



Opening doors to the future®

To My Fellow Shareholders:

2022 was an exceptional year for UDR, Inc. (“UDR” or the “Company”) as we achieved a significant number of milestones. Among our many accomplishments were:

- Record-high cash flow, same-store Net Operating Income (“NOI”) growth, and earnings growth driven by our industry-leading operating acumen and accretive capital allocation decisions;
- Continued innovation that delivered greater resident satisfaction, enhanced resources for our associates, and positions the Company well for years to come; and
- Recognition by a variety of third-party organizations of UDR’s leading commitment to our associates, stakeholders, and the environment.

We start 2023 from a position of strength: steady demand from an undersupply of housing in the U.S., cycle-best relative affordability versus alternative housing options, and embedded same-store revenue growth that is three times higher than our historical average. While the macro backdrop is fluid, UDR has excelled across a variety of environments over our 50-plus-year history. We have found that our success can be directly linked to four core attributes:

- 1) Listening to associates, customers, and other stakeholders to guide long-term strategy and short-term tactics.
- 2) Evolving how business is conducted through continual innovation.
- 3) Fostering an inclusive culture that empowers teams and associates to innovate while simultaneously affording opportunities for career growth and work-life balance.
- 4) Focusing on what can be controlled and creating a strategy that mitigates risk from items that cannot be controlled.

When combining these principles with a diversified portfolio of apartment communities and a variety of accretive capital allocation options, UDR has established itself as a full-cycle investment that delivers above-average growth and total shareholder return (“TSR”). I am confident our leading operations platform, track record of prudent capital allocation, and an investment-grade rated balance sheet with the best liquidity outlook across our apartment peer group¹ will continue to drive relative outperformance for years to come.

While much of this letter is intended to delve further into the reasons for my optimism on UDR’s path to continued multifamily industry leadership, I would first like to give proper recognition to the 2022 accomplishments delivered by our team of high-performing associates.

¹ Apartment peer group includes AIRC, AVB, CPT, EQR, ESS, and MAA.

2022 Highlights

- Generated near-record-high Funds From Operations as Adjusted (“FFOA”) per share growth of 16%.
- Produced straight-line same-store revenue growth of 11.5%, the second highest among our apartment peer group.
- Achieved record-high same-store NOI growth of 14.2%;
- Further advanced our already industry-leading operating platform by investing in our people, including establishing a 16-person taskforce to generate and execute our innovation initiatives.
- Continued to work with residents who faced economic hardship to create payment plans or help them apply for emergency rental assistance, resulting in cumulative government assistance funds received of approximately \$60 million since the onset of the pandemic.
- Conducted various associate surveys which confirmed that a very high percentage of UDR associates are engaged and have the support to excel at their jobs.
- Adhered to capital market signals and maintained disciplined capital allocation. We opportunistically grew the company through \$400 million of attractively priced common equity early in the year. When our cost of capital increased, we proactively pivoted to a capital light strategy and repurchased stock at a 20% discount to net asset value (“NAV”).
- Reduced our leverage below pre-COVID levels and maintained a solid BBB+/Baa1 investment grade balance sheet with minimal debt maturities scheduled through 2025 due to actively extending duration and reducing our overall cost of debt over the past three years.
- Advanced our sector-leading commitment to sustainability and other environmental, social, and governance (“ESG”) goals, as evidenced by a 5 Star designation by GRESB² and again being named to Newsweek’s list of America’s Most Responsible Companies.
- Received various accolades from Institutional Investor³, who recognized UDR’s ESG program, our Board, our Investor Relations team, and numerous executives as being top-3 in their respective categories among more than 150 companies in the U.S. REITs industry.

While the team and I are proud of our accomplishments, one area that proved challenging in 2022 was our TSR of -33%. At the beginning of the year, our stock price achieved an all-time high of \$61 per share due to the strong recovery from pandemic-lows, continued innovation and execution, and a healthy economic backdrop. Despite record-setting operating results and strong cash flow and earnings growth, our stock price fluctuated through the year and finished at \$38 per share due to concerns over a rising interest rate environment coupled with heightened economic uncertainty. We were not alone in experiencing volatility from exogenous factors as the average TSR of our apartment peers was a similar -34%.

² GRESB is a leading global ESG benchmark for real assets including real estate.

³ Institutional Investor offers annual rankings on corporates, buy-side and sell-side research, hedge funds, fixed income and asset management. These rankings have become known as the benchmark for excellence and a published position is confirmation directly from investors and/or sell-side analysts of the quality and reliability of a company’s efforts.

Nevertheless, we continued to focus on what we control. This included the quality of service delivered to our residents, investment in our associates, solidifying our balance sheet and improving liquidity to mitigate potential risks, and our active investor engagement with over 500 meetings conducted in 2022 and early 2023. As a full-cycle investment with a strong culture and differentiated value proposition, I am confident we are on a path to achieving TSR results more in-line with the 11% average over my 22-year tenure at UDR.

2023 Outlook

While the winds of an economic recovery were strongly at our, and the industry's, back in the first half of 2022, the innovative advancements we implemented that helped UDR to outperform apartment peers should propel us to a relative advantage for years to come. This includes initiatives such as virtual leasing capabilities to increase leasing traffic, the utilization of real-time demand data to enhance pricing, and mobile maintenance technology to improve customer service and constrain expense growth. The 2023 macro and fundamental backdrop is still being formed, but we built UDR to perform well relative to apartment peers in all environments. We have laid the foundation for continued growth with strong building blocks for 2023 and beyond and will continue to focus on what we can control.

At the macro level, (1) housing is a needs-based business, (2) demand for apartments remains robust, (3) job growth and various demographic drivers remain supportive, (4) relative affordability versus single-family housing is as favorable as it has been at any point over my 22-year tenure at UDR, and (5) new supply continues to look manageable.

Specific to UDR, we entered 2023 with an approximate 5% earn-in⁴, the highest in UDR's history and the second highest among our apartment peers. Innovation initiatives and prudent capital allocation should enhance this growth through NOI margin and yield expansion. Furthermore, our balance sheet remains highly liquid with more than \$1 billion of capacity, and minimal debt maturities through 2025. Finally, we increased our dividend by a robust 10.5% for 2023, a near-record-high for the Company, enhancing our already strong total return profile.

Taken together, we are confident that we can effectively manage a wide range of macro environments and continue to produce strong absolute and relative results. We remain optimistic on the strength of the multifamily industry and UDR's advantages versus apartment peers, namely our leading operating platform, disciplined capital allocation, capabilities to utilize various external growth value creation drivers, and a liquid balance sheet that provides both safety and the ability to make opportunistic investments. We have a strong culture, talented team with a robust track record of performance, and we continue to invest in our associates and additional technologies to improve our efficiency, expand our NOI margin, and create value for all of UDR's stakeholders.

UDR's Value Proposition

UDR has evolved over time, but our primary core strategic objective has remained consistent: to generate robust relative TSR while appropriately managing risk and engaging in activities that improve our corporate citizenry. The Company has established itself as a full-cycle investment with a differentiated platform and durable and repeatable competitive advantages, including:

⁴ Earn-in is defined as the level of year-over-year same-store revenue growth that the Company would expect to achieve solely from the embedded growth based on leases signed in the prior year and holding all other variables constant.

- Innovation across operations and market selection.
 - Operations: Our shift to a resident self-service model in 2018 with a focus on an improved customer experience has resulted in NOI margin expansion, constrained expense growth, and incremental revenue opportunities. We have already captured or identified \$60 million of additional NOI, and we expect further innovation will generate additional upside going forward.
 - Market Selection: We have created robust predictive analytics and qualitative analysis tools that help identify investment and divestment opportunities among markets and submarkets. From this, our teams headed by Harry Alcock, Andrew Cantor, Dan Campbell, Bob McCullough, and Andrew Lavaux are able to create value through myriad options such as acquisitions, development, and redevelopment.
- Repeatable investment upside. Beyond identifying preferred markets for capital allocation, our industry-leading operating platform serves as a durable competitive advantage to boost yields. For example, in the years leading up to 2022, we enjoyed favorable capital markets conditions with an attractive cost of capital. We, more than any of our direct apartment peers, acted on the opportunity to grow our business by acquiring approximately \$4 billion of multifamily communities since 2019. From this pool, we have generated 50 basis points of additional yield expansion above what market rent growth would suggest, thereby delivering 10% to 15% of incremental NOI, 2.5% in additional run-rate earnings growth, and creating approximately \$400 million of value for stakeholders.

This combination has driven short-term accretion as well as long-term value creation, as evidenced by:

- Same-store NOI outperformance. UDR has achieved an incremental 50 basis points of annual same-store NOI growth relative to the apartment peer average over the past 10 years.
- Long-term TSR outperformance. Our rolling three-year annualized TSR has outperformed the NAREIT Equity Index 67% of the time over the last 10 years and 80% of the time over the last 5 years.

Joe Fisher, Abe Claude, and their team has strengthened our balance sheet over the last five years, and we are in a position to invest in and focus on additional innovation opportunities that reinforce our enduring, scalable, and hard-to-replicate competitive advantages versus apartment peers. We believe this will result in outsized FFOA per share growth that should drive equity multiple expansion and long-term TSR outperformance.

Continuous Innovation

UDR's history of outperforming the apartment peer group average on same-store NOI growth is largely a result of our acute focus on operating excellence. In addition to introducing various income initiatives, over the past four years we have invested in various technologies to implement a resident self-service business model that empowered our customers to meet their needs on their terms and on their time. This approach has worked well for leading companies across a variety of forward-thinking industries, but by pioneering this approach in the multifamily industry we have:

- Rationalized our controllable expenses, thereby generating approximately \$20 million in additional run-rate NOI, with an expectation of capturing an additional \$5 to \$10 million in 2023;

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- Created tools and processes to drive higher leasing traffic, constrain vacant days, improve our pricing model to incorporate real-time demand, and provide enhanced customer service; and
- Expanded our controllable NOI margin advantage to 300 basis points versus comparable apartment companies with similar rents.

Our next phase of innovation centers on what we call the Customer Experience Project, which focuses on improving our residents' UDR experience. Our goal is to identify critical points throughout the lifecycle of a resident and change a potential negative outcome to a positive outcome. We plan to leverage the immense amount of resident feedback and market knowledge we collect to create advanced, proprietary, dashboards that will allow us to operationalize specific actions depending on the type of feedback we receive. This could range from delivering a seamless and streamlined move-in process to more active communication and detailed timelines on when services requests are handled, thereby creating a "concierge" experience for each resident.

While currently in early stages of implementation, we believe focusing on the resident experience and improving their satisfaction will prove to be a powerful tool that (1) reduces frictional costs and vacancy through lower turnover, (2) enhances the appeal of living at a UDR community, thereby boosting demand, (3) further improves the pricing of our apartment homes due to lower availability, and (4) allows UDR to sell more amenities and services to our residents.

I would like to thank Mike Lacy, Matt Cozad, Chris Johnson, Kristen Nicholson, Scott Wesson, Josh Gampp, Jacob Wesson, their teams at corporate, and the associates at our communities for advancing our culture of innovation that yields benefits to our associates, residents, and stakeholders.

UDR's Culture

Our industry-leading innovation and enduring competitive advantages stem primarily from our culture that encourages collaboration and engagement, provides empowerment, and rewards forward thinking. To cultivate such a culture, we consistently engage with all associates through surveys, all-associate calls with Senior Management, and other tools to better understand what is working, where we can improve, and how we can best foster personal and professional growth.

I am happy to say that our dialogue with associates reflects strong employee engagement; UDR's engagement and enablement scores are well above the norm for "High Performing Companies" as determined by the third party that conducts our surveys. Specifically, 94% of associates felt a strong sense of culture and 90% of associates felt those with diverse backgrounds can succeed at UDR.

However, there is always room for improvement. As a direct result of associate engagement and feedback, UDR created new benefits and programs to better meet associate needs. These include:

- A partnership with the Colorado Diversity Council to strengthen our equitable hiring process.
- The application of a new data tool that improves our associate compensation analysis to provide timely and insightful data and inform leadership decisions.
- A more streamlined and enhanced training platform and a new bespoke career mobility program that were introduced to associates in 2022.

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- Additional benefits such as a Roth 401(k) to help boost our associates' long-term savings as well as a Lifestyle Spending Account that provides associates with \$1,000 annually for use on a wide variety of personal needs.

A motivated and engaged workforce is the foundation for a successful business, and our results and actions speak for themselves: UDR has a strong culture that empowers associates to drive further innovation that will benefit our stakeholders for years to come.

ESG Leadership

Innovation is not confined to our operating results, as it also applies to corporate citizenry. As outlined in our annual [ESG Reports](#), we have established a robust framework illustrating our commitment to being a leader in the environmental, social, and governance space. I am proud to say that through our collective efforts, in 2022 UDR:

- Scored an 87 in the annual GRESB survey, a 1-point improvement versus the 2021 survey, placing UDR in the top-5% of all U.S. residential companies and resulting in UDR achieving a 5 Star designation, the highest ESG rating possible.
- Published our fourth annual ESG Report which included updated ESG targets, goals, and successes. Highlights include the following:
 - For “E”, we committed \$20 million to Climate Technology and Sustainability Funds and served as a co-lead investor in the first closing of the new ESG innovation-focused “Housing Impact Fund.” We expect these investments to aid in our achievement of long-term targets for reduced energy consumption, water consumption, and carbon emissions.
 - For “S”, we formed a Human Resources Committee to further integrate human capital and sustainability into our business strategy.
 - For “G”, we maintained a robust framework of engagement across a variety of stakeholder groups and incorporated specific ESG and diversity, equity, and inclusion (“DEI”) criteria into short-term incentive compensation metrics for UDR’s Senior Management team to ensure accountability for important initiatives.

This is only a subset of the accomplishments we achieved in the past year, and I encourage you to visit our [ESG website](#) and to access our [latest ESG Report](#) for additional information.

Looking ahead, we will continue our high level of engagement with stakeholders to better understand the ESG matters they view as most critical so we can advance our goals while generating strong returns. UDR remains committed to improving our reporting and transparency, and we have utilized the feedback we have received in tandem with an understanding of where opportunities lie in our portfolio to develop a longer-term “E” strategy that adheres to science-based targets to establish Scope 1 + 2 and Scope 3 emissions reduction targets.

A special thank you goes out to Matt Cozad, Chris Van Ens, Nathan Johnson, Stephanie Snoich, Ken Balcerzak, their teams at corporate, and our teams in the field for pushing our ESG efforts forward.

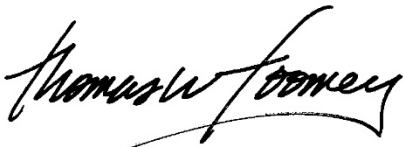
Reflection

2022 was a banner year for growth, and our accomplishments have laid the foundation for continued success as UDR's operating and capital allocation competitive advantages continue to expand our NOI margin and grow cash flow. Additionally, apartment fundamentals remain favorable and relative affordability versus single-family housing remains distinctly in our favor.

We are aware of the wide range of economic scenarios that could play out in 2023, but we built UDR to perform in any environment based on what we can control. Our strategy starts with diversification, which affords both risk mitigation and the ability to allocate capital across a variety of markets and investment opportunities that generate the highest risk-adjusted returns. Our Board remains highly engaged as we evolve our strategy and adjust our tactics, and on behalf of the Senior Management team I thank our Board members for their commitment, wisdom, and insight.

Finally, thank you to all my fellow UDR associates for your unwavering commitment to innovation and compassion for our residents. You are the heartbeat of UDR and your dedication and hard work position the Company for success. 2022 was an excellent year, and I look forward to seeing how our innovation will propel UDR further in the years to come.

Best,

A handwritten signature in black ink, reading "Thomas W. Toomey". The signature is fluid and cursive, with a long horizontal flourish at the end.

Thomas W. Toomey
Chairman and Chief Executive Officer