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March 07, 2019

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Part of

May Yet Be

Number of

Average

Publicly

Purchased

Shares

Price Paid

Announced Plans

Under the Plans

Period

Purchased

per Share

or Programs

or Programs (a)

Beginning Balance

9,967,490

$

22.00

9,967,490

15,032,510

October 1, 2017 through October 31, 2017

—

—

—

15,032,510

November 1, 2017 through November 30, 2017

—

—

—

15,032,510

December 1, 2017 through December 31, 2017

—

—

—

15,032,510

Balance as of December 31, 2017

9,967,490

$

22.00

9,967,490

15,032,510

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

During the three months ended December 31, 2017, certain of our employees surrendered shares of common stock owned by them to satisfy their statutory minimum federal and state tax obligations associated with the vesting of

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restricted shares of common stock or the exercise of stock options issued under our 1999 Long-Term Incentive Plan (the "LTIP"). The following table summarizes all of these repurchases during the three months ended December 31, 2017:

Period	Total Number of Shares Purchased	Average Price Paid per Share(a)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
October 1, 2017 through October 31, 2017	—	$ —	N/A	N/A
November 1, 2017 through November 30, 2017	32,075	39.10	N/A	N/A
December 1, 2017 through December 31, 2017	—	—	N/A	N/A
Total	32,075	$ 39.10		

(a) The price paid per share is based on the closing price of our common stock as of the date of the determination of the statutory minimum for federal and state tax obligations.

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Comparison of Five-year Cumulative Total Returns

The following graph compares the 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. The graph assumes that $100 was invested on December 31, 2012, in each of our common stock and the indices presented. Historical stock price performance is not necessarily indicative of future stock price performance. The comparison assumes that all dividends are reinvested.

	Period Ending					
Index	12/31/2012	12/31/2013	12/31/2014	12/31/2015	12/31/2016	12/31/2017
UDR, Inc.	100.00	101.98	139.89	176.21	176.68	192.78
NAREIT Equity Apartment Index	100.00	93.80	130.97	152.52	156.88	162.72
MSCI U.S. REIT Index	100.00	102.47	133.60	136.97	148.75	156.29
S&P 500 Index	100.00	132.39	150.51	152.59	170.84	208.14
NAREIT Equity REIT Index	100.00	102.47	133.35	137.61	149.33	157.14

The performance graph and the related chart and text, are being furnished solely to accompany this Annual Report on Form 10 K pursuant to Item 201(e) of Regulation S-K, and are not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and are not to be incorporated by reference into any filing of ours, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

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Item 6. SELECTED FINANCIAL DATA

The following tables set forth selected consolidated financial and other information of UDR, Inc. and of the Operating Partnership as of and for each of the years in the five-year period ended December 31, 2017. The table should be read in conjunction with each of UDR, Inc.'s and the Operating Partnership's respective 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.

	UDR, Inc. Year Ended December 31, (In thousands, except per share data and apartment homes owned)				
	2017	2016	2015	2014	2013
OPERATING DATA:					
Rental income	$ 984,309	$ 948,461	$ 871,928	$ 805,002	$ 746,484
Income/(loss) from continuing operations	89,251	109,529	105,482	16,260	2,340
Income/(loss) from discontinued operations, net of tax	—	—	—	10	43,942
Net income/(loss)	132,655	320,380	357,159	159,842	46,282
Distributions to preferred stockholders	3,708	3,717	3,722	3,724	3,724
Net income/(loss) attributable to common stockholders	117,850	289,001	336,661	150,610	41,088
Common stock distributions declared	331,974	315,102	289,500	263,503	235,721
Income/(loss) per weighted average common share — basic:					
Income/(loss) from continuing operations attributable to common stockholders	$ 0.44	$ 1.09	$ 1.30	$ 0.60	$ (0.01)
Income/(loss) from discontinued operations attributable to common stockholders	—	—	—	—	0.17
Net income/(loss) attributable to common stockholders	$ 0.44	$ 1.09	$ 1.30	$ 0.60	$ 0.16
Income/(loss) per weighted average common share — diluted:					
Income/(loss) from continuing operations attributable to common stockholders	$ 0.44	$ 1.08	$ 1.29	$ 0.59	$ (0.01)
Income/(loss) from discontinued operations attributable to common stockholders	—	—	—	—	0.17
Net income/(loss) attributable to common stockholders	$ 0.44	$ 1.08	$ 1.29	$ 0.59	$ 0.16
Weighted average number of Common Shares outstanding —	267,024	265,386	258,669	251,528	249,969

basic					
Weighted average number of Common Shares outstanding — diluted	268,830	267,311	263,752	253,445	249,969
Weighted average number of Common Shares outstanding, OP Units/DownREIT Units and Common Stock equivalents outstanding — diluted	296,672	295,469	276,699	265,728	263,926
Common stock distributions declared - per share	$ 1.24	$ 1.18	$ 1.11	$ 1.04	$ 0.94
Balance Sheet Data:					
Real estate owned, at cost (a)	$ 10,177,206	$ 9,615,753	$ 9,190,276	$ 8,383,259	$ 8,207,977
Accumulated depreciation (a)	3,330,166	2,923,625	2,646,874	2,434,772	2,208,794
Total real estate owned, net of accumulated depreciation (a)	6,847,040	6,692,128	6,543,402	5,948,487	5,999,183
Total assets	7,733,273	7,679,584	7,663,844	6,828,728	6,787,342
Secured debt, net (a)	803,269	1,130,858	1,376,945	1,354,321	1,432,186
Unsecured debt, net	2,868,394	2,270,620	2,193,850	2,210,978	2,071,137
Total debt, net	3,671,663	3,401,478	3,570,795	3,565,299	3,503,323
Total stockholders' equity	$ 2,825,800	$ 3,093,110	$ 2,899,755	$ 2,735,097	$ 2,811,648
Number of Common Shares outstanding	267,822	267,259	261,845	255,115	250,750
Other Data (a)					
Total consolidated apartment homes owned (at end of year)	39,998	39,454	40,728	39,851	41,250
Weighted average number of consolidated apartment homes owned during the year	39,692	40,543	39,501	40,644	41,392
Cash Flow Data:					
Cash provided by/(used in) operating activities	$ 519,152	$ 536,929	$ 458,627	$ 397,303	$ 344,373
Cash provided by/(used in) investing activities	(407,441)	(112,277)	(265,461)	(298,603)	(127,680)
Cash provided by/(used in) financing activities	(111,785)	(429,282)	(201,648)	(113,725)	(198,559)
Funds from Operations (b):					
Funds from operations attributable to common stockholders and unitholders — basic	$ 538,916	$ 527,096	$ 455,565	$ 411,702	$ 376,778
Funds from operations attributable to common stockholders and unitholders — diluted	542,624	530,813	459,287	415,426	380,502

(a) Includes amounts classified as Held for Disposition, where applicable.

(b) Funds from operations ("FFO") is defined as Net income/(loss) attributable to common stockholders (computed in accordance with GAAP), excluding impairment write-downs of depreciable real estate or of investments in non-consolidated investees that are driven by measurable decreases in the fair value of depreciable real estate held by the

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investee, gains or losses from sales of depreciable property, plus real estate depreciation and amortization, and after adjustments for noncontrolling interests, unconsolidated partnerships and joint ventures. This definition conforms with the National Association of Real Estate Investment Trust's ("NAREIT") definition issued in April 2002. Historical cost accounting for real estate assets in accordance with GAAP implicitly assumes that the value of real estate assets diminishes predictably over time. Since real estate values instead have historically risen or fallen with market conditions, many industry investors and analysts have considered the presentation of operating results for real estate companies that use historical cost accounting to be insufficient by themselves. Thus, NAREIT created FFO as a supplemental measure of a REIT's operating performance. In the computation of diluted FFO, if OP Units, DownREIT Units, unvested restricted stock, unvested LTIP Units, stock options, and the shares of Series E Cumulative Convertible Preferred Stock are dilutive, they are included in the diluted share count.

We consider FFO a useful metric for investors as we use FFO in evaluating property acquisitions and our operating performance, and believe that FFO should be considered along with, but not as an alternative to, net income and cash flow as a measure of our activities in accordance with GAAP. FFO does not represent cash generated from operating activities in accordance with GAAP and is not necessarily indicative of funds available to fund our cash needs.

See "Funds from Operations" in Item 7. Management Discussion and Analysis of Financial Condition and Results of Operations for a reconciliation of Net income/(loss) attributable to common stockholders to FFO.

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United Dominion Realty, L.P.

Year Ended December 31,

(In thousands, except per OP unit data

and apartment homes owned)

	2017	2016	2015	2014	2013
OPERATING DATA:					
Rental income	$ 419,377	$ 404,415	$ 440,408	$ 422,634	$ 401,853
Income/(loss) from continuing operations	66,583	46,082	56,940	33,544	32,766
Income/(loss) from discontinued operations	—	—	—	—	45,176
Net income/(loss)	107,855	79,262	215,063	97,179	77,942
Net income/(loss) attributable to OP unitholders	106,307	77,818	213,301	96,227	73,376
Income/(loss) per weighted average OP Unit - basic and diluted:					
Income/(loss) from continuing operations attributable to OP unitholder	$ 0.58	$ 0.42	$ 1.16	$ 0.53	$ 0.16
Income/(loss) from discontinued operations attributable to OP unitholder	—	—	—	—	0.24
Net income/(loss) attributable to OP unitholders	$ 0.58	$ 0.42	$ 1.16	$ 0.53	$ 0.40
Weighted average number of OP Units outstanding — basic and diluted	183,344	183,279	183,279	183,279	184,196
Balance Sheet Data:					
Real estate owned, at cost (a)	$ 3,816,956	$ 3,674,704	$ 3,630,950	$ 4,238,770	$ 4,188,480
Accumulated depreciation (a)	1,543,652	1,408,815	1,281,258	1,403,303	1,241,574
Total real estate owned, net of accumulated depreciation (a)	2,273,304	2,265,889	2,349,647	2,835,467	2,946,906
Total assets	2,395,573	2,415,535	2,554,808	2,873,809	2,987,393
Secured debt, net (a)	159,845	433,974	475,964	927,484	929,017
Total liabilities	520,443	797,036	833,478	1,139,758	1,184,296
Total partners' capital	1,464,295	1,578,202	1,713,412	1,703,001	1,795,934
Advances (to)/from the General Partner	$ 397,899	$ 19,659	$ (11,270)	$ 13,624	$ (9,916)
Number of OP units outstanding	183,351	183,279	183,279	183,279	183,279
Other Data:					
	16,698	16,698	16,974	20,814	20,746

Total consolidated apartment homes owned (at end of year) (a)					
Cash Flow Data:					
Cash provided by/(used in) operating activities	$ 234,463	$ 228,682	$ 226,765	$ 208,032	$ 208,346
Cash provided by/(used in) investing activities	(106,080)	(9,546)	23,583	(46,650)	(63,954)
Cash provided by/(used in) financing activities	(128,846)	(221,483)	(247,747)	(162,777)	(145,299)

(a) Includes amounts classified as Held for Disposition, where applicable.

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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," "likely," "will," "believes," "seeks," "estimates," and variations of such words and similar expressions are intended to identify such forward-looking statements. Such statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from the results of operations or plans expressed or implied by such forward-looking statements. Such factors include, among other things, unfavorable changes in the apartment market, changing economic conditions, the impact of inflation/deflation on rental rates and property operating expenses, expectations concerning availability of capital and the stabilization of the capital markets, the impact of competition and competitive pricing, acquisitions, developments and redevelopments not achieving anticipated results, delays in completing developments, redevelopments and lease-ups on schedule, expectations on job growth, home affordability and demand/supply ratio for multifamily housing, expectations concerning development and redevelopment activities, expectations on occupancy levels and rental rates, expectations concerning joint ventures with third parties, expectations that automation will help grow net operating income, and expectations on annualized net operating income.

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

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

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- potential liability for environmental contamination, which could result in substantial costs to us;
- the imposition of federal taxes if we fail to qualify as a REIT under the Code in any taxable year;
- our internal control over financial reporting may not be considered effective which could result in a loss of investor confidence in our financial reports, and in turn have an adverse effect on our stock price; and
- changes in real estate laws, tax laws and other laws affecting our business.

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

Although we believe that the assumptions underlying the forward-looking statements contained herein are reasonable, any of the assumptions could be inaccurate, and therefore such statements included in this Report may not prove to be accurate. In light of the significant uncertainties inherent in the forward-looking statements included herein, the inclusion of such information should not be regarded as a representation by us or any other person that the results or conditions described in such statements or our objectives and plans will be achieved.

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

The following discussion should be read in conjunction with the consolidated financial statements appearing elsewhere herein and is based primarily on the consolidated financial statements and the accompanying notes for the years ended December 31, 2017, 2016 and 2015 of each of UDR, Inc. and United Domination Realty, L.P.

UDR, Inc.:

Business Overview

We are a self-administered real estate investment trust, or REIT, that owns, operates, acquires, renovates, develops, redevelops, disposes of, and manages multifamily apartment communities. We were formed in 1972 as a Virginia corporation. In June 2003, we changed our state of incorporation from Virginia to Maryland. Our subsidiaries include the Operating Partnership and the DownREIT Partnership. Unless the context otherwise requires, all references in this Report to "we," "us," "our," "the Company," or "UDR" refer collectively to UDR, Inc., its subsidiaries and its consolidated joi ventures.

At December 31, 2017, our consolidated real estate portfolio included 127 communities in 11 states plus the District of Columbia totaling 39,998 apartment homes, and our total real estate portfolio, inclusive of our unconsolidated communities, included an additional 29 communities with 7,286 apartment homes.

At December 31, 2017, the Company was developing two wholly-owned communities with a total of 1,101 apartment homes, 300 of which have been completed, and two unconsolidated joint venture communities with a total of 533 apartment homes, none of which have been completed. The Company was not redeveloping any communities as of December 31, 2017.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with United States generally accepted accounting principles ("GAAP") requires management to use judgment in the application of accounting policies, including making estimates and assumptions. A critical accounting policy is one that is both important to our financial condition and results of

operations as well as involves some degree of uncertainty. Estimates are prepared based on management's assessment after considering all evidence available. Changes in estimates could affect our financial position or results of operations. Below is a discussion of the accounting policies that we consider critical to understanding our financial condition or results of operations where there is uncertainty or where significant judgment is required. A discussion of our significant accounting policies, including further discussion of the accounting policies described below, can be found in Note 2, Significant Accounting Policies, to the Notes to the UDR, Inc. Consolidated Financial Statements included in this Report.

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Cost Capitalization

In conformity with GAAP, we capitalize those expenditures that materially enhance the value of an existing asset or substantially extend the useful life of an existing asset. Expenditures necessary to maintain an existing property in ordinary operating condition are expensed as incurred.

In addition to construction costs, we capitalize costs directly related to the predevelopment, development, and redevelopment of a capital project, which include, but are not limited to, interest, real estate taxes, insurance, and allocated development and redevelopment overhead related to support costs for personnel working on the capital projects. We use our professional judgment in determining whether such costs meet the criteria for capitalization or must be expensed as incurred. These costs are capitalized only during the period in which activities necessary to ready an asset for its intended use are in progress and such costs are incremental and identifiable to a specific activity to get the asset ready for its intended use. As each home in a capital project is completed and becomes available for lease-up, the Company ceases capitalization on the related portion. The costs capitalized are reported on the Consolidated Balance Sheets as Total Real Estate Owned, Net of Accumulated Depreciation. Amounts capitalized during the years ended December 31, 2017, 2016, and 2015 were $27.4 million, $24.4 million, and $22.4 million, respectively.

Investment in Unconsolidated Entities

We may enter into various joint venture agreements and/or partnerships with unrelated third parties to hold or develop real estate assets. We must determine for each of these ventures whether to consolidate the entity or account for our investment under the equity method of accounting. We determine whether to consolidate a joint venture or partnership based on our rights and obligations under the venture agreement, applying the applicable accounting guidance. The application of the rules in evaluating the accounting treatment for each joint venture or partnership is complex and requires substantial management judgment. We evaluate our accounting for investments on a regular basis including when a significant change in the design of an entity occurs. Throughout our financial statements, and in this Management's Discussion and Analysis of Financial Condition and Results of Operations, we use the term "joint venture" or "partnership" when referring to investments in entities in which we do not have a 100% ownership interest.

We continually evaluate our investments in unconsolidated joint ventures when events or changes in circumstances indicate that there may be an other-than-temporary decline in value. We consider various factors to determine if a decrease in the value of the investment is other-than-temporary. These factors include, but are not limited to, age of the venture, our intent and ability to retain our investment in the entity, the financial condition and long-term prospects of the entity, and the relationships with the other joint venture partners and its lenders. The amount of loss recognized is the excess of the investment's carrying amount over its estimated fair value. If we believe that the decline in fair value is temporary, no impairment is recorded. The aforementioned factors are taken as a whole by management in determining the valuation of our investment property. Should the actual results differ from management's judgment, the valuation could be negatively affected and may result in a negative impact to our Consolidated Financial Statements.

Impairment of Long-Lived Assets

We record impairment losses on long-lived assets used in operations when events and circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by the future operation and disposition of those assets are less than the net book value of those assets. Our cash flow estimates are based upon historical results adjusted to reflect our best estimate of future market and operating conditions and our estimated holding periods. The net book value of impaired assets is reduced to fair market value. Our estimates of fair market value represent our best estimate based primarily upon unobservable inputs (defined as Level 3 inputs in the fair value hierarchy) related to rental rates, operating costs, growth rates, discount rates, capitalization rates, industry trends and

reference to market rates and transactions.

Real Estate Investment Properties

We purchase real estate investment properties from time to time and record the fair value to various components, such as land, buildings, and intangibles related to in-place leases, based on the fair value of each component. In making estimates of fair values for purposes of allocating purchase price, we utilize various sources, including independent appraisals, our own analysis of recently acquired and existing comparable properties in our portfolio and other market data. The fair value of buildings is determined as if the buildings were vacant upon acquisition and subsequently leased at market rental rates. As such, the determination of fair value considers the present value of all cash flows expected to be generated from the property including an initial lease-up period. We determine the

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fair value of in-place leases by assessing the net effective rent and remaining term of the lease relative to market terms for similar leases at acquisition. In addition, we consider the cost of acquiring similar leases, the foregone rents associated with the lease-up period, and the carrying costs associated with the lease-up period. The fair value of in-place leases is recorded and amortized as amortization expense over the remaining average contractual lease period.

REIT Status

We are a Maryland corporation that has elected to be treated for federal income tax purposes as a REIT. A REIT is a legal entity that holds interests in real estate and is required by the Code to meet a number of organizational and operational requirements, including a requirement that a REIT must distribute at least 90% of our REIT taxable income (other than our net capital gain) to our stockholders. If we were to fail to qualify as a REIT in any taxable year, we will be subject to federal and state income taxes at the regular corporate rates and may not be able to qualify as a REIT for four years. Based on the net earnings reported for the year ended December 31, 2017 in our Consolidated Statements of Operations, we would have incurred federal and state GAAP income taxes if we had failed to qualify as a REIT.

Summary of Real Estate Portfolio by Geographic Market

The following table summarizes our market information by major geographic markets as of and for the year ended December 31, 2017.

	As of December 31, 2017				Year Ended December 31, 2017		
Same-Store Communities	Number of Apartment Communities	Number of Apartment Homes	Percentage of Total Carrying Value	Total Carrying Value (in thousands)	Average Physical Occupancy	Monthly Income per Occupied Home (a)	Net Operating Income (in thousands)
West Region							
San Francisco, CA	10	2,558	7.2 %	$ 732,102	96.7 %	$ 3,414	$ 77,162
Orange County, CA	10	3,251	8.5 %	864,555	95.9 %	2,360	67,734
Seattle, WA	10	2,014	5.5 %	557,788	96.7 %	2,123	35,808
Los Angeles, CA	4	1,225	4.4 %	451,322	95.7 %	2,709	28,601
Monterey Peninsula, CA	7	1,565	1.7 %	172,854	96.8 %	1,641	22,443
Other Southern California	2	654	1.0 %	106,020	96.0 %	1,804	10,089
Portland, OR	2	476	0.5 %	48,317	97.2 %	1,542	6,425
Mid-Atlantic Region							
Metropolitan D.C.	21	7,551	19.1 %	1,940,773	97.1 %	1,988	120,160

Richmond, VA	4	1,358	1.4	%	145,970	97.6	%		1,290	15,523
Baltimore, MD	3	720	1.5	%	150,168	96.6	%		1,691	9,944
Northeast Region										
New York, NY	4	1,945	12.8	%	1,302,795	97.7	%		4,333	67,242
Boston, MA	5	1,548	5.5	%	562,967	96.3	%		2,958	39,231
Southeast Region										
Orlando, FL	9	2,500	2.2	%	219,764	96.9	%		1,260	25,822
Nashville, TN	8	2,260	2.0	%	206,572	96.7	%		1,255	23,740
Tampa, FL	7	2,287	2.5	%	251,247	97.0	%		1,344	23,916
Other Florida	1	636	0.8	%	84,519	96.3	%		1,517	7,248
Southwest Region										
Dallas, TX	6	2,040	2.0	%	202,393	96.5	%		1,226	18,376
Austin, TX	3	883	0.9	%	89,681	97.1	%		1,363	8,079
Total/Average Same-Store Communities	116	35,471	79.5	%	8,089,807	96.8	%	$	2,064	607,543
Non-Mature, Commercial Properties & Other	11	4,227	14.7	%	1,494,909					91,255
Total Real Estate Held for Investment	127	39,698	94.2	%	9,584,716					698,798
Real Estate Under Development (b)	—	300	5.8	%	592,490					(295)
Total Real Estate Owned	127	39,998	100.0	%	10,177,206					$ 698,503
Total Accumulated Depreciation					(3,330,166)					
Total Real Estate Owned, Net of Accumulated Depreciation					$ 6,847,040					

(a) Monthly Income per Occupied Home represents total monthly revenues divided by the average physical number of occupied apartment homes in our Same-Store portfolio.

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(b) As of December 31, 2017, the Company was developing two wholly-owned communities with a total of 1,101 apartment homes, 300 of which have been completed.

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

Our Same-Store Communities segment represents those communities acquired, developed, and stabilized prior to January 1, 2016 and held as of December 31, 2017. These communities were owned and had stabilized occupancy and operating expenses as of the beginning of the prior year, there is no plan to conduct substantial redevelopment activities, and the communities are not classified as held for disposition at year end. A community is considered to have stabilized occupancy once it achieves 90% occupancy for at least three consecutive months.

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

Liquidity and Capital Resources

Liquidity is the ability to meet present and future financial obligations either through operating cash flows, sales of properties, borrowings under our credit agreements, and/or the issuance of debt and/or equity securities. Our primary source of liquidity is our cash flow from operations as determined by rental rates, occupancy levels, and operating expenses related to our portfolio of apartment homes and borrowings under our credit agreements. We routinely use our unsecured revolving credit facility to temporarily fund certain investing and financing activities prior to arranging for longer-term financing or the issuance of equity or debt securities. During the past several years, proceeds from the sale of real estate have been used for both investing and financing activities as we repositioned our portfolio.

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

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

On January 23, 2017, the Company entered into an unsecured commercial paper program. Under the terms of the program, the Company may issue unsecured commercial paper up to a maximum aggregate amount outstanding of $500 million. The notes are sold under customary terms in the United States commercial paper market and rank pari passu with all of the Company's other unsecured indebtedness. The notes are fully and unconditionally guaranteed by the Operating Partnership. As of December 31, 2017, we had $300.0 million of unsecured commercial paper outstanding, for one month terms, at a weighted average annualized rate of 1.96%.

On June 16, 2017, the Company issued $300 million of 3.50% senior unsecured medium-term notes due July 1, 2027. Interest is payable semi-annually in arrears on January 1 and July 1 of each year, beginning on January 1, 2018. The

notes were priced at 99.764% of the principal amount at issuance. The Company used the net proceeds for general corporate purposes, including the repayment of outstanding indebtedness. The notes are fully and unconditionally guaranteed by the Operating Partnership.

On July 31, 2017, the Company entered into an ATM sales agreement under which the Company may offer and sell up to 20 million shares of its common stock, from time to time, to or through its sales agents and may enter into separate forward sales agreements to or through its forward purchasers. Upon entering into the ATM sales agreement, the Company simultaneously terminated the sales agreement for its prior at-the-market equity offering program, which was entered into in April 2017, which had replaced the prior at-the-market equity offering program entered into in April

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2012. During the year ended December 31, 2017, the Company did not sell any shares of common stock through the new continuous equity program or the prior ATM program.

On December 13, 2017, the Company issued $300 million of 3.50% senior unsecured medium-term notes due January 15, 2028. Interest is payable semi-annually in arrears on January 15 and July 15 of each year, beginning on July 15, 2018. The notes were priced at 99.601% of the principal amount at issuance. The Company used the net proceeds for the repayment of debt, including funding the redemption of senior unsecured medium-term notes due in June 2018, and for general corporate purposes. The notes are fully and unconditionally guaranteed by the Operating Partnership.

Future Capital Needs

Future development and redevelopment expenditures may be funded through unsecured or secured credit facilities, proceeds from the issuance of equity or debt securities, sales of properties, joint ventures, and, to a lesser extent, from cash flows provided by property operations. Acquisition activity in strategic markets may be funded through joint ventures, by the reinvestment of proceeds from the sale of properties, through the issuance of equity or debt securities, the issuance of operating partnership units and the assumption or placement of secured and/or unsecured debt.

During 2018, we have approximately $33.7 million of secured debt maturing, inclusive of principal amortization, and $300.0 million of unsecured debt maturing, comprised solely of unsecured commercial paper. We anticipate repaying that debt with cash flow from our operations, proceeds from debt or equity offerings, proceeds from dispositions of properties, or from borrowings under our credit agreements and our unsecured commercial paper program.

Statements of Cash Flows

The following discussion explains the changes in Net cash provided by/(used in) operating activities, Net cash provided by/(used in) investing activities, and Net cash provided by/(used in) financing activities that are presented in our Consolidated Statements of Cash Flows for the years ended December 31, 2017, 2016, and 2015.

Operating Activities

For the year ended December 31, 2017, Net cash provided by/(used in) operating activities was $519.2 million compared to $536.9 million for 2016. The decrease in cash flow from operating activities was primarily due to a decrease in cash from return on investment in unconsolidated joint ventures, partially offset by improved net operating income, primarily driven by revenue growth at communities, and changes in operating assets and liabilities.

For the year ended December 31, 2016, Net cash provided by/(used in) operating activities was $536.9 million compared to $458.6 million for 2015. The increase in cash flow from operating activities was primarily due to improved net operating income, primarily driven by revenue growth at communities, and an increase in cash from return on investment in unconsolidated joint ventures, partially offset by changes in operating assets and liabilities.

Investing Activities

For the year ended December 31, 2017, Net cash provided by/(used in) investing activities was $(407.4) million compared to $(112.3) million for 2016. The increase in cash used in investing activities was primarily due to a decrease in proceeds from the sale of real estate assets, an increase in investment in unconsolidated joint ventures, and an increase in spend on consolidated development projects, capital expenditures and major renovations, partially offset by a decrease in the acquisition of real estate assets and an increase in distributions received from unconsolidated joint ventures.

For the year ended December 31, 2016, Net cash provided by/(used in) investing activities was $(112.3) million compared to $(265.5) million for 2015. The decrease in cash used in investing activities was primarily due to a decrease in the acquisition of real estate assets, a decrease in investment in unconsolidated joint ventures, an increase in distributions received from unconsolidated joint ventures and a decrease in capital expenditures and major renovations, partially offset by an increase in spend on consolidated development projects and a decrease in proceeds from the sale of real estate assets.

Acquisitions

In October 2017, the Company acquired an operating community located in Denver, Colorado with a total of 218 apartment homes and 17,000 square feet of retail space for a purchase price of approximately $141.5 million. The

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Company consolidated the operating community and accounted for the consolidation as a business combination. As a result of the consolidation, the Company increased its real estate assets owned by $139.0 million, recorded approximately $2.5 million of in-place lease intangibles and recorded a gain on consolidation of approximately $14.8 million, which is included in Income/(loss) from unconsolidated entities on the Consolidated Statements of Operations. The acquisition will be fully or partially funded with tax-deferred like-kind exchanges under Section 1031 of the Internal Revenue Code of 1986 (“Section 1031 exchanges”). Prior to acquiring the community, the Company had provided $93.5 million as a participating loan investment to the third-party developer and was entitled to receive, in addition to repayment of principal and interest, contingent interest equal to 50% of the sum of the amount the property was sold for less construction and closing costs, which equaled approximately $14.9 million. The Company had previously accounted for its participating loan investment as an unconsolidated joint venture.

In January 2017, the Company exercised its fixed-price option to purchase its joint venture partner’s ownership interest in a 244 home operating community in Seattle, Washington, thereby increasing its ownership interest from 49% to 100%, for a cash purchase price of approximately $66.0 million. As a result, the Company consolidated the operating community. The Company had previously accounted for its 49% ownership interest as a preferred equity investment in an unconsolidated joint venture. As a result of the consolidation, the Company increased its real estate owned by approximately $97.0 million, recorded approximately $1.7 million of in-place lease intangibles and recorded a gain on consolidation of $12.2 million, which is included in Income/(loss) from unconsolidated entities on the Consolidated Statements of Operations.

In November 2016, the Company acquired an operating community in Redmond, Washington with 177 apartment homes for approximately $70.5 million, which was funded with tax-deferred Section 1031 exchanges.

In October 2016, the Company increased its ownership from 50% to 100% in two operating communities located in Bellevue, Washington with a total of 331 apartment homes for approximately $70.3 million in cash, which was funded with tax-deferred Section 1031 exchanges, and the assumption of an incremental $37.9 million of secured debt with a weighted average interest rate of 3.67%. As a result, the Company consolidated the operating communities. The Company had previously accounted for its 50% ownership interest as an unconsolidated joint venture. We accounted for the consolidation as a business combination resulting in a gain on consolidation of approximately $36.4 million.

In August 2016, the Company increased its ownership interest from 5% to 100% in a parcel of land in Dublin, California for a purchase price of approximately $8.5 million. As a result, the Company consolidated the parcel of land. UDR had previously accounted for its 5% interest in the parcel of land as an unconsolidated joint venture. We accounted for the consolidation as an asset acquisition resulting in no gain or loss upon consolidation and increased our real estate owned by $8.9 million.

In June 2016, the Company increased its ownership interest from 50% to 100% in a parcel of land in Los Angeles, California for a purchase price of approximately $20.1 million. As a result, the Company consolidated the parcel of land. UDR had previously accounted for its 50% interest in the parcel of land as an unconsolidated joint venture. We accounted for the consolidation as an asset acquisition resulting in no gain or loss upon consolidation and increased our real estate owned by $31.1 million. Subsequent to the acquisition, the Company entered into a triple-net operating ground lease for the parcel of land at market terms with a third-party developer. The lessee plans to construct a multi-family community on the parcel of land. The ground lease provides the ground lessee with options to buy the fee interest in the parcel of land. The lease term is 49 years plus two 25 year extension options, does not transfer ownership to the lessee, and does not include a bargain purchase option.

In October 2015, the Company completed the acquisition of six Washington, D.C. area properties from Home Properties, L.P., a New York limited partnership (“Home OP”), for $900.6 million, which was comprised of $564.8 million of DownREIT Units in the newly formed DownREIT Partnership issued at $35 per unit (a total of 16.1 million

units), the assumption of $89.3 million of debt, $221.0 million of reverse Section 1031 exchanges, and $25.5 million of cash. In addition, the Company issued approximately 14.0 million shares of its Series F Preferred Stock to former limited partners of Home OP, which had the right to subscribe for one share of Series F Preferred Stock for each DownREIT Unit issued in connection with the acquisitions.

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

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

Dispositions

In December 2017, the Company sold two operating communities with a total of 218 apartment homes in Orange County, California and Carlsbad, California for gross proceeds of $69.0 million, resulting in net proceeds of $68.0 million and a gain of $41.3 million.

In February 2017, the Company sold a parcel of land in Richmond, Virginia for gross proceeds of $3.5 million, resulting in net proceeds of $3.3 million and a gain of $2.1 million.

In November 2016, the Company sold seven operating communities with a total of 1,402 apartment homes in Baltimore, Maryland and an operating community with 380 apartment homes in Dallas, Texas for gross proceeds of $284.6 million, resulting in net proceeds of $280.5 million and a gain, net of tax, of $200.5 million. A portion of the proceeds was designated for tax-deferred Section 1031 exchanges.

In May 2016, the Company sold a retail center in Bellevue, Washington for gross proceeds of $45.4 million, resulting in net proceeds of $44.1 million and a gain, net of tax, of $7.3 million. A portion of the proceeds was designated for tax-deferred Section 1031 exchanges.

In March 2016, the Company sold its 95% ownership interest in two parcels of land in Santa Monica, California for gross proceeds of $24.0 million, resulting in net proceeds of $22.0 million and a gain, net of tax, of $3.1 million.

During the year ended December 31, 2015, the Company sold 12 communities with a total of 2,735 apartment homes for gross proceeds of $408.7 million, resulting in net proceeds of $387.7 million and a gain of $251.7 million. A portion of the sale proceeds was designated for tax-deferred Section 1031 exchanges for a 2014 acquisition and the October 2015 acquisitions.

We plan to continue to pursue our strategy of exiting markets where long-term growth prospects are limited and redeploying capital to primary locations in markets we believe will provide the best investment returns.

Capital Expenditures

We capitalize those expenditures that materially enhance the value of an existing asset or substantially extend the useful life of an existing asset. Expenditures necessary to maintain an existing property in ordinary operating condition are expensed as incurred.

For the year ended December 31, 2017, total capital expenditures of $105.9 million or $2,667 per stabilized home, which in aggregate include recurring capital expenditures and major renovations, were spent across our portfolio, excluding development and commercial properties, as compared to $112.9 million or $2,786 per stabilized home for the prior year.

The decrease in total capital expenditures was primarily due to:

- a decrease of 27.8%, or $5.9 million, in major renovations, primarily due to lower redevelopment spend; and
- a decrease of 13.0%, or $1.6 million, in turnover capital expenditures.

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The following table outlines capital expenditures and repair and maintenance costs for all of our communities, excluding real estate under development and commercial properties, for the years ended December 31, 2017 and 2016 (dollars in thousands):

	Year Ended December 31,			Per Home Year Ended December 31,		
	2017	2016	% Change	2017	2016	% Change
Turnover capital expenditures	$ 10,905	$ 12,532	(13.0) %	$ 275	$ 309	(11.0) %
Asset preservation expenditures	35,129	34,725	1.2 %	885	856	3.4 %
Total recurring capital expenditures	46,034	47,257	(2.6) %	1,160	1,166	(0.5) %
Revenue-enhancing improvements	44,467	44,414	0.1 %	1,120	1,095	2.3 %
Major renovations (a)	15,370	21,274	(27.8) %	387	525	(26.2) %
Total capital expenditures	$ 105,871	$ 112,945	(6.3) %	$ 2,667	$ 2,786	(4.3) %
Repair and maintenance expense	$ 33,704	$ 33,859	(0.5) %	$ 849	$ 835	1.7 %
Average home count (b)	39,692	40,543	(2.1) %			

(a) Major renovations include major structural changes and/or architectural revisions to existing buildings.
(b) Average number of homes is calculated based on the number of homes outstanding at the end of each month.

The above table includes amounts capitalized during the year. Actual capital spending is impacted by the net change in capital expenditure accruals.

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

Consolidated Real Estate Under Development and Redevelopment

At December 31, 2017, our development pipeline for two wholly-owned communities totaled 1,101 homes, 300 of which have been completed, with a budget of $716.5 million, in which we have a carrying value of $592.5 million. The communities are estimated to be completed during the first quarter of 2018 and the first quarter of 2019. During 2017, we incurred $248.5 million for development costs, an increase of $70.2 million from our 2016 level of $178.3 million.

At December 31, 2017, the Company was not redeveloping any communities.

During the year ended December 31, 2017, we incurred $15.4 million in major renovations, which include major structural changes and/or architectural revisions to existing buildings, a decrease of $5.9 million from our 2016 level of $21.3 million.

Unconsolidated Joint Ventures and Partnerships

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

The Company’s investment in and advances to unconsolidated joint ventures and partnerships, net, are accounted for under the equity method of accounting. For the year ended December 31, 2017:

· we made investments totaling $123.8 million in our unconsolidated joint ventures;
· our proportionate share of the net income/(loss) of the joint ventures and partnerships was $31.3 million;
· our investment in unconsolidated joint ventures decreased by $140.5 million due to the acquisition of 100% interest in two operating communities previously held as unconsolidated entities, partially offset by capital contributions; and

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- we received distributions of $120.7 million, of which $4.4 million were operating cash flows and $116.3 million were investing cash flows.

We evaluate our investments in unconsolidated joint ventures and partnerships when events or changes in circumstances indicate that there may be an other-than-temporary decline in value. We consider various factors to determine if a decrease in the value of the investment is other-than-temporary. The Company did not recognize any other-than-temporary impairments in the value of its investments in unconsolidated joint ventures or partnerships during the year ended December 31, 2017 and 2016.

Financing Activities

For the years ended December 31, 2017, 2016 and 2015, Net cash provided by/(used in) financing activities was $(111.8) million, $(429.3) million and $(201.6) million, respectively.

The following significant financing activities occurred during the year ended December 31, 2017:

- issued $300 million of 3.50% senior unsecured medium-term notes due July 1, 2027, for net proceeds of approximately $296.9 million;
- issued $300 million of 3.50% senior unsecured medium-term notes due January 15, 2028, for net proceeds of approximately $296.9 million;
- net proceeds of $300.0 million under our unsecured commercial paper program;
- repaid $326.3 million of secured debt;
- redeemed $300.0 million of 4.25% unsecured medium-term notes due June 2018 prior to maturity; and
- paid distributions of $327.8 million to our common stockholders.

The following significant financing activities occurred during the year ended December 31, 2016:

- issued $300 million of 2.95% senior unsecured medium-term notes due September 1, 2026;
- repaid $375.3 million of secured debt and $11.8 million of unsecured debt;
- repaid $83.3 million of 5.25% unsecured medium-term notes due January 2016;
- issued $50.0 million of secured debt;
- repaid $128.7 million under the Company’s unsecured revolving credit facility, net of borrowings;
- sold 5,000,000 shares of common stock for aggregate net proceeds of approximately $173.2 million at a price per share of $34.73; and
- paid distributions of $308.9 million to our common stockholders.

The following significant financing activities occurred during the year ended December 31, 2015:

- repaid $194.0 million of secured debt;
- repaid $325.2 million of 5.25% unsecured medium-term notes due January 2015;
- entered into a $350.0 million senior unsecured term loan facility due January 2021, which replaced the Company’s $250 million term loan and $100 million term loan that were scheduled to mature in June 2018;
- entered into a new $1.1 billion revolving credit facility with a maturity date in January 2020, exclusive of options to extend, which replaced the prior $900 million revolving credit facility that was scheduled to mature in December 2017;
- issued $300.0 million of 4.00% senior unsecured medium-term notes due October 1, 2025;

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- sold 6,339,636 shares of common stock for aggregate net proceeds of approximately $210.0 million after deducting related expenses;
- net repayments of $2.5 million under the Company's $1.1 billion unsecured revolving credit facility; and
- paid distributions of $283.2 million to our common stockholders.

Credit Facilities and Commercial Paper Program

We have two secured credit facilities with Fannie Mae with an aggregate commitment of $314.9 million, all of which was outstanding as of December 31, 2017. The Fannie Mae credit facilities mature at various dates from December 2018 through July 2020 and bear interest at floating and fixed rates. At December 31, 2017, $285.8 million of the outstanding balance was fixed and had a weighted average interest rate of 4.86% and the remaining balance of $29.0 million had a weighted average variable rate of 2.92%. During the year ended December 31, 2017, the Company prepaid $275.3 million of its secured credit facilities with borrowings under the Company's unsecured commercial paper program and proceeds from the issuance of senior unsecured medium-term notes.

The Company has a $1.1 billion unsecured revolving credit facility (the "Revolving Credit Facility") and a $350.0 million unsecured term loan facility (the "Term Loan Facility"). The credit agreement for these facilities allows the total commitments under the Revolving Credit Facility and the total borrowings under the Term Loan Facility to be increased to an aggregate maximum amount of up to $2.0 billion, subject to certain conditions, including obtaining commitments from any one or more lenders. The Revolving Credit Facility has a scheduled maturity date of January 31, 2020, with two six-month extension options, subject to certain conditions. The Term Loan Facility has a scheduled maturity date of January 29, 2021.

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

As of December 31, 2017, we had no outstanding borrowings under the Revolving Credit Facility, leaving $1.1 billion of unused capacity (excluding $3.3 million of letters of credit at December 31, 2017), and $350.0 million of outstanding borrowings under the Term Loan Facility.

We have a working capital credit facility, which provides for a $75 million unsecured revolving credit facility (the "Working Capital Credit Facility") with a scheduled maturity date of January 1, 2019. Based on the Company's current credit rating, the Working Capital Credit Facility has an interest rate equal to LIBOR plus a margin of 90 basis points. Depending on the Company's credit rating, the margin ranges from 85 to 155 basis points. In February 2018, we amended the working capital credit facility to extend the scheduled maturity date to January 2021. The maximum borrowing capacity and interest rate were unchanged by the amendment.

As of December 31, 2017, we had $21.8 million of outstanding borrowings under the Working Capital Credit Facility, leaving $53.2 million of unused capacity.

The Fannie Mae credit facilities and the bank revolving credit facilities are subject to customary financial covenants and limitations, all of which were in compliance with at December 31, 2017.

On January 23, 2017, we entered into an unsecured commercial paper program. Under the terms of the program, we may issue unsecured commercial paper up to a maximum aggregate amount outstanding of $500 million. The notes are sold under customary terms in the United States commercial paper market and rank pari passu with all of our other

unsecured indebtedness. The notes are fully and unconditionally guaranteed by the Operating Partnership. As of December 31, 2017, we had issued $300.0 million of commercial paper, for one month terms, at a weighted average annualized rate of 1.96%, leaving $200.0 million of unused capacity.

Interest Rate Risk

We are exposed to interest rate risk associated with variable rate notes payable and maturing debt that has to be refinanced. We do not hold financial instruments for trading or other speculative purposes, but rather issue these

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financial instruments to finance our portfolio of real estate assets. Interest rate sensitivity is the relationship between changes in market interest rates and the fair value of market rate sensitive assets and liabilities. Our earnings are affected as changes in short-term interest rates impact our cost of variable rate debt and maturing fixed rate debt. We had $480.5 million in variable rate debt that is not subject to interest rate swap contracts as of December 31, 2017. If market interest rates for variable rate debt increased by 100 basis points, our interest expense would increase by $5.5 million based on the average balance outstanding during the year.

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

The Company also utilizes derivative financial instruments to manage interest rate risk and generally designates these financial instruments as cash flow hedges. See Note 13, Derivatives and Hedging Activities, in the Notes to the UDR Consolidated Financial Statements included in this Report for additional discussion of derivate instruments.

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

	Year Ended December 31,		
	2017	2016	2015
Net cash provided by/(used in) operating activities	$ 519,152	$ 536,929	$ 458,627
Net cash provided by/(used in) investing activities	(407,441)	(112,277)	(265,461)
Net cash provided by/(used in) financing activities	(111,785)	(429,282)	(201,648)

Results of Operations

The following discussion explains the changes in results of operations that are presented in our Consolidated Statements of Operations for the years ended December 31, 2017, 2016 and 2015.

Net Income/(Loss) Attributable to Common Stockholders

2017 -vs- 2016

Net income/(loss) attributable to common stockholders was $117.9 million ($0.44 per diluted share) for the year ended December 31, 2017, as compared to $289.0 million ($1.08 per diluted share) for the comparable period in the prior year. The decrease resulted primarily from the following items, all of which are discussed in further detail elsewhere within this Report:

· gains, net of tax, of $43.4 million on the sale of a parcel of land in Richmond, Virginia and the sale of two operating communities with a total of 218 apartment homes in Orange County, California and Carlsbad, California, during the year ended December 31, 2017, as compared to gains, net of tax, of $210.9 million on the sale of eight operating communities with a total of 1,782 apartment homes, a retail center and the Company's 95% interest in two land parcels during the year ended December 31, 2016;

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an increase in depreciation expense of $10.4 million primarily due to homes delivered from our development and redevelopment communities and communities acquired in 2017 and 2016, partially offset by a decrease from sold communities and fully depreciated assets; and

- a decrease in income from unconsolidated entities of $21.0 million primarily due to:

- during the year ended December 31, 2017, total gains on consolidation of $27.0 million from the purchase of two previously unconsolidated operating communities in Seattle, Washington from our West Coast Development Joint Venture and Denver, Colorado from our Development Capital Program, and net losses during the lease-up of development joint ventures.

As compared to:

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· during the year ended December 31, 2016, the disposition of three operating communities by the UDR/MetLife II joint venture, which resulted in gains of $47.7 million for the Company and a casualty gain of $3.8 million as a result of insurance proceeds related to a 2015 event.

This was partially offset by:

· an increase in total property NOI of $25.4 million primarily due to higher revenue per occupied home and NOI from communities acquired in 2017 and 2016 or redeveloped in 2017 and 2016, partially offset by a decrease from sold communities.

2016 -vs- 2015

Net income/(loss) attributable to common stockholders was $289.0 million ($1.08 per diluted share) for the year ended December 31, 2016 as compared to net income of $336.7 million ($1.29 per diluted share) for the prior year. The decrease resulted primarily from the following items, all of which are discussed in further detail elsewhere within this Report:

· gains, net of tax, of $210.9 million on the sale of eight operating communities with a total of 1,782 apartment homes, a retail center and the Company's 95% interest in two land parcels during the year ended December 31, 2016, compared to gains, net of tax, of $251.7 million on the sale of 12 operating communities with a total of 2,735 apartment homes during the year ended December 31, 2015;
· an increase in depreciation expense of $45.0 million due to homes delivered from our development and redevelopment communities and communities acquired in 2016 and 2015, partially offset by a decrease from sold communities and fully depreciated assets;
· a decrease in joint venture management and other fees of $11.3 million primarily due to the promote and fee income of $10.0 million recognized in connection with the sale of the Texas Joint Venture in 2015; and
· a decrease in income from unconsolidated entities of $10.1 million primarily due to the sale of three operating communities by the UDR/MetLife II joint venture, which resulted in gains of $47.7 million for the Company, and a casualty gain of $3.8 million, as a result of insurance proceeds related to a September 2015 event received during the year ended December 31, 2016, as compared to the sale of the eight communities held by the Texas Joint Venture, which resulted in a gain of $59.4 million, during the year ended December 31, 2015.

This was partially offset by:

· an increase in total property NOI of $59.2 million primarily due to higher revenue per occupied home, NOI from the homes placed in service related to development and redevelopment projects completed in 2016 and 2015 and communities acquired in 2016 and 2015, partially offset by a decrease from sold communities.

Apartment Community Operations

Our net income results are primarily from NOI generated from the operation of our apartment communities. The Company defines NOI, which is a non-GAAP financial measure, as rental income less direct property rental expenses. Rental income represents gross market rent less adjustments for concessions, vacancy loss and bad debt. Rental expenses include real estate taxes, insurance, personnel, utilities, repairs and maintenance, administrative and marketing. Excluded from NOI is property management expense which is calculated as 2.75% of property revenue to cover the regional supervision and accounting costs related to consolidated property operations and land rent.

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

Although the Company considers NOI a useful measure of operating performance, NOI should not be considered an alternative to net income or net cash flow from operating activities as determined in accordance with GAAP. NOI

excludes several income and expense categories as detailed in the reconciliation of NOI to Net income/(loss) attributable to UDR, Inc. below.

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

	Year Ended December 31, (a)			Year Ended December 31, (b)		
	2017	2016	% Change	2016	2015	% Change
Same-Store Communities:						
Same-Store rental income	$ 850,065	$ 819,962	3.7 %	$ 725,414	$ 686,589	5.7 %
Same-Store operating expense (c)	(242,522)	(234,385)	3.5 %	(207,857)	(200,473)	3.7 %
Same-Store NOI	607,543	585,577	3.8 %	517,557	486,116	6.5 %
Non-Mature Communities/Other NOI:						
Stabilized, non-mature communities NOI (d)	61,002	47,711	27.9 %	84,310	33,367	152.7 %
Acquired communities NOI	5,783	—	— %	2,441	—	— %
Redevelopment communities NOI	4,021	4,270	(5.8) %	36,743	37,682	(2.5) %
Development communities NOI	(295)	(436)	(32.3) %	(436)	(114)	282.5 %
Non-residential/other NOI	17,081	16,244	5.2 %	16,026	15,666	2.3 %
Sold and held for disposition communities NOI	3,368	19,719	(82.9) %	16,444	41,152	(60.0) %
Total Non-Mature Communities/Other NOI	90,960	87,508	3.9 %	155,528	127,753	21.7 %
Total property NOI	$ 698,503	$ 673,085	3.8 %	$ 673,085	$ 613,869	9.6 %

(a) Same-Store consists of 35,471 apartment homes.
(b) Same-Store consists of 31,930 apartment homes.
(c) Excludes depreciation, amortization, and property management expenses.
(d) Represents non-mature communities that have achieved 90% occupancy for three consecutive months but do not meet the criteria to be included in Same-Store Communities.

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

	Year Ended December 31,		
	2017	2016	2015
Net income/(loss) attributable to UDR, Inc.	$ 121,558	$ 292,718	$ 340,383
Joint venture management and other fees	(11,482)	(11,400)	(22,710)
Property management	27,068	26,083	23,978
Other operating expenses	9,060	7,649	9,708
Real estate depreciation and amortization	430,054	419,615	374,598
General and administrative	48,566	49,761	59,690
Casualty-related charges/(recoveries), net	4,335	732	2,335
Other depreciation and amortization	6,408	6,023	6,679
(Income)/loss from unconsolidated entities	(31,257)	(52,234)	(62,329)
Interest expense	128,711	123,031	121,875
Interest income and other (income)/expense, net	(1,971)	(1,930)	(1,551)
Tax provision/(benefit), net	(240)	(3,774)	(3,886)
(Gain)/loss on sale of real estate owned, net of tax	(43,404)	(210,851)	(251,677)
Net income/(loss) attributable to redeemable noncontrolling interests in the Operating Partnership and DownREIT Partnership	10,933	27,282	16,773
Net income/(loss) attributable to noncontrolling interests	164	380	3
Total property NOI	$ 698,503	$ 673,085	$ 613,869

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Same-Store Communities

2017 -vs- 2016

Our Same-Store Community properties (those acquired, developed, and stabilized prior to January 1, 2016 and held on December 31, 2017) consisted of 35,471 apartment homes and provided 87.0% of our total NOI for the year ended December 31, 2017.

NOI for our Same-Store Community properties increased 3.8%, or $22.0 million, for the year ended December 31, 2017 compared to the same period in 2016. The increase in property NOI was attributable to a 3.7%, or $30.1 million, increase in property rental income, which was partially offset by a 3.5%, or $8.1 million, increase in operating expenses. The increase in property income was primarily driven by a 2.5%, or $19.7 million, increase in rental rates and a 11.2%, or $7.4 million, increase in reimbursement and fee income. Physical occupancy increased 0.2% to 96.8% and total monthly income per occupied home increased 3.5% to $2,064.

The increase in operating expenses was primarily driven by a 7.1%, or $6.2 million, increase in real estate taxes, which was primarily due to higher assessed valuations.

As a result of the percentage changes in property rental income and property operating expenses, the operating margin (property net operating income divided by property rental income) increased to 71.5% for the year ended December 31, 2017 as compared to 71.4% for the comparable period in 2016.

2016 -vs- 2015

Our Same-Store Community properties (those acquired, developed, and stabilized prior to January 1, 2015 and held on December 31, 2016) consisted of 31,930 apartment homes and provided 76.9% of our total NOI for the year ended December 31, 2016.

NOI for our Same-Store Community properties increased 6.5%, or $31.4 million, for the year ended December 31, 2016 compared to the same period in 2015. The increase in property NOI was primarily attributable to a 5.7%, or $38.8 million, increase in property rental income, which was partially offset by a 3.7%, or $7.4 million, increase in operating expenses. The increase in property income was primarily driven by a 5.5%, or $35.9 million, increase in rental rates and a 6.5%, or $3.6 million, increase in reimbursement and fee income. Physical occupancy was unchanged at 96.7% and total monthly income per occupied home increased by 5.6% to $1,958.

The increase in operating expenses was primarily driven by a 9.2%, or $6.5 million, increase in real estate taxes, which was primarily due to higher assessed valuations and lower appeal refunds.

As a result of the percentage changes in property rental income and property operating expenses, the operating margin (property net operating income divided by property rental income) increased to 71.3% for the year ended December 31, 2016 as compared to 70.8% for 2015.

Non-Mature Communities/Other

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

2017 -vs- 2016

The remaining 13.0%, or $91.0 million, of our total NOI during the year ended December 31, 2017 was generated from our Non-Mature Communities/Other. NOI from Non-Mature Communities/Other increased by 3.9%, or $3.5 million, for the year ended December 31, 2017 as compared to the same period in 2016. The increase was primarily attributable to a $13.3 million increase in NOI from stabilized, non-mature communities, a $5.8 million increase in NOI from acquired communities and a $0.8 million increase in non-residential/other NOI, partially offset by a $16.4 million decrease in NOI from sold communities.

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2016 -vs- 2015

The remaining $155.5 million, or 23.1%, of our total NOI for the year ended December 31, 2016 was generated from our Non-Mature Communities/Other. NOI from Non-Mature Communities/Other increased by 21.7%, or $27.8 million, for the year ended December 31, 2016 compared to 2015. The increase was primarily attributable to a $41.0 million increase in NOI from acquired communities and an $11.2 million increase from developed and redeveloped communities completed in 2016 and 2015, which was partially offset by a $24.7 million decrease in NOI of from communities sold or held for disposition in 2016 and 2015.

Joint Venture Management and Other Fees

For the years ended December 31, 2016 and 2015, we recognized income from joint venture management and other fees of $11.4 million and $22.7 million, respectively. The decreased income in 2016 as compared to 2015 was attributable to the promote and fee income of $10.0 million recognized in connection with the sale of the Texas Joint Venture in 2015.

Real Estate Depreciation and Amortization

For the year ended December 31, 2017, real estate depreciation and amortization increased 2.5%, or $10.4 million, as compared to 2016. The increase was primarily due to homes delivered from our development and redevelopment communities and communities acquired in 2017 and 2016, partially offset by a decrease from sold communities and fully depreciated assets.

For the year ended December 31, 2016, real estate depreciation and amortization increased 12.0%, or $45.0 million, as compared to 2015. The increase was primarily due to homes delivered from our development and redevelopment communities and communities acquired in 2016 and 2015, partially offset by a decrease from sold communities and fully depreciated assets.

General and Administrative

For the year ended December 31, 2016, general and administrative expense decreased 16.6%, or $9.9 million, from 2015. The decrease was primarily due to a decrease in bonus expense and stock-based compensation expense for awards under the long-term incentive plan of $6.2 million, primarily due to the departure of our prior Chief Financial Officer in 2016 and outperformance in 2015, a decrease in long-term incentive plan transition costs of $2.6 million and a decrease in acquisition costs of $1.9 million, which was partially offset by an increase in salaries and benefits.

Income/(Loss) from Unconsolidated Entities

For the years ended December 31, 2017 and 2016, we recognized income/(loss) from unconsolidated entities of $31.3 million and $52.2 million, respectively. The decrease of $20.9 million was primarily due to:

- the sale of two communities out of the West Coast Development joint venture, which resulted in gains of $7.6 million for the Company; and
- the Company's purchase of 100% interest in two previously unconsolidated operating communities, which resulted in gains of $27.0 million for the Company during the year ended December 31, 2017.

As compared to:

- the sale of three operating communities by the UDR/MetLife II joint venture during the year ended December 31, 2016, which resulted in gains of $47.7 million for the Company and a casualty gain of $3.8 million as a result of

insurance proceeds related to a 2015 event.

For the years ended December 31, 2016 and 2015, we recognized income/(loss) from unconsolidated entities of $52.2 million and $62.3 million, respectively. The decrease of $10.1 million was primarily due to:

· the sale of three operating communities by the UDR/MetLife II joint venture during the year ended December 31, 2016, which resulted in gains of $47.7 million for the Company and a casualty gain of $3.8 million as a result of insurance proceeds related to a 2015 event.

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As compared to:

- the sale of the eight communities held by the Texas Joint Venture, which resulted in a gain of $59.4 million, during the year ended December 31, 2015.

Interest Expense

For the years ended December 31, 2017 and 2016, we recognized interest expense of $128.8 million and $123.0 million, respectively. The increase in 2017 as compared to 2016 of $5.8 million was primarily due to the early pay off of secured debt during 2017, resulting in prepayment costs.

Tax (Provision)/Benefit, Net

Income taxes for our TRS are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities from a change in tax rate is recognized in earnings in the period of the enactment date.

The Company recognized a Tax (provision)/benefit, net of $0.3 million and $3.8 million for the years ended December 31, 2017 and 2016, respectively.

The decrease for 2017 as compared to 2016 was primarily attributable to the conversion of certain TRS entities into REITs in 2016 and a one-time tax benefit of $1.1 million related to the recording of previously reserved receivables for REIT AMT credits that became refundable under the Tax Cuts and Jobs Act of 2017.

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

During the year ended December 31, 2017, the Company recognized a gain, net of tax, of $43.4 million on the sale of a parcel on land in Richmond, Virginia and two operating communities in Orange County, California and Carlsbad, California.

During the year ended December 31, 2016, the Company sold eight operating communities with a total of 1,782 apartment homes, a retail center, and its 95% interest in two land parcels, resulting in a gain, net of tax, of $210.9 million.

During the year ended December 31, 2015, the Company sold 12 operating communities with a total of 2,735 apartment homes, resulting in a gain, net of tax, of $251.7 million.

Noncontrolling Interest

For the years ended December 31, 2017, 2016 and 2015, we recognized net income attributable to redeemable noncontrolling interests in the Operating Partnership and the DownREIT Partnership of $10.9 million, $27.3 million, and $16.8 million, respectively. The decrease in 2017 as compared to 2016 is primarily attributable to the noncontrolling interest’s share of gains on sale associated with the dispositions made in 2016. The increase in 2016 as compared to 2015 is primarily attributable to the number of partnership units held by third-party noncontrolling interest holders as a result of the formation of the DownREIT Partnership in October 2015.

Inflation

We believe that the direct effects of inflation on our operations have been immaterial. While the impact of inflation primarily impacts our results of operations as a result of wage pressures and increases in utilities and material costs, the majority of our apartment leases have initial terms of 12 months or less, which generally enables us to compensate for any inflationary effects by increasing rental rates on our apartment homes. Although an extreme escalation in costs could have a negative impact on our residents and their ability to absorb rent increases, we do not believe this has had a material impact on our results for the year ended December 31, 2017.

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Off-Balance Sheet Arrangements

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

Contractual Obligations

The following table summarizes our contractual obligations as of December 31, 2017 (dollars in thousands):

	Payments Due by Period				
Contractual Obligations	2018	2019-2020	2021-2022	Thereafter	Total
Long-term debt obligations	$ 333,670	$ 836,938	$ 752,274	$ 1,761,489	$ 3,684,371
Interest on debt obligations (a)	125,885	223,391	148,227	213,087	710,590
Letters of credit	3,301	—	—	—	3,301
Unfunded commitments on:					
Development projects (b)	18,871	105,139	—	—	124,010
Unconsolidated joint ventures (b) (c)	22,076	—	—	—	22,076
Operating lease obligations:					
Operating space	76	152	32	—	260
Ground leases (d)	5,629	11,258	11,258	335,207	363,352
	$ 509,508	$ 1,176,878	$ 911,791	$ 2,309,783	$ 4,907,960

(a) Interest payments on variable rate debt instruments are based on each debt instrument's respective year-end interest rate at December 31, 2017.
(b) Any unfunded costs at December 31, 2017 are shown in the year of estimated completion.
(c) Represents UDR's proportionate share of expected remaining costs to complete the developments.
(d) For purposes of our ground lease contracts, the Company uses the minimum lease payment, if stated in the agreement. For ground lease agreements where there is a reset provision based on the communities appraised value or consumer price index but does not include a specified minimum lease payment, the Company uses the current rent over the remainder of the lease term.

During 2017, we incurred gross interest costs of $147.3 million, of which $18.6 million was capitalized.

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

Funds from Operations

Funds from operations ("FFO") attributable to common stockholders and unitholders is defined as Net income/(loss) attributable to common stockholders (computed in accordance with GAAP), excluding impairment write-downs of depreciable real estate or of investments in non-consolidated investees that are driven by measurable decreases in the fair value of depreciable real estate held by the investee, gains or losses from sales of depreciable property, plus real estate depreciation and amortization, and after adjustments for noncontrolling interests, unconsolidated partnerships and joint ventures. This definition conforms with the National Association of Real Estate Investment Trust's ("NAREIT") definition issued in April 2002. Historical cost accounting for real estate assets in accordance with GAAP implicitly assumes that the value of real estate assets diminishes predictably over time. Since real estate values instead have historically risen or fallen with market conditions, many industry investors and analysts have considered the presentation of operating results for real estate companies that use historical cost accounting to be insufficient by

themselves. Thus, NAREIT created FFO as a supplemental measure of a REIT's operating performance. In the computation of diluted FFO, if OP Units, DownREIT Units, unvested restricted stock, unvested LTIP Units, stock options, and the shares of Series E Cumulative Convertible Preferred Stock are dilutive, they are included in the diluted share count.

We consider FFO a useful metric for investors as we use FFO in evaluating property acquisitions and our operating performance, and believe that FFO should be considered along with, but not as an alternative to, net income

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and cash flow as a measure of our activities in accordance with GAAP. FFO does not represent cash generated from operating activities in accordance with GAAP and is not necessarily indicative of funds available to fund our cash needs.

Funds from Operations as Adjusted

FFO as Adjusted attributable to common stockholders and unitholders is defined as FFO excluding the impact of acquisition-related costs and other non-comparable items including, but not limited to, prepayment costs/benefits associated with early debt retirement, gains or losses on sales of non-depreciable property and marketable securities, deferred tax valuation allowance increases and decreases, casualty-related expenses and recoveries, severance costs and legal costs.

Management believes that FFO as Adjusted is useful supplemental information regarding our operating performance as it provides a consistent comparison of our operating performance across time periods and allows investors to more easily compare our operating results with other REITs. FFO as Adjusted is not intended to represent cash flow or liquidity for the period, and is only intended to provide an additional measure of our operating performance. We believe that Net income/(loss) attributable to common stockholders is the most directly comparable GAAP financial measure to FFO as Adjusted. However, other REITs may use different methodologies for calculating FFO as Adjusted or similar FFO measures and, accordingly, our FFO as Adjusted may not always be comparable to FFO as Adjusted or similar FFO measures calculated by other REITs. FFO as Adjusted should not be considered as an alternative to net income (determined in accordance with GAAP) as an indication of financial performance, or as an alternative to cash flows from operating activities (determined in accordance with GAAP) as a measure of our liquidity.

Adjusted Funds from Operations

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

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

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The following table outlines our reconciliation of Net income/(loss) attributable to common stockholders to FFO, FFO as Adjusted, and AFFO for the years ended December 31, 2017, 2016, and 2015 (dollars in thousands):

	Year Ended December 31,		
	2017	2016	2015
Net income/(loss) attributable to common stockholders	$ 117,850	$ 289,001	$ 336,661
Real estate depreciation and amortization	430,054	419,615	374,598
Noncontrolling interests	11,097	27,662	16,776
Real estate depreciation and amortization on unconsolidated joint ventures	57,102	47,832	38,652
Net gain on the sale of unconsolidated depreciable property	(35,363)	(47,848)	(59,445)
Net gain on the sale of depreciable real estate owned	(41,824)	(209,166)	(251,677)
Funds from operations (“FFO”) attributable to common stockholders and unitholders, basic	$ 538,916	$ 527,096	$ 455,565
Distribution to preferred stockholders — Series E (Convertible)	3,708	3,717	3,722
FFO attributable to common stockholders and unitholders, diluted	$ 542,624	$ 530,813	$ 459,287
Income/(loss) per weighted average common share - diluted	$ 0.44	$ 1.08	$ 1.29
FFO per common share and unit, basic	$ 1.85	$ 1.81	$ 1.68
FFO per common share and unit, diluted	$ 1.83	$ 1.80	$ 1.66
Weighted average number of common shares and OP/DownREIT Units outstanding — basic	291,845	290,516	271,616
Weighted average number of common shares, OP/DownREIT Units, and common stock equivalents outstanding — diluted	296,672	295,469	276,699
Impact of adjustments to FFO:			
Acquisition-related costs/(fees)	$ 371	$ 213	$ 2,126
Acquisition-related costs/(fees) on unconsolidated joint ventures	—	—	1,460
Costs/(benefit) associated with debt extinguishment and other	9,212	1,729	—
Texas joint venture promote and disposition fee income	—	—	(10,005)
Long-term incentive plan transition costs	—	898	3,537
Net gain on the sale of non-depreciable real estate owned	(1,580)	(1,685)	—
Legal claims, net of tax	—	(480)	705
Net loss on sale of unconsolidated land	—	1,016	—
Severance costs and other restructuring expense	624	871	—
Tax benefit associated with the conversion of certain TRS entities into REITs	—	(2,436)	—
Casualty-related (recoveries)/charges, net	4,504	732	2,335
Casualty-related (recoveries)/charges, on unconsolidated joint ventures, net	(881)	(3,752)	2,474
	$ 12,250	$ (2,894)	$ 2,632
FFO as Adjusted attributable to common stockholders and unitholders, diluted	$ 554,874	$ 527,919	$ 461,919
FFO as Adjusted per common share and unit, diluted	$ 1.87	$ 1.79	$ 1.67
Recurring capital expenditures	(46,034)	(47,257)	(45,467)
AFFO attributable to common stockholders and unitholders, diluted	$ 508,840	$ 480,662	$ 416,452

AFFO per common share and unit, diluted	$ 1.72	$ 1.63	$ 1.51

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The following table is our reconciliation of FFO share information to weighted average common shares outstanding, basic and diluted, reflected on the UDR Consolidated Statements of Operations for the years ended December 31, 2017, 2016, and 2015 (shares in thousands):

	Year Ended December 31,		
	2017	2016	2015
Weighted average number of common shares and OP/DownREIT Units outstanding — basic	291,845	290,516	271,616
Weighted average number of OP/DownREIT Units outstanding	(24,821)	(25,130)	(12,947)
Weighted average number of common shares outstanding — basic per the Consolidated Statements of Operations	267,024	265,386	258,669
Weighted average number of common shares, OP/DownREIT Units, and common stock equivalents outstanding — diluted	296,672	295,469	276,699
Weighted average number of OP/DownREIT Units outstanding	(24,821)	(25,130)	(12,947)
Weighted average number of Series E preferred shares outstanding	(3,021)	(3,028)	—
Weighted average number of common shares outstanding — diluted per the Consolidated Statements of Operations	268,830	267,311	263,752

UNITED DOMINION REALTY, L.P.:

Business Overview

United Dominion Realty, L.P. (the “Operating Partnership” or “UDR, L.P.”) is a Delaware limited partnership formed in February 2004 and organized pursuant to the provisions of the Delaware Revised Uniform Limited Partnership Act. The Operating Partnership is the successor-in-interest to United Dominion Realty, L.P., a limited partnership formed under the laws of Virginia, which commenced operations on November 4, 1995. Our sole general partner is UDR, Inc., a Maryland corporation (“UDR” or the “General Partner”), which conducts a substantial amount of its business and holds a substantial amount of its assets through the Operating Partnership. At December 31, 2017, the Operating Partnership’s real estate portfolio included 53 communities located in nine states and the District of Columbia with a total of 16,698 apartment homes.

As of December 31, 2017, UDR owned 110,883 units of our general partnership interests and 174,126,805 units of our limited partnership interests (the “OP Units”), or approximately 95.0% of our outstanding OP Units. By virtue of its ownership of our OP Units and being our sole general partner, UDR has the ability to control all of the day-to-day operations of the Operating Partnership. Unless otherwise indicated or unless the context requires otherwise, all references in this section of this Report to the Operating Partnership or “we,” “us” or “our” refer to UDR, L.P. together with its consolidated subsidiaries, and all references in this section to “UDR” or the “General Partner” refer solely to UDR, Inc.

UDR is a self-administered real estate investment trust, or REIT, that owns, acquires, renovates, develops, and manages apartment communities. The General Partner was formed in 1972 as a Virginia corporation and changed its state of incorporation from Virginia to Maryland in June 2003. At December 31, 2017, the General Partner’s consolidated real estate portfolio included 127 communities located in 11 states and the District of Columbia with a total of 39,998 apartment homes. In addition, the General Partner had an ownership interest in 29 communities with 7,286 completed apartment homes through unconsolidated operating communities.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with United States generally accepted accounting principles ("GAAP") requires management to use judgment in the application of accounting policies, including making estimates and assumptions. A critical accounting policy is one that is both important to our financial condition and results of operations as well as involves some degree of uncertainty. Estimates are prepared based on management's assessment after considering all evidence available. Changes in estimates could affect our financial position or results of operations. Below is a discussion of the accounting policies that we consider critical to understanding our financial condition or results of operations where there is uncertainty or where significant judgment is required. A discussion of our significant accounting policies, including further discussion of the accounting policies described below, can be found in Note 2, Significant Accounting Policies, to the Notes to the Operating Partnership's Consolidated Financial Statements included in this Report.

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Cost Capitalization

In conformity with GAAP, we capitalize those expenditures that materially enhance the value of an existing asset or substantially extend the useful life of an existing asset. Expenditures necessary to maintain an existing property in ordinary operating condition are expensed as incurred.

In addition to construction costs, we capitalize costs directly related to the predevelopment, development, and redevelopment of a capital project, which include, but are not limited to, interest, real estate taxes, insurance, and allocated development and redevelopment overhead related to support costs for personnel working on the capital projects. We use our professional judgment in determining whether such costs meet the criteria for capitalization or must be expensed as incurred. These costs are capitalized only during the period in which activities necessary to ready an asset for its intended use are in progress and such costs are incremental and identifiable to a specific activity to get the asset ready for its intended use. As each home in a capital project is completed and becomes available for lease-up, the Operating Partnership ceases capitalization on the related portion. The costs capitalized are reported on the Consolidated Balance Sheets as Total real estate owned, net of accumulated depreciation. Amounts capitalized during the years ended December 31, 2017, 2016, and 2015, were $0.5 million, $0.8 million, and $0.9 million, respectively.

Investment in Unconsolidated Entities

We may enter into various joint venture agreements and/or partnerships with unrelated third parties to hold or develop real estate assets. We must determine for each of these ventures whether to consolidate the entity or account for our investment under the equity method of accounting. We determine whether to consolidate a joint venture or partnership based on our rights and obligations under the venture agreement, applying the applicable accounting guidance. The application of the rules in evaluating the accounting treatment for each joint venture or partnership is complex and requires substantial management judgment. We evaluate our accounting for investments on a regular basis including when a significant change in the design of an entity occurs. Throughout our financial statements, and in this Management's Discussion and Analysis of Financial Condition and Results of Operations, we use the term "joint venture" or "partnership" when referring to investments in entities in which we do not have a 100% ownership interest.

We continually evaluate our investments in unconsolidated joint ventures when events or changes in circumstances indicate that there may be an other-than-temporary decline in value. We consider various factors to determine if a decrease in the value of the investment is other-than-temporary. These factors include, but are not limited to, age of the venture, our intent and ability to retain our investment in the entity, the financial condition and long-term prospects of the entity, and the relationships with the other joint venture partners and its lenders. The amount of loss recognized is the excess of the investment's carrying amount over its estimated fair value. If we believe that the decline in fair value is temporary, no impairment is recorded. The aforementioned factors are taken as a whole by management in determining the valuation of our investment property. Should the actual results differ from management's judgment, the valuation could be negatively affected and may result in a negative impact to our Consolidated Financial Statements.

Impairment of Long-Lived Assets

We record impairment losses on long-lived assets used in operations when events and circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by the future operation and disposition of those assets are less than the net book value of those assets. Our cash flow estimates are based upon historical results adjusted to reflect our best estimate of future market and operating conditions and our estimated holding periods. The net book value of impaired assets is reduced to fair market value. Our estimates of fair market value represent our best estimate based primarily upon unobservable inputs related to rental rates, operating costs, growth rates, discount rates, capitalization rates, industry trends and reference to market rates and transactions.

Real Estate Investment Properties

We purchase real estate investment properties from time to time and record the fair value to various components, such as land, buildings, and intangibles related to in-place leases, based on the fair value of each component. In making estimates of fair values for purposes of allocating purchase price, we utilize various sources, including independent appraisals, our own analysis of recently acquired and existing comparable properties in our portfolio and other market data. The fair value of buildings is determined as if the buildings were vacant upon acquisition and subsequently leased at market rental rates. As such, the determination of fair value considers the present value of all cash flows expected to be generated from the property including an initial lease-up period. We determine the fair value of in-place leases by assessing the net effective rent and remaining term of the lease relative to market terms

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for similar leases at acquisition. In addition, we consider the cost of acquiring similar leases, the foregone rents associated with the lease-up period, and the carrying costs associated with the lease-up period. The fair value of in-place leases is recorded and amortized as amortization expense over the remaining average contractual lease period.

Summary of Real Estate Portfolio by Geographic Market

The following table summarizes our market information by major geographic markets as of and for the year ended December 31, 2017.

	As of December 31, 2017				Year Ended December 31, 2017		
Same-Store Communities	Number of Apartment Communities	Number of Apartment Homes	Percentage of Total Carrying Value	Total Carrying Value (in thousands)	Average Physical Occupancy	Monthly Income per Occupied Home (a)	Net Operating Income (in thousands)
West Region							
San Francisco, CA	8	1,992	12.3 %	$ 470,310	96.8 %	$ 3,056	$ 55,258
Orange County, CA	5	1,936	12.6 %	479,922	96.0 %	2,317	39,465
Seattle, WA	5	932	5.8 %	223,080	96.8 %	1,934	14,958
Los Angeles, CA	2	344	3.0 %	113,853	95.7 %	2,579	7,254
Monterey Peninsula, CA	7	1,565	4.5 %	172,854	96.8 %	1,641	22,443
Other Southern California	1	414	1.9 %	72,985	96.0 %	1,918	6,768
Portland, OR	2	476	1.3 %	48,317	97.2 %	1,542	6,425
Mid-Atlantic Region							
Metropolitan D.C.	6	2,068	14.5 %	552,822	97.2 %	2,057	33,756
Baltimore, MD	2	540	2.7 %	103,028	96.7 %	1,502	6,536
Northeast Region							
New York, NY	2	996	15.8 %	606,114	97.6 %	3,916	34,202
Boston, MA	1	387	1.9 %	71,653	96.8 %	1,971	6,322
Southeast Region							
Nashville, TN	6	1,612	3.8 %	144,785	96.4 %	1,231	16,521
Tampa, FL	2	942	2.8 %	105,506	97.5 %	1,404	10,412
Other Florida	1	636	2.2 %	84,519	96.3 %	1,517	7,249

Total/Average Same-Store Communities	50	14,840	85.1 %	3,249,748	96.7 %	$ 2,114	267,569
Non-Mature, Commercial Properties & Other	3	1,858	14.9 %	567,208			39,272
Total Real Estate Owned	53	16,698	100.0 %	3,816,956			$ 306,841
Total Accumulated Depreciation				(1,543,652)			
Total Real Estate Owned, Net of Accumulated Depreciation				$ 2,273,304			

(a) Monthly Income per Occupied Home represents total monthly revenues divided by the average physical number of occupied apartment homes in our Same-Store portfolio.

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

Our Same-Store Communities segment represents those communities acquired, developed, and stabilized prior to January 1, 2016 and held as of December 31, 2017. These communities were owned and had stabilized occupancy and operating expenses as of the beginning of the prior year, there is no plan to conduct substantial redevelopment activities, and the communities are not held for disposition at year end. A community is considered to have stabilized occupancy once it achieves 90% occupancy for at least three consecutive months.

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

Liquidity and Capital Resources

Liquidity is the ability to meet present and future financial obligations either through operating cash flows, the sale of properties, and the issuance of debt. Both the coordination of asset and liability maturities and effective capital management are important to the maintenance of liquidity. The Operating Partnership's primary source of liquidity is

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cash flow from operations as determined by rental rates, occupancy levels, and operating expenses related to our portfolio of apartment homes and borrowings owed by us under the General Partner's credit agreements. The General Partner will routinely use its unsecured credit facility to temporarily fund certain investing and financing activities prior to arranging for longer-term financing or the issuance of equity or debt securities. During the past several years, proceeds from the sale of real estate have been used for both investing and financing activities as we repositioned our portfolio.

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

Future Capital Needs

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

As of December 31, 2017, the Operating Partnership does not have any secured debt maturing in 2018.

Statements of Cash Flows

The following discussion explains the changes in Net cash provided by/(used in) operating activities, Net cash provided by/(used in) investing activities, and Net cash provided by/(used in) financing activities that are presented in our Consolidated Statements of Cash Flows for the years ended December 31, 2017, 2016, and 2015.

Operating Activities

For the year ended December 31, 2017, Net cash provided by/(used in) operating activities was $234.5 million compared to $228.7 million for 2016. The increase in cash flow from operating activities was primarily due to improved operating income, primarily driven by revenue growth at communities.

For the year ended December 31, 2016, Net cash provided by/(used in) operating activities was $228.7 million compared to $226.8 million for 2015. The increase in cash flow from operating activities was primarily due to improved operating income, primarily driven by revenue growth at communities.

Investing Activities

For the year ended December 31, 2017, Net cash provided by/(used in) investing activities was $(106.1) million compared to $(9.5) million for 2016. The increase in cash used in investing activities was primarily due to the acquisition of an operating community partially offset by the disposition of two operating communities.

For the year ended December 31, 2016, Net cash provided by/(used in) investing activities was $(9.5) million compared to $23.6 million for 2015. The decrease in cash provided by investing activities was primarily due to a decrease in proceeds from dispositions, partially offset by increased distributions received from unconsolidated entities and acquisitions of real estate assets in 2015.

Acquisitions

During the year ended December 31, 2017, the Operating Partnership acquired an operating community located in Denver, Colorado with a total of 218 apartment homes and 17,000 square feet of retail space for a purchase price of approximately $141.5 million. The acquisition will be fully or partially funded with Section 1031 exchanges.

The Operating Partnership did not have any acquisitions during the year ended December 31, 2016.

In October 2015, the Operating Partnership acquired one community in Alexandria, Virginia with 421 apartment homes for a purchase price of $142.0 million.

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Dispositions

In December 2017, the Operating Partnership sold two operating communities with a total of 218 apartment homes in Orange County, California and Carlsbad, California for gross proceeds of $69.0 million, resulting in net proceeds of $68.0 million and a gain of $41.3 million.

During the year ended December 31, 2016, the Operating Partnership sold two operating communities in the Baltimore, Maryland market with a total of 276 apartment homes for gross proceeds of $45.3 million, resulting in net proceeds of $44.6 million and a gain, net of tax, of $33.2 million.

In connection with the formation of the DownREIT Partnership in October 2015, the Operating Partnership contributed seven operating communities to the DownREIT Partnership. The Operating Partnership recorded its contribution to the DownREIT Partnership at book value and consequently deferred a gain of $296.4 million. As a result of the contribution, the Operating Partnership gave up its controlling interest and deconsolidated the seven operating communities. The Operating Partnership accounts for its investment in the DownREIT Partnership under the equity method of accounting.

During the year ended December 31, 2015, the Operating Partnership sold five communities with a total of 1,149 apartment homes for gross proceeds of $250.9 million, resulting in net proceeds of $232.4 million and a gain, net of tax, of $133.5 million. A portion of the sale proceeds was designated for tax-deferred Section 1031 exchanges for one of the October 2015 acquisitions from Home OP. Additionally, the Operating Partnership recognized a gain of $24.6 million, which was previously deferred, in connection with the sale of the communities held by the Texas joint venture.

Financing Activities

For the year ended December 31, 2017, Net cash provided by/(used in) financing activities was $(128.8) million compared to $(221.5) million for 2016. The decrease in cash used in financing activities was primarily due to an increase in advances from the General Partner, partially offset by the early repayment of debt maturing in December 2018, July 2020, and July 2023.

For the year ended December 31, 2016, Net cash provided by/(used in) financing activities was $(221.5) million compared to $(247.7) million for 2015. The decrease in cash used in financing activities was primarily due to a decrease in advances to the General Partner and a decrease in payoffs of secured debt, partially offset by a decrease in proceeds from the issuance of secured debt.

Credit Facilities

As of December 31, 2017, an aggregate commitment of $133.2 million of the General Partner's secured credit facilities with Fannie Mae was owed by the Operating Partnership based on the ownership of the assets securing the debt. The entire commitment was outstanding at December 31, 2017. The portions of the Fannie Mae credit facilities owed by the Operating Partnership mature at various dates from October 2019 through December 2019 and bear interest at fixed rates. At December 31, 2017, the entire outstanding balance was fixed and had a weighted average interest rate of 5.28%.

The Operating Partnership is a guarantor on the General Partner's unsecured revolving credit facility with an aggregate borrowing capacity of $1.1 billion, an unsecured commercial paper program with an aggregate borrowing capacity of $500 million, $300 million of medium-term notes due October 2020, a $350 million term loan facility due January 2021, $400 million of medium-term notes due January 2022, $300 million of medium-term notes due

July 2024, $300 million of medium-term notes due October 2025, $300 million of medium-term notes due September 2026, $300 million of medium-term notes due July 2027 and $300 million of medium-term notes due January 2028. As of December 31, 2017 and 2016, the General Partner did not have an outstanding balance under the unsecured revolving credit facility and had $300.0 million and $0, respectively, outstanding under its unsecured commercial paper program.

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

Interest Rate Risk

We are exposed to interest rate risk associated with variable rate notes payable and maturing debt that has to be refinanced. We do not hold financial instruments for trading or other speculative purposes, but rather issue these financial instruments to finance our portfolio of real estate assets. Interest rate sensitivity is the relationship between

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changes in market interest rates and the fair value of market rate sensitive assets and liabilities. Our earnings are affected as changes in short-term interest rates impact our cost of variable rate debt and maturing fixed rate debt. We had $27.0 million in variable rate debt that is not subject to interest rate swap contracts as of December 31, 2017. If market interest rates for variable rate debt increased by 100 basis points, our interest expense would increase by $0.3 million based on the average balance at December 31, 2017.

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

The General Partner also utilizes derivative financial instruments owed by the Operating Partnership to manage interest rate risk and generally designates these financial instruments as cash flow hedges. See Note 8, Derivatives and Hedging Activities, in the Notes to the Operating Partnership's Consolidated Financial Statements for additional discussion of derivative instruments.

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

	Year Ended December 31,		
	2017	2016	2015
Net cash provided by/(used in) operating activities	$ 234,463	$ 228,682	$ 226,765
Net cash provided by/(used in) investing activities	(106,080)	(9,546)	23,583
Net cash provided by/(used in) financing activities	(128,846)	(221,483)	(247,747)

Results of Operations

The following discussion explains the changes in results of operations that are presented in our Consolidated Statements of Operations for the years ended December 31, 2017, 2016, and 2015.

Net Income/(Loss) Attributable to OP Unitholders

2017 -vs- 2016

Net income attributable to OP unitholders was $106.3 million ($0.58 per diluted OP Unit) for the year ended December 31, 2017 as compared to net income of $77.8 million ($0.42 per diluted OP Unit) for the comparable period in the prior year. The increase in net income attributable to OP unitholders resulted primarily from the following items, which are discussed in further detail elsewhere within this Report:

· an increase of $9.7 million in total property NOI primarily due to higher revenue per occupied home;
· during the year ended December 31, 2017, the Operating Partnership sold two operating communities in Orange County, California and Carlsbad, California with a total of 218 apartment homes, resulting in gains of $41.3 million, as compared to gains on the sale of real estate owned of $33.2 million during the year ended December 31, 2016; and
·

losses from unconsolidated entities of $19.3 million for the year ended December 31, 2017 as compared to $37.4 million for the year ended December 31, 2016, primarily due to a reduction in depreciation and amortization at the DownREIT Partnership.

This was partially offset by:

- an increase in real estate depreciation and amortization expense of $5.4 million primarily due to acquisitions in 2017 and homes delivered from our redevelopment property.

2016 -vs- 2015

Net income/(loss) attributable to OP unitholders was $77.8 million ($0.42 per diluted OP Unit) for the year ended December 31, 2016 as compared to $213.3 million ($1.16 per diluted OP Unit) for the prior year. The decrease in

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net income attributable to OP unitholders resulted primarily from the following items, which are discussed in further detail elsewhere within this Report:

- during the year ended December 31, 2016, the Operating Partnership sold two operating communities in Baltimore, Maryland with a total of 276 apartment homes, resulting in a gain of $33.2 million, as compared to a gain on the sale of real estate owned of $158.1 million during the year ended December 31, 2015;
- losses from unconsolidated entities of $37.4 million for the year ended December 31, 2016, as compared to $4.7 million for the prior year, as a result of the formation of the DownREIT Partnership in the fourth quarter of 2015; and
- a decrease in total property NOI of $20.5 million primarily due to fewer consolidated apartment homes as a result of the deconsolidation of communities contributed to the DownREIT Partnership during 2015.

This was partially offset by:

- a decrease in real estate depreciation and amortization expense of $22.7 million primarily due to the deconsolidation of communities contributed to the DownREIT Partnership in the fourth quarter of 2015;
- a decrease in interest expense of $10.3 million primarily due to the deconsolidation of debt balances related to communities contributed to the DownREIT Partnership; and
- a decrease in general and administrative expense of $8.2 million due to lower expense allocations by the General Partner, primarily due to a decrease in its bonus expense and stock-based compensation expense for awards under its long-term incentive plan, primarily due to the departure of its prior Chief Financial Officer in 2016, and outperformance in 2015.

Apartment Community Operations

Our net income results primarily from NOI generated from the operation of our apartment communities. The Operating Partnership defines NOI, which is a non-GAAP financial measure, as rental income less direct property rental expenses. Rental income represents gross market rent less adjustments for concessions, vacancy loss and bad debt. Rental expenses include real estate taxes, insurance, personnel, utilities, repairs and maintenance, administrative and marketing. Excluded from NOI are property management costs, which are the Operating Partnership's allocable share of costs incurred by the General Partner for shared services of corporate level property management employees and related support functions and costs.

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

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

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The following table summarizes the operating performance of our total portfolio for the years ended December 31, 2017, 2016, and 2015 (dollars in thousands):

	Year Ended December 31, 2017	(a) 2016	% Change		Year Ended December 31, 2016	(b) 2015	% Change	
Same-Store Communities:								
Same-Store rental income	$ 364,158	$ 349,425	4.2	%	$ 322,968	$ 303,190	6.5	%
Same-Store operating expense (c)	(96,589)	(92,542)	4.4	%	(85,436)	(81,438)	4.9	%
Same-Store NOI	267,569	256,883	4.2	%	237,532	221,752	7.1	%
Non-Mature Communities/Other NOI:								
Stabilized, non-mature communities NOI (d)	29,566	28,312	4.4	%	22,849	14,307	59.7	%
Acquired communities NOI	1,180	—	—	%	—	—	—	
Redeveloped communities NOI	—	—	—	%	28,312	28,120	0.7	%
Non-residential/other NOI	5,153	6,052	(14.9)	%	5,829	6,844	(14.8)	%
Sold and held for disposition communities NOI	3,373	5,874	(42.6)	%	2,599	46,574	(94.4)	%
Total Non-Mature Communities/Other NOI	39,272	40,238	(2.4)	%	59,589	95,845	(37.8)	%
Total property NOI	$ 306,841	$ 297,121	3.3	%	$ 297,121	$ 317,597	(6.4)	%

(a) Same-Store consists of 14,840 apartment homes.
(b) Same-Store consists of 14,001 apartment homes.
(c) Excludes depreciation, amortization, and property management expenses.
(d) Represents non-mature communities that have achieved 90% occupancy for three consecutive months but do not meet the criteria to be included in Same-Store Communities.

The following table is our reconciliation of Net income/(loss) attributable to OP unitholders to total property NOI for the years ended December 31, 2017, 2016 and 2015 (dollars in thousands):

	Year Ended December 31, 2017	2016	2015
Net income/(loss) attributable to OP unitholders	$ 106,307	$ 77,818	$ 213,301
Property management	11,533	11,122	12,111
Other operating expenses	6,833	6,059	5,923
Real estate depreciation and amortization	152,473	147,074	169,784
General and administrative	17,875	18,808	27,016
Casualty-related charges/(recoveries), net	1,922	484	843
(Income)/loss from unconsolidated entities	19,256	37,425	4,659
Interest expense	30,366	30,067	40,321
(Gain)/loss on sale of real estate owned	(41,272)	(33,180)	(158,123)

Net income/(loss) attributable to noncontrolling interests	1,548	1,444	1,762
Total property NOI	$ 306,841	$ 297,121	$ 317,597

Same-Store Communities

2017 -vs- 2016

Our Same-Store Community properties (those acquired, developed, and stabilized prior to January 1, 2016 and held as of December 31, 2017) consisted of 14,840 apartment homes and provided 87.2% of our total NOI for the year ended December 31, 2017.

NOI for our Same-Store Community properties increased 4.2%, or $10.7 million, for the year ended December 31, 2017 compared to 2016. The increase in property NOI was primarily attributable to a 4.2%, or $14.7 million, increase in property rental income, which was partial offset by a 4.4%, or $4.0 million, increase in operating expenses. The increase in revenues was primarily driven by a 3.0%, or $9.9 million, increase in rental rates and a 11.6%, or $3.3 million, increase in reimbursement and fee income. Physical occupancy increased 0.1% to 96.7% and total income per occupied home increased 4.1% to $2,114 for the year ended December 31, 2017 compared to 2016.

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The increase in property operating expenses was primarily driven by a 10.0% or $3.1 million increase in real estate taxes, which was primarily due to higher assessed valuations.

The operating margin (property net operating income divided by property rental income) was 73.5% for both years ended December 31, 2017 and 2016.

2016 -vs- 2015

Our Same-Store Community properties (those acquired, developed, and stabilized prior to January 1, 2015 and held as of December 31, 2016) consisted of 14,001 apartment homes and provided 79.9% of our total NOI for the year ended December 31, 2016.

NOI for our Same-Store Community properties increased 7.1% or $15.8 million for the year ended December 31, 2016 compared to 2015. The increase in property NOI was primarily attributable to a 6.5% or $19.8 million increase in property rental income, which was partial offset by a 4.9% or $4.0 million increase in operating expenses. The increase in revenues was primarily driven by a 6.6% or $19.0 million increase in rental rates. Physical occupancy decreased 0.2% to 96.6% and total income per occupied home increased 6.6% to $1,989 for the year ended December 31, 2016 compared to 2015.

The increase in property operating expenses was primarily driven by a 10.4% or $2.6 million increase in real estate taxes, which was primarily due to higher assessed valuations and lower appeal refunds.

The operating margin (property net operating income divided by property rental income) increased to 73.5% for the year ended December 31, 2016 as compared to 73.1% for 2015.

Non-Mature Communities/Other

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

2017 -vs- 2016

The remaining 12.8%, or $39.3 million, of our total NOI during the year ended December 31, 2017 was generated from our Non-Mature Communities/Other. NOI from Non-Mature Communities/Other decreased 2.4%, or $1.0 million, for the year ended December 31, 2017 compared to 2016. The decrease was primarily driven by a decrease in NOI of $2.5 million from sold communities, which was partially offset by an increase in NOI of $1.2 million from acquired communities.

2016 -vs- 2015

The remaining 20.1%, or $59.6 million, of our total NOI during the year ended December 31, 2016 was generated from our Non-Mature Communities/Other. NOI from Non-Mature Communities/Other decreased 37.8%, or $36.3 million, for the year ended December 31, 2016 compared to 2015. The decrease was primarily driven by a decrease in NOI of $44.0 million from sold communities, which was partially offset by an increase in NOI of $8.5 million from stabilized, non-mature communities.

Real Estate Depreciation and Amortization

For the year ended December 31, 2017, real estate depreciation and amortization increased by 3.7% or $5.4 million as compared to 2016. The increase was primarily due to acquisitions during 2017 and homes delivered from our redevelopment property.

For the year ended December 31, 2016, real estate depreciation and amortization decreased by 13.4% or $22.7 million as compared to 2015. The decrease was primarily due to the deconsolidation of communities contributed to the DownREIT Partnership in October 2015, partially offset by homes delivered from our development and redevelopment properties.

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General and Administrative

For the year ended December 31, 2016, general and administrative expense decreased by 30.4% or $8.2 million as compared to 2015. The decrease was due to lower general and administrative expense allocations by the General Partner, primarily due to a decrease in its bonus expense and stock-based compensation expense for awards under its long-term incentive plan, primarily due to the departure of its prior Chief Financial Officer in 2016, and outperformance in 2015, as well as lower allocations due to the deconsolidation of communities contributed to the DownREIT Partnership in October 2015.

Income/(Loss) in Unconsolidated Entities

For the year ended December 31, 2017 and 2016, income/(loss) from unconsolidated entities was $(19.3) million and $(37.4) million, respectively. The decrease in loss from unconsolidated entities as compared to the prior year was primarily attributable to a reduction in depreciation and amortization at the DownREIT Partnership.

For the year ended December 31, 2016 and 2015, income/(loss) from unconsolidated entities of $(37.4) million and $(4.7) million, respectively, was attributable to the Operating Partnership's ownership interest in the DownREIT Partnership, which was formed in October 2015. The change was primarily attributable to depreciation expense for a full year in 2016.

Interest Expense

For the year ended December 31, 2016, interest expense decreased by 25.4% or $10.3 million as compared to 2015, which was primarily due to lower loan balances as a result of seven communities, and their related debt, being deconsolidated in October 2015 in connection with the formation of the DownREIT Partnership.

Gain/(Loss) on the Sale of Real Estate Owned

During the year ended December 31, 2017, the Operating Partnership sold two operating communities in Orange County, California and Carlsbad, California with a total of 218 apartment homes, resulting in a gain of $41.3 million.

During the year ended December 31, 2016, the Operating Partnership sold two operating communities in Baltimore, Maryland with a total of 276 apartment homes, resulting in a gain of $33.2 million.

During the year ended December 31, 2015, the Operating Partnership sold five communities with a total of 1,149 apartment homes, resulting in a gain of $133.5 million. A portion of the sale proceeds was designated for a Section 1031 exchange for one of the October 2015 acquisitions from Home OP. Additionally, the Operating Partnership recognized a gain of $24.6 million, which was previously deferred, in connection with the sale of the communities held by the Texas joint venture.

In connection with the formation of the DownREIT Partnership in October 2015, the Operating Partnership contributed seven operating communities to the DownREIT Partnership. The Operating Partnership recorded its contribution to the DownREIT Partnership at book value and consequently deferred a gain of $296.4 million. As a result of the contribution, the Operating Partnership gave up its controlling interest and deconsolidated the seven operating communities. The Operating Partnership accounts for its investment in the DownREIT Partnership under the equity method of accounting.

Inflation

We believe that the direct effects of inflation on our operations have been immaterial. While the impact of inflation primarily impacts our results of operations as a result of wage pressures and increases in utilities and material costs, the majority of our apartment leases have initial terms of 12 months or less, which generally enables us to compensate for any inflationary effects by increasing rental rates on our apartment homes. Although an extreme escalation in costs could have a negative impact on our residents and their ability to absorb rent increases, we do not believe this has had a material impact on our results for the year ended December 31, 2017.

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Off-Balance Sheet Arrangements

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

Contractual Obligations

The following table summarizes our contractual obligations as of December 31, 2017 (dollars in thousands):

	Payments Due by Period				
Contractual Obligations	2018	2019-2020	2021-2022	Thereafter	Total
Long-term debt obligations	$ —	$ 133,205	$ —	$ 27,000	$ 160,205
Interest on debt obligations (a)	7,498	6,722	925	4,267	19,412
Operating lease obligations — ground leases (b)	5,629	11,258	11,258	335,207	363,352
	$ 13,127	$ 151,185	$ 12,183	$ 366,474	$ 542,969

(a) Interest payments on variable rate debt instruments are based on each debt instrument's respective year-end interest rate at December 31, 2017.
(b) For purposes of our ground lease contracts, the Operating Partnership uses the minimum lease payment, if stated in the agreement. For ground lease agreements where there is a reset provision based on the communities appraised value or consumer price index but does not include a specified minimum lease payment, the Operating Partnership uses the current rent over the remainder of the lease term.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Information required by this item is included in and incorporated by reference from Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations of this Report.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The consolidated financial statements and related financial information required to be filed are attached to this Report. Reference is made to page F 1 of this Report for the Index to Consolidated Financial Statements and Schedules of UDR, Inc. and United Dominion Realty, L.P.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

Item 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The disclosure controls and procedures of the Company and the Operating Partnership are designed with the objective of ensuring that information required to be disclosed in our reports filed under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Our disclosure controls and procedures are also designed to ensure that such information is accumulated and

communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

It should be noted that the design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote. As a result, our disclosure controls and procedures are designed to provide reasonable assurance that such disclosure controls and procedures will meet their objectives.

As of December 31, 2017, we carried out an evaluation, under the supervision and with the participation of the Chief Executive Officer and Chief Financial Officer of the Company, which is the sole general partner of the Operating Partnership, of the effectiveness of the design and operation of the disclosure controls and procedures of the Company

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and the Operating Partnership. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer of the Company concluded that the disclosure controls and procedures of the Company and the Operating Partnership are effective at the reasonable assurance level described above.

Management’s Report on Internal Control over Financial Reporting

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a 15(f) under the Securities Exchange Act of 1934 for the Company and the Operating Partnership. Under the supervision and with the participation of the management, the Chief Executive Officer and Chief Financial Officer of the Company, which is the sole general partner of the Operating Partnership, conducted an evaluation of the effectiveness of the internal control over financial reporting based on the framework in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations (2013 Framework) (COSO). Based on such evaluation, management concluded that the Company’s and the Operating Partnership’s internal control over financial reporting was effective as of December 31, 2017.

Ernst & Young LLP, the independent registered public accounting firm that audited our consolidated financial statements included in this Report, has audited UDR, Inc.’s internal control over financial reporting as of December 31, 2017. The report of Ernst & Young LLP, which expresses an unqualified opinion on UDR, Inc.’s internal control over financial reporting as of December 31, 2017, is included under the heading “Report of Independent Registered Public Accounting Firm” of UDR, Inc. contained in this Report. Further, an attestation report of the registered public accounting firm of United Dominion Realty, L.P. will not be required as long as United Dominion Realty, L.P. is a non-accelerated filer.

Changes in Internal Control Over Financial Reporting

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

Item 9B. OTHER INFORMATION

None.

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PART III

Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this item is incorporated by reference to the information set forth under the headings "Proposal No. 1 Election of Directors," "Corporate Governance Matters," "Audit Committee Report," "Corporate Governance Matters-Board Leadership Structure and Committees-Audit Committee Financial Expert," "Corporate Governance Matters-Identification and Selection of Nominees for Directors," "Corporate Governance Matters-Board of Directors and Committee Meetings," "Executive Officers" and "Other Matters-Section 16(a) Beneficial Ownership Reporting Compliance" in UDR, Inc.'s definitive proxy statement (our "definitive proxy statement") for its 2018 Annual Meeting of Stockholders. UDR is the sole general partner of the Operating Partnership.

We have a code of ethics for senior financial officers that applies to our principal executive officer, all members of our finance staff, including the principal financial officer, the principal accounting officer, the treasurer and the controller, our director of investor relations, our corporate secretary, and all other Company officers. We also have a code of business conduct and ethics that applies to all of our employees. Information regarding our codes is available on our website, www.udr.com, and is incorporated by reference to the information set forth under the heading "Corporate Governance Matters" in our definitive proxy statement for UDR's 2018 Annual Meeting of Stockholders. We intend to satisfy the disclosure requirements under Item 10 of Form 8 K regarding an amendment to, or a waiver from, a provision of our codes by posting such amendment or waiver on our website.

Item 11. EXECUTIVE COMPENSATION

The information required by this item is incorporated by reference to the information set forth under the headings "Security Ownership of Certain Beneficial Owners and Management," "Corporate Governance Matters-Board Leadership Structure and Committees-Compensation Committee Interlocks and Insider Participation," "Executive Compensation," "Compensation of Directors" and "Executive Compensation-Compensation Committee Report" in the definitive proxy statement for UDR's 2018 Annual Meeting of Stockholders. UDR is the sole general partner of the Operating Partnership.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this item is incorporated by reference to the information set forth under the headings "Security Ownership of Certain Beneficial Owners and Management," "Executive Compensation" and "Executive Compensation-Equity Compensation Plan Information" in the definitive proxy statement for UDR's 2018 Annual Meeting of Stockholders. UDR is the sole general partner of the Operating Partnership.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this item is incorporated by reference to the information set forth under the heading "Security Ownership of Certain Beneficial Owners and Management," "Corporate Governance Matters-Corporate Governance Overview," "Corporate Governance Matters-Director Independence," "Corporate Governance Matters-Board Leadership Structure and Committees-Independence of the Audit, Compensation, Governance and Nominating Committees," and "Executive Compensation" in the definitive proxy statement for UDR's 2018 Annual Meeting of Stockholders. UDR is the sole general partner of the Operating Partnership. Information regarding related party transactions between UDR and the Operating Partnership is presented in Note 6, Related Party Transactions, of the Consolidated Financial Statements of United Dominion Realty, L.P. referenced in Part IV, Item 15(a) of this Report.

Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this item is incorporated by reference to the information set forth under the headings "Audit Matters-Audit Fees" and "Audit Matters-Pre-Approval Policies and Procedures" in the definitive proxy statement for UDR's 2018 Annual Meeting of Stockholders. UDR is the sole general partner of the Operating Partnership.

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PART IV

Item 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a)The following documents are filed as part of this Report:

1. Financial Statements. See Index to Consolidated Financial Statements and Schedules of UDR, Inc. and United Dominion Realty, L.P. on page F 1 of this Report.

2. Financial Statement Schedules. See Index to Consolidated Financial Statements and Schedules of UDR, Inc. and United Dominion Realty, L.P. on page S 1 of this Report. All other schedules are omitted because they are not required, are inapplicable, or the required information is included in the financial statements or notes thereto.

3. Exhibits. The exhibits filed with this Report are set forth in the Exhibit Index appearing immediately below, including the financial statements required under Rule 3 09 of Regulation S-X for UDR Lighthouse DownREIT L.P.

EXHIBIT INDEX

The exhibits listed below are filed as part of this Report. References under the caption "Location" to exhibits or other filings indicate that the exhibit or other filing has been filed, that the indexed exhibit and the exhibit referred to are the same and that the exhibit referred to is incorporated by reference. Management contracts and compensatory plans or arrangements filed as exhibits to this Report are identified by an asterisk. The Commission file number for UDR, Inc.'s Exchange Act filings referenced below is 1 10524. The Commission file number for United Dominion Realty, L.P.'s Exchange Act filings is 333 156002 01.

Exhibit	Description	Location
2.01	Partnership Interest Purchase and Exchange Agreement dated as of September 10, 1998, by and between UDR, Inc., United Dominion Realty, L.P., American Apartment Communities Operating Partnership, L.P., AAC Management LLC, Schnitzer Investment Corp., Fox Point Ltd. and James D. Klingbeil including as an exhibit thereto the proposed form of the Third Amended and Restated Limited Partnership Agreement of United Dominion Realty, L.P.	Exhibit 2(d) to UDR, Inc.'s Form S 3 Registration Statement (Registration No. 333 64281) filed with the Commission on September 25, 1998.
2.02	Agreement of Purchase and Sale dated as of August 13, 2004, by and between United Dominion Realty, L.P., a Delaware limited partnership, as Buyer, and Essex The Crest, L.P., a California limited partnership, Essex El Encanto Apartments, L.P., a California limited partnership, Essex Hunt Club Apartments, L.P., a California limited partnership, and the other signatories named as Sellers therein.	Exhibit 2.1 to UDR, Inc.'s Current Report on Form 8 K dated September 28, 2004 and filed with the Commission on September 29, 2004.
2.03	First Amendment to Agreement of Purchase and Sale dated as of September 29, 2004, by and between United Dominion Realty, L.P., a Delaware limited partnership, as Buyer, and Essex The Crest, L.P., a California limited partnership, Essex El Encanto Apartments, L.P., a California limited partnership, Essex Hunt Club Apartments, L.P., a California limited partnership, and the other signatories named as Sellers	Exhibit 2.2 to UDR, Inc.'s Current Report on Form 8 K dated September 29, 2004 and filed with the Commission on October 5, 2004.

therein.

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Exhibit	Description	Location
2.04	Second Amendment to Agreement of Purchase and Sale dated as of October 26, 2004, by and between United Dominion Realty, L.P., a Delaware limited partnership, as Buyer, and Essex The Crest, L.P., a California limited partnership, Essex El Encanto Apartments, L.P., a California limited partnership, Essex Hunt Club Apartments, L.P., a California limited partnership, and the other signatories named as Sellers therein.	Exhibit 2.3 to UDR, Inc.'s Current Report on Form 8 K/A dated September 29, 2004 and filed with the Commission on November 1, 2004.
2.05	Agreement of Purchase and Sale dated as of January 23, 2008, by and between UDR, Inc., United Dominion Realty, L.P., UDR Texas Properties LLC, UDR Western Residential, Inc., UDR South Carolina Trust, UDR Ohio Properties, LLC, UDR of Tennessee, L.P., UDR of NC, Limited Partnership, Heritage Communities L.P., Governour's Square of Columbus Co., Fountainhead Apartments Limited Partnership, AAC Vancouver I, L.P., AAC Funding Partnership III, AAC Funding Partnership II and DRA Fund VI LLC.	Exhibit 2.1 to UDR, Inc.'s Current Report on Form 8 K dated January 23, 2008 and filed with the Commission on January 29, 2008.
2.06	First Amendment to Agreement of Purchase and Sale dated as of February 14, 2008, by and between UDR, Inc., United Dominion Realty, L.P., UDR Texas Properties LLC, UDR Western Residential, Inc., UDR South Carolina Trust, UDR Ohio Properties, LLC, UDR of Tennessee, L.P., UDR of NC, Limited Partnership, Heritage Communities L.P., Governour's Square of Columbus Co., Fountainhead Apartments Limited Partnership, AAC Vancouver I, L.P., AAC Funding Partnership III, AAC Funding Partnership II and DRA Fund VI LLC.	Exhibit 2.2 to UDR, Inc.'s Current Report on Form 8 K/A dated March 3, 2008 and filed with the Commission on May 2, 2008.
2.07	Contribution Agreement by and among Home Properties, L.P., UDR, Inc., United Dominion Realty, L.P. and LSREF 4 Lighthouse Acquisitions, LLC, dated June 22, 2015 (UDR, Inc. and United Dominion Realty, L.P. have omitted certain schedules and exhibits pursuant to Item 601(b)(2) of Regulation S-K and shall furnish supplementally to the Commission copies of any of the omitted schedules and exhibits upon request by the Commission.)	Exhibit 2.1 to UDR, Inc.'s Current Report on Form 8 K dated and filed with the Commission on June 22, 2015.
2.08	Amendment Agreement, dated as of August 27, 2015, by and among UDR, Inc., United Dominion Realty, L.P., Home Properties, Inc., Home Properties, L.P., LSREF4 Lighthouse Acquisitions, LLC LSREF4 Lighthouse Corporate Acquisitions, LLC and LSREF4 Lighthouse Operating Acquisitions, LLC.	Exhibit 2.1 to UDR, Inc.'s Quarterly Report on Form 10 Q for the quarter ended September 30, 2015.
3.01	Articles of Restatement of UDR, Inc.	Exhibit 3.09 to UDR, Inc.'s Current Report on Form 8 K dated July 27, 2005 and filed with the Commission on August 1, 2005.

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Exhibit	Description	Location
3.02	Articles of Amendment to the Articles of Restatement of UDR, Inc. dated and filed with the State Department of Assessments and Taxation of the State of Maryland on March 14, 2007.	Exhibit 3.2 to UDR, Inc.'s Current Report on Form 8 K dated March 14, 2007 and filed with the Commission on March 15, 2007.
3.03	Articles of Amendment to the Articles of Restatement of UDR, Inc. dated August 30, 2011 and filed with the State Department of Assessments and Taxation of the State of Maryland on August 31, 2011.	Exhibit 3.1 to UDR, Inc.'s Current Report on Form 8 K dated August 29, 2011 and filed with the Commission on September 1, 2011.
3.04	Articles Supplementary relating to UDR, Inc.'s 6.75% Series G Cumulative Redeemable Preferred Stock dated and filed with the State Department of Assessments and Taxation of the State of Maryland on May 30, 2007.	Exhibit 3.4 to UDR, Inc.'s Form 8 A Registration Statement dated and filed with the Commission on May 30, 2007.
3.05	Amended and Restated Bylaws of UDR, Inc. (as amended through July 12, 2017).	Exhibit 3.16 to UDR, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2017.
3.06	Certificate of Limited Partnership of United Dominion Realty, L.P. dated as of February 19, 2004.	Exhibit 3.4 to United Dominion Realty, L.P.'s Post-Effective Amendment No. 1 to Registration Statement on Form S 3 dated and filed with the Commission on October 15, 2010.
3.07	Amended and Restated Agreement of Limited Partnership of United Dominion Realty, L.P. dated as of February 23, 2004.	Exhibit 10.23 to UDR, Inc.'s Annual Report on Form 10 K for the year ended December 31, 2003.
3.08	First Amendment to the Amended and Restated Agreement of Limited Partnership of United Dominion Realty, L.P. dated as of June 24, 2005.	Exhibit 10.06 to UDR, Inc.'s Quarterly Report on Form 10 Q for the quarter ended June 30, 2005.
3.09	Second Amendment to the Amended and Restated Agreement of Limited Partnership of United Dominion Realty, L.P. dated as of February 23, 2006.	Exhibit 10.6 to UDR, Inc.'s Quarterly Report on Form 10 Q for the quarter ended March 31, 2006.
3.10	Third Amendment to the Amended and Restated Agreement of Limited Partnership of United Dominion Realty, L.P. dated as of February 2, 2007.	Exhibit 99.1 to UDR, Inc.'s Quarterly Report on Form 10 Q for the quarter ended September 30, 2009.
3.11	Fourth Amendment to the Amended and Restated Agreement of Limited Partnership of United Dominion Realty, L.P. dated as of December 27, 2007.	Exhibit 10.25 to UDR, Inc.'s Annual Report on Form 10 K for the year ended December 31, 2007.
3.12	Fifth Amendment to the Amended and Restated Agreement of Limited Partnership of United Dominion Realty, L.P. dated as of March 7, 2008.	Exhibit 10.53 to UDR, Inc.'s Annual Report on Form 10 K for the year ended December 31, 2008.

3.13	Sixth Amendment to the Amended and Restated Agreement of Limited Partnership of United Dominion Realty, L.P. dated as of December 9, 2008.	Exhibit 10.1 to UDR, Inc.'s Current Report on Form 8 K dated December 9, 2008 and filed with the Commission on December 10, 2008.
3.14	Seventh Amendment to the Amended and Restated Agreement of Limited Partnership of United Dominion Realty, L.P., dated as of March 13, 2009.	Exhibit 10.1 to UDR, Inc.'s Current Report on Form 8 K dated March 18, 2009 and filed with the Commission on March 19, 2009.

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Exhibit	Description	Location
3.15	Eighth Amendment to the Amended and Restated Agreement of Limited Partnership of United Dominion Realty, L.P., dated as of November 17, 2010.	Exhibit 10.1 to UDR, Inc.'s Current Report on Form 8 K dated and filed with the Commission on November 18, 2010.
3.16	Ninth Amendment to the Amended and Restated Agreement of Limited Partnership of United Dominion Realty, L.P., dated as of December 4, 2015.	Exhibit 10.1 to UDR, Inc.'s Current Report on Form 8 K dated December 4, 2015 and filed with the Commission on December 10, 2015.
4.01	Form of UDR, Inc. Common Stock Certificate.	Exhibit 4.1 to UDR, Inc.'s Current Report on Form 8 K dated March 14, 2007 and filed with the Commission on March 15, 2007.
4.02	Senior Indenture dated as of November 1, 1995, by and between UDR, Inc. and First Union National Bank of Virginia, N.A., as trustee.	Exhibit 4(ii)(h)(1) to UDR, Inc.'s Quarterly Report on Form 10 Q for the quarter ended June 30, 1996.
4.03	Supplemental Indenture dated as of June 11, 2003, by and between UDR, Inc. and Wachovia Bank, National Association, as trustee.	Exhibit 4.03 to UDR, Inc.'s Current Report on Form 8 K dated June 17, 2004 and filed with the Commission on June 18, 2004.
4.04	Subordinated Indenture dated as of August 1, 1994 by and between UDR, Inc. and Crestar Bank, as trustee.	Exhibit 4(i)(m) to UDR, Inc.'s Form S 3 Registration Statement (Registration No. 33 64725) filed with the Commission on November 15, 1995.
4.05	Form of UDR, Inc. Senior Debt Security.	Exhibit 4(i)(n) to UDR, Inc.'s Form S 3 Registration Statement (Registration No. 33 64725) filed with the Commission on November 15, 1995.
4.06	Form of UDR, Inc. Subordinated Debt Security.	Exhibit 4(i)(p) to UDR, Inc.'s Form S 3 Registration Statement (Registration No. 33 55159) filed with the Commission on August 19, 1994.
4.07	Form of UDR, Inc. Fixed Rate Medium-Term Note, Series A.	Exhibit 4.01 to UDR, Inc.'s Current Report on Form 8 K dated March 20, 2007 and filed with the Commission on March 22, 2007.
4.08	Form of UDR, Inc. Floating Rate Medium-Term Note, Series A.	Exhibit 4.02 to UDR, Inc.'s Current Report on Form 8 K dated March 20, 2007 and filed with the Commission on March 22, 2007.
4.09	UDR, Inc. 4.25% Medium-Term Note, Series A due June 2018, issued May 23, 2011.	Exhibit 4.16 to UDR, Inc.'s Annual Report on Form 10 K for the year ended December 31, 2013.
4.10	UDR, Inc. 4.625% Medium-Term Note, Series A due January 2022, issued January 10, 2012.	Exhibit 4.17 to UDR, Inc.'s Annual Report on Form 10 K for the year ended December 31, 2013.

4.11	UDR, Inc. 3.70% Medium-Term Note, Series A due October 2020, issued September 26, 2013.	Exhibit 4.18 to UDR, Inc.'s Annual Report on Form 10 K for the year ended December 31, 2013.

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Exhibit	Description	Location
4.12	Indenture dated as of April 1, 1994, by and between UDR, Inc. and Nationsbank of Virginia, N.A., as trustee.	Exhibit 4(ii)(f)(1) to UDR, Inc.'s Quarterly Report on Form 10 Q for the quarter ended March 31, 1994.
4.13	Supplemental Indenture dated as of August 20, 2009, by and between UDR, Inc. and U.S. Bank National Association, as trustee, to UDR, Inc.'s Indenture dated as of April 1, 1994.	Exhibit 4.1 to UDR, Inc.'s Current Report on Form 8 K dated August 20, 2009 and filed with the Commission on August 21, 2009.
4.14	Guaranty of United Dominion Realty, L.P. with respect to UDR, Inc.'s Indenture dated as of November 1, 1995.	Exhibit 99.1 to UDR, Inc.'s Current Report on Form 8 K dated and filed with the Commission on September 30, 2010.
4.15	Guaranty of United Dominion Realty, L.P. with respect to UDR, Inc.'s Indenture dated as of October 12, 2006.	Exhibit 99.2 to UDR, Inc.'s Current Report on Form 8 K dated and filed with the Commission on September 30, 2010.
4.16	First Supplemental Indenture among UDR, Inc., United Dominion Realty, L.P. and U.S. Bank National Association, as Trustee, dated as of May 3, 2011, relating to UDR, Inc.'s Medium-Term Notes, Series A, due Nine Months or More from Date of Issue.	Exhibit 4.1 to UDR, Inc.'s Current Report on Form 8 K filed with the Commission on May 4, 2011.
4.17	UDR, Inc. 3.75% Medium-Term Note, Series A due October 2024, issued June 26, 2014.	Exhibit 4.1 to UDR, Inc.'s Quarterly Report on Form 10 Q for the quarter ended June 30, 2014.
4.18	UDR, Inc. 4.00% Medium-Term Note, Series A due October 2025, issued September 22, 2015.	Exhibit 4.23 to UDR, Inc.'s Annual Report on Form 10 K for the year ended December 31, 2015.
4.19	UDR, Inc. 2.950% Medium-Term Note, Series A due September 2026, issued August 23, 2016.	Exhibit 4.1 to UDR, Inc.'s Quarterly Report on Form 10 Q for the quarter ended September 30, 2016.
4.20	UDR, Inc. 3.500% Medium-Term Note, Series A due July 2027, issued June 16, 2017.	Exhibit 10.2 to UDR, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2017.
4.21	UDR, Inc. 3.500% Medium-Term Note, Series A due January 2028, issued December 13, 2017.	Filed herewith.
10.01*	UDR, Inc. 1999 Long-Term Incentive Plan (as amended and restated February 2, 2017).	Exhibit 10.1 to UDR, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2016.
10.02*		

	Form of UDR, Inc. Restricted Stock Award Agreement under the 1999 Long-Term Incentive Plan.	Exhibit 10.2 to UDR, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2016.
10.03*	Form of UDR, Inc. Restricted Stock Award Agreement for awards outside of the 1999 Long-Term Incentive Plan.	Exhibit 99.3 to UDR, Inc.'s Current Report on Form 8 K dated March 19, 2007 and filed with the Commission on March 19, 2007.
10.04*	Form of UDR, Inc. Notice of Performance Contingent Restricted Stock Award.	Exhibit 10.2 to UDR, Inc.'s Current Report on Form 8 K dated May 2, 2006 and filed with the Commission on May 8, 2006.

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Exhibit	Description	Location
10.05*	Description of UDR, Inc. Shareholder Value Plan.	Exhibit 10(x) to UDR, Inc.'s Annual Report on Form 10 K for the year ended December 31, 1999.
10.06*	Description of UDR, Inc. Executive Deferral Plan.	Exhibit 10(xi) to UDR, Inc.'s Annual Report on Form 10 K for the year ended December 31, 1999.
10.07*	Indemnification Agreement by and between UDR, Inc. and each of its directors and officers listed on Schedule A thereto.	Exhibit 10.7 to UDR, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2016.
10.08	Amended and Restated Master Credit Facility Agreement dated as of June 24, 2002 by and between UDR, Inc. and Green Park Financial Limited Partnership, as amended through February 14, 2007.	Exhibit 10.41 to UDR, Inc.'s Annual Report on Form 10 K for the year ended December 31, 2006.
10.09	Limited Liability Company Agreement of UDR Texas Ventures LLC, a Delaware limited liability company, dated as of November 5, 2007.	Exhibit 10.1 to UDR, Inc.'s Current Report on Form 8 K dated November 5, 2007 and filed with the Commission on November 9, 2007.
10.10*	Letter Agreement between UDR, Inc. and Thomas M. Herzog, dated May 12, 2016.	Exhibit 10.1 to UDR, Inc.'s Current Report on Form 8 K dated May 12, 2016 and filed with the Commission on May 18, 2016.
10.11	Subordination Agreement dated as of April 16, 1998, by and between UDR, Inc. and United Dominion Realty, L.P.	Exhibit 10(vi)(a) to UDR, Inc.'s Quarterly Report on Form 10 Q for the quarter ended March 31, 1998.
10.12	Third Amended and Restated Distribution Agreement among UDR, Inc., United Dominion Realty, L.P., as Guarantor, Citigroup Global Markets Inc., Deutsche Bank Securities Inc., J.P. Morgan Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Morgan Stanley & Co. Incorporated and Wells Fargo Securities, LLC, as Agents, dated September 1, 2011, with respect to the issue and sale by UDR, Inc. of its Medium-Term Notes, Series A Due Nine Months or More From Date of Issue.	Exhibit 1.2 to UDR, Inc.'s Current Report on Form 8 K dated and filed with the Commission on September 1, 2011.
10.13		

	Credit Agreement, dated as of October 20, 2015, by and among UDR, Inc., as borrower, and the lenders and agents party thereto.	Exhibit 10.1 to UDR, Inc.'s Current Report on Form 8 K dated October 20, 2015 and filed with the Commission on October 26, 2015.
10.14	Guaranty of United Dominion Realty, L.P., dated as of October 20, 2015, with respect to the Credit Agreement, dated as of October 20, 2015.	Exhibit 10.2 to UDR, Inc.'s Current Report on Form 8 K dated October 20, 2015 and filed with the Commission on October 26, 2015.
10.15	Aircraft Time Sharing Agreement dated as of November 11, 2016, by and between UDR, Inc. and Thomas W. Toomey.	Exhibit 10.16 to UDR, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2016.
10.16	Aircraft Time Sharing Agreement dated as of November 11, 2016, by and between UDR, Inc. and Warren L. Troupe.	Exhibit 10.17 to UDR, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2016.

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Exhibit	Description	Location
10.17	Amendment No. 1, dated July 29, 2014, to the Third Amended and Restated Distribution Agreement among UDR, Inc., United Dominion Realty, L.P., as Guarantor, Citigroup Global Markets Inc., Deutsche Bank Securities Inc., J.P. Morgan Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Morgan Stanley & Co. Incorporated and Wells Fargo Securities, LLC, as Agents, dated September 1, 2011, with respect to the issue and sale by UDR, Inc. of its Medium-Term Notes, Series A Due Nine Months or More From Date of Issue.	Exhibit 1.2 to UDR, Inc.'s Current Report on Form 8 K dated July 29, 2014 and filed with the Commission on July 31, 2014.
10.18	Agreement of Limited Partnership of UDR Lighthouse DownREIT L.P., dated as of October 5, 2015, as amended.	Exhibit 10.21 to UDR, Inc.'s Annual Report on Form 10 K for the year ended December 31, 2015.
10.19*	Class 1 LTIP Unit Award Agreement	Exhibit 10.22 to UDR, Inc.'s Annual Report on Form 10 K for the year ended December 31, 2015.
10.20*	Notice of Class 2 LTIP Unit Award	Exhibit 10.23 to UDR, Inc.'s Annual Report on Form 10 K for the year ended December 31, 2015.
10.21	First Amendment, dated January 20, 2017, to the Credit Agreement, dated as of October 20, 2015, by and among UDR, Inc., as borrower, and the lenders and agents party thereto.	Exhibit 10.24 to UDR, Inc.'s Annual Report on Form 10 K for the year ended December 31, 2016.
10.22	Amendment No. 2, dated April 27, 2017, to the Third Amended and Restated Distribution Agreement, dated September 1, 2011 and as amended July 29, 2014, among the Company and Citigroup Global Markets Inc., J.P. Morgan Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Morgan Stanley & Co. LLC, and Wells Fargo Securities, LLC, as Agents, with respect to the issue and sale by UDR, Inc. of its Medium Term Notes, Series A Due Nine Months or More From Date of Issue.	Exhibit 1.2 to UDR, Inc.'s Current Report on Form 8-K dated April 27, 2017 and filed with the commission on April 27, 2017.
12.1	Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends of UDR, Inc.	Filed herewith.
12.2	Computation of Ratio of Earnings to Fixed Charges of United Dominion Realty, L.P.	Filed herewith.
21	Subsidiaries of UDR, Inc. and United Dominion Realty, L.P.	Filed herewith.
23.1	Consent of Independent Registered Public Accounting Firm for UDR, Inc.	Filed herewith.

23.2	Consent of Independent Registered Public Accounting Firm for United Dominion Realty, L.P.	Filed herewith.

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Exhibit	Description	Location
31.1	Rule 13a 14(a) Certification of the Chief Executive Officer of UDR, Inc.	Filed herewith.
31.2	Rule 13a 14(a) Certification of the Chief Financial Officer of UDR, Inc.	Filed herewith.
31.3	Rule 13a 14(a) Certification of the Chief Executive Officer of United Dominion Realty, L.P.	Filed herewith.
31.4	Rule 13a 14(a) Certification of the Chief Financial Officer of United Dominion Realty, L.P.	Filed herewith.
32.1	Section 1350 Certification of the Chief Executive Officer of UDR, Inc.	Filed herewith.
32.2	Section 1350 Certification of the Chief Financial Officer of UDR, Inc.	Filed herewith.
32.3	Section 1350 Certification of the Chief Executive Officer of United Dominion Realty, L.P.	Filed herewith.
32.4	Section 1350 Certification of the Chief Financial Officer of United Dominion Realty, L.P.	Filed herewith.
99.1	UDR Lighthouse DownREIT L.P. financial statements as required under Rule 3 09 of Regulation S-X.	Filed herewith.
101	XBRL (Extensible Business Reporting Language). The following materials from this Annual Report on Form 10 K for the period ended December 31, 2017, formatted in XBRL: (i) consolidated balance sheets of UDR, Inc., (ii) consolidated statements of operations of UDR, Inc., (iii) consolidated statements of comprehensive income/(loss) of UDR, Inc., (iv) consolidated statements of changes in equity of UDR, Inc., (v) consolidated statements of cash flows of UDR, Inc., (vi) notes to consolidated financial statements of UDR, Inc., (vii) consolidated balance sheets of United Dominion Realty, L.P., (viii) consolidated statements of operations of United Dominion Realty, L.P., (ix) consolidated statements of comprehensive income/(loss) of United Dominion Realty, L.P.; (x) consolidated statements of changes in capital of United Dominion Realty, L.P., (xi) consolidated statements of cash flows of United Dominion Realty, L.P. and (xii) notes to consolidated financial statements of United Dominion Realty, L.P.	

*Management Contract or Compensatory Plan or Arrangement

Item 16. FORM 10 K SUMMARY

None.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

UDR, Inc.

Date: February 20, 2018 By: /s/ Thomas W. Toomey
Thomas W. Toomey
Chairman of the Board, Chief Executive Officer, and President (Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below on February 20, 2018 by the following persons on behalf of the registrant and in the capacities indicated.

/s/ Thomas W. Toomey	/s/ Katherine A. Cattanach
Thomas W. Toomey Chairman of the Board, Chief Executive Officer, and President (Principal Executive Officer)	Katherine A. Cattanach Director
/s/ Joseph D. Fisher	/s/ Mary Ann King
Joseph D. Fisher Senior Vice President and Chief Financial Officer (Principal Financial Officer)	Mary Ann King Director
/s/ Tracy L. Hofmeister	/s/ Robert P. Freeman
Tracy L. Hofmeister Vice President – Chief Accounting Officer (Interim Principal Accounting Officer)	Robert P. Freeman Director
/s/ James D. Klingbeil	/s/ Jon A. Grove
James D. Klingbeil Lead Independent Director	Jon A. Grove Director
/s/ Lynne B. Sagalyn	/s/ Clint D. McDonnough Clint D. McDonnough

Lynne B. Sagalyn
Vice Chair of the Board

Director

/s/ Robert A. McNamara

Robert A. McNamara
Director

/s/ Mark R. Patterson
Mark R. Patterson
Director

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

UNITED DOMINION REALTY, L.P.

By: UDR, Inc., its sole general partner

Date: February 20, 2018 By: /s/ Thomas W. Toomey
Thomas W. Toomey
Chairman of the Board, Chief Executive Officer, and President (Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below on February 20, 2018 by the following persons on behalf of the registrant and in the capacities indicated.

/s/ Thomas W. Toomey	/s/ Katherine A. Cattanach
Thomas W. Toomey Chairman of the Board, Chief Executive Officer, and President of the General Partner (Principal Executive Officer)	Katherine A. Cattanach Director of the General Partner
/s/ Joseph D. Fisher	/s/ Mary Ann King
Joseph D. Fisher Senior Vice President and Chief Financial Officer of the General Partner (Principal Financial Officer)	Mary Ann King Director of the General Partner
/s/ Tracy L. Hofmeister	/s/ Robert P. Freeman
Tracy L. Hofmeister Vice President – Chief Accounting Officer of the General Partner (Interim Principal Accounting Officer)	Robert P. Freeman Director of the General Partner
/s/ James D. Klingbeil	/s/ Jon A. Grove
James D. Klingbeil	Jon A. Grove

Lead Independent Director of the General Partner

/s/ Lynne B. Sagalyn

Lynne B. Sagalyn
Vice Chair of the Board of the General Partner

Director of the General Partner

/s/ Clint D. McDonnough

Clint D. McDonnough
Director of the General Partner

/s/ Robert A. McNamara

Robert A. McNamara
Director of the General Partner

/s/ Mark R. Patterson
Mark R. Patterson
Director of the General Partner

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All other schedules are omitted since the required information is not present or is not present in amounts sufficient to require submission of the schedule, or because the information required is included in the consolidated financial statements and notes thereto.

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of UDR, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of UDR, Inc. (the "Company") as of December 31, 2017 and 2016, and the related consolidated statements of operations, comprehensive income/(loss), changes in equity, and cash flows for each of the three years in the period ended December 31, 2017, and the related notes and financial statement schedule listed in the Index at Item 15(a) (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2017, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 20, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our

audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company’s auditor since at least 1984, but we are unable to determine the specific year.

Denver, Colorado
February 20, 2018

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of UDR, Inc.

Opinion on Internal Control over Financial Reporting

We have audited UDR, Inc.'s internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, UDR, Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2017 and 2016, and the related consolidated statements of operations, comprehensive income/(loss), changes in equity, and cash flows for each of the three years in the period ended December 31, 2017, and the related notes and financial statement schedule listed in the Index at Item 15(a) and our report dated February 20, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the

assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Denver, Colorado
February 20, 2018

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UDR, INC.

CONSOLIDATED BALANCE SHEETS

(In thousands, except share data)

	December 31, 2017	December 31, 2016
ASSETS		
Real estate owned:		
Real estate held for investment	$ 9,584,716	$ 9,271,847
Less: accumulated depreciation	(3,326,312)	(2,923,072)
Real estate held for investment, net	6,258,404	6,348,775
Real estate under development (net of accumulated depreciation of $3,854 and $0, respectively)	588,636	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	6,847,040	6,692,128
Cash and cash equivalents	2,038	2,112
Restricted cash	19,792	19,994
Notes receivable, net	19,469	19,790
Investment in and advances to unconsolidated joint ventures, net	720,830	827,025
Other assets	124,104	118,535
Total assets	$ 7,733,273	$ 7,679,584
LIABILITIES AND EQUITY		
Liabilities:		
Secured debt, net	$ 803,269	$ 1,130,858
Unsecured debt, net	2,868,394	2,270,620
Real estate taxes payable	18,349	17,388
Accrued interest payable	33,432	29,257
Security deposits and prepaid rent	31,916	34,238
Distributions payable	91,455	86,936
Accounts payable, accrued expenses, and other liabilities	102,956	103,835
Total liabilities	3,949,771	3,673,132
Commitments and contingencies (Note 14)		
Redeemable noncontrolling interests in the Operating Partnership and DownREIT Partnership	948,138	909,482
Equity:		
Preferred stock, no par value; 50,000,000 shares authorized:		
8.00% Series E Cumulative Convertible; 2,780,994 and 2,796,903 shares issued and outstanding at December 31, 2017 and December 31, 2016, respectively	46,200	46,457
Series F; 15,852,721 and 16,196,889 shares issued and outstanding at December 31, 2017 and December 31, 2016, respectively	1	1
Common stock, $0.01 par value; 350,000,000 shares authorized:		

267,822,069 and 267,259,469 shares issued and outstanding at December 31, 2017 and December 31, 2016, respectively	2,678	2,673
Additional paid-in capital	4,651,205	4,635,413
Distributions in excess of net income	(1,871,603)	(1,585,825)
Accumulated other comprehensive income/(loss), net	(2,681)	(5,609)
Total stockholders' equity	2,825,800	3,093,110
Noncontrolling interests	9,564	3,860
Total equity	2,835,364	3,096,970
Total liabilities and equity	$ 7,733,273	$ 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)

	Year Ended December 31,		
	2017	2016	2015
REVENUES:			
Rental income	$ 984,309	$ 948,461	$ 871,928
Joint venture management and other fees	11,482	11,400	22,710
Total revenues	995,791	959,861	894,638
OPERATING EXPENSES:			
Property operating and maintenance	164,660	159,947	155,096
Real estate taxes and insurance	121,146	115,429	102,963
Property management	27,068	26,083	23,978
Other operating expenses	9,060	7,649	9,708
Real estate depreciation and amortization	430,054	419,615	374,598
General and administrative	48,566	49,761	59,690
Casualty-related charges/(recoveries), net	4,335	732	2,335
Other depreciation and amortization	6,408	6,023	6,679
Total operating expenses	811,297	785,239	735,047
Operating income	184,494	174,622	159,591
Income/(loss) from unconsolidated entities	31,257	52,234	62,329
Interest expense	(128,711)	(123,031)	(121,875)
Interest income and other income/(expense), net	1,971	1,930	1,551
Income/(loss) before income taxes and gain/(loss) on sale of real estate owned	89,011	105,755	101,596
Tax (provision)/benefit, net	240	3,774	3,886
Income/(loss) from continuing operations	89,251	109,529	105,482
Gain/(loss) on sale of real estate owned, net of tax	43,404	210,851	251,677
Net income/(loss)	132,655	320,380	357,159
Net (income)/loss attributable to redeemable noncontrolling interests in the Operating Partnership and DownREIT Partnership	(10,933)	(27,282)	(16,773)
Net (income)/loss attributable to noncontrolling interests	(164)	(380)	(3)
Net income/(loss) attributable to UDR, Inc.	121,558	292,718	340,383
Distributions to preferred stockholders — Series E (Convertible)	(3,708)	(3,717)	(3,722)
Net income/(loss) attributable to common stockholders	$ 117,850	$ 289,001	$ 336,661
Income/(loss) per weighted average common share:			
Basic	$ 0.44	$ 1.09	$ 1.30
Diluted	$ 0.44	$ 1.08	$ 1.29
Weighted average number of common shares outstanding:			
Basic	267,024	265,386	258,669
Diluted	268,830	267,311	263,752

See accompanying notes to consolidated financial statements.

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UDR, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME/(LOSS)

(In thousands)

	Year Ended December 31,		
	2017	2016	2015
Net income/(loss)	$ 132,655	$ 320,380	$ 357,159
Other comprehensive income/(loss), including portion attributable to noncontrolling interests:			
Other comprehensive income/(loss) - derivative instruments:			
Unrealized holding gain/(loss)	1,802	3,514	(6,393)
(Gain)/loss reclassified into earnings from other comprehensive income/(loss)	1,407	3,657	2,262
Other comprehensive income/(loss), including portion attributable to noncontrolling interests	3,209	7,171	(4,131)
Comprehensive income/(loss)	135,864	327,551	353,028
Comprehensive (income)/loss attributable to noncontrolling interests	(11,378)	(27,764)	(16,468)
Comprehensive income/(loss) attributable to UDR, Inc.	$ 124,486	$ 299,787	$ 336,560

See accompanying notes to consolidated financial statements.

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UDR, INC.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(In thousands, except per share data)

	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, 2014	$ 46,571	$ 2,551	$ 4,223,747	$ (1,528,917)	$ (8,855)	$ 853	$ 2,735,950
Net income/(loss) attributable to UDR, Inc.	—	—	—	340,383	—	—	340,383
Net income/(loss) attributable to noncontrolling interests	—	—	—	—	—	3	3
Other comprehensive income/(loss)	—	—	—	—	(3,823)	—	(3,823)
Issuance/(forfeiture) of common and restricted shares, net	—	3	10,191	—	—	—	10,194
Issuance of common shares through public offering	—	63	209,948	—	—	—	210,011
Conversion of Series E Cumulative Convertible Shares	(114)	—	114	—	—	—	—
Issuance of Series F Preferred Stock	1	—	—	—	—	—	1
Adjustment for conversion of noncontrolling interest of unitholders in the Operating Partnership and DownREIT Partnership	—	1	3,816	—	—	—	3,817
	—	—	—	(289,500)	—	—	(289,500)

Common stock distributions declared ($1.11 per share)							
Preferred stock distributions declared-Series E ($1.3288 per share)	—	—	—	(3,722)	—	—	(3,722)
Adjustment to reflect redemption value of redeemable noncontrolling interests	—	—	—	(102,703)	—	—	(102,703)
Balance at December 31, 2015	46,458	2,618	4,447,816	(1,584,459)	(12,678)	856	2,900,611
Net income/(loss) attributable to UDR, Inc.	—	—	—	292,718	—	—	292,718
Net income/(loss) attributable to noncontrolling interests	—	—	—	—	—	322	322
Disposition of noncontrolling interest of consolidated real estate	—	—	—	—	—	(1,155)	(1,155)
Contribution of noncontrolling interests in consolidated real estate	—	—	—	—	—	102	102
Long Term Incentive Plan Unit grants/(vestings), net	—	—	—	—	—	3,735	3,735
Other comprehensive income/(loss)	—	—	—	—	7,069	—	7,069
Issuance/(forfeiture) of common and restricted shares, net	—	2	4,973	—	—	—	4,975
Issuance of common shares through public offering	—	50	173,161	—	—	—	173,211
Adjustment for conversion of noncontrolling interest of unitholders in the	—	3	9,463	—	—	—	9,466

Operating Partnership and DownREIT Partnership							
Common stock distributions declared ($1.18 per share)	—	—	—	(315,102)	—	—	(315,102)
Preferred stock distributions declared-Series E ($1.3288 per share)	—	—	—	(3,717)	—	—	(3,717)
Adjustment to reflect redemption value of redeemable noncontrolling interests	—	—	—	24,735	—	—	24,735
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.	—	—	—	121,558	—	—	121,558
Net income/(loss) attributable to noncontrolling interests	—	—	—	—	—	147	147
Contribution of noncontrolling interests in consolidated real estate	—	—	—	—	—	125	125
Long Term Incentive Plan Unit grants/(vestings), net	—	—	—	—	—	5,432	5,432
Other comprehensive income/(loss)	—	—	—	—	2,928	—	2,928
Issuance/(forfeiture) of common and restricted shares, net	—	1	437	—	—	—	438
Cumulative effect upon adoption of ASU 2016-09	—	—	558	(558)	—	—	—
Conversion of Series E Cumulative Convertible shares	(257)	—	257	—	—	—	—
Adjustment for conversion of noncontrolling	—	4	14,540	—	—	—	14,544

interest of unitholders in the Operating Partnership and DownREIT Partnership							
Common stock distributions declared ($1.24 per share)	—	—	—	(331,974)	—	—	(331,974)
Preferred stock distributions declared-Series E ($1.3288 per share)	—	—	—	(3,708)	—	—	(3,708)
Adjustment to reflect redemption value of redeemable noncontrolling interests	—	—	—	(71,096)	—	—	(71,096)
Balance at December 31, 2017	$ 46,201	$ 2,678	$ 4,651,205	$ (1,871,603)	$ (2,681)	$ 9,564	$ 2,835,364

See accompanying notes to consolidated financial statements.

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UDR, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands, except for share data)

	Year Ended December 31,		
	2017	2016	2015
Operating Activities			
Net income/(loss)	$ 132,655	$ 320,380	$ 357,159
Adjustments to reconcile net income/(loss) to net cash provided by/(used in) operating activities:			
Depreciation and amortization	436,462	425,638	381,277
(Gain)/loss on sale of real estate owned, net of tax	(43,404)	(210,851)	(251,677)
(Income)/loss from unconsolidated entities	(31,257)	(52,234)	(62,329)
Return on investment in unconsolidated joint ventures	4,416	57,578	27,012
Amortization of share-based compensation	12,862	13,398	18,017
Other	20,467	24,142	3,410
Changes in operating assets and liabilities:			
(Increase)/decrease in operating assets	(8,771)	(29,038)	(4,652)
Increase/(decrease) in operating liabilities	(4,278)	(12,084)	(9,590)
Net cash provided by/(used in) operating activities	519,152	536,929	458,627
Investing Activities			
Acquisition of real estate assets	(96,791)	(163,015)	(244,769)
Proceeds from sales of real estate investments, net	71,235	302,354	387,650
Development of real estate assets	(248,546)	(178,279)	(103,205)
Capital expenditures and other major improvements — real estate assets, net of escrow reimbursement	(124,763)	(91,852)	(113,400)
Capital expenditures — non-real estate assets	(1,384)	(4,439)	(4,049)
Investment in unconsolidated joint ventures	(123,842)	(40,162)	(217,642)
Distributions received from unconsolidated joint ventures	116,329	66,116	32,279
Repayment/(issuance) of notes receivable, net	321	(3,000)	(2,325)
Net cash provided by/(used in) investing activities	(407,441)	(112,277)	(265,461)
Financing Activities			
Payments on secured debt	(326,346)	(375,308)	(193,958)
Proceeds from the issuance of secured debt	—	50,000	127,600
Payments on unsecured debt	(300,000)	(95,053)	(325,540)
Proceeds from the issuance of unsecured debt	898,095	300,000	299,310
Net proceeds/(repayment) of revolving bank debt	417	(128,650)	(2,500)
Proceeds from the issuance of common shares through public offering, net	—	173,211	210,011
Distributions paid to redeemable noncontrolling interests	(31,089)	(29,688)	(10,654)
Distributions paid to preferred stockholders	(3,708)	(3,717)	(3,722)
Distributions paid to common stockholders	(327,793)	(308,923)	(283,168)
Other	(21,361)	(11,154)	(19,027)
Net cash provided by/(used in) financing activities	(111,785)	(429,282)	(201,648)

Net increase/(decrease) in cash and cash equivalents	(74)	(4,630)	(8,482)
Cash and cash equivalents, beginning of year	2,112	6,742	15,224
Cash and cash equivalents, end of year	$ 2,038	$ 2,112	$ 6,742
Supplemental Information:			
Interest paid during the period, net of amounts capitalized	$ 126,348	$ 124,635	$ 130,240
Cash paid/(refunds received) for income taxes	1,660	693	(1,014)
Non-cash transactions:			
Transfer of investment in and advances to unconsolidated joint ventures to real estate owned	$ 140,549	$ 80,583	$ —
Secured debt assumed in the consolidation of unconsolidated joint ventures	—	75,796	—
Fair value adjustment of secured debt assumed in the consolidation of unconsolidated joint ventures	—	4,228	—
Acquisition of communities in exchange for DownREIT units and assumption of debt	—	—	660,832
Acquisition of real estate	—	—	24,067
Fair value adjustment of debt acquired as part of acquisition of real estate	—	—	1,363
Vesting of LTIP Units	2,317	—	—
Development costs and capital expenditures incurred but not yet paid	43,930	46,285	20,375
Conversion of Operating Partnership and DownREIT Partnership noncontrolling interests to common stock (389,033 shares in 2017; 260,292 shares in 2016; and 112,174 shares in 2015)	14,544	9,466	3,817
Dividends declared but not yet paid	91,455	86,936	80,368

See accompanying notes to consolidated financial statements.

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UDR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017

1. CONSOLIDATION AND BASIS OF PRESENTATION

Organization and Formation

UDR, Inc. ("UDR," the "Company," "we," or "our") is a self-administered real estate investment trust, or REIT, that owns, operates, acquires, renovates, develops, redevelops, and manages apartment communities generally in high barrier-to-entry markets located in the United States. The high barrier-to-entry markets are characterized by limited land for new construction, difficult and lengthy entitlement process, expensive single-family home prices and significant employment growth potential. At December 31, 2017, our consolidated apartment portfolio consisted of 127 consolidated communities located in 19 markets consisting of 39,998 apartment homes. In addition, the Company has an ownership interest in 7,286 apartment homes through unconsolidated joint ventures.

Basis of Presentation

The accompanying consolidated financial statements of UDR include its wholly-owned and/or controlled subsidiaries (see the "Consolidated Joint Ventures" section of Note 5, Joint Ventures and Partnerships, for further discussion). All significant intercompany accounts and transactions have been eliminated in consolidation. Certain previously reported amounts have been reclassified to conform to the current financial statement presentation.

The accompanying consolidated financial statements include the accounts of UDR and its subsidiaries, including United Dominion Realty, L.P. (the "Operating Partnership" or the "OP") and UDR Lighthouse DownREIT L.P. (the "DownREIT Partnership"). As of December 31, 2017 and 2016, there were 183,350,924 and 183,278,698 units, respectively, in the Operating Partnership ("OP Units") outstanding, of which 174,237,688, or 95.0% and 174,230,084, or 95.1%, respectively, were owned by UDR and 9,113,236, or 5.0% and 9,048,614, or 4.9%, respectively, were owned by outside limited partners. As of December 31, 2017 and 2016, there were 32,367,380 units in the DownREIT Partnership ("DownREIT Units") outstanding, of which 16,866,443, or 52.1% and 16,485,014, or 50.9%, respectively, were owned by UDR (of which, 13,470,651, or 41.6%, were held by the Operating Partnership for both periods) and 15,500,937, or 47.9% and 15,882,366, or 49.1%, respectively, were owned by outside limited partners. The consolidated financial statements of UDR include the noncontrolling interests of the unitholders in the Operating Partnership and DownREIT Partnership.

The Company evaluated subsequent events through the date its financial statements were issued. No significant recognized or non-recognized subsequent events were noted other than those in Note 3, Real Estate Owned and Note 6, Secured and Unsecured Debt, Net.

2. SIGNIFICANT ACCOUNTING POLICIES

Recent Accounting Pronouncements

In August 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2017-12, Derivatives and Hedging, Targeted Improvements to Accounting for Hedging Activities. The ASU aims to better align a company's financial reporting for hedging activities with the economic objectives of those activities. The updated standard will be effective for the Company on January 1, 2019 and must be applied using a modified

retrospective approach; however, early adoption of the ASU is permitted. The Company expects to early adopt the guidance on January 1, 2018, but does not expect the updated standard to have a material impact on the consolidated financial statements. Related disclosures will be updated pursuant to the requirements of the ASU.

In January 2017, the FASB issued ASU 2017 01, Business Combinations (Topic 805), Clarifying the Definition of a Business. The ASU changes the definition of a business to assist entities with evaluating whether a set of transferred assets is a business. As a result, the accounting for acquisitions of real estate could be impacted. The updated standard will be effective for the Company on January 1, 2018. The ASU will be applied prospectively to any transactions occurring after adoption. The Company expects that the updated standard will result in fewer acquisitions of real estate meeting the definition of a business and fewer acquisition-related costs being expensed in the period incurred.

In November 2016, the FASB issued ASU 2016 18, Statement of Cash Flows (Topic 230), Restricted Cash. The ASU addresses the presentation of restricted cash and restricted cash equivalents in the statement of cash flows. The

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updated standard will be effective for the Company on January 1, 2018 and must be applied retrospectively to all periods presented. The Company does not expect the updated standard to have a material impact on the consolidated financial statements. Related disclosures will be updated pursuant to the requirements of the ASU.

In June 2016, the FASB issued ASU 2016 13, Financial Instruments-Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments. The standard requires entities to estimate a lifetime expected credit loss for most financial assets, including trade and other receivables, held-to-maturity debt securities, loans and other financial instruments, and to present the net amount of the financial instrument expected to be collected. The updated standard will be effective for the Company on January 1, 2020; however, early adoption of the ASU is permitted on January 1, 2019. The Company is currently evaluating the effect that the updated standard will have on the consolidated financial statements and related disclosures.

In March 2016, the FASB issued ASU 2016 09, Compensation-Stock Compensation (Topic 718), Improvements to Employee Share-Based Payment Accounting. The ASU aims to simplify the accounting for share-based payments by amending the accounting for forfeitures, statutory tax withholding requirements, classification in the statements of cash flow and income taxes. The updated standard was effective for the Company on January 1, 2017, at which time the Company prospectively began accounting for forfeitures as incurred and began applying the updated rules for statutory withholdings. As a result of adopting the ASU, the Company recorded a one-time adjustment for existing estimated forfeitures of $0.6 million as of January 1, 2017 to Distributions in Excess of Net Income on January 1, 2017.

In February 2016, the FASB issued ASU No. 2016 02, Leases. The standard amends the existing lease accounting guidance and requires lessees to recognize a lease liability and a right-of-use asset for all leases (except for short-term leases that have a duration of one year or less) on their balance sheets. Lessees will continue to recognize lease expense in a manner similar to current accounting. For lessors, accounting for leases under the new guidance is substantially the same as in prior periods, but eliminates current real estate-specific provisions and changes the treatment of initial direct costs. Entities are required to use a modified retrospective approach for leases that exist or are entered into after the beginning of the earliest comparable period presented, with an option to elect certain transition relief. Full retrospective application is prohibited. The standard will be effective for the Company on January 1, 2019; however, early adoption of the ASU is permitted. While the Company is currently evaluating the effect that the updated standard will have on our consolidated financial statements and related disclosures, we expect to adopt the guidance on its effective date, at which time we anticipate recognizing right-of-use assets and related lease liabilities on our consolidated balance sheets related to ground leases for any communities where we are the lessee.

In January 2016, the FASB issued ASU No. 2016 01, Financial Instruments – Overall (Subtopic 825-10), Recognition and Measurement of Financial Assets and Financial Liabilities. The updated standard requires certain equity securities to be measured at fair value on the balance sheet, with changes in fair value recognized in net income. The standard will be effective for the Company on January 1, 2018. The Company holds one investment in equity securities subject to the updated guidance. As the investment does not have a readily determinable fair value, the Company will elect the measurement alternative under which the investment will be measured at cost, less any impairment, plus or minus changes resulting from observable price changes for an identical or similar investment of the same issuer. However, the Company does not expect the updated standard to have a material impact on the consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014 09, Revenue from Contracts with Customers. The standard provides companies with a single model for use in accounting for revenue arising from contracts with customers and will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective, including industry-specific revenue guidance. The standard specifically excludes lease contracts. The ASU allows for the use of either the full or modified retrospective transition method and will be effective for the Company on January 1, 2018, at which time the Company expects to adopt the updated standard using the modified retrospective approach. However, as the majority of the Company's revenue is from rental income related to leases, the ASU will not have a material impact on the consolidated financial statements. Related disclosures will be provided and/or updated pursuant to the requirements of the ASU.

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Real Estate

Real estate assets held for investment are carried at historical cost and consist of land, buildings and improvements, furniture, fixtures and equipment and other costs incurred during their development, acquisition and redevelopment.

Expenditures for ordinary repair and maintenance costs are charged to expense as incurred. Expenditures for improvements, renovations, and replacements related to the acquisition and/or improvement of real estate assets are capitalized and depreciated over their estimated useful lives if the expenditures qualify as a betterment or the life of the related asset will be substantially extended beyond the original life expectancy.

UDR purchases real estate investment properties and records the tangible and identifiable intangible assets and liabilities acquired based on their estimated fair value. The primary, although not only, identifiable intangible asset associated with our portfolio is the value of existing lease agreements. When recording the acquisition of a community, we first assign fair value to the estimated intangible value of the existing lease agreements and then to the estimated value of the land, building and fixtures assuming the community is vacant. The Company estimates the intangible value of the lease agreements by determining the lost revenue associated with a hypothetical lease-up. Depreciation on the building is based on the expected useful life of the asset and the in-place leases are amortized over their remaining average contractual life. Property acquisition costs are expensed as incurred.

Quarterly or when changes in circumstances warrant, UDR will assess our real estate properties for indicators of impairment. In determining whether the Company has indicators of impairment in our real estate assets, we assess whether the long-lived asset's carrying value exceeds the community's undiscounted future cash flows, which is representative of projected net operating income ("NOI") plus the residual value of the community. Our future cash flow estimates are based upon historical results adjusted to reflect our best estimate of future market and operating conditions and our estimated holding periods. If such indicators of impairment are present and the carrying value exceeds the undiscounted cash flows of the community, an impairment loss is recognized equal to the excess of the carrying amount of the asset over its estimated fair value. Our estimates of fair market value represent our best estimate based primarily upon unobservable inputs related to rental rates, operating costs, growth rates, discount rates, capitalization rates, industry trends and reference to market rates and transactions.

For long-lived assets to be disposed of, impairment losses are recognized when the fair value of the asset less estimated cost to sell is less than the carrying value of the asset. Properties classified as real estate held for disposition generally represent properties that are actively marketed or contracted for sale with the closing expected to occur within the next twelve months. Real estate held for disposition is carried at the lower of cost, net of accumulated depreciation, or fair value, less the cost to sell, determined on an asset-by-asset basis. Expenditures for ordinary repair and maintenance costs on held for disposition properties are charged to expense as incurred. Expenditures for improvements, renovations, and replacements related to held for disposition properties are capitalized at cost. Depreciation is not recorded on real estate held for disposition.

Depreciation is computed on a straight-line basis over the estimated useful lives of the related assets which are 35 to 55 years for buildings, 10 to 35 years for major improvements, and 3 to 10 years for furniture, fixtures, equipment, and other assets.

Predevelopment, development, and redevelopment projects and related costs are capitalized and reported on the Consolidated Balance Sheets as Total real estate owned, net of accumulated depreciation. The Company capitalizes costs directly related to the predevelopment, development, and redevelopment of a capital project, which include, but are not limited to, interest, real estate taxes, insurance, and allocated development and redevelopment overhead related to support costs for personnel working on the capital projects. We use our professional judgment in determining whether such costs meet the criteria for capitalization or must be expensed as incurred. These costs are capitalized only during the period in which activities necessary to ready an asset for its intended use are in progress and such costs are incremental and identifiable to a specific activity to get the asset ready for its intended use. These costs, excluding the direct costs of development and redevelopment and capitalized interest, for the years ended December 31, 2017, 2016, and 2015 were $8.8 million, $7.9 million and $6.3 million, respectively. During the years ended December 31, 2017, 2016, and 2015, total interest capitalized was $18.6 million, $16.5 million, and $16.1 million, respectively. As each

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

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, demand deposits with financial institutions and short-term, highly liquid investments. We consider all highly liquid investments with maturities of three months or less when purchased to be cash equivalents. The majority of the Company's cash and cash equivalents are held at major commercial banks.

Restricted Cash

Restricted cash consists of escrow deposits held by lenders for real estate taxes, insurance and replacement reserves, and security deposits.

Revenue and Real Estate Sales Gain Recognition

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

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

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

Notes Receivable

The following table summarizes our notes receivable, net as of December 31, 2017 and 2016 (dollars in thousands):

	Interest rate at	Balance Outstanding

	December 31, 2017		December 31, 2017	December 31, 2016
Note due February 2020 (a)	10.00	%	$ 13,669	$ 12,994
Note due July 2017 (b)	—	%	—	2,500
Note due October 2020 (c)	8.00	%	2,000	1,296
Note due August 2022 (d)	10.00	%	3,800	3,000
Total notes receivable, net			$ 19,469	$ 19,790

(a) The Company has a secured note receivable with an unaffiliated third party with an aggregate commitment of $16.4 million. During the year ended December 31, 2017, the Company loaned $0.7 million. Interest payments are due monthly. The note matures at the earliest of the following: (a) the closing of any private or public capital raising in the amount of $5.0 million or greater; (b) an acquisition; (c) acceleration in the event of default; or (d) the eighth anniversary of the date of the note (February 2020).

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(b) At December 31, 2016, the Company had a secured note receivable with an unaffiliated third party with an aggregate commitment of $2.5 million. The outstanding balance was paid in full during the year ended December 31, 2017.
(c) The Company has a secured note receivable with an unaffiliated third party with an aggregate commitment of $2.0 million, of which $2.0 million had been funded. During the year ended December 31, 2017, the Company loaned $0.7 million. Interest payments are due when the loan matures. The note matures at the earliest of the following: (a) the closing of any private or public capital raising in the amount of $10.0 million or greater; (b) an acquisition; (c) acceleration in the event of default; or (d) the fifth anniversary of the date of the note (October 2020).
(d) The Company has a secured note receivable with an unaffiliated third party with an aggregate commitment of $10.0 million, of which $3.8 million has been funded. During the year ended December 31, 2017, the Company loaned $0.8 million. Interest payments are due monthly. The note matures at the earliest of the following: (a) the closing of any private or public capital raising in the amount of $25.0 million or greater; (b) an acquisition; (c) acceleration in the event of default; or (d) August 2022.
In September 2017, the terms of this secured note receivable were amended to reduce the aggregate commitment from $15.0 million to $10.0 million and to extend the maturity date of the note from the fifth anniversary of the note (April 2021) to August 2022.

During the years ended December 31, 2017, 2016, and 2015, the Company recognized $1.8 million, $1.8 million and $1.5 million, respectively, of interest income from notes receivable, none of which was related party interest income. Interest income is included in Interest income and other income/(expense), net on the Consolidated Statements of Operations.

Investment in Joint Ventures and Partnerships

We use the equity method to account for investments in joint ventures and partnerships that qualify as variable interest entities where we are not the primary beneficiary and other entities that we do not control or where we do not own a majority of the economic interest but have the ability to exercise significant influence over the operating and financial policies of the investee. Throughout these financial statements we use the term “joint venture” or “partnership” when referring to investments in entities in which we do not have a 100% ownership interest. The Company also uses the equity method when we function as the managing partner and our venture partner has substantive participating rights or where we can be replaced by our venture partner as managing partner without cause. For a joint venture or partnership accounted for under the equity method, our share of net earnings or losses is reflected as income/loss when earned/incurred and distributions are credited against our investment in the joint venture or partnership as received.

In determining whether a joint venture or partnership is a variable interest entity, the Company considers: the form of our ownership interest and legal structure; the size of our investment; the financing structure of the entity, including necessity of subordinated debt; estimates of future cash flows; ours and our partner’s ability to participate in the decision making related to acquisitions, disposition, budgeting and financing of the entity; obligation to absorb losses and preferential returns; nature of our partner’s primary operations; and the degree, if any, of disproportionality between the economic and voting interests of the entity. As of December 31, 2017, the Company did not determine any of our joint ventures or partnerships to be variable interest entities.

We evaluate our investments in unconsolidated joint ventures for events or changes in circumstances that indicate there may be an other-than-temporary decline in value. We consider various factors to determine if a decrease in the value of the investment is other-than-temporary. These factors include, but are not limited to, age of the venture, our intent and ability to retain our investment in the entity, the financial condition and long-term prospects of the entity, the fair value of the property of the joint venture, and the relationships with the other joint venture partners and its lenders. The amount of loss recognized is the excess of the investment's carrying amount over its estimated fair value. If we believe that the decline in fair value is temporary, no impairment is recorded. The aforementioned factors are taken into consideration as a whole by management in determining the valuation of our equity method investments. Should the actual results differ from management's judgment, the valuation could be negatively affected and may result in a negative impact to our Consolidated Financial Statements.

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Derivative Financial Instruments

The Company utilizes derivative financial instruments to manage interest rate risk and generally designates these financial instruments as cash flow hedges. Derivative financial instruments are recorded on our Consolidated Balance Sheets as either an asset or liability and measured quarterly at their fair value. The changes in fair value for cash flow hedges that are deemed effective are reflected in other comprehensive income/(loss) and for non-designated derivative financial instruments in earnings. The ineffective component of cash flow hedges, if any, is recorded in earnings.

Redeemable Noncontrolling Interests in the Operating Partnership and DownREIT Partnership

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

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

Income Taxes

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

Income taxes for our TRS are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities from a change in tax rate is recognized in earnings in the period of the enactment date. The Company’s deferred tax assets are generally the result of differing depreciable lives on capitalized assets and timing of expense recognition for certain accrued liabilities. As of

December 31, 2017 and 2016, UDR's net deferred tax asset was $0.1 million and $0.6 million, respectively.

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

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

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UDR had no material unrecognized tax benefit, accrued interest or penalties at December 31, 2017. UDR and its subsidiaries are subject to federal income tax as well as income tax of various state and local jurisdictions. The tax years 2014 through 2016 remain open to examination by tax jurisdictions to which we are subject. When applicable, UDR recognizes interest and/or penalties related to uncertain tax positions in Tax (provision)/benefit, net on the Consolidated Statements of Operations.

On December 22, 2017, the Tax Cuts and Jobs Act (the “Act”) was enacted, reducing the U.S. federal corporate income tax rate from 35% to 21%, among other changes. The SEC staff issued Staff Accounting Bulletin 118, which provides guidance on accounting for the tax effects of the Act for which the accounting under ASC 740, Income Taxes (“ASC 740”) is incomplete. To the extent that a company's accounting for certain income tax effects of the Act is incomplete but it is able to determine a reasonable estimate, it must record a provisional estimate in the financial statements. If a company cannot determine a provisional estimate to be included in the financial statements, it should continue to apply ASC 740 on the basis of the provisions of the tax laws that were in effect immediately before enactment of the Act.

As of December 31, 2017, we have completed our accounting for the tax effects of the Act, under which we recognized a one-time tax benefit of $1.1 million related to the recording of previously reserved receivables for REIT AMT credits that became refundable under the Act.

Principles of Consolidation

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

Discontinued Operations

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

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

Stock-Based Employee Compensation Plans

The Company measures the cost of employee services received in exchange for an award of an equity instrument based on the award's fair value on the grant date and recognizes the cost over the period during which the employee is required to provide service in exchange for the award, which is generally the vesting period. The fair value for stock options issued by the Company is calculated utilizing the Black-Scholes-Merton formula. For performance based awards, the Company remeasures the fair value each balance sheet date with adjustments made on a cumulative basis until the award is settled and the final compensation is known. The fair value for market based awards issued by the Company is calculated utilizing a Monte Carlo simulation. For further discussion, see Note 9, Employee Benefit Plans.

Advertising Costs

All advertising costs are expensed as incurred and reported on the Consolidated Statements of Operations within the line item Property operating and maintenance. During the years ended December 31, 2017, 2016, and 2015, total advertising expense was $6.2 million, $6.4 million, and $6.4 million, respectively.

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Cost of Raising Capital

Costs incurred in connection with the issuance of equity securities are deducted from stockholders' equity. Costs incurred in connection with the issuance or renewal of debt are recorded based on the terms of the debt issuance or renewal. Accordingly, if the terms of the renewed or modified debt instrument are deemed to be substantially different (i.e. a 10 percent or greater difference in the cash flows between instruments), all unamortized financing costs associated with the extinguished debt are charged to earnings in the current period and certain costs of new debt issuances are capitalized and amortized over the term of the debt. When the cash flows are not substantially different, the lender costs associated with the renewal or modification are capitalized and amortized into interest expense over the remaining term of the related debt instrument and other related costs are expensed. The balance of any unamortized financing costs associated with retired debt is expensed upon retirement. Deferred financing costs for new debt instruments include fees and costs incurred by the Company to obtain financing. Deferred financing costs are generally amortized on a straight-line basis, which approximates the effective interest method, over a period not to exceed the term of the related debt.

Comprehensive Income/(Loss)

Comprehensive income/(loss), which is defined as the change in equity during each period from transactions and other events and circumstances from nonowner sources, including all changes in equity during a period except for those resulting from investments by or distributions to stockholders, is displayed in the accompanying Consolidated Statements of Comprehensive Income/(Loss). For the years ended December 31, 2017, 2016, and 2015, the Company's other comprehensive income/(loss) consisted of the gain/(loss) (effective portion) on derivative instruments that are designated as and qualify as cash flow hedges, (gain)/loss on derivative instruments reclassified from other comprehensive income/(loss) into earnings, and the allocation of other comprehensive income/(loss) to noncontrolling interests. The (gain)/loss on derivative instruments reclassified from other comprehensive income/(loss) is included in Interest expense on the Consolidated Statements of Operations. See Note 13, Derivatives and Hedging Activity, for further discussion. The allocation of other comprehensive income/(loss) to redeemable noncontrolling interests during the years ended December 31, 2017, 2016, and 2015 was $0.3 million, $0.1 million, and $(0.3) million, respectively.

Use of Estimates

The preparation of these financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the dates of the financial statements and the amounts of revenues and expenses during the reporting periods. Actual amounts realized or paid could differ from those estimates.

Market Concentration Risk

The Company is subject to increased exposure from economic and other competitive factors specific to markets where the Company holds a significant percentage of the carrying value of its real estate portfolio. At December 31, 2017, the Company held greater than 10% of the carrying value of its real estate portfolio in each of the Orange County, California; Metropolitan D.C. and New York, New York markets.

3. REAL ESTATE OWNED

Real estate assets owned by the Company consist of income producing operating properties, properties under development, land held for future development, and held for disposition properties. As of December 31, 2017, the Company owned and consolidated 127 communities in 11 states plus the District of Columbia totaling 39,998 apartment

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homes. The following table summarizes the carrying amounts for our real estate owned (at cost) as of December 31, 2017 and 2016 (dollars in thousands):

	December 31, 2017	December 31, 2016
Land	$ 1,780,229	$ 1,801,576
Depreciable property — held and used:		
Land improvements	189,919	178,701
Building, improvements, and furniture, fixtures and equipment	7,614,568	7,291,570
Under development:		
Land and land improvements	109,468	111,028
Building, improvements, and furniture, fixtures and equipment	483,022	231,254
Real estate held for disposition:		
Land and land improvements	—	1,104
Building, improvements, and furniture, fixtures and equipment	—	520
Real estate owned	10,177,206	9,615,753
Accumulated depreciation	(3,330,166)	(2,923,625)
Real estate owned, net	$ 6,847,040	$ 6,692,128

Acquisitions

In October 2017, the Company acquired an operating community located in Denver, Colorado with a total of 218 apartment homes and 17,000 square feet of retail space for a purchase price of approximately $141.5 million. The Company consolidated the operating community and accounted for the consolidation as a business combination. As a result of the consolidation, the Company increased its real estate owned by approximately $139.0 million, recorded approximately $2.5 million of in-place lease intangibles and recorded a gain on consolidation of approximately $14.8 million, which is included in Income/(loss) from unconsolidated entities on the Consolidated Statements of Operations. The acquisition will be fully or partially funded with tax-deferred like-kind exchanges under Section 1031 of the Internal Revenue Code of 1986 (“Section 1031 exchanges”). Prior to acquiring the community, the Company had provided $93.5 million as a participating loan investment to the third-party developer and was entitled to receive, in addition to repayment of principal and interest, contingent interest equal to 50% of the sum of the amount the property was sold for less construction and closing costs, which equaled approximately $14.9 million. The Company had previously accounted for its participating loan investment as an unconsolidated joint venture (see Note 5, Joint Ventures and Partnerships).

In January 2017, the Company exercised its fixed-price option to purchase its joint venture partner’s ownership interest in a 244 home operating community in Seattle, Washington, thereby increasing its ownership interest from 49% to 100%, for a cash purchase price of approximately $66.0 million. As a result, the Company consolidated the operating community. The Company had previously accounted for its 49% ownership interest as a preferred equity investment in an unconsolidated joint venture (see Note 5, Joint Ventures and Partnerships). As a result of the consolidation, the Company increased its real estate owned by approximately $97.0 million, recorded approximately $1.7 million of

in-place lease intangibles and recorded a gain on consolidation of $12.2 million, which is included in Income/(loss) from unconsolidated entities on the Consolidated Statements of Operations.

In November 2016, the Company acquired an operating community in Redmond, Washington with 177 apartment homes for approximately $70.5 million, which was funded with Section 1031 exchanges.

In October 2016, the Company increased its ownership from 50% to 100% in two operating communities located in Bellevue, Washington with a total of 331 apartment homes for approximately $70.3 million in cash, which was funded with tax-deferred Section 1031 exchanges and the assumption of an incremental $37.9 million of secured debt with a weighted average interest rate of 3.67%. As a result, the Company consolidated the operating communities. The Company had previously accounted for its 50% ownership interest as an unconsolidated joint venture. The Company accounted for the acquisition as a business combination resulting in a gain on consolidation of approximately $36.4 million. As a result of the consolidation, the Company increased its real estate owned by $215.0 million and secured debt by $80.0 million.

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In August 2016, the Company increased its ownership interest from 5% to 100% in a parcel of land in Dublin, California for a purchase price of approximately $8.5 million. As a result, the Company consolidated the parcel of land. UDR had previously accounted for its 5% interest in the parcel of land as an unconsolidated joint venture. The Company accounted for the consolidation as an asset acquisition resulting in no gain or loss upon consolidation and increased our real estate owned by $8.9 million.

In June 2016, the Company increased its ownership interest from 50% to 100% in a parcel of land in Los Angeles, California for a purchase price of approximately $20.1 million. As a result, the Company consolidated the parcel of land. UDR had previously accounted for its 50% interest in the parcel of land as an unconsolidated joint venture. The Company accounted for the consolidation as an asset acquisition resulting in no gain or loss upon consolidation and increased our real estate owned by $31.1 million. Subsequent to the acquisition, the Company entered into a triple-net operating ground lease for the parcel of land at market terms with a third-party developer. The lessee plans to construct a multi-family community on the parcel of land. The ground lease provides the ground lessee with options to buy the fee interest in the parcel of land. The lease term is 49 years plus two 25 year extension options, does not transfer ownership to the lessee, and does not include a bargain purchase option.

The Company incurred $0.4 million, $0.2 million and $2.1 million of acquisition-related costs during the years ended December 31, 2017, 2016, and 2015, respectively. These expenses are reported within the line item General and administrative on the Consolidated Statements of Operations.

Dispositions

In December 2017, the Company sold two operating communities with a total of 218 apartment homes in Orange County, California and Carlsbad, California for gross proceeds of $69.0 million, resulting in net proceeds of $68.0 million and a gain of $41.3 million.

In February 2017, the Company sold a parcel of land in Richmond, Virginia for gross proceeds of $3.5 million, resulting in net proceeds of $3.3 million and a gain of $2.1 million.

In November 2016, the Company sold seven operating communities with a total 1,402 apartment homes in Baltimore, Maryland and an operating community with 380 apartment homes in Dallas, Texas for gross proceeds of $284.6 million, resulting in net proceeds of $280.5 million and a gain, net of tax, of $200.5 million. A portion of the proceeds was designated for tax-deferred Section 1031 exchanges that was used for certain 2016 acquisitions.

In May 2016, the Company sold a retail center in Bellevue, Washington for gross proceeds of $45.4 million, resulting in net proceeds of $44.1 million and a gain, net of tax, of $7.3 million. A portion of the proceeds was designated for tax-deferred Section 1031 exchanges.

In March 2016, the Company sold its 95% ownership interest in two parcels of land in Santa Monica, California for gross proceeds of $24.0 million, resulting in net proceeds of $22.0 million and a gain, net of tax, of $3.1 million.

In February 2018, the Company sold an operating community in Orange County, California with a total of 264 apartment homes for gross proceeds of $90.5 million and an expected GAAP gain of $70.3 million. The proceeds

were designated for a tax-deferred Section 1031 exchange.

Other Activity

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

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

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4. VARIABLE INTEREST ENTITIES

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

See the consolidated financial statements of the Operating Partnership presented within this Report and Note 4, Unconsolidated Entities, to the Operating Partnership's consolidated financial statements for the results of operations of the DownREIT Partnership.

5. JOINT VENTURES AND PARTNERSHIPS

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

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

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

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The following table summarizes the Company's investment in and advances to unconsolidated joint ventures and partnerships, net, which are accounted for under the equity method of accounting as of December 31, 2017 and 2016 (dollars in thousands):

Joint Venture	Location of Properties	Number of Properties December 31, 2017		Number of Apartment Homes December 31, 2017	Investment at December 31, 2017	Investment at December 31, 2016	UDR's Ownership Interest December 31, 2017		UDR's Ownership Interest Dece 2016
Operating and development:									
UDR/MetLife I	Los Angeles, CA	1	development community (a)	150	$ 34,653	$ 25,209	50.0	%	50.0
UDR/MetLife II (b)	Various	18	operating communities	4,059	303,702	311,282	50.0	%	50.0
Other UDR/MetLife	Various	4	operating communities;	1,437	135,563	160,979	50.6	%	50.6
Development Joint Ventures		1	development community (a)						
UDR/MetLife Vitruvian Park®	Addison, TX	3	operating communities;	1,513	78,404	72,414	50.0	%	50.0
		1	development community (a);						
		5	land parcels						
UDR/KFH	Washington, D.C.	3	operating communities	660	8,958	12,835	30.0	%	30.0
Investment in and advances to unconsolidated joint ventures, net, before participating loan investment, preferred equity investments and other investments					$ 561,280	$ 582,719			

Developer Capital	Location	Rate	Years To Maturity	UDR Commitment	Investment at December 31, 2017	Investment at December 31, 2016	Income from investments Year Ended December 31, 2017	2016	2015

Program (c)									
Participating loan investment:									
Steele Creek (d)	Denver, CO	— %	—	$ —	$ —	$ 94,003	$ 19,523	$ 6,213	$ 5,45
Preferred equity investments:									
West Coast Development Joint Ventures (e)	Various	6.5 %	N/A	—	102,142	150,303	23,557	4,561	3,69
1532 Harrison (f)	San Francisco, CA	11.0 %	4.5	24,645	11,346	—	511	—	—
1200 Broadway (g)	Nashville, TN	8.0 %	4.8	55,558	18,011	—	370	—	—
Other investments:									
The Portals (h)	Washington, D.C.	11.0 %	3.4	38,559	26,535	—	839	—	—
Other investment ventures	N/A	N/A	N/A	$ 15,000	1,516	—	$ (30)	$ —	$ —
Total Developer Capital Program					159,550	244,306			
Total investment in and advances to unconsolidated joint ventures, net					$ 720,830	$ 827,025			

(a) The number of apartment homes for the communities under development presented in the table above is based on the projected number of total homes upon completion of development. As of December 31, 2017, 190 apartment homes had been completed in Other UDR/MetLife Development Joint Ventures and no apartment homes had been completed in UDR/MetLife I or in UDR/MetLife Vitruvian Park®.

(b) In September 2015, the 717 Olympic community, which is owned by the UDR/MetLife II joint venture, experienced extensive water damage due to a ruptured water pipe. For the years ended December 31, 2017, 2016, and 2015, the Company recorded casualty-related charges/(recoveries) of $(0.9) million, $(3.8) million, and $2.5 million, respectively, representing its proportionate share of the total charges/(recoveries) recognized.

(c) The Developer Capital Program is a program through which the Company makes investments, including preferred equity investments, mezzanine loans or other structured investments, that may receive a fixed yield on the investment and that may include provisions pursuant to which the Company participates in the increase in value of the property upon monetization of the applicable property and/or holds fixed price purchase options.

(d) In October 2017, the Company acquired the Steele Creek community for a purchase price of approximately $141.5 million (see Note 3, Real Estate Owned).

(e) In May 2015, the Company entered into a joint venture agreement with an unaffiliated joint venture partner and agreed to pay $136.3 million for a 48% ownership interest in a portfolio of five communities that were under construction. The communities are located in three of the Company's core, coastal markets: Seattle, Washington, Los Angeles and Orange County, California. UDR earns a 6.5% preferred return on its investment through each

individual community's date of stabilization, defined as when a community reaches 80% occupancy for 90 consecutive days, while the joint venture partner is allocated all operating income and expense during the pre-stabilization period. Upon stabilization, income and expense are shared based on each partner's ownership percentage and the Company no longer receives a 6.5% preferred return on its investment in the stabilized community. The Company serves as property manager and earns a management fee during the lease-up phase and subsequent operation of each of the communities. The unaffiliated joint venture partner is the general partner of the joint venture and the developer of the communities.

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At inception of the agreement, the Company had a fixed-price option to acquire the remaining interest in each community beginning one year after completion. If the options are exercised for all five communities, the Company's total purchase price will be $597.4 million. In the event the Company does not exercise its options to purchase at least two communities, the unaffiliated joint venture partner will be entitled to earn a contingent disposition fee equal to a 6.5% return on its implied equity in the communities not acquired. The unaffiliated joint venture partner is providing certain guaranties and at the inception of the agreement there are construction loans on all five communities.

In January 2017, the Company exercised its fixed-price option to purchase the joint venture partner's ownership interest in one of the five communities, a 244 home operating community in Seattle, Washington, thereby increasing its ownership interest from 49% to 100%, for a cash purchase price of approximately $66.0 million. As a result, the Company consolidated the operating community and it is no longer accounted for as a preferred equity investment in an unconsolidated joint venture (see Note 3, Real Estate Owned). As a result of the consolidation, the Company recorded a gain on consolidation of $12.2 million, which is included in Income/(loss) from unconsolidated entities on the Consolidated Statements of Operations. In connection with the purchase, the construction loan on the community was paid in full.

In August 2017, the joint venture sold one of the four remaining communities, a 211 home operating community in Seattle, Washington for a sales price of approximately $101.3 million. As a result, the Company recorded a gain on the sale of approximately $2.1 million, which is included in Income/(loss) from unconsolidated entities on the Consolidated Statements of Operations.

In November 2017, the joint venture sold one of the three remaining communities, a 399 home operating community in Anaheim, California for a sales price of approximately $148.0 million. As a result, the Company recorded a gain on the sale of approximately $5.5 million, which is included in Income/(loss) from unconsolidated entities on the Consolidated Statements of Operations.

As of December 31, 2017, construction was completed on one of the two remaining communities. The completed community has achieved stabilization and the Company receives income and expenses based on its ownership percentage. The other community is still under construction and the Company continues to receive a 6.5% preferred return on its investment in that community.

In March 2017 and May 2017, the Company entered into two additional joint venture agreements with the unaffiliated joint venture partner and agreed to pay $15.5 million for a 49% ownership interest in a 155 home community that is currently under construction in Seattle, Washington and $16.1 million for a 49% ownership interest in a 276 home community that is currently under construction in Hillsboro, Oregon (together with the May 2015 joint venture described above, the "West Coast Development Joint Ventures"). Consistent with the terms of the May 2015 joint venture agreement, UDR earns a 6.5% preferred return on its investments through the communities' date of stabilization, as defined above, while our joint venture partner is allocated all operating income and expense during the pre-stabilization period. Upon stabilization of the communities, income and expense will be shared based on each partner's ownership percentage and the Company will no longer receive a 6.5% preferred return on its investment. The Company will serve as property manager and will earn a management fee during the lease-up phase and subsequent operation of the stabilized communities. The unaffiliated joint venture partner is the general partner and the developer of the communities. The Company has concluded it does not control the joint ventures and accounts for them under

the equity method of accounting.

The Company has a fixed-price option to acquire the remaining interest in the communities beginning one year after completion for a total price of $61.3 million and $72.3 million, respectively. The unaffiliated joint venture partner is providing certain guaranties and there are construction loans on the communities.

The Company's recorded equity investment in the West Coast Development Joint Ventures at December 31, 2017 and 2016 of $102.1 million and $150.3 million, respectively, is inclusive of outside basis costs and our accrued but unpaid preferred return.

(f) In June 2017, the Company entered into a joint venture agreement with an unaffiliated joint venture partner to develop and operate a 136 apartment home community in San Francisco, California. The Company's preferred equity investment of up to $24.6 million earns a preferred return of 11.0% per annum. The unaffiliated joint venture partner is the managing member of the joint venture and the developer of the community. As of December 31, 2017, the Company had contributed approximately $11.3 million to the joint venture. The Company has concluded it does

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not control the joint venture and accounts for it under the equity method of accounting.

(g) In September 2017, the Company entered into a joint venture agreement with an unaffiliated joint venture partner to develop and operate a 313 apartment home community in Nashville, Tennessee. The Company's preferred equity investment of up to $55.6 million earns a preferred return of 8.0% per annum and receives a variable percentage of the value created from the project upon a capital or liquidating event. The unaffiliated joint venture partner is the managing member of the joint venture and the developer of the community. As of December 31, 2017, the Company had contributed approximately $18.0 million to the joint venture. The Company has concluded it does not control the joint venture and accounts for it under the equity method of accounting.

(h) In May 2017, the Company entered into a joint venture agreement with an unaffiliated joint venture partner. The joint venture has made a mezzanine loan to a third-party developer of a 373 apartment home community in Washington, D.C. The unaffiliated joint venture partner is the managing member of the joint venture. The mezzanine loan is for up to $71.0 million at an interest rate of 13.5% per annum and carries a term of four years with one, 12-month extension option. The Company's investment commitment to the joint venture is approximately $38.6 million and earns a weighted average return rate of approximately 11.0% per annum. As of December 31, 2017, the Company had contributed approximately $26.5 million to the joint venture. The Company has concluded it does not control the joint venture and accounts for it under the equity method of accounting.

As of December 31, 2017 and 2016, the Company had deferred fees and deferred profit of $10.9 million and $9.5 million, respectively, which will be recognized through earnings over the weighted average life of the related properties, upon the disposition of the properties to a third party, or upon completion of certain development obligations.

The Company recognized management fees of $11.4 million, $11.3 million, and $11.3 million during each of the years ended December 31, 2017, 2016, and 2015, respectively, for our management of the communities held by the joint ventures and partnerships. The management fees are included in Joint venture management and other fees on the Consolidated Statements of Operations.

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

We evaluate our investments in unconsolidated joint ventures and partnerships when events or changes in circumstances indicate that there may be an other-than-temporary decline in value. We consider various factors to determine if a decrease in the value of the investment is other-than-temporary. The Company did not recognize any other-than-temporary impairments in the value of its investments in unconsolidated joint ventures or partnerships during the years ended December 31, 2017, 2016, and 2015.

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Condensed summary financial information relating to the unconsolidated joint ventures' and partnerships' operations (not just our proportionate share), is presented below for the years ended December 31, 2017, 2016, and 2015 (dollars in thousands):

As of and For the Year Ended December 31, 2017	UDR/ MetLife I	UDR/ MetLife II	Other UDR/MetLife Development Joint Ventures	UDR/ MetLife Vitruvian Park®	UDR/KFH	West Coast Development Joint Ventures	Total
Condensed Statements of Operations:							
Total revenues	$ —	$ 156,920	$ 48,032	$ 23,025	$ 20,327	$ 18,812	$ 267,116
Property operating expenses	93	52,450	21,908	11,839	8,159	9,520	103,969
Real estate depreciation and amortization	—	45,144	32,625	7,169	14,480	7,387	106,805
Operating income/(loss)	(93)	59,326	(6,501)	4,017	(2,312)	1,905	56,342
Interest expense	—	(50,603)	(13,894)	(5,030)	(5,264)	(4,038)	(78,829)
Gain/(loss) on the sale of real estate	(17)	(609)	—	—	—	72,216	71,590
Net income attributable to noncontrolling interest	—	—	—	—	—	439	439
Net income/(loss)	$ (110)	$ 8,114	$ (20,395)	$ (1,013)	$ (7,576)	$ 69,644	$ 48,664
Condensed Balance Sheets:							
Total real estate, net	$ 108,958	$ 1,641,338	$ 687,492	$ 299,420	$ 195,625	$ 252,352	$ 3,185,185
Cash and cash equivalents	514	11,947	8,596	7,612	829	4,214	33,712
Other assets	2	10,830	4,290	1,972	905	979	18,978
Total assets	109,474	1,664,115	700,378	309,004	197,359	257,545	3,237,875
Amount due to/(from) UDR	514	(4,207)	413	1,311	229	288	(1,452)
Third party debt, net	30,555	1,108,156	443,147	131,281	165,801	126,626	2,005,566
	12,186	19,477	14,590	15,620	1,516	17,101	80,490

Accounts payable and accrued liabilities							
Total liabilities	43,255	1,123,426	458,150	148,212	167,546	144,015	2,084,604
Total equity	$ 66,219	$ 540,689	$ 242,228	$ 160,792	$ 29,813	$ 113,530	$ 1,153,271

As of and For the Year Ended December 31, 2016	UDR/ MetLife I	UDR/ MetLife II	Other UDR/MetLife Development Joint Ventures	UDR/ MetLife Vitruvian Park®	UDR/KFH	West Coast Development Joint Ventures	Total
Condensed Statements of Operations:							
Total revenues	$ 278	$ 169,175	$ 18,090	$ 22,916	$ 19,997	$ 12,174	$ 242,630
Property operating expenses	552	52,322	11,655	11,730	7,828	7,117	91,204
Real estate depreciation and amortization	52	46,135	16,353	6,835	14,444	6,218	90,037
Operating income/(loss)	(326)	70,718	(9,918)	4,351	(2,275)	(1,161)	61,389
Interest expense	—	(51,173)	(6,164)	(5,095)	(5,369)	(2,166)	(69,967)
Income/(loss) from discontinued operations	(375)	34,201	—	—	—	—	33,826
Net income attributable to noncontrolling interest	—	—	—	—	—	(62)	(62)
Net income/(loss)	$ (701)	$ 53,746	$ (16,082)	$ (744)	$ (7,644)	$ (3,265)	$ 25,310
Condensed Balance Sheets:							
Total real estate, net	$ 50,656	$ 1,672,842	$ 698,694	$ 270,770	$ 208,105	$ 373,449	$ 3,274,516
Cash and cash equivalents	1,940	13,272	8,991	7,012	1,288	7,469	39,972
Other assets	1,641	11,370	2,744	2,266	1,026	2,246	21,293
Total assets	54,237	1,697,484	710,429	280,048	210,419	383,164	3,335,781
Amount due to/(from) UDR	155	(4,711)	3,082	1,566	429	274	795
Third party debt, net	—	1,128,379	375,597	124,716	165,687	206,525	2,000,904
Accounts payable and accrued liabilities	5,211	19,996	32,484	7,303	1,397	10,994	77,385
Total liabilities	5,366	1,143,664	411,163	133,585	167,513	217,793	2,079,084
Total equity	$ 48,871	$ 553,820	$ 299,266	$ 146,463	$ 42,906	$ 165,371	$ 1,256,697

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For the Year Ended December 31, 2015	UDR/ MetLife I	UDR/ MetLife II	Other UDR/MetLife Development Joint Ventures	UDR/ MetLife Vitruvian Park®	UDR/KFH	West Coast Development Joint Ventures	Texas	Tota
Condensed Statements of Operations:								
Total revenues	$ 541	$ 170,062	$ 7,634	$ 22,139	$ 19,338	$ 200	$ —	$ 21
Property operating expenses	906	63,516	3,826	11,519	7,733	4,065	—	91
Real estate depreciation and amortization	818	46,616	6,897	6,639	14,522	102	—	75
Operating income/(loss)	(1,183)	59,930	(3,089)	3,981	(2,917)	(3,967)	—	52
Interest expense	—	(52,037)	(2,566)	(4,848)	(5,539)	—	—	(6
Income/(loss) from discontinued operations	(20)	—	—	—	—	—	184,138	18
Net income attributable to noncontrolling interest	—	—	—	—	—	(1)	—	(1
Net income/(loss)	$ (1,203)	$ 7,893	$ (5,655)	$ (867)	$ (8,456)	$ (3,966)	$ 184,138	$ 17

Other than the West Coast Development Joint Ventures, the condensed summary financial information relating to the entities in which we have an interest through the Developer Capital Program is not included in the tables above. As of and for the year ended December 31, 2017, combined total assets, liabilities, equity, revenues, and expenses for such entities were $79.1 million, $0.8 million, $78.3 million, $7.8 million, and $9.5 million, respectively. As of and for the year ended December 31, 2016, combined total assets, liabilities, equity, revenues, and expenses for such entities were $93.8 million, $95.2 million, $(1.4) million, $8.5 million, and $12.2 million, respectively. For the year ended December 31, 2015, combined total revenues and expenses for such entities were $3.6 million and $7.9 million, respectively.

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6. SECURED AND UNSECURED DEBT, NET

The following is a summary of our secured and unsecured debt at December 31, 2017 and 2016 (dollars in thousands):

	Principal Outstanding		As of December 31, 2017		
	December 31, 2017	December 31, 2016	Weighted Average Interest Rate	Weighted Average Years to Maturity	Number of Communities Encumbered
Secured Debt:					
Fixed Rate Debt					
Mortgage notes payable (a)	$ 395,611	$ 402,996	4.04 %	5.3	7
Fannie Mae credit facilities (b)	285,836	355,836	4.86 %	2.0	8
Deferred financing costs	(1,670)	(2,681)			
Total fixed rate secured debt, net	679,777	756,151	4.39 %	3.9	15
Variable Rate Debt					
Tax-exempt secured notes payable (c)	94,700	94,700	1.90 %	5.2	2
Fannie Mae credit facilities (b)	29,034	280,946	2.92 %	0.9	1
Deferred financing costs	(242)	(939)			
Total variable rate secured debt, net	123,492	374,707	2.14 %	4.2	3
Total Secured Debt, net	803,269	1,130,858	4.04 %	4.0	18
Unsecured Debt:					
Variable Rate Debt					
Borrowings outstanding under unsecured credit facility due January 2020 (d) (k)	—	—	— %	2.1	
Borrowings outstanding under unsecured commercial paper program due February 2018 (e) (k)	300,000	—	1.96 %	0.1	
Borrowings outstanding under unsecured working capital credit facility due January 2019 (f)	21,767	21,350	2.46 %	1.0	
Term Loan Facility due January 2021 (d) (k)	35,000	35,000	2.31 %	3.1	
Fixed Rate Debt					
4.25% Medium-Term Notes due June 2018 (net of discounts of $0 and $608, respectively) (g) (k)	—	299,392	— %	—	
	299,978	299,970	3.70 %	2.8	

3.70% Medium-Term Notes due October 2020 (net of discounts of $22 and $30, respectively) (k)					
1.98% Term Loan Facility due January 2021 (d) (k)	315,000	315,000	1.98	%	3.1
4.63% Medium-Term Notes due January 2022 (net of discounts of $1,446 and $1,805, respectively) (k)	398,554	398,195	4.63	%	4.0
3.75% Medium-Term Notes due July 2024 (net of discounts of $678 and $782, respectively) (k)	299,322	299,218	3.75	%	6.5
8.50% Debentures due September 2024	15,644	15,644	8.50	%	6.7
4.00% Medium-Term Notes due October 2025 (net of discounts of $534 and $602, respectively) (h) (k)	299,466	299,398	4.00	%	7.8
2.95% Medium-Term Notes due September 2026 (k)	300,000	300,000	2.95	%	8.7
3.50% Medium-Term Notes due July 2027 (net of discounts of $670 and $0, respectively) (i) (k)	299,330	—	3.50	%	9.5
3.50% Medium-Term Notes due January 2028 (net of discounts of $1,191 and $0, respectively) (j) (k)	298,809	—	3.50	%	10.0
Other	19	21			
Deferred financing costs	(14,495)	(12,568)			
Total Unsecured Debt, net	2,868,394	2,270,620	3.43	%	5.7
Total Debt, net	$ 3,671,663	$ 3,401,478	3.65	%	5.3

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

Our secured debt instruments generally feature either monthly interest and principal or monthly interest-only payments with balloon payments due at maturity. As of December 31, 2017, secured debt encumbered $1.7 billion or

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16.8% of UDR's total real estate owned based upon gross book value ($8.5 billion or 83.2% of UDR's real estate owned based on gross book value is unencumbered).

(a) At December 31, 2017, fixed rate mortgage notes payable are generally due in monthly installments of principal and interest and mature at various dates from May 2019 through November 2026 and carry interest rates ranging from 3.15% to 5.86%.

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

During the years ended December 31, 2017, 2016, and 2015, the Company had $3.0 million, $2.9 million, and $5.3 million, respectively, of amortization of the fair market adjustment of debt assumed in the acquisition of properties, which was included in Interest expense on the Consolidated Statements of Operations. The unamortized fair market adjustment was a net premium of $8.2 million and $11.2 million at December 31, 2017 and 2016, respectively.

(b) UDR had two secured credit facilities with Fannie Mae with an aggregate commitment of $314.9 million at December 31, 2017. The Fannie Mae credit facilities mature at various dates from December 2018 through July 2020 and bear interest at floating and fixed rates. At December 31, 2017, $285.8 million of the outstanding balance was fixed and had a weighted average interest rate of 4.86% and the remaining balance of $29.0 million had a weighted average variable interest rate of 2.92%.

During the year ended December 31, 2017, the Company prepaid $275.3 million of its secured credit facilities with borrowings under the Company's unsecured commercial paper program and proceeds from the issuance of senior unsecured medium-term notes. The Company incurred prepayment costs of $5.8 million during the year ended December 31, 2017, which were included in Interest expense on the Consolidated Statements of Operations.

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

	December 31, 2017		December 31, 2016	
Borrowings outstanding	$ 314,870		$ 636,782	
Weighted average borrowings during the period ended	416,653		737,802	
Maximum daily borrowings during the period ended	636,782		813,544	
Weighted average interest rate during the period ended	4.3	%	3.9	%
Weighted average interest rate at the end of the period	4.7	%	3.8	%

(c) The variable rate mortgage notes payable that secure tax-exempt housing bond issues mature in August 2019 and March 2032. Interest on these notes is payable in monthly installments. The variable rate mortgage notes have interest

rates ranging from 1.71% to 1.98% as of December 31, 2017.

(d) The Company has a $1.1 billion unsecured revolving credit facility (the “Revolving Credit Facility”) and a $350.0 million unsecured term loan facility (the “Term Loan Facility”). The credit agreement for these facilities (the “Credit Agreement”) allows the total commitments under the Revolving Credit Facility and the total borrowings under the Term Loan Facility to be increased to an aggregate maximum amount of up to $2.0 billion, subject to certain conditions, including obtaining commitments from any one or more lenders. The Revolving Credit Facility has a scheduled maturity date of January 31, 2020, with two six-month extension options, subject to certain conditions. The Term Loan Facility has a scheduled maturity date of January 29, 2021.

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

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

The following is a summary of short-term bank borrowings under the Revolving Credit Facility at December 31, 2017 and 2016 (dollars in thousands):

	December 31, 2017		December 31, 2016	
Total revolving credit facility	$ 1,100,000		$ 1,100,000	
Borrowings outstanding at end of period (1)	—		—	
Weighted average daily borrowings during the period ended	2,274		161,505	
Maximum daily borrowings during the period ended	120,000		340,000	
Weighted average interest rate during the period ended	1.6	%	1.4	%
Interest rate at end of the period	—	%	—	%

(1) Excludes $3.3 million and $2.9 million of letters of credit at December 31, 2017 and 2016, respectively.

(e) On January 23, 2017, the Company entered into an unsecured commercial paper program. Under the terms of the program, the Company may issue unsecured commercial paper up to a maximum aggregate amount outstanding of $500.0 million. The notes are sold under customary terms in the United States commercial paper market and rank pari passu with all of the Company's other unsecured indebtedness. The notes are fully and unconditionally guaranteed by the Operating Partnership.

The following is a summary of short-term bank borrowings under the unsecured commercial paper program at December 31, 2017 and 2016 (dollars in thousands):

	December 31, 2017		December 31, 2016	
Total unsecured commercial paper program	$ 500,000		$ —	
Borrowings outstanding at end of period	300,000		—	
Weighted average daily borrowings during the period ended	238,810		—	
Maximum daily borrowings during the period ended	390,000		—	
Weighted average interest rate during the period ended	1.4	%	—	%
Interest rate at end of the period	2.0	%	—	%

(f) The Company has a working capital credit facility, which provides for a $75.0 million unsecured revolving credit facility (the "Working Capital Credit Facility") with a scheduled maturity date of January 1, 2019. Based on the Company's current credit rating, the Working Capital Credit Facility has an interest rate equal to LIBOR plus a margin of 90 basis points. Depending on the Company's credit rating, the margin ranges from 85 to 155 basis points. In February 2018, the Company amended the working capital credit facility to extend the scheduled maturity date to

January 2021. The maximum borrowing capacity and interest rate were unchanged by the amendment.

The following is a summary of short-term bank borrowings under the Working Capital Credit Facility at December 31, 2017 and 2016 (dollars in thousands):

	December 31, 2017		December 31, 2016	
Total working capital credit facility	$ 75,000		$ 75,000	
Borrowings outstanding at end of period	21,767		21,350	
Weighted average daily borrowings during the period ended	26,993		21,936	
Maximum daily borrowings during the period ended	68,207		69,633	
Weighted average interest rate during the period ended	2.0	%	1.4	%
Interest rate at end of the period	2.5	%	1.7	%

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(g) During the year ended December 31, 2017, the Company redeemed its $300.0 million 4.25% senior unsecured medium-term notes due June 1, 2018, primarily with borrowings under its $300.0 million 3.50% senior unsecured medium-term notes issued on December 13, 2017. The Company incurred prepayment costs of $3.4 million during the year ended December 31, 2017, which were included in Interest expense on the Consolidated Statement of Operations.

(h) The Company previously entered into forward starting interest rate swaps to hedge against interest rate risk on $200.0 million of this debt. The all-in weighted average interest rate, inclusive of the impact of these interest rate swaps, was 4.55%.

(i) On June 16, 2017, the Company issued $300.0 million of 3.50% senior unsecured medium-term notes due July 1, 2027. Interest is payable semi-annually in arrears on January 1 and July 1 of each year, beginning on January 1, 2018. The notes were priced at 99.764% of the principal amount at issuance. The Company used the net proceeds for the repayment of outstanding indebtedness and for general corporate purposes.

(j) On December 13, 2017, the Company issued $300.0 million of 3.50% senior unsecured medium-term notes due January 15, 2028. Interest is payable semi-annually in arrears on January 15 and July 15 of each year, beginning on July 15, 2018. The notes were priced at 99.601% of the principal amount at issuance. The Company used the net proceeds for the repayment of debt, including funding the redemption of its $300.0 million 4.25% senior unsecured medium-term notes due in June 2018, and for general corporate purposes.

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

The aggregate maturities, including amortizing principal payments of secured and unsecured debt, of total debt for the next ten years subsequent to December 31, 2017 are as follows (dollars in thousands):

Year	Total Fixed Secured Debt	Total Variable Secured Debt	Total Secured Debt	Total Unsecured Debt	Total Debt
2018	$ 4,636	$ 29,034	$ 33,670	$ 300,000	$ 333,670
2019	249,395	67,700	317,095	21,767	338,862
2020	198,076	—	198,076	300,000	498,076
2021	1,117	—	1,117	350,000	351,117
2022	1,157	—	1,157	400,000	401,157
2023	41,245	—	41,245	—	41,245
2024	—	—	—	315,644	315,644
2025	127,600	—	127,600	300,000	427,600
2026	50,000	—	50,000	300,000	350,000
2027	—	—	—	300,000	300,000
Thereafter	—	27,000	27,000	300,000	327,000
Subtotal	673,226	123,734	796,960	2,887,411	3,684,371
Non-cash (a)	6,551	(242)	6,309	(19,017)	(12,708)
Total	$ 679,777	$ 123,492	$ 803,269	$ 2,868,394	$ 3,671,663

(a) Includes the unamortized balance of fair market value adjustments, premiums/discounts, and deferred financing costs. For the years ended December 31, 2017 and 2016, the Company amortized $4.3 million and $4.5 million, respectively, of deferred financing costs into Interest expense.

We were in compliance with the covenants of our debt instruments at December 31, 2017.

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7. INCOME/(LOSS) PER SHARE

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

	Year Ended December 31,		
	2017	2016	2015
Numerator for income/(loss) per share:			
Income/(loss) from continuing operations	$ 89,251	$ 109,529	$ 105,482
Gain/(loss) on sale of real estate owned, net of tax	43,404	210,851	251,677
Net (income)/loss attributable to redeemable noncontrolling interests in the Operating Partnership and DownREIT Partnership	(10,933)	(27,282)	(16,773)
Net (income)/loss attributable to noncontrolling interests	(164)	(380)	(3)
Net income/(loss) attributable to UDR, Inc.	121,558	292,718	340,383
Distributions to preferred stockholders — Series E (Convertible)	(3,708)	(3,717)	(3,722)
Income/(loss) attributable to common stockholders - basic	117,850	289,001	336,661
Dilutive distributions to preferred stockholders - Series E (Convertible)	—	—	3,722
Income/(loss) attributable to common stockholders - diluted	$ 117,850	$ 289,001	$ 340,383
Denominator for income/(loss) per share:			
Weighted average common shares outstanding	267,567	266,211	259,873
Non-vested restricted stock awards	(543)	(825)	(1,204)
Denominator for basic income/(loss) per share	267,024	265,386	258,669
Incremental shares issuable from assumed conversion of dilutive preferred stock, stock options, unvested LTIP Units and unvested restricted stock	1,806	1,925	5,083
Denominator for diluted income/(loss) per share	268,830	267,311	263,752
Income/(loss) per weighted average common share:			
Basic	$ 0.44	$ 1.09	$ 1.30
Diluted	$ 0.44	$ 1.08	$ 1.29

Basic income/(loss) per common share is computed based upon the weighted average number of common shares outstanding. Diluted income/(loss) per common share is computed based upon the weighted average number of common shares outstanding plus the common shares issuable from the assumed conversion of the OP Units and DownREIT Units, convertible preferred stock, stock options, unvested long-term incentive plan units (“LTIP Units”), unvested restricted stock and continuous equity program forward sales agreements. Only those instruments having a dilutive impact on our basic income/(loss) per share are included in diluted income/(loss) per share during the periods. For the years ended December 31, 2017 and 2016, the effect of the conversion of the OP Units, DownREIT Units, LTIP Units and the Company’s Series E preferred stock was not dilutive, and therefore not included in the above calculations. For the year ended December 31, 2015, the effect of the conversion of the OP Units and DownREIT Units was not dilutive, and therefore not included in the above calculations.

For the year ended December 31, 2017, the Company did not enter into any forward purchase agreements under its continuous equity program.

The following table sets forth the additional shares of common stock outstanding by equity instrument if converted to common stock for each of the years ended December 31, 2017, 2016, and 2015 (shares in thousands):

	Year Ended December 31,		
	2017	2016	2015
OP/DownREIT Units	24,821	25,130	12,947
Convertible preferred stock	3,021	3,028	3,032
Stock options, unvested LTIP Units and unvested restricted stock	1,806	1,925	2,051

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UDR, INC.

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8. STOCKHOLDERS' EQUITY

UDR has an effective registration statement that allows the Company to sell an undetermined number of debt and equity securities as defined in the prospectus. The Company had the ability to issue 350,000,000 shares of common stock and 50,000,000 shares of preferred shares as of December 31, 2017.

The following table presents the changes in the Company's issued and outstanding shares of common and preferred stock for the years ended December 31, 2017, 2016 and 2015

	Common	Preferred Stock	
	Stock	Series E	Series F
Balance at December 31, 2014	255,114,603	2,803,812	2,464,183
Issuance/(forfeiture) of common and restricted shares, net	270,628	—	—
Issuance of common shares through public offering	6,339,636	—	—
Adjustment for conversion of noncontrolling interest of unitholders in the Operating Partnership	112,174	—	—
Conversion of Series E Cumulative Convertible shares	7,480	(6,909)	—
Issuance of Series F shares	—	—	13,988,313
Balance at December 31, 2015	261,844,521	2,796,903	16,452,496
Issuance/(forfeiture) of common and restricted shares, net	154,656	—	—
Issuance of common shares through public offering	5,000,000	—	—
Adjustment for conversion of noncontrolling interest of unitholders in the Operating Partnership	4,685	—	—
Adjustment for conversion of noncontrolling interest of unitholders in the DownREIT Partnership	255,607	—	—
Forfeiture of Series F shares	—	—	(255,607)
Balance at December 31, 2016	267,259,469	2,796,903	16,196,889
Issuance/(forfeiture) of common and restricted shares, net	69,788	—	—
Issuance of common shares upon exercise of stock options	86,554		
Adjustment for conversion of noncontrolling interest of unitholders in the Operating Partnership	7,604	—	—
Conversion of Series E Cumulative Convertible shares	17,225	(15,909)	
Adjustment for conversion of noncontrolling interest of unitholders in the DownREIT Partnership	381,429	—	—
Forfeiture of Series F shares	—	—	(344,168)
Balance at December 31, 2017	267,822,069	2,780,994	15,852,721

Common Stock

The Company has an equity distribution agreement which allows it from time to time, through its sales agents, to offer and sell up to 20,000,000 shares of its common stock. Sales of such shares will be made by means of ordinary brokers'

transactions on the NYSE at market prices. In July 2017, the Company updated its equity distribution agreement to also permit the entry into separate forward sales agreements to or through its forward purchasers. As of December 31, 2017, 13,078,931 shares were available for sale under the continuous equity program.

During the year ended December 31, 2017, the Company entered into the following equity transactions for our common stock:

- Issued 322,352 shares of common stock through the Company's 1999 Long-Term Incentive Plan (the "LTIP");
- Converted 7,604 OP Units into Company common stock;
- Converted 381,429 DownREIT Units into Company common stock, resulting in the forfeiture of 344,168 Series F Preferred Shares; and

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· Converted 15,909 Series E Cumulative Convertible shares into 17,225 share of common stock.

Distributions are subject to the approval of the Board of Directors and are dependent upon our strategy, financial condition and operating results. UDR's common distributions for the years ended December 31, 2017, 2016, and 2015 totaled $1.24, $1.18, and $1.11 per share, respectively.

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 prior to a "Special Dividend" declared in 2008 (1.083 shares after the Special Dividend). 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.

Distributions declared on the Series E for the years ended December 31, 2017, 2016, and 2015 were $1.33 per share. The Series E is not listed on any exchange. At December 31, 2017 and 2016, a total of 2,780,994 and 2,796,903 shares of the Series E were outstanding, respectively.

UDR is authorized to issue up to 20,000,000 shares of the Series F Preferred Stock ("Series F"). The Series F may be purchased by holders of OP Units and DownREIT Units, at a purchase price of $0.0001 per share. OP/DownREIT Unitholders are entitled to subscribe for and purchase one share of UDR's Series F for each OP/DownREIT Unit held. In connection with the acquisition of the six properties from Home OP and the formation of the DownREIT Partnership in October 2015, the Company issued 13,988,313 Series F shares to former limited partners of the Home OP, which had the right to subscribe for one share of Series F for each DownREIT Unit issued in connection with the acquisitions. During the years ended December 31, 2017 and 2016, 344,168 and 255,607 of the Series F shares were forfeited upon the conversion of DownREIT Units into Company common stock, respectively.

At December 31, 2017 and 2016, a total of 15,852,721 and 16,196,889 shares, respectively, of the Series F were outstanding with an aggregate purchase value of $1,585 and $1,620, respectively. Holders of the Series F are entitled to one vote for each share of the Series F they hold, voting together with the holders of our common stock, on each matter submitted to a vote of security holders at a meeting of our stockholders. The Series F does not entitle its holders to dividends or any other rights, privileges or preferences.

Distribution Reinvestment and Stock Purchase Plan

UDR's Distribution Reinvestment and Stock Purchase Plan (the "Stock Purchase Plan") allows common and preferred stockholders the opportunity to purchase, through the reinvestment of cash dividends, additional shares of UDR's common stock. From inception through December 31, 2008, shareholders have elected to utilize the Stock Purchase Plan to reinvest their distribution for the equivalent of 9,957,233 shares of Company common stock. Shares in the amount of 10,963,730 were reserved for issuance under the Stock Purchase Plan as of December 31, 2017. During the year ended December 31, 2017, UDR acquired all shares issued through the open market.

9. EMPLOYEE BENEFIT PLANS

In May 2001, the stockholders of UDR approved the long term incentive plan (“LTIP”), which supersedes the 1985 Stock Option Plan. The LTIP authorizes the granting of awards which may take the form of options to purchase shares of common stock, stock appreciation rights, restricted stock, dividend equivalents, other stock-based awards, and any other right or interest relating to common stock or cash incentive awards to Company directors, employees and outside trustees to promote the success of the Company by linking individual’s compensation via grants of share based payment.

During the year ended December 31, 2015, the LTIP was amended to set forth the terms of new classes of partnership interests in the Operating Partnership designated as LTIP Units. LTIP Units are designed to qualify as “profits interests” in the Operating Partnership for federal income tax purposes, meaning that initially they are not

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economically equivalent in value to a share of our common stock, but over time can increase in value to one-for-one parity with common stock by operation of special tax rules applicable to profits interests. Until and unless such parity is reached, the value that an executive will realize for a given number of vested LTIP units is less than the value of an equal number of shares of our common stock.

As of December 31, 2017, 19,000,000 shares were reserved on an unadjusted basis for issuance upon the grant or exercise of awards under the LTIP. As of December 31, 2017, there were 9,003,396 common shares available for issuance under the LTIP.

The LTIP contains change of control provisions allowing for the immediate vesting of an award upon certain events such as a merger where UDR is not the surviving entity. Upon the death or disability of an award recipient all outstanding instruments will vest and all restrictions will lapse. The LTIP specifies that in the event of a capital transaction, which includes but is not limited to stock dividends, stock splits, extraordinary cash dividends and spin-offs, the number of shares available for grant in totality or to a single individual is to be adjusted proportionately. The LTIP specifies that when a capital transaction occurs that would dilute the holder of the stock award, prior grants are to be adjusted such that the recipient is no worse as a result of the capital transaction.

A summary of UDR's stock option and restricted stock activities during the year ended December 31, 2017 is as follows:

	Option Outstanding		Option Exercisable		Restricted Stock	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price	Number of shares	Weighted Average Fair Value Per Restricted Stock
Balance, December 31, 2016	2,234,963	$ 12.65	2,234,963	$ 12.65	645,967	$ 35.12
Granted	—	—	—	—	238,821	35.76
Exercised	(404,291)	24.38	(404,291)	24.38	—	—
Vested	—	—	—	—	(322,457)	32.85
Forfeited	—	—	—	—	(49,815)	35.30
Balance, December 31, 2017	1,830,672	$ 10.06	1,830,672	$ 10.06	512,516	$ 36.82

As of December 31, 2017, the Company had issued 5,929,255 shares of restricted stock under the LTIP.

Stock Option Plan

UDR has granted stock options to our employees, subject to certain conditions. Each stock option is exercisable into one common share.

There is no remaining compensation cost related to unvested stock options as of December 31, 2017.

During the year ended December 31, 2017, 404,291 stock options were exercised.

The weighted average remaining contractual life on all options outstanding as of December 31, 2017 is 1.1 years. The remaining 1,830,672 of share options have exercise prices at $10.06.

During the years ended December 31, 2017, 2016, and 2015, respectively, we did not recognize any net compensation expense related to outstanding stock options.

Restricted Stock Awards

Restricted stock awards are granted to Company employees, officers, and directors. The restricted stock awards are valued based upon the closing sales price of UDR common stock on the date of grant. Compensation expense is recorded under the straight-line method over the vesting period, which is generally three to four years. Restricted stock awards earn dividends payable in cash. Some of the restricted stock grants are based on the Company's performance and are subject to adjustment during the initial one year performance period. For the years ended December 31, 2017, 2016,

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and 2015, we recognized $4.0 million, $3.4 million, and $3.2 million of compensation expense, net of capitalization, related to the amortization of restricted stock awards, respectively. The total remaining compensation cost on unvested restricted stock awards was $6.0 million and had a weighted average remaining contractual life of 2.5 years as of December 31, 2017.

Long-Term Incentive Compensation

In January 2017, certain officers of the Company were awarded either a restricted stock grant or an LTIP Unit grant, or a combination of both, under the 2017 Long-Term Incentive Program (“2017 LTI”). For both restricted stock grants and LTIP Unit grants, thirty percent of the 2017 LTI award is based upon FFO as Adjusted over a one-year period and will vest fifty percent on the one-year anniversary and fifty percent on the two-year anniversary. Ten percent of the 2017 LTI award is based upon FFO as Adjusted over a three-year period and will vest 100% at the end of the three-year performance period. The remaining sixty percent of the 2017 LTI award is based on Total Shareholder Return (“TSR”) as measured relative to comparable apartment REITs over a three-year period and on an absolute basis over a three-year period whereby both will vest 100% at the end of the three-year performance periods. The portion of the restricted stock grant based upon FFO as Adjusted was valued based upon the closing sales price of UDR common stock on the date of grant or $35.95 per share. Because LTIP Units are granted at the maximum potential payout and there is uncertainty associated with an LTIP Unit reaching parity with the value of a share of UDR common stock, the portion of the LTIP Unit grant based upon the one-year FFO as Adjusted was valued at $16.18 per unit on the grant date, inclusive of a 10% discount, and the portion of the LTIP Unit grant based upon the three-year FFO as Adjusted was valued at $16.63 per unit on the grant date, inclusive of a 7.5% discount. The portion of the restricted stock grant based upon TSR was valued at $44.26 per share for the relative component and $31.40 per share for the absolute component on the grant date as determined by a lattice-binomial option-pricing model based on a Monte Carlo simulation using a volatility factor of 23.0%. The portion of the LTIP Unit grant based upon TSR was valued at $20.54 per unit, inclusive of a 7.5% discount, for the relative component and $14.71 per unit, inclusive of a 7.5% discount, for the absolute component on the grant date as determined by a lattice-binomial option-pricing model based on a Monte Carlo simulation using a volatility factor of 23.0%.

In January 2016, certain officers of the Company were awarded either a restricted stock grant or an LTIP Unit grant, or a combination of both, under the 2016 Long-Term Incentive Program (“2016 LTI”). For both restricted stock grants and LTIP Unit grants, one-third of the 2016 LTI award is based upon FFO as Adjusted over a one-year period and will vest fifty percent on the one-year anniversary and fifty percent on the two-year anniversary. The remaining two-thirds of the 2016 LTI award is based on TSR as measured relative to comparable apartment REITs over a three-year period and will vest 100% at the end of the three-year performance period. The portion of the restricted stock grant based upon FFO as Adjusted was valued based upon the closing sales price of UDR common stock on the date of grant or $36.97 per share. Because LTIP Units are granted at the maximum potential payout and there is uncertainty associated with an LTIP Unit reaching parity with the value of a share of UDR common stock, the portion of the LTIP Unit grant based upon FFO as Adjusted was valued at $16.64 per unit on the grant date, inclusive of a 10% discount. The portion of the restricted stock grant based upon TSR was valued at $41.22 per share on the grant date as determined by a lattice-binomial option-pricing model based on a Monte Carlo simulation using a volatility factor of 21.8%. The portion of the LTIP Unit grant based upon TSR was valued at $19.15 per unit on the grant date as determined by a lattice-binomial option-pricing model based on a Monte Carlo simulation using a volatility factor of 21.8%.

In January 2015, certain officers of the Company were awarded a restricted stock grant under the 2015 Long-Term Incentive Program (“2015 LTI”). One-third of the 2015 LTI award is based upon FFO as Adjusted over a one-year period and will vest fifty percent on the one-year anniversary and fifty percent on the two-year anniversary. The remaining two-thirds of the 2015 LTI award is based on TSR as measured relative to comparable apartment REITs over a three-year period and will vest 100% at the end of the three-year performance period. The portion of the restricted stock grant based upon FFO as Adjusted was valued based upon the closing sales price of UDR common stock on the date of grant. The portion of the restricted stock grant based upon TSR was valued at $34.14 per share on the grant date as determined by a lattice-binomial option-pricing model based on a Monte Carlo simulation using a volatility factor of 16.5%.

In December 2014, when the LTI program was changed from a one-year to a three-year performance period, a one-time transition (“Transition LTI”) award opportunity was approved commencing in 2015. One-third of the Transition LTI award is based upon FFO as Adjusted over a one-year period and will vest at the end of the performance

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period. The remaining two-thirds of the Transition LTI award is based on TSR as measured relative to comparable apartment REITs over a two-year period and will vest 100% at the end of the two-year performance period. The portion of the restricted stock grant based upon FFO as Adjusted was valued based upon the closing sales price of UDR common stock on the date of grant. The portion of the restricted stock grant based upon TSR was valued at $33.68 per share on the grant date as determined by a lattice-binomial option-pricing model based on a Monte Carlo simulation using a volatility factor of 16.6%. The intent of the transition award is to ensure consistent reward opportunity during the phase-in period of the three-year awards under the 2015 LTI plan.

For the years ended December 31, 2017, 2016, and 2015, we recognized $8.9 million, $10.0 million and $14.8 million, respectively, of compensation expense, net of capitalization, related to the amortization of the awards. The total remaining compensation cost on unvested LTI awards was $7.3 million and had a weighted average remaining contractual life of 2.2 years as of December 31, 2017.

Profit Sharing Plan

Our profit sharing plan (the "Plan") is a defined contribution plan covering all eligible full-time employees. Under the Plan, UDR makes discretionary profit sharing and matching contributions to the Plan as determined by the Compensation Committee of the Board of Directors. Aggregate provisions for contributions, both matching and discretionary, which are included in UDR's Consolidated Statements of Operations for the years ended December 31, 2017, 2016, and 2015, was $1.3 million, $1.3 million, and $1.1 million, respectively.

10. INCOME TAXES

For 2017, 2016, and 2015, UDR believes that we have complied with the REIT requirements specified in the Code. As such, the REIT would generally not be subject to federal income taxes.

For income tax purposes, distributions paid to common stockholders may consist of ordinary income, qualified dividends, capital gains, unrecaptured section 1250 gains, return of capital, or a combination thereof. Distributions that exceed our current and accumulated earnings and profits constitute a return of capital rather than taxable income and reduce the stockholder's basis in their common shares. To the extent that a distribution exceeds both current and accumulated earnings and profits and the stockholder's basis in the common shares, it generally will be treated as a gain from the sale or exchange of that stockholder's common shares. Taxable distributions paid per common share were taxable as follows for the years ended December 31, 2017, 2016, and 2015 (unaudited):

	Year Ended December 31,		
	2017	2016	2015
Ordinary income	$ 1.018	$ 0.708	$ 0.595
Qualified ordinary income	0.011	—	—
Long-term capital gain	0.133	0.309	0.329
Unrecaptured section 1250 gain	0.063	0.145	0.168
Total	$ 1.225	$ 1.162	$ 1.092

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We have a TRS that is subject to federal and state income taxes. A TRS is a C-corporation which has not elected REIT status and as such is subject to United States federal and state income tax. The components of the provision for income taxes are as follows for the years ended December 31, 2017, 2016, and 2015 (dollars in thousands):

	Year Ended December 31,		
	2017	2016	2015
Income tax (benefit)/provision			
Current			
Federal	$ (1,205)	$ 69	$ 29
State	407	372	871
Total current	(798)	441	900
Deferred			
Federal	568	9,814	(4,173)
State	(10)	1,319	(613)
Total deferred	558	11,133	(4,786)
Total income tax (benefit)/provision	$ (240)	$ 11,574	$ (3,886)
Classification of income tax (benefit)/provision:			
Continuing operations	$ (240)	$ (3,774)	$ (3,886)
Gain/(loss) on sale of real estate owned	—	15,348	—

Deferred income taxes are provided for the change in temporary differences between the basis of certain assets and liabilities for financial reporting purposes and income tax reporting purposes. The expected future tax rates are based upon enacted tax laws. The components of our TRS deferred tax assets and liabilities are as follows for the years ended December 31, 2017, 2016, and 2015 (dollars in thousands):

	Year Ended December 31,		
	2017	2016	2015
Deferred tax assets:			
Federal and state tax attributes	$ 8	$ 536	$ 2,227
Book/tax depreciation	—	—	9,016
Other	139	190	707
Total deferred tax assets	147	726	11,950
Valuation allowance	(9)	(6)	(81)
Net deferred tax assets	138	720	11,869
Deferred tax liabilities:			
Other	(67)	(92)	(107)
Total deferred tax liabilities	(67)	(92)	(107)
Net deferred tax asset	$ 71	$ 628	$ 11,762

Income tax provision/(benefit), net differed from the amounts computed by applying the U.S. statutory rate of 35% to pretax income/(loss) for the years ended December 31, 2017, 2016, and 2015 as follows (dollars in thousands):

	Year Ended December 31,		
	2017	2016	2015
Income tax provision/(benefit)			
U.S. federal income tax provision/(benefit)	$ 581	$ 12,577	$ (4,383)
State income tax provision	493	1,370	442
Other items	(188)	134	(26)
New tax law benefit	(1,129)	—	—
Conversion of certain TRS entities to REITs	—	(2,436)	—
Valuation allowance	3	(71)	81
Total income tax provision/(benefit)	$ (240)	$ 11,574	$ (3,886)

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As of December 31, 2017, the Company had federal net operating loss carryovers ("NOL") of $24.0 million expiring in 2032 through 2035 and state NOLs of $74.8 million expiring in 2020 through 2032. A portion of these attributes are still available to the subsidiary REITs, but are carried at a zero effective tax rate.

For the year ended December 31, 2017, Tax benefit/(provision), net decreased $3.5 million as compared to 2016. The decrease was primarily attributable to the conversion of certain TRS entities to REITs in 2016 and a one-time benefit of $1.1 million related to the recording of previously reserved receivables for REIT AMT credits available that became refundable under the Tax Cuts and Jobs Act of 2017. Additionally, Gain/(loss) on sale of real estate owned, net of tax in 2016 included approximately $15.3 million of tax provision.

GAAP defines a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The financial statements reflect expected future tax consequences of income tax positions presuming the taxing authorities' full knowledge of the tax position and all relevant facts, but without considering time values. GAAP also provides guidance on derecognition, classification, interest and penalties, accounting for interim periods, disclosure and transition.

The Company evaluates our tax position using a two-step process. First, we determine whether a tax position is more likely than not (greater than 50 percent probability) to be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The Company will then determine the amount of benefit to recognize and record the amount of the benefit that is more likely than not to be realized upon ultimate settlement. When applicable, UDR recognizes interest and/or penalties related to uncertain tax positions in Tax benefit/(provision), net. As of December 31, 2017 and 2016, UDR has no material unrecognized income tax benefits/(provisions).

The Company files income tax returns in federal and various state and local jurisdictions. With few exceptions, the Company is no longer subject to federal, state and local income tax examination by tax authorities for years prior to 2012. The tax years 2014 through 2016 remain open to examination by the major taxing jurisdictions to which the Company is subject.

On December 22, 2017, the Tax Cuts and Jobs Act (the "Act") was enacted, reducing the U.S. federal corporate income tax rate from 35% to 21%, among other changes. The SEC staff issued Staff Accounting Bulletin 118, which provides guidance on accounting for the tax effects of the Act for which the accounting under ASC 740, Income Taxes ("ASC 740") is incomplete. To the extent that a company's accounting for certain income tax effects of the Act is incomplete but it is able to determine a reasonable estimate, it must record a provisional estimate in the financial statements. If a company cannot determine a provisional estimate to be included in the financial statements, it should continue to apply ASC 740 on the basis of the provisions of the tax laws that were in effect immediately before enactment of the Act.

As of December 31, 2017, we have completed our accounting for the tax effects of the Act, under which we recognized a one-time tax benefit of $1.1 million related to the recording of previously reserved receivables for REIT AMT credits that became refundable under the Act.

11. NONCONTROLLING INTERESTS

Redeemable Noncontrolling Interests in the Operating Partnership and DownREIT Partnership

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

Limited partners of the Operating Partnership and the DownREIT Partnership have the right to require such partnership to redeem all or a portion of the OP Units/DownREIT Units held by the limited partner at a redemption price equal to and in the form of the Cash Amount (as defined in the partnership agreement of the Operating Partnership or the

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DownREIT Partnership, as applicable), provided that such OP Units/DownREIT Units have been outstanding for at least one year, subject to certain exceptions. UDR, as the general partner of the Operating Partnership and the DownREIT Partnership may, in its sole discretion, purchase the OP Units/DownREIT Units by paying to the limited partner either the Cash Amount or the REIT Share Amount (generally one share of common stock of the Company for each OP Unit/DownREIT Unit), as defined in the partnership agreement of the Operating Partnership or the DownREIT Partnership, as applicable. Accordingly, the Company records the OP Units/DownREIT Units outside of permanent equity and reports the OP Units/DownREIT Units at their redemption value using the Company's stock price at each balance sheet date.

The following table sets forth redeemable noncontrolling interests in the Operating Partnership and DownREIT Partnership for the years ended December 31, 2017 and 2016 (dollars in thousands):

	Year Ended December 31,	
	2017	2016
Redeemable noncontrolling interests in the Operating Partnership and DownREIT Partnership, beginning of year	$ 909,482	$ 946,436
Mark-to-market adjustment to redeemable noncontrolling interests in the Operating Partnership and DownREIT Partnership	71,096	(24,735)
Conversion of OP Units/DownREIT Units to Common Stock	(14,544)	(9,526)
Net income/(loss) attributable to redeemable noncontrolling interests in the Operating Partnership and DownREIT Partnership	10,933	27,282
Distributions to redeemable noncontrolling interests in the Operating Partnership and DownREIT Partnership	(31,427)	(30,077)
Vesting of Long-Term Incentive Plan Units	2,317	—
Allocation of other comprehensive income/(loss)	281	102
Redeemable noncontrolling interests in the Operating Partnership and DownREIT Partnership, end of year	$ 948,138	$ 909,482

Noncontrolling Interests

Noncontrolling interests represent interests of unrelated partners and unvested LTIP Units in certain consolidated affiliates, and is presented as part of equity in the Consolidated Balance Sheets since these interests are not redeemable. Net (income)/loss attributable to noncontrolling interests was $(0.2) million, $(0.4) million, and less than $(0.1) million during the years ended December 31, 2017, 2016, and 2015, respectively.

The Company grants LTIP Units to certain employees and non-employee directors. The LTIP Units represent an ownership interest in the Operating Partnership and have vesting terms of between one and three years, specific to the individual grants.

Noncontrolling interests related to long-term incentive plan units represent the unvested LTIP Units of these employees and non-employee directors in the Operating Partnership. The net income/(loss) allocated to the unvested

LTIP Units is included in Net (income)/loss attributable to noncontrolling interests on the Consolidated Statements of Operations.

12. FAIR VALUE OF DERIVATIVES AND FINANCIAL INSTRUMENTS

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

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

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- Level 2 — Observable inputs other than prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated with observable market data.
- Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The estimated fair values of the Company's financial instruments either recorded or disclosed on a recurring basis as of December 31, 2017 and 2016 are summarized as follows (dollars in thousands):

			Fair Value at December 31, 2017, Using		
Description:	Total Carrying Amount in Statement of Financial Position at December 31, 2017	Fair Value Estimate at December 31, 2017	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Notes receivable (a)	$ 19,469	$ 19,567	$ —	$ —	$ 19,567
Derivatives - Interest rate contracts (b)	5,743	5,743	—	5,743	—
Total assets	$ 25,212	$ 25,310	$ —	$ 5,743	$ 19,567
Secured debt instruments - fixed rate: (c)					
Mortgage notes payable	$ 395,611	$ 397,386	$ —	$ —	$ 397,386
Fannie Mae credit facilities	285,836	292,227	—	—	292,227
Secured debt instruments - variable rate: (c)					
Tax-exempt secured notes payable	94,700	94,700	—	—	94,700
Fannie Mae credit facilities	29,034	29,034	—	—	29,034
Unsecured debt instruments: (c)					
Working capital credit facility	21,767	21,767	—	—	21,767
Commercial paper program	300,000	300,000	—	—	300,000
Unsecured notes	2,561,122	2,611,458	—	—	2,611,458
Total liabilities	$ 3,688,070	$ 3,746,572	$ —	$ —	$ 3,746,572
Redeemable noncontrolling interests in the Operating Partnership and DownREIT Partnership (d)	$ 948,138	$ 948,138	$ —	$ 948,138	$ —

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			Fair Value at December 31, 2016, Using		
Description:	Total Carrying Amount in Statement of Financial Position at December 31, 2016	Fair Value Estimate at December 31, 2016	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Notes receivable (a)	$ 19,790	$ 19,645	$ —	$ —	$ 19,645
Derivatives - Interest rate contracts (b)	4,360	4,360	—	4,360	—
Total assets	$ 24,150	$ 24,005	$ —	$ 4,360	$ 19,645
Derivatives - Interest rate contracts (b)	$ 413	$ 413	$ —	$ 413	$ —
Secured debt instruments - fixed rate: (c)					
Mortgage notes payable	402,996	396,045	—	—	396,045
Fannie Mae credit facilities	355,836	365,693	—	—	365,693
Secured debt instruments - variable rate: (c)					
Tax-exempt secured notes payable	94,700	94,700	—	—	94,700
Fannie Mae credit facilities	280,946	280,946	—	—	280,946
Unsecured debt instruments: (c)					
Working capital credit facility	21,350	21,350	—	—	21,350
Unsecured notes	2,261,838	2,304,492	—	—	2,304,492
Total liabilities	$ 3,418,079	$ 3,463,639	$ —	$ 413	$ 3,463,226
Redeemable noncontrolling interests in the Operating Partnership and DownREIT Partnership (d)	$ 909,482	$ 909,482	$ —	$ 909,482	$ —

(a) See Note 2, Significant Accounting Policies.
(b) See Note 13, Derivatives and Hedging Activity.
(c) See Note 6, Secured and Unsecured Debt, Net.
(d) See Note 11, Noncontrolling Interests.

There were no transfers into or out of any of the levels of the fair value hierarchy during the year ended December 31, 2017.

Financial Instruments Carried at Fair Value

The fair values of interest rate swaps are determined using the market standard methodology of netting the discounted future fixed cash receipts (or payments) and the discounted expected variable cash payments (or receipts). The variable cash payments (or receipts) are based on an expectation of future interest rates (forward curves) derived from observable market interest rate curves. The fair values of interest rate options are determined using the market standard methodology of discounting the future expected cash receipts that would occur if variable interest rates rise above the strike rate of the caps. The variable interest rates used in the calculation of projected receipts on the cap are based on an expectation of future interest rates derived from observable market interest rate curves and volatilities.

The Company incorporates credit valuation adjustments to appropriately reflect both its own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. In adjusting the fair value of its derivative contracts for the effect of nonperformance risk, the Company has considered the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts, and guarantees.

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Although the Company has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by itself and its counterparties. However, as of December 31, 2017 and 2016, the Company has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit valuation adjustments are not significant to the overall valuation of its derivatives. As a result, the Company has determined that its derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy. In conjunction with the FASB's fair value measurement guidance, the Company made an accounting policy election to measure the credit risk of its derivative financial instruments that are subject to master netting agreements on a net basis by counterparty portfolio.

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

Financial Instruments Not Carried at Fair Value

At December 31, 2017, the fair values of cash and cash equivalents, restricted cash, accounts receivable, prepaids, real estate taxes payable, accrued interest payable, security deposits and prepaid rent, distributions payable and accounts payable approximated their carrying values because of the short term nature of these instruments. The estimated fair values of other financial instruments were determined by the Company using available market information and appropriate valuation methodologies. Considerable judgment is necessary to interpret market data and develop estimated fair values. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company would realize on the disposition of the financial instruments. The use of different market assumptions or estimation methodologies may have a material effect on the estimated fair value amounts.

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

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

We consider various factors to determine if a decrease in the value of our investment in and advances to unconsolidated joint ventures, net is other-than-temporary. These factors include, but are not limited to, age of the venture, our intent and ability to retain our investment in the entity, the financial condition and long-term prospects of the entity, and the relationships with the other joint venture partners and its lenders. Based on the significance of the unobservable inputs, we classify these fair value measurements within Level 3 of the valuation hierarchy. The Company did not incur any other-than-temporary impairments in the value of its investments in unconsolidated joint ventures during the years ended December 31, 2017, 2016, and 2015.

After determining an other-than-temporary decrease in the value of an equity method investment has occurred, we estimate the fair value of our investment by estimating the proceeds we would receive upon a hypothetical liquidation of the investment at the date of measurement. Inputs reflect management's best estimate of what market participants would use in pricing the investment giving consideration to the terms of the joint venture agreement and the estimated discounted future cash flows to be generated from the underlying joint venture assets. The inputs and assumptions utilized to estimate the future cash flows of the underlying assets are based upon the Company's evaluation of the economy, market trends, operating results, and other factors, including judgments regarding costs to complete any

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construction activities, lease up and occupancy rates, rental rates, inflation rates, capitalization rates utilized to estimate the projected cash flows at the disposition, and discount rates.

13. DERIVATIVES AND HEDGING ACTIVITY

Risk Management Objective of Using Derivatives

The Company is exposed to certain risks arising from both its business operations and economic conditions. The Company principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. The Company manages economic risks, including interest rate, liquidity, and credit risk, primarily by managing the amount, sources, and duration of its debt funding and through the use of derivative financial instruments. Specifically, the Company may enter into derivative financial instruments to manage exposures that arise from business activities that result in the receipt or payment of future known and uncertain cash amounts, the value of which are determined by interest rates. The Company's derivative financial instruments are used to manage differences in the amount, timing, and duration of the Company's known or expected cash receipts and its known or expected cash payments principally related to the Company's investments and borrowings.

Cash Flow Hedges of Interest Rate Risk

The Company's objectives in using interest rate derivatives are to add stability to interest expense and to manage its exposure to interest rate movements. To accomplish this objective, the Company primarily uses interest rate swaps and caps as part of its interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable-rate amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount. Interest rate caps designated as cash flow hedges involve the receipt of variable-rate amounts from a counterparty if interest rates rise above the strike rate on the contract in exchange for an up-front premium.

The effective portion of changes in the fair value of derivatives designated and that qualify as cash flow hedges is recorded in Accumulated other comprehensive income/(loss), net in the Consolidated Balance Sheets and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. During the years ended December 31, 2017, 2016, and 2015, such derivatives were used to hedge the variable cash flows associated with existing variable-rate debt. The ineffective portion of the change in fair value of the derivatives is recognized directly in earnings. During the year ended December 31, 2017, the Company recognized a loss of $0.1 million reclassified from Accumulated OCI to Interest expense due to the de-designation of cash flow hedges. During the year ended December 31, 2016, the Company recorded no ineffectiveness to earnings. During the year ended December 31, 2015, the Company recognized a loss of less than $0.1 million reclassified from Accumulated OCI to Interest expense due to the de-designation of a cash flow hedge.

Amounts reported in Accumulated other comprehensive income/(loss), net in the Consolidated Balance Sheets related to derivatives that will be reclassified to interest expense as interest payments are made on the Company's variable-rate debt. Through December 31, 2018, the Company estimates that an additional $1.2 million will be reclassified as a decrease to interest expense.

As of December 31, 2017, the Company had the following outstanding interest rate derivatives that were designated as cash flow hedges of interest rate risk (dollars in thousands):

Product	Number of Instruments	Notional
Interest rate swaps	4	$ 315,000
Interest rate caps	1	$ 65,197

Derivatives not designated as hedges are not speculative and are used to manage the Company's exposure to interest rate movements and other identified risks but do not meet the strict hedge accounting requirements of GAAP. Changes in the fair value of derivatives not designated in hedging relationships are recorded directly in earnings and resulted in a loss of less than $0.1 million for the years ended December 31, 2017, 2016, and 2015.

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As of December 31, 2017, the Company had the following outstanding derivatives that were not designated as hedges in qualifying hedging relationships (dollars in thousands):

Product	Number of Instruments	Notional
Interest rate caps	3	$ 271,076

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

The table below presents the fair value of the Company's derivative financial instruments as well as their classification on the Consolidated Balance Sheets as of December 31, 2017 and 2016 (dollars in thousands):

	Asset Derivatives (included in Other assets) Fair Value at:		Liability Derivatives (included in Other liabilities) Fair Value at:	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Derivatives designated as hedging instruments:				
Interest rate products	$ 5,743	$ 4,359	$ —	$ 413
Derivatives not designated as hedging instruments:				
Interest rate products	$ —	$ 1	$ —	$ —

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

The tables below present the effect of the Company's derivative financial instruments on the Consolidated Statements of Operations for the years ended December 31, 2017, 2016, and 2015 (dollars in thousands):

	Unrealized holding gain/(loss) Recognized in OCI (Effective Portion)			Gain/(Loss) Reclassified from Accumulated OCI into Interest expense (Effective Portion)			Gain/(Loss) Recognized in Interest expense (Ineffective Portion and Amount Excluded from Effectiveness Testing)		
	Year Ended December 31,			Year Ended December 31,			Year Ended December 31,		
Derivatives in Cash Flow	2017	2016	2015	2017	2016	2015	2017	2016	2015

Hedging Relationships									
Interest rate products	$ 1,802	$ 3,514	$ (6,393)	$ (1,271)	$ (3,657)	$ (2,251)	$ (136)	$ —	$ (11)

	Gain/(Loss) Recognized in Interest income and other income/(expense), net		
Derivatives Not Designated as Hedging Instruments	2017	2016	2015
Interest rate products	$ (1)	$ (3)	(23)

Credit-risk-related Contingent Features

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

Certain of the Company's agreements with its derivative counterparties contain provisions where, if there is a change in the Company's financial condition that materially changes the Company's creditworthiness in an adverse manner, the Company may be required to fully collateralize its obligations under the derivative instrument. At December 31, 2017 and 2016, no cash collateral was posted or required to be posted by the Company or by a counterparty.

The Company also has an agreement with a derivative counterparty that incorporates the loan and financial covenant provisions of the Company's indebtedness with a lender affiliate of the derivative counterparty. Failure to

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comply with these covenant provisions would result in the Company being in default on any derivative instrument obligations covered by the applicable agreement.

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

As of December 31, 2017, the fair value of derivatives was in a net asset position, which includes accrued interest but excludes any adjustment for nonperformance risk related to these agreements, of $5.8 million. As of December 31, 2017, the Company has not posted any collateral related to these agreements.

Tabular Disclosure of Offsetting Derivatives

The Company has elected not to offset derivative positions in the consolidated financial statements. The tables below present the effect on its financial position had the Company made the election to offset its derivative positions as of December 31, 2017 and 2016 (dollars in thousands):

				Gross Amounts Not Offset in the Consolidated Balance Sheet		
Offsetting of Derivative Assets	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Consolidated Balance Sheets	Net Amounts of Assets Presented in the Consolidated Balance Sheets (a)	Financial Instruments	Cash Collateral Received	Net Amount
December 31, 2017	$ 5,743	$ —	$ 5,743	$ —	$ —	$ 5,743
December 31, 2016	$ 4,360	$ —	$ 4,360	$ (221)	$ —	$ 4,139

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

			Gross Amounts Not Offset in the Consolidated Balance Sheet	
Gross Amounts of Recognized	Gross Amounts Offset in the Consolidated Balance	Net Amounts of Liabilities Presented in the Consolidated Balance Sheets	Financial	Cash Collateral

Offsetting of Derivative Liabilities	Liabilities	Sheets	(a)	Instruments	Posted	Net Amount
December 31, 2017	$ —	$ —	$ —	$ —	$ —	$ —
December 31, 2016	$ 413	$ —	$ 413	$ (221)	$ —	$ 192

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

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14. COMMITMENTS AND CONTINGENCIES

Commitments

Real Estate Under Development

The following summarizes the Company's real estate commitments at December 31, 2017 (dollars in thousands):

	Number Properties	Costs Incurred to Date (a)		Expected Costs to Complete (unaudited)		Average Ownership Stake	
Wholly-owned — under development	2	$ 592,490	(b)	$ 124,010		100	%
Joint ventures:							
Unconsolidated joint ventures	3	262,550		22,076	(c)	50	%
Preferred equity investments	5	87,491	(d)	50,846	(e)	48	% (f)
Other investments	1	28,051		25,508	(g)	—	%
Total		$ 970,582		$ 222,440			

(a) Represents 100% of project costs incurred as of December 31, 2017.
(b) Costs incurred as of December 31, 2017 include $38.0 million of accrued fixed assets for development.
(c) Represents UDR's proportionate share of expected remaining costs to complete the developments.
(d) Represents UDR's investment in the West Coast Development Joint Ventures, 1532 Harrison and 1200 Broadway for the properties under development as of December 31, 2017.
(e) Represents UDR's remaining commitment for 1532 Harrison and 1200 Broadway.
(f) Represents UDR's average ownership stake in the West Coast Development Joint Ventures only and does not include UDR's preferred equity interest in 1532 Harrison and 1200 Broadway.
(g) Represents UDR's remaining commitment for The Portals and other investment ventures.

Ground and Other Leases

UDR owns six communities which are subject to ground leases expiring between 2025 and 2103, including extension options. In addition, UDR is a lessee to various operating leases related to office space rented by the Company with expiration dates through 2021. Future minimum lease payments as of December 31, 2017 are as follows (dollars in thousands):

	Ground Leases (a)	Office Space
2018	$ 5,629	$ 76
2019	5,629	76
2020	5,629	76

2021	5,629	32
2022	5,629	—
Thereafter	335,207	—
Total	$ 363,352	$ 260

(a) For purposes of our ground lease contracts, the Company uses the minimum lease payment, if stated in the agreement. For ground lease agreements where there is a reset provision based on the communities appraised value or consumer price index but does not include a specified minimum lease payment, the Company uses the current rent over the remainder of the lease term.

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UDR incurred $6.2 million, $5.5 million, and $5.5 million of ground rent expense for the years ended December 31, 2017, 2016, and 2015, respectively. These costs are reported within the line item Other Operating Expenses on the Consolidated Statements of Operations. The Company incurred $0.2 million, $0.3 million, and $0.3 million of rent expense related to office space for the years ended December 31, 2017, 2016, and 2015, respectively. These costs are included in General and Administrative on the Consolidated Statements of Operations.

Contingencies

Litigation and Legal Matters

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

15. REPORTABLE SEGMENTS

GAAP guidance requires that segment disclosures present the measure(s) used by the chief operating decision maker to decide how to allocate resources and for purposes of assessing such segments' performance. UDR's chief operating decision maker is comprised of several members of its executive management team who use several generally accepted industry financial measures to assess the performance of the business for our reportable operating segments.

UDR owns and operates multifamily apartment communities that generate rental and other property related income through the leasing of apartment homes to a diverse base of tenants. The primary financial measures for UDR's apartment communities are rental income and net operating income ("NOI"). Rental income represents gross market rent less adjustments for concessions, vacancy loss and bad debt. NOI is defined as rental income less direct property rental expenses. Rental expenses include real estate taxes, insurance, personnel, utilities, repairs and maintenance, administrative and marketing. Excluded from NOI is property management expense, which is calculated as 2.75% of property revenue to cover the regional supervision and accounting costs related to consolidated property operations, and land rent. UDR's chief operating decision maker utilizes NOI as the key measure of segment profit or loss.

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

- Same-Store Communities represent those communities acquired, developed, and stabilized prior to January 1, 2016 and held as of December 31, 2017. A comparison of operating results from the prior year is meaningful as these communities were owned and had stabilized occupancy and operating expenses as of the beginning of the prior year, there is no plan to conduct substantial redevelopment activities, and the community is not held for disposition within the current year. A community is considered to have stabilized occupancy once it achieves 90% occupancy for at least three consecutive months.
- Non-Mature Communities/Other represent those communities that do not meet the criteria to be included in Same-Store Communities, including, but not limited to, recently acquired, developed and redeveloped communities, and the non-apartment components of mixed use properties.

Management evaluates the performance of each of our apartment communities on a Same-Store Community and Non-Mature Community/Other basis, as well as individually and geographically. This is consistent with the aggregation criteria under GAAP as each of our apartment communities generally has similar economic characteristics, facilities, services, and tenants. Therefore, the Company's reportable segments have been aggregated by geography in a manner identical to that which is provided to the chief operating decision maker.

All revenues are from external customers and no single tenant or related group of tenants contributed 10% or more of UDR's total revenues during the years ended December 31, 2017, 2016, and 2015.

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UDR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

DECEMBER 31, 2017

The following table details rental income and NOI for UDR's reportable segments for the years ended December 31, 2017, 2016, and 2015, and reconciles NOI to Net income/(loss) attributable to UDR, Inc. in the Consolidated Statements of Operations (dollars in thousands):

	Year Ended December 31,		
	2017	2016	2015
Reportable apartment home segment rental income			
Same-Store Communities			
West Region	$ 329,322	$ 315,390	$ 294,048
Mid-Atlantic Region	209,548	204,408	158,063
Northeast Region	151,736	147,573	132,079
Southeast Region	116,467	111,318	103,920
Southwest Region	42,992	41,273	39,166
Non-Mature Communities/Other	134,244	128,499	144,652
Total segment and consolidated rental income	$ 984,309	$ 948,461	$ 871,928
Reportable apartment home segment NOI			
Same-Store Communities			
West Region	$ 248,262	$ 237,071	$ 219,282
Mid-Atlantic Region	145,627	140,542	106,354
Northeast Region	106,473	106,005	93,530
Southeast Region	80,726	76,359	69,820
Southwest Region	26,455	25,600	24,407
Non-Mature Communities/Other	90,960	87,508	100,476
Total segment and consolidated NOI	698,503	673,085	613,869
Reconciling items:			
Joint venture management and other fees	11,482	11,400	22,710
Property management	(27,068)	(26,083)	(23,978)
Other operating expenses	(9,060)	(7,649)	(9,708)
Real estate depreciation and amortization	(430,054)	(419,615)	(374,598)
General and administrative	(48,566)	(49,761)	(59,690)
Casualty-related (charges)/recoveries, net	(4,335)	(732)	(2,335)
Other depreciation and amortization	(6,408)	(6,023)	(6,679)
Income/(loss) from unconsolidated entities	31,257	52,234	62,329
Interest expense	(128,711)	(123,031)	(121,875)
Interest income and other income/(expense), net	1,971	1,930	1,551
Tax (provision)/benefit, net	240	3,774	3,886
Gain/(loss) on sale of real estate owned, net of tax	43,404	210,851	251,677
Net (income)/loss attributable to redeemable noncontrolling interests in the Operating Partnership and DownREIT Partnership	(10,933)	(27,282)	(16,773)
Net (income)/loss attributable to noncontrolling interests	(164)	(380)	(3)
Net income/(loss) attributable to UDR, Inc.	$ 121,558	$ 292,718	$ 340,383

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UDR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

DECEMBER 31, 2017

The following table details the assets of UDR's reportable segments as of December 31, 2017 and 2016 (dollars in thousands):

	December 31, 2017	December 31, 2016
Reportable apartment home segment assets:		
Same-Store Communities:		
West Region	$ 2,932,958	$ 2,896,589
Mid-Atlantic Region	2,236,911	2,216,067
Northeast Region	1,865,762	1,857,193
Southeast Region	762,102	746,762
Southwest Region	292,074	283,260
Non-Mature Communities/Other	2,087,399	1,615,882
Total segment assets	10,177,206	9,615,753
Accumulated depreciation	(3,330,166)	(2,923,625)
Total segment assets — net book value	6,847,040	6,692,128
Reconciling items:		
Cash and cash equivalents	2,038	2,112
Restricted cash	19,792	19,994
Notes receivable, net	19,469	19,790
Investment in and advances to unconsolidated joint ventures, net	720,830	827,025
Other assets	124,104	118,535
Total consolidated assets	$ 7,733,273	$ 7,679,584

Capital expenditures related to our Same-Store Communities totaled $87.0 million, $86.2 million, and $66.7 million for the years ended December 31, 2017, 2016, and 2015, respectively. Capital expenditures related to our Non-Mature Communities/Other totaled $4.9 million, $10.1 million, and $18.5 million for the years ended December 31, 2017, 2016, and 2015, respectively.

Markets included in the above geographic segments are as follows:

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

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UDR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

DECEMBER 31, 2017

16. UNAUDITED SUMMARIZED CONSOLIDATED QUARTERLY FINANCIAL DATA

Selected consolidated quarterly financial data for the years ended December 31, 2017 and 2016 is summarized in the table below (dollars in thousands, except per share amounts):

	Three Months Ended			
	March 31,	June 30,	September 30,	December 31,
2017				
Rental income	$ 241,271	$ 244,658	$ 248,264	$ 250,116
Income/(loss) from continuing operations	26,264	11,062	17,570	34,355
Net income/(loss) attributable to common stockholders (a)	25,038	9,228	15,264	68,356
Income/(loss) attributable to common stockholders per weighted average common share (a):				
Basic	$ 0.09	$ 0.03	$ 0.06	$ 0.26
Diluted	$ 0.09	$ 0.03	$ 0.06	$ 0.25
Weighted average number of common shares outstanding:				
Basic	266,790	266,972	267,056	267,270
Diluted	268,688	268,859	269,062	269,221
2016				
Rental income	$ 231,957	$ 236,168	$ 240,255	$ 240,081
Income/(loss) from continuing operations	8,534	12,249	29,466	59,280
Net income/(loss) attributable to common stockholders (a)	9,464	17,017	26,027	236,687
Income/(loss) attributable to common stockholders per weighted average common share (a):				
Basic	$ 0.04	$ 0.06	$ 0.10	$ 0.89
Diluted	$ 0.04	$ 0.06	$ 0.10	$ 0.88
Weighted average number of common shares outstanding:				
Basic	262,456	266,268	266,301	266,498
Diluted	264,285	268,174	268,305	271,551

(a) Due to the quarterly pro-rata calculation of noncontrolling interest and rounding, the sum of the quarterly per share and/or dollar amounts may not equal the annual totals.

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Report of Independent Registered Public Accounting Firm

The Partners
United Dominion Realty, L.P.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of United Dominion Realty, L.P. (the "Partnership") as of December 31, 2017 and 2016, and the related consolidated statements of operations, comprehensive income/(loss), changes in capital, and cash flows for each of the three years in the period ended December 31, 2017, and the related notes and financial statement schedule listed in the Index at Item 15(a) (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Partnership at December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2017, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on the Partnership's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Partnership in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Partnership is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as

evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Partnership's auditor since 2010.

Denver, Colorado
February 20, 2018

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UNITED DOMINION REALTY, L.P.

CONSOLIDATED BALANCE SHEETS

(In thousands, except for unit data)

	December 31, 2017	December 31, 2016
ASSETS		
Real estate owned:		
Real estate held for investment	$ 3,816,956	$ 3,674,704
Less: accumulated depreciation	(1,543,652)	(1,408,815)
Total real estate owned, net of accumulated depreciation	2,273,304	2,265,889
Cash and cash equivalents	293	756
Restricted cash	12,579	11,694
Investment in unconsolidated entities	76,907	112,867
Other assets	32,490	24,329
Total assets	$ 2,395,573	$ 2,415,535
LIABILITIES AND CAPITAL		
Liabilities:		
Secured debt, net	$ 159,845	$ 433,974
Notes payable due to the General Partner	273,334	273,334
Real estate taxes payable	2,683	2,104
Accrued interest payable	629	1,410
Security deposits and prepaid rent	13,949	14,593
Distributions payable	57,025	54,192
Accounts payable, accrued expenses, and other liabilities	12,978	17,429
Total liabilities	520,443	797,036
Commitments and contingencies (Note 10)		
Capital:		
Partners' capital:		
General partner:		
110,883 OP Units outstanding at December 31, 2017 and December 31, 2016	955	1,026
Limited partners:		
183,240,041 and 183,167,815 OP Units outstanding at December 31, 2017 and December 31, 2016, respectively	1,463,340	1,577,289
Accumulated other comprehensive income/(loss), net	—	(113)
Total partners' capital	1,464,295	1,578,202
Advances (to)/from the General Partner	397,899	19,659
Noncontrolling interests	12,936	20,638
Total capital	1,875,130	1,618,499
Total liabilities and capital	$ 2,395,573	$ 2,415,535

See accompanying notes to the consolidated financial statements.

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UNITED DOMINION REALTY, L.P.

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per unit data)

	Year Ended December 31,		
	2017	2016	2015
REVENUES:			
Rental income	$ 419,377	$ 404,415	$ 440,408
OPERATING EXPENSES:			
Property operating and maintenance	67,493	65,562	75,373
Real estate taxes and insurance	45,043	41,732	47,438
Property management	11,533	11,122	12,111
Other operating expenses	6,833	6,059	5,923
Real estate depreciation and amortization	152,473	147,074	169,784
General and administrative	17,875	18,808	27,016
Casualty-related (recoveries)/charges, net	1,922	484	843
Total operating expenses	303,172	290,841	338,488
Operating income	116,205	113,574	101,920
Income/(loss) from unconsolidated entities	(19,256)	(37,425)	(4,659)
Interest expense	(18,156)	(17,855)	(35,274)
Interest expense on note payable due to the General Partner	(12,210)	(12,212)	(5,047)
Income/(loss) from continuing operations	66,583	46,082	56,940
Gain/(loss) on sale of real estate owned	41,272	33,180	158,123
Net income/(loss)	107,855	79,262	215,063
Net (income)/loss attributable to noncontrolling interests	(1,548)	(1,444)	(1,762)
Net income/(loss) attributable to OP unitholders	$ 106,307	$ 77,818	$ 213,301
Net income/(loss) per weighted average OP Unit - basic and diluted	$ 0.58	$ 0.42	$ 1.16
Weighted average OP Units outstanding - basic and diluted	183,344	183,279	183,279

See accompanying notes to the consolidated financial statements.

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UNITED DOMINION REALTY, L.P.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME/(LOSS)

(In thousands)

	Year Ended December 31,		
	2017	2016	2015
Net income/(loss)	$ 107,855	$ 79,262	$ 215,063
Other comprehensive income/(loss), including portion attributable to noncontrolling interests:			
Other comprehensive income/(loss) - derivative instruments:			
Unrealized holding gain/(loss)	—	(4)	(82)
(Gain)/loss reclassified into earnings from other comprehensive income/(loss)	106	12	1,044
Other comprehensive income/(loss), including portion attributable to noncontrolling interests	106	8	962
Comprehensive income/(loss)	107,961	79,270	216,025
Comprehensive (income)/loss attributable to noncontrolling interests	(1,548)	(1,444)	(1,762)
Comprehensive income/(loss) attributable to OP unitholders	$ 106,413	$ 77,826	$ 214,263

See accompanying notes to consolidated financial statements.

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UNITED DOMINION REALTY, L.P.

CONSOLIDATED STATEMENT OF CHANGES IN CAPITAL

(In thousands)

	Class A Limited Partner	Limited Partners and LTIP Units	UDR, Inc Limited Partner	General Partner	Accumulated Other Comprehensive Income/(Loss), net	Total Partners' Capital	Advances (to)/from General Partner	Noncontrolling Interests	Total
nce at ember 31, 2014	$ 53,987	$ 228,493	$ 1,420,491	$ 1,105	$ (1,075)	$ 1,703,001	$ 13,624	$ 17,426	$ 1,734,
income/(loss)	2,201	8,515	202,456	129	—	213,301	—	1,762	215,06
ributions	(2,328)	(8,138)	(193,262)	(124)	—	(203,852)	—	—	(203,8
Unit mptions for mon shares of R	—	(3,816)	3,816	—	—	—	—	—	—
ustment to ct limited ners' capital at mption value	10,549	43,427	(53,976)	—	—	—	—	—	—
ealized /(loss) on vative financial stments	—	—	—	—	962	962	—	—	962
change in nces (to)/from General Partner	—	—	—	—	—	—	(24,894)	—	(24,89
nce at ember 31, 2015	64,409	268,481	1,379,525	1,110	(113)	1,713,412	(11,270)	19,188	1,721,
income/(loss)	743	3,099	73,928	48	—	77,818	—	1,444	79,262
ributions	(2,328)	(8,831)	(205,472)	(132)	—	(216,763)	—	—	(216,7
Unit mptions for mon shares of R	—	(175)	175	—	—	—	—	—	—
ustment to ct limited ners' capital at mption value	1,077	3,619	(4,696)	—	—	—	—	—	—
g-Term ntive Plan Unit ts	—	3,735	—	—	—	3,735	—	—	3,735
ealized /(loss) on vative financial stments	—	—	—	—	—	—	—	6	6

change in ances (to)/from General Partner	—	—	—	—	—	—	30,929	—	30,929
ance at ember 31, 2016	63,901	269,928	1,243,460	1,026	(113)	1,578,202	19,659	20,638	1,618,4
income/(loss)	1,015	4,270	100,957	65	—	106,307	—	1,548	107,85
ributions	(2,328)	(9,704)	(215,922)	(136)	—	(228,090)	—	—	(228,0
Unit mptions for mon shares of R	—	(288)	288	—	—	—	—	—	—
ustment to ct limited ners' capital at mption value	4,886	11,599	(16,485)	—	—	—	—	—	—
g-Term ntive Plan Unit ts	—	7,763	—	—	—	7,763	—	—	7,763
ealized /(loss) on vative financial stments	—	—	—	—	113	113	—	(6)	107
change in ances (to)/from General Partner	—	—	—	—	—	—	378,240	(9,244)	368,99
ance at ember 31, 2017	$ 67,474	$ 283,568	$ 1,112,298	$ 955	$ —	$ 1,464,295	$ 397,899	$ 12,936	$ 1,875,

See accompanying notes to the consolidated financial statements.

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UNITED DOMINION REALTY, L.P.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Year Ended December 31,		
	2017	2016	2015
Operating Activities			
Net income/(loss)	$ 107,855	$ 79,262	$ 215,063
Adjustments to reconcile net income/(loss) to net cash provided by/(used in) operating activities:			
Depreciation and amortization	152,473	147,074	169,784
(Gain)/loss on sale of real estate owned	(41,272)	(33,180)	(158,123)
(Income)/loss from unconsolidated entities	19,256	37,425	4,659
Other	5,642	1,769	606
Changes in operating assets and liabilities:			
(Increase)/decrease in operating assets	(4,786)	(3,510)	385
Increase/(decrease) in operating liabilities	(4,705)	(158)	(5,609)
Net cash provided by/(used in) operating activities	234,463	228,682	226,765
Investing Activities			
Acquisition of real estate assets	(137,332)	—	(141,424)
Proceeds from sales of real estate investments, net	67,985	44,553	232,728
Development of real estate assets	—	—	(6,280)
Capital expenditures and other major improvements — real estate assets, net of escrow reimbursement	(53,437)	(69,993)	(61,441)
Distributions received from unconsolidated entities	16,704	15,894	—
Net cash provided by/(used in) investing activities	(106,080)	(9,546)	23,583
Financing Activities			
Advances (to)/from the General Partner, net	163,196	(180,391)	(232,764)
Proceeds from the issuance of secured debt	—	—	184,638
Payments on secured debt	(275,345)	(30,322)	(189,244)
Distributions paid to partnership unitholders	(11,694)	(10,770)	(10,367)
Other	(5,003)	—	(10)
Net cash provided by/(used in) financing activities	(128,846)	(221,483)	(247,747)
Net increase/(decrease) in cash and cash equivalents	(463)	(2,347)	2,601
Cash and cash equivalents, beginning of year	756	3,103	502
Cash and cash equivalents, end of year	$ 293	$ 756	$ 3,103
Supplemental Information:			
Interest paid during the period, net of amounts capitalized	$ 24,331	$ 22,922	$ 44,881
Non-cash transactions:			
Non-cash transactions associated with contribution to DownREIT Partnership:			
Real estate owned, net of accumulated depreciation	—	—	405,116
Investment in DownREIT Partnership	—	—	174,822

Secured debt, net	—	—	228,390
Reallocation of credit facilities debt from the General Partner	—	12,292	17,557
Development costs and capital expenditures incurred but not yet paid	2,032	5,098	3,118
LTIP Unit grants	7,763	3,735	—
Dividends declared but not yet paid	57,025	54,192	50,962

See accompanying notes to the consolidated financial statements.

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UNITED DOMINION REALTY, L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017

1. CONSOLIDATION AND BASIS OF PRESENTATION

United Dominion Realty, L.P. (“UDR, L.P.,” the “Operating Partnership,” “we” or “our”) is a Delaware limited partnership that owns, acquires, renovates, redevelops, manages, and disposes of multifamily apartment communities generally located in high barrier to entry markets located in the United States. The high barrier to entry markets are characterized by limited land for new construction, difficult and lengthy entitlement process, expensive single-family home prices and significant employment growth potential. UDR, L.P. is a subsidiary of UDR, Inc. (“UDR” or the “General Partner”), a self-administered real estate investment trust, or REIT, through which UDR conducts a significant portion of its business. During the years ended December 31, 2017, 2016, and 2015, rental revenues of the Operating Partnership represented 43%, 43%, and 51%, respectively, of the General Partner’s consolidated rental revenues. As of December 31, 2017, the Operating Partnership’s apartment portfolio consisted of 53 communities located in 15 markets consisting of 16,698 apartment homes.

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

As of December 31, 2017, there were 183,350,924 OP Units outstanding, of which 174,237,688, or 95.0%, were owned by UDR and affiliated entities and 9,113,236, or 5.0%, were owned by non-affiliated limited partners. There were 183,278,698 OP Units outstanding as of December 31, 2016, of which 174,230,084, or 95.1%, were owned by UDR and affiliated entities and 9,048,614, or 4.9%, were owned by non-affiliated limited partners.

As sole general partner of the Operating Partnership, UDR owned all 110,883 general partner OP units, or 0.1%, of the total OP Units outstanding as of December 31, 2017 and 2016. At December 31, 2017 and 2016, there were 183,240,041 and 183,167,815, respectively, of limited partner OP Units outstanding, of which 1,873,332 were Class A Limited Partnership Units as of both periods. Of the limited partner OP Units outstanding, UDR owned 174,126,805, or 95.0%, and 174,119,201, or 95.1%, at December 31, 2017 and 2016, respectively. The remaining 9,113,236, or 5.0%, and 9,048,614, or 4.9%, of the limited partner OP Units outstanding were held by non-affiliated partners at December 31, 2017 and 2016, respectively, of which 1,751,671 were Class A Limited Partnership units as of both periods. See Note 9, Capital Structure.

The Operating Partnership evaluated subsequent events through the date its financial statements were issued. No significant recognized or non-recognized subsequent events were noted other than that in Note 3, Real Estate Owned.

2. SIGNIFICANT ACCOUNTING POLICIES

Recent Accounting Pronouncements

In August 2017, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2017-12, Derivatives and Hedging, Targeted Improvements to Accounting for Hedging Activities. The ASU aims to better align a company’s financial reporting for hedging activities with the economic objectives of those activities. The updated standard will be effective for the Operating Partnership on January 1, 2019 and must be applied using a modified retrospective approach; however, early adoption of the ASU is permitted. The Operating Partnership expects to early adopt the guidance on January 1, 2018, but does not expect the updated standard to have a material impact on the consolidated financial statements. Related disclosures will be updated pursuant to the requirements of the ASU.

In January 2017, the FASB issued ASU 2017 01, Business Combinations (Topic 805), Clarifying the Definition of a Business. The ASU changes the definition of a business to assist entities with evaluating whether a set of transferred assets is a business. As a result, the accounting for acquisitions of real estate could be impacted. The updated standard will be effective for the Operating Partnership on January 1, 2018. The ASU will be applied prospectively to any transactions occurring after adoption. The Operating Partnership expects that the updated standard will result in fewer

acquisitions of real estate meeting the definition of a business and fewer acquisition-related costs being expensed in the period incurred.

In November 2016, the FASB issued ASU 2016 18, Statement of Cash Flows (Topic 230), Restricted Cash. The ASU addresses the presentation of restricted cash and restricted cash equivalents in the statement of cash flows. The updated standard will be effective for the Operating Partnership on January 1, 2018 and must be applied retrospectively to all periods presented. The Operating Partnership does not expect the updated standard to have a material impact on the consolidated financial statements. Related disclosures will be updated pursuant to the requirements of the ASU.

In June 2016, the FASB issued ASU 2016 13, Financial Instruments-Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments. The standard requires entities to estimate a lifetime expected credit loss for most financial assets, including trade and other receivables, held-to-maturity debt securities, loans and other financial instruments, and to present the net amount of the financial instrument expected to be collected. The updated standard will be effective for the Operating Partnership on January 1, 2020; however, early adoption of the ASU is permitted on January 1, 2019. The Operating Partnership is currently evaluating the effect that the updated standard will have on the consolidated financial statements and related disclosures.

In February 2016, the FASB issued ASU No. 2016 02, Leases. The standard amends the existing lease accounting guidance and requires lessees to recognize a lease liability and a right-of-use asset for all leases (except for short-term leases that have a duration of one year or less) on their balance sheets. Lessees will continue to recognize lease expense in a manner similar to current accounting. For lessors, accounting for leases under the new guidance is substantially the same as in prior periods, but eliminates current real estate-specific provisions and changes the treatment of initial direct costs. Entities are required to use a modified retrospective approach for leases that exist or are entered into after the beginning of the earliest comparable period presented, with an option to elect certain transition relief. Full retrospective application is prohibited. The standard will be effective for the Operating Partnership on January 1, 2019; however, early adoption of the ASU is permitted. While the Operating Partnership is currently evaluating the effect that the updated standard will have on our consolidated financial statements and related disclosures, we expect to adopt the guidance on its effective date, at which time we anticipate recognizing right-of-use assets and related lease liabilities on our consolidated balance sheets related to ground leases for any communities where we are the lessee.

In May 2014, the FASB issued ASU No. 2014 09, Revenue from Contracts with Customers. The standard provides companies with a single model for use in accounting for revenue arising from contracts with customers and will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective, including industry-specific revenue guidance. The standard specifically excludes lease contracts. The ASU allows for the use of either the full or modified retrospective transition method and will be effective for the Operating Partnership on January 1, 2018, at which time the Operating Partnership expects to adopt the updated standard using the modified retrospective approach. However, as the majority of the Operating Partnership’s revenue is from rental income related to leases, the ASU will not have a material impact on the consolidated financial statements. Related disclosures will be provided and/or updated pursuant to the requirements of the ASU.

Real Estate

Real estate assets held for investment are carried at historical cost and consist of land, buildings and improvements, furniture, fixtures and equipment and other costs incurred during their development, acquisition and redevelopment.

Expenditures for ordinary repair and maintenance costs are charged to expense as incurred. Expenditures for improvements, renovations, and replacements related to the acquisition and/or improvement of real estate assets are capitalized and depreciated over their estimated useful lives if the expenditures qualify as a betterment or the life of the related asset will be substantially extended beyond the original life expectancy.

The Operating Partnership purchases real estate investment properties and records the tangible and identifiable intangible assets and liabilities acquired based on their estimated fair value. The primary, although not only, identifiable intangible asset associated with our portfolio is the value of existing lease agreements. When recording the acquisition of a community, we first assign fair value to the estimated intangible value of the existing lease agreements and then to the estimated value of the land, building and fixtures assuming the community is vacant. The Operating Partnership

estimates the intangible value of the lease agreements by determining the lost revenue associated with a hypothetical lease-up. Depreciation on the building is based on the expected useful life of the asset and the in-place leases are amortized over their remaining average contractual life. Property acquisition costs are expensed as incurred.

Quarterly or when changes in circumstances warrant, the Operating Partnership will assess our real estate properties for indicators of impairment. In determining whether the Operating Partnership has indicators of impairment in our real estate assets, we assess whether the long-lived asset's carrying value exceeds the community's undiscounted future cash flows, which is representative of projected net operating income ("NOI") plus the residual value of the community. Our future cash flow estimates are based upon historical results adjusted to reflect our best estimate of future market and operating conditions and our estimated holding periods. If such indicators of impairment are present and the carrying value exceeds the undiscounted cash flows of the community, an impairment loss is recognized equal to the excess of the carrying amount of the asset over its estimated fair value. Our estimates of fair market value represent our best estimate based primarily upon unobservable inputs related to rental rates, operating costs, growth rates, discount rates and capitalization rates, industry trends and reference to market rates and transactions.

For long-lived assets to be disposed of, impairment losses are recognized when the fair value of the asset less estimated cost to sell is less than the carrying value of the asset. Properties classified as real estate held for disposition generally represent properties that are actively marketed or contracted for sale with the closing expected to occur within the next twelve months. Real estate held for disposition is carried at the lower of cost, net of accumulated depreciation, or fair value, less the cost to sell, determined on an asset-by-asset basis. Expenditures for ordinary repair and maintenance costs on held for disposition properties are charged to expense as incurred. Expenditures for improvements, renovations, and replacements related to held for disposition properties are capitalized at cost. Depreciation is not recorded on real estate held for disposition.

Depreciation is computed on a straight-line basis over the estimated useful lives of the related assets which are 35 to 55 years for buildings, 10 to 35 years for major improvements, and 3 to 10 years for furniture, fixtures, equipment, and other assets.

Predevelopment, development, and redevelopment projects and related costs are capitalized and reported on the Consolidated Balance Sheets as Total real estate owned, net of accumulated depreciation. The Operating Partnership capitalizes costs directly related to the predevelopment, development, and redevelopment of a capital project, which include, but are not limited to, interest, real estate taxes, insurance, and allocated development and redevelopment overhead related to support costs for personnel working on the capital projects. We use our professional judgment in determining whether such costs meet the criteria for capitalization or must be expensed as incurred. These costs are capitalized only during the period in which activities necessary to ready an asset for its intended use are in progress and such costs are incremental and identifiable to a specific activity to get the asset ready for its intended use. These costs, excluding the direct costs of development and redevelopment and capitalized interest, for the years ended December 31, 2017, 2016, and 2015 were $0.5 million, $0.6 million, and $0.7 million, respectively. During the years ended December 31, 2017, 2016, and 2015, total interest capitalized was less than $0.1 million, $0.2 million, and $0.2 million, respectively. As each home in a capital project is completed and becomes available for lease-up, the Operating Partnership ceases capitalization on the related portion and depreciation commences over the estimated

useful life.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, demand deposits with financial institutions and short-term, highly liquid investments. We consider all highly liquid investments with maturities of three months or less when purchased to be cash equivalents. The majority of the Operating Partnership's cash and cash equivalents are held at major commercial banks.

Restricted Cash

Restricted cash consists of escrow deposits held by lenders for real estate taxes, insurance and replacement reserves, and security deposits.

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DECEMBER 31, 2017

Revenue and Real Estate Sales Gain Recognition

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

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

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

Derivative Financial Instruments

The General Partner utilizes derivative financial instruments to manage interest rate risk and generally designates these financial instruments as cash flow hedges. Derivative financial instruments associated with the Operating Partnership's allocation of the General Partner's debt are recorded on our Consolidated Balance Sheets as either an asset or liability and measured quarterly at their fair value. The changes in fair value for the General Partner's cash flow hedges allocated to the Operating Partnership that are deemed effective are reflected in other comprehensive income/(loss) and for non-designated derivative financial instruments in earnings. The ineffective component of cash flow hedges, if any, is recorded in earnings.

Noncontrolling Interests

The noncontrolling interests represent the General Partner's interests in certain consolidated subsidiaries and are presented in the capital section of the Consolidated Balance Sheets since these interests are not convertible or redeemable into any other ownership interests of the Operating Partnership.

Income Taxes

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

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

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Management of the Operating Partnership has reviewed all open tax years (2014 through 2016) of tax jurisdictions and concluded there is no tax liability resulting from unrecognized tax benefits relating to uncertain income tax positions taken or expected to be taken in future tax returns.

On December 22, 2017, the Tax Cuts and Jobs Act (the “Act”) was enacted, reducing the U.S. federal corporate income tax rate from 35% to 21%, among other changes. The SEC staff issued Staff Accounting Bulletin 118, which provides guidance on accounting for the tax effects of the Act for which the accounting under ASC 740, Income Taxes (“ASC 740”) is incomplete. To the extent that a company's accounting for certain income tax effects of the Act is incomplete but it is able to determine a reasonable estimate, it must record a provisional estimate in the financial statements. If a company cannot determine a provisional estimate to be included in the financial statements, it should continue to apply ASC 740 on the basis of the provisions of the tax laws that were in effect immediately before enactment of the Act. As of December 31, 2017, the impact to the Operating Partnership related to the accounting for the tax effects of the Act was not material.

Discontinued Operations

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

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

Allocation of General and Administrative Expenses

The Operating Partnership is charged directly for general and administrative expenses it incurs. The Operating Partnership is also charged with other general and administrative expenses that have been allocated by the General Partner to each of its subsidiaries, including the Operating Partnership, based on reasonably anticipated benefits to the parties. (See Note 6, Related Party Transactions.)

Advertising Costs

All advertising costs are expensed as incurred and reported on the Consolidated Statements of Operations within the line item Property operating and maintenance. During the years ended December 31, 2017, 2016, and 2015, total advertising expense from continuing and discontinued operations was $2.1 million, $2.2 million, and $2.4 million, respectively.

Comprehensive Income/(Loss)

Comprehensive income/(loss), which is defined as the change in capital during each period from transactions and other events and circumstances from nonowner sources, including all changes in capital during a period except for those resulting from investments by or distributions to unitholders, is displayed in the accompanying Consolidated Statements of Comprehensive Income/(Loss). For the years ended December 31, 2017, 2016, and 2015, the Operating Partnership's other comprehensive income/(loss) consisted of the gain/(loss) (effective portion) on derivative instruments that are designated as and qualify as cash flow hedges and (gain)/loss reclassified from other comprehensive income/(loss) into earnings. The (gain)/loss reclassified from other comprehensive income/(loss) is included in Interest expense on the Consolidated Statements of Operations. See Note 8, Derivatives and Hedging Activity, for further discussion.

Use of Estimates

The preparation of these financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent

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liabilities at the dates of the financial statements and the amounts of revenues and expenses during the reporting periods. Actual amounts realized or paid could differ from those estimates.

Market Concentration Risk

The Operating Partnership is subject to increased exposure from economic and other competitive factors specific to those markets where it holds a significant percentage of the carrying value of its real estate portfolio at December 31, 2017, the Operating Partnership held greater than 10% of the carrying value of its real estate portfolio in each of the San Francisco, California; Orange County, California; Metropolitan D.C. and New York, New York markets.

3. REAL ESTATE OWNED

Real estate assets owned by the Operating Partnership consist of income producing operating properties, properties under development, land held for future development, and sold or held for disposition properties. At December 31, 2017, the Operating Partnership owned and consolidated 53 communities in nine states plus the District of Columbia totaling 16,698 apartment homes. The following table summarizes the carrying amounts for our real estate owned (at cost) as of December 31, 2017 and 2016 (dollars in thousands):

	December 31, 2017	December 31, 2016
Land	$ 719,410	$ 751,981
Depreciable property — held and used:		
Land improvements	89,331	84,663
Buildings, improvements, and furniture, fixtures and equipment	3,008,215	2,838,060
Real estate owned	3,816,956	3,674,704
Accumulated depreciation	(1,543,652)	(1,408,815)
Real estate owned, net	$ 2,273,304	$ 2,265,889

Acquisitions

In October 2017, the Operating Partnership acquired an operating community located in Denver, Colorado with a total of 218 apartment homes and 17,000 square feet of retail space for a purchase price of approximately $141.5 million. As a result of the acquisition, the Operating Partnership increased its real estate owned by approximately $139.0 million and recorded approximately $2.5 million of in-place lease intangibles. The acquisition will be fully or partially funded with tax-deferred like-kind exchanges under Section 1031 of the Internal Revenue Code of 1986 (“Section 1031 exchanges”).

Dispositions

In December 2017, the Operating Partnership sold two operating communities with a total of 218 apartment homes in Orange County, California and Carlsbad, California for gross proceeds of $69.0 million, resulting in net proceeds of $68.0 million and a gain of $41.3 million.

During the year ended December 31, 2016, the Operating Partnership sold two operating communities in Baltimore, Maryland with a total of 276 apartment homes for gross proceeds of $45.3 million, resulting in net proceeds of $44.6 million and a gain, net of tax, of $33.2 million.

In February 2018, the Operating Partnership sold an operating community in Orange County, California with a total of 264 apartment homes for gross proceeds of $90.5 million and an expected GAAP gain of $70.3 million. The proceeds were designated for tax-deferred Section 1031 exchanges.

Other Activity

In connection with the acquisition of certain properties, the Operating Partnership agreed to pay certain of the tax liabilities of certain contributors if the Operating Partnership sells one or more of the properties contributed in a taxable transaction prior to the expiration of specified periods of time following the acquisition. The Operating

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Partnership may, however, sell, without being required to pay any tax liabilities, any of such properties in a non-taxable transaction, including, but not limited to, in an exchange under Section 1031 of the Internal Revenue Code.

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

4. UNCONSOLIDATED ENTITIES

The DownREIT Partnership is accounted for by the Operating Partnership under the equity method of accounting and is included in Investment in unconsolidated entities on the Consolidated Balance Sheets. The Operating Partnership recognizes earnings or losses from its investments in unconsolidated entities consisting of our proportionate share of the net earnings or losses of the partnership in accordance with the Partnership Agreement.

The DownREIT Partnership is a VIE as the limited partners lack substantive kick-out rights and substantive participating rights. The Operating Partnership is not the primary beneficiary of the DownREIT Partnership as it lacks the power to direct the activities that most significantly impact its economic performance and will continue to account for its interest as an equity method investment. See Note 2, Significant Accounting Policies.

As of December 31, 2017, the DownREIT Partnership owned 13 communities with 6,261 apartment homes. The Operating Partnership's investment in the DownREIT Partnership was $76.9 million and $112.9 million as of December 31, 2017 and 2016, respectively.

Financial statements required under Rule 3 09 of Regulation S-X for the DownREIT Partnership are included as Exhibit 99.1 to this report.

5. DEBT, NET

Our secured debt instruments generally feature either monthly interest and principal or monthly interest-only payments with balloon payments due at maturity. For purposes of classification in the following table, variable rate debt with a derivative financial instrument designated as a cash flow hedge is deemed as fixed rate debt due to the Operating Partnership having effectively established the fixed interest rate for the underlying debt instrument. Secured debt consists of the following as of December 31, 2017 and 2016 (dollars in thousands):

	Principal Outstanding		As of December 31, 2017		
				Weighted	
			Weighted	Average	
	December 31,	December 31,	Average	Years to	Communities

	2017	2016	Interest Rate		Maturity	Encumbered
Fixed Rate Debt						
Fannie Mae credit facilities	$ 133,205	$ 244,912	5.28	%	1.8	4
Deferred financing costs	(282)	(1,070)				
Total fixed rate secured debt, net	132,923	243,842	5.28	%	1.8	4
Variable Rate Debt						
Tax-exempt secured note payable	27,000	27,000	1.71	%	14.2	1
Fannie Mae credit facilities	—	163,637	—	%	—	—
Deferred financing costs	(78)	(505)				
Total variable rate secured debt, net	26,922	190,132	1.71	%	14.2	1
Total Secured Debt, Net	$ 159,845	$ 433,974	4.99	%	3.9	5

As of December 31, 2017, an aggregate commitment of $133.2 million of the General Partner’s secured credit facilities with Fannie Mae was owed by the Operating Partnership based on the ownership of the assets securing the debt. The entire commitment was outstanding at December 31, 2017. The portions of the Fannie Mae credit facilities owed by the Operating Partnership mature at various dates from October 2019 through December 2019 and bear interest at fixed rates. At December 31, 2017, the entire outstanding balance was fixed and had a weighted average interest rate of 5.28%.

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During the year ended December 31, 2017, $275.3 million of funds borrowed under the Fannie Mae credit facilities and owed by the Operating Partnership were prepaid. The Operating Partnership incurred prepayment costs of $5.8 million during the year ended December 31, 2017, which were included in Interest expense on the Consolidated Statements of Operations.

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

	December 31, 2017		December 31, 2016	
Borrowings outstanding	$ 133,205		$ 408,549	
Weighted average borrowings during the period ended	223,347		414,759	
Maximum daily borrowings during the period ended	408,549		421,001	
Weighted average interest rate during the period ended	4.6	%	3.9	%
Interest rate at the end of the period	5.3	%	4.0	%

The Operating Partnership may from time to time acquire properties subject to fixed rate debt instruments. In those situations, management will record the secured debt at its estimated fair value and amortize any difference between the fair value and par to interest expense over the life of the underlying debt instrument. The Operating Partnership did not have any unamortized fair value adjustments associated with the fixed rate debt instruments on the Operating Partnership’s properties.

Fixed Rate Debt

At December 31, 2017, the General Partner had borrowings against its fixed rate facilities of $285.8 million, of which $133.2 million was owed by the Operating Partnership based on the ownership of the assets securing the debt. As of December 31, 2017, the funds borrowed under the fixed rate Fannie Mae credit facilities owed by the Operating Partnership had a weighted average fixed interest rate of 5.28%.

Variable Rate Debt

Tax-exempt secured note payable. The variable rate mortgage note payable that secures tax-exempt housing bond issues matures March 2032. Interest on this note is payable in monthly installments. The mortgage note payable has an interest rate of 1.71% as of December 31, 2017.

Secured credit facilities. At December 31, 2017, the General Partner had borrowings against its variable rate facilities of $29.0 million, none of which was owed by the Operating Partnership based on the ownership of the assets securing the debt.

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The aggregate maturities of the Operating Partnership's secured debt due during each of the next ten calendar years subsequent to December 31, 2017 are as follows (dollars in thousands):

	Fixed	Variable	
		Tax-Exempt	
	Secured Credit	Secured Notes	
Year	Facilities	Payable	Total
2018	$ —	$ —	$ —
2019	133,205	—	133,205
2020	—	—	—
2021	—	—	—
2022	—	—	—
2023	—	—	—
2024	—	—	—
2025	—	—	—
2026	—	—	—
2027	—	—	—
Thereafter	—	27,000	27,000
Subtotal	133,205	27,000	160,205
Non-cash (a)	(282)	(78)	(360)
Total	$ 132,923	$ 26,922	$ 159,845

(a)Includes the unamortized balance of fair market value adjustments, premiums/discounts, deferred hedge gains, and deferred financing costs. For the years ended December 31, 2017 and 2016, the Operating Partnership amortized $0.3 million and $0.6 million, respectively, of deferred financing costs into Interest expense.

Guarantor on Unsecured Debt

The Operating Partnership is a guarantor on the General Partner's unsecured revolving credit facility with an aggregate borrowing capacity of $1.1 billion, an unsecured commercial paper program with an aggregate borrowing capacity of $500 million, $300 million of medium-term notes due October 2020, a $350 million term loan facility due January 2021, $400 million of medium-term notes due January 2022, $300 million of medium-term notes due July 2024, $300 million of medium-term notes due October 2025, $300 million of medium-term notes due September 2026, $300 million of medium-term notes due July 2027, and $300 million of medium-term notes due January 2028. As of December 31, 2017 and 2016, the General Partner did not have an outstanding balance under the unsecured revolving credit facility and had $300.0 million and $0, respectively, outstanding under its unsecured commercial paper program.

6. RELATED PARTY TRANSACTIONS

Advances (To)/From the General Partner

The Operating Partnership participates in the General Partner’s central cash management program, wherein all the Operating Partnership’s cash receipts are remitted to the General Partner and all cash disbursements are funded by the General Partner. In addition, other miscellaneous costs such as administrative expenses are incurred by the General Partner on behalf of the Operating Partnership. As a result of these various transactions between the Operating Partnership and the General Partner, the Operating Partnership had net Advances (to)/from the General Partner of $397.9 million and $19.7 million at December 31, 2017 and 2016, respectively, which are reflected as increases/(decreases) of capital on the Consolidated Balance Sheets.

Allocation of General and Administrative Expenses

The General Partner shares various general and administrative costs, employees and other overhead costs with the Operating Partnership including legal assistance, acquisitions analysis, marketing, human resources, IT, accounting, rent, supplies and advertising, and allocates these costs to the Operating Partnership first on the basis of direct usage when identifiable, with the remainder allocated based on the reasonably anticipated benefits to the parties. The general and administrative expenses allocated to the Operating Partnership by UDR were $14.0 million, $15.4 million, and $21.0

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million during the years ended December 31, 2017, 2016 and 2015, respectively, and are included in General and administrative on the Consolidated Statements of Operations. In the opinion of management, this method of allocation reflects the level of services received by the Operating Partnership from the General Partner.

During the years ended December 31, 2017, 2016 and 2015, the Operating Partnership reimbursed the General Partner $15.4 million, $14.5 million, and $17.7 million, respectively, for shared services related to corporate level property management costs incurred by the General Partner. These shared cost reimbursements and related party management fees are initially recorded within the line item General and administrative on the Consolidated Statements of Operations, and a portion related to management costs is reclassified to Property management on the Consolidated Statements of Operations. (See further discussion below.)

Shared Services/Management Fee

The Operating Partnership self-manages its own properties and is party to an Inter-Company Employee and Cost Sharing Agreement with the General Partner. This agreement provides for reimbursements to the General Partner for the Operating Partnership's allocable share of costs incurred by the General Partner for (a) shared services of corporate level property management employees and related support functions and costs, and (b) general and administrative costs. As discussed above, the reimbursement for shared services is classified in Property management on the Consolidated Statements of Operations.

Notes Payable to the General Partner

As of both December 31, 2017 and 2016, the Operating Partnership had $273.3 million of unsecured notes payable to the General Partner at annual interest rates between 4.12% and 5.34%. Certain limited partners of the Operating Partnership have provided guarantees or reimbursement agreements related to these notes payable. The guarantees were provided by the limited partners in conjunction with their contribution of properties to the Operating Partnership. The notes mature on August 31, 2021, December 31, 2023 and April 1, 2026, and interest payments are made monthly. The Operating Partnership recognized interest expense on the notes payable of $12.2 million, $12.2 million and $5.0 million for the years ended December 31, 2017, 2016, and 2015, respectively.

7. FAIR VALUE OF DERIVATIVES AND FINANCIAL INSTRUMENTS

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

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

Level 2 — Observable inputs other than prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other

inputs that are observable or can be corroborated with observable market data.

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

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The estimated fair values of the Operating Partnership's financial instruments either recorded or disclosed on a recurring basis as of December 31, 2017 and 2016 are summarized as follows (dollars in thousands):

			Fair Value at December 31, 2017, Using		
	Total Carrying Amount in Statement of Financial Position at December 31, 2017	Fair Value Estimate at December 31, 2017	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Description:					
Secured debt instruments - fixed rate: (a)					
Fannie Mae credit facilities	$ 133,205	$ 137,150	$ —	$ —	$ 137,150
Secured debt instruments - variable rate: (a)					
Tax-exempt secured notes payable	27,000	27,000	—	—	27,000
Total liabilities	$ 160,205	$ 164,150	$ —	$ —	$ 164,150

			Fair Value at December 31, 2016, Using		
	Total Carrying Amount in Statement of Financial Position at December 31, 2016	Fair Value Estimate at December 31, 2016	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Description:					
Derivatives - Interest rate contracts (b)	$ 1	$ 1	$ —	$ 1	$ —
Total assets	$ 1	$ 1	$ —	$ 1	$ —
Secured debt instruments - fixed					

rate: (a)					
Fannie Mae credit facilities	$ 244,912	$ 251,664	$ —	$ —	$ 251,664
Secured debt instruments - variable rate: (a)		—			
Tax-exempt secured notes payable	27,000	27,000	—	—	27,000
Fannie Mae credit facilities	163,637	163,637	—	—	163,637
Total liabilities	$ 435,549	$ 442,301	$ —	$ —	$ 442,301

(a)See Note 5, Debt, Net.

(b)See Note 8, Derivatives and Hedging Activity.

There were no transfers into or out of each of the levels of the fair value hierarchy during the year ended December 31, 2017.

Financial Instruments Carried at Fair Value

The fair values of interest rate swaps are determined using the market standard methodology of netting the discounted future fixed cash receipts (or payments) and the discounted expected variable cash payments (or receipts). The variable cash payments (or receipts) are based on an expectation of future interest rates (forward curves) derived from observable market interest rate curves. The fair values of interest rate options are determined using the market standard methodology of discounting the future expected cash receipts that would occur if variable interest rates rise

above the strike rate of the caps. The variable interest rates used in the calculation of projected receipts on the cap are based on an expectation of future interest rates derived from observable market interest rate curves and volatilities.

The General Partner, on behalf of the Operating Partnership, incorporates credit valuation adjustments to appropriately reflect both its own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. In adjusting the fair value of its derivative contracts for the effect of nonperformance risk, the Operating Partnership has considered the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts, and guarantees.

Although the General Partner, on behalf of the Operating Partnership, has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by itself and its counterparties. However, as of December 31, 2017 and 2016, the Operating Partnership has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit valuation adjustments are not significant to the overall valuation of its derivatives. As a result, the Operating Partnership has determined that its derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy. In conjunction with the FASB's fair value measurement guidance, the Operating Partnership made an accounting policy election to measure the credit risk of its derivative financial instruments that are subject to master netting agreements on a net basis by counterparty portfolio.

Financial Instruments Not Carried at Fair Value

At December 31, 2017, the fair values of cash and cash equivalents, restricted cash, accounts receivable, prepaids, real estate taxes payable, accrued interest payable, security deposits and prepaid rent, distributions payable and accounts payable approximated their carrying values because of the short term nature of these instruments. The estimated fair values of other financial instruments were determined by the General Partner using available market information and appropriate valuation methodologies. Considerable judgment is necessary to interpret market data and develop estimated fair values. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Operating Partnership would realize on the disposition of the financial instruments. The use of different market assumptions or estimation methodologies may have a material effect on the estimated fair value amounts.

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

The Operating Partnership records impairment losses on long-lived assets used in operations when events and circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by the future operation and disposition of those assets are less than the net book value of those assets. Cash flow estimates are based upon historical results adjusted to reflect management's best estimate of future market and operating conditions and our estimated holding periods. The net book value of impaired assets is reduced to fair value.

The General Partner's estimates of fair value represent management's estimates based upon Level 3 inputs such as industry trends and reference to market rates and transactions. The Operating Partnership did not incur any other-than-temporary impairments in the value of its investments in unconsolidated entities during the years ended December 31, 2017 and 2016.

8. DERIVATIVES AND HEDGING ACTIVITY

Risk Management Objective of Using Derivatives

The Operating Partnership is exposed to certain risks arising from both its business operations and economic conditions. The General Partner principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. The General Partner manages economic risks, including interest rate, liquidity, and credit risk primarily by managing the amount, sources, and duration of its debt funding and through the use of derivative financial instruments. Specifically, the General Partner enters into derivative financial instruments to manage exposures that arise from business activities that result in the receipt or payment of future known and uncertain

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cash amounts, the value of which are determined by interest rates. The General Partner's and the Operating Partnership's derivative financial instruments are used to manage differences in the amount, timing, and duration of the General Partner's known or expected cash payments principally related to the General Partner's borrowings.

Cash Flow Hedges of Interest Rate Risk

The General Partner's objectives in using interest rate derivatives are to add stability to interest expense and to manage its exposure to interest rate movements. To accomplish this objective, the General Partner primarily uses interest rate swaps and caps as part of its interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable-rate amounts from a counterparty in exchange for the General Partner making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount. Interest rate caps designated as cash flow hedges involve the receipt of variable-rate amounts from a counterparty if interest rates rise above the strike rate on the contract in exchange for an up-front premium.

A portion of the General Partner's interest rate derivatives are owed by the Operating Partnership based on the General Partner's underlying debt instruments owed by the Operating Partnership. (See Note 5, Debt, Net.)

The effective portion of changes in the fair value of derivatives designated and that qualify as cash flow hedges is recorded in Accumulated other comprehensive income/(loss), net in the Consolidated Balance Sheets and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. During the years ended December 31, 2017, 2016, and 2015, such derivatives were used to hedge the variable cash flows associated with existing variable-rate debt. The ineffective portion of the change in fair value of the derivatives is recognized directly in earnings. During the year ended December 31, 2017, the Operating Partnership recognized a loss of $0.1 million reclassified from Accumulated other comprehensive income/(loss), net to Interest expense due to the de-designation of a cash flow hedge. During the year ended December 31, 2016, the Operating Partnership recorded no gain or loss from ineffectiveness. During the year ended December 31, 2015, the Operating Partnership recognized a loss of less than $0.1 million reclassified from Accumulated other comprehensive income/(loss), net to Interest expense due to the de-designation of a cash flow hedge.

Amounts reported in Accumulated other comprehensive income/(loss), net related to derivatives will be reclassified to interest expense as interest payments are made on the General Partner's variable-rate debt that is owed by the Operating Partnership. As of December 31, 2017, no derivatives designated as cash flow hedges were held by the Operating Partnership. As a result, through December 31, 2018, we estimate that no amounts will be reclassified as an increase to interest expense.

Derivatives not designated as hedges are not speculative and are used to manage the Operating Partnership's exposure to interest rate movements and other identified risks but do not meet the strict hedge accounting requirements of GAAP. Changes in the fair value of derivatives not designated in hedging relationships are recorded directly in earnings and resulted in an a loss of less than $0.1 million for the years ended December 31, 2017, 2016, and 2015.

As of December 31, 2017, we had the following outstanding derivatives that were not designated as hedges in qualifying hedging relationships (dollars in thousands):

Product	Number of Instruments	Notional
Interest rate caps	1	$ 19,880

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

The table below presents the fair value of the Operating Partnership's derivative financial instruments as well as their classification on the Consolidated Balance Sheets as of December 31, 2017 and 2016 (dollars in thousands):

	Asset Derivatives (included in Other assets) Fair Value at:		Liability Derivatives (Included in Other liabilities) Fair Value at:	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Derivatives not designated as hedging instruments:				
Interest rate products	$ —	$ 1	$ —	$ —

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

The tables below present the effect of the derivative financial instruments on the Consolidated Statements of Operations for the years ended December 31, 2017, 2016, and 2015 (dollars in thousands):

	Unrealized holding gain/(loss) Recognized in OCI (Effective Portion)			Gain/(Loss) Reclassified from Accumulated OCI into Interest expense (Effective Portion)			Gain/(Loss) Recognized in Interest expense (Ineffective Portion and Amount Excluded from Effectiveness Testing)		
Derivatives in Cash Flow Hedging Relationships	2017	2016	2015	2017	2016	2015	2017	2016	2015
Interest rate products	$ —	$ (4)	$ (82)	$ —	$ (12)	$ (1,044)	$ (106)	$ —	$ (11)

	Gain/(Loss) Recognized in Interest income and other income/(expense), net		
Derivatives Not Designated as Hedging Instruments	2017	2016	2015
Interest rate products	$ (1)	$ (3)	$ (23)

Credit-risk-related Contingent Features

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

Certain of the General Partner's agreements with its derivative counterparties contain provisions where if there is a change in the General Partner's financial condition that materially changes the General Partner's creditworthiness in an adverse manner, the General Partner may be required to fully collateralize its obligations under the derivative instrument. At December 31, 2017 and 2016, no cash collateral was posted or required to be posted by the General Partner or by a counterparty.

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

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

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As of December 31, 2017, the fair value of derivatives was in a net asset position, which includes accrued interest but excludes any adjustment for nonperformance risk, related to these agreements, of less than $0.1 million. As of December 31, 2017, the General Partner has not posted any collateral related to these agreements.

The General Partner has elected not to offset derivative positions in the consolidated financial statements. The table below presents the effect on the Operating Partnership's financial position had the General Partner made the election to offset its derivative positions as of December 31, 2017 and December 31, 2016:

Offsetting of Derivative Assets

				Gross Amounts Not Offset in the Consolidated Balance Sheets		
	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Consolidated Balance Sheets	Net Amounts of Assets Presented in the Consolidated Balance Sheets (a)	Financial Instruments	Cash Collateral Received	Net Amount
December 31, 2017	$ —	—	—	$ —	$ —	$ —
December 31, 2016	$ 1	$ —	$ 1	$ —	$ —	$ 1

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

Offsetting of Derivative Liabilities

				Gross Amounts Not Offset in the Consolidated Balance Sheets		
	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Consolidated Balance Sheets	Net Amounts of Liabilities Presented in the Consolidated Balance Sheets (a)	Financial Instruments	Cash Collateral Posted	Net Amount
December 31, 2017	$ —	$ —	$ —	$ —	$ —	$ —
December 31, 2016	$ —	$ —	$ —	$ —	$ —	$ —

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

9. CAPITAL STRUCTURE

General Partnership Units

The General Partner has complete discretion to manage and control the operations and business of the Operating Partnership, which includes but is not limited to the acquisition and disposition of real property, construction of buildings and making capital improvements, and the borrowing of funds from outside lenders or UDR and its subsidiaries to finance such activities. The General Partner can generally authorize, issue, sell, redeem or purchase any OP Unit or securities of the Operating Partnership without the approval of the limited partners. The General Partner can also approve, with regard to the issuances of OP Units, the class or one or more series of classes, with designations, preferences, participating, optional or other special rights, powers and duties including rights, powers and duties senior to limited partnership interests without approval of any limited partners except holders of Class A Limited Partnership Units. There were 110,883 General Partnership units outstanding at December 31, 2017 and 2016, all of which were held by UDR.

Limited Partnership Units

At December 31, 2017 and 2016, there were 183,240,041 and 183,167,815, respectively, of limited partnership units outstanding, of which 1,873,332 were Class A Limited Partnership Units for both periods. UDR owned 174,126,805, or 95.0%, and 174,119,201, or 95.1%, of OP Units outstanding at December 31, 2017 and 2016,

respectively, of which 121,661 were Class A Limited Partnership Units for both periods. The remaining 9,113,236, or 5.0%, and 9,048,614, or 4.9%, of OP Units outstanding were held by non-affiliated partners at December 31, 2017 and 2016, respectively, of which 1,751,671 were Class A Limited Partnership Units for both periods.

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

The non-affiliated limited partners' capital is adjusted to redemption value at the end of each reporting period with the corresponding offset against UDR's limited partner capital account based on the redemption rights noted above. The aggregate value upon redemption of the then-outstanding OP Units held by limited partners was $351.0 million and $330.1 million as of December 31, 2017 and 2016, respectively, based on the value of UDR's common stock at each period end. A limited partner has no right to receive any distributions from the Operating Partnership on or after the date of redemption of its OP Units.

Class A Limited Partnership Units

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

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

The following table shows OP Units outstanding and OP Unit activity as of and for the years ended December 31, 2017, 2016, and 2015: