



Fourth Quarter 2025 Earnings Call

February 10, 2026 – 12:00 PM ET

Trent Trujillo - UDR Inc - Vice President - Investor Relations

Thank you, and welcome to UDR's quarterly financial results conference call. Our press release supplemental disclosure package and related investor presentation were distributed yesterday afternoon and posted to the investor relations section of our website, ir.udr.com.

In the supplement, we have reconciled all non-GAAP financial measures to the most directly comparable GAAP measure in accordance with Reg G requirements. Statements made during this call, which are not historical, may constitute forward-looking statements. Although we believe the expectations reflected in any forward-looking statements are based on reasonable assumptions, we can give no assurance that our expectations will be met.

A discussion of risks and risk factors are detailed in our press release and included in our filings with the SEC. We do not undertake a duty to update any forward-looking statements.

When we get to the question-and-answer portion, to be respectful for everyone's time and in an attempt to complete our call within one hour, we will limit questions to one per analyst. We kindly ask that you rejoin the queue if you have a follow-up question or additional items to discuss. Management will be available after the call to address any questions that did not get answered during the Q&A session today.

I will now turn the call over to UDR's Chairman, President and CEO, Tom Toomey.

Tom Toomey - UDR Inc - Chairman, President, and Chief Executive Officer

Thank you, Trent, and welcome to UDR's fourth quarter 2025 conference call. Presenting on the call with me today are Chief Financial Officer, Dave Bragg and Chief Operating Officer, Mike Lacey. Senior Officer, Chris Van Ens, will also be available during the Q&A portion of the call.

In conjunction with our earnings release, we published a presentation that highlights the value proposition of UDR, our 2025 results and our outlook for 2026. Our prepared remarks align with the presentation and those of you participating on our webcast should see the slides on your screen.

Let's begin. On slide 4, we highlight the investment case for UDR. In short, our proven track record of generating attractive shareholder return is strengthened by our culture of continual innovation and disciplined capital allocation, which are further enhanced by a variety of AI tools. This combination leads to a data-driven and collaborative actions that translate into margin expansion

and cash flow growth. These areas of strategic focus are supported by a strong balance sheet that enables multiple avenues to drive value creation.

To that end, and turning to slide 5. Data is increasingly at the center of every decision we make, and we have developed a heightened focus and skill set on converting data into actions that drive cash flow growth. One example is elevating our customer experience. Our approach to enhance resident satisfaction has already driven 1,000 basis points improvement in resident retention compared to historical levels. Resulting in approximately \$35 million of higher annualized cash flow. In addition to our focus on customer experience, we are increasingly utilizing data to inform our investment and capital allocation decisions. While this effort continues to evolve, we are excited about the framework we have established that marries data-driven decisions with collaboration to drive resident, associate, and shareholder value.

Next, key takeaways from our release and '26 outlook are summarized on slide 6. These are, first, full year 2025 FFOA per share and our same-store revenue expense and NOI growth results exceeded our initial guidance at the midpoint. Additionally, fourth quarter 2025 same-store NOI exceeds expectations set last quarter.

Second, the positive operating momentum we achieved in the final months of 2025 has continued into 2026, with further acceleration in lease rate growth, coupled with high occupancy and outsized other income growth. Mike will provide additional color about operating results and recent trends in his remarks.

Third, we have entered a window of less competitive supply, which should bolster our growth profile.

Fourth, our flexible approach to capital allocation led us to repurchase nearly \$120 million of our stock during 2025. We will continue to utilize our capital allocation heat map, which Dave will discuss to evaluate sources and uses.

Fifth, our balance sheet is well positioned to fund our capital needs into 2026 and beyond.

And sixth, ongoing investments in innovation, including advancing our customer experience project and the various ways we can integrate AI tools would continue to drive incremental NOI in excess of market level growth.

Finally, on behalf of the Board and management, I would like to formally welcome Ellen Goitia to UDR as the newest Board member. Ellen joined us a month ago and brings a wealth of accounting and corporate governance expertise, having served on senior leadership roles at KPMG and on several boards over the course of her career. Ellen's appointment follows Ric Clark's appointment in October. These additions were made in coordination with the departure of two long-tenured board members in 2025 and reflect our continued effort to ensure the skills and perspectives of our board properly align with our strategic priorities.

With that, I will turn the call over to Dave.

Dave Bragg - UDR Inc - Senior Vice President, Chief Financial Officer

Thank you, Tom. The topics I will cover today include. First, our fourth quarter and full year 2025 results, including recent transactions, second, the 2026 macro outlook that drives our full year guidance, and third, the building blocks of our 2026 guidance.

To begin, on slide 7, and with our fourth quarter and full year FFO as adjusted per share of \$0.64 and \$2.54, respectively, achieved the midpoints of our previously provided guidance ranges. Additionally, our same-store expense and NOI growth results beat expectations while same-store revenue growth met guidance. Our operations team's impressive navigation of a choppy fourth quarter in the apartment market reflected their preparation, agility and execution. This positions us well for 2026, as Mike will explain shortly.

During the fourth quarter, we completed the following transaction and capital markets activity. We completed the acquisition of the Enclave at Potomac Club, a 406 apartment home community located in Northern Virginia for \$147 million. We identified this community based on insights from our predictive analytics platform our assessment of future CapEx needs, our operations teams on the ground perspective, including the efficiencies that come with owning the property directly across the street. Early operational results indicate outperformance relative to the market as we expected.

Also, we contributed four apartment communities to expand our joint venture with LaSalle by approximately \$230 million, which increased the size of the venture to roughly \$850 million. And with more than \$200 million in proceeds from that joint venture expansion we repaid \$128 million of consolidated secured property debt at maturity and repurchased approximately \$93 million of common stock at a weighted average share price of \$35.56, reflecting a sizable discount to NAV.

Turning to slide 8 and our macro outlook. We utilize a top-down and bottom-up approach to set our 2026 forecasts. Our internal forecasting models are informed by our proprietary perspective on our portfolio as well as third-party forecasts for economic factors that drive rent growth. Among the positive factors are inflationary growth for GDP and wages as well as continued declines in home ownership in part due to challenging affordability. Importantly, after a couple of years of outsized new apartment supply, this factor is now working in our favor.

On the other hand, we anticipate a more muted job growth environment relative to recent years, and we are mindful of regulatory risk not just at the market level, but at the federal level, given continued uncertainty over tariffs, immigration and more. This has affected consumer confidence, which recently hit its lowest level in a decade.

Building on this, we turn to slide 9, which dives a bit deeper into key tailwinds for our business.

First, at the top left. Our resident's financial health remains strong with the average rent-to-income ratio below the long-term average. This suggests that our residents can comfortably accept rent increases reflective of the value and exceptional living experience at a UDR apartment community.

Second, at the top right, the relative affordability of apartments remains decidedly in our favor and near all-time high levels of attractiveness versus homeownership due to sustained elevated home prices and mortgage rates.

Then at the bottom left, we show that the largest US age cohort remains in its prime renter years. This is supportive of demand for our apartments.

And fourth, at the bottom right, supply completions have meaningfully slowed across UDR's markets to a level below the long-term average and the outlook for 2027 is even more promising, with completions 60% below that of 2025.

Combining these factors, we arrive at our 2026 guidance, which is summarized on slide 10. Primary expectations include full year FFOA per share guidance of \$2.47 to \$2.57, and same-store revenue and expense growth expectations that translate to 0.125% year-over-year NOI growth at the midpoint.

Our full year 2026 FFOA per share guidance at the \$2.52 midpoint represents a \$0.02 or less than 1% year-over-year decline from the \$2.54 achieved in 2025. As a reminder, 2025 featured \$0.02 from items we do not expect to repeat in 2026. Executive severance and the collection of previously unaccrued interest on a prior debt and preferred equity investment.

From there, key differences in 2026 versus 2025 FFOA per share include a \$0.01 per share increase from accretive share repurchases executed in 2025, a \$0.01 increase from lower G&A, which is expected to decline by approximately 5% year-over-year as we emphasize cost control throughout the organization.

This is offset by two items: A \$0.01 decrease related to dispositions as we expect to be net sellers in 2026, and a \$0.01 decline from debt and preferred equity activities due to a lower average balance as we expect to reduce the size of the book as investments mature and are repaid.

Moving on to slide 11. Our heat map reflects our priorities as it relates to capital. Currently, the uses of capital that we believe offer the best risk-adjusted returns include investment in our operating platform, share repurchases and NOI-enhancing CapEx. Conversely, JV capital and dispositions screen as relatively attractive sources of capital. At the same time, debt is significantly more attractive than equity. As contemplated in our full year guidance, we plan to be a net seller of assets in 2026. We are actively marketing for sale numerous apartment communities, and we're generally pleased with the market's reaction. We look forward to sharing details on closings in the coming months.

Lastly, on slide 12, we provide our debt maturity schedule and liquidity. 12% of our total consolidated debt matures through 2027, thereby reducing future refinancing risk. Combined with nearly \$1 billion of liquidity at 2025's year-end, minimal committed capital and strong free cash flow, our balance sheet is in a strong position.

In all, 2025 was a highly productive year for UDR. We continue to execute on our strategic priorities with an emphasis on data-driven decisions that drive long-term cash flow per share accretion. And with that, I will turn the call over to Mike.

Mike Lacy - UDR Inc - Senior Vice President, Chief Operating Officer

Thanks, Dave. Today, I'll cover the following topics. The building blocks of our full year 2026 same-store revenue growth guidance our 2026 outlook for same-store expense growth and recent operating trends as well as our strategic positioning for 2026.

Turning to slide 13. The primary building blocks of our 2026 same-store revenue growth guidance include blended lease rate growth, contributions from our other income innovation and sustained occupancy and bad debt.

The largest driver is blended lease rate growth, which we forecast to be between 1.5% and 2% on average in 2026.

This is approximately 100 basis points higher than we achieved in 2025, which reflects a 35% year-over-year reduction in supply completions, coupled with a less certain employment outlook, as Dave touched on earlier. We expect first half blended lease rate growth will be similar to the second half, each at 1.5% to 2%, with the potential for upside as residual supply pressures lessen and market concessions burn off towards the end of the year. This dynamic means blended lease rate growth should contribute approximately 80 basis points to our full year 2026 same-store revenue growth and have a positive flow-through impact on 2027 earn-in.

The other primary driver of revenue growth is innovation and other operating initiatives, which are expected to add approximately 45 basis points to our 2026 same-store revenue growth. This equates to approximately \$10 million or nearly 5% year-over-year growth for this line item. The bulk of this contribution should come from the continued rollout of our property-wide Wi-Fi and the delivery of value-added services to our residents.

Rolling this up, our 2026 same-store revenue guidance ranges from 0.25% to 2.25% with a midpoint of 1.25%.

The 2.25% high end of the range is achieved both through higher blended lease rate growth than our initial forecast, improved year-over-year occupancy and additional accretion from innovation.

Conversely, the low end of 0.25% reflects the inverse scenario with full-year blended lease rate growth closer to flat, some level of occupancy loss and delayed income recognition from our innovation initiatives.

Turning to slide 14. We expect 2026 same-store expense growth of 3.75% at the midpoint. This is primarily driven by growth in three categories.

First, real estate taxes, which comprise 40% of our total property expenses. We were successful with many tax appeals in 2025, which resulted in below-trend growth and created a tough year-over-year comparison. As such, we expect 2026 real estate tax growth will approximate the long-term average in the high 3% at the midpoint.

Second, repairs and maintenance which comprises 20% of our total property expenses. With the success of our customer experience project and increased resident satisfaction, we dramatically reduced resident turnover in 2025, which led to less than 2% repair and maintenance growth, well below the long-term average. While this creates a difficult year-over-year comparison, we

continue to effectuate actions that improve the UDR resident experience and lead to higher retention. Therefore, we see an opportunity for repairs and maintenance costs to be better than we currently forecast.

And third, administrative and marketing expenses, which comprise 8% of our total property expenses. Similar to 2024 and 2025, elevated growth of 8% would be halved if adjusting for our cost affiliated with our ongoing rollout of property wide Wi-Fi. This initiative is NOI accretive after considering the revenue benefits, and we would expect the growth rate of this category to normalize after installations are complete.

Moving on. On slide 15, we highlight our 2026 operating successes. These results are a direct reflection of our team's data-driven preparation, agility and execution. Recall that in early 2025, we prepared for a weak fourth quarter by strategically shifting approximately 25% of our fourth quarter 2025 lease expirations into higher demand months in 2026. As we entered the late third quarter, demand weakened beyond typical seasonality, and we pivoted towards building occupancy, which increased to nearly 97%. Lease rate growth bottomed in October with new lease rate growth of negative 8% and renewals of positive 2%, leading to blended lease rate growth of negative 3%, operating from a position of occupancy strength and with fewer lease expirations than typical, we have been able to meaningfully accelerate lease rate growth over the last four months. Since the October lows, new lease rate growth has improved 550 basis points. Renewals have increased 300 basis points and blended lease rate growth has improved by 400 basis points to positive 1%.

Our sequential monthly momentum suggests first quarter blended lease rate growth should be between 1.5% and 2%, which is nearly twice as strong as the first quarter of 2025. Additionally, we are accomplishing this rate growth, while occupancy remained strong in the mid to high 96% range. Other income continues to exhibit mid-single-digit growth and resident turnover continues to improve. I'm encouraged by these trends, which are a direct result of our team's data-driven preparation, agility and execution.

Turning to slide 16. UDR has a strong culture of innovation that drives initiatives to enhance our growth profile. Historically, we have generated approximately 50 basis points of NOI growth per year from initiatives. Top areas of focus for innovation currently include elevating customer experience, pricing and enterprise effectiveness. In the effort to maximize these opportunities, we are currently piloting AI initiatives. There are dozens of incremental AI-related ideas on our list to explore and execute on, and we look forward to providing updates as our journey continues. UDR is and has been an innovative company, and we believe these enhanced tools will further differentiate our innovation to create a lasting advantage.

To conclude, as summarized on slide 17, our full year 2025 results across FFOA per share and same-store growth exceeded our initial guidance midpoint and fourth quarter same-store NOI exceeded expectations.

The operating strategies we deployed in 2025 established the foundation for positive operating momentum in 2026 with accelerating blended rate growth and occupancy in the high 96% range. This operating momentum, coupled with lessening supply pressures sets the stage for favorable fundamentals as the year progresses.

We are positioned to take advantage of external growth opportunities, and we'll continue to utilize various sources of capital to accretively grow the company while heeding cost of capital signals.

And we continue to innovate with the intention of increasing revenue growth, improving resident retention and further expanding our operating margin over time. Our unique approach to converting data into actions that increase cash flow reinforces our stature as a full cycle investment that appeals to shareholders.

Finally, I give special thanks to our teams across the country for your hard work and ability to drive results. In 2025, our same-store revenue growth was at or above peer median across 13 of the 14 markets that we share with public peers. This is an accomplishment we have never seen before. When pairing this with constrained same-store expense growth, UDR generated the second highest year-over-year same-store NOI growth among the peer group in 2025. We set a commitment to win and executed at the highest level to achieve an exceptional outcome.

With that, I'll open it up for Q&A.

Eric Wolfe - Citi

Can you just talk about your blended rate growth expectation for the full year. It's coming up a lot in the first quarter, and you talked about some of the reasons why, but then it's holding constant. It seems like for the rest of the year, maybe up a little bit and then down in the fourth quarter. It's just a bit different than a sort of normal seasonal pattern that you see. So I was hoping you could talk about why you're seeing that.

Mike Lacy - UDR Inc - Senior Vice President, Chief Operating Officer

Yeah, maybe a few points on that. I think, first, we're cognizant of the past few years, where we've actually experienced more of a downturn in the back half of the year. So that's one thing that we are looking at. In addition, I mean, we've got the teams in place. We have the systems in place. We think that if the market continues to do what it's doing today, we're going to take advantage of it. And then the other thing I'd point to is we're off to a better start than we would have expected. And so when you think about that 1% that we just achieved in January, that's about 50 to 75 basis points better than we originally thought.

So we're off to a really good start, a lot of that has to do with the strategy we deployed. And so our expectations are, again, that 1.5% to 2% in the first half should be very similar in the back half. If it happens to be better, we're going to be in a position to take advantage of it.

Jamie Feldman - Wells Fargo

I wanted to dig a little deeper into your thoughts on occupancy. You think it's going to remain elevated. Just what are you thinking on retention here? What gives you comfort on that level, especially given all the push for affordable housing and everything we're going to see in the headlines this year and whether things do or do not happen, but just wanted to get your big picture thoughts on retention.

Mike Lacy - UDR Inc - Senior Vice President, Chief Operating Officer

Yeah, a couple of things there, Jamie. I think first, with occupancy. The way that we think about it is how we can be more efficient and how we can optimize it, we think in terms of vacant days. And in a lot of ways, what we're trying to accomplish is being more efficient as it relates to the turn process. And so how can we reduce those days? And then from there, how can we move people in faster, which typically doesn't have anything to do with touching rents. It's just being more efficient around those two items.

From there, we've been doing a lot with driving our occupancy up in the fourth quarter. We are upwards of 97% around October, November time frame. Since then, we've been really pushing the gas on our renewals. And what you're going to see from us going forward is sending out between, call it, 5.5% to 6%, and our expectations are achieving somewhere close to that 5% range, at least through April.

And so when we think about turnover and where it can go, we're really focused on total cash flow as well as total revenue growth. And so you're going to see us continue to try to see what we can get on the renewals, also knowing that we want to try to reduce turnover even further, but it all comes back to cash flow and how we can continue to try to drive our operating margins.

Jana Galan - Bank of America

Also a question for Mike, following up on your comments on the sequential monthly momentum. I was wondering if you could give us some detail on the variance across your regions and kind of call out which markets had kind of a stronger acceleration versus others?

Mike Lacy - UDR Inc - Senior Vice President, Chief Operating Officer

Yes, Jana, good question. I think, first, maybe high level, just to walk what we experienced because it was pretty impressive going from October to January. So when I think about total company blends, and I mentioned it in my prepared remarks, up around 400 bps. October was our low at negative 3%. November saw a little bit of improvement to negative 2.5%. And then December is when we really started to see it move, and it was closer to negative 50 bps and then you heard what I said on January, we're in positive territory at 1%.

When I think about the regions, I've seen a little bit more of an inflection in the Sun Belt over the last couple of months. And I think for us, where we already had a really strong point on coastal. The growth is still there. It's just not seeing as much of an inflection as say, places like Dallas, where we've actually seen that market go positive more recently. So my expectation going forward is Sunbelt is going to continue to improve to some degree. But again, we haven't modeled much of an inflection in the back half of the year. We hope it happens and we're going to be ready to push if it does. But right now, those back half are very similar to the first half.

Steve Sakwa - Evercore Inc

Just maybe touching on the transaction market and the buyback, kind of putting those two together, you clearly are signaling being a net seller. I guess how much could you step on the gas

on the dispositions this year without having maybe tax consequences for gains? And what does that mean for kind of volume of share buybacks in '26?

Dave Bragg - UDR Inc - Senior Vice President, Chief Financial Officer

Steve, it's Dave. First, I'll start with some comments on the broader transaction market and then go into our experience and our plans. We find that debt is readily available at attractive terms, and as we enter the new year, the GSEs with new mandates in hand for 2026 are increasingly competitive with other lenders and to do so, they've reduced spreads and you've seen debt funds get more competitive in this space as well, stemming from the large amount of capital that have come into the credit space lately. So that's the debt landscape.

On the equity side, there's a lot of interest to explore opportunities. However, investors are selective, they're methodical and they're patient as it relates to executing. They have a heightened focus on the trajectory of rent growth and current or potential regulatory risk. So we have found a little bit of a bid-ask spread in the market of late cap rates vary widely based on the quality of asset and location but they generally center around a 5% cap and buyers are really subscribing to the possibility of much stronger rent growth in 2027 and '28.

And generally speaking, newer vintage assets with positive rent trends a little competitive supply or pricing best as low as the low to mid-4% cap rate range, whereas B assets with competitive supply, less optimal submarkets can be a 6% cap or higher.

So that brings us to our experience with our capital committee and our data-driven approach to selecting disposition candidates. We looked at a few criteria. First, the predictive analytics outlook for rent growth, also CapEx burden going forward and the operation team's perspective on the potential for the assets that led us to a mix of assets to put on the market without a real specific concentration in market or age of asset, it's really an asset level decision for us.

And we started with about \$1 billion. We did pull one asset from that group. It was a large one in Boston where heightened policy concerns affected interest. So that leaves us with about \$700 million, and we're working that group hard. And we expect to close our first slug of them in the first quarter and then a second group in the second quarter. Generally, pricing is close to our expectations, and we look to sharing those details next quarter.

And we're excited about the optionality that, that creates for us. The magnitude of discount to NAV that has persisted in the space, just doesn't happen very often. We are fortunate that we've taken advantage of it so far and plan to continue to do so as we execute on dispositions.

And at the same time, as you alluded to, Steve, we're mindful of our tax gain capacity of a couple of hundred million dollars. So we've put into guidance an acquisition or two at the midpoint, that would be a 1031 exchange would allow us to manage that. So the midpoint of dispositions is something that we're comfortable executing on, and we'll see what the market brings us in terms of opportunities and that could allow us to lean back into the investment market more.

Michael Goldsmith - UBS

Following a really good 2025 contribution to same-store revenue from other revenues, the 2026 contribution is also strong. So can you kind of outline what are the factors that you expect to drive that this year?

Mike Lacy - UDR Inc - Senior Vice President, Chief Operating Officer

Yeah, of course. I think for us, what we're expecting is that mid-single-digit range after averaging about 8% over the last two years. A couple of the big ones that I'll reference right now is Wi-Fi. We do expect that to contribute about 1% or \$2 million in 2026. And then parking as well as package lockers, we're expecting mid- to high single-digit growth coming out of those two initiatives.

And then we have some new ones that we've been working on. And just to give you a little bit of an idea of how we're looking at this. It's really a win-win for us and our residents. One is storage. We're trying to figure out a way to optimize our storage. We're adding more lockers across our portfolio. And then we're also working with a third party to try to utilize that group and try to drive a little bit more income there. And then in addition to that, we're really looking into our pet rent, which believe it or not, makes up about \$800,000 a month at this point, and we're leveraging our CRM and our maintenance platform to identify about 2,000 pets that have not been paying rent across the portfolio.

So we're leaning into that and driving that initiative. And I think what you've seen from us over the years is we typically come out with that mid-single-digit range growth. Our expectation is we're going to continue to lean into our innovation and try to drive that higher.

Austin Wurschmidt - KeyBanc

Mike, how does the 1.5% to 2% lease rate growth assumption breakout between Sunbelt versus coastal markets? And then kind of curious the same question for the 100 basis points of acceleration, just how that breaks out as well?

Mike Lacy - UDR Inc - Senior Vice President, Chief Operating Officer

Yeah, when we look at the acceleration, I kind of mentioned it previously. We do expect a little bit more acceleration in Sunbelt in the second half versus the first half compared to the coast where it's pretty comparable, maybe a little bit lower today. But when I think about the East Coast, West Coast Sunbelt, I want to say we're probably closer to, call it, 2% to 2.5% in the coast, and we're closer to, call it, flat to maybe up 50 bps in the Sun Belt in terms of blends.

When I think about the other income contribution, what we've seen is the Sunbelt producing closer to high single digit, maybe even low double-digit growth over the last couple of years. My expectation is that's going to continue to be the case. And that's what has led to that outperformance. When you look at our market wins over some of the peers over the last couple of years, we're getting there in different ways. But my expectation is that the Sunbelt will continue to try to drive some of those initiatives to make a difference as it relates to total revenue growth.

Nahom Tesfazghi – JPMorgan

You guys have Nahom on for Tony. Maybe just on the debt and preferred equity book. It looks like you guys received some partial repayment after the quarter ended. Could you guys maybe talk about what you're expecting long term from this book, how much of an earnings contributor you're expecting it to be and maybe where you're targeting the book size?

Dave Bragg - UDR Inc - Senior Vice President, Chief Financial Officer

Tony, this is Dave. So, the DPE business is one that UDR has been in for more than 10 years. And we like the fact that it allows us to deploy our expertise and diversify our earnings stream and it's one of the many uses of capital for us. And at times, it allows us to gain access to assets that we want to own. So as you know, our focus on underwriting has evolved, and we've shifted the book away from a relatively higher risk, higher return focus on development to recaps of cash flowing assets with more current pay and we've also fortified the underwriting process with a highly data-driven and collaborative approach.

So as we consider that and the structure that works for us, such as 75% LTV top dollar and terms without extension options, we've found the market to be increasingly competitive and our outlook for this year reflects continued successful paybacks and a range of possibilities around paybacks and deployments that gets the book to decline - rough order of magnitude would be 10% to 25%. And we'll continue to assess opportunities but remain mindful of potentially superior risk-adjusted manners in which we can deploy capital.

Rich Hightower - Barclays

Question on expenses and just hoping for maybe a little more color on the breakdown between controllable and noncontrollable for the year, personnel-related expenses versus non-personnel related. And what's the flex, I guess, that's kind of embedded in some of these elevated ranges for expense growth that I see.

Mike Lacy - UDR Inc - Senior Vice President, Chief Operating Officer

Yeah, great question. I would probably refer back to slide 14 within our deck, and we can go through some of this in a little bit more detail. But I'd say, first and foremost, 2025 was a very strong year for us as it relates to cost control. Our original guidance, if you recall, was 2.75% to 4.25% with a midpoint of 3.5%. We exceeded the low point with 2.6% growth. So, the teams really leaned in and they were able to control what they can control.

This year, we faced those headwinds and I mentioned in my prepared remarks, it really comes down to the rollout of Wi-Fi costs as well as some of the prior year tax appeals, the success we've had around that. That's about a 50 basis point drag on our numbers. That being said, the teams are hard at work. They're looking at ways to try to exceed our plan again this year. And I'll give you an example of where we're really leaning into it. When you think about the customer experience project and where we've been able to take that over the years and just to kind of size it a little bit, we historically would run around 50%, 51% turnover. We ran at 38.5% this past year. So we've improved it by about 1,200 basis points.

This year in our plan, our expectations are that turnover stays relatively flat. And I'll tell you, looking at our January numbers, it was down another 200 bps on a year-over-year basis. So from that initiative alone, if we can continue to lean into that number, drive those initiatives, we think that there's a pickup rate there, and that will be a direct impact across R&M, across A&M and even our personnel expenses. So you're going to see that really shine through on our controllables.

John Kim - Bank of Montreal

Your fourth quarter blends came in roughly in line with what you indicated on the last call. But it's still surprising to see some of the large decreases in new lease rates in the fourth quarter. Can you just remind us how much of that was impacted by concessions in the fourth quarter? And what your policy is on the new lease rates?

Mike Lacy - UDR Inc - Senior Vice President, Chief Operating Officer

Yeah, John, I appreciate that. I think for us, 4Q did come in kind of where we've been communicating over the last three months or so, and that led to our earn-in coming in where we expected. Fortunately, for us, we were able to take advantage of the lower expirations and drive our occupancy back up. And so that helped us a lot. I mentioned the cadence of the blends. And when you think about October was that low point, that's really when we started to experience less demand coming through the door, we saw concessions start to pick up.

And so, we started to drive our occupancy back up. And from there, we were able to get more aggressive on our rents and you're seeing it really play out in our strategy as you look at January. And really, based on what we're seeing in February, that's a good trend, too. For us, I think you're going to continue to see it play out in our renewals. And so, I think I mentioned we're sending out between 5.5% to 6%. We typically negotiate on about 35% to 40% of our renewals. We typically achieve between 50 to 80 bps of what we send out. And so expectations are you're going to continue to see plus or minus 5% on our renewal growth going forward, at least through April, where we've priced those. And so, it's playing out as expected. We feel really good about our positioning today.

Alexander Goldfarb - Piper Sandler

So, a question on the legal and advocacy costs. You did mention Boston impact on one of your assets. So, I guess a two parter on this. One is how have your rent expectations between limitations either through rent control or utility bill backs, et cetera? How have those changed in your markets? And second, what are you guys budgeting for legal political advocacy, et cetera, for this year. It just seems like this is now sort of a permanent part of the business, not something that's every now and then.

Chris Van Ens - UDR Inc - Senior Vice President – Investment Strategy

Yeah, Alex. Maybe I can take a little bit of that, and Mike can chime in as well. I would say in the vast majority of our markets where we see rent control, it's not overly restrictive rent control for the type of asset we have. So, I don't think we've seen a big restriction on where we can raise rents in a place like Montgomery County, that can be a little bit different. That would be restrictive.

You mentioned Massachusetts and the ballot measure there or at least referenced it. That would be some of the most restrictive rent control in the country. So, as we look at it, though, the coalition is formed there. We feel good about the group. We feel good about the plan. Ultimately, we feel good about succeeding with that. So, we just don't really see those restrictions as we look across the country.

And then what was the second part of your question again? Oh advocacy. So, as we think about advocacy and Dave can jump in on this as well. I think it's too early to tell exactly what the costs are going to be this year. There's clearly going to be some costs associated with Massachusetts and then for UDR more uniquely there is some costs associated with Salinas as there's a ballot measure there to reinforce the City Council's decision to rescind the restrictive rent control out there.

I would tell you, as you think about sizing though, we're not talking anything close to what was spent in California in any of the three last ballot measures. But once again, we're still focusing in on exactly what those costs are going to be, and we'll update you guys as we have more clarity going forward.

Wesley Golladay - Baird

I just like to follow up on the blend improvement from October to January. Was that, I just want to clarify that it was maybe just UDR being less aggressive on a push to build occupancy and you weren't really seeing much change in demand or concessions abating?

Mike Lacy - UDR Inc - Senior Vice President, Chief Operating Officer

We are seeing concessions abate. And so, when we go back to that October time frame where we saw the bottoming we were seeing closer to two weeks on average across our portfolio. Today, we're closer to one week. And so you can see concessions are coming off pretty significantly across the portfolio. And one example I would give is a place like Dallas today where we've actually seen our blends go positive. We're just not seeing as much concession activity in a place like that. So that's helped in a lot of ways.

Haendel St. Juste - Mizuho

I was hoping you could talk a little bit more about your expectation for some of your key coastal markets. The near-term outlook for New York and San Francisco seems very strong, but the outlook for Boston, DC, LA less so. So maybe some incremental color on your expectation for your assets in the key coastal markets and how they fit into your balanced view for the coastal markets this year?

Mike Lacy - UDR Inc - Senior Vice President, Chief Operating Officer

Sure. And maybe I'll give you a little bit of color on what we're experiencing now and how I think about Coast and Sunbelt. I think first and foremost, it's not a big surprise the earn-in across the coast is better than the Sunbelt. And I would tell you, it's kind of 1A, 1B, but the West Coast right around 100 bps going into the year, East Coast was between 50 to 70 bps and then the Sunbelt was around negative 150. So that gives you a sense for how it's built and how we started the year.

As we think about where we're going now, our expectations are, I mentioned it earlier, blends will be in that 2% to 2.5% range on the coast. Our expectations are Sunbelt will start to see an inflection and maybe see, call it, 0 to 50 basis points this year. So that gives you a sense for a lot of the blocking and tackling. For us, you're going to continue to see that 96.5% to 96.8% occupancy across the entire portfolio. And then it comes down to things like other initiatives other income growth.

Again, the Sunbelt is expected to see, call it, 5% to 10% growth. The coasts are probably closer to that 5%, 6%, 7% range. And really, when I think about some of the markets within the regions, we've got winners in every region. I think San Francisco is going to continue to be probably our strongest market across the portfolio and definitely on the West Coast, on the East Coast, New York has really performed well. I'm seeing concessions come down. We're still running around 98% occupancy. And so, New York is still going to be a strong one out in the East Coast. And then when we think about the Sunbelt, I've mentioned it a couple of times today, starting to see a little bit more positive momentum in places like Dallas positive blends, occupancy back in that 96.5% range. So that's been a positive surprise to start the year.

And then specific to your comments around Boston, that's going to be a decent performer for us, maybe not one of the best markets in the portfolio, but it's still probably a top five, top six, seven market in the portfolio. And in addition to that, I'll tell you, Orange County, where we have a heavy weight compared to our peers, that one has done surprisingly well over the last year and my expectations, it's going to continue to do well for us as we move throughout 2026.

So, feel pretty good about different markets within all of our regions today. And again, I think it comes back to the strategies that we've deployed and the initiatives that we have out there, they're going to continue to make a difference for us.

John Pawlowski - Green Street

I have a follow-up question about the size of the debt and preferred equity program, just given how liquid the credit markets are. Help me think through, like is there a significant prepayment risk? I know, Dave, maybe you mentioned you expect the book to decline by maybe 10% to 25%. But given the two-year weighted average maturity and 10% contractual rate of return, is there a decent chance we see significant prepayments that would lead to a more precipitous decline in the size of outstanding this year?

Dave Bragg - UDR Inc - Senior Vice President, Chief Financial Officer

John, it's Dave. We're in constant dialogue with our partners on the DPE book, and it's a thoughtful question. At this time, no, we don't see outsized prepayment risk. We see a methodical pace of successful paybacks over the course of the year, which frees up capital for us to deploy back into the DPE book at some rate should we find those opportunities or we could pivot to other attractive uses of capital such as the share buyback.

Linda Tsai - Jefferies

On your employment outlook, you're expecting minimal year-over-year growth of 0% to 1%. Is there any distinction in terms of how you think about in the first half versus the second half of the

year? And then are there any regions where you're seeing better or worse employment within your portfolio?

Dave Bragg - UDR Inc - Senior Vice President, Chief Financial Officer

This is Dave. I'll start. Our employment forecast - is really calls for about 30,000 jobs created per month equally over the course of the year. That's down from roughly 80,000 per month was the run rate over the course of 2025. Chris, are there any comments you'd like to add at the market level?

Chris Van Ens - UDR Inc - Senior Vice President – Investment Strategy

No, I would say we're not economists. We follow consensus viewpoints. So, if you think about the employment outlook. Obviously, more often than not, Sunbelt markets are going to look a little bit better, coastal markets are going to potentially look a little bit worse from a consensus viewpoint in 2026, but that is not uniform.

You can have some Sunbelt markets like Tampa or something like that, that could, are expected to see a little bit of job loss going into 2026. So that's not uniform, but generally, Sunbelt, as you would expect, would be a little bit better, coastal a little bit worse.

Alexander Kim – Zelman & Associates

I wanted to dive into the Seattle market a bit - kind of strong performance in 4Q is almost 4.5% revenue growth and negative year-over-year expense growth. Could you talk about what's driving the strength in how do you think about the job outlook in that market when forecasting it out?

Mike Lacy - UDR Inc - Senior Vice President, Chief Operating Officer

I'll give you a little color on what we're experiencing. I think first, it's helpful that we don't have any exposure to downtown Seattle. We are a diversified portfolio. We're about 6% of our NOI in that market. We're 60% urban, 40% suburban. And so for us, we did experience more growth down in the U District and followed by Renton and then Bellevue. And so, we have had a mixed bag there. It is good to be diversified what I'm experiencing today, is around, call it, 96.8%, 97% occupancy. We have seen concessions come down in Seattle, which has been great, and that's led to positive blends in January compared to that negative call it, 2% to 3% that we experienced during the fourth quarter.

So, it is good to see some positive momentum there. And then it does help the fact that we're seeing supply come down across that market. In fact, we're seeing about 9,000 units compared to 13,000 units being delivered from a year ago. So that's helping. In terms of job growth, we're seeing positive momentum down in places like Bellevue. We do hear the news that there's some layoffs here and there, but we're not necessarily hearing it from our resident base, and we're not seeing it from our prospects. And again, that's led to concessions coming down and occupancy being stable.

Richard Anderson - Cantor Fitzgerald

So really good stuff, but I have a basic question, and that is, do you have a reason why you're having the experience that you're having in terms of the sequential performance? Is it something systemic to the world around you? Is it a UDR sort of strategic shift of some sort that's citing better activity? I'm just curious if you can hazard a guess as to why you're seeing the improvements that you are? And if you need new lease rate growth to turn positive this year for this whole story to really truly have legs?

Mike Lacy - UDR Inc - Senior Vice President, Chief Operating Officer

Yeah, Rich, I think it's a combination of a lot of things, and we've been talking a lot about it today on the call, but I think it does go back to our strategy. The fact that we started about a year ago really getting in front of the fourth quarter and reducing our expirations that put us in a strong position to get more offensive as it relates to rent growth.

And so, from there, what you were able to see as we started driving our market rents probably a little bit faster than others. And when you're able to do that, you can start leaning into things like your renewal growth. And we're typically sending out between 60 to 75 days in advance. You're seeing that play out in what we've sent as well as what we're achieving. And so that's just a part of the equation.

In addition to that, it's all the other initiatives, all the other income that we've been able to produce over the last couple of years. Again, that's been around 8% for two years running. Our expectations are we're still in that mid-single-digit range, and we're going to try to drive that higher through a multitude of initiatives, including some of the things that we're doing on the AI front. And so, we think that we have the teams, we have the systems, and we execute at a high level.

Tom Toomey - UDR Inc - Chairman, President, and Chief Executive Officer

Rich, this is Toomey. I might add - ask Mike to expand a little bit more about his AI programs because you've heard us for a number of years, and it's blah, blah, blah, I get it with respect to we're piling on a number of initiatives, overall program related to data culture, et cetera. But I think the next frontier really is this enablement of data to cash flow through our AI strategy and execution. And he's got a lot of good things. No one else asked about it. So, I'm going to take some liberty and ask him to embellish a little bit on that.

Mike Lacy - UDR Inc - Senior Vice President, Chief Operating Officer

I appreciate you teeing that up for me, Tom. The way we see it impacting a multitude of things right now is, we see it across our customer experience. We're seeing it across human capital, and we're really leaning into how we think about CapEx. How we use it today is with our sales team, and we're using it to do a better job with screening upfront with our prospects. And I'll tell you, our data teams are using it every single day. How I think about it going forward, scalable ways AI can help us service our residents better, reduce friction and improve decision-making.

If I could just give you a few examples of the things that we're thinking about today. Again, it goes back to that customer experience and capital allocation. We're using AI. We're analyzing our risk

console and we're matching against our maintenance platform to identify opportunities to enhance our customer experience project. In addition to that, we look at it in how we work with our reimbursements as another example. We're using AI to analyze large recurring data processing files and we're able to identify trends in real time. This covers abnormal usage, missing invoices and even rate changes that may require reimbursement billing changes. So that's been effective for us.

And then maybe one more example is how we think about renewals, how we think about our prospects, how we think about our current residents. We're utilizing AI to analyze resident payment history and eviction trends to identify at-risk leasing earlier, and this is allowing our team to intervene more proactively as it relates to some of the eviction process going forward. So, a lot of good things happening today. We've got a lot more on the list, and we're going to keep chipping away at those.

Tom Toomey - UDR Inc - Chairman, President, and Chief Executive Officer

Thank you for all of your interest and the support of UDR. Certainly, call anytime or e-mail us and we look forward to always seeing many of you at the upcoming conference events.

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