Second Quarter 2026 Earnings Call

July 28, 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 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 of 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 over the call 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 Second Quarter 2026 Conference Call. Presenting on the call with me today are Chief Operating Officer, Mike Lacy; Chief Financial Officer, Dave Bragg; and Senior Officer, Chris Van Ens, who will be available during the Q&A portion of the call.

To begin, the fundamentals of the apartment industry have been favorable in 2026, specifically employment growth has exceeded consensus expectations. Housing affordability remains in favor of renting relative to homeownership and new supply of apartment homes continues to abate. This backdrop, combined with our execution across operations and capital allocation, produced second quarter results that exceeded our expectations. In turn, this led us to raise our full year same-store growth and FFOA per share guidance.

Operationally, we performed exceptionally well. The apartment industry is strengthening, but what differentiates UDR is data-driven capabilities, continuous innovation and disciplined execution. Mike will elaborate on our operating strategies and tactics employed to generate results that delivered more cash to our bottom line.

As it relates to capital allocation, we follow a data-driven approach to risk-adjusted returns when determining sources and uses of capital, which we visualize through a heat map. This process led us to sell assets with proceeds used to repurchase our shares at sizable discounts to NAV.

Furthermore, as our tools for evaluating risk-adjusted returns have advanced, we have made the strategic decision to let our debt and preferred equity book run off in the coming years. Our focus on operational excellence and data-driven approach to identifying investments with outsized growth led us to this choice. UDR is an industry-leading operator, not a lender, and we do not plan to reenter the debt preferred equity business. Dave will further discuss this and our capital allocation activities in his remarks.

Moving on, later this week, UDR will distribute its first monthly dividend. Our history of delivering nearly $9 billion of dividends over 54 years demonstrates UDR's track record of stability, growth, transparency, liquidity and robust results. As we shared last quarter, our research indicated an opportunity to diversify our investor base by appealing to a growing segment of the market that values frequent cash flow distributions. Since announcing our shift to a monthly dividend, we have extensively engaged with a number of new capital channels and have received positive feedback.

Finally, I'm happy to report that UDR was recently named a Top Workplace winner in the real estate industry for the third consecutive year. This achievement extends our track record as a leader in corporate stewardship and reflects the engaging employee experience we have built while solidifying our stature as an employer of choice. This is further evidenced by our associate turnover rate at only 19%, which is substantially better than the industry norm of 34%.

In conclusion, we're pleased with our results in the first half of the year, which has set us up for a better-than-expected 2026. We are focused on excellence across operations, capital allocation and access to capital. This constant pursuit is underpinned by our innovative culture and approach to data. 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 second quarter same-store results, our increased full year 2026 same-store growth guidance, including underlying assumptions and recent operating trends as well as our strategic positioning.

The second quarter exceeded our outlook as we leverage real-time data to drive total revenue and cash flow growth. Specific to the quarter, year-over-year same-store revenue growth of 1.8% was driven by the following: blended lease rate growth of 2.1%, which accelerated by 50 basis points compared to the first quarter results and exceeded the high end of our 1.5% to 2% range; year-over-year innovation income growth in the mid-single-digit range, which continued to bolster our results; healthy occupancy that remained in the mid-96% range; and a 60 basis point contribution from improved delinquency, reflective of our focus on attracting and retaining high-quality residents.

Resident retention of 60% marked an all-time seasonal high and was 140 basis points better than the prior year. This not only supported occupancy and improved bad debt but also led to constrained same-store expense growth of only 2.6%. This demonstrates the value we created by delivering a high-quality customer experience as well as the scalability of our platform as evidenced by our industry-leading efficiency of 43 apartment homes managed per associate.

Based on our year-to-date results, we raised our full-year 2026 same-store growth guidance in conjunction with yesterday's release. Starting with same-store revenue growth, we raised our midpoint by 12.5 basis points, resulting in a new range of 0.75% to 2%. The increased midpoint is entirely driven by blended lease rate growth with first-half performance of 1.9%, exceeding our midpoint expectations of 1.75% as the spring and summer leasing season is elongated compared to our original expectations.

We continue to expect blended lease rate growth for the second half of the year will be between 1.5% and 2%, which means blended lease rate growth does not need to accelerate versus the first half for us to achieve our revenue growth guidance. In the event second half blended lease rate growth exceeds our expectations, that benefit would mostly accrue to 2027 since we have already completed the majority of our 2026 leasing activity. Beyond blended rent growth, we expect to operate with occupancy in the mid-96% range for the rest of the year and generate mid-single-digit growth from innovation income.

Moving on to same-store expenses. We improved our full-year midpoint by 50 basis points to 3.25%. This was driven by constrained growth across repairs and maintenance, real estate taxes, and insurance. Combining the improvements to both our revenue and expense growth guidance, we increased our same-store NOI growth guidance by 50 basis points.

Turning to regional performance. Second quarter results were led by our coastal markets, which delivered blended lease rate growth of 3.8% on average as compared to negative 2% blends in the Sunbelt.

More specifically, on the West Coast, San Francisco remains a standout market with the strongest revenue growth across our portfolio, driven by blended lease rate growth of approximately 13% and occupancy in the high 97% range. Orange County also delivered attractive results with blended lease rate growth of more than 3%.

The East Coast was led by New York and Philadelphia, with mid-single-digit blended lease rate growth and mid-97% occupancy in each market.

Dallas remained our strongest Sunbelt market, while Austin showed the best momentum in blended lease rate growth, coupled with 97% occupancy.

Beyond market influences, we continue to differentiate ourselves from peers by enhancing our revenue growth with services and amenities desired by our residents.

To conclude, we delivered second quarter results that exceeded our expectations and drove our full-year guidance raise. Our team's ability to leverage real-time data continues to bear fruit and early third quarter results are tracking similar to the second quarter. Demand for our high-quality apartments is outpacing supply and our ability to tactically adjust operating strategies tailored to each asset is a testament to the exceptional caliber of our teams across the country. We will continue to innovate, improve resident satisfaction and expand operating margin while positively impacting the communities we serve. 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 second quarter financial results and third quarter guidance, recent transactions and capital markets activity, and a balance sheet and liquidity update.

To begin, second quarter FFOA per share of $0.64 achieved the high end of our guidance range and exceeded consensus. The $0.02 per share increase versus the first quarter was driven primarily by higher NOI. As year-to-date results have exceeded our initial midpoint expectations, we have raised full year 2026 FFOA guidance by $0.01 per share at the midpoint to $2.53. Looking ahead to the third quarter, our FFOA per share guidance range is $0.63 to $0.65. The $0.64 midpoint contemplates the operating environment that Mike discussed.

Next, capital allocation. Our perspective on the risk-adjusted returns on sources and uses of capital as reflected in our capital allocation heat map continues to guide our strategy. For much of the second quarter, our stock traded at an unusually wide discount to private market apartment asset pricing. This allowed us to take advantage of the public versus private market arbitrage opportunity to sell assets and repurchase our shares. Our data-focused and collaborative process, which includes our Orion Analytics platform as well as our perspective on operating upside potential and CapEx, yields disposition assets that offer inferior cash flow growth prospects than the remaining portfolio. As a result, the process of selling assets and repurchasing shares enhances long-term cash flow per share growth.

As the discount on our stock narrowed, we stayed nimble and turned our attention to select development and opportunistic acquisitions. As such, we executed the following transactional and capital markets activity during the second quarter and thus far in the third quarter.

First, we completed the sale of one apartment community and are under contract to sell three more. Estimated gross proceeds from these four dispositions total approximately $295 million and would result in 2026 disposition activity of approximately $650 million at a mid-5% buyer cap rate on average. We selected these assets for sale based on property level characteristics with a focus on three criteria: one, the outlook for rent growth per our proprietary analytical tool named Orion; two, CapEx requirements; and three, potential operational upside or lack thereof. This group of assets screens inferior to our retained portfolio on these metrics.

Next, on share buybacks. We recently expanded our share repurchase program to approximately 30 million shares, and during the quarter we repurchased approximately 5.5 million shares for $200 million at an average price of $36.49 per share. This brings total repurchase activity since September of 2025 to 11.5 million shares for approximately $420 million at an average price of $36.34 per share, which equates to a mid-6% implied cap rate.

Then, we commenced development on a 385-apartment home community in Northern Virginia. This is a Phase 2 development located adjacent to an existing UDR apartment community, which enhances efficiencies and therefore, the stabilized yield we expect to achieve. Sticking with development, our team also continues to impress on 3099 Iowa, our ground-up development in Riverside, California, which is now two quarters ahead of schedule for initial occupancy and 5% under budget. For both developments, we expect to achieve a mid-6% stabilized yield.

Also, we opportunistically acquired two communities in Portland and one in Los Angeles through our debt and preferred equity program. Thinking about these assets as a three-property portfolio, it screens well on our primary investment criteria, namely our Orion Analytics platform signal for rent growth, CapEx and operating upside potential once transitioned to the UDR platform. Additionally, by adding more than 500 units in Portland, we enhance our operating efficiencies in that market.

Lastly, we're pleased to have formed a new joint venture with Carmel Partners, who acquired MetLife's 50% interest in our Columbus Square assemblage in New York. UDR's economic interest and fee structure in the joint venture did not change. With the transaction, we funded a $50 million mezzanine loan to Carmel. This loan is unique in that we have been and will continue to be the operator of Columbus Square. Also, the contractual return will be paid current in cash.

Considering our year-to-date activity, we have updated our full-year capital sources and usage guidance. Included in this outlook is our expectation that the size of our debt and preferred equity portfolio will continue to decline from $380 million at the end of the second quarter to approximately $250 million to $300 million at year-end due to successful repayments, opportunities to gain control of assets, and our disciplined underwriting where other capital uses offer superior risk-adjusted returns and growth.

As Tom touched on, UDR has better tools today than it did more than a decade ago when we entered the debt and preferred equity business. Our focus on operational excellence and our data-driven approach to investing underpinned by Orion increasingly allows us to find and execute on investments with outsized upside. By contrast, the returns on our Debt and Preferred Equity, or DPE, business are capped. Upon consideration of these dynamics, we have made the strategic decision to let our DPE balance run off over the next several years as maturities occur and/or we gain access to assets for which we see upside potential. Going forward, as successful paybacks occur and/or we gain control of assets that we like out of the book, we think about the impact of deploying into alternative investments such as acquisitions or redevelopment as having an approximately 400 basis points lower yield than DPE. This results in initial dilution of about $0.01 per share for each $100 million not redeployed into the DPE business. Over the long term, this impact narrows due to the growth we will see from these investments relative to the capped returns on DPE.

In all, our capital allocation and balance sheet management strategies remain nimble as market conditions warrant. What does not change is our emphasis on data-driven decisions that drive long-term cash flow per share accretion. And our investment-grade balance sheet remains highly liquid and fully capable of funding our capital needs with nearly $1 billion of liquidity. With that, I will open up the call for Q&A. Operator?

Eric Wolfe - Citi

There's been some questions and discussion from investors about UDR potentially being involved with AVB and EQR, I think just based on some of the details in the merger proxy. I assume you don't want to comment on that specifically, but I was hoping to understand the process you go through and the Board goes through to gauge whether something strategic might make sense and, sort of, how that overlays with how you think the business will change going forward?

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

Eric, I appreciate the question. And what I'd start off with is I'm not going to respond to speculation. What I am going to focus on and what the Board and management team are focused is our strategy and acting in the best interest of our shareholders. So we always weigh the options that are presented to us and also what we are capable of executing. We're excited about what our strategy points to, which is operational excellence, capital allocation, as well as access to capital. And we think our strategy as laid out has great potential. We're excited about it, and we'll continue to execute on it.

Steve Sakwa - Evercore Inc

I was wondering, Mike, if you could provide some July, August, September trends in terms of renewal notices that you sent out. I look back at my notes from Nareit, and I thought you had talked about a mid-4s renewal. So maybe just update us on where you're trending on that? And anything around new lease growth in July would be helpful.

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

Yes, of course, Steve. I appreciate the question. First and foremost, we're very pleased with our second quarter results and the continuation of that relatively strong leasing season that we've been talking about. Turning to current trends, specifically around your question on July and August, what I would tell you is it looks a lot like the last couple of months. What I'm seeing today is occupancy in the mid-96s, a sustained level of blends currently at the top end of our second half range, and as a reminder, that's 1.5% to 2%. And we're seeing continued progress on lower turnover, better cost controls as we move forward.

I think it's important to give you a few observations on what we're seeing around some of our regions. I'd tell you our coastal markets, as a reminder, make up 75% of our NOI. We had blended rent growth of 3.8% during the second quarter. What I'm seeing in July is very similar, including sustained blends in the Sunbelt markets where we have 25% of our NOI. As we previously discussed, we saw a little bit of pricing weakness during the second quarter. That turned into about negative 2%. Right now, I'd tell you month-to-date in July, it's a little bit better. So, I'm seeing a little bit more momentum, around negative 1.5% versus that negative 2%. So again, slightly better, but we're feeling good about where we're progressing, and it's more of an elongated season.

Specific to your question around renewals, we are sending out between 5% to 5.5%. We're negotiating around 100 bps. And so my expectation for the third quarter is we're probably going to see around plus or minus 4% moving forward. We still feel good about that as it relates to new lease growth. And when I look at market rents over the next, call it, four to five months just thinking about normal seasonality, that trajectory we typically see on a sequential month-over-month basis, I expect we'll probably continue to see blends around that 2% range, and specific to new leases, you're probably looking at flat. And I think in all regions, we could see flat new lease growth through September, which, again, is a little bit more elongated than we originally thought when we came into the year.

Jamie Feldman - Wells Fargo

You, and many of your peers, keep reporting historically high retention rate. And as we're thinking about the back half of the year, I appreciate all the color you just provided on renewals and outlook, but how should we think about where the cycle is now versus historic seasonality and historic operating conditions?

And as it does seem like the supply pipeline is working its way through the system, maybe some bigger picture context of what you think '27 and the next couple of years should look like given what the industry has gone through the last several years?

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

Jamie, it's Mike. I'll start and see if anybody else wants to jump in. I think for this one, it's good to give a little context. So historically speaking, we would typically see around 50% to 51% turnover. And when I quote that, that's more of a 2010 to 2019 timeframe. But since then, we've really put a lot of focus, and we've talked a lot about, the customer experience and where we've leaned-in to try to drive our turnover down. Last year, we hovered around 38% to 39% turnover, so significantly different.

Going into the year, we expected it to be roughly flat in 2026. And I'll tell you right now, it's probably trending to about 150 basis points to maybe 200 basis points better, so around that 37%, 38% range. And so significantly different than where we've been. But I think it's important to talk a little bit about some of the things that make UDR different, how we compare to some of our peers. When you look at our turnover, we're outpacing them by about 400 to 500 basis points over the last couple of years. And that has everything to do with the work that we've done with the customer, understanding that lifetime value versus transactional approach, utilizing the millions of data elements every day to have those conversations with individuals and change that trajectory. So that's led us to some pretty significant results.

But what we're more excited about is what's coming next. And when we think about that Phase 3, if you will, it's more around the rent roll quality, where we still think that there's gas left in this tank, and we're going to continue to lean in to not only drive our turnover down, but we're also looking for opportunities to bring our pricing up. And I think you've seen that when I quote things like our blends in the coast being at 3.8% versus lower growth from some of the other coastal peers that have recently reported. We have strong growth coming out of those areas.

In addition to that, the teams have really started to lean into some best practices, things that are really working for us, things that we believe will continue to drive turnover down and increase our renewals. Aside from that, we've created about 40,000 touch points with our existing resident base. That's making a difference. And I'd tell you one other thing I'd point to is our reviews. When you look at 4-star and 5-star reviews, we're up 50% on a year-over-year basis. So really starting to make a difference on what you see when you go out to our websites.

This is creating reduced turnover, lower bad debt, which you've seen in our numbers, better pricing power across new and renewals, and we think it's going to provide us a more effective marketing avenue as we go forward. So a lot of excitement here.

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

Jamie, this is Dave. I would also just provide a broader historical perspective for the industry that tells us that subject to the economic landscape, higher turnover can be a good thing. If we look back to, say, the middle of the 2000's, turnover was around 55% at that time with very high rates of move-out to buy, but apartment revenue growth was in the mid-single-digit range, thanks to great job growth at that time.

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

Jamie, you're catching the trifecta. I think all of us want to weigh in on such a nice open-ended question. My characterization would be along the following: one, we've moved past 50-year record-high supply, have a good stable economy, and the runway for the housing rental market looks very solid.

And you think about what our business is driven off of is job growth and supply and then how we operate. And on the things that we control, thematically, you could see that we have invested heavily and built tools around data to cash flow conversion. And what Mike and Dave highlighted is fundamentals around how we price the product and how we invest our capital.

I think the refinement of those leads to excellence around operations, excellence around capital allocation, and then that will garner a better cost of capital for us in the long run. So we're excited about the overall, I would say, simplicity of the strategy, but more importantly, the execution around it and the foundation that we've built. So I think we're set up well. I really appreciate the question.

Nick Yulico - Scotiabank

Dave, I wanted to go back to your commentary on the DPE book and the likely wind down there and the earnings impact. I think you said it's about $0.01 dilution for each $100 million not redeployed into DPE. So is it right then to think about a cumulative $0.04 annual impact to FFO that could hit at some point? And I guess from a timing standpoint, you have an average 2 years left to maturity on those investments. How should we think about that timing impact? And then also if there is any difference between taking back assets versus getting redeemed at par and redeploying into new investments that would change that math?

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

Nick, thank you for the question. So to start, let's frame the journey that we've been on over the last year, the DPE book balance has shrunk from a peak of about $725 million in the first quarter of last year to about $380 million at the end of the second quarter this year. And that's for three reasons. The market has become increasingly competitive, and we've remained quite disciplined. Also, we've enjoyed successful paybacks. And third, we've been able to get a hold of some assets that we're really excited about.

So what we seek to do is really enhance our focus on investments where we will see upside. We have a focus on operational excellence and also a data-driven approach to investing that's underpinned by Orion. That allows us to find opportunities that don't just produce a yield today, but one that grows over time. By contrast, the returns on DPE are capped.

So we're excited to narrow that capital allocation focus and play for a higher quality and ultimately better growing stream of earnings over time. To make that transition, it does require us to get from here to there. And to put some parameters around it for you, first, I would touch on 2026 because we're not in a position to provide guidance on future years, but I can frame the size of it.

We're going from an average balance of about $550 million, that was last year, to an average balance in the $300 million to $350 million range this year. So that couple of hundred million difference at that spread that I mentioned of 300 to 400 basis points depending on what we're redeploying into, such as buybacks which has been a big focus this year or potentially redevelopment, that would result in about $0.01 per $100 million.

We've contemplated that already in our guidance for 2026 with the path from $380 million at the end of the second quarter to the range of $250 million to $300 million by the end of the year. Then as we go forward, we think about the book having maturities that are staggered pretty equally over the course of 2027 through 2031.

And so the income contribution of the book for 2026 is about $0.10 per share. And you could think about over the next several years, '27 through '31, the maturities occurring over that time to take us down. But we're redeploying into assets that have growth. So that earnings impact mitigates over time as we grow into our new investments.

Austin Wurschmidt - KeyBanc

Mike, I wanted to go back and touch on the Sunbelt trends a bit including your comments about the momentum in Austin and Dallas being one of the strongest markets across the region. But you really saw minimal new lease rate growth within those regions, even deceleration in the Southwest. I was just hoping you could expand on the underlying market trends and whether you think that lower turnover is actually elongating the pressure on new lease rate growth across the Sunbelt.

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

Great question, Austin. I think specific to some of the markets within the region, I can give you a little bit of color, maybe starting with Dallas because on an absolute basis, when you look at blends and occupancy, it's still our best performing Sunbelt market. And given that it's 9% of our NOI, it's an important market for us. Today, what I'm seeing is about 97% occupancy, blends still in that plus or minus negative 1% range. So still feeling some of the pressure of supply there.

But I would tell you there's some notable things that are driving some of the demand that I think are important to note. A couple of them, Public Storage moved their headquarters to Frisco. We have a couple of thousand units in and around that area, and they can support up to 1,000 employees. So we're seeing a little bit of a benefit there. We see Samsung moving their headquarters to Plano. That's supporting about 1,000 employees, so that's beneficial to us. And then also AT&T's headquarters will be located close to about 2,000 of our homes as well. So there's some strong dynamics coming out of the demand side in Dallas that we are looking forward to taking advantage of.

Moving down to Florida, that is about 10% of our NOI split between Orlando and Tampa. We are experiencing some momentum in both areas, running around 97% occupancy today compared to 96% during the first quarter. And I'm seeing blends there around negative 1.5%, which is a bit of a change from what we experienced during the last quarter where we were between, call it, negative 2.5% to negative 3%. So strong momentum.

Maybe one other one, Nashville, which is only 2.5% of our NOI. So it's a relatively small market for us. Occupancy is in that 95.5% range, which is mainly due to a building where we have some down units that's causing a little friction on our occupancy. Blends are still in the negative 2% to negative 3% range. We are still seeing some pressure from supply in different parts of Nashville. But what is promising is some of the major employers continue to expand their presence in Nashville, specifically the key anchors such as Amazon's Towers down in the Nashville Yards, Oracle's $1.2 billion campus, and the revitalization surrounding the new Nissan Stadium is really driving some demand, too.

So again, if we can get through some of the supply pressures in these markets, which we're starting to see, we think that there will be some uptick in some of our market rents as well as renewal growth as we go forward.

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

Mike, did you want to tie back to the earlier comment and question on DPE and dilution about growth?

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

Yes, absolutely. First and foremost, whenever we can get our hands on these properties and start to manage them, we can definitely see a difference. And to Tom's point, I can give a little bit of color on some examples.

When you think about a place like San Francisco, everybody knows there is very strong growth there. But what's been interesting to see for us, you have a place like Oakland, and that's where we had one of these DPE deals that we took over. That's been our best-performing asset in that market. And when you think about San Francisco, we had 8% revenue growth; we had 14% growth at that deal in Oakland. And a lot of that is being driven by the rental growth that we're achieving there, which is around 20% versus 13% across the rest of the MSA. So strong performance coming out of there.

Another example is Philadelphia. We've got a deal in Center City, Philadelphia where we are seeing around 8% growth compared to the market in general being around 4%. That's just on the top line, and the results that we're seeing include significant savings as it relates to cost controls, too. So they're performing well today.

Michael Goldsmith – UBS

It looks like it's been much more of a normalized peak leasing season this year. So what do you think has changed from the perspective of demand that is driving that?

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

I think there's a few things. Maybe I can highlight some of the stats, things that we watch as leading indicators. But one of the big things I'd say is just some of the migration patterns. When you think about individuals that are leaving the MSA, what we're seeing today is it's around 19%, which is down from 23% last year. So not necessarily as many people leaving the MSA. And as it relates to people coming into our portfolio, it's rather similar. So right around 26% of our move-ins today, it was 27% last year. So that's been pretty consistent.

Some of the other things that jump off the page to me are we're still not seeing people double up, and we still have around 1.8 residents per home. We still have low rent-to-income ratios across our portfolio in the 21% range, which has been beneficial. And in addition to that, we have lower cancels and denials today than we did a year prior, hovering in the 35% to 37% range. Previously, that was just above 40%. So a little bit stickier. People are taking those applications and they're moving in.

So it feels like it's just been a little bit stronger than we would have expected. I think I highlighted it's definitely more pronounced in some of those coastal markets today than maybe the Sunbelt, but it's nice to see some momentum as we go into July in some of those markets as well.

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

I appreciate the question. This is Toomey. With respect to the biggest difference, I think it's supply in the way it's getting priced. And we're looking at it and seeing what people are sending out for renewals, how much is coming online. The abatement of supply has helped us a lot to lengthen the leasing season.

And the backdrop of that is a solid employment picture across a lot of our markets supporting it. So with that dynamic, you can see how it sets up for a better '27. We won't be facing that element of supply that we've had to deal with in the past. And with some luck, a robust job market continues.

Julien Blouin - Goldman Sachs

Mike, I just want to double-click on some of those comments around new lease. I think I heard you mention that you think new lease could be flat through September. I think that would imply about a 60 basis point acceleration versus the second quarter. And I was just looking over the last few years, it seems like we saw over 200 basis points of sequential deceleration in new lease into 3Q. How much visibility and confidence do you have at this point on new lease bucking that trend this year? What feels different?

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

The thing that I typically point to and one of the leading indicators that I find to be most beneficial is our 30-day trend. And today, when we're running closer to 96%, it does give us confidence that we can continue to try to test the waters as it relates to market rents. And so I'm looking 30 days out. I've got a pretty good idea of where July and August are going to shake out. And so that gives me confidence that we're going to continue to see a similar trend.

I think we still do have some of the dynamics of market rents coming off pretty significantly in some areas last year, especially through the back half of the year. And so there may be some opportunity to anniversary off of that, but we're not banking on it yet. I'm mainly going off of what's happening today, what's that sequential line item look like in terms of market rents. And again, where is our occupancy and where we have the opportunity to push.

And so right now, it feels good. It feels like that plus or minus 0% on new leases is achievable. And then if we can get to 4% to 4.5% achieved renewals, you're still in that top end of our 1.5% to 2% range that we're looking at for the back half of the year. Again, if we can beat that, a lot of that will accrue to 2027 versus 2026, but we are looking to try to optimize as much as possible and drive as much cash flow as we can.

Nahom Tesfazghi - JPMorgan

Switching gears a little bit. Could you guys speak to the new JV with Carmel? It sounds like it came about in a unique way for MetLife selling their stake in Columbus Square. But is there any room or appetite for you or your partner to expand this venture or if there's any more room to expand some of your other joint venture with LaSalle as you guys wind down the DPE book?

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

I appreciate the question. This is Toomey. With regards to Carmel, they are an exceptional, if not best-in-class Class A developer who has an exhaustive and experienced track record around New York in particular. And what drew us to them as a partner is we look at the Upper West Side and our data from our resident profile and the supply picture, there is going to be a gap in a higher price point product. They have experience in both installing that and attracting the residents that fit that profile. So we see the IRRs substantially improving with their help and their experience. Like any other company, know what you're good at and when you think you can add other talent to the mix, certainly look at it. And I think the Carmel represents a great partner for us on this deal, and we're excited to see both of our investments rewarded for that.

As it relates to any expansion beyond that, certainly, there's always a dialogue around us trying to optimize the value out of every asset. I think with our data, we're digging through a lot of those opportunities and see similar type circumstances with assets where we can partner with capital who can enhance the returns beyond our current scope. And we'll see how that plays out over time. But we're excited about Columbus Square and our joint venture with them, and we'll weigh in the future how that might expand on an opportunistic type of one-off basis.

Brad Heffern - RBC

Dave, you talked in your prepared remarks about taking advantage of the public/private arbitrage during the quarter, but then shifting to development and acquisitions as that discount narrowed. Can you just talk about the relative attractiveness of the repurchase versus other capital uses as we sit here today at the current share price?

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

Sure, Brad. Thanks for the question. So as you noted, buybacks have been a top priority, $300 million repurchased year-to-date on top of about $120 million in the final four months of last year. This is the most in UDR's history around an episode of dislocation between public and private market values.

As it relates to future buybacks, we have not and will not provide guidance on buybacks, but we'll point to that track record, including the average purchase price around what we measure to be a 20% discount to NAV. So it remains prominent in the capital allocation playbook. At the same time, we remain mindful given the dispositions that we've executed on tax gain capacity as well as some other opportunities that pop up at times.

Jana Galan - Bank of America

Congrats on a great quarter. Mike, I really appreciate the details on your major markets. Can you comment on D.C., how your communities are performing following the DOGE disruptions last year and then the decision to expand exposure there with the development in Northern Virginia?

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

Yes, of course. I think first, just to size it a little bit, D.C. is about 16% of our NOI. We are diversified across Virginia, Maryland, and D.C. And to your point, we have seen demand a little bit weaker in that MSA with occupancy dropping right around 95% to slightly below that in the MSA in general due to federal employment across the market. But on a positive note, our markets are performing relatively well. And what we're seeing today is the D.C. proper 14th Street corridor outperforming our suburban assets today.

A lot of that has to do with the healthcare, biotech, and even the defense and national security industries driving some demand. So while it's been a little bit weaker for us, a little bit below the median, if you will, D.C. is still around 96.5% to 97% occupancy for our portfolio and blends are right around negative 1%, negative 2% today.

Rich Hightower - Barclays

To continue the line of questioning, let's keep going around the horn. Maybe some anecdotal comments, if you don't mind, on strength in the New York market and also in the Bay Area, just what are you seeing on the ground? And anything about your expectations in either place?

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

Yes, of course, happy to give some color there. I think first with New York, again, 6% of our NOI, what we're hearing and seeing today is Manhattan is producing the highest growth. Specific to tech remaining one of the city's strongest growth engines, that's driving a lot of it. We're also seeing wage growth in Manhattan, hovering in that 5% to 6% range. So that's allowing us to lean into some of the renewals and really attract some of that demand. But again, Manhattan is the strongest. The other thing I'd point to is office leasing volume hit 9.5 million square feet in 1Q '26, and that's the strongest quarterly total since 2019. So New York has been our second-best performing market year-to-date.

Jumping over to the West Coast, what I would tell you is, and it's not going to surprise you, San Francisco is definitely our strongest market in the portfolio. I think that's being led by very little supply to speak of across the region. The return to office is definitely helping us out. We're seeing a revitalized shopping and dining experience. And we're also seeing low rent-to-income ratios. So even with rents moving as fast as they are, we have the ability to capture that today because those rents were so depressed from the COVID era. So seeing some strength there. Some of the things that I'm hearing is office leasing is on pace to reach a 30-year high with nearly 6.4 million square feet leased year-to-date and tourism is also strengthening the market with 2026 visitor spending expected to exceed that pre-pandemic level. So again, it points to the strength of just people returning to that area. I think there's more room to go. I mentioned it in a previous remark; we're seeing blends of approximately 13%. So very strong growth out of the West Coast as well.

Adam Kramer – Morgan Stanley

I recognize it's been touched on a few times, maybe I'll ask it a little differently. On new lease trends, in the Southeast and Southwest regions specifically, I certainly recognize the supply impacts and other pressures. But just looking at the sequential move, Southeast was roughly flat sequentially. Southwest decelerated a bit sequentially from 1Q. So just wondering the new lease trend there. And then high-level, what are expectations for those regions in the second half.

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

Yes. When you look at July today, and again, we're still working through July, there's not much left. But when I look at month-to-date trends, and I mentioned the Sunbelt starting to show some of that momentum, a lot of that is being driven by new lease growth. And so we have started pushing market rents a little bit.

And just to size it, when I think about the Sunbelt new lease growth in the second quarter, we were approximately negative 7% to negative 7.5%. Right now, we're probably closer to negative 5.5% to negative 6%. So that's where you're seeing some of that push. It's too early to tell, but we want to see if we can't sustain that through the back half of this leasing season. But today, it feels pretty good.

Peter Abramowitz - Deutsche Bank

To go back to Mike's comments, I think you said some of the trends in terms of slowing out-migration from some of your markets have been an uplift to demand. Wondering if you could expand on that and talk about some of the markets where people leaving those markets has slowed down the most and where you've seen the most benefit.

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

Yes, great question. I'd tell you probably three that jump out the most when I think about that stat. Boston is down around 8% to 10%. So we're closer to around 20% of those people moving out. Austin is also down around 8% to 10%. So that's, I want to say, between 15% and 20% today compared to last year. And San Francisco is another market still doing relatively well. That's down 5% on a year-over-year basis to around 25% of our move-outs leaving the MSA, which is down on a year-over-year basis. Those are the three that jump out in terms of positive momentum.

Wesley Golladay - Baird

Can you comment on how the corporate housing program is doing?

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

Sure. Corporate housing is not a big piece of our business. We have around 500 to 600 leases today, and it's spread out across many of our coastal markets. And the way that we think about it and the way that we manage it is how much exposure do we have at any given time and throughout the year. And so we try to keep that to a small book of business for us because during the COVID era, we were hit a little harder than we would have expected by having exposure here. And so the biggest markets, San Francisco, New York, it's 1% to 2% of our homes that are corporate at this point. So relatively small book of business for us.

John Kim - Bank of Montreal

San Francisco, you mentioned stood out from a revenue and lease perspective. But I wanted to ask about expenses. It was up 12% on a same-store basis. Are you seeing cost pressures in this market specifically? Or is there some unique dynamic as you lease up this portfolio that would cause these expenses to go up? And how much of this is recurring?

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

Really great question, John. And I'll tell you that this one jumped out at us, too, and there's more of a unique situation going here. When you look at San Francisco and you see that plus 12% growth, that's mainly due to a property that went mature during the quarter, and that's that Oakland deal that I mentioned earlier. We had a prior year tax appeal that was successful which is causing a higher growth rate this year. Aside from that, we're not seeing elevated expenses in that market. It's more specific to what happened with this property and the success that we had on taxes.

Alexander Goldfarb - Piper Sandler

So a question on the Debt and Preferred Equity program. I understand that you're winding it down, but two parts to that. One, I saw that you are making a $50 million mezz investment with Carmel, so sort of perspective on that. And second, if you think about funding development, if you fund a third-party developer who takes all the development risk and then you come in at the end, so you earn a coupon along the way and then you get the project at the end, isn't there some element of attraction on that?

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

Alex, this is Dave. I'll start on the first part. So as it relates to the Carmel deal, we have long operated the property and we will continue to do so. As part of the transaction that was discussed earlier, there was an opportunity to provide the $50 million mezzanine loan. The important part here is that this was a very extensive process. This transaction was in the marketplace for much of last year and into this year. So our commitment on that was made a while ago, whereas the DPE runoff decision was made recently, hence, why we're communicating that to you now. Tom, do you want to take the second part?

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

Yes, Alex, this is Toomey. With respect to the program, I'd characterize it as over 13 years, the program functioned very highly at the beginning because there was not a lot of competition. And what we've seen over the last couple of years is the competitive set of capital and their willingness to take risks and go deeper into the stack at a price that just doesn't make sense to us.

So that led to the conclusion that this part of the business cycle has been flooded with capital in a way that is not attractive to us. And so why not move our capital to where we can get a higher and better return and pivot more, to follow the data and the easier path to success. So I think it's both an opportunity and discipline around our capital and our risk-adjusted returns that we see.

Haendel St. Juste - Mizuho

So it sounds like clearly, New York and San Francisco are doing very well. D.C. maybe a bit weaker. I was hoping to get a little color on your other large coastal markets like Boston, Seattle, L.A. Things there seem a little weaker. I'm wondering how they're performing versus your forecast and what your expectations are into the back half of the year. And on L.A. specifically, I see you added an asset there this past quarter. Just curious on the thinking behind that given the headlines in L.A. and how you underwrote the IRRs or cap rates or IRRs on that asset.

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

Yes. I'll start with some of the market performance. Starting out West, Seattle remains fundamentally resilient, supported by private sector momentum in technology, biotech, even some of the major Eastside employers. So while it hasn't been our best-performing market across the portfolio, it's still relatively strong. And I'd say it's held up well through the leasing season.

Jumping over to the East Coast, Boston, I didn't previously speak to, so I'll give you a little color. Still seeing strong renter demand. Supply is definitely abating and elevated homeownership is allowing us to capture some of that renter demand as well. What I'm seeing in both those markets, Seattle and Boston, is probably a little bit more of a tilt towards the urban core doing better than suburban. Specific to Boston, downtown is drawing from healthcare, education, technology, and students. And so it's doing better than those suburban assets in the North Shore, and South Shore. But even with the suburban assets, I think people are seeking more space. So we're seeing elevated traffic out there. We're seeing rents lower relative housing costs, and it's convenient to get to a lot of the Boston employment centers. So Boston is still holding up relatively well for us.

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

I can pivot over to the Santa Monica asset. So regarding that asset, it's a really intriguing asset in a terrific submarket in Santa Monica. It's a small asset. Mike and team can essentially operate it without staff. That submarket had been affected by COVID and then supply on a disproportionate basis, but we're intrigued by the upswing that we can participate in as we get our hands on assets below replacement cost. And what we've seen from Mike and the team in the past as they've taken over assets in the Bay Area and Philadelphia is an ability to drive outsized growth on both a relative and absolute basis.

Haendel St. Juste - Mizuho

Very helpful. Any color on how you underwrote cap rate IRRs.

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

So as it relates to the yield on that asset, it's a bit depressed given the fact that it's been affected by COVID and new supply, but we're underwriting significant burn-off of concessions as well as operational margin synergies as it comes on to our platform.

John Pawlowski - Green Street

I have a follow-up question on the $50 million mezz loan. Please forgive the multipart question. So can you let me know where it sits in the capital stack from a loan-to-value perspective? I'm confirming that it's secured by the real estate and not the OpCo. And then lastly, can you just give a little color if -- you highlighted Carmel's development capabilities – are you expecting a big redevelopment where NOI is going to come offline from this parcel of properties?

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

John, I appreciate the multi-part question, and we'll forgive you for that. But to get to the capital stack first, it includes the first lien, this piece of paper second, and then equity third. We'll rehab units on turn, so there won't be a degradation of the vacancy. They [Carmel] have experience in turning them pretty darn quickly. We're working with lease maturities on that, and we're debating and adjusting the finishes as we go. The lobby will get a major rework, the pool deck as well, and also improved amenitization. And the Upper West Side is a pretty tight market so we like it.

John Pawlowski - Green Street

Okay. And from a loan-to-value perspective, where does this loan sit?

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

I don't have it in front of me. I think you would look at it as 40% to 50%.

Alexander Kim – Zelman & Associates

I wanted to drill a little further into your assumptions for same-store revenue growth guidance for the full year. What do you have embedded for bad debt levels in the back half of the year relative to what we saw in the second quarter? And any additional detail on the forecasted mid-single-digit growth for the other income bucket would be appreciated as well.

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

Sure. I think first and foremost, we've seen a lot of success in the first half of the year as it relates to bad debt. And a lot of that can be attributed to what I spoke to earlier on the rent roll quality that we put into place. Improving that process as it relates to our centralized teams, doing more proof of income, ID verification has really made a difference for us. In addition to that, we've been driving up our deposits as well as credit screening. And maybe just a couple of stats around that. Average deposits are up 20%, so we're collecting around $760 versus $640. Credit screening is up 20 points or around 730 versus 710. So that's made a big difference.

As it relates to the back half, our expectation is we're going to hover in that, call it, 99% to 99.1% in-the-month collections, which is consistent and better than we would have expected to start the year, but we haven't really adjusted the back half of the year. We want to see how this continues to play out.

More specific to other income, we have seen some success here. We've actually seen success for multiple years on this line item. And my expectation is we're still going to be driving around 5% to 7% growth across our portfolio being led by the Sunbelt. We've seen more growth there than we have, say, in the coastal markets just given the regulatory backdrop. But it’s definitely allowing us to drive our revenue growth. When you compare our results against our peers on a market-by-market basis, we feel good about where we stand currently versus those that have reported in the coastal markets, and we think we're going to compare well against those that will report over the next few days.

So overall, I'd expect to continue to see that plus or minus 5% to 7% growth in that other income line item going forward.

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

First, let me just thank you for all your time, interest, and support of UDR. Second, we're always available for a call, e-mail or meeting to continue our communication with you. And with that, take care.

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