



In 2008, while markets were characterized by disruption, job losses and ongoing uncertainty, our year was characterized by three words: **transformation, preparation and performance.** We transformed our portfolio, took aggressive steps to prepare for our future and delivered solid performance.

2008 Annual Report

Message from the Chairman and the Chief Executive Officer

2008 was a tumultuous year. With the near collapse of the global financial system, businesses suffered declines in net income and asset values and consumers stopped spending. The Dow Jones Industrial Average dropped 34 percent, Real Estate Investment Trust (REIT) indices dropped as much as 41 percent and consumer confidence plummeted. Without a doubt, 2008 was a terrible year for real estate stocks.

An economy like this reminds us how fortunate we are to be offering one of life's basic necessities – shelter. While consumers may put off the purchase of new cars or flat-screen televisions, everyone needs a place to live.

For UDR, 2008 can best be characterized by three words: transformation, preparation and performance. In 2008, we transformed our portfolio, took aggressive steps to prepare for our future and delivered operating performance near the top of our industry.

Transformation

We completed a \$1.7 billion sale of 25,684 homes and reinvested \$1 billion in acquiring 4,558 homes. These acquisitions are newer communities in attractive urban markets, offering convenient access to large employment centers, major transportation corridors and exciting lifestyle amenities.

Our communities are now concentrated in 23 markets, taking advantage of low single-family home affordability and positive demographic and employment trends. The average age of our portfolio has been reduced from 24 years to 16, and our average same store monthly income per occupied home has grown to \$1,176, well above the national average of \$962.

Preparation

In the midst of deteriorating capital markets and operating environments, we took aggressive steps to increase our financial flexibility, reduce our cost structure and adjust our redevelopment and development deliveries.

We secured more than \$1 billion of cash and credit capacity, by:

- Raising \$194 million of equity capital;
- Closing on a \$240 million, two-year unsecured term loan facility;
- Securing \$438 million from the expansion and extension of a Fannie Mae facility and other agency financing; and
- Obtaining five construction loans with a capacity of \$179 million.

During the first quarter of 2009, we further expanded our credit facilities, which, when added to existing resources, increased our total available financial resources to \$1.3 billion. With debt maturities, including available extensions, totaling just \$280 million in 2009 and \$348 million in 2010, we believe we have more than enough cash and credit capacity for the foreseeable future.

We also reduced overhead costs by approximately 17 percent in 2008 and sharply curtailed development activities to just \$425 million, a 60 percent reduction from 2007.

Performance

Finally, in 2008, we continued to deliver solid operating results:

- We delivered the second-highest growth in same store net operating income among our eleven publicly traded peers;
- We maintained high same store occupancy at 94.8 percent; and
- We continued to lead the industry in web-based marketing initiatives, with approximately 50 percent of our new leases now originating on-line.

These results enabled us to declare dividends totaling \$2.28 per common share, or approximately \$352 million, consisting of a regular annual dividend of \$1.32 per share, plus a special dividend of \$0.96 per share arising from our portfolio sale.

Looking Ahead

We are confident that your Company is well positioned – strategically, organizationally and financially – to compete effectively in all the markets we serve. And we are also confident that, over time, the economy will recover, markets will correct themselves and our business will participate in the inevitable rebound. We fully expect 2009 to be a very challenging year. We have prepared for this challenge with increased financial flexibility, a solid portfolio and an extraordinary team of associates working every day to win their markets. We also have a seasoned Board and management team – with many recessions under their belts – experienced in delivering results in good times and bad.

We appreciate your continued support.



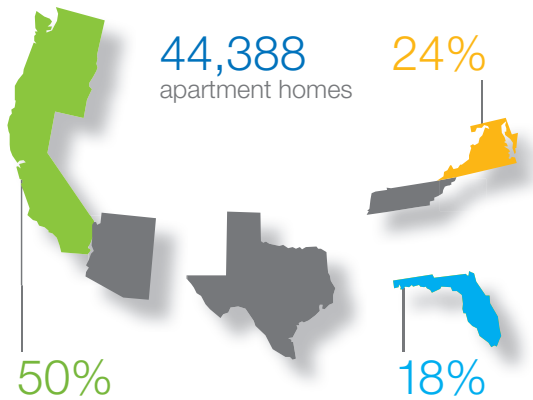
Robert C. Larson
Chairman



Thomas W. Toomey
President and
Chief Executive Officer

Performance

Strengthen Our Portfolio



Percentages denote 2008 NOI contribution

\$1.7 Billion
2008 portfolio sale

\$1.0 Billion
2008 acquisitions

Expand Value with RE³

- Completed redevelopment of 1,678 homes, new development of 1,513 homes, and 2,681 homes are currently under development



Transform Operations

Delivered second-best same store NOI growth among 11 peer companies

- Industry's first iPhone apartment search website
- Quick Response (QR) bar code program available for mobile devices
- Social media website presence in MySpace.com



Source Low Cost Capital

Secured more than \$1 billion of cash and credit capacity including:

- \$194 million of equity capital
- \$240 million two-year unsecured term loan facility
- \$438 million financing via Fannie Mae and others
- \$179 million capacity with five construction loans

In 2009, we have further expanded our financial resources to:

\$1.3 Billion

Trend Data

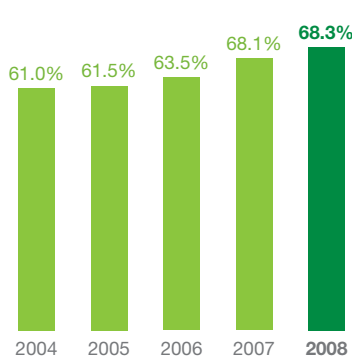
Funds From Operations¹
(per share)



Common Dividends¹
(per share)



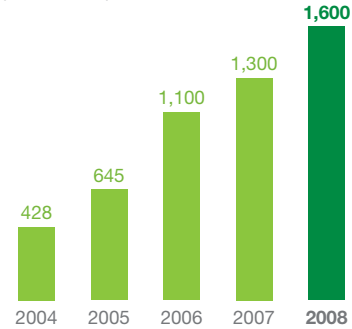
Operating Margin
(same store)



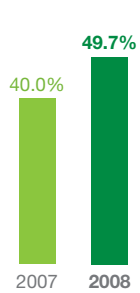
Monthly Income
(per same store apartment home)



Prospective Resident Internet Visits
(thousands)



% Leases Originating from the Internet



Marketing Costs
(millions)



¹Amounts for all periods represented have been adjusted to reflect the issuance of 11.4 million shares of common stock in connection with the special dividend.

²In 2008, distributions totaled \$2.11 per common share, including the special dividend.

Key Financial Highlights

Same Store Results

| | | | |
|----------------|--------------------------------|------------------|-------------------------------------|
| Revenue Growth | Net Operating Income Increased | Operating Margin | Monthly Income (per apartment home) |
| 3.6% | 3.8% | 68.3% | \$1,176 |

Years Ended December 31,
(In millions, except per share data and apartment homes owned)

| | 2008 | 2007 | 2006 |
|---|----------|----------|----------|
| For the Year | | | |
| Rental income from continuing property operations | \$ 563 | \$ 502 | \$ 468 |
| Income from continuing property operations excluding depreciation (NOI) | 372 | 333 | 306 |
| Income/(loss) before minority interests and discontinued operations | (50) | 49 | (69) |
| Income from discontinued operations, net of minority interests | 757 | 172 | 197 |
| Net income | 707 | 221 | 129 |
| Distributions to preferred stockholders | 12 | 14 | 15 |
| Net income available to common stockholders | 698 | 205 | 113 |
| Funds from operations - diluted (a) | 214 | 251 | 248 |
| Common distributions declared (b) | 175 | 178 | 168 |
| Special Dividend declared | 177 | - | - |
| Per Share | | | |
| Earnings per common share - diluted (b) | \$ 4.95 | \$ 1.41 | \$ 0.78 |
| Funds from operations - diluted (a)(b) | 1.39 | 1.58 | 1.55 |
| Common distributions including special dividend declared (b) | 2.11 | 1.22 | 1.15 |
| At Year End | | | |
| Real estate owned, at carrying value (c) | \$ 5,832 | \$ 5,956 | \$ 5,820 |
| Secured debt | 1,462 | 1,138 | 1,183 |
| Unsecured debt | 1,812 | 2,365 | 2,156 |
| Stockholders' equity | 1,571 | 1,019 | 1,055 |
| Number of common shares outstanding (b) | 149 | 144 | 146 |
| Number of completed apartment homes owned | 44,388 | 65,867 | 70,339 |

(a) Funds from operations (FFO) is defined as net income (computed in accordance with generally accepted accounting principles), excluding gains (or losses) from sales of depreciable property, premiums or original issuance costs associated with preferred stock redemptions, plus real estate depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. This definition conforms with the National Association of Real Estate Investment Trust's definition issued in April 2002.

RE³ tax benefits and gain on sales, net of taxes, is defined as net sales proceeds less a tax provision and the gross investment basis of the asset before accumulated depreciation. We consider FFO and RE³ tax benefits and gain on sales, net of taxes, to be a meaningful supplemental measure of performance because the short-term use of funds produce profits which differ from the traditional long-term investment in real estate for REITs.

(b) Amounts for all periods represented have been adjusted to reflect the issuance of 11.4 million shares of common stock in connection with the Company's January 29, 2009 special dividend.

(c) Includes real estate held for investment, real estate held for disposition, and real estate under development, before depreciation.

Disclosure of Section 303A.12(a) Certifications

On June 11, 2008, the Company's Chief Executive Officer submitted to the New York Stock Exchange the annual certification required by Section 303A.12(a) of the NYSE Listed Company Manual regarding the Company's compliance with NYSE corporate governance listing standards. In addition, the certifications of the Company's Chief Executive Officer and Chief Financial Officer required under Section 302 of the Sarbanes-Oxley Act of 2002 were filed as Exhibits 31.1 and 31.2, respectively, to the Company's Annual Report on Form 10-K for the year ended December 31, 2008.

Board of Directors



Katherine A. Cattanach^{3,4}
Private Investor
Formerly General Partner
INVESCO Private Capital, Inc.



James D. Klingbeil^{1,3}
Vice Chairman of the Board
Chairman and Chief Executive
Officer, Klingbeil Multifamily
Funds IV, V and VI



Mark J. Sandler^{2,4}
Private Investor
Formerly Senior Managing Director
Bear, Stearns & Co., Inc.



Eric J. Foss⁴
Chairman, President and
Chief Executive Officer
The Pepsi Bottling Group, Inc.



Robert C. Larson¹
Chairman of the Board
Senior Advisor of Lazard
Alternative Investments, LLC
Chairman and Senior Advisor of
Lazard Real Estate Partners, LLC
Chairman of Larson Realty Group



Thomas W. Toomey¹
Chief Executive Officer
and President



Robert P. Freeman^{2,4}
Senior Managing Director
and Principal
Greyfields Investors, LLC



Thomas R. Oliver^{2,3}
Private Investor
Formerly Chairman and
Chief Executive Officer
InterContinental Hotels, Inc.



Thomas C. Wajnert²
Senior Advisor to Irving Place
Capital Partners
Formerly Chairman and
Chief Executive Officer of
AT&T Capital Corporation



Jon A. Grove^{2,3}
Private Investor
Formerly Chairman, President
and Chief Executive Officer
ASR Investments Corporation



Lynne B. Sagalyn^{3,4}
Earle W. Kazis and Benjamin
Schore Professor of Real
Estate and Director of the Paul
Milstein Center for Real Estate
Columbia Business School

Committees: ¹Executive ²Audit
³Compensation ⁴Governance

Executive Officers

Thomas W. Toomey
Chief Executive Officer
and President

Warren L. Troupe
Senior Executive Vice President,
General Counsel and Secretary

W. Mark Wallis
Senior Executive Vice President
Acquisitions, Dispositions, Asset
Quality & Development

Richard A. Giannotti
Executive Vice President
Redevelopment

Senior Vice Presidents

Matthew T. Akin
Acquisitions & Dispositions

David L. Messenger
Chief Financial Officer

Dhrubo K. Sircar
Chief Information Officer

S. Douglas Walker
Transactions

Mark M. Culwell
Development

Katie Miles-Ley
Human Resources

Thomas A. Spangler
Business Development

Thomas P. Simon
Treasurer

Jerry A. Davis
Property Operations

General Information

Corporate Office
1745 Shea Center Drive, Suite 200
Highlands Ranch, Colorado 80129

(720) 283-6120
(720) 283-2452 FAX

Investor Services
E-Mail: ir@udr.com
Website: www.udr.com

Transfer Agent And Registrar
Wells Fargo Shareowner Services
161 North Concord Exchange
South St. Paul, Minnesota 55075
Investor Information: (800) 468-9716

Common Stockholders
At February 27, 2009, UDR had 5,279
common stockholders of record.

Associates
At February 27, 2009, UDR had
1,333 full and part-time associates.

Annual Meeting
The Annual Meeting of Stockholders
is scheduled for Wednesday,
May 13, 2009 at 8:30 a.m. at the
Hyatt Regency Tech Center located
at 7800 E. Tufts Avenue in Denver, CO.
All stockholders are cordially invited.

**Dividend Reinvestment and Stock
Purchase Plan**
Information regarding the Plan can be
obtained by contacting Investor Services.

Stock Listing
New York Stock Exchange (NYSE)
Symbols: UDR (Common)
UDRPfg (Preferred)

Under the Private Securities Litigation Reform Act of 1995: The forward-looking statements contained in this report are subject to certain economic risks and uncertainties described under the heading "Risk Factors" in the company's 2008 Annual Report on Form 10-K. The company assumes no obligation to update or supplement forward-looking statements that become untrue because of subsequent events.

Opening doors to the futureSM