UDR, Inc.
Form 10-Q
November 09, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2007
or
o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d)**
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number 1-10524

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

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

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large accelerated filer þ Accelerated filer o Non-accelerated filer o

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

The number of shares of the issuer s common stock, $0.01 par value, outstanding as of November 6, 2007 was 134,173,949.

UDR, Inc.

FORM 10-Q

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PART I FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

UDR, Inc.

CONSOLIDATED BALANCE SHEETS
(In thousands, except for share data)
(Unaudited)

	September 30, 2007	December 31, 2006
ASSETS		
Real estate owned:		
Real estate held for investment	**$ 5,536,554**	$ 5,233,714
Less: accumulated depreciation	**(1,368,335)**	(1,183,632)
	4,168,219	4,050,082
Real estate under development (net of accumulated depreciation of $721 and $527)	**320,898**	203,786
Real estate held for disposition (net of accumulated depreciation of $9,936 and $69,568)	**41,298**	312,527
Total real estate owned, net of accumulated depreciation	**4,530,415**	4,566,395
Cash and cash equivalents	**2,353**	2,143
Restricted cash	**5,883**	5,602
Deferred financing costs, net	**37,788**	35,160
Notes receivable	**6,500**	10,500
Investment in unconsolidated joint ventures	**28,431**	5,850
Other assets	**54,870**	37,004
Other assets real estate held for disposition	**8,358**	13,221
Total assets	**$ 4,674,598**	$ 4,675,875
LIABILITIES AND STOCKHOLDERS EQUITY		
Secured debt	**$ 1,213,129**	$ 1,182,919
Unsecured debt	**2,225,498**	2,155,866
Real estate taxes payable	**40,449**	24,592
Accrued interest payable	**28,651**	34,347
Security deposits and prepaid rent	**29,471**	24,357
Distributions payable	**49,705**	46,936
Accounts payable, accrued expenses, and other liabilities	**39,040**	55,037
Other liabilities real estate held for disposition	**1,702**	7,733
Total liabilities	**3,627,645**	3,531,787

Minority interests	**59,247**	88,833
Stockholders equity:		
Preferred stock, no par value; 50,000,000 shares authorized		
0 shares 8.60% Series B Cumulative Redeemable issued and outstanding (5,416,009 at December 31, 2006)		135,400
2,803,812 shares 8.00% Series E Cumulative Convertible issued and outstanding (2,803,812 at December 31, 2006)	**46,571**	46,571
5,400,000 shares 6.75% Series G Cumulative Redeemable issued and outstanding (0 at December 31, 2006)	**135,000**	
Common stock, $0.01 par value; 250,000,000 shares authorized 134,328,648 shares issued and outstanding (135,029,126 at December 31, 2006)	**1,343**	1,350
Additional paid-in capital	**1,644,905**	1,682,809
Distributions in excess of net income	**(840,113)**	(810,875)
Total stockholders equity	**987,706**	1,055,255
Total liabilities and stockholders equity	**$ 4,674,598**	$ 4,675,875

See accompanying notes to consolidated financial statements.

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UDR, Inc.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	**2006**	**2007**	**2006**
REVENUES				
Rental income	**$ 183,065**	$ 170,393	**$ 534,994**	$ 497,490
Non-property income:				
Sale of technology investment		796		796
Other income	**372**	451	**1,546**	2,352
Total revenues	**183,437**	171,640	**536,540**	500,638
EXPENSES				
Rental expenses:				
Real estate taxes and insurance	**21,130**	19,188	**63,718**	60,191
Personnel	**16,593**	16,311	**50,525**	48,048
Utilities	**10,519**	9,597	**29,757**	28,642
Repair and maintenance	**10,881**	10,839	**30,649**	29,303
Administrative and marketing	**5,087**	5,190	**14,770**	15,122
Property management	**5,212**	5,126	**15,359**	15,211
Other operating expenses	**321**	308	**946**	907
Real estate depreciation and amortization	**64,831**	57,471	**189,487**	164,738
Interest	**46,110**	47,068	**133,075**	137,969
General and administrative	**8,720**	7,381	**28,150**	20,981
Other depreciation and amortization	**831**	816	**2,584**	2,203
Total expenses	**190,235**	179,295	**559,020**	523,315
Loss before minority interests and discontinued operations	**(6,798)**	(7,655)	**(22,480)**	(22,677)
Minority interests of outside partnerships	**(45)**	(33)	**(111)**	(87)
Minority interests of unitholders in operating partnerships	**587**	795	**1,946**	2,179
Loss before discontinued operations, net of minority interests	**(6,256)**	(6,893)	**(20,645)**	(20,585)
Income from discontinued operations, net of minority interests	**85,085**	66,245	**138,003**	124,130
Net income	**78,829**	59,352	**117,358**	103,545
Distributions to preferred stockholders Series B		(2,911)	**(4,819)**	(8,733)
Distributions to preferred stockholders Series E (Convertible)	**(931)**	(931)	**(2,794)**	(2,794)
Distributions to preferred stockholders Series G	**(2,328)**		**(3,113)**	

Premium on preferred stock repurchases						**(2,261)**		
Net income available to common stockholders	**$**	**75,570**	$	55,510	**$**	**104,371**	$	92,018
Earnings per weighted average common share basic and diluted:								
Loss from continuing operations available to common stockholders, net of minority interests	**$**	**(0.07)**	$	(0.08)	**$**	**(0.25)**	$	(0.24)
Income from discontinued operations, net of minority interests	**$**	**0.63**	$	0.50	**$**	**1.03**	$	0.93
Net income available to common stockholders	**$**	**0.56**	$	0.42	**$**	**0.78**	$	0.69
Common distributions declared per share	**$**	**0.3300**	$	0.3125	**$**	**0.9900**	$	0.9375
Weighted average number of common shares outstanding basic and diluted		**133,854**		133,712		**134,362**		133,660

See accompanying notes to consolidated financial statements.

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UDR, Inc.

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

	Nine Months Ended September 30, 2007	Nine Months Ended September 30, 2006
Operating Activities		
Net income	**$ 117,358**	$ 103,545
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	**195,890**	181,849
Net gains on the sale of land and depreciable property	**(137,256)**	(114,497)
Gain on sale of technology investment		(796)
Minority interests	**6,135**	5,972
Amortization of deferred financing costs and other	**5,593**	4,368
Amortization of restricted stock expense	**4,699**	3,167
Refund of income taxes paid	**5,296**	
Changes in operating assets and liabilities:		
Decrease/(increase) in operating assets	**459**	(13,055)
Decrease in operating liabilities	**(3,099)**	(6,105)
Net cash provided by operating activities	**195,075**	164,448
Investing Activities		
Proceeds from sales of real estate investments, net	**408,233**	391,185
Collection of notes receivable	**4,000**	59,805
Acquisition of real estate assets (net of liabilities assumed) and initial capital expenditures	**(197,791)**	(333,055)
Development of real estate assets	**(69,069)**	(38,920)
Capital expenditures and other major improvements real estate assets, net of escrow reimbursement	**(151,765)**	(163,490)
Capital expenditures non-real estate assets	**(3,438)**	(2,499)
Investment in unconsolidated joint venture	**(3,532)**	(10,630)
Proceeds from the sale of technology investment		796
Purchase deposits on pending real estate acquisitions	**(14,817)**	
Net cash used in investing activities	**(28,179)**	(96,808)
Financing Activities		
Payments on secured debt	**(100,228)**	(69,289)
Proceeds from the issuance of unsecured debt	**150,000**	125,000
Proceeds from the issuance of secured debt	**80,394**	44,814
Payments on unsecured debt	**(167,255)**	(110,194)
Net proceeds from revolving bank debt	**82,500**	112,800
Payment of financing costs	**(7,438)**	(4,211)
Proceeds from the issuance of common stock	**1,930**	
Proceeds from the issuance of Series G preferred stock	**135,000**	

Payment of preferred stock issuance costs	**(4,252)**	
Collateral substitution deposit		(10,432)
Proceeds from the issuance of performance shares		4,441
Cancellation of performance shares		(2,059)
Proceeds from the investment of performance based programs	**87**	400
Distributions paid to minority interests	**(9,295)**	(9,815)
Distributions paid to preferred stockholders	**(10,103)**	(11,527)
Distributions paid to common stockholders	**(131,463)**	(124,363)
Repurchase of common stock	**(51,163)**	
Redemption of Series B preferred stock	**(135,400)**	
Net cash used in financing activities	**(166,686)**	(54,435)
Net increase/(decrease) in cash and cash equivalents	**210**	13,205
Cash and cash equivalents, beginning of period	**2,143**	15,543
Cash and cash equivalents, end of period	**$ 2,353**	$ 28,748
Supplemental Information:		
Interest paid during the period	**$ 147,291**	$ 143,312
Non-cash transactions:		
Conversion of operating partnership minority interests to common stock (919,709 shares in 2007 and 34,290 shares in 2006)	**8,611**	317
Issuance of restricted stock awards	**2**	3
Secured debt assumed with the acquisition of properties	**72,680**	14,236
Non-cash transactions associated with joint venture:		
Real estate asset acquired		72,004
Secured debt assumed		55,899
Issuance of note receivable		4,000
Operating assets assumed		51
Operating liabilities assumed		5,028

See accompanying notes to consolidated financial statements.

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UDR, Inc.

CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY
(In thousands, except share data)
(Unaudited)

	Preferred Stock		Common Stock		Paid-in	Distributions in Excess of Net	
	Shares	**Amount**	**Shares**	**Amount**	**Capital**	**Income**	**Total**
Balance, December 31, 2006	8,219,821	$ 181,971	135,029,126	$ 1,350	$ 1,682,809	$ (810,875)	$ 1,055,255
Net income						117,358	117,358
Issuance of common and restricted shares			262,013	3	6,629		6,632
Purchase of common shares			(1,882,200)	(19)	(51,144)		(51,163)
Redemption of 8.60% Series B Cumulative Redeemable shares	(5,416,009)	(135,400)			2,261	(2,261)	(135,400)
Issuance of 6.75% Series G Cumulative Redeemable shares	5,400,000	135,000			(4,252)		130,748
Adjustment for conversion of minority interests of unitholders in operating partnerships			919,709	9	8,602		8,611
Common stock distributions declared ($0.9900 per share)						(133,609)	(133,609)
Preferred stock distributions declared-Series B ($1.069 per share)						(4,819)	(4,819)
Preferred stock distributions						(2,794)	(2,794)

declared-Series E ($.9966 per share)							
Preferred stock distributions declared-Series G ($.703175 per share)						(3,113)	(3,113)
Balance, September 30, 2007	**8,203,812**	**$ 181,571**	**134,328,648**	**$ 1,343**	**$ 1,644,905**	**$ (840,113)**	**$ 987,706**

See accompanying notes to consolidated financial statements.

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UDR, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2007
(UNAUDITED)

1. CONSOLIDATION AND BASIS OF PRESENTATION

UDR, Inc., formerly United Dominion Realty Trust, Inc., is a self-administered real estate investment trust, or REIT, that owns, acquires, renovates, develops, and manages apartment communities nationwide. The accompanying consolidated financial statements include the accounts of UDR and its subsidiaries, including United Dominion Realty, L.P. (the Operating Partnership), and Heritage Communities L.P. (the Heritage OP) (collectively, UDR). As of September 30, 2007, there were 166,163,187 units in the Operating Partnership outstanding, of which 157,411,416 units or 95% were owned by UDR and 8,751,771 units or 5% were owned by limited partners (of which 1,627,769 are owned by the holders of the Series A OPPS). As of September 30, 2007, there were 5,542,200 units in the Heritage OP outstanding, of which 5,212,041 units or 94% were owned by UDR and 330,159 units or 6% were owned by limited partners. The consolidated financial statements of UDR include the minority interests of the unitholders in the Operating Partnership and the Heritage OP. All significant intercompany accounts and transactions have been eliminated in consolidation.

The accompanying interim unaudited consolidated financial statements have been prepared according to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted according to such rules and regulations, although management believes that the disclosures are adequate to make the information presented not misleading. The accompanying consolidated financial statements should be read in conjunction with the audited consolidated financial statements and related notes appearing in UDR s Annual Report on Form 10-K for the year ended December 31, 2006, filed with the Securities and Exchange Commission as updated by the Current Report on Form 8-K dated and filed May 18, 2007.

In the opinion of management, the consolidated financial statements reflect all adjustments that are necessary for the fair presentation of financial position at September 30, 2007, and results of operations for the interim periods ended September 30, 2007 and 2006. Such adjustments are normal and recurring in nature. The interim results presented are not necessarily indicative of results that can be expected for a full year.

The preparation of these financial statements 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. Certain previously reported amounts have been reclassified to conform to the current financial statement presentation.

UDR adopted FASB Interpretation 48, Accounting for Uncertainty in Income Taxes (FIN 48), on January 1, 2007. As a result of the implementation of FIN 48, UDR recognized no material adjustments to liabilities related to unrecognized income tax benefits. At the adoption date of January 1, 2007, UDR s taxable REIT subsidiaries had $538,000 of net unrecognized tax benefits, which would favorably impact our effective tax rate if recognized. At September 30, 2007, UDR had $418,000 of net unrecognized tax benefits. UDR and its subsidiaries are subject to U.S. federal income tax as well as income tax of multiple state jurisdictions. The tax years 2003 2006 remain open to examination by the major taxing jurisdictions to which we are subject. UDR recognizes interest and/or penalties related to uncertain tax positions in income tax expense. As of September 30, 2007, UDR had $53,000 accrued for interest and $0 accrued for penalties.

In September 2006, the FASB issued Statement No. 157, Fair Value Measurements, (FAS 157) and in February 2007, Statement No. 159, The Fair Value Option for Financial Assets and Financial Liabilities (FAS 159) FAS 157 increases the consistency and comparability in fair value measurements and expands disclosures about fair value measurements. FAS 159 allows an entity to make a one-time election to measure many financial assets and financial liabilities at fair value (the fair value option). The election is made on an

UDR, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

instrument-by-instrument basis and is irrevocable. If the fair value option is elected for an instrument, this statement specifies that all subsequent changes in fair value for that instrument are reported in earnings. Both statements are effective for fiscal years beginning after November 15, 2007. UDR is currently assessing the impact that these statements may have on its consolidated financial statements.

2. REAL ESTATE HELD FOR INVESTMENT

At September 30, 2007, there are 234 communities with 66,805 apartment homes classified as real estate held for investment. The following table summarizes the components of real estate held for investment *(dollars in thousands):*

	September 30, 2007	December 31, 2006
Land and land improvements	**$ 1,358,739**	$ 1,293,212
Buildings and improvements	**3,870,249**	3,655,470
Furniture, fixtures, and equipment	**307,566**	285,032
Real estate held for investment	**5,536,554**	5,233,714
Accumulated depreciation	**(1,368,335)**	(1,183,632)
Real estate held for investment, net	**$ 4,168,219**	$ 4,050,082

3. INCOME FROM DISCONTINUED OPERATIONS

FASB Statement No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, (FAS 144) requires, among other things, that the primary assets and liabilities and the results of operations of UDR s real properties which have been sold or are held for disposition, be classified as discontinued operations and segregated in UDR s Consolidated Statements of Operations and Consolidated Balance Sheets. Properties classified as real estate held for disposition generally represent properties that are actively marketed or contracted for sale which are expected to close within the next twelve months.

For purposes of these financial statements, FAS 144 results in the presentation of the primary assets and liabilities and the net operating results of those properties sold or classified as held for disposition through September 30, 2007, as discontinued operations for all periods presented. The adoption of FAS 144 does not have an impact on net income available to common stockholders. FAS 144 only results in the reclassification of the operating results of all properties sold or classified as held for disposition through September 30, 2007, within the Consolidated Statements of Operations for the three and nine months ended September 30, 2007 and 2006, and the reclassification of the assets and liabilities within the Consolidated Balance Sheets for September 30, 2007 and December 31, 2006.

For the nine months ended September 30, 2007, UDR sold 12 communities, 50 condominiums from two communities with a total of 640 condominiums, and one parcel of land. UDR recognized after-tax gains for financial reporting purposes of $137.3 million on these sales. At September 30, 2007, UDR had two communities with a total of 590 condominiums and a net book value of $40.9 million, and one commercial unit with a net book value of $0.4 million included in real estate held for disposition. For the nine months ended September 30, 2006, UDR sold 22 communities with a total of 6,768 apartment homes and 351 condominiums from four communities with a total of 612 condominiums. UDR recognized after- tax gains for financial reporting purposes of $114.5 million on these sales. In conjunction with the sale of ten properties in July 2005, UDR received short-term notes for $124.7 million that bear interest at 6.75% and had maturities ranging from September 2005 to July 2006. As of September 30, 2006, all of the notes receivable had matured and had been repaid. Previously deferred gains for financial reporting purposes of $6.4 million were recognized during the nine months ended September 30, 2006. The results of operations for these properties

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UDR, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

are classified on the Consolidated Statements of Operations in the line item titled Income from discontinued operations, net of minority interests.

UDR has elected Taxable REIT Subsidiary (TRS) status for certain of its corporate subsidiaries, primarily those engaged in condominium conversion and development activities. For the three months ended September 30, 2007 and 2006, UDR recognized income tax benefit of $0.7 million and $2.4 million, respectively. For the nine months ended September 30, 2007, UDR recognized a $4.9 million income tax benefit and for the nine months ended September 30, 2006, UDR recognized a provision for income taxes of $4.9 million. These amounts are included in the income from discontinued operations, net of minority interests in the accompanying consolidated statements of operations.

The following is a summary of income from discontinued operations for the periods presented, *(dollars in thousands):*

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	**2006**	**2007**	**2006**
Rental income	**$ 6,479**	$ 16,020	**$ 23,534**	$ 55,638
Non-property income				5
Rental expenses	**3,299**	6,976	**10,989**	23,997
Real estate depreciation	**(41)**	4,379	**3,779**	14,824
Interest expense/(income)	**20**	(233)	**9**	(959)
Other expenses	**6**	19	**40**	84
	3,284	11,141	**14,817**	37,946
Income before net gain on the sale of depreciable property and minority interests	**3,195**	4,879	**8,717**	17,697
Net gain on the sale of land and depreciable property	**86,804**	65,669	**137,256**	114,497
Income before minority interests	**89,999**	70,548	**145,973**	132,194
Minority interests in income from discontinued operations	**(4,914)**	(4,303)	**(7,970)**	(8,064)
Income from discontinued operations, net of minority interests	**$ 85,085**	$ 66,245	**$ 138,003**	$ 124,130

UDR, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. SECURED DEBT

Secured debt on continuing and discontinued operations, which encumbers $1.8 billion or 31% of UDR s real estate owned based upon book value ($4.1 billion or 69% of UDR s real estate owned is unencumbered) consists of the following as of September 30, 2007 *(dollars in thousands):*

	Principal Outstanding		Weighted Average Interest Rate	Weighted Average Years to Maturity	Number of Communities Encumbered
	September 30, 2007	**December 31, 2006**	**2007**	**2007**	**2007**
Fixed Rate Debt					
Mortgage notes payable	**$ 402,368**	$ 352,159	5.45%	3.1	19
Tax-exempt secured notes payable	**25,945**	26,070	5.84%	17.5	3
Fannie Mae credit facilities	**583,650**	399,362	5.94%	5.7	9
Total fixed rate secured debt	**1,011,963**	777,591	5.74%	5.0	31
Variable Rate Debt					
Mortgage notes payable	**112,613**	105,089	6.59%	3.3	3
Tax-exempt secured note payable	**7,770**	7,770	3.89%	20.8	1
Fannie Mae credit facilities	**80,783**	292,469	5.81%	8.5	34
Total variable rate secured debt	**201,166**	405,328	6.17%	6.0	38
Total secured debt	**$ 1,213,129**	$ 1,182,919	5.81%	5.2	69

Approximate principal payments due during each of the next five calendar years and thereafter, as of September 30, 2007, are as follows *(dollars in thousands):*

Year	**Fixed Rate Maturities**	**Variable Rate Maturities**	**Total Secured Maturities**
2007	$ 79,371	$	$ 79,371
2008	11,833		11,833
2009	36,691	75,198	111,889

2010	249,466		249,466
2011	112,285	15,783	128,068
Thereafter	522,317	110,185	632,502
	$ 1,011,963	$ 201,166	$ 1,213,129

UDR, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. UNSECURED DEBT

A summary of unsecured debt as of September 30, 2007 and December 31, 2006 is as follows *(dollars in thousands):*

	September 30, 2007	December 31, 2006
Commercial Banks		
Borrowings outstanding under an unsecured credit facility due May 2008(a)	**$ 169,700**	$ 87,200
Senior Unsecured Notes Other		
7.25% Notes due January 2007		92,255
4.30% Medium-Term Notes due July 2007		75,000
4.50% Medium-Term Notes due March 2008	**200,000**	200,000
8.50% Monthly Income Notes due November 2008	**29,081**	29,081
4.25% Medium-Term Notes due January 2009	**50,000**	50,000
6.50% Notes due June 2009	**200,000**	200,000
3.90% Medium-Term Notes due March 2010	**50,000**	50,000
3.63% Convertible Senior Notes due September 2011(b)	**250,000**	250,000
5.00% Medium-Term Notes due January 2012	**100,000**	100,000
6.05% Medium-Term Notes due June 2013	**125,000**	121,345
5.13% Medium-Term Notes due January 2014	**200,000**	200,000
5.50% Medium-Term Notes due April 2014(c)	**150,000**	
5.25% Medium-Term Notes due January 2015	**250,000**	250,000
5.25% Medium-Term Notes due January 2016	**100,000**	100,000
8.50% Debentures due September 2024	**54,118**	54,118
4.00% Convertible Senior Notes due December 2035(d)	**250,000**	250,000
Other	**161**	167
	2,008,360	2,021,966
Unsecured Notes Other		
6.32% ABAG Tax-Exempt Bonds due August 2008	**46,700**	46,700
Unsecured Notes Premiums		
Premium on $50 million Medium-Term Notes due March 2010	**383**	
Premium on $250 million Medium-Term Notes due January 2015	**355**	
	738	
Total Unsecured Debt	**$ 2,225,498**	$ 2,155,866

(a) On July 27, 2007, UDR amended and restated its existing three-year $500 million unsecured revolving credit facility with a maturity date of May 31, 2008, (which can be extended for an additional year at UDR s option) to increase the facility to $600 million and extend its maturity to July 26, 2012. The terms of the $600 million credit facility provide that UDR has the right to increase the credit facility to $750 million under certain circumstances. Based on UDR s current credit ratings, the $600 million credit facility carries an interest rate equal to LIBOR plus a spread of 47.5 basis points. Under a competitive bid feature and for so long as UDR maintains an Investment Grade Rating, UDR has the right to bid out 50% of the commitment amount under the $600 million credit facility and can bid out 100% of the commitment amount once per quarter.

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UDR, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(b) At any time on or after July 15, 2011, prior to the close of business on the second business day prior to September 15, 2011, and also following the occurrence of certain events, the notes will be convertible at the option of the holder. Upon conversion of the notes, UDR will deliver cash and common stock, if any, based on a daily conversion value calculated on a proportionate basis for each trading day of the relevant 30 trading day observation period. The initial conversion rate for each $1,000 principal amount of notes is 26.6326 shares of our common stock, subject to adjustment under certain circumstances. In connection with the issuance of the 3.625% convertible senior notes, UDR entered into a capped call transaction with respect to its common stock. The convertible note and capped call transaction, both of which expire September 2011, must be net share settled. The maximum number of shares to be issued under the convertible notes is 6.7 million shares, subject to certain adjustment provisions. The capped call transaction combines a purchased call option with a strike price of $37.548 with a written call option with a strike price of $43.806. These transactions have no effect on the terms of the 3.625% convertible senior notes by effectively increasing the initial conversion price to $43.806 per share, representing a 40% conversion premium. The net cost of $12.6 million of the capped call transaction was included in stockholders equity.

(c) In March 2007, UDR sold $150 million aggregate principal amount of 5.50% senior unsecured notes due April 2014 under its medium-term note program. The net proceeds of approximately $149 million were used for debt repayment.

(d) Prior to December 15, 2030, upon the occurrence of specified events, the notes will be convertible at the option of the holder into cash and, in certain circumstances, shares of UDR s common stock at an initial conversion price of approximately 35.2988 shares per $1,000 principal amount of notes. On or after December 15, 2030, the notes will be convertible at any time prior to the second business day prior to maturity at the option of the holder into cash, and, in certain circumstances, shares of UDR s common stock at the above initial conversion rate. The initial conversion rate is subject to adjustment in certain circumstances.

6. EARNINGS PER SHARE

Basic earnings per common share is computed based upon the weighted average number of common shares outstanding during the period. Diluted earnings per common share is computed based upon common shares outstanding plus the effect of dilutive stock options and other potentially dilutive common stock equivalents. The dilutive effect of stock options and other potentially dilutive common stock equivalents is determined using the treasury stock method based on UDR s average stock price.

UDR, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	**2006**	**2007**	**2006**
Numerator for basic and diluted earnings per share				
Net income available to common stockholders	**$ 75,570**	$ 55,510	**$ 104,371**	$ 92,018
Denominator:				
Denominator for basic earnings per share				
Weighted average common shares outstanding	**134,733**	134,626	**135,235**	134,430
Non-vested restricted stock awards	**(879)**	(914)	**(873)**	(770)
	133,854	133,712	**134,362**	133,660
Effect of dilutive securities:				
Employee stock options, non-vested restricted stock awards, and convertible debt				
Denominator for diluted earnings per share	**133,854**	133,712	**134,362**	133,660
Basic and diluted earnings per share	**$ 0.56**	$ 0.42	**$ 0.78**	$ 0.69

The effect of the conversion of the operating partnership units, Series A Out-Performance Partnership Shares, convertible preferred stock, and convertible debt, is not dilutive and is therefore not included in the above calculations.

If the operating partnership units were converted to common stock, the additional shares of common stock outstanding for the three and nine months ended September 30, 2007 would be 7,456,153 and 7,805,328 weighted average common shares, and 8,724,535 and 8,739,982 weighted average common shares for the three and nine months ended September 30, 2006.

If the Series A Out-Performance Partnership Shares were converted to common stock, the additional shares of common stock outstanding for the three and nine months ended September 30, 2007 would be 1,627,769 and 1,627,852 weighted average common shares, respectively, and 1,691,845 and 1,739,433 weighted average common shares for the three and nine months ended September 30, 2006.

At September 30, 2007, if the measurement periods had ended on that date, no Series C, D and E Out-Performance Partnership Shares would have been issued had each Program terminated on that date. Accordingly, no additional operating partnership units would have been issued at that date.

At September 30, 2006, if the measurement periods had ended on that date, Series C and D Out-Performance Partnership Shares would have been issued if each Program terminated on that date. Accordingly, 582,718 and 596,641 operating partnership units, respectively, would have been issued had the measurement periods ended on that date; however, those units have been excluded in the calculation of diluted earnings per share because their effect would be anti-dilutive.

If the convertible preferred stock were converted to common stock, the additional shares of common stock outstanding would be 2,803,812 weighted average common shares for the three and nine months ended September 30, 2007 and 2006.

UDR, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. COMMITMENTS AND CONTINGENCIES

Commitments

UDR is committed to completing its wholly owned real estate under development, which has an estimated cost to complete of $320.6 million at September 30, 2007.

UDR is committed to completing its development joint venture projects, which have an estimated cost to complete of $187.7 million at September 30, 2007. The estimated cost to complete consists of $31.2 million related to a consolidated joint venture and $156.5 million related to unconsolidated joint ventures in which UDR owns 49%. These joint ventures are expected to be completed at various times between the first quarter of 2008 and the third quarter of 2010.

UDR has entered into four contracts to purchase apartment communities upon their development completion. Provided that the developer meets certain conditions, UDR will purchase these communities for approximately $155 million. These apartment communities are expected to be completed at various times between the fourth quarter of 2007 and the fourth quarter of 2009.

Contingencies

Series C Out-Performance Program

In May 2005, the stockholders of UDR approved a new Out-Performance Program and the first series of new Out-Performance Partnership Shares under the program are the Series C Out-Performance Units (the Series C Program) pursuant to which certain executive officers and other key employees of UDR (the Series C Participants) were given the opportunity to invest indirectly in UDR by purchasing interests in UDR Out-Performance III, LLC, a Delaware limited liability company (the Series C LLC), the only asset of which is a special class of partnership units of the Operating Partnership (Series C Out- Performance Partnership Shares or Series C OPPSs). The purchase price for the Series C OPPSs was determined by the Compensation Committee of UDR s board of directors to be $750,000, assuming 100% participation, and was based upon the advice of an independent valuation expert. UDR s performance for the Series C Program will be measured over the 36-month period from June 1, 2005 to May 30, 2008.

The Series C Program is designed to provide participants with the possibility of substantial returns on their investment if the cumulative total return on UDR s common stock, as measured by the cumulative amount of dividends paid plus share price appreciation during the measurement period is at least the equivalent of a 36% total return, or 12% annualized (Minimum Return).

At the conclusion of the measurement period, if UDR s cumulative total return satisfies these criteria, the Series C LLC as holder of the Series C OPPSs will receive (for the indirect benefit of the Series C Participants as holders of interests in the Series C LLC) distributions and allocations of income and loss from the Operating Partnership equal to the distributions and allocations that would be received on the number of OP Units obtained by:

i. determining the amount by which the cumulative total return of UDR s common stock over the measurement period exceeds the Minimum Return (such excess being the Excess Return);

ii. multiplying 2% of the Excess Return by UDR s market capitalization (defined as the average number of shares outstanding over the 36-month period, including common stock, common stock equivalents and OP Units); and

iii. dividing the number obtained in clause (ii) by the market value of one share of UDR s common stock on the valuation date, computed as the volume-weighted average price per day of common stock for the 20 trading days immediately preceding the valuation date.

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UDR, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Series C OPPSs, the number determined pursuant to (ii) above is capped at 1% of market capitalization.

If, on the valuation date, the cumulative total return of UDR s common stock does not meet the Minimum Return, then the Series C Participants will forfeit their entire initial investment.

Based on the results through September 30, 2007, no Series C OPPSs would have been issued had the Program terminated on that date. However, since the ultimate determination of Series C OPPSs to be issued will not occur until May 30, 2008, and the number of Series C OPPSs is determinable only upon future events, the financial statements do not reflect any impact for these events. Accordingly, the contingently issuable Series C OPPSs will only be included in basic earnings per share after the measurement period has ended and the applicable hurdle has been met. Furthermore, the Series C OPPSs will only be included in common stock and common stock equivalents in the calculation of diluted earnings per share after the hurdle has been met at the end of the reporting period (if any), assuming the measurement period ended at the end of the reporting period.

Series D Out-Performance Program

In February 2006, the board of directors of UDR approved the Series D Out-Performance Program (the Series D Program) pursuant to which certain executive officers of UDR (the Series D Participants) were given the opportunity to invest indirectly in UDR by purchasing interests in UDR Out-Performance IV, LLC, a Delaware limited liability company (the Series D LLC), the only asset of which is a special class of partnership units of the Operating Partnership (Series D Out-Performance Partnership Shares or Series D OPPSs). The Series D Program is part of the New Out-Performance Program approved by UDR s stockholders in May 2005. The Series D LLC has agreed to sell 830,000 membership units to certain members of UDR s senior management at a price of $1.00 per unit. The aggregate purchase price of $830,000 for the Series D OPPSs, assuming 100% participation, is based upon the advice of an independent valuation expert. The Series D Program will measure the cumulative total return on our common stock over the 36-month period beginning January 1, 2006 and ending December 31, 2008.

The Series D Program is designed to provide participants with the possibility of substantial returns on their investment if the cumulative total return on UDR s common stock, as measured by the cumulative amount of dividends paid plus share price appreciation during the measurement period is at least the equivalent of a 36% total return, or 12% annualized (Minimum Return).

At the conclusion of the measurement period, if UDR s cumulative total return satisfies these criteria, the Series D LLC as holder of the Series D OPPSs will receive (for the indirect benefit of the Series D Participants as holders of interests in the Series D LLC) distributions and allocations of income and loss from the Operating Partnership equal to the distributions and allocations that would be received on the number of OP Units obtained by:

i. determining the amount by which the cumulative total return of UDR s common stock over the measurement period exceeds the Minimum Return (such excess being the Excess Return);

ii. multiplying 2% of the Excess Return by UDR s market capitalization (defined as the average number of shares outstanding over the 36-month period, including common stock, OP Units, common stock equivalents and OP Units); and

iii. dividing the number obtained in (ii) by the market value of one share of UDR s common stock on the valuation date, computed as the volume-weighted average price per day of the common stock for the 20 trading days immediately preceding the valuation date.

For the Series D OPPSs, the number determined pursuant to clause (ii) above is capped at 1% of market capitalization.

UDR, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

If, on the valuation date, the cumulative total return of UDR s common stock does not meet the Minimum Return, then the Series D Participants will forfeit their entire initial investment.

Based on the results through September 30, 2007, no Series D OPPSs would have been issued had the Program terminated on that date. However, since the ultimate determination of Series D OPPSs to be issued will not occur until December 31, 2008, and the number of Series D OPPSs is determinable only upon future events, the financial statements do not reflect any impact for these events. Accordingly, the contingently issuable Series D OPPSs will only be included in basic earnings per share after the measurement period has ended and the applicable hurdle has been met. Furthermore, the Series D OPPSs will only be included in common stock and common stock equivalents in the calculation of diluted earnings per share after the hurdle has been met at the end of the reporting period (if any), assuming the measurement period ended at the end of the reporting period.

Series E Out-Performance Program

In February 2007, the board of directors of UDR approved the Series E Out-Performance Program (the Series E Program) pursuant to which certain executive officers of UDR (the Series E Participants) were given the opportunity to invest indirectly in UDR by purchasing interests in UDR Out-Performance V, LLC, a Delaware limited liability company (the Series E LLC), the only asset of which is a special class of partnership units of the Operating Partnership (Series E Out-Performance Partnership Shares or Series E OPPSs). The Series E Program is part of the New Out-Performance Program approved by UDR s stockholders in May 2005. The Series E LLC has agreed to sell 805,000 membership units to certain members of UDR s senior management at a price of $1.00 per unit. The aggregate purchase price of $805,000 for the Series E OPPSs, assuming 100% participation, is based upon the advice of an independent valuation expert. The Series E Program will measure the cumulative total return on our common stock over the 36-month period beginning January 1, 2007 and ending December 31, 2009.

The Series E Program is designed to provide participants with the possibility of substantial returns on their investment if the cumulative total return on UDR s common stock, as measured by the cumulative amount of dividends paid plus share price appreciation during the measurement period is at least the equivalent of a 36% total return, or 12% annualized (Minimum Return).

At the conclusion of the measurement period, if UDR s cumulative total return satisfies these criteria, the Series E LLC as holder of the Series E OPPSs will receive (for the indirect benefit of the Series E Participants as holders of interests in the Series E LLC) distributions and allocations of income and loss from the Operating Partnership equal to the distributions and allocations that would be received on the number of OP Units obtained by:

i. determining the amount by which the cumulative total return of UDR s common stock over the measurement period exceeds the Minimum Return (such excess being the Excess Return);

ii. multiplying 2% of the Excess Return by UDR s market capitalization (defined as the average number of shares outstanding over the 36-month period, including common stock, OP Units, common stock equivalents and OP Units); and

iii. dividing the number obtained in (ii) by the market value of one share of UDR s common stock on the valuation date, computed as the volume-weighted average price per day of the common stock for the 20 trading days immediately preceding the valuation date.

For the Series E OPPSs, the number determined pursuant to clause (ii) above is capped at 0.5% of market capitalization.

If, on the valuation date, the cumulative total return of UDR s common stock does not meet the Minimum Return, then the Series E Participants will forfeit their entire initial investment.

UDR, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Based on the results through September 30, 2007, no Series E OPPSs would have been issued had the Program terminated on that date. However, since the ultimate determination of Series E OPPSs to be issued will not occur until December 31, 2009, and the number of Series E OPPSs is determinable only upon future events, the financial statements do not reflect any impact for these events. Accordingly, the contingently issuable Series E OPPSs will only be included in basic earnings per share after the measurement period has ended and the applicable hurdle has been met. Furthermore, the Series E OPPSs will only be included in common stock and common stock equivalents in the calculation of diluted earnings per share after the hurdle has been met at the end of the reporting period (if any), assuming the measurement period ended at the end of the reporting period.

Litigation and Legal Matters

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

8. SUBSEQUENT EVENT

On November 5, 2007, UDR established a joint venture with a large domestic institutional partner. UDR has a 20% interest in the venture. The venture will own a portfolio of 3,690 stabilized homes located in nine multifamily communities in Austin, Dallas and Houston, Texas, and another 320 homes currently under development in Dallas. In addition to this $350 million initial pool of assets, the joint venture contains a $300 million expansion feature for future acquisitions. Each property in the portfolio is encumbered by a mortgage which is recourse only to the property and the loans in the aggregate total $232 million. Each loan has a term of seven years and bears interest at a rate of 5.61% per annum. The venture secured a commitment for a loan in the principal amount of $22 million to replace construction financing on an apartment community under development. The take-out loan provides for interest only, bears interest at 5.55% per annum and will have a term of 6 years.

A wholly-owned subsidiary of UDR will be the managing member of the venture and will provide property management. Other affiliates of UDR will provide construction management, development and other services to the venture.

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

Forward-Looking Statements

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

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

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,

the timing and closing of planned dispositions under agreement,

competitive factors that may limit our ability to lease apartment homes or increase or maintain rents,

insufficient cash flow that could affect our debt financing and create refinancing risk,

failure to generate sufficient revenue, which could impair our debt service payments and distributions to stockholders,

development and construction risks that may impact our profitability,

potential damage from natural disasters, including hurricanes and other weather-related events, which could result in substantial costs to us,

risks from extraordinary losses for which we may not have insurance or adequate reserves, uninsured losses due to insurance deductibles, self-insurance retention, uninsured claims or casualties, or losses in excess of applicable coverage,

delays in completing developments and lease-ups on schedule,

our failure to succeed in new markets,

changing interest rates, which could increase interest costs and affect the market price of our securities,

potential liability for environmental contamination, which could result in substantial costs to us,

the imposition of federal taxes if we fail to qualify as a REIT under the Internal Revenue 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 tax laws, tax laws and other laws affecting our business.

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

Business Overview

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

At September 30, 2007, our portfolio included 241 communities with 68,617 apartment homes nationwide. The following table summarizes our market information by major geographic markets (includes real estate held for disposition, real estate under development, and land, but excludes commercial properties):

	As of September 30, 2007				Three Months Ended September 30, 2007		Nine Months Ended September 30, 2007	
	Number of Apartment Communities	Number of Apartment Homes	Percentage of Carrying Value	Carrying Value (In thousands)	Average Physical Occupancy	Total Income per Occupied Home(a)	Average Physical Occupancy	Total Income per Occupied Home(a)
WESTERN REGION								
Orange Co., CA	13	4,067	11.7%	$ 692,070	94.6%	$ 1,552	94.7%	$ 1,521
San Francisco, CA	9	1,799	5.4%	315,006	96.3%	1,718	96.4%	1,666
Los Angeles, CA	6	1,210	3.4%	200,117	92.4%	1,467	93.2%	1,462
San Diego, CA	5	1,123	2.8%	165,815	94.7%	1,327	94.4%	1,308
Inland Empire, CA	3	1,074	2.5%	146,895	93.4%	1,271	91.7%	1,267
Seattle, WA	7	1,270	2.5%	146,682	95.8%	1,145	95.5%	1,089
Monterey Peninsula, CA	7	1,565	2.5%	145,803	96.1%	995	93.4%	975
Portland, OR	5	1,365	1.5%	90,442	95.9%	843	95.4%	815
Sacramento, CA	2	914	1.1%	65,353	92.1%	898	93.8%	881
MID-ATLANTIC REGION								
Metropolitan DC	9	2,640	5.5%	322,751	94.2%	1,329	94.6%	1,296
Raleigh, NC	11	3,663	4.0%	233,613	94.6%	743	93.7%	731
Richmond, VA	9	2,636	3.2%	188,777	89.9%	964	90.6%	936
Baltimore, MD	10	2,119	3.1%	182,965	92.6%	1,126	93.8%	1,099
Wilmington, NC	6	1,868	1.8%	106,922	94.6%	809	94.5%	786
Charlotte, NC	6	1,226	1.5%	91,425	95.2%	808	94.4%	790
Norfolk, VA	6	1,438	1.3%	75,842	94.7%	957	94.7%	945
Other Mid-Atlantic	13	2,817	2.6%	150,918	95.2%	907	94.0%	888
SOUTHEASTERN REGION								

Tampa, FL	12	4,113	5.0%	292,370	88.7%	963	88.4%	966
Orlando, FL	12	3,476	4.1%	239,266	90.1%	943	89.4%	949
Nashville, TN	10	2,966	3.4%	198,768	92.9%	791	93.6%	782
Jacksonville, FL	5	1,857	2.5%	147,793	94.6%	868	93.1%	862
Other Florida	8	2,400	2.8%	168,290	90.2%	924	88.7%	936
Other Southeastern	7	1,752	1.4%	81,818	95.4%	677	94.7%	670
SOUTHWESTERN REGION								
Houston, TX	16	5,447	4.6%	271,991	95.0%	712	94.2%	705
Arlington, TX	6	1,828	1.7%	97,764	96.3%	715	95.2%	705
Phoenix, AZ	4	1,209	1.6%	94,436	85.7%	952	86.3%	934
Austin, TX	5	1,425	1.5%	89,312	97.0%	770	97.0%	758
Other Southwestern	15	5,154	6.2%	367,359	92.2%	776	92.5%	785
MIDWESTERN REGION								
Columbus, OH	6	2,530	2.9%	168,320	95.3%	768	95.0%	769
Other Midwestern	3	444	0.4%	25,276	92.4%	777	90.9%	789
Real Estate Under Development	5	1,222	1.8%	106,774				
Land			3.7%	214,845				
Total	**241**	**68,617**	**100.0%**	**$ 5,885,778**	**93.4%**	**$ 961**	**93.1%**	**$ 951**

(a) Total Income per Occupied Home represents total revenues per weighted average number of apartment homes occupied.

Liquidity and Capital Resources

Liquidity is the ability to meet present and future financial obligations either through operating cash flows, the sale or maturity of existing assets, or by the acquisition of additional funds through capital management. Both the coordination of asset and liability maturities and effective capital management are important to the maintenance of liquidity. 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. We routinely use our unsecured bank credit facility to temporarily fund certain investing and financing activities prior to arranging for longer-term financing. During the past several years, proceeds from the sale of real estate have been used for both investing and financing activities.

We expect to meet our short-term liquidity requirements generally through net cash provided by operations and borrowings under credit arrangements. 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 long-term secured and unsecured borrowings, the disposition of properties, and the issuance of additional debt or equity securities. We believe that our net cash provided by operations will continue to be adequate to meet both operating requirements and the payment of dividends by the company in accordance with REIT requirements in both the short- and long-term. Likewise, the budgeted expenditures for improvements and renovations of certain properties are expected to be funded from property operations.

We have a shelf registration statement filed with the Securities and Exchange Commission which provides for the issuance of an indeterminate amount of common stock, preferred stock, debt securities, warrants, 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.

Future Capital Needs

Future development expenditures are expected to be funded with proceeds from the sale of property, with construction loans, through joint ventures, the use of our unsecured revolving credit facility, and, to a lesser extent, with cash flows provided by operating activities. Acquisition activity in strategic markets is expected to be largely financed through the issuance of equity and debt securities, the issuance of operating partnership units, the assumption or placement of secured and/or unsecured debt, and by the reinvestment of proceeds from the sale of properties.

During the remainder of 2007, we have approximately $79.4 million of secured debt maturing and we anticipate repaying that debt with proceeds from borrowings under our secured or unsecured credit facilities, the issuance of new unsecured debt securities or equity, or from disposition proceeds.

Critical Accounting Policies and Estimates

Our critical accounting policies are those having the most impact on the reporting of our financial condition and results and those requiring significant judgments and estimates. These policies include those related to (1) capital expenditures, (2) impairment of long-lived assets, and (3) real estate investment properties. Our critical accounting policies are described in more detail in the section entitled Management s Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended December 31, 2006. There have been no significant changes in our critical accounting policies from those reported in our 2006 Annual Report on Form 10-K. With respect to these critical accounting policies, we believe that the application of judgments and assessments is consistently applied and produces financial information that fairly depicts the results of operations for all periods presented.

Statements of Cash Flows

The following discussion explains the changes in net cash provided by operating activities and net cash used in investing and financing activities that are presented in our Consolidated Statements of Cash Flows.

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Operating Activities

For the nine months ended September 30, 2007, our cash flow provided by operating activities was $195.1 million compared to $164.4 million for the same period in 2006. The increase in cash flow from operating activities resulted primarily from the increase in property operating income from our apartment community portfolio for the nine months ended September 30, 2007 (see discussion under Apartment Community Operations).

Investing Activities

For the nine months ended September 30, 2007, net cash used in investing activities was $28.2 million as compared to $96.8 million for the same period in 2006. Changes in the level of investing activities from period to period reflects our strategy as it relates to our acquisition, capital expenditure, development, and disposition programs, as well as the impact of the capital market environment on these activities, all of which are discussed in further detail below.

Acquisitions

During the nine months ended September 30, 2007, we acquired ten apartment communities with 1,899 apartment homes, five parcels of land and one operating joint venture for an aggregate consideration of $269.6 million. Our long-term strategic plan is to achieve greater operating efficiencies by investing in fewer, more concentrated markets. As a result, we have been expanding our interests in the fast growing Southern California, Florida, Texas, and Metropolitan Washington DC markets over the past four years. During the remainder of 2007, we plan to continue to channel new investments into those markets that we believe will provide the best investment returns. Markets will be targeted based upon defined criteria including past performance, expected job growth, population growth, current and anticipated housing supply and demand, the ability to attract and support household formation and opportunities to create value in real estate that exceeds our invested capital.

Capital Expenditures

In conformity with accounting principles generally accepted in the United States, we capitalize those expenditures related to acquiring new assets, materially enhancing the value of an existing asset, or substantially extending the useful life of an existing asset. Expenditures necessary to maintain an existing property in ordinary operating condition are expensed as incurred.

During the nine months ended September 30, 2007, we spent $80.8 million or $1,438 per home on capital expenditures for our mature communities, those communities acquired, developed, and stabilized prior to September 30, 2006, and held on September 30, 2007, which consisted of 56,216 apartment homes. These capital improvements included turnover related expenditures for floor coverings and appliances, other recurring capital expenditures such as roofs, siding, parking lots, and other non-revenue enhancing capital expenditures, which aggregated $24.5 million or $436 per home. In addition, revenue enhancing capital expenditures, kitchen and bath upgrades, upgrades to HVAC equipment, and other extensive exterior/interior upgrades totaled $56.3 million or $1,002 per home.

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The following table outlines capital expenditures and repair and maintenance costs for our mature communities, for the periods presented:

	Nine Months Ended September 30, (dollars in thousands)			Nine Months Ended September 30, (per home)		
	2007	**2006**	**% Change**	**2007**	**2006**	**% Change**
Turnover capital expenditures	**$ 8,239**	$ 8,255	(0.2)%	**$ 147**	$ 147	0.0%
Asset preservation expenditures	**16,233**	8,763	85.2%	**289**	156	85.3%
Total recurring capital expenditures	**24,472**	17,018	43.8%	**436**	303	43.9%
Revenue enhancing improvements	**56,346**	97,540	(42.2)%	**1,002**	1,738	(42.3)%
Total capital expenditures	**$ 80,818**	$ 114,558	(29.5)%	**$ 1,438**	$ 2,041	(29.5)%
Repair and maintenance expense	**$ 26,250**	$ 25,777	1.8%	**$ 467**	$ 459	1.7%

Total capital expenditures for our mature communities decreased $33.7 million or $603 per home for the nine months ended September 30, 2007, compared to the same period in 2006. This decrease was primarily attributable to a $41.2 million decrease in revenue enhancing improvements at certain of our properties that was offset by an additional $7.5 million being invested in recurring capital expenditures as compared to the same period in 2006. We will continue to selectively add revenue enhancing improvements which we believe will provide a return on investment substantially in excess of our cost of capital. Recurring capital expenditures during 2007 are currently expected to be approximately $610 per home.

Development

Development activity is focused in core markets in which we have strong operations in place. For the nine months ended September 30, 2007, we invested approximately $69.1 million on development projects, an increase of $30.2 million from $38.9 million for the same period in 2006.

Real Estate Under Development

The following wholly owned apartments were under development as of September 30, 2007:

	Number of Apartment Homes	Completed Apartment Homes	Cost to Date (In thousands)	Budgeted Cost (In thousands)	Estimated Cost per Home	Expected Completion Date

Villas at Ridgeview Townhomes						
Plano, TX	48	48	$ 10,412	$ 10,000	$ 208,333	3Q07
RIACHI at One21						
Plano, TX	202	176	17,164	18,000	89,109	4Q07
Tiburon Phase I						
Houston, TX	320	24	12,185	22,000	68,750	2Q08
Lincoln Town Square Phase II						
Plano, TX	302		7,647	25,000	82,781	3Q08
Addison Assemblage						
Dallas, TX	2,712		59,366	352,000	129,794	4Q09
Total wholly owned apartments	**3,584**	**248**	**$ 106,774**	**$ 427,000**	**$ 119,141**	

In addition, we own 11 parcels of land held for future development aggregating $108.1 million at September 30, 2007.

Consolidated Development Joint Ventures

In June 2006, we completed the formation of a development joint venture that will invest approximately $138 million to develop one apartment community with 298 apartment homes in Marina del Rey, California. UDR is the financial partner and is responsible for funding the costs of development and receives a preferred

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return from 7% to 8.5% before our partner receives a 50% participation. Our initial investment was $27.5 million. Under FASB Interpretation No. 46, Consolidation of Variable Interest Entities, this venture has been consolidated into UDR s financial statements. Our joint venture partner is the managing partner as well as the developer, general contractor and property manager.

The following consolidated joint venture project was under development as of September 30, 2007:

	Number of Apartment Homes	Completed Apartment Homes	Cost to Date (In thousands)	Budgeted Cost (In thousands)	Estimated Cost per Home	Expected Completion Date
Jefferson at Marina del Rey Marina del Rey, CA	298		$ 106,783	$ 138,000	$ 463,087	1Q08

Unconsolidated Development Joint Ventures

UDR is a partner in a joint venture to develop a site in Bellevue, Washington. At closing, we owned 49% of the $135 million project that involves building a 430 home high rise apartment building with ground floor retail. Our initial investment was $5.7 million.

UDR is a partner in a joint venture which will develop 274 apartment homes in the central business district of Bellevue, Washington. Construction began in the fourth quarter of 2006 and is scheduled for completion in 2008. At closing, we owned 49% of the $97 million project. Our initial investment was $10.0 million.

The following unconsolidated joint venture projects were under development as of September 30, 2007 *(budgeted cost amounts include retail units)*:

	Number of Apartment Homes	Completed Apartment Homes	Cost to Date (In thousands)	Budgeted Cost (In thousands)	Estimated Cost per Home	Expected Completion Date
Bellevue Plaza Bellevue, WA	430		$ 36,587	$ 135,000	$ 313,953	3Q10
Ashwood Commons Bellevue, WA	274		38,915	97,000	354,015	4Q08
Total unconsolidated development joint ventures	**704**		**$ 75,502**	**$ 232,000**	**$ 329,545**	

Unconsolidated Operating Joint Venture

In January 2007, we entered into a joint venture which owns and operates a recently completed 23-story, 166 apartment home high rise community in the central business district of Bellevue, Washington. At closing, UDR owned 49% of the $58 million project (subject to a $34 million mortgage). Our initial investment was $11.8 million.

Disposition of Investments

For the nine months ended September 30, 2007, UDR sold 12 communities with a total of 3,435 apartment homes for a gross consideration of $403.0 million, 50 condominiums from two communities with a total of 640 condominiums for a gross consideration of $8.5 million, and one parcel of land for $4.5 million. We recognized after-tax gains for financial reporting purposes of $137.3 million on these sales. Proceeds from the sales were used primarily to reduce debt.

During 2007, we plan to continue to pursue our strategy of exiting markets where long-term growth prospects are limited and redeploying capital into markets we believe will provide the best investment returns. We intend to use the proceeds from 2007 dispositions to reduce debt, acquire communities, and fund development activity.

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Financing Activities

Net cash used in financing activities during the nine months ended September 30, 2007, was $166.7 million as compared to $54.4 million for the same period in 2006. As part of the plan to improve our balance sheet, we utilized proceeds from dispositions to pay down existing debt and purchase new properties.

The following is a summary of our significant financing activities for the nine months ended September 30, 2007:

Repaid $100.2 million of secured debt and $167.3 million of unsecured debt.

Sold $150 million aggregate principal amount of 5.50% senior unsecured notes due April 2014 in March 2007 under our medium-term note program. The net proceeds of approximately $149 million were used for debt repayment.

Redeemed 5,416,006 shares of our 8.60% Series B Cumulative Redeemable Preferred Stock on May 29, 2007, the redemption date, for a cash redemption price of $25 per share plus accrued and unpaid dividends to the redemption date.

Sold $135 million, or 5,400,000 shares, of our 6.75% Series G Cumulative Redeemable Preferred Stock in May 2007. The shares have a liquidation preference of $25.00 per share and will be redeemable at par at the option of UDR on or after May 31, 2012. The net proceeds from the offering were used to fund the redemption of all of the outstanding shares of our 8.60% Series B Cumulative Redeemable Preferred Stock.

Repurchased 1,882,200 shares of UDR common stock at an average price per share of $27.18 under our 10 million share repurchase program during the nine months ended September 30, 2007, of which 751,200 shares were repurchased at an average price per share of $25.31 during the third quarter of 2007.

Credit Facilities

We have four secured revolving credit facilities with Fannie Mae with an aggregate commitment of $860 million. As of September 30, 2007, $664.4 million was outstanding under the Fannie Mae credit facilities leaving $195.6 million of unused capacity. The Fannie Mae credit facilities are for an initial term of ten years, bear interest at floating and fixed rates, and can be extended for an additional five years at our option. We have $583.7 million of the funded balance fixed at a weighted average interest rate of 5.9% and the remaining balance is currently at a weighted average variable rate of 5.8%.

On July 27, 2007, we amended and restated our existing three-year $500 million unsecured revolving credit facility with a maturity date of May 31, 2008, (which could be extended for an additional year at our option) to increase the facility to $600 million and to extend its maturity to July 26, 2012. Under certain circumstances, we may increase the new $600 million credit facility to $750 million. Based on our current credit ratings, the $600 million credit facility carries an interest rate equal to LIBOR plus a spread of 47.5 basis points, which represents a 10 basis point reduction to the previous $500 million credit facility. Under a competitive bid feature and for so long as we maintain an Investment Grade Rating, we have the right under the new $600 million credit facility to bid out 50% of the commitment amount and we can bid out 100% of the commitment amount once per quarter. As of September 30, 2007, $169.7 million was outstanding under the credit facility leaving $430.3 million of unused capacity.

The Fannie Mae credit facility and the bank revolving credit facility are subject to customary financial covenants and limitations.

Information concerning short-term bank borrowings under our bank credit facility is summarized in the table that follows *(dollars in thousands)*:

	Three Months Ended September 30, 2007	Twelve Months Ended December 31, 2006
Total revolving credit facility	**$ 600,000**	$ 500,000
Borrowings outstanding at end of period	**169,700**	87,200
Weighted average daily borrowings during the period	**342,334**	264,102
Maximum daily borrowings during the period	**408,400**	415,800
Weighted average interest rate during the period	**5.7%**	5.3%
Weighted average interest rate at end of period	**5.9%**	5.6%

Funds from Operations

Funds from operations, or FFO, is defined as net income (computed in accordance with generally accepted accounting principles), excluding gains (or losses) from sales of depreciable property, premiums or original issuance costs associated with preferred stock redemptions, plus real estate depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. We compute FFO for all periods presented in accordance with the recommendations set forth by the National Association of Real Estate Investment Trust s (NAREIT) April 1, 2002 White Paper. We consider FFO in evaluating property acquisitions and our operating performance, and believe that FFO should be considered along with, but not as an alternative to, net income and cash flow as a measure of our activities in accordance with generally accepted accounting principles. FFO does not represent cash generated from operating activities in accordance with generally accepted accounting principles and is not necessarily indicative of cash available to fund cash needs.

Historical cost accounting for real estate assets in accordance with generally accepted accounting principles 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 REIT operating performance and defines FFO as net income (computed in accordance with accounting principles generally accepted in the United States), excluding gains (or losses) from sales of depreciable property, plus depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. The use of FFO, combined with the required presentations, has been fundamentally beneficial, improving the understanding of operating results of REITs among the investing public and making comparisons of REIT operating results more meaningful. We generally consider FFO to be a useful measure for reviewing our comparative operating and financial performance (although FFO should be reviewed in conjunction with net income which remains the primary measure of performance) because by excluding gains or losses related to sales of previously depreciated operating real estate assets and excluding real estate asset depreciation and amortization, FFO can help one compare the operating performance of a company s real estate between periods or as compared to different companies. We believe that FFO is the best measure of economic profitability for real estate investment trusts.

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The following table outlines our FFO calculation and reconciliation to generally accepted accounting principles for the three and nine months ended September 30, *(dollars and shares in thousands)*:

	Three Months Ended September 30, 2007	Three Months Ended September 30, 2006	Nine Months Ended September 30, 2007	Nine Months Ended September 30, 2006
Net income	**$ 78,829**	$ 59,352	**$ 117,358**	$ 103,545
Adjustments:				
Distributions to preferred stockholders	**(3,259)**	(3,842)	**(10,726)**	(11,527)
Real estate depreciation and amortization	**64,831**	57,471	**189,487**	164,738
Minority interests of unitholders in operating partnership	**(587)**	(795)	**(1,946)**	(2,179)
Contribution of unconsolidated joint ventures	**3**		**306**	
Discontinued Operations:				
Real estate depreciation	**(41)**	4,379	**3,779**	14,824
Minority interests of unitholders in operating partnership	**4,914**	4,303	**7,970**	8,064
Net gains on the sale of land and depreciable property	**(86,804)**	(65,669)	**(137,256)**	(114,497)
RE^3 gain on sales, net of tax	**9,872**	4,105	**21,038**	19,109
Funds from operations basic	**$ 67,758**	$ 59,304	**$ 190,010**	$ 182,077
Distributions to preferred stockholders Series E (Convertible)	**931**	931	**2,794**	2,794
Funds from operations diluted	**$ 68,689**	$ 60,235	**$ 192,804**	$ 184,871
Weighted average number of common shares and OP Units outstanding basic	**141,311**	142,437	**142,167**	142,400
Weighted average number of common shares, OP Units, and common stock equivalents outstanding diluted	**146,502**	148,104	**147,592**	147,896

In the computation of diluted FFO, OP Units, out-performance partnership shares, convertible debt, and the shares of Series E Cumulative Convertible Preferred Stock are dilutive; therefore, they are included in the diluted share count.

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

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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 Consolidated Statements of Operations for the three and nine months ended September 30, *(shares in thousands)*:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Weighted average number of common shares and OP units outstanding basic	**141,311**	142,437	**142,167**	142,400
Weighted average number of OP units outstanding	**(7,457)**	(8,725)	**(7,805)**	(8,740)
Weighted average number of common shares outstanding basic per the Consolidated Statements of Operations	**133,854**	133,712	**134,362**	133,660
Weighted average number of common shares, OP units, and common stock equivalents outstanding diluted	**146,502**	148,104	**147,592**	147,896
Weighted average number of OP units outstanding	**(7,457)**	(8,725)	**(7,805)**	(8,740)
Weighted average incremental shares from assumed conversion of stock options	**(667)**	(812)	**(729)**	(782)
Weighted average incremental shares from unvested restricted stock	**(92)**	(193)	**(175)**	(171)
Weighted average incremental shares from assumed conversion of $250 million convertible debt		(166)	**(89)**	
Weighted average number of Series A OPPSs outstanding	**(1,628)**	(1,692)	**(1,628)**	(1,739)
Weighted average number of Series E preferred shares outstanding	**(2,804)**	(2,804)	**(2,804)**	(2,804)
Weighted average number of common shares outstanding diluted per the Consolidated Statements of Operations	**133,854**	133,712	**134,362**	133,660

FFO also does not represent cash generated from operating activities in accordance with generally accepted accounting principles, and therefore should not be considered an alternative to net cash flows from operating activities, as determined by generally accepted accounting principles, as a measure of liquidity. Additionally, it is not necessarily indicative of cash availability to fund cash needs.

A presentation of cash flow metrics based on generally accepted accounting principles is as follows for the three and nine months ended September 30, (*dollars in thousands*):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Net cash provided by operating activities	**$ 77,136**	$ 67,366	**$ 195,075**	$ 164,448
Net cash provided by (used in) investing activities	**147,777**	97,162	**(28,179)**	(96,808)
Net cash used in financing activities	**(225,488)**	(142,070)	**(166,686)**	(54,435)

Results of Operations

The following discussion includes the results of both continuing and discontinued operations for the periods presented.

Net Income Available to Common Stockholders

Net income available to common stockholders was $75.6 million ($0.56 per diluted share) for the three months ended September 30, 2007, compared to $55.5 million ($0.42 per diluted share) for the same period in the prior year. The increase for the three months ended September 30, 2007, when compared to the same period in 2006, resulted primarily from the following items, all of which are discussed in further detail elsewhere within this Report:

- a $21.1 million increase in gains recognized from the sale of depreciable property,
- a $3.3 million increase in apartment community operating results,
- a $0.9 million decrease in personnel costs, and
- a $0.8 million decrease in repair and maintenance costs.

These increases in income were partially offset by a $2.9 million increase in real estate depreciation and amortization expense, a $1.3 million increase in general and administrative expense, a $1.3 million increase in real estate taxes and insurance expense, and a $0.9 million decrease in non-property income during the three months ended September 30, 2007 when compared to the same period in 2006.

Net income available to common stockholders was $104.4 million ($0.78 per diluted share) for the nine months ended September 30, 2007, compared to $92.0 million ($0.69 per diluted share) for the same period in the prior year. The increase for the nine months ended September 30, 2007, when compared to the same period in 2006, resulted primarily from the following items, all of which are discussed in further detail elsewhere within this Report:

- a $22.8 million increase in gains recognized from the sale of depreciable property,
- a $7.0 million increase in apartment community operating results,
- a $3.9 million decrease in interest expense,
- a $1.8 million decrease in personnel costs,
- a $1.7 million decrease in administrative and marketing costs,
- a $1.0 million decrease in utility expense, and
- an $0.8 million decrease in repair and maintenance costs.

These increases in income were partially offset by a $13.7 million increase in real estate depreciation and amortization expense, a $7.2 million increase in general and administrative expense, $2.3 million in premiums on preferred stock repurchases in 2007, and a $1.6 million decrease in non-property income during the first nine months of 2007 when compared to the same period in 2006.

Apartment Community Operations

Our net income is primarily generated from the operation of our apartment communities. The following table summarizes the operating performance of our total apartment portfolio for each of the periods presented *(dollars in thousands*):

	Three Months Ended September 30,	Nine Months Ended September 30,

	2007	2006	% Change	2007	2006	% Change
Property rental income	**$ 188,771**	$ 186,310	1.3%	**$ 555,224**	$ 552,977	0.4%
Property operating expense*	**(67,316)**	(68,123)	(1.2)%	**(199,822)**	(204,616)	(2.3)%
Property operating income	**$ 121,455**	$ 118,187	2.8%	**$ 355,402**	$ 348,361	2.0%
Weighted average number of homes	**70,794**	73,162	(3.2)%	**70,658**	74,678	(5.4)%
Physical occupancy**	**93.4%**	94.1%	(0.7)%	**93.1%**	94.3%	(1.2)%

* Excludes depreciation, amortization, and property management expenses.

** Based upon weighted average stabilized homes.

The following table is our reconciliation of property operating income to net income as reflected on the Consolidated Statements of Operations for the periods presented, *(dollars in thousands)*:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	**2006**	**2007**	**2006**
Property operating income	**$ 121,455**	$ 118,187	**$ 355,402**	$ 348,361
Commercial operating income/(loss)	**580**	125	**2,718**	(536)
Non-property income	**372**	1,247	**1,546**	3,153
Real estate depreciation and amortization	**(65,627)**	(62,685)	**(195,890)**	(181,849)
Interest	**(46,130)**	(46,835)	**(133,084)**	(137,010)
General and administrative and property management	**(13,932)**	(12,507)	**(43,509)**	(36,192)
Other operating expenses	**(321)**	(308)	**(946)**	(907)
Net gain on sale of depreciable property	**86,804**	65,669	**137,256**	114,497
Minority interests	**(4,372)**	(3,541)	**(6,135)**	(5,972)
Net income per the Consolidated Statement of Operations	**$ 78,829**	$ 59,352	**$ 117,358**	$ 103,545

Same Communities

For the three months ended September 30, 2007, our same communities (those communities acquired, developed, and stabilized prior to September 30, 2006, and held on September 30, 2007, which consisted of 56,216 apartment homes) provided 85% of our property operating income.

For the third quarter of 2007, same community property operating income increased 8.5% or $8.1 million compared to the same period in 2006. The increase in property operating income was primarily attributable to a 5.2% or $7.7 million increase in revenue and a 0.8% or $0.4 million decrease in operating expenses. The increase in revenues from rental and other income was primarily driven by a 3.7% or $5.4 million increase in rental rates, a 12.0% or $1.3 million increase in reimbursement income and fee income, a 26.7% or $0.7 million decrease in concession expenses, and a 1.3% or $0.1 million decrease in vacancy loss. Physical occupancy increased 0.2% to 94.9%.

The decrease in property operating expenses was primarily driven by a 3.4% or $0.4 million decrease in personnel costs, an 8.2% of $0.4 million decrease in administrative and marketing costs, a 3.6% or $0.3 million decrease in repair and maintenance costs, and a 6.6% or $0.2 million decrease in insurance costs. These decreases in expenses were partially offset by a 6.1% or $0.8 million increase in real estate taxes.

As a result of the percentage changes in property rental income and property operating expenses, the operating margin (property operating income divided by property rental income) remained constant at 66.4%.

For the nine months ended September 30, 2007, our same communities provided 84% of our property operating income. Same community property operating income increased 7.1% or $19.8 million compared to the same period in 2006. The increase in property operating income was primarily attributable to a 5.0% or $21.7 million increase in revenue and a 1.2% or $1.9 million increase in operating expenses. The increase in revenues from rental and other income was primarily driven by a 4.5% or $19.5 million increase in rental rates, a 13.4% or $4.2 million increase in reimbursement income and fee income, and a 3.4% or $0.3 million decrease in concession expense. These increases were partially offset by a 9.0% or $2.0 million increase in vacancy loss, and a 20.8% or $0.5 million increase in bad debt expense. Physical occupancy decreased 0.3% to 94.5%.

The increase in property operating expenses was primarily driven by a 12.8% or $1.0 million increase in insurance expense, a 1.9% or $0.8 million increase in personnel expense, a 1.8% or $0.8 million increase in real estate taxes, and a 1.2% or $0.3 million increase in repair and maintenance expense. These increases were partially offset by a 6.9% or $0.9 million decrease in administrative and marketing costs.

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As a result of the percentage changes in property rental income and property operating expenses, the operating margin increased 1.3% to 65.5%.

Non-Mature Communities

The remaining 16% or $58.4 million of our property operating income during the nine months ended September 30, 2007, was generated from communities that we classify as non-mature communities. UDR s non-mature communities consist primarily of communities acquired or developed in 2006 and 2007, sold properties, redevelopment properties, properties classified as real estate held for disposition and condominium properties.

Real Estate Depreciation and Amortization

For the three and nine months ended September 30, 2007, real estate depreciation and amortization on both continuing and discontinued operations increased 4.8% or $2.9 million and 7.6% or $13.7 million compared to the same period in 2006, primarily due to the increase in per home acquisition cost compared to the existing portfolio and other capital expenditures.

Interest Expense

For the three months ended September 30, 2007, interest expense on both continuing and discontinued operations decreased 1.5% or $0.7 million compared to the same period in 2006. For the three months ended September 30, 2007, the weighted average amount of debt outstanding increased 7.0% or $236.6 million compared to the same period in 2006 and the weighted average interest rate decreased from 5.6% in 2006 to 5.4% in 2007. The weighted average amount of debt outstanding during 2007 is slightly higher than 2006 as acquisition costs in 2007 have been funded, in most part, by the issuance of debt. The decrease in weighted average interest rate during 2007 reflects short-term bank borrowings and variable rate debt that had lower interest rates in 2007 when compared to the same period in 2006.

For the nine months ended September 30, 2007, interest expense on both continuing and discontinued operations decreased 2.9% or $3.9 million compared to the same period in 2006. For the nine months ended September 30, 2007, the weighted average amount of debt outstanding increased 6.9% or $226.5 million compared to the same period in 2006 and the weighted average interest rate decreased from 5.4% in 2006 to 5.3% in 2007. The weighted average amount of debt outstanding during 2007 is slightly higher than 2006 as acquisition costs in 2007 have been funded, in most part, by the issuance of debt. The decrease in the weighted average interest rate during 2007 reflects short-term bank borrowings and variable rate debt that had lower interest rates in 2007 when compared to the same period in 2006.

General and Administrative

For the three months ended September 30, 2007, general and administrative expenses increased $1.3 million or 18.1% compared to the same period in 2006. For the nine months ended September 30, 2007, general and administrative expenses increased $7.2 million or 34.2% compared to the same period in 2006. These increases were due to a number of factors, including increases in personnel costs, incentive compensation, and legal and professional fees.

Gains on the Sales of Land and Depreciable Property

For the three and nine months ended September 30, 2007, we recognized after-tax gains for financial reporting purposes of $86.8 million and $137.3 million compared to $65.7 million and $114.5 million for the comparable period in 2006. Changes in the level of gains recognized from period to period reflect the changing level of our divestiture activity from period to period, as well as the extent of gains related to specific properties sold.

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Inflation

We believe that the direct effects of inflation on our operations have been immaterial. While inflation primarily impacts our results through wage pressures, utilities and material costs, substantially all of our leases are for a term of one year or less, which generally enables us to compensate for inflationary effects by increasing rents. Although extreme growth in energy prices could have a negative impact on our residents and their ability to absorb rent increases, this has not had a material impact on our results.

Off-Balance Sheet Arrangements

We do not have any other 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.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to interest rate changes associated with our unsecured credit facility and other variable rate debt as well as refinancing risk on our fixed rate debt. UDR s involvement with derivative financial instruments is limited and we do not expect to use them for trading or other speculative purposes. In prior periods, UDR had used derivative instruments solely to manage its exposure to interest rates.

See our Annual Report on Form 10-K for the year ended December 31, 2006 Item 7A. Quantitative and Qualitative Disclosures About Market Risk for a more complete discussion of our interest rate sensitive assets and liabilities. As of September 30, 2007, our market risk has not changed materially from the amounts reported on our Annual Report on Form 10-K for the year ended December 31, 2006.

Item 4. CONTROLS AND PROCEDURES

As of September 30, 2007, we carried out an evaluation, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Our disclosure controls and procedures 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. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective in timely alerting them to material information required to be included in our periodic SEC reports. In addition, our Chief Executive Officer and our Chief Financial Officer concluded that during the quarter ended September 30, 2007, there has been no change in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. Our internal control over financial reporting is designed with the objective of providing reasonable assurance regarding the reliability of our financial reporting and preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

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. However, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are effective under circumstances where our disclosure controls and procedures should reasonably be expected to operate effectively.

PART II OTHER INFORMATION

Item 1A. RISK FACTORS

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

Unfavorable Changes in Apartment Market and Economic Conditions Could Adversely Affect Occupancy Levels and Rental Rates. Market and economic conditions in the metropolitan areas in which we operate may significantly affect our occupancy levels and rental rates and, therefore, our profitability. Factors that may adversely affect these conditions include the following:

- a reduction in jobs and other local economic downturns,
- declines in mortgage interest rates, making alternative housing more affordable,
- government or builder incentives which enable first time homebuyers to put little or no money down, making alternative housing decisions easier to make,
- oversupply of, or reduced demand for, apartment homes,
- declines in household formation, and
- rent control or stabilization laws, or other laws regulating rental housing, which could prevent us from raising rents to offset increases in operating costs.

The strength of the United States economy has become increasingly susceptible to global events and threats of terrorism. At the same time, productivity enhancements and the increased exportation of labor have resulted in limited job growth despite an improving economy. Continued weakness in job creation, or any worsening of current economic conditions, generally and in our principal market areas, could have a material adverse effect on our occupancy levels, our rental rates and our ability to strategically acquire and dispose of apartment communities. This may impair our ability to satisfy our financial obligations and pay distributions to our stockholders.

New Acquisitions, Developments and Condominium Projects May Not Achieve Anticipated Results. We intend to continue to selectively acquire apartment communities that meet our investment criteria and to develop apartment communities for rental operations, to convert properties into condominiums and to develop condominium projects. Our acquisition, development and condominium activities and their success are subject to the following risks:

- an acquired apartment community may fail to perform as we expected in analyzing our investment, or a significant exposure related to the acquired property may go undetected during our due diligence procedures,
- when we acquire an apartment community, we often invest additional amounts in it with the intention of increasing profitability. These additional investments may not produce the anticipated improvements in profitability,

new developments may not achieve pro forma rents or occupancy levels, or problems with construction or local building codes may delay initial occupancy dates for all or a portion of a development community, and

an over supply of condominiums in a given market may cause a decrease in the prices at which we expect to sell condominium properties.

Possible Difficulty of Selling Apartment Communities Could Limit Operational and Financial Flexibility. We periodically dispose of apartment communities that no longer meet our strategic objectives, but market conditions could change and purchasers may not be willing to pay prices acceptable to us. A weak market may limit our ability to change our portfolio promptly in response to changing economic conditions. Furthermore, a significant portion of the proceeds from our overall property sales may be held by intermediaries in order for some sales to qualify as like-kind exchanges under Section 1031 of the Internal Revenue Code, so that any related capital gain can be deferred for federal income tax purposes. As a result, we may not have immediate access to all of the cash flow generated from our property sales. In addition, federal tax laws limit our ability to profit on the sale of communities that we have owned for fewer than four years, and this limitation may prevent us from selling communities when market conditions are favorable.

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

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

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

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

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

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

Financing May Not Be Available and Could Be Dilutive. Our ability to execute our business strategy depends on our access to an appropriate blend of debt financing, including unsecured lines of credit and other forms of secured and unsecured debt, and equity financing, including common and preferred equity. Debt or equity financing may not be available in sufficient amounts, or on favorable terms or at all. If we issue additional equity securities to finance developments and acquisitions instead of incurring debt, the interests of our existing stockholders could be diluted.

Development and Construction Risks Could Impact Our Profitability. We intend to continue to develop and construct apartment communities. Development activities may be conducted through wholly owned affiliated companies or through joint ventures with unaffiliated parties. Our development and construction activities may be exposed to the following risks:

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

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

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

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

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

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

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

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

We may not be able to renew insurance coverage in an adequate amount or at reasonable prices. In addition, insurance companies may no longer offer coverage against certain types of losses, such as losses due to terrorist acts and mold, or, if offered, these types of insurance may be prohibitively expensive. If an uninsured loss or a loss in excess of insured limits occur, we could lose all or a portion of the capital we have invested in a property, as well as the anticipated future revenue from the property. In such an event, we might nevertheless remain obligated for any mortgage debt or other financial obligations related to the property. Material losses in excess of insurance proceeds may occur in the future. If one or more of our significant properties were to experience a catastrophic loss, it could seriously disrupt our operations, delay revenue and result in large expenses to repair or rebuild the property. Such events could adversely affect our cash flow and ability to make distributions to stockholders.

Failure to Succeed in New Markets May Limit Our Growth. We may from time to time make acquisitions outside of our existing market areas if appropriate opportunities arise. We may be exposed to a variety of risks if we choose to enter new markets, and we may not be able to operate successfully in new markets. These risks include, among others:

- inability to accurately evaluate local apartment market conditions and local economies,
- inability to obtain land for development or to identify appropriate acquisition opportunities,
- inability to hire and retain key personnel, and
- lack of familiarity with local governmental and permitting procedures.

Changing Interest Rates Could Increase Interest Costs and Adversely Affect Our Cash Flow and the Market Price of Our Securities. We currently have, and expect to incur in the future, interest-bearing debt at rates that vary with market interest rates. As of September 30, 2007, we had approximately $370.9 million of variable rate indebtedness outstanding, which constitutes approximately 11% of our total outstanding indebtedness as of such date. An increase in interest rates would increase our interest expenses to the extent our variable rate debt is not hedged effectively, and it would increase the costs of refinancing existing indebtedness and of issuing new debt. Accordingly, higher interest rates could adversely affect cash flow and our ability to service our debt and to make distributions to security holders. In addition, an increase in market interest rates may lead our security holders to demand a higher annual yield, which could adversely affect the market price of our common and preferred stock and debt securities.

Risk of Inflation/Deflation. Substantial inflationary or deflationary pressures could have a negative effect on rental rates and property operating expenses.

Limited Investment Opportunities Could Adversely Affect Our Growth. We expect that other real estate investors will compete with us to acquire existing properties and to develop new properties. These competitors include insurance companies, pension and investment funds, developer partnerships, investment companies and other apartment REITs. This competition could increase prices for properties of the type that we would likely pursue, and our competitors may have greater resources than we do. As a result, we may not be able to make attractive investments on favorable terms, which could adversely affect our growth.

Failure to Integrate Acquired Communities and New Personnel Could Create Inefficiencies. To grow successfully, we must be able to apply our experience in managing our existing portfolio of apartment communities to a larger number of properties. In addition, we must be able to integrate new management and operations personnel as our organization grows in size and complexity. Failures in either area will result in inefficiencies that could adversely affect our expected return on our investments and our overall profitability.

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

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

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

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

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

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

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

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

Real Estate Tax and Other Laws. Generally we do not directly pass through costs resulting from compliance with or changes in real estate tax laws to residential property tenants. We also do not generally pass through increases in income, service or other taxes, to tenants under leases. These costs may adversely affect funds from operations and the ability to make distributions to stockholders. Similarly, compliance with or changes in (i) laws increasing the potential liability for environmental conditions existing on properties or the restrictions on discharges or other conditions or (ii) rent control or rent stabilization laws or other laws regulating housing, such as the Americans with Disabilities Act of 1990 and the Fair Housing Amendments Act of 1988, may result in significant unanticipated expenditures, which would adversely affect funds from operations and the ability to make distributions to stockholders.

Risk of Earthquake Damage. Certain of our West Cost communities are located in the general vicinity of active earthquake faults. An earthquake could cause damage or losses greater than insured levels. In the event of a loss in excess of insured limits, we could lose our capital invested in the affected community, as well as anticipated future revenue from that community. We would also continue to be obligated to repay any mortgage indebtedness or other obligations related to the community. Any such loss could materially and adversely affect our business and our financial condition and results of operations.

Insurance coverage for earthquakes is expensive due to limited industry capacity. As a result, we may experience shortages in desired coverage levels if market conditions are such that insurance is not available.

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

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

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

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

Under the terms of our shareholder rights plan, our board of directors can, in effect, prevent a person or group from acquiring more than 15% of the outstanding shares of our common stock. Unless our board of directors approves the person s purchase, after that person acquires more than 15% of our outstanding common stock, all other stockholders will have the right to purchase securities from us at a price that is less than their then fair market value. Purchases by other stockholders would substantially reduce the value and influence of the shares of our common stock owned by the acquiring person. Our board of directors, however, can prevent the shareholder rights plan from operating in this manner. This gives our board of directors significant discretion to approve or disapprove a person s efforts to acquire a large interest in us.

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

In February 2006, our Board of Directors authorized a 10 million share repurchase program. This program authorizes the repurchase of our common stock in open market purchases, in block purchases, privately negotiated transactions, or otherwise. As reflected in the table below, 751,200 shares of common stock were repurchased under this program during the quarter ended September 30, 2007.

Period	Total Number of Shares Purchased	Average Price per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet be Purchased Under the Plans or Programs
Beginning Balance	1,131,000	$ 28.42	1,131,000	8,869,000
July 1, 2007 through July 31, 2007	320,200	27.12	320,200	8,548,800
August 1, 2007 through August 31, 2007		N/A		8,548,800
September 1, 2007 through September 30, 2007	431,000	23.97	431,000	8,117,800
Balance as of September 30, 2007	1,882,200	$ 27.18	1,882,200	8,117,800

Item 6. EXHIBITS

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

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SIGNATURES

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

UDR, INC.
(registrant)

Date: November 9, 2007	/s/ Michael A. Ernst Michael A. Ernst Executive Vice President and Chief Financial Officer
Date: November 9, 2007	/s/ David L. Messenger David L. Messenger Senior Vice President and Chief Accounting Officer

EXHIBIT INDEX

Exhibit No.	Description
10.1	Second Amended and Restated Credit Agreement dated as of July 27, 2007 (incorporated by reference to Exhibit 10.1 to the Company s Current Report on Form 8-K dated July 27, 2007 and filed with the SEC on August 2, 2007, Commission File No. 1-10524).
10.2	Amended and Restated Credit Agreement dated as of May 25, 2005 (incorporated by reference to Exhibit 10.1 to the Company s Current Report on Form 8-K dated May 25, 2005, filed with the Securities and Exchange Commission on May 27, 2005, Commission File No. 1-10524).
10.3	Limited Liability Company Agreement of UDR Texas Ventures LLC, dated as of November 5, 2007 (incorporated by reference to Exhibit 10.1 to the Company s Current Report on Form 8-K dated November 5, 2007 and filed with the SEC on November 9, 2007, Commission File No. 1-10524).
12	Computation of Ratio of Earnings to Fixed Charges.
31.1	Rule 13a-14(a) Certification of the Chief Executive Officer.
31.2	Rule 13a-14(a) Certification of the Chief Financial Officer.
32.1	Section 1350 Certification of the Chief Executive Officer.
32.2	Section 1350 Certification of the Chief Financial Officer.