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UMH Properties, Inc. NYSE:UMH

FQ2 2025 Earnings Call Transcripts

Thursday, August 7, 2025 2:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ2 2025-			-FQ3 2025-	-FY 2025-	-FY 2026-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS (GAAP)	0.04	0.03	(25.00 %)	0.05	0.14	NA
Revenue (mm)	65.97	66.64	1.02	67.22	263.32	NA

Currency: USD
Consensus as of Aug-07-2025 10:56 PM GMT

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- EPS (GAAP) -			
	CONSENSUS	ACTUAL	SURPRISE
FQ3 2024	0.02	NA	NA
FQ4 2024	0.05	0.00	(100.00 %)
FQ1 2025	0.04	0.00	(100.00 %)
FQ2 2025	0.04	0.03	(25.00 %)

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Call Participants

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Presentation

Operator

Good morning, and welcome to UMH Properties Second Quarter 2025 Earnings Conference Call. [Operator Instructions] Please note that 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.

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 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. Normalized FFO for the quarter was $0.23 per share for both the second quarter of 2024 and 2025. Overall, normalized FFO was up 16% or $2.6 million for the quarter and 20% or $6.4 million for the year. Our strong financial and operating results have given management and the Board of Directors the confidence to increase our quarterly common stock dividend by 4.7% from $0.215 per share to $0.225 per share, representing an annual dividend rate of $0.90 per share. We have now increased our dividend for 5 consecutive years for a cumulative annual increase of $0.18 or 25%. Our earnings per share were impacted by the issuance of $101.4 million of new GSE debt at a 5.855% interest rate. Subsequent to quarter end, we issued a new Series B Israeli bond at a 5.855% interest rate.

The capital raised sub-6% will be deployed accretively over time. We have capital needs of $120 million to $150 million annually, which we invest in our capital improvement new rental homes expansions and financing of home sales, most of these uses being accretive uses of capital. Over the past 2 years, we have relied on our common ATM to fund our growth initiatives. This year, we are utilizing our ATM less and debt more. In the long term, this debt will be repaid and the equity should increase in value. We currently have $150 million in capital available to invest in our growth initiatives.

Additionally, we are actively exploring acquisition opportunities, and we believe we will find compelling deals to deploy this capital, grow the company and ultimately grow earnings per share and our share price. UMH had an active and outstanding second quarter of 2025. The quarter was highlighted by the refinancing of 10 communities for gross proceeds of $101.4 million. These properties were appraised as part of the refinancing process. The appraised value of the 10 communities was $164 million or $82,000 per site.

UMH's total investment in those properties to date is just $67 million meaning that in 10 out of our 144 communities, we have created $97 million in value. The incredible takeaway from these results is that as important as FFO and FFO per share results are, it's as important to be aware of the value UMH adds to our investments in our communities. Our Marcellus and Utica Shale strategy, which

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began in 2011, and has resulted in substantial appreciation of the land, communities, homes and approvals we own in the area. Data centers, the Shell cracker plant, pipeline projects, new gas wells and electric generation plants, all create the need for more quality affordable housing. UMH owns 4,000 acres of land in 78 communities with 12,300 home sites in the Marcellus and Utica Shale areas.

Currently, we own and operate a total of 144 communities, including our 3 joint venture communities containing 26,800 developed home sites, 10,600 rental homes situated on 8,200 acres of land. The $10 billion Homer City gas-fired power plant located in close proximity to 4 UMH communities is demonstrating proof that our strategic investments in the energy-rich Marcellus and Utica Shale regions are working. This power plant will benefit the Pennsylvania economy and especially Western Pennsylvania, where we own 28 communities and where we have also seen increased interest in the leasing of our oil and gas rates.

Our Nashville and Southeastern United States strategy is also delivering occupancy increases, strong sales profits and increased property values. Our well-located communities with our strategy of creating quality affordable housing in communities of factory-built homes for sale or rent is generating industry-leading performance. As of July 18, 2025, UMH's total 2-year return was an industry-leading 17% and our 5-year total return was an industry-leading 76.7%.

During the second quarter, we increased total revenue from $60.3 million in the second quarter of last year, consisting of $51.5 million in rental and related income and $8.8 million in sales income to $66.6 million in the second quarter of this year, consisting of $56.1 million in rental and related income and $10.5 million in sales income. That represents an increase in quarterly total income of approximately 10%. For the 3 and 6 months ended June 30, 2025, rental and related income increased 9% from the prior year period and community NOI increased by 11% and 9%, respectively.

During the quarter, we increased same-property occupancy by 76 units over the first quarter and by 251 units over last year. Same property rental and related income increased by 8% and same-property NOI increased by 10% or approximately $3.1 million. Year-to-date, same-property rental and related income increased by 8% and same-property NOI increased by 9% or $5.6 million. Our same-property operating expense ratio for the quarter fell to 38.2% as compared to 39.4% last year. Our rental home occupancy was 94.4% as compared to 95% last year. During the quarter, we converted 190 new homes from inventory to revenue-generating rental homes. Year-to-date, we have converted 305 new homes from inventory to revenue-generating rental homes. We currently have 450 homes on site with 145 ready for occupancy and another 300 being set up and an additional 200 homes on order that have not yet been delivered. We anticipate by the end of 2025, we will have added 700 to 800 new rental homes.

Sales of manufactured homes continues to grow, driving additional sales profits. Gross sales for the quarter were a sales record at $10.5 million. For the 3 and 6 months ended June 30, 2025, sales of manufactured homes increased by 19% and 6%, respectively, from the prior year period. Gains from the sales for the quarter was $1.5 million or 14% of total sales. Gains from the sales for the 6 months was $2.2 million or 13% compared to $1.8 million or 11% last year.

We acquired two New Jersey communities on March 24, 2025, consisting of 266 lots, which are 100% occupied and subsequent to quarter end, we acquired 2 Maryland communities consisting of 191 lots, which are 79% occupied. Year-to-date, we have closed on 4 communities containing 457 sites for a total purchase price of $39 million. We continue to evaluate future acquisitions and anticipate growing our acquisition pipeline in short order. We continue to invest in greenfield development through our joint venture with Nuveen Real Estate. We have made progress filling our 2 Sebring, Florida communities and have recently opened our third joint venture community, Honey Ridge in Honeybrook, Pennsylvania.

Honey Ridge is a 113 site community that officially opened in June. Sales traffic is incredibly strong and the homes are selling as we set them up. We anticipate our investments in a joint venture to generate increased cash flows and improve results as we continue to fill the communities.

We invite you all to come to the Innovative Housing Showcase on September 6 to September 9 in Washington, D.C. on the National Mall where we will be showing 3 of our homes. These homes will be a rich craft multi-section home, a champion single-section home, both homes with factory-installed GAF solar shingles, factory-installed solar batteries and factory-installed car chargers and [Cavco] multi-section home to highlight the upcoming possibility of 2-story HUD code homes.

We are excited about HUD's desire to solve the affordable housing crisis by breaking down zoning barriers and providing incentives for more manufactured home community development with easier to obtain lower cost financing. The Big Beautiful Bill made opportunity zones a permanent structure, which could enable UMH to improve and build more communities within opportunity zones. UMH's current opportunity zone fund has grown its annualized revenue from a year ago by more than $900,000. These results demonstrate the potential growth impact of opportunity zones. We view our 3,100 vacant lots and 2,300 acres of vacant land, 349 fully entitled lots, 406 completed and constructed lots and 500 lots in the approval process has incredible opportunities to increase rental revenue, sales revenue, finance and insurance revenue and increased value in FFO per share.

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This organic growth should allow us to generate earnings growth and improve operating results for the 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 grow through our established long-term business plan.

And now I turn it over to Anna to discuss our second quarter results.

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

Thank you, Sam. Normalized FFO, which excludes amortization and nonrecurring items, increased 16% from $16.8 million for the second quarter of 2024 to $19.5 million for the second quarter of 2025. Normalized FFO per diluted share amounted to $0.23 for both the second quarter of 2024 and 2025. Sequentially, normalized FFO increased 3% or $632,000 from the first quarter of 2025. Rental and related income for the quarter was $56.1 million compared to $51.5 million a year ago, representing an increase of 9%. This increase was primarily due to an increase in same-property occupancy, the addition of rental homes and increase in rental rates and the purchase of 2 communities at the end of the first quarter of 2025.

Community operating expenses increased 7% during the quarter. This increase was mainly due to the two communities purchased at the end of the first quarter of 2025 and increase in payroll costs, real estate taxes, snow removal, water and sewer expenses. Our same-property results continue to meet our expectations. Same-property income increased by 8% for the quarter, while same-property community operating expenses only increased by 5%, and resulting in an increase in same-property community NOI of 10% for the quarter from $30.9 million in 2024 to $34 million in 2025.

As we turn to our capital structure, at quarter end, we had approximately $659 million in debt, of which $530 million was community-level mortgage debt, $28 million was loans payable and $101 million was our 4.72% Series A bond.

Total debt was 99% fixed rate at quarter end with a weighted average interest rate of 4.63%. The weighted average interest rate on our mortgage debt was 4.52% at quarter end compared to 4.17% at quarter end last year. The weighted average maturity on our mortgage debt was 5.4 years at quarter end and 4.8 years at quarter end last year. In this volatile interest rate environment, the weighted average interest rate on our short-term borrowings were 37 basis points lower at 6.44% at the current quarter end as compared to 6.81% at quarter end last year. In total, the weighted average interest rate on our total debt was 7 basis points higher at 4.63% 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 $1.4 billion and our $659 million in debt, results in total market capitalization of approximately $2.4 billion at quarter end as compared to $2.1 billion last year, representing an increase of 13%.

During the quarter, we issued and sold 1.8 million shares of common stock under the September 2024 Common ATM Program at a weighted average price of $17.60 per share, generating gross proceeds of $31 million and net proceeds of $30.3 million after offering expenses. The company also received $2.2 million, including dividends reinvested through the DRIP.

During the quarter, we did not issue and sell any shares of our Series D preferred stock under our 2025 Preferred ATM program, and we currently have $100 million eligible for sale under the 2025 Preferred ATM program. Subsequent to quarter end, we issued and sold an additional 160,000 shares of our common stock under the September 2024 Common ATM program at a weighted average price of $16.99 per share, generating net proceeds after offering costs of $2.7 million. We currently have $46.7 million of common stock remaining eligible for sale under the September 2024 Common ATM program.

From a credit standpoint, we ended the quarter with net debt to total market capitalization of 24.1%, net debt less securities to total market capitalization of 22.9%, net debt to adjusted EBITDA of 4.8x, and net debt less securities to adjusted EBITDA of 4.5x. Interest coverage was 3.8x and fixed charge coverage was 2.3x. During the quarter, we paid off 11 mortgages totaling $43.1 million with cash on hand. In addition, as Sam mentioned, during the quarter, we completed the addition of 10 communities to our Fannie Mae credit facility for total proceeds of $101.4 million.

This interest-only loan is at a fixed rate of 5.855% on with a 10-year term. As part of the refinancing process, a certified appraisal was conducted and concluded that these 10 communities appraised for $164 million, whereas our total investment in these communities is $67 million, demonstrating an increase in value of $97 million or 146% and from our cost basis on these 10 communities.

Subsequent to quarter end, on July 22, 2025, we sold $80.2 million of 5.855% on Series C bonds that are due in 2030. The net proceeds of the sale of these bonds after deducting offering discounts, fees and other transaction costs were $75.2 million. On July 8, 2025, we amended our $35 million revolving line of credit with OceanFirst Bank to extend the maturity date to June 1, 2027.

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Interest is at prime with a floor of 4.75% and is secured by our eligible notes receivable. From a liquidity standpoint, we ended the quarter with $79.2 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 $194 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 $30.2 million in our REIT securities portfolio, all of which is unencumbered. The portfolio represents only 1.4% 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. At this time, we are not updating our full year 2025 guidance. 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 a leader in the manufactured housing and affordable housing industry. We believe that our years of hard work will lead to a favorable legislative changes that will allow us and the nation to increase the supply of affordable housing while generating industry-leading returns. Our mission to provide quality affordable housing is an important and worthwhile cause. Recent changes in the HUD code allow duplexes, triplexes, quadplexes and potentially 2-story homes. These changes greatly increase the value of our existing investments and have made new investments where land costs are higher and affordable housing is needed more attractive to us.

Additionally, we are proud of our partnership with GAF to install solar shingles at the factory. Factory production should reduce the cost of solar shingles and thereby utility costs, further benefiting our tenants. We have seen positive proposed revisions to the opportunity zone laws that may make raising capital for opportunity zones easier. We are excited about the future of the industry and plan to utilize these recent developments to benefit all of our shareholders and further grow the company.
Operationally, the foundation we have laid over the past few years has positioned the company to generate outstanding results for the foreseeable future. Our communities continue to report strong sales demand, growing occupancy and more efficient operations. We continue to develop our vacant land, which, over time, will increase the value of our communities and our company. We plan to be active on the acquisition front as compelling opportunities become available. UMH is poised to grow the company in our earnings because of our past achievements and the efforts of our sensational team. Managing a large portfolio of manufactured housing communities is not an easy task. We value all of our partners, bankers, shareholders and residents. Each of you is a critical part of our current and future success.

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Question and Answer

Operator

[Operator Instructions]

And your first question today will come from Gaurav Mehta with Alliance Global Partners.

Gaurav Mehta
Alliance Global Partners, Research Division

I wanted to follow up on your comments. I think you said that you're not updating 2025 guidance. Does that mean you guys are withdrawing the prior guidance or the prior guidance still holds?

Samuel A. Landy
President, CEO & Director

The low end of the prior guidance should hold based on current results. But in addition to that, I think it's very important that everybody understands in manufactured housing, there's going to be BT and AT and BT stands for Before Scott Turner, and AT stands After Scott Turner. And Scott Turner and HUD are working on dramatically improving the finance available to the retail customer. So we remain incredibly optimistic about our ability to sell homes, increase gross sales and increase profit. And based on all of this, we see no reason to change guidance at this time. And so we're leaving guidance with the statement, maybe we'll hit the low end, but nobody knows that because we've built great expansions in great locations and new communities in great locations, and $0.01 equals $840,000. We're trying to make a lot more than that. So let's see what happens.

Gaurav Mehta
Alliance Global Partners, Research Division

And so what are some of the -- I guess, the drivers of, I guess, the change, your -- I guess, not so much confidence in the prior guidance? I guess -- is it the capital, the debt that you raised and timing of the deployment or I guess anything on the rent growth side that you guys are seeing?

Samuel A. Landy
President, CEO & Director

Well, go slow, we are confident in the low end of the guidance, okay? We're very confident in the low end of the guidance. The chances are in the third and fourth quarter will grow earnings per share, which will get us to the low end of the guidance. Realize we're currently at [indiscernible], yes. And so based on the quarterly, if we just go up $0.01 per quarter for the third and fourth quarter, we're going to hit those numbers, and there's a potential of going up more than that. And so it would be silly for us to change guidance when there is a potential we could actually get to the higher end because this financing of the retail customer could result in a dramatic increase in the sale of existing rental homes, which will be all cash to us. So it's too interesting a time to reduce or withdraw guidance.

Gaurav Mehta
Alliance Global Partners, Research Division

Okay. Understood. And then maybe lastly, on the price of new homes? Have you guys seen any changes on where the new homes are coming in?

Brett Taft
Executive VP & COO

Yes. Prices of new homes are about where they've been. No material changes there. And I know we hit on it in our earnings call script, but we do have about 200 homes on-site, which are just about ready for occupancy. We continue to make progress getting all of those homes set up. We've got another 265 homes being set up and another 169 on order. Again, those homes we know what we're going to pay for them. We know exactly the rents we need to get to hit our 10% return on those rental units. And as we reported, demand is incredibly strong throughout our locations. We filled 305 new rental homes year-to-date.

In July, we actually converted 81 new rental homes from inventory to revenue generating rental homes. So that was actually the most that we've done all year. So we're seeing a lot of positive demand. We should continue to grow rental revenue. We're very comfortable

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with where our expenses are. And we see our same-property results continuing in the right direction, plus what Sam is saying on the increase in sales. So we're very confident operationally that we're going to get where we need to go.

Operator

Your next question today will come from Rob Stevenson with Janney.

Robert Chapman Stevenson
Janney Montgomery Scott LLC, Research Division

Have you finalized your plans for the Conowingo Court acquisition? And how many of those 142 sites are going to need to be having their homes removed in that process?

Brett Taft
Executive VP & COO

Yes. So again, we're happy to get that deal done. It was a long time coming. I think we had it under contract for 1.5 years or longer. We worked with the seller to complete improvements on the site. And we do expect to see some short-term occupancy decreases at Conowingo court. The property is 142 units. It's currently got 101 occupied sites. I don't want to go into too much detail as to what will be removed, but we believe, given the demand we see, given that the strength of the market there that we will pretty rapidly complete the turnaround process and start to grow occupancy there. That should not be a long-term value-add plan. A year, 2 years, we should have that property where we want it to be.

Robert Chapman Stevenson
Janney Montgomery Scott LLC, Research Division

How much do you expect to spend on the upgrades to the community infrastructure, not the rental homes and stuff like that, but anything that you're planning on doing in improving the community? How big of a CapEx spend is that likely to be?

Brett Taft
Executive VP & COO

Yes. So we're out there getting bids basically to complete some of the common areas, pave the street. The good news is the water and sewer lines have been completely upgraded through by the seller before the acquisition was completed. So now we're really just working on roads, possibly some amenities and more minor items. The bulk of that was completed and included in the sales price.

Robert Chapman Stevenson
Janney Montgomery Scott LLC, Research Division

Okay. And then are there -- other than this property, are there any others where you're spending any notable dollars for repositioning other than just to add rental units? Or is that process and the rest of the portfolio largely been done at this point and spent?

Samuel A. Landy
President, CEO & Director

The capital budget for the communities, to upgrade them is approximately $20 million, and that gets done through the course of the year. So there's still work to do. The reason we keep pointing out that the appraised value went up so much in the refinancing is, if you look at our 12-month increase in same-property operating income and you put that at a [5%] cap and then you subtract the investment in the property, the increased value to the company is $180 million or $2 per share. So people who are focusing on missing by $0.01, $840,000, are missing the boat because the appreciation and its appreciation and value add is $2 per share, and you're going to have the same results in the Conowingo properties.

Things don't happen immediately. We have to replace old homes with new homes, adding new homes, generate sales income. But it's going to work out, and it's going to be a great acquisition.

Brett Taft
Executive VP & COO

And just to highlight what Sam was talking about the capital improvement budget that we set forth annually does include the other major capital improvement projects throughout the communities. That will be water and sewer line upgrades, pavings mostly, in some cases adding club houses or other amenities, but that's all detailed in the capital improvement budget. So nothing outside of that repositions the existing communities.

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Robert Chapman Stevenson
Janney Montgomery Scott LLC, Research Division

Okay. But that is sort of essentially maintenance right, at the end of the day? Is it those -- the repositions are when you buy an asset and then empty it or reduce the -- get rid of units, et cetera, that's an addition to that, right, is it? That's not part of the sort of normal capital that you do?

Samuel A. Landy
President, CEO & Director

So the reason I don't see it that way. Maintenance is snow plowing, fixing potholes, repairs and maintenance to rental homes as they become vacant. Capital improvements give us the ability to increase rents and profits. That's repaving the streets; replacing waterlines, sewer lines; changing the signage; it's major improvements to the property that add value. So there's a separation between the two.

Eugene W. Landy
Founder & Chairman of the Board

And our policy is to continually upgrade communities. We have homes in there that may last 50 years, but then we replace them with better homes. And the exciting thing now is we may replace them with larger homes, 2-story homes. We have ability to really create affordable housing, but high-quality housing and the same thing with the operation of the park. People always view that if you have one person in the office and a maintenance man, that's a small park. We don't mind having two in the office and two maintenance people. Our policy is to upgrade and upgrade and provide affordable housing, but high-quality housing so that we improve the image of our business.

Robert Chapman Stevenson
Janney Montgomery Scott LLC, Research Division

Okay. Last one for me. Anna, how did the 5.855% that you got on the Israeli bond deal compared to where you could have priced the deal here in the U.S.?

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

I think if we look at the U.S. pricing, it would have been higher if you look at other people's unsecured debt, and those are for people who are like we -- in Israel, we obtained a AA rating from S&P Maalot. We wouldn't be able to do that here. because here, they depend a lot more on unsecured debt. And because we have Fannie and Freddie and the GSE financing at pretty low rates and pretty nice amortization, et cetera, we don't want to give that up.

Samuel A. Landy
President, CEO & Director

My comparison was the [Vornado] secured debt and our unsecured debt is at a lower rate than the [Vornado] secured debt.

Robert Chapman Stevenson
Janney Montgomery Scott LLC, Research Division

Okay. And then I guess the follow-up there is, I think that at the end of the day, did this Israeli bond deal, is this basically prefunding the, call it, $70 million of mortgages that are in the 2025 maturity schedule in the supplemental? Or are you planning on doing something else with that.

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

We are planning on doing other things with that. We are planning on refinancing some of the communities, not all of them through the GSEs. So...[Technical Difficulty]

Operator

This is the conference operator. It appears we have lost connection to our speaker line. Please stand by while we reconnect. Thank you for your patience.

Pardon me, this is the conference operator. I have reconnected the main speaker line. Please proceed.

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

My apologies. I wasn't sure where I left off.

Samuel A. Landy
President, CEO & Director

Rob, can you hear us? We'll go back to -- the phone cut out. So we don't know how much of our answer you heard. So we can go back and repeat it if that's where we are.

Operator

Pardon me. One moment please. Go ahead, Rob. Your line is now open.

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

Hey, Rob?

Robert Chapman Stevenson
Janney Montgomery Scott LLC, Research Division

Yes. Can you hear me now?

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

Yes. Thank you. Sorry, we had some technical difficulties.

Robert Chapman Stevenson
Janney Montgomery Scott LLC, Research Division

Yes. I think you were saying, Anna, that you were going to take the $70 million and do some with HUD and some other, do something else with that debt as well?

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

Yes. What we anticipate is we anticipate refinancing the other -- not all of the other communities, but only some of the other communities. So we anticipate another $70 million, I believe, in total between HUD or really Fannie Mae and an additional bank. So what will happen is we will have probably about 3 additional communities that will become free and clear. And as I said, in any 1 given year, we need about $120 million to $150 million in new capital. So -- in addition to any acquisitions that come about. So we wanted to make sure that we had enough dry powder to take advantage of those acquisitions. We see that it is opening up. We see some communities coming for sale. So we wanted to make sure we are able to take that advantage.

Robert Chapman Stevenson
Janney Montgomery Scott LLC, Research Division

Okay. I guess as a follow-up to that, is there anything that you guys have under contract at this point or think that is likely to be closed in the next 6 to 12 months here?

Brett Taft
Executive VP & COO

We're working on a few deals. We don't have anything under contract at the moment. We do anticipate putting a few properties under contract in the coming months. It's possible that some closed before the end of the year. But given that they're not actually under contract right now, it's uncertain. We are pretty happy with some of the deals we're seeing on the acquisition front. So I would expect us to grow the pipeline shortly. But again, given that nothing is under contract, I wouldn't want to guarantee anything.

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

Correct.

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Samuel A. Landy
President, CEO & Director

It's important to note, as we refer to all the time in our presentation, we need capital for the additional rental units, we need capital for the capital improvement. Sales are accelerating, and we use our own money to finance those sales. So you need money for that. And then you take the number of lots we referred to that we're constructing and that cost is approximately $100,000 per lot. And then you look at how many lots we have in the approval process. So there's a lot of need for capital and a common criticism was we were using the ATM at a low stock price, we were using the preferred at a high interest rate. And now we shifted gears and went to debt at a very favorable interest rate. So I think it should be a very favorable development.

Operator

And your next question today will come from Craig Kucera with B. Riley FBR.

Craig Kucera

You guys did a really good job of keeping a lid on same-store operating expenses this quarter. Can you talk about the outlook for the back half of 2025?

Brett Taft
Executive VP & COO

Yes, sure. Same-property operating expenses did come down in the second quarter, which we're very happy about for the year. Same-property operating expenses are 41%. Same-property -- sorry, as compared to last year at 41.9%. So a nice decrease there. We also -- as we had indicated, it was really rough winter and we had a lot of elevated snow removal costs. We anticipate same-property expenses to be in a similar range to where they were, which was growth of 4.7% over last year. They may increase a little bit.

But as we've told everybody throughout the year, we expect our same-property expense growth in the 5% to 7% range. In certain areas, we're looking at bringing on additional maintenance staff and things like that. But again, we do anticipate an acceleration in occupancy growth. I would expect our rental and related income to grow more than the 7.8% and. So even if operating expenses pick up a little bit, we anticipate community NOI being in that high single digit, low double-digit range.

Craig Kucera

Got it. That's helpful. Changing gears, Sam, in your commentary, you mentioned that you might be looking at doing maybe closer to 700 to 800 home deployments this year. I think earlier in the year, you were thinking -- you were pretty confident you would hit 800. Are you seeing any supply chain disruptions from the manufacturers? Or is it just really things are just going a little bit slower than initially expected?

Samuel A. Landy
President, CEO & Director

No, I don't think anything is going slower. The only thing possibly going slower, setup crews are a little bit of an issue, but we can get through that. And again, we remain confident. We want to be conservative, 700 to 800 units. Again, I would focus on the announcements coming from HUD pertaining to their exchange policies as to no frames on the houses, which allows you to go to two-story, adding significant value to many lots and programs they are working on today to result and people being able to buy their existing home for just 3% down with low interest rates.

So it's not finalized yet. But as I've always told you, 2001 was a major blow to manufactured housing when we lost the securitization of manufactured home loans, it got far worse in 2009 when the ability to repay laws kicked in. Industry shipments fell to 40,000. Scott Turner, the HUD Secretary, is working on reversing all of these things, improving the retail financing, improving people's ability to get new communities approved. So we remain very optimistic, especially about our ability to sell existing rentals at a cash profit because these new loans will generate cash.

Eugene W. Landy
Founder & Chairman of the Board

And Sam, we should cover those tax on tips.

Samuel A. Landy
President, CEO & Director

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No tax on tips is huge. So you have to understand that 30% of your income is what qualifies you for the loan. So the new rule of $25,000 in income can be tip income that you're not taxed on. So you pay FICA taxes. But anyhow, you're paying all other taxes. So $25,000 in income on a 6% amortization 25 years, is $100,000. So right now, with the letter from the employer, the restaurant, et cetera, saying this person has earned $25,000 in tips, we think we will soon be able to qualify them for $100,000 more in buying power they have. And if it's not $25,000 and $12,500, then they're going to qualify for $50,000. So this is absolutely the hugest development, which is why I keep harping on it and why it would be silly to change guidance based on $840,000.

Craig Kucera

I got you. Changing gears, I'd like to talk about your interest income. There was a sequential decline from the last couple of quarters. Is that just a function of some movement in your cash balance on hand throughout the quarter? Or have any adjustments be made to rates at UMH Finance?

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

Absolutely. What we've been doing is we raised the cash and then we do put it into money markets. But again, when we -- then we use the cash, but also rates have come down a little bit.

Craig Kucera

Okay. That's helpful. I guess, finally, how -- you mentioned sales were accelerating. How are they trending here in the third quarter? Is it a similar increase relative to the second quarter or maybe even better?

Brett Taft
Executive VP & COO

It's possible that it's better. I mean, Sam has laid out a lot of reasons why it may continue to improve. But with everything basically a similar sales environment to the second quarter, we're still seeing growth as we get some more positive traction at our expansions. We actually have over $5 million in our sales pipeline right now, which is an outstanding number, and I'm not quite sure I've seen it that high before. So that's very positive. We're also working through some older homes at some of our New Jersey properties, as people move out, we're able to recoup those lots and put new homes on there and generate sales profits and reset those rents to market.

And we are very happy with the progress we've made in our Cinnamon Woods expansion. We've got some expansions coming online in Tennessee, and we're really optimistic about the future of sales. Just pivoting back to the question about rental homes, briefly, I mentioned it earlier, but I want to mention it again, in July, we converted 82 homes in inventory to new rental homes, which was the most we have done all year. If you go back a few years when we did 1,100 rental homes, we were hitting 80 or 90 homes a month. So it's really nice to get back to that 80 number. With the homes we have being set up in the right locations and the demand, we think we can continue that. So we're hopeful that we get up to the 800 number, but we put the range at 700 to 800.

Samuel A. Landy
President, CEO & Director

I just want to repeat this again. We own 10,600 rental units. We bought the first rental units in 2011 at $40,000 a piece. Based on people's current rent, the sales price of those homes is going to exceed $60,000 on the oldest homes. And these new policies and here's a couple of them. Number one, we've got the licensed mortgage loan originators to agree that your monthly payment, what you're paying for a house, if you're in a $2,000 a month apartment and you're moving to $1,000 per month manufactured housing, that carries more weight than debt to income or a percentage of income. So that's huge. That's a huge new development in the last quarter. And then we just talked about how no tax on tips is going to increase their income. How?

I didn't talk about yet how we could credit their existing down payment on the rental -- to down payment the existing security deposit on a rental to down payment on a sale. So all of these -- and I don't know exactly how quickly with our lender we can -- when I say a lender, with our mortgage loan originator, how quickly we can implement these new policies. We're working on it. But as soon as those get implemented, as I see it, I'd be shocked if you don't sell 100 rentals within 6 months at $70,000 a piece, so $7 million in new sales with sales profit.

Operator

And your next question today will come from John Massocca with B. Riley.

John James Massocca

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B. Riley Securities, Inc., Research Division

Maybe going back to the guidance again. I know we touched on it a bunch, but it seems like based on some of your earlier commentary that maybe the ability to hit that guidance range is contingent on kind of ramping up sales of homes. Is that fair on my end? And I guess, what kind of gives you -- what kind of level of sales would you need to see to make guidance achievable?

Samuel A. Landy
President, CEO & Director

Well, I want to back up. Just based on increased rental income, right? I think it's very realistic to expect a quarter for the fourth quarter. That's just based on increase in rental income, then growing the potential for increase in sales income. Did I get everything right?

James O. Lykins
Vice President of Capital Markets

Okay. I mean there's a lot of variables there. There's the home sales, there is the speed with which we complete expansions, financing costs, acquisitions. So Sam talked about the confidence in hitting the lower end of the range. But to your question, yes, all of those things and others are going to impact whether or not we can hit the higher end.

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

Yes. So it sounds like maybe the lower end of the range is kind of achievable through kind of just run rate business. And then if you accelerate sales and obviously, the direct flow-through in terms of net profit that comes from that, you could reach towards the higher end of the range. Is that kind of a fair way of characterizing it?

Samuel A. Landy
President, CEO & Director

It's a fair way of characterizing it. And as we all know, we're making forward looking statements. We could be wrong, there could be a major recession, interest rates could rise. But assuming things go as we see them at this moment, I think that's a very realistic statement.

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

Okay. With that in mind, I guess, kind of your net income from selling homes, even though you had a record kind of top line quarter was down a little bit. Was that resulted -- is that a result of anything that was kind of maybe timing wise, as you build that inventory? Or just kind of what was kind of driving maybe the margin. If I look at kind of home -- sales of homes versus kind of what the cost was for selling them, margins kind of compressed a little bit, but I was wondering if that was driven by something else timing-wise or if there was something else going on there?

Samuel A. Landy
President, CEO & Director

On all expansions and new construction, when you get to the last phases, you earn the biggest profit. And you have to jump-start these things a bit, so the first phase may have lower markets.

Brett Taft
Executive VP & COO

No, that's exactly right. Last year, it was 38% gross margin. This year, it went down 32%. Historically, by the way, we're very happy with 32%. So the sales results to us are fine. But yes, that Cinnamon Woods and some other expansions we opened, we were selling at a 20% margin, which was reducing that overall margin down to 32%. But as we pointed out, the growth in the top line was there. And as we get further into these expansions, we do expect that gross margin to increase back hopefully into that 38% range, but time will tell.

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

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Okay. And is that just kind of like to borrow a terminology from like the multifamily and hotel space like a hedge and bet strategy, where you want to get people -- in the initial phase, you kind of have to offer a bit of a discount. But as the community fills up, you're able to be a little bit more aggressive on pricing?

Samuel A. Landy
President, CEO & Director

Absolutely 100%. People are fearful. When you first open, they don't know what's going to happen. You have to establish that you're going to fill this place, home values are consistent or going up. And then our history and our experience is the last phase sells out quickly at the highest price.

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

And then I mean, kind of bigger picture. You've mentioned HUD a bunch on the call. I guess the positive catalysts you're expecting to see there, should that flow through in the 2025 results? I mean it seems like by the time government gets active on things and that flows to the consumer, it might be more of a 2026 kind of tailwind, but just was kind of curious why the confidence that could be so immediately impactful.

Samuel A. Landy
President, CEO & Director

These things have already begun, and the Innovative Housing Conference is in early September. So I suspect you're going to see our results by the end of September. And we're the greatest form of quality affordable housing with communities for sale or rent. We have a HUD secretary that recognizes that. We have both parties in the Senate and the Congress who recognize that. We just think that the atmosphere at this moment is better than it's been since the 1990s. So we're very optimistic.

Operator

We'll conclude 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 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 replay will be available in approximately 1 hour. Thank you, and
please disconnect your lines.

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