



Opening doors to the future®

To My Fellow Shareholders:

2019 was an active and rewarding year for UDR, Inc. (“UDR” or the “Company”) and our stakeholders. It was a year of noteworthy “firsts” for the Company in that we surpassed the \$50 per share stock price mark and topped \$20 billion in enterprise value, but also one that advanced our consistent, long-term strategic objectives that contribute to our status as a full-cycle investment (i.e., proven track record of strong performance in volatile markets), despite a macro backdrop defined by heightened uncertainty. Our dedicated and engaged Associates deserve the credit for this and our strong 2019 financial results, of which notable achievements included:

- Grew full-year Funds From Operations as Adjusted (“FFOA”) and dividend per share by 6% each, similar to the strong growth rates we produced in 2017 and 2018.
- Generated same-store revenue and net operating income (“NOI”) growth of 3.6% and 4.0%, respectively. Mike Lacy, Matt Cozad and our entire operations team are well deserving of my thanks for a job well done.
- Strengthened the Company’s balance sheet by reducing forward interest expense, extending maturity duration, and enhancing three-year liquidity through the prepayment of \$700 million in higher-cost, 4.2% unsecured debt. Excluding the Company’s commercial paper facility, less than 3% of total debt comes due over the next three years. I would like to thank Abe Claude, Tracy Hofmeister, Dave Thatcher and the rest of the treasury, accounting, and legal teams for their tremendous contributions executing this strategy.
- Improved the Company’s resident satisfaction scores, maintained strong employee engagement, and enhanced UDR’s reporting of a variety of Environmental, Social and Governance (“ESG”) related initiatives, including the publication of our inaugural Corporate Responsibility Report. We could not have accomplished these endeavors without the engagement of Jody Conley, Nathan Johnson, Kristen Nicholson, and many other dedicated Associates.
- Further developed and implemented additional phases of our Next Generation Operating Platform. The Platform is expected to (1) allow our current and prospective customers to engage with us through their smart devices in a self-service manner they are accustomed to across most aspects of their lives (e.g., banking, airlines, hotels, and many retailers), (2) continue to meaningfully expand our controllable operating margin, and (3) drive new revenue growth initiatives in 2021 and beyond through big data, machine learning, and artificial intelligence. Led by Jerry Davis, Scott Wesson, and Mari Akers, the entire operating and technology teams deserve my heartfelt recognition for embracing this evolved way of doing business while adapting to the short-term disruptions that inevitably come with change.

- Accretively grew the Company through \$1.4 billion in net acquisitions that were funded by new equity priced at a premium to consensus Net Asset Value (“NAV”) and low-cost debt. Our transactions and operations teams were very busy throughout 2019 sourcing and integrating deals that have significant operational or investment upside, are strong candidates to benefit from our Next Generation Operating Platform and are in markets targeted for expansion via our predictive analytics framework. Andrew Cantor, Dan Campbell, and our diligent transactions team deserve earnest recognition for their efforts.
- Simplified UDR’s business and added more high-quality real estate by winding down the UDR/Kuwait Finance House joint venture and halving the size of the UDR/MetLife joint venture to 5% of total NOI via an accretive asset swap. There are far too many UDR Associates to individually commend for completing these complex transactions. Suffice it to say that my sincere thanks goes out to our legal, accounting, tax and transactional teams.
- Implemented MSA-level predictive analytics and data science to enhance our market selection process for both investment and divestment of capital. Chris Van Ens, Matt Sherry, and Garrison Quinn were instrumental in moving this initiative from the theoretical into the real world and helped to exemplify how new technologies are impacting, and being utilized in, all aspects of our business.

In short, 2019 was a very good year for UDR, and we accomplished much. The Board of Directors, myself, and the Senior Management team would like to thank all our Associates for making 2019 a special year.

As we look to 2020, the long-term drivers of our business are in good shape. However, we are keenly focused on challenges to our business which include increased regulatory risks, the difficulties of retaining and attracting top-notch talent in a low unemployment world, market volatility in the face of the Coronavirus, and a changing investor base. But I am confident that our well-seasoned team can continue to manage through these uncertainties, as well as others that may present themselves, given our uniquely empowering culture and dedicated group of Associates.

UDR's Strategic Direction

In 2019, we continued to execute on our five core strategic objectives:

1. **Operating Excellence:** Generate above peer median same-store revenue and NOI growth through a deep pool of innovative technology driven initiatives (e.g., Next Generation Operating Platform) and strong blocking and tackling;
2. **Portfolio Composition:** Maintain a diversified portfolio across markets, submarkets, urban and suburban mix, A and B quality¹, and price points to reduce risk, appeal to wider investor and resident audiences, and provide more flexibility to implement our best-in-class operations and capital allocation platforms;
3. **Accretive Capital Allocation:** Invest in, and pivot to, the best risk-adjusted growth opportunities while utilizing predictive analytics to influence market selection;
4. **Balance Sheet Strength:** Maintain a safe, liquid balance sheet with access to a wide variety of capital sources that are capable of fully funding our business; and
5. **Strong, Innovative Culture with a Focus on Sustainability:** Continue to promote an innovative, empowering, and inclusive culture where customer service is paramount, Associate engagement is high, and continuous progress on ESG initiatives enhance our reputation as a strong corporate citizen.

While 2019 was very successful, we are focused on the years ahead. We firmly believe that we have the right strategy, portfolio, and team to continue to generate above peer average earnings, NAV and dividend growth, as well as total shareholder return ("TSR") over the long-term. Near-term, these pursuits are expected to be driven primarily by the ongoing implementation of our Next Generation Operating Platform and opportunistic external growth, when appropriate, that is supported by our growing predictive analytics framework. Our Next Generation Operating and predictive analytics platforms, as well as a culture that encourages collaboration, innovation, and engagement, are differentiators for UDR in the apartment industry. These, as well as other value-add initiatives, have driven UDR's 16% average annual TSR over the last 10 years.

Next Generation Operating Platform

Success in our business starts with our customers and Associates. We consistently mine for feedback from both of these important groups to adapt our operations to better meet, and exceed, their needs and expectations. It was through these conversations that we concluded that most business interactions were rapidly moving to self-service to satisfy the demands of our current and future customers. Self-

¹ A-quality is defined as having average community rent > 120% of market average rent. B-quality is = > 80% and < 120%.

service is the backbone of our Next Generation Operating Platform and we expect that by the end of 2020 it will present our customers with the option to fully interact with UDR the same way they do with their bank, preferred airline, or hotel company (among others) - through their smart devices.

SmartHome Technology (smart locks, thermostats, light switches, and water leak detectors), smart device enabled self-touring at our communities, and a full suite of smart device enabled self-service options are just some of the technologies we are employing to meet the evolving expectations of UDR's customers. But, UDR's Next Generation Operating Platform is not simply a tool to enhance our customers' experiences, it also drives our bottom-line results and returns for our shareholders while creating more opportunities to grow. Our modernized platform has driven, and is forecast to further drive, efficiencies through centralization and outsourcing, reduce controllable expense growth (i.e., expand controllable margin, defined as operating margin after accounting for Personnel, Repair and Maintenance, Utilities, and Administrative and Marketing costs), leverage "big data" to improve pricing decisions, enhance resident satisfaction, and ultimately provide more career advancement opportunities for our Associates.

Economically, our Next Generation Operating Platform is expected to expand our controllable operating margin by 150-200 basis points once fully implemented in 2022. This is expected to translate into an incremental \$15-\$20 million of annual NOI, or \$350-\$450 million in additional shareholder value. The returns for the platform are significant, as this upside is based on a total investment of just \$35 million.

Our operations team has successfully driven our top-line growth for many years by monetizing more of our real estate (e.g., parking optimization, short-term furnished rentals, etc.). Our Next Generation Operating Platform is forecast to continue this trend, but also "right size" our cost structure. We are already seeing encouraging results. Since the second quarter of 2018, our benchmark quarter, controllable margin has expanded by 60 basis points to 84.5% and community-level efficiencies have improved, as measured by a 15% reduction in site-level staff, through natural attrition. Controllable margin expansion is a key indicator of our success as it is agnostic to revenue versus expense driven earnings growth and represents a widening gap between how efficiently UDR is able to operate versus the largely private buyers we acquire assets from.

Simultaneously, we have improved resident satisfaction (as measured by Net Promoter Scores) by 22% over the past two years. Clearly, our Next Generation Operating Platform, with a focus on improving the efficiency of our cost structure and enabling customer self-service, is not resulting in a reduction of actual or perceived service. Rather, it is delivering a superior experience to our customers while offering more rewarding career opportunities for our Associates.

In short, our Next Generation Operating Platform is a win-win for UDR, our Associates, our residents, and our shareholders. We look forward to updating you on our continued progress in 2020 and beyond.

Predictive Analytics Framework

Throughout 2018 and 2019, we developed and implemented a predictive analytics framework to assist us in market selection for capital investment and divestment and to better focus our finite human capital resources. The models utilize a myriad of economic and real estate factors that historically have driven market-level rent growth to “shift the odds in our favor” with regard to which markets are likely to outperform or underperform on relative rent growth over the next 4-10 years. The framework identifies which economic and real estate factors drive a market’s rent growth, whether these are changing, and how quickly these changes occur. Historical back-testing of our models’ predictive capabilities has been compelling.

Having said this, I can assure UDR’s stakeholders that we have no intention of trusting your precious capital to a quantitative black box that tells us where and when to invest or divest. Our quantitative findings represent the initial step in our market selection process. We then assess these recommendations against a robust qualitative framework that considers factors the models do not account for, as well as binary considerations such as the potential for rent control. Asset selection within a market remains firmly in the hands of our talented transactions and operating teams that are steeped in local knowledge.

In summary, we are big believers that appropriate technology utilization across all aspects of our business will continue to aid us in propelling UDR forward in 2020 and beyond.

Environmental, Social, Governance

Over my 19-year tenure at UDR we have consistently focused on implementing a wide variety of ESG initiatives, and over the past year we made a concerted effort to explain all the ESG efforts we have undertaken. In 2019, the efforts of UDR’s corporate services and innovation and investor relations teams meaningfully advanced the Company’s ESG-related reporting framework as well as advanced numerous initiatives that made UDR a better corporate citizen (see below).

During the year, we engaged in direct outreach and discussions with 345 shareholders, representing approximately 79% of our outstanding shares. Key topics of focus during such interactions included company strategy and results, technological operating and capital allocation initiatives and ESG matters. Our investors share our enthusiasm for advancing ESG topics and understanding how UDR better fits within their ESG frameworks. We believe that ESG is only growing in importance, which is why we remain committed to consistently driving new ESG-related initiatives and further improving the transparency of our reporting. We are proud of our 2019 ESG accomplishments and what is to come in the years ahead. These include:

- Launched a sustainability focused website on udr.com in 2019. In 2020, we are planning to expand the capabilities of the site so that interested stakeholders can more easily access information about our ESG-related accomplishments and targets. The website can be found at udr.com/green-living.
- Published our inaugural Corporate Responsibility Report in 2019, which can be found on our website at udr.com/green-living. The report covered our ESG successes to date as well as targets for future improvement. These include:
 - Reduce energy consumption by 15% between 2015 and 2025;
 - Reduce water consumption by 10% between 2015 and 2025; and,
 - Procure 10% of our common area electricity through renewable energy sources by 2025.

The report's layout complied with Global Reporting Initiative ("GRI") Standards, which helped to improve UDR's ESG scores with numerous web-scraping ESG data services. In 2020, we are planning to update and expand the report to add Task Force on Climate-related Financial Disclosures ("TCFD") and Sustainability Accounting Board Standards ("SASB") required disclosures, increasing the report's transparency and usefulness to stakeholders.

- Participated in the Global Real Estate Sustainability Benchmark ("GRESB") survey, the gold standard for real estate related ESG reporting. In 2020, UDR's ESG submission score will become public after being anonymous during our first year of participation in 2019. Our public GRESB score, which rates our transparency around ESG reporting, improved from a "C" to an "A" in 2019.
- The Company was classified as "Low Risk" by Sustainalytics ESG Risk Rating Report.
- UDR was named 2019 Smart Buildings Innovator of the Year by Logical Buildings. The Company was recognized as the Multifamily Industry Innovator in Smart Building transformation through the utilization of a smart building mobile solution platform called SmartKit Artificial Intelligence (or SmartKit AI). The platform integrates predictive analytics, mobile applications, utility smart meters, HVAC controls, and interrelated computing sensors that monitor equipment operations, energy and water data on a single centralized real-time dashboard.
- We issued our first ESG-friendly Green Bond (\$300 million of 15-year debt at a 3.1% interest rate) in October 2019.
- UDR Associates engaged in 2,558 hours of paid time-off to volunteer in their local communities (a 25% increase over 2018).
- A diverse and inclusive workplace environment supports the development and advancement of all Associates; UDR's workforce consists of 42% minority ethnicities, gender constitution is 60% male / 40% female, and female employees accounted for 57% of Management promotions between 2017-2019.

We will continue to build on this foundation in 2020, while also evaluating the likely evolution of this still nascent industry to deliver results that our Associates, customers, and other stakeholders expect.

Culture

It is important to emphasize that our past and future successes would not be possible without the full engagement of our Associates. Based on employee satisfaction surveys conducted during 2019, 81% of our Associates are “engaged,” which is 7% above the average for high-performing companies. Our internal surveys show that our Associates are proud to work for UDR, feel people from diverse backgrounds can succeed at UDR, and feel that UDR is innovative. In 2019 we exceeded our Associate retention goal by 13%, which both validated these survey findings and resulted in a retention rate that exceeded our three-year average.

UDR has created a culture that fosters teamwork and support among its Associates as exhibited by our updated culture statement which was unveiled in 2019 and is presented below.

“UDR’s Culture is achievement based, goal oriented, forward thinking and driven by innovation and technology. These principles support an empowered, merit-based structure that rewards strong financial results and top performance while also mandating accountability. The UDR Culture encourages trust in our colleagues and encourages work/life balance. We strive to build an inclusive work environment that encourages, supports, and celebrates the diverse voices of our Associates across the country. Our Associates are the cornerstones of our culture as they create, mold, embrace and promote it daily. Their engagement makes it possible for UDR to consistently deliver financial results that enable the Company to provide the tools our Associates need to take advantage of career and compensation advancement opportunities; to provide long-term cash-flow growth and total return for our shareholders; and, to deliver superior customer service to our residents. These accomplishments are achieved in concert with UDR being a responsible steward of the environment, a socially conscious corporate citizen and a promoter of sound corporate governance.”

Living UDR’s core values of respect, integrity, teamwork, ownership, and growth drives success for our Company. We look forward to updating everyone on our accomplishments in 2020.

Senior Management Update

Warren L. Troupe, UDR’s Senior Executive Vice President, will transition to the role of Senior Advisor to the Office of the Chairman effective April 1, 2020. I have worked closely with Warren for 18 years and am thankful that UDR and its investors will continue to reap the benefits of his expertise in transactional, legal, risk management, and capital markets activities for years to come.

Looking Ahead

After capitalizing on numerous growth opportunities in 2019, UDR's status as a full-cycle company has set us up well for strong earnings growth in 2020 in the face of continued volatility in the macro and business environments. For this, I thank all of my fellow Associates at UDR.

As we peer into 2020, there are a variety of tailwinds that are expected to drive our business, but also some headwinds. Tailwinds include a favorable demographic landscape, strong apartment fundamentals as compared to long-term trends, longer rental tenures and lower turnover, an overall dearth of housing in the U.S., a healthy consumer, and a single-family market that is still finding its footing. Set against these are regulatory challenges such as the potential spread of rent control, new multifamily supply that remains elevated across a selection of our markets, changing customer preferences that must be met, an investor base that is increasingly focusing on ESG topics and climate change, cyber security threats, the impact from Coronavirus, and sourcing and retaining talented Associates in a tight employment environment.

I will reiterate that UDR has the right strategy, portfolio, and team in place to take advantage of opportunities and rise to meet challenges in order to generate strong earnings, NAV and dividend growth, as well as total shareholder return over the long-term. We look forward to what 2020 will bring.

Last, the Senior Management team would like to extend our gratitude and thanks to our Board members for providing wisdom and insight, serving as UDR's strategic partners to guide the Company forward.

Thank you all for your continued support,



Thomas W. Toomey
Chairman and Chief Executive Officer