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UMH Properties, Inc. NYSE:UMH

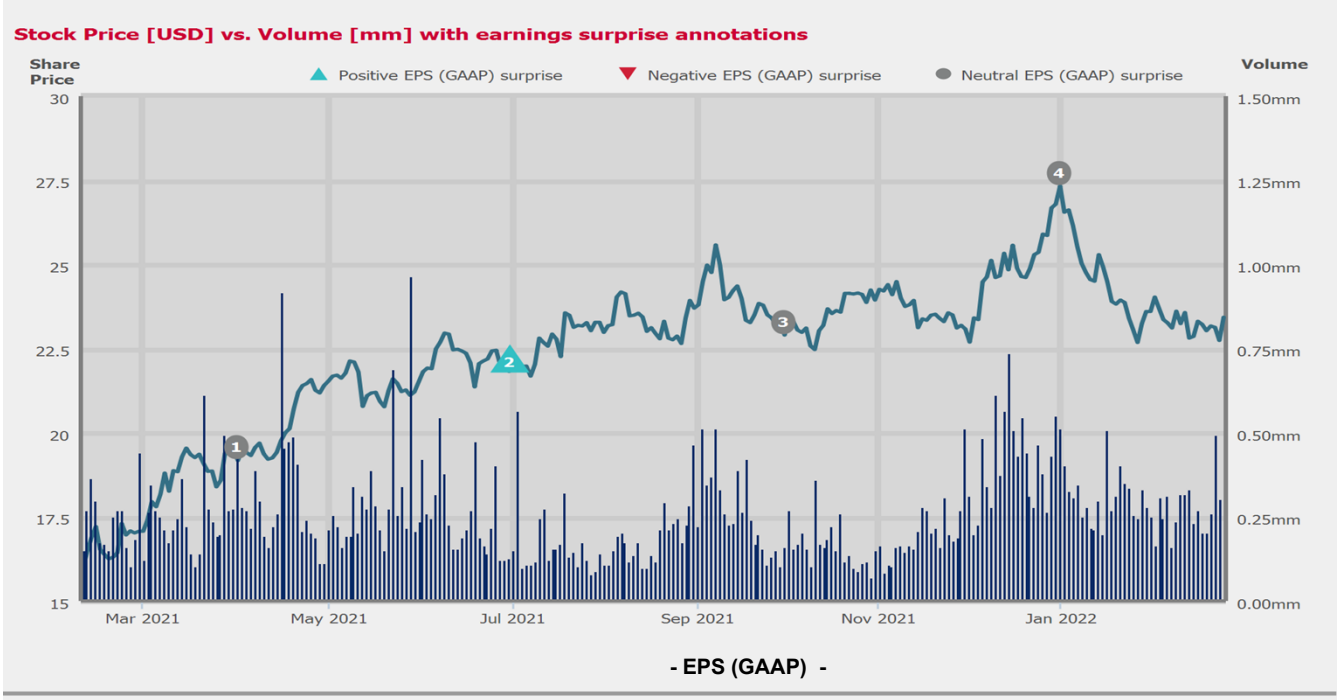
FQ4 2021 Earnings Call Transcripts

Friday, February 25, 2022 3:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ4 2021-			-FQ1 2022-	-FY 2021-			-FY 2022-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS
EPS (GAAP)	(0.02)	0.17	NM	(0.02)	0.25	0.45	▲80.00	0.02
Revenue (mm)	47.74	45.98	▼(3.69 %)	46.41	186.88	186.10	▼(0.42 %)	203.39

Currency: USD
Consensus as of Feb-25-2022 6:31 PM GMT



- EPS (GAAP) -

	CONSENSUS	ACTUAL	SURPRISE
FQ1 2021	(0.05)	0.16	NM
FQ2 2021	0.01	0.18	▲1700.00 %
FQ3 2021	(0.03)	(0.07)	NM
FQ4 2021	(0.02)	0.17	NM

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Table of Contents

Call Participants	.....	3
Presentation	.....	4
Question and Answer	.....	8

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Presentation

Operator

Good morning, and welcome to UMH Properties Fourth Quarter and Full Year 2021 Earnings Conference Call. [Operator Instructions] Please note this event is being recorded. It is now my pleasure to introduce your host, Ms. Nelli Madden, Vice President of Investor Relations. Thank you. Ms. Madden, you may begin.

Nelli Madden
Vice President of Investor Relations

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

I 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 that 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 annual 2021 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 explanatory and cautionary 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, Chairman; Samuel Landy, President and Chief Executive Officer; Anna Chew, Vice President and Chief Financial Officer; Brett Taft, Vice President and Chief Operating Officer; Jim Lykins, Vice President of Capital Markets; and Daniel Landy, 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 very much, Nelli.

UMH had another year highlighted by occupancy, sales, and ultimately, earnings growth. The success of our business plan and the overall strength of the company are delivering strong results for our shareholders. We generated a total return of 91% in 2021. The company achieved many milestones this year. We surpassed $1 billion in equity market capitalization. We hit an all-time high stock price of $27.50. We broke our annual sales record, and we entered a joint venture with Nuveen Real Estate.

While this was a landmark year, we have laid the foundation for continued growth through the financial engineering of our capital stack, continued execution of our value-added business plan, and additional acquisition and development opportunities. I am pleased to report that normalized FFO for the fourth quarter was $0.22 per share, representing an increase of approximately 10% over last year. Normalized FFO for the year was $0.87 per share, representing an increase of 24%.

Our FFO continues to trend upwards and has given management and the Board the confidence to raise our dividend for 2 consecutive years. In January of 2021, we increased our dividend by 5.5%. And in January of 2022, we increased our dividend by 5.3%. Assuming a stable economic environment, we believe that we are well positioned for consistent dividend increases moving forward.

Moving on to operations. Total income for the year increased 14% to approximately $186 million. This increase was the result of an 11% increase in rental and related income and a 34% increase in sales of manufactured homes. Rental and related income for the year was $159 million. Our operating expense ratio improved to 42.8% from 44.1% in 2020, which

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resulted in community NOI of approximately $91 million or an increase of 13% over last year. This is the 11th consecutive year that we have delivered over 10% rental and related income growth and the sixth consecutive year that we have delivered sales growth of over 10%.

Our platform continues to deliver industry-leading same-property operating results. Same property NOI increased 13% or approximately $10.9 million over 2020. Applying a relatively conservative market cap rate of 5% to this increase in NOI results in value creation of approximately $160 million after deducting the investment in our rental home program and capital improvements. This increase in NOI was the result of increased occupancy of 170 basis points or 413 occupied sites and rent increases of approximately 4.8%.

The success of our rental home program is a key component of our business plan. During the year, we added 454 homes to our portfolio, bringing our total portfolio to 8,700 rental homes. Our occupancy rates remained strong at 95.5% and our monthly rent per home increased 4.3% to $824 per month. The main problem facing our rental home program is the backlogs that our manufacturers are experiencing. Generally, backlogs are 6 to 12 months depending on the region.

This is the main reason that we have only increased our rental home portfolio by 454 homes this year. We are experiencing waiting lists throughout our portfolio and have demand to fill well more than what we received from the manufacturers this year. We have over 800 homes on order and anticipate receiving 700 to 800 new homes in 2022. Gross sales for 2021 were $27.1 million, representing an increase of 34% over 2020. We sold a total of 370 homes, of which 182 were new home sales and 188 were used home sales. Sales profits improved substantially from $768,000 in 2020 to $2 million in 2021.

Our average sales price was $73,000 as compared to $63,000 in the prior year period. We have several community expansions and strong sales markets coming online that should drive additional sales growth. Our future sales growth is dependent on the timely delivery of inventory from our manufacturers. We have a strong pipeline of sales and anticipate continued sales growth.

On the expansion front, we have completed the development of 225 sites in 2021. These sites are well located in some of our strongest sales markets. We anticipate obtaining approvals for the development of an additional 800 sites in 2022. We will develop approximately 400 of these sites. Over the next 5 years, we believe that we can develop 400 or more sites per year. Our 1,800 vacant acres can be developed into 7,300 sites, giving us a meaningful runway to continue to grow the company organically for years to come. In 2021, we acquired 3 communities containing 543 sites, of which 59% are occupied, for a total purchase price of approximately $18.3 million. We acquired one community in Alabama, one community in South Carolina and one community in Ohio. South Carolina and Alabama are new markets for UMH, and we look forward to scaling our portfolio in these and surrounding states.

The acquisition market remains competitive, but we believe we can acquire $25 million to $50 million in acquisitions that meet our growth criteria annually. We currently have an acquisition pipeline of 3 communities, containing 367 sites for a total purchase price of $17.1 million or $46,000 per site. It is hard to predict exactly what will be for sale and when, but UMH is well positioned to make opportunistic acquisitions as compelling opportunities become available.

We are also pleased to announce that we entered into a joint venture with Nuveen Real Estate for the acquisition and development of new manufactured housing communities. The joint venture has an initial capital commitment of $170 million. The joint venture acquired one newly developed community in Florida containing 219 sites. We have 2 more deals under contract that will be considered for the joint venture. We are working with developers to find land in markets that need affordable housing. We look forward to growing this joint venture with Nuveen.

Over the next 12 months, we plan to redeem our $247 million 6.75% Series C perpetual preferred stock and $215 million 6.375% Series D perpetual preferred stock. We have been preparing for these redemptions by lining up various sources of accretive capital. In 2021, we raised $182 million through our common ATM at a price of $22.14 per share. In February of 2022, we sold $102.7 million of unsecured bonds to investors in Israel at a 4.72% interest rate.

We have availability on our existing lines of credit, and we'll be receiving $56 million in cash from the recently approved sale of Monmouth Real Estate Investment Corporation. UMH is well positioned to redeem both outstanding series of preferred stock and generate a meaningful increase in FFO. The reduction of the cost of our $462 million in preferred from a blended rate of 6.575% to 4% would result in an increase of FFO of approximately $12 million. Some of the primary reasons for raising debt overseas were to obtain an investment-grade rating and to widen and diversify our ownership base with long-term investors.

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During the road show for the offering, we had the opportunity to tell our story to dozens of new investors, many of which were new not just to UMH, but to manufactured housing as well. We believe the interest level for many of these investors will go beyond the debt offering and include owning the common shares as well. UMH has a compelling business plan with ample growth opportunities, both internally and externally.

We have a fantastic team of employees and a great platform that continually produces industry-leading results. We have access to various sources of capital. We have accomplished a great deal over the past few years. But we are just getting started and look forward to delivering exceptional results for years to come.

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

Anna T. Chew
VP, CFO & Director

Thank you, Sam.

Funds from operations, or FFO, was $10.1 million or $0.20 per diluted share for the fourth quarter of 2021 compared to $8.5 million or $0.20 per diluted share for the prior year period. Normalized FFO, which excludes realized gains on the sale of securities and other nonrecurring items, was $11 million or $0.22 per diluted share for the fourth quarter of 2021 compared to $8.5 million or $0.20 per diluted share for 2020.

For the full year 2021, FFO was $39.1 million or $0.83 per diluted share compared to $26.3 million or $0.63 per diluted share for 2020. Normalized FFO was $41.1 million or $0.87 per diluted share for 2021 compared to $29.2 million or $0.70 per diluted share for 2020.

Rental and related income for the quarter was $40.7 million compared to $37.6 million a year ago, representing an increase of 8%. For the full year, rental and related income increased from $143.3 million in 2020 to $159 million in 2021, an increase of 11%. These increases were primarily due to community acquisitions, the addition of rental homes and the growth in occupancy.

Community NOI increased by 10% for the quarter, from $21.6 million in 2020 to $23.7 million in 2021. For the full year, community NOI increased from $80.2 million in 2020 to $91 million in 2021, an increase of 13%. This is the 11th consecutive year that we have achieved double-digit year-over-year NOI growth.

Sales of manufactured homes for the quarter remained unchanged year-over-year at approximately $5.3 million. For the full year, sales increased 34% from $20.3 million in 2020 to $27.1 million in 2021. We are pleased to announce that this year, we broke our old sales record, which was previously set in 2020. We sold a total of 370 homes, of which 182 were new home sales and 188 were used home sales. The gross profit percentage was 26% for 2021 compared to 29% a year ago. Sales profitability increased to $2 million in net profits in 2021 compared to net profits of $768,000 a year ago.

As we turn to our capital structure, at year-end, we had approximately $499 million in debt, of which $452 million was community-level mortgage debt and $47 million was loans payable. 91% of our total debt is fixed rate. The weighted average interest rate on our mortgage debt was 3.75% at year-end 2021 compared to 3.81% at year-end 2020. The weighted average maturity on our mortgage debt was 5.2 years at year-end 2021 and 6 years at year-end 2020.

During the year, we utilized our common and preferred ATMs. We sold 2.2 million shares of our Series D preferred stock at a weighted average price of $24.89 per share, generating total gross proceeds of $54.1 million and total net proceeds of $53.2 million after offering expenses. We also sold approximately 8.2 million shares of common stock at a weighted average price of $22.14 per share, generating gross proceeds of $182 million and net proceeds of $179.1 million after offering expenses.

We also successfully completed an oversubscribed bond offering earlier this month, raising $102.7 million, with net proceeds of approximately $99 million. The transaction was completed in Israel, which afforded us some distinct advantages. Despite rates increasing during the process, we obtained a favorable rate of 4.72%, which is unsecured, with a term of 5 years. Completing the offering included going through the process of obtaining a rating from S&P in Israel, which rated the bonds AA- and rated UMH A+ at the corporate level.

We will be using these proceeds for the upcoming redemption of our $247 million 6.75% Series C perpetual preferred stock, general corporate purposes, which include the purchase of manufactured homes for sale or lease to customers,

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expansion of our existing communities, paying down variable rate debt and acquisitions of additional properties. At year-end, UMH had a total of $462 million in perpetual preferred equity.

Our preferred stock, combined with an equity market capitalization of $1.4 billion and our $499 million in debt, results in a total market capitalization of approximately $2.4 billion at year-end, representing an increase of 50% over the prior year period.

From a credit standpoint, our net debt to total market capitalization was 16.1%. Our net debt less securities to total market capitalization was 11.4%. Our net debt to adjusted EBITDA was 4.3x. Our net debt less securities to adjusted EBITDA was 3.1x. Our interest coverage was 4.3x, and our fixed charge coverage was 1.7x.

From a liquidity standpoint, we ended the year with $116 million in cash and cash equivalents and $50 million available on our credit facility, with an additional $50 million potentially available pursuant to an accordion feature. We also had $32 million available on our revolving lines of credit for the financing of home sales and the purchase of inventory and $15 million available on our line of credit secured by rental homes and rental home leases.

Additionally, we had $114 million in our REIT securities portfolio unencumbered. This portfolio represents approximately 7% of our undepreciated assets. We limit our portfolio to no more than 15% of our undepreciated assets. We are committed to not increasing our investments in the REIT securities portfolio. This year, we exited a number of positions and reduced others, generating realized gains of $2.3 million.

Additionally, on February 17, 2022, the shareholders of Monmouth approved the sale of Monmouth at $21 per share. UMH owns approximately 2.7 million shares of Monmouth and will receive approximately $56 million. As we will do with the proceeds from our common ATM and bond issue in Israel, the funds that we receive from the Monmouth sale will be used for the upcoming redemption of our $247 million 6.75% Series C perpetual preferred stock and for general corporate purposes.

With our strong financial position and access to the capital markets, we are well positioned to continue our growth initiatives.

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's mission is to provide the nation with quality affordable housing using manufactured homes in the communities we operate. Demand for affordable housing is at an all-time high, and we are making strides towards fulfilling our mission. We now own 127 communities, containing 24,000 developed home sites. Each community delivers the highest quality affordable housing at the best rates in their respective markets. Years of hard work investing in and improving our communities has transformed them into first-class communities that our tenants are proud to call home.

I encourage everyone to visit our website and watch the drone videos of our communities. The videos demonstrate progress we have made improving each property and the high quality of our portfolio.
2021 was another remarkable year for UMH, delivering total shareholder return of 91%. As our communities and our operating results have improved, we have obtained access to equity and debt at more attractive rates than ever before. Our reduced cost of capital allows us to accretively grow the business and pass along the benefits of our success to our residents through low interest rates on financing and reasonable rental rate increases. In 2022 and beyond, we can continue to grow earnings through the accretive refinancing of our outstanding preferreds, the infill of our vacant sites, growth in our sales operation, and future acquisitions and development opportunities. We look forward to implementing our proven business plan across the nation to provide additional affordable housing while generating long-term value and best-in-class returns for our shareholders.

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Question and Answer

Operator

[Operator Instructions] Our first question comes from Keegan Carl with Berenberg.

Keegan Grant Carl
Joh. Berenberg, Gossler & Co. KG, Research Division

I think to start things off here, given your funding is essentially locked in for the Series C preferred redemption, can you give us your view on how accretive it will be? And then does this change your view at all for how you're going to fund the Series D preferred redemption?

Samuel A. Landy
President, CEO & Director

Yes. Jim, do you want to go ahead and answer that? Jim Lykins?

James O. Lykins
Vice President of Capital Markets

Yes. So we're in the process of trying to figure out how we're going to line up the capital stack. For every 100 basis points of improvement that we get, that's roughly $0.04 of accretive FFO. It will depend on how much we raise through the ATM. But again, we're trying to figure out exactly what the capital stack is going to be, but you can assume that it will be roughly a 50-50 debt equity mix.

Anna T. Chew
VP, CFO & Director

I just wanted to add that with every 100 basis point savings, it will be about $0.045 to $0.05 when we redeem the preferred C. And as you know, we did the Israeli bond issue at 4.72%. So just that in itself gives us a 200 basis point savings as well as we have additional cash and we have additional marketable securities that we can take a look at.

Keegan Grant Carl
Joh. Berenberg, Gossler & Co. KG, Research Division

Okay. But if you assume the ATM proceeds are in there, then there's going to be some dilution on top of the accretion rate, just to clarify.

James O. Lykins
Vice President of Capital Markets

Yes.

Keegan Grant Carl
Joh. Berenberg, Gossler & Co. KG, Research Division

Okay. Just kind of switching gears a little bit here. Just some more color on home sales in the quarter. Obviously, it was down a little bit versus Q3 and kind of flat year-over-year. Just kind of wondering what drivers were on that. Was it more or less a function of manufacturers being behind on backlog? And then what's a good run rate going forward for this?

Samuel A. Landy
President, CEO & Director

We're very optimistic about sales. The expansions we're building, Duck River, other expansions, things -- the Florida community we're working on, there's many reasons to believe that sales can increase substantially from the $27 million. And there's reason to believe they could have been better than that. But for the inability to get product from the manufacturers, Brett, do you want to elaborate on that?

Brett Taft
VP & COO

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Yes. Sure. I would just point out that, historically, the fourth quarter is the slowest sales quarter of the year -- the first and the fourth quarters really. We are seeing an increase in demand so far this year for sales. A lot of it is going to be related to exactly when we get homes from the manufacturers. I do want to point out that we have 1,100 homes on order. Currently, 300 of those homes have landed in our communities and we're in various stages of setup right now. So we do have a pipeline of homes coming in. We do anticipate growing sales going forward. A lot of it is outside of our control in exactly when we get those, but there is certainly a pent-up demand for affordable housing in our markets. And what did we say, 6 years in a row that we've experienced 10% or greater sales increases, and I don't see any reason why this year would be any different.

Anna T. Chew
VP, CFO & Director

As a matter of fact, this year, even with the supply chain problems, we were still able to increase sales a total of 34%, setting a new sales record.

Samuel A. Landy
President, CEO & Director

And I'll add that we've reached out to all of the major manufacturers to explain to them where we believe we're going to have substantial demand for additional houses over the next 3 years, so that they can figure out how to increase production to meet our needs. So they are aware of the issues and working on it.

Keegan Grant Carl
Joh. Berenberg, Gossler & Co. KG, Research Division

Got it. It's very helpful. Just one final one here. Just on the one Florida property that's currently in the JV, can you provide some color on how demand has trended for that property? And then would you expect similar trends for the others that are expected to close and likely be placed within the JV?

Brett Taft
VP & COO

Yes. Sure. So we acquired that property in December. We received our first homes at the beginning of January. We're working on getting those homes set up right now. We expect a CO on those homes over the next week or 2. We have a revolving door of traffic coming in with people that are interested in the property and interested in purchasing homes or renting homes from us. We're not at the point where we're going to be renting homes at the moment. But demand appears strong. We are marketing these homes for $170,000. We've got several finance applications in place already. And we believe that we are going to fill that property up with profitable home sales.

Operator

Our next question comes from Craig Kucera with B. Riley.

Craig Gerald Kucera
B. Riley Securities, Inc., Research Division

I want to start with a couple of questions on the joint venture. How should we think about it just given the pace of sort of traffic you're seeing and what you're able to accomplish this year? Sort of how should we think how meaningful this will be to earnings in 2022 and sort of beyond as you ramp that up?

Brett Taft
VP & COO

Yes. So for 2022, I really wouldn't expect a meaningful impact on earnings one way or the other. I mean part of the reason that we wanted to do the JV was to limit the negative potential impact, and that should be the case. It also allows us to do more development opportunities. But as is the case with any development opportunity, the infill -- the time it takes to stabilize and infill the property, I mean you have expenses that are going to [accelerate while] you're making investment in property, and it's not going to throw off cash flow.

Our breakeven point is after 2 to 3 years, depending on whether or not we go with rentals or sales. Our 7-year yields are in the 6% to 7% range, including sales profits, and our IRR targets are 7.5%. So year 1, it's a $22 million investment we've

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made already. With Nuveen, our portion was about $9 million of that. We anticipate closing 2 more properties in that joint venture in the fourth quarter of this year or the first quarter of next year. So it's really the one property that we have there right now. We will be earning assets under management fees for the investments into that portfolio.

So that helps to limit some of the expense and the impact that some of the expenses we have in the JV. We'll also be earning property management fees as we start to generate income. So again, it will have a pretty minimal impact this year. But going forward, it can start to have a very favorable impact to us as we do fill these properties and have a sizable JV with more assets under management and more revenue coming in.

Craig Gerald Kucera
B. Riley Securities, Inc., Research Division

Okay. Great. That's helpful. Changing gears, another very strong same-store quarter. Can you talk about what you're expecting or maybe budgeting on the expense side in 2022? And are you seeing or expecting any meaningful increases in property taxes?

Samuel A. Landy
President, CEO & Director

Well, Anna will be specific. But we watch that expense ratio carefully. And the expense ratio is down to 42 point...

Brett Taft
VP & COO

8%.

Samuel A. Landy
President, CEO & Director

42.8%. And so that's how we determine the adequacy of our rent increase. We do everything we can to limit the rent increase to 4%, but we are certainly aware of inflation. If filling the occupied -- if filling the vacant site is as accretive as we believe it is, so there's very limit -- very few new expenses to each additional occupied lot for each additional home. So as we continue to drive that expense ratio down, we can continue to pass savings on to our residents, which is very beneficial because it just makes your strong income stream even more reliable. It creates great relationships with Fannie Mae, Freddie Mac. So we strive to limit that increase to 4%. But I believe that should inflation greatly exceed that number, we do have the ability to increase the rent if needed. But Anna will answer the rest of the question.

Anna T. Chew
VP, CFO & Director

Sure. I mean, overall, our expenses increased about 4.5%, 4.4% year-over-year. Included in that, of course, is our salaries. That probably went up the most, but that only went up about 5%. Of course, we had increases in rental home expense because of the increase in the number of homes. The real estate taxes did go up a little bit more than it did in the past. It went up about 4% this year. In the past, it went up about 3%, give or take. So it's not a major percentage increase. And we would expect that expenses would increase in the 4% range or maybe depending on inflation. Everybody knows inflation is here. I don't know how long it will be here. I don't know with the political environment what that would bring. But we expect similar increases. As Sam said, a lot of our expenses are fixed. Of course, water, sewer, things of that nature will increase as occupancy increases.

Brett Taft
VP & COO

But predominantly, they've been separately metered.

Anna T. Chew
VP, CFO & Director

Correct.

Brett Taft
VP & COO

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So we passed on those increases to the resident, which -- that's how we can limit our rent increase, because the residents, more and more of them are directly paying water, sewer, garbage. And those are the costs that generally go up the most each year. It increases our ability to limit rent increases to only 4%.

Craig Gerald Kucera
B. Riley Securities, Inc., Research Division

Okay. Great. That's helpful. We're hearing some pressure on kind of lower middle class and maybe lower-class consumers during this earnings season. Not completely the sweet spot of who you're renting homes to and obviously probably not selling to. But I'd be curious to see if there's been any meaningful shift in maybe rent collections or -- versus kind of your considerations about bad debt as some of those stimulus payments began to end in the fourth quarter as we sit here in the first quarter and looking ahead.

Samuel A. Landy
President, CEO & Director

Brett will answer specifically, but I just want to point out, with the millennials going to work, earning income, the baby boomers now looking for value to retire, they can sell their existing homes, pay off their mortgage, realize a gain and buy houses from us, I've never seen demand stronger. I think it's similar to 2006 when we were about 1/4 of our size and sold $16 million worth of houses and made $2 million. I believe sales can increase dramatically as can sales profits, but we've been constrained by the supply issues. And hopefully, that will be resolved. But in terms of demand, I've never seen it stronger. And the income for the people who seek our product, those incomes are strong. The people who go to work in the factories, warehouses, truck drivers, their incomes are stronger than ever, in my opinion. Go ahead.

Brett Taft
VP & COO

Yes. No. That's absolutely right, Sam. And just to touch on collections, they remain in line with our historical averages. Collections are in the 98% to 99% range. We look at this on a region-by-region and a state-by-state basis. And the for majority of our portfolio is in that 99% range. The biggest problem we had was in New York State and New Jersey. As of January 15, we've been able to get tenants that are not paying and that have not paid since the beginning of the pandemic, in court and start to turn some of those units over. Our collections in New York were about 95%, which is still very strong. But as we're able to turn those units over and get tenants that are paying the rent in there, it will be even better.

Anna T. Chew
VP, CFO & Director

Having said that, our write-off still remained very, very good at less than 1% of total revenue.

Craig Gerald Kucera
B. Riley Securities, Inc., Research Division

Okay. Great. And with the kind of recent rise in longer-term rates, how is UMH Finance sort of reacting to a changing interest rate environment? Are you guys raising rates as well? Or kind of your thoughts there?

Samuel A. Landy
President, CEO & Director

On the sales, we reduced the rate to 4.99% because of our strong history, having no losses on receivables, and it's been a strong business for us. And we believe as the community operator, nobody can lend better than we can in our existing communities. And because of our confidence in the value of the house and how the house will retain that value for decades to come, we are very comfortable financing our own sales at 4.99%. We recognize other rates are coming up. But we believe we need to be competitive with mortgage rates. We think our residents deserve the lower-cost financing. And we think that this will help increase sales and occupancy because there are many sophisticated buyers of manufactured homes who frowned upon the idea that the rate for a loan, purchasing a manufactured home, should be so much higher than a mortgage rate. So I think we greatly increase demand by charging this lower rate.

Craig Gerald Kucera
B. Riley Securities, Inc., Research Division

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Okay. Great. Just one more housekeeping one for me. Is there -- should we expect any increase in G&A related to the dual listing, A? And B, how much of the Fannie Mae bonus tied to the 2020 financing should we expect to see amortized in 2022 and possibly '23?

Samuel A. Landy
President, CEO & Director

Anna?

Anna T. Chew
VP, CFO & Director

Regarding the dual listing, we don't believe there will be any material increase in G&A accorded for that. Regarding the restricted stock bonus, it depends on us, of course, on us meeting certain performance criteria. And in 2021, we amortized -- let me see, I'm sorry, I don't have it in front of me.

Samuel A. Landy
President, CEO & Director

Maybe best for a call back.

Anna T. Chew
VP, CFO & Director

Yes. I'll give you a call back, and I'll let you know the full amount that was -- right.

Operator

[Operator Instructions] Our next question comes from Rob Stevenson with Janney.

Robert Chapman Stevenson
Janney Montgomery Scott LLC, Research Division

Sam, given the delay in getting rental units, is there any impact on either your acquisition strategy or your near-term ability to do only rental communities? I mean normally, you guys buy an asset that's 70% occupied. You kick out the ugly, the old rundown assets, and then you replace that with a bunch of rental units. I mean is that strategy viable over the next 6 to 9 months until the manufacturers get back on track given the delays in -- that you've seen getting new homes on your sites?

Samuel A. Landy
President, CEO & Director

Well, let's go slow. First of all, when we acquire a community with old 1970 metal on metal homes that don't meet our standards, et cetera, in many instances, the people who live in those homes become the residents of our rental homes. And they experience the benefits of energy efficiency so that where their utilities could have been a couple of hundred dollars per month, when they move into the brand-new rental unit, the utility costs can fall below $100. So it's very beneficial to everybody. And it's physically beneficial to the appearance of the community to see all those brand-new vinyl-sided shingle-roof homes.

Next part of the question. The lack of homes is greatly slowing down our results. You take those 2 new acquisitions, South Carolina and Dothan, Alabama, we could not increase occupancy the way we expected because we did not get the rental homes.

But that certainly would not slow us down doing acquisitions. In fact, the one thing I'm becoming convinced of from our results is we should do everything in our power to grow faster. Over the many decades we've been in business, we have learned how to satisfy consumer demand for quality affordable housing through manufactured housing. And we can do that whether we're acquiring a turnaround community or building new communities. So we're aware of the issue that acquiring turnaround communities or building communities can hurt FFO. But we have to go ahead and go faster.

The demand is incredibly strong throughout the country. The affordable housing crisis is great. Our marketing department has done a phenomenal job getting the word out to employers and employees that we are the solution to the affordable housing crisis. And that if you're a warehouse owner, a trucking company owner, et cetera, you need labor. But your labor needs quality affordable housing. And so you should welcome UMH to your community to build new communities or to

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buy existing communities that the prior owner did not have the capital to bring into 2022 and where we should be. So we will continue this.

Yes, the manufacturers are slow. Yes, it's hurting us. But we've spoken directly to the CEOs of all the major manufacturers. And they're working on additional efficiencies in their plants, building new plants. And they're aware of how many orders we have placed today and how many orders we see ourselves placing over the next 5 years. And they want to be able to provide those homes.

Robert Chapman Stevenson
Janney Montgomery Scott LLC, Research Division

Okay. And then another question, Anna or Jim. With the Israeli capital raise, when you've looked at that, was it just a point in time sort of gap between the pricing in the U.S. versus the pricing there? Or have you guys been looking at this for a while? And is there an ongoing sort of recurring gap in terms of where debt and equity would -- for you guys would be priced there versus here that makes that market attractive to you on a regular basis?

Eugene W. Landy
Founder & Chairman of the Board

If I can add to that, Gene Landy. Sam?

Samuel A. Landy
President, CEO & Director

Yes, go ahead. Yes.

Anna T. Chew
VP, CFO & Director

Go ahead, Sam. Go ahead, Gene.

Eugene W. Landy
Founder & Chairman of the Board

Other REITs are also looking at Europe. The rates over in Europe are lower than in the U.S. so this was a move to benefit from the fact that at one time, there was $10 trillion in negative rates in Europe. So we wanted to go where the rates were lower. But we also got the benefits of an investment-grade rating, a rating for the company. The European accounting takes into account the increases in value. And the increases in value of our properties each year is a very large number. And when they looked at our balance sheet and income statement and took into account the increases in value and the real income we were getting from our parks going up in value, we got a superlative rating. So we think it was a good move. And it gives us another source of both equity and debt capital. We have an investment-grade rating. And as you know, it's much easier now to do -- now that we've done the first deal, we can probably do a second deal on relatively short notice. So we're very pleased with being listed on the Tel Aviv Exchange and having some very large investors now considering UMH as an investment.

Robert Chapman Stevenson
Janney Montgomery Scott LLC, Research Division

Okay. But what's the gap? I mean what made that -- I mean, I understand that capital is cheaper. And if you go in euro-denominated in your realty income, your cost of debt capital is almost 0 in euros. But for you guys, what was the pricing differential on the debt that you did at 4.72%? What would be the equivalent if you'd raise that in the U.S.? And what do you think the gap is if you guys do equity over there versus here?

Samuel A. Landy
President, CEO & Director

Well, so we didn't do the debt issue in the U.S. so I couldn't tell you exactly what we would raise it at. It was a competitive bid situation where they basically have an auction. People put in how many dollars worth of the bond they want, at what interest rate. We were on the phone for more than 10 days with various investor groups that included $100 billion insurance companies. And so this rate was very bid out by a great number of people. So if we did the same thing in the United States, I don't know what the rate would have been, but we believe it would be higher. And we were very pleased

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with the execution, the rate we achieved. And we're especially pleased with how many new very substantial entities now understand UMH and manufactured housing and have their eye on us pertaining to equity investment.

Robert Chapman Stevenson
Janney Montgomery Scott LLC, Research Division

Okay. And then just one last one for me. Have you guys had any discussion with ILPT or RMR as to what their plan is with the UMH shares that Monmouth holds after the merger is closed? Are they keeping those? Are they going to be a holder? Or are they going to dispense those in the market as they see fit?

Samuel A. Landy
President, CEO & Director

That would be between Monmouth and -- yes. And we can't discuss it at all. So we have no answer to the question.

Operator

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, Anna, Brett and I are available for any follow-up questions. We look forward to reporting back to you in May with our first quarter 2022 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(866)-813-9403 or international +44-(204)-525-0658. The conference code is 412561. Thank you, and please disconnect your lines.

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