



First Quarter 2026 Earnings Call

April 30, 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 and supplemental disclosure package were distributed yesterday afternoon and posted to the Investor Relations section of our refreshed website at 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 1 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 First Quarter 2026 Conference Call. Presenting on the call with me today are Chief Operating Officer, Mike Lacy; and Chief Financial Officer, Dave Bragg; Senior Officer, Chris Van Ens, will also be available during the Q&A portion of the call.

To begin, 2026 is off to a solid start. Our first quarter results were in line with the expectations we provided at the beginning of the year, made possible by strong execution across operations and capital allocation. As it relates to operations, our revenue drivers all played out as anticipated and resident retention stands at an all-time high. Mike will elaborate on the strategies and tactics employed to generate these results. As it relates to capital allocation, we remain focused on taking advantage of the rare and likely fleeting opportunity to arbitrage a sizable gap in public and private market valuations. A data-driven and collaborative process led us to the decision to sell 4 assets.

Proceeds were utilized to repurchase our shares and acquire an asset we gained access to through our debt and preferred equity program. Dave will further discuss our capital allocation

activities in his remarks. Staying on the topic, we continually evaluate opportunities to diversify our sources of capital. Our thoughtful and thorough research focused on investors of the future pointed to an opportunity to expand our reach to grow a segment of capital, namely high net worth investors, family offices, and institutional products who collectively value frequent cash distributions. As a result, yesterday, we announced the transition to a monthly dividend. UDR is the first residential REIT to do so.

The stability and growth of the apartment industry, coupled with UDR's operating and capital allocation acumen has led to 53 straight years of dividends totaling nearly \$9 billion. We expect the reliability and transparency of the apartment industry and our robust track record to appeal to these investors who value frequent cash distributions.

Stepping back, we feel good about 2026 thus far, but we have only completed the first 4 months of the year. Accordingly, we are maintaining our full year 2026 same-store and earnings guidance, which we will reassess next quarter.

From a big picture perspective, I remain optimistic about the long-term growth prospects of UDR. The fundamental outlook for the apartment industry is encouraging with resilient demand, a shrinking future multifamily supply pipeline and attractive relative affordability apartments versus other forms of housing. Our culture, strategy and proven team position UDR well to take advantage of these fundamental strengths.

Finally, I'd like to take a moment to recognize Katie Cattanach and Diane Morefield, who have decided not to seek reelection to our Board. Katie and Diane have been respected voices in our boardroom, and we are thankful for their stewardship and contribution to UDR.

With that, I'll turn the call over to Mike.

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

Thanks, Tom. Today, I'll cover our first quarter same-store results and recent operating trends as well as strategic positioning. 2026 is unfolding as we anticipated and first quarter results were in line with our expectations. We leverage real-time data to focus on total revenue and cash flow growth. In particular, we strategically started the year in a position of operating strength with occupancy of 97%, which enabled us to tactically adjust our revenue drivers to deliver year-over-year same-store revenue growth of positive 90 basis points.

Specific to the quarter, blended lease rate growth of 1.6%, occupancy in the mid-96% range and mid-single-digit innovation income growth all came in as expected. Results were bolstered by resident retention that was 300 basis points higher than the prior year. This enabled us to achieve renewal rate growth of 5.2%, which was 70 basis points higher than a year ago and nearly twice as high as the fourth quarter of 2025. This strength is representative of our focus on attracting high-quality residents who value the UDR living experience. Rent-to-income levels of our new residents are stronger than the long-term average, which suggests an encouraging outlook for renewal growth going forward.

Shifting to expenses. Same-store expense growth of 4.4% was elevated due to the impact of winter storms across our portfolio. If normalizing for the approximately \$1.4 million of incremental

expenses from items such as snow removal and higher utility costs, our same-store expense growth would have been approximately 100 basis points better or just below the midpoint of our full year expense guidance range.

As we start the second quarter, our revenue drivers are trending as anticipated. We continue to expect blended lease rate growth for the second quarter will be between 1.5% and 2%, with occupancy in the mid-96% range. Our regional leaders in the first quarter continued to perform well thus far in the second quarter. On the West Coast, San Francisco is a standout market with the strongest revenue growth across our portfolio, driven by blended lease rate growth of approximately 10% and occupancy in the high 97% range. The East Coast market of New York is also delivering strong revenue growth with blended lease rate growth of approximately 7% and occupancy above 98%. Dallas continues to show best momentum among our Sunbelt markets. Occupancy is approaching 97% and blended lease rate growth is now positive after improving by 570 basis points since the fourth quarter. In all cases, we have enhanced revenue growth due to our innovation income, which includes services and amenities desired by our residents such as community-wide WiFi and package lockers.

A glimpse at our dashboards' forward indicators reveal continued strength in San Francisco and New York as well as positive momentum in Philadelphia and Southern California, particularly Orange County. Our overweight exposure to these markets uniquely positions us to capture upside should these trends continue.

The operations team continues to impress me with their data-driven approach to set strategies while remaining agile to adjust as market conditions warrant. Two current examples are top of mind. First, having managed our lease cadence to place a higher percentage of expirations in the second and third quarter of 2026, we are well positioned for the spring and summer. Second, our customer experience project continues to result in sector high resident retention, which is tracking ahead of plan thus far in 2026. This allows for operating expense savings due to lower turnover, higher revenue growth thanks to a blended lease rate growth more heavily weighted towards renewals, which combined results in better cash flow. We will continue to leverage real-time data as we focus on total revenue and cash flow growth.

As a reminder, our full year 2026 guidance assumes first half blended lease rate growth will be the same as the second half at 1.5% to 2%. Said differently, we do not need blended lease rate growth to accelerate throughout the year in order to achieve our revenue growth guidance.

To conclude, we delivered first quarter results that were largely in line with expectations, and the second quarter is progressing according to plan. We continue to innovate, improve resident satisfaction and therefore, retention, which collectively improves our operating margin. I thank our teams across the country for your hard work, acting with purpose and creating a highly valuable UDR living experience for our residents.

I will now turn over the call to Dave.

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

Thank you, Mike. The topics I will cover today include our first quarter results and second quarter guidance, recent transactions and capital markets activity, and a balance sheet and liquidity update.

To begin, first quarter FFO as adjusted per share of \$0.62 achieved the midpoint of our guidance range. The \$0.02 sequential FFOA per share decline versus the fourth quarter of 2025 was driven by the following items: a \$0.03 decrease in NOI, primarily due to higher sequential expenses attributable to both normal seasonal trends as well as the impact of unusual weather that Mike discussed; this was partially offset by a \$0.01 benefit from lower corporate expenses and G&A. And due to timing, capital markets and transaction activity was neutral to earnings in the quarter as the benefit from share repurchases was offset by a lower Debt and Preferred Equity investment balance. Looking ahead, our second quarter FFOA per share guidance range is \$0.62 to \$0.64. The \$0.63 midpoint represents an approximately 2% sequential increase that is driven by higher sequential NOI and accretion from share repurchases funded by dispositions.

Next, on transactions. Our capital allocation heat map continues to guide our strategy. We then apply a data-driven and collaborative process to drive our execution. A key theme lately is the public versus private market arbitrage opportunity presented by an unusually wide disconnect in apartment asset pricing. This allows us to sell lower growth assets for 100 cents on the dollar on Main Street and buy back our shares, which represent a superior growth portfolio, for \$0.75 to \$0.80 on the dollar on Wall Street.

Thus far in 2026, we have executed the following transactional and capital markets activity:

First, we completed the sales of 4 apartment communities located in Baltimore, Denver, Seattle and Tampa for gross proceeds of \$362 million. Our approach to selecting assets for disposition is not centered around trimming exposure to specific markets or urban and suburban locales. Rather, we study asset level characteristics such as the outlook for rent growth per our proprietary analytical tools, CapEx requirements, and potential operational upside. This group of disposition assets screens inferior on these metrics relative to our retained portfolio. Therefore, utilizing proceeds from these asset sales is accretive on day one, but increasingly so in the future due to the expected differential in forward cash flow growth between the sold properties and our in-place portfolio.

Second, we received proceeds of approximately \$139 million from the successful and full repayment of 2 Debt and Preferred Equity investments.

Third, we repurchased \$150 million of shares, bringing total repurchase activity since September to \$268 million.

Fourth, our Debt and Preferred Equity program allowed us to gain access to 2 communities in Portland, Oregon, through the same partner. The first is a 232-apartment home community acquired in April. The second acquisition will follow in the coming months. The assessment of these opportunities is similar to the disposition process described earlier. Our proprietary analytics tool suggests outsized rent growth for the market in these assets in the coming years. Their CapEx

needs are low and the operating upside potential on the UDR platform is high. Another benefit is that our exposure to the Portland market is scaled to a more efficient level. We anticipate a high-5% stabilized yield on these communities.

Consistent with the expectations that we laid out on our last earnings call, the size of our Debt and Preferred Equity portfolio has declined due to successful repayments, the opportunity to gain control of the Portland assets, and our view that share repurchases offer superior risk-adjusted returns versus new debt and preferred equity deployment.

As a final note on investment activity, thanks to the excellent work of our development team, I'm pleased to share that our ground-up development community in Riverside, California, known as 3099 Iowa is progressing ahead of schedule. We now expect initial occupancy to occur in the fourth quarter of 2026, which is earlier than our initial expectation of the first quarter of 2027. The project is also coming in under original budget.

Overall, our updated full year 2026 capital sources and uses guidance reflects the activity we have completed year-to-date. We have additional disposition assets in the market, and we remain disciplined sellers. We will update you on incremental dispositions and uses of that capital as the year progresses.

Finally, our investment-grade balance sheet remains highly liquid and fully capable of funding our capital needs. We have more than \$1 billion of liquidity.

In all, it has been a highly productive start to 2026. We continue to execute on our strategic priorities with an emphasis on data-driven decisions that drive long-term cash flow per share accretion.

With that, we will open it up to Q&A.

Eric Wolfe - Citi

In terms of occupancy, I think you said that you expect mid-96% range in the second quarter. Would you expect to drive that higher in the back half of the year? Or have you adjusted your full-year occupancy targets a bit based on market conditions? What does the strategy look like for the next 3 to 6 months.

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

Eric, it's Mike. The way we typically operate is to let occupancy come down in the second and third quarters when we have more demand, more traffic coming through the door. And so you can typically expect us to get a bit more aggressive on our rents at that period of time, then drive occupancy up a bit higher in the fourth quarter. So if occupancy is around 96.5% now, we expect to continue to be in that range through about the July to August time frame. And then we may inch it up maybe 10 or 20 basis points into year-end.

Jamie Feldman - Wells Fargo

Did you talk about April trends so far? If not, can you talk about your new renewal and blended rate growth and any markets that stand out in terms of acceleration and deceleration versus your outlook?

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

Yes, Jamie, great question. There's a few questions in there so let me back up a little bit because I think it's important to give the whole picture. As it relates to blends, we are incredibly happy with the start to the year. The fact that we were able to push our blends about 370 basis points up from the fourth quarter to achieve 1.6% is a very positive trend. And I'm happy to report that it is the highest growth across the peer group on both a relative and an absolute basis.

I'd also point out that given our diversified portfolio, this is notable. Specific to April, the strength experienced during the first quarter has continued in that 1.6% range, and we are still on track with 1.5% to 2% blended lease rate growth that we expect in the first half of this year. A few observations on the data is number one, our coastal regions, which make up about 75% of our NOI, continue to experience the highest growth, about 3.1% blends in April, which is an acceleration from 2.8% during the first quarter. Specific to the Sunbelt, those markets experienced the greatest positive momentum from 4Q to 1Q, but we have seen some of those markets retreat slightly over the past 30 days, going from about negative 1.5% blends in the first quarter to negative 2.5% in April. All in all, we feel good about how we started the year. Our strategy and focus on total revenue and cash flow is playing out as expected, and we're really diving into the lifetime value of our resident, continuing to drive low turnover and higher renewal growth.

Specific to the question that you had regarding what we're sending out and what renewals look like, I would tell you, again, just to reiterate, our first quarter was almost double what we achieved in the fourth quarter at 5.2%, a very healthy number. Through July at this point, we're still sending out between 5% to 5.5% on renewals and my expectation is we're going to sign within 100 bps of that.

So all in all, we're going to continue to lean into our customer experience project, and drive down turnover even further as well as try to test the market on both new lease growth and renewal growth.

Steve Sakwa - Evercore ISI

Could you talk about the Debt and Preferred Equity ["DPE"] book and what future payoffs look like? I think maybe some of these happened a little bit sooner. Just trying to think through the cadence of that and what could or may not happen maybe over the course of '26, '27, '28.

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

Steve, it's Dave. Thanks for the question. So on the DPE book, as you know, this is a business that we've been in for more than a decade. It's one of several ways that we deploy capital, and it was established to allow us to utilize our expertise to earn income and/or gain access to assets that we like. We're pleased to report that there are 2 assets in Portland that we're excited about

gaining access to. That's a market that has moved up on the leaderboard internally from a predictive analytics tool perspective. And with the loans coming due with one operator relationship in that market, we looked at these and we considered the following criteria: operational upside, and Mike and team are excited about the meat on the bone there, the rent growth outlook through our proprietary tool, and relatively low CapEx given the fact that they're new assets. This allows us to scale up in that market.

As it relates to the book going forward, that's one of the ways that it is on the decline this year, which is what we expressed last quarter. We have the Portland opportunity, we have successful paybacks that we reported for the first quarter. And then lastly, the other consideration is that the debt and preferred equity market is frankly just more competitive, and we have remained disciplined in our underwriting. And when we think about our heat map and uses of capital, we gravitate towards the stock given the fact that it's temporarily and unusually attractively valued.

So directionally for you, if I was going to help you out with your modeling here, looking at the DPE balance in the high-\$300 million range at the end of the first quarter, I'd point you towards \$300 million or so at the end of the year.

Jana Galan - Bank of America

Congrats on the strong start to the year. Mike, I was wondering if you could share any trends you're seeing this spring between A versus B properties or urban versus suburban. And then maybe bigger picture, is this not the right way we should think about the portfolio given kind of this new -- not new, but this micro market focus and analytics that your team has developed?

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

It's a great question and definitely one way that we look at it, but it's sometimes hard to explain just given the footprint we have. I think it's easier to talk about some of the regions and then dive into some of the markets and what we're experiencing there. So maybe to back up just a little bit, what we're seeing today, and it's not going to surprise you, is the West Coast is continuing to do better than the East Coast, followed by the Sunbelt. I'd tell you all of them are on track, maybe a few markets doing a little bit better than we expected, as I mentioned in the prepared remarks, specifically San Francisco, New York and Dallas for us.

But as it relates to A, B, urban, suburban, it does vary by market. For us, San Francisco is a good example where urban A is doing better because you have more supply that's impactful as you move down the peninsula. But all in all, that entire MSA is doing well. And then you have a place like Boston, as an example. We're seeing a little bit more of an impact downtown urban A and less of an impact at our suburban B assets. So it's a little bit market-by-market specific on the A, B, urban, suburban piece of the equation. But again, we do have winners in each of our regions today, and we're off to a pretty good start.

Adam Kramer - Morgan Stanley

Recognizing the dispositions that were done so far this year, I think 4 assets, we've heard from some of your peers about the risk of shrinking the enterprise too much from dispositions. Wondering how you guys think about that, if that's the right framework, if it's more market specific,

if there are other drivers of how you think about how many assets you can sell and in what period and of time, presumably to generate proceeds to use for the buybacks that you've talked about?

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

Adam, this is Dave. I'll go ahead and start off with the answer here. So first of all, our disposition effort is centered around the playbook that has been in place since September. This is a point in time where there's an unusually wide disconnect between public and private market valuations. I've had the opportunity to follow the space over many years and have seen this a few times before. And my experience is that they proved to be fleeting. And so we are excited about the opportunity to recognize that, sell assets and then buy back stock in a manner that is accretive while also improving the quality of the portfolio.

So we can speak more about the dispositions that occurred in the quarter, but your question is more so around the go forward. What I would tell you is that the playbook will remain the same as long as the stock is as attractively valued as it is today. We have more assets on the market, and we will remain disciplined sellers and utilize proceeds where we can to continue to buy back the stock.

Ami Probandt - UBS

This is Ami on with Michael. Could you quantify approximately how much impact the portfolio lease realignment strategy may have on same-store revenue as we move forward? And I assume we wouldn't see any impact on blends, but let me know if you'd expect any impact there as well.

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

Yes. What I would point to, and I mentioned it when I covered the April answer, the fact that we had blends of 1.6% with a diversified portfolio, which was the highest amongst the peer group, I think that points to the strength. When we came out of the fourth quarter, just to back up a little bit and talk strategy, our intention was to drive occupancy in that 97% to 97.2% range with the intention of then driving our rents higher. I can't speak specifically for everybody else, but every 1% of blends that we're able to achieve, that's about \$7 million to the bottom line over the course of 12 months.

And so we think that we have a good start on the peers in the first quarter, and our intention is to continue to find those opportunities. It's a property-by-property and sometimes unit-by-unit level basis to find those opportunities to drive our blends going forward. And right now we're on track, but more to come, and I think we'll know a lot more when we get together at NAREIT.

Julien Blouin - Goldman Sachs

Is there any competitive disadvantage to you if consolidation among large peers occurs in some of your markets? And suddenly there being a player with greater scale, with a data advantage in terms of informing their decisions in those markets. Is that piece meaningful at all? And separately, do you worry at all about a transaction potentially attracting regulatory or political scrutiny right now?

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

Julien, this is Toomey. I'll take a couple of parts of that question and ask the group to weigh in as needed. With respect to the regulatory environment on potential transactions and M&A, I won't comment. I can't speculate where the government is or where the government is going. And frankly, if you can get that crystal ball, we can do really well at life, but I don't have that one.

With respect to the industry, I'd say this. It's a very fragmented industry. There have been dominant players. I've been at it for over 35 years, and there have been dominant players and yet everyone finds their space and their way to create value. I tend to think that we have uncovered ours over the years, and it's not requiring size to grow or accrete, if you will. I mean we kind of look at it and say excellence is the important thing to all successful companies and size is sometimes an advantage, sometimes not. But excellence, particularly in operations, in capital allocation and innovation matters.

And so I think we're focused on that path. Having large dominating companies in some other spaces has worked, but they generally ultimately relate to do they control the customer. In the case of you look at Simon Mall Company, they have a very good stranglehold on malls across the globe and are able to influence the customer. Or Prologis, where they have been able to influence logistics across the globe.

The apartment industry is too fragmented for that. And I don't see that as being an achievable element where any of us are going to be able to control the customer segmentation, traffic, et cetera, et cetera. So I would always welcome input on how we can get better. We'll keep focusing on that. But I think you have a sense of where our head is.

John Kim - Bank of Montreal

I was going to ask that last question, but maybe I'll tie that into something else. If you were a bigger company, would that attract a different shareholder base? And I wanted to tie that into the monthly dividend. From our perspective, it looks like a way to attract retail shareholders, maybe a bit of a gimmick. I'm sure that's not the way that you look at it. So maybe if you could just comment on your decision to go the monthly dividend route.

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

Yes, John, this is Toomey again. I'm really excited about the monthly dividend. Why? Because this is a topic that came up on our radar almost 2 years ago when we were looking at diversifying our capital sources. And that includes diversifying our shareholder base that would end up being drawn to our stock. And what it really kicked into was how much capital sits with high net worth families, family office business. And also as we started talking more and more with Wall Street and large capital allocators, they were coming together with bringing more income products to the market, so a monthly dividend became a selling point. So we see it as a shareholder of the future expansion opportunity. People are looking at the durability and record of your delivery of that cash flow and monthly is winning out over quarterly, over annually. So that was an important element in the decision.

And then as we got farther into the research, looking at the depth of it, what was striking to me was our track record of 53 years and nearly \$9 billion in dividends paid out. So we have the record. We have the business model that furnishes that cash flow. I think everybody knows what the apartment industry is like across America and can relate to it. So I'm looking forward to the receptiveness of it. We think it will be very positive. And that's why we've done it. And I think it's a net-net positive for us.

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

I want to just add one angle here. The monthly dividend switch is part of a broader push on our behalf to appeal to retail shareholders. And what they'll see from us over time is a multifaceted game plan around that with a lot of outreach adjustments to our marketing, et cetera. And we're committed to sticking to that. So this is one maneuver that gets their attention, but you and especially those retail investors will see more from us over time. And we're optimistic. The apartment business is very relatable to that cohort. It's something that resonates with them in terms of the cash flow of the residents through us and then out to shareholders. So we look forward to seeing this play out.

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

John, was there another part to your question?

John Kim - Bank of Montreal

Yes. If you have a large multifamily company that's doubling in size, does that attract a different shareholder base just given -- Tom, you alluded to Prologis. I think you might have mentioned Welltower or Simon. There are other large companies that may attract more general equity investors. And I'm wondering if that's something that's entered your mindset at all?

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

My guess is looking at it over time, certainly, you get re-indexed and you get a larger aspect of that. I think that's a net positive. Do you get other investors? I think active money is still trying to beat the index. And so they're going to move their money around to where they think the greatest growth and opportunities are. So I think it just plays out where there's enough capital out there. If you're doing a good job, you'll find and match it up and you'll grow your company accretively. And I think that's the element that we all have to continue to focus on is that growing accretively is critical, not size.

Richard Anderson - Cantor Fitzgerald

By the way, the Anderson Family Office is thrilled with the monthly dividend. The question I have is on turnover. And when I started covering the space, annual turnover was 65%, 70%. You guys are at 29% as of the first quarter. And I probably have asked a question like this in the past, so I'll ask it again maybe differently. But is there an efficient frontier to the point where you could just have too low of turnover and maybe people are just not moving and that might help explain not just for UDR, but generally, why you're having such a tough time sort of digging out of the hole of negative new lease rate growth.

Do you think there's any sort of logic behind this idea that maybe turnover has just gotten too low and you're not at the efficient frontier from a rent growth perspective?

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

Yes, Rich, and I'm glad to hear the Rich Anderson Family Office is eager about UDR. Here's a couple of things to think about. And what I'd characterize is you're right, turnover used to be a high number and you were looking at your business from the number of days occupied, who was paying rent, et cetera, et cetera. I think with the new data sets that we're seeing and when we start looking at our rent roll, what it turns out to be is that high-quality residents over longer periods of time generate more cash flow than a high turnover model.

So if you're in a cash flow business, you actually want low turnover taking rent increases. And then you ask yourself, what is the impact on your long-term business? Well, you're going to have greater cash flow. In our business right now, 60,000 apartment homes, the truth is annually, we only need to find 20,000 residents that are new. And I know everyone is focused on new rate growth. The question really is what's the capture rate of your renewals and what's the durability of that cash flow. And so now we're starting to endeavor into how we move the quality of our rent roll up. Because ultimately, real estate is valued by virtue of the underlying quality of cash flow and the lessee of that, and can we make a higher quality rent available. I covered a lot of different points there. Maybe Mike can add to that.

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

Yes. A few points I would add. I think first and foremost, what's interesting, and you mentioned it, the way we think about it is up to 2019 resident turnover averaged about 51%. And so we've reduced that by about 1,200 basis points. And really, since we started getting into the customer experience project back in 2023, we've been able to improve turnover by about 800 basis points, which turns out to be about 400 basis points better than the peer average. So we've made a lot of strides. I can tell you, we're still learning a ton every day. And what's interesting when we went into the year, our expectation around turnover was it was probably going to be roughly flat on a year-over-year basis.

Turns out we're about 300 basis points better on a year-over-year basis. And where we've been leaning in as of late, and you can see it in our renewal growth, is where can we start pivoting and trying to drive that number as well. And so I'm happy to report 5.2% growth in the first quarter which is very strong.

So overall, we've come a long way. We're still learning. We still think there's opportunity on this front. And to Tom's point, there's another iteration that's to come, and that's around how we think about pricing, how we think about marketing, and how we truly drive that cash flow even higher.

Alexander Goldfarb - Piper Sandler

Tom, certainly appreciate the focus and emphasis on the dividend. It's a big part of total return. But as you think about going after the retail crowd or the high net worth crowd, a few things come to mind. One is it seems like a lot of these private REITs or other similar products have higher dividend yields. They go after maybe more, I don't want to say lower quality, but sort of more

generic assets that have higher current income. The other is sales load commissions that private REITs pay. Clearly, you're not doing that. Apartment REITs tend to be pretty low dividend yields. How do you think about getting that competitive? And you aren't paying commissions so how do you think about breaking into that high net worth distribution channel that the private REITs and those other structured products seem to enjoy for themselves?

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

Alex, it's Dave. Great topic, something that we've discussed internally extensively as we worked on this. And Tom did say it's something that the team has been working on for some time and put a lot of thought into. Really, it's an opportunity for us in the broader REIT space to educate the marketplace on the virtues of REIT investing. And I thought that you covered it well, Alex. It's about the total return. The dividend yield is a part of that. And unfortunately, in some of these other products, sizable fees can eat into that.

So it's an opportunity in front of us, and we already have a nice schedule of appearances and conversations set up that will put us well on our way towards executing on that. We know that there's other products out there that are marketed in certain ways, but we believe that the numbers speak for themselves, and we look forward to educating that cohort on it.

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

Alex, this is Toomey. I'd just add that you're right with respect to the fee and yield trade-off. But one aspect that REITs have is liquidity and transparency, which a lot of these other products when we've talked with investors, they're waiting on the appraisal. They don't know when their window can open or close. Here, you have a security that underlies that every day you understand what it's worth. It has liquidity, size and scope, and you have transparency.

Austin Wurschmidt - KeyBanc

Mike, I wanted to revisit your commentary around the Sunbelt lease rate growth moderating in April. And I was hoping you could provide some additional detail as to what's driving that softening. And if you think it's something temporary or seeing it persist into May and June? And was it also specific to any 1 or 2 markets or broad-based?

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

Yes. Great question, Austin. What we're experiencing right now is, I think, more of a blip, if you will, because we do still expect that we could see more of an inflection in the Sunbelt this year at some point. And that's built into how we looked at our guidance for the year. Right now, I would tell you it's a little bit more specific to, say, Florida than it is in Texas, and even Nashville saw a little bit of a downtick.

I think some of it has to do with market rents just not moving up as much as we would have expected over the last, call it, 30 to 45 days. And with that, you do have to negotiate a little bit more on your renewals. And so we were pretty aggressive with our renewals, as you could see with what we signed. I think we had to retreat a little bit in some of those Sunbelt markets. But my expectation is we're going to continue to work through the supply, and we could see market rents

start to move back up throughout the summer, and that could help continue to drive those markets as we go forward.

Michael Stefany - Mizuho

How does UDR assess the risk to its Boston portfolio from the Massachusetts proposed statewide rent control measure on the ballot this upcoming November? And can you just remind us, is UDR spending additional advocacy costs within the guide? And what cap rate or unlevered IRR would a Boston apartment trade at today?

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

This is Chris. I can take the initial questions. I don't think we're ready to handicap the risk yet, as we're still very early in the process. As you probably know, we're actively engaged with local owner groups, including some of our large public peers and larger trade group partners to oppose the measure in Boston right now. And with regards to how that is proceeding, we'll provide updates as appropriate moving forward. There's just not really a great update to provide right now.

Fundraising is happening. We have contributed. I can let Dave talk to that or I'm happy to talk to the contribution part as well. That's probably in the neighborhood right now of around \$0.5 million that we've given to the initiative. Most likely, we will go higher over the next couple of quarters. I will stress, though, that this is nothing compared to what was spent in California on their ballot initiatives. Massachusetts is obviously a much smaller market. So we feel that from a cost perspective, from a funding perspective, it will be a smaller fraction than what we saw in California.

As far as pricing?

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

I can touch on that. It's hard to generalize across the market. But what I would tell you is that this uncertainty has had an impact. We've seen less transaction volume. That makes it harder to decipher exactly where cap rates are, but our experience is that directionally this uncertainty at this point in time has had an adverse impact on price.

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

This is Toomey. I just might add. It's one thing for us because we've talked and said, is it a buying opportunity given the market is frozen? And I think you have to be careful about that. But I think with our team and our insight with respect to how this is progressing, I wouldn't take it off the map. It screens well versus other markets on a long-term basis within our analytics platform, and it might be a good arbitrage window, but we'll keep looking at it.

Alexander Kim – Zelman & Associates

I wanted to focus a little bit on San Francisco, which you highlighted as a standout market. Given some of the growing debate around AI CapEx sustainability, tech headcount plateauing, and some federal deregulatory risk to tech market dynamics. Just curious if there's a read-through that you've seen in terms of the recent macro noise in your leasing velocity or traffic? And what's your stress case look like for the market?

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

This is Mike. I'd tell you right now, what we're seeing is continued strength. And I think when you talk about AI and the jobs and everything that could happen there, you have to think of a few other points. And so for us in San Francisco, what I'm looking at and how I think about the market is very low supply, not only today, but also into the future. And so we have that positive backdrop. We do see the return to office. That's in effect right now. We're seeing more migration, people coming closer to work. So places like SoMa and downtown are definitely seeing their fair share of traffic today. And that AI growth is more specific to that downtown SoMa area as well. So we continue to see a lot of momentum, not only just on the traffic side, but also on our market rents, which leads to renewal growth as well.

In addition, that city is vibrant. We're seeing bars and restaurants open back up. We're seeing more retail return to the city. And at the end of the day, we have low rent-to-income ratios. So there's a multitude of things that are playing as a positive in San Francisco, and our expectation is we're going to continue to see strength in that market for the foreseeable future.

Mason Guell - Baird

Could you talk about how you're viewing potential development opportunities today and if you would look to start development on some of your land parcels in the near term?

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

Mason, this is Dave. Thanks for the question. As we noted in the opening, we're really pleased with the progress on the asset that we do have under development. As it relates to the go forward, when we look at our land bank, we have a couple of existing sites that do fit comfortably in our strike zone, and I'll describe that. First, they're adjacent to existing operating assets. So they're essentially expansions in submarkets that we know well. Second, they're stick-built or a podium. And third, the returns on incremental capital deployed would be above 6% if activated. So there is an opportunity to potentially activate these and deliver into a less competitive supply environment in '27 and '28. And if you were to see movement from us on that front, that's how we would describe it.

John Pawlowski - Green Street

I apologize if this has been asked. I joined the call late. Dave, could you share the range of cap rates on the 4 dispositions in the quarter as well as the effective cap rate on the Portland, Oregon asset you consolidated?

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

John, yes, thank you for the question. As it relates to the assets that we sold, 4 assets, I want to tell you a little bit about them because it puts it in perspective. Average age, 38 years. Rents below the portfolio average, but that's not highly important. What's more important is that through our lens, the outlook for rent growth among these assets is inferior to the retained portfolio. And the CapEx needs are above average. So when we talk about these criteria for acquisitions and dispositions, this group of assets checks those boxes.

We saw pretty deep and competitive bidding pools for these assets. Pricing came in within a few percentage points of our expectations, with a market cap rate in the mid-5% range. Then as we think about Portland and the opportunity that we're excited about there, I'd characterize that yield today as around 5%. A lot of upside for Mike and team to get in and stabilize it and work his magic from an operational perspective, which will get us to a stabilized yield in the high 5% range.

Brad Heffern - RBC

Another question on Portland. You obviously mentioned it's moved up your ranking list and taking on a couple of assets there. At the same time, it is kind of a smaller market. It doesn't have a ton of exposure for the public REITs. And I think part of that is just it's been a relatively challenging regulatory environment at times. So I'm wondering if you can talk about the positive aspects that you see and how that balances out with the negative.

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

Brad, this is Chris. I'll start and then I'll throw it over to Mike if he wants to say anything as well. To start at a high level, Portland does look right now like one of our better markets from a demand-supply perspective. 2026 job forecasts for the market have doubled since the beginning of the year. Wage growth acceleration is the best within our market footprint right now. On the supply side, similar to what Mike talked about in San Francisco, deliveries are way down. 2026 deliveries are only supposed to be about 0.7% of stock, similar in 2027. This is well below what we saw in 2024 and 2025. Importantly, most of those deliveries are concentrated away from these 2 assets.

But as you alluded to, our analytics obviously dig much deeper than the high level. And for these assets, our platform likes Portland as a market on the upswing as we look across our broad set of variables. More importantly, for the assets themselves, it generally likes the demographics, it likes the psychographics, it likes the asset level characteristics, the micro location, and new supply outlooks for both of those assets. When you combine all those things per our analytics, that should translate into outsized rent and cash flow growth moving forward beyond what Mike can also put on top of it, and I'll let him talk about some of that.

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

Yes. Thanks, Chris. I'll tell you how I think about the market as well as the opportunity we see at these sites. First, while it is a relatively small market for us, the Portland team has always performed well. I'll give you an example. Occupancy for our Portland portfolio is above 97%, and we're seeing blends in the 2% to 3% range. We view this opportunity to provide more scale. It does effectively double the size of the market for us. So when we think about these properties specifically, we think we can drive controllable operating margin improvement between 300 bps to 400 bps over the next 12 to 18 months just through staffing efficiencies, vendor consolidation and other income opportunities. So we're looking forward to getting our hands on them.

Omotayo Okusanya – Deutsche Bank

I just wanted to go back to the regulatory front. You did discuss Boston, but just kind of curious in terms of some of the other headlines out there, Senator Warren asking a whole bunch of the residential REITs to divulge more information about their business operations. Some of the stuff

President Trump is trying to do to improve housing affordability. The news from Washington, D.C. the other day about MAA being sued to provide more insight into their rent structures and junk fees. What you think collectively from a regulatory perspective, are there any real concerns that some of that stuff could impact how the business is run going forward? Or does it just kind of feel like a lot of noise and it should be business as usual at the end of the day?

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

This is Chris. I'll jump in and then let anyone else add as they want. I think it's honestly too early to talk about how some of those bigger picture pushes at the federal level might affect operations. I can tell you, once again, the things that we're focused on right now are really tenant-friendly initiatives or policy changes. We already spoke about Massachusetts. But we're also looking at Salinas, California. We're looking at New York City. We're looking more recently at D.C. proper.

Obviously, if any of those measures go through, they would potentially have a tangible direct impact to our assets in those areas. Once again, we formed ownership groups. We've contributed funds along with our peers. We're working with larger trade groups to defeat those measures. And I would tell you the positive for UDR is that we have a very in-depth governmental affairs team that monitors the federal level, the state level, and the local level. And they keep all of our capital and operations teams apprised of any changes that occur, whether positive or negative. And that's what we go off of, and we're able to handicap what we think is going to happen going forward.

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

Tayo, this is Toomey. I'd just add this. I'm proud of the industry pulling itself together and educating politicians on what good housing policy looks like. I think we want a thriving America, a thriving housing marketplace. And there are ways to get there without stopping development or stopping rent growth. Capital makes better homes. And capital is not going to arrive to the industry if it feels threatened. And I think politicians get that. And as we've educated them more and more, we see how we can work together to create thriving communities.

So we're not in this for a fight. We're in this to make a better place for all of us to prosper. And we found ways to do that and education is the great piece where it starts and then building coalitions around that. And we think as voters start to see more and more of the facts laid out, they'll understand that they want to live in a thriving community and what it takes to build that together. So it's not being ignored, it just takes a long time to bend the curve, if you will.

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

Let me thank all of you for your time and interest and support of UDR. I thought it was a very productive call today and we welcome your insight and follow-up questions, which the team is always available to discuss. We look forward to seeing you at many of the upcoming industry events over the next couple of months. And with that, take care.

Edited for Readability