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UMH Properties, Inc. NYSE:UMH

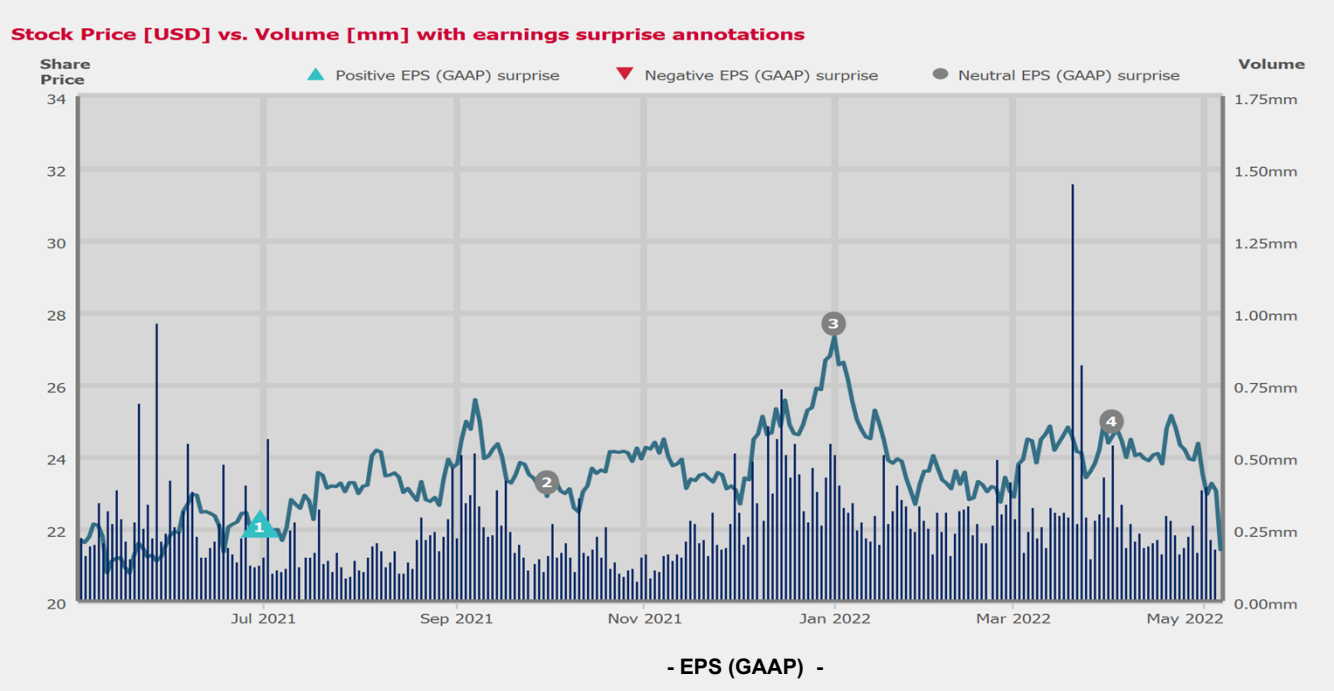
FQ1 2022 Earnings Call Transcripts

Thursday, May 05, 2022 2:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ1 2022-			-FQ2 2022-	-FY 2022-	-FY 2023-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS (GAAP)	(0.03)	(0.09)	NM	(0.04)	(0.06)	NA
Revenue (mm)	46.16	45.87	▼ (0.63 %)	50.41	198.47	NA

Currency: USD
Consensus as of May-06-2022 12:22 PM GMT



- EPS (GAAP) -

	CONSENSUS	ACTUAL	SURPRISE
FQ2 2021	0.01	0.18	▲1 1700.00 %
FQ3 2021	(0.03)	(0.07)	NM
FQ4 2021	(0.02)	0.17	NM
FQ1 2022	(0.03)	(0.09)	NM

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Presentation

Operator

Good morning, and welcome to the UMH Properties First Quarter 2022 Earnings Conference Call. [Operator Instructions] Please note this event is being recorded.

It is now my pleasure to introduce the 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-Q that we filed with the SEC yesterday, we have filed an unaudited first quarter supplemental information presentation. The supplemental information presentation, along with our 10-Q, 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 first quarter 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. We are pleased to report another solid quarter of operating and financial results. Our normalized FFO was $0.17 per share, which was a decrease of 15% year-over-year. However, our 2022 earnings will be weighted towards the second half of the year as we are poised for future earnings growth through the recapitalization of our $247 million of 6.75% Series C preferred stock. We have opportunistically been accessing the capital and debt markets in anticipation of our future capital needs. We currently have over $290 million in cash and cash equivalents available for the redemption as well as for other investments in acquisitions, expansions, rental homes and our joint venture.

Our first quarter normalized FFO was substantially impacted by the carrying cost of the capital required to fund the recapitalization of the outstanding preferred. Without the Series C preferred stock dividends in the first quarter, our normalized FFO would have been $0.25 per share or an increase of 18% sequentially and 30% over last year.

Given the volatility in the market and rising interest rates, we are pleased that we have already raised the capital required for this redemption. We also have additional capital and availability on our lines of credit to fund our growth initiatives.

Demand for our housing remains strong in our markets. Our communities continue to experience waiting lists for rental homes, and we are seeing healthy demand for home sales. Our overall occupancy rate increased from 85.2% to 86% year-over-year, and our rental occupancy rate remains above 95%.

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Total income for the quarter increased 6% to approximately $45.9 million. This increase was the result of a 7% increase in rental and related income and a 3% decrease in sales of manufactured homes. NOI for the quarter increased by approximately 9% as a result of our recent acquisitions and the addition of rental homes. Our operating expense ratio improved by 80 basis points year-over-year from 44.3% to 43.5%.

Same-property NOI increased 5.3% or approximately $1.2 million over 2021. This increase in NOI was the result of increased income of 6.6% and increased expenses of 8.4%. Same-property occupancy increased 70 basis points to 86.7% or 200 occupied sites over the last year. And we obtained site rent increases of approximately 4.9% and home rent increases of 4.7%.

Our expense increase is attributable to rising personnel costs, tree removal, water and sewer increases and real estate tax increases. We anticipate that the elevated expenses will be offset by income growth as we are able to procure inventory for rent and for sale and achieve our annual rent increases.

The biggest challenge we face is obtaining rental homes to drive our occupancy and revenue gains. During the quarter, we added 52 homes to our portfolio, bringing our total portfolio to 8,800 rental homes. We currently have over 1,300 homes on order, of which 300 have been delivered and are in various stages of setup.

The backlogs remain long, but we are starting to see some easing in certain markets and regions. Our rental occupancy rates remained strong at 95.3%. And our monthly rent per home increased 4.9% to $839 per month. Additional occupancy should absorb the expense increases and provide profitability once the supply backlog is resolved.

Gross sales for the quarter were $4.3 million, representing a decrease of 3% over the same quarter last year. During the quarter, we sold 61 homes, of which 27 were new home sales and 34 were used home sales. While our sales volume decreased slightly, our sales profit increased or improved substantially from a loss of $237,000 last year to a profit of $103,000 this quarter. This was driven by an increase in our gross profit from 21% last year to 30% this year. Demand for sales remains exceptionally strong, and we are offering financing for our customers at 4.99%, which is in line with conventional mortgage rates.

We financed 55% of home sales during the quarter. We anticipate sales growth throughout the year as we obtain inventory from our manufacturers. We continue to make progress on the expansion front and expect to complete the development of approximately 400 expansion sites this year. These sites are well located in some of our strongest sales markets. Over the next 5 years, we believe 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.

During the quarter, we acquired 1 community in Western Pennsylvania containing 96 sites, of which 83% are occupied for a total purchase price of approximately $5.8 million. Subsequent to quarter end, we completed the acquisition of another community in Western Pennsylvania containing 132 sites, of which 70% are occupied for a total purchase price of $7.4 million.

This community also has 18 resident-owned lots that pay HOA fees and another 38 entitled lots for future development. We currently have an acquisition pipeline of 2 communities containing 490 sites for a total purchase price of $25.9 million or $53,000 per site. The acquisition market remains competitive and cap rates remain very low in a rising interest rate environment. We continue to seek opportunistic acquisitions and are on track to meet our goal of acquiring $25 million to $50 million of communities this year.

We are pleased with the progress we have made at Sebring Square, which is the newly developed community acquired through our joint venture with Nuveen Real Estate. We have 11 homes on site with several sales under contract. The second property in Sebring is currently under construction. And we expect the property in Punta Gorda to begin construction in coming months. We have a strong pipeline of potential new development deals and believe this has the potential to become a very exciting and profitable part of our business.

We are developing high-quality communities that are more affordable than most housing alternatives in just about any market. Existing acquisitions and strong markets of decent quality are trading above replacement costs. Developing new communities will allow us to have the highest quality communities at the best prices.

Our joint venture allows us to limit the short-term impact to FFO while building a high-quality portfolio of communities, growing a pipeline of future acquisition opportunities for UMH and earning fees along the way. UMH is well positioned to outperform the market. We have internal and external growth opportunities through the infill of our 3,400 vacant sites,

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increased sales and finance profitability, development of expansions, acquisition of existing communities, greenfield development through our joint venture and the recapitalization of our outstanding preferred stock.

While earnings did not rise this quarter as a result of raising capital to redeem our Series C preferred, we are confident that throughout the remainder of the year, we will see operating and earnings growth in line with previous years.

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

Anna T. Chew
VP, Chief Financial & Accounting Officer, Treasurer and Director

Thank you, Sam. Funds from operations or FFO was $8.5 million or $0.16 per diluted share for the first quarter of 2022 compared to $8.4 million or $0.19 per diluted share for the prior year period. Normalized FFO, which excludes nonrecurring items, was $9 million or $0.17 per diluted share for the first quarter of 2022 compared to $8.7 million or $0.20 per diluted share for 2021.

Rental and related income for the quarter was $41.6 million compared to $38.7 million a year ago, representing an increase of 7%. This increase was primarily due to community acquisitions, the addition of rental homes and the growth in occupancy.

Community NOI increased by 9% for the quarter from $21.6 million in 2021 to $23.5 million in 2022. Sales of manufactured homes for the quarter decreased 3% from $4.4 million in 2021 to $4.3 million this year. Our average sales price was $70,000 with new home sales averaging $95,000 and used home sales averaging $51,000. The gross profit percentage was 30% this year compared to 21% a year ago.

Sales profitability increased to $103,000 in net profit this quarter compared to a net loss of $237,000 a year ago. As we turn to our capital structure, at quarter end, we had approximately $615 million in debt, of which $474 million was community level debt -- mortgage debt, $42 million was loans payable and $99 million was our newly issued 4.72% Series A bonds. 93% of our total debt is fixed rate. The weighted average interest rate on our mortgage debt was 3.78% at quarter end compared to 3.81% at quarter end last year. The weighted average maturity on our mortgage debt was 5.2 years at quarter end and 5.8 years last year.

We had a very busy quarter in both the debt and equity markets as we prepared for the upcoming redemption of our $247 million 6.75% Series C perpetual preferred stock. During the quarter, we utilized our common ATM and sold approximately 1.6 million shares of common stock at a weighted average price of $24.59 per share, generating gross proceeds of $38.9 million and net proceeds of $38.4 million after offering expenses.

Subsequent to quarter end, we sold an additional 739,000 shares of common stock through the ATM at a weighted average price of $24.32 per share, generating gross proceeds of $18 million and net proceeds of $17.7 million after offering expenses.

We also successfully completed an oversubscribed bond offering, raising $102.7 million with net proceeds of approximately $98.7 million. The transaction was completed in Israel, which afforded us some distinct advantages. Despite rate 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 UMH A+ at the corporate level.

We also completed the addition of approximately 1,100 rental homes to our Fannie Mae credit facility for total proceeds of approximately $25.6 million. This is the first time that the GSEs have financed rental homes in communities that are not entirely comprised of rental homes. We have approximately $388 million of rental homes on our balance sheet that may now qualify for highly competitive financing. This could be an important source of capital for us going forward.

We currently have $292 million of cash and cash equivalents, which will be used for the upcoming redemption of our $247 million 6.75% Series C preferred stock; general corporate purposes, which includes the purchase of manufactured homes for sale or lease to customers; expansion of our existing communities; paying down variable-rate debt; and acquisitions of additional properties.

We have $50 million available on our credit facility with an additional $50 million potentially available pursuant to an accordion feature. We also had $46.5 million available on our revolving lines of credit for the financing of home sales and the purchases of inventory and $15 million available on our line of credit secured by rental homes and rental home leases.

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At quarter end, UMH had a total of $462 million in perpetual preferred equity. Our preferred stock, combined with an equity market capitalization of $1.3 billion and our $615 million in debt, results in a total market capitalization of approximately $2.4 billion at quarter end, representing an increase of 32% over the prior year period.

From a credit standpoint, our net debt to total market capitalization was 13.5%. Our net debt less securities to total market capitalization was 11.1% Our net debt to adjusted EBITDA was 3.7x. Our net debt less securities to adjusted EBITDA was 3.1x. Our interest coverage was 3.7x. And our fixed charge coverage was 1.6x.

Additionally, we had $57 million in our REIT securities portfolio unencumbered. This portfolio represents approximately 3.3% 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.

On February 28, 2022, the merger between MREIC and ILPT was completed for $21 per share. UMH owned approximately 2.7 million shares of MREIC and received approximately $56 million, generating a realized gain of $30.7 million.

The funds that we received from the MREIC sale will be used for the upcoming redemption of our $247 million 6.75% Series C perpetual preferred stock and for general corporate purposes, including -- in addition to the proceeds from our common ATM and bond issue in Israel.

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

Demand for affordable housing remains at an all-time high, and we are working everyday to increase the supply in the markets we serve. We are doing this through investments in underperforming communities, through the development of our vacant land and through the investment in greenfield development through our joint venture. We have made substantial strides on the financing front through the addition of rental homes to our Fannie Mae credit facility.

Rental manufactured homes provide consumers with the affordability benefits provided by our product type without a long-term commitment. Competitive financing from the GSEs allows us to finance these homes and invest the proceeds in additional projects to further increase the supply for affordable housing. This will not only benefit UMH but the entire industry and our consumers. These projects and our mission are crucial to the overall health of the housing market.

Our business plan has required us to purchase, upgrade and infill underperforming communities. At the time of acquisition, many of these communities were not financeable because of the low occupancy rates and poor quality. These communities required utilizing preferred stock. As we have turned the communities around, improved operations and generated value, we are now able to issue equity and debt at much lower rates to retire the outstanding preferred series. We are proud to have received an investment-grade rating of A+ from S&P Global Ratings Maalot, an Israeli credit rating agency.

We are in a position to redeem our $247 million of 6.75% Series C perpetual preferred stock this July. Given that we have the capital required for the redemption already accounted for, our quarterly FFO will increase by approximately $0.08 per share, not including the benefits of further income gains through operations.

With our recent acquisition, UMH now owns 129 communities containing 24,200 developed homesites and 1 community containing 219 sites in our joint venture with Nuveen. We have a strong, stable business with avenues for future growth. We can continue to grow earnings through the accretive recapitalizing of our outstanding preferreds, the infill of our vacant sites, growth in our sales operations 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

Maybe first, could you just give us a bit more color on home sales in the quarter? What do you think demand looks like in the coming quarters? And what's going to be a good run rate going forward? And just kind of finally, how much of an impact did supply chain have of what sales could have been in the quarter?

Samuel A. Landy
President, CEO & Director

Yes. I think the decrease is small, really. And it's based on timing of sales because you don't exactly have control of when sales close as well as the time it takes to get a person a custom-ordered home. So everyone we talk to out in the field, demand for both rentals and sales is stronger than ever. And to the extent there's any issues, it's strictly on the supply chain. Brett, anything you want to add to that?

Brett Taft
VP & COO

Yes, sure. So I would just add that the first quarter historically is one of the slower sales months of the year. We were largely in line with where we were last year, a decrease of 3%. But the profitability was up from something like a loss of $247,000 to a gain of $106,000 in the first quarter.

Sales for the second quarter continue to trend in the right direction. And at the moment, we actually have over $3.5 million sales pending. So in discussions with our VP of Sales, our VP of Finance, we believe that we will be able to outpace sales growth from last year. We did $27 million last year, and we're targeting $30 million for this year. So a lot of that will be largely driven by the amount of inventory and the timing of when that inventory is received. But we have the homes on order, they're being delivered everyday. We're setting up those homes. And we anticipate future growth, both on revenue and sales.

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

Got it. Maybe shifting gears here a little bit. Just kind of anecdotally, are you guys seeing any direct impact on inflation from your residents? How have payments been trending year-to-date versus historical levels?

Samuel A. Landy
President, CEO & Director

Yes, Brett can -- go ahead, yes.

Brett Taft
VP & COO

Yes. Collections are in line with our historical norms. There really hasn't been any change there. Of course, we're concerned by inflation. But that being said, collections remain over 98%. Things are very good on that front. We monitor it very closely. And if anything changes, we'll let you know. But from where we sit, there's plenty of demand for our product. We're actually able to get people in the court system now and turn over units that people had not been paying the rent in. So we're confident about the collections now and going forward.

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

Got it. And just one final one for me. Just kind of longer term, how have your expectations on expansion -- how have they -- I guess first, how have they trended relative to previous years? And kind of what's the outlook going forward?

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Samuel A. Landy
President, CEO & Director

Our approvals are going very well in terms of we will build 400 lots this year and next year. We continue to work on many projects at the same time. The only challenging projects are New Jersey, Eastern Pennsylvania and Eastern New York. With those exceptions as expansions, we are able to get the approvals. And we have strong waiting list right now for rentals in many communities.

People tell me about 30 home -- 30 persons on waiting list for rentals in 1 community. So the waiting lists are very substantial. We'll build the expansions. And we were slowed down a little bit this quarter because of the delivery of homes, which we anticipated. We spoke about it last year. But the homes are coming in, being set up, and we should go forward.

Anna T. Chew
VP, Chief Financial & Accounting Officer, Treasurer and Director

We have about 1,300 homes on order, of which 300 are in -- at various communities and are in the process of being set up.

Eugene W. Landy
Founder & Chairman of the Board

As everyone states everyday on T.V. continually, the housing situation is in a state of crisis and amount of shortage. And the projections are that we need to build more homes in this country. And we will add a unit sales to construction rate of 1.6 million units, and we may need as many as 2 million units a year. So that we have to increase the number of units we're producing both conventional and manufactured homes. And we have to make up both -- make up the shortfall, which is maybe as many as 4 million units.

And for the industry, our goal is to go from 100,000 units a year to 200,000 units a year. That's quite a -- that's quite a difficult task given the supply chain restraints, the labor market. But historically, this industry has produced 250,000 homes a year. And we think the industry can double to 200,000 homes a year. And UMH is committed to a goal for the industry of as many as 500 communities of 200 each or 100,000 new units which have to be built.

In the last 20 years, we haven't built any new communities statistically. I mean there's been a few built, and we're trying to change that to create affordable housing that's badly needed. So we're very, very optimistic that UMH can participate in solving the housing crisis and that we can grow the company substantially over the next decade.

Operator

Our next question comes from Rob Stevenson with Janney.

Robert Chapman Stevenson
Janney Montgomery Scott LLC, Research Division

Just a follow up. Anna, the 1,300 homes on orders, is that just rentals? Or does that include for-sale units as well?

Anna T. Chew
VP, Chief Financial & Accounting Officer, Treasurer and Director

I believe it includes both.

Robert Chapman Stevenson
Janney Montgomery Scott LLC, Research Division

Okay. Perfect. So Sam, what are they telling you these days in terms of when you'll be getting the majority of the 1,000 homes that you have on order? Is this ratably on a monthly basis? Is there a sort of pig that goes through the python, and maybe the fourth quarter, you get a disproportionate amount? How is that sort of working? And how reliable are they when they give you timetables today given the delays of material, labor, shipping, et cetera?

Samuel A. Landy
President, CEO & Director

Brett can be more specific. So go ahead, Brett.

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Brett Taft
VP & COO

Yes, sure. So we're receiving inventory at our properties everyday. It will be a good amount of homes coming in on a monthly basis. We're -- we believe that we're going to get 700 to 800 homes this year delivered. We've got 300 on site now, which should come online sometime during the second quarter and boost those income numbers. Additionally, we should get 200 to 300 homes in the second and third quarters, which will also come online.

So we are hearing about some easing in the backlogs. Factories in the Northeast and the Midwest are still in that 8- to 12-month range. However, there's a few manufacturers we're working with in the Southeast that are able to get us homes in about 3 months in. We're evaluating where they can ship to, what the freight costs are, what rent levels we can achieve to try and expedite the delivery of some inventories from some manufacturers that do have capacity. So we're making progress there. And we do expect to get those 700 to 800 units this year.

And I guess just to point out something about the same-store NOI number, same-store NOI or income was up 6.6%, largely driven by our rent increases of 4.9%. We, last year for the first quarter, had increased occupancy year-over-year by 750 overall sites. This year, it was 208 sites. So -- and again, we've mentioned, we've got very strong demand at the property, certainly demand to fill the equivalent that we did last year. That 550 sites comes in at about $1.3 million in income, which would put us right in line with that high single-digit NOI growth or low double-digit NOI growth. So we're confident about the outlook on the same-store numbers going forward.

Robert Chapman Stevenson
Janney Montgomery Scott LLC, Research Division

Okay. And then, Brett, I mean, given the difficulty in getting rental units on site, are you thinking about how aggressively you pursue your sort of typical re-tenanting sort of plan with these new communities that you're acquiring? Like Mandell Trails is like 70% occupied. Typically, you force some of the eyesores and older product out, and it's driven occupancy down for some period of time. And then you've used the rental units to bring it back and produce a stronger community overall. But that takes time and it takes rental units. If you don't have the rental units, does that sort of alter your equation as to how you sort of do these things once you've acquired them? Or do you still continue with this running from the same playbook?

Samuel A. Landy
President, CEO & Director

It's Sam here. We continue running from the same -- yes, go ahead. I got it Brett. We continue running from the same playbook. And we have received word from the southern manufacturers that they can deliver into Pennsylvania and Ohio. And so we believe we're going to reduce the problems of the supply chain shortly. But even if they were to stay the same, we would continue to buy communities, upgrade them and add rental units. And it's buy and upgrade first and add rental units second. So that's not going to change.

Robert Chapman Stevenson
Janney Montgomery Scott LLC, Research Division

Okay. And then, Sam, did I hear you correctly in your comments that you're offering sales financing at 4.99% on new homes?

Samuel A. Landy
President, CEO & Director

That is correct, yes.

Robert Chapman Stevenson
Janney Montgomery Scott LLC, Research Division

So that's basically where the Freddie Mac 30-year single-family mortgage rate is today?

Samuel A. Landy
President, CEO & Director

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Yes. We're very proud that we've reduced the cost of financing to the same as mortgage rates. We're working directly with Freddie Mac, trying to create new programs that will continue to benefit our residents. And people who want to purchase manufactured housing, we made the 2 incredible breakthroughs of: one, having communities with up to 60% rental homes financed by Fannie Mae; and two, having Fannie Mae directly finance the rental homes. And we're seeking to create additional programs that would further benefit people who purchase manufactured housing or rent manufactured homes.

Robert Chapman Stevenson
Janney Montgomery Scott LLC, Research Division

Okay. But if I'm not mistaken, I mean, typically, the spread has been for manufactured homes versus single-family homes because of the land component, has been anywhere from 400 to 700 basis points or more in terms of the financing rate. And now it's basically -- through this financing, you've been able to collapse it basically on top of one another. Am I thinking about that correctly?

Samuel A. Landy
President, CEO & Director

Well, because UMH owns and operates the communities, we're better at operating, managing the loan than anyone else. And for those reasons, we pass the savings onto the resident. This increases sales because your people 55 and older are rate-conscious. They want to understand why does this product command a higher rate than conventional homes. And our ability to reduce the rate to the same as conventional homes makes our products far more desirable.

And I look at whether you're talking about tractors, boats, trucks, RVs, they're financed at low cost, which increases sales, increases the amount of lots we rent. And so we are working on financing at a low rate. The rate, in some ways, is slightly above our cost of capital. Whether we're issuing equity or our debt cost, 4.99% is over those amounts. And so we earn the sales profits, we earn the lot rent and we earn something on the finance.

Robert Chapman Stevenson
Janney Montgomery Scott LLC, Research Division

Okay. And then last one for me. Anna, other than the Monmouth shares being acquired during the quarter, did you guys sell anything of significance out of the securities portfolio? The dividends increased almost $0.5 million from the fourth quarter level. I'm just curious as to what the -- whether or not the $780,000 a quarter run rate is a good run rate going forward, whether or not it's even lower given additional sales. How should we be thinking about that?

Anna T. Chew
VP, Chief Financial & Accounting Officer, Treasurer and Director

We have not had any additional sales. Some of the companies that had stopped their dividends had restarted their dividends. So that's the reason for the increase in dividends.

Operator

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

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

Appreciate the commentary on the rise in same-store expenses, Sam, and expenses overall. But just given the higher inflation environment where many of your multifamily and single-family peers are pushing rents at or near double digits, are you looking at raising rents perhaps more aggressively going forward or still considering kind of the 4% to 5% range to be correct?

Samuel A. Landy
President, CEO & Director

Yes. So first, our expense ratio declined again. So that's a very good sign. Had we added the rental units that there's demand for, our income would have grown more similarly to last year. And to the extent we can continue to keep rent increases at approximately 4%, I think it's very good for UMH. It's good for our relationship with the GSEs. It creates a better product.

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Because UMH is large, 24,000 homesites, 8,800 rentals, we can make additional money by growing, whereas the additional -- where the small community owner, they don't have that option. When prices go up, they have to raise rents. We don't need to, and this improves our competitive position. We create a further gap between ourselves and apartments and conventional homes and other manufactured home communities. And the greater that gap is, the easier it is to fill our 33 vacant sites, to maintain 95% rental home occupancy, 98% collections.

So to the extent possible, I would like to keep the rent increases at the 4% area. We'll judge that quarter by quarter, month by month, what the expenses do. But at this moment, because I believe any decrease in the growth of our profits is strictly due to the fact that we couldn't give rental homes quick enough, I would continue with the 4% rent increases and just we have to get more homes in.

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

Okay. I appreciate the color there. Anna, can you give us a sense of how much operating expense of the increase was related to tree removal and sort of more one-time expenses versus perhaps increases in real estate tax and other sort of operating expenses that are more on a recurring basis?

Anna T. Chew
VP, Chief Financial & Accounting Officer, Treasurer and Director

As usual, in the first quarter, there are additional tree removal expenses as well as snow removal, et cetera. I don't have the exact numbers. But we did have an increase in salaries and operating expenses, probably about in the 6% range. So that did increase a little bit. We had waste removal and water and sewer. But tree removal, I would say a lot of the expenses are related to more permanent versus the one-time items. Because you did have an increase in real estate taxes because of the increase in the number of homes.

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

Got it. And does -- just this change in inflation and interest rates, does that change how you're thinking about underwriting and maybe how aggressively you pursue new greenfield development versus maybe pivoting back and waiting and seeing if acquisition cap rates start to back up? Or are you still feeling just as strongly about the new greenfield as you were maybe 3 to 6 months ago?

Samuel A. Landy
President, CEO & Director

Well, greenfield is complicated. We want to do it. We want to grow. It has to be good location. And it has to be that it's going to work. We've always wanted to limit the capital at risk, which is why we have the joint venture with Nuveen.

Historically, higher interest rates mean greater demand for more manufactured housing. The higher rates go, the more it emphasizes the affordability of our product compared to conventional housing. So I would believe that the higher rates mean greater demand. But we still -- there are more deals than we try to do on the development front and even on the turnaround front. But we're very conscious of redevelopment deals and new construction costs money. For 3 to 5 years, you won't have positive income. And so we've always intended to limit how many of those deals we do.

Eugene W. Landy
Founder & Chairman of the Board

We don't expect that the cost of housing is going to go down. The builders are reporting 15%, 20% increases in costs, land values are going up dramatically, and there's a need for housing. So this is the time for us to engage in greenfield development or a basic business of buying parks that need redevelopment. And we're going to do that aggressively.

We don't look at short-term financials. Yes, interest rates go up, and it becomes important to us. But actually, interest rates are still negative in the sense that you have home values going up 18%, 20%. And the inflation is 7%, 8% a year. And everybody is getting excited that the mortgage rates on conventional homes are now up to 5%.

Buying a home is still pretty good deal. If you have 7% inflation and home values are going up 20%, 5% mortgage is still cheap. Not as cheap as it was when it was 2 and 3 quarters. So that -- we don't look at that our margins are really down. We think it's a tremendous time for us to participate in a very large business to providing affordable housing. And we --

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through the joint venture and other means, we're going to get long-term patient capital. And we've made a lot of money over the last 50 years. And we think we're going to make even more money over the next 10 or 20 years as we catch up for the shortage of housing in this country.

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

Got it. I appreciate your big picture there. One more for me, and I think you already answered this, but I just want to confirm it. Are you pretty confident that you're going to be able to deploy 700 to 800 units as you've done in the past? It certainly sounds like it. I just want to circle back on that just given the amount of inventory that's coming in month-to-month.

Samuel A. Landy
President, CEO & Director

Yes. In 2022, if we're able to get 700, 800 homes, we have places to put them, and we have, we believe, demand to rent them. Yes.

Operator

Our next question comes from Brian Hollenden with Aegis Capital.

Brian Christopher Hollenden
Aegis Capital Corporation, Research Division

Can you talk more about the Fannie Mae credit facility? $380 million in rentals on the balance sheet, how much financing and at what rate and LTV is available to you for these rentals? And what does the timing look like?

Anna T. Chew
VP, Chief Financial & Accounting Officer, Treasurer and Director

Well, right now, what they're doing is we had a mortgage that closed back in 2020, on 28 communities where we received $106 million at 2.72%.

Samuel A. Landy
President, CEO & Director

6-2.

Anna T. Chew
VP, Chief Financial & Accounting Officer, Treasurer and Director

Oh, sorry, 2.62%. I'm being corrected. So the homes that relate to those mortgages or to those communities that was in that mortgage is being placed into that line of credit. So that is the 1,100 homes, the $26 million. And that was at -- I believe the LTV was about 55%. And we are working with the Fannie Maes and the Freddie Macs to try to include these homes on -- that are being loaned against previous mortgages, that are being in previous mortgages, to be able to include them into a new Fannie Mae facility or a new mortgage. So we're working with the GSEs on that.

Samuel A. Landy
President, CEO & Director

And I think part of the question was, on the existing rentals, we have a loan of $25 million at 4 point...

Anna T. Chew
VP, Chief Financial & Accounting Officer, Treasurer and Director

4 point...

Samuel A. Landy
President, CEO & Director

2-5.

Anna T. Chew

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VP, Chief Financial & Accounting Officer, Treasurer and Director

2-5 percent. Thank you.

Samuel A. Landy
President, CEO & Director

4.25%. And so we're hoping that we can grow that, whether the homes are in Fannie Mae finance communities or not. The current scenario is they'll finance homes and communities. They have the mortgage on. Will they finance homes and communities they don't have the mortgage on? And we're trying to find out whether or not we can do that.

Anna T. Chew
VP, Chief Financial & Accounting Officer, Treasurer and Director

And we do have other Fannie Mae mortgages. However, at that time, they were not financing the homes. We have just had them finance the homes on these 1,100 homes.

Brian Christopher Hollenden
Aegis Capital Corporation, Research Division

Yes. That's helpful. Can you talk a little bit more about your overall geographic expansion plans? You started to move in some additional states outside of the Northeast. Do you have scale outside of the Northeast? And if not, like when do you kind of see that happening?

Samuel A. Landy
President, CEO & Director

Well, we're working on 3 deals in Florida, which will give us a nice presence in Central, on the Northeast look of Florida. And we have Dothan, Alabama and Sumter, South Carolina. The object is to grow in the Southeast and, really, anywhere else. The acquisition market remains extremely tough. We'll see what happens. But UMH has incredible confidence in our business plan of buying older communities, upgrading them and adding rental homes. And additional rental occupancy generates additional sales.

So we have to find more communities. We're open to more states. One of the secrets of UMH, as great as the properties are, the homes are, we've built an incredible staff with incredible experience. When we went down to the Sebring grand opening and we had our regional managers from all over, all of our communities come down to Sebring and we had our salespeople, and you could watch them selling homes and looking at the construction, we have just an incredible team that can go train new people so we can grow in other states.

We have to find the acquisitions. But if we find the acquisitions, our ability to properly train people, create community managers, salespeople, I think we have incredible ability to grow because of how many people have been with us for a very long period of time and know exactly what UMH wants to do and how to do it.

Daniel Landy
Vice President

Just to add, we do have and have had a great team in the South for a while. So we have a pretty good hub in the South in Tennessee.

Brian Christopher Hollenden
Aegis Capital Corporation, Research Division

And just one follow up to that. You mentioned acquisitions and availability of acquisitions. Just real quick, I guess, with interest rates rising, have you seen sort of acquisition cap rates starting to move up?

Samuel A. Landy
President, CEO & Director

Nothing has occurred yet. But I do agree that it has potential for occurring and that there's the potential there will be more acquisitions. Some of the deals we've seen, I would say that other people do not understand how difficult turnarounds are to do and they're not doing them as quickly as they anticipated. So deals we've turned down because other people paid

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more for them, I don't think that they're having the success that we would have had, and it's taking them longer. So I think that there is a potential we'll see more deals.

Operator

Our last question comes from Jay McCanless with Wedbush.

Jay McCanless
Wedbush Securities Inc., Research Division

And congratulations on getting Fannie Mae across the finish line. I guess how long or what's the holdup with Freddie Mac getting in -- getting with the picture and doing the same type of lending that Fannie Mae has started to do?

Anna T. Chew
VP, Chief Financial & Accounting Officer, Treasurer and Director

We hope that they do. But again, with governmental entities, we don't know how long it will take them to have to go up the ladder. So I don't know what the status of that would be.

Samuel A. Landy
President, CEO & Director

They just recently had a 4-part government series that MHI did, the Manufactured Housing Association (sic) [Manufactured Housing Institute], Dr. Lesli Gooch, the CEO. And they have government officials and Fannie Mae and Freddie Mac pertaining to lending, I think the last call on that is tomorrow. So -- and then we have Homes on the Hill coming up in Washington, D.C. And so people are very actively working on creating new programs for manufactured home lending through both Fannie and Freddie. And UMH is directly working on those things.

Anna T. Chew
VP, Chief Financial & Accounting Officer, Treasurer and Director

And the good thing is, because it's Fannie and Freddie, they are in competition with each other. So hopefully, when one does it, the other will soon follow.

Jay McCanless
Wedbush Securities Inc., Research Division

Yes. Hopefully so. And then was encouraged to hear about the 4.99% mortgage rate that you're offering your customers. But if you look at the competition out there, whether it's nonbank for a bank lender that's offering channel financing, what type of rates and what type of competition are you seeing right now?

Samuel A. Landy
President, CEO & Director

Brett, Daniel, to me, I would say that a low number for a perfect credit score is 699. But what do you see, Brett? You're there more...

Brett Taft
VP & COO

That's exactly what I was going to say, Sam. And that would be a perfect credit. And rates are rising, so that number is probably increasing at the moment. Generally, what you're going to see is rates in the 8% to 10% range. And that's one of the reasons why we wanted to get out there and offer our tenants competitive rates. I mean we've got access to lower-cost financing. We're able to pass that affordability onto our tenants. It's good for the company. It's good for the industry. It's good for the country. It's really an ESG practice in a sense. So we're very happy that we're able to do that. And assuming we can continue to get lower-cost financing, we hope to be able to pass that along to our residents in the future as well.

Samuel A. Landy
President, CEO & Director

And Daniel should mention how the low rates are affecting our brokered home sales.

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Daniel Landy
Vice President

Yes. We also -- we recently did a program where we are financing resident homes in our community that are for sale. And I know for the quarter, our brokerage income increased pretty well because of that brokered financing program. So that's gotten a lot of positive reception. And our residents are happy knowing that if they ever plan to move out and sell their unit, we will help them with getting a customer finance.

Eugene W. Landy
Founder & Chairman of the Board

Daniel has mentioned that customers are happy. That's one of the main differences with UMH. We're very interested, long term, short term, we want our customers to be happy. And satisfied customers in a market that's expanding and our ability to produce housing for about 250,000 a unit compared to 350,000 for the conventional, our ability to rent at $839 a month for 3 bedrooms, 2 baths compared to $1,100 to $1,400 for our competition, we're able to profitably do this. The market is strong. We're very optimistic that UMH can grow into quite a substantial successful company.

Jay McCanless
Wedbush Securities Inc., Research Division

That's great color. And then the last question I had, so glad to hear that you're getting potentially more homes from the manufacturers. But that spread between 3 months in the South and 8 to 12 months in the Northeast, that's a pretty wide spread. Is it a lack of labor in the Northeast? Or is something else going on that's preventing them from delivering any faster?

Samuel A. Landy
President, CEO & Director

It's everything, labor, parts, even truck driving regulations that affect how many hours somebody could be on the road to move the homes. So everything out there has affected the manufacturer's ability to deliver houses. But again, manufacturers are increasing capacity. They're building new factories. They're reconfiguring existing factories. And so we have contacted people at Cavco, Champion, Clayton and told them where we need houses, and people are working on creating the supplies for us.

Thank you, operator. I'd 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 hope to see you at NAREIT's REITweek in June. And we look forward to reporting back to you in August with our second quarter 2022 results. Thank you.

Operator
The conference is 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 and enter the passcode 989071. Thank you, and please disconnect your lines.

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