UDR, Inc.
Form 10-Q
July 29, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
FORM 10-Q

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

For the quarterly period ended June 30, 2014
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.)
333-156002-01 (United Dominion Realty, L.P.)
UDR, Inc.
United Dominion Realty, L.P.
(Exact name of registrant as specified in its charter)

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

1745 Shea Center Drive, Suite 200, Highlands Ranch, Colorado 80129
(Address of principal executive offices) (zip code)
(720) 283-6120
(Registrant's telephone number, including area code)
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

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

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

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

The number of shares of UDR, Inc.'s common stock, $0.01 par value, outstanding as of July 25, 2014 was 251,700,437.

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EXPLANATORY NOTE

This report combines the quarterly reports on Form 10-Q for the quarter ended June 30, 2014 of UDR, Inc., a Maryland corporation, and United Dominion Realty, L.P., a Delaware limited partnership, of which UDR, Inc. is the parent company and sole general partner. Unless the context otherwise requires, all references in this Report to “we,” “us,” “our,” the “Company”, “UDR” or “UDR, Inc.” refer collectively to UDR, Inc., together with its consolidated subsidiaries and joint ventures, including the Operating Partnership. Unless the context otherwise requires, the references in this Report to the “Operating Partnership” or the “OP” refer to United Dominion Realty, L.P. together with its consolidated subsidiaries. “Common stock” refers to the common stock of UDR and “stockholders” means the holders of shares of UDR’s common stock and preferred stock. The limited partnership interests of the Operating Partnership are referred to as the “OP Units” and the holders of the OP Units are referred to as “unitholders”. This combined Form 10-Q is being filed separately by UDR and the Operating Partnership.

There are a number of differences between our Company and our Operating Partnership, which are reflected in our disclosure in this report. UDR is a real estate investment trust (a “REIT”), whose most significant asset is its ownership interest in the Operating Partnership. UDR also conducts business through other subsidiaries, including its taxable REIT subsidiary (“TRS”), RE3, whose activities include development of land and land entitlement. UDR acts as the sole general partner of the Operating Partnership, holds interests in subsidiaries and joint ventures, owns and operates properties, issues securities from time to time and guarantees debt of certain of our subsidiaries. The Operating Partnership conducts the operations of a substantial portion of the business and is structured as a partnership with no publicly traded equity securities. The Operating Partnership has guaranteed certain outstanding debt of UDR.

As of June 30, 2014, UDR owned 110,883 units (100%) of the general partnership interests of the Operating Partnership and 173,856,283 units (or approximately 94.9%) of the limited partnership interests of the Operating Partnership. UDR conducts a substantial amount of its business and holds a substantial amount of its assets through the Operating Partnership, and, by virtue of its ownership of the OP Units and 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,” are provided for each of UDR and the Operating Partnership.

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

	June 30, 2014 (unaudited)	December 31, 2013 (audited)
ASSETS		
Real estate owned:		
Real estate held for investment	$7,957,185	$7,723,844
Less: accumulated depreciation	(2,290,008)	(2,200,815)
Real estate held for investment, net	5,667,177	5,523,029
Real estate under development (net of accumulated depreciation of $0 and $1,411, respectively)	275,819	466,002
Real estate held for disposition (net of accumulated depreciation of $49,816 and $6,568, respectively)	54,533	10,152
Total real estate owned, net of accumulated depreciation	5,997,529	5,999,183
Cash and cash equivalents	26,816	30,249
Restricted cash	23,334	22,796
Funds held in escrow from IRC Section 1031 exchanges	30,275	—
Deferred financing costs, net	25,545	26,924
Notes receivable, net	44,248	83,033
Investment in and advances to unconsolidated joint ventures, net	612,688	507,655
Other assets	171,970	137,882
Total assets	$6,932,405	$6,807,722
LIABILITIES AND EQUITY		
Liabilities:		
Secured debt	$1,402,731	$1,442,077
Unsecured debt	2,345,063	2,081,626
Real estate taxes payable	16,543	13,847
Accrued interest payable	29,160	32,279
Security deposits and prepaid rent	30,802	27,203
Distributions payable	68,556	61,907
Accounts payable, accrued expenses, and other liabilities	89,566	118,682
Total liabilities	3,982,421	3,777,621
Commitments and contingencies (Note 12)		
Redeemable noncontrolling interests in the Operating Partnership	266,589	217,597
Equity:		
Preferred stock, no par value; 50,000,000 shares authorized		
2,803,812 shares of 8.00% Series E Cumulative Convertible issued and outstanding (2,803,812 shares at December 31, 2013)	46,571	46,571
Common stock, $0.01 par value; 350,000,000 shares authorized 251,492,420 shares issued and outstanding (250,749,665 shares at December 31, 2013)	2,515	2,507
Additional paid-in capital	4,114,566	4,109,765
Distributions in excess of net income	(1,478,814)	(1,342,070)
Accumulated other comprehensive income/(loss), net	(2,305)	(5,125)

Total stockholders’ equity	2,682,533	2,811,648
Noncontrolling interests	862	856
Total equity	2,683,395	2,812,504
Total liabilities and equity	$6,932,405	$6,807,722

See accompanying notes to consolidated financial statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
REVENUES:				
Rental income	$200,959	$186,285	$395,311	$368,246
Joint venture management and other fees	2,747	3,217	6,434	6,140
Total revenues	203,706	189,502	401,745	374,386
OPERATING EXPENSES:				
Property operating and maintenance	36,840	36,153	73,560	70,974
Real estate taxes and insurance	23,716	22,916	49,147	46,208
Property management	5,527	5,123	10,872	10,127
Other operating expenses	2,162	1,800	4,088	3,436
Real estate depreciation and amortization	88,876	84,595	177,409	167,493
General and administrative	12,530	9,866	24,524	19,342
Casualty-related (recoveries)/charges, net	—	(2,772)	500	(5,793)
Other depreciation and amortization	1,193	1,138	2,273	2,284
Total operating expenses	170,844	158,819	342,373	314,071
Operating income	32,862	30,683	59,372	60,315
Income/(loss) from unconsolidated entities	(428)	515	(3,993)	(2,287)
Interest expense	(31,691)	(30,803)	(64,575)	(61,784)
Interest and other income/(expense), net	1,426	1,446	2,841	2,462
Income/(loss) before income taxes and discontinued operations	2,169	1,841	(6,355)	(1,294)
Tax benefit, net	2,190	2,683	5,519	4,656
Income/(loss) from continuing operations	4,359	4,524	(836)	3,362
Income/(loss) from discontinued operations, net of tax	18	830	(69)	1,683
Income/(loss) before gain/(loss) on sale of real estate owned	4,377	5,354	(905)	5,045
Gain/(loss) on sale of real estate owned, net of tax	26,709	—	51,003	—
Net income/(loss)	31,086	5,354	50,098	5,045
Net (income)/loss attributable to redeemable noncontrolling interests in the Operating Partnership	(1,077)	(159)	(1,724)	(114)
Net (income)/loss attributable to noncontrolling interests	(2)	(3)	(6)	(7)
Net income/(loss) attributable to UDR, Inc.	30,007	5,192	48,368	4,924
Distributions to preferred stockholders — Series E (Convertible)	(931)	(931)	(1,862)	(1,862)
Net income/(loss) attributable to common stockholders	$29,076	$4,261	$46,506	$3,062
Income/(loss) per weighted average common share — basic:				
Income/(loss) from continuing operations attributable to common stockholders	$0.12	$0.01	$0.19	$0.01
Income/(loss) from discontinued operations attributable to common stockholders	$0.00	$0.00	$0.00	$0.01
Net income/(loss) attributable to common stockholders	$0.12	$0.02	$0.19	$0.01
Income/(loss) per weighted average common share — diluted:				

Income/(loss) from continuing operations attributable to common stockholders	$0.12	$0.01	$0.18	$0.01
Income/(loss) from discontinued operations attributable to common stockholders	$0.00	$0.00	$0.00	$0.01
Net income/(loss) attributable to common stockholders	$0.12	$0.02	$0.18	$0.01
Common distributions declared per share	$0.260	$0.235	$0.520	$0.470
Weighted average number of common shares outstanding — basic	250,255	249,985	250,216	249,951
Weighted average number of common shares outstanding — diluted	252,191	251,406	252,091	251,353

See accompanying notes to consolidated financial statements.

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UDR, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME/(LOSS)
(In thousands)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Net income/(loss)	$31,086	$5,354	$50,098	$5,045
Other comprehensive income/(loss), including portion attributable to noncontrolling interests:				
Other comprehensive income/(loss) - derivative instruments:				
Unrealized holding gain/(loss)	304	144	249	52
(Gain)/loss reclassified into earnings from other comprehensive income/(loss)	1,145	1,608	2,677	3,545
Other comprehensive income/(loss), including portion attributable to noncontrolling interests	1,449	1,752	2,926	3,597
Comprehensive income/(loss)	32,535	7,106	53,024	8,642
Comprehensive (income)/loss attributable to noncontrolling interests	(1,129)	(226)	(1,836)	(272)
Comprehensive income/(loss) attributable to UDR, Inc.	$31,406	$6,880	$51,188	$8,370

See accompanying notes to consolidated financial statements.

UDR, INC.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(In thousands, except share and per share data)
(Unaudited)

	Preferred Stock		Common Stock		Paid-in Capital	Distributions in Excess of Net Income	Accumulated Other Comprehensive Income/(Loss), net	Noncontrolling Interests	Total
	Shares	Amount	Shares	Amount					
Balance at December 31, 2013	2,803,812	$46,571	250,749,665	$2,507	$4,109,765	$(1,342,070)	$(5,125)	$856	$2,812,504
Net income/(loss) attributable to UDR, Inc.	—	—	—	—	—	48,368	—	—	48,368
Net income/(loss) attributable to noncontrolling interests	—	—	—	—	—	—	—	6	6
Other comprehensive income/(loss)	—	—	—	—	—	—	2,820	—	2,820
Issuance/(forfeiture) of common and restricted shares, net	—	—	735,363	8	4,610	—	—	—	4,618
Adjustment for conversion of noncontrolling interest of unitholders in the Operating Partnership	—	—	7,392	—	191	—	—	—	191
Common stock distributions declared ($0.52 per share)	—	—	—	—	—	(130,800)	—	—	(130,800)
Preferred stock distributions declared-Series E ($0.6644 per share)	—	—	—	—	—	(1,862)	—	—	(1,862)
Adjustment to reflect redemption value of redeemable noncontrolling interests	—	—	—	—	—	(52,450)	—	—	(52,450)
Balance at June 30, 2014	2,803,812	$46,571	251,492,420	$2,515	$4,114,566	$(1,478,814)	$(2,305)	$862	$2,683,395

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)

	Six Months Ended June 30,	
	2014	2013
Operating Activities		
Net income/(loss)	$50,098	$5,045
Adjustments to reconcile net income/(loss) to net cash provided by operating activities:		
Depreciation and amortization	179,682	170,857
Gain on sale of real estate owned, net of tax	(51,003)	—
Tax benefit, net	(5,559)	(4,656)
Loss from unconsolidated entities	3,993	2,287
Casualty-related (recoveries)/charges, net	500	(2,275)
Other	13,054	13,056
Changes in operating assets and liabilities:		
Decrease/(increase) in operating assets	5,677	(2,642)
Increase/(decrease) in operating liabilities	(10,229)	(9,283)
Net cash provided by operating activities	186,213	172,389
Investing Activities		
Acquisition of real estate assets	(77,793)	—
Proceeds from sale of real estate investments, net	47,922	140,834
Development of real estate assets	(115,964)	(172,034)
Capital expenditures and other major improvements — real estate assets, net of escrow reimbursement	(57,574)	(82,338)
Capital expenditures — non-real estate assets	(2,917)	(4,439)
Investment in unconsolidated joint ventures	(120,555)	(18,165)
Distributions received from unconsolidated joint ventures	12,507	102,909
Purchase deposits on pending acquisitions	(4,000)	—
Repayment/(issuance) of notes receivable	38,800	(2,680)
Net cash provided by/(used in) investing activities	(279,574)	(35,913)
Financing Activities		
Payments on secured debt	(42,304)	(42,556)
Proceeds from the issuance of secured debt	5,502	—
Payments on unsecured debt	(312,500)	(122,500)
Proceeds from the issuance of unsecured debt	298,956	—
Net proceeds of revolving bank debt	276,500	152,500
Distributions paid to redeemable noncontrolling interests	(4,909)	(4,625)
Distributions paid to preferred stockholders	(1,862)	(1,862)
Distributions paid to common stockholders	(124,338)	(114,078)
Other	(5,117)	(6,435)
Net cash provided by/(used in) financing activities	89,928	(139,556)
Net increase/(decrease) in cash and cash equivalents	(3,433)	(3,080)
Cash and cash equivalents, beginning of period	30,249	12,115
Cash and cash equivalents, end of period	$26,816	$9,035

	Six Months Ended June 30,	
	2014	2013
Supplemental Information:		
Interest paid during the period, net of amounts capitalized	$69,291	$64,570
Non-cash transactions:		
Conversion of OP Units into common shares (7,392 shares in 2014 and 71,841 shares in 2013)	191	1,711
Transfer of real estate owned to investment in and advances to unconsolidated joint ventures	$—	$139,950

See accompanying notes to consolidated financial statements.

UDR, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2014

1. CONSOLIDATION AND BASIS OF PRESENTATION

Consolidation and Basis of Presentation

UDR, Inc., collectively with our consolidated subsidiaries ("UDR," the "Company," "we," "our," or "us") is a self-administere real estate investment trust, or REIT, that owns, operates, acquires, renovates, develops, redevelops, and manages apartment communities. The accompanying consolidated financial statements include the accounts of UDR and its subsidiaries, including United Dominion Realty, L.P. (the "Operating Partnership" or the "OP"). As of June 30, 2014, there were 183,278,698 units in the Operating Partnership outstanding, of which 173,967,166 units or 94.9% were owned by UDR and 9,311,532 units or 5.1% were owned by limited partners. The consolidated financial statements of UDR include the noncontrolling interests of the unitholders in the Operating Partnership.

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 note 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. In the opinion of management, all adjustments and eliminations necessary for the fair presentation of our financial position as of June 30, 2014, and results of operations for the three and six months ended June 30, 2014 and 2013 have been included. 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 accompanying interim unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and related notes for the year ended December 31, 2013 appearing in UDR's Annual Report on Form 10-K, filed with the Securities and Exchange Commission on February 25, 2014.

The accompanying interim unaudited consolidated financial statements are presented in accordance with U.S. generally accepted accounting principles ("GAAP"). GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the dates of the interim unaudited consolidated financial statements and the amounts of revenues and expenses during the reporting periods. Actual amounts realized or paid could differ from those estimates. All significant intercompany accounts and transactions have been eliminated in consolidation.

The Company evaluated subsequent events through the date its financial statements were issued. No significant recognized or non-recognized subsequent events were noted other than those mentioned in Note 2, Significant Accounting Policies, Note 3, Real Estate Owned, and Note 5, Joint Ventures and Partnerships.

2. SIGNIFICANT ACCOUNTING POLICIES

Recent Accounting Pronouncements

In April 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-08, Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity, which incorporates a requirement that a disposition represent a strategic shift in an entity's operations into the definition of a discontinued operation. In accordance with the ASU, a discontinued operation represents (1) a component of an entity or group of components that has been disposed of or is classified as held for sale in a single transaction and represents a strategic shift that has or will have a major effect on an entity's financial results, or (2) an acquired business that is classified as held for sale on the date of acquisition. A strategic shift could include a disposal of (1) a separate major line of business, (2) a separate major geographic area of operations, (3) a major equity method investment, or (4) other major parts of an entity. The standard requires prospective application and will be effective for interim and annual periods beginning on or after December 15, 2014 with early adoption permitted. The early adoption provision excludes components of an entity that were sold or classified as held for sale prior to the adoption of the standard.

The Company elected to early adopt this standard effective January 1, 2014, which had a significant impact on the Company’s consolidated financial statements as further discussed in Note 4, Discontinued Operations. Subsequent to the Company’s adoption of ASU 2014-08, the sale of real estate that does not meet the definition of a discontinued operation under the standard is included in Gain/(loss) on sale of real estate owned, net of tax on the Consolidated Statements of Operations.

In May 2014, FASB issued ASU No. 2014-09, Revenue from Contracts with Customers. The standard provides companies with a single model for use in accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance, including industry-specific revenue guidance. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The standard specifically excludes lease contracts. The ASU allows for the use of either the full or modified retrospective transition method, and the standard will be effective for the Company on January 1, 2017; early adoption is not permitted. The Company has not yet selected a transition method and we are currently evaluating the effect that the updated standard will have on our consolidated financial statements and related disclosures.

Revenue and Real Estate Sales Gain Recognition

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

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

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

Notes Receivable

The following table summarizes our notes receivable, net as of June 30, 2014 and December 31, 2013 (dollars in thousands):

	Balance outstanding			
	June 30, 2014	December 31, 2013	Interest rate	
Note due June 2014 (a)	$—	$40,800	—	
Note due February 2017 (b)	15,480	14,580	10.00	%
Note due July 2017 (c)	2,500	1,400	8.00	%
Note due June 2022 (net of discount of $232 and $247, respectively) (d)	26,268	26,253	7.00	%
Total notes receivable, net	$44,248	$83,033		

(a) In the fourth quarter of 2013, in conjunction with the sale of its 95% interest in the Lodge at Stoughton, one of its unconsolidated joint ventures, the Company provided the buyer with a $40.8 million loan secured by the property at LIBOR plus a spread of 350 basis points with two three-month extension options at increased rates and a financing fee. In June 2014, the note was paid in full.

(b) The Company has a secured note receivable with an unaffiliated third party with an aggregate commitment of $15.5 million, which bears an interest rate of 10.00% per annum. During the six months ended June 30, 2014, the

Company loaned an additional $900,000 under the note. Interest payments are due monthly. The note matures at the earliest of the following: (a) the closing of any private or public capital raising in the amount of $5.0 million or greater; (b) an acquisition; (c) acceleration in the event of default; or (d) the fifth anniversary of the date of the note (February 2017).

(c) The Company has a secured note receivable with an unaffiliated third party with an aggregate commitment of $2.5 million, which bears an interest rate of 8.00% per annum. During the six months ended June 30, 2014, the Company loaned an additional $1.1 million. Interest payments are due monthly. The note matures at the earliest of the following: (a) the closing of any private or public capital raising in the amount of $5.0 million or greater; (b) an acquisition; (c) acceleration in the event of default; or (d) the fifth anniversary of the date of the note (July 2017).
(d) In 2012, the Company purchased a "B" Note secured by a first mortgage on a class A community in West Los Angeles. The $26.5 million loan was purchased at a yield of 7.25% and bears a coupon rate of 7.00%. Interest payments are due monthly and the note is due June 2022. The discount is amortized using the effective interest method. In July 2014, the Company received proceeds of $36.0 million from the repayment of this note, resulting in a net gain of approximately $8.4 million.

During the three and six months ended June 30, 2014 and 2013, the Company recognized $1.3 million and $2.5 million and $1.1 million and $2.1 million, respectively, of interest income, net of accretion, from these notes receivable. Included in the three and six months ended June 30, 2013 are $182,000 and $363,000 of related party interest income, respectively. Interest income is included in Interest and other income/(expense), net on the Consolidated Statements of Operations.

Comprehensive Income/(Loss)

Comprehensive income/(loss), which is defined as the change in equity during each period from transactions and other events and circumstances from nonowner sources, including all changes in equity during a period except for those resulting from investments by or distributions to stockholders, is displayed in the accompanying Consolidated Statements of Comprehensive Income/(Loss). For the three and six months ended June 30, 2014 and 2013, the Company’s other comprehensive income/(loss) consisted of the gain/(loss) (effective portion) on derivative instruments that are designated as and qualify as cash flow hedges, (gain)/loss on derivative instruments reclassified from other comprehensive income/(loss) into earnings, and the allocation of other comprehensive income/(loss) to redeemable noncontrolling interests. The (gain)/loss on derivative instruments reclassified from other comprehensive income/(loss) is included in Interest expense on the Consolidated Statements of Operations. See Note 10, Derivatives and Hedging Activity, for further discussion. The allocation of other comprehensive income/(loss) to redeemable noncontrolling interests during the three and six months ended June 30, 2014 and 2013 was $50,000 and $106,000 and $64,000 and $151,000, respectively.

Income Taxes

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

Income taxes for our TRS, RE^3, are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities from a change in tax rate is recognized in earnings in the period of the enactment date. The Company’s deferred tax assets are generally the result of differing depreciable lives on capitalized assets and timing of expense recognition for certain accrued liabilities. As of June 30, 2014, UDR’s net deferred tax asset is $25.5 million (net of a valuation allowance of $1.4 million), which is included in Other assets on the Consolidated Balance Sheets.

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

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

UDR had no material unrecognized tax benefit, accrued interest or penalties at June 30, 2014. UDR and its subsidiaries are subject to federal income tax as well as income tax of various state and local jurisdictions. The tax years 2010 through 2013 remain open to examination by tax jurisdictions to which we are subject. When applicable, UDR recognizes interest and/or penalties related to uncertain tax positions in Tax benefit, net on the Consolidated Statements of Operations.

3. REAL ESTATE OWNED

Real estate assets owned by the Company consist of income producing operating properties, properties under development, land held for future development, and sold or held for disposition properties. As of June 30, 2014, the Company owned and consolidated 142 communities in 10 states plus the District of Columbia totaling 40,811 apartment homes. The following table summarizes the carrying amounts for our real estate owned (at cost) as of June 30, 2014 and December 31, 2013 (dollars in thousands):

	June 30, 2014	December 31, 2013
Land and land improvements	$1,937,397	$1,847,127
Depreciable property — held and used:		
Building, improvements, and furniture, fixtures and equipment	6,019,788	5,876,717
Under development:		
Land and land improvements	47,038	110,769
Construction in progress	228,781	356,644
Real estate held for disposition:		
Land and land improvements	26,417	10,751
Building, improvements, and furniture, fixtures and equipment	77,932	5,969
Real estate owned	8,337,353	8,207,977
Accumulated depreciation	(2,339,824)	(2,208,794)
Real estate owned, net	$5,997,529	$5,999,183

As of June 30, 2014 and December 31, 2013, the Company had one operating property that was classified as held for sale prior to the Company's early adoption of ASU 2014-08 (as described in Note 2, Significant Accounting Policies and Note 4, Discontinued Operations). Therefore, as of June 30, 2014, this property is included in Real estate held for disposition on the Consolidated Balance Sheets and Income/(loss) from discontinued operations, net of tax on the Consolidated Statements of Operations. In July 2014, the Company sold this property for $11.0 million, resulting in net proceeds of $10.4 million and an immaterial gain.

As of June 30, 2014, Real estate held for disposition includes one community in Orlando, Florida with 371 apartment homes, which met the criteria to be classified as held for sale in the second quarter 2014 and did not qualify as discontinued operations in accordance with ASU 2014-08. In July 2014, the Company sold this community for gross proceeds of $50.1 million, resulting in a net gain of approximately $14.4 million.

Real estate held for disposition as of June 30, 2014 also includes two communities with 592 apartment homes in Norfolk, Virginia, both of which met the criteria to be classified as held for sale in the second quarter 2014 and did not qualify as discontinued operations in accordance with ASU 2014-08.

In the first quarter of 2014, the Company sold one community and an adjacent parcel of land in San Diego, CA for gross proceeds of $48.7 million, resulting in net proceeds of $47.9 million and a $24.3 million gain (net of tax). On

June 30, 2014, the Company sold two communities in Tampa, Florida with 677 apartment homes for $80.7 million, resulting in net proceeds of $79.5 million and a $26.7 million gain (net of tax). As of June 30, 2014, $49.2 million of the net proceeds were held by a qualified intermediary and were remitted to UDR on July 1, 2014. These proceeds are included in Other Assets on the Consolidated Balance Sheet as of June 30, 2014. The remaining $30.3 million of net proceeds were designated for a future 1031 exchange and are included in Funds held in escrow from IRC Section 1031 exchanges on the Consolidated Balance Sheet as of June 30, 2014. The total gains (net of tax) of $51.0 million are included in Gain/(loss) on sale of real estate owned, net of tax on the Consolidated Statements of Operations.

Predevelopment, development, and redevelopment projects and related costs are capitalized and reported on the Consolidated Balance Sheets as Total real estate owned, net of accumulated depreciation. The Company capitalizes costs directly related to the predevelopment, development, and redevelopment of a capital project, which include, but are not limited to, interest, real estate taxes, insurance, and allocated development and redevelopment overhead related to support costs for personnel working on the capital projects. We use our professional judgment in determining whether such costs meet the criteria for capitalization or must be expensed as incurred. These costs are capitalized only during the period in which activities necessary to ready an asset for its intended use are in progress and such costs are incremental and identifiable to a specific activity to get the asset ready for its intended use. These costs, excluding the direct costs of development and redevelopment and capitalized interest, for the three and six months ended June 30, 2014 and 2013, were $2.1 million and $5.5 million and $3.1 million and $6.1 million, respectively. During the three and six months ended June 30, 2014 and 2013, total interest capitalized was $4.9 million and $10.2 million and $8.2 million and $16.6 million, respectively. As each home in a capital project is completed and becomes available for lease-up, the Company ceases capitalization on the related portion and depreciation commences over the estimated useful life.

In January 2014, the Company acquired a fully-entitled land parcel for future development located in Huntington Beach, California for $77.8 million.

In October 2012, Hurricane Sandy hit the East Coast, affecting three of the Company’s operating communities located in New York City. The properties suffered some physical damage, and were closed to residents for a period following the hurricane. The Company had insurance policies that provided coverage for property damage and business interruption, subject to applicable retentions.

During the three and six months ended June 30, 2013, the Company recorded $2.8 million and $5.8 million, respectively, of insurance recoveries related to the business interruption and other losses associated with Hurricane Sandy. These recoveries are included in Casualty-related (recoveries)/charges, net on the Consolidated Statements of Operations for the three and six months ended June 30, 2013.

In 2014, the Company recorded a $500,000 casualty-related loss for one property damaged during an earthquake in California.

4. DISCONTINUED OPERATIONS

Effective January 1, 2014, UDR prospectively adopted ASU No. 2014-08, Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity, for all communities not previously sold or classified as held for sale. The standard had a material impact on the Company’s consolidated financial statements. As a result of adopting the ASU, during the three and six months ended June 30, 2014, gains (net of tax) of $26.7 million and $49.9 million, respectively, from disposition of real estate, excluding a $1.1 million gain related to the sale of land during the first quarter of 2014, are included in Gain/(loss) on sale of real estate owned, net of tax on the Consolidated Statements of Operations rather than in Income/(loss) from discontinued operations, net of tax on the Consolidated Statements of Operations.

Prior to the prospective adoption of ASU 2014-08, FASB ASC Subtopic 205.20 required, among other things, that the primary assets and liabilities and the results of operations of UDR’s real properties that 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. Consequently, the primary assets and liabilities and the net operating results of those properties sold or classified as held for disposition prior to January 1, 2014 are accounted for as discontinued operations for all periods presented. This presentation does not have an impact on net income available to common stockholders; it only results in the reclassification of the operating results within the Consolidated Statements of Operations for the periods ended June 30, 2014 and 2013.

As of June 30, 2014 and December 31, 2013, the Company had one operating property that was classified as held for disposition prior to the adoption of ASU 2014-08 and, therefore, met the requirements to be reported as a discontinued operation. This property is included in Real estate held for disposition on the Consolidated Balance Sheets, and its operating results for the three and six months ended June 30, 2014 and 2013 are included in Income/(loss) from discontinued operations, net of tax on the Consolidated Statements of Operations.

In December 2013, the Company sold two communities with 914 apartments in the Sacramento market. The operating results related to these communities for the three and six months ended June 30, 2013 are included in Income/(loss) from discontinued operations, net of tax on the Consolidated Statements of Operations.

The following is a summary of income/(loss) from discontinued operations, net of tax for the three and six months ended June 30, 2014 and 2013 (dollars in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Rental income	$78	$2,328	$126	$4,668
Rental expenses	89	891	214	1,763
Property management	2	64	3	128
Real estate depreciation	—	536	—	1,080
Other operating expenses	9	7	18	14
Income tax benefit/(expense)	40	—	40	—
Income/(loss) from discontinued operations, net of tax	$18	$830	$(69)	$1,683
Income/(loss) from discontinued operations attributable to UDR, Inc.	$17	$800	$(67)	$1,623

5. JOINT VENTURES AND PARTNERSHIPS

UDR has entered into joint ventures and partnerships with unrelated third parties to acquire real estate assets that are either consolidated and included in Real estate owned on the Consolidated Balance Sheets or are accounted for under the equity method of accounting, and are included in Investment in and advances to unconsolidated joint ventures, Net on the Consolidated Balance Sheets. The Company consolidates the entities that we control as well as any variable interest entity where we are the primary beneficiary. In addition, the Company consolidates any joint venture or partnership in which we are the general partner or managing member and the third party does not have the ability to substantively participate in the decision-making process nor the ability to remove us as general partner or managing member without cause.

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

Consolidated Joint Ventures

In December 2013, the Company consolidated its 95%/5% development joint ventures: 13th and Market JV in San Diego, CA and Domain College Park JV in Metropolitan D.C. The consolidation was due to the Company becoming the managing member of each of the joint ventures pursuant to amendments to the limited liability company agreement for each joint venture. In connection with the amendments, our partner received equity distributions reducing its capital account balances to zero, the Company replaced our partner as the managing member, and our partner no longer has the ability to substantively participate in the decision-making process, with only protective rights remaining. We accounted for the consolidations as asset acquisitions since the joint ventures were under development and not complete at the time of consolidation resulting in no gain or loss upon consolidation and increasing our real estate owned by $129.4 million and our debt by $63.6 million. In addition pursuant to the amendments, the Company paid a non-refundable deposit to our partner in January 2014 of $2.0 million for each joint venture, or $4.0 million in total, for the right to exercise options in 2014 to acquire our partner’s upside participation in the joint ventures. The non-refundable deposits will be applied towards the future purchase price, which will be equivalent to our partner’s right to receive certain upside participation from the developments.

Unconsolidated Joint Ventures and Partnerships

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

The following table summarizes the Company's investment in and advances to unconsolidated joint ventures and partnerships, net, which are accounted for under the equity method of accounting as of June 30, 2014 and December 31, 2013 (dollars in thousands):

Joint Venture	Location of Properties	Number of Properties	Number of Apartment Homes	Investment at		UDR's Ownership Interest	
		2014	2014	June 30, 2014	December 31, 2013	June 30, 2014	December 31, 2013
Operating and development:							
UDR/MetLife I (a)	Various	0 operating communities	—	$—	$40,336	—	13.2%
		7 land parcels	N/A	7,044	7,161	4.0%	4.0%
UDR/MetLife II (a)	Various	21 operating communities	4,642	439,973	327,926	50.0%	50.0%
UDR/MetLife Vitruvian Park®	Addison, TX	2 operating communities	739	80,896	79,318	50.0%	50.0%
		1 non-stabilized community	391				
		6 land parcels	N/A				
UDR/MetLife 399 Fremont	San Francisco, CA	1 development community (*)	447	53,791	36,313	51.0%	51.0%
UDR/KFH	Washington, D.C.	3 operating communities	660	23,998	25,919	30.0%	30.0%
Texas	Texas	8 operating communities	3,359	(24,636)	(23,591)	20.0%	20.0%
Investment in and advances to unconsolidated joint ventures, net, before participating loan investment				581,066	493,382		

	Location	Interest Rate	Years To Maturity	Investment at		Income From Participating Loan Investment For			
				June 30, 2014	December 31, 2013	Three Months Ended June 30		Six Months Ended June 30	
						2014	2013	2014	2013
Participating loan investment:									
Steele Creek	Denver, CO	6.5%	3.3	31,622	14,273	$456	—	$777	—

Participating loan investment	31,622	14,273
Total investment in and advances to unconsolidated joint ventures, net	$ 612,688	$ 507,655

(*) The number of apartment homes for the communities under development presented in the table above is based on the projected number of total homes. As of June 30, 2014, no apartment homes had been completed at UDR/MetLife 399 Fremont.

(a) On March 31, 2014, the Company sold its minority ownership interests in two small operating communities located in Los Angeles, CA to MetLife for cash proceeds of $3.0 million, which resulted in an immaterial gain. On April 21, 2014, the Company increased its ownership interest in the remaining six operating communities in the UDR/MetLife I Joint Venture from 12% to 50%, and MetLife and the Company contributed these communities to the UDR/MetLife II Joint Venture. The Company paid MetLife $82.5 million for the additional ownership interests. The Company continues to manage the operating communities that were contributed to the UDR/MetLife II Joint Venture as well as the two operating communities in which it sold its minority ownership interests. As of June 30, 2014, the remaining assets in the UDR/MetLife I Joint Venture were comprised of seven potential development land sites in which the Company owned approximately 4%. In July 2014, the Company increased the ownership interest in two of these land sites to 50.1%. The remaining 49.9% continues to be held by our joint venture partner, MetLife. The Company paid MetLife approximately $21.5 million for the additional ownership interests.

As of June 30, 2014 and December 31, 2013, the Company had deferred fees and deferred profit from the sale of properties to joint ventures or partnerships of $24.6 million and $25.4 million, respectively, which will be recognized through earnings over the weighted average life of the related properties, upon the disposition of the properties to a third party, or upon completion of certain development obligations.

The Company recognized $2.3 million and $5.6 million and $3.0 million and $5.7 million of management fees during the three and six months ended June 30, 2014 and 2013, respectively, for our management of the joint ventures and partnerships. The management fees are included in Joint venture management and other fees on the Consolidated Statements of Operations.

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

We evaluate our investments in unconsolidated joint ventures and partnerships when events or changes in circumstances indicate that there may be an other-than-temporary decline in value. We consider various factors to determine if a decrease in the value of the investment is other-than-temporary. The Company did not recognize any other-than-temporary decreases in the value of its investments in unconsolidated joint ventures or partnerships during the three and six months ended June 30, 2014 and 2013.

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Combined summary balance sheets relating to all of the unconsolidated joint ventures and partnerships (not just our proportionate share) are presented below as of June 30, 2014 and December 31, 2013 (dollars in thousands):

	June 30, 2014	December 31, 2013
Total real estate, net	$3,008,515	$3,124,178
Cash and cash equivalents	41,966	41,792
Other assets	31,444	32,234
Total assets	3,081,925	3,198,204
Amount due to UDR	9,266	12,187
Third party debt	1,663,486	1,722,960
Accounts payable and accrued liabilities	41,442	41,562
Total liabilities	1,714,194	1,776,709
Total equity	$1,367,731	$1,421,495
UDR’s investment in unconsolidated joint ventures	$612,688	$507,655

Combined summary financial information relating to all of the unconsolidated joint ventures’ and partnerships’ operations (not just our proportionate share), is presented below for the three and six months ended June 30, 2014 and 2013 (dollars in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Total revenues	$61,793	$62,593	$123,891	$114,719
Property operating expenses	(24,420)	(23,931)	(49,542)	(44,668)
Real estate depreciation and amortization	(24,598)	(21,338)	(49,202)	(40,318)
Operating income/(loss)	12,775	17,324	25,147	29,733
Interest expense	(18,837)	(19,022)	(37,866)	(35,761)
Other income/(expense)	—	(534)	(190)	(534)
Gain/(loss) on sale of real estate	—	(21,410)	$(25,379)	$(21,410)
Income/(loss) from discontinued operations	—	(771)	14	(110)
Net income/(loss)	$(6,062)	$(24,413)	$(38,274)	$(28,082)
UDR income/(loss) from unconsolidated entities	$(428)	$515	$(3,993)	$(2,287)

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UDR, INC.
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6. SECURED AND UNSECURED DEBT

The following is a summary of our secured and unsecured debt at June 30, 2014 and December 31, 2013 (dollars in thousands):

	Principal Outstanding		For the Six Months Ended June 30, 2014			
	June 30, 2014	December 31, 2013	Weighted Average Interest Rate		Weighted Average Years to Maturity	Number of Communities Encumbered
Secured Debt:						
Fixed Rate Debt						
Mortgage notes payable (a)	$440,688	$445,706	5.46	%	2.0	8
Fannie Mae credit facilities (b)	624,597	626,667	4.99	%	4.5	22
Total fixed rate secured debt	1,065,285	1,072,373	5.18	%	3.5	30
Variable Rate Debt						
Mortgage notes payable	31,337	63,595	2.34	%	1.6	1
Tax-exempt secured notes payable (c)	94,700	94,700	0.86	%	8.7	2
Fannie Mae credit facilities (b)	211,409	211,409	1.58	%	6.0	7
Total variable rate secured debt	337,446	369,704	1.45	%	6.4	10
Total Secured Debt	1,402,731	1,442,077	4.28	%	4.2	40
Unsecured Debt:						
Commercial Banks						
Borrowings outstanding under an unsecured credit facility due December 2017 (d) (f)	276,500	—	1.03	%	3.4	
Senior Unsecured Notes						
3.70% Medium-Term Notes due October 2020 (net of discounts of $50 and $54, respectively) (f)	299,950	299,946	3.70	%	6.3	
4.63% Medium-Term Notes due January 2022 (net of discounts of $2,702 and $2,882, respectively) (f)	397,298	397,118	4.63	%	7.5	
3.75% Medium-Term Notes due July 2024 (net of discount of $1,043) (e) (f)	298,957	—	3.75	%	10.0	
1.40% Term Notes due June 2018 (f)	35,000	35,000	1.40	%	3.9	
1.63% Term Notes due June 2018 (f)	100,000	65,000	1.63	%	3.9	
5.13% Medium-Term Notes due January 2014	—	184,000	—	%	—	
5.50% Medium-Term Notes due April 2014 (net of discount of $20)	—	128,480	—	%	—	
5.25% Medium-Term Notes due January 2015 (net of discounts of $70 and $134, respectively)	325,105	325,041	5.25	%	0.5	
	83,260	83,260	5.25	%	1.5	

5.25% Medium-Term Notes due January 2016					
2.27% Term Notes due June 2018 (f)	215,000	250,000	2.27	%	3.9
8.50% Debentures due September 2024	15,644	15,644	8.50	%	10.2
4.25% Medium-Term Notes due June 2018 (net of discounts of $1,679 and $1,893, respectively) (f)	298,321	298,107	4.25	%	3.9
Other	28	30	N/A		N/A
Total Unsecured Debt	2,345,063	2,081,626	3.68	%	5.1
Total Debt	$3,747,794	$3,523,703	3.90	%	4.7

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Our secured debt instruments generally feature either monthly interest and principal or monthly interest-only payments with balloon payments due at maturity. For purposes of classification of the above table, variable rate debt with a derivative financial instrument designated as a cash flow hedge is deemed as fixed rate debt due to the Company having effectively established a fixed interest rate for the underlying debt instrument. Secured debt encumbers $2.3 billion or 27.1% of UDR’s total real estate owned based upon gross book value ($6.1 billion or 72.9% of UDR’s real estate owned based on gross book value is unencumbered) as of June 30, 2014.
(a) At June 30, 2014, fixed rate mortgage notes payable are generally due in monthly installments of principal and interest and mature at various dates from December 2014 through May 2019 and carry interest rates ranging from 3.43% to 5.94%.
The Company will from time to time acquire properties subject to fixed rate debt instruments. In those situations, the Company records the secured debt at its estimated fair value and amortizes any difference between the fair value and par to interest expense over the life of the underlying debt instrument. During the three and six months ended June 30, 2014 and 2013, the Company had $1.2 million and $2.5 million and $1.2 million and $2.5 million of a reduction to interest expense based on the amortization of the fair market adjustment of debt assumed in the acquisition of properties, respectively. The unamortized fair market adjustment was a net premium of $9.3 million and $11.8 million at June 30, 2014 and December 31, 2013, respectively.
(b) UDR has three secured credit facilities with Fannie Mae with an aggregate commitment of $836.0 million at June 30, 2014. The Fannie Mae credit facilities are for terms of seven to ten years (maturing at various dates from May 2017 through July 2023) and bear interest at floating and fixed rates. At June 30, 2014, we have $624.6 million of the outstanding balance fixed at a weighted average interest rate of 4.99% and the remaining balance of $211.4 million on these facilities has a weighted average variable interest rate of 1.58%.
Further information related to these credit facilities is as follows (dollars in thousands):

	June 30, 2014		December 31, 2013	
Borrowings outstanding	$836,006		$838,076	
Weighted average borrowings during the period ended	836,739		839,597	
Maximum daily borrowings during the period ended	837,564		841,494	
Weighted average interest rate during the period ended	4.1	%	4.2	%
Weighted average interest rate at the end of the period	4.1	%	4.1	%

(c) The variable rate mortgage notes payable that secure tax-exempt housing bond issues mature on August 2019 and March 2032, respectively. Interest on these notes is payable in monthly installments. The variable rate mortgage notes have interest rates of 0.80% and 1.02%, respectively, as of June 30, 2014.

(d) As of June 30, 2014, the Company has a $900 million unsecured revolving credit facility that matures in December 2017. The credit facility has a six month extension option and contains an accordion feature that allows us to increase the facility to $1.45 billion. Based on the Company’s current credit rating, the credit facility carries an interest rate equal to LIBOR plus a spread of 110 basis points and a facility fee of 20 basis points.

The following is a summary of short-term bank borrowings under UDR's bank credit facility at June 30, 2014 and December 31, 2013 (dollars in thousands):

	June 30, 2014	December 31, 2013
Total revolving credit facility	$900,000	$900,000
Borrowings outstanding at end of period (1)	276,500	—
Weighted average daily borrowings during the period ended	386,657	169,844
Maximum daily borrowings during the period ended	625,000	372,000
Weighted average interest rate during the period ended	1.2 %	1.2 %
Interest rate at end of the period	1.0 %	1.3 %

(1) Excludes $2.2 million and $2.2 million of letters of credit at June 30, 2014 and December 31, 2013, respectively.

(e) On June 26, 2014, the Company issued $300 million of 3.750% senior unsecured medium-term notes due July 1, 2024. Interest is payable semi-annually beginning on January 1, 2015. The notes were priced at 99.652% of the principal amount at issuance and had a discount of $1.0 million at June 30, 2014. The Company used the net proceeds to pay down borrowings outstanding on our $900 million unsecured credit facility and for general corporate purposes. The notes are fully and unconditionally guaranteed by the Operating Partnership.

(f) The Operating Partnership is a guarantor at June 30, 2014 and December 31, 2013.

The aggregate maturities, including amortizing principal payments of unsecured and secured debt, of total debt for the next five calendar years subsequent to June 30, 2014 are as follows (dollars in thousands):

Year	Total Fixed Secured Debt	Total Variable Secured Debt	Total Secured Debt	Total Unsecured Debt (a)	Total Debt
2014	$41,186	$—	$41,186	$—	$41,186
2015	197,383	—	197,383	323,780	521,163
2016	136,412	31,337	167,749	82,375	250,124
2017	177,960	65,000	242,960	276,500	519,460
2018	176,472	50,000	226,472	648,441	874,913
Thereafter	335,872	191,109	526,981	1,013,967	1,540,948
Total	$1,065,285	$337,446	$1,402,731	$2,345,063	$3,747,794

(a) With the exception of the 1.40% Term Notes due June 2018 and the revolving credit facility which carry a variable interest rate, all unsecured debt carries fixed interest rates.
We were in compliance with the covenants of our debt instruments at June 30, 2014.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Numerator for income/(loss) per share:				
Income/(loss) from continuing operations	$4,359	$4,524	$(836)	$3,362
Gain/(loss) on sale of real estate owned, net of tax	26,709	—	51,003	—
(Income)/loss from continuing operations attributable to redeemable noncontrolling interests in the Operating Partnership	(1,076)	(129)	(1,726)	(54)
(Income)/loss from continuing operations attributable to noncontrolling interests	(2)	(3)	(6)	(7)
Income/(loss) from continuing operations attributable to UDR, Inc.	29,990	4,392	48,435	3,301
Distributions to preferred stockholders - Series E (Convertible)	(931)	(931)	(1,862)	(1,862)
Income/(loss) from continuing operations attributable to common stockholders	$29,059	$3,461	$46,573	$1,439
Income/(loss) from discontinued operations, net of tax	$18	$830	$(69)	$1,683
(Income)/loss from discontinued operations attributable to redeemable noncontrolling interests in the Operating Partnership	(1)	(30)	2	(60)
Income/(loss) from discontinued operations attributable to common stockholders	$17	$800	$(67)	$1,623
Net income/(loss) attributable to common stockholders	$29,076	$4,261	$46,506	$3,062
Denominator for income/(loss) per share:				
Weighted average common shares outstanding	251,458	250,745	251,336	250,623
Non-vested restricted stock awards	(1,203)	(760)	(1,120)	(672)
Denominator for basic income/(loss) per share	250,255	249,985	250,216	249,951
Incremental shares issuable from assumed conversion of: Stock options and unvested restricted stock	1,936	1,421	1,875	1,402
Denominator for diluted income/(loss) per share	252,191	251,406	252,091	251,353
Income/(loss) per weighted average common share-basic:				
Income/(loss) from continuing operations attributable to common stockholders	$0.12	$0.01	$0.19	$0.01
Income/(loss) from discontinued operations attributable to common stockholders	$0.00	$0.00	$0.00	$0.01
Net income/(loss) attributable to common stockholders	$0.12	$0.02	$0.19	$0.01

Income/(loss) per weighted average common share-diluted:				
Income/(loss) from continuing operations attributable to common stockholders	$0.12	$0.01	$0.18	$0.01
Income/(loss) from discontinued operations attributable to common stockholders	$0.00	$0.00	$0.00	$0.01
Net income/(loss) attributable to common stockholders	$0.12	$0.02	$0.18	$0.01

Basic income/(loss) per common share is computed based upon the weighted average number of common shares outstanding. Diluted income/(loss) per share is computed based upon the weighted average number of common shares outstanding plus the common shares issuable from the assumed conversion of the OP Units, convertible preferred stock, stock options, and restricted stock. Only those instruments having a dilutive impact on our basic income/(loss) per share are included in diluted income/(loss) per share during the periods.

The following table sets forth the additional shares of common stock outstanding by equity instrument if converted to common stock for each of the three and six months ended June 30, 2014 and 2013 (shares in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
OP Units	9,316	9,324	9,317	9,352
Preferred stock	3,036	3,036	3,036	3,036
Stock options and unvested restricted stock	1,936	1,421	1,875	1,402

8. NONCONTROLLING INTERESTS

Redeemable Noncontrolling Interests in the Operating Partnership

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

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

The following table sets forth redeemable noncontrolling interests in the Operating Partnership for the following period (dollars in thousands):

Redeemable noncontrolling interests in the Operating Partnership, December 31, 2013	$217,597	
Mark-to-market adjustment to redeemable noncontrolling interests in the Operating Partnership	52,450	
Conversion of OP Units to Common Stock	(191	)
Net income/(loss) attributable to redeemable noncontrolling interests in the Operating Partnership	1,724	
Distributions to redeemable noncontrolling interests in the Operating Partnership	(5,097	)
Allocation of other comprehensive income/(loss)	106	
Redeemable noncontrolling interests in the Operating Partnership, June 30, 2014	$266,589	

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The following sets forth net income/(loss) attributable to common stockholders and transfers from redeemable noncontrolling interests in the Operating Partnership for the following periods (dollars in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Net income/(loss) attributable to common stockholders	$29,076	$4,261	$46,506	$3,062
Conversion of OP Units to UDR Common stock	191	62	191	1,711
Change in equity from net income/(loss) attributable to common stockholders and conversion of OP Units to UDR Common Stock	$29,267	$4,323	$46,697	$4,773

Noncontrolling Interests

Noncontrolling interests represent interests of unrelated partners in certain consolidated affiliates, and are presented as part of equity in the Consolidated Balance Sheets since these interests are not redeemable. During the three and six months ended June 30, 2014 and 2013, net (income)/loss attributable to noncontrolling interests was $(2,000) and $(6,000) and $(3,000) and $(7,000), respectively.

9. FAIR VALUE OF DERIVATIVES AND FINANCIAL INSTRUMENTS

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

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

The estimated fair values of the Company’s financial instruments either recorded or disclosed on a recurring basis as of June 30, 2014 and December 31, 2013 are summarized as follows (dollars in thousands):

			Fair Value at June 30, 2014, Using		
	Total Carrying Amount in Statement of Financial Position at June 30, 2014	Fair Value Estimate at June 30, 2014	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Description:					
Notes receivable (a)	$44,248	$44,930	$—	$—	$44,930
Derivatives- Interest rate contracts (b)	15	15	—	15	—
Total assets	$44,263	$44,945	$—	$15	$44,930
Derivatives- Interest rate contracts (b)	$3,674	$3,674	$—	$3,674	$—
Secured debt instruments- fixed rate: (c)					
Mortgage notes payable	440,688	458,057	—	—	458,057
Fannie Mae credit facilities	624,597	661,710	—	—	661,710
Secured debt instruments- variable rate: (c)					
Mortgage notes payable	31,337	31,337	—	—	31,337
Tax-exempt secured notes payable	94,700	94,700	—	—	94,700
Fannie Mae credit facilities	211,409	211,409	—	—	211,409
Unsecured debt instruments: (c)					
Commercial bank	276,500	276,500	—	—	276,500
Senior unsecured notes	2,068,563	2,154,964	—	—	2,154,964
Total liabilities	$3,751,468	$3,892,351	$—	$3,674	$3,888,677
Redeemable noncontrolling interests in the Operating Partnership (d)	$266,589	$266,589	$—	$266,589	$—

			Fair Value at December 31, 2013, Using		
Description:	Total Carrying Amount in Statement of Financial Position at December 31, 2013	Fair Value Estimate at December 31, 2013	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Notes receivable (a)	$83,033	$83,833	$—	$—	$83,833
Total assets	$83,033	$83,833	$—	$—	$83,833
Derivatives- Interest rate contracts (b)	$4,965	$4,965	$—	$4,965	$—
Secured debt instruments- fixed rate: (c)					
Mortgage notes payable	445,706	466,375	—	—	466,375
Fannie Mae credit facilities	626,667	661,094	—	—	661,094
Secured debt instruments- variable rate: (c)					
Mortgage notes payable	63,595	63,595	—	—	63,595
Tax-exempt secured notes payable	94,700	94,700	—	—	94,700
Fannie Mae credit facilities	211,409	211,409	—	—	211,409
Unsecured debt instruments: (c)					
Senior unsecured notes	2,081,626	2,149,003	—	—	2,149,003
Total liabilities	$3,528,668	$3,651,141	$—	$4,965	$3,646,176
Redeemable noncontrolling interests in the Operating Partnership (d)	$217,597	$217,597	$—	217,597	$—

(a) See Note 2, Significant Accounting Policies.
(b) See Note 10, Derivatives and Hedging Activity.
(c) See Note 6, Secured and Unsecured Debt.
(d) See Note 8, Noncontrolling Interests.

There were no transfers into or out of each of the levels of the fair value hierarchy.

Financial Instruments Carried at Fair Value

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

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

Although the Company has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by itself and its counterparties. However, as of June 30, 2014 and December 31, 2013, the Company has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit valuation adjustments are not significant to the overall valuation of its derivatives. As a result, the Company has determined that its derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy. In conjunction with the FASB's fair value measurement guidance, the Company made an accounting policy election to measure the credit risk of its derivative financial instruments that are subject to master netting agreements on a net basis by counterparty portfolio.

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

Financial Instruments Not Carried at Fair Value

At June 30, 2014, the fair values of cash and cash equivalents, restricted cash, accounts receivable, prepaids, real estate taxes payable, accrued interest payable, security deposits and prepaid rent, distributions payable and accounts payable approximated their carrying values because of the short term nature of these instruments. The estimated fair values of other financial instruments were determined by the Company using available market information and appropriate valuation methodologies. Considerable judgment is necessary to interpret market data and develop estimated fair values. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company would realize on the disposition of the financial instruments. The use of different market assumptions or estimation methodologies may have a material effect on the estimated fair value amounts.

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

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

We consider various factors to determine if a decrease in the value of our investment in and advances to unconsolidated joint ventures, net is other-than-temporary. These factors include, but are not limited to, age of the venture, our intent and ability to retain our investment in the entity, the financial condition and long-term prospects of the entity, and the relationships with the other joint venture partners and its lenders. Based on the significance of the unobservable inputs, we classify these fair value measurements within Level 3 of the valuation hierarchy. The Company did not incur any other-than-temporary decrease in the value of its investments in unconsolidated joint ventures during the three and six months ended June 30, 2014 and 2013, respectively.

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

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10. DERIVATIVES AND HEDGING ACTIVITY

Risk Management Objective of Using Derivatives

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

Cash Flow Hedges of Interest Rate Risk

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

The effective portion of changes in the fair value of derivatives designated and that qualify as cash flow hedges is recorded in Accumulated other comprehensive income(loss), net in the Consolidated Balance Sheets and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. During the three and six months ended June 30, 2014 and 2013, such derivatives were used to hedge the variable cash flows associated with existing variable-rate debt. The ineffective portion of the change in fair value of the derivatives is recognized directly in earnings. During the three and six months ended June 30, 2014, the Company recorded a gain of approximately $3,000 related to the ineffective portion of the derivative, which was caused by a timing difference between the derivative and the hedged item. During the three and six months ended June 30, 2013, the Company recorded a loss of less than a $1,000 related to the ineffective portion of the derivative, which was caused by an index difference between the derivative and the hedged item.

Amounts reported in Accumulated other comprehensive income (loss), net in the Consolidated Balance Sheets related to derivatives will be reclassified to interest expense as interest payments are made on the Company’s variable-rate debt. Through June 30, 2015, the Company estimates that an additional $2.9 million will be reclassified as an increase to interest expense.

As of June 30, 2014, the Company had the following outstanding interest rate derivatives that were designated as cash flow hedges of interest rate risk (dollars in thousands):

Interest Rate Derivative	Number of Instruments	Notional
Interest rate swaps	11	$419,787
Interest rate caps	5	$274,291

Derivatives not designated as hedges are not speculative and are used to manage the Company’s exposure to interest rate movements and other identified risks but do not meet the strict hedge accounting requirements of GAAP. Changes in the fair value of derivatives not designated in hedging relationships are recorded directly in earnings and resulted in no adjustment to earnings for the three and six months ended June 30, 2014 and a gain/(loss) of $(3,000) and $(5,000) for the three and six months ended June 30, 2013, respectively.

As of June 30, 2014, the Company had the following outstanding derivatives that were not designated as hedges in qualifying hedging relationships (dollars in thousands):

Product	Number of Instruments	Notional
Interest rate caps	1	$65,197

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

The tables below present the fair value of the Company's derivative financial instruments as well as their classification on the Consolidated Balance Sheets as of June 30, 2014 and December 31, 2013 (dollars in thousands):

	Asset Derivatives			Liability Derivatives		
		Fair Value at:			Fair Value at:	
	Balance Sheet Location	June 30, 2014	December 31, 2013	Balance Sheet Location	June 30, 2014	December 31, 2013
Derivatives designated as hedging instruments:						
Interest rate products	Other assets	$15	$—	Other liabilities	$3,674	$4,965
Total		$15	$—		$3,674	$4,965
Derivatives not designated as hedging instruments:						
Interest rate products	Other assets	$—	$—	Other liabilities	$—	$—
Total		$—	$—		$—	$—

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Tabular Disclosure of the Effect of Derivative Instruments on the Consolidated Statements of Operations
The tables below present the effect of the Company’s derivative financial instruments on the Consolidated Statements of Operations for the three and six months ended June 30, 2014 and 2013 (dollars in thousands):

Derivatives in Cash Flow Hedging Relationships	Amount of Gain or (Loss) Recognized in OCI on Derivative (Effective Portion) 2014	2013	Location of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion) 2014	2013	Location of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing) 2014	2013
For the Three Months Ended June 30,								
Interest rate products	$304	$144	Interest expense	$(1,145)	$(1,608)	Interest expense	$3	$—
Total	$304	$144		$(1,145)	$(1,608)		$3	$—
For the Six Months Ended June 30,								
Interest rate products	$249	$52	Interest expense	$(2,677)	$(3,545)	Interest expense	$3	$—
Total	$249	$52		$(2,677)	$(3,545)		$3	$—

Derivatives Not Designated as Hedging Instruments	Location of Gain or (Loss) Recognized in Income on Derivative	Amount of Gain or (Loss) Recognized in Income on Derivative 2014	2013
For the Three Months Ended June 30,			
Interest rate products	Interest and other income/(loss), net	$—	$(3)
Total		$—	$(3)
For the Six Months Ended June 30,			
Interest rate products	Interest and other income/(loss), net	$—	$(5)
Total		$—	$(5)

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Credit-risk-related Contingent Features

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

Certain of the Company’s agreements with its derivative counterparties contain provisions where if there is a change in the Company’s financial condition that materially changes the Company’s creditworthiness in an adverse manner, the Company may be required to fully collateralize its obligations under the derivative instrument.

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

As of June 30, 2014, the fair value of derivatives in a net liability position, which includes accrued interest but excludes any adjustment for nonperformance risk, related to these agreements was $4.0 million. As of June 30, 2014, the Company has not posted any collateral related to these agreements. If the Company had breached any of these provisions at June 30, 2014, it may have been required to settle its obligations under the agreements at their termination value of $4.0 million.

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Tabular Disclosure of Offsetting Derivatives
Company has elected not to offset derivative positions in the consolidated financial statements. The tables below present the effect on its financial position had the Company made the election to offset its derivative positions as of June 30, 2014 and December 31, 2013 (dollar in thousands):

				Gross Amounts Not Offset in the Consolidated Balance Sheets		
	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Consolidated Balance Sheets	Net Amounts of Assets Presented in the Consolidated Balance Sheets (a)	Financial Instruments	Cash Collateral Received	Net Amount
June 30, 2014	$15	$—	$15	$—	$—	$15
December 31, 2013	$—	$—	$—	$—	$—	$—

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

Offsetting of Derivative Liabilities

				Gross Amounts Not Offset in the Consolidated Balance Sheets		
	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Consolidated Balance Sheets	Net Amounts of Liabilities Presented in the Consolidated Balance Sheets (b)	Financial Instruments	Cash Collateral Posted	Net Amount
June 30, 2014	$3,674	$—	$3,674	$—	$—	$3,674
December 31, 2013	$4,965	$—	$4,965	$—	$—	$4,965

(b) Amounts reconcile to the aggregate fair value of derivative liabilities in the “Tabular Disclosure of Fair Values of Derivative Instruments on the Balance Sheet” located in this footnote.

11. STOCK BASED COMPENSATION

During the three and six months ended June 30, 2014 and 2013, the Company recognized $3.6 million and $7.3 million and $2.4 million and $4.3 million, respectively, as stock based compensation expense, which is inclusive of awards granted to our independent directors.

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12. COMMITMENTS AND CONTINGENCIES
Commitments
Real Estate Under Development
The following summarizes the Company's real estate commitments at June 30, 2014 (dollars in thousands):

	Number of Properties	Costs Incurred to Date		Expected Costs to Complete		Average Ownership Stake	
Wholly-owned — under development	3	$275,819	(a)	$124,581		100	%
Wholly-owned — redevelopment	1	76,167	(a)	21,833		100	%
Joint ventures:							
Unconsolidated joint ventures	1	48,798	(b)	113,229	(b)	51	%
Participating loan investments	1	31,622		60,387	(c)	0	%
		$432,406		$320,030			

(a) Costs incurred to date include $28.1 million and $2.7 million of accrued fixed assets for development and redevelopment, respectively.
(b) Represents UDR's contributed and remaining equity commitment in unconsolidated joint ventures.
(c) Represents UDR's remaining participating loan commitment for Steele Creek.

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

13. REPORTABLE SEGMENTS
GAAP guidance requires that segment disclosures present the measure(s) used by the chief operating decision maker to decide how to allocate resources and for purposes of assessing such segments' performance. UDR's chief operating decision maker is comprised of several members of its executive management team who use several generally accepted industry financial measures to assess the performance of the business for our reportable operating segments.
UDR owns and operates multifamily apartment communities that generate rental and other property related income through the leasing of apartment homes to a diverse base of tenants. The primary financial measures for UDR's apartment communities are rental income and net operating income ("NOI"). Rental income represents gross market rent less adjustments for concessions, vacancy loss and bad debt. NOI is defined as rental income less direct property rental expenses. Rental expenses include real estate taxes, insurance, personnel, utilities, repairs and maintenance, administrative and marketing. Excluded from NOI is property management expense, which is calculated as 2.75% of property revenue to cover the regional supervision and accounting costs related to consolidated property operations, and land rent. UDR's chief operating decision maker utilizes NOI as the key measure of segment profit or loss.
UDR's two reportable segments are Same-Store Communities and Non-Mature Communities/Other:

- Same-Store Communities represent those communities acquired, developed, and stabilized prior to April 1, 2013 for quarter-to-date comparison and January 1, 2013 for year-to-date comparison and held as of June 30, 2014. A comparison of operating results from the prior year is meaningful as these communities were owned and had stabilized occupancy and operating expenses as of the beginning of the prior period, there is no plan to conduct substantial

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redevelopment activities, and the community is not held for disposition within the current year. A community is considered to have stabilized occupancy once it achieves 90% occupancy for at least three consecutive months.

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

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

All revenues are from external customers and no single tenant or related group of tenants contributed 10% or more of UDR’s total revenues during the three and six months ended June 30, 2014 and 2013.

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The following table details rental income and NOI from continuing and discontinued operations for UDR’s reportable segments for the three and six months ended June 30, 2014 and 2013, and reconciles NOI to Net Income/(Loss) Attributable to UDR, Inc. in the Consolidated Statements of Operations (dollars in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Reportable apartment home segment rental income				
Same-Store Communities				
West Region	$63,028	$59,549	$124,564	$117,295
Mid-Atlantic Region	40,656	40,016	80,877	79,773
Southeast Region	26,871	25,654	53,368	50,912
Northeast Region	20,294	19,401	29,924	28,663
Southwest Region	13,623	12,946	27,090	25,719
Non-Mature Communities/Other	36,565	31,047	79,614	70,552
Total consolidated rental income	$201,037	$188,613	$395,437	$372,914
Reportable apartment home segment NOI				
Same-Store Communities				
West Region	$45,745	$42,646	$90,121	$83,696
Mid-Atlantic Region	28,391	28,004	55,959	55,658
Southeast Region	17,977	16,684	35,849	33,306
Northeast Region	15,459	14,359	22,106	20,770
Southwest Region	8,263	8,068	16,621	15,768
Non-Mature Communities/Other	24,557	18,892	51,860	44,771
Total consolidated NOI	140,392	128,653	272,516	253,969
Reconciling items:				
Joint venture management and other fees	2,747	3,217	6,434	6,140
Property management	(5,529)	(5,187)	(10,875)	(10,255)
Other operating expenses	(2,171)	(1,807)	(4,106)	(3,450)
Real estate depreciation and amortization	(88,876)	(85,131)	(177,409)	(168,573)
General and administrative	(12,530)	(9,866)	(24,524)	(19,342)
Casualty-related recoveries/(charges), net	—	2,772	(500)	5,793
Other depreciation and amortization	(1,193)	(1,138)	(2,273)	(2,284)
Income/(loss) from unconsolidated entities	(428)	515	(3,993)	(2,287)
Interest expense	(31,691)	(30,803)	(64,575)	(61,784)
Interest and other income/(expense), net	1,426	1,446	2,841	2,462
Tax benefit, net	2,230	2,683	5,559	4,656
Gain/(loss) on sale of real estate owned, net of tax	26,709	—	51,003	—
Net (income)/loss attributable to redeemable noncontrolling interests in the Operating Partnership	(1,077)	(159)	(1,724)	(114)
Net (income)/loss attributable to noncontrolling interests	(2)	(3)	(6)	(7)
Net income/(loss) attributable to UDR, Inc.	$30,007	$5,192	$48,368	$4,924

The following table details the assets of UDR's reportable segments as of June 30, 2014 and December 31, 2013 (dollars in thousands):

	June 30, 2014	December 31, 2013
Reportable apartment home segment assets:		
Same-Store Communities:		
West Region	$2,419,275	$2,412,091
Mid-Atlantic Region	1,400,691	1,395,772
Southeast Region	791,685	785,134
Northeast Region	1,071,543	1,066,260
Southwest Region	437,253	434,875
Non-Mature Communities/Other	2,216,906	2,113,845
Total assets	8,337,353	8,207,977
Accumulated depreciation	(2,339,824)	(2,208,794)
Total assets — net book value	5,997,529	5,999,183
Reconciling items:		
Cash and cash equivalents	26,816	30,249
Restricted cash	23,334	22,796
Funds held in escrow from IRC Section 1031 exchanges	30,275	—
Deferred financing costs, net	25,545	26,924
Notes receivable, net	44,248	83,033
Investment in and advances to unconsolidated joint ventures, net	612,688	507,655
Other assets	171,970	137,882
Total consolidated assets	$6,932,405	$6,807,722

Capital expenditures related to our Same-Store Communities totaled $13.6 million and $21.3 million and $13.6 million and $20.1 million for the three and six months ended June 30, 2014 and 2013, respectively. Capital expenditures related to our Non-Mature Communities/Other totaled $1.7 million and $3.8 million and $2.5 million and $3.2 million for the three and six months ended June 30, 2014 and 2013, respectively.

Markets included in the above geographic segments are as follows:

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

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UNITED DOMINION REALTY, L.P.
CONSOLIDATED BALANCE SHEETS
(In thousands, except for unit data)

	June 30, 2014 (unaudited)	December 31, 2013 (audited)
ASSETS		
Real estate owned:		
Real estate held for investment	$4,088,907	$4,108,417
Less: accumulated depreciation	(1,313,209)	(1,241,574)
Real estate held for investment, net	2,775,698	2,866,843
Real estate under development (net of accumulated depreciation $0 and $0, respectively)	108,705	80,063
Total real estate owned, net of accumulated depreciation	2,884,403	2,946,906
Cash and cash equivalents	1,175	1,897
Restricted cash	13,637	13,526
Deferred financing costs, net	5,137	5,848
Other assets	22,357	25,064
Total assets	$2,926,709	$2,993,241
LIABILITIES AND CAPITAL		
Liabilities:		
Secured debt	$930,463	$934,865
Notes payable due to General Partner	88,696	88,696
Real estate taxes payable	6,788	6,228
Accrued interest payable	3,204	3,323
Security deposits and prepaid rent	15,913	14,172
Distributions payable	47,788	43,253
Deferred gains on the sale of depreciable property	47,531	63,838
Accounts payable, accrued expenses, and other liabilities	30,363	35,769
Total liabilities	1,170,746	1,190,144
Commitments and contingencies (Note 11)		
Capital:		
Partners' capital:		
General partner: 110,883 OP Units outstanding at June 30, 2014 and December 31, 2013	1,138	1,163
Limited partners: 183,167,815 OP Units outstanding at June 30, 2014 and December 31, 2013	1,757,245	1,797,836
Accumulated other comprehensive income/(loss), net	(2,060)	(3,065)
Total partners' capital	1,756,323	1,795,934
Payable/(receivable) due to/(from) General Partner	(17,897)	(9,916)
Noncontrolling interests	17,537	17,079
Total capital	1,755,963	1,803,097
Total liabilities and capital	$2,926,709	$2,993,241

See accompanying notes to the consolidated financial statements.

UNITED DOMINION REALTY, L.P.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per unit data)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
REVENUES:				
Rental income	$104,842	$100,421	$207,212	$198,191
OPERATING EXPENSES:				
Property operating and maintenance	18,328	18,630	36,562	36,609
Real estate taxes and insurance	11,546	10,805	23,265	21,978
Property management	2,883	2,761	5,698	5,450
Other operating expenses	1,451	1,423	2,887	2,809
Real estate depreciation and amortization	44,697	44,777	88,968	89,633
General and administrative	7,459	5,894	14,429	11,469
Casualty-related (recoveries)/charges, net	—	(2,257)	500	(4,276)
Total operating expenses	86,364	82,033	172,309	163,672
Operating income	18,478	18,388	34,903	34,519
Interest expense	(9,008)	(8,783)	(17,871)	(17,778)
Interest expense on note payable due to General Partner	(1,151)	(267)	(2,302)	(534)
Income/(loss) from continuing operations	8,319	9,338	14,730	16,207
Income/(loss) from discontinued operations	—	882	—	1,787
Income/(loss) before gain/(loss) on sale of real estate owned	8,319	10,220	14,730	17,994
Gain/(loss) on sale of real estate owned	16,285	—	40,687	—
Net income/(loss)	24,604	10,220	55,417	17,994
Net (income)/loss attributable to noncontrolling interests	(178)	(66)	(458)	(112)
Net income/(loss) attributable to OP unitholders	$24,426	$10,154	$54,959	$17,882
Income/(loss) per weighted average OP Unit - basic and diluted:				
Income/(loss) from continuing operations attributable to OP unitholders	$0.13	$0.05	$0.30	$0.09
Income(loss) from discontinued operations attributable to OP unitholders	$—	$0.00	$—	$0.01
Net income/(loss) attributable to OP unitholders	$0.13	$0.06	$0.30	$0.10
Weighted average OP Units outstanding - basic and diluted	183,279	184,281	183,279	184,281

See accompanying notes to the consolidated financial statements.

UNITED DOMINION REALTY, L.P.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME/(LOSS)
(In thousands)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Net income/(loss)	$24,604	$10,220	$55,417	$17,994
Other comprehensive income/(loss), including portion attributable to noncontrolling interests:				
Other comprehensive income/(loss) - derivative instruments:				
Unrealized holding gain/(loss)	(140)	(29)	(191)	(83)
(Gain)/loss reclassified into earnings from other comprehensive income/(loss)	573	569	1,196	1,451
Other comprehensive income/(loss), including portion attributable to noncontrolling interests	433	540	1,005	1,368
Comprehensive income/(loss)	25,037	10,760	56,422	19,362
Comprehensive (income)/loss attributable to noncontrolling interests	(178)	(66)	(458)	(112)
Comprehensive income/(loss) attributable to OP unitholders	$24,859	$10,694	$55,964	$19,250

See accompanying notes to consolidated financial statements.

UNITED DOMINION REALTY, L.P.
CONSOLIDATED STATEMENT OF CHANGES IN CAPITAL
(In thousands)
(Unaudited)

	Class A Limited Partners	Limited Partners	UDR, Inc. Limited Partner	General Partner	Accumulated Other Comprehensive Income/(Loss), net	Total Partners' Capital	Payable/(Receivable) due to/(from) General Partner	Noncontrolling Interests	Total
Balance at December 31, 2013	$40,902	$176,695	$1,580,239	$1,163	$(3,065)	$1,795,934	$(9,916)	$17,079	$1,803,097
Net income/(loss)	525	2,268	52,133	33	—	54,959	—	458	55,417
Distributions	(1,164)	(3,933)	(90,420)	(58)	—	(95,575)	—	—	(95,575)
OP Unit Redemptions for common shares of UDR	—	(191)	191	—	—	—	—	—	—
Adjustment to reflect limited partners' capital at redemption value	9,887	41,600	(51,487)	—	—	—	—	—	—
Other comprehensive income/(loss)	—	—	—	—	1,005	1,005	—	—	1,005
Net change in amount due to/(from) General Partner	—	—	—	—	—	—	(7,981)	—	(7,981)
Balance at June 30, 2014	$50,150	$216,439	$1,490,656	$1,138	$(2,060)	$1,756,323	$(17,897)	$17,537	$1,755,963

See accompanying notes to the consolidated financial statements.

UNITED DOMINION REALTY, L.P.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands, except for unit data)
(Unaudited)

	Six Months Ended June 30,	
	2014	2013
Operating Activities		
Net income/(loss)	55,417	17,994
Adjustments to reconcile net income/(loss) to net cash provided by operating activities:		
Depreciation and amortization	88,968	90,635
Gain on sale of real estate owned	(40,687)	—
Casualty-related (recoveries)/charges, net	500	(2,151)
Other	(123)	1,989
Changes in operating assets and liabilities:		
(Increase)/decrease in operating assets	1,506	665
Increase/(decrease) in operating liabilities	(2,164)	2,090
Net cash provided by operating activities	103,417	111,222
Investing Activities		
Proceeds from sale of real estate investments, net	47,922	—
Development of real estate assets	(29,192)	(27,752)
Capital expenditures and other major improvements — real estate assets, net of escrow reimbursement	(21,355)	(48,035)
Net cash provided by/(used in) investing activities	(2,625)	(75,787)
Financing Activities		
Advances from/(to) General Partner, net	(94,113)	10,573
Payments on secured debt	(2,492)	(39,865)
Distributions paid to partnership unitholders	(4,909)	(4,625)
Payments of financing costs	—	(1,125)
Net cash provided by/(used in) financing activities	(101,514)	(35,042)
Net increase/(decrease) in cash and cash equivalents	(722)	393
Cash and cash equivalents, beginning of period	1,897	2,804
Cash and cash equivalents, end of period	$1,175	$3,197
Supplemental Information:		
Interest paid during the period, net of amounts capitalized	$21,649	$22,064
Non-cash transactions:		
Reallocation of credit facilities debt from General Parnter	$—	$13,682

See accompanying notes to the consolidated financial statements.

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UNITED DOMINION REALTY, L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2014

1. CONSOLIDATION AND BASIS OF PRESENTATION
Consolidation and Basis of Presentation
United Dominion Realty, L.P. ("UDR, L.P.," the "Operating Partnership," "we" or "our") is a Delaware limited partnership, that owns, acquires, renovates, redevelops, manages, and disposes of multifamily apartment communities generally located in high barrier to entry markets located in the United States. The high barrier to entry markets are characterized by limited land for new construction, difficult and lengthy entitlement process, expensive single-family home prices and significant employment growth potential. UDR, L.P. is a subsidiary of UDR, Inc. ("UDR" or the "General Partner"), a self-administered real estate investment trust, or REIT, through which UDR conducts a significant portion of its business. During the three and six months ended June 30, 2014 and 2013, rental revenues of the Operating Partnership represented 52% and 52% and 54% and 54%, respectively, of the General Partner's consolidated rental revenues (including those classified within discontinued operations). At June 30, 2014, the Operating Partnership's apartment portfolio consisted of 67 communities located in 17 markets consisting of 20,482 apartment homes.
Interests in UDR, L.P. are represented by operating partnership units ("OP Units"). The Operating Partnership's net income is allocated to the partners, which is initially based on their respective distributions made during the year and secondly, their percentage interests. Distributions are made in accordance with the terms of the Amended and Restated Agreement of Limited Partnership of United Dominion Realty, L.P. (the "Operating Partnership Agreement"), on a per unit basis that is generally equal to the dividend per share on UDR's common stock, which is publicly traded on the New York Stock Exchange ("NYSE") under the ticker symbol "UDR".
As of June 30, 2014, there were 183,278,698 OP Units outstanding, of which 173,967,166 or 94.9% were owned by UDR and affiliated entities and 9,311,532 or 5.1% were owned by non-affiliated limited partners. See Note 9, Capital Structure.
The accompanying interim unaudited consolidated financial statements have been prepared according to the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and note 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. In the opinion of management, all adjustments and eliminations necessary for the fair presentation of our financial position as of June 30, 2014, and results of operations for the three and six months ended June 30, 2014 and 2013 have been included. 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 accompanying interim unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and related notes for the year ended December 31, 2013 included in the Annual Report on Form 10-K filed by UDR and the Operating Partnership with the SEC on February 25, 2014.
The accompanying interim unaudited consolidated statements are presented in accordance with U.S. generally accepted accounting principles ("GAAP"). GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the dates of the interim unaudited consolidated financial statements and the amounts of revenues and expenses during the reporting periods. Actual amounts realized or paid could differ from those estimates. All intercompany accounts and transactions have been eliminated in consolidation.
The Operating Partnership evaluated subsequent events through the date its financial statements were issued. No recognized or non-recognized subsequent events were noted.
2. SIGNIFICANT ACCOUNTING POLICIES
Recent Accounting Pronouncements

In April 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-08, Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity, which incorporates a requirement that a disposition represent a strategic shift in an entity's operations into the definition of a discontinued operation. In accordance with the ASU, a discontinued operation represents (1) a component of an entity or group of components that has been disposed of or is classified as held for sale in a single transaction and represents a strategic shift that has or will have a major effect on an entity's financial results, or (2) an acquired business that is classified as held for sale on the date of acquisition. A strategic shift could include a disposal of (1) a separate major line of business, (2) a separate major geographic area of operations, (3) a major equity method investment, or (4) other major parts of an entity. The standard requires prospective application and will be effective for interim and annual periods beginning on or after December 15, 2014 with early adoption permitted. The early adoption provision excludes components of an entity that were sold or classified as held for sale prior to the adoption of the standard.

The Operating Partnership elected to early adopt this standard effective January 1, 2014, which had a significant impact on the Operating Partnership's consolidated financial statements as further discussed in Note 4, Discontinued Operations. Subsequent to the Operating Partnership's adoption of ASU 2014-08, the sale of real estate that does not meet the definition of a discontinued operation under the standard is included in Gain/(loss) on sale of real estate owned on the Consolidated Statements of Operations.

In May 2014, FASB issued ASU No. 2014-09, Revenue from Contracts with Customers. The standard provides companies with a single model for use in accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance, including industry-specific revenue guidance. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The standard specifically excludes lease contracts. The ASU allows for the use of either the full or modified retrospective transition method, and the standard will be effective for the Operating Partnership on January 1, 2017; early adoption is not permitted. The Operating Partnership has not yet selected a transition method and we are currently evaluating the effect that the updated standard will have on its consolidated financial statements and related disclosures.

Revenue and Real Estate Sales Gain Recognition

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

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

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

Comprehensive Income/(Loss)

Comprehensive income/(loss), which is defined as the change in equity during each period from transactions and other events and circumstances from nonowner sources, including all changes in equity during a period except for those resulting from investments by or distributions to unitholders, is displayed in the accompanying Consolidated Statements of Comprehensive Income/(Loss). For the three and six months ended June 30, 2014 and 2013, the Operating Partnership's other comprehensive income/(loss) consisted of the gain/(loss) (effective portion) on derivative instruments that are designated as and qualify as cash flow hedges and (gain)/loss reclassified from other comprehensive income/(loss) into earnings. The (gain)/loss reclassified from other comprehensive income/(loss) is included in Interest expense on the Consolidated Statements of Operations. See Note 8, Derivatives and Hedging Activity, for further discussion.

Income Taxes

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

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

Management of the Operating Partnership has reviewed all open tax years (2010 through 2013) of tax jurisdictions and concluded there is no tax liability resulting from unrecognized tax benefits relating to uncertain income tax positions taken or expected to be taken in future tax returns.

3. REAL ESTATE OWNED

Real estate assets owned by the Operating Partnership consists of income producing operating properties, properties under development, land held for future development, and sold or held for disposition properties. At June 30, 2014, the Operating Partnership owned and consolidated 67 communities in nine states plus the District of Columbia totaling 20,482 apartment homes. The following table summarizes the carrying amounts for our real estate owned (at cost) as of June 30, 2014 and December 31, 2013 (dollars in thousands):

	June 30, 2014	December 31, 2013
Land	$997,707	$1,004,447
Depreciable property — held and used:		
Buildings, improvements, and furniture, fixture and equipment	3,091,200	3,103,970
Under development:		
Land	9,447	9,447
Construction in progress	99,258	70,616
Real estate owned	4,197,612	4,188,480
Accumulated depreciation	(1,313,209)	(1,241,574)
Real estate owned, net	$2,884,403	$2,946,906

The Operating Partnership did not have any acquisitions during the six months ended June 30, 2014 and 2013, respectively.

Predevelopment, development, and redevelopment projects and related costs are capitalized and reported on the Consolidated Balance Sheets as Total real estate owned, net of accumulated depreciation. The Operating Partnership capitalizes costs directly related to the predevelopment, development, and redevelopment of a capital project, which include, but are not limited to, interest, real estate taxes, insurance, and allocated development and redevelopment overhead related to support costs for personnel working on the capital projects. We use our professional judgment in determining whether such costs meet the criteria for capitalization or must be expensed as incurred. These costs are capitalized only during the period in which activities necessary to ready an asset for its intended use are in progress and such costs are incremental and identifiable to a specific activity to get the asset ready for its intended use. These costs, excluding the direct costs of development and redevelopment and capitalized interest, for the three and six months ended June 30, 2014 and 2013 were $542,000 and $1.3 million and

$678,000 and $1.4 million, respectively. During the three and six months ended June 30, 2014 and 2013, total interest capitalized was $1.0 million and $2.0 million and $1.4 million and $2.7 million, respectively. As each home in a capital project is completed and becomes available for lease-up, the Company ceases capitalization on the related portion and depreciation commences over the estimated useful life.

During the six months ended June 30, 2014, the Operating Partnership sold one community and an adjacent parcel of land in San Diego, CA for gross proceeds of $48.7 million, resulting in a $24.4 million gain and net proceeds of $47.9 million. In the second quarter 2014, the Operating Partnership recorded a gain of $16.3 million in connection with the sale of one community in Tampa, Florida, which was previously deferred. The total gains of $40.7 million were included in Gain/(loss) on sale of real estate owned on the Consolidated Statements of Operations. There was no real estate sold during the three and six months ended June 30, 2013.

In October 2012, Hurricane Sandy hit the East Coast, affecting two of the Operating Partnership's operating communities located in New York City. The properties suffered some physical damage, and were closed to residents for a period following the hurricane. The Operating Partnership had insurance policies that provided coverage for property damage and business interruption, subject to applicable retentions.

During the three and six months ended June 30, 2013, the Operating Partnership recorded $2.3 million and $4.3 million, respectively, of insurance recoveries related to the business interruption and other losses associated with Hurricane Sandy These recoveries were included in Casualty-related (recoveries)/charges, net on the Consolidated Statements of Operations for the three and six months ended June 30, 2013.

During the six months ended June 30, 2014, we recorded a $500,000 casualty-related loss for one property damaged during an earthquake in California.

4. DISCONTINUED OPERATIONS

Effective January 1, 2014, UDR prospectively adopted ASU No. 2014-08, Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity, for all communities not previously sold or classified as held for sale. The standard had a material impact on the Company's consolidated financial statements. As a result of adopting the ASU, during the three and six months ended June 30, 2014, net gains of $16.3 million and $39.6 million, respectively, from disposition of real estate, excluding a $1.1 million gain related to the sale of land during the first quarter of 2014, were included in Gain/(loss) on sale of real estate owned on the Consolidated Statements of Operations rather than in Income/(loss) from discontinued operations, net of tax on the Consolidated Statements of Operations.

Prior to the prospective adoption of ASU 2014-08, FASB ASC Subtopic 205.20, required, among other things, that the primary assets and liabilities and the results of operations of UDR's real properties that 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. Consequently, the primary assets and liabilities and the net operating results of those properties sold or classified as held for disposition prior to January 1, 2014 are accounted for as discontinued operations for all periods presented. This presentation does not have an impact on net income available to common stockholders, it only results in the reclassification of the operating results within the Consolidated Statements of Operations for the periods ended June 30, 2014 and 2013.

In 2013, the Company sold two communities with 914 apartment homes in the Sacramento market. The operating results related to these communities for the three and six months ended June 30, 2013 are included in Income/(loss) from discontinued operations, net of tax on the Consolidated Statements of Operations.

The following is a summary of income/(loss) from discontinued operations for the three and six months ended June 30, 2014 and 2013 (dollars in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Rental income	$—	$2,288	$—	$4,578
Rental expenses	—	813	—	1,598
Property management	—	63	—	126
Real estate depreciation and amortization	—	530	—	1,067
Income/(loss) from discontinued operations	$—	$882	$—	$1,787
Income/(loss) from discontinued operations attributable to UDR, Inc.	$—	$882	$—	$1,787

5. DEBT

Our secured debt instruments generally feature either monthly interest and principal or monthly interest-only payments with balloon payments due at maturity. For purposes of classification in the following table, variable rate debt with a derivative financial instrument designated as a cash flow hedge is deemed as fixed rate debt due to the Operating Partnership having effectively established the fixed interest rate for the underlying debt instrument. Secured debt consists of the following as of June 30, 2014 and December 31, 2013 (dollars in thousands):

	Principal Outstanding		As of June 30, 2014		
	June 30, 2014	December 31, 2013	Weighted Average Interest Rate	Weighted Average Years to Maturity	Number of Communities Encumbered
Fixed Rate Debt					
Mortgage notes payable	$382,610	$386,803	5.45 %	2.1	5
Fannie Mae credit facilities	378,794	379,003	4.71 %	5.0	10
Total fixed rate secured debt	761,404	765,806	5.08 %	3.5	15
Variable Rate Debt					
Tax-exempt secured note payable	27,000	27,000	1.02 %	17.7	1
Fannie Mae credit facilities	142,059	142,059	1.88 %	7.2	5
Total variable rate secured debt	169,059	169,059	1.74 %	8.9	6
Total Secured Debt	$930,463	$934,865	4.48 %	4.5	21

As of June 30, 2014, the General Partner had secured credit facilities with Fannie Mae with an aggregate commitment of $836.0 million with $836.0 million outstanding. The Fannie Mae credit facilities are for an initial term of seven to 10 years (maturing at various dates from May 2017 through July 2023) and bear interest at floating and fixed rates. At June 30, 2014, $624.6 million of the outstanding balance was fixed at a weighted average interest rate of 4.99% and the remaining balance of $211.4 million on these facilities had a weighted average variable interest rate of 1.58%.

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

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UNITED DOMINION REALTY, L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS- (continued)
JUNE 30, 2014

	June 30, 2014	December 31, 2013
Borrowings outstanding	$520,853	$521,062
Weighted average borrowings during the period ended	521,309	522,007
Maximum daily borrowings during the period	521,823	523,187
Weighted average interest rate during the period ended	4.1 %	4.2 %
Interest rate at the end of the period	4.1 %	4.1 %

The Operating Partnership may from time to time acquire properties subject to fixed rate debt instruments. In those situations, management will record the secured debt at its estimated fair value and amortize any difference between the fair value and par to interest expense over the life of the underlying debt instrument. The unamortized fair value adjustment of the fixed rate debt instruments on the Operating Partnership's properties was a net premium of $8.1 million and $10.0 million at June 30, 2014 and December 31, 2013, respectively.

Fixed Rate Debt

Mortgage notes payable. Fixed rate mortgage notes payable are generally due in monthly installments of principal and interest and mature at various dates from December 2015 through May 2019 and carry interest rates ranging from 3.43% to 5.94%.

Secured credit facilities. At June 30, 2014, the General Partner had borrowings against its fixed rate facilities of $624.6 million, of which $378.8 million was allocated to the Operating Partnership based on the ownership of the assets securing the debt. As of June 30, 2014, the fixed rate Fannie Mae credit facilities allocated to the Operating Partnership had a weighted average fixed interest rate of 4.71%.

Variable Rate Debt

Tax-exempt secured note payable. The variable rate mortgage note payable that secures tax-exempt housing bond issues matures March 2032. Interest on this note is payable in monthly installments. The mortgage note payable has an interest rate of 1.02% as of June 30, 2014.

Secured credit facilities. At June 30, 2014, the General Partner had borrowings against its variable rate facilities of $211.4 million, of which $142.1 million was allocated to the Operating Partnership based on the ownership of the assets securing the debt. As of June 30, 2014, the variable rate borrowings under the Fannie Mae credit facilities allocated to the Operating Partnership had a weighted average floating interest rate of 1.88%.

The aggregate maturities of the Operating Partnership's secured debt due during each of the next five calendar years subsequent to June 30, 2014 are as follows (dollars in thousands):

Year	Fixed Mortgage Notes	Credit Facilities	Variable Tax Exempt Notes Payable	Credit Facilities	Total
2014	$4,344	$174	$—	$—	$4,518
2015	192,988	366	—	—	193,354
2016	131,958	385	—	—	132,343
2017	1,642	15,640	—	6,566	23,848
2018	1,698	161,754	—	46,272	209,724
Thereafter	49,980	200,475	27,000	89,221	366,676
Total	$382,610	$378,794	$27,000	$142,059	$930,463

Guarantor on Unsecured Debt

The Operating Partnership is a guarantor on the General Partner's unsecured revolving credit facility with an aggregate borrowing capacity of $900 million, $250 million of term notes due June 2018, $100 million of term notes due June 2018, $300 million of medium-term notes due June 2018, $300 million of medium-term notes due October 2020, $400 million of medium-term notes due January 2022, and $300 million of medium-term notes due July 2024. As of June 30, 2014, the outstanding balance under the unsecured revolving credit facility was $276.5 million. As of December 31, 2013, there were no outstanding borrowings under the unsecured revolving credit facility.

6. RELATED PARTY TRANSACTIONS

Payable/(Receivable) Due To/(From) the General Partner

The Operating Partnership participates in the General Partner's central cash management program, wherein all the Operating Partnership's cash receipts are remitted to the General Partner and all cash disbursements are funded by the General Partner. In addition, other miscellaneous costs such as administrative expenses are incurred by the General Partner on behalf of the Operating Partnership. As a result of these various transactions between the Operating Partnership and the General Partner, the Operating Partnership had net receivable balance of $17.9 million and $9.9 million at June 30, 2014 and December 31, 2013, respectively, which is reflected as a reduction of capital, respectively, on the Consolidated Balance Sheets.

Allocation of General and Administrative Expenses

The General Partner provides various general and administrative and other overhead services for the Operating Partnership including legal assistance, acquisitions analysis, marketing and advertising, and allocates these expenses to the Operating Partnership first on the basis of direct usage when identifiable, with the remainder allocated based on its pro-rata portion of UDR's total apartment homes. During the three and six months ended June 30, 2014 and 2013, the general and administrative expenses allocated to the Operating Partnership by UDR were $7.2 million and $13.9 million and $5.6 million and $10.9 million, respectively, and are included in General and administrative on the Consolidated Statements of Operations. In the opinion of management, this method of allocation reflects the level of services received by the Operating Partnership from the General Partner.

During the three and six months ended June 30, 2014 and 2013, the Operating Partnership incurred $3.1 million and $6.2 million and $3.0 million and $6.0 million, respectively, of related party management fees related to a management agreement entered into in 2011with wholly- owned subsidiaries of RE^3. (See further discussion in paragraph below.) These related party management fees are initially recorded in General and administrative on the Consolidated Statements of Operations, and a portion related to management fees charged by the Taxable REIT Subsidiary ("TRS") of the General Partner is reclassified to Property management on the Consolidated Statements of Operations. (See further discussion below.)

Management Fee

In 2011, the Operating Partnership entered into a management agreement with wholly owned subsidiaries of RE^3. Under the management agreement, the Operating Partnership is charged a management fee equal to 2.75% of gross rental revenues, which is classified in Property Management on the Consolidated Statements of Operations.

Notes Payable to General Partner

As of June 30, 2014 and December 31, 2013, the Operating Partnership had $88.7 million of unsecured notes payable to the General Partner at annual interest rates between 5.18% and 5.337%. Certain limited partners of the Operating Partnership have provided guarantees related to these notes payable. The guarantees were provided by the limited partners in conjunction with their contribution of properties to the Operating Partnership. The notes mature on August 31, 2021 and December 31, 2023 and interest payments are made monthly. The Operating Partnership recognized $1.2 million and $2.3 million and $267,000 and $534,000 of interest expense on the notes payable during the three and six months ended June 30, 2014 and 2013, respectively.

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7. FAIR VALUE OF DERIVATIVES AND FINANCIAL INSTRUMENTS

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

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

The estimated fair values of the Operating Partnership's financial instruments either recorded or disclosed on a recurring basis as of June 30, 2014 and December 31, 2013 are summarized as follows (dollars in thousands):

			Fair Value at June 30, 2014, Using		
	Total Carrying Amount in Statement of Financial Position on June 30, 2014	Fair Value Estimate at June 30, 2014	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Description:					
Derivatives- Interest rate contracts (a)	$14	$14	$—	$14	$—
Total assets	$14	$14	$—	$14	$—
Derivatives- Interest rate contracts (a)	$1,848	$1,848	$—	$1,848	$—
Secured debt instruments- fixed rate: (b)					
Mortgage notes payable	382,610	401,792	—	—	401,792
Fannie Mae credit facilities	378,794	398,766	—	—	398,766
Secured debt instruments- variable rate: (b)					
Tax-exempt secured notes payable	27,000	27,000	—	—	27,000
Fannie Mae credit facilities	142,059	142,059	—	—	142,059
Total liabilities	$932,311	$971,465	$—	$1,848	$969,617

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			Fair Value at December 31, 2013, Using		
	Total Carrying Amount in Statement of Financial Position on December 31, 2013	Fair Value Estimate at December 31, 2013	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Description:					
Derivatives- Interest rate contracts (a)	$2,731	$2,731	$—	$2,731	$—
Secured debt instruments- fixed rate: (b)					
Mortgage notes payable	386,803	403,695	—	—	403,695
Fannie Mae credit facilities	379,003	394,239	—	—	394,239
Secured debt instruments- variable rate: (b)					
Tax-exempt secured notes payable	27,000	27,000	—	—	27,000
Fannie Mae credit facilities	142,059	142,059	—	—	142,059
Total liabilities	$937,596	$969,724	$—	$2,731	$966,993

(a) See Note 8, Derivatives and Hedging Activity.
(b) See Note 5, Debt.

Financial Instruments Carried at Fair Value

The fair values of interest rate swaps are determined using the market standard methodology of netting the discounted future fixed cash receipts (or payments) and the discounted expected variable cash payments (or receipts). The variable cash payments (or receipts) are based on an expectation of future interest rates (forward curves) derived from observable market interest rate curves. The fair values of interest rate options are determined using the market standard methodology of discounting the future expected cash receipts that would occur if variable interest rates rise above the strike rate of the caps. The variable interest rates used in the calculation of projected receipts on the cap are based on an expectation of future interest rates derived from observable market interest rate curves and volatilities. The General Partner, on behalf of the Operating Partnership, incorporates credit valuation adjustments to appropriately reflect both its own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. In adjusting the fair value of its derivative contracts for the effect of nonperformance risk, the Operating Partnership has considered the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts, and guarantees.

Although the General Partner, on behalf of the Operating Partnership, has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by itself and its counterparties. However, as of June 30, 2014 and December 31, 2013, the Operating Partnership has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit valuation adjustments are not significant to the overall valuation of its derivatives. As a result, the Operating Partnership has determined that its derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy. In conjunction with the FASB's fair value measurement guidance, the Operating Partnership made an accounting policy election to measure the credit risk of its derivative

financial instruments that are subject to master netting agreements on a net basis by counterparty portfolio.
Financial Instruments Not Carried at Fair Value
At June 30, 2014, the fair values of cash and cash equivalents, restricted cash, accounts receivable, prepaids, real estate taxes payable, accrued interest payable, security deposits and prepaid rent, distributions payable and accounts payable approximated their carrying values because of the short term nature of these instruments. The estimated fair values of other financial instruments were determined by the Operating Partnership using available market information and appropriate

valuation methodologies. Considerable judgment is necessary to interpret market data and develop estimated fair values. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Operating Partnership would realize on the disposition of the financial instruments. The use of different market assumptions or estimation methodologies may have a material effect on the estimated fair value amounts.

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

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

8. DERIVATIVES AND HEDGING ACTIVITY

Risk Management Objective of Using Derivatives

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

Cash Flow Hedges of Interest Rate Risk

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

A portion of the General Partner’s interest rate derivatives have been allocated to the Operating Partnership based on the General Partner’s underlying debt instruments allocated to the Operating Partnership. (See Note 5, Debt.)

The effective portion of changes in the fair value of derivatives designated and that qualify as cash flow hedges is recorded in Accumulated other comprehensive income/(loss), net in the Consolidated Balance Sheets and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. During the three and six months ended June 30, 2014 and 2013, such derivatives were used to hedge the variable cash flows associated with existing variable-rate debt. The ineffective portion of the change in fair value of the derivatives is recognized directly in earnings. During the three and six months ended June 30, 2014 and 2013, the Operating Partnership recorded no ineffectiveness and less than $1,000 loss from ineffectiveness in earnings attributable to an

index mismatch between the derivative and the hedged item, respectively.
Amounts reported in Accumulated other comprehensive income/(loss), net related to derivatives will be reclassified to interest expense as interest payments are made on the General Partner’s variable-rate debt that is allocated to the Operating

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Partnership. During the next twelve months through June 30, 2015, we estimate that an additional $1.6 million will be reclassified as an increase to interest expense.

As of June 30, 2014, the Operating Partnership had the following outstanding interest rate derivatives designated as cash flow hedges of interest rate risk (dollars in thousands):

Interest Rate Derivative	Number of Instruments	Notional
Interest rate swaps	2	$96,974
Interest rate caps	5	$255,561

Derivatives not designated as hedges are not speculative and are used to manage the Company's exposure to interest rate movements and other identified risks but do not meet the strict hedge accounting requirements of GAAP. Changes in the fair value of derivatives not designated in hedging relationships are recorded directly in earnings and resulted in no adjustment to earnings for the three and six months ended June 30, 2014 and gains/(losses) of $(3,000) and $(5,000) for the three and six months ended June 30, 2013, respectively.

As of June 30, 2014, we had the following outstanding derivatives that were not designated as hedges in qualifying hedging relationships (dollars in thousands):

Product	Number of Instruments	Notional
Interest rate caps	—	$—

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

The table below presents the fair value of the Operating Partnership's derivative financial instruments as well as their classification on the Consolidated Balance Sheets as of June 30, 2014 and December 31, 2013.

	Asset Derivatives			Liability Derivatives		
		Fair Value at:			Fair Value at:	
	Balance Sheet Location	June 30, 2014	December 31, 2013	Balance Sheet Location	June 30, 2014	December 31, 2013
Derivatives designated as hedging instruments:						
Interest rate products	Other assets	$14	$—	Other liabilities	$1,848	$2,731
Total		$14	$—		$1,848	$2,731
Derivatives not designated as hedging instruments:						
Interest rate products	Other assets	$—	$—	Other liabilities	$—	$—
Total		$—	$—		$—	$—

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Tabular Disclosure of the Effect of Derivative Instruments on the Consolidated Statements of Operations
The tables below present the effect of the derivative financial instruments on the Consolidated Statements of Operations for the three and six months ended June 30, 2014 and 2013 (dollars in thousands):

Derivatives in Cash Flow Hedging Relationships	Amount of Gain or (Loss) Recognized in OCI on Derivatives (Effective Portion)		Location of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	
	2014	2013		2014	2013
For the Three Months Ended June 30,					
Interest rate products	$(140)	$(29)	Interest expense	$(573)	$(569)
Total	$(140)	$(29)		$(573)	$(569)
For the Six Months Ended June 30,					
Interest rate products	$(191)	$(83)	Interest expense	$(1,196)	$(1,451)
Total	$(191)	$(83)		$(1,196)	$(1,451)

Derivatives Not Designated as Hedging Instruments	Location of Gain or (Loss) Recognized in Income on Derivatives	Amount of Gain or (Loss) Recognized in Income on Derivatives	
		2014	2013
For the Three Months Ended June 30,			
Interest rate products	Other operating expenses	$—	$(3)
Total		$—	$(3)
For the Six Months Ended June 30,			
Interest rate products	Other operating expenses	$—	$(5)
Total		$—	$(5)

Credit-risk-related Contingent Features
The General Partner has agreements with some of its derivative counterparties that contain a provision where (1) if the General Partner defaults on any of its indebtedness, including default where repayment of the indebtedness has not been accelerated by the lender, then the General Partner could also be declared in default on its derivative obligations; or (2) the General Partner could be declared in default on its derivative obligations if repayment of the underlying

indebtedness is accelerated by the lender due to the General Partner’s default on the indebtedness.
Certain of the General Partner’s agreements with its derivative counterparties contain provisions where if there is a change in the General Partner’s financial condition that materially changes the General Partner’s creditworthiness in an adverse

manner, the General Partner may be required to fully collateralize its obligations under the derivative instrument. At June 30, 2014 and December 31, 2013, no cash collateral was posted or required to be posted by the General Partner or by a counterparty.

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

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

As of June 30, 2014, the fair value of derivatives in a net liability position that were allocated to the Operating Partnership, which includes accrued interest but excludes any adjustment for nonperformance risk, related to these agreements was $2.0 million. As of June 30, 2014, the General Partner has not posted any collateral related to these agreements. If the General Partner had breached any of these provisions at June 30, 2014, it would have been required to settle its obligations under the agreements at their termination value of $2.0 million.

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The General Partner has elected not to offset derivative positions in the consolidated financial statements. The table below presents the effect on the Operating Partnership's financial position had the General Partner made the election to offset its derivative positions as of June 30, 2014 and December 31, 2013:

Offsetting of Derivative Assets

				Gross Amounts Not Offset in the Consolidated Balance Sheets		
	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Consolidated Balance Sheets	Net Amounts of Assets Presented in the Consolidated Balance Sheets (a)	Financial Instruments	Cash Collateral Received	Net Amount
June 30, 2014	$14	$—	$14	$—	$—	$14
December 31, 2013	$—	$—	$—	$—	$—	$—

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

Offsetting of Derivative Liabilities

				Gross Amounts Not Offset in the Consolidated Balance Sheets		
	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Consolidated Balance Sheets	Net Amounts of Liabilities Presented in the Consolidated Balance Sheets (b)	Financial Instruments	Cash Collateral Posted	Net Amount
June 30, 2014	$1,848	$—	$1,848	$—	$—	$1,848
December 31, 2013	$2,731	$—	$2,731	$—	$—	$2,731

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

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9. CAPITAL STRUCTURE

General Partnership Units

The General Partner has complete discretion to manage and control the operations and business of the Operating Partnership, which includes but is not limited to the acquisition and disposition of real property, construction of buildings and making capital improvements, and the borrowing of funds from outside lenders or UDR and its subsidiaries to finance such activities. The General Partner can generally authorize, issue, sell, redeem or purchase any OP Unit or securities of the Operating Partnership without the approval of the limited partners. The General Partner can also approve, with regard to the issuances of OP Units, the class or one or more series of classes, with designations, preferences, participating, optional or other special rights, powers and duties including rights, powers and duties senior to limited partnership interests without approval of any limited partners except holders of Class A Partnership Units. There were 110,883 General Partnership units outstanding at June 30, 2014 and December 31, 2013, all of which were held by UDR.

Limited Partnership Units

At June 30, 2014 and December 31, 2013, there were 183,167,815 limited partnership units outstanding, of which 1,873,332 were Class A Limited Partnership Units. UDR owned 173,856,283 or 94.9% and 173,848,891 or 94.9% at June 30, 2014 and December 31, 2013, respectively, of which 121,661 were Class A Limited Partnership Units. The remaining 9,311,532 or 5.1% and 9,318,924 or 5.1% OP Units outstanding, were held by non-affiliated partners at June 30, 2014 and December 31, 2013, respectively, of which 1,751,671 were Class A Limited Partnership Units.

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

The non-affiliated limited partners' capital is adjusted to redemption value at the end of each reporting period with the corresponding offset against UDR's limited partner capital account based on the redemption rights noted above. The aggregate value upon redemption of the then-outstanding OP Units held by limited partners was $266.6 million and $217.6 million as of June 30, 2014 and December 31, 2013, respectively, based on the value of UDR's common stock at each period end. A limited partner has no right to receive any distributions from the Operating Partnership on or after the date of redemption of its OP Units.

Class A Limited Partnership Units

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

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

Allocation of Profits and Losses

Profit of the Operating Partnership is allocated in the following order: (i) to the General Partner and the Limited Partners in proportion to and up to the amount of cash distributions made during the year, and (ii) to the General

Partner and Limited Partners in accordance with their percentage interests. Losses and depreciation and amortization expenses, non-recourse liabilities are allocated to the General Partner and Limited Partners in accordance with their percentage interests. Losses allocated to the Limited Partners are capped to the extent that such an allocation would not cause a deficit in the Limited Partners' capital account. Such losses are, therefore, allocated to the General Partner. If any Partner's capital balance were to fall into a deficit, any income and gains are allocated to each Partner sufficient to eliminate its negative capital balance.

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10. INCOME/(LOSS) PER OPERATING PARTNERSHIP UNIT
Basic income/(loss) per OP Unit is computed by dividing net income/(loss) attributable to general and limited partner unitholders by the weighted average number of general and limited partner units (including redeemable OP Units) outstanding during the period. Diluted income/(loss) per OP Unit reflects the potential dilution that could occur if securities or other contracts to issue OP Units were exercised or converted into OP Units or resulted in the issuance of OP Units and then shared in the income/(loss) of the Operating Partnership. For the three and six months ended June 30, 2014 and 2013, there were no dilutive instruments outstanding, and therefore, diluted income/(loss) per OP Unit and basic income/(loss) per OP Unit are the same. See note 9, Capital Structure, for further discussion on redemption rights of OP Units.
The following table sets forth the computation of basic and diluted income/(loss) per OP Unit for the periods presented (dollars in thousands, except per OP Unit data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Numerator for income/(loss) per OP Unit — basic and diluted:				
Income/(loss) from continuing operations	$8,319	$9,338	$14,730	$16,207
Gain/(loss) on sale of real estate owned	16,285	—	40,687	—
(Income)/loss from continuing operations attributable to noncontrolling interests	(178)	(66)	(458)	(112)
Income/(loss) from continuing operations attributable to OP unitholders	$24,426	$9,272	$54,959	$16,095
Income/(loss) from discontinued operations	$—	$882	$—	$1,787
(Income)/loss from discontinued operations attributable to noncontrolling interests	—	—	—	—
Income/(loss) from discontinued operations attributable to OP unitholders	$—	$882	$—	$1,787
Net income/(loss)	$24,604	$10,220	$55,417	$17,994
Net (income)/loss attributable to noncontrolling interests	(178)	(66)	(458)	(112)
Net income/(loss) attributable to OP unitholders	$24,426	$10,154	$54,959	$17,882
Denominator for income/(loss) per OP Unit — basic and diluted:				
Weighted average OP Units outstanding — basic and diluted	183,279	184,281	183,279	184,281
Income/(loss) per weighted average OP Unit — basic and diluted:				
Income/(loss) from continuing operations attributable to OP unitholders	$0.13	0.05	$0.30	$0.09
	$—	$0.00	$—	$0.01

Income/(loss) from discontinued operations attributable to OP unitholders				
Net income/(loss) attributable to OP unitholders	$0.13	0.06	$0.30	$0.10

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11. COMMITMENTS AND CONTINGENCIES

Commitments

Real Estate Under Development

The following summarizes the Operating Partnership's real estate commitments at June 30, 2014 (dollars in thousands):

	Number of Properties	Costs Incurred to Date (a)	Expected Costs to Complete (unaudited)
Real estate communities — under development	1	$108,705	$23,295
		$108,705	$23,295

(a) Includes $8.5 million of accrued fixed assets for development.

Contingencies

Litigation and Legal Matters

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

12. REPORTABLE SEGMENTS

GAAP guidance requires that segment disclosures present the measure(s) used by the chief operating decision maker to decide how to allocate resources and for purposes of assessing such segments' performance. The Operating Partnership has the same chief operating decision maker as that of its parent, the General Partner. The chief operating decision maker consists of several members of UDR's executive management team who use several generally accepted industry financial measures to assess the performance of the business for our reportable operating segments.

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

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

- Same-Store Communities represent those communities acquired, developed, and stabilized prior to April 1, 2013 for quarter-to-date comparison and January 1, 2013 for year-to-date comparison and held as of June 30, 2014. A comparison of operating results from the prior year is meaningful as these communities were owned and had stabilized occupancy and operating expenses as of the beginning of the prior period, there is no plan to conduct substantial redevelopment activities, and the community is not held for disposition within the current year. A community is considered to have stabilized occupancy once it achieves 90% occupancy for at least three consecutive months.

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

Management of the General Partner evaluates the performance of each of the Operating Partnership's apartment communities on a Same-Store Community and Non-Mature Community/Other basis, as well as individually and geographically. This is consistent with the aggregation criteria of Topic 280 as each of the apartment communities generally has similar economic characteristics, facilities, services, and tenants. Therefore, the Operating Partnership's reportable segments have been aggregated by geography in a manner identical to that which is provided to the chief operating decision maker.

All revenues are from external customers and no single tenant or related group of tenants contributed 10% or more of the Operating Partnership's total revenues during the three and six months ended June 30, 2014 and 2013.

The following table details rental income and NOI from continuing and discontinued operations for the Operating Partnership's reportable segments for the three and six months ended June 30, 2014 and 2013, and reconciles NOI to Net Income/(Loss) Attributable to OP Unitholders in the Consolidated Statements of Operations (dollars in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Reportable apartment home segment rental income				
Same-Store Communities				
West Region	$48,117	$45,349	$90,813	$85,391
Mid-Atlantic Region	17,364	17,080	34,610	33,990
Southeast Region	11,254	10,750	22,385	21,336
Northeast Region	14,657	14,042	18,754	18,111
Southwest Region	6,653	6,369	10,840	10,397
Non-Mature Communities/Other	6,797	9,119	29,810	33,544
Total consolidated rental income	$104,842	$102,709	$207,212	$202,769
Reportable apartment home segment NOI				
Same-Store Communities				
West Region	$35,336	$32,792	$66,308	$61,359
Mid-Atlantic Region	11,900	11,672	23,466	23,206
Southeast Region	7,503	6,936	14,959	13,941
Northeast Region	11,415	10,518	14,153	13,333
Southwest Region	4,168	4,104	6,983	6,593
Non-Mature Communities/Other	4,646	6,439	21,516	24,152
Total consolidated NOI	74,968	72,461	147,385	142,584
Reconciling items:				
Property management	(2,883)	(2,824)	(5,698)	(5,576)
Other operating expenses	(1,451)	(1,423)	(2,887)	(2,809)
Real estate depreciation and amortization	(44,697)	(45,307)	(88,968)	(90,700)
General and administrative	(7,459)	(5,894)	(14,429)	(11,469)
Casualty-related recoveries/(charges), net	—	2,257	(500)	4,276
Interest expense	(10,159)	(9,050)	(20,173)	(18,312)
Gain/(loss) on sale of real estate owned	16,285	—	40,687	—

Net (income)/loss attributable to noncontrolling interests	(178)	(66)	(458)	(112)
Net income/(loss) attributable to OP unitholders	$24,426	$10,154	$54,959	$17,882

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UNITED DOMINION REALTY, L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS- (continued)
JUNE 30, 2014

The following table details the assets of the Operating Partnership's reportable segments as of June 30, 2014 and December 31, 2013 (dollars in thousands):

	June 30, 2014	December 31, 2013
Reportable apartment home segment assets		
Same-Store Communities		
West Region	$1,738,485	$1,733,144
Mid-Atlantic Region	708,246	706,447
Southeast Region	330,502	328,150
Northeast Region	774,945	770,937
Southwest Region	227,245	226,252
Non-Mature Communities/Other	418,189	423,550
Total assets	4,197,612	4,188,480
Accumulated depreciation	(1,313,209)	(1,241,574)
Total assets - net book value	2,884,403	2,946,906
Reconciling items:		
Cash and cash equivalents	1,175	1,897
Restricted cash	13,637	13,526
Deferred financing costs, net	5,137	5,848
Other assets	22,357	25,064
Total consolidated assets	$2,926,709	$2,993,241

Capital expenditures related to the Operating Partnership's Same-Store Communities totaled $7.5 million and $11.4 million and $7.9 million and $11.5 million for the three and six months ended June 30, 2014 and 2013, respectively.
Capital expenditures related to the Operating Partnership's Non-Mature Communities/Other totaled $180,000 and $419,000 and $744,000 and $1.1 million for the three and six months ended June 30, 2014 and 2013, respectively.
Markets included in the above geographic segments are as follows:

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

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

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

- general economic conditions;
- unfavorable changes in apartment market and economic conditions that could adversely affect occupancy levels and rental rates;
- the failure of acquisitions to achieve anticipated results;
- possible difficulty in selling apartment communities;
- competitive factors that may limit our ability to lease apartment homes or increase or maintain rents;
- insufficient cash flow that could affect our debt financing and create refinancing risk;
- failure to generate sufficient revenue, which could impair our debt service payments and distributions to stockholders;
- development and construction risks that may impact our profitability;
- potential damage from natural disasters, including hurricanes and other weather-related events, which could result in substantial costs to us;
- risks from extraordinary losses for which we may not have insurance or adequate reserves;
- 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 Code in any taxable year;

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- our internal control over financial reporting may not be considered effective which could result in a loss of investor confidence in our financial reports, and in turn have an adverse effect on our stock price; and

- changes in real estate laws, tax laws and other laws affecting our business.

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

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

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

UDR, Inc.:

Business Overview

UDR, Inc. is a self-administered real estate investment trust, or REIT, that owns, acquires, renovates, develops, and manages apartment communities. We were formed in 1972 as a Virginia corporation. In September 2003, we changed our state of incorporation from Virginia to Maryland. Our subsidiaries include an operating partnership, 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., its subsidiaries and its consolidated joi ventures.

At June 30, 2014, our consolidated real estate portfolio included 142 communities in 10 states plus the District of Columbia totaling 40,811 apartment homes. In addition, we had an ownership interest in 35 communities with 9,791 apartment homes through unconsolidated operating communities. The Same-Store Community apartment home population for the three and six months June 30, 2014 was 35,685 and 35,177, respectively.

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The following table summarizes our market information by major geographic markets as of June 30, 2014.

	As of June 30, 2014				For the Three Months Ended June 30, 2014		For the Six Months Ended June 30, 2014	
Same-Store Communities	Number of Apartment Communities	Number of Apartment Homes	Percentage of Total Carrying Value	Total Carrying Value (in thousands)	Average Physical Occupancy	Monthly Income per Occupied Home (a)	Average Physical Occupancy	Monthly Income per Occupied Home (a)
West Region								
San Francisco, CA	11	2,436	7.9 %	$ 662,576	97.4 %	$ 2,769	97.0 %	2,741
Orange County, CA	10	3,290	7.3 %	608,700	95.0 %	1,740	94.9 %	$ 1,736
Seattle, WA	11	2,165	5.7 %	476,870	97.3 %	1,585	97.1 %	1,566
Monterey Peninsula, CA	7	1,565	1.9 %	160,617	97.4 %	1,195	94.5 %	1,188
Los Angeles, CA	4	800	3.3 %	276,638	95.0 %	2,252	95.3 %	2,246
Other Southern California	4	875	1.7 %	141,163	96.6 %	1,544	95.8 %	1,531
Portland, OR	3	716	0.9 %	73,300	97.7 %	1,176	97.7 %	1,169
Mid-Atlantic Region								
Metropolitan D.C.	13	4,313	10.6 %	888,649	97.4 %	1,826	97.1 %	1,823
Baltimore, MD	11	2,301	3.7 %	307,324	97.2 %	1,462	96.8 %	1,461
Richmond, VA	4	1,358	1.7 %	138,683	96.5 %	1,221	96.6 %	1,213
Norfolk, VA	4	846	0.6 %	53,377	95.3 %	1,051	94.8 %	1,043
Other Mid-Atlantic	1	168	0.2 %	12,658	97.0 %	1,017	97.0 %	1,003
Southeast Region								
Tampa, FL	9	2,775	3.3 %	273,009	96.6 %	1,121	96.5 %	1,115
Orlando, FL	10	2,796	2.8 %	236,987	96.9 %	1,034	96.8 %	1,029
Nashville, TN	8	2,260	2.3 %	189,520	97.6 %	1,052	97.3 %	1,045
Other Florida	1	636	1.0 %	80,663	96.2 %	1,352	96.4 %	1,347
Northeast Region								
New York, NY	3	1,208	9.0 %	750,455	97.1 %	3,624	97.5 %	3,673
Boston, MA	4	1,179	3.9 %	321,088	96.8 %	2,203	96.4 %	2,183
Southwest Region								
Dallas, TX	8	2,725	3.4 %	290,158	97.6 %	1,122	97.1 %	1,121
Austin, TX	4	1,273	1.8 %	147,229	96.7 %	1,264	96.7 %	1,259
Total/Average Same-Store Communities	130	35,685	73.0 %	6,089,664	96.8 %	$ 1,586	96.5 %	$ 1,550
Non-Mature, Commercial Properties & Other	12	5,126	23.7 %	1,971,870				
Total Real Estate Held for Investment	142	40,811	96.7 %	8,061,534				