UDR, Inc.
Form 10-K
February 26, 2009

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

Form 10-K

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)**
OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2008
or
o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)**
OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission file number 1-10524

UDR, INC.
(Exact name of registrant as specified in its charter)

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

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

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

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

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

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

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

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

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

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

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

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

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

The aggregate market value of the shares of common stock held by non-affiliates on June 30, 2008 was approximately $1.8 billion. This calculation excludes shares of common stock held by the registrant s officers and directors and each person known by the registrant to beneficially own more than 5% of the registrant s outstanding shares, as such persons may be deemed to be affiliates. This determination of affiliate status should not be deemed conclusive for any other purpose. As of February 13, 2009 there were 148,816,685 shares of the registrant s common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

The information required by Part III of this Report, to the extent not set forth herein, is incorporated by reference from the registrant s definitive proxy statement for the Annual Meeting of Stockholders to be held on May 12, 2009.

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PART I

Item 1. BUSINESS

General

UDR, Inc. is a self administered real estate investment trust, or REIT, that owns, acquires, renovates, develops, and manages apartment communities nationwide. At December 31, 2008, our wholly-owned apartment portfolio included 161 communities located in 23 markets, with a total of 44,388 completed apartment homes. In addition, we have an ownership interest in 4,158 apartment units through joint ventures.

We have elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended, which we refer to in this Report as the Code . To continue to qualify as a REIT, we must continue to meet certain tests which, among other things, generally require that our assets consist primarily of real estate assets, our income be derived primarily from real estate assets, and that we distribute at least 90% of our REIT taxable income (other than our net capital gain) to our stockholders annually. As a qualified REIT, we generally will not be subject to U.S. federal income taxes at the corporate level on our net income to the extent we distribute such net income to our stockholders annually. In 2008, we declared total distributions on an adjusted basis of $2.11 per common share and a dividend of $0.89 per common share to our stockholders due to our disposition activities during 2008, which on a pre-adjusted dividend basis is $2.28 per common share, inclusive of a special dividend of $0.96 per common share to our stockholders. A detailed discussion of the special dividend and the accounting ramifications is included below under the heading Special Dividend .

	Dividends Declared in 2008		Dividends Paid in 2008	
	Unadjusted	**Adjusted**	**Unadjusted**	**Adjusted**
First Quarter	$ 0.330	$ 0.305	$ 0.330	$ 0.305
Second Quarter	0.330	0.305	0.330	0.305
Third Quarter	0.330	0.305	0.330	0.305
Fourth Quarter	1.290	1.190	0.330	0.305
Total	$ 2.280	$ 2.105	$ 1.320	$ 1.220

We were formed in 1972 as a Virginia corporation. In June 2003, we changed our state of incorporation from Virginia to Maryland. Our corporate offices are located at 1745 Shea Center Drive, Suite 200, Highlands Ranch, Colorado. As of February 12, 2009, we had 1,264 full-time employees and 74 part-time employees.

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

Business Objectives

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

- own and operate apartments in markets that have the best growth prospects based on favorable job formation and low home affordability, thus enhancing stability and predictability of returns to our stockholders;

- manage real estate cycles by taking an opportunistic approach to buying, selling, and building apartment communities;

- empower site associates to manage our communities efficiently and effectively;

- measure and reward associates based on specific performance targets; and

- manage our capital structure to ensure predictability of earnings and dividends.

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2008 Accomplishments

We closed on a two-year unsecured term loan of $240 million of which $200 million was swapped into a fixed rate of 3.61% and $40 million has a rate of LIBOR plus 85 basis points. Proceeds from this loan were used to redeem maturing debt.

We closed on a $400 million credit facility which matures November 2018. At December 31, 2008, we had $224.8 million outstanding on the facility $70.0 million at a fixed interest rate of 5.85% and $154.8 million at a variable interest rate, fixed with two- and three-year LIBOR swaps at an average rate of 4.32%. The Company has five years to draw on the additional $175.2 million of capacity.

We sold 8,661,201 shares of common stock adjusted for the special dividend (8,000,000 shares of common stock on an unadjusted basis) in a public offering, resulting in gross proceeds to us of $194.0 million, which were in part used to reduce corporate debt.

We completed development on two wholly-owned communities consisting of 644 apartment homes with an aggregate carrying value of $44.4 million.

We acquired 4,558 apartment homes in 13 communities for approximately $976.3 million, two parcels of land for $20.0 million, certain rights held by joint venture partner for $1.5 million and a retail property for $19.2 million.

We sold 86 communities with a total of 25,684 apartment homes for gross consideration of $1.7 billion.

UDR s Strategies and Vision

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

1. Strengthen our portfolio

2. Continually improve operations

3. Maintain access to low-cost capital

Strengthen our Portfolio

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

In 2008, UDR sold a portfolio of properties in 86 communities for total consideration of approximately $1.7 billion. This portfolio sale dramatically accelerated our transformation to focus on markets that have the best growth prospects based on favorable job formation and low single-family home affordability. At December 31, 2008, approximately 56.6% of the Company s same store net operating income was provided by our communities located in California, Washington, Oregon and Metropolitan Washington, D.C.

Acquisitions

During 2008, in conjunction with our strategy to strengthen our portfolio, UDR acquired 13 communities with 4,558 apartment homes at a total cost of approximately $976.3 million, including the assumption of secured debt. In addition, we purchased two parcels of land for $20.0 million, acquired certain rights held by a joint venture partner for $1.5 million in a consolidated operating joint venture and acquired a retail property for $19.2 million. UDR targets apartment community acquisitions in markets where job growth expectations are above the national average, home affordability is low, and the demand/supply ratio for multi-family housing is favorable.

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When evaluating potential acquisitions, we consider:

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

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

	2008	2007	2006	2005	2004
Homes acquired	**4,558**	2,671	2,763	2,561	8,060
Homes owned at December 31	**44,388**	65,867	70,339	74,875	78,855
Total real estate owned, at cost	**$ 5,831,753**	$ 5,956,481	$ 5,820,122	$ 5,512,424	$ 5,243,296

Dispositions

We regularly monitor and adjust our assets to increase the quality and performance of our portfolio. During 2008, as a major step in our portfolio repositioning, we sold 25,684 of our slower growing, non-core apartment homes while exiting some markets, specifically Arkansas, Delaware, Ohio, and South Carolina in an effort to increase the quality and performance of our portfolio. Proceeds from the disposition program were used primarily to reduce debt and fund acquisitions.

Factors we consider in deciding whether to dispose of a property include:

- current market price for an asset compared to projected economics for that asset;
- potential increases in new construction in the market area;

areas where the economy is not expected to grow substantially; and

markets where we do not intend to establish long-term concentration.

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Development Activities

The following wholly owned projects were under development as of December 31, 2008:

	Number of Apartment Homes	Completed Apartment Homes	Cost to Date (In thousands)	Budgeted Cost (In thousands)	Estimated Cost Per Home	Expected Completion Date
Riachi at One21 Phase II Plano, TX	200	56	$ 13,602	$ 17,900	$ 89,500	1Q09
Vintage Lofts Tampa, FL	249	109	51,470	52,000	208,835	1Q09
Belmont Dallas, TX	465		32,108	62,900	135,269	2Q10
Residences at Stadium Village Surprise, AZ	382		25,698	47,400	124,084	1Q10
Tribute Raleigh, NC	359		15,242	46,500	129,526	1Q10
Vitruvian Park Dallas, TX	392		19,061	66,500	169,643	3Q10
Signal Hill Woodbridge, VA	360		29,642	82,700	229,722	3Q10
	2,407	165	$ 186,823	$ 375,900	$ 156,170	

Redevelopment Activities

During 2008, we continued to reposition properties in targeted markets where we concluded there was an opportunity to add value. Major renovations totaled $51.8 million or $1,123 per average stabilized home for the year ended December 31, 2008.

Joint Venture Activities

During 2008, we completed the development of an apartment community located in Marina del Rey, CA with 298 apartment homes and a carrying value of $139.3 million. The apartment community is currently in lease-up. In December 2008, we acquired our joint venture partner s interest in their profit participation and terminated the property management agreement that had approximately two years remaining on the pre-existing contract.

The Company has the following unconsolidated joint venture project under development as of December 31, 2008 (based on UDR s 49% ownership interest):

	Completed	Cost to	Budgeted	Estimated	Expected

	Number of Apartment Homes	Apartment Homes	Date (In thousands)	Cost (In thousands)	Cost Per Home	Completion Date
Ashwood Commons Bellevue, WA	274		$ 43,128	$ 49,000	$ 178,832	3Q09

The Company is also a partner in a joint venture to develop another site in Bellevue, Washington. Upon formation of the joint venture, we owned 49% of the entity that proposes to develop a 430 home high-rise apartment building with ground floor retail space. The project is ongoing and will commence construction once favorable financing has been obtained.

UDR through unconsolidated joint ventures owns 4,862 apartment homes (with ownership percentages ranging from 20% to 49%) of which 4,158 are operating and 704 are under development. Our total equity investment at December 31, 2008 was $47.0 million. For additional information, see Note 4 Joint Ventures of the Consolidated Financial Statements included in this Report.

Continually Improve Operations

UDR is committed to improving operations through automation and enhancing the customer s experience. Since adopting our new corporate strategies, UDR has out-sourced a call center and created MyUDR, our resident services portal on our website. UDR customers have access to conduct business with us 24 hours a day, 7 days a week to pay rent on line and to submit a service request. Through transforming operations and engaging technology our residents get the convenience they want and our operating teams become more efficient.

In 2008, UDR continually enhanced *www.udr.com* and individual community websites deploying an innovative 3D interactive photo viewer, customized version of the apartment selector program, and special views or photos that feature specific apartment homes that commands an excellent view from the apartment, floor plans and availability. In addition to UDR.com improvements, we also launched a Quick Response 2D bar code program that can be used on most mobile devices. An industry first iPhone apartment search website was launched, and we established a social media website presence in MySpace.com. These enhancements have increased overall web visitor traffic to over 1.4 million visitors and more than 1.0 million organic search engine visitors which contributed to a 15% year-over-year lead stream increase.

Previously, UDR launched a new Spanish-language site, marketing to Latinos, the nation s fastest-growing ethnic group. The site offers over 4,000 Spanish translated web pages and includes apartments for rent search resources. The website can be found at *http://es.udr.com* and can also be found on any web-enabled mobile device.

Maintaining Access to Low-Cost Capital

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

Special Dividend

On November 5, 2008, our Board of Directors declared a dividend on a pre-adjusted basis of $1.29 per share (approximately $176.0 million or $1.19 per share on an adjusted basis) payable to holders of our common stock (the Special Dividend). The Special Dividend was paid on January 29, 2009 to stockholders of record on December 9, 2008. The dividend represented the Company s fourth quarter recurring pre-adjusted distribution of $0.33 per share ($0.305 per share on an adjusted basis) and an additional special distribution in the pre-adjusted amount of $0.96 per share ($0.89 per share on an adjusted basis) due to taxable income arising from our dispositions occurring during the year. Subject to the Company s right to pay the entire Special Dividend in cash, stockholders had the option to make an election to receive payment in cash or in shares, however, the aggregate amount of cash payable to stockholders, other than cash payable in lieu of fractional shares, would not be less than $44.0 million.

The Special Dividend, totaling $177.1 million was paid on 137,266,557 pre-adjusted shares issued and outstanding on the record date. Approximately $133.1 million of the Special Dividend was paid through the issuance of 11,358,042 shares of common stock, which was determined based on the volume weighted average closing sales price of our common stock of $11.71 per share on the NYSE on January 21, 2009 and January 22, 2009. The effect of the issuance of additional shares of common stock pursuant to the Special Dividend was retroactively reflected in each of the historical periods presented within this Report as if those shares were issued and outstanding at the beginning of the earliest period presented. Accordingly, all activity including share issuances, repurchases and forfeitures have been adjusted to reflect the 8.27% increase in the number of shares, except where otherwise noted.

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Financing Activities

As part of our plan to strengthen our capital structure, we utilized proceeds from dispositions, debt and equity offerings and refinancings to extend maturities, pay down existing debt, and acquire apartment communities. The following is a summary of our major financing activities in 2008:

Closed on a $240 million, two-year unsecured term loan facility of which $200 million was swapped into a fixed rate of 3.61% and $40 million has a rate of LIBOR plus 85 basis points. Proceeds were used to redeem $200 million of our 4.5% medium term notes due in March 2008 with the remaining $40 million used for general corporate purposes.

Closed on a $400 million credit facility which matures November 2018. At December 31, 2008, we had $224.8 million outstanding on the facility - $70.0 million at a fixed interest rate of 5.85% and $154.8 million at a variable interest rate, fixed with two- and three-year LIBOR swaps at an average rate of 4.32%. The Company has five years to draw on the additional $175.2 million of capacity.

Sold 8,661,201 shares of our common stock adjusted for the Special Dividend (8,000,000 shares of common stock on an unadjusted basis) in a public offering, resulting in gross proceeds to us of $194.0 million.

Obtained five construction loans for a total of $179.3 million of which the Company has drawn $53.9 million for our development projects. The construction loans all have a two- to three-year initial term with extension provisions ranging from one to two years and incur interest at variable rates which range from LIBOR plus 140 basis points to LIBOR plus 225 basis points.

Repaid $216.4 million of secured debt and $793.0 million of unsecured debt (represents the notional amount of debt repaid and excludes the gain on extinguishment). The $793.0 million of unsecured debt consisted of $309.5 million for the revolving credit facility, $275.8 million for maturing debt instruments and $207.7 million for the repurchase of unsecured debt instruments.

Repurchased unsecured debt with a notional amount of $207.7 million for $176.2 million resulting in a gain on extinguishment of $29.6 million, net of deferred finance charges. The debt retired by the Company matured in 2011, 2014, 2015 and 2016.

Repurchased 969,300 shares of our Series G Cumulative Redeemable Preferred Stock for $20.3 million, less than their liquidation value of $24.2 million.

Markets and Competitive Conditions

Upon completion of our dispositions activity, approximately 56.6% of the Company s same store net operating income was generated from apartment homes located in markets of California, Oregon, Washington and Metropolitan Washington D.C. We believe that this diversification increases investment opportunity and decreases the risk associated with cyclical local real estate markets and economies, thereby increasing the stability and predictability of our earnings.

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

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

- a fully integrated organization with property management, development, redevelopment, acquisition, marketing, sales and financing expertise;
- scalable operating and support systems;

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purchasing power;

geographic diversification with a presence in 23 markets across the country; and

significant presence in many of our major markets that allows us to be a local operating expert.

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

Communities

At December 31, 2008, our apartment portfolio included 161 wholly-owned communities having a total of 44,388 completed apartment homes and an additional 2,242 under development. The overall quality of our portfolio has significantly improved with the disposition of non-core apartment homes and our upgrade and rehabilitation programs. The upgrading of the portfolio provides several key benefits related to portfolio profitability. It enables us to raise rents more significantly and to attract residents with higher levels of disposable income who are more likely to accept the transfer of expenses, such as water and sewer costs, from the landlord to the resident. In addition, it potentially reduces recurring capital expenditures per apartment home, and therefore should result in increased cash flow.

Same Community Comparison

We believe that one pertinent qualitative measurement of the performance of our portfolio is tracking the results of our same store community s net operating income (NOI), which is total rental revenue, less rental expenses excluding property management and other operating expenses. Our same store population are operating communities which we own and have stabilized occupancy, revenues and expenses as of the beginning of the prior year. For the year ended December 31, 2008, our same store NOI increased by $10.8 million or 3.8% compared to the prior year. The increase in NOI for the 32,124 apartment homes which make up the same store population was driven by an increase in revenues and physical occupancy at our communities.

Revenue growth in 2009 may be impacted by general adverse conditions affecting the economy, reduced occupancy rates, increased rental concessions, increased bad debt and other factors which may adversely impact our ability to increase rents.

Tax Matters

We have elected to be taxed as a REIT under the Code. To continue to qualify as a REIT, we must continue to meet certain tests that, among other things, generally require that our assets consist primarily of real estate assets, our income be derived primarily from real estate assets, and that we distribute at least 90% of our REIT taxable income (other than net capital gains) to our stockholders annually. Provided we maintain our qualification as a REIT, we generally will not be subject to U.S. federal income taxes at the corporate level on our net income to the extent such net income is distributed to our stockholders annually. Even if we continue to qualify as a REIT, we will continue to be subject to certain federal, state and local taxes on our income and property.

We may utilize taxable REIT subsidiaries to engage in activities that REITs may be prohibited from performing, including the provision of management and other services to third parties and the conduct of certain nonqualifying real estate transactions. Taxable REIT subsidiaries generally are taxable as regular corporations and therefore are subject to federal, state and local income taxes.

Inflation

Substantially all of our leases are for a term of one year or less, which may enable us to realize increased rents upon renewal of existing leases or the beginning of new leases. Such short-term leases generally minimize the risk to us of the adverse effects of inflation, although as a general rule these leases permit residents to leave at the end of the lease term without penalty. Short-term leases and relatively consistent demand allow rents to provide an attractive hedge against inflation.

Environmental Matters

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

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

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

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

Insurance

We carry comprehensive general liability coverage on our communities, with limits of liability customary within the industry to insure against liability claims and related defense costs. We are also insured, in all material respects, against the risk of direct physical damage in amounts necessary to reimburse us on a replacement cost basis for costs incurred to repair or rebuild each property, including loss of rental income during the reconstruction period.

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Executive Officers of the Company

The following table sets forth information about our executive officers as of February 15, 2009. The executive officers listed below serve in their respective capacities at the discretion of our Board of Directors.

Name	Age	Office	Since
Thomas W. Toomey	48	Chief Executive Officer, President and Director	2001
Warren L. Troupe	55	Senior Executive Vice President	2008
W. Mark Wallis	58	Senior Executive Vice President	2001
Richard A Giannotti	53	Executive Vice President Redevelopment	1985
Matthew T. Akin	41	Senior Vice President Acquisitions & Dispositions	1994
Mark M. Culwell, Jr.	57	Senior Vice President Development	2006
Jerry A. Davis	46	Senior Vice President Property Operations	2007
David L. Messenger	38	Senior Vice President Chief Financial Officer	2002
Katie Miles-Ley	47	Senior Vice President Human Resources	2007
Thomas P. Simon	48	Senior Vice President Treasurer	2006
Dhrubo K. Sircar	56	Senior Vice President, Chief Information Officer	2007
Thomas A. Spangler	48	Senior Vice President Business Development	1998
S. Douglas Walker	53	Senior Vice President Transactions	2006

Set forth below is certain biographical information about our executive officers.

Mr. Toomey spearheads the vision and strategic direction of the Company and oversees its executive officers. He joined us in February 2001 as President, Chief Executive Officer and Director. Prior to joining us, Mr. Toomey was with Apartment Investment and Management Company (AIMCO), where he served as Chief Operating Officer and Chief Financial Officer. During his tenure at AIMCO, Mr. Toomey was instrumental in the growth of AIMCO from 34,000 apartment homes to 360,000 apartment homes. He currently serves as a member of the boards of the National Association of Real Estate Investment Trusts (NAREIT) and the National Multi Housing Council (NMHC). He serves on the Board of Governors of the Urban Land Institute (ULI) and serves on the Real Estate Roundtable and is an Oregon State University Foundation Trustee.

Mr. Troupe oversees all financial, treasury, tax and legal functions of the Company. He joined us in March 2008 as Senior Executive Vice President. In May 2008, he was appointed the Company s Corporate Compliance Officer and in October 2008 he was named the Company s Corporate Secretary. Prior to joining us, Mr. Troupe was a partner with Morrison & Forester LLP from 1997 to 2008, where his practice focused on all aspects of corporate finance including, but not limited to, public and private equity offerings, traditional loan structures, debt placements to subordinated debt financings, workouts and recapitalizations. While at Morrison & Forester LLP he represented both public and private entities in connection with merger and acquisition transactions, including tender offers, hostile proxy contests and negotiated acquisitions.

Mr. Wallis oversees the areas of acquisitions, dispositions, asset quality and development. He joined us in April 2001 as Senior Executive Vice President responsible for acquisitions, dispositions, condominium conversions, legal and certain administrative matters. Prior to joining us, Mr. Wallis was the President of Golden Living Communities, a company he established in 1995 to develop senior housing. From 1980 to 1995, Mr. Wallis was Executive Vice President of Finance and Administration at Lincoln Property Company where he handled interim and permanent financing for office, retail, multi-family and mixed-use developments. His responsibilities also included the negotiation of acquisitions, dispositions, and management contracts, and he oversaw the direction of the national accounting and computer services divisions. He currently serves as a member of the Board for NMHC and serves on the Board of Trustees for Harding University.

Mr. Giannotti oversees redevelopment projects and acquisition efforts and development projects in the mid-Atlantic region. He joined us in September 1985 as Director of Development and Construction. He was appointed Assistant Vice President in 1988, Vice President in 1989, and Senior Vice President in 1996. In

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1998, he was assigned the additional responsibilities of Director of Development for the Eastern Region. In 2003, Mr. Giannotti was promoted to Executive Vice President.

Mr. Akin oversees the Company s acquisition and disposition efforts. He joined us in 1996 in connection with the merger with SouthWest Property Trust, where he had been a Financial Analyst since 1994.

Mr. Culwell oversees all aspects of in-house development, joint venture development and pre-sale opportunities. He joined us in June 2006 as Senior Vice President Development. Prior to joining us, Mr. Culwell served as Regional Vice President of Development for Gables Residential, where he established a $300 million pipeline of new development and redevelopment opportunities. Before joining Gables Residential, Mr. Culwell had over 30 years of real estate experience, including working for Elsinore Group, LLC, Lexford Residential Trust, Cornerstone Housing Corporation and Trammell Crow Residential Company, where his development and construction responsibilities included site selection and acquisition, construction oversight, asset management, as well as obtaining financing for acquisitions and rehabilitations.

Mr. Davis oversees property operations. He originally joined us in March 1989 as Controller and subsequently moved into Operations as an Area Director and in 2001, he accepted the position of Chief Operating Officer of JH Management Co., a California-based apartment company. He returned to the Company in March 2002 and in 2008, Mr. Davis was promoted to Senior Vice President Property Operations. He began his career in 1984 as a Staff Accountant for Arthur Young & Co.

Mr. Messenger oversees the areas of accounting, risk management, financial planning and analysis, property tax administration and SEC reporting. He joined us in August 2002 as Vice President and Controller. In March 2006, Mr. Messenger was appointed Vice President and Chief Accounting Officer and in January 2007, while retaining the Chief Accounting Officer title, he was promoted to Senior Vice President. In June 2008 he was named Chief Financial Officer.

Ms. Miles-Ley oversees employee relations, organizational development, succession planning, staffing and recruitment, compensation, training and development, benefits administration, HRIS and payroll. She joined us in June 2007 as Senior Vice President Human Resources. Prior to joining us, Ms. Miles-Ley was with Starz Entertainment Group LLC from 2001 to 2007 where she served as Vice President, Human Resources & Organizational Development. Ms. Miles-Ley had over twenty years of experience with both domestic and international work forces.

Mr. Simon oversees debt origination and treasury management. He joined us in October 2006 as Vice President and Treasurer and was promoted to Senior Vice President and Treasurer in June 2008. Prior to joining us, Mr. Simon was with Prentiss Properties Trust (Prentiss) where he most recently served as Senior Vice President and Treasurer. Mr. Simon began his career at Fox & Company, now Grant Thornton, as a tax accountant.

Mr. Sircar oversees all aspects of the Company s Technology Management. He joined us in July 2007 as Senior Vice President, Chief Information Officer. Prior to joining the Company, Mr. Sircar was with Wachovia Corporation from 1995 to 2007, and when he left he was Senior Vice President, Division Information Officer of Finance Technology.

Mr. Spangler oversees utilities management, procurement and non-rental revenue programs. He joined us in August 1998 as Assistant Vice President, Operational Planning and Asset Management, and was promoted to Vice President, Director of Operational Planning and Asset Management that same year. He was promoted to Senior Vice President Business Development in February 2003. Prior to joining us, Mr. Spangler served for nine years as an Asset Manager for Summit Enterprises, Inc. of Virginia, a private investment management firm.

Mr. Walker oversees the Company s Asset Quality, Kitchen & Bath and Green Building programs in addition to all non-residential owned and leased real estate. He joined us in May 2006 as Senior Vice President Transactions. He has authored Green Building articles for industry publications and has been recognized by the EPA and the Department of Energy for his contributions to the commercial real estate industry. Prior to joining us, Mr. Walker served as a consultant to the multi-family industry.

Available Information

We file electronically with the Securities and Exchange Commission our annual reports on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K, pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934. You may obtain a free copy of our annual reports on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K, and amendments to those reports on the day of filing with the SEC on our website at *www.udr.com*, or by sending an e-mail message to *ir@udr.com.*

NYSE Certification

On June 11, 2008, our Chief Executive Officer submitted to the New York Stock Exchange the annual certification required by Section 303A.12(a) of the NYSE Listed Company Manual regarding our compliance with NYSE corporate governance listing standards. In addition, the certifications of our Chief Executive Officer and Chief Financial Officer required under Section 302 of the Sarbanes-Oxley Act of 2002 are filed as Exhibits 31.1 and 31.2, respectively, to this Report.

Item 1A. RISK FACTORS

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

Risks Related to Our Real Estate Investments and Our Operations

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

- downturns in the national, regional and local economic conditions, particularly increases in unemployment;
- declines in mortgage interest rates, making alternative housing more affordable;
- government or builder incentives which enable first time homebuyers to put little or no money down, making alternative housing options more attractive;
- local real estate market conditions, including oversupply of, or reduced demand for, apartment homes;
- declines in the financial condition of our tenants, which may make it more difficult for us to collect rents from some tenants;

changes in market rental rates;

the timing and costs associated with property improvements, repairs or renovations;

declines in household formation; and

rent control or stabilization laws, or other laws regulating rental housing, which could prevent us from raising rents to offset increases in operating costs.

We Are Subject to Certain Risks Associated with Selling Apartment Communities, Which Could Limit Our Operational and Financial Flexibility. We have periodically disposed of apartment communities that no longer meet our strategic objectives, but adverse market conditions may make it difficult to sell apartment communities like the ones we own, and purchasers may not be willing to pay prices acceptable to us. These conditions may limit our ability to dispose of properties and to change our portfolio promptly in order to meet our strategic objectives, which may in turn have a materially adverse effect on our financial condition and the market value of our securities. We are also subject to the following risks in connection with sales of our apartment communities:

a significant portion of the proceeds from our overall property sales may be held by intermediaries in order for some sales to qualify as like-kind exchanges under Section 1031 of the Internal Revenue Code, so that any related capital gain can be deferred for federal income tax purposes. As a result, we may not have immediate access to all of the cash flow generated from our property sales;

federal tax laws limit our ability to profit on the sale of communities that we have owned for fewer than four years, and this limitation may prevent us from selling communities when market conditions are favorable; further

in March 2008, we sold a portfolio of properties for total consideration of approximately $1.7 billion, including a note receivable in the amount of $200 million. The note is secured by a pledge, security agreement and a guarantee by the buyer s parent entity. If we fail to receive payment on this note, or if the payment of the note is delayed, it could have an adverse effect on our financial condition.

We May Not Have Access to Proceeds Obtained From the Sale of 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 Code, so that any related capital gain can be deferred for federal income tax purposes. As a result, we may not have immediate access to all of the cash flow generated from our property sales. In addition, federal tax laws limit our ability to profit on the sale of communities that we have owned for fewer than four years, and this limitation may prevent us from selling communities when market conditions are favorable.

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

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

we may be unable to obtain financing for acquisitions on favorable terms or at all;

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

an acquired apartment community may fail to perform as we expected in analyzing our investment, or a significant exposure related to the acquired property may go undetected during our due diligence procedures;

when we acquire an apartment community, we may invest additional amounts in it with the intention of increasing profitability, and these additional investments may not produce the anticipated improvements in profitability; and

we may be unable to quickly and efficiently integrate acquired apartment communities and new personnel into our existing operations, and the failure to successfully integrate such apartment communities or personnel will result in inefficiencies that could adversely affect our expected return on our investments and our overall profitability.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Risk of Inflation/Deflation. Substantial inflationary or deflationary pressures could have a negative effect on rental rates and property operating expenses. Although inflation has not materially impacted our operations in the recent past, increased inflation could have a more pronounced negative impact on our debt interest and general and administrative expenses, as these costs could increase at a rate higher than our rental rates.

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

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

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

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

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

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

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

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

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

Risks Related to Our Indebtedness and Financing

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

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

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

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

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

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

Disruptions in Financial Markets May Adversely Impact Availability and Cost of Credit, Impact Our Tenant Base, and Have other Adverse Effects on Us and the Market Price of Our Stock. Our ability to make scheduled payments or to refinance debt obligations will depend on our operating and financial performance, which in turn is subject to prevailing economic conditions and to financial, business and other factors beyond our control. The United States stock and credit markets have recently experienced significant price volatility, dislocations and liquidity disruptions, which have caused market prices of many stocks to fluctuate substantially and the spreads on prospective debt financings to widen considerably. These circumstances have materially impacted liquidity in the financial markets, making terms for certain financings less attractive, and in some cases have resulted in the unavailability of financing. Continued uncertainty in the stock and credit markets may negatively impact our ability to access additional financing for acquisitions, development of our properties and other purposes at reasonable terms, which may negatively affect our business. Additionally, due

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to this uncertainty, we may be unable to refinance our existing indebtedness or the terms of any refinancing may not be as favorable as the terms of our existing indebtedness. If we are not successful in refinancing this debt when it becomes due, we may be forced to dispose of properties on disadvantageous terms, which might adversely affect our ability to service other debt and to meet our other obligations. A prolonged downturn in the financial markets may cause us to seek alternative sources of potentially less attractive financing, and may require us to adjust our business plan accordingly. These events also may make it more difficult or costly for us to raise capital through the issuance of our common or preferred stock. The disruptions in the financial markets have had and may continue to have a material adverse effect on the market value of our common shares and other adverse effects on us and our business.

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

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

Changing Interest Rates Could Increase Interest Costs and Adversely Affect Our Cash Flow and the Market Price of Our Securities. We currently have, and expect to incur in the future, interest-bearing debt at rates that vary with market interest rates. As of December 31, 2008, we had approximately $345.7 million of variable rate indebtedness outstanding, which constitutes approximately 10.5% of our total outstanding indebtedness as of such date. An increase in interest rates would increase our interest expenses and increase the costs of refinancing existing indebtedness and of issuing new debt. Accordingly, higher interest rates could adversely affect cash flow and our ability to service our debt and to make distributions to security holders. The effect of prolonged interest rate increases could negatively impact our ability to make acquisitions and develop properties. In addition, an increase in market interest rates may lead our security holders to demand a higher annual yield, which could adversely affect the market price of our common and preferred stock and debt securities.

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

Risks Related to Tax Laws

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

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

REITs May Pay a Portion of Dividends in Common Stock. In December 2008, the Internal Revenue Service issued Revenue Procedure 2008-68, providing temporary guidance that assists publicly traded REITs in satisfying their tax-related distribution requirements while conserving cash. This temporary guidance is intended to permit REITs to limit cash distributions in order to maintain liquidity during the current downturn in economic conditions. Under this guidance, effective January 1, 2008 and ending on or before December 31, 2009, the Internal Revenue Service will treat a distribution of stock by a publicly traded REIT, pursuant to certain elections to receive stock or cash, as a taxable distribution of property. The amount of such stock distribution will be treated as equal to the amount of cash that could have been received instead. The guidance permits REITs to limit the aggregate amount of cash available to stockholders pursuant to the election to 10% of the aggregate distribution of cash and stock taken together. If we pay a portion of our dividends in shares of our common stock pursuant to this temporary guidance, our stockholders may receive less cash than they received in distributions in prior years and the market value of our securities may decline.

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

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

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

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

Risks Related to Our Organization and Our Shares

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

Maryland Law May Limit the Ability of a Third Party to Acquire Control of Us, Which May Not be in Our Stockholders Best Interests. Maryland business statutes may limit the ability of a third party to acquire control of us. As a Maryland corporation, we are subject to various Maryland laws which may have the effect of discouraging offers to acquire our Company and of increasing the difficulty of consummating any such offers, even if our acquisition would be in our stockholders best interests. The Maryland General Corporation Law restricts mergers and other business combination transactions between us and any person who acquires beneficial ownership of shares of our stock representing 10% or more of the voting power without our board of directors prior approval. Any such business combination transaction could not be completed until five years after the person acquired such voting power, and generally only with the approval of stockholders representing 80% of all votes entitled to be cast and 662/3% of the votes entitled to be cast, excluding the interested stockholder, or upon payment of a fair price. Maryland law also provides generally that a person who acquires shares of our equity stock that represents 10% (and certain higher levels) of the voting power in electing directors will have no voting rights unless approved by a vote of two-thirds of the shares eligible to vote.

Limitations on Share Ownership and Limitations on the Ability of Our Stockholders to Effect a Change in Control of Our Company May Prevent Takeovers That are Beneficial to Our Stockholders. One of the requirements for maintenance of our qualification as a REIT for U.S. federal income tax purposes is that no more than 50% in value of our outstanding capital stock may be owned by five or fewer individuals, including entities specified in the Internal Revenue Code, during the last half of any taxable year. Our charter contains ownership and transfer restrictions relating to our stock primarily to assist us in complying with this and other REIT ownership requirements; however, the restrictions may have the effect of preventing a change of control, which does not threaten REIT status. These restrictions include a provision that generally limits ownership by any person of more than 9.9% of the value of our outstanding equity stock, unless our board of directors exempts the person from such ownership limitation, provided that any such exemption shall not allow the person to exceed 13% of the value of our outstanding equity stock. These provisions may have the effect of

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delaying, deferring or preventing someone from taking control of us, even though a change of control might involve a premium price for our stockholders or might otherwise be in our stockholders best interests.

Item 1B. UNRESOLVED STAFF COMMENTS

None.

Item 2. PROPERTIES

At December 31, 2008, our wholly-owned apartment portfolio included 161 communities located in 23 markets, with a total of 44,388 completed apartment homes.

We lease approximately 28,000 square feet of office space in Highlands Ranch, Colorado, for our corporate headquarters and lease an additional 28,089 square feet for our regional offices throughout the country. The table below sets forth a summary of our real estate portfolio by geographic market at December 31, 2008.

SUMMARY OF REAL ESTATE PORTFOLIO BY GEOGRAPHIC MARKET AT DECEMBER 31, 2008

	Number of Apartment Communities	Number of Apartment Homes	Percentage of Carrying Value	Carrying Value (In thousands)	Encumbrances (In thousands)	Cost per Home	Average Physical Occupancy	Average Home Size (Square Feet)
WESTERN REGION								
Orange County, CA	14	4,363	13.6%	$ 793,915	$ 352,965	$ 181,965	95.0%	832
San Francisco, CA	11	2,339	8.8%	512,266	27,000	219,011	95.7%	805
Los Angeles, CA	8	1,678	7.3%	425,413	198,693	253,524	86.3%	983
Seattle, WA	9	1,725	5.1%	299,035	92,862	173,354	94.3%	832
San Diego, CA	5	1,123	2.9%	171,177	40,566	152,428	95.0%	797
Monterey Peninsula, CA	7	1,565	2.6%	149,033		95,229	95.3%	724
Inland Empire, CA	3	1,074	2.6%	148,952	77,208	138,689	93.8%	886
Sacramento, CA	2	914	1.1%	66,746	48,563	73,026	91.5%	820
Portland, OR	3	716	1.1%	66,316	11,313	92,620	94.3%	918
MID-ATLANTIC REGION								
Metropolitan DC	12	3,985	11.9%	693,658	163,468	174,067	93.0%	957
Baltimore, MD	10	2,120	4.2%	243,712	20,010	114,958	96.5%	952
Richmond, VA	7	2,211	3.2%	187,988	27,685	85,024	95.4%	966
Norfolk, VA	6	1,438	1.4%	81,493	33,688	56,671	94.4%	1,016
Other Mid-Atlantic	5	1,132	1.3%	75,073		66,319	94.5%	830
SOUTHEASTERN REGION								
Tampa, FL	10	3,567	4.7%	271,486	51,877	76,110	91.8%	963
Orlando, FL	11	3,167	4.6%	265,514	74,558	83,838	91.5%	978
Nashville, TN	8	2,260	3.0%	174,892	73,462	77,386	95.3%	933
Jacksonville, FL	5	1,857	2.6%	152,415	15,656	82,076	92.5%	913
Other Florida	4	1,184	1.9%	110,097		92,987	93.2%	1,035
SOUTHWESTERN REGION								

Dallas, TX	9	2,991	5.1%	299,899	43,167	94,965	93.7%	872
Phoenix, AZ	5	1,363	2.0%	118,060	35,661	86,618	85.0%	976
Austin, TX	2	640	1.4%	79,621		124,408	92.4%	1,141
Other Texas	3	811	1.0%	57,521	35,646	89,316	75.6%	858
Total Operating Communities	159	44,223	93.4%	$ 5,444,282	$ 1,424,048	$ 123,110	92.4%	911
Real Estate Under Development(a)	2	165	3.2%	186,823	18,695			
Land			2.6%	152,015				
Other			0.8%	48,633	19,728			
Total Real Estate Owned	161	44,388	100.0%	$ 5,831,753	$ 1,462,471			

(a) The Company is currently developing seven wholly-owned communities with 2,242 apartment homes that have not yet been completed.

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Item 3. LEGAL PROCEEDINGS

We are subject to various legal proceedings and claims arising in the ordinary course of business. We cannot determine the ultimate liability with respect to such legal proceedings and claims at this time. We believe 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.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of our security holders during the fourth quarter of the year ended December 31, 2008.

PART II

Item 5. MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Common Stock

Our common stock is traded on the New York Stock Exchange under the symbol UDR. The following tables set forth the quarterly high and low sale prices per common share reported on the NYSE for each quarter of the last two fiscal years. Distribution information for common stock reflects distributions declared per share for each calendar quarter and paid at the end of the following month.

	2008				2007			
	High	Low	Adjusted Distributions Declared(a)	Unadjusted Distributions Declared	High	Low	Adjusted Distributions Declared(a)	Unadjusted Distributions Declared
Quarter ended March 31,	$ 25.91	$ 18.29	$ 0.305	$ 0.33	$ 34.10	$ 30.01	$ 0.305	$ 0.33
Quarter ended June 30,	$ 25.95	$ 22.11	$ 0.305	$ 0.33	$ 31.24	$ 25.76	$ 0.305	$ 0.33
Quarter ended September 30,	$ 28.50	$ 21.42	$ 0.305	$ 0.33	$ 27.68	$ 21.03	$ 0.305	$ 0.33
Quarter ended December 31,	$ 25.50	$ 10.00	$ 1.190	$ 1.29	$ 26.12	$ 19.51	$ 0.305	$ 0.33

(a) Distributions declared per share have been retroactively adjusted for the effect of the Special Dividend, which increased the number of shares outstanding by 8.27%.

We declared a Special Dividend on our common stock on November 5, 2008 of $0.96 per share on an unadjusted basis ($0.89 per share adjusted for the Special Dividend) in addition to our quarterly dividend of $0.33 per share ($0.305 per share adjusted for the Special Dividend), which represented an aggregate dividend of approximately $1.29 per share ($1.19 per share adjusted for the Special Dividend) or $177.1 million. The aggregate amount of cash that the Company paid to stockholders related to the fourth quarter distribution was $44.0 million. In connection with the Special Dividend the Company issued 11,358,042 million shares of our common stock to our stockholders.

On February 13, 2009, the closing sale price of our common stock was $9.40 per share on the NYSE and there were 5,268 holders of record of the 148,816,685 outstanding shares of our common stock.

We have determined that, for federal income tax purposes, approximately 8% of the distributions for 2008 represented ordinary income, 69% represented long-term capital gain, and 23% represented unrecaptured section 1250 gain.

We pay regular quarterly distributions to holders of our common stock. Future distributions will be at the discretion of our Board of Directors and will depend on our actual funds from operations, financial condition and capital requirements, the annual distribution requirements under the REIT provisions of the Internal Revenue Code, and other factors. The annual distribution payment for calendar year 2008 necessary for us to maintain our status as a REIT was approximately $0.19 per share of common stock adjusted for the Special Dividend. We declared total distributions of $2.28 per share of common stock ($2.11 per share adjusted for the Special Dividend) for 2008. For distributions made with respect to taxable years ending on or before December 31, 2009, the IRS will allow REITs to reduce the minimum cash distribution to 10% of the total required distribution.

Series E Preferred Stock

The Series E Cumulative Convertible Preferred Stock (Series E) has no stated par value and a liquidation preference of $16.61 per share. Subject to certain adjustments and conditions, each share of the Series E is convertible at any time and from time to time at the holder s option into one share of our common stock. The holders of the Series E are entitled to vote on an as-converted basis as a single class in combination with the holders of common stock at any meeting of our stockholders for the election of directors or for any other purpose on which the holders of common stock are entitled to vote. The Series E has no stated maturity and is not subject to any sinking fund or any mandatory redemption. In connection with the Special Dividend, the Company reserved for issuance upon conversion of the Series E additional shares of common stock to which a holder of the Series E would have received if the holder had converted the Series E immediately prior to the record date for the Special Dividend.

Distributions declared on the Series E in 2008 were $1.33 per share or $0.3322 per quarter. The Series E is not listed on any exchange. At December 31, 2008, a total of 2,803,812 shares of the Series E were outstanding, which is 3,035,548 if converted to common stock after adjustment for the Special Dividend.

Series F Preferred Stock

We are authorized to issue up to 20,000,000 shares of our Series F Preferred Stock (Series F). Our Series F Preferred Stock may be purchased by holders of our operating partnership units, or OP Units, described below under Operating Partnership Units, at a purchase price of $0.0001 per share. OP Unitholders are entitled to subscribe for and purchase one share of our Series F Preferred Stock for each OP Unit held. At December 31, 2008, a total of 666,293 shares of the Series F Preferred Stock were outstanding at a value of $67. Holders of the Series F Preferred Stock are entitled to one vote for each share of the Series F Preferred Stock they hold, voting together with the holders of our common stock, on each matter submitted to a vote of securityholders at a meeting of our stockholders. The Series F Preferred Stock does not entitle its holders to any other rights, privileges or preferences.

Dividend Reinvestment and Stock Purchase Plan

We have a Dividend Reinvestment and Stock Purchase Plan under which holders of our common stock may elect to automatically reinvest their distributions and make additional cash payments to acquire additional shares of our common stock. Stockholders who do not participate in the plan continue to receive dividends as declared. As of February 13, 2009, there were approximately 3,000 participants in the plan.

Operating Partnership Units

From time to time we issue shares of our common stock in exchange for operating partnership units (OP Units) tendered to our operating partnerships, United Dominion Realty, L.P. and Heritage Communities L.P., for redemption in accordance with the provisions of their respective partnership agreements. At December 31, 2008 after taking into account the impact of the Special Dividend there were 7,929,169 OP Units and 185,816 OP Units in United Dominion Realty, L.P. and Heritage Communities L.P., (7,323,853 OP Units and 171,629 OP Units in United Dominion realty, L.P. and Heritage Communities L.P. on an unadjusted basis) respectively, that were owned by limited partners. The holder of the OP Units has the right to require United Dominion Realty, L.P. to redeem all or a portion of the OP Units held by the holder in exchange for a cash payment based on the market value of our common stock at the time of redemption. However, United Dominion Realty, L.P. 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 shares of our common stock. Heritage Communities L.P. OP Units are convertible into common stock in lieu of cash, at our option, once the holder elects to convert, at an exchange ratio of 1.575 shares for each OP Unit. During 2008, after adjustment for the Special Dividend we issued a total of 1,596,402 shares of common stock (1,474,531 shares of common stock on an unadjusted basis) upon redemption of OP Units.

Purchases of Equity Securities

In February 2006, our Board of Directors authorized a 10.0 million share repurchase program and in January 2008, our Board of Directors authorized an additional 15.0 million share repurchase program. These programs authorize the repurchase of our common stock in open market purchases, in block purchases, privately negotiated transactions, or otherwise. The number of shares authorized for repurchase was not impacted by the Special Dividend. As reflected in the table below, the Company did not repurchase any shares of common stock under these programs during the quarter ended December 31, 2008.

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The following tables set forth certain information regarding our common stock repurchases during the quarter ended December 31, 2008.

Information in the following table has not been adjusted for the Special Dividend.

Period	Total Number of Shares Purchased	Average Price per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
Beginning Balance	9,114,200	$ 23.97	9,114,200	15,885,800
Month Ended October 31, 2008				15,885,800
Month Ended November 30, 2008				15,885,800
Month Ended December 31, 2008				15,885,800

Information in the following table has been adjusted for the Special Dividend.

Period	Total Number of Shares Purchased	Average Price per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Share that May Yet Be Purchased Under the Plans or Programs
Beginning Balance	9,867,490	$ 22.14	9,867,490	15,132,510
Month Ended October 31, 2008				15,132,510
Month Ended November 30, 2008				15,132,510
Month Ended December 31, 2008				15,132,510

Recent Sales of Unregistered Securities

As an inducement grant in connection with our hiring of Warren L. Troupe, our Senior Executive Vice President, we issued 176,211 shares of our restricted common stock to Mr. Troupe on March 3, 2008 in a transaction exempt from the registration requirements of the Securities Act of 1933 in a reliance on Section 4(2) of the Securities Act. Subject to Mr. Troupe s continued employment by UDR, the shares of restricted stock will vest pro rata over four years from the date of grant. Information regarding the issuance of these shares of restricted common stock to Mr. Troupe is set forth in our Current Report on Form 8-K dated February 22, 2008 (Commission File No. 1-10524).

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Comparison of One-, Three- and Five- year Cumulative Total Returns

The following graphs compare the one-, three- and five-year cumulative total returns for UDR common stock with the comparable cumulative return of the NAREIT Equity REIT Index, Standard & Poor s 500 Stock Index, the NAREIT Equity Apartment Index and the MSCI US REIT Index. Each graph assumes that $100 was invested on December 31 (of the initial year shown in the graph), in each of our common stock and the indices presented. Historical stock price performance is not necessarily indicative of future stock price performance. The comparisons assume that all dividends are reinvested.

One-year **Three-year**

Total Return Performance **Total Return Performance**

One-year

	Period Ended									
/08	02/29/08	03/31/08	04/30/08	05/31/08	06/30/08	07/31/08	08/31/08	09/30/08	10/31/08	11
0.00	$ 97.90	$ 107.40	$ 112.22	$ 109.82	$ 99.34	$ 115.03	$ 111.61	$ 117.78	$ 90.78	$
0.00	98.93	105.21	108.40	109.56	98.47	110.17	108.49	110.81	81.07	
0.00	96.20	102.53	108.73	108.86	96.93	99.99	102.31	102.17	69.67	
0.00	96.75	96.33	101.03	102.33	93.71	92.92	94.26	85.86	71.44	
0.00	96.44	102.45	108.45	109.29	97.40	100.79	103.01	102.81	70.25	

Three-year

	Period Ended						
Index	**12/31/05**	**06/30/06**	**12/31/06**	**06/30/07**	**12/31/07**	**06/30/08**	**12/31/08**
UDR, Inc.	$ 100.00	$ 122.35	$ 141.84	$ 119.79	$ 92.69	$ 107.69	$ 70.27
NAREIT Equity Apartment Index	100.00	121.04	139.95	132.56	104.36	108.90	78.14
MSCI US REITS	100.00	113.48	135.92	127.15	113.06	109.17	70.13

S&P 500	100.00	102.71	115.79	123.85	122.16	107.60	76.96
NAREIT Equity REIT Index	100.00	112.92	135.06	127.11	113.87	109.77	70.91

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Five-year **Total Return Performance**

Five-year

			Period Ended			
Index	**12/31/03**	**12/31/04**	**12/31/05**	**12/31/06**	**12/31/07**	**12/31/08**
UDR, Inc.	$ 100.00	$ 137.37	$ 136.96	$ 194.20	$ 126.96	$ 102.45
NAREIT Equity Apartment Index	100.00	134.72	154.46	216.16	161.99	121.28
MSCI US REITS	100.00	131.49	147.44	200.40	166.70	103.40
S&P 500	100.00	110.88	116.33	134.70	142.10	89.53
NAREIT Equity REIT Index	100.00	131.58	147.58	199.32	168.05	104.65

The foregoing graphs and charts shall not be deemed incorporated by reference by any general statement incorporating by reference this Report into any filing under the Securities Act or under the Exchange Act, except to the extent we specifically incorporate this information by reference

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Item 6. SELECTED FINANCIAL DATA

The following table sets forth selected consolidated financial and other information as of and for each of the years in the five-year period ended December 31, 2008. The table should be read in conjunction with our consolidated financial statements and the notes thereto, and Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations, included elsewhere in this Report. All historical share and per share data has been adjusted to reflect the impact of shares issued in connection with the Special Dividend.

	Years Ended December 31, (In thousands, except per share data and apartment homes owned)				
	2008	**2007**	**2006**	**2005**	**2004**
OPERATING DATA:					
Rental income	**$ 563,408**	$ 501,618	$ 467,511	$ 410,120	$ 309,382
Operating loss	**(60,089)**	(78,083)	(82,317)	(54,068)	(47,561)
Income from discontinued operations, net of minority interests	**757,136**	172,165	197,363	205,250	140,245
Net income	**706,929**	221,348	128,605	155,166	97,152
Distributions to preferred stockholders	**12,138**	13,910	15,370	15,370	19,531
Net income available to common stockholders	**697,847**	205,177	113,235	139,796	71,892
Common distributions declared	**175,271**	177,540	168,408	163,690	152,203
Special Dividend declared	**177,074**				
Earnings per share basic and diluted:					
(Loss)/income from continuing operations available to stockholders, net of minority interest	**$ (0.42)**	$ 0.23	$ (0.58)	$ (0.44)	$ (0.49)
Income from discontinued operations, net of minority interests(a)	**5.37**	1.18	1.36	1.39	1.01
Net income available to common stockholders	**4.95**	1.41	0.78	0.95	0.52
Weighted average number of common share outstanding basic and diluted	**140,982**	145,092	144,785	147,395	138,684
Weighted average number of common share outstanding, OP Units and common stock equivalents outstanding diluted	**154,715**	159,365	160,212	162,550	157,896
Common distributions declared	**$ 2.11**	$ 1.22	$ 1.15	$ 1.11	$ 1.08
Balance Sheet Data:					
Real estate owned, at cost	**$ 5,831,753**	$ 5,956,481	$ 5,820,122	$ 5,512,424	$ 5,243,296
Accumulated depreciation	**1,078,689**	1,371,759	1,253,727	1,123,829	1,007,887
Total real estate owned, net of accumulated depreciation	**4,753,064**	4,584,722	4,566,395	4,388,595	4,235,409
Total assets	**5,144,295**	4,801,121	4,675,875	4,541,593	4,332,001

Secured debt	**1,462,471**	1,137,936	1,182,919	1,116,259	1,197,924
Unsecured debt	**1,811,576**	2,364,740	2,155,866	2,043,518	1,682,058
Total debt	**3,274,047**	3,502,676	3,338,785	3,159,777	2,879,982
Stockholders equity	**1,570,677**	1,019,392	1,055,255	1,107,724	1,195,451
Number of common shares outstanding	**148,781**	144,336	146,189	145,088	147,706
Other Data:					
Total apartments owned (at end of period)	**44,388**	65,867	70,339	74,875	78,855
Weighted average number of apartment homes owned during the year	**46,149**	69,662	73,731	76,069	76,873
Cash Flow Data					
Cash provided by operating activities	**$ 179,754**	$ 269,281	$ 237,881	$ 248,186	$ 251,747
Cash provided by/(used in) investing activities	**302,304**	(90,100)	(158,241)	(219,017)	(595,966)
Cash (used in)/provided by financing activities	**(472,537)**	(178,105)	(93,040)	(21,530)	347,299
Funds from Operations(b)					
Funds from operations basic	**210,710**	$ 247,408	$ 244,471	$ 238,254	$ 211,670
Funds from operations diluted	**214,434**	251,132	248,197	241,980	219,557

(a) Reclassified to conform to current year presentation in accordance with FASB Statement No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, as described in Note 3 to the consolidated financial statements.

(b) Funds from operations, or FFO, is defined as net income (computed in accordance with generally accepted accounting principles), excluding gains (or losses) from sales of depreciable property, premiums or original issuance costs associated with preferred stock redemptions, plus depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. This definition conforms with the National Association of Real Estate Investment Trust s definition issued in April 2002. We consider FFO in evaluating property acquisitions and our operating performance and believe that FFO should be considered along with, but not as an alternative to, net income and cash flows as a measure of our activities in accordance with generally accepted accounting principles. FFO does not represent cash generated from operating activities in accordance with generally accepted accounting principles and is not necessarily indicative of cash available to fund cash needs.

RE^3 is our subsidiary that focuses on development, land entitlement and short-term hold investments. RE^3 tax benefits and gain on sales, net of taxes, is defined as net sales proceeds less a tax provision and the gross investment basis of the asset before accumulated depreciation. We consider FFO with RE3 tax benefits and gain on sales, net of taxes, to be a meaningful supplemental measure of performance because the short-term use of funds produce a profit that differs from the traditional long-term investment in real estate for REITs.

For 2008, FFO includes a gain of $29.6 million due to the extinguishment of unsecured debt and $1.6 million of net hurricane related recoveries, partially offset by a charge of $1.7 million incurred for exiting the condominium business, $1.7 million for cancelling a pre-sale contract, $4.7 million related to penalties and the write off of the associated deferred financing costs for debt refinancing and $0.7 million for severance

For 2005, FFO includes $2.5 million of hurricane related insurance recoveries. For 2004, FFO includes a charge of $5.5 million to cover hurricane related expenses. For the years ended December 31, 2007 and 2004, distributions to preferred stockholders exclude $2.6 million and $5.7 million, respectively, related to premiums on preferred stock repurchases.

Item 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements

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

Business Overview

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

At December 31, 2008, our wholly-owned real estate portfolio included 161 communities with 44,388 apartment homes and our total real estate portfolio, inclusive of our unconsolidated communities, included an additional 11 communities with 4,158 apartment homes.

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The following table summarizes our market information by major geographic markets as of December 31, 2008.

	Number of Apartment Communities	Number of Apartment Homes	Percentage of Total Carrying Value	Total Carrying Value (In thousands)	Average Physical Occupancy	Total Income per Occupied Home (a)	Net Operating Income (In thousands)
SAME STORE COMMUNITIES							
WESTERN REGION							
Orange County, CA	13	4,067	12.2%	$ 706,764	95.0%	$ 1,588	$ 52,925
San Francisco, CA	8	1,768	5.3%	309,563	96.1%	1,838	27,017
Los Angeles, CA	5	1,052	3.2%	185,070	95.2%	1,538	12,699
Seattle, WA	7	1,199	2.1%	118,452	95.3%	1,130	11,278
San Diego, CA	5	1,123	2.9%	171,177	95.0%	1,389	12,302
Monterey Peninsula, CA	7	1,565	2.6%	149,033	95.3%	1,069	13,275
Inland Empire, CA	2	660	1.4%	80,309	92.6%	1,159	5,627
Sacramento, CA	2	914	1.1%	66,746	91.5%	926	6,324
Portland, OR	3	716	1.1%	66,316	94.3%	987	5,526
MID-ATLANTIC REGION							
Metropolitan DC	7	1,879	3.2%	188,271	96.5%	1,324	19,009
Baltimore, MD	8	1,556	2.6%	151,818	96.6%	1,176	14,865
Richmond, VA	6	1,958	2.6%	153,747	95.7%	1,008	16,202
Norfolk, VA	6	1,438	1.4%	81,493	94.4%	963	10,578
Other Mid-Atlantic	5	1,132	1.3%	75,073	94.5%	1,030	9,410
SOUTHEASTERN REGION							
Tampa, FL	9	3,081	3.9%	226,859	94.2%	953	20,857
Orlando, FL	8	2,140	2.6%	154,385	92.1%	970	14,331
Nashville, TN	7	1,874	2.4%	139,667	95.6%	883	12,439
Jacksonville, FL	4	1,557	2.0%	117,401	94.4%	865	9,361
Other Florida	3	976	1.6%	94,281	93.6%	1,069	7,322
SOUTHWESTERN REGION							
Phoenix, AZ	3	914	1.2%	69,781	94.2%	952	6,809
Austin, TX	1	250	0.3%	20,279	96.9%	966	1,713
Dallas, TX	1	305	1.1%	61,469	94.2%	1,636	3,471&nb