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Market Intelligence

UMH Properties, Inc. NYSE:UMH

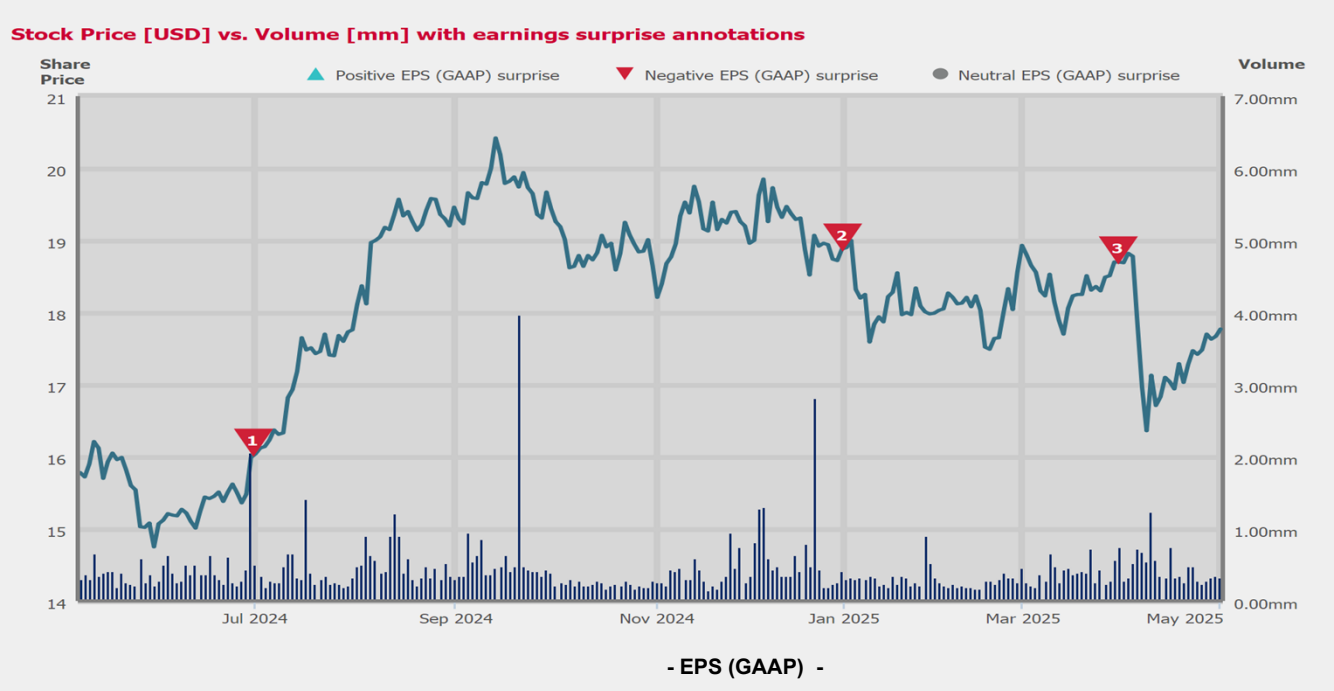
FQ1 2025 Earnings Call Transcripts

Friday, May 2, 2025 2:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ1 2025-			-FQ2 2025-	-FY 2025-	-FY 2026-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS (GAAP)	0.04	0.00	▼ (100.00 %)	0.04	0.19	NA
Revenue (mm)	62.23	61.22	▼ (1.61 %)	65.13	262.16	NA

Currency: USD
Consensus as of May-01-2025 12:11 PM GMT



- EPS (GAAP) -

	CONSENSUS	ACTUAL	SURPRISE
FQ2 2024	0.02	0.01	▼1 (66.67 %)
FQ3 2024	0.02	NA	NA
FQ4 2024	0.05	0.00	▼2 (100.00 %)
FQ1 2025	0.04	0.00	▼3 (100.00 %)

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Call Participants

EXECUTIVES

Anna T. Chew
Executive VP, CFO, Treasurer & Director

Brett Taft
Executive VP & COO

Craig Koster
Executive VP, General Counsel & Secretary

Eugene W. Landy
Founder & Chairman of the Board

Samuel A. Landy
President, CEO & Director

ANALYSTS

Craig Gerald Kucera
Lucid Capital Markets, LLC, Research Division

Gaurav Mehta
Alliance Global Partners, Research Division

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

Merrill Hadady Ross
Compass Point Research & Trading, LLC, Research Division

Robert Chapman Stevenson
Janney Montgomery Scott LLC, Research Division

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Presentation

Operator

Good morning, and welcome to UMH Properties First Quarter 2025 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. 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 2025 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. First, we are devastated by the passing of our Director, KC Conway. KC was an exceptional friend, father, director, economist and so much more. He positively impacted every organization he was involved in, and he will be greatly missed by all.

UMH is pleased to report another solid quarter of operating and financial results. Our communities continue to experience strong demand, which is resulting in increased occupancy and improved community operating results. Normalized FFO for the first quarter of 2025 was $0.23 per diluted share as compared to $0.22 per diluted share last year, representing an increase of 5%.

Our strong financial and operating results have given management and the Board of Directors the confidence to increase our common stock dividend by $0.04 per share annually to $0.90 per share. This represents a 4.7% increase over last year. We have now increased our dividend for 5 consecutive years for a cumulative annual increase of $0.18 or 25%.

Our business plan has been proven to provide investors with enduring long-term value. The acquisitions and investments we have made in our communities have improved the overall quality of housing we provide, which has allowed us to increase occupancy through the successful implementation of our rental home and sales programs.

We are optimistic that we will continue to increase earnings and value through the occupancy of our 3,400 vacant sites, development of our 2,400 acres of vacant land, the increased profitability of our sales division and through the acquisition of existing communities and development of new communities.

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Given the housing shortage and our position in the industry, we believe we have positioned the company for success for many years to come. Our same-property results continue to meet our expectations. Rental and related revenue increased by 8%, expenses increased by 8% and community NOI increased by 8%.

Our expenses in the first quarter were elevated as a result of the difficult winter throughout our entire portfolio. That being said, we are pleased with the performance of our communities in this environment. Same-property occupancy increased by 113 units year-to-date and 227 units over the first quarter of last year.

The demand we are seeing at the community level should result in further occupancy gains throughout the remainder of the year. Gross home sales for the quarter were $6.7 million as compared to $7.4 million last year, representing a decrease of approximately 9.5%.

Included in last year's sales was the liquidation and sales of inventory at a sales center that was leased to a third-party operator. Excluding these homes liquidated or sold in the sales center, sales of manufactured homes for the quarter ended March 31, 2024, amounted to $6.4 million or 88 homes and cost of sales amounted to $4.2 million.

Our gross sales profit for the quarter was $2.3 million, and our net profit from sales was approximately $618,000. During the quarter, we sold 71 homes, of which 26 were new, averaging $151,000 per sale and 45 were used averaging $60,000 per sale.

Our sales results should continue to improve throughout the year as we enter our peak selling season and generate increased sales at our recently opened expansions. We continue to make progress obtaining approvals for expansion sites on our vacant land. We anticipate the development of over 150 sites this year. These sites are well located in markets where our existing communities experience high occupancy levels, rental rates and sales profits.

Our vacant land and these expansion sites give us a long runway to deliver organic growth for the foreseeable future. Expansions improve the community operating results as many of the community expenses are fixed. These expansions greatly increase the value of our communities while generating sales profits and improving our community operating results.

We have over $45 million invested in expansions that are not yet generating our expected yield on cost. As we sell homes and fill these sites, our occupancy rates, income and NOI should rise accordingly, resulting in our 2,400 acres of vacant land becoming valuable. We will continue to work on expanding our existing communities in addition to exploring selling our vacant land to single-family homebuilders or for other higher and better uses.

Our rental home program continues to perform as expected. We have strong demand throughout our portfolio and in many cases, have waiting list. Our rental home occupancy rate increased from 94% at year-end to 94.6% at the end of the first quarter.

During the first quarter, we converted 109 new homes from inventory to revenue-generating rental homes. We anticipate adding 800 new rental homes to our portfolio this year. Our turnover rates remain low between 20% to 30%. Our rental home repair and maintenance remains at approximately $400 per home per year.

On the acquisition front, we closed on the acquisition of 2 communities located in Mantua, New Jersey for a total purchase price of $24.6 million or $92,500 per site. These 2 communities contain 266 sites, of which 100% are owner-occupied. They are 5-star age-restricted communities that we are proud to add to our portfolio.

Our current acquisition pipeline contains 2 communities in Maryland that we hope to close in the second quarter, consisting of 191 sites that are approximately 76% occupied. The purchase price for these communities is $14.6 million or $76,600 per site. We continue to evaluate future acquisitions and hope to grow our acquisition pipeline in the near future.

We are still assessing the impact of tariffs on our business, but early indications are they will have a minimal impact on our business. We currently have over 650 homes on order with more than 500 homes delivered to our communities. The 500 homes are paid for, and we don't anticipate large price increases on the balance. These homes should allow us to rapidly increase occupancy at our communities.

Additionally, our rent collections remain strong and in line with our historical collection rates, application volume is up and sales demand is strong. We will continue to monitor the impact of tariffs and geopolitical issues on our business. But at the moment, all appears to be business as usual.

Over the past 1, 5 and 10 years ending December 31, 2024, UMH has been the top manufactured housing REIT. Our total shareholder return in 2024 was approximately 30% for 1 year, 51% over 5 years and 234% over 10 years. We have a proven track record of executing our business plan.

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Since 2020, UMH has increased its dividend by 25%. Our business plan has positioned us with 3,400 vacant sites and 2,400 acres of vacant land to continue our organic growth. This organic growth should allow us to generate similar earnings growth and operating results for years to come.

Additionally, with our strong balance sheet, we are prepared to execute on compelling acquisitions as they become available. The fundamentals of manufactured housing are strong, and UMH is well positioned to continue to grow through our established long-term business plan. And now Anna will provide you with greater detail on our results for the quarter.

Anna T. Chew
Executive VP, CFO, Treasurer & Director

Thank you, Sam. Normalized FFO, which excludes amortization and nonrecurring items, was $18.8 million or $0.23 per diluted share for the first quarter of 2025 compared to $15 million or $0.22 per diluted share for 2024, resulting in a 25% cumulative increase and a 5% per diluted share increase.

Rental and related income for the quarter was $54.6 million compared to $50.3 million a year ago, representing an increase of 8%. 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 9% during the quarter. This increase was mainly due to an increase in payroll costs, real estate taxes, snow removal and water and sewer expenses. Our same-property results continue to meet our expectations. Same-property income increased by 8% for the quarter and despite the 8% increase in community operating expenses, community NOI increased by 8% for the quarter from $30 million in 2024 to $32.5 million in 2025.

As we turn to our capital structure, at quarter end, we had approximately $606 million in debt, of which $476 million was community level mortgage debt, $29 million was loans payable, and $101 million was our 4.72% Series A bonds. Total debt was 99% fixed rate at quarter end with a weighted average interest rate of 4.39%.

The weighted average interest rate on our mortgage debt was 4.18% at quarter end compared to 4.17% at quarter end last year. The weighted average maturity on our mortgage debt was 4.2 years at quarter end and 5.1 years at quarter end last year.

In this volatile interest rate environment, the weighted average interest rate on our short-term borrowings was 29 basis points lower at 6.5% at the current quarter end as compared to 6.79% at quarter end last year. In total, the weighted average interest rate on our total debt was 17 basis points lower at 4.39% at the current quarter end compared to 4.56% at quarter end last year.

At quarter end, UMH had a total of $322 million in perpetual preferred equity. Our preferred stock, combined with an equity market capitalization of over $1.5 billion and our $606 million in debt results in a total market capitalization of approximately $2.5 billion at quarter end as compared to $2.1 billion last year, representing an increase of 18%.

During the quarter, we issued and sold 515,000 shares of common stock under the 2024 September common ATM program at a weighted average price of $18.21 per share, generating gross proceeds of $9.4 million and net proceeds of $9.2 million after offering expenses.

The company also received $2.6 million, including dividends reinvested through the DRIP. During the quarter, we issued and sold 49,000 shares of Series D preferred stock under the 2023 preferred ATM program at a weighted average price of $23.03 per share, which generated gross and net proceeds after offering costs of $1.1 million.

On March 5, 2025, the company terminated the use of the 2023 preferred ATM program and entered into the 2025 preferred ATM program, under which we may offer and sell shares of the company's Series D preferred stock having an aggregate sales price of up to $100 million.

At the time of such termination, approximately $16.5 million of Series D preferred stock remained unsold under the 2023 preferred ATM program. As of March 31, 2025, the company has not issued or sold any shares under the 2025 preferred ATM program.

Subsequent to quarter end, we issued and sold an additional 1.2 million shares of our common stock under the 2024 September common ATM program at a weighted average price of $17.89 per share, generating net proceeds after offering costs of $21.5 million.

As of April 30, 2025, 58.5 million of common stock remained eligible for sale under the 2024 September common ATM program. From a credit standpoint, we ended the quarter with net debt to total market capitalization of 23.1%, net debt less securities to total market capitalization of 21.8%, net debt to adjusted EBITDA of 4.9x and net debt less securities to adjusted EBITDA of 4.6x.

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Interest coverage was 4.1x and fixed charge coverage was 2.4x. In the beginning of 2025, we had 23 mortgages totaling $115 million due within the next 12 months, of which 10 mortgages totaling approximately $46 million were due in the first and second quarters of 2025.

During the quarter, we paid off 1 mortgage totaling $6.4 million with cash on hand. Subsequent to quarter end, we paid off 9 mortgages totaling $39.3 million and drew down $40 million on our unsecured revolving credit facility. We are in the process of refinancing these mortgages with Fannie Mae. These mortgages are expected to close in the coming weeks. We believe that proceeds from these refinancings will significantly exceed the $45.7 million in mortgages that were paid off.

From a liquidity standpoint, we ended the quarter with $35.2 million in cash and cash equivalents and $260 million available on our unsecured revolving credit facility with a potential total availability of up to $500 million pursuant to an accordion feature.

We also had $192 million available on our other lines of credit for the financing of home sales and the purchase of inventory and rental homes. Additionally, we had $30.3 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.

Our guidance for full year 2025 remains unchanged. We expect normalized FFO in the range of $0.96 to $1.04 per diluted share, a 7.5% growth at the midpoint compared to 2024's $0.93 per share. 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

Thank you, Anna. UMH is off to a solid start in 2025. Our communities continue to deliver stable and growing returns. We have access to equity and debt capital to invest in our long-term business plan and may be able to rapidly grow the company if compelling opportunities become available.

Demand for affordable housing in our markets and across the country remains 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 3,400 vacant sites to fill and 2,400 acres of land to develop. These vacant sites and vacant acres are increasingly valuable as the affordable housing crisis continues to intensify. These vacant sites and vacant acres are the key to driving organic growth for the next 5 years.

Within the next 5 years, we believe our communities should be full, and there will be limited lots available for additional expansion sites on which to place homes. The housing crisis and the inability for conventional builders to deliver housing at an affordable price point highlight the tailwinds between UMH and our industry.

UMH should achieve nearly 100% occupancy and make continued progress developing our expansion land. All of these items could translate to substantial earnings improvement, a stable income stream and an attractive valuation. UMH is a leader in the manufactured housing industry. We have worked with MHI and our manufacturers to improve our product and provide housing solutions in both rural and urban settings.

We have championed the duplex manufactured home, which allows us to increase density and provide affordable housing in more expensive markets. We have also worked with GAF to pilot a solar home where solar shingles unlike solar panels are installed at the factory and do not require drilling holes for mounting hardware as panels do. In addition, installing shingles at the factory greatly reduces the cost. Our country is 4 million homes short. And last year, we only built 1.3 million homes. Therefore, we needed an affordable housing solution.
We are working diligently to do more to help provide this housing and position manufactured housing as the preferred solution to the problem. We are proud of the progress we have made, but we must do more to combat the affordable housing crisis.

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Question and Answer

Operator

And your first question comes from Gaurav Mehta with Alliance Global Partners.

Gaurav Mehta
Alliance Global Partners, Research Division

I wanted to ask you on your rent growth expectations. Are you guys still expecting to see 5% rent growth that you've talked about in the past this year?

Samuel A. Landy
President, CEO & Director

Yes. At this moment, yes, the 5% rent increase notices get sent.

Brett Taft
Executive VP & COO

Yes. And we've had no issue year-to-date sending out the notices achieving our 5% increases. As we go throughout the year, our plan is still to push out a 5% increase. We're seeing strong demand at our properties. Rental demand is strong. Our sales pipeline is growing, and we don't think the 5% is going to be an issue.

Gaurav Mehta
Alliance Global Partners, Research Division

Okay. Second question, I think you talked about tariffs and it seems like you guys have preordered 650 homes. But I was wondering, if you were to order new homes today, are the prices up versus the prices that you guys ordered for preorder?

Brett Taft
Executive VP & COO

The prices are up a little bit, but not substantially yet. We've seen 3% to 5% price increases for manufacturers. But I think over the next month or 2 is where we'll really start to see the impact of the tariffs. As we always point out, we've done okay with higher prices, even though we'd prefer prices to be lower and it increases our return expectations, et cetera.

Our bigger concern here is supply chain disruptions and the inability to get the homes. We're renting homes for $1,000, $1,200, $1,400 a month. We're earning over 10% on our rental investments, which is clearly accretive. If prices went up a little bit, we'd still have an accretive use, but we carefully look at the locations we're putting rentals in and make sure that we're selecting the right product to the right lot in the right market.

Gaurav Mehta
Alliance Global Partners, Research Division

Okay. And then lastly, the rates for refinancing the mortgage, I think you talked about looking to refinance the mortgage at Fannie Mae this quarter. What kind of rates are you guys seeing now?

Anna T. Chew
Executive VP, CFO, Treasurer & Director

Well, the 10-year -- our rates are based on the 10-year treasury because we anticipate doing a 10-year loan. And those rates have stabilized a little bit. It's come down, as a matter of fact, a little. And because of that, we believe that the rates will be around the 5.5% to maybe 5.75%, but in that range. But we should know within the next few weeks because we will hopefully be closing within the next few weeks.

Operator

And your next question comes from Rob Stevenson with Janney.

Robert Chapman Stevenson

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Janney Montgomery Scott LLC, Research Division

Brett, just a follow-up on the same-store revenue question. On the expense growth on the same-store portfolio, are you seeing any notable upward pressure on real estate taxes or any other place on the expense side at this point in the year?

Brett Taft
Executive VP & COO

There's definitely been an increase in real estate taxes, a small increase, but an increase alone. There are some other properties we're looking at potentially appealing to hopefully reduce that number, but we're working on that currently. Just to go over the same-property numbers for a minute, we're pretty pleased with our 8.1% growth.

We think that as we continue to go through the year and occupy that inventory that we previously discussed, rental and related income should grow in excess of 8%. The community operating expenses were 7.8% increase over last year. And this was a very tough winter.

I know Sam mentioned it during his portion of the call, but snow removal expenses alone were up over $250,000. Add to that, you have overtime-related expenses, repairs and maintenance increased a little bit as well.

So snow removal really drove this number from what I expected to be in the 6% range up to 7.8%. Going forward throughout the rest of the year, we do expect that number to come down a little bit with the one caveat that we're assessing the impact of tariffs on the business.

Robert Chapman Stevenson
Janney Montgomery Scott LLC, Research Division

Okay. That snow removal is going to be my next question. And then I guess the question, you guys talked about duplexes and smaller units as well as solar shingle homes. Have you guys put any considerable numbers of those in the portfolio today? And how is it being -- if so, how are they being received by prospective tenants or buyers if there are going to be ones for sale rather than rent?

Brett Taft
Executive VP & COO

Yes. So on the solar shingles, we had our first 20 homes delivered to Friendly Village in Perrysburg, Ohio earlier this year. They have -- the first 10 just completed being set up, and I believe 7 of them are occupied. We've got deposits on the other 3. So the product looks great. There is demand for it.

We'll assess the impact of the energy savings and how our tenants ultimately do as time progresses and we get some real data there. The other 10 should be ready for occupancy soon. And in that location, we shouldn't have any issue filling them.

We've got approximately 5 duplexes that are fully set up at some of our Pennsylvania properties. They are mostly occupied. We're finalizing setup on one of them, but we haven't had any issues filling that. And we're working on some duplex orders for a location in Indiana and potentially that Friendly Village location.

Eugene W. Landy
Founder & Chairman of the Board

If I can add, manufacturing homes in a factory is much better than building in the field. And when we work with the GAF, they put things on in the field where they're dealing with individual homeowners. When you deal with the factory and you build in the factory, the cost is cut in half and the time -- it's 45 minutes to put on an entire roof with solar shingles. So it's the most efficient way to do it, and it makes a lot of sense, and we've done it as a test. And so far, the test is going well.

Robert Chapman Stevenson
Janney Montgomery Scott LLC, Research Division

What is -- at this point, what are you looking at as a potential premium for the solar shingle homes over normal shingle homes? And then what's the potential discount or lower pricing of duplexes versus the single-wides in your portfolio?

Samuel A. Landy
President, CEO & Director

It's not so much that we're looking for the return on the solar, but our residents earn between predominantly $40,000 and $80,000. And so what they can afford [Technical Difficulty].

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Operator

Pardon me, ladies and gentlemen, it looks like we have lost connection to our speaker line. Please stand by while we reconnect. Thank you for your patience.

Ladies and gentlemen, this is the operator. We have reconnected the speakers, and we will continue. Rob, please proceed with your question again.

Robert Chapman Stevenson
Janney Montgomery Scott LLC, Research Division

So sorry, I didn't know when you got me before it cut off. But the solar shingle homes, the premium there and how much cheaper are the -- are you renting out duplexes versus the normal sort of single-wides?

Samuel A. Landy
President, CEO & Director

Yes. So the purpose of the solar shingle, our residents earn between $40,000 and $80,000 per year. So if we can reduce their utility costs, we increase what they could pay for new homes, what they could pay for lot rent and what they can pay for home rental.

So it's not really so much that we expect to earn direct additional income from the solar, but we expect to increase our customer base, which the increased demand translates to increased profits.

And in the case of the duplex home, there's an amount you can get per lot. But if you reduce the cost per unit so that we can provide these 1,000 square foot homes that are now two 500-square foot, 1-bedroom units, instead of that lot in the house generating $1,000 per month, it can generate $1,500, $1,600 per month. So the duplex, you're going to get a higher return per lot. The solar shingles is predominantly to increase the consumer base by increasing affordability.

Eugene W. Landy
Founder & Chairman of the Board

If I can add a single -- an apartment for a single bedroom is about $325,000, $350,000 to build. And as Sam pointed out, it's 625-feet or may be less. And we're talking about producing a comparable 500 to 550-square foot apartment and the cost may be substantially less.

It's just amazing at what price we come in when we buy a unit for $75,000 and put it on our site. And basically, you cut it in two. So it's around 550-square feet, 1 bedroom and the cost is cut in half. So we're very excited about it, but it's really a new development that we helped pioneer a year, 2 years ago, and we're going to the major shows this year to see the newest models of the single-unit duplexes, and that could be a major, major housing breakthrough.

Operator

And your next question comes from Craig Kucera with Lucid Capital Markets.

Craig Gerald Kucera
Lucid Capital Markets, LLC, Research Division

I appreciate the color on the new versus used home sales this quarter. Can you give us a sense of what the gross margins are on sale for those 2 types? [Technical Difficulty].

Samuel A. Landy
President, CEO & Director

It can be substantially higher, but sales are remarkably strong predominantly because of the number of people who downsize who could sell their existing home, pay off their mortgage and have cash to retire to a downsized house for them, but a great house for us. And we've built expansions in the right locations. We're building new communities in the right locations. [Technical Difficulty].

Operator

Pardon me, ladies and gentlemen, it appears we have lost connection to the speakers. Once again, please stand by while we reconnect. Thank you for your patience.

All right. Ladies and gentlemen, we have reconnected the speakers, and we will proceed. Craig, please continue.

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Craig Gerald Kucera
Lucid Capital Markets, LLC, Research Division

Yes, I'll just repeat the question. It was a follow-up on sales just that you mentioned that they were very strong, but they were down year-over-year for the first time in a few years. And I just would be curious if you attribute that to a more difficult winter and sort of what you're seeing here in the second quarter as far as traffic and volume and sort of interest.

Samuel A. Landy
President, CEO & Director

The decrease was solely due to the fact that last year at this time, we had liquidated the Port Royal sales center. So that resulted in a high gross number, but there was no net on those sales. So it didn't affect the net. And at this moment, we believe sales are going to be better than ever for the year and the reason being the number of 55 and older people downsizing.

We've built expansions in great locations. We're building new communities in great locations. And all of this is going to translate into what we believe will be higher sales for 2025 than we've ever had before.

Anna T. Chew
Executive VP, CFO, Treasurer & Director

I just wanted to add, if you take out the sales from the sales and the liquidation of the sales center, actual sales for the quarter was up approximately 3%, 4%.

Craig Gerald Kucera
Lucid Capital Markets, LLC, Research Division

Okay. That's helpful. Anna, just changing gears, you mentioned that you thought you'd be able to refinance these mortgages that you paid off here in the first half of the year at 5.5%, maybe 5.75%. Can you talk about the interest rates on what is maturing both here in the first half of the year and during the remainder of the year?

Anna T. Chew
Executive VP, CFO, Treasurer & Director

Yes. I mean the interest rates are, of course, a lot better because it was 10 years ago. And the ones that we are paying off or that we have already paid off as of April 1, the average interest rate there was about 4% and the remaining is about 4%, I think 4.1% for the remaining for the year.

Again, we believe that even though we will have a little bit more of an interest cost, we believe that our operations, our rental income will all make up for the increase in interest costs.

Samuel A. Landy
President, CEO & Director

And just to go back on the sales, you can't take 1 month to predict the year, but Brett, tell us how April was.

Brett Taft
Executive VP & COO

April was fantastic. It looks like we closed about $4.4 million in home sales in April, which is up $2.5 million over April of 2024. And as we look forward and look at our sales pipeline, we've got about $4.4 million in our sales pipeline. Typically, it's between $3 million and $3.5 million. So given everything Sam mentioned about new home sales and our expansions and where we're opening and being in the right locations, we're starting to see some real good evidence of those sales occurring at profit margins that we're very happy with. And hopefully, we'll be able to achieve results like this throughout the rest of the year.

Craig Gerald Kucera
Lucid Capital Markets, LLC, Research Division

Got it. And just when you think about the appreciation in the properties that you are refinancing here in 2025, I guess, how are you thinking about mortgage debt as more of a primary source of funding here in 2025 versus the last couple of years where you leaned a little bit more on common and on the preferred?

Samuel A. Landy

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President, CEO & Director

So Anna, I'll let you answer, one second, but the appreciation is fantastic, doing exactly what we've always stated at the end of 10 years, the property is doubled. It's proven by the appraisals for the refinance. And so that doubles the amount of money you can take out of the same properties. But we've always been a conservative company, non highly leveraged, and we have very substantial internal growth plans through the addition of 800 rentals, approximately $70 million, the financing of 50% of our home sales, the construction of our expansions, potentially acquisitions and capital improvement. So all of that means we always need common equity, preferred equity and debt. But go ahead, Anna.

Anna T. Chew
Executive VP, CFO, Treasurer & Director

You are absolutely right. Regarding the value of the communities, they have doubled in value. If we look at what we did in 2023, we added -- we obtained mortgages of a total of 100 and -- I guess it's about $100 million. I'm sorry, $58 million, but the communities that were in those mortgages appraised for over $100 million, about $108 million.

Our total investment in those communities is only $52 million. So we more than doubled the value of the communities based on appraisals. Now we believe that the new appraisals for this upcoming refinancings will also show a large increase in the valuation of the communities.

We always look at the best possible ways to finance our needs. And that is, as Sam said, a combination of preferred, a combination of common and a combination of debt. Now it all depends on what we need, when we need it. We always need about $120 million to $150 million a year to finance our business plan, but that doesn't include acquisitions.

If we have additional acquisitions, we may need more. So we may -- that's why I said it all depends on the rates at the time. It all depends on what's going on in the market at the time. So we will assess what we need at the time we need it. And we love the ATM, and that's a great way of also raising capital when we need it.

Craig Gerald Kucera
Lucid Capital Markets, LLC, Research Division

Great. Just one more for me. I feel like over the last few quarters, you've been saying that this might be the year where you saw some larger acquisition opportunities out there, maybe some operators that were financial buyers and really didn't know what they were doing, and there might be a great opportunity for you or something along those lines. I guess, are you seeing any of those present themselves at this point?

Samuel A. Landy
President, CEO & Director

Well, without being specific, there is a certainty that many, many people went into real estate since COVID, bought properties. I've heard about people buying properties just looking at Zillow and buying properties without physically inspecting the property. So there's a lot of reason to believe it's going to be a good time to be a property buyer.

Operator

And your next question comes from Merrill Ross with Compass Point.

Merrill Hadady Ross
Compass Point Research & Trading, LLC, Research Division

I have 2 questions. The first one is on the Mantua acquisition of the 2 age-restricted properties. I think that's the first time in the many years that I've been following UMH that I've ever seen you buy 100% occupied property with no expansion sites available. Can you tell us if that was a one-off and what return expectations and what the drivers of those returns are to incorporate it?

Samuel A. Landy
President, CEO & Director

Thank you. Brett will tell you about the returns and the current return expectations. But the giant reason to do this deal, they're 100% occupied communities in great condition right in our market right where we already operate. And they're just outside of Philadelphia. And market rent there is easily $800 per month, but they have municipal rent control. But there's vacancy decontrol.

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And us as the operator will broker home sales and by brokering home sales, you'll get the existing resident a price that they're happy with. And so nobody will care that you're raising the rent to the new customer to market. So by taking care of the existing customer, you'll be able to bring the rent to the new customer to market. So there's a lot of upside in the deal. And Brett, go ahead about the current returns and what you expect.

Brett Taft
Executive VP & COO

Yes. So the in-place cap rate on that was about 5%, which is honestly a good rate for such high-quality properties. They're up there with just about any other properties in our portfolio or anybody's portfolio. So first-class 5-star communities. The average rent at the communities, to Sam's point, is only $629 a month right now. You've got a certain number of sites in there with rents in the $400 to $500 range, some in the $500 to $600 range.

So working carefully with our tenants will help them broker their home sales and increase those rents to market over time. Over 5 years, and again, a lot of it is dependent on exactly how many people decide to sell, move, leave the community for whatever reason and our ability to resell those homes, but we should be yielding in the 6.5% to 7% range. That does not include potential sales profits.

This is a very strong sales market. On occasion, we may get a home back that we can resell at a very nice profit margin. They're selling single-section homes for over $150,000 at the property and multiples close to $200,000. So -- and those are used homes. So it's just really opportunity driven. It came to us. They were first-class properties in a market or -- in our home state. So we took advantage of that and went forward with the acquisition.

Merrill Hadady Ross
Compass Point Research & Trading, LLC, Research Division

Great. So it could happen again, but it's kind of like lightning, right? At the way that is right?

Samuel A. Landy
President, CEO & Director

The reason it could happen more, our equity cost of capital has gone down, right? So SUN and ELS used to have all the advantage over us in the world because their equity cost of capital was 3% and ours was about 6%, but now our equity cost of capital has gotten into the 5% area. And so we can be a bidder on these perfect communities that are 100% occupied as long as we stick to wanting to see upside. But as long as we see upside, we can do that.

Merrill Hadady Ross
Compass Point Research & Trading, LLC, Research Division

Great. I had one more follow-up on the refinancing. I was just interested to know if the properties being refinanced at the GSEs also include rentals as well as owner-occupied because I think that is part of that innovative financing structure that you had a couple of years ago and maybe there's some follow-through with this refinancing.

Anna T. Chew
Executive VP, CFO, Treasurer & Director

Unfortunately, right now, the rental homes are not going to be financed. However, the rental -- the income from the site underneath the rental home is included in this refinancing. So although the homes are not included, the income from the site of these rental homes are included. So we believe that there was a change in the GSE thinking. But hopefully, we can change their mind again because we did win that battle a few years back. And hopefully, we will be able to do that again.

Samuel A. Landy
President, CEO & Director

Do you want to talk about this is the week of MHI in Florida and the potential HUD code.

Eugene W. Landy
Founder & Chairman of the Board

We're going to have the industry meeting in May in Florida, and we're honored to have the Secretary of Housing come to speak. And I'm sure when he comes, he's going to tell everybody what the new administration housing policies are. And traditionally, he's not going to bring bad news, he's going to bring good news. So we're looking forward to that.

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First of all, though, I must say that our relationship with HUD and the government-sponsored entities is excellent, and it is an amazingly good program for the country. The housing is a national need, and there's nothing better than having the government guarantee a good loan, and there is no category of loans that have a better history than first mortgages on manufactured housing communities.

So we -- our main source of financing will always be a 50% or 60% loan on our portfolio. And as our portfolio grows, we only have about $600 million in mortgages now. And if we were $2 billion, we'd be able to borrow $1 billion, $1.2 billion. And so we will have sources of capital under existing programs.

We're looking forward to the Secretary of Housing announcing new programs. We think that the rental homes included in our community should count as well. We have about $500 million in rental houses, which we own with some exception, we own a free and clear with minor exceptions on that.

And you add that to the value of our communities, we have a great base for being able to increase our debt for the purpose of buying new communities. So we're very optimistic about our financial strength and the ability to build new communities. So we look forward to the information we gather from the national meeting occurring on May 9, next week.

Brett Taft
Executive VP & COO

Next week.

Eugene W. Landy
Founder & Chairman of the Board

Next week, yes.

Operator

And your next question comes from John Massocca with Ladenburg Thalman.

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

That's the wrong bankers, it's B. Riley Securities. But anyway, going back to that last question a little bit, as I'm kind of thinking about the GSE financing and rentals, is it just that you lose some of the LTV on that financing because you can't include the homes? Or does it exclude all kind of communities with rentals in them or portions of communities with rentals in them? [Technical Difficulty]

Operator

Pardon me, John, it looks like we lost connection to the speakers. Let me bring them in again.

Ladies and gentlemen, the speakers have reconnected. And John, you may reproceed with your question.

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

So yes, just kind of going back to the last question on GSE debt. Just to clarify, you can still get debt on communities with rental housing on them. It's just the LTV would be lower because you can't include the actual physical home in kind of the loan value, correct?

Anna T. Chew
Executive VP, CFO, Treasurer & Director

That is correct. The -- my apologies. Our phone is kind of cutting in and out. But anyway, the number of rental homes is not an issue right now. If you look at a rental home, you have the income from the home itself and the income from the site rent. Combined, it's on average about $1,000 per month in our portfolio. What the GSEs are taking right now is the income from the site, which is approximately 50% of that total $1,000. And then that is what they are using as part of the collateral for the loan.

Samuel A. Landy
President, CEO & Director

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But that does not affect the value of the community. It just means they are not financing the home itself at this moment, which is a whole separate value. But the value of the community goes up because of the rental unit and because the vacant lot is now earning income.

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

[Technical Difficulty]

Samuel A. Landy
President, CEO & Director

I'm sorry, I couldn't quite hear that, but say it again.

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

[Technical Difficulty]

Samuel A. Landy
President, CEO & Director

I'm sorry, the connection is bad, so I can't figure out what the question was.

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

No, there's no question. Can you hear me now?

Samuel A. Landy
President, CEO & Director

Yes.

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

Okay. Kind of moving to the next question. As I think about kind of the mechanics of the refinancings, you've got another roughly $50 million, $70 million of debt maturing in the back half of the year. Are each of those kind of tranches of maturing debt going to be refinanced separately? Or would you end up taking out kind of all of it at once, if you will, in the next coming weeks, maybe kind of prefunding it, if you will?

Anna T. Chew
Executive VP, CFO, Treasurer & Director

What we are doing is we are already starting to talk about refinancings in the latter half of the year, in the third and fourth quarter. The ones that are -- we believe that we will be able to get GSE financing. But of course, these are communities that already have GSE financing on them. So we don't believe we should have a problem with getting GSE financing.

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

But I mean, essentially, it's not going to be -- is it going to be one big slug of debt here coming in the next couple of weeks? Or is it going to be kind of tranches over the course of the remainder of the year?

Anna T. Chew
Executive VP, CFO, Treasurer & Director

It may be tranches because they have different payoff dates, but it may be in one swoop. It depends on what the market is going to bear at that time.

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

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That's fair. And then lastly, as I think about adding new rental homes to existing communities, the 800 target you have out there, it kind of implies a pretty big ramp versus 1Q. Should we expect that to be concentrated maybe in kind of 2Q and 3Q, just given that's traditional rental season? Or could it be a little more variable over kind of the remaining 9 months of the year?

Brett Taft
Executive VP & COO

Yes, it's a good question. And in the first quarter, we did about 115 rental conversions, which we were happy with. But going into the second and third quarters, we've got all of that inventory delivered and being set up right now.

As you mentioned, the second and third quarters are our strongest quarters of the year, given the demand we're seeing at a property level, given the April numbers and the demand we're seeing with some of the waiting lists at our properties, we think we'll continue to see that ramp up through the second quarter into the third quarter and then have a stable fourth quarter. We still think we'll be able to hit the 800 number. But as time goes on, we'll update everybody accordingly.

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 August with our second quarter 2025 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 international (412) 317-0088. The conference access code is 3811796. Thank you, and please disconnect your lines.

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