

DEAR FELLOW SHAREHOLDERS

Providing quality affordable housing is now the mission of the Federal government and many state and local governments. By owning and operating manufactured home communities, UMH Properties, Inc. has been providing this housing for the past 52 years.

We have learned a lot about our residents and affordable housing during that time. Most importantly, we have learned that the residents who live in our communities are hard-working people seeking, above all, housing that they can afford. These people value their privacy and deserve respect. They desire to live in well-maintained communities where their families can flourish. When we manage our communities with pride, they manage their homes and the surroundings with pride. Providing housing and quality communities for them is our pleasure.

We have also learned about the fear and NIMBYism that unfortunately comes with providing affordable housing. These misperceptions result in the creation of giant barriers that greatly impede new construction for all types of housing. UMH is proud to be a leader in the ongoing efforts to break through these barriers and build more affordable housing.

UMH reacted to the strong demand for affordable housing and the tremendous constraints on supply by making the decision over ten years ago to acquire communities with a substantial amount of vacancy.

Purchasing communities with a large vacancy factor allowed us to add significant value by implementing our business plan of investing time and capital in improving these communities, which has resulted in improved community operations. As a result of our long history in the industry, we knew it was easier to buy communities with vacancy and fill them than to attempt the next to impossible task of greenfield development of new communities.

Our community portfolio now consists of 122 communities containing 23,100 developed homesites. Our community occupancy rate is now 82%, leaving us 4,200 vacant sites to fill and grow our income. Once occupied, these sites will generate over \$20 million in annual site rent plus potential sales profits from homesales.

Our portfolio also contains 1,700 acres of undeveloped land. Most of this substantial land bank, much of which resides in the energy rich Marcellus and Utica shale regions, adjoins our existing communities. We believe professional planners recognize that when a municipality needs to expand its supply of affordable housing, the best location to do so is adjacent to the existing areas that are serving this need. Invariably the best developer to supply this demand is us, as UMH is the tried and true provider of quality affordable housing in the areas in which we operate. While developing our 1,700 acres of undeveloped land can



OUR TEAM

yield nearly 10,000 new homesites, this will happen gradually over time.

The most direct path to increased profitability is achieved by filling our 4,200 existing sites.

Our plan to fill our 4,200 vacant sites is as follows:

1. Improve the communities

Most communities we acquired were virtually 100% occupied from the time they were built in the 1970's until about 2001. The loss of manufacturing jobs then caused vacancies and foreclosures. Those vacancies resulted in very few, if any, improvements being made to these properties right up until our purchase. All of our acquisitions have a robust improvement plan involving upgrades to the infrastructure, amenities and general well-being of the community. This is the first and most important step in improving the reputation of a property and creating a better quality of life for our residents.

2. Provide brand new homes for sale or rent

UMH has adapted to the stringent changes in finance laws by renting homes. These new rental homes enhance the aesthetics of our communities which results in increased demand for our homesites.

3. Provide intelligent marketing and strong management

UMH strives to provide safe, high quality, affordable communities so that our residents are confident that they made the right choice in buying or renting a home from us.

Our conservative principles and long-term focus form the key pillars of our 52-year track record of success.

The success of our business plan is depicted by our same property results. Our same property revenue was up 7.0% or \$7.8 million this year, and our same property NOI was up 6.4% or \$4 million. Same property occupancy at year end was 83.8% representing a 160-basis point improvement over 2018. Our same property occupied site count increased by 333 sites and we added 677 rental homes to our same property pool. Same property operating expenses rose 7.6% as we continued to improve our communities and bring them up to our standards. The 6.4% increase in same property NOI, when valued at a 5% market cap rate equates to an increase in portfolio value of \$80 million. We anticipate continued strong growth in our same property NOI going forward.



SAMUEL A. LANDY

MHI Innovative Housing Showcase

Our Normalized FFO for 2019 was \$0.63 per share which is down from \$0.74 per share in 2018. The two primary causes for this decline were a \$2.8 million reduction in dividend income from our REIT securities portfolio, and the added preferred dividend expense from the \$100 million increase in our 6.75% Series C Preferred Stock that we issued in April of 2019. While the dividend expense from this offering hit our income statement immediately, it takes time for these funds to be fully deployed. The combination of these two items had an impact of over \$5 million on our FFO, representing \$0.13 per share. The capital raised from our Series C offering has now been deployed which we expect will positively contribute to our earnings in 2020.

At year end, we owned \$116.2 million in REIT securities earning 6.3% in dividend income. While 2019 was a difficult year for our securities portfolio as dividend income fell by \$2.8 million, since 2010 our securities portfolio has generated \$52.1 million in dividend income and an additional \$18.7 million in realized gains. This represents a very satisfactory long-term return on capital. Additionally, our securities portfolio provides us with needed liquidity.

Our issuance of preferred stock and common equity is what allows us to grow assets and income. Increasing our per share earnings is our goal and this new capital will be deployed accretively. In 2019, we acquired four communities containing 1,500 sites for \$56.2 million. These acquisitions will result in long-term value creation for our common shareholders. A good example of our success in this regard is demonstrated by the recent refinancing of our Twin



LAKEVIEW MEADOWS
Lakeview, OH

Oaks community. We acquired this community in 2012 for \$4.4 million. Twin Oaks was acquired with a mortgage for \$2.8 million at an interest rate of 5.75%. This year, the community appraised for \$8.1 million and we refinanced it with a new \$6.1 million mortgage at an interest rate of 3.37%. This is but one example of the substantial capital appreciation that our assets generate.

Our sales operation enjoyed another good year in 2019. Gross sales increased by 14% to approximately \$18 million. We sold a total of 299 homes at an average price of \$60,000. We financed 64% of these homesales and now own a portfolio of approximately \$36 million in chattel loans at a weighted average interest rate of approximately 8%. Demand for homesales remains strong across our portfolio. As our community expansions come online and our recently opened sales centers continue to grow their pipelines, we expect sales growth to accelerate.

At year end, our total market capitalization was \$1.5 billion comprised of \$647 million in common equity, \$457 million in debt and \$405 million in preferred stock. Our pool of well over \$1.0 billion in real estate assets is owned by 40 million shares of common stock. Every 1% increase in value represents \$10 million or \$0.25 in additional per share appreciation. Our business model generates appreciation in value for our assets each year. For 2019, UMH's total return per common share, which is appreciation plus dividends, was approximately 40%.

Looking to 2020, our profitability should increase as a result of rent increases. We also plan to add

approximately 800 rental units which will generate additional income. Our homesales have the potential to increase our earnings further. Our expansions will also generate additional sales profits and rental income. We also will provide financing for some of the homesales at our communities and we have the ability to generate additional income streams by providing insurance for our residents. All of these sources, coupled with the refinancing of our high coupon 8% Series B Preferred Stock, which becomes redeemable later this year, can result in very meaningful increases in our earnings per share.

Lastly, we are very proud of being a quality affordable housing provider. We have had several meetings with mayors and township officials who have thanked us for the work we did to improve their communities. We have been recognized by Dr. Ben Carson, our nation's Secretary of Housing and Urban Development, and by the Manufactured Housing Institute for the quality work we do. We look forward to growing our Company and continuing to supply America with the quality affordable housing it needs.

Very truly yours,

SAMUEL A. LANDY
President and Chief Executive Officer
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