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Market Intelligence

UMH Properties, Inc. NYSE:UMH

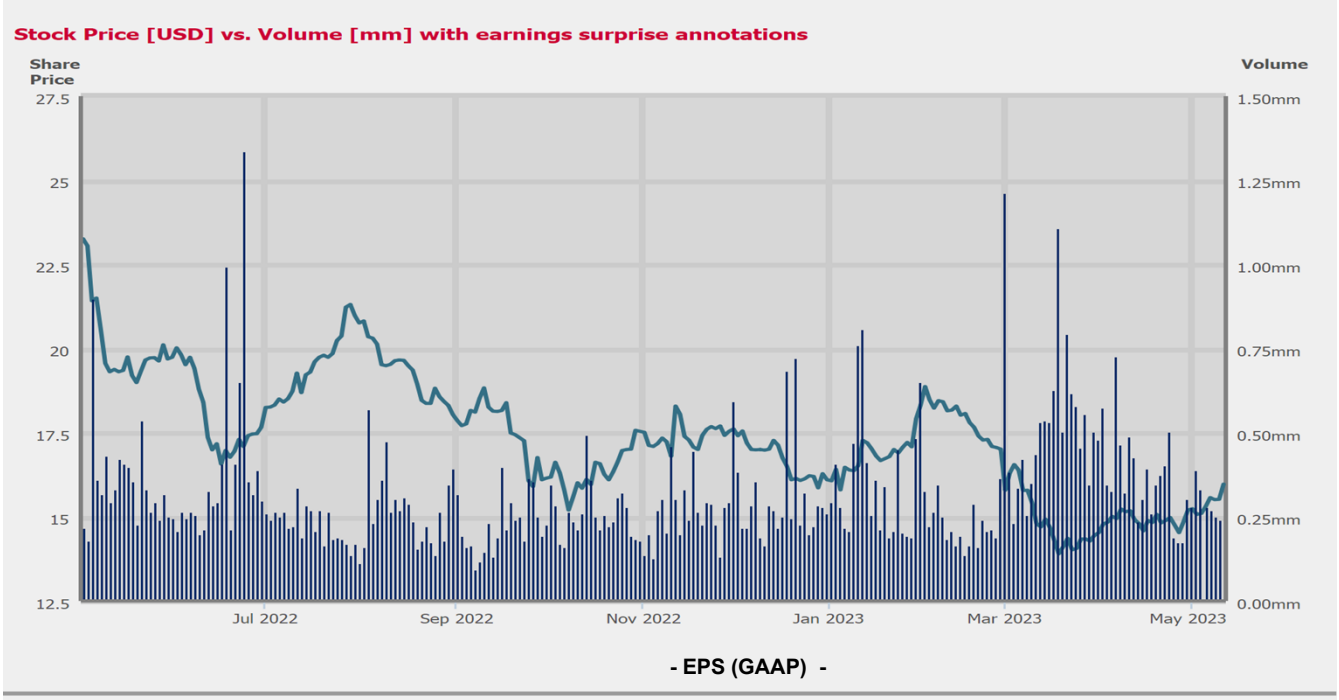
FQ1 2023 Earnings Call Transcripts

Wednesday, May 10, 2023 2:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ1 2023-			-FQ2 2023-	-FY 2023-	-FY 2024-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS (GAAP)	(0.04)	(0.09)	NM	(0.01)	(0.07)	NA
Revenue (mm)	50.92	52.61	3.32	53.90	211.83	NA

Currency: USD
Consensus as of May-10-2023 6:30 PM GMT



- EPS (GAAP) -

	CONSENSUS	ACTUAL	SURPRISE
FQ2 2022	(0.03)	(0.41)	NM
FQ3 2022	(0.04)	(0.18)	NM
FQ4 2022	(0.01)	0.00	NM
FQ1 2023	(0.04)	(0.09)	NM

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Table of Contents

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

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Presentation

Operator

Good morning, and welcome to the UMH Properties First Quarter 2023 Earnings Conference Call. [Operator Instructions] Please note, this event is being recorded.

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

Craig Koster
Executive VP, General Counsel & Secretary

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

We would like to remind everyone that certain statements made during this conference call, which are not historical facts, may be deemed forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. The forward-looking statements that we make on this call are based on our current expectations and involve various risks and uncertainties. Although the company believes the expectations reflected in any forward-looking statements are based on reasonable assumptions, the company can provide no assurance that its expectations will be achieved. The risks and uncertainties that could cause actual results to differ materially from expectations are detailed in the company's first quarter 2023 earnings release and filings with the Securities and Exchange Commission. The company disclaims any obligation to update its forward-looking statements.

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

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

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

Samuel A. Landy
President, CEO & Director

Thank you very much, Craig. I would like to thank all of our loyal shareholders for their dedication to the company. We are pleased to have raised our annual dividend $0.02 per share or 2.5% in January. Over the past 3 years, we have increased the dividend by 14%. We look forward to additional increases in the future as we achieve increased earnings per share through the implementation of our long-term business plan.

Normalized FFO was $0.20 for the quarter as compared to $0.19 last year, representing an increase of 5.3%. As we fill our vacant inventory, improve our operating margin and grow our sales profitability, we believe we will earn well in excess of our dividend with a target payout ratio of 80%. During the quarter, same-property occupancy increased by 100 basis points or 258 units to 87%. Gross sales improved by 70% to $7.3 million, which is a first quarter record. Most of the increase in occupancy was generated in March. Therefore, the revenue growth from this occupancy gain should be reflected in our second quarter results. Additionally, we are coming into our peak selling and renting season, which should result in further growth in occupancy and sales profitability.

One year ago, our results were impacted by a lack of inventory to sell and rent homes which resulted in limited revenue growth for most of the last year. The COVID-related supply chain issues that had existed, combined with strong consumer demand for homes, resulted in manufacturer backlogs of 8 to 18 months depending on the factory. In our efforts to solve that problem, we ordered over 1,000 homes. We are on track to fill approximately 100 homes per month over the next 6 months. Carrying 1,000 homes is 500 homes above our normal inventory and means we have taken on a higher debt load, increased interest expense and increased carrying costs. Each month, as we reduce inventory, we should see increased income and reduced floor plan interest expense and carrying costs. The norm of manufactured housing is that we can order homes at the right price and have them ready for occupancy in 4 to 6 months

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from the order date. A return to this norm should allow us to carry less inventory, thereby reducing expenses and further improving earnings.

During the first quarter, which is typically one of our slowest quarters, we converted 230 of our inventory homes to rental homes and sold 39 new homes. The increase in occupancy in conjunction with rent increases implemented in the first quarter generated an increase in monthly rental charges of approximately $550,000 as of April 1, 2023, compared to January 1, 2023.

Demand remains strong throughout the portfolio, and we should be able to drive similar occupancy and revenue gains over the next few quarters. Our same-property results are in line with our expectations and continue to trend in the right direction. During the quarter, same-property occupancy increased by 258 units or 100 basis points. Our same property rental home occupancy rate increased from 93.5% at year-end to 93.9% at the end of the first quarter. Our same-property monthly rent per site increased 4.5%, and our same-property monthly rent per home increased 6.3% year-over-year. These improved operating metrics resulted in same-property income growth of 6.1% with expense growth of 6.8%, resulting in same-property NOI growth of 5.6% or $1.4 million over the first quarter of last year. Our expense ratio decreased sequentially from 42.6% in the fourth quarter to 42.1% in the first quarter of 2023.

The occupancy of our inventory should result in accelerated revenue growth this year. That revenue growth, assuming similar expense growth experienced in the first quarter, should result in high single-digit NOI growth this year. Gross sales for the quarter increased 70% to $7.3 million as compared to $4.3 million last year.

Our gross sales margin improved to 32% from 30% last year. Net income from sales was $236,000 as compared to $103,000 last year. As we return to normal inventory levels, the profitability of our sales division should increase further. Included in net income are higher interest expenses and elevated inventory carrying costs. During the quarter, we sold 83 total homes of which 39 were new homes. Our average new home sales price was $136,000, and our average used home sales price was $45,000. We are financing approximately 76% of our home sales. We have a total of $68 million in home loans on our balance sheet that earns us an average interest rate of 6.7%.

On the acquisition front, we acquired one newly developed community in Georgia containing 118 sites for a total purchase price of $3.7 million. This community was acquired through our opportunity zone fund. We anticipate strong demand for rental housing in this market. We continue to seek opportunistic accretive acquisitions that meet our growth criteria, but there are limited opportunities that fit our criteria. Last year, we acquired 7 communities containing 1,500 sites and an additional community containing 144 sites through our JV with Nuveen Real Estate. We are making progress implementing our business plan at our recent acquisitions and anticipate an improvement in operating results at those locations this year. We also continued to make progress filling our joint venture communities with Nuveen and hope to grow that venture in the future.

On the expansion front, we are under construction of 4 communities to develop 216 lots. These expansions are located in Maryland, Pennsylvania, Tennessee and Indiana.

All in all, we are very satisfied with our quarterly results, but we want our shareholders to understand our success is based on our willingness to invest in and work on projects that typically take 3 to 5 years to be accretive. Our industry and the entire business world are extremely competitive and looking for investments that will be immediately accretive. Therefore, there is a scarcity of such investment opportunities. On the other hand, when you invest time and money in projects with a 3- to 5-year time horizon, you have limited competition and a much higher chance of success.

UMH has utilized this long-term business model to grow into one of the largest community owners in the country. We own 135 communities containing 25,700 home sites that are approximately 85% occupied. We also own 2 communities containing 363 sites in Florida through our joint venture with Nuveen Real Estate. Additionally, we own 9,300 rental homes and will own over 10,000 rental homes as we fill our inventory.

We have 2,100 acres of vacant land that can be developed into 8,400 sites. This vacant land and our existing 4,000 vacant sites provide us with a long runway to grow earnings organically for the foreseeable future. We have the proven ability to acquire and improve communities, develop new communities and expansions, operate self-storage facilities are joining our communities, profitably selling finance homes and lease oil and gas rates in our energy-rich locations.

We are also exploring the possibility of solar energy to further increase affordability for our residents while having a positive environmental impact. UMH is well positioned to grow income and per share earnings through the successful implementation of our proven business plan.

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

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

Thank you, Sam. Funds from operations, or FFO, was $10.6 million or $0.18 per diluted share for the first quarter of 2023, compared to $8.5 million or $0.16 per diluted share for the prior year period, resulting in a 13% per share increase. Normalized FFO, which excludes amortization and nonrecurring items, was $11.7 million or $0.20 per diluted share for the first quarter of 2023, compared to $10.4 million or $0.19 per diluted share for 2022, resulting in a 5% per share increase. We were able to obtain these increases in FFO and normalized FFO despite our operating results being largely impacted by our investments to grow the company through value-add acquisitions and developments, inflation and rising interest rates on our short-term borrowings.

Rental and related income for the quarter was $45.3 million compared to $41.6 million a year ago, representing an increase of 9%. This increase was primarily due to recent community acquisitions, the addition of rental homes and an increase in rental rates. Community operating expenses increased 11% during the quarter. This increase was mainly due to our recent acquisitions as well as an increase in payroll, real estate taxes and insurance.

Community NOI increased by 7% for the quarter from $23.5 million in 2022 to $25.2 million in 2023. Our same-property results are trending in the right direction. It is important to note that while total community operating expenses were up 11%, same property operating expenses were up 6.8% which moderated from 10.2% last year and 14.5% in the fourth quarter.

Sales of manufactured homes for the quarter increased 70% year-over-year from $4.3 million in 2022 to $7.3 million in 2023. We sold a total of 83 homes in the first quarter of 2023 as compared to 61 homes in the first quarter of 2022. There were 39 new home sales compared to 27 last year. The company's average new home sales price was approximately $136,000 during the first quarter of 2023 as compared to $95,000 in 2022, resulting in a 43% increase. The gross profit percentage increased by 2% from 30% in 2022 to 32% for 2023.

As we turn to our capital structure, at quarter end, we had approximately $751 million in debt, of which $461 million was community-level mortgage debt, $191 million with loans payable and $99 million was our 4.72% Series A bonds. 75% of our total debt is fixed rate. The weighted average interest rate on our mortgage debt was 3.91% at quarter end compared to 3.78% at quarter end last year. The weighted average interest rate on our short-term borrowings is 7.39% as compared to 2.52% last year. We are exploring opportunities to raise lower cost capital to pay down our short-term borrowings, which would result in increased earnings per share. The weighted average maturity on our mortgage debt was 5.3 years at quarter end and 5.2 years at quarter end last year.

At quarter end, UMH had a total of $247 million in perpetual preferred equity. Our preferred stock, combined with an equity market capitalization of $887 million and our $751 million in debt results in a total market capitalization of approximately $1.9 billion at quarter end. During the quarter, we issued and sold 2.1 million shares of common stock through our common ATM program at a weighted average price of $16.83 per share, generating gross proceeds of $34.8 million and net proceeds of $34.3 million after offering expenses.

Subsequent to quarter end, we issued and sold approximately 688,000 shares of common stock through our common ATM program, generating gross proceeds of $10.3 million. Additionally, we issued and sold 874,000 shares of our Series D preferred stock through our preferred ATM program at a weighted average price of $22.52 per share, generating gross proceeds of $19.7 million and net proceeds after offering expenses of $19.3 million. Subsequent to quarter end, we issued and sold an additional 278,000 shares of our Series D preferred stock through our preferred ATM program, generating gross proceeds of $6 million.

On November 7, 2022, we entered into the second amended and restated credit agreement with BMO Capital Markets and JPMorgan Chase Bank which increased our credit facility to $100 million with a maturity date of November 7, 2026. On February 24, 2023, we increased this facility to $180 million. As of quarter end, the amount outstanding under this facility was $100 million, and the interest rate was 6.59%. This new agreement enhances our liquidity and financial flexibility, allowing us to continue to execute our business plan.

On March 9, we entered into a $30 million revolving line of credit with Triad Financial Services that is secured by rental homes and rental home leases. We view this as a good short-term source of capital to invest in our rental program until we are able to secure long-term capital at more advantageous rates. We are pleased to have another line secured by our rental units. From a credit standpoint, our net debt to total market capitalization was 38.1%; our net debt of securities to total market capitalization was 36%; our net debt to adjusted EBITDA was 7.7x; our net debt less securities to adjusted EBITDA was 7.2x; our interest coverage was 2.4x; and our fixed charge coverage was 1.7x.

From a liquidity standpoint, we ended the quarter with $32.9 million in cash and cash equivalents and $80 million available on our credit facility, with an additional $400 million potentially available pursuant to an accordion feature. We also had $86.3 million

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available on our other lines of credit for the financing of home sales and the purchase of inventory and rental homes. Additionally, we had $39.3 million in our REIT securities portfolio unencumbered. This portfolio represents approximately 2.2% of our undepreciated assets. We are committed to not increasing our investments in this REIT securities portfolio and have, in fact, sold certain positions.

During the quarter, we paid off 2 mortgages secured by 14 communities for a total of $45 million. Given the high interest rates, we opted not to place mortgages on these communities until interest rates stabilize. We currently have 50 free and clear communities, including the communities that are being utilized in the unencumbered asset pool our unsecured line of credit with a value of approximately $500 million. We have the ability to place long-term debt on these communities when we believe it is in the best interest of the company. 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

Our goal is access to long-term patient capital so that UMH can provide much-needed affordable housing. An investment in UMH is an investment in providing the nation with quality affordable housing. UMH's income was rated 100% social by MSCI. We also have a second-party opinion from Sustainalytics and other recognized ESG certifying authority, certifying the positive social impact of UMH and improving the framework for a potential sustainable debt instrument for security in the future.

UMH believes in good faith and fair dealings with everyone, including our residents. We believe that limiting our rent increases while our competitors are aggressively raising rents will result in a strong tenant base and a durable income stream. This policy should result in lower turnover, higher occupancy rates and higher sales prices and most importantly, satisfied residents. Tumultuous economic markets have created a challenging operating environment. UMH remains well positioned because of the strong fundamentals of our business as well as the experience garnered and instilled in our team over the past 55 years. The strong fundamentals are represented through our same property occupancy growth of 100 basis points and our sales growth of 70% during the quarter. The new home inventory we are carrying together with the capital invested for value-add communities, expansions and developments that are not accretive yet is currently negatively impacting our results, but it will allow us to grow earnings substantially throughout the remainder of the year.
Our info pace is in line with our expectations and we anticipate further improvement as we move into our peak demand season. We believe that UMH should be particularly attractive to ESG investors because of the positive societal benefits provided by our business plan as well as our ability to grow earnings over time. Long-term patient capital allows UMH to focus on providing the highest quality living our industry can provide. Short-term earnings don't fully represent an accurate depiction of the value created by the company. Over time, this will become apparent to our earnings and valuation growth. We look forward to rewarding our shareholders through a growing dividend and stock price appreciation. Our policy is to pay distribution to shareholders and raise new capital for expansion and acquisitions.

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Question and Answer

Operator

[Operator Instructions] And our first question will be from Keegan Carl from Wolfe Research.

Keegan Grant Carl
Wolfe Research, LLC

Maybe to kick things off, your home sales rebounded nicely in the quarter. So I'm just kind of curious how we should think about the cadence of the rest of the year and what you're viewing internally as a reasonable run rate?

Brett Taft
Executive VP & COO

Yes. So first of all, I'd say that we're very pleased with the 70% increase in sales during the first quarter. We're pleased with the average new home sale price being $136,000. Our average home sale price being $87,000. Our properties are continuing to report very strong demand for sales. We have inventory set up. We're just about set up in the right locations and our pipeline of pending sales right now is about $3 million.

I'd also add to that, that our April sales results did outpace April of a year ago. So we're on track to continue to grow sales throughout the year. Our second and third quarter sales results are typically the strongest results we have during the year. So I wouldn't anticipate a 70% improvement in sales during those quarters, but we do anticipate it to be up. And we think we've got a very good chance of breaking the $27 million gross sales record that we set 2 years ago.

Keegan Grant Carl
Wolfe Research, LLC

Super helpful. One for Sam. So in the press release, you mentioned about potential for high single-digit same-store NOI growth. Just kind of curious, what would it take for that to actually happen because it's yet another quarter where the same-store expense growth outpaced revenue growth?

Samuel A. Landy
President, CEO & Director

Well, at this moment, we're facing 2 problems that are still COVID related. Had we added those 400 rental units last year, we added 400, but had it been 800, so we're 400 short. Our revenue would be up $400,000 per month for 3 months, which would have greatly helped that FFO. And then the second thing is the interest expense. And due to COVID, when we -- when the manufacturers couldn't provide homes, we had to order a substantial amount of homes beyond what we would normally carry so we could get to the front of the line and get these homes. And so that interest expense, again, is negatively impacting us, probably $1.5 million or something like that for the quarter. So there's about $2.5 million that we would have made this quarter but for COVID.

And as we go through the future, demand is incredibly strong everywhere. I just heard about in Marion, Ohio, we're renting homes today for $999 per month at a location where we never imagined rents would be high. We started out at about $800 per month. And now as those homes turn over and new homes are rented, it's $999 per month. Same with sales. We're hearing higher sales prices than we ever heard before. And we expect to go back to the true benefit of manufactured housing is just-in-time inventory that we can carry minimal inventory at the communities, order homes, get them in 4 to 6 weeks, fully set up in 8 weeks and sell them and rent them. And that will dramatically decrease the interest expense.

And on top of that, when you're carrying homes, you have to heat them, you have to maintain them. So it creates a lot of additional costs carrying excess inventory. And that again was a necessity of COVID. And again, the nature of manufactured housing and part of the greatness of the industry is how quickly we could provide houses without carrying high inventory. So we expect those expenses to decrease. Additionally, we have thoughts on how to reduce our insurance costs in the future through captives. And we have other means we see that we could reduce what homes cost us before we sell them, which will increase our sales profits. So we see a very, very bright future coming up.

Brett Taft
Executive VP & COO

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Just to add, sorry, I was just going to add a little bit to what Sam is saying. So during the first quarter, we filled 230 units, and that was compared to about 52 a year ago. So we are really outpacing what we were able to accomplish all of last year, which does put us in a very good position for that revenue growth to outpace expense growth and ultimately end up driving that high single-digit same property NOI.

As we mentioned in the script and in the press release at the beginning of April, the occupancy gains and the rent increases implemented in the first quarter resulted in April's rent roll being $550,000 above January rent roll. Looking at our same-property results, income was up $2.5 million, which was 6.1%. Another $800,000 brings it to $3.3 million. We're very close to that. That would be 8% income growth with the same expense growth, which would bring us in the 8.5% to 9% NOI growth. So we think we're very well positioned to meet that in the coming quarters.

Keegan Grant Carl
Wolfe Research, LLC

Got it. Just on the topic of insurance that I know Sam brought up. I guess a 2-part question here. One, what are you guys expecting your renewal for the year, if you haven't gotten it yet? And two, specifically what's going on in the state of Florida, how does that impact your appetite for further development with your Nuveen JV?

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

Well, insurance, we just got our renewal notice, and I believe it was approximately a 7% increase. So we're very happy with that number given that we've been hearing increases from some of our competitors of over 50%. So we're very happy with that. Regarding Florida, again, we are happy with our communities in Florida. We're happy with what is going on. We're happy with the infill in Florida. We do have 1 additional community to be developed in Florida, and we will continue looking at additional acquisitions and other -- not just in Florida but in other areas.

Keegan Grant Carl
Wolfe Research, LLC

Got it. And then the last 1 for me, just can you give us a bit more of an update on the opportunity zone fund and what the pipeline looks like from here on out?

Daniel Landy
Executive Vice President

For the opportunity zone fund, that fund closed. So the 2 communities that are currently owned, that will be in the fund. And nothing in the near term for raising a new opportunity zone fund or acquiring any more properties. It's just right now the 2 properties that we have.

Eugene W. Landy
Founder & Chairman of the Board

Yes. I have to add to the -- what we're doing at UMH is very unusual. We are building housing and trying to solve the housing problem. The problem the United States faces in housing is financing. money. It cost a great deal to build 1,000 units. It's cost us $250 million to build 1,000 units. And it takes 2, 3, 4 years to get the project completed, filled, rent, brought to the proper point. But we do know from experience and we do know from our projections that if we do this, over a period of years, we will make a great deal of money at the same time providing affordable housing and workforce housing.

The difficulty is, is getting that capital in and putting it in to work and having satisfied investors while you grow the company, whether it's $50 million, $75 million tied up in inventory of $50 million or $75 million tied up in land or $100 million tied up in land improvements. All of these make your numbers look like you're growing slowly when actually you're really having a superlative result. So we have come up with a solution. And the solution is to attract capital that is long-term oriented. And we're doing it 2 ways where we have got our securities, labeled social, ESG, we've gotten leading companies that authenticate whether you have any ESG to give us letters that we qualify. I used to claim we were 100% affordable. We -- let us say, we're only 97%. Our houses meet all the affordability tests and therefore, in theory, we should with $10 trillion in the world seeking ESG funds, we should have funds coming to us rather than we spending the last year working very hard telling our story meeting with other people.

But we are very confident that we may get our preferred stock, our bonds or our common label there's social and have a great source of not low cost capital. We want lower cost capital, but we want capital. We want long-term patient capital.

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The second part of it is we spent the time effort, money to look at the opportunities on investment and the opportunities on investment to encourage people to invest long-term capital and build housing is that after 10 years, there is no capital gain. And there are investors who take a long-term view of investment and look at the returns after capital gains, and they're attracted to that type of investment.

But we found some difficulties with the law, particularly that it requires you people to invest only money that they made in another transaction capital gains and had you put some of the capital gains taxes in for 4 years and then you had to pay your taxes. It was a little complex. And we looked at the situation, we came up with a rather simple solution. We said, well, if this is what the government wants, if this is what society wants us to build housing, why not simply say, that if you invest in an opportunity zone and build affordable housing, then you will not pay capital gains for 10 years of gains.

And the way Congress keeps its books if it's just a deferral of taxes 10 years away from now, they score that as 0. So we have a potential law that we're proposing and that we're very hopeful that -- we -- first of all, we've been talking about it too everybody, everybody in the government, everybody in the manufactured housing industry, and we're getting terrific support, and we're getting very enthused about it because after a year of working -- everyone who hears this, we don't find anyone who's come out against it. It's a bipartisan proposal, proposed both by Democrats and Republicans.

And we think if we get this amendment to the OZ law passed that we've built up an existing OZ subsidiary, which has proven that they can go into opportunity zones and the buy approvals from existing owners or get the approvals themselves. And again, we're talking -- we did a study and we could have built an additional 3,000 sites. And as I said, it's 300 -- what was that? $300 million for -- to build the manufactured home community, another $300 million to put the home set and these are needed housing. So we're very optimistic that we've gone the right route, but we're not there yet and stay tuned because we think we're going to accomplish this.

Operator

And the next question is from Rob Stevenson from Janney.

Robert Chapman Stevenson
Janney Montgomery Scott LLC, Research Division

With all the homes that you guys are going to be taking delivery on this year, how do you expect same-store occupancy to trend throughout the year from the sort of 87% that you're at now?

Samuel A. Landy
President, CEO & Director

Brett will correct my numbers. But I believe we have approximately 4,000 vacant sites in the company with 1,000 of those sites occupied by nonrevenue-producing homes that we intend to make revenue producing and by the 600 homes that are the 5% vacancy of the existing rental units. And the reason that's so important, we believe we're going to fill more than 100 lots per month so that we will fill those thousand units that are in inventory. But the next part of that is that just leaves us 2,400 vacant lots, which is not many.

And if you look at one of the pages in our supplement, Page 12, in fact, it shows you the percentage occupancy in each state. And once you're over 80% occupancy, these communities are efficient so that the new revenue is coming in with something like only a 30% expense ratio. And most states now have over 80% occupancy. So these last group of houses should be approximately 70% profit, 70% adding to income and FFO. And again, we're filling 100 units per month.

And so then our next step is when we're down to just 2,400 vacant lots. We have to continue to get our expansions approved and built, and we have to continue to do these great acquisitions, Dothan, Alabama and the people in Dothan tell us, make sure we say we love Dothan and we love Dothan. Those things are perfect. They're turnaround properties that nobody ever added rental homes to that needed upgrading from 30 years of deferred capital improvements and maintenance with great demographics and we were just there and there's more communities like this to do. So our -- filling the 1,000 units and increasing home sales is one challenge. But based on how business is today, that's not that hard a challenge. The harder challenge is how do we keep this inventory of vacant lots to continue to grow in the future, and we work on that every day, too.

Brett Taft
Executive VP & COO

Absolutely. And so the 1,000 homes are delivered and at the sites. So they're basically ready for occupancy, which is why we believe we'll be able to fill 100 or more a month going forward. There's always some home removal inherent in value-add acquisitions. So it won't be a 1,000-unit increase in occupancy, but it could be 800. If we increase occupancy by 800, that brings same property occupancy to about 89%.

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

Correct.

Robert Chapman Stevenson
Janney Montgomery Scott LLC, Research Division

That's great. And then what type of rental rate increases are you passing through to tenants on renewals today given the market environment?

Samuel A. Landy
President, CEO & Director

Existing residents, we only increase rents 5%, but on turnover, we go to market. And that Marion, Ohio, I talked about where you're going to $999, that's probably a substantial increase from what they were renting before.

Brett Taft
Executive VP & COO

It can certainly be 20%. I know the average last year was about 7%. I'd anticipate it being in that range, maybe a touch higher.

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

And if you think about it -- I'm sorry, I'm just adding a little bit. If you think about it, even though we are only increasing rents 5% even on the rental homes to existing tenants, our average for the quarter was over 6%.

Eugene W. Landy
Founder & Chairman of the Board

This is Gene Landy, the Chairman. Some people don't understand why we don't increase rents 10% of our expenses, go up 10%. And we believe we're creating a market for our products. We want to have a product that is the best buy in the industry. We want to have tenants to realize they're getting a good deal. And the tenants, they shop, they know what the apartment rent costs. There may be $400 or $500 a month more. They know what the house cost, they know what the payments are.

So we are keeping our pricing that we're the best buy in housing because we maintain the land in every case, even if we sell the home, we still have the land. And if we rent the home and land, we have that big investment that over the years, we'll make a lot of money. So we want to be able to make money now and in the future. But we're very interested in building a large company that we can continue to build housing and at the same time, give the residents the best buy they possibly can.

So we recognized that we were a little squeezed with expenses going up. Some companies, we bought at 11%, 12%, increased rents 11%, 12%. We decided to keep the rents at 5% because it improved our competitive position, which is basically against apartments and also provided our ability to attract tenants and long-term tenants who stay the cost of having them goes down. So we don't think the -- you lose the 4% or 5%, you could have raised the rents. It's a smaller number. We don't know exactly what that number is, but we're seeing on turnover. Our turnover is much lower than you would expect given that the average apartment, a person stays a year, 1.5 years and the average owner even an owner of house in the United States only, say, 7 years. So with those kind of average occupancies, we have much higher turnover. And our turnover is a fraction of that. And the tenants who stay, frankly, they're better tenants because they are cost conscious and they know they have a great deal with UMH.

Robert Chapman Stevenson
Janney Montgomery Scott LLC, Research Division

Okay. That's helpful. And then can you talk about what you're seeing on a like-for-like basis in terms of pricing on new homes to you guys, sort of striking the difference between the $136,000 sales price this quarter versus the $95,000 a year ago. I mean, how much more cost inflation is there on a year-over-year since 3 or 6 months ago, is there to you guys on your price for homes? And what is that expected to be looking forward?

Samuel A. Landy
President, CEO & Director

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I would imagine more of our increase in prices is due to expansions coming online and are selling multi-section homes in great markets. In terms of inflation from the manufacturers, we were stuck between a rock and a hard place on getting homes during COVID and the prices to us did go up, but we do believe we have solutions to that. Number one, the manufacturers are dropping their price increases. But number two, we think by coming up with a limited number of home models that we want and going to the manufacturers with very specific requirements and what houses we want and putting those out for bid that we can, again, reduce the cost of the homes to us.

Brett Taft
Executive VP & COO

And home prices are down a little bit from 3 or 6 months ago, not substantially, and we would like to see them to decrease further, obviously, but home prices have come down, at least 10%, potentially 15%.

Robert Chapman Stevenson
Janney Montgomery Scott LLC, Research Division

That's interesting. And then what rate are you providing financing on new home sales today? Are you guys the only financing game in town for new home sales in your communities? Or is there increasing numbers of third-party financing available today for residents?

Samuel A. Landy
President, CEO & Director

We always allow outside financing, other financing available, but our rates as they compare to other...

Brett Taft
Executive VP & COO

Yes. So our rates are at about 7.5% today on new home sales, used home sales were what?

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

9.99%.

Brett Taft
Executive VP & COO

So even though those sound like high rates, they're actually relatively in line with conventional mortgages, which is what we're trying to do is pass through some of the affordability to our tenants. Our competitive finance companies in the industry for good credit 10% down, you're probably looking 8%, 8.25%, a little bit lower credit, you can pretty easily get up in the 9% to 10% range and in some cases, higher.

Robert Chapman Stevenson
Janney Montgomery Scott LLC, Research Division

Okay. And then last one for me. What are you guys seeing in terms of the trend and size of sort of bad debt or delinquency today in terms of the portfolio? Is it getting better? Is it staying flat?

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

It's pretty much staying flat. We -- our write-offs are usually approximately 1% of our total rental revenue and it's staying about the same. Quarter-over-quarter, it changes. Sometimes, it's a little under 1%, sometimes it's a little over 1%, but on average, it's about 1%.

Samuel A. Landy
President, CEO & Director

It's important to think about manufactured home communities and how receivable works. So you could have nonpayment of lot rent, and there's generally a house sitting on that lot. So if the person turns out that they can't pay the rent, and that's an eviction, it's either going to be a home that's completely obsolete and going to be junked, where we're going to put a brand-new home on and earn a sales profit that's going to pay off that unpaid rent, and then we're going to collect a higher rent. So that's what happens in the case of unpaid lot rent resulting in an eviction. So even if you had a write-off, you're making money from that bad situation.

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And then you have rental homes that turn over. That's more of a real receivable in terms of a tenant gave us 1 month rent, 1-month security. If they can't pay and you evict them, you do have to write off that rent, and there's not really an upside. But then you also have your receivable on your notes when people finance the home and they couldn't pay.

And due to the housing market today, most of the time, you're going to take back in the event you had somebody behind, you're going to take back that house and be able to sell it for more than you did the first time, so there's not going to be a loss there. So the only real receivable is on rental homes. And because we act as quick as possible through the court process, we keep that to a minimum.

Brett Taft
Executive VP & COO

And our first quarter collection rate was 98.7%. Our April collection rate was about 97%, and that will grow in line with the first quarter over the coming weeks. So from a collection standpoint, all is as it normally is.

Operator

And the next question is from Craig Kucera from B. Riley FBR.

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

Congrats on the Triad line of credit. Are you seeing other banks showing interest in financing rental holds at those kind of terms?

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

Yes, we are. And we continue to look at other banks, and we continue to try to increase our banking facilities on those rentals because it is an untapped market for us. It is an untapped area where we can put additional financing on.

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

Got it. And can you tell us how many homes and rental leases are supporting that $30 million loan?

Brett Taft
Executive VP & COO

So that's the line of credit...

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

That is the line of credit that we have -- and right now, there is -- it's fully available. We have not put anything on that line of credit yet.

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

Got it. So does it work where basically you add homes to access the debt? Or have you just sort of allocate a certain number of homes and then you can pull that down if and when you need it?

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

No, we access it when you put in the homes that we need to put in. A lot of times, what we will do is we'll go from our line of credit for the floor plan directly to the line for the rental homes.

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

Okay. That's helpful. I appreciate the color on how you've been handling inventory. Obviously, a tough time with all the supply chain issues during and sort of post-COVID. I think you're currently carrying about $88 million in inventory. Is the normalized level closer to what it was pre-pandemic, call it, maybe $25 million to $30 million?

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Samuel A. Landy
President, CEO & Director

Well, because we're larger, I'd say, $50 million today, but that's where we'll be in the future, and we have big plans as to how to get there. Part of the reason inventory is high today, we solve the problem of getting the homes from the manufacturer. But once you solve that problem, you didn't know that you were going to run into a problem with utility companies being slow, local inspectors being overworked, setup crews being overworked. So had we've been able to set up these homes quicker, we may have occupied even more loss today than we did. I think we did a phenomenal job. I think it's amazing how many homes we filled. But we do -- we did and still have some delays pertaining to problems that still exist in the supply chain, but we're solving those every day, and we're going to get this 1,000 unit inventory down to 500 and maybe next year, keep it at 400.

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

Got it. So you think you'd probably be able to work through most of that or at least get it to a normalized level by late this year or early next year?

Samuel A. Landy
President, CEO & Director

Yes, correct.

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

Okay. Great. Just given a much tougher home purchasing environment than we were a year ago, are you seeing any change in the credit quality of people coming to buy homes?

Samuel A. Landy
President, CEO & Director

So from the application point of view, right, we always have lots of applications that get denied. But in terms of applications that get approved and people who are living in our communities, at this moment, it is still amazing that the blue-collar worker has higher wages, more ability to change jobs and is doing better than ever. And as I called communities today on my way to the office, people report better results than ever, higher rents, higher sales prices, homes in inventory moving quickly. And so far, so good on the employment front.

Our -- we're near Smucker's, we're near Scott, were near a lot of manufacturers and businesses that provide goods to people that people always need. We're also in Elkhart, Indiana, where the RV industry maybe you have to worry about high interest rates and high gas prices. But so far, so good. And one of the great things we're doing is diversifying our geographic footprint. And we believe the more communities we own, the more our rentals are spread out, our lots are spread out, the more stable our income stream becomes even if you have regional disruptions.

And so we very much believe that as we grow the company, first of all, we're going to increase FFO per share. But even if you didn't, even if FFO per share stayed the same, as you're bigger, that income stream is even more diverse coming from more sources, we think eventually, we're entitled to the yield on the stock going down because it's such a great stable income stream.

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

Okay. Great. And I know you mentioned in your commentary that there were limited acquisition opportunities, but are you guys working on any? And should we expect any closings over the next quarter or 2?

Brett Taft
Executive VP & COO

Not over the next quarter. I mean, deals can come together quickly. So I really can't touch on the third quarter yet. We're looking at a lot of opportunities. At this point, we just haven't been able to find [indiscernible] pencils. We also closed on 7 properties, 1,500 sites for $88 million last year, of which most of that was value-add acquisitions. So we're working on improving those properties, bringing in new homes, getting those numbers up, making them accretive to earnings and looking at the whole picture and determining when to move forward on future deals.

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Operator

[Operator Instructions] The next question is from Jay McCanless from Wedbush Securities.

Jay McCanless
Wedbush Securities Inc., Research Division

Great quarter. The only question I had is, can you please repeat what you said about where chattel financing rates are now and maybe how those rates compare to where they were a year ago?

Brett Taft
Executive VP & COO

So our chattel financing rates are about 7.5% on new home sales and 9.99% on used home sales. A year ago, maybe just over a year ago, our financing rate was actually 4.99%. We had to move that up as rates started to rise. Comparing that to our competitors, right now, they're probably, for the most part, in that 8.5% to 10% range for reasonable quality credit scores with 10% down. A year ago, they were probably in line with where we are today.

Operator

And ladies and gentlemen, this concludes our question-and-answer session. I would like to turn the conference back over to Samuel Landy for any closing remarks.

Samuel A. Landy
President, CEO & Director

Thank you, operator. I would like to thank the participants on this call for their continued support and interest in our company. As always, Gene, Anna, Brett and I are available for any follow-up questions. We look forward to reporting back to you in August with our second quarter 2023 results. Thank you.

Operator
And the conference has now concluded. Thank you for attending today's presentation. The teleconference replay will be available in approximately 1 hour. To access this replay, please dial U.S. toll-free 1 (877) 344-7529 or international (412) 317-0088. The conference access code is 716-2415. Thank you, and please disconnect your lines.

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