S&P Global
Market Intelligence

UMH Properties, Inc. NYSE:UMH

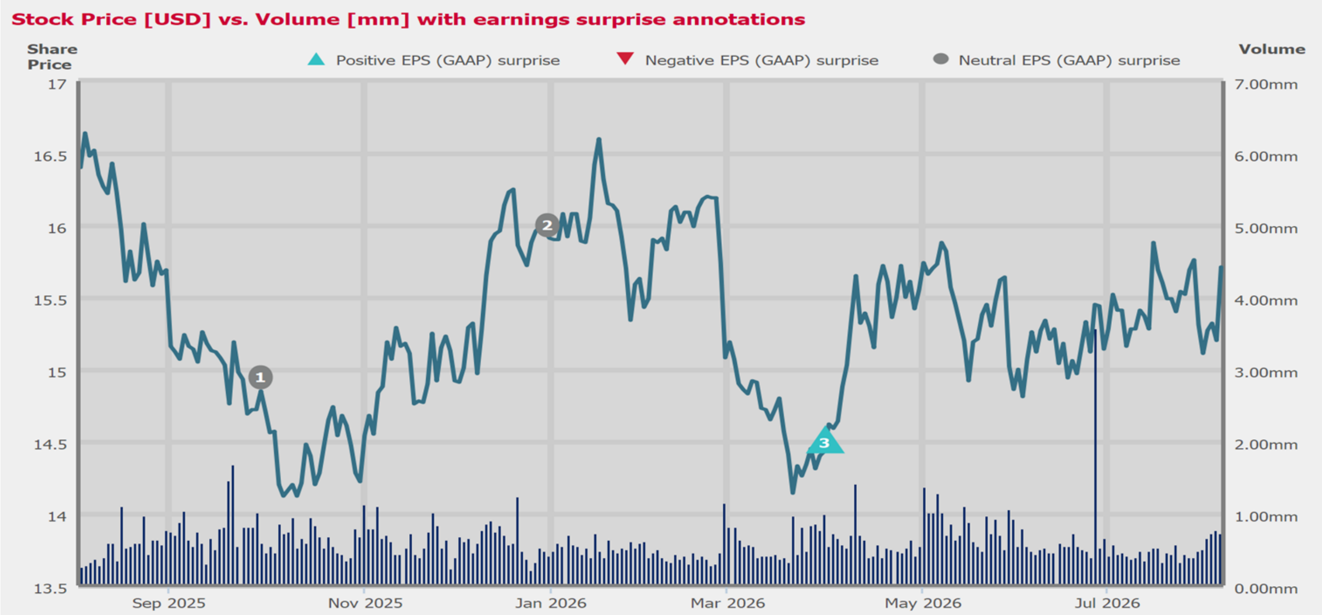
FQ2 2026 Earnings Call Transcripts

Thursday, August 6, 2026 2:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ2 2026-			-FQ3 2026-	-FY 2026-	-FY 2027-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS (GAAP)	0.03	NA	NA	0.03	0.12	NA
Revenue (mm)	72.36	71.64	(1.00 %)	73.00	283.43	NA

Currency: USD
Consensus as of Aug-06-2026 5:31 PM GMT



- EPS (GAAP) -

	CONSENSUS	ACTUAL	SURPRISE
FQ3 2025	0.05	0.05	0.00 %
FQ4 2025	0.04	(0.01)	NM
FQ1 2026	0.01	0.03	200.00 %
FQ2 2026	0.03	NA	NA

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EXECUTIVES

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Executive VP & COO

Craig Koster
Executive VP, General Counsel & Secretary

Eugene W. Landy
Founder & Chairman of the Board

James O. Lykins
Vice President of Capital Markets

Kevin S. Miller
Executive VP, CFO & Treasurer

Samuel A. Landy
President, CEO & Director

ANALYSTS

Craig Gerald Kucera
Lucid Capital Markets, LLC, Research Division

Gaurav Mehta
Alliance Global Partners, Research Division

Jeffrey Patton-Huan Carr
Cantor Fitzgerald & Co., Research Division

Maximilian Loyuk
B. Riley Securities, Inc., Research Division

Presentation

Operator

Good morning and welcome to UMH Properties Second Quarter 2026 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.

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 second 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 second quarter 2026 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; Kevin Miller, 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

Thank you, Craig, and good morning, everyone. We are pleased to report another strong quarter that was highlighted by operational performance and growing normalized FFO per share.

Normalized FFO per share for the second quarter of 2026 was $0.25 per share as compared to $0.23 per share last year, representing an increase of 9%. Our performance is a testament to the foundation we have laid over the past few years. Investments that we have made in value-add acquisitions and expansions are starting to positively impact the bottom line. We anticipate continued earnings growth throughout the remainder of the year.

We are maintaining our normalized FFO guidance range at $0.98 to $1.04 per share, keeping our midpoint at $1.01 per share.

I want to begin by telling you that since at least 1987, there have been three things we have always worked on.

Number one, managing inventory of vacant lots, so we could grow sales income and rental income. We do this by: A, acquiring old homes in our communities and replacing them with new homes; B, obtaining approvals to build additional loss on vacant land; C, acquiring communities with vacancies and filling the sites with rentals or homes for sale.

The stock market values UMH based primarily on our FFO, and I believe doing so fails to value something we have spent almost 40 years building, which is our pipeline of vacant and fully approved lots. This is a significant part of UMH that cannot be valued based on current income.

Two, the financing of homes for our retail customers. This, reached a nadir in 2009, which required us to pivot to a rental home model in order to continue to grow revenue and occupancy. The ROAD to Housing Act dramatically improves the potential for financing sales for our customers' homes, which should dramatically increase home sales.

Three, improvements in the product. The ROAD to Housing Act will result in major improvements to manufactured homes, including the removal of the chassis, which will allow the construction of two-story HUD code homes that UMH, along with one of our home suppliers, Champion Homes, will have on display at the Innovative Housing Showcase at the National Mall in Washington, D.C. on September 22 to September 24. We invite you all to attend and tour these homes in person so you can experience how beautiful these homes are.

I want shareholders to fully understand these three points that don't show up anywhere in a financial statement but are of great value. Some people correctly recognize that our stock price does not reflect our asset value. From a stock price viewpoint, it's an easy truth statement to make that the parts are worth more than the stock price. I unequivocally believe that everything we have done for the past 58 years is for the purpose of creating a whole whose value greatly exceeds the value of its parts, and we understand our obligation to not only say that, but to prove it as well.

And we believe that this quarter's results are a strong step forward, but only a modest step in proving it. Bigger steps are expected. Yes, the value of the parts exceeds the stock price, but more importantly is that even though the current stock price does not reflect it, the value of the whole greatly exceeds the value of the parts.

As we continue to fill rental homes and generate increased sales profits, our earnings should continue to increase in the quarters and years to come. UMH continues to experience strong demand throughout our portfolio of quality manufactured housing communities. This demand is being translated into increased occupancy rates and improved community operating results.

During the quarter, rental and related income grew to $61.1 million, representing a 9% increase over last year. Same-property NOI grew by 9% and home sales revenue broke another quarterly record. Overall, occupancy improved by 97 units to 89%. For the first half of the year, overall occupancy increased by 268 units and increased 631 units since June 30 of last year.

Additionally, sales of manufactured homes broke another quarterly record and increased by 10% to $11.5 million for the quarter. This increase in sales includes the sales at Honey Ridge, which is owned through our joint venture with Nuveen. We continue to execute our long-term strategy of driving organic growth across our high-quality manufactured home communities. This organic growth translates to increased property values and increased earnings.

Our same-property results continue to demonstrate the effectiveness of our long-term business plan. In the second quarter of 2026, we delivered same-property revenue growth of 8% or $4.5 million and same-property NOI growth of 9% or $3 million. This growth in same-property revenue and same-property NOI was driven by site rent increases of 5% and the increase in occupancy of 437 units over last year. This increase in community NOI substantially increases the value of our communities and our portfolio.

Our occupancy gains continue to be driven by the successful implementation of our rental home program. During the quarter, we added and rented 193 new homes across our portfolio, including those in our joint venture communities, bringing our total rental home inventory to approximately 11,200 units with a 95.3% occupancy rate.

Our home rental program continues to operate efficiently with an annual turnover rate of approximately 20%. Our expenses per unit per year are approximately $400. Our capitalized turnover costs vary, but we are generally able to increase rents to earn 10% on any additional investment in rental homes. We are well positioned to fill 800 or more new rental homes this year. We currently have 150 homes on site and ready for occupancy, 300 homes being set up and 330 homes on order.

Our development pace is set by our success in selling and renting homes on newly developed lots. Over the past 4 years, we have developed an average of approximately 200 sites per year. We currently have approximately 500 vacant expansion sites that have been developed over the past few years. These sites have been paid for, so each site we occupy will increase revenue with limited additional investments.

Operating expenses, including interest expense related to those unoccupied completed sites are already being expensed. Therefore, filling those sites with revenue-generating homes will substantially improve our earnings. Expansions greatly increase the value of our existing communities. A larger asset generally operates with better margins as a result of economies of scale. These sites will allow us to grow home sales revenue and community operating income.

Additionally, these expansion sites are well located and have the potential to greatly increase our sales and sales profits. As we fill our recently developed sites, our earnings can grow substantially. We can increase the number of lots we develop each year as the ROAD to Housing Act enables us to improve our fill rate.

UMH is well positioned to continue to grow earnings and increase the value of our manufactured housing portfolio through our capital improvements, investment in rental homes, growth in sales and expansion of our existing communities. We believe we can continue to grow short-term earnings while generating long-term value while simultaneously continue to build a best-in-class portfolio of manufactured housing communities.

We aim to provide the highest quality affordable housing at the best price point in the markets we serve. We accomplished this goal while being fair to our tenants and satisfying the needs of our shareholders. We have an important social mission that should position UMH and the industry for future growth as the federal government works to tackle our nation's housing challenges. Our communities are well positioned, our balance sheet is solid, and our team continues to perform at a high level.

Finally, I want to take this opportunity to acknowledge and thank our former Chief Financial Officer, Anna Chew, who after 35 years of service has retired from her role as CFO on June 1. I'm incredibly grateful to Anna for her many contributions to UMH during her more than 3-decade career with us, including her integral part in growing UMH. Anna will remain as an employee in an advisory role to support a smooth transition of the CFO responsibilities and she will also remain a member of our Board of Directors.

Kevin Miller has been named by our Board as Anna's successor as CFO. Kevin has been serving as the CFO of our OZ Fund since October 2022. Prior to joining UMH, Kevin served as the CFO of Monmouth Real Estate Investment Corporation for 10 years. We are fortunate to have Kevin as our CFO and look forward to working with him to continue to grow the company.

And now I'll turn the call over to Kevin to review our financial results for the quarter in more detail.

Kevin S. Miller
Executive VP, CFO & Treasurer

Net income attributable to common shareholders amounted to $4.4 million or $0.05 per diluted share for the quarter ended June 30, 2026, as compared to net income attributable to common shareholders of $2.5 million or $0.03 per diluted share for the quarter ended June 30, 2025, representing a 75% increase on a dollar basis and a 67% increase on a per diluted share basis.

Normalized FFO, which excludes amortization and nonrecurring items, was $21.5 million or $0.25 per diluted share for the quarter ended June 30, 2026. As compared to $19.5 million or $0.23 per diluted share for the quarter ended June 30, 2025, representing an 11% increase on a dollar basis and a 9% increase on a per diluted share basis.

Rental and related income for the quarter was $61.1 million compared to $56.2 million a year ago, representing an increase of 9%. This increase was primarily due to acquisitions made in 2025, an increase in same-property occupancy, the addition of rental homes and an increase in rental rates.

Community operating expenses increased 10% during the quarter. This increase was mainly due to an increase in payroll and related costs, real estate taxes, insurance and water and sewer expenses. Our community net operating income or NOI, which is our rental and related income less our community operating expenses increased 8%.

Our same-property results continue to meet our expectations. Same-property income increased by 8% for the quarter and same-property operating expenses increased 7%, resulting in our same-property NOI increasing 9% for the quarter from $34.2 million in 2025 to $37.2 million in 2026.

During the quarter, in May, we expanded and extended our $260 million unsecured revolving credit facility with a $340 million accordion feature, bringing the total potential availability up to $600 million. The new facility extends the maturity date to May 2030 with a further 1-year extension available at our option.

Availability is based on 60% of the value of a pool of unencumbered communities. The value of these unencumbered communities was increased through the reduction of the capitalization rate used to value these communities from 6.5% to now 6% being applied to the net operating income generated by these unencumbered communities.

The interest rate charged on draws from this facility is based on our overall leverage ratio and has been reduced by approximately 35 to 40 basis points depending on our overall leverage ratio, and is now based on SOFR plus 1.3% to 1.9% or prime plus 0.3% to 0.9%. The interest rate on draws made as of the quarter end is 4.92%.

As we turn to our capital structure, at quarter end, we had approximately $789 million in debt, of which $545 million was community-level mortgage debt, $66 million was loans payable, $102 million was our 4.72% Series A bonds and $76 million was our 5.85% Series B bonds. Our total debt at quarter end has a weighted average interest rate of 4.92%. And 94% of our total debt is at a fixed rate. The weighted average interest rate on our mortgage debt was 4.75% at quarter end compared to 4.52% at quarter end last year. The weighted average maturity on our mortgage debt was 5.7 years at quarter end and 5.4 years at quarter end last year. In this volatile interest rate environment, the weighted average interest rate on our short-term borrowings was 94 basis points lower at 5.5% at the current quarter end as compared to 6.44% at quarter end last year.

At quarter end, UMH had a total of $333 million in perpetual preferred equity. Our preferred stock, combined with an equity market capitalization of just under $1.3 billion and our $789 million in debt, results in a total market capitalization of just over $2.4 billion at quarter end.

During the quarter, we issued and sold 353,000 shares of Series E preferred stock under our preferred stock ATM program at a weighted average price of $21.61 per share, which generated net proceeds after offering costs of $7.2 million. The company also received $2.2 million, including dividends reinvested through our DRIP.

During the quarter, we did not sell any shares of our common stock under our ATM program. In fact, we have not sold any shares under the common ATM program since early September 2025, which is over 10 months ago.

From a credit standpoint, we ended the quarter with net debt to total market capitalization of 31.5%, net debt less securities to total market capitalization of 30.3%, net debt to adjusted EBITDA of 5.6x and net debt less securities to adjusted EBITDA of 5.4x. Interest coverage was 3.1x and fixed charge coverage was 2.1x.

From a liquidity standpoint, we ended the quarter with $28.6 million in cash and cash equivalents and $220 million available on our unsecured revolving credit facility with a potential total availability of up to $600 million pursuant to an accordion feature. We also had $184 million available on our other lines of credit for financing of home sales and the purchase of inventory and rental homes.

Additionally, we had $29.7 million in our REIT securities portfolio, all of which is unencumbered. This portfolio represents only 1.3% 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.

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

Eugene W. Landy
Founder & Chairman of the Board

We have built one of the best portfolios of manufactured housing communities in the country. We have acquired value-add communities, expanded communities, built new communities and have adopted to market conditions during every point in each economic cycle to ensure our success.

UMH has well-located communities that are experiencing strong demand, which should result in an increased occupancy, revenue and sales. Our communities in the Marcellus and Utica Shale area continue to experience strong tailwinds as a result of the additional investments in these areas. We have built a best-in-class operating platform that continues to produce industry-leading results year after year.

With 3,200 vacant sites and 2,400 acres of vacant land, we are well positioned to grow earnings through the infill of our vacant sites and the development of our vacant land. UMH and the manufactured housing industry are in an exciting time with many possibilities. We have established relationships with state and federal lawmakers, which we believe will benefit UMH and the industry. We anticipate positive developments stemming from the recently passed U.S. ROAD to Housing legislation. This legislation should encourage the development of more manufactured home communities, improve tenant access to financing and allow manufacturers more design flexibility such as the development of two-story homes. We are proud to have launched a new lending program for our nation's veterans through our third-party loan origination program with Triad Financial. So that veterans can experience the affordability of manufactured homes and the benefits of living in manufactured housing communities. UMH's mission is to provide affordable quality housing to the nation. Great progress is being accomplished by our team.
Thank you again for joining us today. Operator, we are now ready to take questions.

Question and Answer

Operator

[Operator Instructions] The first question today comes from Craig Kucera with Lucid Capital Markets.

Craig Gerald Kucera
Lucid Capital Markets, LLC, Research Division

I know it's only been a month since you launched the program, but how has the uptake then in the new zero down payment lending program for veterans?

Brett Taft
Executive VP & COO

Yes, Brett Taft here. Again, it's only been a month, but so far, we're getting a lot of positive feedback. I think it's something that really allows veterans to experience manufactured housing, for whatever reason, historically, manufactured homes and land lease communities have been excluded from that program. So we're really making a step forward to hopefully show veterans, how great community living is. We've successfully closed a handful of deals and we've got more in the pipeline. I think it's a little bit too early to tell exactly what volume is being driven from that program. But so far, it's been successful.

Samuel A. Landy
President, CEO & Director

And I think most importantly, UMH began the program on our own with our own money and our own program. Subsequently, we received a phone call from the Head of VA lending and they're considering instituting the program with their money, which would be a major benefit to the industry.

Craig Gerald Kucera
Lucid Capital Markets, LLC, Research Division

That's good news. Again, another thing that's happened recently the ROAD to Housing Act being passed. I believe states have a year to certify that their laws accept chassis-free homes. Have you seen any state-level legislation moving through the process in that direction or any positives in that regard?

Samuel A. Landy
President, CEO & Director

So we believe the ROAD to Housing Act does away with the requirement that the homes have chassis. We believe each state that has a manufactured home community will be required because they're preempted by HUD to allow two-story houses. So the removing of the chassis means that if you're in an area such as Eatontown, New Jersey; Jackson, New Jersey, where there's a dramatic shortage of housing, people need more bedrooms, we are going to be able to put two-story homes on those lots and the municipality can't say no because these are HUD-code homes, and that preempts the municipality from any say in what type of house goes on a lot.

Craig Gerald Kucera
Lucid Capital Markets, LLC, Research Division

Great. And you mentioned that you were going to be showcasing or along with Clayton Home showcasing a two-story manufactured home. Can you talk about like the cost for those relative to kind of what you traditionally sold?

Samuel A. Landy
President, CEO & Director

Well, at this moment, that's an unknown, but what I would guess is this, we pay, not what the customer pays, what we pay is $70 per square foot. And the second story is not going to have a kitchen, probably has a bathroom, but it could cost less than $70 per square foot for the second story. So one story house is currently single 1,000 square foot. It will be 2 floors, it will be 2,000 square foot, multi-section, currently 2,000 square foot, it will be 4,000 square foot. So that should cost us again, I don't know the exact numbers, but somewhere around $280,000, $320,000, somewhere in that area. And our historic minimal markup on sales is 30%. And in some places, it's much higher. And that's what we talk about. The value of these vacant lots we have and the vacant land.

It's the housing market that determines what homes sell for and how quickly they sell. We have the advantage of a great factory-built product that is priced to us based on the factory's cost plus a markup. But we are able to sell that house at local market, which can have a much stronger profit margins than 30%.

Craig Gerald Kucera
Lucid Capital Markets, LLC, Research Division

That's helpful. Changing gears, I think you mentioned you had 100 homes on-site and 300 being set up. Can you give us a sense of what you think the net rental additions will be in the back half of the year?

Brett Taft
Executive VP & COO

Yes, sure. So for the first half of the year, we did 360 new rental homes, which is generally in line with our goal of hitting 800 homes for the year. the 150 homes that are ready. We've got very strong demand for the 305 homes that are on site. We're making a good amount of progress getting them set up and rented. So I think we will be at that 800 number with the potential to exceed it.

Craig Gerald Kucera
Lucid Capital Markets, LLC, Research Division

Great. And same-store operating expenses have been running a little hotter than usual year-to-date. I think they're up about 7.5%. I think you traditionally kind of budget maybe in the 5% to 7%. Do you expect that to come down a bit in the second half? Or are you expecting it to be somewhat elevated?

Brett Taft
Executive VP & COO

The first quarter certainly elevated the expenses a little bit. The second quarter while still on the high end of that 5% to 7% range was just below 7%. So that's in line with expectations.

Looking into the third and fourth quarters, I mean, without any major weather events or any unforeseen circumstances, I do think we'll fall within that 5% to 7% range. So I think by the end of the year, we'll see expenses up somewhere in the 6% to 7% range, blending in the impact of the first half of the year.

Operator

The next question comes from Gaurav Mehta with Alliance Global Partners.

Gaurav Mehta
Alliance Global Partners, Research Division

I wanted to ask you on your earnings, FFO per share guidance and maybe try to compare that to what you guys have done year-to-date. So year-to-date, we're at $0.48, which annualizes to $0.96, but the guidance is $0.98 to $1.04. So just wondering if you could help us understand some of the drivers behind the guidance and maybe some of the uptick you're expecting in the second half for earnings?

James O. Lykins
Vice President of Capital Markets

Yes, Gaurav. So a couple of things. First of all, we don't put out quarterly guidance, but what I can tell you is in our model for Q1, we had $0.23 built in, we had $0.25 for Q2. So we are exactly on plan for where we thought we would be this year. And as far as assumptions go, it's laid out in our investor presentation, 5% rent increases, 800 new rentals, $120 million to $150 million in capital raised. And one other thing that I can throw in is we have not modeled in any additional shares from the ATM. And that also assumes no acquisitions as well.

Gaurav Mehta
Alliance Global Partners, Research Division

Okay. second question on, I guess, same-store NOI. I know in the past, you've talked about high single-digit same-store NOI growth expectation. Is that still a reasonable target for this year?

Brett Taft

Executive VP & COO

Yes, absolutely. I think especially looking at the second quarter results, same-property NOI was up 8.8%. And for the year, we're at 8%. I do expect same-property growth in the third and fourth quarters to be in line with where they were in the second quarter with the potential to outpace that a little bit. So we remain confident in that high single-digit NOI growth.

And I just wanted to point out also that sales in the second quarter were very strong, $11.4 million which was a new all-time quarterly sales record. It was 10% over the sales of the quarter a year ago. And I just wanted to point out that sales for July remained strong, they were about $1 million above where we were in July of last year. And we currently have a $5 million sales pipeline, which leads us to believe we'll have another strong sales quarter in the third quarter.

Samuel A. Landy
President, CEO & Director

I'm going to use this as the opportunity to talk about low dollar amount loans. So since about 2009, the regulatory environment virtually did not allow low dollar amount loans because of origination fees, if you did lower dollar amount loans, it was basically considered predatory lending and most banks didn't want to be in the business.

The ROAD to Housing Act dramatically changes that. Low dollar amount loans will be allowed and encouraged and we can receive 3% for originating a loan. So the manufactured housing shipment world, which was 300,000 units per year in the 1990s , fell to a low of 40,000 in 2009 and has been stuck at about 100,000 units per year ever since, should change dramatically because the whole issue is the customer didn't qualify for the financing, which is why UMH rented out 11,000 homes from 2011 to date. And now if the ROAD to Housing Act encourages low dollar amount loans, every bank is going to want to be in that business. These are FHA Title I loans, government guaranteed 3% down. And again, we get 3% for originating a loan. So this is, to me, going to dramatically increase the demand for our vacant lots, for existing lots.

A state Senator's aid said to me yesterday, "Manufactured homes in communities are a step to building wealth for young people." And that's how it used to be, and that's how it should be. 80% of the homes we have ever sold appreciated in value. And so a person could buy a manufactured home in a community, even though they're renting a lot, realize appreciation plus building equity every time they make that monthly payment. And when people understand this and recognize this, it's going to increase the demand for our homes, all of which increases the lot rent we collect every year, our gross home sales, our net home sales, our loan income. So I don't know exactly which day this is all going to come into effect. It's going to be soon. And when it does, it's a major change in the dynamics of manufactured housing and manufactured home communities.

Operator

The next question comes from John Massocca with B. Riley.

Maximilian Loyuk
B. Riley Securities, Inc., Research Division

This is Max stepping in for John. What is the outlook for home sales in 3Q? And how are things trending so far this quarter?

Samuel A. Landy
President, CEO & Director

So first, we've been building expansions in great locations for years. In 2026 and '27, we'll create 500 new lots, we'll create 500 new lots the year after that. Again, this Title 1 lending, think of the number $7 per $1,000, a $100,000 cost somebody $700 per month. Our most expensive houses sell for $300,000. We are the incredible solution to the affordable housing crisis. People pay cash for our houses, people finance our houses. So we believe that the accessibility of financing will increase the fill rate for these communities, which will increase sales. We did, for the quarter, the sales were, again?

Brett Taft
Executive VP & COO

$11.4 million versus $10.5 million last year.

Samuel A. Landy
President, CEO & Director

Yes, which annualizes over $44 million compared to about $36 million last year.

Brett Taft
Executive VP & COO

That's correct. The $36.2 million.

Samuel A. Landy
President, CEO & Director

And we believe it's going to grow. Some of these expansions they're in the first phase. The first phase in any development is the most difficult. The last phase is the easiest. So you gain momentum, sales grow, and we see that happening for us.

Brett Taft
Executive VP & COO

Yes. And just to touch on where we are this quarter, our July sales were very strong. They were about $1 million ahead of where we were July a year ago. Our sales pipeline is about $5 million right now. So we're well positioned to grow sales year-over-year in the third quarter. And just to remind everybody sales last year in the third quarter were about $9.3 million. Again, we did $11.4 million this quarter with a pipeline that seems as strong as it was last quarter.

Maximilian Loyuk
B. Riley Securities, Inc., Research Division

And are there any updates or further updates on vacant or unutilized land optimization?

Samuel A. Landy
President, CEO & Director

Well, we're always working on the approval process end. And both the federal government -- all governments, federal, state and local, have been more favorable than I've ever seen it. The battles we faced in Coxsackie, New York, 360 lots, we're almost, I would say, 90% approved, and we do expect to get approvals this year for 360 lots, 18 miles south of Albany, we have the Saratoga project. So many places we're seeing favorable government reaction to our request to expand and build.

Maximilian Loyuk
B. Riley Securities, Inc., Research Division

And apologies if this was discussed earlier, but why was total rental unit growth in 2Q, only 59 properties? Was that just a timing thing? And how does that impact your outlook on the occupancy of the 800 rental units underlying guidance?

Brett Taft
Executive VP & COO

Yes. The 59 units was a timing thing. That includes sale of rental units that includes some shuffling of unit types and the impact of selling those units. So that is the entire rental home portfolio and the change that happened there. But the 800 units that we're talking about is the installation in the rental of 800 brand-new units. So those are new homes we're ordered from the factories. We're putting them into our communities, and we're occupying them.

We did 360 units in the first half of the year, and with 150 homes on-site ready for occupancy, 300 homes currently being set up and another 300 on order. Given the demand we're seeing in the locations, we believe we'll hit our target of 800 new rental homes this year. which again will be offset by the sale of older homes.

Samuel A. Landy
President, CEO & Director

And it's an important time to mention. We did the first rentals 15 years ago. They're 15 years old, we paid $40,000 a unit for them. We could sell them for $60,000 without the resident's monthly payment going up, same monthly payment. And that $60,000 could be those low dollar amount Title 1 loans, which is all cash to us. So we take something we bought for $40,000, rent it out profitably for 15 years, sell it for $60,000 cash by the replacement house for $75,000, $80,000 a this time needing only $15,000 or $20,000 new dollars to buy that home when we bought it originally. We needed the full $40,000. So it makes the rental program more profitable than ever while generating sales profits.

Eugene W. Landy
Founder & Chairman of the Board

And we think that the resident buying that used home, managing it themselves, staying longer in that community and eventually, he will earn a profit on it, and that's important. We want the residents to be satisfied with our product.

The resident in a manufactured home community saves $10,000 a year as compared to living in apartment, which is smaller and less amenities and $10,000 a year to the people who live paycheck to paycheck, and it's a big segment of the population is a very significant amount and it's a story that has not gotten out when we talk about residents paying rent. They pay rent, but the rent is $10,000 a year, if they would pay if they paid rent in a 2-bedroom apartment.

Operator

The next question comes from Rich Anderson with Cantor Fitzgerald.

Jeffrey Patton-Huan Carr
Cantor Fitzgerald & Co., Research Division

This is Jeffrey Carr on for Rich. Kind of shifting back to the ROAD to Housing Act and the expansion of tenant financing options to purchase their homes. Do you have a preference between the owned home model versus your rental home model going forward? And does easier financing kind of change that calculus?

Samuel A. Landy
President, CEO & Director

Well, there's a significant part of the population that only sees themselves as needing housing 1 to 3 years. Those are your ideal rental tenants. And they're always going to be there, and many of them have never lived in a manufactured home community never experienced a manufactured home. So the rental is very beneficial in satisfying their need of educating people as to what our community is and just giving them experience.

So I don't think that's going to be reduced. I think we'll still do 800 rental homes per year. I think that sales have been artificially reduced since the year 2000 because financing wasn't available. And again, think how big the country was -- how big the country is today compared to how big it was 20 years ago, yet shipments have fallen from 300,000 units a year to 100,000 units per year.

And to me, there's only been two issues, lack of retail financing and lack of places to put the houses. The ROAD to Housing Act solves the lack of financing. The lack of places to put the houses, we have 3,000 vacant lots and 2,000 vacant acres to keep growing. So I think we're going from a world that was extremely difficult because it was extremely hard to sell houses to a world that's going to be completely in our favor, continue renting houses continue adding 800 rental homes per year and watch our sales grow.

And I don't even want to make a prediction as to how much they'll grow. But people used to get rich in this business. Anybody in this business was considered a success. Art Decio was featured on the cover of Time Magazine for bringing affordable housing to the masses. Warren Buffett made Jim Clayton a billionaire buying Clayton Homes, this was a great business, and it was the lack of retail financing and lack of places to put the homes that hurt it. UMH has been doing this for 58 years. We've managed to solve the problems for ourselves during those years by renting houses, but now things are changing and I think everything is going to be in our favor.

Jeffrey Patton-Huan Carr
Cantor Fitzgerald & Co., Research Division

Okay. Yes. That makes sense. And then kind of shifting towards the development front. I know you're carrying a little over $60 million in land development costs on the balance sheet. And you talked about having a little over 3,200 vacant sites and about 2,400 acres to grow into. But can you give us kind of the sense of the expected pace of delivery over the next year or 2, whether we can expect kind of the same historical pace over the last few years or maybe a ramp-up? And kind of what yield are you underwriting on the development spend relative to kind of your current cost of capital?

Samuel A. Landy
President, CEO & Director

Well, so first, in our presentation, there's a page with what we expect to happen in the ideal development where it costs $100,000 per lot to build the site and what happens when you sell the home and potentially earn that $100,000. And can you see what page that is? It's Page 18 of the presentation, potential economics of new lot development. So you can see that there -- the easy thing, right?

So the 5% rent increase, which we've done year after year is $10 million. The addition of 800 rentals -- addition of 800 rentals is $10 million. Sales were at $36 million with a strong potential to increase. So you can write that down as pretty easy what to be expected.

Then the giant question mark is how much can we grow sales beyond that? How quickly can we fill these vacant lots? We have available beyond that additional, we get finance income, we get brokerage income from selling homes. We get income from selling oil and gas leases and royalties. We get self-storage income, income from selling cable, insurance. So there's a lot of other sources of income that potentially could grow it further. But to be safe, each year, we get that 5%, $10 million, add the $810 million and grow sales. And that's where Jim Lykins' guidance comes from.

Brett Taft
Executive VP & COO

And over the past 5 years, we've averaged about 200 new expansion sites per year. We expect to start construction on about 315 sites total this year. We've already started on the construction of 111. We're about to start construction on another site in Marysville, Ohio of 98.

Going forward, I would think we'd be able to maintain 200 to 400 new expansion sites per year. If we have an $800 a month lot rent and the site cost us $100,000 to build, and we operate at 70% expense ratio once stabilized those communities yield 7%, not including the sales profit if we earn a $30,000 sales profit that increases that yield to about 10%, and the profits could be much greater than $30,000 per home.

Operator

Okay. This concludes our question-and-answer session. I would 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, Kevin, Brett and I are available for any follow-up questions. We look forward to reporting back to you in early November with our third quarter 2026 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 (855) 669-9658 or international (412) 317-0088. The conference access code is 4174590. Thank you, and please disconnect your lines.