UDR, Inc.
Form 10-K
February 23, 2011

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

Form 10-K

(Mark One)

þ	**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934**
	For the fiscal year ended December 31, 2010
	or
o	**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934**
	For the transition period from to

Commission file number 1-10524 (UDR, Inc.)
Commission file number 333-156002-01 (United Dominion Realty, L.P.)

UDR, INC.
United Dominion Realty, L.P.
(Exact name of registrant as specified in its charter)

Maryland (UDR, Inc.)	**54-0857512**
Delaware (United Dominion Realty, L.P.)	**54-1776887**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

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

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

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

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

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

UDR, Inc.	Yes þ No o
United Dominion Realty, L.P.	Yes o No þ

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

UDR, Inc.	Yes o No þ
United Dominion Realty, L.P.	Yes o No þ

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

UDR, Inc.	Yes þ No o
United Dominion Realty, L.P.	Yes þ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

UDR, Inc.	Yes þ No o
United Dominion Realty, L.P.	Yes o No o

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

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

UDR, Inc.:

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

United Dominion Realty, L.P.:

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

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

UDR, Inc.	Yes o No þ
United Dominion Realty, L.P.	Yes o No þ

The aggregate market value of the shares of common stock of UDR, Inc. held by non-affiliates on June 30, 2010 was approximately $1.9 billion. This calculation excludes shares of common stock held by the registrant s officers and directors and each person known by the registrant to beneficially own more than 5% of the registrant s outstanding shares, as such persons may be deemed to be affiliates. This determination of affiliate status should not be deemed conclusive for any other purpose. As of February 17, 2011 there were 182,496,330 shares of UDR, Inc s common stock outstanding.

There is no public trading market for the partnership units of United Dominion Realty, L.P. As a result, an aggregate market value of the partnership units of United Dominion Realty, L.P. cannot be determined.

DOCUMENTS INCORPORATED BY REFERENCE

The information required by Part III of this Report, to the extent not set forth herein, is incorporated by reference from UDR, Inc. s definitive proxy statement for the Annual Meeting of Stockholders to be held on May 12, 2011.

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EX-101 SCHEMA DOCUMENT
EX-101 CALCULATION LINKBASE DOCUMENT
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EXPLANATORY NOTE

This report combines the annual reports on Form 10-K for the fiscal year ended December 31, 2010 of UDR, Inc. a Maryland corporation, and United Dominion Realty, L.P., a Delaware limited partnership, of which UDR is the parent company and sole general partner. Unless the context otherwise requires, all references in this Report to we, us, our, the Company , UDR or UDR, Inc. refer collectively to UDR, Inc., together with its consolidated subsidiaries and joint ventures, including the Operating Partnership. Unless the context otherwise requires, the references in this Report to the Operating Partnership refer to United Dominion Realty, L.P. together with its consolidated subsidiaries. Common stock refers to the common stock of UDR and stockholders means the holders of shares of UDR s common stock and preferred stock. The limited partnership interests of the Operating Partnership are referred to as OP Units and the holders of the OP Units are referred to as unitholders . This combined Form 10-K is being filed separately by UDR and the Operating Partnership.

There are a number of differences between our company and our operating partnership, which are reflected in our disclosure in this report. UDR is a real estate investment trust (a REIT), whose most significant asset is its ownership interest in the Operating Partnership. UDR also conducts business through other subsidiaries and operating partnerships, including its subsidiary RE^3, which focuses on development, land entitlement and short-term hold investments. UDR does not conduct business itself, other than by acting as the sole general partner of the Operating Partnership, holding interests in other operating partnerships, subsidiaries and joint ventures, issuing securities from time to time and guaranteeing debt of certain of our subsidiaries. The Operating Partnership conducts the operations of a substantial portion of the business and is structured as a partnership with no publicly traded equity securities. The Operating Partnership has guaranteed certain outstanding securities of UDR.

As of December 31, 2010, UDR owned 110,883 units of the general partnership interests of the Operating Partnership and 174,736,557 units (or approximately 97.2%) of the limited partnership interests of the Operating Partnership (the OP Units). UDR conducts a substantial amount of its business and holds a substantial amount of its assets through the Operating Partnership, and, by virtue of its ownership of the OP Units and being the Operating Partnership s sole general partner, UDR has the ability to control all of the day-to-day operations of the Operating Partnership. Separate financial statements and accompanying notes, as well as separate discussions under Management s Discussion and Analysis of Financial Condition and Results of Operations, Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchasers of Equity Securities and Controls and Procedures are provided for each of UDR and the Operating Partnership. In addition, certain disclosures in Business are separated by entity to the extent that the discussion relates to UDR s business outside of the Operating Partnership.

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PART I

Forward-Looking Statements

This Annual 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 ar intended to identify such forward-looking statements. Such statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from the results of operations or plans expressed or implied by such forward-looking statements. Such factors include, among other things, unanticipated adverse business developments affecting us, or our properties, adverse changes in the real estate markets and general and local economies and business conditions. Although we believe that the assumptions underlying the forward-looking statements contained herein are reasonable, any of the assumptions could be inaccurate, and therefore such statements included in this Annual 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. For a further discussion of these and other factors that could impact future results, performance or transactions, see Item 1A. Risk Factors elsewhere in this Annual Report.

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

Item 1. BUSINESS

General

UDR is a self administered real estate investment trust, or REIT, that owns, acquires, renovates, develops, redevelops, and manages apartment communities in select markets throughout the United States. At December 31, 2010, our consolidated apartment portfolio included 172 communities located in 23 markets, with a total of 48,553 completed apartment homes, which are held through our operating partnerships, including the Operating Partnership and Heritage Communities L.P., our subsidiaries and consolidated joint ventures. In addition, we have an ownership interest in 37 communities containing 9,891 completed apartment homes through unconsolidated joint ventures.

At December 31, 2010, the Operating Partnership s consolidated apartment portfolio included 81 communities located in 19 markets, with a total of 23,351 completed apartment homes. The Operating Partnership owns, acquires, renovates, develops, redevelops, manages, and disposes of multifamily apartment communities generally located in high barrier-to-entry markets located in the United States. The high barrier-to-entry markets are characterized by limited land for new construction, difficult and lengthy entitlement process, expensive single-family home prices and significant employment growth potential. During the fiscal year ended December 31, 2010, revenues of the Operating Partnership represented approximately 55% of our total rental revenues.

UDR elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended, which we refer to in this Report as the Code . To continue to qualify as a REIT, we must continue to meet certain tests which, among other things, generally require that our assets consist primarily of real estate assets, our income be derived primarily from real estate assets, and that we distribute at least 90% of our REIT taxable income (other than our net capital gains) to our stockholders annually. As a qualified REIT, we generally will not be subject to U.S. federal income taxes at the corporate level on our net income to the extent we distribute such net income to our stockholders annually. In 2010, we declared total distributions of $0.730 per common share and paid dividends of $0.725 per common share.

	Dividends Declared in 2010	Dividends Paid in 2010
First Quarter	$ 0.180	$ 0.180
Second Quarter	0.180	0.180
Third Quarter	0.185	0.180
Fourth Quarter	0.185	0.185
Total	$ 0.730	$ 0.725

UDR was formed in 1972 as a Virginia corporation. In June 2003, we changed our state of incorporation from Virginia to Maryland. The Operating Partnership was formed in 2004 as Delaware limited partnership. The Operating Partnership is the successor-in-interest to United Dominion Realty, L.P., a limited partnership formed under the laws of Virginia, which commenced operations in 1995. Our corporate offices are located at 1745 Shea Center Drive, Suite 200, Highlands Ranch, Colorado and our telephone number is (720) 283-6120. Our website is located at www.udr.com.

As of February 17, 2011, we had 1,547 full-time associates and 85 part-time associates, all of whom were employed by UDR.

Reporting Segments

We report in two segments: Same Communities and Non-Mature/Other Communities. Our Same Communities segment includes those communities acquired, developed, and stabilized prior to January 1, 2009, and held as of December 31, 2010. These communities were owned and had stabilized occupancy and operating expenses as of the beginning of the prior year, there is no plan to conduct substantial redevelopment activities, and the community is not held for disposition within the current year. A community is considered to have stabilized occupancy once it achieves 90% occupancy for at least three consecutive months. Our Non-Mature/Other Communities segment includes those communities that were acquired or developed in 2008, 2009 or 2010, sold properties, redevelopment properties, properties classified as real estate held for disposition, condominium conversion properties, joint venture properties, properties managed by third parties, and the non-apartment components of mixed use properties. For additional information regarding our operating segments, see Note 15 to UDR s consolidated financial statements and Note 12 to the Operating Partnership s consolidated financial statements.

Business Objectives

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

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

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

empower site associates to manage our communities efficiently and effectively;

measure and reward associates based on specific performance targets; and

manage our capital structure to help enhance predictability of earnings and dividends.

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2010 Highlights

We acquired five operating communities with 1,374 homes located in Orange County, California; Baltimore, Maryland; Los Angeles, California; and Boston, Massachusetts for $412 million. We also acquired a land parcel located in San Francisco, California for $23.6 million.

We acquired an interest in a joint venture with Metropolitan Life Insurance Company (MetLife) for $100.8 million. The joint venture owns 26 operating communities with 5,748 homes and 11 parcels of land with the potential to develop approximately 2,300 additional homes. The majority of the portfolio is comprised of mid/high-rise buildings located in urban, in-fill locations. The assets are located in many of our core markets with rent and quality levels at the top of each market.

We completed the development of four wholly-owned communities with 1,575 homes at a total cost of $259.7 million.

We completed the development of one community (274 apartment homes) held by a consolidated joint venture for a total cost of $122.3 million.

We repaid $187.3 million of secured debt and $50 million of maturing medium-term unsecured notes. The $187.3 million of secured debt includes $70.5 million for a maturing construction loan held by one of our consolidated joint ventures, repayment of $52.7 million of credit facilities and $64.1 million of mortgage payments.

We repurchased unsecured debt with a notional amount of $29.2 million for $29.4 million resulting in a loss on extinguishment of $1 million, which includes the write off of related deferred finance charges. The unsecured debt repurchased by the Company matures in 2011. As a result of this repurchase, the loss is represented as an addition to interest expense on the Consolidated Statement of Operations.

We closed on a $250 million, five-year unsecured term loan facility of which $100 million was swapped into a fixed rate of 3.76% and $150 million has rate of LIBOR plus 200 basis points.

In 2009, we entered into an Amended and Restated Distribution Agreement with respect to the issue and sale by us from time to time of our Medium-Term Notes, Series A Due Nine Months or More From Date of Issue. In February 2010, we issued $150 million of 5.25% senior unsecured medium-term notes under the Amended and Restated Distribution Agreement. These notes were priced at 99.46% of the principal amount at issuance and the unamortized discount was $519,000 at December 31, 2010.

In 2009, we initiated an At the Market equity distribution program pursuant to which we may sell up to 15,000,000 shares of Common Stock from time to time to or through sales agents, by means of ordinary brokers transactions on the New York Stock Exchange at prevailing market prices at the time of sale, or as otherwise agreed with the applicable agent. During the year ended December 31, 2010, we sold 6,144,367 shares of Common Stock through this program for aggregate gross proceeds of approximately $110.8 million at a weighted average price per share of $18.04. Aggregate net proceeds from such sales, after deducting related expenses, including commissions paid to the sales agents of approximately $2.2 million, were approximately $108.6 million.

We initiated an underwritten public offering to sell 16,000,000 shares of Common Stock at a price of $20.35 per share. We granted the underwriters a 30-day option to purchase up to an additional 2,400,000 shares of

Common Stock to cover overallotments, if any. We sold 18,400,000 shares of Common Stock in this offering for aggregate gross proceeds of approximately $374.4 million at a price of $20.35 per share. Aggregate net proceeds from the offering, after deducting related expenses were approximately $359.2 million.

Other than the following, there were no significant changes to the Operating Partnership s business during 2010 (the above 2010 highlights relate to UDR or other subsidiaries of UDR):

On September 30, 2010, the Operating Partnership guaranteed certain outstanding securities of UDR, such that the Operating Partnership, as primary obligor and not merely as surety, irrevocably and unconditionally guarantees to each holder of the applicable securities and to the trustee and their successors and assigns under the respective indenture (a) the full and punctual payment when due, whether at stated maturity, by acceleration or otherwise, of all obligations of UDR under the respective indenture whether for principal of or interest on the securities (and premium, if any), and all other monetary obligations of UDR under the respective indenture and the terms of the applicable securities and (b) the full and punctual performance within the applicable grace periods of all other obligations of UDR under the respective indenture and the terms of the applicable securities.

Our Strategies and Vision

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

1. Strengthen our portfolio

2. Continually improve operations

3. Maintain access to low-cost capital

Strengthen our Portfolio

We are focused on increasing our presence in markets with favorable job formation, low single-family home affordability, and a favorable demand/supply ratio for multifamily housing. Portfolio decisions consider internal analyses and third-party research, taking into account job growth, multifamily permitting and housing affordability.

For the year ended December 31, 2010, approximately 55.7% of our same store net operating income was provided by our communities located in California, Metropolitan Washington, D.C., Oregon and Washington state.

Operating Partnership Strategies and Vision

The Operating Partnership s long-term strategic plan is to achieve greater operating efficiencies by investing in fewer, more concentrated markets. As a result, the Operating Partnership has sought to expand its interests in communities located in California, Metropolitan Washington D.C. and the Washington state markets over the past years. Prospectively, we plan to continue to channel new investments into those markets we believe will continue to provide the best investment returns. Markets will be targeted based upon defined criteria including favorable job formation, low single-family home affordability and favorable demand/supply ratio for multifamily housing.

Acquisitions and Dispositions

During 2010, in conjunction with our strategy to strengthen our portfolio, we acquired five operating communities with 1,374 apartment homes for approximately $412 million.

When evaluating potential acquisitions, we consider:

population growth, cost of alternative housing, overall potential for economic growth and the tax and regulatory environment of the community in which the property is located;

geographic location, including proximity to jobs, entertainment, transportation, and our existing communities which can deliver significant economies of scale;

construction quality, condition and design of the community;

current and projected cash flow of the property and the ability to increase cash flow;

potential for capital appreciation of the property;

ability to increase the value and profitability of the property through operations and redevelopment;

terms of resident leases, including the potential for rent increases;

occupancy and demand by residents for properties of a similar type in the vicinity;

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- prospects for liquidity through sale, financing, or refinancing of the property; and
- competition from existing multifamily communities and the potential for the construction of new multifamily properties in the area.

We regularly monitor our assets to increase the quality and performance of our portfolio. Factors we consider in deciding whether to dispose of a property include:

- current market price for an asset compared to projected economics for that asset;
- potential increases in new construction in the market area;
- areas where the economy is not expected to grow substantially;
- markets where we do not intend to establish a long-term concentration; and
- operating efficiencies.

During 2010, we sold one 149 apartment home community. This apartment home community was not owned by the Operating Partnership.

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

	2010	2009	2008	2007	2006
Homes acquired	**1,374**	289	4,558	2,671	2,763
Homes disposed	**149**		25,684	7,125	7,653
Homes owned at December 31	**48,553**	45,913	44,388	65,867	70,339
Total real estate owned, at cost	**$ 6,881,347**	$ 6,315,047	$ 5,831,753	$ 5,956,481	$ 5,820,122

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

	2010	2009	2008	2007	2006
Homes acquired			3,346	943	1,487
Homes disposed			16,960	4,631	7,836
Homes owned at December 31	**23,351**	23,351	23,351	36,965	40,653
Total real estate owned, at cost	**$ 3,706,184**	$ 3,640,888	$ 3,569,239	$ 2,685,249	$ 2,584,495

Development Activities

The following wholly owned projects were under development as of December 31, 2010:

	Number of Apartment Homes	Completed Apartment Homes	Cost to Date (In thousands)	Budgeted Cost (In thousands)	Estimated Cost Per Home	Expected Completion Date
Savoye II (Phase II of Vitruvian Park)						
Addison, TX	347		$ 26,984	$ 69,000	$ 198,847	1Q12
2400 14th Streeet						
Washington, DC	255		45,681	126,100	494,510	4Q12
Mission Bay						
San Francisco, CA	315		24,354	139,600	443,175	3Q13
Belmont Townhomes						
Dallas, TX	13		893	4,175	321,154	2Q12
	930		$ 97,912	$ 338,875	$ 364,382	

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None of these projects are held by the Operating Partnership.

Redevelopment Activities

During 2010, we continued to redevelop properties in targeted markets where we concluded there was an opportunity to add value. During the year ended December 31, 2010, we incurred $30.8 million in major renovations, which include major structural changes and/or architectural revisions to existing buildings.

Joint Venture Activities

In 2010, we completed the development of an apartment community located in Bellevue, Washington with 274 apartment homes, 45,394 square feet of retail space and a carrying value of $122.3 million. On October 16, 2009, our partner in the joint venture (Elements Too) in this property resigned as managing member and appointed us as managing member. In addition, our partner relinquished its voting rights and approval rights and its ability to substantively participate in the decision-making process of the joint venture. As a result of UDR s control of the joint venture, we were required to consolidate the joint venture. On December 30, 2009, we entered into an agreement with our partner to purchase its 49% interest in Elements Too for $3.2 million, which was paid in 2010. At closing, our interest in Elements Too increased to 98%.

We are a partner with an unaffiliated third party in a joint venture (989 Elements) which owns and operates a 23-story, 166 home high-rise apartment community in the central business district of Bellevue, Washington. At closing, UDR owned 49% of the joint venture. Our initial investment was $11.8 million. On December 31, 2009, our partner resigned as managing member and appointed us as managing member. In addition, our partner relinquished its voting rights and approval rights and its ability to substantively participate in the decision-making process of the joint venture. Concurrently, we entered into an agreement with our partner to purchase its 49% interest in 989 Elements for $7.7 million, which was paid in 2010. At closing, our interest in 989 Elements increased to 98%.

We are a partner with an unaffiliated third party in a joint venture (Bellevue Plaza) which owns an operating retail site in Bellevue, Washington. We initially planned to develop a 430 home high rise apartment building with ground floor retail on an existing operating retail center. However, during the year ended December 31, 2009, the joint venture decided to continue to operate the retail property as opposed to developing a high rise apartment building on the site. On December 30, 2009, our partner relinquished its voting rights and approval rights and its ability to substantively participate in the decision-