

UDR, Inc.
Form 10-Q
October 27, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
FORM 10-Q

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

For the quarterly period ended September 30, 2015

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

For the transition period from to

Commission file number

1-10524 (UDR, Inc.)

333-156002-01 (United Dominion Realty, L.P.)

UDR, Inc.

United Dominion Realty, L.P.

(Exact name of registrant as specified in its charter)

Maryland (UDR, Inc.)

54-0857512

Delaware (United Dominion Realty, L.P.)

54-1776887

(State or other jurisdiction of

(I.R.S. Employer

incorporation of organization)

Identification No.)

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

(Address of principal executive offices) (zip code)

(720) 283-6120

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

UDR, Inc. Yes x No o

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

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

UDR, Inc. Yes x No o

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

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

UDR, Inc.:

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

United Dominion Realty, L.P.:

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

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

UDR, Inc.

Yes No

United Dominion Realty, L.P.

Yes No

The number of shares of UDR, Inc.'s common stock, \$0.01 par value, outstanding as of October 26, 2015 was 262,015,237.

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UNITED DOMINION REALTY, L.P.

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EXPLANATORY NOTE

This Report combines the quarterly reports on Form 10-Q for the quarter ended September 30, 2015 of UDR, Inc., a Maryland corporation, and United Dominion Realty, L.P., a Delaware limited partnership, of which UDR, Inc. is the parent company and sole general partner. Unless the context otherwise requires, all references in this Report to “we,” “us,” “our,” the “Company,” “UDR” or “UDR, Inc.” refer collectively to UDR, Inc., together with its consolidated subsidiaries and joint ventures, including the Operating Partnership. Unless the context otherwise requires, the references in this Report to the “Operating Partnership” or the “OP” refer to United Dominion Realty, L.P. together with its consolidated subsidiaries. “Common stock” refers to the common stock of UDR and “stockholders” means the holders of shares of UDR’s common stock and preferred stock. The limited partnership interests of the Operating Partnership are referred to as the “OP Units” and the holders of the OP Units are referred to as “unitholders.” This combined Form 10-Q is being filed separately by UDR and the Operating Partnership.

There are a number of differences between our Company and our Operating Partnership, which are reflected in our disclosure in this Report. UDR is a real estate investment trust (a “REIT”), whose most significant asset is its ownership interest in the Operating Partnership. UDR also conducts business through other subsidiaries, including its taxable REIT subsidiaries (“TRS”), whose activities include development of land and land entitlement. UDR acts as the sole general partner of the Operating Partnership, holds interests in subsidiaries and joint ventures, owns and operates properties, issues securities from time to time and guarantees debt of certain of our subsidiaries. The Operating Partnership conducts the operations of a substantial portion of the business and is structured as a partnership with no publicly traded equity securities. The Operating Partnership has guaranteed certain outstanding debt of UDR. As of September 30, 2015, UDR owned 110,883 units (100%) of the general partnership interests of the Operating Partnership and 174,114,516 units (approximately 95.1%) of the limited partnership interests of the Operating Partnership. UDR conducts a substantial amount of its business and holds a substantial amount of its assets through the Operating Partnership, and, by virtue of its ownership of the OP Units and being the Operating Partnership’s sole general partner, UDR has the ability to control all of the day-to-day operations of the Operating Partnership. Separate financial statements and accompanying notes, as well as separate discussions under “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” are provided for each of UDR and the Operating Partnership.

UDR, INC.

CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share data)

	September 30, 2015 (unaudited)	December 31, 2014 (audited)
ASSETS		
Real estate owned:		
Real estate held for investment	\$8,162,463	\$8,205,627
Less: accumulated depreciation	(2,557,490)	(2,434,772)
Real estate held for investment, net	5,604,973	5,770,855
Real estate under development (net of accumulated depreciation of \$0)	104,080	177,632
Real estate held for disposition (net of accumulated depreciation of \$90,014 and \$0)	116,420	—
Total real estate owned, net of accumulated depreciation	5,825,473	5,948,487
Cash and cash equivalents	1,321	15,224
Restricted cash	23,722	22,340
Deferred financing costs, net	20,206	22,686
Notes receivable, net	15,494	14,369
Investment in and advances to unconsolidated joint ventures, net	921,925	718,226
Other assets	114,589	105,202
Total assets	\$6,922,730	\$6,846,534
LIABILITIES AND EQUITY		
Liabilities:		
Secured debt	\$1,346,992	\$1,361,529
Unsecured debt	2,166,242	2,221,576
Real estate taxes payable	32,326	15,978
Accrued interest payable	23,577	34,215
Security deposits and prepaid rent	33,879	34,064
Distributions payable	75,937	69,460
Accounts payable, accrued expenses, and other liabilities	56,401	91,282
Total liabilities	3,735,354	3,828,104
Commitments and contingencies (Note 12)		
Redeemable noncontrolling interests in the Operating Partnership	312,158	282,480
Equity:		
Preferred stock, no par value; 50,000,000 shares authorized:		
8.00% Series E Cumulative Convertible; 2,796,903 and 2,803,812 shares issued and outstanding at September 30, 2015 and December 31, 2014, respectively	46,457	46,571
Common stock, \$0.01 par value; 350,000,000 shares authorized:		
262,015,237 and 255,114,603 shares issued and outstanding at September 30, 2015 and December 31, 2014, respectively	2,620	2,551
Additional paid-in capital	4,449,555	4,223,747
Distributions in excess of net income	(1,610,086)	(1,528,917)
Accumulated other comprehensive income/(loss), net	(14,187)	(8,855)
Total stockholders' equity	2,874,359	2,735,097
Noncontrolling interests	859	853
Total equity	2,875,218	2,735,950

Total liabilities and equity	\$6,922,730	\$6,846,534
See accompanying notes to consolidated financial statements.		

UDR, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
REVENUES:				
Rental income	\$217,765	\$203,587	\$637,576	\$598,898
Joint venture management and other fees	3,653	3,165	19,457	9,599
Total revenues	221,418	206,752	657,033	608,497
OPERATING EXPENSES:				
Property operating and maintenance	39,478	39,086	113,922	112,646
Real estate taxes and insurance	24,722	24,697	76,082	73,844
Property management	5,988	5,598	17,533	16,470
Other operating expenses	2,639	2,009	6,174	6,097
Real estate depreciation and amortization	90,568	89,339	269,689	266,748
General and administrative	15,824	11,554	41,697	36,078
Casualty-related charges/(recoveries), net	541	—	2,380	500
Other depreciation and amortization	1,457	1,385	4,780	3,658
Total operating expenses	181,217	173,668	532,257	516,041
Operating income	40,201	33,084	124,776	92,456
Income/(loss) from unconsolidated entities	2,691	(939)	61,277	(4,932)
Interest expense	(30,232)	(33,087)	(88,705)	(97,662)
Interest income and other income/(expense), net	402	9,061	1,144	11,902
Income/(loss) before income taxes, discontinued operations, and gain/(loss) on sale of real estate owned	13,062	8,119	98,492	1,764
Tax benefit/(expense), net	633	2,492	2,462	8,011
Income/(loss) from continuing operations	13,695	10,611	100,954	9,775
Income/(loss) from discontinued operations, net of tax	—	79	—	10
Income/(loss) before gain/(loss) on sale of real estate owned	13,695	10,690	100,954	9,785
Gain/(loss) on sale of real estate owned, net of tax	—	31,302	79,042	82,305
Net income/(loss)	13,695	41,992	179,996	92,090
Net (income)/loss attributable to redeemable noncontrolling interests in the Operating Partnership	(405)	(1,447)	(6,022)	(3,171)
Net (income)/loss attributable to noncontrolling interests	1	4	(6)	(2)
Net income/(loss) attributable to UDR, Inc.	13,291	40,549	173,968	88,917
Distributions to preferred stockholders — Series E (Convertible)	(930)	(931)	(2,792)	(2,793)
Net income/(loss) attributable to common stockholders	\$12,361	\$39,618	\$171,176	\$86,124
Income/(loss) per weighted average common share — basic:				
Income/(loss) from continuing operations attributable to common stockholders	\$0.05	\$0.16	\$0.66	\$0.34
Income/(loss) from discontinued operations attributable to common stockholders	—	—	—	—
Net income/(loss) attributable to common stockholders	\$0.05	\$0.16	\$0.66	\$0.34
Income/(loss) per weighted average common share — diluted:				
Income/(loss) from continuing operations attributable to common stockholders	\$0.05	\$0.16	\$0.66	\$0.34

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Income/(loss) from discontinued operations attributable to common stockholders	—	—	—	—
Net income/(loss) attributable to common stockholders	\$0.05	\$0.16	\$0.66	\$0.34
Common distributions declared per share	0.2775	0.2600	\$0.8325	0.7800
Weighted average number of common shares outstanding — basic	259,114	251,655	257,940	250,701
Weighted average number of common shares outstanding — diluted	261,207	253,732	260,020	252,675

See accompanying notes to consolidated financial statements.

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UDR, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME/(LOSS)

(In thousands)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net income/(loss)	\$ 13,695	\$ 41,992	\$ 179,996	\$ 92,090
Other comprehensive income/(loss), including portion attributable to noncontrolling interests:				
Other comprehensive income/(loss) - derivative instruments:				
Unrealized holding gain/(loss)	(5,707	) 362	(7,072	) 611
(Gain)/loss reclassified into earnings from other comprehensive income/(loss)	536	1,130	1,565	3,809
Other comprehensive income/(loss), including portion attributable to noncontrolling interests	(5,171	) 1,492	(5,507	) 4,420
Comprehensive income/(loss)	8,524	43,484	174,489	96,510
Comprehensive (income)/loss attributable to noncontrolling interests	(230	) (1,500	) (5,853	) (3,336
Comprehensive income/(loss) attributable to UDR, Inc.	\$ 8,294	\$ 41,984	\$ 168,636	\$ 93,174

See accompanying notes to consolidated financial statements.

UDR, INC.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(In thousands, except share and per share data)

(Unaudited)

	Preferred Stock		Common Stock			Distributions in Excess of Net Income	Accumulated Other Comprehensive Income/(Loss), net	Noncontrolling Interests	Total
	Shares	Amount	Shares	Amount	Paid-in Capital				
Balance at December 31, 2014	2,803,812	\$46,571	255,114,603	\$2,551	\$4,223,747	\$(1,528,917)	\$(8,855)	\$853	\$2,735,950
Net income/(loss) attributable to UDR, Inc.	—	—	—	—	—	173,968	—	—	173,968
Net income/(loss) attributable to noncontrolling interests	—	—	—	—	—	—	—	6	6
Other comprehensive income/(loss)	—	—	—	—	—	—	(5,332)	—	(5,332)
Issuance/(forfeiture) of common and restricted shares, net	—	—	441,344	4	11,810	—	—	—	11,814
Issuance of common shares through public offering	—	—	6,339,636	63	210,068	—	—	—	210,131
Conversion of Series E Cumulative Convertible shares	(6,909)	(114)	7,480	—	114	—	—	—	—
Adjustment for conversion of noncontrolling interest of unitholders in the Operating Partnership	—	—	112,174	2	3,816	—	—	—	3,818
Common stock distributions declared (\$0.8325 per share)	—	—	—	—	—	(216,837)	—	—	(216,837)
Preferred stock distributions declared-Series E (\$0.9966 per share)	—	—	—	—	—	(2,792)	—	—	(2,792)
	—	—	—	—	—	(35,508)	—	—	(35,508)

Adjustment to
 reflect redemption
 value of redeemable
 noncontrolling
 interests

Balance at September 30, 2015	2,796,903	\$46,457	262,015,237	\$2,620	\$4,449,555	\$(1,610,086)	\$(14,187)	\$859	\$2,875,218
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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)

	Nine Months Ended September 30,	
	2015	2014
Operating Activities		
Net income/(loss)	\$ 179,996	\$ 92,090
Adjustments to reconcile net income/(loss) to net cash provided by/(used in) operating activities:		
Depreciation and amortization	274,469	270,405
(Gain)/loss on sale of real estate owned, net of tax	(79,042	) (82,380)
Tax (benefit)/provision, net	(2,462	) (8,049)
(Income)/loss from unconsolidated entities	(61,277	) 4,932
Casualty-related (recoveries)/charges, net	2,380	500
Other	17,839	19,952
Changes in operating assets and liabilities:		
(Increase)/decrease in operating assets	(10,026	) (5,870)
Increase/(decrease) in operating liabilities	(16,075	) (9,602)
Net cash provided by/(used in) operating activities	305,802	281,978
Investing Activities		
Acquisition of real estate assets	—	(199,012)
Proceeds from sale of real estate investments, net	90,543	233,913
Development of real estate assets	(91,385	) (160,643)
Capital expenditures and other major improvements — real estate assets, net of escrow reimbursement	(80,119	) (82,332)
Capital expenditures — non-real estate assets	(2,684	) (4,277)
Investment in unconsolidated joint ventures	(195,607	) (167,160)
Distributions received from unconsolidated joint ventures	53,185	17,884
Purchase deposits on pending acquisitions	(1,000	) (4,000)
(Issuance)/repayment of notes receivable	(1,125	) 64,715
Net cash provided by/(used in) investing activities	(228,192	) (300,912)
Financing Activities		
Payments on secured debt	(6,861	) (44,390)
Proceeds from the issuance of secured debt	—	5,502
Payments on unsecured debt	(325,429	) (312,500)
Proceeds from the issuance of unsecured debt	299,310	298,956
Net proceeds/(repayment) of revolving bank debt	(42,500	) 160,000
Proceeds from the issuance of common shares through public offering	210,131	99,991
Distributions paid to redeemable noncontrolling interests	(7,761	) (7,419)
Distributions paid to preferred stockholders	(2,792	) (2,793)
Distributions paid to common stockholders	(210,458	) (189,742)
Other	(5,153	) (4,315)
Net cash provided by/(used in) financing activities	(91,513	) 3,290
Net increase/(decrease) in cash and cash equivalents	(13,903	) (15,644)
Cash and cash equivalents, beginning of period	15,224	30,249
Cash and cash equivalents, end of period	1,321	14,605

	Nine Months Ended September 30,	
	2015	2014
Supplemental Information:		
Interest paid during the period, net of amounts capitalized	\$101,618	\$105,232
Non-cash transactions:		
Acquisition of real estate	\$24,067	\$—
Fair value adjustment of debt acquired as part of acquisition of real estate	\$1,363	\$—
Conversion of Operating Partnership noncontrolling interest to common stock (112,174 shares in 2015 and 151,453 shares in 2014)	\$3,818	\$4,318
See accompanying notes to consolidated financial statements.		

UDR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

1. CONSOLIDATION AND BASIS OF PRESENTATION

Consolidation and Basis of Presentation

UDR, Inc., collectively with our consolidated subsidiaries (“UDR,” the “Company,” “we,” “our,” or “us”), is a self-administered real estate investment trust, or REIT, that owns, operates, acquires, renovates, develops, redevelops, and manages apartment communities. The accompanying consolidated financial statements include the accounts of UDR and its subsidiaries, including United Dominion Realty, L.P. (the “Operating Partnership” or the “OP”). As of September 30, 2015, there were 183,278,698 units in the Operating Partnership outstanding, of which 174,225,399 units, or 95.1%, were owned by UDR and 9,053,299 units, or 4.9%, were owned by limited partners. The consolidated financial statements of UDR include the noncontrolling interests of the unitholders in the Operating Partnership.

The accompanying interim unaudited consolidated financial statements have been prepared according to the rules and regulations of the Securities and Exchange Commission. Certain information and note disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted according to such rules and regulations, although management believes that the disclosures are adequate to make the information presented not misleading. In the opinion of management, all adjustments and eliminations necessary for the fair presentation of our financial position as of September 30, 2015, and results of operations for the three and nine months ended September 30, 2015 and 2014 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, 2014 appearing in UDR’s Annual Report on Form 10-K, filed with the Securities and Exchange Commission on February 24, 2015.

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.

2. SIGNIFICANT ACCOUNTING POLICIES

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, Revenue from Contracts with Customers. The standard provides companies with a single model for use in accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance, including industry-specific revenue guidance. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The standard specifically excludes lease contracts. The ASU allows for the use of either the full or modified retrospective transition method, and the standard will be effective for the Company on January 1, 2018; early adoption is permitted on January 1, 2017. The Company has not yet selected a transition method and we are currently evaluating the effect that the updated standard will have on our consolidated financial statements and related disclosures.

In April 2015, the FASB issued ASU 2015-03, Simplifying the Presentation of Debt Issuance Costs, to revise the presentation of debt issuance costs. Under ASU 2015-03, entities will present debt issuance costs in their balance sheet as a direct deduction from the related debt liability rather than as an asset. Amortization of the deferred costs will continue to be included in interest expense. ASU 2015-03 does not directly address presentation or subsequent

measurement of issuance costs related to line-of-credit arrangements. In August 2015, the FASB issued ASU 2015-15, Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements, which clarifies that such costs may be presented as an asset and subsequently amortized over the term of the line-of-credit arrangement. The cumulative guidance, which is to be applied retrospectively to all prior periods, is effective for fiscal years beginning after December 15, 2015, with early adoption permitted for financial statements that have not been previously issued. The Company does not expect ASU 2015-03 or ASU 2015-15 to have a significant effect on its consolidated financial statements.

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UDR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

SEPTEMBER 30, 2015

In February 2015, the FASB issued ASU 2015-02, Amendments to the Consolidation Analysis, which makes changes to both the variable interest model and the voting model. Among other changes, the new standard specifically eliminates the presumption in the current voting model that a general partner controls a limited partnership or similar entity unless that presumption can be overcome. The new standard will be effective for the Company beginning on January 1, 2016 and early adoption is permitted, including adoption in an interim period. The new standard must be applied using a modified retrospective approach by recording a cumulative-effect adjustment to equity/capital as of the beginning of the period of adoption or retrospectively to each period presented. The Company is currently evaluating the impact of adopting the new standard on its consolidated financial statements.

Discontinued Operations

In accordance with GAAP, a discontinued operation represents (1) a component of an entity or group of components that has been disposed of or is classified as held for sale in a single transaction and represents a strategic shift that has or will have a major effect on an entity's financial results, or (2) an acquired business that is classified as held for sale on the date of acquisition. A strategic shift could include a disposal of (1) a separate major line of business, (2) a separate major geographic area of operations, (3) a major equity method investment, or (4) other major parts of an entity.

We record sales of real estate that do not meet the definition of a discontinued operation in Gain/(loss) on sale of real estate owned, net of tax on the Consolidated Statements of Operations.

Revenue and Real Estate Sales Gain Recognition

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

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

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

Notes Receivable

The following table summarizes our notes receivable, net as of September 30, 2015 and December 31, 2014 (dollars in thousands):

Interest rate at September 30, 2015	Balance outstanding	
	September 30, 2015	December 31, 2014

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Note due February 2017 (a)	10.00	%	\$ 12,994	\$ 11,869
Note due July 2017 (b)	8.00	%	2,500	2,500
Total notes receivable, net			\$ 15,494	\$ 14,369

(a) The Company has a secured note receivable with an unaffiliated third party with an aggregate commitment of \$13.0 million. During the nine months ended September 30, 2015, the Company loaned an additional \$1.1 million. Interest payments are due monthly. The note matures at the earliest of the following: (a) the closing of any private or public capital raising in the

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UDR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

SEPTEMBER 30, 2015

amount of \$5.0 million or greater; (b) an acquisition; (c) acceleration in the event of default; or (d) the fifth anniversary of the date of the note (February 2017).

(b) The Company has a secured note receivable with an unaffiliated third party with an aggregate commitment of \$2.5 million. Interest payments are due monthly. The note matures at the earliest of the following: (a) the closing of any private or public capital raising in the amount of \$5.0 million or greater; (b) an acquisition; (c) acceleration in the event of default; or (d) the fifth anniversary of the date of the note (July 2017).

The Company recognized \$0.4 million of interest income from notes receivable during the three months ended September 30, 2015 and 2014 and \$1.1 million and \$3.0 million during the nine months ended September 30, 2015 and 2014, respectively, none of which was related party interest income. Interest income is included in Interest income and other income/(expense), net on the Consolidated Statements of Operations.

Comprehensive Income/(Loss)

Comprehensive income/(loss), which is defined as the change in equity during each period from transactions and other events and circumstances from nonowner sources, including all changes in equity during a period except for those resulting from investments by or distributions to stockholders, is displayed in the accompanying Consolidated Statements of Comprehensive Income/(Loss). For the three and nine months ended September 30, 2015 and 2014, the Company's other comprehensive income/(loss) consisted of the gain/(loss) (effective portion) on derivative instruments that are designated as and qualify as cash flow hedges, (gain)/loss on derivative instruments reclassified from other comprehensive income/(loss) into earnings, and the allocation of other comprehensive income/(loss) to redeemable noncontrolling interests. The (gain)/loss on derivative instruments reclassified from other comprehensive income/(loss) is included in Interest expense on the Consolidated Statements of Operations. See Note 10, Derivatives and Hedging Activity, for further discussion. The allocation of other comprehensive income/(loss) to redeemable noncontrolling interests was \$(0.2) million and \$0.1 million during the three months ended September 30, 2015 and 2014, respectively, and \$(0.2) million and \$0.2 million during the nine months ended September 30, 2015 and 2014, 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 are generally the result of differing depreciable lives on capitalized assets and timing of expense recognition for certain accrued liabilities. As of September 30, 2015, UDR's net deferred tax asset was \$10.5 million (net of a valuation allowance of less than \$0.1 million), which is included in Other assets on the Consolidated Balance Sheets.

GAAP defines a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. GAAP also provides guidance on derecognition, classification, interest and penalties, accounting for interim periods, disclosure and transition.

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

Second, the Company will determine the amount of benefit to recognize and record the amount that is more likely than not to be realized upon ultimate settlement.

UDR had no material unrecognized tax benefit, accrued interest or penalties at September 30, 2015. UDR and its subsidiaries are subject to federal income tax as well as income tax of various state and local jurisdictions. The tax years 2011

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UDR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

SEPTEMBER 30, 2015

through 2014 remain open to examination by tax jurisdictions to which we are subject. When applicable, UDR recognizes interest and/or penalties related to uncertain tax positions in Tax benefit/(expense), net on the Consolidated Statements of Operations.

3. REAL ESTATE OWNED

Real estate assets owned by the Company consist of income producing operating properties, properties under development, land held for future development, and sold or held for disposition properties. The Company had eight communities with a total of 1,755 apartment homes that met the criteria to be classified as held for disposition at September 30, 2015. The communities are located in Virginia Beach, Hampton and Yorktown, VA, Columbia, MD, Pinellas Park, FL, Orange County, CA, and Oxnard, CA. As of September 30, 2015, the Company owned and consolidated 136 communities in 10 states plus the District of Columbia totaling 39,405 apartment homes. The following table summarizes the carrying amounts for our real estate owned (at cost) as of September 30, 2015 and December 31, 2014 (dollars in thousands):

	September 30, 2015	December 31, 2014
Land and land improvements	\$1,840,823	\$1,980,221
Depreciable property — held and used:		
Building, improvements, and furniture, fixtures and equipment	6,321,640	6,225,406
Under development:		
Land and land improvements	78,085	24,584
Building, improvements, and furniture, fixtures and equipment	25,995	153,048
Real estate held for disposition:		
Land and land improvements	81,080	—
Building, improvements, and furniture, fixtures and equipment	125,354	—
Real estate owned	8,472,977	8,383,259
Accumulated depreciation	(2,647,504)	(2,434,772)
Real estate owned, net	\$5,825,473	\$5,948,487

In February 2015, the Company acquired an office building in Highlands Ranch, Colorado, for total consideration of approximately \$24.0 million, which was comprised of assumed debt. The Company's corporate offices, as well as other leased office space, are located in the acquired building. The building consists of approximately 120,000 square feet. All existing leases were assumed by the Company at the time of acquisition.

During the nine months ended September 30, 2015, the Company sold three communities with a total of 812 apartment homes for gross proceeds of \$109.9 million, resulting in net proceeds of \$90.5 million and a total gain, net of tax, of \$79.0 million. A portion of the sale proceeds were designated as a tax-deferred exchange related to a 2014 acquisition under Section 1031 of the Internal Revenue Code.

Predevelopment, development, and redevelopment projects and related costs are capitalized and reported on the Consolidated Balance Sheets as Total real estate owned, net of accumulated depreciation. The Company capitalizes costs directly related to the predevelopment, development, and redevelopment of a capital project, which include, but are not limited to, interest, real estate taxes, insurance, and allocated development and redevelopment overhead related to support costs for personnel working on the capital projects. We use our professional judgment in determining whether such costs meet the criteria for capitalization or must be expensed as incurred. These costs are capitalized only during the period in which activities necessary to ready an asset for its intended use are in progress and such

costs are incremental and identifiable to a specific activity to get the asset ready for its intended use. These costs, excluding the direct costs of development and redevelopment and capitalized interest, were \$1.7 million and \$1.7 million for the three months ended September 30, 2015 and 2014, respectively, and \$5.5 million and \$7.2 million for the nine months ended September 30, 2015 and 2014, respectively. Total interest capitalized was \$3.6 million and \$5.2 million for the three months ended September 30, 2015 and 2014, respectively, and \$12.2 million and \$15.4 million for the nine months ended September 30, 2015 and 2014, respectively. As each home in a

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UDR, INC.

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SEPTEMBER 30, 2015

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

4. DISCONTINUED OPERATIONS

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

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

The following is a summary of income/(loss) from discontinued operations, net of tax for the three and nine months ended September 30, 2015 and 2014 (dollars in thousands):

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Rental income	\$—	\$21	\$—	\$147
Rental expenses	—	11	—	225
Property management	—	1	—	4
Interest income and other (income)/expense, net	—	3	—	21
Income/(loss) attributable to disposed properties and assets held for sale	—	6	—	(103)
Net gain/(loss) on the sale of depreciable properties	—	75	—	75
Income tax benefit/(expense)	—	(2)	—	38
Income/(loss) from discontinued operations, net of tax	\$—	\$79	\$—	\$10
Income/(loss) from discontinued operations attributable to UDR, Inc.	\$—	\$73	\$—	\$6

5. JOINT VENTURES AND PARTNERSHIPS

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

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

associated with our joint ventures and partnerships.

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UDR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

SEPTEMBER 30, 2015

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 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 September 30, 2015 and December 31, 2014 (dollars in thousands):

Joint Venture	Location of Properties	Number of Properties September 30, 2015	Number of Apartment Homes September 30, 2015	Investment at		UDR's Ownership Interest			
				September 30, 2015	December 31, 2014	September 30, 2015	December 31, 2014		
Operating and development:									
UDR/MetLife I	Various	4 land parcels	—	\$14,804	\$13,306	16.4	%	15.7	%
UDR/MetLife II	Various	21 operating communities	4,642	425,963	431,277	50.0	%	50.0	%
Other UDR/MetLife Development Joint Ventures	Various	1 operating community; 4 development communities (a); 1 land parcel	1,437	163,961	134,939	50.6	%	50.6	%
UDR/MetLife Vitruvian Park®	Addison, TX	3 operating communities 6 land parcels	1,130	73,618	80,302	50.0	%	50.0	%
UDR/KFH	Washington, D.C.	3 operating communities	660	18,308	21,596	30.0	%	30.0	%
Texas (b)	Texas	—	—	—	(25,901)	—	%	20.0	%
Investment in and advances to unconsolidated joint ventures, net, before participating loan investment and preferred equity investment			695,980,000	696,654	655,519				

Participating loan investment:	Location	Rate	Years To Maturity	Investment at		Income from Investment			
				September 30, 2015	December 31, 2014	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
Steele Creek	Denver, CO	6.5%	1.8	89,498	62,707	\$1,458	\$642	\$3,964	\$1,419

Preferred equity investment:

West Coast Development Joint Venture	Various	6.5%	—	135,773	—	\$2,086\$—	\$1,578\$—
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(c)

Total investment in and advances to unconsolidated joint ventures, net	\$921,925	\$718,226
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The number of apartment homes for the communities under development presented in the table above is based on (a) the projected number of total homes. As of September 30, 2015, no apartment homes had been completed in Other UDR/MetLife Development Joint Ventures.

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UDR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

SEPTEMBER 30, 2015

(b) In January 2015, the eight communities held by the Texas Joint Venture were sold, generating net proceeds to UDR of \$43.5 million. The Company recorded promote and disposition fee income of \$9.6 million and a gain of \$59.1 million (including \$24.2 million of previously deferred gains) in connection with the sale.

(c) In May 2015, the Company entered into a joint venture agreement with real estate private equity firm, The Wolff Company ("Wolff"), and agreed to pay \$136.3 million for a 48 percent interest in a portfolio of five communities that are currently under construction (the "West Coast Development Joint Venture"). As of September 30, 2015, the Company had funded \$129.6 million of its investment and had a remaining commitment of \$6.7 million. The communities are located in three of the Company's core, coastal markets: Metro Seattle, Los Angeles and Orange County, CA. UDR earns a 6.5 percent preferred return on its investment through each individual community's date of stabilization, defined as when a community reaches 80 percent occupancy for ninety consecutive days, while Wolff is allocated all operating income and expense during the pre-stabilization period. Upon stabilization, income and expense will be shared based on each partner's ownership percentage. The Company will serve as property manager and be paid a management fee during the lease-up phase and subsequent operation of each of the communities. Wolff is the general partner of the joint venture and the developer of the communities.

The Company has a fixed price option to acquire Wolff's remaining interest in each community beginning one year after completion. If the options are exercised for all five communities, the Company's total price will be \$597.4 million. In the event the Company does not exercise its options to purchase at least two communities, Wolff will be entitled to earn a contingent disposition fee equal to 6.5 percent return on its implied equity in the communities not acquired. Wolff is providing certain guaranties and there are construction loans on all five communities. Once completed, the five communities will contain 1,533 homes.

The Company has concluded it does not control the joint venture and accounts for it under the equity method of accounting. The Company's recorded equity investment in the West Coast Development Joint Venture at September 30, 2015 of \$135.8 million is inclusive of outside basis costs and our accrued but unpaid preferred return. During the three months ended September 30, 2015, the Company earned a preferred return of \$2.1 million. During the nine months ended September 30, 2015, the Company earned a preferred return of \$3.1 million, offset by its share of the West Coast Development Joint Venture transaction expenses of \$1.5 million.

As of September 30, 2015 and December 31, 2014, the Company had deferred fees and deferred profit from the sale of properties to joint ventures or partnerships of \$9.3 million and \$28.5 million, respectively, which will be recognized through income over the weighted average life of the related properties, upon the disposition of the properties to a third party, or upon completion of certain development obligations.

The Company recognized management fees for our management of the joint ventures and partnerships of \$3.3 million and \$2.7 million for the three months ended September 30, 2015 and 2014, respectively, and \$8.5 million and \$8.3 million for the nine months ended September 30, 2015 and 2014, respectively. The management fees are included in Joint venture management and other fees on the Consolidated Statements of Operations.

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

We evaluate our investments in unconsolidated joint ventures and partnerships when events or changes in circumstances indicate that there may be an other-than-temporary decline in value. We consider various factors to determine if a decrease in the value of the investment is other-than-temporary. The Company did not recognize any other-than-temporary decreases in the value of its investments in unconsolidated joint ventures or partnerships during the three and nine months ended September 30, 2015 and 2014.

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UDR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

SEPTEMBER 30, 2015

Combined summary balance sheets relating to all of the unconsolidated joint ventures and partnerships (not just our proportionate share) are presented below as of September 30, 2015 and December 31, 2014 (dollars in thousands):

	September 30, 2015	December 31, 2014
Total real estate, net	\$3,074,723	\$2,941,803
Assets held for sale	—	216,196
Cash and cash equivalents	37,768	32,544
Other assets	44,259	28,707
Total assets	\$3,156,750	\$3,219,250
Amount due to UDR	\$7,465	\$2,997
Third party debt	1,586,380	1,504,477
Liabilities held for sale	—	229,706
Accounts payable and accrued liabilities	87,730	44,335
Total liabilities	1,681,575	1,781,515
Total equity	1,475,175	1,437,735
Total liabilities and equity	\$3,156,750	\$3,219,250

UDR's investment in unconsolidated joint ventures

\$921,925 \$718,226

Combined summary financial information relating to all of the unconsolidated joint ventures' and partnerships' operations (not just our proportionate share), is presented below for the three and nine months ended September 30, 2015 and 2014 (dollars in thousands):

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Total revenues	\$55,948	\$52,804	\$165,944	\$140,138
Property operating expenses	(21,981)	(19,837)	(63,692)	(52,197)
Real estate depreciation and amortization	(18,272)	(19,158)	(57,026)	(50,654)
Operating income/(loss)	15,695	13,809	45,226	37,287
Interest expense	(16,310)	(15,755)	(48,540)	(42,833)
Other income/(expense)	(182)	—	(190)	—
Income/(loss) from discontinued operations	(37)	(2,891)	182,452	(37,579)
Net income/(loss)	\$(834)	\$(4,837)	\$178,948	\$(43,125)
UDR income/(loss) from unconsolidated entities	\$2,691	\$(939)	\$61,277	\$(4,932)

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UDR, INC.

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SEPTEMBER 30, 2015

6. SECURED AND UNSECURED DEBT

The following is a summary of our secured and unsecured debt at September 30, 2015 and December 31, 2014 (dollars in thousands):

	Principal Outstanding		Nine Months Ended September 30, 2015		Number of Communities Encumbered
	September 30, 2015	December 31, 2014	Weighted Average Interest Rate	Weighted Average Years to Maturity	
Secured Debt:					
Fixed Rate Debt					
Mortgage notes payable (a)	\$406,183	\$401,210	5.51	% 0.9	7
Fannie Mae credit facilities (b)	565,394	568,086	5.12	% 3.3	21
Total fixed rate secured debt	971,577	969,296	5.28	% 2.3	28
Variable Rate Debt					
Mortgage notes payable	31,337	31,337	2.00	% 1.3	1
Tax-exempt secured notes payable (c)	94,700	94,700	0.75	% 7.4	2
Fannie Mae credit facilities (b)	249,378	266,196	1.65	% 4.5	7
Total variable rate secured debt	375,415	392,233	1.45	% 5.0	10
Total Secured Debt	1,346,992	1,361,529	4.21	% 3.0	38
Unsecured Debt:					
Commercial Banks					
Borrowings outstanding under an unsecured credit facility due December 2017 (d) (g)	110,000	152,500	1.19	% 2.2	
Senior Unsecured Notes					
5.25% Medium-Term Notes due					
January 2015 (net of discounts of \$0 and \$6, respectively) (e)	—	325,169	—	% —	
5.25% Medium-Term Notes due					
January 2016	83,260	83,260	5.25	% 0.3	
6.21% Term Notes due July 2016					
	12,351	—	6.21	% 0.8	
4.25% Medium-Term Notes due June 2018					
(net of discounts of \$1,144 and \$1,465, respectively) (g)	298,856	298,535	4.25	% 2.7	
1.70% Term Notes due June 2018 (g)					
	215,000	215,000	1.70	% 2.7	
1.53% Term Notes due June 2018 (g)					
	100,000	100,000	1.53	% 2.7	
1.35% Term Notes due June 2018 (g)					
	35,000	35,000	1.35	% 2.7	
3.70% Medium-Term Notes due October					
2020 (net of discounts of \$40 and \$46, respectively) (g)	299,960	299,954	3.70	% 5.0	
4.63% Medium-Term Notes due January					
2022 (net of discounts of \$2,254 and \$2,523, respectively) (g)		397,477	4.63	% 6.3	

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3.75% Medium-Term Notes due July 2024 (net of discount of \$912 and \$990, respectively) (g)	299,088	299,010	3.75	% 8.8
8.50% Debentures due September 2024	15,644	15,644	8.50	% 9.0
4.00% Medium-Term Notes due October 2025 (net of discount of \$688 and \$0, respectively) (f) (g)	299,312	—	4.00	% 10.0
Other	25	27	N/A	N/A
Total Unsecured Debt	2,166,242	2,221,576	3.72	% 5.5
Total Debt	\$3,513,234	\$3,583,105	3.91	% 4.5

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UDR, INC.

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SEPTEMBER 30, 2015

Our secured debt instruments generally feature either monthly interest and principal or monthly interest-only payments with balloon payments due at maturity. For purposes of classification of the above table, variable rate debt with a derivative financial instrument designated as a cash flow hedge is deemed as fixed rate debt due to the Company having effectively established a fixed interest rate for the underlying debt instrument. As of September 30, 2015, secured debt encumbered \$2.3 billion or 26.6% of UDR's total real estate owned based upon gross book value (\$6.2 billion or 73.4% of UDR's real estate owned based on gross book value is unencumbered).

(a) At September 30, 2015, fixed rate mortgage notes payable are generally due in monthly installments of principal and interest and mature at various dates from December 2015 through May 2019 and carry interest rates ranging from 3.43% to 6.16%.

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 to interest expense over the life of the underlying debt instrument. The Company had a reduction to interest expense based on the amortization of the fair market adjustment of debt assumed in the acquisition of properties of \$1.3 million and \$1.3 million during the three months ended September 30, 2015 and 2014, respectively, and \$3.7 million and \$3.8 million during the nine months ended September 30, 2015 and 2014, respectively. The unamortized fair market adjustment was a net premium of \$4.4 million and \$6.7 million at September 30, 2015 and December 31, 2014, respectively.

(b) UDR has three secured credit facilities with Fannie Mae with an aggregate commitment of \$814.8 million at September 30, 2015. The Fannie Mae credit facilities mature at various dates from May 2017 through July 2023 and bear interest at floating and fixed rates. At September 30, 2015, \$565.4 million of the outstanding balance was fixed and had a weighted average interest rate of 5.12% and the remaining balance of \$249.4 million had a weighted average variable interest rate of 1.65%.

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

	September 30, 2015	December 31, 2014		
Borrowings outstanding	\$814,772	\$834,282		
Weighted average borrowings during the period ended	825,311	835,873		
Maximum daily borrowings during the period ended	834,003	837,564		
Weighted average interest rate during the period ended	4.0	% 4.1	%	%
Weighted average interest rate at the end of the period	4.1	% 4.0	%	%

(c) The variable rate mortgage notes payable that secure tax-exempt housing bond issues mature in August 2019 and March 2032. Interest on these notes is payable in monthly installments. The variable rate mortgage notes have interest rates of 0.75% and 0.76% as of September 30, 2015.

(d) As of September 30, 2015, the Company has a \$900 million unsecured revolving credit facility that matures in December 2017. The credit facility has a six month extension option and contains an accordion feature that allows us to increase the facility to \$1.45 billion. Based on the Company's current credit rating, the credit facility carries an interest rate equal to LIBOR plus a spread of 100 basis points and a facility fee of 15 basis points.

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UDR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

SEPTEMBER 30, 2015

The following is a summary of short-term bank borrowings under UDR's revolving credit facility at September 30, 2015 and December 31, 2014 (dollars in thousands):

	September 30, 2015	December 31, 2014		
Total revolving credit facility	\$900,000	\$900,000		
Borrowings outstanding at end of period (1)	110,000	152,500		
Weighted average daily borrowings during the period ended	409,215	291,761		
Maximum daily borrowings during the period ended	541,500	625,000		
Weighted average interest rate during the period ended	1.2	% 1.2	%	%
Interest rate at end of the period	1.2	% 1.1	%	%

(1) Excludes \$2.3 million and \$1.9 million of letters of credit at September 30, 2015 and December 31, 2014, respectively.

(e) Paid off at maturity with borrowings under the Company's \$900 million unsecured revolving credit facility.

(f) On September 22, 2015, the Company issued \$300 million of 4.00% senior unsecured medium-term notes due October 1, 2025. Interest is payable semi-annually beginning on April 1, 2016. The notes were priced at 99.770% of the principal amount at issuance and had a discount of \$0.7 million at September 30, 2015. The Company used the net proceeds to pay down a portion of the borrowings outstanding on its \$900 million unsecured credit facility and for general corporate purposes. The Company previously entered into forward starting interest rate swaps to hedge against interest rate risk on \$200 million of this debt issuance. The all-in weighted average interest rate, inclusive of the impact of these interest rate swaps, was 4.55%.

(g) The Operating Partnership is a guarantor of this debt.

The aggregate maturities, including amortizing principal payments of unsecured and secured debt, of total debt for the next five calendar years subsequent to September 30, 2015 are as follows (dollars in thousands):

Year	Total Fixed Secured Debt	Total Variable Secured Debt	Total Secured Debt	Total Unsecured Debt (a)	Total Debt
2015	\$187,916	\$—	\$187,916	\$25	\$187,941
2016	148,223	—	148,223	94,402	242,625
2017	177,882	96,337	274,219	110,000	384,219
2018	121,685	87,969	209,654	648,311	857,965
2019	245,871	67,700	313,571	—	313,571
Thereafter	90,000	123,409	213,409	1,313,504	1,526,913
Total	\$971,577	\$375,415	\$1,346,992	\$2,166,242	\$3,513,234

(a) With the exception of the 1.35% Term Notes due June 2018 and the revolving credit facility which carry a variable interest rate, all unsecured debt carries fixed interest rates.

We were in compliance with the covenants of our debt instruments at September 30, 2015.

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UDR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

SEPTEMBER 30, 2015

7. INCOME/(LOSS) PER SHARE

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Numerator for income/(loss) per share:				
Income/(loss) from continuing operations	\$ 13,695	\$ 10,611	\$ 100,954	\$ 9,775
Gain/(loss) on sale of real estate owned, net of tax	—	31,302	79,042	82,305
(Income)/loss from continuing operations attributable to redeemable noncontrolling interests in the Operating Partnership	(405	) (1,441	) (6,022	) (3,167
(Income)/loss from continuing operations attributable to noncontrolling interests	1	4	(6	) (2
Income/(loss) from continuing operations attributable to UDR, Inc.	13,291	40,476	173,968	88,911
Distributions to preferred stockholders - Series E (Convertible)	(930	) (931	) (2,792	) (2,793
Income/(loss) from continuing operations attributable to common stockholders	\$ 12,361	\$ 39,545	\$ 171,176	\$ 86,118
Income/(loss) from discontinued operations, net of tax				
(Income)/loss from discontinued operations attributable to redeemable noncontrolling interests in the Operating Partnership	—	(6	) —	(4
Income/(loss) from discontinued operations attributable to common stockholders	\$—	\$73	\$—	\$6
Net income/(loss) attributable to common stockholders	\$ 12,361	\$ 39,618	\$ 171,176	\$ 86,124
Denominator for income/(loss) per share:				
Weighted average common shares outstanding	260,302	252,891	259,151	251,860
Non-vested restricted stock awards	(1,188	) (1,236	) (1,211	) (1,159
Denominator for basic income/(loss) per share	259,114	251,655	257,940	250,701
Incremental shares issuable from assumed conversion of preferred stock, stock options, and unvested restricted stock	2,093	2,077	2,080	1,974
Denominator for diluted income/(loss) per share	261,207	253,732	260,020	252,675
Income/(loss) per weighted average common share-basic:				
Income/(loss) from continuing operations attributable to common stockholders	\$0.05	\$0.16	\$0.66	\$0.34
Income/(loss) from discontinued operations attributable to common stockholders	—	—	—	—
Net income/(loss) attributable to common stockholders	\$0.05	\$0.16	\$0.66	\$0.34

Income/(loss) per weighted average common share-diluted:

Income/(loss) from continuing operations attributable to common stockholders	\$0.05	\$0.16	\$0.66	\$0.34
Income/(loss) from discontinued operations attributable to common stockholders	—	—	—	—
Net income/(loss) attributable to common stockholders	\$0.05	\$0.16	\$0.66	\$0.34

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

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UDR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

SEPTEMBER 30, 2015

The following table sets forth the additional shares of common stock outstanding by equity instrument if converted to common stock for each of the three and nine months ended September 30, 2015 and 2014 (shares in thousands):

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
OP Units	9,061	9,189	9,117	9,274
Preferred stock	3,029	3,036	3,033	3,036
Stock options and unvested restricted stock	2,093	2,077	2,080	1,974

8. NONCONTROLLING INTERESTS**Redeemable Noncontrolling Interests in the Operating Partnership**

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

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

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

Redeemable noncontrolling interests in the Operating Partnership, December 31, 2014		\$282,480	
Mark-to-market adjustment to redeemable noncontrolling interests in the Operating Partnership		35,508	
Conversion of OP Units to Common Stock		(3,818)
Net income/(loss) attributable to redeemable noncontrolling interests in the Operating Partnership		6,022	
Distributions to redeemable noncontrolling interests in the Operating Partnership		(7,859)
Allocation of other comprehensive income/(loss)		(175)
Redeemable noncontrolling interests in the Operating Partnership, September 30, 2015		\$312,158	

The following sets forth net income/(loss) attributable to common stockholders and transfers from redeemable noncontrolling interests in the Operating Partnership for the following periods (dollars in thousands):

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Net income/(loss) attributable to common stockholders	\$12,361	\$39,618	\$171,176	\$86,124
Conversion of OP Units to UDR Common stock	320	4,127	3,818	4,318
Change in equity from net income/(loss) attributable to common stockholders and conversion of OP Units to UDR Common Stock	\$12,681	\$43,745	\$174,994	\$90,442

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UDR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

SEPTEMBER 30, 2015

Noncontrolling Interests

Noncontrolling interests represent interests of unrelated partners in certain consolidated affiliates, and are presented as part of equity in the Consolidated Balance Sheets since these interests are not redeemable. Net (income)/loss attributable to noncontrolling interests was \$1,000 and \$4,000 during the three months ended September 30, 2015 and 2014, respectively, and \$(6,000) and \$(2,000) during the nine months ended September 30, 2015 and 2014, respectively.

9. FAIR VALUE OF DERIVATIVES AND FINANCIAL INSTRUMENTS

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

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

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

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

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UDR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

SEPTEMBER 30, 2015

The estimated fair values of the Company's financial instruments either recorded or disclosed on a recurring basis as of September 30, 2015 and December 31, 2014 are summarized as follows (dollars in thousands):

Description:	Total Carrying Amount in Statement of Financial Position at September 30, 2015	Fair Value Estimate at September 30, 2015	Fair Value at September 30, 2015, Using Quoted Prices in		
			Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Notes receivable (a)	\$ 15,494	\$ 15,795	\$—	\$—	\$ 15,795
Derivatives - Interest rate contracts (b)	6	6	—	6	—
Total assets	\$ 15,500	\$ 15,801	\$—	\$ 6	\$ 15,795
Derivatives - Interest rate contracts (b)	\$ 3,205	\$ 3,205	\$—	\$ 3,205	\$—
Secured debt instruments - fixed rate:					
(c)					
Mortgage notes payable	406,183	416,287	—	—	416,287
Fannie Mae credit facilities	565,394	595,907	—	—	595,907
Secured debt instruments - variable rate:					
(c)					
Mortgage notes payable	31,337	31,337	—	—	31,337
Tax-exempt secured notes payable	94,700	94,700	—	—	94,700
Fannie Mae credit facilities	249,378	249,378	—	—	249,378
Unsecured debt instruments:					
(c)					
Commercial bank	110,000	110,000	—	—	110,000
Senior unsecured notes	2,056,242	2,128,901	—	—	2,128,901
Total liabilities	\$ 3,516,439	\$ 3,629,715	\$—	\$ 3,205	\$ 3,626,510
Redeemable noncontrolling interests in the Operating Partnership (d)	\$ 312,158	\$ 312,158	\$—	\$ 312,158	\$—

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UDR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

SEPTEMBER 30, 2015

Description:	Total Carrying Amount in Statement of Financial Position at December 31, 2014	Fair Value Estimate at December 31, 2014	Fair Value at December 31, 2014, Using Quoted Prices in		
			Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Notes receivable (a)	\$ 14,369	\$ 14,808	\$—	\$—	\$ 14,808
Derivatives - Interest rate contracts (b)	88	88	—	88	—
Total assets	\$ 14,457	\$ 14,896	\$—	\$ 88	\$ 14,808
Derivatives- Interest rate contracts (b)	\$ 10,368	\$ 10,368	\$—	\$ 10,368	\$—
Secured debt instruments - fixed rate:					
(c)					
Mortgage notes payable	401,210	415,663	—	—	415,663
Fannie Mae credit facilities	568,086	606,623	—	—	606,623
Secured debt instruments - variable rate: (c)					
Mortgage notes payable	31,337	31,337	—	—	31,337
Tax-exempt secured notes payable	94,700	94,700	—	—	94,700
Fannie Mae credit facilities	266,196	266,196	—	—	266,196
Unsecured debt instruments: (c)					
Commercial bank	152,500	152,500	—	—	152,500
Senior unsecured notes	2,069,076	2,144,125	—	—	2,144,125
Total liabilities	\$ 3,593,473	\$ 3,721,512	\$—	\$ 10,368	\$ 3,711,144
Redeemable noncontrolling interests in the Operating Partnership (d)	\$ 282,480	\$ 282,480	\$—	\$ 282,480	\$—

(a) See Note 2, Significant Accounting Policies.

(b) See Note 10, Derivatives and Hedging Activity.

(c) See Note 6, Secured and Unsecured Debt.

(d) See Note 8, Noncontrolling Interests.

There were no transfers into or out of each of the levels of the fair value hierarchy.

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 options are determined using the market standard methodology of discounting the future expected cash receipts that would occur if variable interest rates rise

above the strike rate of the caps. The variable interest rates used in the calculation of projected receipts on the cap are based on an expectation of future interest rates derived from observable market interest rate curves and volatilities. The Company incorporates credit valuation adjustments to appropriately reflect both its own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. In adjusting the fair value of its derivative contracts for the effect of nonperformance risk, the Company has considered the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts, and guarantees.

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UDR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

SEPTEMBER 30, 2015

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 September 30, 2015 and December 31, 2014, 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 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 are classified as Level 2.

Financial Instruments Not Carried at Fair Value

At September 30, 2015, 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 were determined by the Company using available market information and appropriate valuation methodologies. Considerable judgment is necessary to interpret market data and develop estimated fair values. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company would realize on the disposition of the financial instruments. The use of different market assumptions or estimation methodologies may have a material effect on the estimated fair value amounts.

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

We record impairment losses on long-lived assets used in operations when events and circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by the future operation and disposition of those assets are less than the net book value of those assets. Our cash flow estimates are based upon historical results adjusted to reflect our best estimate of future market and operating conditions and our estimated holding periods. The net book value of impaired assets is reduced to fair value. Our estimates of fair value represent our best estimate based upon Level 3 inputs such as industry trends and reference to market rates and transactions. 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 decrease in the value of its investments in unconsolidated joint ventures during the three and nine months ended September 30, 2015 and 2014.

After determining an other-than-temporary decrease in the value of an equity method investment has occurred, we estimate the fair value of our investment by estimating the proceeds we would receive upon a hypothetical liquidation

of the investment at the date of measurement. Inputs reflect management's best estimate of what market participants would use in pricing the investment giving consideration to the terms of the joint venture agreement and the estimated discounted future cash flows to be generated from the underlying joint venture assets. The inputs and assumptions utilized to estimate the future cash flows of the underlying assets are based upon the Company's evaluation of the economy, market trends, operating results, and other factors, including judgments regarding costs to complete any construction activities, lease up and occupancy rates, rental rates, inflation rates, capitalization rates utilized to estimate the projected cash flows at the disposition, and discount rates.

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UDR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

SEPTEMBER 30, 2015

10. 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 effective portion of changes in the fair value of derivatives designated and that qualify as cash flow hedges is recorded in Accumulated other comprehensive income/(loss), net in the Consolidated Balance Sheets and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. During the three and nine months ended September 30, 2015 and 2014, such derivatives were used to hedge the variable cash flows associated with existing variable-rate debt and forecasted issuances of fixed-rate debt. The ineffective portion of the change in fair value of the derivatives is recognized directly in earnings. During the three and nine months ended September 30, 2015, the Company recognized an \$11,000 loss reclassified from Accumulated OCI to Interest expense due to the de-designation of a cash flow hedge and recorded no other ineffectiveness to earnings. During the three and nine months ended September 30, 2014, the Company recorded a gain of approximately \$0 and \$3,000, respectively, related to the ineffective portion of the derivative, which was caused by a timing difference between the derivative and the hedge item.

Amounts reported in Accumulated other comprehensive income/(loss), net in the Consolidated Balance Sheets related to derivatives will be reclassified to interest expense as interest payments are made on the Company's hedged debt. Through September 30, 2016, the Company estimates that an additional \$3.5 million will be reclassified as an increase to interest expense.

As of September 30, 2015, 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	6	\$365,000
Interest rate caps	2	\$203,166

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UDR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

SEPTEMBER 30, 2015

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 or the Company has elected to not apply hedge accounting. Changes in the fair value of derivatives not designated in hedging relationships are recorded directly in earnings and resulted in gain/(loss) of \$(1,000) and \$(25,000) for the three and nine months ended September 30, 2015, respectively, and no adjustment to earnings for for the three and nine months ended September 30, 2014.

As of September 30, 2015, the Company had the following outstanding derivatives that were not designated as hedges in qualifying hedging relationships (dollars in thousands):

Product	Number of Instruments	Notional
Interest rate caps	3	\$133,107

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

The tables below present the fair value of the Company's derivative financial instruments as well as their classification on the Consolidated Balance Sheets as of September 30, 2015 and December 31, 2014 (dollars in thousands):

	Asset Derivatives (included in Other assets)		Liability Derivatives (included in Other liabilities)	
	Fair Value at: September 30, 2015	December 31, 2014	Fair Value at: September 30, 2015	December 31, 2014
Derivatives designated as hedging instruments:				
Interest rate products	\$4	86	\$3,205	\$10,368
Derivatives not designated as hedging instruments:				
Interest rate products	\$2	\$2	\$—	\$—

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UDR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

SEPTEMBER 30, 2015

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

The tables below present the effect of the Company's derivative financial instruments on the Consolidated Statements of Operations for the three and nine months ended September 30, 2015 and 2014 (dollars in thousands):

Derivatives in Cash Flow Hedging Relationships	Unrealized holding gain/(loss) Recognized in OCI (Effective Portion)		Gain/(Loss) Reclassified from Accumulated OCI into Interest expense (Effective Portion)		Gain/(Loss) Recognized in Interest expense (Ineffective Portion and Amount Excluded from Effectiveness Testing)	
	2015	2014	2015	2014	2015	2014
Three Months Ended September 30, Interest rate products	\$ (5,707)	\$ 362	\$ (525)	\$ (1,130)	\$ (11)	\$ —
Nine Months Ended September 30, Interest rate products	\$ (7,072)	\$ 611	\$ (1,554)	\$ (3,809)	\$ (11)	\$ 3

Derivatives Not Designated as Hedging Instruments	Gain/(Loss) Recognized in Interest income and other income/(expense), net	
	2015	2014
Three Months Ended September 30, Interest rate products	\$ (1)	\$ —
Nine Months Ended September 30, Interest rate products	\$ (25)	\$ —

Credit-risk-related Contingent Features

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

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

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

As of September 30, 2015, the fair value of derivatives in a net liability position, which includes accrued interest but excludes any adjustment for nonperformance risk, related to these agreements was \$3.4 million. As of September 30, 2015, the Company has not posted any collateral related to these agreements. If the Company had breached any of these provisions at September 30, 2015, it may have been required to settle its obligations under the agreements at their termination value of \$3.4 million.

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UDR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

SEPTEMBER 30, 2015

Tabular Disclosure of Offsetting Derivatives

Company has elected not to offset derivative positions in 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 September 30, 2015 and December 31, 2014 (dollars in thousands):

Offsetting of Derivative Assets

	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		
				Financial Instruments	Cash Collateral Received	Net Amount
September 30, 2015	\$6	\$—	\$6	\$—	\$—	\$6
December 31, 2014	\$88	\$—	\$88	\$(27	) \$—	\$61

(a) Amounts reconcile to the aggregate fair value of derivative assets in the “Tabular Disclosure of Fair Values of Derivative Instruments on the Balance Sheet” located in this footnote.

Offsetting of Derivative Liabilities

	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Consolidated Balance Sheets	Net Amounts of Liabilities Presented in the Consolidated Balance Sheets (b)	Gross Amounts Not Offset in the Consolidated Balance Sheets		
				Financial Instruments	Cash Collateral Posted	Net Amount
September 30, 2015	\$3,205	\$—	\$3,205	\$—	\$—	\$3,205
December 31, 2014	\$10,368	\$—	\$10,368	\$(27	) \$—	\$10,341

(b) Amounts reconcile to the aggregate fair value of derivative liabilities in the “Tabular Disclosure of Fair Values of Derivative Instruments on the Balance Sheet” located in this footnote.

11. STOCK BASED COMPENSATION

The Company recognized stock based compensation expense, inclusive of awards granted to our independent directors, net of capitalization, of \$4.4 million and \$3.3 million during the three months ended September 30, 2015 and 2014, respectively, and \$13.5 million and \$10.2 million during the nine months ended September 30, 2015 and 2014, respectively.

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UDR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

SEPTEMBER 30, 2015

12. COMMITMENTS AND CONTINGENCIES

Commitments

Real Estate Under Development

The following summarizes the Company's real estate commitments at September 30, 2015 (dollars in thousands):

	Number of Properties	Costs Incurred as of September 30, 2015 (a)	Expected Costs to Complete	Average Ownership Stake	
Wholly-owned — under development	1	\$ 104,080	(b) \$ 237,920	100	%
Wholly-owned — redevelopment	1	7,383	(b) 7,617	100	%
Joint ventures:					
Unconsolidated joint ventures	4	427,545	117,195	(c) Various	
Participating loan investments	1	89,498	(d) 3,960	(e) 0	%
Preferred equity investments	5	129,592	(f) 6,735	(g) 48	%
		\$ 758,098	\$ 373,427		

(a) Represents 100% of project costs incurred as of September 30, 2015.

(b) Costs incurred to date include \$2.8 million and \$1.2 million of accrued fixed assets for development and redevelopment, respectively.

(c) Represents UDR's proportionate share of expected remaining costs to complete.

(d) Represents the participating loan balance funded as of September 30, 2015.

(e) Represents UDR's remaining participating loan commitment for Steele Creek.

(f) Represents UDR's share of capital contributed to the West Coast Development Joint Venture as of September 30, 2015.

(g) Represents UDR's remaining funding commitment on Katella Grand II.

Contingencies

Litigation and Legal Matters

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

13. 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, administrative and marketing. Excluded from NOI is property management expense, which is calculated as 2.75% of property revenue to cover the regional

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UDR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

SEPTEMBER 30, 2015

supervision and accounting costs related to consolidated property operations, and land rent. 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 July 1, 2014 for quarter-to-date comparison and January 1, 2014 for year-to-date comparison and held as of September 30, 2015. 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 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 properties, 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 and nine months ended September 30, 2015 and 2014.

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UDR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

SEPTEMBER 30, 2015

The following table details rental income and NOI from continuing and discontinued operations for UDR's reportable segments for the three and nine months ended September 30, 2015 and 2014, and reconciles NOI to Net Income/(Loss) Attributable to UDR, Inc. in the Consolidated Statements of Operations (dollars in thousands):

	Three Months Ended		Nine Months Ended	
	September 30, (a)		September 30, (b)	
	2015	2014	2015	2014
Reportable apartment home segment rental income				
Same-Store Communities				
West Region	\$77,837	\$72,014	\$197,831	\$183,887
Mid-Atlantic Region	40,029	39,351	119,546	117,384
Southeast Region	26,293	24,682	77,420	73,151
Northeast Region	21,914	20,721	64,242	60,817
Southwest Region	14,599	13,859	43,068	40,949
Non-Mature Communities/Other	37,093	32,981	135,469	122,857
Total consolidated rental income	\$217,765	\$203,608	\$637,576	\$599,045
Reportable apartment home segment NOI				
Same-Store Communities				
West Region	\$58,071	\$52,128	\$147,725	\$133,037
Mid-Atlantic Region	26,995	27,015	82,046	81,285
Southeast Region	17,562	15,869	51,875	48,494
Northeast Region	16,161	15,571	47,996	45,576
Southwest Region	8,967	8,509	26,500	25,130
Non-Mature Communities/Other	25,809	20,722	91,430	78,808
Total consolidated NOI	153,565	139,814	447,572	412,330
Reconciling items:				
Joint venture management and other fees	3,653	3,165	19,457	9,599
Property management	(5,988)	(5,599)	(17,533)	(16,474)
Other operating expenses	(2,639)	(2,012)	(6,174)	(6,118)
Real estate depreciation and amortization	(90,568)	(89,339)	(269,689)	(266,748)
General and administrative	(15,824)	(11,554)	(41,697)	(36,078)
Casualty-related recoveries/(charges), net	(541)	—	(2,380)	(500)
Other depreciation and amortization	(1,457)	(1,385)	(4,780)	(3,658)
Income/(loss) from unconsolidated entities	2,691	(939)	61,277	(4,932)
Interest expense	(30,232)	(33,087)	(88,705)	(97,662)
Interest income and other income/(expense), net	402	9,061	1,144	11,902
Tax benefit/(expense), net	633	2,490	2,462	8,049
Gain/(loss) on sale of real estate owned, net of tax	—	31,377	79,042	82,380
Net (income)/loss attributable to redeemable noncontrolling interests in the Operating Partnership	(405)	(1,447)	(6,022)	(3,171)
Net (income)/loss attributable to noncontrolling interests	1	4	(6)	(2)
Net income/(loss) attributable to UDR, Inc.	\$13,291	\$40,549	\$173,968	\$88,917

(a) Same-Store Community population consisted of 34,774 apartment homes.

(b) Same-Store Community population consisted of 33,495 apartment homes.

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UDR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

SEPTEMBER 30, 2015

The following table details the assets of UDR's reportable segments as of September 30, 2015 and December 31, 2014 (dollars in thousands):

	September 30, 2015	December 31, 2014
Reportable apartment home segment assets:		
Same-Store Communities:		
West Region	\$2,963,025	\$2,935,430
Mid-Atlantic Region	1,464,514	1,453,532
Southeast Region	726,186	716,427
Northeast Region	1,083,935	1,076,656
Southwest Region	446,145	440,721
Non-Mature Communities/Other	1,789,172	1,760,493
Total assets	8,472,977	8,383,259
Accumulated depreciation	(2,647,504)	(2,434,772)
Total assets — net book value	5,825,473	5,948,487
Reconciling items:		
Cash and cash equivalents	1,321	15,224
Restricted cash	23,722	22,340
Deferred financing costs, net	20,206	22,686
Notes receivable, net	15,494	14,369
Investment in and advances to unconsolidated joint ventures, net	921,925	718,226
Other assets	114,589	105,202
Total consolidated assets	\$6,922,730	\$6,846,534

Capital expenditures related to our Same-Store Communities totaled \$22.3 million and \$14.0 million for the three months ended September 30, 2015 and 2014, respectively, and \$54.5 million and \$33.9 million for the nine months ended September 30, 2015 and 2014, respectively. Capital expenditures related to our Non-Mature Communities/Other totaled \$3.1 million and \$2.4 million for the three months ended September 30, 2015 and 2014, respectively, and \$8.5 million and \$7.6 million for the nine months ended September 30, 2015 and 2014.

Markets included in the above geographic segments are as follows:

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

14. SUBSEQUENT EVENTS

The Company evaluated subsequent events through the date its financial statements were issued and noted the following:

UDR Lighthouse DownREIT L.P. Formation

In connection with the acquisitions described below, on October 5, 2015, the Company, as the sole general partner and a limited partner, the Operating Partnership and UDR Texas Properties LLC, a Delaware limited liability company owned 0.5%

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UDR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

SEPTEMBER 30, 2015

by the Company and 99.5% by the Operating Partnership ("UDR Texas"), as limited partners, entered into the Agreement of Limited Partnership (the "Partnership Agreement") of UDR Lighthouse DownREIT L.P. (the "DownREIT Partnership").

As the sole general partner of the DownREIT Partnership, the Company has full, complete and exclusive discretion to manage and control the business of the DownREIT Partnership and to make all decisions affecting the business and assets of the DownREIT Partnership, subject to certain limitations set forth in the Partnership Agreement. As of the closing of the transactions under the Contribution Agreement (as defined below), the Company, the Operating Partnership and UDR Texas owned approximately 8.5%, 32.5% and 9.1%, respectively, of the units of limited partnership interest in the DownREIT Partnership ("DownREIT Units"), which they received in exchange for their contribution of the following properties to the DownREIT Partnership:

Property	Location
Ridge at Blue Hills ⁽¹⁾	Braintree, MA
Residences at the Domain ⁽¹⁾	Austin, TX
Inwood West ⁽²⁾	Woburn, MA
Thirty377 ⁽²⁾	Dallas, TX
Legacy Village ⁽²⁾	Plano, TX
Delancey at Shirlington ⁽²⁾	Arlington, VA
Circle Towers ⁽²⁾	Fairfax, VA
Barton Creek Landing ⁽³⁾	Austin, TX
The Whitmore ⁽³⁾	Arlington, VA

(1) Contributed by the Company.

(2) Contributed by the Operating Partnership.

(3) Contributed by UDR Texas.

The limited partners have no power to remove the Company as general partner of the DownREIT Partnership. The DownREIT Partnership is structured to make distributions in respect of DownREIT Units that will be equivalent to the distributions made to holders of the Company's common stock. Subject to certain terms and conditions set forth in the Partnership Agreement, limited partners in the DownREIT Partnership (other than the Company and its affiliates) have the right, commencing one year after the date of issuance, to tender their DownREIT Units for redemption for cash or, at the Company's election, for shares of its common stock on a one-for-one basis (subject to the anti-dilution adjustments provided in the Partnership Agreement).

Property Acquisitions

From October 6-8, 2015, the Company completed the acquisition of six Washington, DC area properties from Home Properties, L.P., a New York limited partnership ("Home OP"), for a total purchase price of \$901 million, which was comprised of \$565 million of newly issued DownREIT Units issued at \$35 per unit (a total of 16.1 million units), the assumption of \$89 million of debt, \$221 million of reverse exchanges pursuant to Section 1031 of the Internal Revenue Code of 1986, as amended, and \$26 million of cash. In addition, the Company issued approximately 13.7 million shares of its Series F Preferred Stock to former limited partners of Home OP, which had the right to subscribe for one share of Series F Preferred Stock for each DownREIT Unit issued in connection with the acquisitions. The acquisitions were made pursuant to the previously disclosed Contribution Agreement, dated as of June 22, 2015, as amended, by and among the Company, the Operating Partnership, Home OP and LSREF4 Lighthouse Acquisitions, LLC, a Delaware limited liability company (the "Contribution Agreement").

Of the six properties acquired from Home OP, four properties were acquired through the DownREIT Partnership, one property was acquired by the Operating Partnership through a reverse Section 1031 exchange and one property was

acquired by an affiliate of the Company through a reverse Section 1031 exchange, as reflected in the following table:

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UDR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

SEPTEMBER 30, 2015

Property	Location
Eleven55 Ripley ⁽¹⁾	Silver Spring, MD
Arbor Park of Alexandria ⁽¹⁾	Alexandria, VA
Newport Village ⁽¹⁾	Alexandria, VA
The Courts at Dulles ⁽¹⁾	Herndon, VA
1200 East West ⁽²⁾	Silver Spring, MD
Courts at Huntington Station ⁽³⁾	Alexandria, VA

(1) Acquired through the DownREIT Partnership.

(2) Acquired by an affiliate of the Company through a reverse Section 1031 exchange.

(3) Acquired by the Operating Partnership through a reverse Section 1031 exchange.

Revolving Credit Facility

On October 20, 2015, the Company, as borrower, entered into a credit agreement (the “Credit Agreement”), which provides for a \$1.1 billion senior unsecured revolving credit facility (the “Revolving Credit Facility”) and a \$350.0 million senior unsecured term loan facility (the “Term Loan Facility”). The Credit Agreement includes an accordion feature that allows the total commitments under the Revolving Credit Facility and the total borrowings under the Term Loan Facility to be increased to an aggregate maximum amount of up to \$2.0 billion, subject to certain conditions, including obtaining commitments from any one or more lenders. The Revolving Credit Facility has a scheduled maturity date of January 31, 2020, with two six-month extension options, subject to certain conditions. The Term Loan Facility has a scheduled maturity date of January 29, 2021.

The Credit Agreement replaces (i) the Company’s \$900 million revolving credit facility scheduled to mature in December 2017 (the “Prior Credit Agreement”) and (ii) the Company’s \$250 million term loan and the Company’s \$100 million term loan, both due June 2018 (together, the “Prior Term Loan Agreements”).

On October 20, 2015, the Company borrowed \$200 million under the Revolving Credit Facility and \$350 million under the Term Loan Facility to pay outstanding balances under the Prior Credit Agreement and the Prior Term Loan Agreements, respectively.

Based on the Company’s current credit rating, the Revolving Credit Facility has an interest rate equal to LIBOR plus a margin of 90 basis points and a facility fee of 15 basis points, and the Term Loan Facility has an interest rate equal to LIBOR plus a margin of 95 basis points. Depending on the Company’s credit rating, the margin under the Revolving Credit Facility ranges from 85 to 155 basis points and the facility fee ranges from 12.5 to 30 basis points, and the margin under the Term Loan Facility ranges from 90 to 175 basis points.

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 Company’s obligations under the Credit Agreement are guaranteed by the Operating Partnership, pursuant to a guaranty dated as of October 20, 2015.

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UNITED DOMINION REALTY, L.P.
CONSOLIDATED BALANCE SHEETS
(In thousands, except for unit data)

	September 30, 2015 (unaudited)	December 31, 2014 (audited)
ASSETS		
Real estate owned:		
Real estate held for investment	\$4,107,120	\$4,238,770
Less: accumulated depreciation	(1,467,948	) (1,403,303)
Real estate held for investment, net	2,639,172	2,835,467
Real estate held for disposition (net of accumulated depreciation of \$50,610 and \$0)	100,848	—
Total real estate owned, net of accumulated depreciation	2,740,020	2,835,467
Cash and cash equivalents	131	502
Restricted cash	14,710	13,811
Deferred financing costs, net	3,355	4,475
Other assets	24,740	24,029
Total assets	\$2,782,956	\$2,878,284
LIABILITIES AND CAPITAL		
Liabilities:		
Secured debt	\$910,309	\$931,959
Notes payable due to General Partner	88,696	88,696
Real estate taxes payable	15,131	7,061
Accrued interest payable	3,161	3,284
Security deposits and prepaid rent	18,073	18,387
Distributions payable	50,962	47,788
Deferred gains on the sale of depreciable property	—	24,622
Accounts payable, accrued expenses, and other liabilities	18,759	22,436
Total liabilities	1,105,091	1,144,233
Commitments and contingencies (Note 9)		
Capital:		
Partners' capital:		
General partner:		
110,883 OP Units outstanding at September 30, 2015 and December 31, 2014	1,071	1,105
Limited partners:		
183,167,815 OP Units outstanding at September 30, 2015 and December 31, 2014	1,648,460	1,702,971
Accumulated other comprehensive income/(loss), net	(329	) (1,075)
Total partners' capital	1,649,202	1,703,001
Advances (to)/from General Partner	10,162	13,624
Noncontrolling interests	18,501	17,426
Total capital	1,677,865	1,734,051
Total liabilities and capital	\$2,782,956	\$2,878,284
See accompanying notes to the consolidated financial statements.		

UNITED DOMINION REALTY, L.P.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per unit data)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
REVENUES:				
Rental income	\$115,173	\$107,444	\$338,426	\$314,656
OPERATING EXPENSES:				
Property operating and maintenance	20,393	19,906	58,572	56,468
Real estate taxes and insurance	12,490	11,785	37,166	35,050
Property management	3,167	2,955	9,307	8,653
Other operating expenses	1,482	1,484	4,468	4,371
Real estate depreciation and amortization	43,829	45,043	132,411	134,011
General and administrative	7,935	6,939	20,606	21,368
Casualty-related (recoveries)/charges, net	16	—	888	500
Total operating expenses	89,312	88,112	263,418	260,421
Operating income	25,861	19,332	75,008	54,235
Interest expense	(9,758)	(9,306)	(29,135)	(27,176)
Interest expense on note payable due to General Partner	(1,151)	(1,151)	(3,452)	(3,453)
Income/(loss) before gain/(loss) on sale of real estate owned	14,952	8,875	42,421	23,606
Gain/(loss) on sale of real estate owned	—	—	56,998	40,687
Net income/(loss)	14,952	8,875	99,419	64,293
Net (income)/loss attributable to noncontrolling interests	(335)	(238)	(1,075)	(697)
Net income/(loss) attributable to OP unitholders	\$14,617	\$8,637	\$98,344	\$63,596
Income/(loss) per weighted average OP Unit - basic and diluted:	\$0.08	\$0.05	\$0.54	\$0.35
Weighted average OP Units outstanding - basic and diluted	183,279	183,279	183,279	183,279
See accompanying notes to the consolidated financial statements.				

UNITED DOMINION REALTY, L.P.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME/(LOSS)
(In thousands)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net income/(loss)	\$ 14,952	\$ 8,875	\$ 99,419	\$ 64,293
Other comprehensive income/(loss), including portion attributable to noncontrolling interests:				
Other comprehensive income/(loss) - derivative instruments:				
Unrealized holding gain/(loss)	(8	) (3	) (85	) (194
(Gain)/loss reclassified into earnings from other comprehensive income/(loss)	278	588	831	1,784
Other comprehensive income/(loss), including portion attributable to noncontrolling interests	270	585	746	1,590
Comprehensive income/(loss)	15,222	9,460	100,165	65,883
Comprehensive (income)/loss attributable to noncontrolling interests	(335	) (238	) (1,075	) (697
Comprehensive income/(loss) attributable to OP unitholders	\$ 14,887	\$ 9,222	\$ 99,090	\$ 65,186

See accompanying notes to consolidated financial statements.

UNITED DOMINION REALTY, L.P.
CONSOLIDATED STATEMENT OF CHANGES IN CAPITAL
(In thousands)
(Unaudited)

	Class A Limited Partners	Limited Partners	UDR, Inc. Limited Partner	General Partner	Accumulated Other Comprehensive Income/(Loss) net	Total Partners' Capital	Advances (to)/from General Partner	Noncontrolling Interests	Total
Balance at December 31, 2014	\$53,987	\$228,493	\$1,420,491	\$1,105	\$(1,075)	\$1,703,001	\$13,624	\$17,426	\$1,734,051
Net income/(loss)	1,008	3,940	93,337	59	—	98,344	—	1,075	99,419
Distributions OP Unit	(1,746)	(6,112)	(144,938)	(93)	—	(152,889)	—	—	(152,889)
Redemptions for common shares of UDR	—	(3,816)	3,816	—	—	—	—	—	—
Adjustment to reflect limited partners' capital at redemption value	7,149	29,255	(36,404)	—	—	—	—	—	—
Unrealized gain on derivative financial investments	—	—	—	—	746	746	—	—	746
Net change in advances (to)/from General Partner	—	—	—	—	—	—	(3,462)	—	(3,462)
Balance at September 30, 2015	\$60,398	\$251,760	\$1,336,302	\$1,071	\$(329)	\$1,649,202	\$10,162	\$18,501	\$1,677,865

See accompanying notes to the consolidated financial statements.

UNITED DOMINION REALTY, L.P.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands, except for unit data)
(Unaudited)

	Nine Months Ended September 30,	
	2015	2014
Operating Activities		
Net income/(loss)	\$99,419	\$64,293
Adjustments to reconcile net income/(loss) to net cash provided by/(used in) operating activities:		
Depreciation and amortization	132,411	134,011
Gain/(loss) on sale of real estate owned	(56,998	) (40,687
Casualty-related (recoveries)/charges, net	888	500
Other	(888	) 187
Changes in operating assets and liabilities:		
(Increase)/decrease in operating assets	(2,174	) (2,540
Increase/(decrease) in operating liabilities	6,278	2,077
Net cash provided by/(used in) operating activities	178,936	157,841
Investing Activities		
Proceeds from sale of real estate investments, net	27,718	47,922
Development of real estate assets	(7,423	) (41,701
Capital expenditures and other major improvements — real estate assets, net of escrow reimbursement	(44,463	) (32,631
Net cash provided by/(used in) investing activities	(24,168	) (26,410
Financing Activities		
Distributions and advances from/(to) UDR, Inc.	(143,495	) (120,698
Payments on secured debt	(3,891	) (3,727
Distributions paid to partnership unitholders	(7,759	) (7,419
Payments of financing costs	6	—
Net cash provided by/(used in) financing activities	(155,139	) (131,844
Net increase/(decrease) in cash and cash equivalents	(371	) (413
Cash and cash equivalents, beginning of period	502	1,897
Cash and cash equivalents, end of period	\$131	\$1,484
Supplemental Information:		
Interest paid during the period, net of amounts capitalized	\$34,978	\$32,792
See accompanying notes to the consolidated financial statements.		

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UNITED DOMINION REALTY, L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

1. CONSOLIDATION AND BASIS OF PRESENTATION

Consolidation and Basis of Presentation

United Dominion Realty, L.P. (“UDR, L.P.,” the “Operating Partnership,” “we” or “our”) is a Delaware limited partnership, that owns, acquires, renovates, redevelops, manages, and disposes of multifamily apartment communities generally located in high barrier to entry markets located in the United States. The high barrier to entry markets are characterized by limited land for new construction, difficult and lengthy entitlement process, expensive single-family home prices and significant employment growth potential. UDR, L.P. is a subsidiary of UDR, Inc. (“UDR” or the “General Partner”), a self-administered real estate investment trust, or REIT, through which UDR conducts a significant portion of its business. Rental revenues of the Operating Partnership represented 53% of the General Partner’s consolidated rental revenues for the three and nine months ended September 30, 2015 and 2014. As of September 30, 2015, the Operating Partnership’s apartment portfolio consisted of 67 communities located in 17 markets consisting of 20,569 apartment homes.

Interests in UDR, L.P. are represented by operating partnership units (“OP Units”). The Operating Partnership’s net income is allocated to the partners, which is initially based on their respective distributions made during the year and secondly, their percentage interests. Distributions are made in accordance with the terms of the Amended and Restated Agreement of Limited Partnership of United Dominion Realty, L.P. (the “Operating Partnership Agreement”), on a per unit basis that is generally equal to the dividend per share on UDR’s common stock, which is publicly traded on the New York Stock Exchange (“NYSE”) under the ticker symbol “UDR.”

As of September 30, 2015, there were 183,278,698 OP Units outstanding, of which 174,225,399 or 95.1% were owned by UDR and affiliated entities and 9,053,299 or 4.9% were owned by non-affiliated limited partners. See Note 8, Capital Structure.

The accompanying interim unaudited consolidated financial statements have been prepared according to the rules and regulations of the Securities and Exchange Commission (“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 September 30, 2015, and results of operations for the three and nine months ended September 30, 2015 and 2014 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 September 30, 2015 included in the Annual Report on Form 10-K filed by UDR and the Operating Partnership with the SEC on February 24, 2015.

The accompanying interim unaudited consolidated 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 intercompany accounts and transactions have been eliminated in consolidation.

2. SIGNIFICANT ACCOUNTING POLICIES

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, Revenue from Contracts with Customers. The standard provides companies with a single model for use in accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance,

including industry-specific revenue guidance. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The standard specifically excludes lease contracts. The ASU allows for the use of either the full or modified retrospective transition method, and the standard will be effective for the Operating Partnership on January 1, 2018; early adoption is permitted on January 1, 2017. The Operating Partnership has not yet selected a transition method and

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UNITED DOMINION REALTY, L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (continued)

SEPTEMBER 30, 2015

we are currently evaluating the effect that the updated standard will have on our consolidated financial statements and related disclosures.

In April 2015, the FASB issued ASU 2015-03, Simplifying the Presentation of Debt Issuance Costs, to revise the presentation of debt issuance costs. Under ASU 2015-03, entities will present debt issuance costs in their balance sheet as a direct deduction from the related debt liability rather than as an asset. Amortization of the deferred costs will continue to be included in interest expense. ASU 2015-03 does not directly address presentation or subsequent measurement of issuance costs related to line-of-credit arrangements. In August 2015, the FASB issued ASU 2015-15, Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements, which clarifies that such costs may be presented as an asset and subsequently amortized over the term of the line-of-credit arrangement. The cumulative guidance, which is to be applied retrospectively to all prior periods, is effective for fiscal years beginning after December 15, 2015, with early adoption permitted for financial statements that have not been previously issued. The Operating Partnership does not expect ASU 2015-03 or ASU 2015-15 to have a significant effect on its consolidated financial statements.

In February 2015, the FASB issued ASU 2015-02, Amendments to the Consolidation Analysis, which makes changes to both the variable interest model and the voting model. Among other changes, the new standard specifically eliminates the presumption in the current voting model that a general partner controls a limited partnership or similar entity unless that presumption can be overcome. The new standard will be effective for the Operating Partnership beginning on January 1, 2016 and early adoption is permitted, including adoption in an interim period. The new standard must be applied using a modified retrospective approach by recording a cumulative-effect adjustment to equity/capital as of the beginning of the period of adoption or retrospectively to each period presented. The Operating Partnership is currently evaluating the impact of adopting the new standard on its consolidated financial statements.

Discontinued Operations

In accordance with GAAP, a discontinued operation represents (1) a component of an entity or group of components that has been disposed of or is classified as held for sale in a single transaction and represents a strategic shift that has or will have a major effect on an entity's financial results, or (2) an acquired business that is classified as held for sale on the date of acquisition. A strategic shift could include a disposal of (1) a separate major line of business, (2) a separate major geographic area of operations, (3) a major equity method investment, or (4) other major parts of an entity.

We record sales of real estate that do not meet the definition of a discontinued operation in Gain/(loss) on sale of real estate owned, net of tax on the Consolidated Statements of Operations.

Income/(Loss) Per Operating Partnership Unit

Basic income/(loss) per OP Unit is computed by dividing net income/(loss) attributable to general and limited partner unitholders by the weighted average number of general and limited partner units outstanding during the year. Diluted income/(loss) per OP Unit reflects the potential dilution that could occur if securities or other contracts to issue OP Units were exercised or converted into OP Units or resulted in the issuance of OP Units and then shared in the income/(loss) of the Operating Partnership.

Revenue and Real Estate Sales Gain Recognition

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

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

Sales to entities in which we or our General Partner retain or otherwise own an interest are accounted for as partial sales. If all other requirements for recognizing profit under the full accrual method have been satisfied and no other forms of

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UNITED DOMINION REALTY, L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (continued)

SEPTEMBER 30, 2015

continuing involvement are present, we recognize profit proportionate to the outside interest in the buyer and defer the gain on the interest we or our General Partner retain. The Operating Partnership recognizes any deferred gain when the property is sold to a third party. In transactions accounted by us as partial sales, we determine if the buyer of the majority equity interest in the venture was provided a preference as to cash flows in either an operating or a capital waterfall. If a cash flow preference has been provided, we recognize profit only to the extent that proceeds from the sale of the majority equity interest exceed costs related to the entire property.

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 unitholders, is displayed in the accompanying Consolidated Statements of Comprehensive Income/(Loss). For the three and nine months ended September 30, 2015 and 2014, the Operating Partnership's other comprehensive income/(loss) consisted of the gain/(loss) (effective portion) on derivative instruments that are designated as and qualify as cash flow hedges and (gain)/loss reclassified from other comprehensive income/(loss) into earnings. The (gain)/loss reclassified from other comprehensive income/(loss) is included in Interest expense on the Consolidated Statements of Operations. See Note 7, Derivatives and Hedging Activity, for further discussion.

Income Taxes

The taxable income or loss of the Operating Partnership is reported on the tax returns of the partners. Accordingly, no provision has been made in the accompanying financial statements for federal or state income taxes on income that is passed through to the partners. However, any state or local revenue, excise or franchise taxes that result from the operating activities of the Operating Partnership are recorded at the entity level. The Operating Partnership's tax returns are subject to examination by federal and state taxing authorities. Net income for financial reporting purposes differs from the net income for income tax reporting purposes primarily due to temporary differences, principally real estate depreciation and the tax deferral of certain gains on property sales. The differences in depreciation result from differences in the book and tax basis of certain real estate assets and the differences in the methods of depreciation and lives of the real estate assets.

The Operating Partnership evaluates the accounting and disclosure of tax positions taken or expected to be taken in the course of preparing the Operating Partnership's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense in the current year. Management of the Operating Partnership is required to analyze all open tax years, as defined by the statute of limitations, for all major jurisdictions, which include federal and certain states. The Operating Partnership has no examinations in progress and none are expected at this time.

Management of the Operating Partnership has reviewed all open tax years (2011 through 2014) of tax jurisdictions and concluded there is no tax liability resulting from unrecognized tax benefits relating to uncertain income tax positions taken or expected to be taken in future tax returns.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (continued)

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3. REAL ESTATE OWNED

Real estate assets owned by the Operating Partnership consists of income producing operating properties, properties under development, land held for future development, and sold or held for disposition properties. The Operating Partnership had four communities with a total of 909 apartment homes that met the criteria to be classified as held for sale at September 30, 2015. The communities are located in Columbia, MD, Pinellas Park, FL, Orange County, CA and Oxnard, CA. As of September 30, 2015, the Operating Partnership owned and consolidated 67 communities in nine states plus the District of Columbia totaling 20,569 apartment homes. The following table summarizes the carrying amounts for our real estate owned (at cost) as of September 30, 2015 and December 31, 2014 (dollars in thousands):

	September 30, 2015	December 31, 2014
Land	\$932,717	\$1,008,014
Depreciable property — held and used:		
Buildings, improvements, and furniture, fixture and equipment	3,174,403	3,230,756
Real estate held for disposition:		
Land	75,160	—
Buildings, improvements, and furniture, fixture and equipment	76,298	—
Real estate owned	4,258,578	4,238,770
Accumulated depreciation	(1,518,558)	(1,403,303)
Real estate owned, net	\$2,740,020	\$2,835,467

The Operating Partnership did not have any acquisitions or dispositions during the three months ended September 30, 2015.

During the nine months ended September 30, 2015, the Operating Partnership sold one community with a total of 240 apartment homes for gross proceeds of \$45.3 million, resulting in net proceeds of \$27.7 million and a total gain, net of tax, of \$32.4 million. Additionally, the Operating Partnership recognized a gain of \$24.6 million, which was previously deferred, in connection with the sale of the communities held by the Texas Joint Venture.

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 Operating Partnership capitalizes costs directly related to the predevelopment, development, and redevelopment of a capital project, which include, but are not limited to, interest, real estate taxes, insurance, and allocated development and redevelopment overhead related to support costs for personnel working on the capital projects. We use our professional judgment in determining whether such costs meet the criteria for capitalization or must be expensed as incurred. These costs are capitalized only during the period in which activities necessary to ready an asset for its intended use are in progress and such costs are incremental and identifiable to a specific activity to get the asset ready for its intended use. These costs, excluding the direct costs of development and redevelopment and capitalized interest, were \$0.2 million and \$0.5 million for the three months ended September 30, 2015 and 2014, respectively, and \$0.5 million and \$1.8 million for the nine months ended September 30, 2015 and 2014, respectively. Total interest capitalized was \$0.1 million and \$0.8 million during the three months ended September 30, 2015 and 2014, respectively, and \$0.1 million and \$2.8 million during the nine months ended September 30, 2015 and 2014, respectively. As each home in a capital project is completed and becomes available for lease-up, the Operating Partnership ceases capitalization on the related portion and depreciation commences over the estimated useful life.

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4. DEBT

Our secured debt instruments generally feature either monthly interest and principal or monthly interest-only payments with balloon payments due at maturity. For purposes of classification in the following table, variable rate debt with a derivative financial instrument designated as a cash flow hedge is deemed as fixed rate debt due to the Operating Partnership having effectively established the fixed interest rate for the underlying debt instrument. Secured debt consists of the following as of September 30, 2015 and December 31, 2014 (dollars in thousands):

	Principal Outstanding		Nine Months Ended September 30, 2015		Number of Communities Encumbered
	September 30, 2015	December 31, 2014	Weighted Average Interest Rate	Weighted Average Years to Maturity	
Fixed Rate Debt					
Mortgage notes payable	\$371,888	\$378,371	5.50	% 0.9	5
Fannie Mae credit facilities	333,912	333,828	4.90	% 3.8	9
Total fixed rate secured debt	705,800	712,199	5.22	% 2.3	14
Variable Rate Debt					
Tax-exempt secured note payable	27,000	27,000	0.76	% 16.5	1
Fannie Mae credit facilities	177,509	192,760	1.89	% 5.4	5
Total variable rate secured debt	204,509	219,760	1.74	% 6.9	6
Total Secured Debt	\$910,309	\$931,959	4.44	% 3.3	20

As of September 30, 2015, an aggregate commitment of \$511.4 million of the General Partner's secured credit facilities with Fannie Mae was allocated to the Operating Partnership based on the ownership of the assets securing the debt. The entire commitment was outstanding at September 30, 2015. The Fannie Mae credit facilities mature at various dates from May 2017 through July 2023 and bear interest at floating and fixed rates. At September 30, 2015, \$333.9 million of the outstanding balance was fixed and had a weighted average interest rate of 4.90% and the remaining balance of \$177.5 million on these facilities had a weighted average variable interest rate of 1.89%.

The following information relates to the credit facilities allocated to the Operating Partnership (dollars in thousands):

	September 30, 2015	December 31, 2014	
Borrowings outstanding	\$511,421	\$526,588	
Weighted average borrowings during the period ended	518,036	527,592	
Maximum daily borrowings during the period	523,492	528,659	
Weighted average interest rate during the period ended	3.8	% 4.1	%
Interest rate at the end of the period	3.9	% 4.0	%

The Operating Partnership may from time to time acquire properties subject to fixed rate debt instruments. In those situations, management will record the secured debt at its estimated fair value and amortize any difference between the fair value and par to interest expense over the life of the underlying debt instrument. The unamortized fair value adjustment of the fixed rate debt instruments on the Operating Partnership's properties was a net premium of \$3.3 million and \$6.2 million at September 30, 2015 and December 31, 2014, respectively.

Fixed Rate Debt

Mortgage notes payable. Fixed rate mortgage notes payable are generally due in monthly installments of principal and interest and mature at various dates from December 2015 through May 2019 and carry interest rates ranging from 3.43% to 5.94%.

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SEPTEMBER 30, 2015

Secured credit facilities. At September 30, 2015, the General Partner had borrowings against its fixed rate facilities of \$565.4 million, of which \$333.9 million was allocated to the Operating Partnership based on the ownership of the assets securing the debt. As of September 30, 2015, the fixed rate Fannie Mae credit facilities allocated to the Operating Partnership had a weighted average fixed interest rate of 4.90%.

Variable Rate Debt

Tax-exempt secured note payable. The variable rate mortgage note payable that secures tax-exempt housing bond issues matures March 2032. Interest on this note is payable in monthly installments. The mortgage note payable has an interest rate of 0.76% as of September 30, 2015.

Secured credit facilities. At September 30, 2015, the General Partner had borrowings against its variable rate facilities of \$249.4 million, of which \$177.5 million was allocated to the Operating Partnership based on the ownership of the assets securing the debt. As of September 30, 2015, the variable rate borrowings under the Fannie Mae credit facilities allocated to the Operating Partnership had a weighted average floating interest rate of 1.89%.

The aggregate maturities of the Operating Partnership's secured debt due during each of the next five calendar years subsequent to September 30, 2015 are as follows (dollars in thousands):

Year	Fixed Mortgage Notes Payable	Secured Credit Facilities	Variable Tax-Exempt Secured Notes Payable	Secured Credit Facilities	Total
2015	\$186,592	\$94	\$—	\$—	\$186,686
2016	131,946	385	—	—	132,331
2017	1,629	15,640	—	6,566	23,835
2018	1,685	111,256	—	81,559	194,500
2019	50,036	123,095	—	—	173,131
Thereafter	—	83,442	27,000	89,384	199,826
Total	\$371,888	\$333,912	\$27,000	\$177,509	\$910,309

Guarantor on Unsecured Debt

The Operating Partnership is a guarantor on the General Partner's unsecured revolving credit facility with an aggregate borrowing capacity of \$900 million, \$250 million of term notes due June 2018, \$100 million of term notes due June 2018, \$300 million of medium-term notes due June 2018, \$300 million of medium-term notes due October 2020, \$400 million of medium-term notes due January 2022, \$300 million of medium-term notes due July 2024, and \$300 million of medium-term notes due October 2025. As of September 30, 2015 and December 31, 2014, the outstanding balance under the unsecured revolving credit facility was \$110.0 million and \$152.5 million, respectively.

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SEPTEMBER 30, 2015

5. RELATED PARTY TRANSACTIONS

Advances (To)/From the General Partner

The Operating Partnership participates in the General Partner's central cash management program, wherein all the Operating Partnership's cash receipts are remitted to the General Partner and all cash disbursements are funded by the General Partner. In addition, other miscellaneous costs such as administrative expenses are incurred by the General Partner on behalf of the Operating Partnership. As a result of these various transactions between the Operating Partnership and the General Partner, the Operating Partnership had net Advances (to)/from General Partner of \$10.2 million and \$13.6 million at September 30, 2015 and December 31, 2014, respectively, which are reflected as increases of capital on the Consolidated Balance Sheets.

Allocation of General and Administrative Expenses

The General Partner provides various general and administrative and other overhead services for the Operating Partnership including legal assistance, acquisitions analysis, marketing and advertising, and allocates these expenses to the Operating Partnership first on the basis of direct usage when identifiable, with the remainder allocated based on its pro-rata portion of UDR's total apartment homes. The general and administrative expenses allocated to the Operating Partnership by UDR were \$6.5 million and \$6.6 million during the three months ended September 30, 2015 and 2014, respectively, and \$16.3 million and \$20.5 million during the nine months ended September 30, 2015 and 2014, respectively, and are included in General and administrative on the Consolidated Statements of Operations. In the opinion of management, this method of allocation reflects the level of services received by the Operating Partnership from the General Partner.

During the three months ended September 30, 2015 and 2014, the Operating Partnership incurred \$4.7 million and \$3.2 million, respectively, and during the nine months ended September 30, 2015 and 2014 incurred \$13.3 million and \$9.4 million, respectively, of related party management fees related to a management agreement entered into in 2011 with wholly-owned subsidiaries of UDR's taxable REIT subsidiaries ("TRS"). (See further discussion in paragraph below.) These related party management fees are initially recorded in General and administrative on the Consolidated Statements of Operations, and a portion related to management fees charged by UDR's TRS is reclassified to Property management on the Consolidated Statements of Operations. (See further discussion below.)

Management Fee

In 2011, the Operating Partnership entered into a management agreement with wholly owned subsidiaries of UDR's TRSs. Under the management agreement, the Operating Partnership is charged a management fee equal to 2.75% of gross rental revenues, which is classified in Property management on the Consolidated Statements of Operations.

Notes Payable to General Partner

As of September 30, 2015 and December 31, 2014, the Operating Partnership had \$88.7 million of unsecured notes payable to the General Partner at annual interest rates between 5.18% and 5.34%. Certain limited partners of the Operating Partnership have provided guarantees related to these notes payable. The guarantees were provided by the limited partners in conjunction with their contribution of properties to the Operating Partnership. The notes mature on August 31, 2021 and December 31, 2023 and interest payments are made monthly. The Operating Partnership recognized interest expense on the notes payable of \$1.2 million during the three months ended September 30, 2015 and 2014 and \$3.5 million during the nine months ended September 30, 2015 and 2014.

6. 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.

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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 Operating Partnership's financial instruments either recorded or disclosed on a recurring basis as of September 30, 2015 and December 31, 2014 are summarized as follows (dollars in thousands):

Description:	Total Carrying Amount in Statement of Financial Position at September 30, 2015	Fair Value Estimate at September 30, 2015	Fair Value at September 30, 2015, Using		
			Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Derivatives - Interest rate contracts (a)	\$4	\$4	\$—	\$4	\$—
Total assets	\$4	\$4	\$—	\$4	\$—
Derivatives - Interest rate contracts (a)	\$175	\$175	\$—	\$175	\$—
Secured debt instruments - fixed rate: (b)					
Mortgage notes payable	371,888	380,820	—	—	380,820
Fannie Mae credit facilities	333,912	352,452	—	—	352,452
Secured debt instruments - variable rate: (b)					
Tax-exempt secured notes payable	27,000	27,000	—	—	27,000
Fannie Mae credit facilities	177,509	177,509	—	—	177,509
Total liabilities	\$910,484	\$937,956	\$—	\$175	\$937,781

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SEPTEMBER 30, 2015

Description:	Total Carrying Amount in Statement of Financial Position at December 31, 2014	Fair Value Estimate at December 31, 2014	Fair Value at December 31, 2014, Using		
			Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Derivatives - Interest rate contracts (a)	\$39	\$39	\$—	\$39	\$—
Total assets	\$39	\$39	\$—	\$39	\$—
Derivatives - Interest rate contracts (a)	\$918	\$918	\$—	\$918	\$—
Secured debt instruments - fixed rate: (b)					
Mortgage notes payable	378,371	391,835	—	—	391,835
Fannie Mae credit facilities	333,828	355,470	—	—	355,470
Secured debt instruments - variable rate: (b)					
Tax-exempt secured notes payable	27,000	27,000	—	—	27,000
Fannie Mae credit facilities	192,760	192,760	—	—	192,760
Total liabilities	\$932,877	\$967,983	\$—	\$918	\$967,065

(a) See Note 7, Derivatives and Hedging Activity.

(b) See Note 4, Debt.

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 options are determined using the market standard methodology of discounting the future expected cash receipts that would occur if variable interest rates rise above the strike rate of the caps. The variable interest rates used in the calculation of projected receipts on the cap are based on an expectation of future interest rates derived from observable market interest rate curves and volatilities. The General Partner, on behalf of the Operating Partnership, incorporates credit valuation adjustments to appropriately reflect both its own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. In adjusting the fair value of its derivative contracts for the effect of nonperformance risk, the Operating Partnership has considered the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts, and guarantees.

Although the General Partner, on behalf of the Operating Partnership, 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 September 30, 2015 and December 31, 2014, the Operating Partnership 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 Operating Partnership 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 Operating Partnership 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.

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Financial Instruments Not Carried at Fair Value

As of September 30, 2015, 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 were determined by the Operating Partnership using available market information and appropriate valuation methodologies. Considerable judgment is necessary to interpret market data and develop estimated fair values. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Operating Partnership would realize on the disposition of the financial instruments. The use of different market assumptions or estimation methodologies may have a material effect on the estimated fair value amounts.

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

The Operating Partnership records 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. Cash flow estimates are based upon historical results adjusted to reflect management's 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. The General Partner's estimates of fair value represent management's estimates based upon Level 3 inputs such as industry trends and reference to market rates and transactions.

7. DERIVATIVES AND HEDGING ACTIVITY

Risk Management Objective of Using Derivatives

The Operating Partnership is exposed to certain risks arising from both its business operations and economic conditions. The General Partner principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. The General Partner 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 General Partner enters into derivative financial instruments to manage exposures that arise from business activities that result in the receipt or payment of future known and uncertain cash amounts, the value of which are determined by interest rates. The General Partner's and the Operating Partnership's derivative financial instruments are used to manage differences in the amount, timing, and duration of the General Partner's known or expected cash payments principally related to the General Partner's borrowings.

Cash Flow Hedges of Interest Rate Risk

The General Partner'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 General Partner 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 General Partner 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.

A portion of the General Partner's interest rate derivatives have been allocated to the Operating Partnership based on the General Partner's underlying debt instruments allocated to the Operating Partnership. (See Note 4, Debt.)

The effective portion of changes in the fair value of derivatives designated and that qualify as cash flow hedges is recorded in Accumulated other comprehensive income/(loss), net in the Consolidated Balance Sheets and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. During the three and nine months ended September 30, 2015 and 2014, such derivatives were used to hedge the variable cash flows associated with existing variable-rate debt and forecasted issuances of fixed-rate debt. The ineffective portion of the change in fair value of the derivatives is recognized directly in earnings. During the three and nine months ended September 30, 2015, the Company

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recognized an \$11,000 loss reclassified from Accumulated OCI to Interest expense due to the de-designation of a cash flow hedge and recorded no other ineffectiveness to earnings. The Operating Partnership recorded no gain or loss from ineffectiveness during the three and nine months ended September 30, 2015, and 2014.

Amounts reported in Accumulated other comprehensive income/(loss), net related to derivatives will be reclassified to interest expense as interest payments are made on the General Partner's variable-rate debt that is allocated to the Operating Partnership. Through September 30, 2016, we estimate that an additional \$0.2 million will be reclassified as an increase to interest expense.

As of September 30, 2015, the Operating Partnership had the following outstanding interest rate derivatives designated as cash flow hedges of interest rate risk (dollars in thousands):

Product	Number of Instruments	Notional
Interest rate swaps	1	\$46,357
Interest rate caps	1	\$127,916

Derivatives not designated as hedges are not speculative and are used to manage the Operating Partnership's exposure to interest rate movements and other identified risks but do not meet the strict hedge accounting requirements of GAAP or the Operating Partnership has elected to not apply hedge accounting. Changes in the fair value of derivatives not designated in hedging relationships are recorded directly in earnings and resulted in gain/(loss) of \$(1,000) and \$(24,000) for the three and nine months ended September 30, 2015, respectively, and no adjustment to earnings for for the three and nine months ended September 30, 2014.

As of September 30, 2015, we had the following outstanding derivatives that were not designated as a hedges in a qualifying hedging relationships (dollars in thousands):

Product	Number of Instruments	Notional
Interest rate caps	3	\$124,856

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

The table below presents the fair value of the Operating Partnership's derivative financial instruments as well as their classification on the Consolidated Balance Sheets as of September 30, 2015 and December 31, 2014 (dollars in thousands):

	Asset Derivatives (included in Other assets)		Liability Derivatives (included in Other liabilities)	
	Fair Value at: September 30, 2015	December 31, 2014	Fair Value at: September 30, 2015	December 31, 2014
Derivatives designated as hedging instruments:				
Interest rate products	\$2	\$37	\$175	\$918
Derivatives not designated as hedging instruments:				
Interest rate products	\$2	\$2	\$—	\$—

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Tabular Disclosure of the Effect of Derivative Instruments on the Consolidated Statements of Operations
The tables below present the effect of the derivative financial instruments on the Consolidated Statements of Operations for the three and nine months ended September 30, 2015 and 2014 (dollars in thousands):

	Unrealized holding gain/(loss) Recognized in OCI (Effective Portion)		Gain/(Loss) Reclassified from Accumulated OCI into Interest expense (Effective Portion)		Gain/(Loss) Recognized in Interest expense (Ineffective Portion and Amount Excluded from Effectiveness Testing)	
	2015	2014	2015	2014	2015	2014
Derivatives in Cash Flow Hedging Relationships						
Three Months Ended September 30,						
Interest rate products	\$ (8)	\$ (3)	\$ (267)	\$ (588)	\$ (11)	\$ —
Nine Months Ended September 30,						
Interest rate products	\$ (85)	\$ (194)	\$ (820)	\$ (1,784)	\$ (11)	\$ —
Derivatives Not Designated as Hedging Instruments						
Three Months Ended September 30,						
Interest rate products				\$ (1)		\$ —
Nine Months Ended September 30,						
Interest rate products				\$ (24)		\$ —

Credit-risk-related Contingent Features

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

Certain of the General Partner's agreements with its derivative counterparties contain provisions where if there is a change in the General Partner's financial condition that materially changes the General Partner's creditworthiness in an adverse manner, the General Partner may be required to fully collateralize its obligations under the derivative instrument. At September 30, 2015 and December 31, 2014, no cash collateral was posted or required to be posted by the General Partner or by a counterparty.

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

The General Partner has certain agreements with some of its derivative counterparties that contain a provision where in the event of default by the General Partner 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 contract, 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.

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As of September 30, 2015, the fair value of derivatives in a net liability position that were allocated to the Operating Partnership, which includes accrued interest but excludes any adjustment for nonperformance risk, related to these agreements was \$0.2 million. As of September 30, 2015, the General Partner has not posted any collateral related to these agreements. If the General Partner had breached any of these provisions at September 30, 2015, it would have been required to settle its obligations under the agreements at their termination value of \$0.2 million.

The General Partner has elected not to offset derivative positions in the consolidated financial statements. The table below presents the effect on the Operating Partnership's financial position had the General Partner made the election to offset its derivative positions as of September 30, 2015 and December 31, 2014:

Offsetting of Derivative Assets

	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		
				Financial Instruments	Cash Collateral Received	Net Amount
September 30, 2015	\$4	\$—	\$4	\$—	\$—	\$4
December 31, 2014	\$39	\$—	\$39	\$—	\$—	\$39

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

Offsetting of Derivative Liabilities

	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Consolidated Balance Sheets	Net Amounts of Liabilities Presented in the Consolidated Balance Sheets (b)	Gross Amounts Not Offset in the Consolidated Balance Sheets		
				Financial Instruments	Cash Collateral Posted	Net Amount
September 30, 2015	\$175	\$—	\$175	\$—	\$—	\$175
December 31, 2014	\$918	\$—	\$918	\$—	\$—	\$918

(b) Amounts reconcile to the aggregate fair value of derivative liabilities in the "Tabular Disclosure of Fair Values of Derivative Instruments on the Balance Sheet" located in this footnote.

8. CAPITAL STRUCTURE

General Partnership Units

The General Partner has complete discretion to manage and control the operations and business of the Operating Partnership, which includes but is not limited to the acquisition and disposition of real property, construction of buildings and making capital improvements, and the borrowing of funds from outside lenders or UDR and its subsidiaries to finance such activities. The General Partner can generally authorize, issue, sell, redeem or purchase any OP Unit or securities of the Operating Partnership without the approval of the limited partners. The General Partner can also approve, with regard to the issuances of OP Units, the class or one or more series of classes, with designations, preferences, participating, optional or other special rights, powers and duties including rights, powers and duties senior to limited partnership interests without approval of any limited partners except holders of Class A Limited Partnership Units. There were 110,883 General Partnership units outstanding at September 30, 2015 and December 31, 2014, all of which were held by UDR.

Limited Partnership Units

As of September 30, 2015 and December 31, 2014, there were 183,167,815 limited partnership units outstanding, of which 1,873,332 were Class A Limited Partnership Units. UDR owned 174,114,516, or 95.1% of, and 174,002,342, or 95.0%

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UNITED DOMINION REALTY, L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (continued)

SEPTEMBER 30, 2015

of, OP Units outstanding at September 30, 2015 and December 31, 2014, respectively, of which 121,661 were Class A Limited Partnership Units. The remaining 9,053,299, or 4.9% of, and 9,165,473, or 5.0% of, OP Units outstanding, were held by non-affiliated partners at September 30, 2015 and December 31, 2014, respectively, of which 1,751,671 were Class A Limited Partnership Units.

Subject to the terms of the Operating Partnership Agreement, the limited partners have the right to require the Operating Partnership to redeem all or a portion of the OP Units held by the limited partner at a redemption price equal to and in the form of the Cash Amount (as defined in the Operating Partnership Agreement), provided that such OP Units have been outstanding for at least one year. UDR, as general partner of the Operating Partnership may, in its sole discretion, purchase the OP Units by paying to the limited partner either the Cash Amount or the REIT Share Amount (generally one share of common stock of UDR for each OP Unit), as defined in the Operating Partnership Agreement.

The non-affiliated limited partners' capital is adjusted to redemption value at the end of each reporting period with the corresponding offset against UDR's limited partner capital account based on the redemption rights noted above. The aggregate value upon redemption of the then-outstanding OP Units held by limited partners was \$312.2 million and \$282.5 million as of September 30, 2015 and December 31, 2014, respectively, based on the value of UDR's common stock at each period end. A limited partner has no right to receive any distributions from the Operating Partnership on or after the date of redemption of its OP Units.

Class A Limited Partnership Units

Class A Limited Partnership Units have a cumulative, annual, non-compounded preferred return, which is equal to 8% based on a value of \$16.61 per Class A Limited Partnership Unit.

Holders of the Class A Limited Partnership Units exclusively possess certain voting rights. The Operating Partnership may not do the following without approval of the holders of the Class A Limited Partnership Units: (i) increase the authorized or issued amount of Class A Limited Partnership Units, (ii) reclassify any other partnership interest into Class A Limited Partnership Units, (iii) create, authorize or issue any obligations or security convertible into or the right to purchase any Class A Limited Partnership units, (iv) enter into a merger or acquisition, or (v) amend or modify the Agreement of Limited Partnership of the Operating Partnership in a manner that adversely affects the relative rights, preferences or privileges of the Class A Limited Partnership Units.

Allocation of Profits and Losses

Profit of the Operating Partnership is allocated in the following order: (i) to the General Partner and the Limited Partners in proportion to and up to the amount of cash distributions made during the year, and (ii) to the General Partner and Limited Partners in accordance with their percentage interests. Losses and depreciation and amortization expenses, non-recourse liabilities are allocated to the General Partner and Limited Partners in accordance with their percentage interests. Losses allocated to the Limited Partners are capped to the extent that such an allocation would not cause a deficit in the Limited Partners' capital account. Such losses are, therefore, allocated to the General Partner. If any Partner's capital balance were to fall into a deficit, any income and gains are allocated to each Partner sufficient to eliminate its negative capital balance.

9. COMMITMENTS AND CONTINGENCIES**Commitments****Real Estate Under Development**

The following summarizes the Operating Partnership's real estate commitments at September 30, 2015 (dollars in thousands):

	Number of Properties	Costs Incurred to Date (a)	Expected Costs to Complete (unaudited)
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Real estate communities — redevelopment	1	7,383	7,617
(a) Costs incurred to date include \$1.2 million of accrued fixed assets for redevelopment.			

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UNITED DOMINION REALTY, L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (continued)

SEPTEMBER 30, 2015

Contingencies

Litigation and Legal Matters

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

10. 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. The Operating Partnership has the same chief operating decision maker as that of its parent, the General Partner. The chief operating decision maker consists of several members of UDR's executive management team who use several generally accepted industry financial measures to assess the performance of the business for our reportable operating segments.

The Operating Partnership owns and operates multifamily apartment communities throughout the United States that generate rental and other property related income through the leasing of apartment homes to a diverse base of tenants.

The primary financial measures of the Operating Partnership's apartment communities are rental income and net operating income ("NOI"), and are included in the chief operating decision maker's assessment of the Operating Partnership's performance on a consolidated basis. Rental income represents gross market rent less adjustments for concessions, vacancy loss and bad debt. NOI is defined as total revenues less direct property operating expenses.

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 2.75% of property revenue to cover the regional supervision and accounting costs related to consolidated property operations, and land rent. The chief operating decision maker of the General Partner utilizes NOI as the key measure of segment profit or loss.

The Operating Partnership'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 July 1, 2014 for quarter-to-date comparison and January 1, 2014 for year-to-date comparison and held as of September 30, 2015. 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 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 properties, and the non-apartment components of mixed use properties.

Management of the General Partner evaluates the performance of each of the Operating Partnership's 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 the apartment communities generally has similar economic characteristics, facilities, services, and tenants. Therefore, the Operating Partnership'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 the Operating Partnership's total revenues during the three and nine months ended September 30, 2015 and 2014.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (continued)

SEPTEMBER 30, 2015

The following table details rental income and NOI from continuing and discontinued operations for the Operating Partnership's reportable segments for the three and nine months ended September 30, 2015 and 2014, and reconciles NOI to Net income/(loss) attributable to OP unitholders in the Consolidated Statements of Operations (dollars in thousands):

	Three Months Ended		Nine Months Ended	
	September 30, (a)		September 30, (b)	
	2015	2014	2015	2014
Reportable apartment home segment rental income				
Same-Store Communities				
West Region	\$52,731	\$48,536	\$136,298	\$125,653
Mid-Atlantic Region	16,702	16,364	49,907	49,331
Southeast Region	11,363	10,677	33,535	31,757
Northeast Region	15,810	14,968	46,379	43,894
Southwest Region	6,989	6,667	20,594	19,873
Non-Mature Communities/Other	11,578	10,232	51,713	44,148
Total consolidated rental income	\$115,173	\$107,444	\$338,426	\$314,656
Reportable apartment home segment NOI				
Same-Store Communities				
West Region	\$39,121	\$35,066	\$101,855	\$91,363
Mid-Atlantic Region	10,639	10,873	32,845	33,185
Southeast Region	7,602	6,882	22,357	20,999
Northeast Region	12,025	11,609	35,672	33,662
Southwest Region	4,383	4,192	12,956	12,578
Non-Mature Communities/Other	8,520	7,131	37,003	31,351
Total consolidated NOI	82,290	75,753	242,688	223,138
Reconciling items:				
Property management	(3,167)	(2,955)	(9,307)	(8,653)
Other operating expenses	(1,482)	(1,484)	(4,468)	(4,371)
Real estate depreciation and amortization	(43,829)	(45,043)	(132,411)	(134,011)
General and administrative	(7,935)	(6,939)	(20,606)	(21,368)
Casualty-related recoveries/(charges), net	(16)	—	(888)	(500)
Interest expense	(10,909)	(10,457)	(32,587)	(30,629)
Gain/(loss) on sale of real estate owned	—	—	56,998	40,687
Net (income)/loss attributable to noncontrolling interests	(335)	(238)	(1,075)	(697)
Net income/(loss) attributable to OP unitholders	\$14,617	\$8,637	\$98,344	\$63,596

(a) Same-Store Community population consisted of 19,024 apartment homes.

(b) Same-Store Community population consisted of 18,060 apartment homes

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (continued)

SEPTEMBER 30, 2015

The following table details the assets of the Operating Partnership's reportable segments as of September 30, 2015 and December 31, 2014 (dollars in thousands):

	September 30, 2015	December 31, 2014
Reportable apartment home segment assets		
Same-Store Communities		
West Region	\$1,873,029	\$1,853,283
Mid-Atlantic Region	691,799	686,708
Southeast Region	320,578	316,788
Northeast Region	782,366	777,376
Southwest Region	231,748	228,997
Non-Mature Communities/Other	359,058	375,618
Total assets	4,258,578	4,238,770
Accumulated depreciation	(1,518,558)	(1,403,303)
Total assets - net book value	2,740,020	2,835,467
Reconciling items:		
Cash and cash equivalents	131	502
Restricted cash	14,710	13,811
Deferred financing costs, net	3,355	4,475
Other assets	24,740	24,029
Total consolidated assets	\$2,782,956	\$2,878,284

Capital expenditures related to the Operating Partnership's Same-Store Communities totaled \$13.6 million and \$8.0 million for the three months ended September 30, 2015 and 2014, respectively, and \$32.8 million and \$19.1 million for the nine months ended September 30, 2015 and 2014, respectively. Capital expenditures related to the Operating Partnership's Non-Mature Communities/Other totaled \$0.9 million and \$0.7 million for the three months ended September 30, 2015 and 2014, respectively, and \$3.2 million and \$1.4 million for the nine months ended September 30, 2015 and 2014, respectively.

Markets included in the above geographic segments are as follows:

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

11. SUBSEQUENT EVENTS

The Operating Partnership evaluated subsequent events through the date its financial statements were issued and noted the following:

UDR Lighthouse DownREIT L.P. Formation

In connection with the acquisitions described below, on October 5, 2015, UDR, as the sole general partner and a limited partner, the Operating Partnership and UDR Texas Properties LLC, a Delaware limited liability company owned 0.5% by UDR and 99.5% by the Operating Partnership ("UDR Texas"), as limited partners, entered into the Agreement of Limited Partnership (the "Partnership Agreement") of UDR Lighthouse DownREIT L.P. (the "DownREIT Partnership").

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UNITED DOMINION REALTY, L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (continued)

SEPTEMBER 30, 2015

As the sole general partner of the DownREIT Partnership, UDR has full, complete and exclusive discretion to manage and control the business of the DownREIT Partnership and to make all decisions affecting the business and assets of the DownREIT Partnership, subject to certain limitations set forth in the Partnership Agreement. As of the closing of the transactions under the Contribution Agreement (as defined below), UDR, the Operating Partnership and UDR Texas owned approximately 8.5%, 32.5% and 9.1%, respectively, of the units of limited partnership interest in the DownREIT Partnership (“DownREIT Units”), which they received in exchange for their contribution of the following properties to the DownREIT Partnership:

Property	Location
Ridge at Blue Hills ⁽¹⁾	Braintree, MA
Residences at the Domain ⁽¹⁾	Austin, TX
Inwood West ⁽²⁾	Woburn, MA
Thirty377 ⁽²⁾	Dallas, TX
Legacy Village ⁽²⁾	Plano, TX
Delancey at Shirlington ⁽²⁾	Arlington, VA
Circle Towers ⁽²⁾	Fairfax, VA
Barton Creek Landing ⁽³⁾	Austin, TX
The Whitmore ⁽³⁾	Arlington, VA

(1) Contributed by UDR.

(2) Contributed by the Operating Partnership.

(3) Contributed by UDR Texas.

As a result of the contribution of the seven properties to the DownREIT Partnership by the Operating Partnership and UDR Texas, the properties will no longer be consolidated in the Operating Partnership’s financial statements, resulting in a decrease in the real estate owned, debt, revenues and expenses of the Operating Partnership. A gain will be recorded for a portion of the Operating Partnership’s ownership interest in the seven properties that was disposed during the three months ended December 31, 2015. The Operating Partnership retained a 41.6% interest in those seven properties through its direct and indirect ownership interest in the DownREIT Partnership, which will be reported as Investment in and advances to unconsolidated joint ventures, net on the consolidated balance sheet and Income/(loss) from unconsolidated entities on the consolidated statement of operations in the Operating Partnership’s consolidated financial statements.

The limited partners have no power to remove UDR as general partner of the DownREIT Partnership. The DownREIT Partnership is structured to make distributions in respect of DownREIT Units that will be equivalent to the distributions made to holders of UDR’s common stock. Subject to certain terms and conditions set forth in the Partnership Agreement, limited partners in the DownREIT Partnership (other than UDR and its affiliates) have the right, commencing one year after the date of issuance, to tender their DownREIT Units for redemption for cash or, at UDR’s election, for shares of its common stock on a one-for-one basis (subject to the anti-dilution adjustments provided in the Partnership Agreement).

Property Acquisitions

From October 6-8, 2015, UDR completed the acquisition of six Washington, DC area properties from Home Properties, L.P., a New York limited partnership (“Home OP”), for a total purchase price of \$901 million, which was comprised of \$565 million of newly issued DownREIT Units issued at \$35 per unit (a total of 16.1 million units), the assumption of \$89 million of debt, \$221 million of reverse exchanges pursuant to Section 1031 of the Internal Revenue Code of 1986, as amended, and \$26 million of cash. In addition, UDR issued approximately 13.7 million shares of its Series F Preferred Stock to former limited partners of Home OP, which had the right to subscribe for one

share of Series F Preferred Stock for each DownREIT Unit issued in connection with the acquisitions. The acquisitions were made pursuant to the previously disclosed Contribution Agreement, dated as of June 22, 2015, as amended, by and among UDR, the Operating Partnership, Home OP and LSREF4 Lighthouse Acquisitions, LLC, a Delaware limited liability company (the “Contribution Agreement”).

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (continued)

SEPTEMBER 30, 2015

Of the six properties acquired from Home OP, four properties were acquired through the DownREIT Partnership, one property was acquired by the Operating Partnership through a reverse Section 1031 exchange and one property was acquired by an affiliate of UDR through a reverse Section 1031 exchange, as reflected in the following table:

Property	Location
Eleven55 Ripley ⁽¹⁾	Silver Spring, MD
Arbor Park of Alexandria ⁽¹⁾	Alexandria, VA
Newport Village ⁽¹⁾	Alexandria, VA
The Courts at Dulles ⁽¹⁾	Herndon, VA
1200 East West ⁽²⁾	Silver Spring, MD
Courts at Huntington Station ⁽³⁾	Alexandria, VA

(1) Acquired through the DownREIT Partnership.

(2) Acquired by an affiliate of UDR through a reverse Section 1031 exchange.

(3) Acquired by the Operating Partnership through a reverse Section 1031 exchange.

Revolving Credit Facility

On October 20, 2015, UDR, Inc., as borrower, entered into a credit agreement (the “Credit Agreement”), which provides for a \$1.1 billion senior unsecured revolving credit facility (the “Revolving Credit Facility”) and a \$350.0 million senior unsecured term loan facility (the “Term Loan Facility”). The Credit Agreement includes an accordion feature that allows the total commitments under the Revolving Credit Facility and the total borrowings under the Term Loan Facility to be increased to an aggregate maximum amount of up to \$2.0 billion, subject to certain conditions, including obtaining commitments from any one or more lenders. The Revolving Credit Facility has a scheduled maturity date of January 31, 2020, with two six-month extension options, subject to certain conditions. The Term Loan Facility has a scheduled maturity date of January 29, 2021.

The Credit Agreement replaces (i) UDR, Inc.’s \$900 million revolving credit facility scheduled to mature in December 2017 (the “Prior Credit Agreement”) and (ii) UDR, Inc.’s \$250 million term loan and UDR, Inc.’s \$100 million term loan, both due June 2018 (together, the “Prior Term Loan Agreements”).

On October 20, 2015, UDR, Inc. borrowed \$200 million under the Revolving Credit Facility and \$350 million under the Term Loan Facility to pay outstanding balances under the Prior Credit Agreement and the Prior Term Loan Agreements, respectively.

Based on UDR, Inc.’s current credit rating, the Revolving Credit Facility has an interest rate equal to LIBOR plus a margin of 90 basis points and a facility fee of 15 basis points, and the Term Loan Facility has an interest rate equal to LIBOR plus a margin of 95 basis points. Depending on UDR, Inc.’s credit rating, the margin under the Revolving Credit Facility ranges from 85 to 155 basis points and the facility fee ranges from 12.5 to 30 basis points, and the margin under the Term Loan Facility ranges from 90 to 175 basis points.

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.

UDR, Inc.'s obligations under the Credit Agreement are guaranteed by the Operating Partnership, pursuant to a guaranty dated as of October 20, 2015.

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

Forward-Looking Statements

This Report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Such forward-looking statements include, without limitation, statements concerning property acquisitions and dispositions, development activity and capital expenditures, capital raising activities, rent growth, occupancy, and rental expense growth. Words such as “expects,” “anticipates,” “intends,” “plans,” “likely,” “will,” “believes,” “seeks,” “estimates,” and variations of such words and similar expressions are intended to identify such forward-looking statements. Such statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from the results of operations or plans expressed or implied by such forward-looking statements. Such factors include, among other things, unfavorable changes in the apartment market, changing economic conditions, the impact of inflation/deflation on rental rates and property operating expenses, expectations concerning availability of capital and the stabilization of the capital markets, the impact of competition and competitive pricing, acquisitions, developments and redevelopments not achieving anticipated results, delays in completing developments, redevelopments and lease-ups on schedule, expectations on job growth, home affordability and demand/supply ratio for multifamily housing, expectations concerning development and redevelopment activities, expectations on occupancy levels, expectations concerning the joint ventures with third parties, expectations that automation will help grow net operating income, and expectations on annualized net operating income.

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

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

- delays in completing developments and lease-ups on schedule;
- our failure to succeed in new markets;
- changing interest rates, which could increase interest costs and affect the market price of our securities;
- 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;

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

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

A discussion of these and other factors affecting our business and prospects is set forth 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.

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UDR, Inc.:

Business Overview

UDR, Inc. is a self-administered real estate investment trust, or REIT, that owns, acquires, renovates, develops, and manages apartment communities. 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 an operating partnership, United Dominion Realty, L.P., a Delaware limited partnership. Unless the context otherwise requires, all references in this Report to “we,” “us,” “our,” “the Company,” or “UDR” refer collectively to UDR, Inc., its subsidiaries and its consolidated joint ventures. At September 30, 2015, our consolidated real estate portfolio included 136 communities in 10 states plus the District of Columbia totaling 39,405 apartment homes. In addition, we had an ownership interest in 28 communities with 6,696 apartment homes through unconsolidated operating communities. The Same-Store Community apartment home population for the three and nine months ended September 30, 2015 was 34,774 and 33,495, respectively.

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The following table summarizes our market information by major geographic markets as of and for the three and nine months ended September 30, 2015.

Same-Store Communities	Number of Apartment Communities	September 30, 2015			Three Months Ended September 30, 2015		Nine Months Ended September 30, 2015		
		Number of Apartment Homes	Percentage of Total Carrying Value	Total Carrying Value (in thousands)	Average Physical Occupancy	Monthly Income per Occupied Home (a)	Average Physical Occupancy	Monthly Income per Occupied Home (a)	
West Region									
Orange County, CA	11	4,321	11.6	% \$987,949	95.6	% \$1,998	95.9	% \$1,903	
San Francisco, CA	10	2,423	8.7	% 745,747	96.1	% 3,282	96.9	% 2,990	
Seattle, WA	9	1,727	5.4	% 453,944	96.9	% 1,902	97.2	% 1,842	
Los Angeles, CA	4	1,225	5.2	% 441,862	95.7	% 2,530	95.4	% 2,460	
Monterey Peninsula, CA	7	1,565	1.9	% 164,006	97.2	% 1,377	97.3	% 1,318	
Other Southern California	3	756	1.5	% 122,898	95.6	% 1,644	96.1	% 1,624	
Portland, OR	2	476	0.6	% 46,619	97.2	% 1,337	97.7	% 1,277	
Mid-Atlantic Region									
Metropolitan D.C.	14	4,568	12.0	% 1,025,234	96.6	% 1,924	96.7	% 1,914	
Baltimore, MD	10	2,122	3.4	% 285,302	96.3	% 1,489	96.9	% 1,480	
Richmond, VA	4	1,358	1.7	% 140,863	95.9	% 1,261	96.2	% 1,241	
Other Mid-Atlantic	1	168	0.2	% 13,115	97.1	% 1,034	95.9	% 1,027	
Southeast Region									
Orlando, FL	9	2,500	2.5	% 210,420	97.0	% 1,118	96.9	% 1,095	
Tampa, FL	7	2,287	2.8	% 238,943	97.0	% 1,216	97.0	% 1,194	
Nashville, TN	8	2,260	2.3	% 194,811	97.4	% 1,124	97.3	% 1,104	
Other Florida	1	636	1.0	% 82,012	96.7	% 1,432	96.7	% 1,420	
Northeast Region									
New York, NY	3	1,205	8.9	% 756,050	98.0	% 3,883	98.0	% 3,799	
Boston, MA	4	1,179	3.9	% 327,885	97.0	% 2,377	96.7	% 2,326	
Southwest Region									
Dallas, TX	8	2,725	3.5	% 296,559	96.9	% 1,207	97.0	% 1,183	
Austin, TX	4	1,273	1.8	% 149,587	97.7	% 1,350	97.3	% 1,338	
Total/Average									
Same-Store Communities	119	34,774	78.9	% 6,683,806	96.6	% \$1,792	96.8	% \$1,721	
Non-Mature, Commercial Properties & Other	9	2,876	17.5	% 1,478,657					
Total Real Estate Held for Investment	128	37,650	96.4	% 8,162,463					
Real Estate Under Development (b)	—	—	1.2	% 104,080					
Real Estate Held for Disposition (c)	8	1,755	2.4	% 206,434					
Total Real Estate Owned	136	39,405	100.0	% 8,472,977					

Total Accumulated Depreciation	(2,647,504)
Total Real Estate Owned, Net of Accumulated Depreciation	\$5,825,473

(a) Monthly Income per Occupied Home represents total monthly revenues divided by the product of occupancy and the number of mature apartment homes.

(b) The Company is currently developing one wholly-owned community with 516 apartment homes, of which none have been completed as of September 30, 2015.

(c) The Company had eight communities with a total of 1,755 apartment homes that met the criteria to be classified as held for disposition at September 30, 2015. The communities are located in Virginia Beach, Hampton and Yorktown, VA, Columbia, MD, Pinellas Park, FL, Orange County, CA, and Oxnard, CA. We report in two segments: Same-Store Communities and Non-Mature Communities/Other.

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Our Same-Store Communities segment represents those communities acquired, developed, and stabilized prior to July 1, 2014 for quarter-to-date comparison and January 1, 2014 for year-to-date comparison and held as of September 30, 2015. 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 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 properties, and the non-apartment components of mixed use properties.

UDR Lighthouse DownREIT L.P. Formation

In connection with the acquisitions described below, on October 5, 2015, the Company, as the sole general partner and a limited partner, entered into a partnership agreement of the UDR Lighthouse DownREIT L.P. (the “DownREIT Partnership”). The Company, directly or indirectly, owns approximately 50.1% of the units of limited partnership interest in the DownREIT Partnership (“DownREIT Units”), which it received in exchange for its contribution of nine properties to the DownREIT Partnership.

Property Acquisitions

From October 6-8, 2015, the Company completed the acquisition of six Washington, DC area properties from Home Properties, L.P. (“Home OP”) for a total purchase price of \$901 million, which was comprised of \$565 million of newly issued DownREIT Units issued at \$35 per unit, the assumption of \$89 million of debt, \$221 million of reverse Section 1031 exchanges and \$26 million of cash. In addition, the Company issued approximately 13.7 million shares of its Series F Preferred Stock to former limited partners of Home OP, which had the right to subscribe for one share of Series F Preferred Stock for each DownREIT Unit issued in connection with the acquisitions.

Of the six properties acquired from Home OP, four properties were acquired through the DownREIT Partnership, one property was acquired by the Operating Partnership through a reverse Section 1031 exchange and one property was acquired by an affiliate of the Company through a reverse Section 1031 exchange.

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 related to our portfolio of apartment homes and borrowings under our credit agreements. We routinely use our unsecured credit facility to temporarily fund certain investing and financing activities prior to arranging for longer-term financing or the issuance of equity or debt securities. During the past several years, proceeds from the sale of real estate have been used for both investing and financing activities as we repositioned our portfolio.

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

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

On August 24, 2015, the Company sold 2,900,000 shares of its common stock for aggregate gross proceeds of approximately \$101.5 million at a price per share of \$35.00. Aggregate net proceeds from the sale, after deducting the underwriting discount and offering-related expenses, were approximately \$101.4 million, which were used for

working capital and general corporate purposes.

On September 22, 2015, the Company issued \$300 million of 4.00% senior unsecured medium-term notes due October 1, 2025. Interest is payable semi-annually beginning on April 1, 2016. The notes were priced at 99.77% of the principal amount at

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issuance. We used the net proceeds to pay down a portion of the borrowings outstanding on our \$900 million unsecured credit facility and for general corporate purposes. The notes are fully and unconditionally guaranteed by the Operating Partnership.

In April 2012, the Company entered into a new equity distribution agreement, which was amended in July 2014, under which the Company may offer and sell up to 20 million shares of its common stock, from time to time, to or through its sales agents. During the nine months ended September 30, 2015, the Company sold 3,439,636 shares of common stock through this program for aggregate gross proceeds of approximately \$111.0 million at a weighted average price per share of \$32.29. Aggregate net proceeds from such sales, after deducting related expenses, including commissions paid to the sales agents of approximately \$2.2 million, were approximately \$108.7 million, which were primarily used to fund the Company's development and redevelopment projects. As of September 30, 2015, we had 13.1 million shares of common stock available for future issuance under the April 2012 program.

On October 20, 2015, the Company entered into a credit agreement that provides for a \$1.1 billion senior unsecured revolving credit facility and a \$350.0 million senior unsecured term loan facility. The credit agreement includes an accordion feature that allows the total commitments under the revolving credit facility and the total borrowings under the term loan facility to be increased to an aggregate maximum amount of up to \$2.0 billion, subject to certain conditions. The revolving credit facility has a scheduled maturity date of January 31, 2020, with two six-month extension options, subject to certain conditions. The term loan facility has a scheduled maturity date of January 29, 2021. The credit agreement replaces the Company's existing \$900 million revolving credit facility, scheduled to mature in December 2017, and the Company's \$250 million and \$100 million term loans, both due June 2018, all of which were paid in full using proceeds borrowed under the new credit agreement (see Note 14, Subsequent Events, in the Notes to the UDR, Inc. Consolidated Financial Statements included in this Report).

Future Capital Needs

Future development and redevelopment expenditures may be funded through borrowings under unsecured or secured credit facilities, proceeds from the issuance of equity or debt securities, sales of properties, and, to a lesser extent, from cash flow 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.

As of September 30, 2015, we had approximately \$187.9 million of secured debt maturing, inclusive of principal amortization, and no unsecured debt maturing, during the remainder of 2015.

We anticipate repaying that 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.

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 24, 2015. 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 24, 2015. 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 nine months ended September 30, 2015 and 2014.

Operating Activities

For the nine months ended September 30, 2015, our Net cash provided by/(used in) operating activities was \$305.8 million compared to \$282.0 million for the comparable period in 2014. The increase in cash flow from operating activities is primarily due to improved operating income.

Investing Activities

For the nine months ended September 30, 2015, Net cash provided by/(used in) investing activities was \$(228.2) million compared to \$(300.9) million for the comparable period in 2014. The change in investing activities reflects our strategy as it relates to our investments in unconsolidated joint ventures and partnerships, acquisitions, dispositions, capital expenditures, and development activities, all of which are discussed below and in further detail throughout this Report.

Acquisitions

In February 2015, the Company acquired an office building in Highlands Ranch, Colorado, for total consideration of approximately \$24.0 million, which was comprised of assumed debt. The Company's corporate offices, as well as other leased office space, are located in the acquired building. The building consists of approximately 120,000 square feet. All existing leases were assumed by the Company at the time of acquisition.

Dispositions

During the nine months ended September 30, 2015, the Company sold three communities with a total of 812 apartment homes for gross proceeds of \$109.9 million, resulting in net proceeds of \$90.5 million and a total gain, net of tax, of \$79.0 million. A portion of the sale proceeds were designated as a tax-deferred exchange related to a 2014 acquisition under Section 1031 of the Internal Revenue Code.

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.

Total capital expenditures, which in aggregate include recurring capital expenditures and major renovations, of \$79.3 million or \$2,033 per stabilized home were spent on all of our communities, excluding development and commercial properties, for the nine months ended September 30, 2015 as compared to \$64.0 million or \$1,607 per stabilized home for the comparable period in 2014.

The increase in total capital expenditures was primarily due to:

- an increase of 240.1% or \$19.0 million in revenue-enhancing capital expenditures, such as kitchen and bath remodels and upgrades to common areas.

This increase was partially offset by:

- a decrease in major renovations of 18.6% or \$4.9 million. Major renovations of \$21.3 million were spent for the nine months ended September 30, 2015 as compared to \$26.1 million for the comparable period in 2014. Major renovations for the nine months ended September 30, 2015 were primarily attributable to the redevelopment of two wholly-owned communities with a combined budget of \$113.0 million. As of September 30, 2015, one of the redevelopments was substantially complete and the other had \$7.6 million of expected remaining expenditures.

The following table outlines capital expenditures and repair and maintenance costs for all of our communities, excluding real estate under development, non-stabilized communities, and commercial properties, for the nine months ended September 30, 2015 and 2014:

	Nine Months Ended September 30, (dollars in thousands)			Per Home Nine Months Ended September 30,				
	2015	2014	% Change	2015	2014	% Change		
Turnover capital expenditures	\$9,048	\$9,171	(1.3)	)%	\$232	\$230	0.9	%
Asset preservation expenditures	22,000	20,806	5.7	%	564	522	8.0	%
Total recurring capital expenditures	31,048	29,977	3.6	%	796	752	5.9	%
Revenue-enhancing improvements	26,978	7,932	240.1	%	692	199	247.7	%
Major renovations	21,253	26,118	(18.6)	)%	545	656	(16.9))%
Total capital expenditures	\$79,279	\$64,027	23.8	%	\$2,033	\$1,607	26.5	%
Repair and maintenance expense	\$23,340	\$23,542	(0.9)	)%	\$598	\$591	1.2	%
Average number of homes (a)	39,009	39,805	(2.0))%				

(a) Average number of homes is calculated based on the number of stabilized homes outstanding at the end of each month.

This table reports amounts capitalized during the year. Actual capital spending is impacted by the net change in capital expenditure accruals.

We intend to continue to selectively add revenue 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.

Recurring capital expenditures during 2015 are projected to be approximately \$1,150 per home.

Consolidated Real Estate Under Development and Redevelopment

As of September 30, 2015, our development pipeline for one wholly-owned community totaled 516 homes, of which none have been completed, with a budget of \$342.0 million, in which we have a carrying value of \$104.1 million. The community is estimated to be completed during the first quarter of 2018.

As of September 30, 2015, the Company was redeveloping one community in San Francisco, California, which is expected to be completed in the first quarter of 2016. The redevelopment includes the renovation of building exteriors, corridors, and common area amenities and will not impact any apartment homes.

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 unconsolidated joint ventures and partnerships.

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The following table summarizes the Company's investment in and advances to unconsolidated joint ventures and partnerships, net, which are accounted for under the equity method of accounting as of September 30, 2015 and December 31, 2014 (dollars in thousands):

Joint Venture	Location of Properties	Number of Properties	Number of Apartment Homes	Investment at		UDR's Ownership Interest		
		September 30, 2015	September 30, 2015	September 30, 2015	December 31, 2014	September 30, 2015	December 31, 2014	
Operating and development:								
UDR/MetLife I	Various	4 land parcels	—	\$ 14,804	\$ 13,306	16.4	% 15.7	%
UDR/MetLife II	Various	21 operating communities	4,642	425,963	431,277	50.0	% 50.0	%
Other UDR/MetLife Development Joint Ventures	Various	1 operating community; 4 development communities (a);	1,437	163,961	134,939	50.6	% 50.6	%
UDR/MetLife Vitruvian Park®	Addison, TX	3 operating communities	6 land parcels	73,618	80,302	50.0	% 50.0	%
UDR/KFH	Washington, D.C.	3 operating communities	660	18,308	21,596	30.0	% 30.0	%
Texas (b)	Texas	—	—	—	(25,901)	—	% 20.0	%
Investment in and advances to unconsolidated joint ventures, net, before participating loan investment and preferred equity investment			695,980,000	696,654	655,519			

	Location	Rate	Years To Maturity	Investment at		Income from Investment			
				September 30, 2015	December 31, 2014	Three Months Ended September 30,		Nine Months Ended September 30,	
				2015	2014	2015	2014	2015	2014
Participating loan investment:									
Steele Creek	Denver, CO	6.5%	1.8	89,498	62,707	\$1,458	\$642	\$3,964	\$1,419
Preferred equity investment:									
West Coast Development Joint Venture (c)	Various	6.5%	—	135,773	—	\$2,086	\$—	\$1,578	\$—
Total investment in and advances to unconsolidated joint ventures, net				\$921,925	\$718,226				

The number of apartment homes for the communities under development presented in the table above is based on (a) the projected number of total homes. As of September 30, 2015, no apartment homes had been completed in Other UDR/MetLife Development Joint Ventures.

(b) In January 2015, the eight communities held by the Texas Joint Venture were sold, generating net proceeds to UDR of \$43.5 million. The Company recorded promote and disposition fee income of \$9.6 million and a gain of \$59.1 million (including \$24.2 million of previously deferred gains) in connection with the sale.

(c) In May 2015, the Company entered into a joint venture agreement with real estate private equity firm, The Wolff Company (“Wolff”), and agreed to pay \$136.3 million for a 48 percent interest in a portfolio of five communities that are currently under construction (the “West Coast Development Joint Venture”). As of September 30, 2015, the Company had funded \$129.6 million of its investment and had a remaining commitment of \$6.7 million. The communities are located in three of the Company’s core, coastal markets: Metro Seattle, Los Angeles and Orange County, CA. UDR earns a 6.5 percent preferred return on its investment through each individual community’s date of stabilization, defined as when a community reaches 80 percent occupancy for ninety consecutive days, while Wolff is allocated all operating income and expense during the pre-stabilization period. Upon stabilization, income and expense will be shared based on each partner’s ownership percentage. The Company will serve as property manager and be paid a management fee during the lease-up phase and subsequent operation of each of the communities. Wolff is the general partner of the joint venture and the developer of the communities.

The Company has a fixed price option to acquire Wolff’s remaining interest in each community beginning one year after completion. If the options are exercised for all five communities, the Company’s total price will be \$597.4 million. In the event the Company does not exercise its options to purchase at least two communities, Wolff will be entitled to earn a contingent disposition fee equal to 6.5 percent return on its implied equity in the communities not acquired. Wolff is providing certain guaranties and there are construction loans on all five communities. Once completed, the five communities will contain 1,533 homes.

The Company has concluded it does not control the joint venture and accounts for it under the equity method of accounting. The Company’s recorded equity investment in the West Coast Development Joint Venture at September 30, 2015 of \$135.8 million is inclusive of outside basis costs and our accrued but unpaid preferred return. During the three and nine months ended September 30, 2015, the Company earned a preferred return of \$2.1 million and \$3.1 million, respectively, offset by its share of the West Coast Development Joint Venture transaction expenses of \$1.5 million.

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, development or operations. We evaluate our investments in unconsolidated joint ventures and partnerships when events or changes in circumstances indicate that there may be an other-than-temporary decline in value. We consider various factors to determine if a decrease in the value of the investment is other-than-temporary. The Company did not recognize any other-than-temporary decreases in the value of its investments in unconsolidated joint ventures or partnerships during the three and nine months ended September 30, 2015 and 2014.

Financing Activities

For the nine months ended September 30, 2015, our Net cash provided by/(used in) financing activities was \$(91.5) million compared to \$3.3 million for the comparable period of 2014.

The following significant financing activities occurred during the nine months ended September 30, 2015:

- repaid \$325.2 million of 5.25% unsecured medium-term notes due January 2015;
- issued \$300 million of 4.00% senior unsecured medium-term notes due October 1, 2025;
- sold 6,339,636 shares of common stock for aggregate gross proceeds of approximately \$212.5 million at a weighted average price per share of \$33.52;
- net repayment of \$42.5 million under the Company’s \$900.0 million unsecured revolving credit facility; and
- paid distributions of \$210.5 million to our common stockholders.

Credit Facilities

As of September 30, 2015, the Company had three secured credit facilities with Fannie Mae with an aggregate commitment of \$814.8 million at September 30, 2015. The Fannie Mae credit facilities mature at various dates from May 2017 through July 2023 and bear interest at floating and fixed rates. At September 30, 2015, \$565.4 million of the outstanding balance was fixed and had a weighted average interest rate of 5.12% and the remaining balance of \$249.4 million had a weighted average variable interest rate of 1.65%.

As of September 30, 2015, the Company has a \$900 million unsecured revolving credit facility that matures in December 2017. The credit facility has a six month extension option and contains an accordion feature that allows us

to increase the facility to \$1.45 billion. Based on the Company's current credit rating, the credit facility carries an interest rate equal to LIBOR plus a spread of 100

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basis points and a facility fee of 15 basis points. As of September 30, 2015, we had \$110.0 million outstanding borrowings under the credit facility, leaving \$790.0 million of unused capacity (excluding \$2.3 million of letters of credit at September 30, 2015).

The Fannie Mae credit facilities and the bank unsecured revolving credit facility are subject to customary financial covenants and limitations, all of which we were in compliance with at September 30, 2015.

On October 20, 2015, the Company entered into a credit agreement that provides for a \$1.1 billion senior unsecured revolving credit facility and a \$350.0 million senior unsecured term loan facility. The credit agreement includes an accordion feature that allows the total commitments under the revolving credit facility and the total borrowings under the term loan facility to be increased to an aggregate maximum amount of up to \$2.0 billion, subject to certain conditions. The revolving credit facility has a scheduled maturity date of January 31, 2020, with two six-month extension options, subject to certain conditions. The term loan facility has a scheduled maturity date of January 29, 2021. The credit agreement replaces the Company's existing \$900 million revolving credit facility, scheduled to mature in December 2017, and the Company's \$250 million and \$100 million term loans, both due June 2018, all of which were paid in full using proceeds borrowed under the new credit agreement (see Note 14, Subsequent Events, in the Notes to the UDR, Inc. Consolidated Financial Statements included in this Report).

Derivative Instruments

As part of UDR's overall interest rate risk management strategy, we use derivatives as a means to fix the interest rates of variable rate debt obligations or to hedge anticipated financing transactions. UDR's derivative transactions used for interest rate risk management include interest rate swaps with indexes that relate to the pricing of specific debt instruments of UDR. We believe that we have appropriately controlled our interest rate risk through the use of derivative instruments to minimize any unintended effect on consolidated earnings. Derivative contracts did not have a material impact on the results of operations during the three and nine months ended September 30, 2015 (see Note 10, Derivatives and Hedging Activity, in the Notes to the UDR Consolidated Financial Statements included in this Report).

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. 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 \$520.4 million in variable rate debt that is not subject to interest rate swap contracts as of September 30, 2015. If market interest rates for variable rate debt increased by 100 basis points, our interest expense for the nine months ended September 30, 2015 would increase by \$6.3 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. Further, in the event of a change of such magnitude, management would likely take actions 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 10, Derivatives and Hedging Activities, in the Notes to the UDR Consolidated Financial Statements included in this Report for additional discussion of derivative instruments.

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

Funds from Operations

Funds from operations (“FFO”) is defined as net income attributable to common stockholders (computed in accordance with GAAP), excluding impairment write-downs of depreciable real estate or of investments in non-consolidated investees that are driven by measurable decreases in the fair value of depreciable real estate held by the investee, gains or losses from sales of depreciable property, plus real estate depreciation and amortization, and after adjustments for noncontrolling interests, unconsolidated partnerships and joint ventures. This definition conforms with the National Association of Real Estate Investment Trust’s (“NAREIT”) definition issued in April 2002. 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 FFO, diluted, if unvested restricted stock, stock options, and the shares of Series E Cumulative Convertible Preferred Stock are dilutive; they are included in the diluted share count.

Activities of our taxable REIT subsidiaries (“TRS”) include development and land entitlement. From time to time, we develop and subsequently sell a TRS property which results in a short-term use of funds that produces a profit that differs from the traditional long-term investment in real estate for REITs. We believe that the inclusion of these TRS gains in FFO is consistent with the standards established by NAREIT as the short-term investment is incidental to our main business. TRS gains on sales, net of taxes, are defined as net sales proceeds less a tax provision and the gross investment basis of the asset before accumulated depreciation.

We consider FFO a useful metric for investors as we use FFO in evaluating property acquisitions and our operating performance, and believe that FFO should be considered along with, but not as an alternative to, net income and cash flow as a measure of our activities in accordance with 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 is defined as FFO excluding the impact of acquisition-related costs and other non-comparable items including, but not limited to, prepayment costs/benefits associated with early debt retirement, gains on sales of marketable securities and TRS property, deferred tax valuation allowance increases and decreases, storm-related expenses and recoveries, severance costs and legal costs. Management believes that FFO as Adjusted is useful supplemental information regarding our operating performance as it provides a consistent comparison of our operating performance across time periods and allows investors to more easily compare our operating results with other REITs.

FFO as Adjusted 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 FFO as Adjusted. However, other REITs may use different methodologies for calculating FFO as Adjusted or similar FFO measures and, accordingly, our FFO as Adjusted may not always be comparable to FFO as Adjusted or similar FFO measures calculated by other REITs. FFO as Adjusted 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 flows from operating activities (determined in accordance with GAAP) as a measure of our liquidity.

Adjusted Funds from Operations

Adjusted FFO (“AFFO”) is a non-GAAP financial measure that management uses as a supplemental measure of our performance. AFFO is defined as FFO as Adjusted less recurring capital expenditures 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 FFO as Adjusted.

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 will enable 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 (determined in accordance with GAAP) as an indication of financial performance, or as an alternative to cash flows 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.

The following table outlines our reconciliation of Net income/(loss) attributable to common stockholders to FFO, FFO as Adjusted, and AFFO for the three and nine months ended September 30, 2015 and 2014 (dollars in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net income/(loss) attributable to common stockholders	\$12,361	\$39,618	\$171,176	86,124
Real estate depreciation and amortization, including discontinued operations	90,568	89,339	269,689	266,748
Noncontrolling interests	404	1,443	6,028	3,173
Real estate depreciation and amortization on unconsolidated joint ventures	9,396	10,398	29,263	29,926
Net (gain)/loss on the sale of unconsolidated depreciable property	—	—	(59,073)	—
Net (gain)/loss on the sale of depreciable property, excluding TRS	—	(31,377)	(79,042)	(81,260)
Funds from operations (“FFO”) attributable to common stockholders and unitholders, basic	\$112,729	\$109,421	\$338,041	\$304,711
Distribution to preferred stockholders — Series E (Convertible)	930	931	2,792	2,793
FFO attributable to common stockholders and unitholders, diluted	\$113,659	\$110,352	\$340,833	\$307,504
FFO per common share and unit, basic	\$0.42	\$0.42	\$1.27	\$1.17
FFO per common share and unit, diluted	\$0.42	\$0.41	\$1.25	\$1.16
Weighted average number of common shares and OP Units outstanding — basic	268,175	260,844	267,057	259,975
Weighted average number of common shares, OP Units, and common stock equivalents outstanding — diluted	273,297	265,957	272,170	264,985
Impact of adjustments to FFO:				
Acquisition-related costs/(fees), including joint ventures	\$410	\$76	\$2,153	\$178
Cost/(benefit) associated with debt extinguishment and other	—	—	—	192
Texas Joint Venture promote and disposition fee income	—	—	(9,633)	—
Long-term incentive plan transition costs	791	—	2,653	—
(Gain)/loss on sale of land	—	—	—	(1,120)
Net gain on prepayment of note receivable	—	(8,411)	—	(8,411)
Casualty-related (recoveries)/charges, including joint ventures, net	797	—	2,636	500
	\$1,998	\$(8,335)	\$(2,191)	\$(8,661)
FFO as Adjusted attributable to common stockholders and unitholders, diluted	\$115,657	\$102,017	\$338,642	\$298,843
FFO as Adjusted per common share and unit, diluted	\$0.42	\$0.38	\$1.24	\$1.13
Recurring capital expenditures	(13,694)	(12,280)	(31,048)	(29,977)
AFFO attributable to common stockholders and unitholders	\$101,963	\$89,737	\$307,594	\$268,866
AFFO per common share and unit, diluted	\$0.37	\$0.34	\$1.13	\$1.01

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 and nine months ended September 30, 2015 and 2014 (shares in thousands):

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Weighted average number of common shares and OP Units outstanding — basic	268,175	260,844	267,057	259,975
Weighted average number of OP Units outstanding	(9,061)	(9,189)	(9,117)	(9,274)
Weighted average number of common shares outstanding — basic per the Consolidated Statements of Operations	259,114	251,655	257,940	250,701
Weighted average number of common shares, OP Units, and common stock equivalents outstanding — diluted	273,297	265,957	272,170	264,985
Weighted average number of OP Units outstanding	(9,061)	(9,189)	(9,117)	(9,274)
Weighted average number of Series E preferred shares outstanding	(3,029)	(3,036)	(3,033)	(3,036)
Weighted average number of common shares outstanding — diluted per the Consolidated Statements of Operations	261,207	253,732	260,020	252,675

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

	Nine Months Ended September 30,	
	2015	2014
Net cash provided by/(used in) operating activities	\$305,802	\$281,978
Net cash provided by/(used in) investing activities	\$(228,192)	\$(300,912)
Net cash provided by/(used in) financing activities	\$(91,513)	\$3,290
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 and nine months ended September 30, 2015 and 2014, and includes the results of both continuing and discontinued operations for the periods presented.

Net Income/(Loss) Attributable to Common Stockholders

Net income/(loss) attributable to common stockholders was \$12.4 million (\$0.05 per diluted share) for the three months ended September 30, 2015 as compared to \$39.6 million (\$0.16 per diluted share) for the comparable period in the prior year. The decrease resulted primarily from the following items, which are discussed in further detail elsewhere within this Report:

gains (net of tax) of \$31.3 million on the sale of depreciable property related to the disposition of three communities and one operating property during the three months ended September 30, 2014, with no sales of depreciable property occurring in the three months ended September 30, 2015;

This was partially offset by:

an increase in total property NOI of \$13.8 million primarily due to higher occupancy and higher revenue per occupied home, and NOI from the homes placed in service related to development and redevelopment projects completed in 2015 and 2014, partially offset by the disposition of communities in 2014.

Net income/(loss) attributable to common stockholders was \$171.2 million (\$0.66 per diluted share) for the nine months ended September 30, 2015 as compared to \$86.1 million (\$0.34 per diluted share) for the comparable period in the prior year. The increase resulted primarily from the following items, which are discussed in further detail elsewhere within this Report:

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income from unconsolidated entities of \$61.3 million, which includes a gain of \$59.1 million (including \$24.2 million of previously deferred gains) in connection with the sale of the eight communities held by the Texas Joint Venture; and

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an increase in total property NOI of \$35.2 million primarily due to higher occupancy and higher revenue per occupied home, and NOI from the homes placed in service related to development and redevelopment projects completed in 2015 and 2014, partially offset by the disposition of communities in 2014.

This was partially offset by:

a decrease in Interest and other income/(expense), net of \$10.8 million primarily due to a net gain of \$8.4 million on the early settlement of a note receivable in July 2014.

Apartment Community Operations

Our net income results are primarily from NOI generated from the operation of our apartment communities.

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

	Three Months Ended			Nine Months Ended				
	September 30, (a)		% Change	September 30, (b)		% Change		
	2015	2014			2015		2014	
Same-Store Communities:								
Same-store rental income	180,672	170,627	5.9	% 502,107	476,188	5.4	%	
Same-store operating expense (c)	(52,916)	(51,535)	2.7	% (145,965)	(142,666)	2.3	%	
Same-store NOI	127,756	119,092	7.3	% 356,142	333,522	6.8	%	
Non-Mature Communities/Other NOI:								
Acquired communities NOI	1,393	169	724.3	% 4,074	169	2,310.7	%	
Sold or held for disposition communities NOI	4,626	8,636	(46.4)	% 17,093	30,802	(44.5)	%	
Developed communities NOI	5,496	727	656.0	% 19,744	6,495	204.0	%	
Redeveloped communities NOI	8,897	8,075	10.2	% 38,837	32,355	20.0	%	
Commercial NOI and other	5,397	3,115	73.3	% 11,682	8,987	30.0	%	
Total non-mature communities/other NOI	25,809	20,722	24.5	% -91,430	78,808	16.0	%	
Total Property NOI	\$ 153,565	\$ 139,814	9.8	% \$ 447,572	\$ 412,330	8.5	%	

(a) Same-Store Community population consisted of 34,774 apartment homes.

(b) Same-Store Community population consisted of 33,495 apartment homes.

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

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Total property NOI	\$153,565	\$139,814	\$447,572	\$412,330
Joint venture management and other fees	3,653	3,165	19,457	9,599
Property management	(5,988)	(5,599)	(17,533)	(16,474)
Other operating expenses	(2,639)	(2,012)	(6,174)	(6,118)
Real estate depreciation and amortization	(90,568)	(89,339)	(269,689)	(266,748)
General and administrative	(15,824)	(11,554)	(41,697)	(36,078)
Casualty-related recoveries/(charges), net	(541)	—	(2,380)	(500)
Other depreciation and amortization	(1,457)	(1,385)	(4,780)	(3,658)
Income/(loss) from unconsolidated entities	2,691	(939)	61,277	(4,932)
Interest expense	(30,232)	(33,087)	(88,705)	(97,662)
Interest income and other income/(expense), net	402	9,061	1,144	11,902
Tax benefit/(expense), net	633	2,490	2,462	8,049
Gain/(loss) on sale of real estate owned, net of tax	—	31,377	79,042	82,380
Net (income)/loss attributable to redeemable noncontrolling interests in the Operating Partnership	(405)	(1,447)	(6,022)	(3,171)
Net (income)/loss attributable to noncontrolling interests	1	4	(6)	(2)
Net income/(loss) attributable to UDR, Inc.	\$13,291	\$40,549	\$173,968	\$88,917

Same-Store Communities

Our Same-Store Community properties (those acquired, developed, and stabilized prior to July 1, 2014 for quarter-to-date comparison and January 1, 2014 for year-to-date comparison and held as of September 30, 2015) consisted of 34,774 and 33,495 apartment homes, respectively, and provided 83.2% and 79.6% of our total NOI for the three and nine months ended September 30, 2015, respectively.

Three Months Ended September 30, 2015 vs. Three Months Ended September 30, 2014

NOI for our Same-Store Community properties increased 7.3% or \$8.7 million for the three months ended September 30, 2015 compared to the same period in 2014. The increase in property NOI was attributable to a 5.9% or \$10.0 million increase in property rental income, which was partially offset by a 2.7% or \$1.4 million increase in operating expenses. The increase in property income was primarily driven by a 5.8% or \$9.4 million increase in rental rates and a 7.2% or \$0.9 million increase in reimbursement and fee income. Physical occupancy decreased 0.3% to 96.6% and total monthly income per occupied home increased 6.2% to \$1,792.

The increase in operating expenses was primarily driven by a 20.4% or \$0.5 million increase in insurance expense, a 6.2% or \$0.5 million increase in utilities expense, and a 3.9% or \$0.3 million increase in repair and maintenance expense.

As a result of the percentage changes in property rental income and property operating expenses, the operating margin (property net operating income divided by property rental income) increased to 70.7% for the three months ended September 30, 2015 as compared to 69.8% for the comparable period in 2014.

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Nine Months Ended September 30, 2015 vs. Nine Months Ended September 30, 2014

NOI for our Same-Store Community properties increased 6.8% or \$22.6 million for the nine months ended September 30, 2015 compared to the same period in 2014. The increase in property NOI was attributable to a 5.4% or \$25.9 million increase in property rental income, which was partially offset by a 2.3% or \$3.3 million increase in operating expenses. The increase in property income was primarily driven by a 4.8% or \$21.7 million increase in rental rates and an 5.9% or \$2.0 million increase in reimbursement and fee income. Physical occupancy increased 0.2% to 96.8% and total monthly income per occupied home increased 5.3% to \$1,721.

The increase in operating expenses was primarily driven by a 2.2% or \$1.1 million increase in real estate taxes, a 4.1% or \$0.9 million increase in utilities expense, and a 1.8% or \$0.6 million increase in personnel costs.

As a result of the percentage changes in property rental income and property operating expenses, the operating margin (property net operating income divided by property rental income) increased to 70.9% for the nine months ended September 30, 2015 as compared to 70.0% for the comparable period in 2014.

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, including, but not limited to, recently acquired, developed and redeveloped properties, and the non-apartment components of mixed use properties.

Three Months Ended September 30, 2015 vs. Three Months Ended September 30, 2014

The remaining 16.8% or \$25.8 million of our total NOI during the three months ended September 30, 2015 was generated from our Non-Mature Communities/Other. NOI from Non-Mature Communities/Other increased by 24.5% or \$5.1 million for the three months ended September 30, 2015 as compared to the same period in 2014. The increase was primarily driven by an increase in NOI from developed and redeveloped communities of \$4.8 million and \$0.8 million, respectively, completed in 2014 and 2015 and an increase of \$1.2 million from acquired communities, which was partially offset by a decrease in NOI of \$4.0 million from communities sold in 2014 and 2015.

Nine Months Ended September 30, 2015 vs. Nine Months Ended September 30, 2014

The remaining 20.4% or \$91.4 million of our total NOI during the nine months ended September 30, 2015 was generated from our Non-Mature Communities/Other. NOI from Non-Mature Communities/Other increased by 16.0% or \$12.6 million for the nine months ended September 30, 2015 as compared to the same period in 2014. The increase was primarily driven by an increase in NOI from developed and redeveloped communities of \$13.2 million and \$6.5 million, respectively, completed in 2014 and 2015 and an increase of \$3.9 million from acquired communities, which was partially offset by a decrease in NOI of \$13.7 million from communities sold in 2014 and 2015.

Real Estate Depreciation and Amortization

For the three months ended September 30, 2015, real estate depreciation and amortization increased 1.4% or \$1.2 million as compared to the comparable period in 2014. The increase in depreciation and amortization for the three months ended September 30, 2015 was primarily due to homes delivered from our development and redevelopment communities, partially offset by a decrease from sold communities and fully depreciated assets.

During the nine months ended September 30, 2015, real estate depreciation and amortization increased 1.1% or \$2.9 million as compared to the comparable period in 2014. The increase in depreciation and amortization for the nine months ended September 30, 2015 was primarily due to homes delivered from our development and redevelopment communities, partially offset by a decrease from sold communities and fully depreciated assets.

General and Administrative

For the three months ended September 30, 2015, general and administrative expense increased 37.0% or \$4.3 million as compared to the comparable period in 2014. The increase in general and administrative expense for the three months ended September 30, 2015 was primarily due to an increase in projected bonus expense, stock based compensation expense for the long-term incentive plan and salary and benefit increases.

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For the nine months ended September 30, 2015, general and administrative expense increased 15.6% or \$5.6 million as compared to the comparable period in 2014. The increase in general and administrative expense for the nine months ended September 30, 2015 was primarily due to an increase in projected bonus expense, stock based compensation expense for the long-term incentive plan and salary and benefit increases.

Interest Expense

For the three months ended September 30, 2015, interest expense decreased by 8.6% or \$2.9 million as compared to the comparable period in 2014. The decrease in interest expense for the three months ended September 30, 2015 was primarily due to the repayment of the \$325.2 million medium term notes in January 2015, and the replacement of debt at lower rates.

For the nine months ended September 30, 2015, interest expense decreased by 9.2% or \$9.0 million as compared to the comparable period in 2014. The decrease in interest expense for the nine months ended September 30, 2015 was primarily due to the repayment of the \$325.2 million medium term notes in January 2015, and the replacement of debt at lower rates.

Gain/(Loss) on Sale of Real Estate Owned, Net of Tax

During the three months ended September 30, 2015, the Company did not recognize any gains (net of tax) on the sale of depreciable property. During the three months ended September 30, 2014, the Company recognized gains (net of tax) of \$31.3 million on the sale of three communities with 963 apartment homes.

During the nine months ended September 30, 2015, the Company recognized gains (net of tax) of \$79.0 million on the sale of three communities, located in Clearwater, Florida, Orlando, Florida and Beaverton, Oregon, with 812 apartment homes. During the nine months ended September 30, 2014, the Company recognized gains (net of tax) of \$82.3 million on the sale of six communities with a total of 1,904 apartment homes, one operating property and an adjacent parcel of land.

Inflation

We believe that the direct effects of inflation on our operations have been immaterial. While the impact of inflation primarily impacts our results through wage pressures, utilities and material costs, the majority of our leases are for a term of fourteen months or less, which generally enables us to compensate for any inflationary effects by increasing rents on our apartment homes. Although an extreme escalation in energy and food costs could have a negative impact on our residents and their ability to absorb rent increases, we do not believe this has had a material impact on our results for the three and nine months ended September 30, 2015.

Off-Balance Sheet Arrangements

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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United Dominion Realty, L.P.:

Business Overview

United Dominion Realty, L.P. (the “Operating Partnership” or “UDR, L.P.”) is a Delaware limited partnership formed in February 2004 and organized pursuant to the provisions of the Delaware Revised Uniform Limited Partnership Act. The Operating Partnership is the successor-in-interest to United Dominion Realty, L.P., a limited partnership formed under the laws of Virginia, which commenced operations on November 4, 1995. Our sole general partner is UDR, Inc., a Maryland corporation (“UDR” or the “General Partner”), which conducts a substantial amount of its business and holds a substantial amount of its assets through the Operating Partnership. At September 30, 2015, the Operating Partnership’s real estate portfolio included 67 communities located in nine states and the District of Columbia with a total of 20,569 apartment homes.

As of September 30, 2015, UDR owned 110,883 units of our general limited partnership interests and 174,114,516 units of our limited partnership interests (the “OP Units”), or approximately 95.1% of our outstanding OP Units. By virtue of its ownership of our OP Units and being our sole general partner, UDR has the ability to control all of the day-to-day operations of the Operating Partnership. Unless otherwise indicated or unless the context requires otherwise, all references in this section to the Operating Partnership or “we,” “us” or “our” refer to UDR, L.P. together with its consolidated subsidiaries. In this section, we refer to the General Partner together with its consolidated subsidiaries (including us) and the General Partner’s consolidated joint ventures as “UDR” or the “General Partner.”

UDR is a self-administered real estate investment trust, or REIT, that owns, acquires, renovates, develops, and manages apartment communities. The General Partner was formed in 1972 as a Virginia corporation and changed its state of incorporation from Virginia to Maryland in June 2003. At September 30, 2015, the General Partner’s consolidated real estate portfolio included 136 communities located in 10 states and the District of Columbia with a total of 39,405 apartment homes. In addition, the General Partner had an ownership interest in 28 communities with 6,696 completed apartment homes through unconsolidated operating communities.

The Operating Partnership’s same-store community apartment home population for the three and nine months ended September 30, 2015 was 19,024 and 18,060, respectively.

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The following table summarizes our market information by major geographic markets as of September 30, 2015:

Same-Store Communities	Number of Apartment Communities	September 30, 2015			Three Months Ended September 30, 2015		Nine Months Ended September 30, 2015	
		Number of Apartment Homes	Percentage of Total Carrying Value	Total Carrying Value (in thousands)	Average Physical Occupancy	Monthly Income per Occupied Home (a)	Average Physical Occupancy	Monthly Income per Occupied Home (a)
West Region								
Orange County, CA	8	3,499	17.5 %	\$746,311	95.6 %	\$ 1,861	96.0 %	\$ 1,776
San Francisco, CA	8	1,881	11.8 %	501,565	96.2 %	2,835	96.8 %	2,807
Seattle, WA	5	932	5.1 %	215,268	96.7 %	1,649	97.2 %	1,650
Los Angeles, CA	2	344	2.5 %	108,477	96.3 %	2,278	96.1 %	2,284
Monterey Peninsula, CA	7	1,565	3.9 %	164,006	97.2 %	1,315	97.3 %	1,318
Other Southern California	2	516	2.1 %	90,783	95.5 %	1,747	95.7 %	1,740
Portland, OR	2	476	1.1 %	46,619	97.2 %	1,272	97.7 %	1,277
Mid-Atlantic Region								
Metropolitan D.C.	7	2,378	13.3 %	565,236	96.4 %	1,944	96.4 %	1,929
Baltimore, MD	4	816	3.0 %	126,563	96.2 %	1,609	96.6 %	1,589
Southeast Region								
Tampa, FL	2	942	2.4 %	101,830	97.1 %	1,261	97.0 %	1,270
Nashville, TN	6	1,612	3.2 %	136,736	97.5 %	1,078	97.4 %	1,077
Other Florida	1	636	1.9 %	82,012	96.7 %	1,426	96.7 %	1,420
Northeast Region								
New York, NY	2	996	14.1 %	600,140	97.9 %	3,688	98.0 %	3,675
Boston, MA	2	833	4.3 %	182,226	97.2 %	1,937	96.8 %	1,941
Southwest Region								
Dallas, TX	2	1,348	4.5 %	191,819	96.4 %	1,439	96.4 %	1,441
Austin, TX	1	250	0.9 %	39,929	97.7 %	1,720	96.6 %	1,720
Total/Average Same-Store Communities	61	19,024	91.6 %	3,899,520	96.6 %	\$ 1,841	96.8 %	\$ 1,823
Non-Mature, Commercial Properties & Other Real Estate Held for Disposition (b)	2	636	4.8 %	207,600				
Total Real Estate Owned	67	20,569	100.0 %	4,258,578				
Total Accumulated Depreciation				(1,518,558)				
Total Real Estate Owned, Net of Accumulated Depreciation				\$2,740,020				

(a) Monthly Income per Occupied Home represents total monthly revenues divided by the product of occupancy and the number of mature apartment homes.

The Operating Partnership had four communities with a total of 909 apartment homes that met the criteria to be (b)classified as held for sale at September 30, 2015. The communities are located in Columbia, MD, Pinellas Park, FL, Orange County, CA and Oxnard, CA.

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 July 1, 2014 for quarter-to-date comparison and January 1, 2014 for year-to-date comparison and held as of September 30, 2015. 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 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.

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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 properties, and the non-apartment components of mixed use properties.

UDR Lighthouse DownREIT L.P. Formation

In connection with the acquisitions described below, on October 5, 2015, UDR, as the sole general partner and a limited partner, and the Operating Partnership, as a limited partner, entered into a partnership agreement of the UDR Lighthouse DownREIT L.P. (the “DownREIT Partnership”). The Operating Partnership, directly or indirectly, owns approximately 41.6% of the units of limited partnership interest in the DownREIT Partnership (“DownREIT Units”), which it received in exchange for its contribution of seven properties to the DownREIT Partnership. UDR owns an additional 8.5% direct interest in the DownREIT Partnership.

As a result of the contribution of those seven properties to the DownREIT Partnership by the Operating Partnership, the properties will no longer be consolidated in the Operating Partnership’s financial statements, resulting in a decrease in the real estate owned, debt, revenues and expenses of the Operating Partnership. A gain will be recorded for a portion of the Operating Partnership’s ownership interest in the seven properties that was disposed during the three months ended December 31, 2015. The Operating Partnership’s interest in those seven properties, through its ownership interest in the DownREIT Partnership, will be reported as Investment in and advances to unconsolidated joint ventures, net on the consolidated balance sheet and Income/(loss) from unconsolidated entities on the consolidated statement of operations in the Operating Partnership’s consolidated financial statements.

Property Acquisitions

From October 6-8, 2015, UDR completed the acquisition of six Washington, DC area properties from Home Properties, L.P. (“Home OP”) for a total purchase price of \$901 million, which was comprised of \$565 million of newly issued DownREIT Units issued at \$35 per unit, the assumption of \$89 million of debt, \$221 million of reverse Section 1031 exchanges and \$26 million of cash. In addition, UDR issued approximately 13.7 million shares of its Series F Preferred Stock to former limited partners of Home OP, which had the right to subscribe for one share of Series F Preferred Stock for each DownREIT Unit issued in connection with the acquisitions.

Of the six properties acquired from Home OP, four properties were acquired through the DownREIT Partnership, one property was acquired by the Operating Partnership through a reverse Section 1031 exchange and one property was acquired by an affiliate of UDR through a reverse Section 1031 exchange.

Liquidity and Capital Resources

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

We expect to meet our short-term liquidity requirements generally through net cash provided by operations and borrowings allocated to us under the General Partner’s credit agreements. We expect to meet certain long-term liquidity requirements such as scheduled debt maturities and potential property acquisitions through borrowings and the disposition of properties. We believe that our net cash provided by operations and borrowings will continue to be adequate to meet both operating requirements and the payment of distributions. Likewise, the budgeted expenditures for improvements and renovations of certain properties are expected to be funded from property operations, and borrowings allocated to us under the General Partner’s credit agreements.

Future Capital Needs

Future capital expenditures are expected to be funded with proceeds from the issuance of secured debt or unsecured debt, sales of properties, borrowings allocated to us under our General Partner’s credit agreements, and to a lesser extent, from cash flows provided by operating activities.

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As of September 30, 2015, the Operating Partnership had approximately \$186.7 million of principal payments on secured debt maturing during the remainder of 2015. We anticipate that we will repay that debt with operating cash flows or proceeds from borrowings allocated to us under our General Partner's credit agreements. The repayment of debt will be recorded as an offset to the Advances (to)/from General Partner.

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 the Operating Partnership's current Report on Form 10-K, filed with the SEC on February 24, 2015. There have been no significant changes in our critical accounting policies from those reported. 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.

Effective January 1, 2014, the Operating Partnership prospectively adopted Accounting Standards Update ("ASU") No. 2014-08, Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity, for all communities not previously sold or classified as held for sale. ASU 2014-08 incorporates into the definition of a discontinued operation a requirement that a disposition represent a strategic shift in an entity's operations, which resulted in UDR no longer classifying the sale of communities as a discontinued operation. See Note 2, Significant Accounting Policies, to the Operating Partnership's Consolidated Financial Statements for more information on the new accounting pronouncement.

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 nine months ended September 30, 2015 and 2014.

Operating Activities

For the nine months ended September 30, 2015, Net cash provided by/(used in) operating activities was \$178.9 million compared to \$157.8 million for the comparable period in 2014. The increase in net cash flow from operating activities was primarily due to improved operating income.

Investing Activities

For the nine months ended September 30, 2015, Net cash provided by/(used in) investing activities was \$(24.2) million compared to \$(26.4) million for the comparable period in 2014. The change was primarily due to a decrease in expenditures on development, partially offset by a decrease in proceeds from dispositions and increased expenditures for redevelopment. Changes in the level of investment activities from period to period reflect our strategy as it relates to development activities, capital expenditures, and dispositions.

Disposition of Investments

During the nine months ended September 30, 2015, the Operating Partnership sold one community with a total of 240 apartment homes for gross proceeds of \$45.3 million, resulting in net proceeds of \$27.7 million and a total gain, net of tax, of \$32.4 million.

Real Estate Under Development and Redevelopment

At September 30, 2015, the Operating Partnership was redeveloping one community in San Francisco, California, which is expected to be completed in the first quarter of 2016. The redevelopment includes the renovation of building exteriors, corridors, and common area amenities and will not impact any apartment homes.

Financing Activities

For the nine months ended September 30, 2015, our Net cash provided by/(used in) financing activities was \$(155.1) million compared to \$(131.8) million for the comparable period of 2014. The increase in cash used in financing activities was primarily due to an increase in advances to the General Partner.

Table of Contents**Credit Facilities**

As of September 30, 2015, an aggregate commitment of \$511.4 million of the General Partner's secured credit facilities with Fannie Mae was allocated to the Operating Partnership based on the ownership of the assets securing the debt. The entire commitment was outstanding at September 30, 2015. The Fannie Mae credit facilities mature at various dates from May 2017 through July 2023 and bear interest at floating and fixed rates. At September 30, 2015, \$333.9 million of the outstanding balance was fixed at a weighted average interest rate of 4.90% and the remaining balance of \$177.5 million on these facilities had a weighted average variable interest rate of 1.89%.

The Operating Partnership is a guarantor on the General Partner's unsecured revolving credit facility with an aggregate borrowing capacity of \$900 million, \$250 million of term notes due June 2018, \$100 million of term notes due June 2018, \$300 million of medium-term notes due June 2018, \$300 million of medium-term notes due October 2020, \$400 million of medium-term notes due January 2022, \$300 million of medium-term notes due July 2024, and \$300 million of medium-term notes due October 2025. As of September 30, 2015 and December 31, 2014, the outstanding balance under the unsecured revolving credit facility was \$110.0 million and \$152.5 million, respectively.

The credit facilities are subject to customary financial covenants and limitations.

On October 20, 2015, UDR, Inc. entered into a credit agreement that provides for a \$1.1 billion senior unsecured revolving credit facility and a \$350.0 million senior unsecured term loan facility, of both of which are guaranteed by the Operating Partnership. The credit agreement includes an accordion feature that allows the total commitments under the revolving credit facility and the total borrowings under the term loan facility to be increased to an aggregate maximum amount of up to \$2.0 billion, subject to certain conditions. The revolving credit facility has a scheduled maturity date of January 31, 2020, with two six-month extension options, subject to certain conditions. The term loan facility has a scheduled maturity date of January 29, 2021. The credit agreement replaces UDR, Inc.'s existing \$900 million revolving credit facility, scheduled to mature in December 2017, and UDR, Inc.'s \$250 million and \$100 million term loans, both due June 2018, all of which were paid in full using proceeds borrowed under the new credit agreement (see Note 11, Subsequent Events, in the Notes to the United Dominion Realty, L.P. Consolidated Financial Statements included in this Report).

Derivative Instruments

As part of our General Partner's overall interest rate risk management strategy, our General Partner uses derivatives as a means to fix the interest rates of variable rate debt obligations or to hedge anticipated financing transactions. Our General Partner's derivative transactions used for interest rate risk management include interest rate swaps with indexes that relate to the pricing of specific debt instruments of our General Partner that are allocated to the Operating Partnership. The General Partner believes that we have appropriately controlled our interest rate risk through the use of derivative instruments (allocated to the Operating Partnership based on the General Partner's underlying debt instruments allocated to the Operating Partnership) to minimize any unintended effect on consolidated earnings. Derivative contracts did not have a material impact on the results of operations during the three and nine months ended September 30, 2015 (see Note 7, Derivatives and Hedging Activity, in the Notes to the Operating Partnership's Consolidated Financial Statements included in this Report).

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. 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 \$204.5 million in variable rate debt that is not subject to interest rate swap contracts as of September 30, 2015. If market interest rates for variable rate debt increased by 100 basis points, our interest expense for the nine months ended September 30, 2015 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. These analyses do not consider the effects of the adjusted level of overall economic activity that could exist in such an environment. Further, in the event of a change of such magnitude, management would likely take actions 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 General Partner also utilizes derivative financial instruments allocated to the Operating Partnership to manage interest rate risk and generally designates these financial instruments as cash flow hedges. See Note 7, Derivatives and Hedging

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Activities, in the Notes to the Operating Partnership's Consolidated Financial Statements for additional discussion of derivative instruments.

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 and nine months ended September 30, 2015 and 2014, and includes the results of both continuing and discontinued operations for the periods presented.

Net Income/(Loss) Attributable to OP Unitholders

Net income attributable to OP unitholders was \$14.6 million (\$0.08 per diluted OP Unit) for the three months ended September 30, 2015 as compared to net income of \$8.6 million (\$0.05 per diluted OP Unit) for the comparable period in the prior year. The increase in net income attributable to OP unitholders resulted primarily from the following items, which are discussed in further detail elsewhere within this Report:

an increase of \$6.5 million in total property NOI primarily due to higher occupancy and higher revenue per occupied home, and NOI from the homes placed in service related to development and redevelopment projects completed in 2015 and 2014.

Net income attributable to OP unitholders was \$98.3 million (\$0.54 per diluted OP Unit) for the nine months ended September 30, 2015 as compared to net income of \$63.6 million (\$0.35 per diluted OP Unit) for the comparable period in the prior year. The increase in net income attributable to OP unitholders resulted primarily from the following items, which are discussed in further detail elsewhere within this Report:

gains (net of tax) of \$32.4 million on the sale of one community, located in Beaverton, Oregon, and the recognition of \$24.6 million in deferred gains during the nine months ended September 30, 2015, partially offset by recognized gains (net of tax) during the nine months ended September 30, 2014 of \$40.7 million on the sale of one operating property and an adjacent parcel of land in San Diego, CA and the sale of one community in Tampa, Florida; and

an increase of \$19.6 million in total property NOI primarily due to higher occupancy and higher revenue per occupied home, and NOI from the homes placed in service related to development and redevelopment projects completed in 2015 and 2014.

Apartment Community Operations

Our net income results primarily from NOI generated from the operation of our apartment communities. The Operating Partnership 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 2.75% of property revenue to cover regional supervision and accounting costs related to consolidated property operations, and land rent.

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The following table summarizes the operating performance of our total portfolio (which includes discontinued operations) for the three and nine months ended September 30, 2015 and 2014 (dollars in thousands):

	Three Months Ended			Nine Months Ended				
	September 30, (a)		% Change	September 30, (b)		% Change		
	2015	2014			2015		2014	
Same-Store Communities:								
Same-store rental income	103,595	97,212	6.6	% 286,713	270,508	6.0	%	
Same-store operating expense (c)	(29,825)	(28,590)	4.3	% (81,028)	(78,721)	2.9	%	
Same-store NOI	73,770	68,622	7.5	% 205,685	191,787	7.2	%	
Non-Mature Communities/Other NOI:								
Sold and held for sale communities NOI	3,055	3,386	(9.8)	% 10,199	10,289	(0.9)	%	
Developed communities NOI	818	(403)	303.0	% 1,961	(479)	509.4	%	
Redeveloped communities NOI	2,509	2,331	7.6	% 20,085	16,935	18.6	%	
Commercial NOI and other	2,138	1,817	17.7	% 4,758	4,606	3.3	%	
Total non-mature communities/other NOI	8,520	7,131	19.5	% 37,003	31,351	18.0	%	
Total Property NOI	\$82,290	\$75,753	8.6	% \$242,688	\$223,138	8.8	%	

(a) Same-Store Community population consisted of 19,024 apartment homes.

(b) Same-Store Community population consisted of 18,060 apartment homes.

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

The following table is our reconciliation of total property NOI to Net income/(loss) attributable to OP unitholders as reflected, for both continuing and discontinued operations, for the three and nine months ended September 30, 2015 and 2014 (dollars in thousands):

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Total property NOI	\$82,290	\$75,753	\$242,688	\$223,138
Property management	(3,167)	(2,955)	(9,307)	(8,653)
Other operating expenses	(1,482)	(1,484)	(4,468)	(4,371)
Real estate depreciation and amortization	(43,829)	(45,043)	(132,411)	(134,011)
General and administrative	(7,935)	(6,939)	(20,606)	(21,368)
Casualty-related recoveries/(charges), net	(16)	—	(888)	(500)
Interest expense	(10,909)	(10,457)	(32,587)	(30,629)
Gain/(loss) on sale of real estate owned	—	—	56,998	40,687
Net (income)/loss attributable to noncontrolling interests	(335)	(238)	(1,075)	(697)
Net income/(loss) attributable to OP unitholders	\$14,617	\$8,637	\$98,344	\$63,596

Same-Store Communities

Our Same-Store Community properties (those acquired, developed, and stabilized prior to July 1, 2014 for quarter-to-date comparison and January 1, 2014 for year-to-date comparison and held as of September 30, 2015) consisted of 19,024 and 18,060 apartment homes, respectively, and provided 89.6% and 84.8% of our total NOI for the three and nine months ended September 30, 2015, respectively.

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Three Months Ended September 30, 2015 vs. Three Months Ended September 30, 2014

NOI for our Same-Store Community properties increased 7.5% or \$5.1 million for the three months ended September 30, 2015 compared to the same period in 2014. The increase in property NOI was primarily attributable to a 6.6% or \$6.4 million increase in property rental income, which was partially offset by a 4.3% or \$1.2 million increase in operating expenses. The increase in revenues was primarily driven by a 6.6% or \$6.1 million increase in rental rates, and a 7.8% or \$0.6 million increase in fee and reimbursement income. Physical occupancy decreased 0.3% to 96.6% and total income per occupied home increased 6.8% to \$1,841 for the three months ended September 30, 2015 compared to the same period in 2014.

The increase in property operating expenses was primarily driven by a 5.9% or \$0.5 million increase in real estate tax expense, a 6.0% or \$0.3 million increase in utilities expense, and a 17.9% or \$0.2 million increase in insurance expense compared to the same period in 2014.

As a result of the percentage changes in property rental income and property operating expenses, the operating margin (property net operating income divided by property rental income) increased to 71.2% for the three months ended September 30, 2015 as compared to 70.6% for the comparable period in 2014.

Nine Months Ended September 30, 2015 vs. Nine Months Ended September 30, 2014

NOI for our Same-Store Community properties increased 7.2% or \$13.9 million for the nine months ended September 30, 2015 compared to the same period in 2014. The increase in property NOI was primarily attributable to a 6.0% or \$16.2 million increase in property rental income, which was partially offset by a 2.9% or \$2.3 million increase in operating expenses. The increase in revenues was primarily driven by a 5.4% or \$14.0 million increase in rental rates, and a 6.1% or \$1.2 million increase in fee and reimbursement income. Physical occupancy increased 0.7% to 96.8% and total income per occupied home increased 5.3% to \$1,823 for the nine months ended September 30, 2015 compared to the same period in 2014.

The increase in property operating expenses was primarily driven by a 4.1% or \$1.1 million increase in real estate tax expense personnel cost, a 2.8% or \$0.6 million increase in personnel cost, and a 3.6% or \$0.5 million in utilities expense compared to the same period in 2014.

As a result of the percentage changes in property rental income and property operating expenses, the operating margin (property net operating income divided by property rental income) increased to 71.7% for the nine months ended September 30, 2015 as compared to 70.9% for the comparable period in 2014.

Non-Mature Communities/Other

The Operating Partnership's 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 properties, and the non-apartment components of mixed use properties.

Three Months Ended September 30, 2015 vs. Three Months Ended September 30, 2014

The remaining 10.4% or \$8.5 million of our total NOI during the three months ended September 30, 2015 was generated from our Non-Mature Communities. NOI from Non-Mature Communities/Other increased 19.5% or \$1.4 million for the three months ended September 30, 2015 compared to the same period in 2014. The increase was primarily driven by an increase in NOI from redeveloped properties of \$0.2 million and from development properties of \$1.2 million.

Nine Months Ended September 30, 2015 vs. Nine Months Ended September 30, 2014

The remaining 15.2% or \$37.0 million of our total NOI during the nine months ended September 30, 2015 was generated from our Non-Mature Communities. NOI from Non-Mature Communities/Other increased 18.0% or \$5.7 million for the nine months ended September 30, 2015 compared to the same period in 2014. The increase was primarily driven by an increase in NOI from redeveloped properties of \$3.2 million and from development properties of \$2.4 million.

Real Estate Depreciation and Amortization

For the three and nine months ended September 30, 2015, real estate depreciation and amortization decreased 2.7% or \$1.2 million and 1.2% or \$1.6 million, respectively, as compared to the comparable periods in 2014. The decrease in depreciation and amortization for the three and nine months ended September 30, 2015 was primarily due to sold communities and fully depreciated assets partially offset by homes delivered from our development and

redevelopment communities.

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General and Administrative

For the three months ended September 30, 2015, general and administrative expense increased 14.4% or \$1.0 million as compared to the comparable period in 2014, primarily due to higher incentive compensation and salary and benefit increases. For the nine months ended September 30, 2015, general and administrative expense decreased 3.6% or \$0.8 million as compared to the comparable period in 2014 due to declines in various expenses of the Operating Partnership.

Interest Expense

For the three and nine months ended September 30, 2015, interest expense increased by 4.3% or \$0.5 million and 6.4% or \$2.0 million, respectively, as compared to the comparable periods in 2014. The increase in interest expense for the three and nine months ended September 30, 2015 was primarily due to a lower portion of interest capitalized in 2015 as a result of completed developments.

Gain/(Loss) on Sale of Real Estate Owned

During the three months ended September 30, 2015 and 2014, the Company did not complete any sales of consolidated real estate owned.

During the nine months ended September 30, 2015, the Company sold one community in Beaverton, Oregon and recognized a \$32.4 million gain on the sale of real estate and \$24.6 million in deferred gains. During the nine months ended September 30, 2014, the Operating Partnership recognized \$40.7 million of gains on the sale of one operating property and an adjacent parcel of land in San Diego, CA and the sale of one community in Tampa, Florida.

Inflation

We believe that the direct effects of inflation on our operations have been immaterial. While the impact of inflation primarily impacts our results through wage pressures, utilities and material costs, substantially all of our leases are for a term of one year or less, which generally enables us to compensate for any inflationary effects by increasing rents on our apartment homes. Although an extreme escalation in energy and food costs could have a negative impact on our residents and their ability to absorb rent increases, we do not believe this has had a material impact on our results for the three and nine months ended September 30, 2015.

Off-Balance Sheet Arrangements

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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Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

See our Annual Report on Form 10-K for the year ended December 31, 2014 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 September 30, 2015, 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, 2014.

Item 4. CONTROLS AND PROCEDURES

The disclosure controls and procedures of the Company and the Operating Partnership 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 September 30, 2015, 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 and the Operating Partnership. 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 and the Operating Partnership are effective at the reasonable assurance level described above.

There have not been any changes in either the Company's or the Operating Partnership'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 third fiscal quarter to which this report relates that materially affected, or are reasonably likely to materially affect, the internal control over financial reporting of either the Company or the Operating Partnership.

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PART II — OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

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

Item 1A. RISK FACTORS

There are many factors that affect the business and the results of operations of the Company and the Operating Partnership, some of which are beyond the control of the Company and the Operating Partnership. The following is a description of important factors that may cause the actual results of operations of the Company and the Operating Partnership 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.

Risks Related to Our Real Estate Investments and Our Operations

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

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

We May Be Unable to Renew Leases or Relet Apartment Units as Leases Expire. When our residents decide to leave our apartments, whether because they decide not to renew their leases or they leave prior to their lease expiration date,

we may not

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be able to relet their apartment units. Even if the residents do renew or we can relet the apartment units, the terms of renewal or reletting may be less favorable than current lease 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 significantly 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, we may be unable to increase rent and/or delinquencies may increase.

Substantial International, National and Local Government Spending and Increasing Deficits May Adversely Impact Our Business, Financial Condition and Results of Operations. The values of, and the cash flows from, the properties we own are affected by developments in global, national and local economies. As a result of the most recent recession and the significant government interventions, federal, state and local governments have incurred record deficits and assumed or guaranteed liabilities of private financial institutions or other private entities. These increased budget deficits and the weakened financial condition of federal, state and local governments may lead to reduced governmental spending, tax increases, public sector job losses, increased interest rates, currency devaluations or other adverse economic events, which may directly or indirectly adversely affect our business, financial condition and results of operations.

Risk of Inflation/Deflation. Substantial inflationary or deflationary pressures could have a negative effect on rental rates and property operating expenses. The general risk of inflation is that interest on our debt and general and administrative expenses increase at a rate faster than increases in our rental rates, which could adversely affect our results of operations, cash flow and ability to make distributions to UDR's stockholders. The predominant effects of deflation include high unemployment and credit contraction. Restricted lending practices could impact our ability to obtain financing or refinancing for our properties.

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 may make it difficult to sell apartment communities like the ones we own. We cannot predict whether we will be able to sell any property for the price or on the terms we set, or whether any price or other terms offered by a prospective purchaser would be acceptable to us. We also cannot predict the length of time needed to find a willing purchaser and to close the sale of a property. Furthermore, we may be required to expend funds to correct defects or to make improvements before a property can be sold. These conditions may limit our ability to dispose of properties and to change our portfolio promptly in order to meet our strategic objectives, which may in turn have a material adverse effect on our financial condition and the market value of our securities. We are also subject to the following risks in connection with sales of our apartment communities: a significant portion of the proceeds from our overall property sales may be held by intermediaries in order for some sales to qualify as like-kind exchanges under Section 1031 of the Internal Revenue Code of 1986, as amended, or the "Code," so that any related capital gain can be deferred for federal income tax purposes. As a result, we may not have immediate access to all of the cash proceeds generated from our property sales; and federal tax laws limit our ability to profit on the sale of communities that we have owned for less than two years, and this limitation may prevent us from selling communities when market conditions are favorable.

Competition Could Limit Our Ability to Lease Apartment Homes or Increase or Maintain Rents. Our apartment communities compete with numerous housing alternatives in attracting residents, including other apartment communities, condominiums and single-family rental homes, as well as owner occupied single- and multi-family homes. Competitive housing in a particular area could adversely affect our ability to lease apartment homes and increase or maintain rents, which could materially 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 selectively acquired in the past, and if presented with attractive opportunities we intend to selectively acquire in the future, apartment communities that meet our investment criteria. Our acquisition activities and their success are subject to the following risks:

- we may be unable to obtain financing for acquisitions on favorable terms or at all;
- even if we are able to finance the acquisition, cash flow from the acquisition may be insufficient to meet our required principal and interest payments on the acquisition;
-

even if we enter into an acquisition agreement for an apartment community, we may be unable to complete the acquisition after incurring certain acquisition-related costs;

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we may incur significant costs and divert management attention in connection with the evaluation and negotiation of potential acquisitions, including potential acquisitions that we are subsequently unable to 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 and rental rates 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 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 make it more difficult for us to pursue attractive investment opportunities on favorable terms, 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 selectively pursued the development and construction of apartment communities, and we intend to do so in the future as appropriate opportunities arise. Development activities have been, and in the future may be, conducted through wholly-owned affiliated companies or through joint ventures with unaffiliated parties. Our development and construction activities are subject to the following risks:

we may be unable to obtain construction financing for development activities under favorable terms, including but not limited to interest rates, maturity dates and/or loan to value ratios, or at all which could cause us to delay or even abandon potential developments;

we may be unable to obtain, or face delays in obtaining, necessary zoning, land-use, building, occupancy and other required governmental permits and authorizations, which could result in increased development costs, could delay initial occupancy dates for all or a portion of a development community, and could require us to abandon our activities entirely with respect to a project for which we are unable to obtain permits or authorizations;

yields may be less than anticipated as a result of delays in completing projects, costs that exceed budget and/or higher than expected concessions for lease up and lower rents than expected;

if we are unable to find joint venture partners to help fund the development of a community or otherwise obtain acceptable financing for the developments, our development capacity may be limited;

we may abandon development opportunities that we have already begun to explore, and we may fail to recover expenses already incurred in connection with exploring such opportunities;

we may be unable to complete construction and lease-up of a community on schedule, or incur development or construction costs that exceed our original estimates, and we may be unable to charge rents that would compensate for any increase in such costs;

occupancy rates and rents at a newly developed community may fluctuate depending on a number of factors, including market and economic conditions, preventing us from meeting our profitability goals for that community; and

when we sell to third parties communities or properties that we developed or renovated, we may be subject to warranty or construction defect claims that are uninsured or exceed the limits of our insurance.

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

Bankruptcy or Defaults of Our Counterparties Could Adversely Affect Our Performance. We have relationships with and, from time to time, we execute transactions with or receive services from many counterparties, such as general contractors engaged in connection with our development activities. As a result, bankruptcies or defaults by these counterparties could result in services not being provided, projects not being completed on time, or on budget, or at all, or volatility in the financial markets and economic weakness could affect the counterparties' ability to complete transactions with us as intended, both of which could result in disruptions to our operations that may adversely affect

our business and results of operations.

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Property Ownership Through Joint Ventures May Limit Our Ability to Act Exclusively in Our Interest. We have in the past and may in the future develop and/or acquire properties in joint ventures with other persons or entities when we believe circumstances warrant the use of such structures. We currently have 14 active joint ventures and partnerships, excluding our participating loan investment, with a total equity investment of \$696.7 million. We could become engaged in a dispute with one or more of our joint venture partners which might affect our ability to operate a jointly-owned property. Moreover, joint venture partners may have business, economic or other objectives that are inconsistent with our objectives, including objectives that relate to the appropriate timing and terms of any sale or refinancing of a property. In some instances, joint venture partners may have competing interests in our markets that could create conflicts of interest. Also, our joint venture partners might refuse to make capital contributions when due and 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 arrangement, which could cause us to sell our interest, or acquire our partners' interest, at a time when we otherwise would not have initiated such a transaction and may result in the valuation of our interest in the joint venture (if we are the seller) or of the other partner's interest in the 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. We are also subject to risk in cases where an institutional owner is our joint venture partner, including (i) a deadlock if we and our joint venture partner are unable to agree upon certain major and other decisions, (ii) the limitation of our ability to liquidate our position in the joint venture without the consent of the other joint venture partner, and (iii) the requirement 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, 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.

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

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

As a result of our substantial real estate holdings, the cost of insuring our apartment communities is a significant component of expense. Insurance premiums are subject to significant increases and fluctuations, which are generally outside of our control. We insure our properties 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 of our insurance companies that we hold policies with 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 of one or more insurance companies may increase the costs to renew our insurance policies or increase the cost of insuring additional properties and recently developed or redeveloped 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 appropriate opportunities arise, apartment communities that are outside of our existing markets. Entering into

new markets may expose us to a variety of risks, and we may not be able to operate successfully in new markets.

These risks include, among others:

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

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inability to achieve budgeted financial results.

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

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 materially and adversely affect our 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. Environmental, health and safety laws require that ACM 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 may be subject to liability for personal injury or property damage sustained as a result of exposure to ACM or releases of ACM into the environment.

We cannot assure you that costs or liabilities incurred as a result of environmental issues will not affect our ability to make distributions to our stockholders, or that such costs or liabilities will not have a material adverse effect on 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 flow. In addition, the presence of significant mold or other airborne contaminants could expose us to liability from our tenants or others if property damage or personal injury occurs.

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

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

Compliance with or Changes in Real Estate Tax and Other Laws Could Adversely Affect Our Funds from Operations and Our Ability to Make Distributions to Stockholders. Generally we do not directly pass through costs resulting from

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

Risk of Damage from Catastrophic Weather and Natural Events and Potential Climate Change. Certain of our communities are located in areas that may experience catastrophic weather and other natural events from time to time, including mudslides, fires, hurricanes, tornadoes, 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 materially and adversely affect our business and our financial condition and results of operations.

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

Risk of Earthquake Damage. Some of our communities are located in the general vicinity of active 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 would also continue to be obligated to repay any mortgage indebtedness or other obligations related to the community. Any such loss could materially and adversely affect our business, 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 Due to Fire, Natural Disasters or Other Hazards. The accidental death of persons living in our communities due to fire, natural disasters or other hazards could have a material 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 such any such events have occurred, which could have a material adverse effect on our business and results of operations.

Actual or Threatened Terrorist Attacks May Have an Adverse Effect on Our Business and Operating Results and Could Decrease the Value of Our Assets. Actual or threatened terrorist attacks and other acts of violence or war could have a material adverse effect on our business and operating results. Attacks that directly impact one or more of our apartment communities could significantly affect our ability to operate those communities and thereby impair our ability to achieve our expected results. Further, our insurance coverage may not cover all losses caused by a terrorist attack. In addition, the adverse effects that such violent acts and threats of future attacks could have on the U.S. economy could similarly have a material adverse effect on our business and results of operations.

Mezzanine Loan Assets Involve Greater Risks of Loss than Senior Loans Secured by Income-producing Properties. We may acquire mezzanine loans, which take the form of subordinated loans secured by second mortgages on the underlying property or loans secured by a pledge of the ownership interests of either the entity owning the property or a pledge of the ownership interests of the entity that owns the interest in the entity owning the property. Mezzanine loans may involve a higher degree of risk than long-term senior mortgage lending secured by income-producing real property, because the loan may become unsecured 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. 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 mezzanine loan or debt senior to our loan, or in the event of a borrower bankruptcy, our mezzanine loan will be satisfied only after the senior debt. As a result, we may not recover some of or all our initial expenditure. In addition, mezzanine loans may 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.

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We May Experience a Decline in the Fair Value of Our Assets and Be Forced to Recognize Impairment Charges, Which Could Materially and Adversely Impact Our Financial Condition, Liquidity and Results of Operations and the Market Price of UDR's Common Stock. A decline in the fair value of our assets may require us to recognize an impairment against such assets under 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 to maturity or 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 materially and adversely affect our financial condition, liquidity, results of operations and the per share trading price of UDR's common stock. Any Material Weaknesses Identified in Our Internal Control Over Financial Reporting Could Have an Adverse Effect on UDR's Stock Price. Section 404 of the Sarbanes-Oxley Act of 2002 requires us to evaluate and report on our internal control over financial reporting. If we identify one or more material weaknesses in our internal control over financial reporting, we could lose investor confidence in the accuracy and completeness of our financial reports, which in turn could have an adverse effect on UDR's stock price.

Our Business and Operations Would Suffer in the Event of System Failures or Breaches in Data Security. Despite system redundancy, the implementation of security measures and the existence of a disaster recovery plan for our internal information technology systems, our systems are vulnerable to damages from any number of sources, including computer viruses, unauthorized access, energy blackouts, natural disasters, terrorism, war, and telecommunication failures. We rely on information technology networks and systems, including the Internet, to process, transmit and store electronic information and to manage or support a variety of our business processes, including financial transactions and keeping of records, which may include personal identifying information of tenants and lease data. We rely on commercially available systems, software, tools and monitoring to provide security for processing, transmitting and storing confidential tenant information, such as individually identifiable information relating to financial accounts. Although we take steps to protect the security of the data maintained in our information systems, it is possible that our security measures will not be able to prevent the systems' improper functioning, or the improper disclosure of personally identifiable information, such as in the event of cyber attacks. Security breaches, including physical or electronic break-ins, computer viruses, attacks by hackers and similar breaches, can create system disruptions, shutdowns or unauthorized disclosure of confidential information. Any failure to maintain proper function, security and availability of our information systems could interrupt our operations, damage our reputation, subject us to liability claims or regulatory penalties and could materially and adversely affect us.

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.

We May be Adversely Affected by New Federal Laws and Regulations. The United States Administration and Congress have enacted, or called for consideration of, proposals relating to a variety of issues, including with respect to health care, financial regulation reform, climate change, executive compensation and others. We believe that these and other potential proposals could have varying degrees of impact on us ranging from minimal to material. At this time, we are unable to predict with certainty what level of impact specific proposals could have on us.

Federal rulemaking and administrative efforts that may have an impact on us focus principally on the areas perceived as contributing to the global financial crisis and the most recent economic recession. These initiatives have created a degree of uncertainty regarding the basic rules governing the real estate industry and many other businesses that is unprecedented in the United States at least since the wave of lawmaking and regulatory reform that followed in the wake of the Great Depression. The federal legislative response in this area culminated in the enactment on July 21,

2010 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank Act”). Many of the provisions of the Dodd-Frank Act have extended implementation periods and delayed effective dates and continue to require extensive rulemaking by regulatory authorities; thus, the impact on us may not be known for an extended period of time. The Dodd-Frank Act, including future rules implementing its provisions and the interpretation of those rules, along with other legislative and regulatory proposals that are proposed or pending in the United States Congress, may limit our revenues, impose fees or taxes on us, and/or intensify the regulatory framework in which we operate in ways that are not currently identifiable.

Changing laws, regulations and standards relating to corporate governance and public disclosure in particular, including certain provisions of the Dodd-Frank Act and the rules and regulations promulgated thereunder, have created uncertainty for

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public companies like ours and could significantly increase the costs and risks associated with accessing the U.S. public markets. Because we are committed to maintaining high standards of internal control over financial reporting, corporate governance and public disclosure, our management team will need to devote significant time and financial resources to comply with these evolving standards for public companies. We intend to continue to invest appropriate resources to comply with both existing and evolving standards, and this investment has resulted and will likely continue to result in increased general and administrative expenses and a diversion of management time and attention from revenue generating activities to compliance activities.

We May be Adversely Affected by New State and Local Laws and Regulations. We are subject to state and local laws, regulations and ordinances at locations where we operate and to the rules and regulations of various local authorities regarding a wide variety of matters that could affect, directly or indirectly, our operations. We cannot predict what matters might be considered in the future by these state and local authorities, nor can we judge what impact, if any, the implementation of new legislation might have on our business.

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.

Risks Related to Our Indebtedness and Financings

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

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

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

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changes in tax and housing laws, including the enactment of rent control laws or other laws regulating multi-family housing.

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

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

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

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, the major debt rating agencies, routinely evaluate our debt and have given us ratings on our senior unsecured debt and preferred stock. These ratings are based on a number of factors, which included their assessment of our financial strength, liquidity, capital structure, asset quality, and sustainability of cash flow 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.

Disruptions in Financial Markets May Adversely Impact Availability and Cost of Credit and Have Other Adverse Effects on Us and the Market Price of UDR's Stock. Our ability to make scheduled payments or to refinance debt obligations will depend on our operating and financial performance, which in turn is subject to prevailing economic conditions and to financial, business and other factors beyond our control. During the global financial crisis and the economic recession that followed it, the United States stock and credit markets experienced significant price volatility, dislocations and liquidity disruptions, which caused market prices of many stocks to fluctuate substantially and the spreads on debt financings to widen considerably. Those circumstances materially impacted liquidity in the financial markets at times, making terms for certain financings less attractive, and in some cases resulted in the unavailability of financing. Any future disruptions or uncertainty in the stock and credit markets 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 UDR's common stock. 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 UDR's common or preferred stock.

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

The Soundness of Financial Institutions Could Adversely Affect Us. We have relationships with many financial institutions, including lenders under our credit facilities, and, from time to time, we execute transactions with counterparties in the financial services industry. As a result, defaults by, or even rumors or questions about, financial institutions or the financial

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services industry generally, could result in losses or defaults by these institutions. In the event that the volatility of the financial markets adversely affects these financial institutions or counterparties, we or other parties to the transactions with us may be unable to complete transactions as intended, which could adversely affect our business and results of operations.

Changing Interest Rates Could Increase Interest Costs and Adversely Affect Our Cash Flow and the Market Price of Our Securities. We currently have, and expect to incur in the future, interest-bearing debt at rates that vary with market interest rates. As of September 30, 2015, UDR had approximately \$520.4 million of variable rate indebtedness outstanding, which constitutes approximately 14.8% of total outstanding indebtedness as of such date. As of September 30, 2015, the Operating Partnership had approximately \$204.5 million of variable rate indebtedness outstanding, which constitutes approximately 22.5% of total outstanding indebtedness to third parties as of such date. An increase in interest rates would increase our interest expenses and increase the costs of refinancing existing indebtedness and of issuing new debt. Accordingly, higher interest rates could adversely affect cash flow and our ability to service our debt and to make distributions to security holders. The effect of prolonged interest rate increases could negatively impact our ability to make acquisitions and develop properties. In addition, an increase in market interest rates may lead our security holders to demand a higher annual yield, which could adversely affect the market price of UDR's common and preferred stock and debt securities.

Interest Rate Hedging Contracts May Be Ineffective and May Result in Material Charges. From time to time when we anticipate issuing debt securities, we may seek to limit our exposure to fluctuations in interest rates during the period prior to the pricing of the securities by entering into interest rate hedging contracts. We may do this to increase the predictability of our financing costs. Also, from time to time we may rely on interest rate hedging contracts to limit our exposure under variable rate debt to unfavorable changes in market interest rates. If the terms of new debt securities are not within the parameters of, or market interest rates fall below that which we incur under a particular interest rate hedging contract, the contract is ineffective. Furthermore, the settlement of interest rate hedging contracts has involved and may in the future involve material charges. 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 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 UDR Failed to Qualify as a REIT. UDR has elected to be taxed as a REIT under the Code. Our qualification as a REIT requires us to satisfy numerous requirements, some on an annual and quarterly basis, established under highly technical and complex Code provisions for which there are only limited judicial or administrative interpretations, and involves the determination of various factual matters and circumstances not entirely within our control. We intend that our current organization and method of operation enable us to continue to qualify as a REIT, but we may not so qualify or we may not be able to remain so qualified in the future. In addition, U.S. federal income tax laws governing REITs and other corporations and the administrative interpretations of those laws may be amended at any time, potentially with retroactive effect. Future legislation, new regulations, administrative interpretations or court decisions could adversely affect our ability to qualify as a REIT or adversely affect UDR's stockholders.

If we fail to qualify as a REIT in any taxable year, we would be subject to federal income tax (including any applicable alternative minimum tax) on our taxable income at regular corporate rates, and would not be allowed to deduct dividends paid to UDR's 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 UDR's 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 UDR's 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 a REIT under the Code, and are therefore subject to the same risks in the event that they fail to qualify as a REIT in any taxable year.

Dividends Paid By REITs Generally Do Not Qualify for Reduced Tax Rates. In general, the maximum U.S. federal income tax rate for dividends paid to individual U.S. stockholders is 20%. Unlike dividends received from a corporation that is not a REIT, our distributions to individual stockholders generally are not eligible for the reduced rates.

UDR May Conduct a Portion of Our Business Through Taxable REIT Subsidiaries, Which are Subject to Certain Tax Risks. We have established several taxable REIT subsidiaries. Despite UDR's qualification as a REIT, its taxable REIT

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

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

Certain Property Transfers May Generate Prohibited Transaction Income, Resulting in a Penalty Tax on Gain Attributable to the Transaction. From time to time, we may transfer or otherwise dispose of some of our properties. Under the Code, any gain resulting from transfers of properties that we hold as inventory or primarily for sale to customers in the ordinary course of business would be treated as income from a prohibited transaction and subject to a 100% penalty tax. Since we acquire properties for investment purposes, we do not believe that our occasional transfers or disposals of property are prohibited transactions. However, whether property is held for investment purposes is a question of fact that depends on all the facts and circumstances surrounding the particular transaction. The Internal Revenue Service may contend that certain transfers or disposals of properties by us are prohibited transactions. If the Internal Revenue Service were to argue successfully that a transfer or disposition of property constituted a prohibited transaction, then we would be required to pay a 100% penalty tax on any gain allocable to us from the prohibited transaction and we may jeopardize our ability to retain future gains on real property sales. In addition, income from a prohibited transaction might adversely affect UDR's ability to satisfy the income tests for qualification as a REIT for federal income tax purposes.

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

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 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 similar in most respects. The Operating Partnership and the DownREIT Partnership may not meet this qualifying income test. If the Operating Partnership or the DownREIT Partnership were to be taxed as a corporation, they would incur substantial tax liabilities, and UDR 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.

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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, shareholder 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 UDR’s Stock

Changes in Market Conditions and Volatility of Stock Prices Could Adversely Affect the Market Price of UDR’s Common Stock. The stock markets, including the New York Stock Exchange (“NYSE”), on which we list UDR’s common stock, have experienced significant price and volume fluctuations. As a result, the market price of UDR’s common stock could be similarly volatile, and investors in UDR’s 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 UDR’s common stock, including:

- general market and economic conditions;
- actual or anticipated variations in UDR’s quarterly operating results or dividends or UDR’s payment of dividends in shares of UDR’s 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 real estate investment trusts and the attractiveness of their equity securities in comparison to other equity securities (including securities issued by other real estate companies);
- general stock and bond market conditions, including changes in interest rates on fixed income securities, that may lead prospective purchasers of UDR’s 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 which may adversely affect the markets in which UDR’s securities trade, possibly increasing market volatility and causing the further erosion of business and consumer confidence and spending;
- failure to qualify as a REIT;
- 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;

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governmental regulatory action and changes in tax laws; and
 the issuance of additional shares of UDR's common stock, or the perception that such sales might occur, including under UDR's 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 UDR's common stock to decline, regardless of our financial condition, results of operations, business or our prospects.

We May Change the Dividend Policy for UDR's Common Stock in the Future. The decision to declare and pay dividends on UDR's 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 a material adverse effect on the market price of UDR's common stock.

Maryland Law May Limit the Ability of a Third Party to Acquire Control of Us, Which May Not be in UDR's 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 UDR's 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 UDR's 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 UDR's Stockholders to Effect a Change in Control of Our Company Restricts the Transferability of UDR's Stock and May Prevent Takeovers That are Beneficial to UDR's 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 UDR's stock primarily to assist us in complying with this and other REIT ownership requirements; however, the restrictions may have the effect of preventing a change of control, which does not threaten REIT status. These restrictions include a provision that generally limits ownership by any person of more than 9.9% of the value of our outstanding equity stock, unless our board of directors exempts the person from such ownership limitation, provided that any such exemption shall not allow the person to exceed 13% of the value of our outstanding equity stock. Absent such an exemption from our board of directors, the transfer of UDR's 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 UDR's stockholders or might otherwise be in UDR's stockholders' best interests.

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 limited partnership OP Units have the right to require the Operating Partnership to redeem all or a portion of their limited partnership 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 September 30, 2015, we issued 9,390 shares of our common stock upon redemption of OP Units. Because these shares of common stock were issued to accredited investors in transactions not involving a public offering, the transactions were exempt from registration under the Securities Act of 1933 in accordance with Section 4(a)(2).

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Repurchase of Equity Securities

In February 2006, UDR's Board of Directors authorized a 10 million share repurchase program. In January 2008, our Board of Directors authorized a new 15 million share repurchase program. Under the two share repurchase programs, UDR may repurchase shares of our common stock in open market purchases, block purchases, privately negotiated transactions or otherwise. As reflected in the table below, no shares of common stock were repurchased under these programs during the quarter ended September 30, 2015.

Period	Total Number of Shares Purchased	Weighted Average Price per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (a)
Beginning Balance	9,967,490	\$22.00	9,967,490	15,032,510
July 1, 2015 through July 31, 2015	—	—	—	15,032,510
August 1, 2015 through August 31, 2015	—	—	—	15,032,510
September 1, 2015 through September 30, 2015	—	—	—	15,032,510
Balance as of September 30, 2015	9,967,490	\$22.00	9,967,490	15,032,510

(a) This number reflects the amount of shares that were available for purchase under our 10,000,000 share repurchase program authorized in February 2006 and our 15,000,000 share repurchase program authorized in January 2008.

Item 3. DEFAULTS UPON SENIOR SECURITIES

None.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

Item 5. OTHER INFORMATION

None.

Item 6. EXHIBITS

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

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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.

UDR, Inc.

Date: October 27, 2015

/s/ Mark A. Schumacher
Mark A. Schumacher
Chief Accounting Officer and Senior Vice
President (Principal Accounting Officer)

United Dominion Realty, L.P.

By: UDR, Inc., its general partner

Date: October 27, 2015

/s/ Mark A. Schumacher
Mark A. Schumacher
Chief Accounting Officer and Senior Vice
President (Principal Accounting Officer)

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EXHIBIT INDEX

Exhibit No.	Description
2.1 +	Amendment Agreement, dated as of August 27, 2015, by and among UDR, Inc., United Dominion Realty, L.P., Home Properties, Inc., Home Properties, L.P., LSREF4 Lighthouse Acquisitions, LLC, LSREF4 Lighthouse Corporate Acquisitions, LLC and LSREF4 Lighthouse Operating Acquisitions, LLC.
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 and filed with the State Department of Assessments and Taxation of the State of Maryland on August 30, 2011 (incorporated by reference to Exhibit 3.1 to UDR, Inc.'s Current Report on Form 8-K dated and filed with the SEC on September 1, 2011).
3.4	Certificate of Limited Partnership of United Dominion Realty, L.P. dated February 19, 2004 (incorporated by reference to Exhibit 3.4 to United Dominion Realty, L.P.'s Post-Effective Amendment No. 1 to Registration Statement on Form S-3 dated and filed with the SEC on October 15, 2010).
3.5	Amended and Restated Agreement of Limited Partnership of United Dominion Realty, L.P. dated as of February 23, 2004 (incorporated by reference to Exhibit 10.23 to UDR, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2003).
3.6	First Amendment to the Amended and Restated Agreement of Limited Partnership of United Dominion Realty, L.P. dated June 24, 2005 (incorporated by reference to Exhibit 10.06 to UDR, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2005).
3.7	Second Amendment to the Amended and Restated Agreement of Limited Partnership of United Dominion Realty, L.P. dated February 23, 2006 (incorporated by reference to Exhibit 10.6 to UDR, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2006).
3.8	Third Amendment to the Amended and Restated Agreement of Limited Partnership of United Dominion Realty, L.P. dated February 2, 2007 (incorporated by reference to Exhibit 99.1 to UDR, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2009).
3.9	Fourth Amendment to the Amended and Restated Agreement of Limited Partnership of United Dominion Realty, L.P. dated December 27, 2007 (incorporated by reference to Exhibit 10.25 to UDR, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2007).
3.10	Fifth Amendment to the Amended and Restated Agreement of Limited Partnership of United Dominion Realty, L.P. dated March 7, 2008 (incorporated by reference to Exhibit 10.53 to UDR, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2008).
3.11	

Sixth Amendment to the Amended and Restated Agreement of Limited Partnership of United Dominion Realty, L.P. dated December 9, 2008 (incorporated by reference to Exhibit 10.1 to UDR, Inc.'s Current Report on Form 8-K dated December 9, 2008 and filed with the Commission on December 10, 2008).

3.12

Seventh Amendment to the Amended and Restated Agreement of Limited Partnership of United Dominion Realty, L.P., dated as of March 13, 2009 (incorporated by reference to Exhibit 10.1 to UDR, Inc.'s Current Report on Form 8-K dated March 18, 2009 and filed with the SEC on March 19, 2009).

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Exhibit No.	Description
3.13	Eighth Amendment to the Amended and Restated Agreement of Limited Partnership of United Dominion Realty, L.P., dated as of November 17, 2010 (incorporated by reference to Exhibit 10.1 to UDR, Inc.'s Current Report on Form 8-K dated November 18, 2010 and filed with the SEC on November 18, 2010).
3.14	Amended and Restated Bylaws of UDR, Inc. (as amended through May 12, 2011) (incorporated by reference to Exhibit 3.1 to UDR, Inc.'s Current Report on Form 8-K filed with the SEC on May 13, 2011).
12.1	Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends of UDR, Inc.
12.2	Computation of Ratio of Earnings to Fixed Charges of United Dominion Realty, L.P.
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.
31.3	Rule 13a-14(a) Certification of the Chief Executive Officer of UDR Inc., general partner of United Dominion Realty, L.P.
31.4	Rule 13a-14(a) Certification of the Chief Financial Officer of UDR Inc., general partner of United Dominion Realty, L.P.
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.
32.3	Section 1350 Certification of the Chief Executive Officer of UDR Inc., general partner of United Dominion Realty, L.P.
32.4	Section 1350 Certification of the Chief Financial Officer of UDR Inc., general partner of United Dominion Realty, L.P.
101	XBRL (Extensible Business Reporting Language). The following materials from this Quarterly Report on Form 10-Q for the periods ended September 30, 2015, formatted in 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., (vi) notes to consolidated financial statements of UDR, Inc., (vii) consolidated balance sheets of United Dominion Realty, L.P., (viii) consolidated statements of operations of United Dominion Realty, L.P., (ix) consolidated statements of comprehensive income/(loss) of United Dominion Realty, L.P., (x) consolidated statements of changes in capital of United Dominion Realty, L.P., (xi) consolidated statements of cash flows of United Dominion Realty, L.P., and (xii) notes to consolidated financial statements of United Dominion Realty, L.P.

+ Filed herewith

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EXHIBIT 12.1

UDR, Inc.

Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends

(Dollars in thousands)

	Three Months Ended		Nine Months Ended		
	September 30,		September 30,		
	2015	2014	2015	2014	
Earnings:					
Income/(loss) from continuing operations	\$13,695	\$10,611	\$100,954	\$9,775	
Add (from continuing operations):					
Interest on indebtedness (a)	30,232	33,087	88,705	97,662	
Portion of rents representative of the interest factor	442	532	1,424	1,666	
Amortization of capitalized interest	937	927	2,802	2,783	
Total earnings	\$45,306	\$45,157	\$193,885	\$111,886	
Fixed charges and preferred stock dividends (from continuing operations):					
Interest on indebtedness (a)	\$30,232	\$33,087	\$88,705	\$97,662	
Interest capitalized	3,572	5,172	12,187	15,395	
Portion of rents representative of the interest factor	442	532	1,424	1,666	
Fixed charges	\$34,246	\$38,791	\$102,316	\$114,723	
Add:					
Preferred stock dividends	930	931	2,792	2,793	
Combined fixed charges and preferred stock dividends	\$35,176	\$39,722	\$105,108	\$117,516	
Ratio of earnings to fixed charges	1.32	1.16	1.89	—	(b)
Ratio of earnings to combined fixed charges and preferred stock dividends	1.29	1.14	1.84	—	(c)

(a) Includes interest expense of consolidated subsidiaries, amortization of deferred loan costs, realized losses related to hedging activities and amortization of premiums and discounts related to indebtedness.

(b) The ratio was less than 1:1 for the nine months ended September 30, 2014 as earnings were inadequate to cover fixed charges by deficiencies of approximately \$2.8 million.

(c) The ratio was less than 1:1 for the nine months ended September 30, 2014 as earnings were inadequate to cover combined fixed charges and preferred stock dividends by deficiencies of approximately \$5.6 million.

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EXHIBIT 12.2

United Dominion Realty, L.P.

Computation of Ratio of Earnings to Fixed Charges

(Dollars in thousands)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Earnings:				
Income/(loss) from continuing operations	\$14,952	\$8,875	\$42,421	\$23,606
Add from continuing operations:				
Interest on indebtedness (1)	10,909	10,457	32,587	30,629
Portion of rents representative of the interest factor	449	437	1,407	1,300
Amortization of capitalized interest	183	181	547	543
Total earnings	\$26,493	\$19,950	\$76,962	\$56,078
Fixed charges from continuing operations:				
Interest on indebtedness (1)	\$10,909	\$10,457	\$32,587	\$30,629
Interest capitalized	50	805	104	2,830
Portion of rents representative of the interest factor	449	437	1,407	1,300
Fixed charges	\$11,408	\$11,699	\$34,098	\$34,759
Ratio of earnings to fixed charges	2.32	1.71	2.26	1.61

(1) Includes interest expense of consolidated subsidiaries, amortization of deferred loan costs, realized losses related to hedging activities and amortization of premiums and discounts related to indebtedness.

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EXHIBIT 31.1

CERTIFICATION

I, Thomas W. Toomey, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of UDR, Inc.;
2. Based on my knowledge, this Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Report;
3. Based on my knowledge, the financial statements, and other financial information included in this Report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this Report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Report based on such evaluation; and
 - (d) Disclosed in this Report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 27, 2015

/s/ Thomas W. Toomey

Thomas W. Toomey
Chief Executive Officer and President
(Principal Executive Officer)

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EXHIBIT 31.2

CERTIFICATION

I, Thomas M. Herzog, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of UDR, Inc.;
2. Based on my knowledge, this Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Report;
3. Based on my knowledge, the financial statements, and other financial information included in this Report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this Report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Report based on such evaluation; and
 - (d) Disclosed in this Report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 27, 2015

/s/ Thomas M. Herzog

Thomas M. Herzog
Senior Vice President and Chief Financial
Officer (Principal Financial Officer)

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EXHIBIT 31.3

CERTIFICATION

I, Thomas W. Toomey, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of United Dominion Realty, L.P.;
2. Based on my knowledge, this Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Report;
3. Based on my knowledge, the financial statements, and other financial information included in this Report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this Report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Report based on such evaluation; and
 - (d) Disclosed in this Report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 27, 2015

/s/ Thomas W. Toomey

Thomas W. Toomey
Chief Executive Officer and President of UDR,
Inc. (Principal Executive Officer),
general partner of United Dominion Realty, L.P.

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EXHIBIT 31.4

CERTIFICATION

I, Thomas M. Herzog, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of United Dominion Realty, L.P.;
2. Based on my knowledge, this Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Report;
3. Based on my knowledge, the financial statements, and other financial information included in this Report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this Report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Report based on such evaluation; and
 - (d) Disclosed in this Report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 27, 2015

/s/ Thomas M. Herzog

Thomas M. Herzog
Senior Vice President and Chief Financial
Officer of UDR, Inc. (Principal Financial
Officer),
general partner of United Dominion Realty, L.P.

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EXHIBIT 32.1

CERTIFICATION

In connection with the periodic report of UDR, Inc. (the “Company”) on Form 10-Q for the quarter ended September 30, 2015, as filed with the Securities and Exchange Commission (the “Report”), I, Thomas W. Toomey, Chief Executive Officer and President of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of my knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

Date: October 27, 2015

/s/ Thomas W. Toomey

Thomas W. Toomey
Chief Executive Officer and President
(Principal Executive Officer)

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EXHIBIT 32.2

CERTIFICATION

In connection with the periodic report of UDR, Inc. (the “Company”) on Form 10-Q for the quarter ended September 30, 2015, as filed with the Securities and Exchange Commission (the “Report”), I, Thomas M. Herzog, Senior Vice President and Chief Financial Officer of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of my knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

Date: October 27, 2015

/s/ Thomas M. Herzog

Thomas M. Herzog
Senior Vice President and Chief Financial
Officer (Principal Financial Officer)

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EXHIBIT 32.3

CERTIFICATION

In connection with the periodic report of United Dominion Realty, L.P. (the “Operating Partnership”) on Form 10-Q for the quarter ended September 30, 2015, as filed with the Securities and Exchange Commission (the “Report”), I, Thomas W. Toomey, Chief Executive Officer and President of UDR, Inc., the general partner of the Operating Partnership, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of my knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Operating Partnership at the dates and for the periods indicated.

Date: October 27, 2015

/s/ Thomas W. Toomey

Thomas W. Toomey
Chief Executive Officer and President of UDR,
Inc. (Principal Executive Officer),
general partner of United Dominion Realty, L.P.

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EXHIBIT 32.4

CERTIFICATION

In connection with the periodic report of United Dominion Realty, L.P. (the “Operating Partnership”) on Form 10-Q for the quarter ended September 30, 2015, as filed with the Securities and Exchange Commission (the “Report”), I, Thomas M. Herzog, Senior Vice President and Chief Financial Officer of UDR, Inc., the general partner of the Operating Partnership, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of my knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Operating Partnership at the dates and for the periods indicated.

Date: October 27, 2015

/s/ Thomas M. Herzog

Thomas M. Herzog
Senior Vice President and Chief Financial Officer
of UDR, Inc. (Principal Financial Officer),
general partner of United Dominion Realty, L.P.