

# DEAR FELLOW SHAREHOLDERS

During 2018, UMH continued to successfully execute our long-term business plan. We grew our portfolio of manufactured home communities by 7% to 118 communities containing 21,500 developed homesites. Our total revenue increased by 15% to \$130 million. This growth was primarily driven by a 12% increase in rental and related income and a 45% increase in sales revenue. Community net operating income increased by 13%. This strong operating performance resulted in a 12% increase in our normalized FFO per share this year.

Our focus at UMH is on creating long-term value. Manufactured home communities are one of the most difficult property types to obtain construction approvals. Therefore, because new supply is so hard to come by, each and every one of our assets effectively has a moat around it, making it extremely difficult to replicate a real estate portfolio such as ours.

Looking back over our 51-year history, our growth has been extraordinary. Over the past 25 years, we have made substantial investments in growing our property portfolio and expanding our existing communities. During this time, our communities have become younger as we have replaced older homes with new ones. This rejuvenation process is a hallmark of our property type. Because our assets are irreplaceable, it is imperative to us that we make the necessary capital

improvements in order to create communities that our residents are proud to call home. I am extremely grateful to our management team for looking after our communities and our residents with the utmost care. Looking forward to the next 25 years, we plan to continue to modernize our communities, complete significant expansions, and grow our Company in every way.

Our manufactured home communities are situated on 6,400 acres of valuable land. This includes 3,300 acres in the energy-rich Marcellus and Utica Shale regions. As anticipated, the vast oil and natural gas reserves in these areas have become substantial economic catalysts that are creating significant prosperity and growth here. We believe we are still in the early stages of this energy bonanza and as a result, we look forward to very strong demand for decades to come. The American Petroleum Institute projects employment increases in Ohio and Pennsylvania of 138,000 jobs per year through 2035. If this is actually achieved, it will be a game changer for these states.

Our 6,400 total acres also includes 1,700 acres of future expansion and development land. The existing communities predominantly contain 50' x 100' lots. The value of our land and housing units increase every year. Throughout America, the shortage of affordable housing is a growing problem. Over the past seven



**OUR TEAM**

years, UMH has added 5,600 rental homes to our communities and we are confident that we can increase our income streams further by continuing to fill our 3,900 vacant sites in the years ahead.

Looking out over the long term, we are confident that with the proper care, our portfolio of properties will consistently generate meaningful growth in revenue, income, and asset value. All growth involves risk and our job is to responsibly take that risk and carefully create long-term value for our shareholders. We have been successfully doing that for the past 51 years. Because management has a substantial amount of what is often called, “skin in the game,” investors should take comfort that our interests are well-aligned, and that our conservative philosophy will guide our decision-making process going forward.

Looking at the year ahead, we have budgeted a 4% site rent increase for 2019, and we expect to install and rent an additional 800 rental homes. This should result in total revenue growth of approximately \$10 million. Our net operating income should increase by \$6 million. We are happy to report that 2018 marks our sales division’s return to profitability for the first time since 2006. We are optimistic that our increased home sales will continue into 2019.

Our mission at UMH is to provide quality affordable housing. UMH has responded to the affordable housing crisis by providing a 1,000 square foot, three bedroom, two bathroom home on a 5,000 square foot lot for monthly rent as low as \$750 per month. This compelling value proposition is driving our strong growth.

Since 2010, we have acquired 83 communities containing approximately 13,600 homesites for a total purchase price of \$407 million. During this same period, we have grown our rental revenue by approximately 308% from \$27.9 million to \$113.8 million. Our net operating income has increased by 368%, from \$13.0 million in 2010 to \$60.9 million this year. To achieve these results, each year we filled vacant sites, completed new acquisitions, and reduced our overall operating expense ratio. All of this progress resulted in UMH becoming a stronger and more valuable Company.

Capitalization rates across most commercial property types have been on a steady downward trend throughout the past decade. This has resulted in rising property values for most commercial real estate

sectors. However, no commercial real estate sector has experienced the substantial cap rate compression that our sector has. Investing in real estate is a total return equation. The income that our shareholders receive through our quarterly distributions is one component of the total return, while the price appreciation of the underlying real estate is the other. We look forward to growing both of these components in the years ahead.



**SAMUEL A. LANDY**  
*MHI Congress and Expo*

Visiting our communities, we are very proud of the job we have done acquiring, expanding and upgrading these properties. Even more satisfying is watching our associates grow with the company as their responsibilities and duties evolve. We have created quality, long-term careers for a substantial number of people, and we are extremely proud of the job our employees have done creating value for our shareholders.

Our founder, Eugene Landy recognized the need for UMH Properties 51 years ago. Over the next 25 years, by adhering to his culture of integrity, entrepreneurship, hard work, respect for our shareholders, residents and all of our associates, we will continue to find ourselves very pleased and proud of our many accomplishments.

Very truly yours,

**SAMUEL A. LANDY**  
*President and Chief Executive Officer*  
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