

# UMH Properties, Inc. NYSE:UMH

## FQ3 2024 Earnings Call Transcripts

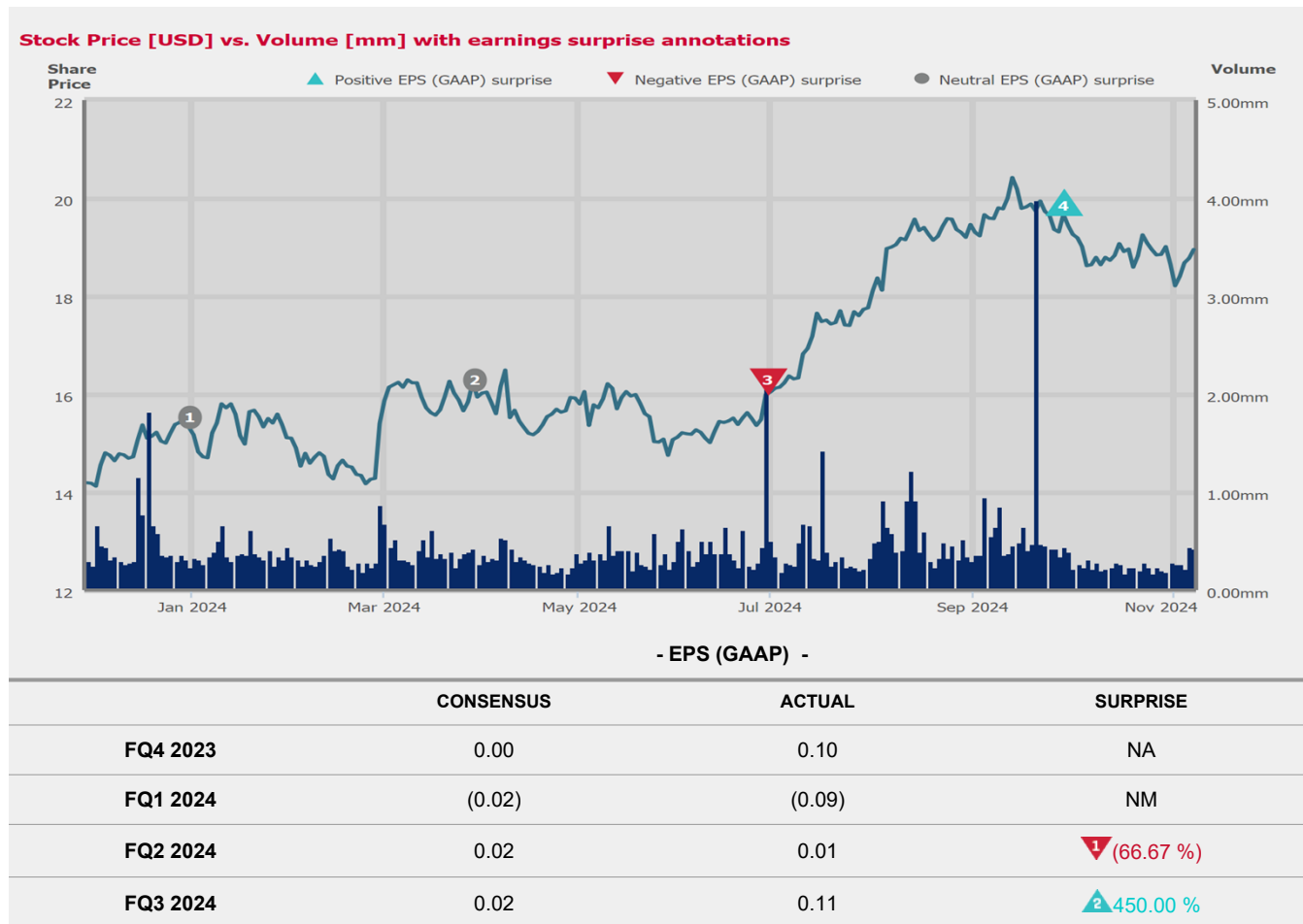
**Thursday, November 7, 2024 3:00 PM GMT**

S&P Global Market Intelligence Estimates

	-FQ3 2024-			-FQ4 2024-	-FY 2024-	-FY 2025-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
<b>EPS (GAAP)</b>	0.02	0.11	▲450.00	0.03	(0.03)	NA
<b>Revenue (mm)</b>	58.82	60.67	▲3.15	59.60	231.03	NA

Currency: USD

Consensus as of Nov-07-2024 4:10 PM GMT



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# Call Participants

## EXECUTIVES

**Anna T. Chew**

*EVP, CFO, Treasurer & Director*

**Brett Taft**

*Executive VP & COO*

**Craig Koster**

*Executive VP, General Counsel & Secretary*

**Eugene W. Landy**

*Founder & Chairman of the Board*

**Samuel A. Landy**

*President, CEO & Director*

## ANALYSTS

**Craig Gerald Kucera**

*Lucid Capital Markets, LLC, Research Division*

**Gaurav Mehta**

*Alliance Global Partners, Research Division*

**John James Massocca**

*B. Riley Securities, Inc., Research Division*

**Richard Charles Anderson**

*Wedbush Securities Inc., Research Division*

**Robert Chapman Stevenson**

*Janney Montgomery Scott LLC, Research Division*

# Presentation

## Operator

Good morning, and welcome to UMH Properties Third Quarter 2024 Earnings Conference Call. [Operator Instructions] Please note this event is being recorded.

It is now my pleasure to introduce your host, Mr. Craig Koster, Executive Vice President and General Counsel. Thank you. Mr. Koster, you may begin.

## Craig Koster

*Executive VP, General Counsel & Secretary*

Thank you very much, operator. In addition to the 10-Q that we filed with the SEC yesterday, we have filed an unaudited third quarter supplemental information presentation. This supplemental information presentation, along with our 10-Q, are available on the company's website at umh.reit.

We would like to remind everyone that certain statements made during this conference call, which are not historical facts, may be deemed forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. The forward-looking statements that we make on this call are based on our current expectations and involve various risks and uncertainties.

Although the company believes the expectations reflected in any forward-looking statements are based on reasonable assumptions, the company can provide no assurance that its expectations will be achieved. The risks and uncertainties that could cause actual results to differ materially from expectations are detailed in the company's third quarter 2024 earnings release and filings with the Securities and Exchange Commission. The company disclaims any obligation to update its forward-looking statements.

In addition, during today's call, we will be discussing non-GAAP financial metrics. Reconciliations of these non-GAAP financial metrics to the comparable GAAP financial metrics as well as the explanatory and cautioning language are included in our earnings release, our supplemental information and our historical SEC filings.

Having said that, I would like to introduce management with us today: Eugene Landy, Founder and Chairman; Samuel Landy, President and Chief Executive Officer; Anna Chew, Executive Vice President and Chief Financial Officer; Brett Taft, Executive Vice President and Chief Operating Officer; Jim Lykins, Vice President of Capital Markets; and Daniel Landy, Executive Vice President.

It is now my pleasure to turn the call over to UMH's President and Chief Executive Officer, Samuel Landy.

## Samuel A. Landy

*President, CEO & Director*

UMH is pleased to report a third consecutive quarter of year-over-year normalized FFO growth. Normalized FFO per diluted share for the third quarter of 2024 was \$0.24 as compared to \$0.22 last year, representing an increase of approximately 9%. Sequentially, normalized FFO per diluted share increased from \$0.23 in the second quarter to \$0.24 in the third quarter, representing a 4% per diluted share increase. Year-to-date, normalized FFO increased from \$39.2 million last year to \$50.3 million this year, representing an increase of 28%.

Our communities continue to experience strong demand for our homes, which is resulting in increased occupancy, revenue, sales income and ultimately, earnings per share. Our long-term business plan is delivering best-in-class results. We will continue to improve our operating results through the infill of our 3,300 vacant sites, development of our vacant land and increasing the profitability of our sales and rental programs.

During the quarter, we issued and sold approximately 5.7 million shares through our common ATM at a weighted average price of \$18.93, raising net proceeds of \$107 million. In the short term, we utilize this capital to fully pay down our line of credit. This capital will allow us to invest in our value-added business plan and positions us to execute on potential acquisitions should they become available at the right prices.

Turning to our third quarter operating results, we are proud that our communities are experiencing strong demand for home sales and rentals. This demand is the result of investing in the right locations and rapidly improving the quality and reputation of our communities. Overall, occupancy increased by 39 units to 87.4% during the quarter and 234 units year-to-date. Year-over-year, overall occupancy increased by 271 units or 120 basis points.

During the quarter, we experienced some storm-related expenses, which increased our overall expense ratio to 43.3%. Year-to-date, our expense ratio was 42.4% as compared to 43.3% last year. Our collection rate remained strong, and our third quarter rents are 98.5% collected. Our same property results continue to meet expectations.

Third quarter rental and related income grew by approximately 8% and NOI increased by approximately 7%. Year-to-date, same property income is up 9%, and same-property NOI is up 11% or \$9.2 million. Annualized, this equates to a \$12 million increase in community NOI. We anticipate similar results in the coming quarters and years as we continue to fill our 3,300 vacant sites through our rental and sales programs.

We anticipate further occupancy growth in the coming quarters as we obtain and set up our rental homes. We currently have over 200 homes on order and 300 homes recently delivered that are ready for occupancy or are in various stages of setup.

Next year, we anticipate a \$10 million increase in revenue through the occupancy of 800 new rental homes and a \$10 million increase from our 5% annual rent increases. We continue to invest in new rental homes and now own 10,300 homes. Our rental home occupancy rates remained stable at 94% compared to the prior year. During the quarter, we converted 179 new homes from inventory to revenue-producing rental homes. The net increase in our rental home portfolio was 117 homes because of the sale of older homes. Year-to-date, we have converted 443 homes from inventory to revenue-producing rental homes. The net increase was 284 units because of the sale of older homes.

During the first half of the year, we replenished our inventory, which will allow us to further increase occupancy, revenue and sales income in the fourth quarter of the year and into 2025. Our annual investment in new rental homes yields approximately 10% on the funds invested. We anticipate the addition of 800 new rental homes in 2025.

Moving on to sales. Our team sold 100 homes during the quarter, of which 34 were new home sales, for gross home sales revenue of approximately \$8.7 million. This compares to 90 homes last year, of which 41 were new home sales, with gross home sales revenue of \$7.9 million, representing an increase of 10%.

Our gross sales margin increased 500 basis points from 33% for the same quarter last year to 38% for this year's quarter. Our gross sales profit increased 30% from \$2.6 million in the third quarter of last year to \$3.3 million this year. We financed approximately 53% of these home sales. We have a \$4 million sales pipeline, which should allow us to generate year-over-year sales growth in the fourth quarter.

Our sales results still have the potential to substantially improve. Several high-end expansions in good locations are just opening or are just about to open, which will generate a pipeline of sites where we can profitably sell homes. We are on track to develop approximately 200 expansion sites this year. Additionally, we anticipate approvals to develop approximately 500 new sites next year. We plan to develop approximately 300 of these sites in 2025. These expansion sites allow us to grow organically without the need for acquisitions. We have 2,200 acres of vacant land that may be able to be developed into 8,800 sites.

We have made progress negotiating a joint venture with a major homebuilder for our 131 acres in Vineland, New Jersey.

UMH is on track to continue to deliver per share earnings growth this year, and we are pleased with the results being generated by our platform. We have a business plan and a platform that has proven to deliver outstanding results and a pipeline of organic growth opportunities to continue delivering these results for the next several years. Our 3,300 vacant sites and our 2,200 vacant acres provide internal growth opportunities for years to come.

We have positioned the company with a strong balance sheet with \$66.7 million in cash and full availability of our credit line. Our strong balance sheet and access to capital gives us the ability to invest in new homes, capital improvements and the expansion of our communities, which will enhance the long-term value of our portfolio and further increase our earnings per share. Additionally, we are prepared to acquire new communities when accretive investment opportunities become available.

And now, Anna will provide you with greater detail on our results for the quarter.

**Anna T. Chew**  
*EVP, CFO, Treasurer & Director*

Thank you, Sam. Normalized FFO, which excludes amortization and non-recurring items, was \$18.5 million or \$0.24 per diluted share for the third quarter of 2024, compared to \$14.4 million or \$0.22 per diluted share for 2023, resulting in a 9% per diluted share increase and a 28% overall increase. Sequentially, normalized FFO increased from \$0.23 for the second quarter to \$0.24 in the third quarter, representing a 4% per diluted share increase.

Rental and related income for the quarter was \$51.9 million compared to \$48.1 million a year ago, representing an increase of 8%. This increase was primarily due to an increase in rental rates and same-property occupancy and additional rental homes. Community operating expenses increased 9% during the quarter. This increase was mainly due to an increase in payroll costs, real estate taxes, rental home expenses and storm cleanup.

Our same-property results continue to meet our expectations. Same-property income increased by 8% for the quarter and community NOI increased by 7% for the quarter from \$28.2 million in 2023 to \$30.3 million in 2024. Year-to-date, same-property NOI has increased by 11% from \$82 million last year to \$91.2 million this year.

As we turn to our capital structure, at quarter end, we had approximately \$615 million in debt, of which \$488 million was community-level mortgage debt, \$26 million was loans payable and \$101 million was our 4.72% Series A bonds. Total debt was 99.5% fixed rate at quarter end. The weighted average interest rate on our mortgage debt was 4.17% at quarter end compared to 3.88% at quarter end last year. The weighted average maturity on our mortgage debt was 4.6 years at quarter end and 5 years at quarter end last year. The weighted average interest rate on our short-term borrowings was 79 basis points lower at 6.47% at the current quarter end as compared to 7.26% at quarter end last year. In total, the weighted average interest rate on our total debt was 35 basis points lower at 4.36% at the current quarter end compared to 4.71% at quarter end last year.

In 2025, we have approximately \$116 million in community mortgages maturing. Approximately \$46 million of these mature by April 1, 2025.

As we have demonstrated through our previous refinancing, our communities have increased in value substantially. In some cases, they have doubled in value. We are in the early stages of refinancing these communities, but anticipate proceeds will be well in excess of the maturing principal balances. Proceeds will be impacted by interest rates and coverage ratios at the time of refinancing. At quarter end, UMH had a total of \$307 million in perpetual preferred equity. Our preferred stock, combined with an equity market capitalization of over \$1.5 billion and our \$615 million in debt, results in a total market capitalization of approximately \$2.5 billion at quarter end as compared to \$1.9 billion last year, representing an increase of 30%.

During the quarter, we issued and sold 5.7 million shares of common stock through our common ATM program, generating net proceeds of approximately \$107 million. The company also received \$2.4 million, including dividends reinvested through the DRIP. In addition, we issued and sold 441,000 shares of our Series D preferred stock during the third quarter of 2024 through the preferred ATM program, generating net proceeds of approximately \$10 million. The capital raise was invested in our rental home program, capital improvements, financing of notes and to pay down our short-term line of credit.

Subsequent to quarter end, we issued 170,000 shares of common stock through our common ATM program, generating net proceeds of approximately \$3.2 million. In addition, we issued 247,000 shares of our Series D preferred stock to our preferred ATM program, generating net proceeds of approximately \$5.8 million.

We also closed on the acquisition of a 246-unit self-storage facility adjacent to one of our communities located in Anderson, Indiana. We are proud to now own over 1,000 self-storage units in close proximity or directly adjacent to our communities that serve the storage needs of our residents and the surrounding area.

From a credit standpoint, we ended the quarter with net debt to total market capitalization of 22.2%, net debt less securities to total market capitalization of 20.8%, net debt to adjusted EBITDA of 4.9x and net debt less securities to adjusted EBITDA of 4.6x. Interest coverage was 3.3x and fixed charge coverage was 2.1x. All metrics indicate a very strong balance sheet.

From a liquidity standpoint, we ended the quarter with \$66.7 million in cash and cash equivalents and \$260 million available on our unsecured revolving credit facility. We also had \$202 million available on our other lines of credit for the financing of home sales and the purchase of inventory and rental homes. This liquidity positions the company with the ability to execute our long-term business plan and potentially grow externally as attractive growth opportunities become available.

In 2024, we expanded the borrowing capacity of our unsecured revolving credit facility from \$180 million in available borrowings to \$260 million in available borrowings. This facility is indicated with 3 banks: BMO Capital Markets, JPMorgan Chase and Wells Fargo as joint arrangers and joint book runners.

Additionally, we had \$34.2 million in our REIT securities portfolio, all of which is unencumbered. This portfolio represents only approximately 1.7% of our undepreciated assets. We are committed to not increasing our investments in our REIT securities portfolio and have, in fact, continued to sell certain positions. We are well positioned to continue to grow the company internally and externally.

We are also updating our 2024 guidance, which previously was: normalized FFO in a range of \$0.91 to \$0.95 per diluted share for the full year or \$0.93 at the midpoint. We are tightening this range to \$0.92 to \$0.94. This represents approximately 8% annual normalized FFO growth at the midpoint over full year 2023 normalized FFO of \$0.86 per diluted share. We plan to issue full year 2025 guidance concurrent with our fourth quarter and year-end results.

And now let me turn it over to Gene before we open it up for questions.

**Eugene W. Landy**  
*Founder & Chairman of the Board*

UMH has a mission to provide the nation with high-quality affordable housing. We have successfully built one of the best portfolios of manufactured housing communities in the country. We have a platform with a demonstrated ability to turn around and improve older communities, thereby increasing the supply of quality affordable housing in the markets we operate in.

Our platform has also expanded our existing communities and develop new communities, further increasing the supply of affordable housing. While we have done a lot to help solve the housing crisis, there is still a tremendous amount of work to be done. Our work in our communities have put a spotlight on the benefits provided by the manufactured housing. We anticipate government programs that should encourage further growth in our industry and our company. While politicians are incredibly divided, they all agree that we need to work together to increase the supply of affordable housing.

UMH is a sustainable investment. 100% of our income is considered social because rents are affordable in each of the markets we operate in. Additionally, we have been working with GAF on a program to have solar shingles installed at the factory. We are in the early stages of a pilot program, and we have ordered our first 20 homes, which should be delivered later this year. We anticipate the solar shingles will reduce our tenants' electricity costs, further decreasing the cost of housing.

UMH is well positioned for future growth. We have acquired 3,300 vacant sites and 2,200 acres of vacant land through our acquisitions over the years. Our rental homes provide us with a key to rapidly filling these vacant sites. We anticipate 800 new rental homes per year until we reach full occupancy and the development of 300 to 400 expansion sites annually. Our business plan has given us the ability to continue to grow earnings and earnings per share without the need for external growth opportunities.

That being said, we are well capitalized and ready to execute on acquisition opportunities as they become available at attractive prices. We are well positioned with a strong balance sheet to continue to grow internally and externally. I am incredibly proud of our team of devoted employees for positioning UMH as leaders in the manufactured housing industry. We have made tremendous progress to increasing the supply of affordable housing by upgrading older communities and developing expansions and new communities.

Additionally, I'm proud of the progress we have made with respect to the opportunity zone laws. The HUD approval of duplex manufactured housing and the installation of solar shingles on our homes. These are all major developments that should impact our and the industry's ability to develop more affordable housing in the future.

We would now be happy to take any questions.

# Question and Answer

## Operator

[Operator Instructions] Our first question comes from Rob Stevenson of Janney.

### **Robert Chapman Stevenson**

*Janney Montgomery Scott LLC, Research Division*

Sam, how is the acquisition pipeline today in the overall transaction environment versus a quarter or 2 ago?

### **Samuel A. Landy**

*President, CEO & Director*

Well, in a sense, nothing's changed in terms of the pending deals in Maryland are still the pending deals. On the other hand, I have a lot of reason to believe more communities will come on the market, and there's less competition to buy them. So at this exact moment, there's nothing new in the pipeline but I am optimistic that more communities are going to become available.

### **Brett Taft**

*Executive VP & COO*

And just to touch on Maryland real quick. Those properties, they're making a lot of progress completing the upgrades that need to be done before we can close on the deal. We're probably looking at a first quarter of 2025 closing.

### **Robert Chapman Stevenson**

*Janney Montgomery Scott LLC, Research Division*

All right. That's helpful, Brett. Self-storage, was that just a unique opportunity in the quarter? Are there real synergies that would make sense to own storage units peripheral to a number of your other communities at this point?

### **Samuel A. Landy**

*President, CEO & Director*

Right. Almost all of our self-storage directly adjoins our existing communities. Quite a bit of it came with the communities when we acquired them. We've built a little bit of self-storage on joining vacant land. We want to continue to do more. We use our same community manager, the same manager managing the community and the same maintenance staff manages the self-storage. So, we're a more efficient operator than the seller because we don't have labor costs. And our residents want the self storage. They need the self-storage. And so it's just a natural fit. And we look at our vacant land all the time, and we will continue to build additional self-storage adjoining our communities.

### **Robert Chapman Stevenson**

*Janney Montgomery Scott LLC, Research Division*

Okay. And then what are you guys paying today for new rental units? And how much upward cost pressure is there on the part of the manufacturers in terms of cost inflation today?

### **Brett Taft**

*Executive VP & COO*

Yes. We haven't seen too much. I mean, obviously, prices are going up a little bit. We'll see where it goes over the next few months. But we're still for a single-wide unit, fully set up at our communities in the \$70,000 to \$75,000 range, double wides being a little bit higher than that, obviously. We're buying high-quality rental homes. We're upgrading the components that we generally see the most damage in. So -- and I'm just pointing out that our rentals are a little bit more expensive than some of our competitors, but we think that that's why we see lower turnover costs and lower overall cost per unit on the expense side.

### **Robert Chapman Stevenson**

*Janney Montgomery Scott LLC, Research Division*

Okay. Brett, I mean, I guess on that, I guess, obviously, single-wide, double-wide makes a difference, but it seems like a huge gap versus the \$151,000 per home on the 98 new home sales in the third quarter. Anything else other than wholesale versus retail pricing



coming into play here in terms of that gap versus what it would cost you for those homes or people increasing optionality when they buy at \$151,000 per home? Can you talk a little bit about that?

**Samuel A. Landy**  
*President, CEO & Director*

So, we have expansions coming available in great locations. We're probably better positioned than we've ever been to increase sales at new locations from expansions we've built, next phases we're building. We ran out of lots at Holiday Village, which was a top performer last year, and they're just getting those lots opened right at this moment. So, everything looks really good to increase sales.

Many of our sales -- take Cinnamon Woods, where the buyers are 55 and older. They're going to be custom order homes. And we're working on an absolute minimum markup of 30% and it could be 100%. So, these are all location-based and the more expensive the home, the more we make. And building these new 300 to 400 lots per year, could it -- and it just by themselves, result in sales profits of \$50,000 to \$100,000 per house.

**Brett Taft**  
*Executive VP & COO*

Just to add one thing, and Sam points it out frequently, that those rental homes that we're buying and setting up for \$70,000, \$75,000. We wouldn't sell that rental home for that amount. That if it were a new home sale would be in the \$90,000 to \$100,000 range, and some markets even in excess of that.

**Robert Chapman Stevenson**  
*Janney Montgomery Scott LLC, Research Division*

Okay. And then last one for me. Sam, you talked about that the New Jersey JV with the homebuilder is making progress. If that comes to fruition, is that first half '25, second half '25 type of deal? How would you sort of handicap the timing there and when we should expect additional news?

**Samuel A. Landy**  
*President, CEO & Director*

Yes, the minimum time it would take would be one year for the homebuilder to get all the approvals and then another year to build it. So, the minimum, before we're getting any money from this is, you're into 3 years from today. And that's a minimum. It could take longer than that. But what's -- a, that's exciting because you're talking about a significant number of homes that are going to potentially sell for \$1 million a piece. So, potentially 150 homes, potentially \$150 million and potentially we get 20% of that.

But in addition to that, we're working in Carlisle, Pennsylvania on 29 subdivided lots. We will use what they call a CrossMod, it's a bigger, more expensive than a standard HUD code home built to the local building code, but it's factory built. And then we're going to put it on a superior wall system so you get basically a 2-story house. And we're going to retail those out. And there'll be about 29 of those in Carlisle, Pennsylvania, hopefully, next year, and we're going to continue to work on our 2,200 acres of vacant land and how to maximize income from it.

**Operator**

Our next question comes from Gaurav Mehta of Alliance Global Partners.

**Gaurav Mehta**  
*Alliance Global Partners, Research Division*

I wanted to ask on your rental homes. You said you're looking to add 800 rental homes next year. And I think this year, you said you added 284, excluding the used home sales. So, that 800 number for next year, what's the comparable number for 2024 to compare to that 800 number?

**Samuel A. Landy**  
*President, CEO & Director*

So go ahead, but there's 800 homes ordered for 2024, and we believe we'll order 800 homes for 2025. There's an obsolescence factor so that when we add 800 homes, we don't go forward 800 homes as we remove older homes. But many of those homes that are ordered are not delivered, not set up yet. But go ahead, Brett.

**Brett Taft**

*Executive VP & COO*

Yes, sure. So first of all, we have converted 443 new homes from inventory to revenue-producing rental homes. So, that's 443 new homes added to our portfolio of rentals. The net number you're referring to is the 284, which includes some older homes that we have sold out of that rental home portfolio this year. We have about 300 homes in our communities that are in various stages of setup, but about 200 of those are just about ready for occupancy. So, not saying we'll fill all 200 of those homes that are ready this year, but we have a potential to do that.

Assuming that occurs, again, we're at 443 for the first 9 months of the year, I think that we should be able to get into the 600, 650 range of actual converted homes from inventory to revenue-producing sites. And then going into next year, we've got another 200-plus homes that are on order that will be delivered to our communities. So that gives us a good amount of inventory going into the first quarter. And given that demand is strong throughout the portfolio, we see no reason why we can't order, set up and install 800 homes next year, which we've done in previous years.

**Gaurav Mehta**

*Alliance Global Partners, Research Division*

Okay. That's helpful. I also wanted to ask you on your comments around self-storage. Just to clarify, the self-storage units that you talked about, are those units for UMH residents only? Or are they open to anybody?

**Samuel A. Landy**

*President, CEO & Director*

Almost all of them are open to anybody. The exception is in Vineland, New Jersey, approximately 50 units that are exclusively for our residents. That was the condition of the approval process.

**Operator**

The next question comes from Rich Anderson of Wedbush.

**Richard Charles Anderson**

*Wedbush Securities Inc., Research Division*

I think there was mentioned storm costs. Did you quantify that number for the quarter?

**Brett Taft**

*Executive VP & COO*

We didn't, but I can touch on that a little bit. And I just want to start by pointing out that the number for the quarter that was impacted, it wasn't the hurricanes in Florida. It was some other high wind storms in the Midwest and -- impacted our communities in Indiana, Ohio and Pennsylvania. It was largely limited to tree removal, a cleanup, a few roofs that needed to be fixed and some skirting issues.

The tree removal was up about \$140,000. R&M for the quarter was up about \$100,000. So, not substantial, but when you're looking at an increase in expenses of 200 basis points over the last year, those numbers do start to add up. Then just pivoting to the Florida storms, our properties performed very well. We're proud of the product we have. We had a lot of shingle damage, but nothing major, \$1,000, \$2,000 a home and it looks like our damages were limited to about \$100,000 down there.

**Richard Charles Anderson**

*Wedbush Securities Inc., Research Division*

Okay. And so if you were to remove those costs, would you -- would that have sprung you over into double-digit NOI growth territory for the quarter? Or would you have still been -- some think the magic number here is double-digit same-store NOI growth. So, I'm wondering if there's a return to that next quarter and down the line?

**Brett Taft**

*Executive VP & COO*

Yes. We think we can get back to double-digit same-property NOI growth. Those 2 numbers alone would not have gotten us there. It would have gotten us very close into the 9% range. There were some other one-time charges that impacted our overall operating expenses. And if I were to add those back in, it would have been in the 9.5% to 10.5% range. But that being said, we think that we're going to grow revenue faster, given that we will have more rental homes coming online. And we think our expenses will probably come down a little bit from this quarter, and we think we can be in that high single-digit, low double-digit range going forward.

And I just want to point out that, for the year, we're still -- NOI growth was still 11.2%. It was \$9 million in total increased NOI for the 9 months, which annualizes at \$12 million. And again, we're still very happy with that number. This is just a blip of one quarter as far as I'm concerned.

**Richard Charles Anderson**  
*Wedbush Securities Inc., Research Division*

Fair enough. Noticed at the same-store level, you had flat occupancy sequentially at 87.7%. And we've talked in the past, what's the optimal occupancy to carry so that you have availability to grow? I'm just wondering, is there a number in mind? Or do you just -- are you driving towards 100% occupancy muscling through? Or is -- sort of low 90s, high 80s sort of the optimal level? Anything to read in from that flat occupancy sequential growth this quarter?

**Samuel A. Landy**  
*President, CEO & Director*

In our presentations, we show you the region-by-region occupancy. So, Ohio, we have 87.57% occupancy. And with the likelihood that Marcellus and Utica Shale drilling increases the likelihood of getting to 100% occupancy in that area is pretty strong. Eastern New York, 94.21%, Western New York 77.91%. I don't know when they'll allow drilling in Western New York, but that is a Marcellus and Utica Shale area. So that could grow.

Tennessee, 94.23% occupancy; Indiana, 88.69%; Eastern Pennsylvania, 91.36%; Maryland, 89.86%; Western PA, 84.33%; New Jersey, 96.36%; Michigan, 84.3%. And then it's the new communities to bring the number down. Alabama, 44.82%; Georgia, 11.86%; and South Carolina, 65.22%. So, we need time to fill Alabama, Georgia, South Carolina. We have to build our 300 to 400 expansion lots, but the likelihood is the existing portfolio with the exception of Alabama, Georgia, South Carolina, will be pretty close to 100% occupied in a year.

**Brett Taft**  
*Executive VP & COO*

I guess we're just commenting on the sequential growth in occupancy. Not everything occurs in a straight line here. But if you look year-over-year, occupancy was up 220 sites. Our inventory always ebbs and flows, and there's always going to be some turnover of our rental homes, which we experienced later in the third quarter. That being said, I'm very comfortable with where our occupancy rate on the rentals is, it's actually a little bit stronger than it was this time last year. And again, we do have inventory coming in at the right locations, and our team is experiencing strong demand to fill those rentals. So, we do expect continued occupancy growth going forward.

**Richard Charles Anderson**  
*Wedbush Securities Inc., Research Division*

Great color. Last question for me. Of the 10,089 rental homes in the portfolio today, when you look at that, what percentage of that would you say is obsolete? And will -- when a day comes that there is a vacancy that you'll have to replace it? And what percentage can carry on either through a home sale or a re-rental?

**Samuel A. Landy**  
*President, CEO & Director*

So, I believe there's 10,300 vacant sites.

**Brett Taft**  
*Executive VP & COO*

He's looking at the same store.

**Samuel A. Landy**  
*President, CEO & Director*

Okay. So UMH has a total of 10,300 rental units. We only started buying rental homes in 2011. So -- and then we only bought 100 homes that year, 300 the next, 500 the next and then started going to 800 a year. So virtually none of our homes are obsolete. But as they become 10 years old, it would have been great if we -- and still a possibility exists that the Vice President's tax credit for first, tax credit for first-time homebuyers comes to be. But potentially, you could sell those 10-year-old homes and potentially make \$20,000, \$30,000 per house.

And Dodd-Frank SAFE Act Truth in Lending, the Consumer Finance Protection Bureau, all those things that came to be in 2009, basically tied both hands behind our back, and we found a way to get around it by renting homes. But if things get changed so that people earning \$40,000 to \$80,000 a year can qualify for financing, selling those older 10-year-old homes can be very profitable for us and very beneficial to the person who buys them because then they only receive the lot rent increase, not the increase on the value of the home plus a lot rent and so they build equity in their house, they could sell their house for a profit. It could be very beneficial to them and to us, and maybe that will still occur.

**Operator**

The next question comes from Craig Kucera of Lucid Capital Markets.

**Craig Gerald Kucera**

*Lucid Capital Markets, LLC, Research Division*

I have another follow-up on the rental home deployments. I'm just trying to understand if you're deploying 800, let's say, in 2025, should we expect somewhat of a programmatic sale, and so maybe you don't have a net 800 added to the rental pool? Or I think we're just trying to figure out how much growth you're going to have in the rental pool if you're starting to sell out of it, which I don't think you've done too much of in the past?

**Samuel A. Landy**

*President, CEO & Director*

We don't have any desire to sell the rental homes. We look at it as the finance business. We look at -- Jim Clayton became a billionaire selling Clayton Homes to Warren Buffett and Warren Buffett bought it for the finance business and the rental homes are really the finance business. So why do we want to sell them. But at the same time, I say that, had -- if this tax credit for first-time homebuyers comes to be, and we can sell those 10-year-old rental homes at a significant profit or we're also looking at a government program for down payment, a government grant that pays people's down payment.

If those things occur, and we can make \$30,000 per unit, selling 10-year-old rental homes, it becomes a good idea. So that's not there yet, but the potential exists.

**Craig Gerald Kucera**

*Lucid Capital Markets, LLC, Research Division*

Okay. I appreciate the color there. A big quarter from an equity issuance perspective, and you pay down the line of credit, but should we anticipate that you may pay down the loans payable that remain because I think they are still the highest cost to remain debt that you have? Or is it somehow cost prohibitive to do that?

**Anna T. Chew**

*EVP, CFO, Treasurer & Director*

I think the only loans payable we have is the term loan on our rental homes, and that's not due for another couple of years. And that's only \$20-something million. But on an annual basis, we need between \$120 million to \$150 million. So, therefore, we are able, with our ATM issuance this quarter, we are all set in order to execute our business plan next year as well as anticipating any acquisitions that may come about. I apologize for my voice.

**Craig Gerald Kucera**

*Lucid Capital Markets, LLC, Research Division*

That's all right. I understood you quite clearly. Just one more for me. There was a nice reduction in G&A. I know you had the last -- the special bonus related to Fannie Mae financing recognized last quarter. But how should we think about cash G&A going forward? Do you need -- is there any need to add more people?

**Samuel A. Landy**

*President, CEO & Director*

In terms of more people, that all depends on what happens on the acquisition front. As we are with our properties to be developed, adding our rental units, any increase in G&A will be minor. It's nothing significant. If we find a large enough acquisition, there'll be increase in administrative, but that will be balanced by the new income from the acquisition.

**Eugene W. Landy**

*Founder & Chairman of the Board*

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Well, this is Gene Landy, the Chairman. We geared up the company to expand it because the nation needs additional housing. And we're talking about -- we're doing 100,000 units a year in manufactured housing. We should be doing 200,000, and we really want to build additional communities. And we know that the opportunities exist because we're doing it. We've been doing it. We've been successfully building parks, renovating parks, and we could do much more and we're staffed hopefully, for the Opportunity Zone law changes.

But for whatever way we can expand as the company, we are staffed to do much more than we're doing now. And right as we speak, we're working on the Opportunity Zone amendments, which will give us the ability to get the zoning. Zoning is a big problem in building manufactured homes. We have 2,000 acres but we've -- over the years, it's been only partially successful in rezoning them for manufactured housing. The nation needs 4 million homes. That means you need 4 million lots and the building for conventional homes and \$1 million dollar mansions and towns are very anxious to do that and there's no opposition to it. So, our lots are going to be very valuable, but we want to also build the affordable housing.

So, I guess what I'm trying to tell you is that I'd like to see the company much bigger. The people are our best asset. We have tremendous people working for us, and we're working on tremendous new ideas. We were the pioneer on the duplex unit. Duplex unit is simply taking a single-wide unit and cutting in half and have two 550 square foot units on one lot. And that really creates an opportunity for affordable housing and we envision building whole communities with duplex units and that's in its infancy.

But you have to go find the land. You get it rezoned. We were successful in getting HUD to approve the concept, but we have to engineer it. And frankly, we've got to understand the market. We've never been in the duplex business. So please don't look at our administrative expenses based on a fixed company, you're looking at administration expenses for a company that wants to substantially increase in size and growth to fill the needs.

#### **Operator**

Our next question comes from John Massocca of B. Riley Securities.

#### **John James Massocca**

*B. Riley Securities, Inc., Research Division*

So maybe touching on external growth a little bit more. You seemed a little more optimistic that there might be opportunities out there that maybe the bid-ask spread between buyers and sellers of communities has narrowed. I was just wondering if there's any color you can give on what's driving that or any specific kind of operators in the market that are kind of more likely to sell now than they were 3 to 6 months ago?

#### **Samuel A. Landy**

*President, CEO & Director*

The other publicly-held manufactured housing REITs had a significant advantage over us in terms of cost of capital. But as our stock price has risen, our cost of equity capital has gone down. So that advantage is dwindling. And then on the private side, we have access to the markets. We have access to preferred, access to common. We have plenty of debt available. So, we're in a better position than most people to acquire communities at this moment. So, I don't know what will come for sale. But if communities come for sale, we're able to pay more than we could pay in the past on a per lot basis because the yield spread is in our favor.

#### **Eugene W. Landy**

*Founder & Chairman of the Board*

We look at acquisitions based on duration and compounding. And we look at the return we're going to get over 10, 12 years. Other people look at the return they're going to get next year. So that -- we think we have foresight to know that we're going to get some valuable and profitable acquisitions where other people who are just looking at what they're going to make a year or 2 years from now, turning them down. And if you look at what we've done with our existing portfolio, our business plan has worked, and we think it will work in the future.

#### **John James Massocca**

*B. Riley Securities, Inc., Research Division*

Okay. I mean, with that in mind, I mean, how are you thinking about kind of your current leverage levels? They've obviously come down pretty significantly over the last couple of quarters. I mean is that more leaving you kind of a coiled spring to do more investments? Or do you kind of feel like all else being equal from a cost of capital perspective, you'd like to stay at this level going forward?

**Samuel A. Landy**  
*President, CEO & Director*

No, I mean, we have no -- minimal debt right now. But the object is, let's see what interest rates do. If they go down, the preferred becomes the most attractive use to capital. And if interest rates go up, stay the same, with a combination of 50% debt, 50% common, is attractive. So, we have all of the options available to us, including the \$118 million in properties that get refinanced next year.

**Anna T. Chew**  
*EVP, CFO, Treasurer & Director*

Correct. \$116 million.

**Samuel A. Landy**  
*President, CEO & Director*

\$116 million of properties get refinanced next year, and we think they've doubled their value, so we could take twice as much money out of those properties as is currently available.

**Eugene W. Landy**  
*Founder & Chairman of the Board*

And if I can add one more thing. There should be a better appreciation of the government-sponsored entities that we've borrowed from in the past. This money is long term and it's lower cost than from other sources. And the government is very interested in financing affordable housing, and we plan to utilize government-sponsored entities to finance our acquisitions to finance our expansions and our greenfield developments, and that is an area that other REITs and other businesses don't have. But on top of that, if you see the 3 banks we have, we have the top banks in the country on our line. And we believe we have access to capital.

And compared to the potential gains because the housing has been one of the best investments over the past 4 years and we think it's going to continue to be a great investment. So, we plan to grow the company using various capital forms.

**John James Massocca**  
*B. Riley Securities, Inc., Research Division*

Switching gears just a little bit. Last one for me. On the self-storage units. I mean you talked about them being kind of additive to kind of existing and potential future communities. Is there a scenario where you would develop kind of on a more -- on a basis that's a little bit less tied to your kind of manufactured housing communities just given it may be a higher and better use for some of the land you have in the portfolio or for zoning reasons? Or do you think future development of that kind of asset class is going to be really tied to kind of community growth -- manufactured housing community growth?

**Samuel A. Landy**  
*President, CEO & Director*

A, we want to be 100% focused on strictly being quality affordable housing through homes for sale and rent. We see the self-storage as a necessary accessory use. Our residents need self-storage. So, us owning self-storage joining the communities benefits their experience of living in the communities. There's some, and it's not a lot, but some vacant land adjoining our communities where we're more likely to get approvals in the Vineland case for very expensive homes. And the Carlisle case, it's 29 1-acre lots. If they let us build 8 homes per acre of manufactured housing, I'd prefer that. But it's not likely to happen.

So, we'll take the 29 1-acre lots. We'll use a factory-built home, which is called a CrossMod and use the superior wall systems and then we'll retail out the final product of a house on a subdivided lot. But that's going to be a minimal part of what we do. It's done in our taxable REIT subsidiary. But our giant focus is just keep doing what we're doing, provide what HUD defines and what Sustainalytics defines as affordable housing through our communities getting us that great social designation, which reduces our cost of capital from the government-sponsored entities and it's just beneficial.

**Operator**

Our next question is from Rich Anderson of Wedbush.

**Richard Charles Anderson**  
*Wedbush Securities Inc., Research Division*

Just a quick follow-up on same-store methodology. So, let's -- I know your same-store is calculated at the community level, you've excluded some for various reasons in the same-store pool. But let's say a community in a same-store pool has been expanded via your expansion site process. Are those new expansion units included in the pool such that it could weigh down the optics of growth initially before you start seeing units get -- or sites getting cash paying? Or do you exclude the expansion component from the same-store calculation until a full year has passed?

**Anna T. Chew**

*EVP, CFO, Treasurer & Director*

They are included if the community itself was included. So, it is included in our same-store numbers.

**Richard Charles Anderson**

*Wedbush Securities Inc., Research Division*

Okay. And does it play a material role in your growth? Or is it sort of very rounding area?

**Anna T. Chew**

*EVP, CFO, Treasurer & Director*

Right. It hasn't been that material. So that's why we just leave it in there.

**Operator**

This concludes the question-and-answer session. I'd like to turn the conference back over to Samuel Landy for any closing remarks.

**Samuel A. Landy**

*President, CEO & Director*

Thank you, operator. I would like to thank the participants on this call for their continued support and interest in our company. As always, Gene, Anna, Brett and I, are available for any follow-up questions. We look forward to reporting back to you in February with our fourth quarter and year-end 2024 results. Thank you.

**Operator**

The conference has now concluded. Thank you for attending today's presentation. The teleconference replay will be available in approximately 1 hour. To access this replay, please dial U.S. toll-free 1 (877) 344-7529 or international (412) 317-0088. The conference access code is 2262955. Thank you, and please disconnect your lines.

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