



Opening doors to the future®

To My Fellow Shareholders:

In 2017, UDR (the “Company”) again delivered solid results throughout all aspects of our business. Strong same-store, earnings and dividend growth during the year was the direct result of sound blocking and tackling by our teams, continued innovation throughout our operating platform, the low-risk design of our diversified portfolio, continued investment in accretive development and our Developer Capital Program and the strength of our investment-grade balance sheet. These characteristics continue to make UDR a full-cycle investment.

From a macro perspective, 2017 marked the eighth year of economic growth in the U.S. with the Dow Jones Industrial Average, the S&P 500 and the Nasdaq Composite all setting new record highs. In the apartment industry, the continued recovery was more nuanced, with strong job growth and demographic tailwinds balanced against elevated new apartment supply in many markets throughout the country. This made for a more challenging operating environment than in years’ past, but also one that the UDR team embraced and thrived in; again generating the long-term value creation and strong total shareholder return (“TSR”) that our investors have come to expect.

Full-year 2017 UDR highlights include:

Overview

- Growth in Adjusted Funds from Operations (“AFFO”) of 5%;
- Generated the second highest TSR in the apartment sector;
- Produced the highest same-store revenue and the third highest same-store net operating income (“NOI”) growth rates in the apartment sector;
- Completed ~\$620 million of transactional, development and Developer Capital Program (“DCP” or the “Program”) activity at UDR’s pro-rata ownership interest;
- Prepaid ~\$575 million of higher-cost debt and issued \$600 million of 10-year unsecured debt at a low 3.5% coupon; and,
- Established a \$500 million unsecured U.S. commercial paper program, reducing our short-term borrowing costs.

Earnings

- Raised full-year earnings guidance twice during 2017; and,
- Increased AFFO per share by 5% year-over-year to \$1.72 from \$1.63 in 2016.

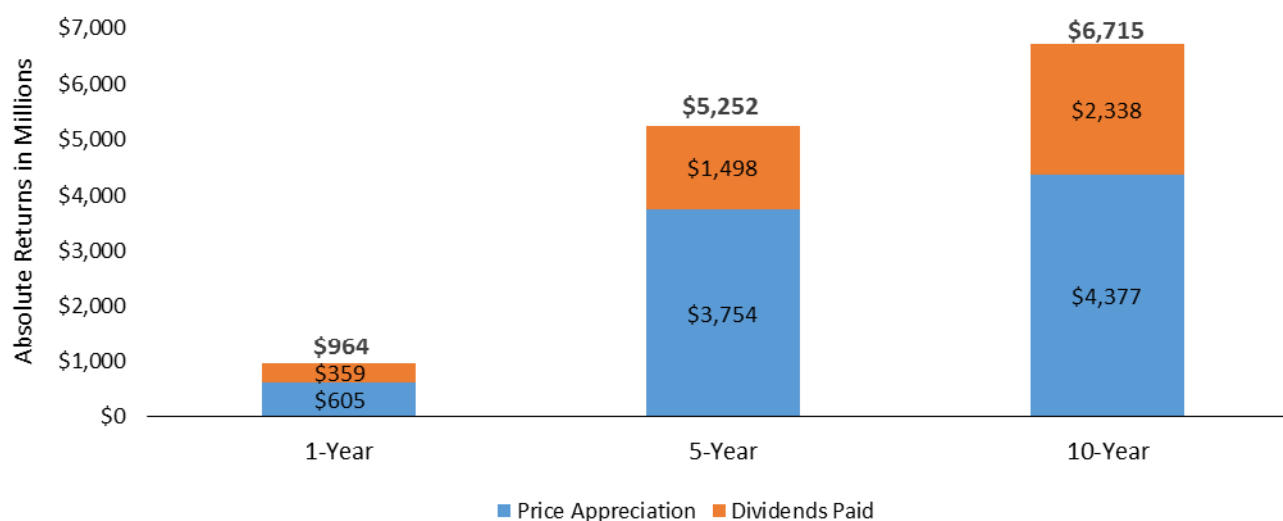
Shareholder Return and Return of Capital

- Increased our declared dividend per share by 5% year-over-year to \$1.24 from \$1.18 in the prior year.
- Our 2017 TSR was 9%, the second highest amongst the apartment REITs. While this result is gratifying in many ways and demonstrates the Company's ability to perform well in a less-than-ideal demand/supply environment, consistent long-term value creation for our shareholders remains our primary focus. As is evident in the table below, UDR's TSR has compared favorably versus apartment peers, the REIT space and the broader market over both short and long time periods.

Annualized Total Shareholder Return as of December 31, 2017

	1-Year	5-Year	10-Year
UDR	9.1%	14.0%	12.3%
Broader Indices			
NAREIT Apartment Index	3.7%	10.2%	11.1%
NAREIT Equity Index	5.2%	9.5%	7.4%
S&P 500	21.8%	15.8%	8.5%

Absolute Shareholder Return in Dollars as of December 31, 2017



Operations

- Raised full-year same-store growth guidance twice during 2017;
- Generated full-year same-store revenue and net operating income (“NOI”) growth of 3.7% and 3.8%, respectively, the highest revenue and third highest NOI growth rates in the apartment sector;
- Continued to innovate through the implementation of long-lived, high-return revenue-generating and expense growth-reducing operating initiatives which added 80 to 90 basis points to our NOI growth;
- Expanded our operating margin by 10 basis points (“bps”) year-over-year to 71.5%; and,
- Achieved ~80% resident penetration for our on-line leasing, rent payment, service request and lease renewal platforms.

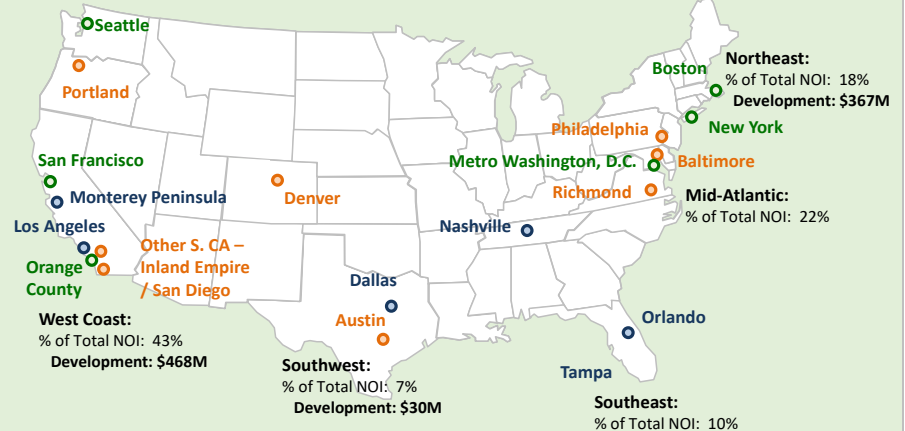
UDR At A Glance

- Established in **1972**
- **\$16.1 Billion** Enterprise Value
- **S&P 500** Company
- **Investment Grade** Rated
- **181** Consecutive Quarters Paying a Dividend; **3.2%** Dividend Yield
- Total Portfolio Revenue per Occupied Home (incl. of JVs): **\$2,176**
- Average Age of Communities: **16 years**
- **\$864.5 Million** Development Pipeline
- # of UDR Associates: **~1,500**

MARKET COMPOSITION

- **20 Markets; 164 Communities; 49,728 Homes**

○ > 5.0% of Total Portfolio NOI ● 2.5%-5.0% Total NOI ○ < 2.5% Total NOI



**** NOI:** The Company defines NOI as rental income less direct property rental expenses. Rental income represents gross market rent and other revenues less adjustments for concessions, vacancy loss and bad debt. Rental expenses include real estate taxes, insurance, personnel, utilities, repairs and maintenance, administrative and marketing. Excluded from NOI is property management expense which is calculated as 2.75% of property revenue to cover the regional supervision and accounting costs related to consolidated property operations, and land rent.

Transactions and Development

- Sold two wholly-owned apartment communities in Southern California for a total consideration of \$69 million;
- Purchased two DCP projects, CityLine, a 244-home community located in Seattle, and Steele Creek, a 218-home community located in Denver, for a total effective consideration of \$213 million and at a 10% to 15% discount to cumulative market valuation;
- Sold two DCP projects, 8th + Republican, a 211-home community located in Seattle, and Katella Grand, a 399-home community located in Anaheim, CA, for a total consideration of \$249 million (UDR’s ownership interest was 49%); and,

- Completed \$111 million of development projects at UDR's pro-rata ownership interest. These communities, located in the San Francisco Bay Area and Orange County, are expected to generate ~\$45 million (35% to 40% above cost) of net asset value ("NAV") upon stabilization.

Developer Capital Program

- Expanded the Program by investing in five communities totaling 1,253 homes during 2017 for a total capital commitment of \$150 million when fully funded. The projects are located in Seattle, Washington, D.C., San Francisco, Portland, OR and Nashville, TN.
- The Program generated an average yield in the mid-7% range on an average investment balance of \$224 million during the year.

Balance Sheet and Capital Markets

- Maintained our strong, investment-grade credit ratings at BBB+/Baa1;
- Prepaid \$575 million of higher-cost, 3.9% debt and issued \$600 million of 10-year unsecured debt at a low 3.5% coupon, representing very strong execution; and,
- Established a \$500 million unsecured U.S. commercial paper program, which provides us financing at an attractive rate of LIBOR + 30 to 45 basis points.
- At year-end, our borrowing capacity was approximately \$855 million, available through a combination of cash and undrawn credit facility capacity. In addition, our maturity schedule was well-laddered with an average duration of 5.3 years and our debt metrics were solid with debt-to-enterprise value of 24.3% and net debt-to-EBITDA of 5.3x.

Economic Outlook

The U.S. economy again expanded in 2017, producing solid GDP growth of 2.3%. Primary expansionary drivers flashed green across the board as the year unfolded with resilient job growth of 1.4%, unemployment falling to an 17-year low of 4.1%, steady wage growth of 2.5% and average U.S. household net wealth expanding by 8%. With regard to recent tax reform, we believe it is marginally positive for rentership. In addition, the changes should have a positive impact on corporate earnings as well as our residents' take-home pay, which is expected to increase 1% to 3% as a result.

Within the apartment space, macro fundamentals were more mixed with strong demand and demographic tailwinds somewhat moderated by elevated new supply. As the new supply was heavily concentrated at luxury price points and urban locales, moderate price points and suburban properties outperformed. Single-family housing also continued to slowly improve as the U.S. Homeownership Rate stabilized. However, widespread and significant increases in home prices, coupled with non-commensurate household income growth served as an impediment for many wishing to own a home.

Overall, the fundamental environment for apartments still signals a high probability for good growth in 2018 and beyond. New apartment supply should peak sometime during 2018 and decrease thereafter. This, when combined with the resilient demand environment for apartments provides us optimism about future multifamily growth prospects and UDR's ability to capitalize on them.

UDR's Strategic Direction

We will continue to focus on executing our four primary strategic objectives; Operating Excellence, Portfolio Diversification, Accretive Capital Allocation and Balance Sheet Strength. These, when combined, make UDR a full-cycle investment and drive superior earnings, NAV and dividend growth over time. As has become customary, we will continue to openly discuss our strategic direction with market participants. In 2017, we had over 695 interactions with our investors who owned greater than 83% of our outstanding common shares.

Operational Excellence

At the core of our business is our operating platform which generates the vast majority of our annual growth and cash flow. In 2017, our dedicated team of operating associates produced another year of strong results with same-store revenue, expense and NOI growth of 3.7%, 3.5% and 3.8%, respectively. These results handily outpaced the apartment peer averages of 2.8%, 2.4% and 2.9%, respectively, and exceeded historical, long-term averages.

The team's proactive responses to fluctuating market dynamics is a key factor to our ongoing success. In 2017, we continued to pursue an occupancy-first strategy at the portfolio level, while also pushing rental rate growth in markets and at properties when appropriate. This strategy grew our full-year 2017 occupancy by 20 basis points versus 2016 and allowed us to better take advantage of the positive spread between renewal rate and new lease rate growth that persisted throughout the year. Because of our tactical focus on renewing more of our residents, annualized turnover fell 110 basis points in 2017.

Another contributing factor to our operational success lies in our team's willingness to innovate. With full buy-in from our associates in the field, revenue-enhancing and/or expense growth-reducing initiatives added 80 to 90 basis points in incremental NOI growth during 2017. Our initiatives range in size and scope from multimillion, multiyear ideas to small one-time actions and are the primary reason we consistently outperform market growth and many peers. Margin expansion over the long-term is a solid indicator of these successes. In 2017, the Company generated an operating margin of 71.5%, 580 basis points above 2010, and an exceptional result for any business.

Moving forward, technological solutions will continue to play a central role in our operational excellence as we enhance our residents' experiences, while also increasing efficiencies throughout our platform. In 2017, we achieved ~80% resident penetration for our on-line leasing, rent payment, service request and lease renewal platforms. This has, in turn, increased our resident satisfaction scores, while also reducing expense growth. We will continue to invest in technological solutions in the years ahead, and believe that our innovative culture and talented teams make for a long-term recipe for success for UDR.

Our operating platform has been, and will remain, our primary growth and value creator. While we relish our successes, we continue to look for ways to further improve. My thanks and gratitude goes out to all of our operating associates for their hard work and sacrifice in 2017.

Transactions

In 2017, the opportunity for meaningful growth through transactional activity was not as plentiful as in years past. We remained disciplined in our underwriting throughout the year, and, when we did transact, we created long-term value for our shareholders. For this, I am grateful to our highly skilled team of transactions associates.

In 2017, we purchased two assets and sold four assets. The acquisitions consisted of CityLine, a 244-home, moderate price-point community located in suburban Seattle, and Steele Creek, a 218-home, luxury-quality community located in Cherry Creek, a highly desirable submarket of Denver. Both communities were DCP joint ventures prior to purchase, are located in markets we like long-term, and were acquired at discounts to market value due to in-the-money purchase options or UDR profit participation upon sale. In total, we invested an effective \$213 million in CityLine and Steele Creek, a 10% to 15% discount to their combined market value of approximately \$240 million.



Regarding dispositions, market pricing remained strong throughout 2017 for apartment assets and we continued to take advantage of this dynamic to fund our accretive wholly owned development pipeline and DCP investments. In the fourth quarter of 2017, we sold two wholly owned communities located

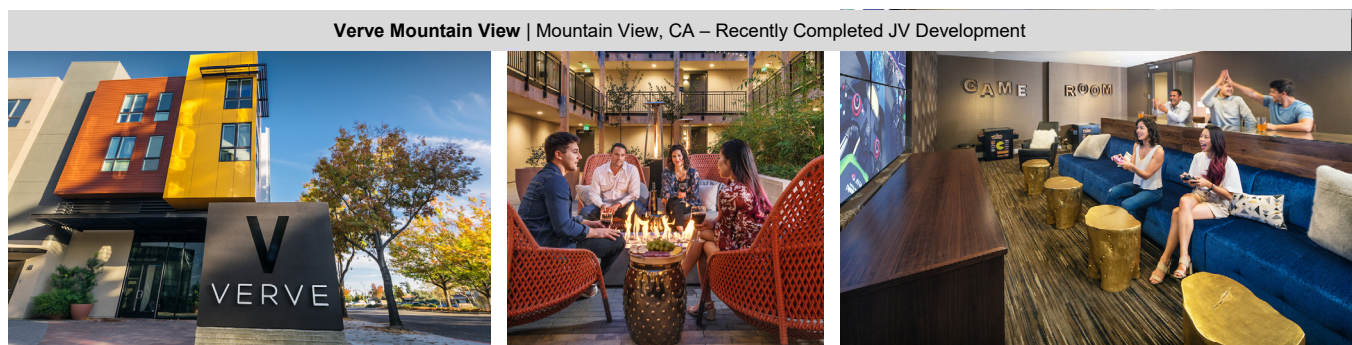
in Southern California, which in total comprised 218 homes, for \$69 million. Other sales totaling \$249 million came from our DCP joint ventures (UDR's ownership interest was 49%). Both 8th + Republican, located in Seattle, and Katella Grand I, located in Anaheim, CA, fetched strong bids and made more sense as sources of funds, rather than as uses of funds last year.

Market dynamics, capital flows and our sources and uses needs will continue to govern the transactional opportunities that are available to us in any given year. But, our disciplined, internal rate of return ("IRR") based underwriting should continue to reward our shareholders moving forward.

Development

Development, on which we target mid-teen IRRs, remains our primary driver of external growth, having delivered \$593 million of NAV creation, on \$1.4 billion of total spend, to our shareholders over the past five years. I extend my thanks to our development, redevelopment and construction teams for their hard work.

In 2017, we completed two development joint venture communities, inclusive of 536 homes and for a total investment of \$111 million at our pro-rata ownership interest. The first of these projects is our 381-home, \$124 million (UDR owns 50%) Residences on Jamboree located in the Irvine submarket of Orange County. This community leased up in only eight months due to of its exceptional apartment home designs and amenity package. The second project is our 155-home, \$98 million (UDR owns 50%) Verve Mountain View community located in Mountain View, CA. This community has top-notch amenities and lends itself well to the sizeable technology driven job base in the area. Both of these communities were completed on-time and on-budget and leased up at velocities and with rental rates in excess of our original underwriting expectations. We believe that these two projects created ~\$45 million (35% to 45% above cost) of NAV for our shareholders.



We did not commence a new development in 2017, as the economics underlying ground-up development remained challenging (i.e., flattening rents combined with increasing construction costs). Instead, we pivoted to increased DCP investment that offered superior risk-adjusted returns.

Over the long-term, we are believers in development and our ability to create shareholder value through our platform. However, we are committed to maintaining disciplined underwriting as we look to refill our pipeline.

Developer Capital Program

We initiated our Developer Capital Program in 2013 to take advantage of the growing dislocation in the construction financing marketplace. As a reminder, through our Program, UDR provides capital to third-party apartment developers, often with a profit participation upon sale or a purchase option, at an attractive risk-adjusted return for the Company. Parameters around the Program include:

- 1) The development must be in a market and of a quality that we would want to own long-term (i.e., we are selective in our sponsorship); and,
- 2) The Program has a soft cap of \$300 million. This sizing allows us to “move the value creation needle” but also mitigate the risk of a future earnings cliff as the Program is opportunistic by nature (i.e., opportunities for future investment may dry up due to a loosening of the construction financing market).

In 2017, we completed four buys/sells of legacy DCP assets (see Transactions section of this letter for further information) that yielded a cumulative, low double-digit IRR for our shareholders, an appropriate return (i.e., between an acquisition and a development) given the risk profiles of these investments. In addition, we committed to investing \$150 million in five new DCP opportunities that include 1,253 homes and are located in a variety of markets. In total, our DCP remains a strong investment vehicle for the Company as it produced a current yield in the mid-7% range, prior to any profit participation, during 2017. Moving forward, we will continue to underwrite new deals that provide strong risk-adjusted returns.



Balance Sheet

2017 was a busy year for UDR with regard to continued balance sheet improvement at the margin. We prepaid \$575 million of higher-cost 3.9% debt, refinancing it with \$600 million of 10-year unsecured debt at 3.5%. This pair trade extended our duration, reduced our floating-rate and secured debt exposure, increased our unencumbered pool of assets and decreased our run-rate interest expense. We ended the year with \$3.7 billion in debt outstanding at a 3.7% blended interest rate and with a weighted maturity of 5.3 years. Our year-end credit metrics stood at 24.3% for debt-to-enterprise value and 5.3x for debt-to-EBITDA; levels we are comfortable with moving forward. In 2018, we have minimal debt maturities, but will continue to examine all options to further improve at the margin.

Creatively, we instituted a \$500 million unsecured U.S. commercial paper program early in 2017. The program has functioned as we envisioned, providing us with short-term, revolving financing at attractive pricing that averaged LIBOR + 30 to 45 basis points during the year.

Our unsecured ratings (S&P: BBB+; Moody's: Baa1) remain strongly investment grade and place us in a position to garner efficient pricing should we choose to issue debt in the future. Our belief that a safe, flexible and liquid balance sheet is essential to generating predictable earnings and dividend growth over time has not changed.

Board of Directors and Company Culture

My fellow Board members elected me Chairman of the Board, effective January 1, 2018, in addition to my responsibilities as President and CEO. Concurrently, Jim Klingbeil, the Company's Chairman since 2010 was appointed to the position of Lead Independent Director. I am thankful to Jim and the rest of Board for entrusting me with this responsibility and I look forward to the many opportunities that lie ahead for UDR.

We have a highly skilled Board of Directors comprised of 10 members, nine of which are independent, with a wide range of expertise that help to address our strategic direction, enterprise risk and succession. We are grateful for their continued wisdom and counsel.

Next, by utilizing associate engagement surveys we are able to quantify how much of the UDR team is "buying in" to our culture, which is nurtured throughout all aspects of our business. The survey results yielded a 96% participation rate and definitively showed that the vast majority of our associates were properly aligned with the Company's strategy, had confidence in our direction, had clarity in their roles and performance standards, and valued working in an environment that emphasizes innovation and self-empowerment.

Last, UDR is actively engaging in Environmental, Social and Corporate Governance initiatives (“ESG”), an increasingly important topic for our shareholder base and the Company. Throughout 2018, we will be building the infrastructure necessary to accurately report our ESG progress in a timely manner, with a target date of 2019 for initial publication of our findings. We are excited to present investors with the various programs that comprise our ESG efforts.

Examples of Environmental Initiatives:

- Leadership in Energy & Environmental Design (“LEED”) development; and,
- Operating initiatives that include LED lightbulb retrofits, xeriscaping outdoor common areas, water conservation via the installation of low-flow showerheads and toilets, etc.

Examples of Social Initiatives:

- Reporting on the diversity of our workforce, our impact on local communities, the health and welfare of employees and consumer protection. Our most recent associate engagement scores demonstrate a culture of innovation and empowerment.
- In 2017, UDR employees volunteered close to 5,000 hours at over 60 different local non-profit organizations focused on education, homelessness, feeding the hungry, aging population/assisted living, animal rescue and children’s medical facilities.

Examples of Governance Initiatives:

- Elected four new directors over the past four years.
- Adopted majority voting for election of directors.
- Adopted proxy access.
- Recommending shareholders approve bylaw access.

In Memoriam

We lost one of UDR's family in early 2018 when John McCann passed away. John served as the Company's CEO for 27 years prior to my tenure and was an influential leader, friend and mentor to myself, others at UDR and many real estate professionals. He was a preeminent figure in the REIT industry, as one of its earliest leaders. Our thoughts continue to be with the McCann family during 2018 and beyond. John will be greatly missed, but never forgotten.



Looking Ahead

As we look to 2018 and beyond, we continue to believe that apartments are a great business and have many years of solid growth ahead. For UDR, in particular, we expect that 2018 pricing power and occupancy trends will be similar to those of last year and, therefore, are optimistic about our prospects in the current environment.

In closing, UDR has the right strategy and team in place to continue creating long-term value for our shareholders. Four of our five senior executives have worked together in one capacity or another for the past 17 years and our associates and Company culture are, in my opinion, the best in the industry. In closing, I would like to thank all of my associates and Board Members for their hard work in making 2017 another great year for UDR. On to a successful 2018.

Thank you for your continued support,

A handwritten signature in black ink that reads "Thomas W. Toomey". The signature is written in a cursive style with a large, sweeping flourish at the end.

Thomas W. Toomey
Chairman, Chief Executive Officer and President

