



Opening doors to the future®

To My Fellow Shareholders:

Over the course of my 23 years at UDR, Inc. (“UDR” or the “Company”) and more than 30 years in the multifamily industry, I have seen firsthand the evolution of our business and how we communicate with stakeholders. Given the hundreds of investor interactions we conduct and the multitude of documents we publish annually which inform UDR’s stakeholders on our strategy and results in detail, this letter, which was once a primary communication vehicle, now seems more akin to a reflective piece. As such, I am using this platform to comment on the year that was, reflect on the progress we have made on our fourth strategic plan which we launched five years ago, and opine on where we see our business heading.

To that end, 2023 was a strong year for UDR. Among our many accomplishments, the Company:

- Generated Funds From Operations as Adjusted (“FFOA”) per share growth of 6%.
- Produced same-store NOI growth of 6.8%, the second highest among our apartment peer group¹ and the fourth highest annual growth rate over my 23 years at UDR. I would like to thank Mike Lacy, Matt Cozad, Kristin Nicholson, Cesar Armendariz, and our approximately 1,400 associates across the country for your continued passion to deliver success.
- Increased our dividend by a robust 10.5%, a near-record high for the Company, enhancing our already strong total return profile.
- Advanced our innovation efforts to deliver greater resident satisfaction, reduce resident turnover, and enhance associate resources, thereby positioning the Company well for years to come. I thank Scott Wesson, Josh Gampp, Chris Johnson, and our Innovation Team for continually finding creative solutions to advance the way we conduct business.
- Adhered to capital market signals and maintained disciplined capital allocation. We opportunistically executed approximately \$1 billion of accretive deals through joint venture and Operating Partnership Unit transactions in 2023. I thank Harry Alcock, Andrew Cantor, Dan Campbell, and their teams for their tireless efforts to uncover attractive investment opportunities.
- Maintained a solid BBB+/Baa1 investment grade rating. I am grateful for Joe Fisher, Abe Claude, and their teams for positioning our balance sheet with minimal debt maturities through 2026 while enhancing liquidity to approximately \$1 billion.
- Expanded our commitment to environmental, social, and governance (“ESG”) goals, as evidenced by a Sector Leader designation by GRESB² and again being named to Newsweek’s list of America’s Most Responsible Companies. Chris Van Ens, Stephanie Marlin, Justin Rychlick, and our Sustainability team rightfully deserve credit for advancing our long-term environmental strategy.
- Received accolades from Institutional Investor³, who recognized UDR’s Board, Chairman and CEO, President and CFO, and Investor Relations team as being top-3 in their respective categories among more than 150 companies in the U.S. REITs industry.

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

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.

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Specific to the Company's fourth strategic plan that we prepared in conjunction with our Board and launched in 2018, we have achieved various accomplishments in transforming our business to a self-service model with a focus on an improved customer experience and higher associate engagement. Over the last five years, we have:

- Grown the Enterprise Value of our Company by nearly 6%, the second highest rate among our peer group. This is a reflection of both our ability to source and deploy capital accretively and expand the operating margin on acquired communities through our industry-leading operating platform.
- Generated cumulative same-store NOI and FFOA per share growth of nearly 20%, each the third highest among our apartment peer group, trailing only our Sunbelt-oriented peers who disproportionately benefitted from increased demand due to effects of the COVID pandemic.
- Enhanced our controllable operating margin to a peer-leading 84%, helping drive higher cash flow growth.
- Delivered Total Shareholder Return of 15%, a testament to our ability to navigate through a wide range of challenges including the COVID pandemic, a capital markets recession, and interest rate volatility, among others.
- Increased the frequency, depth, and breadth of associate engagement. Similar to establishing a culture, improving engagement takes time and requires attentively listening and responding to our associates. We have made concerted efforts to enhance dialogue through frequent discussions, surveys, and townhall-style forums. Nearly 90% of our associates participate in these engagements, and approximately 80% of UDR associates express satisfaction in their job; both results are well above their respective benchmarks for high-performing companies. While there remains room for improvement, I am encouraged by our industry-leading response rate and feedback that shows an overwhelming majority of our associates enjoy working for, and believe they can succeed at, UDR. This is best evidenced by achieving an all-time Company low associate turnover rate of 22% in 2023, which is nearly half of the industry average of 40%.

While the team and I are proud of our accomplishments, we continue to build the Company for the future and are excited for what lies ahead. Namely, our primary goals remain to innovate and drive durable competitive advantages across our diversified portfolio. Over time, these should generate attractive risk-adjusted returns for our stakeholders irrespective of the economic cycle. To accomplish this, we remain laser focused on executing in areas that we can control. These include continuous innovation, the quality of our customer service, growing the skill set of our associates, solidifying our balance sheet and improving liquidity, and actively engaging investors.

We start 2024 with fewer "knowns" than in 2023 due to ongoing interest rate volatility, economic uncertainty, geopolitical risks, and historically high levels of new multifamily supply, all of which could impact customer behavior. While the macro backdrop remains fluid, we remain confident in our abilities to navigate through a wide range of outcomes. Our success over time can be directly linked to four core attributes:

- 1) Always listening to associates, customers, and other stakeholders to guide long-term strategy and short-term tactics.
- 2) Continually evolving how we conduct our business through ongoing 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 we can control and creating strategies that mitigate risk from drivers of our business that are out of our control.

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Looking to 2024, we have strategically positioned ourselves with high occupancy of over 97% to begin the year, with the intent of pushing rent growth as the peak leasing season unfolds. Also in our favor are several underlying fundamental factors including:

- 1) Our consumer remains resilient, with rent-to-income ratios approximating the long-term average.
- 2) Relative affordability versus alternative housing options remains decidedly in our favor at roughly 60% less expensive to rent than own, a 25% improvement from pre-COVID, and supportive of a stable to declining homeownership rate.
- 3) The largest U.S. age cohorts remain in their prime renter years, according to the latest U.S. Census data, providing continued support for long-term rental demand.
- 4) Multifamily development starts activity has retreated by 70% from recent highs and is now well below historical norms, which should benefit future rent growth.

What is missed in the numbers we report and the macro outlook that drives our business is how we are structurally enhancing UDR to better capitalize on what should be improved operating conditions post 2024. These enhancements include our Customer Experience Project, which helps to improve our residents' UDR experience, reduce resident turnover over time, and better capture the lifetime value of a UDR resident. This initiative will continue to be rolled out in the coming years, but the upside potential is vast. For every 1% decrease in resident turnover our NOI increases by approximately \$3 million. Since implementing our Customer Experience Project in mid-2023, initial results have been positive with annualized resident turnover approximately 3.5% to 4% lower versus the prior year. To facilitate the implementation of the Customer Experience Project and other future innovations, we have reorganized the reporting structure of some of our business lines. Specifically, we combined our Operations and Technology Systems teams to streamline the process of advancing ideas into actions and outcomes. I am excited about what this collaboration will yield.

Management Team Update

On a bittersweet note, UDR's Chief Investment Officer Harry Alcock announced his retirement effective July 31, 2024. Harry, who has been with UDR for 13 years and with whom I have had the pleasure of working for approximately 30 years during our careers, has been a long-time trusted partner. His contributions to the Company have helped UDR thoughtfully and accretively grow from an \$8 billion enterprise in 2010 to a \$20 billion enterprise today. I am thankful that UDR and its investors have benefitted from Harry's expertise, and wish him well in his retirement.

With change comes opportunity. Our broader investment teams are in good hands under the guidance of Andrew Cantor, Bob McCullough, Doug Fee, and Andrew Lavaux. All have proven their value to the Company time and again, and I look forward to working with them more closely moving forward.

Reflection

When considering our long-term growth trajectory, we will continue to focus on our customers, associates, and stakeholders.

- 1) Customers. Our residents have healthy rent-to-income ratios and relative affordability continues to favor apartments over other forms of housing. So, we view the near-term effect of elevated multifamily supply as transitory and expect that the demand versus supply dynamic will eventually revert to our favor.
- 2) Associates. Through frequent discussions, surveys, and townhall meetings, we have created a strong and engaging culture that empowers our associates to constantly innovate and help grow the Company.
- 3) Stakeholders. We are highly engaged and understand what stakeholders believe we are doing well and where we can and will improve.

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From these interactions, we have created a company that we believe is a full cycle investment and maximizes value creation for our stakeholders regardless of the economic environment. In 2024 and beyond, we plan to lean into what we can control and execute on. This means continuing to leverage our operating platform and innovation, nimbly adjusting our tactics to combat the ever-changing economic landscape, taking a capital light approach to maintain liquidity and balance sheet flexibility, and continuing to invest in our associates and culture. Taken together, I believe these tactics will continue UDR's long tenure of success.

Finally, my and Senior Management's thanks go out to our associates, the Company's trusted partners, and our Board. These groups are a big reason why UDR continues to succeed, and I look forward to seeing how our innovation will propel UDR forward in the years to come.

Best,

A handwritten signature in black ink, reading "Thomas W. Toomey". The signature is written in a cursive style with a prominent flourish at the end.

Thomas W. Toomey
Chairman and Chief Executive Officer