

LETTER FROM THE CHAIRMAN

I am extremely proud of the company that we have built over our 52-year history. Our business plan has evolved over the years but generally remains the same. Our conservative stewardship of capital has built long-term shareholder value. Our decision to invest in manufactured housing all those years ago has proven to be wise. Affordable housing is possibly the most critical domestic issue facing our nation today. UMH is perfectly positioned to be an integral solution to this affordable housing crisis. In an age where environmental, social, and governance concerns are highly valued, UMH should become a preferred investment for institutional investors. Affordable housing is the number one concern socially. Our industry is finally getting the attention that it deserves from Legislators that are looking for solutions to this crisis. This past summer, UMH was honored to participate in the Inaugural Innovative Housing Showcase sponsored by HUD. We set up a manufactured home on that National Mall in Washington, D.C. This event increased awareness about our product on a national level. Since this event, Secretary Carson has been advocating for manufactured housing as a part of the solution to the affordable housing crisis.

UMH has a capital stack that includes about \$470 million in perpetual preferred stock requiring over \$32 million in preferred dividends per year. This preferred capital has allowed us to more than triple the size of the company since 2010. Historically, a blended 6.8% cost of capital is relatively inexpensive. We are living in a world with negative interest rates and the 10-year Treasury yield around 1%. Replacing our preferred with lower cost interest debt or replacing it with high multiple common shares will result in improved earnings. In October of 2020, we anticipate calling our \$95 million 8% Series B Preferred Stock. If we are able to borrow at 3%, we will be able to improve earnings by \$4.5 million or \$.11 per share. UMH can call our \$244 million 6.75% Series C Preferred Stock in July of 2022. Assuming refinancing at 3.75%, we can generate improved earnings of \$7.3 million, or \$0.18 per share.

UMH needs to grow our equity market capitalization in order to attract larger investors and ultimately trade at higher multiples. We project that by recapitalizing the Company, continuing to improve FFO metrics and selectively acquiring new properties, we will be able to surpass \$1 billion in equity market capitalization in



EUGENE W. LANDY

2022. Issuing new shares is both accretive to earnings and enhances value as scale is achieved. As a result, share prices can rise with a rise in earnings. At some time and some price, it may be accretive to our common share value to call some of our outstanding preferred shares with the proceeds of a common shares offering.

The low interest returns available in the bond market make UMH common and preferred shares an attractive investment. The low interest cost currently available also allows UMH ample capital to finance existing communities, acquisitions and expansions. In 2022 and 2023, UMH has a total of approximately \$100 million of existing mortgages coming due. Based on today's in place operating results, we can refinance these properties with \$200 million in new GSE mortgages.

The potential for favorable restructuring of UMH's capital stack is a factor in our business plan. The availability of financing to raise common equity capital and preferred equity capital together with record low long-term interest rates coupled with favorable economics in the housing markets provide a pathway for UMH to emulate the success of other manufactured home REITs. Financing terms can of course be different in the future. UMH can plan for but not assure that favorable refinancing conditions will occur when our preferred is callable. We look forward to continuing to deliver exceptional results for our shareholders for years to come.

Very truly yours,

A handwritten signature in black ink that reads "Eugene W. Landy".

EUGENE W. LANDY
Chairman of the Board
March 2020