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Market Intelligence

UMH Properties, Inc. NYSE:UMH

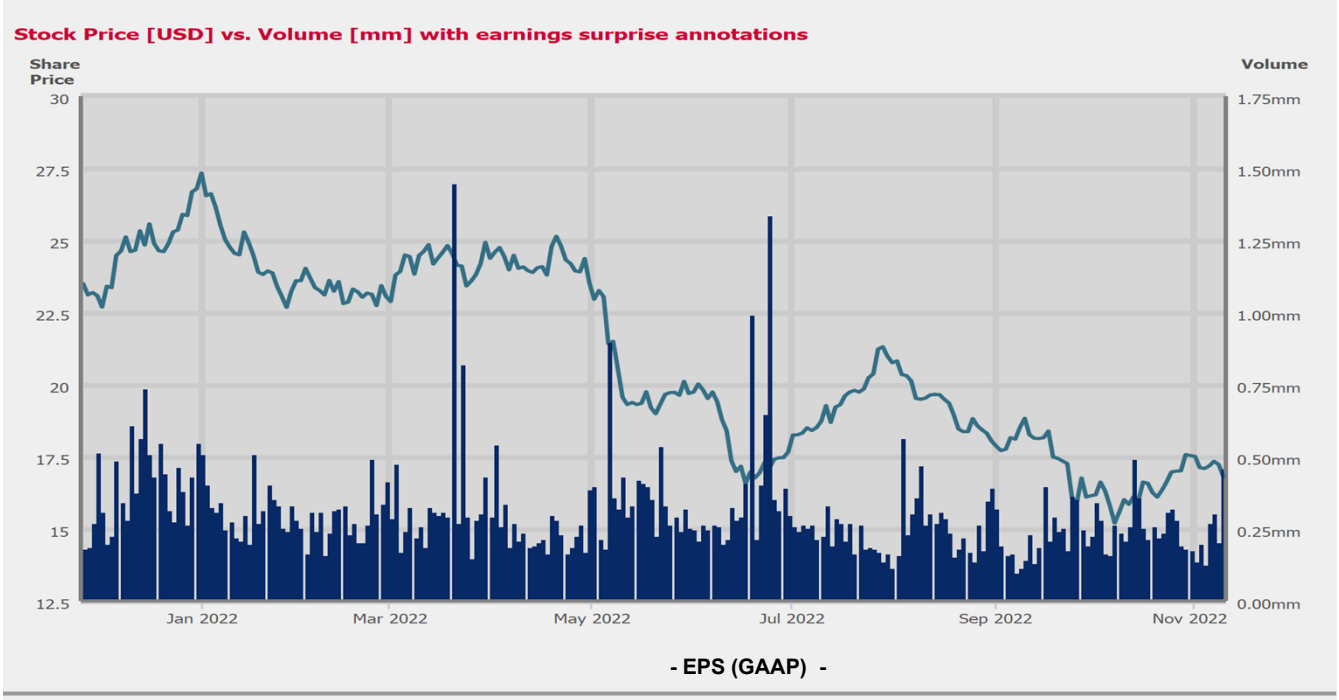
FQ3 2022 Earnings Call Transcripts

Wednesday, November 9, 2022 3:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ3 2022-			-FQ4 2022-	-FY 2022-	-FY 2023-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS (GAAP)	(0.04)	(0.18)	NM	0.02	(0.53)	NA
Revenue (mm)	50.22	51.94	3.42	52.16	198.01	NA

Currency: USD
Consensus as of Nov-10-2022 11:04 AM GMT



- EPS (GAAP) -

	CONSENSUS	ACTUAL	SURPRISE
FQ4 2021	(0.02)	0.17	NM
FQ1 2022	(0.03)	(0.09)	NM
FQ2 2022	(0.03)	(0.41)	NM
FQ3 2022	(0.04)	(0.18)	NM

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ATTENDEES

Unknown Attendee

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Presentation

Operator

Good morning, and welcome to UMH Properties' Third Quarter 2022 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-Q that we filed with the SEC yesterday, we have filed an unaudited third 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 expectations reflected in any forward-looking statements are based on reasonable assumptions, the company can provide no assurance that its expectations will be achieved. The risks and uncertainties that could cause actual results to differ materially from expectations are detailed in the company's third quarter 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, 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 very much, Nelli. We are pleased to report our third quarter 2022 earnings.

Normalized FFO for the quarter was $0.21 per share compared to $0.16 in the second quarter of this year and $0.23 per share in the same period last year. This represents an increase of 31% sequentially and a decrease of 9% year-over-year. The sequential increase in normalized FFO is primarily the result of the savings that we realized from the recapitalization of our $247 million 6.75% Series C perpetual preferred.

It is important to note that the preferred was redeemed on July 26, so we did not receive the full benefit of the redemption in this quarter. The full impact of the preferred recapitalization increases normalized FFO by an additional $0.02 per share. While the preparation for this redemption negatively impacted earnings in the first half of the year, we are pleased to have opportunistically raised the capital at a low rate, which will drive future earnings.

Operationally, we continued to perform well in a very challenging economic environment. Demand for our product remained strong in all of our markets. Our biggest challenge this year has been the procurement and the setup of our homes. We are happy to report that we are making progress on the installation and occupancy of our rental homes. We are replenishing our inventory, which should provide a runway for earnings growth in the fourth quarter of this year and position us for another year of outperformance in 2023.

For the 3 months ended September 30, 2022, same-property rental and related income increased 5% and expenses increased 10%, resulting in NOI growth of 2%. Year-to-date, same-property rental and related income increased 6%. Expenses increased 9% and NOI increased 4%. Our fixed operating expenses are consistent with what we experienced during the first half of the year. Personnel costs are increasing as we increase the scope of the company. Tree removal, waste removal and travel expenses were elevated during the quarter as the result of windstorms.

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During the quarter, we added 142 new rental homes to our portfolio as compared to 96 last year, resulting in a 48% increase. Year-to-date, we have added 293 homes to our portfolio as compared to 448 last year. Although the number of additional new homes added year-to-date is less than the amount added during the same period last year, we are on track to have our 700 homes delivered to our communities this year. Moreover, as the supply chain continues to normalize, we anticipate being able to add an additional 800 to 900 homes next year.

Our same-property rental home occupancy rates remained strong at 94.5%. As we complete the infill of our communities and occupy these rental units, we can drive double-digit income growth without aggressive rent increases. Sales income from the quarter was up 16% and is in line with our expectations. The increase in sales is attributable to the 23% increase in new home sales income year-over-year. As with our rental program, we have strong demand for sales and anticipate growing sales as inventory becomes available.

I am excited to announce that we set a new monthly sales record of $4 million in August. During the quarter, we generated sales income of $919,000. The average sales price for the quarter was $102,000 as compared to $77,000 last year. We financed 63% of our home sales. Sales for the year are down 7%. But we continue to experience a strong pipeline of sales and believe we are well positioned for a good fourth quarter.

Our expansions are progressing as expected. We have approximately 400 sites under construction at 8 communities. These are strong sales locations and should help us to drive additional sales income and growth in the future. We remain on track to deliver approximately 225 sites this year and 400 sites annually for the next several years. Year-to-date, we have closed on 5 communities containing 905 sites for a total purchase price of $44 million.

These are value-add communities, which had an average occupancy of 53% at acquisition, and we'll benefit as we implement our proven business plan. Two of the communities are located in Western Pennsylvania, one in Michigan, one in South Carolina and one in Alabama. We continue to seek additional acquisition opportunities that meet our growth criteria.

While these acquisitions position the company for future growth, they do require a 2- to 3-year turnaround period prior to positively contributing to our operating results. Our current acquisition pipeline contains 2 communities containing 579 sites for a total purchase price of $42 million. These communities are located in New Jersey and Ohio.

Hurricane Ian's path went directly over our community in Sebring, Florida as a Category 2 storm with sustained winds of over 80 miles per hour and much higher gusts. We are proud that our community and our homes withstood the storm with minimal damage. We continue to make progress infilling at this location and look forward to developing new manufactured housing communities.

Additionally, through the joint venture with Nuveen Real Estate, we have 2 communities to be developed under contract containing 585 sites for a total purchase price of approximately $68.8 million. These communities are both located in Florida and will be delivered fully constructed and ready for homes. Construction of one of the communities has commenced. And we are anticipating a late quarter 4 2022 or early quarter 1 2023 closing.

Construction of the other community is expected to begin later this year. And we will likely close in the third quarter of 2023. Additionally, we have 3 land deals under contract that will be delivered entitled for 423 sites in Florida, Georgia and Pennsylvania. We will acquire these communities entitled but unimproved and manage the development process. The aggregate purchase price for the land and entitlements is $16.6 million.

Construction at these communities is expected to be approximately $16 million. The joint venture structure will result in a lower basis and higher overall returns. In total, the joint venture has a pipeline of 1,008 sites for a total investment in land and improvements of $100 million. We are pleased to have been able to generate this pipeline in a relatively short period of time.

Our basic business model of operating manufactured housing communities remains fundamentally sound. We have investments in value-add acquisitions and expansions, where the capital has been deployed, and we are currently completing turnaround work or redevelopment. As these projects come online and become profitable, our financial results will improve. Additionally, we have 3,800 vacant sites within our existing portfolio and 2,000 vacant acres that can be developed into approximately 7,800 home sites that will allow us to drive organic earnings growth as demand dictates.

We have external growth opportunities through the acquisition of existing communities, the investment in our opportunity zone fund and the investment in our joint venture with Nuveen. As always, UMH remains a conservative steward of capital. We look forward to generating additional value and income for our shareholders. We are well positioned for a strong fourth quarter and an even better 2023.

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

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Anna T. Chew
Executive VP, CFO, Chief Accounting Officer, Treasurer & Director

Thank you, Sam. Normalized FFO, which excludes nonrecurring items, was $11.7 million or $0.21 per diluted share for the third quarter of 2022 compared to $11.1 million or $0.23 per diluted share for 2021 and $8.7 million or $0.16 per diluted share sequentially for the second quarter of 2022.

As we had previously announced, on July 26, 2022, we redeemed all 9.9 million shares of our 6.75% Series C perpetual preferred stock for a total of $247 million. This redemption was completed by utilizing funds raised through our common ATM, our Israeli bond offering and mortgage debt. As Sam mentioned, we only received a partial benefit from the recapitalization as the redemption was completed at the end of July. Adding back the preferred dividend for 26 days of July results in additional increase in FFO of approximately $0.02 per share.

We are very proud to have been able to complete the recapitalization of our Series C preferred in a difficult economic environment. We opportunistically raised capital throughout the year to ensure that we have the capital available at rates and prices we were comfortable with to drive future earnings growth. Throughout the remainder of this year and into next year, we will see the full impact of this recapitalization.

Rental and related income for the quarter was $42.9 million compared to $40.2 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 1% for the quarter from $23.4 million in 2021 to $23.7 million in 2022.

Sales of manufactured homes for the quarter increased 16% from $7.8 million in 2021 to $9 million this year. Sales also increased 29% sequentially from the second quarter of 2022. Our average sales price for the quarter was $102,000 with new home sales averaging $125,000 and used home sales averaging $62,000. The gross profit percentage was 30% this year compared to 25% a year ago. Sales profitability was $919,000 in net profit this quarter compared to $611,000 a year ago, resulting in a 50% increase.

As we turn to our capital structure, at quarter end, we had approximately $726 million in debt, of which $500 million was community-level mortgage debt; $127 million was loans payable; and $99 million was our newly issued 4.72% Series A bonds. 83% of our total debt is fixed rate. The weighted average interest rate on our mortgage debt was 3.87% at quarter end compared to 3.79% at quarter end last year. The weighted average maturity on our mortgage debt was 5.1 years at quarter end and 5.3 years last year.

At quarter end, UMH had a total of $215 million in perpetual preferred equity. Our preferred stock, combined with an equity market capitalization of $890 million and our $726 million in debt, results in a total market capitalization of approximately $1.8 billion at quarter end. We had a relatively quiet quarter in the capital markets.

During the quarter, we sold 237,000 shares of common stock at a weighted average price of $19.60 per share, generating gross proceeds of $4.6 million and net proceeds of $4.5 million. Subsequent to quarter end, we sold 558,000 shares of common stock at a weighted average price of $16.26 per share, generating gross proceeds of $9.1 million and net proceeds of $8.9 million.

In conjunction with the Series C preferred stock redemption, we drew down $50 million on our credit facility. We have an additional $50 million potentially available pursuant to an accordion feature as well as $46 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.

I am pleased to announce that on November 7, 2022, we entered into the second amended and restated credit agreement with BMO Capital Markets and JPMorgan Chase Bank. This amended and restated credit agreement increases our credit facility to $100 million with a $400 million accordion feature, subject to certain conditions, including obtaining commitments from additional lenders. This agreement also extends the maturity date to November 7, 2026, which may further be extended at our option for an additional year. This new agreement enhances our liquidity and financial flexibility, allowing us to continue to execute our business plan.

From a credit standpoint, our net debt to total market capitalization was 36.2%. Our net debt less securities to total market capitalization was 34.1%. Our net debt to adjusted EBITDA was 7.3x. Our net debt less securities to adjusted EBITDA was 6.9x. Our interest coverage was 3.4x. And our fixed charge coverage was 1.7x. Additionally, we had $39 million in our REIT securities portfolio unencumbered. This portfolio represents approximately 2.4% 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 this REIT securities portfolio.

With our strong financial position, growing earnings 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.

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Eugene W. Landy
Founder & Chairman of the Board

Thank you, Anna. UMH continues to execute on our long-term business plan, which has delivered exceptional results over the past few years.

We are pleased that we were able to recapitalize our 6.75% Series C preferred, which should increase FFO by approximately $0.12 per share annually. We are dealing with the operational challenges present in this uncertain economic environment. But UMH remains well positioned to execute on our growth initiatives, which should result in growing earnings for our shareholders.

For the past 2 years, we've invested approximately $80 million in value-add acquisitions, development deals and expansions, which do not have an immediate impact on the earnings, but the capital has now been deployed. We are making progress at these locations and expect positive contributions in 2023 and beyond. Our improved operating results and earnings will allow us to access capital at lower prices, further compounding the success of our proven business plan.

Rising interest rates and historically elevated home prices continue to drive strong demand for manufactured homes in our communities, our nation continues to experience a shortage of affordable housing. And that shortage is only going to intensify as new housing units do not address the affordable end of the housing market. The deceleration of residential home sales is likely to reduce single-family home starts by 100,000 units or more. The manufactured housing industry can help bridge the housing shortfall by developing 500 communities containing 200 sites annually or 100,000 new units.

UMH has spent decades providing affordable housing by acquiring communities with needed capital improvements and deferred maintenance and transforming them into first-class communities that our residents are proud to call home. This business plan has allowed us to provide over 25,000 affordable housing sites to the nation.

We will continue to opportunistically acquire communities that allow us to provide more affordable housing in our markets and deliver strong returns for our shareholders. Additionally, we continue to expand our communities and expect to deliver 400 newly developed expansion sites annually. Furthermore, we have a development pipeline of over 1,000 sites.

UMH is uniquely positioned to lead the nation in the construction, management and ownership of high-quality affordable housing communities. UMH has a social mission to provide the nation with high-quality, affordable housing. We have also invested in environmental initiatives to conserve water and reduce energy consumption. We're exploring additional environmentally friendly opportunities in solar and natural gas generation, which would benefit our residents, our communities and our shareholders. UMH has received a second-party opinion from Sustainalytics regarding the merits of our social and environmental impacts as well as confirmation from MSCI that our revenue is 100% social. We have built a company that provides social and environmental benefits for our nation. And we will continue to grow these initiatives in the future.

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Question and Answer

Operator

[Operator Instructions] Today's first question comes from Keegan Carl with Wolfe Research.

Keegan Grant Carl
Wolfe Research, LLC

Maybe first, on home sales, obviously they were really strong in the quarter. Just curious how much of this is driven by Q2 demand that was pushed into Q3 due to a delay in getting homes in time.

Brett Taft
Executive VP & COO

Yes. So some of that certainly was the delay of homes that had sales pending that were arrived and fully set up. But what I would say going forward and through Q3 is -- and into Q4, we continue to have a strong pipeline of people that are approved for financing, waiting on the completion of their homes. So we don't think that the numbers are inflated because demand isn't there.

We believe demand is there. We believe it's growing. And we believe that we'll continue to see sales growth this quarter and into next year. I should add that we have a lot of homes arriving at our communities that are being set up. So we should not only see sales grow, but we should see our rental occupancy grow as well in the future.

Keegan Grant Carl
Wolfe Research, LLC

Thanks for that, Brett. Maybe how are Q4 sales trending versus last year quarter-to-date so far?

Samuel A. Landy
President, CEO & Director

Quarter 4 -- this is Sam. It's really too early to know. But the way we picture things is this, our staff, the more experience they get selling homes, the better they do. When we increase the number of communities, it's new people to train, you have Sebring that's selling homes at top prices. So there's a lot of reason to believe sales will continue to increase. You could make the argument that with home sales nationally down, the 55 and older crowd might have more difficulty selling their house, which could slow down our sales of 55 and older homes.

But on the other hand, as replacement cost rises and the cost to build all homes rises and the interest expense increases, so it brings more houses out of the range of affordability for a large number of people, yet people need some place to live. And our demand, as of this moment, has not slowed down. So I tend to believe that even with a national decline in home sales, manufactured homes, affordable housing and affordable communities could stay very strong.

And historically, in the 1970s, in the highest period of inflation and interest rates, manufactured housing shipments and sales did very well. So it's a little early to know what the fourth quarter would bring. But we have built expansions, obtained homes from the manufacturers, trained our people, have the best finance rates in the industry, do great marketing and just believe that our sales will continue to grow.

Keegan Grant Carl
Wolfe Research, LLC

Maybe switching gears here, so G&A ticked up a bit in Q3 over Q2. I'm just curious, were there any one-time items in this? And then what would be a good run rate going forward? Is it more Q2 or Q3?

Anna T. Chew
Executive VP, CFO, Chief Accounting Officer, Treasurer & Director

There were some one-time items in it, including some professional fees. So I believe that it will be more towards the Q2. The one-time items we have in there, I think -- I believe it is in the primarily professional fees of about $900,000.

Keegan Grant Carl
Wolfe Research, LLC

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Got it. Very helpful. Maybe just one more, just on the transaction market. Obviously, you guys are still closing deals, which is good to see. But just curious where you're seeing cap rates trending.

Brett Taft
Executive VP & COO

Yes. We really haven't seen too much of a move in cap rates yet. I think we're all expecting that. But I think that there's a lot of sellers that have gotten used to their property values being one thing, and it's hard to go in, in a short period of time and explain to them why it's worth something else now. So we're still remaining active on the value-add acquisition market. That business plan really isn't cap rate-dependent, it's more cost per site-dependent, what can we achieve in rents, what do we have to put into these properties to fill rental units and sell homes at a profit.

So those deals are really what we've closed this year. That's what's in our pipeline right now. And that's what we're continuing to look for. When and if an opportunity presents itself at a reasonable price in a stabilized market, we will be ready to transact. But that volume has really slowed down, I think, industry-wide. And we are waiting to see what happens here over the next few quarters.

Samuel A. Landy
President, CEO & Director

And Sam here. I just want to add, with 8% inflation, it's pretty clear replacement cost and the cost to build new communities is up 8%. And eventually, that will -- the demand for existing properties, existing manufactured home spaces and what people will pay for those spaces will increase based on the value of the sites. And so in the short term, you may have people who don't have access to capital for the rent increases and the occupancy increases so that they can profit from their acquisitions. And so that might create opportunity for us. But we still envision the value of properties and communities continues to rise because we go up in value at least with inflation.

Operator

The next question comes from Rob Stevenson with Janney.

Robert Chapman Stevenson
Janney Montgomery Scott LLC, Research Division

Same-store expense growth was up 9.6% in the quarter and 8.8% year-to-date. Given your expense commentary, does this start to normalize as you get into '23? Are you back to sort of the 4%, 4.5% level that you've had been running? Are you expecting elevated same-store expense growth for the foreseeable future?

Samuel A. Landy
President, CEO & Director

Brett?

Brett Taft
Executive VP & COO

Yes. No, what I would say there is, yes, 9.6% was certainly elevated and elevated over the first and second quarters of this year as well. Payroll was up about 9% this year, which was our largest increase in the overall expenses. A lot of that was just related to resetting specifically maintenance pay to market to make sure that we're able to attract and retain our qualified and talented staff, really the key to making sure that we're able to execute on this business plan.

So while that's an investment -- or an expense, it really is an investment in making sure that we're able to operate effectively moving forward. You see a lot of expense increases related to fuel. Boeing, for instance, is up substantially, travel expenses are up substantially. We had a few windstorms in Ohio and Indiana that contributed to tree removal being up $160,000, which that's not recurring. Obviously, more storms can pop up, but that is a big increase for any given quarter.

We saw some increases in real estate taxes. I believe that was about 7%. And I should also mention that we actually hosted our company meeting this year, which there's travel expenses related with that. But that is for training our community managers to make sure that they're able to implement their business plan, and we did not host the meeting last year. So that is a new item that wasn't actually in the third quarter of last year.

Samuel A. Landy
President, CEO & Director

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So Sam here. I just want to mention, we've increased what we project our rent increases will be. We've tried to stick to 4%. But obviously, with 9.6% expense increases, we have to make a change. We're going to go to 5% rent increases for next year as opposed to 4%. That still obviously doesn't equal out. But we make up for that by adding the 900 rental homes that will grow in excess of $10,000 per unit each for the year. So we're aiming to reduce our expense ratio again by this time next year. So you had a 100 basis point increase in the expense ratio. We believe that next year, because we are now able to obtain rental homes, homes to sell and will raise the rents 5% instead of 4%, that we'll be able to reduce that expense ratio again.

Robert Chapman Stevenson
Janney Montgomery Scott LLC, Research Division

Okay. And then where are you guys running in terms of cash buyers versus financing on new home sales?

Brett Taft
Executive VP & COO

Yes. So for the year, we're at 62% finance home sales and 38% cash buyers. I guess, just to add to that, about 70% of our total sales are new home sales, which we always like to see.

Robert Chapman Stevenson
Janney Montgomery Scott LLC, Research Division

Okay. And what type of interest rate can I get from you or others in the marketplace today on a new home, given that 30-year mortgage rates are now north of 7.25%?

Brett Taft
Executive VP & COO

Yes. So we are trying to keep our rates in line with conventional mortgage rates. Right now, we're actually a tick below that at about 7% on new home sales, which is why I mentioned that. Used homes or resident sales, we are at 8.5%. As the conventional market moves, we take a look at our cost of capital and our interest rates and try and be in line with that. We have, as Sam mentioned earlier, the best quality and lowest rate financing in the industry. I would say our closest competitors are in the 8% to 9% range, depending on the quality of the credit.

Robert Chapman Stevenson
Janney Montgomery Scott LLC, Research Division

Okay. And what are you guys currently paying for new rental homes and how much? Are you starting to see the rate of increase on that pricing decelerate a little bit as the supply starts to come back up a little bit?

Brett Taft
Executive VP & COO

Yes, absolutely. We haven't really seen a major deceleration yet, but we've at least seen a flatlining. During the second quarter, we saw some price decreases 3% or 4% a month. So that certainly helped. September and October were virtually flat from the previous month. And we did see a minor decrease here in November. So we're hoping that prices continue to come down. We think that they will.

I'm not sure how far they're going to be able to go with still some supply chain issues and labor costs remaining high. That said, we're trying to work with our manufacturers to put together floor plans they can build efficiently with the quality upgrades that we need in our homes and potentially receive some savings there. So all-in, a single-wide rental, we are somewhere in the $70,000 to $75,000 range with doubles being in the $90,000 to $100,000 range.

Robert Chapman Stevenson
Janney Montgomery Scott LLC, Research Division

Okay. And then last one for me. Anna, when you're talking about the $102,000 per home sold this quarter, that compares to only $82,000 last quarter. I know that you said that the new home sales were like $125,000 versus $62,000 for existing. Is that difference, is that $20,000 gap quarter-over-quarter, just a mix issue? Did you sell a lot more new homes and a lot less used homes this quarter? Or is there something else going on in that number sequentially?

Anna T. Chew
Executive VP, CFO, Chief Accounting Officer, Treasurer & Director

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Well, because prices have gone up, of course, our sales price has also gone up. What has happened is we have a 30% gross profit percentage this year versus a 25% gross profit last year. So that also took that into account. This year, we sold 89 total homes versus 101 last year, of which 56 were new homes this year versus 49 of new homes last year. So yes, part of it is the new home and part of it is our increase in our gross profit percentage.

Robert Chapman Stevenson
Janney Montgomery Scott LLC, Research Division

Okay. Because the 25% sequential jump in pricing was kind of stark there, and just wanted to figure out going forward, whether or not you guys are going to be more in the sort of $80,000 home sales per unit versus $100,000 because that makes a difference in the numbers, so just trying to figure that one out.

Samuel A. Landy
President, CEO & Director

Sam here. And I think the likelihood with Sebring, with Duck River, New Jersey sales, other locations, Cinnamon Woods, you're going to see a lot more of $200,000 home sales than we ever had in the past. So we're going to grow our number of $200,000 home sales as a percentage of sales. And they're going to grow in and of themselves, so -- and they are priced at the 30% profit level with $200,000 gross sales prices. So you're going to see a lot more of those in the future, I believe.

Operator

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

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

Congrats on closing the first opportunity zone acquisition. Are the remaining acquisitions you have in your pipeline also going into the fund?

Brett Taft
Executive VP & COO

No. So it's a complicated question, but I'll get into pipeline a little bit. So the 2 properties we have that are existing acquisitions in the pipeline now: 1 is in New Jersey that's a $23 million deal, 258 sites; and 1 is in Ohio, 321 sites and $19 million. So that 579 sites will be acquired for $42 million. Those are UMH deals. They're not an opportunity zone. Just to touch on them a little bit, they're both value-add, but they're different value-add than some of the previous deals we've done this year.

The New Jersey property is actually 95% occupied and it does have rent control, but it has vacancy decontrol. It's a community of mostly older homes. And as they turn over, we'll be able to increase the rents from the existing number of about $450 on average to what we believe is market and we experience at our property down the road of rents close to $800. So there's major upside there. We'll also be able to earn the sales profit as we turn those units over as well.

The property in Ohio is 78% occupied. That will benefit from our rental program. The current owner does not have one. But it's a very high-quality community with limited capital improvements required and limited deferred maintenance. So we'll be able to hit the ground running there with the rental program and quickly infill that property, similar to the example that we used in our investor presentation of Parke Place.

The development pipeline is about $100 million. Those properties, except for one, will not be going into the opportunity zone. They'll be going into our typical joint venture with Nuveen. The one opportunity zone property is [Live Oak] in Albany, Georgia. Daniel, do you want to touch on that at all?

Daniel Landy
Executive Vice President

Yes, an opportunity zone in Albany, Georgia, 118 sites. It will be a new development. It will likely be in the OZ fund. The OZ fund is still open for fundraising, so we're just seeing exactly how much capital we'll have in that fund. But either way, that new development in Albany, Georgia is interesting. We think that it will likely be in the OZ fund because it would be a shame to not get those benefits. But it's not closed yet, so we will see.

Craig Gerald Kucera

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B. Riley Securities, Inc., Research Division

Got it. And just circling back on the acquisition you have in New Jersey, you mentioned you kind of went through a similar process, or maybe I'm misunderstanding you. But how long, I guess, based on what you went before -- went through before in New Jersey, if I'm understanding you, did it take for rents to sort of gradually go from rent decontrol at, what you said, $450 up to maybe the $800 level? Was that -- I would imagine that's a multiyear event. But kind of what are your expectations there?

Samuel A. Landy
President, CEO & Director

Yes. It's a very long-term event. But we're going to purchase homes from residents. And as we purchase homes from residents, we'll bring brand-new homes in to sell and the rents will go up to market. So it's almost impossible for us to guess how many residents will be able to -- willing to sell their home at any given time. But in Southwind Village, which is the other New Jersey community with 250 lots over -- if you go through that community today, this is just approximate numbers, but it's 10% to 20% 1970 homes. And almost anything other than that is from the 1990s and on. So over a many year period, we removed virtually all of the old homes, replaced them with new, raised the rent to market and earned sales profits. The time period, it may take a decade, but it will happen.

Eugene W. Landy
Founder & Chairman of the Board

If I can add, we're in a wonderful industry. The manufacturers every year have a better product. And in recent years, they're coming out with even better products, some are four-bedroom, the quality is there. And when you have an older park with older homes, not energy-efficient, there's a great advantage for our tenants to upgrade. And you start the upgrading and you go through the park. And someday, you've got all the old homes out and the new homes in. And you've got a community that has increased value because it is a better community. We take a long-range view of everything. And we're trying to create affordable housing that's quality housing.

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

Got it. And Anna, just thinking about sources of capital and how you're thinking about leverage right now. I mean, there's a lot of growth between the UMH acquisitions, the Nuveen joint venture capital commitment. I think that's 40%. You've got your rental homes you're putting in. I guess, how are you thinking about leverage? Are you looking at funding this on a leverage-neutral basis? I know you've been tapping your ATM, but your cost of equity has gone up a bit. I guess, how are you thinking about capital here in the near term and immediate term?

Anna T. Chew
Executive VP, CFO, Chief Accounting Officer, Treasurer & Director

Sure. I mean, we do have over $60 million in cash right now on our balance sheet. We have -- as you know, we have our BMO line of credit, which we just renewed and expanded. So that's $100 million plus an additional $400 million on an accordion feature. So we're working on that. We have our rental home line. We have our notes receivable line. And we're looking to expand those lines. We also have a securities portfolio of $39 million, which is right now free and clear.

We can borrow against it or if needed, we can sell it. We're not committed to keeping the portfolio. It depends on our capital needs. As we said before, we also have our ATM that's open. And as long as the -- as long as what we buy, what we invest in is accretive to our sales price on our shares, we would be able to use the ATM. So we have various sources of capital. And we think that we have enough to cover our capital needs for the near term.

Eugene W. Landy
Founder & Chairman of the Board

And we have a plan taking longer than we thought. But we think our cost of capital should be reduced greatly due to the fact that we're 100% pure social in a nation where social investing is now considered a standard. And we want to get more investors who appreciate the fact that we're doing a great service in providing affordable housing. And the investments that come into our company are solving a national problem. In addition, we're taking a look at other plans that the government has to encourage affordable housing. And that includes the opportunity zones and the ability to get capital with a great tax advantage that there will be no capital gains for, say, a 10-year period so that investors, who are interested in that and tax-conscious, we can again raise capital at a reduced cost.

The progress on that is taking time. We're spending a lot of effort on it. But the magnitude of what can be accomplished is very, very substantial. And of course, we're now in a period where the country is setting a record for not raising capital. I see the real estate trust

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rates with the lowest amount of capital on record last month. But we're still -- these plans that we have to have our stock labeled social and attract capital at less cost and our opportunity zone program may cause UMH to stand out.

Operator

[Operator Instructions] The next question comes from Jay McCanless with Wedbush.

Jay McCanless
Wedbush Securities Inc., Research Division

So it sounds like you're getting better visibility from the manufacturers about house availability. Maybe talk about what you're hearing from them? And is there potential upside for the guidance you gave around home sales for next year?

Samuel A. Landy
President, CEO & Director

Well, again, the overall market of home sales will affect everybody. But I tend to believe because we've built expansions in the right places with high-priced homes, because the bottleneck of getting the houses is virtually gone, and by next year, I'm sure it will be gone, and you're not seeing those price increases, the percentage increases you saw in the past, and add to that, the difficulty for a person who needs a home to finance the more expensive houses, there is a lot of reason to believe sales of homes can increase.

And we've positioned ourselves for -- if these things are macro trends that slow down home sales, well, eventually, those things will change because the world needs housing and we have the vacant lots. We have the homes in inventory. We have a staff to sell homes. We're properly priced. So we are ready for growing sales and growing profitability when the market allows that to happen, which it may, in fact, allow. Because historically, in the 1970s, even as other home sales stopped, manufactured home sales continued.

Brett Taft
Executive VP & COO

Just in our discussions with the manufacturers, so about this time last year, we were experiencing 8- to 12-month backlogs. That's come down substantially. In most cases, we can get homes in 2 to 3 months, with some exceptional cases, a little bit longer than that. Some of the retail dealers that they work with have been canceling orders as interest rates have increased and changed the affordability metrics for their buyers.

So that allowed us to move up in line and obtain more quickly. We actually have 900 homes delivered to our communities today. They are there. They are being set up. And they are the runway for future growth going into the fourth quarter and the first quarter. Assuming all goes as planned and we're able to occupy those ensure order, that positions us well to make an additional 900 home orders for next year.

Jay McCanless
Wedbush Securities Inc., Research Division

That's great. I know earlier this year, some changes in the Fannie Mae regulations about lending against communities was potentially going to open up an opportunity to do some refinancing and increase liquidity. I guess, can you talk about where that is now? And has the move up in interest rates made it where it's just not financially viable to start doing some of those refinancings?

Anna T. Chew
Executive VP, CFO, Chief Accounting Officer, Treasurer & Director

Well, this year, we did do some refinancings. We had -- we did a $25 million loan on approximately -- I forgot how many homes.

Brett Taft
Executive VP & COO

1,000.

Anna T. Chew
Executive VP, CFO, Chief Accounting Officer, Treasurer & Director

1,000 homes, which were the homes set, were in the communities that we financed in 2020. And that was $25 million at an interest rate of 4.25%. We also did another Fannie loan, $34 million with 4 communities and 250 homes. It was at a little higher, 5.24%. And

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that was because it was done just a couple of months ago when the rates did increase. So the rates did increase. We are looking at maturities. We have about $6 million of maturities this year, $59 million next year.

We are beginning, and we are in the process of refinancing those. Yes, I believe the interest rates will be higher, but I also think that the amounts that we receive, the proceeds that we receive will also be higher. I think we will receive, out of that $65 million, we'll probably do loans of $165 million and be able to take $100 million, maybe a little less out for other projects, including acquisitions and purchase of rental homes.

Jay McCanless
Wedbush Securities Inc., Research Division

Okay. That's great. And then maybe just talk about the preferred Ds and what type of options you have with those coming up.

Anna T. Chew
Executive VP, CFO, Chief Accounting Officer, Treasurer & Director

Well, on the preferred B, we have $215 million outstanding. We can redeem it in January of 2023. It is at 6 3/8%. Originally, we thought that we would be redeeming it in January. But as the rates went up, we felt that the capital, the 6 3/8% capital, is good money for us. So we don't -- because it is a perpetual preferred, we can redeem it at any time after January. So in January, we don't believe that we will be redeeming it because of the interest rates and because of the savings. We wouldn't have as much savings as we would anticipate. So we will leave that open in the meantime and redeem it when it is best for our shareholders and when we can get a larger savings.

Jay McCanless
Wedbush Securities Inc., Research Division

Anna, are you allowed to do partial redemptions on that? Or does it have to be an all-or-none-type transaction?

Anna T. Chew
Executive VP, CFO, Chief Accounting Officer, Treasurer & Director

No, we are allowed to do partial redemptions. But 6 3/8% right now seems a good rate. As you can see, we're lending at 7%. We have -- even mortgage rates are at 7%. And I don't think we would be able to obtain enough of the savings to redeem the preferred at that time.

Daniel Landy
Executive Vice President

Just a minor correction on the lending rates, we're lending at 7.5%. So we're a little bit above.

Anna T. Chew
Executive VP, CFO, Chief Accounting Officer, Treasurer & Director

Oh, I'm sorry. You're right. I thought it was 7%.

Daniel Landy
Executive Vice President

I just checked the [indiscernible]

Anna T. Chew
Executive VP, CFO, Chief Accounting Officer, Treasurer & Director

Okay. Sorry about that. We went up, and I didn't realize that.

Operator

The next question comes from [Michael Zuk], private investor.

Unknown Attendee

I have strategic question for you all. Have you ever considered selling any communities and redeploying the proceeds from it? And would that make any sense?

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Samuel A. Landy
President, CEO & Director

Sam Landy here. So first, I'm glad to say that we have not. We refinance to grow. UMH was one of the first companies to notice what Marcellus and Utica Shale would do. And so we very actively acquired communities in that area. And all those communities have grown in value. As the economics of those areas resulted in higher incomes, higher populations, UMH is now working on all of our properties with the idea that look at the new solar energy programs today and the programs to convert natural gas or propane into electric.

So real estate, and you talk about selling properties, real estate goes up in value based on what's happening in the location, but also what's happening as technology develops. And I believe that all of our communities may have an incredible breakthrough being able to generate solar energy for our residents, which you can sell solar tax credits. You could reduce people's energy costs, you can sell energy back to the grid. And on top of the solar energy, if you're at a community with natural gas, they have these very small generators that will convert natural gas to electricity or propane to electricity.

And all of these things may make real estate of all types more valuable in the future than it is today. Because each real piece of real estate becomes an energy-generating facility that you could be powering your car from your facility while it's plugged. You can go home at night, go to bed and your solar roof charges your car. So not selling real estate has served us very well over our 53-year history. And I believe that these technological and futuristic breakthroughs are going to surprise people pertaining to the value of real estate.

Anna T. Chew
Executive VP, CFO, Chief Accounting Officer, Treasurer & Director

I also wanted to add that don't forget, we can finance and refinance our communities. And as we increase the value of our communities financing it, we are able to realize that value and take the money out and invest it in other communities. So that's what we've been doing over the last 50 years.

Unknown Attendee

Fair enough. I just had a strategic question. As a follow-up, what are your plans with regard to providing hookups for electric vehicles?

Samuel A. Landy
President, CEO & Director

Well, we're only exploring everything at this moment. But there are many companies that are incredible experts in all of these. And we're spending more than a day a week about this and trying to find the best alternative.

Eugene W. Landy
Founder & Chairman of the Board

Remember, one thing, if you have a 200-home community, you have to provide the electric for those houses. But the -- what's needed is how do you provide the electricity for the electric cars as they become more in use? And if you had 50 or 100 electric cars in the community, you have to have the electric for them. On top of that, there's great concerns about the ability of the grid to supply power at all times. And it may be very important, it has been in the past, that we have the ability to supply extra power.

So we may have -- as Sam pointed out, we may put in generators, so gas-powered generators, which would really be useful in providing electric for the electric vehicles. Because charging them on the road, it takes 45 minutes. And nobody has that 45 minutes. And charging them at home in our community, they have 4, 5, 6 hours a day that they are home, their car is sitting there. So as Sam said, you'll be amazed how much time we're devoting to this at very high levels. Because we have 25,000 sites, so everybody talks to us, and we are looking into it.

Unknown Attendee

Well, it's very reassuring that you're looking forward and that you're getting the handle on it before it becomes an issue that you have to retrograde. And I appreciate everything you've done. I've been a long-term shareholder and continue to own it. My grandson, who's 9 years old, is one of your youngest shareholders.

Operator

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Please go ahead. This concludes our question-and-answer session. I'd like to turn the call back over to Samuel Landy for any closing remarks.

Samuel A. Landy
President, CEO & Director

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, Jim and I are available for any follow-up questions. We are looking forward to reporting back to you in February with our fourth quarter and year-end 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 (877) 344-7529 or international (412) 317-0088 and enter the passcode 6545277. Thank you, and please disconnect your lines.

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