UNITED DOMINION REALTY TRUST INC
Form 424B5
September 08, 2003

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Registration No. 333-101611

PROSPECTUS SUPPLEMENT

TO PROSPECTUS DATED DECEMBER 23, 2002

4,000,000 Shares

Common Stock

United Dominion Realty Trust, Inc. is offering 4,000,000 shares of its common stock. Our common stock is listed on the New York Stock Exchange under the symbol UDR. The last reported sale price of our common stock on the New York Stock Exchange on September 4, 2003 was $18.73 per share.

Investing in our common stock involves risks. See Risk Factors beginning on page S-1 of this prospectus supplement and on page 3 of the accompanying prospectus.

	Per Share	Total
Public offering price	$18.40	$73,600,000
Underwriting discounts and commissions	$ .32	$ 1,280,000
Proceeds, before expenses, to United Dominion	$18.08	$72,320,000

Delivery of the common stock will be made on or about September 11, 2003.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

We have granted the underwriter a 30-day option to purchase up to an additional 600,000 shares of common stock to cover over-allotments.

Wachovia Securities

The date of this prospectus supplement is September 5, 2003.

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You should rely only on the information contained in or incorporated by reference into this prospectus supplement and the accompanying prospectus. We have not, and the underwriter has not, authorized anyone to provide you with different information. If anyone provides you with different or additional information, you should not rely on it. We are not, and the underwriter is not, making an offer of these securities in any jurisdiction where an offer or sale of these securities is not permitted. You should not assume that the information in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and therein, is accurate as of any date other than their respective dates. Our business, financial condition, results of operations and prospects may have changed since those dates.

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Unless we have indicated otherwise, or the context otherwise requires, references in this prospectus supplement to United Dominion, we, us, and our, or similar terms, are to United Dominion Realty Trust, Inc. and its subsidiaries.

FORWARD-LOOKING STATEMENTS

This document, including the documents incorporated by reference in this document, contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, Section 21E of the Securities Exchange Act of 1934, and the Private Securities Litigation Reform Act of 1995. Forward-looking statements, by their nature, involve estimates, projections, goals, forecasts, assumptions, risks and uncertainties that could cause actual results or outcomes to differ materially from those expressed in a forward-looking statement. Such forward-looking statements include, without limitation, statements concerning property acquisitions and dispositions, development activity and capital expenditures, capital raising activities, rent growth, occupancy and rental expense growth. Examples of forward-looking statements also include statements regarding our expectations, beliefs, plans, goals, objectives and future financial or other performance. Words such as expects, anticipates, intends, plans, believes, seeks, estimates and variations of such words and similar expressions are intended to identify such forward-looking statements. Any forward-looking statement speaks only as of the date on which it is made. Except to fulfill our obligations under the federal securities laws, we undertake no obligation to update any such statement to reflect events or circumstances after the date on which it is made.

Examples of factors that can affect our expectations, beliefs, plans, goals, objectives and future financial or other performance include, but are not limited to, the following:

- unanticipated adverse business developments affecting us or our properties,
- adverse changes in the real estate markets,
- our declaration or payment of distributions,
- our potential developments or acquisitions or dispositions of properties, assets or other public or private companies,
- our policies regarding investments, indebtedness, acquisitions, dispositions, financings, conflicts of interest and other matters,
- our qualification as a real estate investment trust, or REIT, under the Internal Revenue Code of 1986, as amended,
- the real estate markets in which we operate and in general,
- the availability of debt and equity financing,
- interest rates,
- general and local economic and business conditions, and
- trends affecting our financial condition or results of operations.

All of the above factors are difficult to predict, contain uncertainties that may materially affect actual results, and may be beyond our control. New factors emerge from time to time, and it is not possible for our management to predict all of such factors or to assess the effect of each such factor on our business.

Although we believe that the assumptions underlying the forward-looking statements contained herein are reasonable, any of the assumptions could be inaccurate, and therefore any of these statements included in this document or in the documents incorporated by reference may prove to be inaccurate. In light of the significant uncertainties inherent in the forward-looking statements included and incorporated by reference herein, the inclusion and incorporation by reference of such information should not be regarded as a representation by us or any other person that the results or conditions described in such statements or our objectives and plans will be achieved.

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RISK FACTORS

Investing in our common stock involves risks. Before purchasing shares of our common stock, you should carefully consider the risk factors under the heading Factors Affecting Our Business and Prospects in the Business section of our most recent Annual Report on Form 10-K and under the captions Factors Affecting our Business Prospects in the Management s Discussion and Analysis of Financial Condition and Results of Operations sections of our subsequent Quarterly Reports on Form 10-Q, all of which are incorporated by reference into this prospectus supplement and the accompanying prospectus, as the same may be updated from time to time by our filings under the Securities Exchange Act of 1934, as well as other information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus.

RECENT DEVELOPMENTS

On July 31, 2003, we sold Parke 33, an apartment community with 264 apartment homes in Lakeland, Florida, for a total sales price of $18.7 million. The occupancy of the property at the time of the sale was 94.7% with an average monthly rent per apartment home of $786 or $0.76 per square foot.

On July 31, 2003, we bought Pacific Palms, an apartment community with 149 apartment homes in Anaheim, California, for a total purchase price of $18.5 million. At the time of acquisition, the property had an average monthly rent per apartment home of $1,247 or $1.33 per square foot. The property was built in 1962 with a partial renovation in 2002.

On July 31, 2003, we announced the pricing of a $50 million offering of senior unsecured notes under our existing shelf registration statement on Form S-3. Interest on the notes is payable semi-annually on March 1 and September 1, and the notes will mature on March 3, 2008. These notes represent a re-opening of our 4.5% senior notes due 2008 issued on February 27, 2003, and these new notes will constitute a single series of notes with those outstanding notes, bringing the aggregate principal amount outstanding of the 4.5% senior notes due 2008 to $200 million.

On July 31, 2003, we paid a regular quarterly dividend on our common stock for the second quarter of 2003 in the amount of $0.285 per share to all common stockholders of record as of July 18, 2003.

On July 1, 2003, we announced the acquisition of Inlet Bay at Gateway Apartments, a 464 apartment community located in the City of St. Petersburg, Florida. The purchase price was $30.7 million. This community was built in 1988 and, at the time of acquisition, had an occupancy rate of 89% with an average monthly rent of $852 per apartment home.

USE OF PROCEEDS

We estimate that the net proceeds from the offering of the shares of common stock will be approximately $72.1 million (or approximately $83.0 million if the underwriter exercises its over-allotment option in full), after deducting the underwriting discounts and commissions and estimated offering expenses. We expect to use the net proceeds of this offering to reduce outstanding balances under our $500 million unsecured revolving credit facility and for general corporate purposes. In addition, we may use a portion of the net proceeds to fund future acquisitions and development. Our $500 million unsecured revolving credit facility matures in March 2006. As of August 31, 2003, the weighted average annual interest rate on this facility was 3.47%, after giving effect to interest rate swap agreements. An affiliate of the underwriter is one of the lenders under our unsecured revolving credit facility. Borrowings under this facility that we repay with net proceeds from this offering may be re-borrowed, subject to satisfaction of customary conditions.

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DESCRIPTION OF COMMON STOCK

The following is a summary of some of the important terms of our common stock. This summary supersedes and replaces the entire discussion under the caption Description of Common Stock in the accompanying prospectus. This summary also supersedes and replaces the discussion set forth in the first full paragraph of, and under the captions Common Stock, Restrictions on Dividends, Affiliated Transactions and Redemptions and Restrictions on Transfer appearing in, Item 1 of our registration statement on Form 8-A/A dated July 28, 2000, incorporated by reference in the accompanying prospectus, and also supplements, updates and, to the extent inconsistent therewith, supersedes the remaining description in that registration statement. The following discussion also summarizes some of the terms of our preferred stock, our stockholder rights plan and Maryland law. None of these summaries or descriptions is complete and all of them are qualified by reference to our amended and restated articles of incorporation, bylaws and stockholder rights plan and the applicable provisions of Maryland law. You should review the applicable Maryland law as well as our amended and restated articles of incorporation and bylaws and our stockholder rights plan for a more complete description.

General

We are authorized to issue 250,000,000 shares of common stock, $1.00 par value per share. As of September 1, 2003, there were 116,057,482 shares of our common stock issued and outstanding and 24,038,677 shares of our common stock reserved for issuance upon exercise of outstanding stock options, convertible preferred stock and operating partnership units exchangeable for our common stock. Our common stock is traded on the New York Stock Exchange under the symbol UDR.

Holders of our common stock have one vote per share and are not entitled to cumulate votes in the election of directors. The holders of our outstanding Series E Cumulative Convertible Preferred Stock are entitled to vote on an as converted (one-for-one) basis as a single class in combination with the holders of our common stock at any meeting of stockholders for the election of directors or for any other purpose on which holders of our common stock are entitled to vote. In addition, if we do not pay full cumulative dividends on our outstanding Series D Cumulative Convertible Redeemable Preferred Stock, the holders of the Series D preferred stock shall have all rights to voting entitlements of holders of our common stock, and the Series D preferred stock and common stock shall be a single voting group, until the dividend arrearage is cured.

Holders of our common stock are entitled to receive dividends if, when and as declared by the board of directors out of legally available funds after payment of, or provision for, full cumulative dividends on shares of our preferred stock then outstanding. In the event of our voluntary or involuntary liquidation or dissolution, holders of our common stock are entitled to share ratably in our distributable assets remaining after satisfaction of the prior preferential rights of our preferred stock and the satisfaction of all of our debts and liabilities. Holders of our common stock do not have preemptive rights.

The dividend and liquidation rights of holders of our common stock are specifically limited by the terms of the outstanding preferred stock, which in general provide that no dividends will be declared or paid on the common stock unless the accrued dividends on each series of outstanding preferred stock have been fully paid or declared and set apart for payment, and that in the event of any liquidation, dissolution or winding up of our company, the holders of each series of outstanding preferred stock will be entitled to receive out of our assets available for distribution to stockholders the liquidation preference of that series before any amount is distributed to common stockholders.

Rights to Purchase Series C Preferred Stock

Pursuant to our stockholder rights plan, each share of common stock evidences one right to purchase from us one one-thousandth of a share of Series C Junior Participating Cumulative Redeemable Preferred Stock. Except with respect to certain preferential rights, each one one-thousandth of a share of Series C preferred stock is structured to be the equivalent of one share of common stock. The exercise price of the

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rights is $45.00, subject to adjustment. The rights are not currently exercisable and no shares of Series C preferred stock are currently outstanding.

The rights will separate from the common stock and a distribution of certificates evidencing the rights will occur upon the earlier of:

10 business days following a public announcement that a person or group of related persons has acquired, or obtained the right to acquire, beneficial ownership of more than 15% of the outstanding shares of common stock, or

10 business days following the commencement of a tender offer or exchange offer that would result in a person or group beneficially owning more than 15% of the outstanding shares of common stock.

Generally, the rights will become exercisable at the time of the distribution of certificates evidencing the rights as set forth above. The rights will expire at the close of business on February 4, 2008, unless we redeem or exchange them earlier.

The Series C preferred stock is junior to all other outstanding series of preferred stock in respect of rights to receive dividends and to participate in distributions or payments in the event of our liquidation, dissolution or winding up. The Series C preferred stock is senior to the common stock as to dividends and upon liquidation.

Holders of shares of the Series C preferred stock will be entitled to receive, if, when and as declared by our board of directors, out of legally available funds, cumulative cash dividends payable quarterly in an amount per share equal to the greater of:

$0.01 or

1,000 times the aggregate per share amount of all cash dividends, and 1,000 times the aggregate per share amount, payable in kind, of all non-cash dividends or other distributions, other than dividends payable in shares of common stock, declared on the common stock since the immediately preceding quarterly dividend payment date, or, with respect to the first quarterly dividend payment date, since the first issuance of any share or fraction of a share of Series C preferred stock.

In the event of any liquidation, dissolution or winding up of United Dominion, the holders of shares of Series C preferred stock are entitled to be paid out of our assets legally available for distribution to our stockholders, subject to the prior preferential rights of our other preferred stock ranking senior to the Series C preferred stock, a liquidation preference of $1,000 per share, plus accrued and unpaid dividends thereon to the date of payment, which is referred to as the Series C Preferred Liquidation Preference. After the payment to the holders of the shares of the Series C preferred stock of the full Series C Preferred Liquidation Preference, the holders of the Series C preferred stock as such shall have no right or claim to any of our remaining assets until the holders of common stock shall have received an amount per share, referred to as the common adjustment, equal to the quotient obtained by dividing the Series C Preferred Liquidation Preference by 1,000. Following the payment of the full amount of the Series C Preferred Liquidation Preference and the common adjustment, holders of Series C preferred stock and common stock shall be entitled to receive their ratable and proportionate share of our remaining assets to be distributed in the ratio of 1,000 to 1 with respect to the Series C preferred stock and the common stock, respectively. In the event that there are not sufficient assets available after payment in full of the Series C Preferred Liquidation Preference to permit payment in full of the common adjustment, then the remaining assets shall be distributed ratably to the holders of the common stock.

The outstanding shares of Series C preferred stock may be redeemed at the option of the board of directors as a whole, but not in part, at any time, or from time to time, at a redemption price per share equal to 1,000 times the Average Market Value of the common stock, plus all accrued and unpaid dividends to and including the date fixed for redemption. The Average Market Value is the average of the closing sale prices of a share of the common stock during the 30-day period immediately preceding the

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date before the redemption date quoted on the Composite Tape for New York Stock Exchange Listed Stocks, or, if the common stock is not quoted on the Composite Tape, on The New York Stock Exchange, or, if the common stock is not listed on such exchange, on the principal United States registered securities exchange on which the common stock is listed, or, if the common stock is not listed on any such exchange, the average of the closing bid quotations with respect to a share of common stock during such 30-day period on The Nasdaq Stock Market, or if no such quotations are available, the fair market value of a share of common stock as determined by the board of directors in good faith.

Each share of Series C preferred stock entitles its holder to 1,000 votes on all matters submitted to a vote of our stockholders. The holders of shares of Series C preferred stock and the holders of shares of common stock vote together as one voting group on all those matters.

Whenever dividends on any shares of Series C preferred stock are in arrears for six or more consecutive quarterly periods, our entire board of directors will be increased by two directors and the holders of Series C preferred stock, voting separately as a class with all other series of preferred stock having like voting rights, may vote for the election of two additional directors of United Dominion until all dividend arrearages have been fully paid.

The dividend rate on the Series C preferred stock, the common adjustment, the Series C Preferred Redemption Price and the number of votes per share of Series C preferred stock and certain other terms of the Series C preferred stock are all subject to adjustment upon the declaration of any dividend payable in common stock, subdivision of the outstanding common stock or combination of the outstanding shares of common stock into a smaller number of shares.

Dividend Restrictions

A covenant in our $500 million unsecured revolving credit facility prohibits the payment of dividends and distributions on our common stock in excess of 95% of our Funds From Operations, as defined in the credit facility, during any period of four consecutive fiscal quarters. Despite this covenant but except as provided in the following sentence, we may pay dividends required to maintain our qualification as a REIT under the Internal Revenue Code. However, if certain defaults or events of default exist under such facility, this covenant prohibits the payment of dividends and distributions in all circumstances.

Certain Provisions of Maryland Law

As a Maryland corporation, we are subject to certain restrictions concerning certain business combinations (including a merger, consolidation, share exchange or, in certain circumstances, an asset transfer or issuance or reclassification of equity securities) between us and an interested stockholder. Interested stockholders are persons: (i) who beneficially own 10% or more of the voting power of our shares, or (ii) who are affiliates or associates of us who, at any time within the two-year period prior to the date in question, were the beneficial owners of 10% or more of the voting power of our shares. Such business combinations are prohibited for five years after the most recent date on which the interested stockholder became an interested stockholder. Thereafter, any such business combination must be recommended by the board of directors and approved by the affirmative vote of at least: (i) 80% of the votes entitled to be cast by holders of the outstanding voting shares voting together as a single group, and (ii) 66 2/3% of the votes entitled to be cast by holders of the outstanding voting shares other than shares held by the interested stockholder or an affiliate or associate of the interested stockholder with whom the business combination is to be effected, unless, among other things, the corporation s stockholders receive a minimum price for their shares and the consideration is received in cash or in the same form as previously paid by the interested stockholder for its shares. These provisions of Maryland law do not apply, however, to business combinations that are approved or exempted by the board of directors prior to the time that the interested stockholder becomes an interested stockholder.

Also under Maryland law, control shares of a Maryland corporation acquired in a control share acquisition have no voting rights except to the extent approved by a vote of two-thirds of the votes

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entitled to be cast on the matter. Shares of stock owned by the acquirer, by officers or by directors who are employees of the corporation are excluded from shares entitled to vote on the matter. Control shares are shares of stock which, if aggregated with all other shares of stock owned by the acquirer or shares of stock for which the acquirer is able to exercise or direct the exercise of voting power except solely by virtue of a revocable proxy, would entitle the acquirer to exercise voting power in electing directors within one of the following ranges of voting power:

10% or more but less than 33 1/3%,

33 1/3% or more but less than a majority, or

a majority or more of all voting power.

Control shares do not include shares the acquiring person is then entitled to vote as a result of having previously obtained stockholder approval. A control share acquisition means, subject to certain exceptions, the acquisition of, ownership of or the power to direct the exercise of voting power with respect to, control shares.

The control share acquisition statute does not apply to shares acquired in a merger, consolidation or share exchange if the corporation is a party to the transaction or to acquisitions approved or exempted by the charter or bylaws of the corporation. Our bylaws contain a provision exempting from the control share acquisition statute any and all acquisitions by any person of shares of our stock.

Under Title 3, Subtitle 8 of the Maryland General Corporation Law, a Maryland corporation that has a class of equity securities registered under the Securities Exchange Act of 1934 and that has at least three independent directors who are not officers or employees of the corporation, are not acquiring persons or related to an acquiring person or not nominated as a director by an acquiring person, may elect in its charter or bylaws or by resolution of its board of directors to be subject to certain provisions of Subtitle 8 that may have the effect of delaying or preventing a change in control of the corporation. These provisions relate to a classified board of directors, removal of directors, establishing the number of directors, filling vacancies on the board of directors and calling special meetings of the corporation s stockholders. We have not made the election to be governed by these provisions of Subtitle 8 of the Maryland General Corporation Law. However, our amended and restated articles of incorporation and bylaws permit the board of directors to determine the number of directors subject to a minimum number and other provisions contained in such documents.

Restrictions on Ownership and Transfer

Our amended and restated articles of incorporation contain ownership and transfer restrictions relating to our common stock that are designed to preserve our status as a REIT. These restrictions include but are not limited to the following:

no person may beneficially own or constructively own shares of our outstanding equity stock (defined as stock that is either common stock or preferred stock) with a value in excess of 9.9% of the value of all outstanding equity stock unless our board of directors exempts the person from such ownership limitation, provided that any such exemption shall not allow the person to exceed 13% of the value of our outstanding equity stock;

any transfer that, if effective, would result in any person beneficially owning or constructively owning equity stock with a value in excess of a 9.9% of the value of all outstanding equity stock (or such higher value not to exceed 13% as determined pursuant to an exemption from our board of directors) shall be void as to the transfer of that number of shares of equity stock which would otherwise be beneficially owned or constructively owned by such person in excess of such ownership limit; and the intended transferee shall acquire no rights in such excess shares of equity stock;

except as provided in the articles of incorporation, any transfer that, if effective, would result in the equity stock being beneficially owned by fewer than 100 persons shall be void as to the

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transfer of that number of shares which would be otherwise beneficially owned or constructively owned by the transferee; and the intended transferee shall acquire no rights in such excess shares of equity stock; and

any transfer of shares of equity stock that, if effective, would result in us being closely held within the meaning of Section 856(h) of the Internal Revenue Code shall be void as to the transfer of that number of shares of equity stock which would cause us to be closely held within the meaning of Section 856(h) of the Internal Revenue Code; and the intended transferee shall acquire no rights in such excess shares of equity stock.

Outstanding Preferred Stock

As of September 1, 2003, there were 5,416,009 shares of our Series B Cumulative Redeemable Preferred Stock issued and outstanding. The Series B preferred stock has a liquidation preference of $25 per share plus accrued and unpaid dividends and is entitled to receive cumulative preferential cash dividends at the rate of 8.60% of the liquidation value per annum, payable quarterly in arrears.

As of September 1, 2003, there were 6,000,000 shares of our Series D Cumulative Convertible Redeemable Preferred Stock issued and outstanding. The Series D preferred stock has a liquidation preference of $25 per share plus accrued and unpaid dividends and is entitled to receive cumulative preferential cash dividends at a minimum rate of 7.50% of the liquidation value per annum, payable quarterly in arrears and subject to adjustment in proportion to increases or decreases in the dividends declared on our common stock during any dividend period.

As of September 1, 2003, there were 3,425,217 shares of our Series E Cumulative Convertible Preferred Stock issued and outstanding. The Series E preferred stock has a liquidation preference of $16.61 per share plus accrued and unpaid dividends and is entitled to receive cumulative preferential cash dividends at the rate of 8.0% of the liquidation value per annum, payable quarterly in arrears, until such time as the dividends paid on our common stock equal or exceed this amount for four consecutive calendar quarters, at which time the Series E preferred stock will be entitled to receive dividends equal to that paid on our common stock without preference.

No shares of our Series A Cumulative Redeemable Preferred Stock are outstanding.

Transfer Agent

The transfer agent for our common stock is Mellon Investor Services LLC, One Mellon Center, 500 Grant Street, Room 2122, Pittsburgh, Pennsylvania 15258.

FEDERAL INCOME TAX CONSIDERATIONS

This section supplements the discussion under the caption Federal Income Tax Considerations in the accompanying prospectus. The following discussion describes the material U.S. federal income tax considerations relating to the ownership and disposition of our common stock. Because this is a summary that is intended to address only U.S. federal income tax consequences generally relevant to all stockholders relating to the ownership and disposition of our common stock, it may not contain all the information that may be important to you. Except as discussed under the caption General below, this discussion does not address any aspects of U.S. federal income taxation relating to our election to be taxed as a real estate investment trust, or REIT. A summary of certain U.S. federal income tax considerations relating to our election to be taxed as REIT is provided in the accompanying prospectus. The discussion under the caption General below supersedes the corresponding discussion under the caption Federal Income Tax Considerations General in the accompanying prospectus.

We urge you to consult your own tax advisor regarding the specific tax consequences to you of the acquisition, ownership, and disposition of our common stock and of our election to be taxed as a REIT. Specifically, you should consult your own tax advisor regarding the U.S. federal, state, local, foreign, and

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other tax consequences of such acquisition, ownership, disposition, and election, and regarding potential changes in applicable tax laws.

General

We elected to be taxed as a REIT under the federal income tax laws commencing with our taxable year ended December 31, 1972. We believe that we have operated in a manner that permits us to satisfy the requirements for taxation as a REIT under the applicable provisions of the Internal Revenue Code. Qualification and taxation as a REIT depends upon our ability to meet, through actual annual operating results, distribution levels and diversity of stock ownership, the various qualification tests imposed under the Internal Revenue Code. Although we intend to continue to operate to satisfy such requirements, we cannot assure you that the actual results of our operations for any particular taxable year will satisfy such requirements.

The provisions of the Internal Revenue Code, Treasury Regulations promulgated thereunder and other federal income tax laws relating to qualification and operation as a REIT are highly technical and complex. This summary is qualified in its entirety by the applicable Internal Revenue Code provisions, rules and Treasury Regulations thereunder, and administrative and judicial interpretations thereof. Further, the anticipated income tax treatment described in this prospectus supplement may be changed, perhaps retroactively, by legislative, administrative or judicial action at any time.

The law firm of Morrison & Foerster LLP has acted as our tax counsel in connection with the filing of this prospectus supplement. In the opinion of Morrison & Foerster LLP, we have been organized and have operated in conformity with the requirements for qualification and taxation as a REIT under the Internal Revenue Code for each of our taxable years beginning with the taxable year ended December 31, 1999 through our taxable year ended December 31, 2002, and our current organization and current method of operation will enable us to continue to meet the requirements for qualification and taxation as a REIT for the taxable year 2003 and thereafter. The opinion of Morrison & Foerster LLP is based on various assumptions and representations made by us as to factual matters, including representations made by us in this prospectus supplement and a factual certificate provided by one of our officers. Moreover, our qualification and taxation as a REIT depends upon our ability to meet the various qualification tests imposed under the Internal Revenue Code and discussed in the accompanying prospectus, relating to our actual operating results, asset diversification, distribution levels, and diversity of stock ownership, the results of which have not been and will not be reviewed by Morrison & Foerster LLP. Accordingly, neither Morrison & Foerster LLP nor we can assure you that the actual results of our operations for any particular taxable year will satisfy these requirements.

Among the requirements for REIT qualification described in the accompanying prospectus are requirements relating to the diversity of our stock ownership. The prospectus also describes, under the caption Federal Income Tax Considerations Requirements for Qualification, provisions of our former articles of incorporation that authorized our board of directors to prohibit transfers or redeem shares to comply with the REIT stock ownership requirements. That aspect of our articles of incorporation was revised in connection with our reincorporation as a Maryland corporation. Our amended and restated articles of incorporation now restrict the transfer of our stock to assist us in continuing to satisfy the REIT stock ownership requirements. See Description of Common Stock Restrictions on Ownership and Transfer.

In brief, if certain detailed conditions imposed by the REIT provisions of the Internal Revenue Code are satisfied, entities, such as us, that invest primarily in real estate and that otherwise would be treated for federal income tax purposes as corporations, are generally not taxed at the corporate level on their REIT taxable income that is distributed currently to stockholders. This treatment substantially eliminates the double taxation (i.e., taxation at both the corporate and stockholder levels) that generally results from investing in corporations.

If we fail to qualify as a REIT in any year, however, we will be subject to U.S. federal income tax as if we were a domestic corporation, and our stockholders will be taxed in the same manner as stockholders

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of ordinary corporations (including, in the case of stockholders other than corporations, potentially being eligible for preferential tax rates on dividends received from us). In that event, we could be subject to potentially significant tax liabilities, the amount of cash available for distribution to our stockholders could be reduced and we would not be obligated to make any distributions.

Tax Consequences of an Investment in Our Common Stock

The following summary describes the material U.S. federal income tax consequences relating to the purchase, ownership, and disposition of our common stock as of the date hereof. Except where noted, this summary deals only with common stock held as a capital asset and does not deal with special situations, such as those of dealers in securities or currencies, tax-exempt organizations, individual retirement accounts and other tax deferred accounts, financial institutions, life insurance companies, or persons holding our common stock as part of a hedging or conversion transaction or a straddle. Furthermore, the discussion below is based upon the current U.S. federal income tax laws and interpretations thereof as of the date hereof. Such authorities may be repealed, revoked, or modified, perhaps retroactively, so as to result in U.S. federal income tax consequences different from those discussed below. In addition, except as otherwise indicated, the following summary does not consider the effect of any applicable foreign, state, local, or other tax laws or estate or gift tax considerations.

If an entity treated as a partnership for U.S. federal income tax purposes holds our common stock, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. If you are a partner of a partnership holding our common stock, you should consult your tax advisor regarding the tax consequences of the ownership and disposition of our common stock.

As used herein, a U.S. holder of our common stock means a holder that for U.S. federal income tax purposes is:

a citizen or resident of the United States,

a corporation or other entity treated as a corporation for U.S. federal income tax purposes that is created or organized in or under the laws of the United States or any political subdivision thereof,

an estate the income of which is subject to U.S. federal income taxation regardless of its source, or

a trust if (a) a U.S. court is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust or (b) it has a valid election in place to be treated as a U.S. person.

Taxation of Taxable U.S. Holders

In General. As long as we qualify as a REIT, distributions made to our taxable U.S. holders out of current or accumulated earnings and profits (and not designated as capital gain dividends) will be taken into account by such U.S. holders as ordinary income. U.S. holders that are corporations will not be entitled to a dividends received deduction. See New Legislation below for a discussion of the application of new preferential tax rates to certain dividends paid by us to a noncorporate U.S. holder.

To the extent we make distributions in excess of current and accumulated earnings and profits, these distributions are treated first as a tax-free return of capital to the U.S. holder, reducing the tax basis of a U.S. holder s common stock by the amount of such distribution (but not below zero), with distributions in excess of the U.S. holder s tax basis treated as proceeds from a sale of common stock, the tax treatment of which is described below. Distributions will generally be taxable, if at all, in the year of the distribution. However, any dividend declared by us in October, November or December of any year and payable to a U.S. holder who held our common stock on a specified record date in any such month shall be treated as both paid by us and received by the U.S. holder on December 31 of such year, provided that the dividend is actually paid by us during January of the following calendar year.

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In general, distributions which are designated by us as capital gain dividends will be taxable to U.S. holders as gain from the sale of assets held for greater than one year, or long-term capital gain. That treatment will apply regardless of the period for which a U.S. holder has held the common stock upon which the capital gain dividend is paid. However, corporate U.S. holders may be required to treat up to 20% of certain capital gain dividends as ordinary income. Noncorporate taxpayers are generally taxable at a maximum rate of 15% on long-term capital gain attributable to sales or exchanges occurring on or after May 6, 2003. However, a portion of any capital gain dividends received by noncorporate taxpayers might be subject to tax at a 25% rate to the extent attributable to gains realized on the sale of real property that correspond to our unrecaptured Section 1250 gain.

We may elect to retain, rather than distribute as a capital gain dividend, our net long-term capital gains. In such event, we would pay tax on such retained net long-term capital gains. In addition, to the extent designated by us, a U.S. holder generally would (1) include his proportionate share of such undistributed long-term capital gains in computing his long-term capital gains for his taxable year in which the last day of our taxable year falls (subject to certain limitations as to the amount so includable), (2) be deemed to have paid the capital gains tax imposed on us on the designated amounts included in such U.S. holder s long-term capital gains, (3) receive a credit or refund for such amount of tax deemed paid by the U.S. holder, (4) increase the adjusted basis of his common stock by the difference between the amount of such includable gains and the tax deemed to have been paid by him, and (5) in the case of a U.S. holder that is a corporation, appropriately adjust its earnings and profits for the retained capital gains in accordance with Treasury Regulations (which have not yet been issued).

Distributions made by us and gain arising from the sale or exchange by a U.S. holder of common stock will not be treated as passive activity income, and as a result, U.S. holders generally will not be able to apply any passive losses against this income or gain. U.S. holders may not include in their individual income tax returns any of our net operating losses or capital losses.

Disposition of Stock. Upon any taxable sale or other disposition of our common stock, a U.S. holder will recognize gain or loss for U.S. federal income tax purposes in an amount equal to the difference between (1) the amount of cash and the fair market value of any property received on the sale or other disposition and (2) the U.S. holder s adjusted basis in the common stock for tax purposes.

This gain or loss will be a capital gain or loss, and will be long-term capital gain if our common stock has been held for more than one year at the time of the disposition. Noncorporate U.S. holders are generally taxable at a maximum rate of 15% on long-term capital gain. The Internal Revenue Service has the authority to prescribe, but has not yet prescribed, regulations that would apply a capital gain tax rate of 25% (which is generally higher than the long-term capital gain tax rates for noncorporate U.S. holders) to a portion of capital gain realized by a noncorporate U.S. holder on the sale of REIT stock that would correspond to the REIT s unrecaptured Section 1250 gain. U.S. holders are urged to consult with their own tax advisors with respect to their capital gain tax liability. A corporate U.S. holder will be subject to tax at a maximum rate of 35% on capital gain from the sale of our common stock regardless of its holding period for the stock.

In general, any loss upon a sale or exchange of our common stock by a U.S. holder who has held such stock for six months or less (after applying certain holding period rules) will be treated as a long-term capital loss, to the extent of distributions (actually made or deemed made in accordance with the discussion above) from us required to be treated by such U.S. holder as long-term capital gain.

Information Reporting and Backup Withholding. Payments of dividends on our common stock and proceeds received upon the sale, redemption or other disposition of our stock may be subject to Internal Revenue Service information reporting and backup withholding tax. Payments to certain U.S. holders (including, among others, corporations and certain tax-exempt organizations) are generally not subject to information reporting or backup withholding. Payments to a non-corporate U.S. holder generally will be

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subject to information reporting. Such payments also generally will be subject to backup withholding tax if such holder:

fails to furnish its taxpayer identification number, which for an individual is ordinarily his or her social security number,

furnishes an incorrect taxpayer identification number,

is notified by the Internal Revenue Service that it has failed to properly report payments of interest or dividends, or

fails to certify, under penalties of perjury, that it has furnished a correct taxpayer identification number and that the Internal Revenue Service has not notified the U.S. holder that it is subject to backup withholding.

A U.S. holder that does not provide us with its correct taxpayer identification number may also be subject to penalties imposed by the Internal Revenue Service. Any amount paid as backup withholding will be creditable against the U.S. holder s U.S. federal income tax liability, if any, and otherwise will be refundable, provided that the requisite procedures are followed.

You should consult your tax advisor regarding your qualification for an exemption from backup withholding and information reporting and the procedures for obtaining such an exemption, if applicable.

Taxation of Tax-Exempt U.S. Holders

Based upon a published ruling by the Internal Revenue Service, a distribution by us to, and gain upon a disposition of our common stock by, a U.S. holder that is a tax-exempt entity will not constitute unrelated business taxable income, or UBTI, provided that the tax-exempt entity has not financed the acquisition of its common stock with acquisition indebtedness within the meaning of the Internal Revenue Code and the stock is not otherwise used in an unrelated trade or business of the tax-exempt entity. However, for tax-exempt U.S. holders that are social clubs, voluntary employee benefit associations, supplemental unemployment benefit trusts and qualified group legal services plans exempt from U.S. federal income taxation under Sections 501(c)(7), (c)(9), (c)(17) and (c)(20) of the Internal Revenue Code, respectively, income from an investment in us will constitute UBTI unless the organization properly sets aside or reserves such amounts for purposes specified in the Internal Revenue Code. These tax-exempt U.S. holders should consult their own tax advisers concerning these set aside and reserve requirements.

Notwithstanding the preceding paragraph, however, a portion of the dividends paid by us may be treated as UBTI to certain domestic private pension trusts if we are treated as a pension-held REIT. We believe that we are not, and we do not expect to become, a pension-held REIT. If we were to become a pension-held REIT, these rules generally would only apply to certain pension trusts that held more than 10% of our stock.

Taxation of Non-U.S. Holders

The following is a discussion of certain anticipated U.S. federal income tax consequences of the ownership and disposition of our common stock applicable to non-U.S. holders of such stock. A non-U.S. holder is any person that is not a U.S. holder. The discussion is based on current law and is for general information only. The discussion addresses only certain and not all aspects of U.S. federal income taxation. Special rules may apply to certain non-U.S. holders such as controlled foreign corporations, passive foreign investment companies and foreign personal holding companies. Such entities should consult their own tax advisors to determine the U.S. federal, state, local and other tax consequences that may be relevant to them.

Distributions from the Company.

1. ***Ordinary Dividends.*** The portion of dividends received by non-U.S. holders payable out of our current and accumulated earnings and profits which are not attributable to capital gains and which are not

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effectively connected with a U.S. trade or business of the non-U.S. holder will be subject to U.S. withholding tax at the rate of 30% (unless reduced by treaty). In general, non-U.S. holders will not be considered engaged in a U.S. trade or business solely as a result of their ownership of our common stock. In cases where the dividend income from a non-U.S. holder s investment in our common stock is effectively connected with the non-U.S. holder s conduct of a U.S. trade or business (or, if an income tax treaty applies, is attributable to a U.S. permanent establishment of the non-U.S. holder), the non-U.S. holder generally will be subject to U.S. tax at graduated rates, in the same manner as U.S. holders are taxed with respect to such dividends (and may also be subject to the 30% branch profits tax in the case of a corporate non-U.S. holder).

2. ***Non-Dividend Distributions.*** Unless our stock constitutes a USRPI (as defined below), distributions by us which are not paid out of our current and accumulated earnings and profits will not be subject to U.S. income or withholding tax. If it cannot be determined at the time a distribution is made whether or not such distribution will be in excess of our current and accumulated earnings and profits, the distribution will be subject to withholding at the rate applicable to dividends. However, the non-U.S. holder may seek a refund of such amounts from the Internal Revenue Service if it is subsequently determined that such distribution was, in fact, in excess of our current and accumulated earnings and profits. If our common stock constitutes a USRPI, a distribution in excess of current and accumulated earnings and profits will be subject to 10% withholding tax and may be subject to additional taxation under FIRPTA (as defined below). However, the 10% withholding tax will not apply to distributions already subject to the 30% dividend withholding.

We expect to withhold U.S. income tax at the rate of 30% on the gross amount of any distributions of ordinary income made to a non-U.S. holder unless (1) a lower treaty rate applies and proper certification (such as, in the case of an individual, an Internal Revenue Service Form W-8BEN) is provided to us or (2) the non-U.S. holder files an Internal Revenue Service Form W-8ECI with us claiming that the distribution is effectively connected with the non-U.S. holder s conduct of a U.S. trade or business (or, if an income tax treaty applies, is attributable to a U.S. permanent establishment of the non-U.S. holder). However, the non-U.S. holder may seek a refund of such amounts from the Internal Revenue Service if it is subsequently determined that such distribution was, in fact, in excess of our current and accumulated earnings and profits.

3. ***Capital Gain Dividends.*** Under the Foreign Investment in Real Property Tax Act of 1980, or FIRPTA, a distribution made by us to a non-U.S. holder, to the extent attributable to gains (USRPI Capital Gains) from dispositions of United States Real Property Interests, or USRPIs, will be considered effectively connected with a U.S. trade or business of the non-U.S. holder and therefore will be subject to U.S. income tax at the rates applicable to U.S. holders, without regard to whether such distribution is designated as a capital gain dividend. (The properties owned by our material partnership subsidiaries generally are USRPIs.) Distributions subject to FIRPTA may also be subject to a 30% branch profits tax in the hands of a corporate non-U.S. holder that is not entitled to treaty exemption.

Distributions attributable to our capital gains which are not USRPI Capital Gains generally will not be subject to income taxation, unless (1) investment in the shares is effectively connected with the non-U.S. holder s U.S. trade or business (or, if an income tax treaty applies, is attributable to a U.S. permanent establishment of the non-U.S. holder), in which case the non-U.S. holder will be subject to the same treatment as U.S. holders with respect to such gain (except that a corporate non-U.S. holder may also be subject to the 30% branch profits tax), or (2) the non-U.S. holder is a non-resident alien individual who is present in the United States for 183 days or more during the taxable year and certain other conditions are present, in which case the nonresident alien individual will be subject to a 30% tax on the individual s capital gains.

We will be required to withhold and remit to the Internal Revenue Service 35% of any distributions to non-U.S. holders that are designated as capital gain dividends, or, if greater, 35% of a distribution that could have been designated as a capital gain dividend. Distributions can be designated as capital gains to

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the extent of our net capital gain for the taxable year of the distribution. The amount withheld is creditable against the non-U.S. holder s U.S. federal income tax liability.

Disposition of Stock. Unless our common stock constitutes a USRPI, a sale of such stock by a non-U.S. holder generally will not be subject to U.S. taxation unless (1) the investment in the common stock is effectively connected with the non-U.S. holder s U.S. trade or business (or, if an income tax treaty applies, is attributable to a U.S. permanent establishment of the non-U.S. holder), or (2) the non-U.S. holder is a non-resident alien individual who is present in the United States for 183 days or more during the taxable year and certain other conditions are present.

The common stock will not constitute a USRPI if we are a domestically controlled REIT. A domestically controlled REIT is a REIT in which, at all times during a specified testing period, less than 50% in value of its shares is held directly or indirectly by non-U.S. holders. We believe that we are, and we expect to continue to be, a domestically controlled REIT, and therefore that the sale of our common stock will not be subject to taxation under FIRPTA. Because our common stock will be publicly traded, however, no assurance can be given that we will continue to be a domestically controlled REIT.

Even if we do not constitute a domestically controlled REIT, a non-U.S. holder s sale of our common stock generally will not be subject to tax under FIRPTA as a sale of a USRPI provided that (1) the stock is regularly traded (as defined by applicable Treasury Regulations) on an established securities market and (2) the selling non-U.S. holder held (taking into account constructive ownership rules) 5% or less of our outstanding stock at all times during a specified testing period.

If gain on the sale of our common stock were subject to taxation under FIRPTA, the non-U.S. holder would be subject to the same treatment as a U.S. holder with respect to such gain (subject to applicable alternative minimum tax and a special alternative minimum tax in the case of nonresident alien individuals). In addition, the purchaser of the common stock could be required to withhold 10% of the purchase price and remit such amount to the Internal Revenue Service.

Information Reporting and Backup Withholding. Backup withholding will apply to dividend payments made to a non-U.S. holder of our common stock unless the holder has certified that it is not a U.S. holder and the payor has no actual knowledge that the owner is not a non-U.S. holder. Information reporting generally will apply with respect to dividend payments even if certification is provided.

Payment of the proceeds from a disposition of our stock by a non-U.S. holder made to or through the U.S. office of a broker is generally subject to information reporting and backup withholding unless the holder or beneficial owner certifies that it is not a U.S. holder or otherwise establishes an exemption. Generally, Internal Revenue Service information reporting and backup withholding will not apply to a payment of disposition proceeds if the payment is made outside the United States through a foreign office of a foreign broker-dealer. If the proceeds from a disposition of our stock are paid to or through a foreign office of a U.S. broker-dealer or a non-U.S. office of a foreign broker-dealer that is (i) a controlled foreign corporation for U.S. federal income tax purposes, (ii) a person 50% or more of whose gross income from all sources for a specified three-year period was effectively connected with a U.S. trade or business, (iii) a foreign partnership with one or more partners who are U.S. persons and who in the aggregate hold more than 50% of the income or capital interest in the partnership, or (iv) a foreign partnership engaged in the conduct of a trade or business in the United States, then backup withholding and information reporting generally will apply unless the non-U.S. holder satisfies certification requirements regarding its status as a non-U.S. holder and the broker-dealer has no actual knowledge that the owner is not a non-U.S. holder.

A non-U.S. holder should consult its tax advisor regarding application of withholding and backup withholding in its particular circumstance and the availability of and procedure for obtaining an exemption from withholding and backup withholding under current Treasury Regulations.

Other Tax Considerations

New Legislation. Legislation was recently enacted that, in the case of noncorporate taxpayers, generally reduces the maximum long-term capital gains tax rate from 20% to 15% (for sales or exchanges

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on or after May 6, 2003, through taxable years beginning before January 1, 2009) and reduces the maximum tax rate on most dividends from 38.6% to 15% (for taxable years beginning after December 31, 2002 and before January 1, 2009). The recent legislation also reduces the maximum tax rate imposed on noncorporate taxpayers ordinary income from 38.6% to 35%.

In general, dividends paid by REITs are not eligible for the new 15% tax rate on dividends. However, the 15% tax rate for long-term capital gains and dividends will generally apply to:

- long-term capital gains, if any, recognized on the disposition of our common stock;
- our distributions designated as long-term capital gain dividends attributable to sales or exchanges on or after May 6, 2003 (except to the extent attributable to unrecaptured Section 1250 gain, which continues to be subject to a 25% tax rate);
- our dividends attributable to dividends received by us after December 31, 2003 from taxable corporations (such as taxable REIT subsidiaries); and
- our dividends to the extent attributable to income that was subject to tax at the REIT level (for example, if we distributed less than 100% of our taxable income).

Although the new legislation does not adversely affect the taxation of REITs or dividends paid by REITs, the more favorable treatment of regular corporate dividends could cause investors other than corporations to consider stocks of other dividend-paying corporations to be more attractive relative to stocks of REITs. It is not possible to predict whether this change in perceived relative value will occur, or what the effect will be on the market price of our stock.

Dividend Reinvestment Program. Stockholders participating in our dividend reinvestment program are treated as having received the gross amount of any cash distributions which would have been paid by us to such stockholders had they not elected to participate in the program. These distributions will retain the character and tax effect applicable to distributions from us generally. Participants in the dividend reinvestment program are subject to U.S. federal income and withholding tax on the amount of the deemed distributions to the extent that such distributions represent dividends or gains, even though they receive no cash. Shares of our stock received under the program will have a holding period beginning with the day after purchase, and a tax basis equal to their cost (which is the gross amount of the distribution).

Possible Legislative or Other Actions Affecting Tax Considerations. Prospective investors should recognize that the present U.S. federal income tax treatment of an investment in us may be modified by legislative, judicial or administrative action at any time, and that any such action may affect investments and commitments previously made. The rules dealing with U.S. federal income taxation are constantly under review by persons involved in the legislative process and by the Internal Revenue Service and the U.S. Treasury Department, resulting in revisions of regulations and revised interpretations of established concepts as well as statutory changes. Revisions in U.S. federal tax laws and interpretations thereof could adversely affect the tax consequences of an investment in us.

In particular, legislation recently was introduced in the United States House of Representatives and United States Senate that would amend certain rules relating to REITs. Among other changes, the proposed legislation would provide the Internal Revenue Service with the ability to impose monetary penalties, rather than a loss of REIT status, for reasonable cause violations of certain tests relating to REIT qualification. The proposed legislation also would change the formula for calculating the tax imposed for certain violations of the 75% and 95% gross income tests described in the prospectus under Federal Income Tax Considerations Requirements for Qualification Income Tests. In general, the changes would apply to taxable years beginning after the date the legislation is enacted. As of the date of this prospectus supplement, it is not possible to predict whether the proposed legislation will be enacted in its current form or at all.

State and Local Taxes. We and our stockholders may be subject to state or local taxation in various jurisdictions, including those in which we or they transact business or reside. The state and local tax treatment of us and our stockholders may not conform to the U.S. federal income tax consequences

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discussed above. Prospective stockholders should consult their own tax advisers regarding the effect of state and local tax laws on an investment in our common stock.

UNDERWRITING

Subject to the terms and conditions stated in the underwriting agreement dated the date of this prospectus supplement, we have agreed to sell to Wachovia Capital Markets, LLC, and Wachovia Capital Markets, LLC has agreed to purchase, all of the 4,000,000 shares of common stock offered by this prospectus supplement. The underwriter has agreed to purchase all of the shares if any of those shares are purchased. All of the shares of common stock offered by this prospectus supplement are being sold by us.

The shares of common stock are offered by the underwriter, subject to prior sale, when, as and if issued to and accepted by it, subject to approval of legal matters by counsel for the underwriter and other conditions. The underwriter reserves the right to withdraw, cancel or modify the offer and to reject orders in whole or in part.

Commissions and Discounts. The underwriter has advised us that it proposes to offer the shares of common stock to the public at the public offering price appearing on the cover page of this prospectus supplement and to certain dealers at that price less a concession of not more than $0.28 per share, of which $0.10 may be reallowed to other dealers. After the initial offering, the public offering price, concession and reallowance to dealers may be changed.

The following table shows the public offering price, underwriting discounts and commissions and proceeds, before expenses, to us, both on a per share basis and in total, assuming either no exercise or full exercise by the underwriter of its over-allotment option.

		Total	
	Per Share	Without Option	With Option
Public offering price	$18.40	$73,600,000	$84,640,000
Underwriting discounts and commissions	$ .32	$ 1,280,000	$ 1,472,000
Proceeds, before expenses, to us	$18.08	$72,320,000	$83,168,000

We estimate that the expenses of this offering payable by us, not including underwriting discounts and commissions, will be approximately $200,000.

Over-allotment Option. We have granted to the underwriter an option, exercisable during the 30-day period after the date of this prospectus supplement, to purchase up to a total of 600,000 additional shares of common stock at the public offering price per share less the underwriting discounts and commissions per share shown on the cover page of this prospectus supplement to cover over-allotments.

Indemnity. We have agreed to indemnify the underwriter against specified liabilities, including liabilities under the Securities Act of 1933, or to contribute to payments that the underwriter may be required to make in respect of those liabilities.

Lock-up Agreements. We and certain of our executive officers and directors have agreed, subject to specified exceptions, that, for a period of 30 days after the date of this prospectus supplement, we and they will not, without the prior written consent of the underwriter, sell, pledge or otherwise dispose of any shares of our common stock (other than shares sold by us to the underwriter) or any securities convertible into or exercisable or exchangeable for our common stock. While in effect, our lock-up agreement will not prevent us from:

issuing common stock pursuant to any employee stock option plan, stock ownership plan or dividend reinvestment plan in effect as of the date of this prospectus supplement; or

issuing common stock upon the conversion of securities or the exercise of warrants outstanding at the date of this prospectus supplement; or

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issuing common stock and/or securities convertible into common stock as consideration for the acquisition by us or one of our subsidiaries from a third party of assets or of equity interests of any other entity, which entity would, after giving effect to the acquisition of such equity interests, be a subsidiary of ours.

While in effect, the lock-up agreements entered into by the executive officers and directors will not prohibit these executive officers and directors from:

transferring shares of common stock or any securities convertible into or exchangeable or exercisable for common stock to members of their immediate families or to trusts the beneficiaries of which are exclusively those executive officers or directors and members of their immediate families, so long as the transferee agrees to be bound by the lock-up agreement; or

selling a total of up to 1,000,000 shares of our common stock in connection with the cashless exercise of stock options, so long as the proceeds from those sales are used to pay the exercise price of options to purchase common stock or to satisfy withholding tax obligations.

Wachovia Capital Markets, LLC may, in its sole discretion and at any time or from time to time, without notice, release all or any portion of the shares of common stock or other securities subject to the lock-up agreements.

Listing on the New York Stock Exchange. Our shares of common stock are listed on the New York Stock Exchange under the symbol UDR.

Stabilization. The underwriter has advised us that it may engage in transactions, including stabilization bids or covering transactions, which may have the effect of stabilizing or maintaining the market price of our common stock at a level above that which might otherwise prevail in the open market.

A stabilizing bid is a bid for or the purchase of the common stock on behalf of the underwriter for the purpose of fixing or maintaining the price of the common stock.

A covering transaction is a bid for or the purchase of the common stock on behalf of the underwriter to reduce a short position incurred by the underwriter in connection with this offering.

The underwriter has advised us that these transactions may be effected on the New York Stock Exchange or otherwise. Neither we nor the underwriter makes any representation that the underwriter will engage in any of the transactions described above and these transactions, if commenced, may be discontinued without notice. Neither we nor the underwriter makes any representation or prediction as to the direction or magnitude of the effect that the transactions described above, if commenced, may have on the market price of our common stock.

Other Relationships. The underwriter and its affiliates have provided commercial and investment banking services and financial advisory services to us from time to time for which they have received compensation from us. The underwriter and its affiliates may, from time to time, engage in other transactions with us and perform other services for us in the ordinary course of their business. In particular, an affiliate of the underwriter is a lender, a joint lead arranger and joint book-runner, and the administrative agent under our $500 million unsecured revolving credit facility.

As described under Use of Proceeds, we will use proceeds from this offering to repay borrowings outstanding under our $500 million unsecured revolving credit facility. An affiliate of the underwriter is a lender under that credit facility and therefore will receive a portion of the net proceeds from this offering through the repayment of those borrowings.

EXPERTS

Ernst & Young LLP, independent auditors, have audited our consolidated financial statements and schedule included in our Current Report on Form 8-K filed on May 14, 2003, as set forth in their report,

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which is incorporated by reference in this prospectus supplement and elsewhere in the registration statement. Our financial statements and schedule are incorporated by reference in reliance on Ernst & Young LLP s report, given on their authority as experts in accounting and auditing.

LEGAL MATTERS

The legality of the common stock offered hereby and certain U.S. federal income tax matters will be passed upon for us by Morrison & Foerster LLP. Certain legal matters will be passed upon for the underwriter by Sidley Austin Brown & Wood LLP, San Francisco, California.

HOW TO OBTAIN MORE INFORMATION

We file reports, proxy statements and other information with the SEC. You may obtain a free copy of our annual reports on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K, and amendments to those reports on the day of filing with the SEC on our website at www.udrt.com, or by sending an e-mail message to ir@udrt.com. This reference to our website does not constitute incorporation by reference of the information contained at that site and you should not consider it a part of this prospectus supplement. You also may read our filings at the SEC s Web site at *http://www.sec.gov.* In addition, you may read any document we file at the SEC s public reference room at 450 Fifth Street, NW, Room 1024, Washington, D.C. 20549. Please call the SEC toll free at 1-800-SEC-0330 for information about its public reference rooms.

We have filed with the SEC a registration statement on Form S-3 (File No. 333-101611) under the Securities Act of 1933. This prospectus supplement and accompanying prospectus do not contain all of the information in the registration statement. If any information varies between the prospectus supplement and the accompanying prospectus, you should rely on the information in the prospectus supplement. We have omitted certain parts of the registration statement, as permitted by the rules and regulations of the SEC. You may inspect and copy the registration statement, including exhibits, at the SEC s public reference rooms or Web site. Our statements included, or incorporated by reference, in this prospectus supplement and accompanying prospectus about the contents of any contract or other document are not necessarily complete. You should refer to the copy of each contract or other document we have filed as an exhibit to the registration statement or the documents incorporated by reference in this prospectus supplement for complete information.

INCORPORATION OF INFORMATION FILED WITH THE SEC

The SEC allows us to incorporate by reference into this prospectus supplement and the accompanying prospectus the information we file with it. This means that we have disclosed important information to you by referring you to those documents. The information we incorporate by reference is considered a part of this prospectus supplement and the accompanying prospectus, and information that we file with the SEC, prior to the completion of this offering, and that is incorporated by reference in this prospectus supplement as described below will automatically update and, to the extent inconsistent, supersede this information. Our SEC filing number is 1-10524. In addition to the documents incorporated by reference in the accompanying prospectus, we incorporate by reference the documents listed below filed by us with the SEC:

Annual Report on Form 10-K for the year ended December 31, 2002.

Quarterly Report on Form 10-Q for the quarter ended March 31, 2003.

Quarterly Report on Form 10-Q for the quarter ended June 30, 2003.

Current Reports on Form 8-K filed on January 30, February 12 (not including information furnished under Item 9, which information is not incorporated by reference in this prospectus

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supplement or the accompanying prospectus), February 25, April 3, April 16, April 28, May 14, June 11, and July 3, 2003.

Our Proxy Statement dated April 4, 2003, filed in connection with our May 6, 2003 Annual Meeting of Shareholders.

We are also incorporating by reference any future filings we make with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 after the date of this prospectus supplement and prior to the completion of this offering. In no event, however, will the portions of these documents that are described in paragraphs (i), (k) and (l) of Item 402 of Regulation S-K promulgated by the SEC, or any of the information that we disclose under Item 9 or Item 12 of any Current Report on Form 8-K that we may from time to time furnish to the SEC, be incorporated by reference into, or otherwise included in, this prospectus supplement.

You may request a copy of any of the filings referred to above at no cost by writing or calling us at the following address:

United Dominion Realty Trust, Inc.

1745 Shea Center Drive, Suite 200
Highlands Ranch, Colorado 80129
Attention: Investor Relations
Telephone: (720) 283-6120

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PROSPECTUS

$1,000,000,000

Debt Securities

Preferred Stock

Common Stock

This prospectus contains a general description of the debt and equity securities that we may offer for sale. We may offer these securities in one or more offerings in amounts, at prices and on terms determined at the time of the offering. We will provide the specific terms of these securities and the terms of the offering in supplements to this prospectus. You should read this prospectus and any prospectus supplement carefully before you invest.

Our common stock is traded on the New York Stock Exchange under the symbol UDR.

Investing in our securities involves risks. Before buying our securities, you should refer to the risk factors included in our periodic reports, in prospectus supplements relating to specific offerings and in other information that we file with the Securities and Exchange Commission. See Risk Factors on page 3.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is December 23, 2002.

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