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UMH Properties, Inc. NYSE:UMH

FQ1 2024 Earnings Call Transcripts

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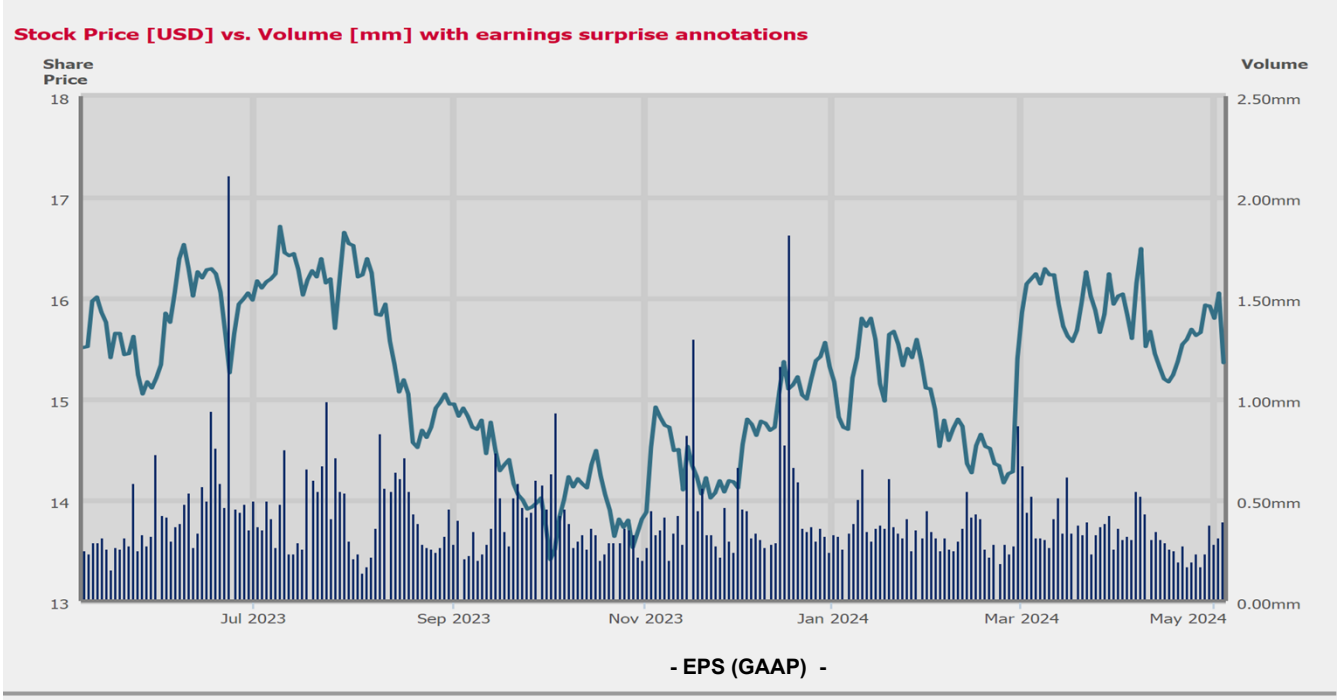
S&P Global Market Intelligence Estimates

	-FQ1 2024-			-FQ2 2024-	-FY 2024-	-FY 2025-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS (GAAP)	(0.02)	(0.09)	NM	0.01	(0.02)	NA
Revenue (mm)	54.31	57.68	6.21	56.17	226.56	NA

Currency: USD
Consensus as of May-03-2024 6:30 PM GMT



- EPS (GAAP) -

	CONSENSUS	ACTUAL	SURPRISE
FQ2 2023	(0.02)	(0.07)	NM
FQ3 2023	0.00	(0.09)	NM
FQ4 2023	0.00	0.10	NA
FQ1 2024	(0.02)	(0.09)	NM

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Presentation

Operator

Good morning, everyone, and welcome to UMH Properties First Quarter 2024 Earnings Conference Call. [Operator Instructions] Also note, today's event is being recorded. It's 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 2024 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. UMH is pleased to report continued improved community operating results and growing year-over-year earnings. Normalized FFO per share for the first quarter of 2024 and was $0.22 as compared to $0.20 last year, representing an increase of 10%. Our year-over-year growth in per share earnings can be attributed to our solid community operating results. Overall, occupancy increased 220 basis points from 84.9% last year to 87.1% this year for an increase of 598 units. Sequentially, overall occupancy increased by 132 units.

This improvement in occupancy, combined with our annual rent increases, generated an 11% increase in rental and related income and a 16% increase in community net operating income. Our community expense ratio improved from 44.3% last year to 41.9% this year. We are on track to grow revenue by $20 million or more in 2024 as compared to 2023. This growth stems from our increased occupancy from last year's rental home investments, our investment in 800 or more new rental homes this year, and our annual rent increases.

Our high-quality communities, exceptional operating platform, and strong fundamentals for affordable housing position UMH to continue to excel in 2024. The strength of our operating results and our earnings growth in 2023 positioned us to raise our common stock dividend for a fourth consecutive year. We are proud to increase the dividend by $0.01 per quarter or $0.04 per year, representing an increase of approximately 5%. This results in a total annualized dividend of $0.86.

Since 2020, we have increased our dividend 4x by an aggregate amount of $0.14, representing a 19% increase. Our rental home portfolio continues to perform well. We now own over 10,000 rental units, of which 95.1% are occupied as compared to 93.7% occupancy last year, representing a 140 basis point increase. We continue to experience 30% or less turnover per year, and our expenses average only approximately $400 per unit per year.

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Our turnover costs are generally covered by the tenant security deposits. In most cases, the homes are left in broom clean condition ready for the next tenant. Excluding tenants that moved in last year, our average renters' tenure is approximately 4 years. We are on track to install and rent 800 homes in 2024. Backlog from our manufacturers have returned to pre-COVID traditional levels of 4 to 8 weeks. This has helped to reduce our interest expense and carrying costs, while allowing us to generate similar overall occupancy and revenue gains without negatively impacting earnings.

Our annual investment in new rental homes yield approximately 10% on the invested funds. This investment is accretive to earnings and substantially improves our communities aesthetically and financially. Same-property occupancy improved by 121 units from the fourth quarter and 545 units year-over-year. This represents an increase of 40 and 200 basis points, respectively. Same-property income increased by 10%, while expenses only grew 3%, resulting in a 16% same-property NOI growth or $16 million annualized.

This increase in same-property NOI substantially increases the value of our communities as demonstrated by our recent refinancing of 3 communities acquired in 2012 and 5 communities acquired in 2013. Our total investment in these communities, including capital improvement is $52.2 million or approximately $41,000 per site. The communities appraised for approximately $108 million or $84,000 per site, reflecting an increase in value of $55.9 million or 107%.

Gross home sales were $7.4 million as compared to $7.3 million last year, representing an increase of 1%. During the quarter, we leased our sales center in Belle Vernon, Pennsylvania, to Clayton Homes. All the homes that were in inventory at the sales center were sold to Clayton Homes at the invoice price. Excluding the homes liquidated in this sales center, sales of manufactured homes amounted to $6.4 million, cost of sales amounted to $4.2 million, and the gross profit percentage was 34% for the 3 months ended March 31, 2024.

Last year's first quarter sales were exceptionally high due to supply constraints pushing many 2022 sales to the first quarter of 2023. Our second quarter sales to date are in line with our current sales projections for 2024. We currently have a pipeline of approximately $4 million in sales and expect to close those deals and grow our pipeline going into the summer.

At quarter end, the balance of our notes receivable was $80.5 million at a weighted average interest rate of 7%. During the first quarter, we financed approximately 53% of our home sales. Over the last 2 years, we have developed approximately 440 sites. These expansions are in good markets in Maryland, Pennsylvania, Tennessee and Indiana. We have made investments in these expansions, but they are not yet full and accretive to earnings. We believe these expansions provide us with premier sales lots that should allow us to generate profitable home sales, increased occupancy and more valuable communities.

This year we should obtain approvals to develop 800 sites and plan on developing approximately 300 or more sites. UMH is well positioned to grow the company through internal and external growth opportunities. We have 3,300 vacant sites, which we plan on filling throughout our rental and sales programs. We have 2,100 acres of vacant land that will allow us to expand our communities. We can profitably sell and finance homes. We can build new communities through our joint venture with Nuveen Real Estate. We can acquire communities when they are for sale at reasonable prices. Most importantly, we have a strong balance sheet, which will allow us to execute on these growth opportunities. The fundamentals of manufactured housing are strong and UMH is well positioned to continue to grow through our established long-term business plan.

Manufactured housing has 2 natural tailwinds, increasing GDP and inflation. We can add 800 rental homes and over 200 new home sales per year, and the high quality of our communities adds value to our real estate. Our hard work grows our communities through developing expansion and by building 200 lots or more per year. This allows us to increase the size of the company when compelling acquisition opportunities arise. Our hard work has positioned the company with one of the highest quality portfolios of manufactured home communities in the country.

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

Anna T. Chew
EVP, CFO, Treasurer & Director

Thank you, Sam. Normalized FFO, which excludes amortization and nonrecurring items, was $15 million or $0.22 per share for the first quarter of 2024 compared to $11.7 million or $0.20 per share for 2023, resulting in a 10% per share increase. Rental and related income for the quarter was $50.3 million compared to $45.3 million a year ago, representing an increase of 11%. This increase was primarily due to an increase in same-property occupancy, the addition of rental homes, and an increase in rental rates.

Community operating expenses increased 5% during the quarter. This increase was mainly due to an increase in payroll costs, rental home expenses, real estate taxes and snow removal. Our same-property results continue to meet our expectations. Same-property

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income increased by 10% for the quarter. And despite the increase in community operating expenses, community NOI increased by 16% for the quarter from $26 million in 2023 to $30 million in 2024.

As we turn to our capital structure, at quarter end, we had approximately $672 million in debt, of which $494 million was community-level mortgage debt, $78 million was loans payable, and $100 million was our 4.72% Series A bond. Total debt was 92% fixed rate at quarter end. The weighted average interest rate on our mortgage debt was 4.17% at quarter end compared to 3.91% at quarter end last year. The weighted average maturity on our mortgage debt was 5.1 years at quarter end and 5.3 years at quarter end last year.

In this increasing interest rate environment, the weighted average interest rates on our short-term borrowings was 60 basis points lower at 6.79% at the current quarter end as compared to 7.39% at quarter end last year. In total, the weighted average interest rate on our total debt was 34 basis points lower at 4.56% at the current quarter end compared to 4.9% at quarter end last year.

At quarter end, UMH had a total of $295 million in perpetual preferred equity. Our preferred stock, combined with an equity market capitalization of over $1.1 billion, and our $672 million in debt, results in a total market capitalization of approximately $2.1 billion at quarter end as compared to $1.9 billion last year, representing an increase of 12%. During the quarter, we issued and sold 1.3 million shares of common stock through our common ATM program, generating net proceeds of approximately $20.4 million. The company also received $2.5 million, including dividends we invested through the DRIP.

In addition, we issued and sold 194,000 shares of our Series D preferred stock during the first quarter of 2024 through the preferred ATM program, generating net proceeds of approximately $4.4 million. Subsequent to quarter end, we issued 190,000 shares of common stock through our common ATM program, generating net proceeds of approximately $3 million. In addition, we issued 19,000 shares of our Series D preferred stock to our preferred ATM program, generating net proceeds of approximately $444,000.

From a credit standpoint, we ended the quarter with net debt to total market capitalization of 30%, net debt of securities to total market capitalization of 28.6%, net debt to adjusted EBITDA of 5.9x, and net debt less securities to adjusted EBITDA of 5.6x. Interest coverage was 3.1x and fixed charge coverage was 2x. From a liquidity standpoint, we ended the quarter with $39.9 million in cash and cash equivalents and $130 million available on our unsecured revolving credit facility, with an additional $400 million potentially available pursuant to an accordion feature.

We've also had $194 million available on our other lines of credit for the financing of home sales and the purchase of inventory and rental homes. Subsequent to quarter end, we expanded the borrowing capacity of our unsecured revolving credit facility from $180 million in available borrowings to $260 million in available borrowings. This facility is now syndicated with 3 banks: BMO Capital Markets, JPMorgan Chase, and Wells Fargo as joint arrangers and joint bookrunners.

Additionally, we had $29.1 million in our REIT securities portfolio, all of which is unencumbered. This portfolio represents only approximately 1.6% of our undepreciated assets. We are committed to not increasing our investments in our REIT securities portfolio and have, in fact, continued to sell certain positions. We are well positioned to continue to grow the company internally and externally.

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

Eugene W. Landy
Founder & Chairman of the Board

UMH is off to a strong start to 2024. Demand for affordable housing in our markets and across the country remain incredibly strong. Our communities continue to fill sites with homes for rent and sale. Our long-term business plan has favorably positioned the company with 3,300 vacant sites to fill and 2,100 acres of land to develop. These vacant lots and vacant acres are increasingly valuable as the affordable housing crisis continues to only intensify. We have done an incredible job rehabilitating old communities we acquired that had deferred maintenance and deferred capital improvements.

We have also made substantial progress expanding our communities and acquiring newly developed communities. Our improvements have transformed depressed communities into first-class communities, creating waiting lists for our homes. This business plan has allowed us to profitably increase the supply of quality affordable housing in the markets we serve. Within the next 5 years, our community should be full and there will be limited lots available to place homes on. The housing crisis and the inability for conventional builders to deliver housing at an affordable price point highlight the tailwinds behind UMH and our industry.

UMH should achieve nearly 100% occupancy and make continued progress developing our expansion land. All of this will translate to substantial earnings improvement, a stable income strength, and an attractive valuation. That being said, we must do more to combat the affordable housing crisis. A nation must work to expedite the approval of new land lease communities. We are proud of

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the progress we have made educating the nation and our elected officials about the benefits of manufactured housing and community living.

We invite all of you to attend the Innovative Housing Showcase in Washington D.C. from June 7 to June 9. We will be partnering with some of our manufacturers to display a HUD code multi-section home and a modular single-section duplex on the National Mall. This event allows us to show our product to the legislators and lobby for changes, which will allow us to produce more affordable housing.

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Question and Answer

Operator

[Operator Instructions] Our first question today comes from Rob Stevenson from Janney.

Robert Chapman Stevenson
Janney Montgomery Scott LLC, Research Division

Sam, can you talk a little bit about the acquisition pipeline today? I know that when you guys have talked in previous quarters, that there's a couple of deals that you guys have been working on, et cetera? Are they getting closer to fruition? Have there been hiccups there?

Samuel A. Landy
President, CEO & Director

Sam here. I'm going to have Brett fill you in on the acquisitions. So go ahead, Brett.

Brett Taft
Executive VP & COO

Yes, the 2 properties you're referring to are the 2 properties in Maryland next to our Cinnamon Woods community. Really can't get into too much detail, but we are in due diligence. There are some matters that we're working with the seller to resolve. We think we can resolve those problems, but it's obviously delayed the closing on those properties. I wouldn't want to sit here right now and put a tentative closing date out there, but it wouldn't be until later this year.

And then as to other acquisitions, we continue to monitor the acquisition market. We're looking at a lot of deals, both stabilized and value-add. Haven't found much that has really checked our acquisition criteria boxes. But we continue to look, and we're hopeful that throughout the remainder of the year, we'll find some deals that either provide longer-term value-add strategy or are accretive in the short term.

Robert Chapman Stevenson
Janney Montgomery Scott LLC, Research Division

Okay. That's helpful. And then, I guess, a question on the rental units. Now that things have returned to a more normalized supply environment and we're beyond COVID, what are you guys seeing in terms of the seasonality in terms of rental velocity? Like the apartments see significantly greater foot traffic in the second and third quarters and then substantially less in the first and fourth, but homebuilders don't see as much variability as that. What are you guys seeing these days on the rental units and the ability and the absorption numbers there on a quarterly basis? Are you seeing significant seasonality in the summer months?

Samuel A. Landy
President, CEO & Director

Well, there may be seasonality. Our problem in the last 2 years was, first, the inability to get the houses, then getting them all at once. At this moment, we're filling homes as quickly as we put them in. The managers are asking us for more homes. We've been trying to limit their inventory to 5 homes, which kind of slows down the set up a little bit. But all of them are very optimistic about their ability to fill every house we could put in there. So our goal is to fill a minimum of 800 new rentals this year. And everything is on target to do that in regard to seasonality, Brett?

Brett Taft
Executive VP & COO

Yes. Well, first of all, we did work through almost all of our inventory that we had at the beginning of last year, which was 1,200 or 1,300 units. Now we have about 280 homes that are actually in our communities. So 150 of those homes were delivered in the first quarter. So we're getting those homes set up and they'll be ready for occupancy. That is a total of 442 homes. We've already filled 120 new homes this year.

We're confident in our ability to fill those 440 and then begin placing our next orders. So another 320 orders would bring us to 800. We're very confident we can do that. There's certainly some seasonality. And I think you're right in that the second and third quarters are our strongest for rentals and for sales, but we do experience strong demand in the fourth and first quarters as well.

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Robert Chapman Stevenson
Janney Montgomery Scott LLC, Research Division

Okay. And then last one for me. Anna, where is the best source of debt capital today. I mean how meaningful are the rate differentials between your line and mortgage debt and other borrowing sources that you have access to today?

Anna T. Chew
EVP, CFO, Treasurer & Director

I think the best source is still the GSEs. As you know, at the end of last year, we were able to close on a GSE loan at under 6%. And of course, rates went higher on us afterwards, but we were able to do that when other places were quoting a lot higher rates. The good thing about our mortgage portfolio this year is that we don't have anything coming due in 2024. We do have approximately $100 million coming due or $118 million coming due in 2025. And we are hoping that the rates will hopefully stabilize or maybe decrease a little bit in 2025. And since most of these communities in that $118 million right now currently have GSE financing, we do not anticipate any problems getting additional GSE financing.

Robert Chapman Stevenson
Janney Montgomery Scott LLC, Research Division

When in '25, is that $118 million of...

Anna T. Chew
EVP, CFO, Treasurer & Director

All throughout the year. All throughout the year. I mean, it goes from, I guess, February or March all the way through to the end of the year.

Operator

Our next question comes from Richard Anderson from Wedbush.

Richard Charles Anderson
Wedbush Securities Inc., Research Division

My first UMH experience. So a question on length of stay. You mentioned 4 years. I'm curious how you feel about that. Do you see any kind of strategy to change it? Would you rather be shorter, so you can mark rents to market? Or would you rather it be longer and sort of make it more of a lesser risk situation? What's your view on length of stay today?

Samuel A. Landy
President, CEO & Director

No. We appreciate that we have only approximately 30% turnover of rental homes, and the occupancy stability is actually growing, and that's very beneficial in that it reduces turnover costs. Additionally, each satisfied resident invites family and friends to the community, to the houses, generating additional sales and additional rentals. So we like that number to be a low number.

I'd point out that we started doing rentals 10 years ago, buying the homes for $40,000 apiece and renting amounts were $8,000 per year. Replacement cost is now $70,000 per house, and keeping these homes occupied with the same resident is very beneficial. Even though you do get better rent increases on turnover, it reduces your cost, and I think it's a better business plan.

Richard Charles Anderson
Wedbush Securities Inc., Research Division

Okay. And I think you said a target of 800 rentals this year and 200 sales. Correct me if I got that wrong. And if it's right, is that a little bit more in the way of sales volume, relatively speaking, than you would normally do?

Samuel A. Landy
President, CEO & Director

So the 200 probably is our new home sales number.

Brett Taft
Executive VP & COO

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The 200 is new home sales numbers, and it's slightly above last year. I think we did about 180 last year and in a similar range.

Anna T. Chew
EVP, CFO, Treasurer & Director

164.

Samuel A. Landy
President, CEO & Director

But we are very optimistic about the new home sales. Six of those locations are just opened within the last 12 months of expansion. And those 6 locations are in great markets such as Cinnamon Woods in Conowingo, Maryland. That's a place where we think manufactured homes will sell for as much as $300,000. And you're dealing with approximately a 30% markup. So we see $2 million in additional sales profits potentially this year from those locations. And sales remain strong. You have the baby boomers who can pay cash. So sales, we see growing higher grosses and higher nets.

Richard Charles Anderson
Wedbush Securities Inc., Research Division

Okay. In terms of the 16% same-store NOI growth, a very good number. How sustainable is it in your mind? You got a lot of occupancy lift this quarter. Do you see yourself producing another double-digit type of same-store NOI growth year? Or is there maybe some movement in the occupancy that might change the math a little bit as we go through the year.

Samuel A. Landy
President, CEO & Director

No. What happens is until communities are 80% occupied, they're really not efficient. And then from that 80% to 100% that's where we're going to get the expense ratio going down. And there's only 3,000 vacant lots left today. So 4 to 5 years, we'll fill those 3,000 vacant lots. So that 4 to 5 years, we project the 5% rent increase plus the 800 new rental units generating increased revenue, meaning that these double-digit increases in operating income are possible until we run out of lots. But meanwhile, we keep getting our expansion lots approved, and those expansion lots have the possibility of generating increased sales income.

Going all the way back to 2006, when we had expansion lots that were profitable, good time to sell homes, we were a much smaller company, maybe only 30 communities, and we did $16 million in sales and made $2 million. So today, we're building more expansions in great locations, and we hope to one day show what a great job we can do selling homes and earning sales profits.

Richard Charles Anderson
Wedbush Securities Inc., Research Division

Okay. Last one for me. And maybe a little ignorance here. Again, my first conference call with you guys. But on the occupancy for rentals well in the 90% -- 90% to 95% or whatever it was this quarter, but owned homes are much lower than that. I can understand logically why occupancy will be greater for the rental model, but maybe you can fill in some blanks for me to explain why it's such a difference and what you might try to do to narrow that spread?

Samuel A. Landy
President, CEO & Director

The important thing to understand, the community occupancy number, the vacancies are vacant lots. Lots that exist in the community that are not earning revenue. So all of the homes in the community are occupied, right? Whether it's a rental home or a resident-owned home, those are occupied units, right? So that 86-point-something percent occupancy consists of our 10,000 rental homes that are occupied plus community resident homes that are occupied.

But the 14% vacancy is lots that exist. They physically exist. They have driveway. They have water and sewer. They're on road. And all they need is the addition of the house. And so during the many years, going back to about 2006, we intentionally acquired communities with vacancy, buying lots for as little as $30,000 per site because they were vacant. And then we added $70,000 rental homes to that lot, so that for $100,000, we create 1,000 square foot, 3-bedroom, 2-bath dwelling unit on a 5,000 square foot lot that will rent today for about $1,000 per month.

So we're basically building horizontal apartments where our cost per lot roughly ranges from $30,000 to $70,000 when you're buying them, you build them for about $100,000. And then we're adding that factory-built house that's an incredibly efficient quality, energy-efficient house, and then we're renting it out. And because this product is as good as any apartment, but costs less, we have these

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waiting lists, and we have that strong rental occupancy. And so we ran into problems when COVID closed down the factories and we couldn't get the homes. So that was the problem.

That year, we were able to -- the next year, we were able to get our 5% rent increase, but we couldn't tell you that we added 800 rentals and filled them, because they didn't come from the factory. And the year that followed that, the homes all came from the factory all at once, so the first half of the year, we had to set them up, and then the second half of the year, we rented them. And now we're in the next year. And all of those problems that are behind us are now behind us. Everything is back to normal. We have 3,000 vacant lots to fill by getting the home from the factory, setting it up in 2 to 3 months, and renting it out. So that 14% vacancy should be filled over the next 4 years.

Richard Charles Anderson
Wedbush Securities Inc., Research Division

Okay. I think I was asking a slightly different question. I probably didn't phrase it right, but I'll take it offline. That was good color regardless. So thanks for that. And great quarter.

Operator

Our next question comes from Jeff Walkenhorst from Copeland Capital Management.

Jeffrey Alan Walkenhorst
Copeland Capital Management, LLC

So Sam, you covered a lot of ground there. That was very helpful. And I was going to ask about the same-store NOI growth, which is really, again, unparalleled in the REIT universe today, and I think that should certainly make UMH stand out. And the question was how long can that continue? So I think you suggested that this double-digit pace should be sustainable. My follow-up question to that is, how does that translate into bottom line per share FFO growth? And the last several years, we saw flattish FFO per share performance from UMH, and I think you went through some of the challenges, which the company worked through.

So even now today, in the higher cost of funding environment, you drove 10% year-over-year adjusted normalized FFO per share growth. Is it your view that we are at a point where UMH can continue to show very healthy per share FFO growth over the next several years?

Samuel A. Landy
President, CEO & Director

Absolutely. It's important to think of how equity leverage works, right? So the money has to come from somewhere to buy these new rental homes and to do the expansions. So we are trying to use 50% equity and 50% debt. So it comes from the common ATM as well as debt. But when you do the math and you figure out that, that new money buys that $70,000 rental home that creates $12,000 per year in gross income, right? So each $70,000 is going to bring in new $12,000 in rent. It's going to be about 40% expense ratio. So 60% of that is income. And so without leverage, we're earning about 9%. With leverage, we're earning about 13%, 14%.

So this new equity could be earning over $2 per share. So it is accretive and it will be more and more accretive, and it's that time that the brakes got hit when we couldn't get the houses from the factory that may distort people's view about how well equity leverage will work for us.

Eugene W. Landy
Founder & Chairman of the Board

If I may add, the nation needs 4 million homes. The shortage of housing is growing. The population is growing. We're not building enough housing. In fact, the shortage will increase. My estimate is that the nation needs 500 new communities of 200 units apiece for 100,000 units. That means the industry should double its production from 100,000 units to 200,000 units.

The housing shortage is very, very real. I've lived through times when you woke up and the apartments became vacant and the houses became vacant, and we've all seen the recessions. But I don't think that's in the cards for a nation that has the kind of housing shortage we have today. The growing immigrant population. We get requests from groups for 1,000 units. And we've been one of the leaders in the industry, though SUN and ELS are doing their share. We've been providing at least 1,000 units a year. We really should provide 2,000, 3,000 units a year. So the problem in the nation is not an abundance of housing and shortages, the problem for the nation is to provide the housing.

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Now is that housing profitable? We are providing the best quality housing at the lowest price. That's a nice place to be in an industry which is in demand. In the early stages of new construction, greenfield construction, we don't make any money. In the early stages of rehabilitating parks, we don't make sufficient money. The question is, long term, are you going to have increased rents and compounding? And we've proven that over the decades. And our estimates of where we're going, we have this that we would grow at a 5% compound rate as far as the eye can see, certainly for 14 years where everything doubles.

So when you look at our per share earnings or you're using the reported share earnings today or the reported earnings we will report tomorrow. If you look at what tomorrow's earnings will bring, we will be able to do 2 things, alleviate the housing crisis and make a great deal of money.

Jeffrey Alan Walkenhorst
Copeland Capital Management, LLC

Okay. That sounds good. Two follow-ups. The demand, I think you said that you have waiting lists for your communities. Are the waiting lists pretty balanced across the geographies, different locations?

Samuel A. Landy
President, CEO & Director

It's not completely uniform. Western New York is not as strong as other locations, but we do continue to grow occupancy there. I would say Michigan is not as strong.

Brett Taft
Executive VP & COO

Michigan has been doing okay, specifically close to Ohio. Ohio is very strong, Indiana is very strong, Tennessee is very strong. Eastern New York, Eastern Pennsylvania, all very strong with waiting lists. The others, a lot of them in those other markets do have waiting lists. They might just not be as long as the ones we're reporting elsewhere. But I think it's a testament to our 95% rental home occupancy. Most of our vacancy is through typical turnover and our ability to fill 800 new rental homes per year. And those homes geographically are going to every corner of our portfolio.

Jeffrey Alan Walkenhorst
Copeland Capital Management, LLC

Okay. So the demand side sounds good, the ability to drive continued occupancy gains. There's no roadblocks or concerns that you see on that front?

Brett Taft
Executive VP & COO

No. We're very confident with our ability to maintain our 94% to 95% occupancy ranges and install and rent 800 homes this year. The markets continue to do well. We continue to achieve our 5% rent increases. And as a result of the increased revenue and occupancy, our expense ratios are decreasing, which is allowing us to hit these same property double-digit NOI increases.

So we're optimistic this will continue, but we closely monitor every community in our portfolio. I'd also add to that, that our collections are as strong as they normally are historically. In the first quarter, it was 98.7%, almost 99%. So the company is doing well operationally from just about every standpoint.

Jeffrey Alan Walkenhorst
Copeland Capital Management, LLC

Okay. And one final comment or insight. It's interesting that the valuation the single-family rental REITs are receiving versus UMH when, in fact, you now have, I think, over 10,000 rental units effectively single-family homes in your portfolio?

Samuel A. Landy
President, CEO & Director

Agreed, and thank you, and it's very efficient to operate rental homes in a manufactured home community. On 50 acres, we have 250 homes. So it's much simpler to manage our homes than when you own rental homes scattered throughout many towns and many counties.

Operator

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And our next question comes from John Massocca from B. Riley Securities.

John James Massocca
B. Riley Securities, Inc., Research Division

I know you kind of mentioned on the call and within the 10-Q. I just need more color on why you closed the one sales center and kind of rented that [indiscernible] facility to Clayton Homes? Just any kind of additional color on that would be helpful.

Samuel A. Landy
President, CEO & Director

That particular sales center is a highway location in what was once one of the top sales locations in the country, but it's a land home place. We're good at selling homes in our community. Land home is a whole separate specialty where you have to mobilize contractors to go to individual lots, you have to hold the homeowner's hand on all of the permitting, lot construction, home setup. It involves so many different things that are not part of our day-to-day business, whether that's septic well excavation.

I believe that we could do it, but at the same time, we haven't made money at that sales center since we opened it. And Clayton Homes wanted to acquire it. They'll do extremely well there. And on top of that, we have an expansion we built at Port Royal.

So we have vacant lots in Port Royal that they could put homes in, that will result in us filling the community faster. It's a good point to mention that we have 500 expansion lots that we've built, which is approximately $30 million in investments that's currently not earning anything, and the faster we get a return on that investment, the better it is for us to grow FFO per share. So the sale of that sales center is for that purpose. We don't want to lose money on sales, Clayton will make more money there than we did, and it will fill our community faster.

John James Massocca
B. Riley Securities, Inc., Research Division

Are there other examples of that center within the portfolio today that you could do a similar transaction with? Or is that kind of a one-off?

Samuel A. Landy
President, CEO & Director

That's a one-off. We have other vacant land that can be used for different uses. This vacant land -- it's not vacant land, there was a sales center there, but this separate parcel of land was conducive to being a Clayton sales center. We have other vacant land conducive to being single-family homes that we are in the process of trying to find a way to monetize.

John James Massocca
B. Riley Securities, Inc., Research Division

Okay. I guess maybe just based on that kind of last comment, I mean, are there any -- I know it's very bespoke, any brackets around the value of some of those parcels of land that maybe either have a higher or better use than manufactured housing or just aren't appropriate for manufactured housing for some reason?

Samuel A. Landy
President, CEO & Director

So we've spoken about it on the prior calls. We have approximately 130 acres in Vineland, New Jersey, adjoining our Fairview Manor, which is very close to the Mike Trout, Tiger Woods Golf Course that's being constructed today. So we suspect we'll be able to enter into a joint venture with a homebuilder. We can't predict exactly how many lots they will have approved, but my guess is somewhere around 150 lots. And we can't predict what those homes will sell for. But my guess is that we'll certainly be over 500,000 and could be $1 million.

And we believe the proper deal for that is that us as the landowner would receive 20% of the growth price of the house. So no way to know what will happen. Will they ever get it approved? How many years will it take to get built? But we do own 130 acres right near a Tiger Woods, Mike Trout Golf Course, and we believe a homebuilder will want it.

John James Massocca
B. Riley Securities, Inc., Research Division

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Okay. And then maybe bigger picture, I think in a lot of other industries period, but also other types of REITs, you're seeing this kind of narrative maybe around a bifurcation in terms of the economic impact on different income levels of consumers, of residents, et cetera. I mean, are you seeing any evidence of that on your residents, whether it be an uptick in move-outs or delinquencies, et cetera.

Samuel A. Landy
President, CEO & Director

So you're asking a very broad, very important question. So first, manufactured homes in communities can service the blue-collar worker who earns $40,000 per year through our rental home, because 30% of income is $12,000, and we're the only one who provides that house. And that house is our bread and butter, 10,000 unit rentals works phenomenally well. But on top of that, and maybe in a sense, the exact opposite, Cinnamon Woods is going to be manufactured homes that retail for $300,000 apiece.

So these are people who can have other housing choices, right? They're downsizing. They're 55 and older. They could live pretty much anywhere they want, yet they choose the manufactured home in our community at $300,000. And both these groups of people are doing very well right now. The blue-collar worker is doing extremely well. The baby boomers have money to retire and can sell their home, paying off their existing mortgage. So we see both extremes, the $40,000 wage earner and the people who are going to pay $300,000 per home as ready to continue our sales and rental occupancy.

John James Massocca
B. Riley Securities, Inc., Research Division

And I guess, maybe look, on a trailing 12-month basis, any change to either the scale of move-outs or bad debt or anything like that?

Samuel A. Landy
President, CEO & Director

No. Business is strong.

Brett Taft
Executive VP & COO

Again, our historical rental home move-out rate is about 30% a year. Last year, it was actually below 30%, which we're very happy about. I think our tenants like living in our properties. They try and pay the rent on time, and our collections in the first quarter were 98.7%, which is in line with where they generally are, and that number will grow over the coming weeks.

Anna T. Chew
EVP, CFO, Treasurer & Director

On write-offs, I mean it's always been 1% or less, and it continues to be that through pretty much the history of the company. Even through COVID, it was only about 1%.

Operator

And ladies and gentlemen, with that, we'll be concluding today's question-and-answer session. I'd like to turn the conference back over to Samuel Landy for 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 2024 results. Thank you.

Operator
Ladies and gentlemen, the conference has now concluded. We 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 internationally (412) 317-0088. The conference access code is 4830899.

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