year, can you quantify how much that changed the yields you're willing to take on investments, including both acquisitions and Mezz debt?

Joe Fisher

Yes. I think on the Mezz debt side, I think the compression and yields that you've seen out there actually to some degree have worked against us, meaning that developers and other capital constituents have either more access to capital at lower rates or the competition for deploying that capital gets a little bit more difficult, so you've seen us do a little bit less on the DCP side. That said, you do see guidance on Attachment 15, we did take up our guidance range for Developer Capital Program. I do want to point out, however, at this point, that is a speculative transaction, nothing has been signed, so there is no guarantees that gets to the finish line nor any guarantees on the exact timing, but I do think it's important to note that that is not a typical DCP deal for us, meaning it's more of a bridge loan with the ability to access to the asset in about 12 months upon stabilization.

So the yield we will receive on that if in fact we get that done, it's going to be decidedly lower than what we've done on other DCP deal. So just from a modeling standpoint, keep that in mind. Aside from that, the cost of capital coming down and improving on both the debt and equity side, clearly has allowed us to be more competitive and be out there with an external growth signal that we've received. And so, we're still trying to make sure we make good deals, we don't pay beyond market, and every deal has a story to it whether it's the target markets or the operational upside that go with it. So I wouldn't say it's given us just a free pass to go out there and be overly aggressive just because our cost of capital has come down. We still got to be disciplined on that front.

John Kim

Thank you.

Operator

The next question comes from the line of Shirley Wu with Bank of America. Please proceed with your question.

Unidentified Analyst

Well, this is actually [indiscernible] with Shirley. I was just wondering if you guys could give us a little bit more color on any of the rent regulation. So particularly on California, how is that going to impact and what you're thinking about that new regulatory environment with the talks of Prop 10 2.0 coming back, are you reconsidering your exposure to California at all?

Jerry Davis

I'll start with the effect of maybe 1482, we went back and looked at it, and I think everybody's familiar with it, but it said four properties over 15 years old, that renewal rates will be, increases will be capped at 5% plus CPI. So when we went back and looked at the effect to next year, it's probably somewhere in that $250,000 to $350,000 range which for our California portfolio would impact 2020 same-store revenue growth by, call it 7 or 8 basis points, so not overly material. Can you repeat what your second question was?

Unidentified Analyst

We heard there is…

Joe Fisher

Prop 10.

Unidentified Analyst

About bringing Prop 10 back. So does that, have you guys talked about it, are you reconsidering exposure to California?

Joe Fisher

Yes. Hello, it's Joe. Yes, just from an overall portfolio standpoint, I think it's fair to assume that all markets are going to go through their micro cycles, whether it's demand, supply, or regulatory environments. So it's clearly going to be something that we take into effect when we think about transactions in California. We continue to believe that anything that restricts economic or rent growth or economic value creation, it's probably not the right solution to affordability. But it's a qualitative factor that plays into our process, and some of the benefits of having the diversified portfolio that we do that we don't end up overexposed to any one regulatory environment, and gives Harry and team more degrees of freedom from which to transact over time, but I would say it's not as simplistic and binary as blue states bad, red states good. Given that there is a second derivative impact on capital flows and capital formation, so if capital does shift from, say California to a red state or non-rent controlled state, you may see more development in those states, and therefore less rent growth, and so we're trying to factor all those pieces together, but it's not quite as easy of a binary decision as some may think. So it's something we're contemplating and thinking about.

Unidentified Analyst

Got it. Great, thank you.

Operator

The next question is from the line of Rich Hightower with Evercore. Please proceed with your questions.

Rich Hightower

Good morning out there, guys. So, Joe, I want to dig in a little bit to these, the two big JV deals during the quarter, so it's pretty clear from a strategic and a financial perspective why these are beneficial, just maybe walk us through the genesis of the transactions, unwinding one, and significantly reducing the involvement of the other, is there anything related to the partnership or to the timing of sort of a finite life sort of agreement, just walk us through maybe some of those other elements as to why this happened at this moment in time.

Tom Toomey

Hi, Rich, this is Tom Toomey. Let me try to address those questions. With respect to the KFH, the JV had run 10 years and KFH wanted to explore what the market value of it was and we expose the assets to the market and as you can see over this year two of them were sold, and one of them we purchased, and on a net cash basis, not a lot of capital and. And so I think it's not more complicated than that with KFH. On Met, we're 10 years as partners, and we've done a lot of business with Met over the years, and it's a constant dialog about how we create win-win situations whether at the development, acquisition, or swapping assets, or selling them, and that dialog started up probably late in 2018 and it just takes time. No strategic rationale other than a constant dialog with a good capital partner and one that we hope will continue to do a lot of business with in the future. So very grateful for them as a partner. And I think we've always done win-win transactions with them, they think a lot about real estate the same way we do, a long-term operating business that creates a lot of wealth and value over time. So good group of people.

Rich Hightower

Okay. And that's helpful. So there is nothing specifically related to sort of simplicity as a strategy for UDR, in that sense, I mean there is an equal chance another round of JVs could form at some point in the future. Is that what you're also hinting at there?

Tom Toomey

No, I'm not hinting at anything. I'm giving you kind of the facts as we see them with respect to our JV footprint and the future of it. And I think JVs are always what problem are you trying to solve or what skill does someone bring to the enterprise or to the relationship that can help you grow UDR. And we've got a good cost of capital. We've got a growing capable enterprise that has a lot of different ways to add value, if we felt that someone could help us enhance that, certainly, we would be back into a joint venture. Right now, don't see any needs. Don't see any part of the organization that we would like to grow faster or more. So I think we're right now probably not overly engaged by joint venture activity as much as you can tell from the activity of this year. Got a lot of value creation mechanisms in the enterprise, we're playing them all, they're all doing well. I'm really looking forward to 2020 and the continued growth of the Ops platform.

Rich Hightower

Got it. Thank you, Tom.

Operator

Thank you. Our next call is from the line of Austin Wurschmidt with KeyBanc. Please proceed with your questions.

Austin Wurschmidt

Hi, good morning, everyone. Jerry, I guess with some of the softening in market rent growth hitting your markets and some new lease rates pulling back, have you guys pulled back at all in the SmartHome spend a revenue enhancing CapEx? And would you consider pulling back I guess next year because maybe the returns aren't as attractive today in light of some of the supply, near term supply headwinds?

Jerry Davis

Yes, I guess, starting with the SmartHome spend. As we said, we're about 27,000 units in, and just to remind you, we're doing the SmartHome for few reasons, we're not doing it purely to get rent growth out of the residents. We do think they value it. We think it's part of what's helped drive our outsized renewal growth, so far this year. But the primary purpose of doing it is some of the expense reduction capabilities it gives us.

First of all, it has benefits on leak detection, it also makes our maintenance guys much more efficient. But one of the big things it does, it sets up this operating platform that we're building to allow us to more actively and efficiently do self-guided tours which we plan to roll out more through automation. This year, we've been doing self-guided tours, but it's an old school. we've paper maps, we see throughout next year and we'll get much more automated, and we think the ability for prospective residents to be able to access units through a SmartHome rather than through a hard physical key is going to be beneficial. So while we underwrote it based on rents, there was plenty of extra juice on the expense side and what we expect to get on the operating platform that would enhance that. So I would tell you, we haven't finalized our budgets for next year of how many SmartHomes we will continue to add, but I would expect that you will see a continuation of the program into 2020.

As far as revenue enhancing spend, which over the last couple of years has been at that $40 million range. Yes, we still think you get paid for that. On incremental dollars, it really isn't overly affected by market rents. We underwrite these things to get an IRR that's at least 150 basis points of our WACC. There is a discipline to doing this, we look to do it in markets that show strength over the next 4 to 10 years not just over the next year. So for long-term, looking at ways to increase the value of our real estate by deploying this capital. And I wouldn't expect next year for the total spend to change much.

Austin Wurschmidt

Great, appreciate your thoughts. And then Joe, just curious why include the speculative DCP investment in guidance today if conditions are more competitive. I think you referenced, returns aren't quite as attractive. And why not just use that available dry powder to fund the transaction that you reference, that you have good line of sight on, that you intend to fund with kind of the forward equity?

Joe Fisher

Yes, the transaction that I referenced in my opening remarks is in fact that DCP transaction. So the forward equity commitment that we made there of $64 million, we raised that with the intention and desire and hope that we get that transaction to the finish line on the DCP side and that ultimately takes care of the majority of that funding and our capital plan. So those are one and the same. So don't consider the DCP as a speculative unknown transaction. It's known, we're working towards getting that papered and hopefully have some to talk about in the coming months.

Austin Wurschmidt

Okay, got it. That's kind of what I was looking for. Thank you.

Operator

Your next question is from the line of Trent Trujillo with Scotiabank. Please proceed with your questions.

Trent Trujillo

Hi, good morning. Jerry, one of your peers spoke about piloting an amenity light model, is that something you'd consider particularly in the context of your recent commentary of renting out common area and some amenity spaces?

Jerry Davis

Yes, I'll start and I'll let Harry or Tom jump in. We haven't talked definitively about any of this, but we have looked at what amenities do residents value, and we've actually gone out in the last year or two and looked at our properties that we felt were somewhat over amenitized, and we've been able to convert some of those amenities into apartment homes, and one of the Vitruvian Park assets, Savoye and Savoye II, we converted three common areas into five or six rentable units, and we do look for those types of opportunities. But I think at the high end of the market, you do get paid for amenities, but I do think in some places people are just looking for an inexpensive place to live, and there probably is a product that fits that, Harry, you can talk to whether you've really been looking at that for future development opportunities?

Harry Alcock

Yes, I think, I mean it really gets into sort of a return on investment type analysis where whatever the customer will pay in rents is determined by the location of the product, the quality of the finishes, and the quality of the amenities. So when we look to buy an asset, when we look to develop an asset or when we look to convert these types of amenity spaces into units, we're entirely rational in our approach. I think for certain assets and certain locations that gets an interesting model, but again we look at each asset on its own merits.

Trent Trujillo

Okay, that's fair. So I guess for those Vitruvian assets, the Savoye, what are you underwriting for those redevelopments?

Jerry Davis

It's, again it's 5 or 6 units, and I think we underwrote those at about a, I think 7% to 8% return cash on cash.

Trent Trujillo

Okay. And just maybe one quick follow-up on that same similar subject. Under the current operating model, how would you characterize the resident perceptions having the current space utilized by non-residents, have there been any complaints or disruptions or is it fair to say that you can continue to generate incremental income from renting out that space?

Jerry Davis

I guess I'd start with saying, have there been any complaints? Yes, there have been a few. I think percentage wise to the number of actual rentals we get on these third-party common area rentals, it's de minimis. We are very cognizant that the predominant use of those amenities as for our residents, so we do not over book them. A lot of the bookings happen during the day for businesses when most of our residents aren't at home. But they're probably have been a few times where we've over utilized a rooftop type of amenity or a large common areas space and we've heard back from the residents and we've ratcheted it back down.

That being said, do I think it can grow? Yes, I definitely do, I think it has a lot of prominence in urban areas. We've seen a high take rate on the West Coast. I think it's migrating slowly to some of the East Coast markets, and I think over time, you'll probably see the West Coast grow at a moderate rate, and I would expect to see -- I mean the West Coast grow at a more moderate rate and probably more of the growth on the common are rentals happen in the East Coast as it becomes much more known in the marketplace that you can come and rent those common area spaces from multifamily operators.

Trent Trujillo

Great. Appreciate the color. Thank you.

Jerry Davis

Sure.

Operator

The next question is from the line of Rob Stevenson with Janney Montgomery Scott. Please proceed with your questions.

Rob Stevenson

Hi guys. Jerry, the Dallas weakness you alluded to the fact it's supply driven, is that weakness across basically all the sub-markets or is it submarket specific and how does it sort of trend by price point?

Jerry Davis

I would tell you it obviously is not as weak at the lower price points, we have some old legacy assets in our Vitruvian Park location that are doing well, our product up in Legacy Village, though Plano is badly new supply, both in North Plano, but probably a little bit more in Frisco, so while there's good job growth up there, it's been going head to head with new supply. You also have supply pressures, they're one property down in Uptown that's feeling that [ph]. Our newer assets that are in the Met JV and Vitruvian Park, they're doing better, the net same-store average, but they are still also battling new supply. So I would tell you supply tends to be occurring or being delivered up and down at the Tollway, and our entire portfolio is up and down the Tollway. So we may be feeling that more than some of our peers, but it's definitely more at the high end, the B, B minus properties that we have in Addison though are doing much better than the A product, it's probably a couple, several hundred basis point differential in revenue growth.

Rob Stevenson

Okay. And then, Joe, given all the capital raises, factoring in the MetLife settlements, the other obligations on this potentially new DCP deal that you want to do, how much capital do you have available to invest today in properties, other DCP deals, etc., and stay comfortably within your target leverage levels without having to raise incremental equity, I mean if Harry comes to you with the $500 million portfolio or a $1 billion portfolio, do you have to issue equity for that at this point or where is that sort of threshold today for you after all of the capital raises and various other things are set and done?

Joe Fisher

Yes. Hi, thanks, Rob. Throughout the year, we've done a lot of activity that's going to incrementally improve balance sheet in terms of extending weighted average duration, continue to improve the three-year liquidity profile where we have minimal debt maturities coming during next couple of years, and then trying to stay relatively stable on things like debt to EBITDA, fixed charge, debt to enterprise, and all those have improved slightly relative to 2018 levels keeping us at a very solid BBB plus, so we probably have a little bit of capacity today. I wouldn't say nearly on the magnitude of you referenced even a $0.5 billion, $100 million, $200 million if we want to utilize it, but it's also good to have that for a rainy day and keep that capacity in the back pocket. So we'll continue to evaluate, do we want to utilize it for additional acquisitions, DCP, etc., or do we utilize dispositions, free cash flow, or equity. So we'll keep looking at it.

Rob Stevenson

Okay, thanks guys.

Operator

Your next question comes from the line of Rich Anderson with SMBC. Please proceed with your question.

Rich Anderson

Thanks, good afternoon. So, Jerry, on the margin expansion initiatives, looks like you can get to controllable margin of 85-ish percent in a couple of years. I'm curious if there is any incremental more or less impact on the total margin in the kind of 70% range, does that go up at a faster rate, because of all this effort or slower rate versus controllable?

Jerry Davis

I think it's probably going to go up at roughly the same rate with the changes -- maybe a little more elevated, but you're really doing -- taking effect to everything except real estate taxes and insurance. So I guess it would be slightly more elevated than it would be on the controllable side.

Rich Anderson

Yes, okay. I was just thinking about the math. On the flyer, and then maybe for Joe on the DCP side, and it's kind of going back and forth, Chris [ph] on this while we're talking, but you have $264 million of investment in the DCP program, I know you can't really have a pinpointed number, but what does that represent roughly in terms if you were to take out everything and own it all 100%, what is $264 million mean in terms of incremental spend to get them all in in-house?

Joe Fisher

Yes, if we want to bring all of those in-house, you're looking at an asset value clearing to $1 billion, we already have $260 plus million of that stack, if you think about what our typical leverage profile would be, the $260 million [ph] would be a portion of our equity stack, so you're probably looking at a $400 million - $500 million check, you also have participation on three of those transactions, which depending on if we buy or if we sell, either way, we're going to participate in the upside on those. So the good thing is though, we stack those up as a typical debt maturity profile. So some come into 20, 21, 22, 23 so you don't have a whole series of decisions coming at you at one point in time by design, so that we aren't in a box in terms of not having a cost of capital, but wanted to own all of those assets. So we'll make the decisions over time.

Rich Anderson

Okay.

Jerry Davis

Yes, go ahead Tom.

Tom Toomey

I'd just add one, thanks for hanging on for the hour and 10 minutes. Second part of that is clearly, anything that we would look at, a 1031 option would be one avenue to pursue within a marketplace. And all of the DCPs have always been entered under the premise of an asset that we would like to own at the right price at the right time. So it's a very good question, and I think we'll play them out as Joe has highlighted, they come to every year one or two deals, and we'll look at them at that time.

Rich Anderson

Right. But is DCP is your sort of development avenue of choice now, just looking at the disclosure, I guess, is that correct?

Tom Toomey

I don't know if it's over choice. I think we always look at the rainbow of complete opportunities, and you can see from the acquisition opportunities, we took advantage of this year, they were clearly assets that we thought were next door down the street, under-managed, there were some value add, beyond just our current operating platform but the platform of the future or a CapEx infusion that could ride the ship. I think as we look down the road towards development, we're going to stay disciplined about our underwriting aspect of that. It's been hard in the last three plus years to make things penciled the right way and you've seen it shrink. This quarter we announced one deal. We've been working on it for three years to get it to that point. Finally, the numbers came in, it's something that worked, and we announced it. I'm not sure that I could say, development is going to expand or shrink, I think we just stay disciplined across all spectrums whether it's DCP, acquisitions, or development, and the fact that we can do all three doesn't put us pressure to only grow one channel.

Rich Anderson

Yes. Okay, got you. Thanks very much.

Operator

The next question is from the line of Rich Hill with Morgan Stanley. Please proceed with your question.

Rich Hill

Hi guys, just taking a step back, high-level question for me. I'm thinking about some of the commentary you've said in the past about predictive analytics and focusing on underserved markets, I was struck by how well Baltimore did in this quarter, but I'm wondering if you could maybe just expound upon your predictive analytics and what that's telling you about what markets you should be in and maybe what markets you shouldn't be in?

Joe Fisher

Yes. Thanks, Rich. Baltimore obviously is not a large market for us today, so it's not a high number of properties, so predictive analytics is really intended to drive decisions over the next 4 to 10 years, i.e., longer duration hold periods. So the fact that it's working this quarter may not mean it works again next quarter. But what we're trying to do is be -- to some degree, can turn [ph] from the herd in terms of following what the underlying demographics and economic drivers are telling us relative to rents or affordability in those markets, many markets tend to get overheated and capital tends to follow that excitement. We're trying to go a little bit of a different route with that and go more contrarian as you've seen that through our actions. Baltimore been an example, we've been active there active in Philly, New York, very active up in Boston and down in Tampa. So, some markets that, but I don't see a lot of the private and public capital flowing into as aggressively, we also like Southern California though, so it's not purely an East Coast bias that we're looking at. But hopefully that gives us a little bit of a leg up in addition to the transaction team that really has to find the right sub-markets and assets and the operation team that once, given the asset, can outperform with everything they're doing on the initiatives on platform side.

Rich Hill

Okay, that's helpful. I think that's all for me. I'm sure we'll follow up soon.

Joe Fisher

Thanks, Rich.

Operator

The next question is from the line of Hardik Goel with Zelman & Associates. Please proceed with your question.

Hardik Goel

Hey, guys, thanks for taking my question. I have a more general like operations based question, I guess. We've seen turnover go down year-over-year for a while now, I think it's been a trend, the cycle pretty much. Will you have your turnover basically stable this quarter? Do you think that's just an aberration or it's just a shift in trend, obviously overall an LTM basis is still very low, but just wondering how you see that change, or are you seeing something in the market that is different from the rest of the cycle?

Jerry Davis

No, I don't think we're seeing anything different. I think what you're seeing with all of this, seeing, turnover go down, it's a few things, one, I think all of the REIT peers are listening to the residents better, doing a better job on customer service and resident ratings. Second, I think you've seen predominantly rational pricing of lease-ups over the last couple of years. So it's not enticing people to leave multi-family and jump ship for two months free. One thing that makes us a bit different than the peers is we've got this short-term furnished rental program that has grown quite a bit year-over-year. And this year it's up about 50%. So if you backed the effect of short-term furnished rental move-outs, and these things usually stay occupied for 80 or so days. So it elevates your turnover rate, but if you back it out of both years, we would have actually been down 60 basis points.

And then, I guess the third point when people say, how low can it go? I think part of it is, what level of renewal increase are you going to send out, and I think when you look at the renewals, we've been sending out in 2Q and 3Q, both north of 5%. We look to maximize revenue. We're doing that, while still maintaining occupancy at that 96.9% level, which was 10 bps higher than it was last year's third quarter. So, I think you got to look at it at the entire revenue stream and not just what's turnover, what's rate growth, and we try to balance all of those factors.

Tom Toomey

Hardik, this is Toomey. Just to add a couple of things that come to mind from me. When I look at the last decade and our average resident has gone from 28 years of age to 38. People in their 30s, 40s, not inclined to just move at a high turnover rate, they're pretty established and stay. Second, you look at their income levels. And third, I think about the product that we're offering them and the variety of amenities, lifestyle, service levels that have grown over the last decade. And I think that combination of just a better place to live, the stage in life, and higher service levels have combined to drive that number down, and I don't see a particular reason why I would see it revert back to the norm or the past, if you will.

So, I think we're just doing a better job and we've got demographics and our customer on our side.

Hardik Goel

Thanks. That's a really thoughtful response. Jerry, just one quick follow-up. You mentioned, excluding furnished housing, it's down 60 basis points. What percentage of the leases that turn, percentage of turnover is furnished housing? Just so I have a rough sense.

Tom Toomey

Why don't you get back to him?

Jerry Davis

Yes, let me get back to you on that. I don't have that, I don't want to make a guess, we'll get back to you with that number.

Hardik Goel

No worries. All right.

Jerry Davis

Sure.

Operator

Our next question comes from the line of Drew Babin with Robert W. Baird. Please proceed with your question.

Andrew Babin

Hi, thanks for taking my question. Wanted to touch on the acquisitions during the quarter briefly, I think it was mentioned that there is some CapEx opportunity or some under management at these properties. I was just curious, looks like the Windsor Gardens, 50 years old, obviously CapEx probably part of that story. Do those amounts in the release include the potential CapEx going into them to get the yields that were discussed or I think just in a general sense it might be helpful if you elaborate on them, how you view those acquisitions from a core value add standpoint, kind of what the unique opportunity is?

Joe Fisher

Hi Drew, this is Joe. I'll take it really quick and then kick it over to Jerry and Harry to talk a little bit more about the dynamics of the transactions. But the number that's referenced in the release on Attachment 13 and within our guidance, are not inclusive of any initial capital expenditure budgets that we intend to put in place over the next year or two to improve properties or KMBs or smart homes or anything of that nature. So you'll see that spend come through over time. What you see on there -- on the Attachment 13, it's just simply the price that we paid for that acquisition.

Jerry Davis

And I guess I'll give you a little bit of insight on Commons at Windsor Gardens, Drew. First, it's a 30-minute train ride into Boston's Back Bay and the train stop is on our property. Rents are 50% or less of what Boston, rents are, so I'd say it's a good price point for a short commute. On the CapEx spend, there are about 200 of the 914 units that have never had their interiors renovated, meaning it has original kitchens and baths. We see opportunity to invest some money in those and get a rent increase somewhere in the $250 to $300 range. The property has not been sub-metered, so we are going through the process of scoping that out and ideally we'll get sub-meters installed over the next several months and be able to start recouping some of the cost of our water sewer utilities.

We expect to put SmartHomes into this property, which will make it much more efficient to manage plus give the property more of an update. And then we're going to spend some money, just getting some of the systems back up to speed and upgraded, so that R&M spend that's been occurring over the last 5 to 10 years is reduced. After you do that, I think the entire UDR operating platform that you've heard us talk quite a bit about fits perfectly with the property like this. It's sort of a good size at 900 units to probably gain even more efficiency than we would on a typical 300 unit deal. So this one definitely have some capital upgrades.

And then on the operating side, we think there's a lot of pricing opportunities where the prior owner did not give any locational premiums. So being close to the train versus being a 15-minute walk from the train stop, price was the same. No pricing differential between being on the third floor and the first floor or near the amenity buildings. So I think there's a lot we can also accomplish there. Currently there are no charges for parking spaces there, and as you know, over the last several years, we've been able to implement that and see good growth. So a lot of things we've done over the last five years, I think we'll be able to lay over onto this property. And then I think again, when you look at the operating platform as it gets rolled out throughout UDR over the next couple of years, Windsor Gardens will participate in that also.

Harry Alcock

And Drew, this is Harry. I guess I'd just layer on and I'd probably step back from the more macro standpoint. As we've talked about most of our acquisitions this year have had some sort of operation or capital upside, I think Joe mentioned that the first year cap rate for this year's portfolio of acquisitions is somewhere around 4.9%. However, year two, 7.5% or 8% higher than that, and we're talking about something around 5.25 to 5.3, then the third year is incrementally better than that as the sort of operational platform initiatives and the capital spend that starts to manifest itself in the yield.

Andrew Babin

That's great detail. Thank you. And just one follow-on for Jerry. As you look at the MetLife assets that are being bought in wholly owned, I presume that your ability to asset manage those increases with full ownership, and I guess what do you find kind of most opportune or most excited about being able to kind of fully control those assets and get in there and apply the strength of the platform?

Jerry Davis

I think some of it is going to be in revenue enhancing CapEx spend, several of these assets are hitting that 10 to 12 years old level, and we think a refresh will help them better compete against new supply, and on that incremental spend, we still think we can get a return in excess of our WACC. So I think that's one of the components. I think some of these properties are very approximate to existing UDR product, for example, the one in Towson is directly across the street from a wholly-owned property and to be able to manage those somewhat together and share staffing and other cost, I think will make both properties more efficient.

Some of the other things we've done historically whether it's common area rentals or short-term furnished, I think given more leeway, we may be able to garner more benefit there too. So I think it's a little bit on the capital side, a little bit on the operational side, and with initiatives and some on the efficiencies of sharing team members.

Andrew Babin

Great, thank you. That's all for me.

Operator

Our next question comes from the line of Alexander Goldfarb with Sandler O'Neill. Please proceed with your questions.

Alexander Goldfarb

Hi, good morning out there. I'll be quick, it's been a long call. So two quick ones. First for Joe. The ESG bonds that you referenced before, did you guys get any pricing advantage with those or is it more just sort of check the box and for marketing purposes to have sort of an ESG issuance out there?

Joe Fisher

It's hard to tell whether or not we got an explicit pricing advantage. I will say when you look at the composition of the investors on that offering, about 25% of them did come in from an ESG focused fund. And so having obviously a bigger order book helps drive pricing at the end of the day. I'd like to believe that there was some benefit, although it's very hard to quantify, what is that clear benefit is.

Alexander Goldfarb

Okay. And then the second one is for Jerry, on the mobile initiatives that -- the self-help initiatives that you guys are rolling out. Do you think that you'll still be able to get sort of the rent premiums that you expect for your properties or as Avalon noted on their call, there may be properties where you get a lower rent, but the trade-off is that you have less operating expense and net you're better.

Jerry Davis

I will tell you the things we're doing, it's more on the service side. It's not that we're taking away an amenity. So we believe our residents prefer self-service, I think it's enhanced service. So when you look at, you look at what we've done so far this year, and I mentioned it in my prepared remarks, if you look at our repairs and maintenance and personnel cost combined, year-over-year growth was slightly negative. It should be growing at probably at least 3%. So a lot of people would say, well, that's a reduction in service. No, it was just a reallocation of how we provide service, and it was predominantly done through outsourcing and centralization.

At that same time as we drove those costs down, our NPS scores went up 10% to 34%. As we noted earlier, our turnover, if you back out the effective short-term furnished rentals, was down 60 basis points, we're running at 96.9%, which is 10 basis points higher than last year, and I think if you look at the revenue growth that we put up to 3.7%, it's sector-leading. So I think when you factor all of those in, it's clear that when we're doing this, the intention is to improve customer service, not take it down, but to make a more efficiently run organization through this, either through outsourcing, centralization or automation. So our intent is, it will not be a reduction in service and it will not drive rents lower.

Alexander Goldfarb

Okay, thank you.

Jerry Davis

Sure.

Operator

Thank you. The next question is from the line of Neil Malkin with Capital One. Please proceed with your question.

Neil Malkin

Hi guys, thanks for taking my questions. A couple of years ago, the Bay Area saw some significant supply that caused market rents to go down quickly pretty significantly. I'm just wondering kind of alluding to your supply comments, I think San Jose has a fair amount of supply coming. Are you doing certain things to sort of get ahead of that in terms of increasing occupancy, anything with rents to sort of derisk that as the supply rolls into those markets?

Jerry Davis

Hi, Neil. This is Jerry. I wouldn't say we're doing thing explicit on the pricing side. I mean, we definitely believe at this time in the cycle, we want to keep occupancy high. So we're not being excessively aggressive pushing occupancy down. So we are in an occupancy first mode today. I think you're right. Several years ago, San Francisco or the Bay Area supply came in hard whether it was down in San Jose, Santa Clara, or in Soma, it did heavily impact market rates as concessionary levels got elevated. We're not seeing quite as much of a concessionary effect today, we are seeing supply comp. As we look at supply next year, it is going to come down and effect San Jose. It's also going to affect Mountain View a little bit more than it did this year, but I think it's predominantly back half of this year and first half of next year loaded.

I think when you look at job growth that's happening, especially in that Soma, as well as Mission Bay area, I think it should absorb fairly well. And I think when you look at what new lease rate growth is today, a lot of that is based on how strong the market was a year ago, because there was limited supply coming in, and there was great job growth. So I don't see it quite being or being what it was several years ago, I just think we're having to work our way through some supply pressures over the next 9 to 12 months. But on the demand side, I think things still look strong.

Neil Malkin

All right…

Tom Toomey

Neil, this is Toomey. I would to add a little bit to that. One thing, Mike and Jerry are always focused on, is the concessionary level in the marketplace because at one month free rent on a lease-up that generally gets the new customer in the marketplace and doesn't impact our renewal environment. And you can see that in the numbers today and you heard it in our commentary earlier. And though you alluded to San Francisco, and as I recall that market went to two months to three months free rent and that really upsets the cart on the renewal process, and we lose a lot of pricing power on that side of the equation. So as long as we're in one-month free kind of concessionary market and that's what we anticipate is coming at us in some of these markets, I think our revenue streams will hold up pretty strong because of the low turnover and we're not enticing that long term resident to just move out. So, the one thing I wish the sell side would track more of is the concessionary market because it's probably a precursor to real pricing power or pricing exposure.

Neil Malkin

Okay, that's helpful I appreciate that, Tom. Other one for me is, I was reading that you guys are participating in a program called Rhino, a service called Rhino, it's basically to forego a security deposit, the tenant would pay for some sort of insurance program. Is that something that has been successful? Are you planning on rolling that out more? And any color on that would be helpful.

Jerry Davis

Yes. This is Jerry. I will tell you, we are talking to Rhino, we have not engaged. We think their product may have legs, it's something that we're trying to compare with some programs that have some similarities that we've used in the past and we're trying to get more comfortable that some of the negatives of the prior program don't replicate themselves. But it's something we're looking at. I think anytime you can look at opportunities that can help your resident which this product seems like it could because it's less cash upfront to move into an apartment, and protect us on the collection side. If it's a win-win, just like a lot of initiatives we rolled out in the past, we would probably be in favor of it, but we're still in -- the exploration stage have not piloted any of it yet, but it's something we're looking at.

Neil Malkin

All right. Thanks Jerry.

Jerry Davis

Sure.

Operator

Thank you. Our final question today comes from the line of Haendel [ph] with Mizuho, please proceed with your question.

Unidentified Analyst

So it's 1 hour and 10 minutes into this call. I'm just kidding. So -- out there; first question for me is on margin. I guess I'm curious, I know you talked about it before, but what type of margin improvement or expansion, do you think you can generate on the assets you're buying in from MetLife, now that you completely own and control them ballpark-ish?

Jerry Davis

When you look at those, it's probably a couple, it's 100 to 150 basis points, most likely, higher than we're at. We've looked at it more on the next couple of years. So we haven't gotten excessively specific. There are multiple programs that we had on the cost structure that we had already rolled into the UDR wholly owned platform previously. And in addition to that, when you look at what we've indicated, we expect to get from the Next Gen Operating Platform of 150 to 200 basis points, I think you get a little bit more juice out of those.

And then you know the second part is, on some of this CapEx spend we're going to have, we should be able to drive revenue up, but probably, we've looked at it more on a return basis, but I don't have the exact margin expansion of top of my head.

Tom Toomey

But Haendel, this is Toomey. What I would add, as you look at the, the acquisitions that we've done, in particular the Boston one, where we might look at it today, and we think somewhere 600 to 700 basis point expansion, when that fully implemented in the Ops platform is available. And so the key is, it is not going to be what we to be what can do to our portfolio, well, excuse me, it is going to be a key, but what we can do with the potential acquisitions from private market operators who won't have the platform or the technology and then that leads to a real lift in our growth rate when we can buy at market or below market and then overlay the platform on top of it and get that type of margin expansion. So the story is not just what we can do to ours, but what we can do to the industry and the potentials that it leads to.

Unidentified Analyst

Helpful. Thanks Tom. And while I have you, I guess, understand you make long-term investment decisions that your -- and also that your market predictive model also helps you make capital or portfolio strategy decision over a longer term period, but I want to go back to Dallas, once again, 3.5% of NOI in the market that just seems to have been a regular under performer here over the last couple plus years, and so understand supply in Uptown, some other challenges that you have in [indiscernible] but I guess I'm curious if you are or should you be considering calling your exposure there or are you pretty happy in playing the long, long-term debt.

Joe Fisher

Haendel, overall we're fairly happy with the portfolio there. Obviously, we increased it within the MetLife JV, and so I'd say two-thirds of the MetLife JV that we acquired, we feel very good about and assets that we let go, were not necessarily in target markets, so net-net, we came out ahead in terms of target markets. The good thing we get with control of Vitruvian in addition to everything Jerry said from existing operations is, if you look at Vitruvian West 1 and the lease-up in the yield that took place there, relatively quickly set up for [ph] 400 units and yield in the Mid-6s, we're in Vitruvian West 2 right now, and 3, will be on the docket next, those will be 6% plus yield. So, getting access to land that allows us to go out there and accretively develop, is one of the things we liked about the value creation, access to Vitruvian -- that transaction.

Operator

Thank you. There are no further questions in the queue, and I'd like to hand the call back over to Chairman and CEO, Mr. Toomey for closing comments.

Tom Toomey

Well, thank you. And first let me thank all of you for your time and interest in UDR. Second, as you heard throughout the call today, during 2019, the team has executed on all aspects of our value creation capabilities, which I think will set up 2020 for continued strong NOI growth and cash flow growth. And again, lastly these results are really achieved through the efforts of our exceptional associates and their continued effort every day, as well as our culture of constantly trying to find a way to do it better every day. So with that we look forward to seeing many of you at NAREIT in a couple of weeks. Take care.

Operator

This concludes today's conference. You may disconnect your lines at this time. Thank you for your participation.