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

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

For the quarterly period ended March 31, 2024

OR

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

For the transition period from _____ to _____

**Commission file number
1-10524**

UDR, Inc.

(Exact name of registrant as specified in its charter)

Maryland

(State or other jurisdiction of
incorporation of organization)

54-0857512

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

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

(Address of principal executive offices) (zip code)

(720) 283-6120

(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.01	UDR	New York Stock Exchange

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

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

Large
Accelerated
Filer ☒

Accelerated Filer
☐

Non-Accelerated Filer ☐

Smaller Reporting
Company ☐

Emerging Growth
Company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

The number of shares of UDR, Inc.'s common stock, \$0.01 par value, outstanding as of April 29, 2024 was 329,306,648.

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UDR, INC.

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[Exhibit 32.1](#)

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

	March 31, 2024	December 31, 2023
	(unaudited)	(audited)
ASSETS		
Real estate owned:		
Real estate held for investment	\$15,865,033	\$ 15,757,456
Less: accumulated depreciation	(6,407,092)	(6,242,686)
Real estate held for investment, net	9,457,941	9,514,770
Real estate under development (net of accumulated depreciation of \$19 and \$184, respectively)	126,144	160,220
Real estate held for disposition (net of accumulated depreciation of \$0 and \$24,960, respectively)	—	81,039
Total real estate owned, net of accumulated depreciation	9,584,085	9,756,029
Cash and cash equivalents	2,116	2,922
Restricted cash	29,850	31,944
Notes receivable, net	235,382	228,825
Investment in and advances to unconsolidated joint ventures, net	954,301	952,934
Operating lease right-of-use assets	189,729	190,619
Other assets	195,025	209,969
Total assets	\$11,190,488	\$ 11,373,242
LIABILITIES AND EQUITY		
Liabilities:		
Secured debt, net	\$ 1,236,779	\$ 1,277,713
Unsecured debt, net	4,525,549	4,520,996
Operating lease liabilities	184,961	185,836
Real estate taxes payable	37,917	47,107
Accrued interest payable	27,255	47,710
Security deposits and prepaid rent	50,187	50,528
Distributions payable	151,512	149,600
Accounts payable, accrued expenses, and other liabilities	119,739	141,311
Total liabilities	6,333,899	6,420,801
Commitments and contingencies (Note 13)		
Redeemable noncontrolling interests in the Operating Partnership and DownREIT Partnership	937,311	961,087
Equity:		
Preferred stock, no par value; 50,000,000 shares authorized at March 31, 2024 and December 31, 2023:		
8.00% Series E Cumulative Convertible; 2,686,308 and 2,686,308 shares issued and outstanding at March 31, 2024 and December 31, 2023, respectively	44,614	44,614
	1	1

Series F; 11,785,976 and 11,867,730 shares issued and outstanding at March 31, 2024 and December 31, 2023, respectively		
Common stock, \$0.01 par value; 450,000,000 shares authorized at March 31, 2024 and December 31, 2023:		
329,327,553 and 329,014,512 shares issued and outstanding at March 31, 2024 and December 31, 2023, respectively	3,293	3,290
Additional paid-in capital	7,500,170	7,493,217
Distributions in excess of net income	(3,638,370)	(3,554,892)
Accumulated other comprehensive income/(loss), net	9,235	4,914
Total stockholders' equity	3,918,943	3,991,144
Noncontrolling interests	335	210
Total equity	3,919,278	3,991,354
Total liabilities and equity	<u>\$11,190,488</u>	<u>\$ 11,373,242</u>

See accompanying notes to consolidated financial statements.

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

	Three Months Ended March 31,	
	2024	2023
REVENUES:		
Rental income	\$411,669	\$398,307
Joint venture management and other fees	1,965	1,242
Total revenues	413,634	399,549
OPERATING EXPENSES:		
Property operating and maintenance	73,478	64,834
Real estate taxes and insurance	58,795	57,970
Property management	13,379	12,945
Other operating expenses	6,828	3,032
Real estate depreciation and amortization	169,858	169,300
General and administrative	17,810	17,480
Casualty-related charges/(recoveries), net	6,278	4,156
Other depreciation and amortization	4,316	3,649
Total operating expenses	350,742	333,366
Gain/(loss) on sale of real estate owned	16,867	1
Operating income	79,759	66,184
Income/(loss) from unconsolidated entities	9,085	9,707
Interest expense	(48,062)	(43,742)
Interest income and other income/(expense), net	5,865	1,010
Income/(loss) before income taxes	46,647	33,159
Tax (provision)/benefit, net	(337)	(234)
Net income/(loss)	46,310	32,925
Net (income)/loss attributable to redeemable noncontrolling interests in the Operating Partnership and DownREIT Partnership	(3,149)	(1,953)
Net (income)/loss attributable to noncontrolling interests	(12)	(8)
Net income/(loss) attributable to UDR, Inc.	43,149	30,964
Distributions to preferred stockholders — Series E (Convertible)	(1,231)	(1,183)
Net income/(loss) attributable to common stockholders	\$ 41,918	\$ 29,781
Income/(loss) per weighted average common share:		
Basic	\$ 0.13	\$ 0.09
Diluted	\$ 0.13	\$ 0.09
Weighted average number of common shares outstanding:		
Basic	328,823	328,789
Diluted	328,954	329,421

See accompanying notes to consolidated financial statements.

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

	March 31,	
	2024	2023
Net income/(loss)	\$46,310	\$32,925
Other comprehensive income/(loss), including portion attributable to noncontrolling interests:		
Other comprehensive income/(loss) - derivative instruments:		
Unrealized holding gain/(loss)	6,664	(273)
(Gain)/loss reclassified into earnings from other comprehensive income/(loss)	(1,995)	(1,369)
Other comprehensive income/(loss), including portion attributable to noncontrolling interests	4,669	(1,642)
Comprehensive income/(loss)	50,979	31,283
Comprehensive (income)/loss attributable to noncontrolling interests	(3,509)	(1,840)
Comprehensive income/(loss) attributable to UDR, Inc.	<u>\$47,470</u>	<u>\$29,443</u>

See accompanying notes to consolidated financial statements.

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

	Preferred Stock	Common Stock	Paid-in Capital	Distributions in Excess of Net Income	Accumulated Other Comprehensive Income/(Loss), net	Noncontrolling Interests	Total
Balance at December 31, 2023	44,615	3,290	7,493,217	(3,554,892)	4,914	210	3,991,354
Net income/(loss) attributable to UDR, Inc.	—	—	—	43,149	—	—	43,149
Other comprehensive income/(loss)	—	—	—	—	4,321	—	4,321
Issuance/ (forfeiture) of common and restricted shares, net	—	1	85	—	—	—	86
Issuance of common shares through public offering, net	—	—	(418)	—	—	—	(418)
Adjustment for conversion of noncontrolling interest of unitholders in the Operating Partnership and DownREIT Partnership	—	2	7,286	—	—	—	7,288
Contribution of noncontrolling interests in consolidated real estate	—	—	—	—	—	125	125
Common stock distributions declared (\$0.425 per share)	—	—	—	(140,025)	—	—	(140,025)
Preferred stock distributions declared-Series E (\$0.4602 per share)	—	—	—	(1,231)	—	—	(1,231)
Adjustment to reflect redemption value of redeemable noncontrolling interests	—	—	—	14,629	—	—	14,629
Balance at March 31, 2024	\$ 44,615	\$ 3,293	\$7,500,170	\$ (3,638,370)	\$ 9,235	\$ 335	\$3,919,278

	Preferred Stock	Common Stock	Paid-in Capital	Distributions in Excess of Net Income	Accumulated Other Comprehensive Income/(Loss), net	Noncontrolling Interests	Total
Balance at December 31, 2022	\$ 44,615	\$ 3,290	\$7,493,423	\$ (3,451,587)	\$ 8,344	\$ 210	\$4,098,295
Net income/ (loss) attributable to UDR, Inc.	—	—	—	30,964	—	—	30,964

Other comprehensive income/(loss)	—	—	—	—	(1,521)	—	(1,521)
Issuance/ (forfeiture) of common and restricted shares, net	—	2	695	—	—	—	697
Issuance of common shares through public offering, net	—	—	(462)	—	—	—	(462)
Adjustment for conversion of noncontrolling interest of unitholders in the Operating Partnership and DownREIT Partnership	—	—	386	—	—	—	386
Common stock distributions declared (\$0.42 per share)	—	—	—	(138,318)	—	—	(138,318)
Preferred stock distributions declared- Series E (\$0.4548 per share)	—	—	—	(1,183)	—	—	(1,183)
Adjustment to reflect redemption value of redeemable noncontrolling interests	—	—	—	(67,749)	—	—	(67,749)
Balance at March 31, 2023	<u>\$ 44,615</u>	<u>\$ 3,292</u>	<u>\$7,494,042</u>	<u>\$ (3,627,873)</u>	<u>\$ 6,823</u>	<u>\$ 210</u>	<u>\$3,921,109</u>

See accompanying notes to consolidated financial statements.

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

	Three Months Ended March 31,	
	2024	2023
Operating Activities		
Net income/(loss)	\$ 46,310	\$ 32,925
Adjustments to reconcile net income/(loss) to net cash provided by/(used in) operating activities:		
Depreciation and amortization	174,174	172,949
(Gain)/loss on sale of real estate owned	(16,867)	(1)
(Income)/loss from unconsolidated entities	(9,085)	(9,707)
Return on investment in unconsolidated joint ventures and partnerships	4,596	4,317
Amortization of share-based compensation	7,258	8,246
Other	10,377	7,690
Changes in operating assets and liabilities:		
(Increase)/decrease in operating assets	1,447	(7,119)
Increase/(decrease) in operating liabilities	(50,611)	(41,285)
Net cash provided by/(used in) operating activities	167,599	168,015
Investing Activities		
Proceeds from sales of real estate investments, net	98,650	—
Development of real estate assets	(30,595)	(42,498)
Capital expenditures and other major improvements — real estate assets	(52,563)	(54,353)
Capital expenditures — non-real estate assets	(4,583)	(4,532)
Investment in unconsolidated joint ventures and partnerships	(1,105)	(1,821)
Distributions received from unconsolidated joint ventures and partnerships	4,289	3,108
Proceeds from sale of equity securities	4,624	—
Purchase deposits on pending acquisitions	—	(743)
Repayment/(issuance) of notes receivable, net	(270)	(16,501)
Net cash provided by/(used in) investing activities	18,447	(117,340)
Financing Activities		
Payments on secured debt	(40,749)	(292)
Net proceeds/(repayment) of commercial paper	(18,075)	105,000
Net proceeds/(repayment) of revolving bank debt	22,467	(14,244)
Distributions paid to redeemable noncontrolling interests	(10,452)	(8,178)
Distributions paid to preferred stockholders	(1,210)	(1,097)
Distributions paid to common stockholders	(138,247)	(125,083)
Other	(2,680)	(7,765)
Net cash provided by/(used in) financing activities	(188,946)	(51,659)
Net increase/(decrease) in cash, cash equivalents, and restricted cash	(2,900)	(984)
Cash, cash equivalents, and restricted cash, beginning of year	34,866	30,194
Cash, cash equivalents, and restricted cash, end of period	\$ 31,966	\$ 29,210
Supplemental Information:		
Interest paid during the period, net of amounts capitalized	\$ 69,197	\$ 64,707

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows from operating leases	3,126	3,126
Cash paid/(refunds received) for income taxes	(51)	206
Non-cash transactions:		
Redeemable long-term and short-term incentive plan units	\$ —	\$ 6,989
Development costs and capital expenditures incurred, but not yet paid	34,728	35,524
Conversion of Operating Partnership and DownREIT Partnership noncontrolling interests to common stock (190,278 shares and 9,957 shares, respectively)	7,288	386
Distribution of equity securities from unconsolidated real estate technology investments	—	7,749
Dividends declared, but not yet paid	151,512	148,409

The following reconciles cash, cash equivalents, and restricted cash to amounts as shown above:

Cash, cash equivalents, and restricted cash, beginning of year:		
Cash and cash equivalents	\$ 2,922	\$ 1,193
Restricted cash	31,944	29,001
Total cash, cash equivalents, and restricted cash as shown above	<u>\$ 34,866</u>	<u>\$ 30,194</u>
Cash, cash equivalents, and restricted cash, end of period:		
Cash and cash equivalents	\$ 2,116	\$ 1,172
Restricted cash	29,850	28,038
Total cash, cash equivalents, and restricted cash as shown above	<u>\$ 31,966</u>	<u>\$ 29,210</u>

See accompanying notes to consolidated financial statements.

UDR, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2024

1. BASIS OF PRESENTATION

Organization and Formation

UDR, Inc. (“UDR,” the “Company,” “we,” or “our”) is a self-administered real estate investment trust, or REIT, that owns, operates, acquires, renovates, develops, redevelops, and manages apartment communities in targeted markets located in the United States. At March 31, 2024, our consolidated apartment portfolio consisted of 168 communities with a total of 55,386 apartment homes located in 21 markets. In addition, the Company has an ownership interest in 10,045 completed or to-be-completed apartment homes through unconsolidated joint ventures or partnerships, including 5,618 apartment homes owned by entities in which we hold preferred equity investments.

Basis of Presentation

The accompanying consolidated financial statements of UDR include its wholly-owned and/or controlled subsidiaries (see Note 4, Variable Interest Entities and Note 5, Joint Ventures and Partnerships, for further discussion). All significant intercompany accounts and transactions have been eliminated in consolidation.

The accompanying consolidated financial statements include the accounts of UDR and its subsidiaries, including United Dominion Realty, L.P. (the “Operating Partnership” or the “OP”) and UDR Lighthouse DownREIT L.P. (the “DownREIT Partnership”). As of March 31, 2024, there were 190.0 million units in the Operating Partnership (“OP Units”) outstanding, of which 176.5 million OP Units (including 0.1 million of general partnership units), or 92.9%, were owned by UDR and 13.5 million OP Units, or 7.1%, were owned by outside limited partners. As of March 31, 2024, there were 32.4 million units in the DownREIT Partnership (“DownREIT Units”) outstanding, of which 21.5 million, or 66.4%, were owned by UDR and its subsidiaries and 10.9 million, or 33.6%, were owned by outside limited partners. The consolidated financial statements of UDR include the noncontrolling interests of the unitholders in the Operating Partnership and DownREIT Partnership.

The accompanying interim unaudited consolidated financial statements have been prepared according to the rules and regulations of the Securities and Exchange Commission (the “SEC”). Certain information and note disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted according to such rules and regulations, although management believes that the disclosures are adequate to make the information presented not misleading. In the opinion of management, all adjustments and eliminations necessary for the fair presentation of our financial position as of March 31, 2024, and results of operations for the three months ended March 31, 2024 and 2023, have been included. Such adjustments are normal and recurring in nature. The interim results presented are not necessarily indicative of results that can be expected for a full year. The accompanying interim unaudited consolidated financial statements

should be read in conjunction with the audited consolidated financial statements and related notes for the year ended December 31, 2023 appearing in UDR's Annual Report on Form 10-K, filed with the SEC on February 20, 2024.

The accompanying interim unaudited consolidated financial statements are presented in accordance with U.S. generally accepted accounting principles ("GAAP"). GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the dates of the interim unaudited consolidated financial statements and the amounts of revenues and expenses during the reporting periods. Actual amounts realized or paid could differ from those estimates. All significant intercompany accounts and transactions have been eliminated in consolidation.

The Company evaluated subsequent events through the date its financial statements were issued. No significant recognized or non-recognized subsequent events were noted other than those noted in Note 2, Significant Accounting Policies.

UDR, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -
(Continued)
MARCH 31, 2024

2. SIGNIFICANT ACCOUNTING POLICIES

Recent Accounting Pronouncements

In March 2024, the SEC issued final rules on the enhancement and standardization of climate-related disclosures. The rules require disclosure of, among other things: material climate-related risks; activities to mitigate or adapt to such risks; governance and management of such risks; and material greenhouse gas emissions from operations owned or controlled (Scope 1) and/or indirect emissions from purchased energy consumed in operations (Scope 2). Additionally, the rules require disclosure in the notes to the financial statements of the effects of severe weather events and other natural conditions, subject to certain materiality thresholds. The rules will become effective for the Company on a phased-in timeline starting in the year ended December 31, 2025. While the SEC has voluntarily stayed the rules, the Company is currently evaluating the effect the rules will have on its financial statement disclosures.

In December 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2023-09, Income Taxes (Topic 740) - Improvements to Income Tax Disclosures, which requires disclosure enhancements and further transparency to certain income tax disclosures, most notably the tax rate reconciliation and income taxes paid. The ASU is effective for the Company for the year ended December 31, 2025. The Company is currently evaluating the effect that the ASU will have on the consolidated financial statements and related disclosures.

In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280) - Improvements to Reportable Segments Disclosures. ASU 2023-07 requires expanded disclosures of a public entity's reportable segments, and requires more enhanced information regarding a reportable segment's expenses on an interim and annual basis. The ASU is effective for the Company for the year ended December 31, 2024, and interim periods commencing in 2025. Early adoption is permitted. The Company is currently evaluating the effect that the ASU will have on the consolidated financial statements and related disclosures.

Principles of Consolidation

The Company accounts for subsidiary partnerships, joint ventures and other similar entities in which it holds an ownership interest in accordance with the consolidation guidance. The Company first evaluates whether each entity is a variable interest entity ("VIE"). Under the VIE model, the Company consolidates an entity when it has control to direct the activities of the VIE and the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE. Under the voting model, the Company consolidates an entity when it controls the entity through ownership of a majority voting interest.

Real Estate Sales Gain Recognition

For sale transactions resulting in a transfer of a controlling financial interest of a property, the Company generally derecognizes the related assets and liabilities from its Consolidated Balance Sheets and records the gain or loss in the period in which the transfer of control occurs. If control of the property has not been transferred by the Company, the criteria for derecognition are not met and the Company will continue to recognize the related assets and liabilities on its Consolidated Balance Sheets.

Sale transactions to entities in which the Company sells a controlling financial interest in a property but retains a noncontrolling interest are accounted for as partial sales. Partial sales resulting in a change in control are accounted for at fair value and a full gain or loss is recognized. Therefore, the Company will record a gain or loss on the partial interest sold, and the initial measurement of our retained interest will be accounted for at fair value.

Sales of real estate to joint ventures or other noncontrolled investees are also accounted for at fair value and the Company will record a full gain or loss in the period the property is contributed.

To the extent that the Company acquires a controlling financial interest in a property that it previously accounted for as an equity method investment, the Company will not remeasure its previously held interest if the acquisition is treated as an asset acquisition. The Company will include the carrying amount of its previously held equity method interest along with the consideration paid and transaction costs incurred in determining the amounts to allocate

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UDR, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -
(Continued)
MARCH 31, 2024

to the related assets and liabilities acquired on its Consolidated Balance Sheets. When treated as an asset acquisition, the Company will not recognize a gain or loss on consolidation of a property.

Allowance for Credit Losses

The Company accounts for allowance for credit losses under the current expected credit loss (“CECL”) impairment model for its financial assets, including trade and other receivables, held-to-maturity debt securities, loans and other financial instruments, and presents the net amount of the financial instrument expected to be collected. The CECL impairment model excludes operating lease receivables. The CECL impairment model requires an estimate of expected credit losses, measured over the contractual life of an instrument, that considers forecasts of future economic conditions in addition to information about past events and current conditions. Based on this model, we analyze the following criteria, as applicable in developing allowances for credit losses: historical loss information, the borrower’s ability to make scheduled payments, the remaining time to maturity, the value of underlying collateral, projected future performance of the borrower and macroeconomic trends.

The Company measures credit losses of financial assets on a collective (pool) basis when similar risk characteristics exist. If the Company determines that a financial asset does not share risk characteristics with the Company’s other financial assets, the Company evaluates the financial asset for expected credit losses on an individual basis. Allowance for credit losses are recorded as a direct reduction from an asset’s amortized cost basis. Credit losses and recoveries are recorded in Interest income and other income/(expense), net on the Consolidated Statements of Operations. Recoveries of financial assets previously written off are recorded when received. For the three months ended March 31, 2024 and 2023, the Company recorded net credit recoveries/(losses) of less than \$(0.1) million and \$(0.1) million, respectively, on the Consolidated Statements of Operations.

The Company has made the optional election provided by the standard not to measure allowance for credit losses for accrued interest receivables as the Company writes off any uncollectible accrued interest receivables in a timely manner. The Company periodically evaluates the collectability of its accrued interest receivables. A write-off is recorded when the Company concludes that all or a portion of its accrued interest receivable balance is no longer collectible.

Notes Receivable

Notes receivable relate to financing arrangements which are typically secured by assets of the borrower that may include real estate assets. Certain of the loans we extend may include characteristics such as options to purchase the project within a specific time window following expected project completion. These characteristics can cause the loans to fall under the definition of a VIE, and thus trigger

consolidation consideration. We consider the facts and circumstances pertinent to each loan, including the relative amount of financing we are contributing to the overall project cost, decision making rights or control we hold, and our rights to expected residual gains or our obligations to absorb expected residual losses from the project. If we are deemed to be the primary beneficiary of a VIE due to holding a controlling financial interest, the majority of decision making control, or by other means, consolidation of the VIE would be required. The Company has concluded that it is not the primary beneficiary of the borrowing entities of the existing loans.

Additionally, we analyze each loan arrangement that involves real estate development to consider whether the loan qualifies for accounting as a loan or as an investment in a real estate development project. The Company has evaluated its real estate loans, where appropriate, for accounting treatment as loans versus real estate development projects, as required by Accounting Standards Codification (“ASC”) 310-10. For each loan, the Company has concluded that the characteristics and the facts and circumstances indicate that loan accounting treatment is appropriate.

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UDR, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -
(Continued)
MARCH 31, 2024

The following table summarizes our Notes receivable, net as of March 31, 2024 and December 31, 2023 (dollars in thousands):

	Interest rate at	Balance Outstanding (a)	
	March 31,	March 31,	December 31,
	2024	2024	2023
Notes due October 2024 (b)	10.50 %	\$100,859	\$ 98,271
Note due December 2024 (c)	12.00 %	38,411	37,022
Note due December 2026 (d)	11.00 %	66,317	64,608
Note due December 2026 (e)	11.00 %	26,872	26,164
Notes due June 2027 (f)	18.00 %	3,907	3,737
Notes receivable		236,366	229,802
Allowance for credit losses		(984)	(977)
Total notes receivable, net		<u>\$235,382</u>	<u>\$ 228,825</u>

- (a) Outstanding note amounts include any accrued and unpaid interest, as applicable.
- (b) The Company has two loans (the “Notes”) with a joint venture that owns a 478 apartment home operating community located in Philadelphia, Pennsylvania with an aggregate commitment of \$93.5 million (exclusive of accrued interest), all of which has been funded. The Notes are subordinate to the senior construction loan, but senior to the equity in the borrower. Currently, the Notes have a scheduled maturity date in October 2024, with two remaining one-year extension options. In April 2024, the joint venture refinanced the senior construction loan with a new loan that matures in April 2026, with a one year extension option subject to certain conditions.
- (c) The Company has a secured note with an unaffiliated third party with an aggregate commitment of \$32.5 million, of which \$31.8 million was funded as of March 31, 2024. Interest payments are due monthly, with the exception of payments from June 2022 to December 2024, which are accrued and added to the principal balance and will be due at maturity of the note. The note is secured by substantially all of the borrower’s assets and matures at the earliest of the following: (a) the closing of any private or public capital raising in the amount of \$5.0 million or greater; (b) an acquisition; (c) acceleration in the event of default; or (d) December 2024.
- (d) The Company has a secured mezzanine loan with a third party developer of a 482 apartment home community located in Riverside, California, which is expected to be completed in 2025, with an aggregate commitment of \$59.7 million (exclusive of accrued interest), all of which has been funded. Interest payments accrue for 36 months and are due monthly after the loan has been outstanding for 36 months. The secured mezzanine loan has a scheduled maturity date in December 2026, with two one-year extension options.
- (e) The Company has a secured mezzanine loan with a third party developer of a 237 apartment home community located in Menifee, California, which is expected to be completed in 2025, with an aggregate commitment of \$24.4 million (exclusive of accrued interest), all of which has been funded. Interest payments accrue for

36 months and are due monthly after the loan has been outstanding for 36 months. The secured mezzanine loan has a scheduled maturity date in December 2026, with two one-year extension options.

- (f) The Company and a syndicate of lenders previously entered into a \$16.0 million secured credit facility with an unaffiliated third party. In 2023, the secured credit facility was amended to provide a new term loan in the amount of \$19.0 million, and the Company's commitment was increased from \$1.5 million to \$3.0 million (exclusive of accrued interest), all of which has been funded. Interest payments accrue and are due at maturity of the facility. The facility is secured by substantially all of the borrower's assets and matures at the earliest of the following: (a) acceleration in the event of default; or (b) June 2027.

The Company recognized \$6.3 million and \$1.6 million of interest income for the notes receivable described above during the three months ended March 31, 2024 and 2023, respectively, none of which was related party interest. Interest income is included in Interest income and other income/(expense), net on the Consolidated Statements of Operations.

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Comprehensive Income/(Loss)

Comprehensive income/(loss), which is defined as the change in equity during each period from transactions and other events and circumstances from nonowner sources, including all changes in equity during a period except for those resulting from investments by or distributions to stockholders, is displayed in the accompanying Consolidated Statements of Comprehensive Income/(Loss). For the three months ended March 31, 2024 and 2023, the Company's other comprehensive income/(loss) consisted of the gain/(loss) on derivative instruments that are designated as and qualify as cash flow hedges, (gain)/loss on derivative instruments reclassified from other comprehensive income/(loss) into earnings, and the allocation of other comprehensive income/(loss) to noncontrolling interests. The (gain)/loss on derivative instruments reclassified from other comprehensive income/(loss) is included in Interest expense on the Consolidated Statements of Operations. See Note 11, Derivatives and Hedging Activity, for further discussion. The allocation of other comprehensive income/(loss) to redeemable noncontrolling interests during the three months ended March 31, 2024 and 2023 was \$0.3 million and \$(0.1) million, respectively.

Income Taxes

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

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/(liabilities) are generally the result of differing depreciable lives on capitalized assets, temporary differences between book and tax basis of assets and liabilities and timing of expense recognition for certain accrued liabilities. As of March 31, 2024 and December 31, 2023, UDR's net deferred tax asset/(liability) was \$ (0.8) million and \$(0.8) million, respectively, and are recorded in Accounts payable, accrued expenses and other liabilities on the Consolidated Balance Sheets.

GAAP defines a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. GAAP also

provides guidance on derecognition, classification, interest and penalties, accounting for interim periods, disclosure and transition.

The Company recognizes and evaluates its tax positions using a two-step process. First, UDR determines whether a tax position is more likely than not (greater than 50 percent probability) to be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. Second, the Company will determine the amount of benefit to recognize and record the amount that is more likely than not to be realized upon ultimate settlement.

The Company invests in assets that qualify for federal investment tax credits ("ITC") through our TRS. An ITC reduces federal income taxes payable when qualifying depreciable property is acquired. The ITC is determined as a percentage of cost of the assets. The Company accounts for ITCs under the deferral method, under which the tax benefit from the ITC is deferred and amortized as a tax benefit into Tax (provision)/benefit, net on the Consolidated Statements of Operations over the book life of the qualifying depreciable property. The ITCs are recorded in Accounts payable, accrued expenses and other liabilities on the Consolidated Balance Sheets.

UDR had no material unrecognized tax benefit, accrued interest or penalties at March 31, 2024. UDR and its subsidiaries are subject to federal income tax as well as income tax of various state and local jurisdictions. The tax years 2020 through 2022 remain open to examination by tax jurisdictions to which we are subject. When applicable, UDR recognizes interest and/or penalties related to uncertain tax positions in Tax (provision)/benefit, net on the Consolidated Statements of Operations.

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Forward Sales Agreements

From time to time the Company utilizes forward sales agreements for the future issuance of its common stock. When the Company enters into a forward sales agreement, the contract requires the Company to sell its shares to a counterparty at a predetermined price at a future date. The net sales price and proceeds attained by the Company will be determined on the dates of settlement, with adjustments during the term of the contract for the Company's anticipated dividends as well as for a daily interest factor that varies with changes in the federal funds rate. The Company generally has the ability to determine the dates and method of settlement (i.e., gross physical settlement, net share settlement or cash settlement), subject to certain conditions and the right of the counterparty to accelerate settlement under certain circumstances.

The Company accounts for the shares of common stock reserved for issuance upon settlement as equity in accordance with ASC 815-40, Contracts in Entity's Own Equity, which permits equity classification when a contract is considered indexed to the entity's own stock and the contract requires or permits the issuing entity to settle the contract in shares (either physically or net in shares).

The guidance establishes a two-step process for evaluating whether an equity-linked financial instrument is considered indexed to the entity's own stock, first, evaluating the instrument's contingent exercise provisions and second, evaluating the instrument's settlement provisions. When entering into forward sales agreements, we determined that (i) none of the agreement's exercise contingencies are based on observable markets or indices besides those related to the market for our own stock price; and (ii) none of the settlement provisions preclude the agreements from being indexed to our own stock.

Before the issuance of shares of common stock, upon physical or net share settlement of the forward sales agreements, the Company expects that the shares issuable upon settlement of the forward sales agreements will be reflected in its diluted income/(loss) per share calculations using the treasury stock method. Under this method, the number of shares of common stock used in calculating diluted income/(loss) per share is deemed to be increased by the excess, if any, of the number of shares of common stock that would be issued upon full physical settlement of the forward sales agreements over the number of shares of common stock that could be purchased by the Company in the open market (based on the average market price during the period) using the proceeds receivable upon full physical settlement (based on the adjusted forward sale price at the end of the reporting period). When the Company physically or net share settles any forward sales agreement, the delivery of shares of common stock would result in an increase in the number of weighted average common shares outstanding and dilution to basic income/(loss) per share. (See Note 8, Income/(Loss) per Share for further discussion.)

Lease Receivables

During the three months ended March 31, 2024 and 2023, the Company performed an analysis in accordance with the ASC 842, Leases, guidance to assess the collectibility of its operating lease receivables. This analysis included an assessment of collectibility of current and future rents and whether those lease payments were no longer probable of collection. In accordance with the leases guidance, if collection of lease payments is no longer deemed to be probable over the life of the lease contract, we recognize revenue only when cash is received, and all existing contractual operating lease receivables and straight-line lease receivables are reserved.

As of March 31, 2024, the Company's multifamily tenant lease receivables balance, net of its reserve, was approximately \$7.7 million, including its share from unconsolidated joint ventures. The Company's retail tenant lease receivables balance (exclusive of straight-line rent receivables), net of its reserve, was approximately \$0.4 million, including its share from unconsolidated joint ventures, as of March 31, 2024.

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3. REAL ESTATE OWNED

Real estate assets owned by the Company consist of income producing operating properties, properties under development, land held for future development, and held for disposition properties. As of March 31, 2024, the Company owned and consolidated 168 communities in 13 states plus the District of Columbia totaling 55,386 apartment homes. The following table summarizes the carrying amounts for our real estate owned (at cost) as of March 31, 2024 and December 31, 2023 (dollars in thousands):

	March 31, 2024	December 31, 2023
Land	\$ 2,559,184	\$ 2,549,716
Depreciable property — held and used:		
Land improvements	257,791	255,706
Building, improvements, and furniture, fixtures and equipment	12,998,045	12,902,021
Real estate intangible assets	50,013	50,013
Under development:		
Land and land improvements	6,611	16,576
Building, improvements, and furniture, fixtures and equipment	119,552	143,828
Real estate held for disposition:		
Land and land improvements	—	13,734
Building, improvements, and furniture, fixtures and equipment	—	92,265
Real estate owned	15,991,196	16,023,859
Accumulated depreciation (a)	(6,407,111)	(6,267,830)
Real estate owned, net	\$ 9,584,085	\$ 9,756,029

(a) Accumulated depreciation is inclusive of \$18.2 million and \$17.2 million of accumulated amortization related to real estate intangible assets as of March 31, 2024 and December 31, 2023, respectively.

Acquisitions

In January 2024, the Company acquired its joint venture partner's common equity interest in a 173 apartment home operating community located in Oakland, California for \$1.4 million. The community was previously owned by a consolidated joint venture of the Company. (See Note 5, Joint Ventures and Partnerships for more information).

Dispositions

In February 2024, the Company sold an operating community located in Arlington, Virginia with a total of 214 apartment homes for gross proceeds of \$100.0 million, resulting in a gain of approximately \$16.9 million. This operating community was classified as held for disposition as of December 31, 2023.

Other Activity

Predevelopment, development, and redevelopment projects and related costs are capitalized and reported on the Consolidated Balance Sheets as Total real estate owned, net of accumulated depreciation. The Company capitalizes costs directly related to the predevelopment, development, and redevelopment of a capital project, which include, but are not limited to, interest, real estate taxes, insurance, and allocated development and redevelopment overhead related to support costs for personnel working on the capital projects. We use our professional judgment in determining whether such costs meet the criteria for capitalization or must be expensed as incurred. These costs are capitalized only during the period in which activities necessary to ready an asset for its intended use are in progress and such costs are incremental and identifiable to a specific activity to get the asset ready for its intended use. These costs, excluding the direct costs of development and redevelopment and capitalized interest, for the three months ended March 31, 2024 and 2023, were \$4.2 million and \$4.5 million, respectively. Total capitalized interest was \$2.8 million and \$2.2 million for the three months ended March 31, 2024 and 2023, respectively. As each apartment home in a capital project is

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completed and becomes available for lease-up, the Company ceases capitalization on the related portion of the costs and depreciation commences over the estimated useful life.

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 impairments in the value of its long-lived assets during the three months ended March 31, 2024 and 2023.

In connection with the acquisition of certain properties, the Company agreed to pay certain of the tax liabilities of certain contributors if the Company sells one or more of the properties contributed in a taxable transaction prior to the expiration of specified periods of time following the acquisition. The Company may, however, sell, without being required to pay any tax liabilities, any of such properties in a non-taxable transaction, including, but not limited to, a tax-deferred Section 1031 exchange.

Further, the Company has agreed to maintain certain debt some of which may be guaranteed by certain contributors for specified periods of time following the acquisition. The Company, however, has the ability to refinance or repay guaranteed debt or to substitute new debt if the debt and the guaranty continue to satisfy certain conditions.

4. VARIABLE INTEREST ENTITIES

The Company has determined that the Operating Partnership and DownREIT Partnership are VIEs as the limited partners lack substantive kick-out rights and substantive participating rights. The Company has concluded that it is the primary beneficiary of, and therefore consolidates, the Operating Partnership and DownREIT Partnership based on its role as the sole general partner of the Operating Partnership and DownREIT Partnership. The Company's role as community manager and its equity interests give us the power to direct the activities that most significantly impact the economic performance and the obligation to absorb potentially significant losses or the right to receive potentially significant benefits of the Operating Partnership and DownREIT Partnership.

5. JOINT VENTURES AND PARTNERSHIPS

UDR has entered into joint ventures and partnerships with unrelated third parties to own, operate, acquire, renovate, develop,

redevelop, dispose of, and manage real estate assets that are either consolidated and included in Real estate owned on the Consolidated Balance Sheets or are accounted for under the equity method of accounting, and are included in Investment in and advances to unconsolidated joint ventures, net, on the Consolidated Balance Sheets. The Company consolidates the entities that we control as well as any variable interest entity where we are the primary beneficiary. Under the VIE model, the Company consolidates an entity when it has control to direct the activities of the VIE and the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE. Under the voting model, the Company consolidates an entity when it controls the entity through ownership of a majority voting interest.

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

Consolidated joint venture

The Company previously held a preferred equity investment in a joint venture that owned a 173 apartment home community located in Oakland, California. In 2023, the joint venture was deemed to be a VIE and the Company concluded that it was the primary beneficiary of the VIE, and therefore began consolidating the joint venture. In January 2024, the Company took title to the developer's equity interest in the joint venture resulting in it being a wholly-owned community. (See Note 3, Real Estate Owned for more information).

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Unconsolidated joint ventures and partnerships

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

The following table summarizes the Company's investment in and advances to unconsolidated joint ventures and partnerships, net, which are accounted for under the equity method of accounting as of March 31, 2024 and December 31, 2023 (dollars in thousands):

Joint Ventures	Number of	Number of	UDR's Weighted Average		Investment at		Income/(loss) from investments	
	Operating	Apartment	Ownership	Interest			Three Months Ended	
	Communities	Homes	March 31,	December 31,	March 31,	December 31,	March 31,	
	March 31,	March 31,	March 31,	December 31,	March 31,	December 31,	2024	2023
	2024	2024	2024	2023	2024	2023	2024	2023
Operating:								
UDR/ MetLife (a)	13	2,837	50.2 %	50.2 %	\$219,387	\$ 225,195	\$ (1,846)	\$ (1,350)
UDR/ LaSalle	5	1,590	51.0 %	51.0 %	281,314	286,723	(2,878)	—
Total Joint Ventures	18	4,427			\$500,701	\$ 511,918	\$ (4,724)	\$ (1,350)

Developer Capital Program and Real Estate Technology Investments (b) Preferred equity investments:	Number of	Apartment					Income/(loss) from investments			
	Communities	Homes	Weighted			Investment at		Three Months Ended		
	March 31,	March 31,	Average	Years To	UDR	March 31,	December 31,	March 31,		
	2024	2024	Rate	Maturity	Commitment (c)	2024	2023	2024	2023	
Operating	21	4,545	9.3 %	3.1	\$ 252,889	\$308,820	\$ 304,699	\$ 5,920	\$ 6,643	
Development	2	1,073	10.7 %	3.3	68,207	85,315	83,072	2,243	1,992	
Total Preferred Equity Investments	23	5,618	9.6 %	3.1	\$ 321,096	394,135	387,771	8,163	8,635	
Real estate technology and sustainability investments:										
Real estate technology and sustainability investments	N/A	N/A	N/A	N/A	\$ 86,000	50,528	44,382	5,646	935	
Total Preferred Equity Investments and Real Estate						444.663	432.153	13.809	9.570	

Technology
and
Sustainability
Investments

Sold joint
ventures and
other
investments

	—	—	—	1,487
Total investment in and advances to unconsolidated joint ventures, net (a)	<u>\$945,364</u>	<u>\$ 944,071</u>	<u>\$ 9,085</u>	<u>\$ 9,707</u>

- (a) As of March 31, 2024 and December 31, 2023, the Company's negative investment in one UDR/MetLife community of \$8.9 million and \$8.9 million, respectively, is recorded in Accounts payable, accrued expenses, and other liabilities on the Consolidated Balance Sheets.
- (b) The Developer Capital Program is the program through which the Company makes investments, including preferred equity investments, mezzanine loans or other structured investments that may receive a fixed yield on the investment and may include provisions pursuant to which the Company participates in the increase in value of the property upon monetization of the applicable property. At March 31, 2024, our preferred equity investment portfolio consisted of 23 communities located in various markets, consisting of 5,618 completed or under development homes. In addition, the Company's preferred equity investments include four investments that receive a variable percentage of the value created from the project upon a capital or liquidating event. During the three months ended March 31, 2024, the Company did not enter into or fund any new preferred equity investments and no preferred equity investments were redeemed.
- (c) Represents UDR's maximum funding commitment only and therefore excludes other activity such as income from investments.

As of March 31, 2024 and December 31, 2023, the Company had deferred fees of \$7.5 million and \$7.6 million, respectively, which will be recognized through earnings over the weighted average life of the related properties, upon the disposition of the properties to a third party, or upon completion of certain development obligations.

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The Company recognized management fees of \$2.0 million and \$1.2 million for the three months ended March 31, 2024 and 2023, respectively, for management of the communities held by the joint ventures and partnerships. The management fees are included in Joint venture management and other fees on the Consolidated Statements of Operations.

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

We consider various factors to determine if a decrease in the value of our Investment in and advances to unconsolidated joint ventures, net 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. The Company did not incur any other-than-temporary impairments in the value of its investments in unconsolidated joint ventures during the three months ended March 31, 2024 and 2023.

Combined summary balance sheets relating to the unconsolidated joint ventures and partnerships (not just our proportionate share) are presented below as of March 31, 2024 and December 31, 2023 (dollars in thousands):

	March 31, 2024	December 31, 2023
Total real estate, net	\$3,180,973	\$ 3,158,057
Investments, at fair value	304,826	257,832
Cash and cash equivalents	69,247	61,670
Other assets	135,491	146,976
Total assets	\$3,690,537	\$ 3,624,535
Third party debt, net	\$2,027,146	\$ 2,012,816
Accounts payable and accrued liabilities	178,704	171,502
Total liabilities	2,205,850	2,184,318
Total equity	\$1,484,687	\$ 1,440,217

Combined summary financial information relating to the unconsolidated joint ventures' and partnerships' operations (not just our proportionate share) is presented below for the three months ended March 31, 2024 and 2023 (dollars in thousands):

	Three Months Ended March 31,	
	2024	2023
Total revenues	\$ 76,256	\$ 60,675

Property operating expenses	34,935	28,033
Real estate depreciation and amortization	36,962	24,428
Operating income/(loss)	4,359	8,214
Interest expense	(24,537)	(23,951)
Net unrealized/realized gain/(loss) on held investments	27,400	9,789
Other income/(loss)	(1,828)	2,322
Net income/(loss)	<u>\$ 5,394</u>	<u>\$ (3,626)</u>

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6. LEASES

Lessee - Ground Leases

UDR has six communities that are subject to ground leases, under which UDR is the lessee, that expire between 2043 and 2103, inclusive of extension options we are reasonably certain will be exercised. All of these leases are classified as operating leases through the lease term expiration based on our election of the practical expedient provided by the leasing standard. Rental expense for lease payments related to operating leases is recognized on a straight-line basis over the remaining lease term. We currently do not hold any finance leases. The Company also elected the short-term lease exception provided by the leasing standard and therefore only recognizes right-of-use assets and lease liabilities for leases with a term greater than one year. No leases qualified for the short-term lease exception during the three months ended March 31, 2024 and 2023.

As of March 31, 2024 and December 31, 2023, the Operating lease right-of-use assets were \$189.7 million and \$190.6 million, respectively, and the Operating lease liabilities were \$185.0 million and \$185.8 million, respectively, on our Consolidated Balance Sheets related to our ground leases. The value of the Operating lease right-of-use assets exceeds the value of the Operating lease liabilities due to prepaid lease payments. The calculation of these amounts includes minimum lease payments over the remaining lease term (described further in the table below). Variable lease payments are excluded from the right-of-use assets and lease liabilities and are recognized in earnings in the period in which the obligation for those payments is incurred.

As the discount rate implicit in the leases was not readily determinable, we determined the discount rate for these leases utilizing the Company's incremental borrowing rate at a portfolio level, adjusted for the remaining lease term, and the form of underlying collateral.

The weighted average remaining lease term for these leases was 41.8 years and 42.0 years at March 31, 2024 and December 31, 2023, respectively, and the weighted average discount rate was 5.0% at both March 31, 2024 and December 31, 2023.

Future minimum lease payments and total operating lease liabilities from our ground leases as of March 31, 2024 are as follows (dollars in thousands):

	Ground Leases
2024	\$ 9,332
2025	12,442
2026	12,442
2027	12,442
2028	12,442
Thereafter	405,452
Total future minimum lease payments (undiscounted)	464,552

Difference between future undiscounted cash flows and discounted cash flows	(279,591)
Total operating lease liabilities (discounted)	<u>\$ 184,961</u>

For purposes of recognizing our ground lease contracts, the Company uses the minimum lease payments, if stated in the agreement. For ground lease agreements where there is a rent reset provision based on a change in an index or a rate (i.e., changes in fair market rental rates or changes in the consumer price index) but that does not include a specified minimum lease payment, the Company uses the current rent over the remainder of the lease term. If there is a contingency upon which some or all of the variable lease payments that will be paid over the remainder of the lease term are based, which is resolved such that those payments now meet the definition of lease payments, the Company will remeasure the right-of-use asset and lease liability on the reset date.

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The components of operating lease expenses were as follows (dollars in thousands):

	Three Months Ended March 31,	
	2024	2023
Lease expense:		
Contractual lease expense	\$ 3,350	\$ 3,292
Variable lease expense (a)	40	28
Total operating lease expense (b)(c)	<u>\$ 3,390</u>	<u>\$ 3,320</u>

- (a) Variable lease expense includes adjustments such as changes in the consumer price index and payments based on a percentage of a community's revenue.
- (b) Lease expense is reported within the line item Other operating expenses on the Consolidated Statements of Operations.
- (c) For the three months ended March 31, 2024, Operating lease right-of-use assets and Operating lease liabilities amortized by \$0.9 million and \$0.9 million, respectively. For the three months ended March 31, 2023, Operating lease right-of-use assets and Operating lease liabilities amortized by \$0.8 million and \$0.8 million, respectively. Due to the net impact of the amortization, the Company recorded less than \$0.1 million and less than \$0.1 million of total operating lease expense during the three months ended March 31, 2024 and 2023, respectively.

Lessor - Apartment Home, Retail and Commercial Space Leases

UDR's communities and retail and commercial space are leased to tenants under operating leases. As of March 31, 2024, our apartment home leases generally have initial terms of 12 months or less. As of March 31, 2024, our retail and commercial space leases generally have initial terms of between 5 and 15 years and represent approximately 1% to 2% of our total lease revenue. Our apartment home leases are generally renewable at the end of the lease term, subject to potential changes in rental rates, and our retail and commercial space leases generally have renewal options, subject to associated increases in rental rates due to market based or fixed price renewal options and certain other conditions. (See Note 14, Reportable Segments for further discussion around our major revenue streams and disaggregation of our revenue.)

Future minimum lease payments from our retail and commercial leases as of March 31, 2024 are as follows (dollars in thousands):

	Retail and Commercial Leases
2024	\$ 19,844
2025	24,675
2026	21,896
2027	18,252
2028	15,464
Thereafter	<u>59,571</u>

Total future minimum lease payments (a)	<u>\$ 159,702</u>
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- (a) We have excluded our apartment home leases from this table as our apartment home leases generally have initial terms of 12 months or less.

Certain of our leases with retail and commercial tenants provide for the payment by the lessee of additional variable rent based on a percentage of the tenant's revenue. The amounts shown in the table above do not include these variable percentage rents. The Company recorded variable percentage rents of \$0.6 million and \$0.7 million during the three months ended March 31, 2024 and 2023, respectively.

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7. SECURED AND UNSECURED DEBT, NET

The following is a summary of our secured and unsecured debt at March 31, 2024 and December 31, 2023 (dollars in thousands):

	Principal Outstanding		As of March 31, 2024		
	March 31, 2024	December 31, 2023	Weighted Average Interest Rate	Weighted Average Years to Maturity	Number of Communities Encumbered
Secured Debt:					
Fixed Rate Debt					
Mortgage notes payable (a)	\$1,213,019	\$ 1,213,751	3.48 %	4.4	20
Deferred financing costs and other non-cash adjustments (b)	(3,196)	(3,009)			
Total fixed rate secured debt, net	1,209,823	1,210,742	3.42 %	4.4	20
Variable Rate Debt					
Mortgage notes payable (c)	—	40,017	— %	—	—
Tax-exempt secured notes payable (d)	27,000	27,000	4.05 %	8.0	1
Deferred financing costs	(44)	(46)			
Total variable rate secured debt, net	26,956	66,971	4.08 %	8.0	1
Total Secured Debt, net	1,236,779	1,277,713	3.44 %	4.5	21
Unsecured Debt:					
Variable Rate Debt					
Borrowings outstanding under unsecured credit facility due January 2026 (e) (n)	—	—	— %	1.8	
Borrowings outstanding under unsecured commercial paper program due April 2024 (f) (n)	390,000	408,075	5.53 %	0.1	
Borrowings outstanding under	27,059	4,593	6.21 %	0.8	

unsecured working capital credit facility due January 2025 (g)				
Term Loan due January 2027 (e) (n)	87,500	—	6.24 %	2.8
Fixed Rate Debt				
Term Loan due January 2027 (e) (n)	262,500	350,000	2.68 %	2.8
8.50% Debentures due September 2024	15,644	15,644	8.50 %	0.5
2.95% Medium- Term Notes due September 2026 (h) (n)	300,000	300,000	2.89 %	2.4
3.50% Medium- Term Notes due July 2027 (net of discounts of \$229 and \$247, respectively) (i) (n)	299,771	299,753	4.03 %	3.3
3.50% Medium- Term Notes due January 2028 (net of discounts of \$450 and \$479, respectively) (n)	299,550	299,521	3.50 %	3.8
4.40% Medium- Term Notes due January 2029 (net of discounts of \$3 and \$3, respectively) (j) (n)	299,997	299,997	4.27 %	4.8
3.20% Medium- Term Notes due January 2030 (net of premiums of \$7,951 and \$8,294, respectively) (k) (n)	607,951	608,294	3.32 %	5.8
3.00% Medium- Term Notes due August 2031 (net of premiums of \$8,810 and \$9,109, respectively) (l) (n)	608,810	609,109	3.01 %	7.4
2.10% Medium- Term Notes due August 2032 (net of discounts of \$294 and \$303, respectively) (n)	399,706	399,697	2.10 %	8.3
	348,921	348,890	1.90 %	9.0

1.90% Medium-Term Notes due March 2033 (net of discounts of \$1,079 and \$1,110, respectively) (n)				
2.10% Medium-Term Notes due June 2033 (net of discounts of \$916 and \$941, respectively) (n)	299,084	299,059	2.10 %	9.2
3.10% Medium-Term Notes due November 2034 (net of discounts of \$934 and \$956, respectively) (m) (n)	299,066	299,044	3.13 %	10.6
Other	1	2		
Deferred financing costs	(20,011)	(20,682)		
Total Unsecured Debt, net	4,525,549	4,520,996	3.36 %	5.7
Total Debt, net	<u>\$5,762,328</u>	<u>\$ 5,798,709</u>	3.38 %	5.4

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For purposes of classification of the above table, variable rate debt with a derivative financial instrument designated as a cash flow hedge is deemed as fixed rate debt due to the Company having effectively established a fixed interest rate for the underlying debt instrument.

Our secured debt instruments generally feature either monthly interest and principal or monthly interest-only payments with balloon payments due at maturity. As of March 31, 2024, secured debt encumbered approximately 13% of UDR's total real estate owned based upon gross book value (approximately 87% of UDR's real estate owned based on gross book value is unencumbered).

(a) At March 31, 2024, fixed rate mortgage notes payable are generally due in monthly installments of principal and interest and mature at various dates from July 2024 through February 2031 and carry interest rates ranging from 2.62% to 4.39%.

The Company will from time to time acquire properties subject to fixed rate debt instruments. In those situations, the Company records the debt at its estimated fair value and amortizes any difference between the fair value and par value to interest expense over the term of the underlying debt instrument.

(b) During the three months ended March 31, 2024 and 2023, the Company had \$0.4 million and \$1.1 million, respectively, of amortization of the fair market adjustment of debt assumed in the acquisition of properties inclusive of its fixed rate mortgage notes payable, which was included in Interest expense on the Consolidated Statements of Operations. The unamortized fair market adjustment was a net premium of \$1.1 million and \$1.5 million at March 31, 2024 and December 31, 2023, respectively. The change in net premium was primarily due to the assumption of fixed rate mortgages discussed in footnote (a) above.

(c) During the three months ended March 31, 2024, the Company prepaid a variable rate mortgage with an outstanding balance of \$40.0 million and an interest rate of 8.31% at the time of the payoff.

(d) The variable rate mortgage note payable of \$27.0 million secures a tax-exempt housing bond issue that matures in March 2032. Interest on this note is payable in monthly installments. As of March 31, 2024, the variable interest rate on the mortgage note was 4.05%.

(e) The Company has a \$1.3 billion unsecured revolving credit facility (the "Revolving Credit Facility") and a \$350.0 million unsecured term loan (the "Term Loan"). The credit agreement for these facilities (the "Credit Agreement") allows the total commitments under the Revolving Credit Facility and the total borrowings under the Term Loan to be increased to an aggregate maximum amount of up to \$2.5 billion, subject to certain conditions, including obtaining commitments from one

or more lenders. The Revolving Credit Facility has a scheduled maturity date of January 31, 2026, with two six-month extension options, subject to certain conditions. The Term Loan has a scheduled maturity date of January 31, 2027.

Based on the Company's current credit rating, the Revolving Credit Facility has an interest rate equal to Adjusted SOFR plus a margin of 75.5 basis points and a facility fee of 15 basis points, and the Term Loan has an interest rate equal to Adjusted SOFR plus a margin of 83.0 basis points. Depending on the Company's credit rating, the margin under the Revolving Credit Facility ranges from 70 to 140 basis points, the facility fee ranges from 10 to 30 basis points, and the margin under the Term Loan ranges from 75 to 160 basis points. Further, the Credit Agreement includes sustainability adjustments pursuant to which the applicable margin for the Revolving Credit Facility and the Term Loan were reduced by two basis points upon the Company receiving certain green building certifications, which is reflected in the margins noted above.

In August 2021 and March 2023, the Company entered into five interest rate swaps totaling \$350.0 million of notional value, which became effective in July 2022 and in March 2023, to hedge against interest rate risk on all or a portion of the Term Loan debt until July 2025. \$350.0 million of the Term Loan debt has a weighted average interest rate, inclusive of the impact of the interest rate swaps, of 3.36% from March 2023 until January 2024, \$262.5 million of the Term Loan debt has a weighted average interest rate, inclusive of the impact of interest rate swaps, of 2.68% from January 2024 until July 2024, and \$175.0 million of the Term Loan debt has a weighted average interest rate, inclusive of the impact of interest rate swaps, of 1.43% from July 2024 until July 2025.

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The Credit Agreement contains customary representations and warranties and financial and other affirmative and negative covenants. The Credit Agreement also includes customary events of default, in certain cases subject to customary periods to cure. The occurrence of an event of default, following the applicable cure period, would permit the lenders to, among other things, declare the unpaid principal, accrued and unpaid interest and all other amounts payable under the Credit Agreement to be immediately due and payable.

The following is a summary of short-term bank borrowings under the Revolving Credit Facility at March 31, 2024 and December 31, 2023 (dollars in thousands):

	March 31, 2024	December 31, 2023
Total revolving credit facility	\$1,300,000	\$ 1,300,000
Borrowings outstanding at end of period (1)	—	—
Weighted average daily borrowings during the period ended	—	2,055
Maximum daily borrowings during the period ended	—	250,000
Weighted average interest rate during the period ended	— %	5.6 %
Interest rate at end of the period	— %	— %

(1) Excludes \$3.8 million and \$2.3 million of letters of credit at March 31, 2024 and December 31, 2023, respectively.

(f) The Company has an unsecured commercial paper program. Under the terms of the program, the Company may issue unsecured commercial paper up to a maximum aggregate amount outstanding of \$700.0 million. The notes are sold under customary terms in the United States commercial paper market and rank pari passu with all of the Company's other unsecured indebtedness. The notes are fully and unconditionally guaranteed by the Operating Partnership.

The following is a summary of short-term bank borrowings under the unsecured commercial paper program at March 31, 2024 and December 31, 2023 (dollars in thousands):

	March 31, 2024	December 31, 2023
Total unsecured commercial paper program	\$700,000	\$ 700,000
Borrowings outstanding at end of period	390,000	408,075
Weighted average daily borrowings during the period ended	423,478	384,068
	560,000	505,000

Maximum daily borrowings during the period ended

Weighted average interest rate during the period ended	5.6 %	5.4 %
Interest rate at end of the period	5.5 %	5.7 %

(g) The Company has a working capital credit facility, which provides for a \$75.0 million unsecured revolving credit facility (the "Working Capital Credit Facility") with a scheduled maturity date of January 12, 2025, with a one-year extension option. Based on the Company's current credit rating, the Working Capital Credit Facility has an interest rate equal to Adjusted SOFR plus a margin of 77.5 basis points. Depending on the Company's credit rating, the margin ranges from 70 to 140 basis points.

The following is a summary of short-term bank borrowings under the Working Capital Credit Facility at March 31, 2024 and December 31, 2023 (dollars in thousands):

	March 31, 2024	December 31, 2023
Total working capital credit facility	\$75,000	\$ 75,000
Borrowings outstanding at end of period	27,059	4,593
Weighted average daily borrowings during the period ended	13,287	15,829
Maximum daily borrowings during the period ended	39,381	57,107
Weighted average interest rate during the period ended	6.2 %	5.9 %
Interest rate at end of the period	6.2 %	6.3 %

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(h) The Company previously entered into forward starting interest rate swaps to hedge against interest rate risk on \$100.0 million of this debt. The all-in weighted average interest rate, inclusive of the impact of these interest rate swaps, was 2.89%.

(i) The Company previously entered into forward starting interest rate swaps to hedge against interest rate risk on \$200.0 million of this debt. The all-in weighted average interest rate, inclusive of the impact of these interest rate swaps, was 4.03%.

(j) The Company previously entered into forward starting interest rate swaps to hedge against interest rate risk on \$150.0 million of the initial \$300.0 million issued. The all-in weighted average interest rate, inclusive of the impact of these interest rate swaps, was 4.27%.

(k) The Company previously entered into forward starting interest rate swaps and treasury lock to hedge against the interest rate risk of this debt. The all-in weighted average interest rate, inclusive of the impact of the forward starting swaps and treasury locks, was 3.32%.

(l) The Company entered into treasury lock agreements to hedge against interest rate risk on \$250.0 million of the \$600.0 million aggregate principal amount. The all-in weighted average interest rate, inclusive of the impact of the treasury locks, was 3.01%.

(m) The Company previously entered into forward starting interest rate swaps to hedge against the interest rate risk of this debt. The all-in weighted average interest rate, inclusive of the impact of these interest rate swaps, was 3.13%.

(n) The Operating Partnership is the guarantor of this debt.

The aggregate maturities, including amortizing principal payments on secured and unsecured debt, of total debt for the next ten calendar years subsequent to March 31, 2024 are as follows (dollars in thousands):

Year	Total Fixed Secured Debt	Total Variable Secured Debt	Total Secured Debt	Total Unsecured Debt	Total Debt
2024	\$ 97,222	\$ —	\$ 97,222	\$ 405,644	\$ 502,866
2025	178,323	—	178,323	27,059	205,382
2026	56,672	—	56,672	300,000	356,672
2027	6,939	—	6,939	650,000	656,939
2028	166,526	—	166,526	300,000	466,526
2029	315,811	—	315,811	300,000	615,811
2030	230,596	—	230,596	600,000	830,596
2031	160,930	—	160,930	600,000	760,930
2032	—	27,000	27,000	400,000	427,000
2033	—	—	—	650,000	650,000
Thereafter	—	—	—	300,000	300,000
Subtotal	1,213,019	27,000	1,240,019	4,532,703	5,772,722

Non-cash					
(a)	(3,196)	(44)	(3,240)	(7,154)	(10,394)
Total	<u>\$1,209,823</u>	<u>\$ 26,956</u>	<u>\$1,236,779</u>	<u>\$ 4,525,549</u>	<u>\$5,762,328</u>

- (a) Includes the unamortized balance of fair market value adjustments, premiums/discounts and deferred financing costs. The Company amortized \$1.2 million and \$1.0 million, respectively, during the three months ended March 31, 2024 and 2023, of deferred financing costs into Interest expense.

We were in compliance with the covenants of our debt instruments at March 31, 2024.

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8. INCOME/(LOSS) PER SHARE

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

	Three Months Ended	
	March 31,	
	2024	2023
Numerator for income/(loss) per share:		
Net income/(loss)	\$ 46,310	\$ 32,925
Net (income)/loss attributable to redeemable noncontrolling interests in the Operating Partnership and DownREIT Partnership	(3,149)	(1,953)
Net (income)/loss attributable to noncontrolling interests	(12)	(8)
Net income/(loss) attributable to UDR, Inc.	43,149	30,964
Distributions to preferred stockholders — Series E (Convertible)	(1,231)	(1,183)
Income/(loss) attributable to common stockholders - basic and diluted	41,918	29,781
Denominator for income/(loss) per share:		
Weighted average common shares outstanding	329,244	329,165
Unvested restricted stock awards	(421)	(376)
Denominator for basic income/(loss) per share	328,823	328,789
Incremental shares issuable from assumed conversion of unvested LTIP Units, performance units, unvested restricted stock and shares issuable upon settlement of forward sales agreements	131	632
Denominator for diluted income/(loss) per share	328,954	329,421
Income/(loss) per weighted average common share:		
Basic	\$ 0.13	\$ 0.09
Diluted	\$ 0.13	\$ 0.09

Basic income/(loss) per common share is computed based upon the weighted average number of common shares outstanding. Diluted income/(loss) per common share is computed based upon the weighted average number of common shares outstanding plus the common shares issuable from the assumed conversion of the OP Units and DownREIT Units, convertible preferred stock, stock options, unvested long-term incentive plan units ("LTIP Units"), performance units, unvested restricted stock and continuous equity program forward sales agreements. Only those instruments having a dilutive impact on our basic income/(loss) per share are included in diluted income/(loss) per share during the periods. For the three months ended March 31, 2024 and 2023, the effect of the conversion of the OP Units, DownREIT Units and the Company's Series E preferred stock was not dilutive and therefore not included in the above calculation.

In July 2021, the Company entered into an ATM sales agreement under which the Company may offer and sell up to 20.0 million shares of its common stock, from time to time, to or through its sales agents and may enter into separate forward sales agreements to or through its forward purchasers. Upon entering into the ATM sales agreement, the Company simultaneously terminated the sales agreement for its prior at-the-market equity offering program, which was entered into in July 2017. During the three months ended March 31, 2024, the Company did not sell any shares of common stock through its ATM program. As of March 31, 2024, we had 14.0 million shares of common stock available for future issuance under the ATM program.

In connection with any forward sales agreement under the Company's ATM program, the relevant forward purchasers will borrow from third parties and, through the relevant sales agent, acting in its role as forward seller, sell a number of shares of the Company's common stock equal to the number of shares underlying the agreement. The Company does not initially receive any proceeds from any sale of borrowed shares by the forward seller.

For the three months ended March 31, 2024, the Company did not enter into any forward purchase agreements under its continuous equity program.

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The following table sets forth the additional shares of common stock outstanding, by equity instrument, if converted to common stock for each of the three months ended March 31, 2024 and 2023 (in thousands):

	Three Months Ended	
	March 31,	
	2024	2023
OP/DownREIT Units	24,418	21,323
Convertible preferred stock	2,908	2,909
Unvested LTIP Units and unvested restricted stock	131	632

9. NONCONTROLLING INTERESTS

Redeemable Noncontrolling Interests in the Operating Partnership and DownREIT Partnership

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

Limited partners of the Operating Partnership and the DownREIT Partnership have the right to require such partnership to redeem all or a portion of the OP Units/DownREIT Units held by the limited partner at a redemption price equal to and in the form of the Cash Amount (as defined in the partnership agreement of the Operating Partnership or the DownREIT Partnership, as applicable), provided that such OP Units/DownREIT Units have been outstanding for at least one year, subject to certain exceptions. UDR, as the general partner of the Operating Partnership and the DownREIT Partnership may, in its sole discretion, purchase the OP Units/DownREIT 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/DownREIT Unit), as defined in the partnership agreement of the Operating Partnership or the DownREIT Partnership, as applicable. Accordingly, the Company records the OP Units/DownREIT Units outside of permanent equity and reports the OP Units/DownREIT Units at their redemption value using the Company's stock price at each balance sheet date.

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

Redeemable noncontrolling interests in the Operating Partnership and DownREIT Partnership at December 31, 2023	\$961,087
Mark-to-market adjustment to redeemable noncontrolling interests in the Operating Partnership and DownREIT Partnership	(14,629)
Conversion of OP Units/DownREIT Units to Common Stock or Cash	(7,288)
Net income/(loss) attributable to redeemable noncontrolling interests in the Operating Partnership and DownREIT Partnership	3,149
Distributions to redeemable noncontrolling interests in the Operating Partnership and DownREIT Partnership	(10,712)
Redeemable Long-Term and Short-Term Incentive Plan Units	5,356
Allocation of other comprehensive income/(loss)	348
Redeemable noncontrolling interests in the Operating Partnership and DownREIT Partnership at March 31, 2024	<u>\$937,311</u>

Noncontrolling Interests

Noncontrolling interests represent interests of unrelated partners in certain consolidated affiliates, and are presented as part of equity on the Consolidated Balance Sheets since these interests are not redeemable. Net

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(income)/loss attributable to noncontrolling interests was less than \$(0.1) million and less than \$(0.1) million during the three months ended March 31, 2024 and 2023, respectively.

10. 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.

The estimated fair values of the Company's financial instruments either recorded or disclosed on a recurring basis as of March 31, 2024 and December 31, 2023, are summarized as follows (dollars in thousands):

	Total Carrying Amount in Statement of Financial Position at March 31, 2024 (a)	Fair Value Estimate at March 31, 2024	Fair Value at March 31, 2024, Using		
			Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Description:					
Notes receivable, net (b)	\$ 235,382	\$ 225,512	\$ —	\$ —	\$ 225,512
Equity securities (c)	1,962	1,962	1,962	—	—
Derivatives - Interest rate contracts (d)	9,425	9,425	—	9,425	—

Total assets	<u>\$ 246,769</u>	<u>\$ 236,899</u>	<u>\$ 1,962</u>	<u>\$ 9,425</u>	<u>\$ 225,512</u>
Secured debt instruments - fixed rate: (e)					
Mortgage notes payable	\$1,214,095	\$1,119,833	\$ —	\$ —	\$1,119,833
Secured debt instruments - variable rate: (e)					
Tax-exempt secured notes payable	27,000	27,000	—	—	27,000
Unsecured debt instruments: (e)					
Working capital credit facility	27,059	27,059	—	—	27,059
Commercial paper program	390,000	390,000	—	—	390,000
Unsecured notes	<u>4,128,501</u>	<u>3,603,760</u>	<u>—</u>	<u>—</u>	<u>3,603,760</u>
Total liabilities	<u>\$5,786,655</u>	<u>\$5,167,652</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$5,167,652</u>
Redeemable noncontrolling interests in the Operating Partnership and DownREIT Partnership (f)	<u>\$ 937,311</u>	<u>\$ 937,311</u>	<u>\$ —</u>	<u>\$937,311</u>	<u>\$ —</u>

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			Fair Value at December 31, 2023, Using		
	Total Carrying Amount in Statement of Financial Position at December 31, 2023 (a)	Fair Value Estimate at December 31, 2023	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Description:					
Notes receivable, net (b)	\$ 228,825	\$ 222,755	\$ —	\$ —	\$ 222,755
Equity securities (c)	7,210	7,210	7,210	—	—
Derivatives - Interest rate contracts (d)	10,103	10,103	—	10,103	—
Total assets	<u>\$ 246,138</u>	<u>\$ 240,068</u>	<u>\$ 7,210</u>	<u>\$ 10,103</u>	<u>\$ 222,755</u>
Secured debt instruments - fixed rate: (e)					
Mortgage notes payable	\$ 1,215,228	\$ 1,124,140	\$ —	\$ —	\$ 1,124,140
Secured debt instruments - variable rate: (e)					
Mortgage notes payable	40,017	40,017	—	—	40,017
Tax-exempt secured notes payable	27,000	27,000	—	—	27,000
Unsecured debt instruments: (e)					
Working capital credit facility	4,593	4,593	—	—	4,593
Commercial paper program	408,075	408,075	—	—	408,075
Unsecured notes	<u>4,129,010</u>	<u>3,611,697</u>	<u>—</u>	<u>—</u>	<u>3,611,697</u>
Total liabilities	<u>\$ 5,823,923</u>	<u>\$ 5,215,522</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 5,215,522</u>
Redeemable noncontrolling interests in the Operating Partnership					
	\$ 961,087	\$ 961,087	\$ —	\$ 961,087	\$ —

**and
DownREIT
Partnership (f)**

- (a) Certain balances include fair market value adjustments and exclude deferred financing costs.
- (b) See Note 2, Significant Accounting Policies.
- (c) The Company holds a direct investment in a publicly traded real estate technology company, SmartRent. The investment is valued at the market price on March 31, 2024 and December 31, 2023. The Company currently classifies the investment as Level 1 in the fair value hierarchy.
- (d) See Note 11, Derivatives and Hedging Activity.
- (e) See Note 7, Secured and Unsecured Debt, Net.
- (f) See Note 9, Noncontrolling Interests.

There were no transfers into or out of any of the levels of the fair value hierarchy during the three months ended March 31, 2024.

Financial Instruments Carried at Fair Value

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 swaps and caps 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

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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 March 31, 2024 and December 31, 2023, 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. In conjunction with the FASB's fair value measurement guidance, the Company made an accounting policy election to measure the credit risk of its derivative financial instruments that are subject to master netting agreements on a net basis by counterparty portfolio.

Redeemable noncontrolling interests in the Operating Partnership and DownREIT Partnership have a redemption feature and are marked to their redemption value. The redemption value is based on the fair value of the Company's common stock at the redemption date, and therefore, is calculated based on the fair value of the Company's common stock at the balance sheet date. Since the valuation is based on observable inputs such as quoted prices for similar instruments in active markets, redeemable noncontrolling interests in the Operating Partnership and DownREIT Partnership are classified as Level 2.

Financial Instruments Not Carried at Fair Value

At March 31, 2024 and December 31, 2023, the fair values of cash and cash equivalents, restricted cash, 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, which includes notes receivable and debt instruments, are classified in Level 3 of the fair value hierarchy due to the significant unobservable inputs that are utilized in their respective valuations.

11. DERIVATIVES AND HEDGING ACTIVITY

Risk Management Objective of Using Derivatives

The Company is exposed to certain risks 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 through the use of derivative financial instruments. Specifically, the Company may enter 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 changes in the fair value of derivatives designated and that qualify as cash flow hedges are recorded in Accumulated other comprehensive income/(loss), net on the Consolidated Balance Sheets and subsequently reclassified

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into earnings in the period that the hedged forecasted transaction affects earnings. During the three months ended March 31, 2024 and 2023, such derivatives were used to hedge the variable cash flows associated with existing variable-rate debt.

Amounts reported in Accumulated other comprehensive income/(loss), net on the Consolidated Balance Sheets related to derivatives that will be reclassified to interest expense as interest payments are made on the Company's variable-rate debt. Through March 31, 2025, the Company estimates that an additional \$6.2 million will be reclassified as a decrease to Interest expense.

As of March 31, 2024, the Company had the following outstanding interest rate derivatives that were designated as cash flow hedges of interest rate risk (dollars in thousands):

Product	Number of Instruments	Notional
Interest rate swaps and caps	4	\$282,380

During the three months ended March 31, 2024, the Company entered into and settled a treasury lock arrangement with a notional value of \$150.0 million to hedge the interest rate risk associated with a future debt issuance, resulting in a deferred gain of \$5.0 million which is recorded in Accumulated other comprehensive income/(loss), net on the Consolidated Balance Sheets.

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 GAAP. Changes in the fair value of derivatives not designated in hedging relationships are recorded directly in earnings. As of March 31, 2024, no derivatives not designated as hedges were held by the Company.

Tabular Disclosure of Fair Values of Derivative Instruments on the Consolidated Balance Sheets

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 March 31, 2024 and December 31, 2023 (dollars in thousands):

	Asset Derivatives		Liability Derivatives	
	(included in Other assets)		(included in Other liabilities)	
	Fair Value at:		Fair Value at:	
	March 31, 2024	December 31, 2023	March 31, 2024	December 31, 2023
Derivatives designated as				

hedging instruments:						
Interest rate products	\$ 9,425	\$ 10,103	\$ —	\$ —		

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 months ended March 31, 2024 and 2023 (dollars in thousands):

	Unrealized holding gain/(loss) Recognized in OCI		Gain/(Loss) Reclassified from Accumulated OCI into Interest expense		Gain/(Loss) Recognized in Interest expense (Amount Excluded from Effectiveness Testing)	
Derivatives in Cash Flow Hedging Relationships	2024	2023	2024	2023	2024	2023
Three Months Ended March 31, Interest rate products	\$ 6,664	\$ (273)	\$ 1,995	\$ 1,369	\$ —	\$ —

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	Three Months Ended March 31,	
	2024	2023
Total amount of Interest expense presented on the Consolidated Statements of Operations	\$ 48,062	\$ 43,742

Credit-risk-related Contingent Features

The Company has agreements with its derivative counterparties that contain a provision where 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.

The Company has certain agreements with some of its derivative counterparties that contain a provision where, in the event of default by the Company or the counterparty, the right of setoff may be exercised. Any amount payable to one party by the other party may be reduced by its setoff against any amounts payable by the other party. Events that give rise to default by either party may include, but are not limited to, the failure to pay or deliver payment under the derivative agreement, the failure to comply with or perform under the derivative agreement, bankruptcy, a merger without assumption of the derivative agreement, or in a merger, a surviving entity's creditworthiness is materially weaker than the original party to the derivative agreement.

Tabular Disclosure of Offsetting Derivatives

The Company has elected not to offset derivative positions on the consolidated financial statements. The tables below present the effect on its financial position had the Company made the election to offset its derivative positions as of March 31, 2024 and December 31, 2023 (dollars in thousands):

	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Consolidated Balance Sheets	Net Amounts of Assets Presented in the Consolidated Balance Sheets (a)	Gross Amounts Not Offset in the Consolidated Balance Sheets		Net A
				Financial Instruments	Cash Collateral Received	
Offsetting of Derivative Assets						
March 31, 2024	\$ 9,425	\$ —	\$ 9,425	\$ —	\$ —	\$ 9
December 31, 2023	\$ 10,103	\$ —	\$ 10,103	\$ —	\$ —	\$ 1

- (a) Amounts reconcile to the aggregate fair value of derivative assets in the "Tabular Disclosure of Fair Values of Derivative Instruments on the Consolidated Balance Sheets" located in this footnote.

12. STOCK BASED COMPENSATION

The Company recognized stock based compensation expense, inclusive of awards granted to our non-employee directors, net of capitalization, of \$7.3 million and \$8.2 million during the three months ended March 31, 2024 and 2023, respectively, which are included in General and Administrative on the Consolidated Statements of Operations.

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13. COMMITMENTS AND CONTINGENCIES

Commitments

The following summarizes the Company's commitments at March 31, 2024 (dollars in thousands):

	<u>Number Properties</u>	<u>UDR's Investment (a)</u>	<u>UDR's Remaining Commitment</u>
Real estate commitments			
Wholly-owned — under development	1	\$ 126,163	\$ 7,837
Wholly-owned — redevelopment (b)	10	51,420	113,527
Other unconsolidated investments:			
Real estate technology and sustainability investments (c)	-	57,140	48,860
Total		<u><u>\$ 234,723</u></u>	<u><u>\$ 170,224</u></u>

(a) Represents UDR's investment as of March 31, 2024.

(b) Projects consist of unit renovations and/or renovation of related common area amenities.

(c) As of March 31, 2024, the investments were recorded in either Investment in and advances to unconsolidated joint ventures, net or Other Assets on the Consolidated Balance Sheets.

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 flows.

We have been named as a defendant in a number of cases alleging antitrust violations by RealPage, Inc., a vendor providing revenue management software products, and various owners or managers of multifamily housing, which cases have been consolidated in the United States Court for the Middle District of Tennessee with the Second Amended Complaint filed September 7, 2023 and a case with similar allegations that has been filed by the District of Columbia on November 1, 2023 in the Superior Court of the District of Columbia. These cases seek injunctive relief as well as monetary damages. We are also aware that governmental investigations regarding antitrust matters in the multifamily industry are occurring. We believe that there are

defenses, both factual and legal, to the allegations in such cases and we intend to vigorously defend such suits. As all of the above proceedings are in the early stages, it is not possible for us to predict the outcome or to estimate the amount of loss, if any, that may be associated with an adverse decision in any of these cases or any case that may be brought based on the investigations.

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 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 rental income less direct property rental expenses. Rental expenses include real estate taxes, insurance, personnel, utilities, repairs and maintenance,

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administrative and marketing. Excluded from NOI is property management expense, which is calculated as 3.25% of property revenue, and land rent. Property management expense covers costs directly related to consolidated property operations, inclusive of corporate management, regional supervision, accounting and other costs. UDR's Chief Operating Decision Maker utilizes NOI as the key measure of segment profit or loss.

UDR's two reportable segments are Same-Store Communities and Non-Mature Communities/Other:

- Same-Store Communities represent those communities acquired, developed, and stabilized prior to January 1, 2023 and held as of March 31, 2024. 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 period, there is no plan to conduct substantial redevelopment activities, and the community is not classified as 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 Communities/Other represent those communities that do not meet the criteria to be included in Same-Store Communities, including, but not limited to, recently acquired, developed and redeveloped communities, and the non-apartment components of mixed use properties.

Management evaluates the performance of each of our apartment communities on a Same-Store Community and Non-Mature Community/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 months ended March 31, 2024 and 2023.

The following is a description of the principal streams from which the Company generates its revenue:

Lease Revenue

Lease revenue related to leases is recognized on an accrual basis when due from residents or tenants in accordance with ASC 842, Leases. Rental payments are generally due on a monthly basis and recognized on a straight-line basis over the noncancellable lease term because collection of the lease payments was probable at lease commencement, inclusive of any periods covered by an option to extend the lease if the

lessee is reasonably certain to exercise that option. In addition, in circumstances where a lease incentive is provided to tenants, the incentive is recognized as a reduction of lease revenue on a straight-line basis over the lease term.

Lease revenue also includes all pass-through revenue from retail and residential leases and common area maintenance reimbursements from retail leases. These services represent non-lease components in a contract as the Company transfers a service to the lessee other than the right to use the underlying asset. The Company has elected the practical expedient under the leasing standard to not separate lease and non-lease components from its resident and retail lease contracts as the timing and pattern of revenue recognition for the non-lease component and related lease component are the same and the combined single lease component would be classified as an operating lease.

Other Revenue

Other revenue is generated by services provided by the Company to its retail and residential tenants and other unrelated third parties. Revenue is measured based on consideration specified in contracts with customers. The Company recognizes revenue when it satisfies a performance obligation by providing the services specified in a contract to the customer. These fees are generally recognized as earned.

Joint venture management and other fees

The Joint venture management and other fees revenue consists of management fees charged to our equity method joint ventures per the terms of contractual agreements and other fees. Joint venture fee revenue is recognized

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monthly as the management services are provided and the fees are earned or upon a transaction whereby the Company earns a fee. Joint venture management and other fees are not allocable to a specific reportable segment or segments.

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The following table details rental income and NOI for UDR's reportable segments for the three months ended March 31, 2024 and 2023, and reconciles NOI to Net income/(loss) attributable to UDR, Inc. on the Consolidated Statements of Operations (dollars in thousands):

	Three Months Ended	
	March 31, (a)	
	2024	2023
Reportable apartment home segment lease revenue		
Same-Store Communities		
West Region	\$ 117,899	\$ 114,289
Mid-Atlantic Region	76,811	74,122
Northeast Region	80,330	77,342
Southeast Region	56,784	55,799
Southwest Region	37,615	37,678
Non-Mature Communities/Other	29,740	27,787
Total segment and consolidated lease revenue	<u>\$ 399,179</u>	<u>\$ 387,017</u>
Reportable apartment home segment other revenue		
Same-Store Communities		
West Region	\$ 2,974	\$ 2,783
Mid-Atlantic Region	3,124	2,472
Northeast Region	1,735	1,742
Southeast Region	2,414	2,133
Southwest Region	1,566	1,379
Non-Mature Communities/Other	677	781
Total segment and consolidated other revenue	<u>\$ 12,490</u>	<u>\$ 11,290</u>
Total reportable apartment home segment rental income		
Same-Store Communities		
West Region	\$ 120,873	\$ 117,072
Mid-Atlantic Region	79,935	76,594
Northeast Region	82,065	79,084
Southeast Region	59,198	57,932
Southwest Region	39,181	39,057
Non-Mature Communities/Other	30,417	28,568
Total segment and consolidated rental income	<u>\$ 411,669</u>	<u>\$ 398,307</u>
Reportable apartment home segment NOI		
Same-Store Communities		
West Region	\$ 89,413	\$ 88,369
Mid-Atlantic Region	54,705	53,441
Northeast Region	52,634	52,398
Southeast Region	40,275	39,785
Southwest Region	24,791	24,600
Non-Mature Communities/Other	17,578	16,910
Total segment and consolidated NOI	<u>279,396</u>	<u>275,503</u>
Reconciling items:		
Joint venture management and other fees	1,965	1,242
Property management	(13,379)	(12,945)
Other operating expenses	(6,828)	(3,032)
Real estate depreciation and amortization	(169,858)	(169,300)

General and administrative	(17,810)	(17,480)
Casualty-related (charges)/recoveries, net	(6,278)	(4,156)
Other depreciation and amortization	(4,316)	(3,649)
Gain/(loss) on sale of real estate owned	16,867	1
Income/(loss) from unconsolidated entities	9,085	9,707
Interest expense	(48,062)	(43,742)
Interest income and other income/(expense), net	5,865	1,010
Tax (provision)/benefit, net	(337)	(234)
Net (income)/loss attributable to redeemable noncontrolling interests in the Operating Partnership and DownREIT Partnership	(3,149)	(1,953)
Net (income)/loss attributable to noncontrolling interests	(12)	(8)
Net income/(loss) attributable to UDR, Inc.	<u>\$ 43,149</u>	<u>\$ 30,964</u>

(a) Same-Store Community population consisted of 51,802 apartment homes.

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The following table details the assets of UDR's reportable segments as of March 31, 2024 and December 31, 2023 (dollars in thousands):

	March 31, 2024	December 31, 2023
Reportable apartment home segment assets:		
Same-Store Communities (a):		
West Region	\$ 4,376,985	\$ 4,366,038
Mid-Atlantic Region	3,214,861	3,205,036
Northeast Region	3,899,854	3,890,762
Southeast Region	1,599,068	1,589,605
Southwest Region	1,334,198	1,330,063
Non-Mature Communities/Other	1,566,230	1,642,355
Total segment assets	15,991,196	16,023,859
Accumulated depreciation	(6,407,111)	(6,267,830)
Total segment assets — net book value	9,584,085	9,756,029
Reconciling items:		
Cash and cash equivalents	2,116	2,922
Restricted cash	29,850	31,944
Notes receivable, net	235,382	228,825
Investment in and advances to unconsolidated joint ventures, net	954,301	952,934
Operating lease right-of-use assets	189,729	190,619
Other assets	195,025	209,969
Total consolidated assets	\$11,190,488	\$11,373,242

(a) Same-Store Community population consisted of 51,802 apartment homes.

Markets included in the above geographic segments are as follows:

- i. West Region — Orange County, San Francisco, Seattle, Monterey Peninsula, Los Angeles Other Southern California and Portland
- ii. Mid-Atlantic Region — Metropolitan D.C., Baltimore and Richmond
- iii. Northeast Region — Boston, New York and Philadelphia
- iv. Southeast Region — Tampa, Orlando, Nashville and Other Florida
- v. Southwest Region — Dallas, Austin and Denver



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

The following discussion should be read in conjunction with the consolidated financial statements appearing elsewhere herein and is based primarily on the consolidated financial statements for the three months ended March 31, 2024 and 2023, of UDR, Inc. Unless the context otherwise requires, all references in this Quarterly Report on Form 10-Q (this "Report") to "UDR," the "Company," "we," "our" and "us" refer to UDR, Inc., together with its consolidated subsidiaries, including United Dominion Realty, L.P. (the "Operating Partnership" or the "OP") and UDR Lighthouse DownREIT L.P. (the "DownREIT Partnership").

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, as amended (the "Exchange Act"). 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," "likely," "will," "believes," "seeks," "estimates," and variations of such words and similar expressions are intended to identify such forward-looking statements.

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

- general market and economic conditions;
- the impact of inflation/deflation;
- unfavorable changes in apartment market and economic conditions that could adversely affect occupancy levels and rental rates;
- the failure of acquisitions, developments or redevelopments 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 climate change that impacts our properties or operations;

- risks from extraordinary losses for which we may not have insurance or adequate reserves;
- risks from cybersecurity breaches of our information technology systems and the information technology systems of our third party vendors and other third parties;
- the availability of capital and the stability of the capital markets;
- changes in job growth, home affordability and the demand/supply ratio for multifamily housing;
- the failure of automation or technology to help grow net operating income;
- 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 or at expected rent and occupancy levels;
- our failure to succeed in new markets;

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- risks that third parties who have an interest in or are otherwise involved in projects in which we have an interest, including mezzanine borrowers, joint venture partners or other investors, do not perform as expected;
- changing interest rates, which could increase interest costs and affect the market price of our securities;
- potential liability for environmental contamination, which could result in substantial costs to us;
- the imposition of federal taxes if we fail to qualify as a REIT under the 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, rent control or stabilization laws or other laws affecting our business.

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

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.

Forward-looking statements and such risks, uncertainties and other factors speak only as of the date of this Report, and we expressly disclaim any obligation or undertaking to update or revise any forward-looking statement contained herein, to reflect any change in our expectations with regard thereto, or any other change in events, conditions or circumstances on which any such statement is based, except to the extent otherwise required by law.

Business Overview

We are a self-administered real estate investment trust, or REIT, that owns, operates, acquires, renovates, develops, redevelops, disposes of, and manages multifamily apartment communities in targeted markets located in the United States. 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 the Operating Partnership and the DownREIT Partnership.

At March 31, 2024, our consolidated real estate portfolio included 168 communities in 13 states plus the District of Columbia totaling 55,386 apartment homes. In addition, we have an ownership interest in 10,045 completed or to-be-completed apartment homes through unconsolidated joint ventures or partnerships, including 5,618 apartment homes owned by

entities in which we hold preferred equity investments. The Same-Store Community apartment home population for the three months ended March 31, 2024, was 51,802.

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The following table summarizes our same-store market information by major geographic markets as of and for the three months ended March 31, 2024, as applicable:

Same-Store Communities	March 31, 2024				Three Months Ended March 31, 2024	
	Number of Apartment Communities	Number of Apartment Homes	Percentage of Total Carrying Value	Total Carrying Value (in thousands)	Weighted Average Physical Occupancy	Monthly Income per Occupied Home (a)
West Region						
Orange County, CA	8	4,305	8.7 %	\$ 1,374,712	96.8 %	\$ 3,062
San Francisco, CA	11	2,781	5.8 %	929,636	97.7 %	3,492
Seattle, WA	14	2,702	6.9 %	1,106,940	97.8 %	2,822
Monterey Peninsula, CA	7	1,567	1.2 %	198,472	96.2 %	2,364
Los Angeles, CA	4	1,225	3.0 %	485,503	96.9 %	3,199
Other Southern California	3	821	1.4 %	225,525	96.8 %	2,919
Portland, OR	2	476	0.4 %	56,197	97.1 %	1,964
Mid-Atlantic Region						
Metropolitan D.C.	23	8,819	15.6 %	2,480,637	97.6 %	2,339
Baltimore, MD	7	2,221	3.5 %	566,476	96.1 %	1,909
Richmond, VA	4	1,359	1.0 %	167,748	97.0 %	1,850
Northeast Region						
Boston, MA	12	4,667	12.3 %	1,949,506	96.9 %	3,162
New York, NY	6	2,318	9.9 %	1,577,753	98.2 %	4,680
Philadelphia, PA	3	972	2.3 %	372,595	97.1 %	2,546
Southeast Region						
Tampa, FL	11	3,877	4.2 %	679,052	96.8 %	2,130
Orlando, FL	11	3,493	3.5 %	565,633	97.0 %	1,913
Nashville, TN	8	2,260	1.6 %	258,054	96.8 %	1,741
Other Florida	1	636	0.6 %	96,329	97.8 %	2,328
Southwest Region						
Dallas, TX	14	5,813	6.2 %	990,809	96.6 %	1,775
Austin, TX	4	1,272	1.2 %	195,652	97.0 %	1,895
Denver, CO	1	218	0.9 %	147,737	97.5 %	3,550
Total/Average Same-Store Communities	154	51,802	90.2 %	14,424,966	97.1 %	\$ 2,527
Non-Mature, Commercial Properties & Other	14	3,565	9.0 %	1,440,067		
Total Real Estate Held for Investment	168	55,367	99.2 %	15,865,033		

Real Estate Under Development (b)	—	19	0.8 %	126,163
Total Real Estate Owned	<u>168</u>	<u>55,386</u>	<u>100.0 %</u>	<u>15,991,196</u>
Total Accumulated Depreciation				<u>(6,407,111)</u>
Total Real Estate Owned, Net of Accumulated Depreciation				<u>\$ 9,584,085</u>

- (a) Monthly Income per Occupied Home represents total monthly revenues divided by the average physical number of occupied apartment homes in our Same-Store portfolio.
- (b) As of March 31, 2024, the Company was developing one wholly-owned community with a total of 330 apartment homes, 19 of which have been completed.

We report in two segments: Same-Store Communities and Non-Mature Communities/Other.

Our Same-Store Communities segment represents those communities acquired, developed, and stabilized prior to January 1, 2023 and held as of March 31, 2024. These communities were owned and had stabilized occupancy and operating expenses as of the beginning of the prior period, there is no plan to conduct substantial redevelopment activities, and the communities are not classified as 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.

Our Non-Mature Communities/Other segment represents those communities that do not meet the criteria to be included in Same-Store Communities, including, but not limited to, recently acquired, developed and redeveloped communities, and the non-apartment components of mixed use properties.

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Liquidity and Capital Resources

Liquidity is the ability to meet present and future financial obligations either through operating cash flows, sales of properties, borrowings under our credit agreements, and/or the issuance of debt and/or equity securities. 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 our credit agreements. We routinely use our working capital credit facility, our unsecured revolving credit facility and issuances of commercial paper 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 continue to execute on maintaining a diversified portfolio.

We expect to meet our short-term liquidity requirements generally through net cash provided by property operations and borrowings under our credit agreements and our unsecured commercial paper program. 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 net cash provided by property operations, secured and unsecured borrowings, the issuance of debt or equity securities, and/or the disposition of properties. We believe that our net cash provided by property operations and borrowings under our credit agreements and our unsecured commercial paper program 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, the issuance of debt or equity securities, and/or dispositions of properties.

We have a shelf registration statement filed with the Securities and Exchange Commission, or “SEC,” which provides for the issuance of common stock, preferred stock, depositary shares, debt securities, 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.

In July 2021, the Company entered into an ATM sales agreement under which the Company may offer and sell up to 20.0 million shares of its common stock, from time to time, to or through its sales agents and may enter into separate forward sales agreements to or through its forward purchasers. Upon entering into the ATM sales agreement, the Company simultaneously terminated the sales agreement for its prior at-the-market equity offering program, which was entered into in July 2017. During the three months ended March 31, 2024, the Company did not sell any shares of common stock through its ATM program. As of March 31, 2024, we had 14.0 million shares of common stock available for future issuance under the ATM program.

In connection with any forward sales agreement under the Company's ATM program, the relevant forward purchasers will borrow from third parties and, through the relevant sales agent, acting in its role as forward seller, sell a number of shares of the Company's common stock equal to the number of shares underlying the agreement. The Company does not initially receive any proceeds from any sale of borrowed shares by the forward seller.

Future Capital Needs

Future development and redevelopment expenditures may be funded through unsecured or secured credit facilities, unsecured commercial paper, proceeds from the issuance of equity or debt securities, sales of properties, joint ventures, and, to a lesser extent, from cash flows provided by property operations. Acquisition activity in strategic markets may be funded through joint ventures, 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 2024, we have approximately \$97.2 million of secured debt maturing, inclusive of principal amortization, and \$405.6 million of unsecured debt maturing. We anticipate repaying the remaining debt with cash flow from our operations, proceeds from debt or equity offerings, proceeds from dispositions of properties, or from borrowings under our credit agreements and our unsecured commercial paper program.

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

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Guarantor Subsidiary Summarized Financial Information

UDR has certain outstanding debt securities that are guaranteed by United Dominion Realty, L.P. (the “Operating Partnership”). With respect to this debt, as further outlined below, the Operating Partnership fully and unconditionally guarantees payment of any principal, premium and interest in full to the holders thereof. The Operating Partnership is a subsidiary of UDR, through which UDR conducts a significant portion of its business and holds a substantial amount of its assets. UDR also conducts business through other subsidiaries, including its taxable REIT subsidiaries. In addition to its ownership interest in the Operating Partnership, UDR holds interests in subsidiaries and joint ventures, owns and operates properties, issues securities from time to time and guarantees debt of certain of its subsidiaries. UDR, as the sole general partner of the Operating Partnership, owns 100 percent of the Operating Partnership’s general partnership interests and approximately 95 percent of its limited partnership interests and, by virtue thereof, has the ability to control all of the day-to-day operations of the Operating Partnership. UDR has concluded that it is the primary beneficiary of, and therefore consolidates, the Operating Partnership.

The Operating Partnership is the subsidiary guarantor of certain of our registered debt securities, including the \$300 million of medium-term notes due September 2026, \$300 million of medium-term notes due July 2027, \$300 million of medium-term notes due January 2028, \$300 million of medium-term notes due January 2029, \$600 million of medium-term notes due January 2030, \$600 million of medium-term notes due August 2031, \$400 million of medium-term notes due August 2032, \$350 million of medium-term notes due March 2033, \$300 million of medium-term notes due in June 2033 and \$300 million of medium-term notes due November 2034.

The Operating Partnership fully and unconditionally guarantees payment of any principal, premium and interest in full to the holders of the notes described above. The guarantee forms part of the indenture under which the notes were issued. If, for any reason, we do not make any required payment in respect of the notes when due, the Operating Partnership will cause the payment to be made to, or to the order of, the applicable paying agent on behalf of the trustee. Holders of the notes may enforce their rights under the guarantee directly against the Operating Partnership without first making a demand or taking action against UDR or any other person or entity. The Operating Partnership may, without the consent of the holders of the notes, assume all of our rights and obligations under the notes and, upon such assumption, we will be released from our liabilities under the indenture and the notes.

The notes are UDR’s unsecured general obligations and rank equally with all of UDR’s other unsecured and unsubordinated indebtedness outstanding from time to time. As a result, our payment of amounts due on the notes is subordinated to all of our existing and future secured obligations to the extent of the value of the collateral pledged toward any such secured obligation. Our payment of amounts due on the notes also is effectively subordinated to all liabilities, whether secured or unsecured, of any of our non-guarantor subsidiaries because, in the event of a bankruptcy, liquidation, dissolution, reorganization or similar proceeding with respect to such subsidiaries, we, as an equity holder of such subsidiaries, would not

receive distributions from such subsidiaries until claims of any creditors of such subsidiaries are satisfied.

The following tables present the summarized financial information for the Operating Partnership as of March 31, 2024 and December 31, 2023, and for the three months ended March 31, 2024 and 2023. The information presented below excludes eliminations necessary to arrive at the information on a consolidated basis (dollars in thousands):

	March 31, 2024	December 31, 2023
Total real estate, net	\$2,605,802	\$ 2,629,267
Cash and cash equivalents	5	5
Operating lease right-of-use assets	190,742	191,673
Other assets	62,828	75,464
Total assets	<u>\$2,859,377</u>	<u>\$ 2,896,409</u>
Secured debt, net	\$ 377,569	\$ 377,262
Notes payable to UDR (a)	1,319,125	1,298,903
Operating lease liabilities	186,024	186,939
Other liabilities	134,070	133,595
Total liabilities	2,016,788	1,996,699
Total capital	\$ 842,589	\$ 899,710

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	Three Months Ended March 31,	
	2024	2023
Total revenue	\$148,529	\$134,055
Property operating expenses	(66,623)	(58,009)
Real estate depreciation and amortization	(47,269)	(38,639)
Operating income/(loss)	34,637	37,407
Interest expense (a)	(17,017)	(10,760)
Other income/(loss)	1,008	1,282
Net income/(loss)	\$ 18,628	\$ 27,929

- (a) All \$1.3 billion and \$1.3 billion notes payable to UDR as of March 31, 2024 and December 31, 2023, respectively, and \$13.0 million and \$9.7 million of interest expense on notes payable to UDR for the three months ended March 31, 2024 and 2023, respectively, eliminate upon consolidation of UDR's consolidated financial statements.

Critical Accounting Policies and Estimates and New Accounting Pronouncements

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 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, filed with the SEC on February 20, 2024. 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 20, 2024. 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 Flows

The following discussion explains the changes in Net cash provided by/(used in) operating activities, Net cash provided by/(used in) investing activities, and Net cash provided by/(used in) financing activities that are presented in our Consolidated Statements of Cash Flows for the three months ended March 31, 2024 and 2023.

Operating Activities

For the three months ended March 31, 2024, our Net cash provided by/(used in) operating activities was \$167.6 million, compared to \$168.0 million for the comparable period in 2023. The decrease in cash flow from operating activities was primarily due to higher borrowing costs, offset by an

increase in net operating income, primarily driven by higher revenue per occupied home, an increase in weighted average physical occupancy and NOI from additional operating communities.

Investing Activities

For the three months ended March 31, 2024, Net cash provided by/ (used in) investing activities was \$18.4 million, compared to \$(117.3) million for the comparable period in 2023. The decrease in cash used in investing activities was primarily due to an increase in proceeds from sales of real estate, a decrease in spend for development of real estate assets, an increase in proceeds from the sale of equity securities, and a decrease from the net issuance of notes receivable during the current period compared to the prior year period.

Acquisitions

In January 2024, the Company acquired its joint venture partner's common equity interest in a 173 apartment home operating community located in Oakland, California for \$1.4 million. The community was previously owned by a consolidated joint venture of the Company. (See Note 5, Joint Ventures and Partnerships for more information).

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Dispositions

In February 2024, the Company sold an operating community located in Arlington, Virginia with a total of 214 apartment homes for gross proceeds of \$100.0 million, resulting in a gain of approximately \$16.9 million. This operating community was classified as held for disposition as of December 31, 2023.

Capital Expenditures

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.

For the three months ended March 31, 2024, total capital expenditures of \$54.3 million, or \$981 per stabilized home, which in aggregate include recurring capital expenditures and major renovations, were spent across our portfolio, excluding development, as compared to \$55.0 million, or \$1,012 per stabilized home, for the comparable period in 2023.

The decrease in total capital expenditures was primarily due to:

- a decrease of 30.8%, or \$8.4 million, in major renovations, which includes major structural changes and/or architectural revisions to existing buildings.

This was partially offset by:

- an increase of 43.1%, or \$5.0 million, in recurring capital expenditures, which includes asset preservation and turnover-related expenditures; and
- an increase of 20.5%, or \$3.0 million, in NOI enhancing improvements, such as kitchen and bath remodels and upgrades to common areas.

The following table outlines capital expenditures and repair and maintenance costs for all of our communities, excluding real estate under development, for the three months ended March 31, 2024 and 2023 (dollars in thousands except Per Home amounts):

	Three Months Ended March 31,			Per Home Three Months Ended March 31,		
	2024	2023	% Change	2024	2023	% Change
Turnover capital expenditures	\$ 4,002	\$ 3,746	6.8 %	\$ 72	\$ 69	4.3 %
Asset preservation expenditures	12,623	7,875	60.3 %	228	145	57.2 %
Total recurring	16,625	11,621	43.1 %	300	214	40.2 %

capital expenditures						
NOI enhancing improvements						
(a)	17,787	14,763	20.5 %	321	272	18.0 %
Major renovations						
(b)	18,937	27,349	(30.8)%	342	503	(32.0)%
Operations platform	989	1,276	(22.5)%	18	23	(21.7)%
Total capital expenditures						
(c)	<u>\$54,338</u>	<u>\$55,009</u>	(1.2)%	<u>\$981</u>	<u>\$1,012</u>	(3.1)%
Repair and maintenance expense	\$24,975	\$22,325	11.9 %	\$451	\$ 411	9.7 %
Average home count						
(d)	55,352	54,347	1.8 %			

- (a) NOI enhancing improvements are expenditures that result in increased income generation or decreased expense growth.
- (b) Major renovations include major structural changes and/or architectural revisions to existing buildings.
- (c) Total capital expenditures includes amounts capitalized during the year. Cash paid for capital expenditures is impacted by the net change in related accruals.
- (d) Average number of homes is calculated based on the number of homes outstanding at the end of each month.

We intend to continue to selectively add NOI enhancing improvements, which we believe will provide a return on investment in excess of our cost of capital. Our objective in redeveloping a community is twofold: we aim to meaningfully grow rental rates while also achieving cap rate compression through asset quality improvement.

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Consolidated Real Estate Under Development and Redevelopment

At March 31, 2024, our development pipeline consisted of one wholly-owned community totaling 330 apartment homes, 19 of which have been completed, with a budget of \$134.0 million, in which we have a gross carrying value of \$126.2 million. The remaining homes are estimated to be completed during the second quarter of 2024.

At March 31, 2024, the Company had no communities at which it was conducting substantial redevelopment activities.

Unconsolidated Joint Ventures and Partnerships

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

The Company's Investment in and advances to unconsolidated joint ventures and partnerships, net, are accounted for under the equity method of accounting. For the three months ended March 31, 2024:

- we made cash investments totaling \$1.1 million in our unconsolidated joint ventures and partnerships;
- our proportionate share of the net income/(loss) of the joint ventures and partnerships was \$9.1 million; and
- we received cash distributions of \$8.9 million, of which \$4.6 million were operating cash flows and \$4.3 million were investing cash flows.

We evaluate our investments in unconsolidated joint ventures and partnerships when events or changes in circumstances indicate that there may be an other-than-temporary decline in value. We consider various factors to determine if a decrease in the value of the investment is other-than-temporary. The Company did not recognize any other-than-temporary impairments in the value of its investments in unconsolidated joint ventures or partnerships during the three months ended March 31, 2024 and 2023.

Financing Activities

For the three months ended March 31, 2024, our Net cash provided by/(used in) financing activities was \$(188.9) million, compared to \$(51.7) million for the comparable period of 2023.

The following significant financing activities occurred during the three months ended March 31, 2024:

- repaid \$40.8 million of secured debt;
- repaid \$18.1 million, net on our unsecured commercial paper program;
- received net proceeds of \$22.5 million on our revolving bank debt;

- paid \$10.5 million of distributions to redeemable noncontrolling interests; and
- paid \$138.2 million of distributions to our common stockholders.

Credit Facilities and Commercial Paper Program

The Company has a \$1.3 billion unsecured revolving credit facility (the “Revolving Credit Facility”) and a \$350.0 million unsecured term loan (the “Term Loan”). The credit agreement for these facilities (the “Credit Agreement”) allows the total commitments under the Revolving Credit Facility and the total borrowings under the Term Loan to be increased to an aggregate maximum amount of up to \$2.5 billion, subject to certain conditions, including obtaining commitments from one or more lenders. The Revolving Credit Facility has a scheduled maturity date of January 31, 2026, with two six-month extension options, subject to certain conditions. The Term Loan has a scheduled maturity date of January 31, 2027.

Based on the Company’s current credit rating, the Revolving Credit Facility has an interest rate equal to Adjusted SOFR plus a margin of 75.5 basis points and a facility fee of 15 basis points, and the Term Loan has an interest rate equal to Adjusted SOFR plus a margin of 83.0 basis points. Depending on the Company’s credit rating, the margin under the Revolving

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Credit Facility ranges from 70 to 140 basis points, the facility fee ranges from 10 to 30 basis points, and the margin under the Term Loan ranges from 75 to 160 basis points. Further, the Credit Agreement includes sustainability adjustments pursuant to which the applicable margin for the Revolving Credit Facility and the Term Loan were reduced by two basis points upon the Company receiving certain green building certifications, which is reflected in the margins noted above.

As of March 31, 2024, we had no outstanding borrowings under the Revolving Credit Facility, leaving \$1.3 billion of unused capacity (excluding \$3.8 million of letters of credit at March 31, 2024), and \$350.0 million of outstanding borrowings under the Term Loan.

The Company has a working capital credit facility, which provides for a \$75.0 million unsecured revolving credit facility (the "Working Capital Credit Facility") with a scheduled maturity date of January 12, 2025, with a one-year extension option. Based on the Company's current credit rating, the Working Capital Credit Facility has an interest rate equal to Adjusted SOFR plus a margin of 77.5 basis points. Depending on the Company's credit rating, the margin ranges from 70 to 140 basis points.

As of March 31, 2024, we had \$27.1 million of outstanding borrowings under the Working Capital Credit Facility, leaving \$47.9 million of unused capacity.

The bank revolving credit facilities and the term loan are subject to customary financial covenants and limitations, all of which we were in compliance with at March 31, 2024.

The Company has an unsecured commercial paper program. Under the terms of the program, the Company may issue unsecured commercial paper up to a maximum aggregate amount outstanding of \$700.0 million. The notes are sold under customary terms in the United States commercial paper market and rank pari passu with all of the Company's other unsecured indebtedness. The notes are fully and unconditionally guaranteed by the Operating Partnership. As of March 31, 2024, we had issued \$390.0 million of commercial paper, for one month terms, at a weighted average annualized rate of 5.53%, leaving \$310.0 million of unused capacity.

Interest Rate Risk

We are exposed to interest rate risk associated with variable rate notes payable and maturing debt that has to be refinanced. We do not hold financial instruments for trading or other speculative purposes, but rather issue these financial instruments to finance our portfolio of real estate assets and operations. Interest rate sensitivity is the relationship between changes in market interest rates and the fair value of market rate sensitive assets and liabilities. Our earnings are affected as changes in short-term interest rates impact our cost of variable rate debt and maturing fixed rate debt. We had \$531.6 million in variable rate debt that is not subject to interest rate swap contracts as of March 31, 2024. If market interest rates for variable rate debt increased by 100 basis points, our interest expense for the three months ended March 31, 2024 would increase by \$1.5 million based on the average balance outstanding during the period.

These amounts are determined by considering the impact of hypothetical interest rates on our borrowing cost. This analysis does not consider the effects of the adjusted level of overall economic activity that could exist in such an environment or actions we may take to further mitigate our exposure to the change. However, due to the uncertainty of the specific actions that would be taken and their possible effects, the sensitivity analysis assumes no change in our financial structure.

The Company also utilizes derivative financial instruments to manage interest rate risk and generally designates these financial instruments as cash flow hedges. See Note 11, Derivatives and Hedging Activities, in the Notes to the UDR Consolidated Financial Statements included in this Report for additional discussion of derivative instruments.

A presentation of cash flow metrics based on GAAP is as follows (dollars in thousands):

	Three Months Ended March 31,	
	2024	2023
Net cash provided by/(used in) operating activities	\$ 167,599	\$ 168,015
Net cash provided by/(used in) investing activities	18,447	(117,340)
Net cash provided by/(used in) financing activities	(188,946)	(51,659)

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Results of Operations

The following discussion explains the changes in results of operations that are presented in our Consolidated Statements of Operations for the three months ended March 31, 2024 and 2023.

Net Income/(Loss) Attributable to Common Stockholders

Net income/(loss) attributable to common stockholders was \$41.9 million (\$0.13 per diluted share) for the three months ended March 31, 2024, as compared to \$29.8 million (\$0.09 per diluted share) for the comparable period in the prior year. The increase resulted primarily from the following items, all of which are discussed in further detail elsewhere within this Report:

- gain on the sale of real estate of \$16.9 million from the sale of an operating community located in Arlington, Virginia during the three months ended March 31, 2024, as compared to a gain of less than \$0.1 million recognized on the sale of the retail component of a community located in Washington D.C. during the three months ended March 31, 2023;
- an increase in total property net operating income ("NOI") of \$3.9 million primarily due to higher revenue per occupied home, an increase in weighted average physical occupancy and NOI from additional operating communities, partially offset by an increase in property operating expenses and a decrease from communities sold during 2023; and
- an increase in interest income and other income/(expense), net of \$4.9 million primarily due to a \$4.7 million increase in interest income from our notes receivables due to higher outstanding balances during the three months ended March 31, 2024, as compared the same period in 2023.

This was partially offset by:

- an increase in interest expense of \$4.3 million primarily due to an increase in average interest rates and higher overall debt balances during the three months ended March 31, 2024, as compared the same period in 2023; and
- an increase in other operating expenses of \$3.8 million primarily attributed to an increase in legal-related expenses and political contributions during the three months ended March 31, 2024, as compared to the same period in 2023.

Apartment Community Operations

Our net income results are primarily from NOI generated from the operation of our apartment communities. The Company defines NOI, which is a non-GAAP financial measure, as rental income less direct property rental expenses. Rental income represents gross market rent less adjustments for concessions, vacancy loss and bad debt. Rental expenses include real estate taxes, insurance, personnel, utilities, repairs and maintenance,

administrative and marketing. Excluded from NOI is property management expense, which is calculated as 3.25% of property revenue, and land rent. Property management expense covers costs directly related to consolidated property operations, inclusive of corporate management, regional supervision, accounting and other costs.

Management considers NOI a useful metric for investors as it is a more meaningful representation of a community's continuing operating performance than net income as it is prior to corporate-level expense allocations, general and administrative costs, capital structure and depreciation and amortization.

Although the Company considers NOI a useful measure of operating performance, NOI should not be considered an alternative to net income or net cash flow from operating activities as determined in accordance with GAAP. NOI excludes several income and expense categories as detailed in the reconciliation of NOI to Net income/(loss) attributable to UDR, Inc. below.

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The following table summarizes the operating performance of our total property NOI for each of the periods presented (dollars in thousands):

	Three Months Ended March 31, (a)		% Change
	2024	2023	
Same-Store Communities:			
Same-Store rental income	\$ 381,252	\$ 369,739	3.1 %
Same-Store operating expense (b)	(119,434)	(111,146)	7.5 %
Same-Store NOI	261,818	258,593	1.2 %
Non-Mature Communities/Other NOI:			
Stabilized, non-mature communities NOI (c)	12,002	3,033	295.7 %
Development communities NOI	(342)	—	NM *
Non-residential/other NOI (d)	5,266	4,307	22.3 %
Sold and held for disposition communities NOI	652	9,570	(93.2)%
Total Non-Mature Communities/Other NOI	17,578	16,910	4.0 %
Total property NOI	\$ 279,396	\$ 275,503	1.4 %

* Not meaningful

(a) Same-Store consists of 51,802 apartment homes.

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

(c) Represents non-mature communities that have achieved 90% occupancy for three consecutive months but do not meet the criteria to be included in Same-Store Communities.

(d) Primarily non-residential retail revenue and expense.

The following table is our reconciliation of Net income/(loss) attributable to UDR, Inc. to total property NOI for each of the periods presented (dollars in thousands):

	Three Months Ended March 31,	
	2024	2023
Net income/(loss) attributable to UDR, Inc.	\$ 43,149	\$ 30,964
Joint venture management and other fees	(1,965)	(1,242)
Property management	13,379	12,945
Other operating expenses	6,828	3,032
Real estate depreciation and amortization	169,858	169,300
General and administrative	17,810	17,480
Casualty-related charges/(recoveries), net	6,278	4,156
Other depreciation and amortization	4,316	3,649
(Gain)/loss on sale of real estate owned	(16,867)	(1)
(Income)/loss from unconsolidated entities	(9,085)	(9,707)
Interest expense	48,062	43,742
Interest income and other (income)/expense, net	(5,865)	(1,010)
Tax provision/(benefit), net	337	234

Net income/(loss) attributable to redeemable noncontrolling interests in the Operating Partnership and DownREIT Partnership	3,149	1,953
Net income/(loss) attributable to noncontrolling interests	12	8
Total property NOI	<u>\$279,396</u>	<u>\$275,503</u>

Same-Store Communities

Our Same-Store Community properties, those acquired, developed, and stabilized prior to January 1, 2023 and held on March 31, 2024 consisted of 51,802 apartment homes and provided 93.7% of our total NOI for the three months ended March 31, 2024.

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NOI for our Same-Store Community properties increased 1.2%, or \$3.2 million, for the three months ended March 31, 2024 compared to the same period in 2023. The increase in property NOI was attributable to a 3.1%, or \$11.5 million, increase in property rental income, partially offset by a 7.5%, or \$8.3 million, increase in operating expenses. The increase in property rental income was primarily driven by a 1.9%, or \$6.6 million, increase in rental rates, a 10.2%, or \$3.9 million, increase in reimbursement and ancillary and fee income and a 13.0%, or \$1.5 million, increase as a result of higher occupancy. Weighted average physical occupancy increased by 0.6% to 97.1% and total monthly income per occupied home increased by 2.5% to \$2,527.

The increase in operating expenses was primarily driven by a 31.2%, or \$4.2 million, increase in personnel costs primarily due to a refundable payroll tax credit related to the Employee Retention Credit program in 2023, a 9.7%, or \$2.1 million, increase in repair and maintenance expense due to an increase in the cost per home of those that were turned during the quarter, the impact of inflation on third party vendor costs and weather-related events and a 2.3%, or \$1.0 million, increase in real estate taxes due to higher assessed valuations.

The operating margin (property net operating income divided by property rental income) was 68.7% and 69.9% for the three months ended March 31, 2024 and 2023, respectively.

Non-Mature Communities/Other

UDR's Non-Mature Communities/Other represent those communities that do not meet the criteria to be included in Same-Store Communities, which include communities recently developed or acquired, redevelopment properties, sold or held for disposition properties, and non-apartment components of mixed use properties.

The remaining 6.3%, or \$17.6 million, of our total NOI during the three months ended March 31, 2024 was generated from our Non-Mature Communities/Other. NOI from Non-Mature Communities/Other increased by 4.0%, or \$0.7 million, for the three months ended March 31, 2024 as compared to the same period in 2023. The increase was primarily attributable to a \$9.0 million increase in stabilized, non-mature communities NOI due to development communities completed and communities acquired in 2023 becoming stabilized, a \$1.0 million increase in non-residential/other NOI primarily due to higher retail tenant rents partially offset by an \$8.9 million decrease in sold and held for disposition communities NOI due to the sale of an operating community during the three months ended March 31, 2024 and the partial sale of four operating communities in 2023.

Gain/(loss) on sale of real estate owned

For the three months ended March 31 2024, the Company recognized gain/(loss) on sale of real estate owned of \$16.9 million compared to less than \$0.1 million on sale of real estate owned for the three months ended March 31, 2023. The increase in 2024 as compared to 2023 was attributable to the sale of an operating community located in Arlington, Virginia during the three months ended March 31, 2024, as compared to the sale of the

retail component of a community located in Washington D.C. during the three months ended March 31, 2023.

Interest income and other income/(expense), net

For the three months ended March 31, 2024 and 2023, the Company recognized interest income and other income/(expense), net of \$5.9 million and \$1.0 million, respectively. The increase in 2024 as compared to 2023 was primarily due to an increase in interest income during the three months end March 31, 2024, due to an increase in the Company's notes receivable balance, as compared to the same period in 2023.

Interest expense

For the three months ended March 31, 2024 and 2023, the Company recognized interest expense of \$48.1 million and \$43.7 million, respectively. The increase in 2024 as compared to 2023 was primarily due to an increase in average interest rates

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and higher overall debt balances for the three months ended March 31, 2024, as compared to the three months ended March 31, 2023.

Other operating expenses

For the three months ended March 31, 2024 and 2023, the Company recognized other operating expenses of \$6.8 million and \$3.0 million, respectively. The increase in 2024 as compared to 2023 was primarily attributed to an increase in legal-related expenses and political contributions during the three months ended March 31, 2024, as compared to the same period of 2023.

Inflation

Inflation primarily impacts our results of operations as a result of wage pressures and increases in utilities and repair and maintenance costs. In addition, inflation could also impact our general and administrative expenses, the interest on our debt if variable or refinanced in a high-inflationary environment, our cost of capital, and our cost of development, redevelopment, maintenance or other operating activities. However, the majority of our apartment leases have initial terms of 12 months or less, which in an inflationary environment, and absent other factors such as increased supply, generally enables us to compensate for inflationary effects by increasing rents on our apartment homes. Although an extreme or sustained escalation in costs could have a negative impact on our residents and their ability to absorb rent increases, we do not believe this had a material impact on our results for the three months ended March 31, 2024.

Funds from Operations, Funds from Operations as Adjusted, and Adjusted Funds from Operations

Funds from Operations

Funds from operations ("FFO") attributable to common stockholders and unitholders is defined as Net income/(loss) attributable to common stockholders (computed in accordance with GAAP), excluding impairment write-downs of depreciable real estate related to the main business of the Company or of investments in non-consolidated investees that are directly attributable to decreases in the fair value of depreciable real estate held by the investee, gains and losses from sales of depreciable real estate related to the main business of the Company and income taxes directly associated with those gains and losses, plus real estate depreciation and amortization, and after adjustments for noncontrolling interests, and the Company's share of unconsolidated partnerships and joint ventures. This definition conforms with the National Association of Real Estate Investment Trust's ("Nareit") definition issued in April 2002 and restated in November 2018. 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 a REIT's operating performance. In the computation of diluted FFO, if OP Units, DownREIT Units, unvested restricted stock, unvested LTIP Units, stock options, and the shares of

Series E Cumulative Convertible Preferred Stock are dilutive, they are included in the diluted share count.

Management considers FFO a useful metric for investors as the Company uses FFO in evaluating property acquisitions and its operating performance, and believes that FFO should be considered along with, but not as an alternative to, net income and cash flow as a measure of the Company's activities in accordance with GAAP. FFO does not represent cash generated from operating activities in accordance with GAAP and is not necessarily indicative of funds available to fund our cash needs.

Funds from Operations as Adjusted

FFO as Adjusted ("FFOA") attributable to common stockholders and unitholders is defined as FFO excluding the impact of non-comparable items including, but not limited to, acquisition-related costs, prepayment costs/benefits associated with early debt retirement, impairment write-downs or gains and losses on sales of real estate or other assets incidental to the main business of the Company and income taxes directly associated with those gains and losses, casualty-related expenses and recoveries, severance costs and legal and other costs.

Management believes that FFOA is useful supplemental information regarding our operating performance as it provides a consistent comparison of our operating performance across time periods and enables investors to more easily compare our operating results with other REITs. FFOA is not intended to represent cash flow or liquidity for the period, and is

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only intended to provide an additional measure of our operating performance. We believe that Net income/(loss) attributable to common stockholders is the most directly comparable GAAP financial measure to FFOA. However, other REITs may use different methodologies for calculating FFOA or similar FFO measures and, accordingly, our FFOA may not always be comparable to FFOA or similar FFO measures calculated by other REITs. FFOA should not be considered as an alternative to net income (determined in accordance with GAAP) as an indication of financial performance, or as an alternative to cash flow from operating activities (determined in accordance with GAAP) as a measure of our liquidity.

Adjusted Funds from Operations

Adjusted FFO ("AFFO") attributable to common stockholders and unitholders is defined as FFOA less recurring capital expenditures on consolidated communities that are necessary to help preserve the value of and maintain functionality at our communities. Therefore, management considers AFFO a useful supplemental performance metric for investors as it is more indicative of the Company's operational performance than FFO or FFOA.

AFFO is not intended to represent cash flow or liquidity for the period, and is only intended to provide an additional measure of our operating performance. We believe that Net income/(loss) attributable to common stockholders is the most directly comparable GAAP financial measure to AFFO. Management believes that AFFO is a widely recognized measure of the operations of REITs, and presenting AFFO enables investors to assess our performance in comparison to other REITs. However, other REITs may use different methodologies for calculating AFFO and, accordingly, our AFFO may not always be comparable to AFFO calculated by other REITs. AFFO should not be considered as an alternative to net income/(loss) (determined in accordance with GAAP) as an indication of financial performance, or as an alternative to cash flow from operating activities (determined in accordance with GAAP) as a measure of our liquidity, nor is it indicative of funds available to fund our cash needs, including our ability to make distributions.

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The following table outlines our reconciliation of Net income/(loss) attributable to common stockholders to FFO, FFOA, and AFFO for the three months ended March 31, 2024 and 2023 (dollars in thousands):

	Three Months Ended March 31,	
	2024	2023
Net income/(loss) attributable to common stockholders	\$ 41,918	\$ 29,781
Real estate depreciation and amortization	169,858	169,300
Noncontrolling interests	3,161	1,961
Real estate depreciation and amortization on unconsolidated joint ventures	14,154	7,485
Net gain on the sale of depreciable real estate owned, net of tax	(16,867)	(1)
FFO attributable to common stockholders and unitholders, basic	\$212,224	\$208,526
Distributions to preferred stockholders — Series E (Convertible)	1,231	1,183
FFO attributable to common stockholders and unitholders, diluted	\$213,455	\$209,709
Income/(loss) per weighted average common share, diluted	\$ 0.13	\$ 0.09
FFO per weighted average common share and unit, basic	\$ 0.60	\$ 0.60
FFO per weighted average common share and unit, diluted	\$ 0.60	\$ 0.59
Weighted average number of common shares and OP/DownREIT Units outstanding — basic	353,241	350,112
Weighted average number of common shares, OP/DownREIT Units, and common stock equivalents outstanding — diluted	356,280	353,653
Impact of adjustments to FFO:		
Legal and other costs	\$ 2,530	\$ (1,258)
Realized and unrealized (gain)/loss on real estate technology investments, net of tax	(4,988)	(263)
Severance costs	421	—
Casualty-related charges/(recoveries), net	6,278	4,156
Total impact of adjustments to FFO	\$ 4,241	\$ 2,635
FFOA attributable to common stockholders and unitholders, diluted	\$217,696	\$212,344
FFOA per weighted average common share and unit, diluted	\$ 0.61	\$ 0.60
Recurring capital expenditures, inclusive of unconsolidated joint ventures	(17,308)	(12,299)
AFFO attributable to common stockholders and unitholders, diluted	\$200,388	\$200,045
AFFO per weighted average common share and unit, diluted	\$ 0.56	\$ 0.57

The following table is our reconciliation of FFO share information to weighted average common shares outstanding, basic and diluted, reflected on the UDR Consolidated Statements of Operations for the three months ended March 31, 2024 and 2023 (shares in thousands):

	Three Months Ended	
	March 31,	
	2024	2023
Weighted average number of common shares and OP/DownREIT Units outstanding — basic	353,241	350,112
Weighted average number of OP/DownREIT Units outstanding	(24,418)	(21,323)
Weighted average number of common shares outstanding — basic per the Consolidated Statements of Operations	<u>328,823</u>	<u>328,789</u>
Weighted average number of common shares, OP/DownREIT Units, and common stock equivalents outstanding — diluted	356,280	353,653
Weighted average number of OP/DownREIT Units outstanding	(24,418)	(21,323)
Weighted average number of Series E Cumulative Convertible Preferred shares outstanding	(2,908)	(2,909)
Weighted average number of common shares outstanding — diluted per the Consolidated Statements of Operations	<u>328,954</u>	<u>329,421</u>

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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The Company is exposed to interest rate changes associated with our commercial paper program and unsecured credit facility and other variable rate debt as well as refinancing risk on our fixed rate debt. The Company's involvement with derivative financial instruments is limited and we do not expect to use them for trading or other speculative purposes. The Company 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, 2023 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 March 31, 2024, our market risk has not changed materially from the amounts reported in our Annual Report on Form 10-K for the year ended December 31, 2023.

Item 4. CONTROLS AND PROCEDURES

The disclosure controls and procedures of the Company 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. Our disclosure controls and procedures are also designed to ensure that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

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. As a result, our disclosure controls and procedures are designed to provide reasonable assurance that such disclosure controls and procedures will meet their objectives.

As of March 31, 2024, we carried out an evaluation, under the supervision and with the participation of the Chief Executive Officer and Chief Financial Officer of the Company, of the effectiveness of the design and operation of the disclosure controls and procedures of the Company. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer of the Company concluded that the disclosure controls and procedures of the Company are effective at the reasonable assurance level described above.

There have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934) during the fiscal quarter to which this report relates that materially affected, or are reasonably likely to materially affect, the internal control over financial reporting of the Company.

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. As described in more detail in Note 13, Commitments and Contingencies, to the consolidated financial statements included in this report, we are currently a defendant, among other companies, in lawsuits related to our use of products licensed by RealPage, Inc.

Item 1A. RISK FACTORS

There are many factors that affect the business and the results of operations of the Company, some of which are beyond its control. The following is a description of important factors that may cause the Company's actual results 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. Forward-looking statements and such risks, uncertainties and other factors speak only as of the date of this Report, and we expressly disclaim any obligation or undertaking to update or revise any forward-looking statement contained herein, to reflect any change in our expectations with regard thereto, or any other change in events, conditions or circumstances on which any such statement is based, except to the extent otherwise required by law. These risks are not all of the risks we face and other factors not presently known to us or that we currently believe are immaterial may also affect our business if they occur.

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 or unfavorable economic conditions generally, may significantly affect our occupancy levels, our rental rates and collections, the value of our properties and our ability to 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 and other rental markets and is dependent upon the overall level in the economy, which is adversely affected by, among other things, job losses and unemployment levels, recession, debt levels, housing markets, stock market volatility and uncertainty about the future. Some of our major expenses generally do not decline when related rents decline. We would expect that declines in our occupancy levels and rental revenues 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 or the market value of our securities. Factors that have in the past and may in the future affect our occupancy levels, our rental revenues, and/or the value of our properties include the following, among others:

- downturns in global, national, regional and local economic conditions, particularly increases in unemployment;

- declines in mortgage interest rates, making alternative housing options more affordable;
- government or builder incentives with respect to home ownership, 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;
- our ability to renew leases or re-lease space on favorable terms;
- the timing and costs associated with property improvements, repairs or renovations;
- changes in household formation; and
- rent control or stabilization laws, or other laws regulating or impacting rental housing, which could prevent us from raising rents to offset increases in operating costs or otherwise impact us.

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The Geographic Concentration of Our Communities in Certain Markets Could Have an Adverse Effect on Our Operations if a Particular Market is Adversely Impacted by Economic or Other Conditions. For the three months ended March 31, 2024, approximately 72.7% of our total NOI was generated from communities located in Metropolitan D.C. (15.0%), Boston, MA (11.2%), Orange County, CA (11.0%), the San Francisco Bay Area, CA (8.5%), Dallas, TX (8.0%), New York, NY (7.4%), Seattle, WA (6.2%) and Tampa, FL (5.4%). As a result, if any one or more of these markets is adversely impacted by regional or local economic conditions or real estate market conditions, such conditions may have a greater adverse impact on our results of operations than if our portfolio was more geographically diverse. In addition, if one or more of these markets is adversely affected by changes in regional or local regulations, including those related to rent control or stabilization, such regulations may have a greater adverse impact on our results of operations than if our portfolio was more geographically diverse.

We May Be Unable to Renew Leases or Relet Apartment Units as Leases Expire, or the Terms of Renewals or New Leases May Be Less Favorable Than Current Leases. When our residents decide to leave our apartments, whether because their leases are not renewed or they leave prior to their lease expiration date, we may not be able to relet their apartment units. Even if leases are renewed or we can relet the apartment units, the terms of renewal or reletting may be less favorable than current lease terms. Furthermore, because the majority of our apartment leases have initial terms of 12 months or less, our rental revenues are impacted by declines in market rents more quickly than if our leases were for longer terms. If we are unable to promptly renew the leases or relet the apartment units, or if the rental rates upon renewal or reletting are lower than expected rates, then our results of operations and financial condition may be adversely affected. If residents do not experience increases in their income or if they experience decreases in their income or job losses, we may be unable to increase or maintain rent and/or delinquencies may increase.

We Face Certain Risks Related to Our Retail and Commercial Space. Certain of our properties include retail or commercial space that we lease to third parties. The long-term nature of our retail and commercial leases (generally five to ten years with market-based or fixed-price renewal options) and the characteristics of many of our tenants (generally small and/or local businesses) may subject us to certain risks. The longer-term leases could result in below market lease rates over time, particularly in an inflationary environment. We may require guarantees and other credit support which may prove to be inadequate or uncollectable, and the failure rate of small and/or local businesses may be higher than average. We may not be able to lease new space for rents that are consistent with our projections or for market rates. Also, when leases for our retail or commercial space terminate either at the end of the lease or because a tenant leaves early, the space may not be relet or the terms of reletting, including the cost of allowances and concessions to tenants, may be less favorable than the prior lease terms or we may incur additional expenses related to modifications of the spaces in order to satisfy new tenants. Our properties compete with other properties with retail or commercial space. The presence of competitive alternatives may adversely affect our ability to lease space and the level of rents we can obtain. Our retail or commercial tenants have experienced in the past, and may experience in the future,

financial distress or bankruptcy, or may fail to comply with their contractual obligations, seek concessions in order to continue operations, or cease their operations, which could adversely impact our results of operations and financial condition.

We Face Risks Related to Inflation/Deflation. Substantial inflationary or deflationary pressures could have a negative effect on rental rates and property operating expenses. The U.S. economy has recently experienced high rates of inflation, which has increased our operating expenses due to higher third party vendor costs and increased our interest expense due to higher interest rates on our variable rate debt. Although the short-term nature of our apartment leases may, absent other factors, enable us to compensate for inflationary effects by increasing rents on our apartment homes, an extreme or sustained escalation in costs could have a negative impact on our residents and their ability to absorb rent increases. The general risk of inflation is that interest on our debt, general and administrative expenses, materials costs, labor costs, and other expenses increase at a rate faster than increases in our rental rates, which could adversely affect our financial condition or results of operations.

We Are Subject to Certain Risks Associated with Selling Apartment Communities, Which Could Limit Our Operational and Financial Flexibility. We periodically dispose of apartment communities that no longer meet our strategic objectives, but adverse market conditions, among other factors, may make it difficult to sell apartment communities 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 or to close the sale of a property. Furthermore, we may be required to expend funds to correct defects or to make improvements before a property can be sold or the purchase price may be reduced to cover any cost of correcting defects or making improvements. These conditions may limit our ability to dispose of properties and to change our portfolio in order to meet our strategic objectives, which could in turn adversely affect our financial condition, results of operations or our ability to fund other activities in which we may want to engage such as the purchase of properties, development or

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redevelopment, or funding the Developer Capital Program. We are also subject to the following risks in connection with sales of our apartment communities, among others:

- a significant portion of the proceeds from some property sales may be held by intermediaries in order for such 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 proceeds generated from our property sales; and
- federal tax laws limit our ability to profit on the sale of communities or interests in 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, including new supply, could adversely affect our ability to lease apartment homes and increase or maintain rents, which could materially and adversely affect our results of operations and financial condition.

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 acquired in the past, and if presented with attractive opportunities we intend to acquire in the future, apartment communities that meet our investment criteria. Our acquisition activities and their success are subject to the following risks, among others:

- we may be unable to obtain financing for acquisitions on favorable terms, or at all, which could cause us to delay or even abandon potential acquisitions;
- even if we are able to finance an acquisition, cash flow from the acquisition may be insufficient to meet our required principal and interest payments on the debt used to finance the acquisition;
- even if we enter into an acquisition agreement for an apartment community, we may not complete the acquisition for a variety of reasons after incurring certain acquisition-related costs;
- we may incur significant costs and divert management attention in connection with the evaluation and negotiation of potential acquisitions, including potential acquisitions that we subsequently do not complete;
- 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;
-

the expected occupancy rates, rental rates and expenses may differ from actual results; 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 materially and adversely affect our expected return on our investments and our overall profitability.

Competition Could Adversely Affect Our Ability to Acquire Properties. 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 limit attractive investment opportunities, which could adversely affect our ability to grow or acquire properties profitably or with attractive returns.

Development and Construction Risks Could Impact Our Profitability. In the past we have 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, among others:

- we may be unable to obtain construction financing for development activities on favorable terms, or at all, which could cause us to delay or even abandon potential developments;

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- we may experience supply chain constraints, which could result in increased development costs or delay initial occupancy dates for all or a portion of a development community;
- we may be unable to obtain, or face delays in obtaining, necessary zoning, land-use, building, occupancy and other required governmental or quasi-governmental permits and authorizations, which could result in increased development costs, delay initial occupancy dates for all or a portion of a development community, and require us to abandon our activities entirely with respect to a project for which we are unable to obtain permits or authorizations;
- costs may be higher or yields may be less than anticipated as a result of delays in completing projects, costs that exceed budget, defaults by our counterparties, and/or higher than expected concessions for lease-up and lower rents than expected;
- we may abandon development opportunities that we have already begun to explore, and we may be unable to recover expenses already incurred in connection with exploring such development opportunities;
- we may be unable to complete construction and lease-up of a community on schedule, or we may 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, rents and concessions at a newly developed community may fluctuate depending on a number of factors, including market and economic conditions, preventing us from meeting our expected return on our investment and our overall profitability goals; and
- when we sell communities or properties that we developed or renovated to third parties, we may be subject to warranty or construction defect claims that are uninsured or exceed the limits of our insurance.

An Epidemic, Pandemic or Other Health Crisis, and Measures Intended to Prevent the Spread of Such an Event, Could Have a Material Adverse Effect on our Business, Results of Operations, Cash Flows and Financial Condition. We face risks related to an epidemic, pandemic or other health crisis, which have impacted, and in the future could impact, the markets in which we operate and could have a material adverse effect on our business, results of operations, cash flows and financial condition. The impact of an epidemic, pandemic or other health crisis, and measures to prevent the spread of such an event, could materially and adversely affect our business in a number of ways. Our rental revenue and operating results depend significantly on the occupancy levels at our properties and the ability of our residents and retail and commercial tenants to meet their rent obligations to us, which have been in certain cases, and could in the future be, adversely affected by, among other things, job losses, furloughs, store closures, lower incomes, uncertainty about the future as a result of an epidemic, pandemic or other health crisis and related governmental actions, including eviction moratoriums, shelter-in-place orders, prohibitions or limits on charging certain fees, and limitations on collections and or rent increases, which have affected, and, if such restrictions are not lifted, or are

reinstated, or new restrictions imposed, may continue to affect our ability to collect rent or enforce legal or contractual remedies for the failure to pay rent, which have negatively impacted, and may continue to negatively impact, our ability to remove residents or retail and commercial tenants who are not paying rent and our ability to rent their units or other space to new residents or retail and commercial tenants, respectively. In addition, the federal government has in the past allocated, and federal, state or local governments may in the future allocate, funds to rent relief programs. In certain locations, the funds available may not be sufficient to pay all past due rent and reallocation of such funds may result in markets in which we operate not having access to the funds anticipated and certain governments may seek refunds of funds previously paid. Further, certain of our residents with past due rent have not qualified, and may not in the future qualify, to participate in such programs. In addition, some of such programs have required, and programs in the future may require, the forgiveness of a portion of the past due rent or agreeing to other limitations that may adversely affect our business in order to participate or may only provide funds to pay a portion of the past due rent. In addition, while certain locations have adopted programs that may reimburse past due rent owed by residents who have left a community, such programs have only been adopted in a minority of our markets. It is uncertain how any rent relief programs will impact our business in the future.

State, local, and federal governments also have increased, and may in the future increase, property taxes or other taxes or fees, or may enact new taxes or fees, in order to increase revenue in connection with an epidemic, pandemic or other health crisis, which has in the past increased, and may in the future increase, our expenses. Our development and construction projects, including those in our Developer Capital Program, also have been and could in the future be adversely affected by factors related to an epidemic, pandemic or other health crisis. An epidemic, pandemic or other health crisis, or related impacts thereof also could adversely affect the businesses and financial conditions of our counterparties, including our joint venture partners, participants in the Developer Capital Program, and general contractors and their subcontractors, and their ability to satisfy their obligations to us and to complete transactions or projects with us as intended.

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Bankruptcy or Defaults of Our Counterparties Could Adversely Affect Our Performance. We have relationships with and we execute transactions with or receive services from many counterparties, such as general contractors engaged in connection with our development activities, borrowers, or joint venture partners, among others. As a result, bankruptcies or defaults by these counterparties or their subcontractors have resulted in, and in the future could result in, services not being provided as expected, projects not being completed on time, on budget, or at all, or contractual obligations to us not being satisfied. Further, volatility in the financial markets and economic weakness could affect the counterparties' ability to complete transactions with us as intended. Either circumstance could result in disruptions to our operations that may adversely affect our financial condition and results of operations.

Property Ownership Through Partnerships and Joint Ventures May Limit Our Ability to Act Exclusively in Our Interest. We have in the past and may in the future develop and/or acquire properties through partnerships and joint ventures, including those in which we own a preferred interest, with other persons or entities when we believe circumstances warrant the use of such structures. As of March 31, 2024, we had active unconsolidated joint ventures and partnerships, including our preferred equity investments, with a total equity investment of \$954.3 million. We have in the past, and could in the future, become engaged in a dispute with one or more of our partners which could adversely impact us. Moreover, our 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, our partners may have competing interests in our markets that could create conflicts of interest. Also, our partners have in the past failed and may in the future fail to make capital contributions when due and our partners or the project may otherwise not act or perform as expected, which may require us to contribute additional capital, acquire our partner's interest or other property, or take other actions that may negatively impact the project or our return. In addition, we may be responsible to our partners for indemnifiable losses. In general, we and our partners may each have the right to trigger a buy-sell or other similar arrangement, which arrangement or other factors could cause us to sell our interest, or acquire our partner's interest or other property, at a time when we otherwise would not have initiated such a transaction and may result in the valuation of our interest in the partnership or joint venture (if we are the seller) or of the other partner's interest in the partnership or joint venture (if we are the buyer) at levels which may not be representative of the valuation that would result from an arm's length marketing process and could cause us to recognize unanticipated capital gains or losses or the loss of fee income.

We may also be subject to other risks in connection with partnerships or joint ventures, including (i) a deadlock if we and our partner are unable to agree upon certain major and other decisions (which could result in litigation or disposing of an asset at a time at which we otherwise would not sell the asset), (ii) limitations on our ability to liquidate our position in the partnership or joint venture without the consent of the other partner, and (iii) requirements to provide guarantees in favor of lenders with respect to the indebtedness of the joint venture.

We May Not be Permitted to Dispose of Certain Properties or Pay Down the Indebtedness Associated with Those Properties When We Might Otherwise Desire to Do so Without Incurring Additional Costs. In connection with certain property acquisitions, we have agreed with the sellers that we will not dispose of the acquired properties or reduce the mortgage indebtedness on such properties for significant periods of time unless we pay certain of the resulting tax costs of the sellers or dispose of the property in a transaction in which a gain is not recognized for federal income tax purposes by such sellers, and we may enter into similar agreements in connection with future property acquisitions. These agreements could result in us retaining properties that we would otherwise sell or not paying down or refinancing indebtedness that we would otherwise pay down or refinance. However, subject to certain conditions, we retain the right to substitute other property or debt to meet these obligations to the sellers.

We Could Incur Significant Insurance Costs and Some Potential Losses May Not Be Adequately Covered by Insurance or Reserves. We have a comprehensive insurance program covering our properties and operating activities with limits of liability, deductibles and self-insured retentions that we believe are comparable to similarly situated companies, including within the multifamily industry. We believe the policy specifications and insured limits of these policies are adequate and appropriate. There are, however, certain types of extraordinary losses that 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 occurs, we could lose all or a portion of the capital we have invested in a property, as well as the 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 properties were to experience a catastrophic loss, it could seriously

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disrupt our operations, delay revenue and result in large expenses to repair or rebuild the property. Such events could materially and adversely affect our financial condition and results of operations.

The cost of insuring our apartment communities and our operations is a component of expense. Insurance premiums and the terms and conditions of insurance policies are subject to significant fluctuations and changes, which are generally outside of our control. We insure our properties and our operations with insurance companies that we believe have a good rating at the time our policies are put into effect. The financial condition of one or more insurance companies that insure us may be negatively impacted, which could result in their inability to pay on future insurance claims. Their inability to pay future claims may have a negative impact on our financial results. In addition, the failure, or exit or partial exit from an insurance market, of one or more insurance companies or other changes in insurance markets in general may affect our ability to obtain insurance coverage in the amounts that we seek, or at all, increase the costs to renew or replace our insurance policies, cause us to self-insure a portion of the risk, or increase the cost of insuring properties.

Failure to Succeed in New Markets May Limit Our Growth. We have acquired in the past, and we may acquire in the future if opportunities we believe are appropriate 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.

Failure to Succeed with New Initiatives May Limit Our Ability to Grow NOI. We have in the past developed and may in the future develop initiatives that are intended to drive operating efficiencies and grow NOI, including smart home technologies and self-service options that are accessible to residents through smart devices or otherwise. Such initiatives in the past have involved and in the future may involve our associates having new or different responsibilities and processes. We may incur significant costs and divert resources in connection with such initiatives, and these initiatives may not perform as projected, which could adversely affect our results of operations and the market price of our common stock.

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 or we could be required to incur additional costs to change how the property is constructed or operated due to presence of such substances. 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.

In addition, our properties are subject to various federal, state and local environmental, health and safety laws, including laws governing the management of wastes and underground and aboveground storage tanks. Noncompliance with these environmental, health and safety laws could subject us to liability. Changes in laws could increase the potential costs of compliance with environmental laws, health and safety laws or increase liability for noncompliance. This may result in significant unanticipated expenditures or may otherwise adversely affect our financial condition and results of operations.

As the owner or operator of real property, we may also incur liability based on various building conditions. For example, buildings and other structures on properties that we currently own or operate or those we acquire or operate in the future contain, may contain, or may have contained, asbestos-containing material, or ACM, or other hazardous substances. Environmental, health and safety laws require that ACM and other hazardous substances be properly managed and maintained and may impose fines or penalties on owners, operators or employers for non-compliance with those requirements.

These requirements include special precautions, such as removal, abatement or air monitoring, if ACM would be disturbed during maintenance, renovation or demolition of a building, potentially resulting in substantial costs. In addition, we

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may be subject to liability for personal injury or property damage sustained as a result of exposure to ACM or other hazardous substances or releases of ACM or other hazardous substances into the environment.

We cannot assure you that costs or liabilities incurred as a result of environmental or building condition issues will not adversely affect our financial condition and results of operations.

Our Properties May Contain or Develop Harmful Mold or Suffer from Other Indoor Air Quality Issues, Which Could Lead to Liability for Adverse Health Effects or Property Damage or Cost for Remediation. When excessive moisture accumulates in buildings or on building materials, mold growth may occur, particularly if the moisture problem remains undiscovered or is not addressed over a period of time. Some molds may produce airborne toxins or irritants. Indoor air quality issues can also stem from inadequate ventilation, chemical contamination from indoor or outdoor sources, and other biological contaminants such as pollen, viruses and bacteria. Indoor exposure to airborne toxins or irritants can be alleged to cause a variety of adverse health effects and symptoms, including allergic or other reactions. As a result, the presence of significant mold or other airborne contaminants at any of our properties could require us to undertake a costly remediation program to contain or remove the mold or other airborne contaminants or to increase ventilation, which could adversely affect our results of operations and cash flows. In addition, the presence of significant mold or other airborne contaminants could expose us to liability from our tenants or others for property damage or personal injury.

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 of 1990, as amended (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. Claims have been asserted, and in the future claims may be asserted, against us with respect to some of our properties or operations under the Americans with Disabilities 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 or otherwise related to our operations, including the removal of access barriers, it could adversely affect our financial condition and results of operations. In addition, if claims arise, we may expend resources and incur costs in investigating and resolving such claims even if we or our property was in compliance with the law.

Our properties are subject to various federal, state and local regulatory requirements, such as state and local fire and life safety requirements and federal, state and local accessibility requirements in addition to those imposed by the Americans with Disabilities Act. 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 could adversely affect our financial condition or results of operations.

The Adoption of, or Changes to, Rent Control, Rent Stabilization, Eviction, Tenants' Rights and Similar Laws and Regulations in Our Markets Could Have an Adverse Effect on Our Results of Operations and Property Values. Various state and local governments as well as the federal government have enacted and may continue to enact rent control, rent stabilization, or limitations, and similar laws, regulations and policies, including laws or court orders, that could limit our ability to raise rents or charge certain fees which could have a retroactive effect. For example, in June 2019, the State of New York enacted new rent control regulations known as the Housing Stability and Tenant Protection Act of 2019 and, in October of 2019, the State of California enacted the Tenant Protection Act of 2019. We have seen a recent increase in governments enacting or considering, or being urged to consider, such laws and regulations. Federal, state and local governments or courts also have made, and may make in the future, changes to laws related to allowable fees and rents, eviction and other tenants' rights laws and regulations (including changes that apply retroactively) that could adversely impact our results of operations and the value of our properties. Laws and regulations regarding rent control, rent stabilization, eviction, tenants' rights, and other matters, as well as any lawsuits against us arising from such laws and regulations, may limit our ability to charge market rents, increase rents, evict delinquent tenants or charge fees, or recover increases in our operating expenses, which could have an adverse effect on our results of operations and the value of our properties.

Compliance with or Changes in Real Estate Tax and Other Laws and Regulations Could Adversely Affect Our Funds from Operations and Our Ability to Make Distributions to Stockholders. We are subject to federal, state and local laws, regulations, rules and ordinances at locations where we operate regarding a wide variety of matters that could affect, directly or indirectly, our operations. 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, (ii) laws and regulations regulating housing, such as

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the Americans with Disabilities Act and the Fair Housing Amendments Act of 1988, or (iii) employment related laws, among others, may result in significant unanticipated expenditures, which could adversely affect our financial condition and results of operations. In addition, changes in federal and state legislation and regulation on climate change may result in increased capital expenditures to improve the energy efficiency of our existing communities and also may require us to spend more on our new development communities without a corresponding increase in revenue. In addition, existing laws could be interpreted in a manner that restricts our ability to use systems that we currently use in our operations and we may face litigation or regulatory risk in connection with such laws. Future compliance with new laws of general applicability, laws applicable to companies in our industry, or laws applicable to public companies generally could increase our costs and could have an adverse effect on our financial performance.

Risk of Litigation. From time to time, we are involved in legal proceedings, lawsuits, and other claims with respect to our properties or operations. For example, we are currently a defendant in a consolidated class action lawsuit and a lawsuit filed by the District of Columbia involving RealPage, which is one of our vendors. An unfavorable resolution of any litigation may have a material adverse effect on our business, results of operations and financial condition. Additionally, litigation has in the past and may in the future result in substantial costs and expenses and could significantly divert the attention of management.

Risk of Damage from Catastrophic Weather and Natural Events. Our communities are located in areas that have experienced, and in the future may experience, catastrophic weather and other natural events from time to time, including mudslides, fires, hurricanes, tornadoes, floods, deep freezes, snow or ice storms, or other severe inclement weather. These adverse weather and natural 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 adversely affect our financial condition and results of operations.

Risk of Potential Climate Change. To the extent significant changes in the climate in areas where our communities are located occur, we may experience extreme weather conditions and changes in precipitation and temperature or water levels, all of which could result in physical damage to, and/or a decrease in demand for, our communities located in these areas or communities that are otherwise affected by these changes. Should the impact of such climate changes be material in nature, or occur for lengthy periods of time, our financial condition and results of operations could be adversely affected.

Risk of Earthquake Damage. Some of our communities are located in areas subject to earthquakes, including in the general vicinity of earthquake faults. We cannot assure you that an earthquake would not cause damage or losses 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 may also continue to

be obligated to repay any mortgage indebtedness or other obligations related to the community. Any such loss could adversely affect our financial condition and results of operations. Insurance coverage for earthquakes can be costly due to limited industry capacity. As a result, we may experience shortages in desired coverage levels if market conditions are such that insurance is not available or the cost of insurance makes it, in management's view, economically impractical.

Risk of Accidental Death or Injury Due to Fire, Natural Disasters or Other Hazards. The accidental death or injury of persons living in our communities due to fire, natural disasters, other hazards, or acts or omissions of third parties could have an adverse effect on our business and results of operations. Our insurance coverage may not cover all losses associated with such events, and we may experience difficulty marketing communities where any such events have occurred, which could have an adverse effect on 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, destruction or war could have an adverse effect on our business and operating results. Attacks or other similar actions 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 or similar events. In addition, the adverse effects that such violent acts and threats of future attacks could have on the U.S. economy could similarly have an adverse effect on our financial condition and results of operations.

Mezzanine Loan or Other Loan Assets Involve Greater Risks of Loss than Senior Loans Secured by Income-Producing Properties. We have originated in the past and may in the future originate mezzanine loans, which take the form of subordinated loans secured by second mortgages on the underlying property, which may be under development, or subordinated loans secured by a pledge of the ownership interests of either the entity owning the property, which may be under

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development, or a pledge of the ownership interests of the entity that owns the interest in the entity owning the property, which may be under development, or loans that are not secured. Mezzanine loans may involve a higher degree of risk than a senior mortgage secured by real property, because the security for the loan may lose all or substantially all of its value as a result of foreclosure by the senior lender and because it is in second position and there may not be adequate equity in the property and unsecured loans involve higher risk by virtue of being unsecured. In the event of a bankruptcy of the entity providing the pledge of its ownership interests as security, we may not have full recourse to the assets of such entity, or the assets of the entity may not be sufficient to satisfy our mezzanine loan. If a borrower defaults on our loan or debt senior to our loan, or in the event of a borrower bankruptcy, our mezzanine or other loan will be satisfied only after the senior debt. As a result, we may not recover some of or all our investment. In addition, mezzanine loans typically have higher loan-to-value ratios than conventional mortgage loans, resulting in less equity in the property and increasing the risk of loss of principal. Further, foreclosing on our security interest may be delayed or otherwise impacted by the existence of the senior loan, the senior lender's decision regarding whether to enforce its remedies, or the timing of the senior lender's foreclosure or enforcement of other remedies with respect to such loan. If there is a default on the senior debt or an inability to refinance the senior debt, we may contribute additional capital or take other actions that we would not otherwise pursue absent such default or failure. In addition, in the event of a default or other changes in the circumstances of an investment, including a change in the value of the applicable property, we may be required to change the manner in which the investment is accounted for, including our ability to recognize earnings, or recognize an allowance for loan loss or a loss on consolidation.

Risk Related to Preferred Equity Investments. We have made in the past and may in the future make preferred equity investments in corporations, limited partnerships, limited liability companies or other entities that have been formed for the purpose of directly or indirectly acquiring, developing and/or managing real property. Generally, we will not have the ability to control the daily operations of the entity, and we will not have the ability to select or remove a majority of the members of the board of directors, managers, general partner or partners or similar governing body of the entity or otherwise control its operations. Although we have sought and would seek to maintain sufficient influence over the entity to achieve our objectives, our partners may have interests that differ from ours and may be in a position to take actions without our consent that are inconsistent with our interests. Further, if our partners were to fail to invest additional capital in the entity when required, which has happened in the past, or otherwise do not perform as expected, we may have to invest additional capital to protect our investment. Our partners have in the past failed, and may in the future fail, to develop or operate the real property, operate the entity, refinance property indebtedness or sell the real property in the manner intended and as a result the entity may not be able to redeem our investment or pay the return expected to us in a timely manner or at all. In addition, we may not be able to dispose of our investment in the entity in a timely manner or at the price at which we would want to divest or at all. Further, the entity may need to refinance third-party debt on terms that are inconsistent with our interests or are terms on which we would not elect to incur debt, or the entity may default on third-party debt. To the extent the

entity defaults on third-party debt or is unable to refinance such debt or a portion thereof, we may acquire such debt or otherwise take action, including contributing additional capital, to protect our position that we would not take absent the default or inability to refinance. Such activities have in the past involved and may in the future involve foreclosing on the security interest in the property secured by such debt or seeking a deed-in-lieu of foreclosure or similar remedy, and such activities may involve costs or delays or create other risks, including the risk of claims from our partners. In the event that such an entity fails to meet expectations, defaults on its debt, or becomes insolvent or the investment or the underlying property otherwise does not perform as expected, we may lose all or part of our investment in the entity, be delayed in recovering our investment or the expected returns or directly or indirectly take over the property or the management thereof at a time at which we would not have done so absent the failure to meet expectations or the default. In addition, in the event of a default or other changes in the circumstances of an investment, including a change in the value of the applicable property, we may be required to change the manner in which the investment is accounted for, including our ability to recognize earnings, or recognize an impairment or a loss on consolidation.

Risks Related to Ground Leases. We have entered into in the past and may in the future enter into, as either landlord or tenant, a long-term ground lease with respect to a property or a portion thereof. Such ground leases may contain a rent reset provision that requires both parties to agree to a new rent or is based upon factors, for example fair market rent, that are not objective and are not within our control. We may not be able to agree with the counterparty to a revised rental rate, or the revised rental rate may be set by external factors, which could result in a different rental rate than we forecasted. In the past we have had disagreements with respect to revised rental rates and certain of such disagreements have gone to arbitration (for resolution as provided in the applicable lease agreement) and have been resolved in a manner adverse to us. In addition, the other party may not perform as expected under the ground lease or there may be a dispute with the other party to the ground lease. Any of these circumstances could have an adverse effect on our business, financial condition or operating results.

We May Experience a Decline in the Fair Value of Our Assets and Be Forced to Recognize Impairment Charges, Which Could Adversely Impact Our Financial Condition, Liquidity and Results of Operations and the Market Price of Our Common Stock. A decline in the fair value of our assets may require us to recognize an impairment against such assets under

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generally accepted accounting principles as in effect in the United States (“GAAP”) if we were to determine that, with respect to any assets in unrealized loss positions, we do not have the ability and intent to hold such assets for a period of time sufficient to allow for recovery to the amortized cost of such assets. If such a determination were to be made, we would recognize unrealized losses through earnings and write down the amortized cost of such assets to a new cost basis, based on the fair value of such assets on the date they are considered to be impaired. Such impairment charges reflect non-cash losses at the time of recognition; subsequent disposition or sale of such assets could further affect our future losses or gains, as they are based on the difference between the sale price received and adjusted amortized cost of such assets at the time of sale. If we are required to recognize asset impairment charges in the future, these charges could adversely affect our financial condition, liquidity, results of operations and the market price of our common stock.

Any Material Weaknesses Identified in Our Internal Control Over Financial Reporting Could Have an Adverse Effect on the Market Price of Our Common Stock. Section 404 of the Sarbanes-Oxley Act of 2002 requires us to evaluate and report on our internal control over financial reporting. If we fail to maintain the adequacy of our internal controls over financial reporting, including any failure to implement required new or improved controls as a result of changes to our business or otherwise, or if we experience difficulties in their implementation, our business, results of operations and financial condition could be materially and adversely affected and we could fail to meet our reporting obligations. In addition, if we have 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 the market price of our common stock.

A Breach of Information Technology Systems On Which We Rely Could Materially and Adversely Impact Our Business, Financial Condition, Results of Operations and Reputation. We rely on information technology systems, including the internet and networks and systems and software developed, maintained and controlled by third party vendors and other third parties, to process, transmit and store information and to manage or support our business processes. Third party vendors may collect and hold personally identifiable information and other confidential information of our tenants, prospective tenants and employees. We also maintain such information and financial and business information regarding us and persons and entities with which we do business on our information technology systems. While we take steps, and generally require third party vendors to take steps, to protect the security of the information maintained in our and third party vendors’ information technology systems, including associate training and testing and the use of commercially available systems, software, tools and monitoring to provide security for processing, transmitting and storing of the information, it is possible that our or our third party vendors’ security measures will not be able to prevent human error or the systems’ or software’s improper functioning, or the loss, misappropriation, disclosure or corruption of personally identifiable information or other confidential or sensitive information, including information about our tenants and employees. Cybersecurity breaches, including physical or electronic break-ins, computer viruses, malware, phishing scams, attacks by hackers, breaches due to employee error or misconduct, and similar breaches, can

create system disruptions, shutdowns or unauthorized access to information maintained on our information technology systems or the information technology systems of our third party vendors or other third parties or otherwise cause disruption or negative impacts to occur to our business and adversely affect our financial condition and results of operations. While we maintain cyber risk insurance to provide some coverage for certain risks arising out of cybersecurity breaches, there is no assurance that such insurance would cover all or a significant portion of the costs or consequences associated with a cybersecurity breach or other occurrence or that such insurance will continue to be available at rates that we consider reasonable or at all. We have in the past experienced cybersecurity breaches on our information technology systems or relating to software that we utilize, and, while none to date have been material, we expect such breaches may occur in the future. As the techniques used to obtain unauthorized access to information technology systems become more varied and sophisticated and the occurrence of such breaches becomes more frequent, we and our third party vendors and other third parties may be unable to adequately anticipate these techniques or breaches or implement appropriate preventative measures. Any failure to prevent cybersecurity breaches and maintain the proper function, security and availability of our or our third party vendors' and other third parties' information technology systems could interrupt our operations, damage our reputation and brand, damage our competitive position, make it difficult for us to attract and retain residents or other tenants, and subject us to liability claims or regulatory penalties that could adversely affect our business, financial condition and results of operations.

Our Business and Operations Would Suffer in the Event of Information Technology System Failures. Despite system redundancy and the existence of disaster recovery plans for our information technology systems, our information technology systems and the information technology systems maintained by our third party vendors are vulnerable to damage arising from any number of sources beyond our or our third party vendors' control, including energy blackouts, natural disasters, terrorism, war, and telecommunication failures. Any failure to maintain proper function and availability of our or third parties' information technology systems could interrupt our operations, damage our reputation, subject us to liability claims or regulatory penalties and could adversely affect our business, financial condition and results of operations.

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A Failure to Keep Pace with Developments in Technology Could Impair our Operations or Competitive Position. Our business continues and will continue to demand the use of sophisticated systems, software and technology, including artificial intelligence. These systems, software and technologies must be refined, updated and replaced on a regular basis in order for us to meet our business requirements and our residents' demands and expectations. If we are unable to do so on a timely basis or at a reasonable cost, or fail to do so, our business could suffer. Also, we may not achieve the benefits that we anticipate from any new system, software or technology, and a failure to do so could result in higher than anticipated costs or could adversely affect our results of operations.

Social Media Presents Risks. The use of social media could cause us to suffer brand damage or unintended information disclosure. Negative posts or communications about us on a social networking website could damage our reputation. Further, employees or others may disclose non-public information regarding us or our business or otherwise make negative comments regarding us on social networking or other websites, which could adversely affect our business and results of operations. As social media evolves, we will be presented with new risks and challenges.

Our Success Depends on Our Senior Management. Our success depends upon the retention of our senior management, whose continued service is 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.

Changes in U.S. Accounting Standards May Materially and Adversely Affect Our Reported Results of Operations. Accounting for public companies in the United States is in accordance with GAAP, which is established by the Financial Accounting Standards Board (the "FASB"), an independent body whose standards are recognized by the SEC as authoritative for publicly held companies. Uncertainties posed by various initiatives of accounting standard-setting by the FASB and the SEC, which create and interpret applicable accounting standards for U.S. companies, may change the financial accounting and reporting standards or their interpretation and application of these standards that govern the preparation of our financial statements. These changes could have a material impact on our reported financial condition and results of operations. In some cases, we could be required to apply a new or revised standard retroactively, resulting in potentially material restatements of prior period financial statements.

Third-Party Expectations Relating to Environmental, Social and Governance Factors May Impose Additional Costs and Expose Us to New Risks. There is an increasing focus from certain investors, tenants, employees, and other stakeholders concerning corporate responsibility, specifically related to environmental, social and governance factors. In addition, there is an increased focus on such matters by various regulatory authorities, including the SEC and the state of California, and the activities and expense required to comply with new laws, regulations or standards may be significant. Some investors may use these factors to guide their investment strategies and, in some cases, may choose not to invest in us if they believe our policies relating to corporate responsibility are inadequate.

Third-party providers of corporate responsibility ratings and reports on companies have increased in number, resulting in varied and in some cases inconsistent standards. In addition, the criteria by which companies' corporate responsibility practices are assessed and the regulations applicable thereto are evolving, which could result in greater expectations of us and cause us to undertake costly initiatives or activities to satisfy such new criteria or regulations. Further, if we elect not to or are unable to satisfy such new criteria or do not meet the criteria of a specific third-party provider or investor, some investors may conclude that our policies with respect to corporate responsibility are inadequate. We may face reputational damage in the event that our corporate responsibility procedures or standards do not meet the standards set by various constituencies. Furthermore, if our competitors' corporate responsibility performance is perceived to be greater than ours, potential or current investors may elect to invest in our competitors instead. In addition, we have communicated certain initiatives and goals regarding environmental, social and governance matters, and we may in the future communicate revised or additional initiatives or goals. We could fail, or be perceived to fail, in our achievement of such initiatives or goals, or we could be criticized for the scope of such initiatives or goals. If we fail to satisfy the expectations of investors, tenants and other stakeholders, our initiatives are not executed as planned, or we do not satisfy our goals, our reputation and financial results could be adversely affected.

Risks Related to Our Indebtedness and Financings

Changing Interest Rates Could Increase Interest Costs and Adversely Affect Our Cash Flows and the Market Price of Our Common Stock. We currently have, and expect to incur in the future, interest-bearing debt, including unsecured commercial paper, at rates that vary with market interest rates. As of March 31, 2024, we had approximately \$531.6 million of variable rate indebtedness outstanding, which constitutes approximately 9.2% of total outstanding indebtedness as of such date, and we have experienced increases in the interest rates on such indebtedness, which has increased our interest expense and adversely impacted our results of operations and cash flows. In addition, as a result of rising interest rates, the costs of hedging

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transactions have increased significantly and may continue to increase. Continued increases in interest rates would further increase our interest expenses and increase the costs of refinancing existing indebtedness and of issuing new debt, including unsecured commercial paper. The effect of prolonged interest rate increases could negatively impact our ability to service our indebtedness, make distributions to security holders, make acquisitions and develop properties.

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 could be insufficient to make required payments of principal and interest, could restrict or limit our ability to incur additional debt, 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 debt payments and satisfy our distribution requirements to maintain our status as a REIT for federal income tax purposes. In addition, the amounts under our line of credit may not be available to us and we may not be able to access the commercial paper market if our operating performance falls outside the constraints of our debt covenants. We are also 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 pressure 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 a material adverse effect on our financial condition and cash flow, increase our financing costs and impact our ability to make distributions to our stockholders.

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

- the national and local economies;
- local real estate market conditions, such as an oversupply of apartment homes;
- tenants' or prospective 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 or alternative housing options;
- 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 multifamily housing.

Expenses associated with our investment in an apartment community, such as debt service, real estate taxes, insurance, labor costs and maintenance costs, are generally not reduced when circumstances cause a reduction in revenue 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.

Our Debt Level May Be Increased. 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, construction loans and other forms of secured debt, commercial paper and other forms of 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, including due to disruptions and uncertainty in the equity and credit markets and regulatory changes directly or indirectly affecting financing markets, for example the changes in terms on construction loans brought about by the Basel III capital requirements and the associated “High Volatility Commercial Real Estate” designation, which has adversely impacted the

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availability of loans, including construction loans, and the proceeds of and the interest rates thereon. Restricted lending practices could impact our ability to obtain financing or refinancing for our properties. If we issue additional equity securities to finance developments and acquisitions instead of incurring debt, the interests of our existing stockholders could be diluted.

Failure To Maintain Our Current Credit Ratings Could Adversely Affect Our Cost of Funds, Related Margins, Liquidity, and Access to Capital Markets. Moody's and Standard & Poor's routinely evaluate our debt and have given us ratings on our senior unsecured debt, commercial paper program and preferred stock. These ratings are based on a number of factors, which include their assessment of our financial strength, liquidity, capital structure, asset quality, and sustainability of cash flows and earnings. Due to changes in these factors and market conditions, we may not be able to maintain our current credit ratings, which could adversely affect our cost of funds and related margins, liquidity, and access to capital markets, including our ability to access the commercial paper market.

Disruptions in Financial Markets May Adversely Impact the Availability and Cost of Credit and Have Other Adverse Effects on Us and the Market Price of Our Common Stock. Our ability to make scheduled payments on, or to refinance, our 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 global equity and credit markets have experienced in the past, and may experience in the future, periods of extraordinary turmoil and volatility. These circumstances may materially and adversely impact liquidity in the financial markets at times, making terms for certain financings less attractive or in some cases unavailable. Disruptions and uncertainty in the equity and credit markets, including as a result of bank failures and uncertainty in the banking sector generally, may negatively impact our ability to refinance existing indebtedness and access additional financing for acquisitions, development of our properties and other purposes at reasonable terms or at all, which may negatively affect our business and the market price of our common stock. We also rely on the financial institutions that are parties to our revolving credit facility and other credit facilities. If these institutions become capital constrained, tighten their lending standards or become insolvent or if they experience excessive volumes of borrowing requests from other borrowers within a short period of time, they may be unable or unwilling to honor their funding commitments to us, which would adversely affect our ability to draw on our revolving credit facility. If we are not successful in refinancing our existing indebtedness 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.

A Change in U.S. Government Policy or Support Regarding Fannie Mae or Freddie Mac Could Have a Material Adverse Impact on Our Business. While in recent years we have decreased our borrowings from Fannie Mae and Freddie Mac, Fannie Mae and Freddie Mac are a major source of financing to participants in the multifamily housing markets

including potential purchasers of our properties. Potential options for the future of agency mortgage financing in the U.S. have been, and may in the future be, suggested that could involve a reduction in the amount of financing Fannie Mae and Freddie Mac are able to provide, limitations on the loans that the agencies may make, which may not include loans secured by properties like our properties, or the phase out of Fannie Mae and Freddie Mac. 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, or if there is reduced government support for multifamily housing generally, it may adversely affect interest rates, capital availability, development of multifamily communities and the value of multifamily residential real estate and, as a result, may adversely affect our business and results of operations.

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. Actual events involving limited liquidity, defaults, non-performance or other adverse developments that affect financial institutions, transactional counterparties or other companies in the financial services industry generally, or concerns or rumors about any events of these kinds or other similar risks, could result in losses or defaults by these institutions or counterparties or could lead to market-wide liquidity problems. Disruptions and uncertainty with respect to financial institutions, including as a result of bank failures and liquidity concerns, may negatively impact our ability to refinance existing indebtedness and access additional financing for acquisitions, development of our properties and other purposes at reasonable terms or at all, which may negatively affect our business and the market price of our common stock. In addition, in the event that the volatility of the financial markets adversely affects our financial institutions or other counterparties, we or other parties to the transactions with us may be unable to complete transactions as intended, which could adversely affect our results of operations.

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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. In addition, our use of interest rate hedging arrangements may expose us to additional risks, including a risk that a counterparty to a hedging arrangement may fail to honor its obligations. Developing an effective interest rate risk strategy is complex and no strategy can completely insulate us from risks associated with interest rate fluctuations. There can be no assurance that our hedging activities will have the desired beneficial impact on our results of operations or financial condition. Termination of these hedging agreements typically involves costs, such as transaction fees or breakage costs.

Risks Related to Tax Laws

We Would Incur Adverse Tax Consequences if We Failed 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 will 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 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 could not re-elect REIT status until the fifth calendar year after the year in which we first failed to qualify as a REIT. 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.

Certain of our subsidiaries have also elected to be taxed as REITs under the Code, and are therefore subject to the same risks in the event that any such subsidiary fails to qualify as a REIT in any taxable year.

Dividends Paid by REITs Generally Do Not Qualify for Reduced Tax Rates. In general, qualified dividends paid to individual U.S. stockholders are eligible for a reduced 20% U.S. federal income tax rate. However, unlike dividends received from a corporation that is not a REIT, our regular dividends (i.e., dividends other than capital gain dividends) paid to individual U.S. stockholders generally are not eligible for the reduced rates on qualified dividends and are instead taxed at ordinary income rates. However, individual U.S. stockholders generally may deduct 20% of our regular dividends under Section 199A of the Code, reducing the effective tax rate applicable to such dividends (although such provision will expire after December 31, 2025 absent future legislation).

We Conduct a Portion of Our Business Through Taxable REIT Subsidiaries, Which Are Subject to Certain Tax Risks. We have established or invested in and conduct a portion of our business through taxable REIT subsidiaries. Despite our qualification as a REIT, 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 taxable REIT subsidiaries generally do not constitute permissible income and investments for certain of these tests. While we will attempt to ensure that our dealings with 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 taxable REIT subsidiaries may be denied deductions, to the extent our dealings with 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

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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. To the extent we distribute at least 90%, but less than 100%, of our net REIT taxable income we will be subject to tax at regular corporate tax rates on the retained portion.

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.

Changes to the U.S. Federal Income Tax Laws, including the Enactment of Certain Tax Reform Measures, Could Have an Adverse Impact on Our Business and Financial Results. In recent years, numerous legislative, judicial and administrative changes have been made to the U.S. federal income tax laws applicable to investments in real estate and REITs, and it is possible that additional legislation may be enacted in the future. There can be no assurance that future changes to the U.S. federal income tax laws or regulatory changes will not be proposed or enacted that could impact our business and financial results. The REIT rules are regularly under review by persons involved in the legislative process and by the Internal Revenue Service and the U.S. Treasury Department, which may result in revisions to regulations and interpretations in addition to statutory changes. If enacted, certain of such changes could have an adverse impact on our business and financial results.

We cannot predict whether, when or to what extent any new U.S. federal tax laws, regulations, interpretations or rulings will impact the real estate investment industry or REITs. Prospective investors are urged to consult their tax advisors regarding the effect of potential future changes to the federal tax laws on an investment in our shares.

We May Be Adversely Affected by Changes in State and Local Tax Laws and May Become Subject to Tax Audits from Time to Time. 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 may result in an increase in our tax liability. A shortfall in tax revenues for states and local jurisdictions 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, we or our affiliates (including entities through which we own real estate) may also become subject to federal, state or local tax audits. If we (or such entities) become subject to federal, state or local tax audits, the ultimate result of such audits could have an adverse effect on our financial condition and results of operations.

The Operating Partnership and the DownREIT Partnership Intend to Qualify as Partnerships, but Cannot Guarantee That They Will Qualify. The Operating Partnership and the DownREIT Partnership intend to qualify as partnerships for federal income tax purposes, and we intend to take that position for all income tax reporting purposes. If classified as partnerships, the Operating Partnership and the DownREIT Partnership generally will not be taxable entities and will not incur federal income tax liability. However, the Operating Partnership and the DownREIT Partnership would be treated as corporations for federal income tax purposes if they were “publicly traded partnerships,” unless at least 90% of their income was qualifying income as defined in the Code. A “publicly traded partnership” is a partnership whose partnership interests are traded on an established securities market or are readily tradable on a secondary market (or the substantial equivalent thereof). Although neither the Operating Partnership’s nor the DownREIT Partnership’s partnership units are traded on an established securities market, because of the redemption rights of their limited partners, the Operating Partnership’s and DownREIT Partnership’s units held by limited partners could be viewed as readily tradable on a secondary market (or the substantial equivalent thereof), and the Operating Partnership and the DownREIT Partnership may not qualify for one of the “safe harbors” under the applicable tax regulations. Qualifying income for the 90% test generally includes passive income, such as real property rents, dividends and interest. The income requirements applicable to REITs and the definition of qualifying income for purposes of this 90% test are

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similar in most respects. The Operating Partnership and the DownREIT Partnership may not meet this qualifying income test. If either the Operating Partnership or the DownREIT Partnership were to be taxed as a corporation, it would incur substantial tax liabilities, and we would then fail to qualify as a REIT for tax purposes, unless it qualified for relief under certain statutory savings provisions, and our ability to raise additional capital would be impaired. In addition, even if the 90% test were met if the Operating Partnership or the DownREIT Partnership were a publicly traded partnership, there could be adverse tax impacts for certain limited partners.

Qualifying as a REIT Involves Highly Technical and Complex Provisions of the Code. Our qualification as a REIT involves the application of highly technical and complex Code provisions for which only limited judicial and administrative authorities exist. Even a technical or inadvertent violation could jeopardize our REIT qualification. Moreover, new legislation, court decisions or administrative guidance, in each case possibly with retroactive effect, may make it more difficult or impossible for us to qualify as a REIT. Our qualification as a REIT will depend on our satisfaction of certain asset, income, organizational, distribution, stockholder ownership and other requirements on a continuing basis. Our ability to satisfy the REIT income and asset tests depends upon our analysis of the characterization and fair market values of our assets, some of which are not susceptible to a precise determination and for which we will not obtain independent appraisals, and upon our ability to successfully manage the composition of our income and assets on an ongoing basis. In addition, our ability to satisfy the requirements to qualify as a REIT depends in part on the actions of third parties over which we have no control or only limited influence, including in cases where we own an equity interest in an entity that is classified as a partnership for U.S. federal income tax purposes.

Risks Related to Our Organization and Ownership of Our Stock

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 ("NYSE"), on which we list our common stock, have experienced significant price and volume fluctuations. As a result, the market price of our common stock has been, and in the future 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. In addition to the risks listed in this "Risk Factors" section, a number of factors could negatively affect the price per share of our common stock, 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;
- changes in market valuations of similar companies;
-

publication of research reports about us or the real estate industry;

- the general reputation of REITs 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 common stock to demand a higher annual yield from future dividends;
- a change in analyst ratings;
- additions or departures of key management personnel;
- adverse market reaction to any additional debt we incur in the future;
- speculation in the press or investment community;
- terrorist activity or geopolitical events (including the ongoing war between Russia and Ukraine and the military conflict in Israel and Gaza), 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;
- failure to qualify as a REIT;

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- strategic decisions by us or by our competitors, such as acquisitions, divestments, spin-offs, joint ventures, strategic investments or changes in business strategy;
- failure to satisfy listing requirements of the NYSE;
- 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 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, 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 an 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 Restrict 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 our 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.

Supplemental U.S. Federal Income Tax Considerations

The following discussion supplements and updates the disclosures under "Material U.S. Federal Income Tax Consequences" in the prospectus dated February 14, 2023, contained in our Registration Statement on Form S-3 filed with the SEC on February 14, 2023. Capitalized terms herein that are not otherwise defined shall have the same meaning as when used in such disclosures.

- The second bullet in the second paragraph under the heading "Taxation of UDR - Income Tests" is clarified to acknowledge an exception to the related party tenant test for a tenant that is a taxable REIT subsidiary and either (i) at least 90% of the total leased space of the property is leased to unrelated tenants and the rent paid by the

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taxable REIT subsidiary is substantially comparable to the rent paid by the unrelated tenants for comparable space, or (ii) the property leased to the taxable REIT subsidiary is a lodging facility or a health care facility and certain other requirements are satisfied.

- The third prong of the definition of “hedging transaction” in the fourth paragraph under the heading “Taxation of UDR – Income Tests” is hereby clarified to establish that in order to qualify as a “hedging transaction” that will be excluded from gross income for purposes of the 75% and 95% gross income tests, a new transaction entered into to hedge the income or loss from prior hedging transactions where the property or indebtedness which was the subject of the prior hedging transaction was extinguished or disposed of must be clearly identified as specified in Treasury regulations before the close of the day on which it was acquired, originated, or entered into.
- The penultimate paragraph under the heading “Taxation of UDR – Asset Tests” is clarified to acknowledge that the cure provision for de minimis violations applies to violations of the 5% asset test as well.
- The second sentence of the third paragraph under the heading “Taxation of Stockholders – Taxation of Non-U.S. Stockholders – Capital Gains Dividends” and the entirety of the fourth paragraph under the heading “Taxation of Stockholders – Taxation of Non-U.S. Stockholders – Dispositions of UDR Stock” are hereby clarified to establish that the exemption from FIRPTA for a “qualified foreign pension fund” also may apply to a “qualified controlled entity,” but in each case only if the qualified foreign pension fund or qualified controlled entity satisfies certain requirements to be a “qualified holder.” Moreover, Treasury regulations provide that a foreign partnership of which all of the interests are held by qualified holders, including through one or more partnerships, may certify its status as such and will generally not be treated as a non-U.S. person for purposes of withholding under FIRPTA.
- The second and third sentences of first paragraph under the heading “Taxation of Stockholders – Taxation of Tax-Exempt Stockholders” are hereby clarified to establish that dividend distributions from a REIT to a U.S. tax-exempt entity generally should not give rise to UBTI unless, (i) the tax-exempt entity hold its shares in the REIT as “debt-financed property,” or (ii) the tax-exempt entity is a “qualified trust” that holds more than 10% by value of the interests in the REIT and the REIT is a “pension-held REIT.” Additionally, income from the sale of our stock generally shall not give rise to UBTI unless the tax-exempt entity holds our stock as (i) “debt-financed property” or (ii) inventory or property held primarily for sale to customers in the ordinary course of a trade or business.
- The second paragraph under the heading “Taxation of Stockholders – Taxation of Tax-Exempt Stockholders” is hereby

revised to apply to just tax-exempt stockholders that are exempt from U.S. federal income taxation under Sections 501(c)(7), (c)(9) and (c)(17) of the Code.

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

Unregistered Sales of Equity Securities

From time to time the Company issues shares of the Company's common stock in exchange for operating partnership units ("OP Units") tendered to the Operating Partnership for redemption in accordance with the provisions of the Operating Partnership's limited partnership agreement. The holders of OP Units have the right to require the Operating Partnership to redeem all or a portion of their OP Units in exchange for a cash payment based on the market value of our common stock at the time of redemption. However, the Operating Partnership'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 the Company's common stock equal to the number of OP Units being redeemed.

During the three months ended March 31, 2024, we did not issue any shares of our common stock upon redemption of OP Units in reliance upon an exemption from registration provided by Section 4(a)(2) of the Securities Act of 1933.

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Repurchase of Equity Securities

In January 2008, UDR's Board of Directors authorized a 15 million share repurchase program. Under the share repurchase program, UDR may repurchase shares of our common stock in open market purchases, block purchases, privately negotiated transactions or otherwise. The following table summarizes all of UDR's repurchases of shares of common stock under this program during the three months ended March 31, 2024 (shares in thousands):

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan or Program	Maximum Number of Shares that May Yet Be Purchased Under the Plan or Program (a)
Beginning Balance	2,973	\$ 37.90	2,973	12,027
January 1, 2024 through January 31, 2024	—	—	—	12,027
February 1, 2024 through February 29, 2024	—	—	—	12,027
March 1, 2024 through March 31, 2024	—	—	—	12,027
Balance as of March 31, 2024	2,973	\$ 37.90	2,973	12,027

(a) This number reflects the amount of shares that were available for purchase under our 15 million share repurchase program authorized in January 2008.

During the three months ended March 31, 2024, certain of our employees surrendered shares of common stock owned by them to satisfy their statutory minimum federal and state tax obligations associated with the vesting of restricted shares of common stock issued under our 1999 Long-Term Incentive Plan (the "LTIP"). The following table summarizes all of these repurchases during the three months ended March 31, 2024 (shares in thousands):

Period	Total Number of Shares Purchased	Average Price Paid per Share (a)	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
January 1, 2024 through January 31, 2024	32	\$ 38.64	N/A	N/A
February 1, 2024 through February 29, 2024	24	35.96	N/A	N/A
March 1, 2024 through March 31, 2024	—	—	N/A	N/A

Total	<u>56</u>	<u>\$ 37.48</u>
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- (a) The price paid per share is based on the closing price of our common stock as of the date of the determination of the statutory minimum for federal and state tax obligations.

Item 3. DEFAULTS UPON SENIOR SECURITIES

None.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

Item 5. OTHER INFORMATION

During the three months ended March 31, 2024, no director or officer of the Company adopted or terminated a “Rule 10b5-1 trading arrangement” or a “non-Rule 10b5-1 trading arrangement,” as each term is defined in Item 408(a) of Regulation S-K.

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Item 6. EXHIBITS

<u>Exhibit No.</u>	<u>Description</u>
3.1	Articles of Restatement of UDR, Inc. (incorporated by reference to Exhibit 3.09 to UDR, Inc.'s Current Report on Form 8-K dated July 27, 2005 and filed with the SEC on August 1, 2005).
3.2	Articles of Amendment to the Articles of Restatement of UDR, Inc. dated and filed with the State Department of Assessments and Taxation of the State of Maryland on March 14, 2007 (incorporated by reference to Exhibit 3.2 to UDR, Inc.'s Current Report on Form 8-K dated March 14, 2007 and filed with the SEC on March 15, 2007).
3.3	Articles of Amendment to the Articles of Restatement of UDR, Inc. dated August 30, 2011 and filed with the State Department of Assessments and Taxation of the State of Maryland on August 31, 2011 (incorporated by reference to Exhibit 3.1 to UDR, Inc.'s Current Report on Form 8-K dated August 29, 2011 and filed with the SEC on September 1, 2011).
3.4	Articles of Amendment to the Articles of Restatement of UDR, Inc. dated and filed with the State Department of Assessments and Taxation of the State of Maryland on May 24, 2018 (incorporated by reference to Exhibit 3.1 to UDR, Inc.'s Current Report on Form 8-K dated May 24, 2018 and filed with the SEC on May 29, 2018).
3.5	Articles of Amendment to the Articles of Restatement of UDR, Inc. dated and filed with the State Department of Assessments and Taxation of the State of Maryland on July 27, 2021 (incorporated by reference to Exhibit 3.1 to UDR, Inc.'s Current Report on Form 8-K dated July 29, 2021 and filed with the SEC on July 29, 2021).
3.6	Articles Supplementary relating to UDR, Inc.'s 6.75% Series G Cumulative Redeemable Preferred Stock dated and filed with the State Department of Assessments and Taxation of the State of Maryland on May 30, 2007 (incorporated by reference to Exhibit 3.4 to UDR, Inc.'s Form 8-A Registration Statement dated and filed with the SEC on May 30, 2007).
3.7	Amended and Restated Bylaws of UDR, Inc. (as amended through May 24, 2018) (incorporated by reference to Exhibit 3.6 to UDR, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2018).
10.1	UDR, Inc. 1999 Long-Term Incentive Plan (as amended and restated February 19, 2024) (incorporated by reference to Exhibit 10.01 to UDR, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2023).
10.2	Executive Agreement dated February 15, 2024, by and between UDR, Inc. and Thomas W. Toomey (incorporated by reference to Exhibit 10.1 to UDR, Inc.'s Current Report on Form 8-K dated and filed with the SEC on February 20, 2024).
10.3	Letter Agreement, between UDR, Inc. and Mr. Alcock (including the related release agreement and Consulting Agreement as exhibits thereto), dated March 14, 2024 (incorporated by reference to Exhibit 10.1 to UDR, Inc.'s Current Report on Form 8-K dated and filed with the SEC on March 14, 2024).

- 22.1 [List of Guarantor Subsidiaries of UDR, Inc. \(incorporated by reference to Exhibit 22.1 to UDR Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2021\).](#)
- 31.1 [Rule 13a-14\(a\) Certification of the Chief Executive Officer of UDR, Inc.](#)
- 31.2 [Rule 13a-14\(a\) Certification of the Chief Financial Officer of UDR, Inc.](#)
- 32.1 [Section 1350 Certification of the Chief Executive Officer of UDR, Inc.](#)
- 32.2 [Section 1350 Certification of the Chief Financial Officer of UDR, Inc.](#)

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Exhibit No.	Description
101	Inline XBRL (Extensible Business Reporting Language). The following materials from this Quarterly Report on Form 10-Q for the period ended March 31, 2024, formatted in Inline XBRL: (i) consolidated balance sheets of UDR, Inc., (ii) consolidated statements of operations of UDR, Inc., (iii) consolidated statements of comprehensive income/(loss) of UDR, Inc., (iv) consolidated statements of changes in equity of UDR, Inc., (v) consolidated statements of cash flows of UDR, Inc. and (vi) notes to consolidated financial statements of UDR, Inc. The instance document does not appear in the interactive data file because its XBRL tags are embedded within the Inline XBRL document.
104	Cover Page Interactive Data File - the cover page XBRL tags are embedded within the Inline XBRL document.

SIGNATURES

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

Date: May 1, 2024	UDR, Inc. /s/ Joseph D. Fisher _____ Joseph D. Fisher President and Chief Financial Officer (Principal Financial Officer)
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