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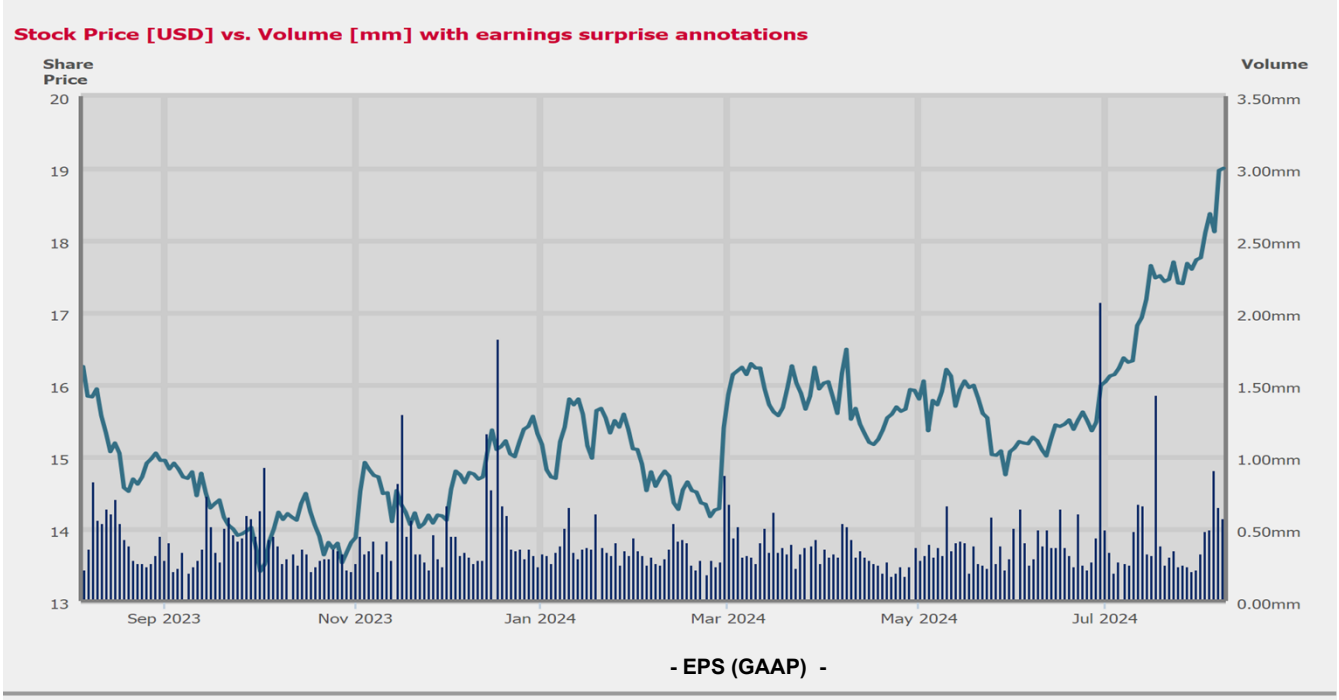
FQ2 2024 Earnings Call Transcripts

Wednesday, August 7, 2024 2:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ2 2024-			-FQ3 2024-	-FY 2024-	-FY 2025-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS (GAAP)	0.02	0.01	(66.67 %)	0.01	(0.02)	NA
Revenue (mm)	56.88	60.33	6.07	58.20	229.50	NA

Currency: USD
Consensus as of Aug-08-2024 1:12 PM GMT



- EPS (GAAP) -

	CONSENSUS	ACTUAL	SURPRISE
FQ3 2023	0.00	(0.09)	NM
FQ4 2023	0.00	0.10	NA
FQ1 2024	(0.02)	(0.09)	NM
FQ2 2024	0.02	0.01	(66.67 %)

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Call Participants

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Presentation

Operator

Good morning, and welcome to UMH Properties Second Quarter 2024 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 second 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 second 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 another quarter of year-over-year earnings per share growth. Normalized FFO per share for the second quarter of 2024 was $0.23 as compared to $0.21 last year, representing an increase of approximately 10%. Sequentially, normalized FFO increased from $0.22 for the first quarter to $0.23 in the second quarter, representing a 5% per share increase. This quarter, we announced a $0.01 increase in our quarterly common stock dividend, raising it to $0.215 per share from $0.205 per share, representing a 4.9% increase. Since 2020, we have increased our dividend 4x by an aggregate annual amount of $0.14, representing a 19% increase.

Our annual dividend rate on our common stock is currently $0.86 per share. UMH has a proven business plan, which should result in further occupancy revenue and earnings growth over the coming quarters and years. Our rental home program, capital improvements and expansions has substantially increased the value of our communities and our portfolio driving best-in-class operating results.

Turning to our second quarter operating results. We are proud that our communities are experiencing strong demand for our home sales and rentals. This demand is the result of investing in the right locations and rapidly improving the quality and reputation of our communities. Overall, occupancy increased by 64 units to 87% during the quarter and 196 units year-to-date. Year-over-year, overall occupancy increased by 430 units or 195 basis points. These occupancy gains translated to income growth of 9% and NOI growth of 11% over the same quarter last year. Our operating expense ratio decreased from 42.6% last year to 41.9% this year. Our collection rate remained strong at over 98.5% for the second quarter.

Same-property occupancy improved by 49 units from the first quarter and 380 units year-over-year. Year-to-date, same-property occupancy increased by 170 units to 88%. Year-over-year, for the second quarter, same property income increased by 9%, while expenses grew 6%, resulting in an 11% increase in same-property NOI. For the 6 months, same property income is up 10% with a 5%

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increase in expenses resulting in same-property NOI growth of 13% or approximately $14 million annualized. This increase in same-property NOI substantially increases the value of our communities as demonstrated by past refinancings and should be demonstrated by our future refinancing of communities with mortgages maturing in 2025. The capital generated through the refinancing will be deployed into accretive investments, which should result in additional per share FFO growth.

Moving on to sales. Our team sold 105 homes during the quarter, of which 35 were new home sales for gross home sales revenue of approximately $8.8 million. This compares to 91 home sales last year, of which 43 were new home sales with gross home sales revenue of $8.2 million, representing an increase of 7%.

Our gross sales margin increased from 30% same quarter last year to 38% this year. Our gross sales profit improved from $2.5 million in the second quarter of last year, to $3.4 million this year. We financed approximately 66% of these home sales. Our notes portfolio continues to perform well with only a 2% repossession rate on an annual basis. As happy as we are with these sales results, they still have the potential to substantially improve. Several high-end expansions in good locations are just opening or are just about to open which will generate a pipeline of sites where we can profitably sell homes.

We continue to invest in new rental homes and now own 10,100 homes. Our rental home occupancy rate is 95% as compared to 94% last year. During the quarter, we converted 144 new homes from inventory to revenue-producing rental homes. The net increase in our rental home portfolio was 111 homes because of the sale of older homes. Our rental home program increases the value of the communities by filling otherwise vacant sites with homes that generate a stable recession-tested revenue stream.

These homes improve the curb appeal, increasing our community's value and increase the supply of affordable housing in any given market. We continue to experience 30% or less turnover per year. The time it takes from ordering a home to receiving a home from our manufacturers has 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.

During the first half of the year, we replenished our inventory, which will allow us to further increase occupancy, revenue and sales income in the second half of the year and into 2025. We currently have 315 homes on site that are ready for occupancy or are being set up and another 140 homes expected to be delivered over the next few weeks.

Our annual investment in new rental homes yields approximately 10% on the invested funds. Most of the capital being raised through the ATM is being accretively deployed into our rental home program. We are on track to add approximately 300 expansion sites this year. We have made investment in these expansions, but they are not yet fully occupied and accretive to earnings. It is important to keep a pipeline of sites in development as they are additive to the long-term value and the goals of UMH even though the capital is deployed in advance of them being accretive to earnings. We currently have $53 million invested into expansions and $26 million invested in our greenfield development joint venture that is primed to generate accretive returns in the coming quarters.

Additionally, 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.

UMH continues to work towards monetizing vacant land when it makes sense and is in discussions to form a joint venture with a prominent New Jersey homebuilder to develop approximately 131 acres of undeveloped land adjacent to one of the company's existing manufactured home communities in Vineland, New Jersey. If necessary government approvals can be obtained, the purpose of the joint venture would be to construct roads, infrastructure and other site improvements on the property, and then sell the improved lots to an affiliate of the company's joint venture partner which would construct luxury single-family residential homes to sell. It is envisioned that the joint venture partner would fully fund the cost of required site improvements and obtaining all approvals. The company would contribute the real property to the joint venture and expects to receive approximately 20% of the gross sales price of each home.

Furthermore, UMH introduced different solar providers to different home manufacturers which resulted in a multi-section Champion Home being shown at the Innovative Housing Showcase with factory installed solar shingles. UMH expects that in the near future, factory-built solar homes will provide greater affordability to all future manufactured home buyers and renters. UMH is proud to have pioneered this innovation.

The duplex single-section home shown at the Innovative Housing Showcase in Washington, D.C. was a huge success. Our understanding is HUD will be finalizing approval of the innovative duplex created by the collaboration of Cavco and UMH shortly. In many years of operating in the manufactured housing space, UMH has never had better tailwinds. Inflationary costs are causing conventional homes that are being built to be too expensive. We have expansion sites and turnaround communities ready to go. We are one of the few housing solutions that can profitably build and sell units for under $250,000. We are well positioned to fill our existing 3,300 vacant sites and develop our vacant land.

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UMH is on track to continue to deliver per share earnings growth this year, and we are pleased with the results being generated by our platform. We have a business plan that has proven to deliver outstanding results and a pipeline of organic growth opportunities to continue delivering these results for the next several years. We have positioned the company with a strong balance sheet, as shown by our net debt to total market capitalization of less than 30%, so that we can continue to invest in new homes, capital improvements and the expansion of our communities which will enhance the long-term value of our portfolio and further increase our earnings per share.

Additionally, we are prepared to acquire new communities when accretive investment opportunities become available. And we are proud to issue guidance for the first time this quarter. 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 $16.8 million or $0.23 per share for the second quarter of 2024, compared to $13 million or $0.21 per share for 2023, resulting in a 10% per share increase and a 29% overall increase. Sequentially, normalized FFO increased from $0.22 for the first quarter to $0.23 in the second quarter, representing a 5% per share increase.

Rental and related income for the quarter was $51.5 million compared to $47.1 million a year ago, representing an increase of 9%. This increase was primarily due to an increase in rental rates and same-property occupancy and additional rental homes. Community operating expenses increased 8% during the quarter. This increase was mainly due to an increase in payroll costs, real estate taxes and rental home expenses.

Our same-property results continue to meet our expectations. Same-property income increased by 9% for the quarter and community NOI increased by 11% for the quarter from $27.9 million in 2023 to $30.9 million in 2024. As we turn to our capital structure, at quarter end, we had approximately $669 million in debt, of which $491 million was community-level mortgage debt, $77 million was loans payable and $101 million was our 4.72% Series A bonds.

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 3.88% at quarter end last year. The weighted average maturity on our mortgage debt was 4.8 years at quarter end and 5.2 years at quarter end last year. The weighted average interest rates on our short-term borrowings was 61 basis points lower at 6.81% at the current quarter end as compared to 7.42% at quarter end last year. In total, the weighted average interest rate on our total debt was 32 basis points lower at 4.56% at the current quarter end compared to 4.88% at quarter end last year.

At quarter end, UMH had a total of $296 million in perpetual preferred equity. Our preferred stock, combined with an equity market capitalization of over $1.2 billion and our $669 million in debt, results in a total market capitalization of approximately $2.1 billion at quarter end as compared to $2 billion last year, representing an increase of 6%.

During the quarter, we issued and sold 2.4 million shares of common stock through our Common ATM program, generating net proceeds of approximately $36.1 million. The company also received $2.5 million, including dividends reinvested through the DRIP. In addition, we issued and sold 29,000 shares of our Series D preferred stock during the second quarter of 2024 through the preferred ATM program generating net proceeds of approximately $659,000.

Subsequent to quarter end, we issued 765,000 shares of common stock through our Common ATM program, generating net proceeds of approximately $12.8 million. In addition, we issued 150,000 shares of our Series D preferred stock through our preferred ATM program, generating net proceeds of approximately $3.4 million.

From a credit standpoint, we ended the quarter with net debt to total market capitalization of 29.6%. Net debt less securities to total market capitalization of 28.2%, net debt to adjusted EBITDA of 5.7x and net debt less securities to adjusted EBITDA of 5.5x.

Interest coverage was 3.2x and fixed charge coverage was 2.1x. From a liquidity standpoint, we ended the quarter with $39.5 million in cash and cash equivalents and $210 million available on our unsecured revolving credit facility. We 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. During the quarter, we expanded the borrowing capacity on our unsecured revolving credit facility from $180 million in available borrowings to $260 million in available borrowing.

This facility is now syndicated with 3 banks: BMO Capital Markets, JPMorgan Chase and Wells Fargo as joint arrangers and joint book runners. In addition, we had $28.7 million in our REIT securities portfolio, all of which is unencumbered. This portfolio represents only approximately 1.5% 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.

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We are well positioned to continue to grow the company internally and externally. As Sam mentioned, we are initiating guidance for the remainder of 2024 with normalized FFO in a range of $0.91 to $0.95 per diluted share for the full year or $0.93 at the midpoint. This represents approximately 8% annual normalized FFO growth at the midpoint over full year 2023 normalized FFO of $0.86 per diluted share.

Going forward, it is our intent to issue full year guidance annually, concurrent with our fourth quarter and year-end results. Our press release and supplemental provide an overview of full year 2024 normalized FFO guidance. And now let me turn it over to Gene before we open it up for questions.

Eugene W. Landy
Founder & Chairman of the Board

Manufactured housing and land lease communities present the Nation with a part of the solution to the affordable housing crisis. The housing shortage is currently estimated at 4 million or more units. We need to build 1.8 million units to keep up with current demand, but that doesn't put a dent in the 4 million unit shortage.

In order to solve the housing crisis, we need innovation in housing. This year at the Innovative Housing Showcase, UMH, Champion and Cavco partnered to show a single-section and multi-section duplex unit. These homes were incredibly well received by the HUD Secretary, elected officials and the general public. These homes double the potential density of manufactured housing communities which effectively reduced the cost to build affordable homes.

UMH is working to build a HUD code duplex environmental-friendly community that should be well received throughout the country in any market with a housing shortages. UMH invest in these initiatives because it is important for the country and for the long-term prosperity of UMH and the manufactured housing industry. Over the next 5 years, UMH will fill its 3,300 vacant sites and make continued progress developing our expansion land.

Accomplishing these goals will greatly increase UMH's profitability but we have larger aspirations to combat the affordable housing crisis. Our business plan has resulted in increased occupancy, revenue and earnings and has also improved the housing stock and added to the supplier for affordable housing.
Our affordable housing allows families to obtain a quality place to live at a reasonable price point, giving them more discretionary income to live freely and help pay for the inflationary cost of other needed goods and services. UMH is one of the few community operators that lead by example. We always strive to treat our tenants fairly and provide them with high-quality affordable housing. We invest back into our communities through our capital improvements and complete any deferred maintenance. We are proud of the improvements we have made to our communities and believe that our tenants are proud to call our communities home.

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Question and Answer

Operator

[Operator Instructions] The first question is from Rich Anderson with Wedbush.

Richard Charles Anderson
Wedbush Securities Inc., Research Division

Great quarter again. In terms of the guidance, appreciate that, and I'm sure many do. The $110 million to $120 million of capital needs that you point out. You also mentioned future refinancing of communities. Can you sort of give us a rough range of how much of that will figure into the $110 million to $120 million that you're looking to raise this year?

Samuel A. Landy
President, CEO & Director

We expect approximately 50% debt to equity in our internal expansion plans, if we find additional growth opportunities through acquisitions, it will be different numbers. But in terms of -- and we look at the number, somewhere in that range, $110 million to $140 million of internal investments that will be 50% debt, 50% equity and potential use of preferred stock, too.

Anna T. Chew
EVP, CFO, Treasurer & Director

When we talked about refinancing of mortgages, there will be none refinancing of mortgages in 2024, they will not start until 2025.

Richard Charles Anderson
Wedbush Securities Inc., Research Division

Yes. Okay. So I was looking for like a cash-out scenario where you capture the value -- the increased value of your portfolio, but that's something not this year in terms of your expectations?

Anna T. Chew
EVP, CFO, Treasurer & Director

Correct. We expect that in 2025, we'll refinance approximately $117 million and we expect that we will be able to cash out a good number because these communities have increased in value.

Richard Charles Anderson
Wedbush Securities Inc., Research Division

Okay. Sam, you mentioned the rental communities for the second quarter was, I think, of the $111 million net. And it was impacted by the sale of older homes. Can you connect the dots for me as to why the older homes would impact your rental portfolio?

Brett Taft
Executive VP & COO

Yes. So this is Brett here, and thanks for the question. But we are always adding rental homes to our portfolio, and we're also selling older homes to the portfolio. So the $111 million number that you're referencing there is net of those sales. I want to say it was about 140 that were actually filled during the quarter, the difference being the older homes that were sold. And year-to-date, we've converted 264 homes from inventory to revenue-producing rental homes, but the net number factoring in those sales is only 167. So we just want to point out that demand is strong out in the property. We are filling a lot of new rentals. We're actively improving the quality of the community through adding those new rentals. And we expect demand to remain strong throughout the rest of the year.

I think it's a good time to also hit on that we had a very strong month as far as rental conversions in July. It was actually our best month of the year. So we're optimistic that going forward into the third quarter, that continues. And as we pointed out in the script, we have 315 homes in inventory right now that are either ready for occupancy or just about ready for occupancy that give us a pipeline to continue to grow that rental pool and occupancy throughout the remainder of the year.

Richard Charles Anderson
Wedbush Securities Inc., Research Division

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Okay. So those sales of older homes came out of the rental portfolio. Okay. Second, the -- I'm sorry, last question. In terms of the components -- additional components of guidance, you lay out a bunch of it, but what does the guidance assume in terms of home sales going forward? And also profit margins?

James O. Lykins
Vice President of Capital Markets

Rich, that's something we haven't disclosed. We might going forward, but just -- we're just not prepared to disclose that right now.

Operator

The next question is from Gaurav Mehta with Alliance Global.

Gaurav Mehta
Alliance Global Partners, Research Division

I wanted to follow up on the guidance assumptions. I was wondering if you are willing to talk about the same-store NOI growth trajectory that you're expecting for the second half of '24?

Brett Taft
Executive VP & COO

It wasn't an assumption for the guidance. But as we speak about this frequently with you and other investors, we think that the results should be similar to what we have reported this year. The first quarter was exceptional with lower expense increases. I think you're probably looking more towards a 6% to 7% expense increase throughout the remainder of the year. But we expect the rental and related income increases to be in line, and we expect high double-digit and likely low double-digit same-property NOI growth. As long as we're able to obtain our homes, occupy them and achieve our 5% rent increases, that formula should remain the same going forward.

Samuel A. Landy
President, CEO & Director

And Sam here, as we said in the call, we anticipate increased sales and increased sales profits because we've built expansions in great locations. We have expansions just opening. Cinnamon Woods is just going to open.

Brett Taft
Executive VP & COO

Correct, and we have our first 5 homes there that are just about ready for sale, and those are very good margin sales.

Samuel A. Landy
President, CEO & Director

And we expect those to retail for in excess of $250,000 per home. So we expect increased sales, increased sales profit. We stand by, you take the revenue -- the rental revenue, you're going to increase rents 5%. You're going to add 800 rental units at about $12,000 per year. And so that's what we project, and that's what we're hitting. So it's working out as we expected.

Gaurav Mehta
Alliance Global Partners, Research Division

Okay. Maybe one more on the guidance for the opportunistic sale of common and preferred stock. Are you assuming more sales beyond what you have done so far this year?

Samuel A. Landy
President, CEO & Director

Well, we continue to issue stock to buy rental units. At this moment, I want to give you the right numbers here, 4,000 shares equals 1 rental unit grossing $12,000 and probably make $6,000. So we're probably making $1.50 a share unlevered on new stock issued. And so leverage that becomes approximately $2.30. So keeping the strong balance sheet gets us lower cost debt. We know we have internal growth needs of approximately $140 million, and we know we're looking for accretive acquisitions that we think will become more available than they have been in the past. So there's no plans to close the ATM, and we'll continue to raise capital as needed.

Operator

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[Operator Instructions] The next question is from John Massocca with B. Riley Securities.

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

So maybe just given how interest rates have moved over the last couple of weeks and months. I mean, is that impacting the acquisition market at all? Or maybe the bid-ask spread between buyers and sellers getting tighter, maybe more attractive? Or is more competition kind of coming back into the space just given the reliance on financing?

Samuel A. Landy
President, CEO & Director

Well, I'm not really sure it's interest rate related, but my belief is we had all the competition in the world the last 4 years for acquisitions. And I think you're going to see less players who were not in the business of buying communities, and you may see people who come into the -- came into the business in the last 4 years selling communities. So all of that works way to our advantage.

We've been very smart about acquisitions. We always did turnaround acquisitions. We didn't do yield spread investing, which has not worked as interest rates rose. And so we're looking for either accretive deals or turnaround deals. And so when those are available, we're going to be in a position to do them. And we believe that the higher interest rates are going to make more people, sellers than less people buyers, which will be to our advantage.

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

Okay. And with interest rates in mind, I mean on a go-forward basis, how sticky are the interest rates on the financing you offer tenants and therefore, what ends up going into the kind of the notes payable bucket?

Samuel A. Landy
President, CEO & Director

Well, so first of all, we offer our own financing and try to be the same rate as conventional mortgage rates on our new home sales. And the higher mortgage rates are the greater the affordability gap widens. So if rates are 4%, a $300,000 house costs one amount, if they're 8% it costs another, and that difference makes houses way less affordable to a substantial number of people. Since we sell houses brand-new from $90,000 to $300,000, the higher interest rates affect buyers less. There's a greater pool of people who want to lower monthly payment that we provide. And so in fact, my father points out in the 1970s when mortgage rates were over 14%, and manufactured home sales never did better because there was no alternative for so many people.

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

I guess maybe just in terms of the notes payable bucket as it grows, I mean, should that just be kind of moving in line with where broad interest rates are going? I mean are spreads going to kind of stay basically the same? Or can spreads maybe widen as interest rates come down.

Samuel A. Landy
President, CEO & Director

Well, there's reasons we want to keep the new home rates at conventional mortgage rates, but on used homes, we currently charge...

Anna T. Chew
EVP, CFO, Treasurer & Director

5.5%.

Brett Taft
Executive VP & COO

No, no. 11.99%.

Samuel A. Landy
President, CEO & Director

11.99% on the used home...

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Anna T. Chew
EVP, CFO, Treasurer & Director

That's the broker finance.

Brett Taft
Executive VP & COO

Yes. I apologize.

Anna T. Chew
EVP, CFO, Treasurer & Director

Right. Used is also 7.5%.

Samuel A. Landy
President, CEO & Director

Used is 7.5%. So used is 7.5%, broker is 11%. But at any rate, so that we have such great experience and great history financing homes we can do it at a lower cost than anybody else because we have the manager on site at the community. We're using the same law firms that we use for nonpayment of rent. So it's a very simple endeavor for us that reduces costs in managing the loans. So we passed that reduction in cost to the resident, and it's profitable for us at those rates.

Anna T. Chew
EVP, CFO, Treasurer & Director

And don't forget, we also -- it's not just the interest rates that we're earning. We're also earning the lot rent associated with that sale as well as any sales profit associated with that sale. So for us, using an interest rate that is equivalent or close to the conventional mortgage rate makes sense.

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

Okay. Understood. And then I know it's very early days, but in terms of the Vineland, New Jersey JV or potential JV, what's kind of broad strokes the potential size of that in terms of a capital generator for UMH. I mean, any idea on the number of lots or even just the gross amount of money you can potentially get out of that joint venture?

Samuel A. Landy
President, CEO & Director

Well, first, the important thing to note is it's a prototype that when you look at our vacant land holdings, there's vacant land in places like Highland Estates, just out of Allentown, Pennsylvania. Pine Ridge, just out of Carlisle, Pennsylvania, where we've had difficulties over the years getting the land approved for manufactured housing, yet the land has gone up in value considerably so that it is valuable for single-family residential. So there's no way to know when somebody is taking land through the approval process, exactly how many lots they will get.

But on the Vineland, we are hoping for it. It doesn't mean we'll get it and we're hoping for 150 lots. And we're hoping because these homes will adjoin a Tiger Woods, Mike Trout golf course, they will sell for $1 million a piece and that we're going to get 20% of the growth. So if all goes as planned and nothing is going to happen in a year, it will take many years. But you're talking about the potential of 150 homes selling for $150 million and us getting 20% or $30 million.

Eugene W. Landy
Founder & Chairman of the Board

It's important to realize what has changed. The shortage of houses -- the housing shortage is estimated at 4 million units. If we produce 1.5 million homes a year, you require 1.5 million lots and the builders do a great job building 1.5 million or 2 million homes a year, but they need the lots. And this shortage is cumulative and the land has substantial value. And as a result, the builders have come up with a general formula that they feel a lot is worth about 20% of the sales price of the home. And as everybody knows, home prices have skyrocketed.

So UMH is sitting with a lot of land that we wanted to develop in the manufactured home communities. So we believe we should buy land adjacent to our existing units so that we would have the option of what to do. So this first deal for perhaps 150 lots, but we have

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other parcels, and we really believe that we'll be going to be able to monetize some of those parcels and have a great source of capital in the future.

Operator

This concludes our question-and-answer session. I would like to turn the conference back over to Samuel Landy for any closing remarks.

Samuel A. Landy
President, CEO & Director

Thank you, operator. I would like to thank the participants on this call for their continued support and interest in our company. As always, Gene, Anna, Brett and I are available for any follow-up questions. We look forward to reporting back to you in November with our third quarter 2024 results. Thank you.

Operator
The conference has now concluded. Thank you for attending today's presentation. The teleconference replay will be available in approximately 1 hour. To access this replay, please dial U.S. toll-free 1 (877) 344-7529 or internationally +1 (412) 317-0088. The conference access code is 7242441. Thank you, and please disconnect your lines.

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