

UDR, Inc.
Form 10-Q
April 25, 2017
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2017

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

For the transition period from _____ to _____
Commission file number
1-10524 (UDR, Inc.)
333-156002-01 (United Dominion Realty, L.P.)

UDR, Inc.
United Dominion Realty, L.P.
(Exact name of registrant as specified in its charter)
Maryland (UDR, Inc.) 54-0857512
Delaware (United Dominion Realty, L.P.) 54-1776887
(State or other jurisdiction of incorporation of organization) (I.R.S. Employer Identification No.)
1745 Shea Center Drive, Suite 200, Highlands Ranch, Colorado 80129
(Address of principal executive offices) (zip code)
(720) 283-6120
(Registrant’s telephone number, including area code)

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

UDR, Inc. Yes No

United Dominion Realty, L.P. Yes No

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

UDR, Inc. Yes No

United Dominion Realty, L.P. Yes No

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

UDR, Inc.:
Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
x

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(Do not check if a smaller reporting company)

Emerging growth company

United Dominion Realty,
L.P.:

Large accelerated filer Accelerated filer Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

Emerging growth company

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

UDR, Inc.

United Dominion Realty, L.P.

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

UDR, Inc. Yes No

United Dominion Realty, L.P. Yes No

The number of shares of UDR, Inc.'s common stock, \$0.01 par value, outstanding as of April 21, 2017 was 267,391,715.

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UNITED DOMINION REALTY, L.P.

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EXPLANATORY NOTE

This Report combines the quarterly reports on Form 10-Q for the quarter ended March 31, 2017 of UDR, Inc., a Maryland corporation, and United Dominion Realty, L.P., a Delaware limited partnership, of which UDR, Inc. is the parent company and sole general partner. Unless the context otherwise requires, all references in this Report to “we,” “us,” “our,” the “Company,” “UDR” or “UDR, Inc.” refer collectively to UDR, Inc., together with its consolidated subsidiaries and joint ventures, including United Dominion Realty, L.P. and UDR Lighthouse DownREIT L.P. (the “DownREIT Partnership”), both Delaware limited partnerships of which UDR is the sole general partner. Unless the context otherwise requires, the references in this Report to the “Operating Partnership” or the “OP” refer to United Dominion Realty, L.P., together with its consolidated subsidiaries. “Common stock” refers to the common stock of UDR and “stockholders” means the holders of shares of UDR’s common stock and preferred stock. The limited partnership interests of the Operating Partnership and the DownREIT Partnership are referred to as “OP Units” and “DownREIT Units,” respectively, and the holders of the OP Units and DownREIT Units are referred to as “unitholders.” This combined Form 10-Q is being filed separately by UDR and the Operating Partnership.

There are a number of differences between our Company and our Operating Partnership, which are reflected in our disclosure in this Report. UDR is a real estate investment trust (“REIT”), whose most significant asset is its ownership interest in the Operating Partnership. UDR also conducts business through other subsidiaries, including its taxable REIT subsidiaries (“TRS”). UDR acts as the sole general partner of the Operating Partnership, holds interests in subsidiaries and joint ventures, owns and operates properties, issues securities from time to time and guarantees debt of certain of our subsidiaries. The Operating Partnership conducts the operations of a substantial portion of the business and is structured as a partnership with no publicly traded equity securities. The Operating Partnership has guaranteed certain outstanding debt of UDR.

As of March 31, 2017, UDR owned 110,883 units (100%) of the general partnership interests of the Operating Partnership and 174,122,808 OP Units, representing approximately 95.0% of total outstanding OP Units in the Operating Partnership. UDR conducts a substantial amount of its business and holds a substantial amount of its assets through the Operating Partnership, and, by virtue of its ownership of the OP Units and UDR's role as the Operating Partnership's sole general partner, UDR has the ability to control all of the day-to-day operations of the Operating Partnership. Separate financial statements and accompanying notes, as well as separate discussions under “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” are presented in this report for each of UDR and the Operating Partnership.

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

	March 31, 2017 (unaudited)	December 31, 2016 (audited)
ASSETS		
Real estate owned:		
Real estate held for investment	\$9,393,732	\$9,271,847
Less: accumulated depreciation	(3,026,660)	(2,923,072)
Real estate held for investment, net	6,367,072	6,348,775
Real estate under development (net of accumulated depreciation of \$0 and \$0, respectively)	393,837	342,282
Real estate held for disposition (net of accumulated depreciation of \$0 and \$553, respectively)	—	1,071
Total real estate owned, net of accumulated depreciation	6,760,909	6,692,128
Cash and cash equivalents	2,460	2,112
Restricted cash	19,757	19,994
Notes receivable, net	19,790	19,790
Investment in and advances to unconsolidated joint ventures, net	818,990	827,025
Other assets	114,005	118,535
Total assets	\$7,735,911	\$7,679,584
LIABILITIES AND EQUITY		
Liabilities:		
Secured debt, net	\$1,031,507	\$1,130,858
Unsecured debt, net	2,505,785	2,270,620
Real estate taxes payable	23,105	17,388
Accrued interest payable	27,887	29,257
Security deposits and prepaid rent	36,894	34,238
Distributions payable	91,436	86,936
Accounts payable, accrued expenses, and other liabilities	74,608	103,835
Total liabilities	3,791,222	3,673,132
Commitments and contingencies (Note 12)		
Redeemable noncontrolling interests in the Operating Partnership and DownREIT Partnership	904,778	909,482
Equity:		
Preferred stock, no par value; 50,000,000 shares authorized:		
8.00% Series E Cumulative Convertible; 2,796,903 shares issued and outstanding at March 31, 2017 and December 31, 2016	46,457	46,457
Series F; 16,155,807 and 16,196,889 shares issued and outstanding at March 31, 2017 and December 31, 2016, respectively	1	1
Common stock, \$0.01 par value; 350,000,000 shares authorized:		
267,398,819 and 267,259,469 shares issued and outstanding at March 31, 2017 and December 31, 2016, respectively	2,674	2,673
Additional paid-in capital	4,635,942	4,635,413
Distributions in excess of net income	(1,644,621)	(1,585,825)

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Accumulated other comprehensive income/(loss), net	(4,288) (5,609)
Total stockholders' equity	3,036,165	3,093,110	
Noncontrolling interests	3,746	3,860	
Total equity	3,039,911	3,096,970	
Total liabilities and equity	\$7,735,911	\$7,679,584	

See accompanying notes to consolidated financial statements.

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

	Three Months Ended March 31,	
	2017	2016
REVENUES:		
Rental income	\$241,271	\$231,957
Joint venture management and other fees	2,570	2,858
Total revenues	243,841	234,815
OPERATING EXPENSES:		
Property operating and maintenance	39,600	39,446
Real estate taxes and insurance	30,188	28,377
Property management	6,635	6,379
Other operating expenses	1,691	1,752
Real estate depreciation and amortization	105,032	105,339
General and administrative	13,075	13,844
Casualty-related (recoveries)/charges, net	502	—
Other depreciation and amortization	1,608	1,553
Total operating expenses	198,331	196,690
Operating income	45,510	38,125
Income/(loss) from unconsolidated entities	11,198	679
Interest expense	(30,539)	(31,104)
Interest income and other income/(expense), net	427	431
Income/(loss) before income taxes and gain/(loss) on sale of real estate owned	26,596	8,131
Tax (provision)/benefit, net	(332)	403
Income/(loss) from continuing operations	26,264	8,534
Gain/(loss) on sale of real estate owned, net of tax	2,132	3,070
Net income/(loss)	28,396	11,604
Net (income)/loss attributable to redeemable noncontrolling interests in the Operating Partnership and DownREIT Partnership	(2,338)	(905)
Net (income)/loss attributable to noncontrolling interests	(91)	(306)
Net income/(loss) attributable to UDR, Inc.	25,967	10,393
Distributions to preferred stockholders — Series E (Convertible)	(929)	(929)
Net income/(loss) attributable to common stockholders	\$25,038	\$9,464
Common distributions declared per share	\$0.310	\$0.295
Income/(loss) per weighted average common share:		
Basic	\$0.09	\$0.04
Diluted	\$0.09	\$0.04
Weighted average number of common shares outstanding:		
Basic	266,790	262,456
Diluted	268,688	264,285
See accompanying notes to consolidated financial statements.		

UDR, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME/(LOSS)

(In thousands)

(Unaudited)

	Three Months Ended March 31,	
	2017	2016
Net income/(loss)	\$28,396	\$11,604
Other comprehensive income/(loss), including portion attributable to noncontrolling interests:		
Other comprehensive income/(loss) - derivative instruments:		
Unrealized holding gain/(loss)	632	(811)
(Gain)/loss reclassified into earnings from other comprehensive income/(loss)	818	935
Other comprehensive income/(loss), including portion attributable to noncontrolling interests	1,450	124
Comprehensive income/(loss)	29,846	11,728
Comprehensive (income)/loss attributable to noncontrolling interests	(2,558)	(692)
Comprehensive income/(loss) attributable to UDR, Inc.	\$27,288	\$11,036

See accompanying notes to consolidated financial statements.

UDR, INC.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(In thousands, except per share data)

(Unaudited)

	Preferred Stock	Common Stock	Paid-in Capital	Distributions in Excess of Net Income	Accumulated Other Comprehensive Income/(Loss), net	Noncontrolling Interests	Total
Balance at December 31, 2016	\$46,458	\$2,673	\$4,635,413	\$(1,585,825)	\$ (5,609)	\$ 3,860	\$3,096,970
Net income/(loss) attributable to UDR, Inc.	—	—	—	25,967	—	—	25,967
Net income/(loss) attributable to noncontrolling interests	—	—	—	—	—	101	101
Contribution of noncontrolling interests in consolidated real estate	—	—	—	—	—	125	125
Long-Term Incentive Plan Unit grants/(vestings), net	—	—	—	—	—	(340)	(340)
Other comprehensive income/(loss)	—	—	—	—	1,321	—	1,321
Issuance/(forfeiture) of common and restricted shares, net	—	1	(1,879)	—	—	—	(1,878)
Cumulative effect upon adoption of ASU 2016-09	—	—	558	(558)	—	—	—
Adjustment for conversion of noncontrolling interest of unitholders in the Operating Partnership and DownREIT Partnership	—	—	1,850	—	—	—	1,850
Common stock distributions declared (\$0.310 per share)	—	—	—	—	—	—	—