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Craig Kucera: Thank you and good morning everyone for attending, here at REITweek 2018. My name is Craig Kucera, I'm the managing director and REIT equity research at B. Riley FBR. Today I'm very pleased to moderate a panel with a management team that I've known for a number of years, with UMH Properties. Today we have Gene Landy, Chairman of the company that he started, along with Sam Landy, Chief Executive Officer, and Anna Chew, Chief Financial Officer. Before we begin taking questions from the audience and a few questions I also have, I thought it might be useful to get a brief overview of the business, tell us what's going on, tell us what to look for, and what the state of manufactured housing is in the markets that you're in currently.

Gene Landy: Good morning, UMH is in the housing business, and we're in a wonderful sector of the housing business because the only way really to build a house is to build it in a factory. If you ever observe the house being built next door and observe a house being built in a factory, what a difference. In the factory you could work seven days a week, two shifts, and everything is mass produced and done on a very economical scale. When you build it on site, you have to move the materials on site, you have to schedule the trades, and it's much more efficient. We're in the affordable housing business, and nobody's in that business anymore. Even the major builders cannot build homes on the lower end and they don't want to build homes on the lower end. Would you rather sell homes for $500,000 and make $100,000 a home or build a home for $250,000 and make $25,000. It's a strong housing market, and the builders are all moving to the upper end and not the lower end. So we don't have enough affordable housing in this country and there is a shortage of affordable housing and we have been fortunate enough to pick that sector and the business is really, really good at this time. We're trying to satisfy the demand for housing. UMH has 20,000 sites, Anna how many parks do we have?

Anna Chew: 114

Gene Landy: I have trouble keeping up, we just bought a couple the other day, 114 communities and over 20,000 sites. So we probably have 60,000 or 70,000 people living our communities. Our job is to provide housing and we're going to continue to grow the company. We want to fill our parks and we're doing it right now by putting in about 800 new rentals a year that we buy from factories and the company is doing very, very well. We're very proud of the staff, the people that are here. Sam and Anna have done a wonderful job, and we are a REIT and we raise capital and we put the capital to work for affordable housing. We've been doing it for a long, long time and we've been through various business cycles. We're fortunate now that we're in a cycle where the demand for housing is growing, the economist, the experts, project that we need 1,500,000 units a year and we're only building about 1,250,000 units, so, there's a shortage of housing and the shortage will continue. So, we're looking forward to two, three, four, five years into the future that housing demand will continue to grow.

Now it's not easy in the manufactured housing industry, it's very hard to get approvals for new communities. In the finance end of it, the institutions like $500,000 home mortgages and they like $1 million home mortgages. Go try to get a $20,000 or $30,000 loan on a manufactured home, it's almost impossible. So, we need to find ways of financing homes and we have to have people who have jobs and the down payments for it and that situation is improving and continues to improve.

So, with that, I want to turn it over first to Sam and then to Anna. It's just remarkable how the company has grown. I don't know how many years ago we were only 7,000 sites and today we're over 20,000 sites, so we've tripled the size of the company. We're still too small, we're only about a $500 million market cap company and we, of course, would like to take it to a billion, and we'd like to go from 20,000 sites to 30,000 sites. But the basic business is so sound, it's so stable that we're very proud of what's been accomplished and we've been one of the best performing REITs over the decade. It's been a good company for the shareholders and we certainly, for society, fulfilled a worthwhile purpose. So with that, Sam, I turn it over to you.

Sam Landy: Thank you. So, the acceptance of our product is fantastic, we're adding 800 rental units a year. They're 1,000 square foot, 3 bedroom, 2 bath houses that we buy from the factory for about $30,000 and spend $10,000 setting up. So, for $40,000 we can provide a brand new, 1,000 square foot, 3 bedroom, 2 bath house and we rent that house out for about $8,000 per year at 20% gross, and we're maintaining better than 94% rental occupancy. When we look at these homes, they're gonna last 40 years or more.

That's a very good business model, it's how we turn around the communities we acquire, but at the same time, years ago we wanted to be a sales company. We built successful expansions, we sold homes, we made money on sales, and when you look at the history of this industry, so we have a presentation and there's a page six and there's a chart 'Cyclicality of Housing', and going back to 1992, if you compare US housing starts, multi-family housing starts, and MH shipments, MH shipments exceeded multi-family housing starts from 1992-1999. Then, multi-family housing starts exceed manufactured housing shipments, so, the giant question is, what caused that? It was really a one-two punch, and the first punch was the 1992 Affordable Housing Goals Act that required Fannie Mae and

Freddie Mac to make 30% of all mortgages to people of low income. So, all of a sudden manufactured housing, which never had any competition, had government subsidized competition. Then 1999, you have NAFTA that causes the loss of manufacturing jobs predominately in the northeast, so communities that were 90%+ occupied fell down to some communities that were acquired were as low as 54% occupied when we acquired them.

Until that time in the 1970s, Art Decio was featured on the cover of TIME magazine for bringing affordable housing to the masses. Warren Buffett bought Clayton Homes, and now recently, as things are starting to turn around, Bain Capital is buying Skyline Homes and merging it with Champion to become the largest home builder in the nation. So, this downturn, which lasts from, depending on how you count, 2006 all the way to date. People have really forgotten what manufactured home sales can be and what factory shipments can be. In 1999 factory shipments were about 300,000 homes per year. We fell to a low of 40,000 home shipments per year, we're over 100,000 home shipments per year again.

What becomes most important when looking at UMH, page seven shows the portfolio snapshot. So what we've learned over the years about the business: people accept the product, they accept the houses, whether they're for sale or for rent, higher incomes, higher down payments promote sales, so as people's incomes rise, as their job security increases, as they can sell their existing home for more money, they become more of a home buyer. But those things are just changing now.

The next important thing is where's your property, what's the location. On page seven we show you those locations. The governor of Indiana is now the Vice President of the country, that means Indiana is going to do well. Page eight, we show you the Marcellus and Utica Shale area, and that's doing great. We have a great product, a great location, and the regulatory environment, which killed this business, is now changing in our favor.

So now, Anna.

Anna Chew: As Gene mentioned before, we have grown substantially from 1968. In 2010 we had 28 communities with 6,800 sites. Now we have 114 communities with 20,600 sites. We have tripled our company since 2010, our total market cap is now $1.1 billion, which has doubled in three years. We've grown substantially, but we did not sacrifice our strong balance sheet. Our net debt to total market cap is 29%. Our net debt less securities to total market cap is 19%. Our net debt to adjusted EBITDA was 5.5 times and our fixed charge coverage was 1.7 times. To help fund our growth, we issued preferred stock. Our series A was issued at 8.25%, our series B was issued at 8%, our series C, which took out our 8.25% preferred was at 6.75%, which saved us about 150 basis points, or $1.4 million a year in preferred dividends. Just recently we issues a preferred D issuance, and that was at 6.375%. So we've been reducing our cost of capital as we've been growing, and we will continue to grow.

We have, in our pipeline, approximately $80 million in acquisitions to complete this year and next year. With that, we know we're in the housing business, we believe that housing will continue to grow, and as housing grows, UMH will grow, especially the housing in the affordable sector.

Craig Kucera: Thank you all. Just as a reminder this is an open forum, so if anyone in the audience does have a question please don't hesitate to raise your hand. Well, go ahead.

Speaker 5: Sam, most of the companies that I'm familiar with, when they make an acquisition, they are very proud to say it's immediately accretive to the bottom line. UMH, it seems, when you acquire parks, the occupancy rate is modest, 50%, 60%, 70%, so you're really not making money. How do you explain to the investing public your long-term investment when so much of the market place is short-term thinking?

Craig Kucera: The question is in regard to UMH's acquisition philosophy, in regard to longer term returns versus shorter term that are frequently found in other companies.

Sam Landy: So, the 90% occupied, very good condition communities, they're selling for a five cap. When we look at these, we think about what's the upside, they're already 95% occupied, how much can you raise the rent. The communities are going to retain the value, rents are going to increase. But when we're looking for opportunities, these communities with deferred maintenance, they haven't done their capital improvements in many years, they have older homes that need to be removed. We know it costs $70,000 a site to build a community, so when you're able to buy a community at about a seven cap with 30% vacancies, we know we have to remove homes, we're gonna reduce the income over a 2-3 year period, we're gonna increase the expenses by hiring better management, doing the deferred maintenance, additional marketing. But we also know that those things turn around the communities and in our presentation we give you a play-by-play, on page 17, showing you how turning around these communities adds revenue, adds net income, and adds incredible value to the properties.

That's what we do and we've been doing it for many years now and it's a formula that works. Brad Thomas just wrote this new Seeking Alpha article talking about how a shareholder in UMH can do better than 25% a year in the future. I think he's right, and he's right because of the value we add to these properties, because of the potential sales income we're gonna have in the future, and because the hardest thing to get in this business is vacant sites, to bring homes for sale, and to add rental income, and we own those vacant sites. We have 3,600 vacant sites that we view as opportunity. On top of the 3,600 sites we own about 1,600 acres of vacant land adjoining our communities that you could probably build four homes per acre, so that's another 6,000 sites.

So we have plenty of room for internal growth, and on top of that, the type of acquisitions we do exists because in the rust belt, your Indiana, Ohio, western Pennsylvania areas, there's still plenty of communities for sale that people have not turned around, that the existing owners don't have the capital to make these improvements, can't add the rental units, can't get the floor plan financing to provide homes for sale. So we have tons of opportunity. We have communities we've owned less than three years and we always point out it takes three full years to turn around the communities, so those communities are currently a drag on earnings but that's gonna turn around.

Craig Kucera: Next question

Speaker 6: When an expectant tenant comes to you, either as a buyer or a renter, what would you prefer him to do, to buy or rent, or do people do either?

Craig Kucera: Just to repeat the question that was posed to Sam Landy, if a potential person walks on the lot, would you rather have them buy or rent?

Sam Landy: So again, on the $40,000 investment we're gonna gross $8,000 a year for forty years, $320,000 on a $40,000 investment. It's hard to imagine anything better than that. It's a great business, we want to continue to do that. At the same time, a lot of those houses are starter houses. A couple of people they don't have two kids, maybe they have one kid, but, as the family grows, these people are likely to become buyers of your multi-section house. Again, in 2006 we sold $16 million worth of houses and made $2 million. We fell down to a low in 2009 of only $4 million in sales and started suffering about a $2 million a year sales loss. We're back up to approximately $12 million in sales, getting closer to break even, but we're three times the size we were when we did $16 million in sales, so I really think we have the potential to do both, continue to rent 800 homes a year, 800 homes add $6.4 million of new revenue per year, and we earn better than 50% on that revenue. On top of that, I don't see why sales can't go from 100 new homes a year to 300 homes per year. So the sales can go from $10 million to $30 million and potentially be earning $6 million on sales.

Additionally, all of our sales used to be internal, inside of our communities. We now own sales centers, we have people who are qualified and have the ability to do land home deals. So when you look at the map of our properties, we could become the best retailer of manufactured homes in the northeast, in each state we are. How could an individual retailer compete against UMH? We stand behind our product, we have qualified people to install the home, qualified sales people, so I think we could become a huge retailer in the northeast that everyone else is going to have to catch up to. That's our objective.

Speaker 6: I appreciate that. A little bit earlier you said that the average tenant pays $8,000 to rent per year on the average property. Is it cheaper for him to rent and pay the $8,000 a year or what would it cost if he bought? And can he expect any appreciation on the property or is that not part of the equation?

Sam Landy: So in that house, three bedroom, two bath single section house, when he first comes in, he's better off renting. The cost to rent per year is lower, but the rents are going to go up 4% per year. On $8,000, he's gonna go up $360 a year. But if he owned the house, only the lot rent would go up the 4%. The $4,000 would go up 4%, but the $4,000 that's the home payment, would not go up because he now owns the house.

So the buyer of the home, in a five year period, they've had their down payment, they are building equity, and at times the value of manufactured homes does appreciate. There's a curve to it, when a manufactured home is 30 years old, the newer home starts to be a better product. Everything depends on what housing prices and rents did, but in every house we sold before 2006, the buyer of that house could sell the house for more than they paid us for that house because the value of the houses were going up, those were new houses, they were less than 10 years old. But we watched it happen constantly where the person bought the house from us and three years later sold it for more than they paid us. So a person can build equity, make money, and even if the value doesn't go up when they sell they get their equity back. They can do well either way.

Speaker 6: So it is a litter cheaper to buy, right? Because if you factor in depreciation.

Sam Landy: Over a long period of time, it's less expensive to own the house and they'll do better. Yes, no question about that.

Speaker 7: Do you do any rent to own or any financing for the people?

Craig Kucera: The question is, do they do any rent to own or any financing for individuals.

Sam Landy: So this goes to the whole Dodd-Frank Safe Act, Truth in Lending. Rent to own is against the law, you're not allowed to do rent to own. One of the things UMH should be proudest of, 1999 no problem for anybody to get financing to buy a manufactured home. Green Tree, GE, people who lent on manufactured homes, they'd want to come to our communities, come to our offices, hold picnics, refinance the people who were there, provide loans on new homes sales, provide loans on used home sales. 2001 you have the crash, some people say it was lax lending, I say it's not lax lending, it's the other things I referred to that killed the business, because if it was just lax lending, wouldn't there be a second buyer. But now there's no securitization of manufactured home loans in 2001, you can't get financing for your buyers.

UMH said, you know what, we can finance and we could do better than any outside lender because as the community owner we see the collateral every day. If the person can't make the payments, we know it right away, if they're not taking care of the house, we know it right away, and we can go to court for non-payment of rent and get the house back, fix it up, and resell it. Where, as Green Tree operating out of a Pittsburgh office, they just couldn't take care of the house the way we could. So we started financing homes in 2001, probably originated $30 million in manufactured home loans, and even when things went bad in 2009 and homes came back to us, we never lost any money because we could fix them up, re-rent them, or sell them. So, financing homes is a great business.

Now comes Dodd-Frank, Safe Act, Truth in Lending, and the government says we can no longer use our standards. Our standards, were.. does somebody have 10% down, does 30% of their income cover lot rent and finance payment, and if they have bad debt, can they explain it to us. We did this all day every day, financing homes sales. Waiters and waitresses, they have cash income, they can't verify their income, but if they couldn't verify their income, instead of asking 10% down, ask for 30% down, and they'd give it to you and make the payment. You're not allowed to do that today, that's equity based lending, that's against the law. Now they have a standard 47% debt to income ratio requirement. Our buyers and our residents only need to earn $50,000 a year, 30% of $50,000 will cover the lot rent and finance payment on most houses we sell. But those people who earn $50,000 a year, their debt to income ratio, because of credit card debt, car debt, whatever, will exceed 47%. The government provides this blanket statement, you're not allowed to make loans to people whose debt to income exceeds 47%.

So we realized, back in about 2009, we couldn't finance home sales, we couldn't do anything, we were stuck, our hands were tied behind our back. And then Sun Communities started renting out homes, they rented out 9,000 homes, their stock went from $7 to $90 today. So UMH said, you know what, we'll rent out homes. We rented out 5,600 homes and continue to rent out 800 homes a year. But the pendulum is starting to turn on this financing. During this period of time, since 2009, we're selling an $80,000 product and we're not allowed to discuss monthly payment with the customer. So customer comes in, truck driver, say house is $80,000, well I don't have $80,000, well we're not allowed to say a word. That's it, that's the end of the conversation.

So now we're back to normalcy, President Trump just signed a law, we can discuss monthly payment again. So we can say to that person, your monthly payment on this house, your finance payment is $400, your lot rent is $400, for 10% down and $800 a month you could own this house. This only happened in the last three weeks. So now we can discuss monthly payment again, which is dramatically going to increase home sales.

I was one of 16 people who got to have breakfast with Dr. Ben Carson who understands the financing situation completely and understands, as bad as these laws hurt us selling homes, it was even worse for our resident who couldn't resell their house because they couldn't get financing for their buyer. He wants to fix all of these things, which will be fantastic for our industry. So yes, we finance home sales and we want to finance home sales. Right now we have to go through a third party to comply with all these laws, but we're perfectly capable of doing it ourselves.

Craig Kucera: Sam, in the vein of your last comment regarding what President Trump's recent actions have been, you mentioned earlier in your commentary that you make a lot more money renting the home than just selling it. Given that and the fact that you've pivoted over the last few years to rentals, do you feel that you're going to see any sort of a drop off in rental demand. And secondarily, is there such a delta between the cost of other rental options versus renting one of your homes that it really doesn't concern you if mortgage credit for manufactured housing loosens up.

Gene Landy: If I can on that, the information is readily available what it costs to rent one bedroom, two bedroom studio, three bedroom, four bedroom homes. You can go on the computer, and they will tell you exactly how many four bedroom homes or apartments are available in Pittsburgh and what the rent is. The differential between the conventional housing market and our housing market is amazing. We're renting for $700-$750 a month and you can't get a three bedroom apartment or three bedroom house anywhere in the country for less than $1,100 and downtown it costs $1,200. So the price advantage for UMH is very strong, so we see that we should be able to continue to rent. Occupancy is very high, I don't know if it's 96%, 97% on the 5,000+ homes we have, and our ability to get the rents we're charging.

Basically, we charge so little because we have to overcome people who aren't familiar with manufactured housing living, and that differential is enough to tip the balance in our favor, and we get strong demand throughout our parks.

Sam Landy: It's very important to understand the difference in the product between the house we rent and the house we want to sell. We can sell the same house we rent, which is the single section, 1,000 square foot, three bedroom, two bath house, and we could sell that for about $65,000 when it costs us $40,000. There was demand in the past, but there's not demand today. If you look at the cover of our presentation, the multi-section house, in 2006, we were selling that multi-section house with an attached garage in Somerset, Pennsylvania, the highest price we sold a house for was $230,000. We sold plenty of houses between $100,000 and $180,000 and that's the market that really hasn't come back yet. That market comes from, predominately, people 55 and older, would sell their house for about $300,000, they'd owe minimum amounts of money on their existing house, say $100,000, they'd have $200,000, they'd buy a house from us for $150,000 all cash, and put the rest of the money in the bank.

That buyer is slowly coming back, but again until their home price rises enough so that they'll have sufficient equity to come buy a house from us, that's still slow going. Then your workforce housing people, their incomes are just starting to rise, and until this problem of the existing owner not being able to finance his second buyer, until that's solved and people know that when they buy a manufactured home they can easily sell it and sometimes sell it at a profit, it makes sales difficult, which is why the rental business will stay so strong right now and until these things change a little bit.

Right now, increasing sales is a struggle, but back in our history, until 2006, selling homes was not hard, and it was a great business. We think that's going to occur again someday.

Craig Kucera: We have time for one brief question, we've got 45 seconds.

Speaker 8: So you do have significant amount of money tied up in rental homes and if part of that was financing wasn't available, when financing becomes available, would you imagine in the next couple of years you'd start to monetize that and actually have a sale that the tenant and a mortgage that would actually be profitable?

Sam Landy: Right, when they securitize the manufactured home loans again, at which Fannie Mae and Freddie Mac are working on right at this moment, securitization of the loans at lower rates. I believe we will be able to sell those houses, even if they're eight to ten years old. We paid $40,000 for them, they're going to be ten years old, the monthly payment will stay the same and they'll be paying $65,000 for the house, we'll make $25,000 a house, we own 5,600 of them, so yes, we could sell some at that point.

Craig Kucera: Yep, thank you all for your time today, we really appreciate it. Thank you.