S&P Global
Market Intelligence

UMH Properties, Inc. NYSE:UMH

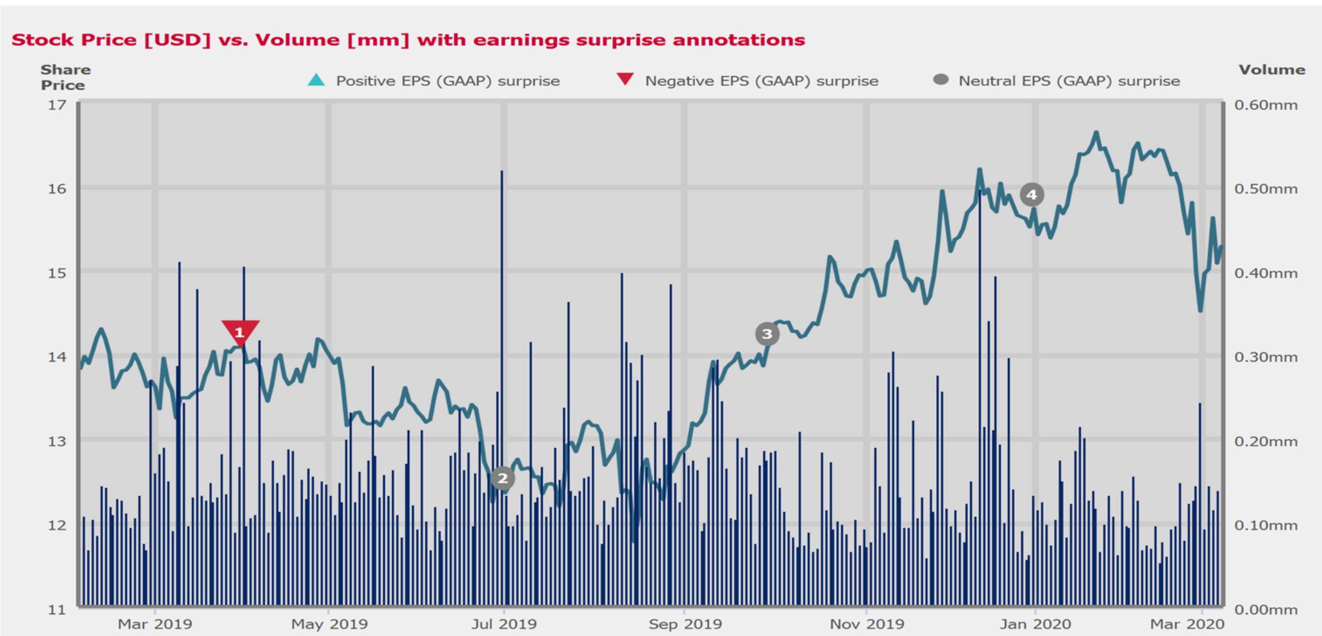
FQ4 2019 Earnings Call Transcripts

Friday, March 06, 2020 3:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ4 2019-			-FQ1 2020-	-FY 2019-		
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	ACTUAL	
EPS (GAAP)	(0.06)	(0.08)	NM	(0.05)	0.09	0.06	
Revenue (mm)	39.87	37.74	(5.34 %)	40.84	148.72	146.59	

Currency: USD
Consensus as of Mar-05-2020 10:57 PM GMT



- EPS (GAAP) -

	CONSENSUS	ACTUAL	SURPRISE
FQ1 2019	0.18	0.15	(16.67 %)
FQ2 2019	(0.06)	(0.15)	NM
FQ3 2019	(0.05)	0.14	NM
FQ4 2019	(0.06)	(0.08)	NM

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Call Participants

EXECUTIVES

Anna T. Chew
VP, Chief Financial & Accounting Officer, Treasurer and Director

Brett Taft
VP & COO

Daniel Landy
Vice President

Eugene W. Landy
Founder & Chairman of the Board

Nelli Madden
Director of Investor Relations

Samuel A. Landy
President, CEO & Director

ANALYSTS

Barry Paul Oxford
D.A. Davidson & Co., Research Division

Craig Gerald Kucera
B. Riley FBR, Inc., Research Division

Robert Chapman Stevenson
Janney Montgomery Scott LLC, Research Division

Presentation

Operator

Good morning, and welcome to UMH Properties Fourth Quarter and Full Year 2019 Earnings Conference Call. [Operator Instructions] Please note, this event is being recorded. It is now my pleasure to introduce your host, Ms. Nelli Madden, Director of Investor Relations. Thank you. Ms. Madden, you may begin.

Nelli Madden
Director of Investor Relations

Thank you very much, operator. In addition to the 10-K that we filed with the SEC yesterday, we have filed an unaudited annual and fourth quarter supplemental information presentation. The supplemental information presentation, along with our 10-K, are available on the company's website at umh.reit.

I 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 annual 2019 earnings release and filings with the Securities and Exchange Commission. The company disclaims any obligation to update its forward-looking statement.

In addition, during today's call, we will be discussing non-GAAP financial metrics. Reconciliations of this non-GAAP financial metric to the comparable GAAP financial metrics as well as explanatory and cautionary 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, Chairman; Samuel Landy, President and Chief Executive Officer; Anna Chew, Vice President and Chief Financial Officer; Brett Taft, Vice President and Chief Operating Officer; Jim Lykins, Vice President of Capital Markets; and Daniel Landy, 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, Nelli. We are pleased to report our results for the fourth quarter and year ended December 31, 2019. UMH delivered a total shareholder return of approximately 40% in 2019. Our total market capitalization at year-end was over $1.5 billion. Our manufactured housing portfolio now consists of 122 communities with approximately 23,100 developed homesites. Our portfolio represents the sixth largest in the nation. Our platform delivers reliable long-term results. The success we have experienced at our turnaround communities has been exceptional. This success translates into enduring value for our shareholders.

In 2019, our same-property NOI increased by $4 million, applying a current market cap rate of 5% to our increase in NOI results in $80 million in additional value or $2 per share. We will be able to monetize this value through the refinancing of these communities in the coming years.

I am pleased to report that in 2019, total income rose to $147 million, representing an increase of 13% over 2018. This growth was driven by a 13% increase in rental and related income and a 14% increase in sales. The community net operating income has grown to $67 million, an increase in 10% over 2018. This is the ninth consecutive year that we have delivered over 10% rental and related income growth and the fourth consecutive year that we have delivered sales growth of over 10%. Our ability to maintain double-digit growth in revenue and sales year after year continues to validate our business plan.

Our increased income is attributable to our acquisitions and the success of our rental home program. During the year, we added a total of 882 rental homes to our portfolio. This brings our total rental home portfolio to 7,400 homes.

As of year-end, the occupancy rate on our rentals was 92.3%, which is in line with where it has been for the past several years. Our average monthly rent per home is now $765, representing an increase of 3.1% over the prior year. Rental home program is a key component of our business plan. It allows us to quickly and efficiently increase occupancy, resulting in improved community operations. We are satisfied with the length of time that residents are staying in the homes, and they are generally left in good condition upon move-out. We have a waiting list for our rental homes at many properties throughout our portfolio.

We continue to execute on our growth strategy by acquiring 4 communities containing 1,500 sites for a total purchase price of approximately $56.2 million. These communities are well located in markets that have been experiencing strong demand. These communities are turnaround properties that we purchased at a blended occupancy rate of only 62%. As we implement our business plan and integrate these communities into our portfolio, we expect to increase occupancy, income and value. The acquisition market remains extremely competitive. Cap rates remain near all-time lows. We do have offers out on several properties and anticipate continuing our opportunistic growth strategy through additional value-added acquisitions.

Our same-property portfolio continues to deliver strong results. Same-property income for the year was up 7% over 2018, and expenses were up 7.6%, resulting in same-property NOI growth of 6.4%. Increased expenses are primarily related to the turnaround work being completed at our recent acquisition. These expenses will result in higher-quality and better-maintained communities.

We were able to obtain same-property rent increases of 3.6% in 2019, bringing our average site rental rate to $457. Our same-property occupancy rate improved 160 basis points to 83.8%. This translates to an increase of 333 revenue-producing sites.

We remain encouraged by the year-over-year growth of our sales operation. Gross sales for 2019 were $18 million, representing an increase of 14% over 2018. We now have a total of 299 homes, of which 135 were new home sales and 164 were used home sales. Our average sale price was $60,000 as compared to $53,000 in the prior year period.

The gross markup percentage in 2019 was 28% as compared to 26% in 2018. We have several community expansions and strong sales markets coming online that should drive additional sales growth. We believe we are well positioned to grow our sales profitability in 2020.

Our expansion program is progressing nicely. We have now completed a total of 90 sites at our all-rental community, Memphis Blues. 39 sites were completed in 2018 and fully occupied within 1 year. 51 sites were recently completed in 2019, and we expect these sites to also lease up within a year.

We have 3 other expansions currently being developed, which will contain a total of 191 sites. These sites are expected to be completed in the second quarter. We are working to obtain approvals for 750 sites in 2020. Including the 191 sites currently being developed, we expect to deliver approximately 350 completed expansion sites. These newly developed expansion sites will allow us to continue our sales and rental growth at communities that have consistently produced excellent results.

We fund our growth with the issuance of new capital, including the issuance of preferred stock. We have a 52-year history of profitably deploying the new capital into new acquisitions, expansions, capital improvement and rental homes. Issuing preferreds has a short-term negative impact on FFO, but as we invest the proceeds into our platform, we are able to increase NAV and ultimately, our earnings. The $100 million of new preferred raised in 2019 reduced FFO by approximately $0.12 per share. Most of this capital is not deployed until the fourth quarter.

FFO for 2019 was $0.63 per share. Adding back the $0.12 would increase our earnings to $0.75 per share. By focusing solely on FFO per share, the value created in our portfolio was not being reflected. That value can be measured by our 6.4% increase in same-property NOI, which translates into an $80 million increase in community value or approximately $2 per share. We see ourselves as a growth company, and traditional reliance on per share FFO does not work as the sole way to evaluate our performance and to value our company.

Looking ahead to 2020, we believe that we are well positioned to substantially grow our earnings. We have budgeted a 4% site rent increase for 2020, and we expect to install and rent an additional 800 to 900 rental homes. This should result in total revenue growth of over $12 million. The community net operating income should increase by $6 million or more. Our sales operation also has the potential to increase FFO further.

In addition, we have $95 million outstanding in Series B 8% perpetual preferred stock that is callable in October. We are confident that we can replace this capital at a substantially lower rate and, thereby, generate significant savings that will help drive per share earnings growth. This is something that we are already working on.

I would like to take this opportunity to thank our dedicated UMH team for all their hard work. We are proud of the results achieved by our team and remain optimistic about the prospects for our company and our industry.

Now Anna will provide you with greater detail on our results for the quarter and for the year.

Anna T. Chew
VP, Chief Financial & Accounting Officer, Treasurer and Director

Thank you, Sam. Funds from operations, or FFO, was $7 million or $0.17 per diluted share for the fourth quarter of 2019 compared to $7.4 million or $0.19 per diluted share for the prior year period.

Normalized FFO, which excludes realized gains on the sale of securities and other nonrecurring items, was $7.1 million or $0.17 per diluted share for the fourth quarter of 2019 compared to $7.4 million or $0.19 per diluted share for the prior year period. For the full year 2019, FFO was $24.6 million or $0.61 per diluted share compared to $27 million or $0.72 per diluted share for 2018. Normalized FFO was $25.2 million or $0.63 per diluted share for 2019 compared to $27.5 million or $0.74 per diluted share for 2018. These decreases were primarily attributable to the impact of our raising capital and a reduction in dividend income from our securities portfolio. Sequentially, normalized FFO increased 13% as compared to the third quarter.

Rental and related income for the quarter was $33.6 million compared to $29.6 million a year ago, representing an increase of 14%. For the full year, rental and related income increased from $113.8 million in 2018 to $128.6 million in 2019, an increase of 13%. These increases were primarily due to community acquisitions, the addition of rental homes and the growth in occupancy.

Community NOI increased by 16% for the quarter from $15.4 million in 2018 to $17.8 million in 2019. For the full year, community NOI increased from $60.9 million in 2018 to $66.9 million in 2019, an increase of 10%. This is the ninth consecutive year that we have achieved double-digit year-over-year NOI growth.

As we turn to our capital structure, at year-end, we had approximately $457 million in debt, of which $373 million was community level mortgage debt and $84 million were loans payable. 82% of our total debt is fixed rate. The weighted average interest rate on our mortgage debt was 4.14% at year-end 2019 compared to 4.29% in the prior year. The weighted average maturity on our mortgage debt was 6 years at year-end 2019 compared to 6.3 years a year ago.

During the year, we issued $100 million of our 6.75% Series C perpetual preferred stock. UMH further increased our liquidity by implementing a preferred ATM program. During the year, we issued 651,000 shares of our 6.375% Series D Cumulative Redeemable Preferred Stock for net proceeds of approximately $15.9 million after offering costs under our ATM program. Subsequent to year-end, we sold an additional 2.6 million shares of our Series D preferred stock, generating net proceeds of $63.1 million. We will be using these proceeds for general corporate purposes, which includes the purchase of manufactured homes for sale or lease to customers, expansion of our existing communities, acquisitions of additional properties and paying down our lines of credit on a temporary basis. We have also raised $31.5 million through our dividend reinvestment and stock purchase plan.

At year-end, UMH had a total of $405 million in perpetual preferred equity. Our preferred stock, combined with an equity market capitalization of $647 million and our $457 million in debt, results in a total market capitalization of approximately $1.5 billion at year-end, representing an increase of 28% over the prior year period.

From a credit standpoint, our net debt to total market capitalization was 29%. Our net debt less securities to total market capitalization was 22%. Our net debt-to-adjusted EBITDA was 6.6x. Our net debt less securities to adjusted EBITDA was 4.9x. Our interest coverage was 3.5x, and our fixed charge coverage was 1.5x.

From a liquidity standpoint, we ended the year with $12 million in cash and cash equivalents, $60 million available on our credit facility and $14 million available on our revolving lines of credit for the financing of home sales and the purchase of inventory. Subsequent to year-end, the company paid down $54 million on our lines of credit. We also had $116 million in our REIT securities portfolio, encumbered by $38 million in margin loans, which was paid down to $3 million subsequent to year-end. This portfolio represents approximately 9% of our undepreciated assets. We limit our portfolio to no more than 15% of our undepreciated assets. With the exception of reinvesting our dividends in Monmouth REIT, we are committed to not increasing our investments in the REIT securities portfolio.

With our strong financial position and access to the capital markets, we are well positioned to continue our growth initiatives. And now let me turn it over to Gene before we open it up for questions.

Eugene W. Landy
Founder & Chairman of the Board

I'm extremely proud of the company that we have built over our 52-year history. 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. We will continue to work to provide unsubsidized affordable housing in each market that we serve. 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 #1 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 the National Mall in Washington, D.C. This event increased awareness about our product on a national level. HUD Secretary, Ben Carson, and countless members of Congress, along with their staffers and the general public, were able to see firsthand what a great product we have. Since this event, Secretary Carson has continued to advocate for manufactured housing as a part of the solution to the affordable housing crisis.

Our business plan has evolved over the years but generally remains the same. Our conservative stewardship of capital has built long-term shareholder value. The best form of governance is the return of hard-earned capital to the shareholders. UMH has always accomplished this in the form of a very reasonable dividend.

UMH has a capital stack that includes about $470 million in perpetual preferred, 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 a 10-year treasury yield at a record lows of near 1%. Replacing our 8% Series B preferred equity with lower-cost debt or replacing it with high-multiple common shares will result in improved results.

Financing terms can, of course, be different in the future. Rates can be the same as now or they can be more expensive. UMH can plan for it but not assure that the favorable refinancing conditions will occur when our preferred is callable.
We look forward to continuing to deliver exceptional results for our shareholders for many years to come.

Question and Answer

Operator

[Operator Instructions] The first question today comes from Barry Oxford of D.A. Davidson.

Barry Paul Oxford
D.A. Davidson & Co., Research Division

Great. Sam, when you look at your sales with the low interest rates, do you think you can do a fair bit more in 2020 versus '19 or not necessarily?

Samuel A. Landy
President, CEO & Director

No. We think the sales will grow primarily because of the well-located expansions. Predominantly, the expansions are in the Nashville market. They're virtually complete. People are very excited about those sales, and there's a waiting list there. So we do anticipate strong sales growth again in 2020.

Barry Paul Oxford
D.A. Davidson & Co., Research Division

Right. And Sam, when we think out kind of longer term and this expansion has been highly successful and stuff, do you still have plenty of other properties at which to do this? I mean we're not going to lose this growth from the company anytime soon?

Samuel A. Landy
President, CEO & Director

No. We have 1,600 acres to expand, which translates to about 4 units per acre, so approximately 6,400 homesites to build in the future. And in addition to that, though, we realized a long time ago, the most efficient way to have vacant lots in inventory was to buy communities with vacancy because you know exactly how many lots you have available and exactly what they cost to obtain, and we have approximately 4,000 vacant sites today that we can continue to fill with both rental homes and sales. And we're very optimistic about both, the rental homes and the sales.

Barry Paul Oxford
D.A. Davidson & Co., Research Division

Great. And last question from me. Sam, are you still finding acquisitions just a little too pricey right now?

Samuel A. Landy
President, CEO & Director

Well, we have -- I'm going to let Brett answer that. But we have some acquisitions. Go ahead, Brett.

Brett Taft
VP & COO

Yes. So the acquisition market does remain extremely competitive. There's no doubt about it. We're seeing value-add acquisitions trading at what used to be stabilized prices at 5.5%, 6% cap rates. Stabilized deals in our markets are trading 5% or below. So it has been difficult. That being said, we do have 2 communities we're working on getting under contract right now. That's about 315 sites. I think realistically, we're looking to do $25 million in acquisitions in 2020. And when opportunity does become available, we will be ready to take advantage of it. But just given what we're seeing in the market, I think that's a realistic target.

Operator

The next question today comes from Rob Stevenson of Janney.

Robert Chapman Stevenson
Janney Montgomery Scott LLC, Research Division

So the $25 million that you were talking about in acquisition would be those 2 that you talked about in the press release?

Brett Taft
VP & COO

No. Those 2 are at a smaller dollar amount, but we do have our eyes on several other acquisitions. We're waiting to see what happens in the market right now before pulling the trigger on those. But I do believe that come the second quarter, we'll be able to report some improved -- a growing acquisition pipeline.

Robert Chapman Stevenson
Janney Montgomery Scott LLC, Research Division

Okay. What is it costing you now per rental home, including the setup?

Samuel A. Landy
President, CEO & Director

It's approximately $50,000. It rises a small percentage each year, but that's approximately the right number.

Robert Chapman Stevenson
Janney Montgomery Scott LLC, Research Division

Okay. So if I look at the high end of your 800 to 900 rentals for 2020, so $45 million of spend on rental homes, another $25 million or so on acquisitions gets you to about $70 million. How much do you guys -- how much is the expansions that you guys are planning to do in 2020 going to run you?

Samuel A. Landy
President, CEO & Director

Yes. So figure about $70,000 per site. And what number are we...

Brett Taft
VP & COO

It's about $25 million we're budgeting for expansion.

Robert Chapman Stevenson
Janney Montgomery Scott LLC, Research Division

You said $20 million?

Brett Taft
VP & COO

$25 million.

Samuel A. Landy
President, CEO & Director

$25 million.

Robert Chapman Stevenson
Janney Montgomery Scott LLC, Research Division

Okay. So $45 million for rental homes, $25 million for acquisitions, and you said another $25 million for expansion. So that gets you pushing $100 million or so of capital?

Samuel A. Landy
President, CEO & Director

Hold on. If I heard correctly, your number on the rental sounded low to me. Your 800 units at $50,000, so that's $40 million there.

Anna T. Chew
VP, Chief Financial & Accounting Officer, Treasurer and Director

That's $45 million.

Samuel A. Landy
President, CEO & Director

Okay, you got the right number there. Okay. So -- yes, go ahead.

Robert Chapman Stevenson
Janney Montgomery Scott LLC, Research Division

So I just wanted to compare that. So you guys have raised close to $100 million in the first 2 months of the year via the Series D and the DRIP or reinvestment program. And so I just wanted to figure out, if you've got $100 million of capital that you need for this year, you've already raised essentially that, like whether or not there was -- what else you were going to need to raise capital for in 2020 other than incremental acquisitions?

Samuel A. Landy
President, CEO & Director

So don't forget the capital budget, approximately $10 million. The financing of home sales that we finance at slightly over 50% of all home sales, which that number will be somewhere above $10 million.

Anna T. Chew
VP, Chief Financial & Accounting Officer, Treasurer and Director

And our big one will be the call of our Series B preferred stock in October, which is $95 million. That is at 8.37 -- 8%. And we anticipate, especially the way rates are going and not that we can guarantee it, as Gene has said, we anticipate refinancing that at a lower dollar amount, either through stock, preferreds to common stock, preferred stock, debt, whichever it may be which will give us the best capital stock -- stack.

Robert Chapman Stevenson
Janney Montgomery Scott LLC, Research Division

Okay. You guys have talked in the past about taking some of the securities portfolio to redeem the Series B. Is that still on the table? Are you thinking that now you're just going to replace it with either a new series of preferred or some combination of debt and equity?

Eugene W. Landy
Founder & Chairman of the Board

Well, the first thing I'm trying to do is get a loan against the securities portfolio. I think we only owe $3 million against that now.

Anna T. Chew
VP, Chief Financial & Accounting Officer, Treasurer and Director

Yes.

Eugene W. Landy
Founder & Chairman of the Board

And it's over $100 million. I'd like to borrow $50 million against that. And then I need another $45 million. I can pay off the preferred. And we have $260 million in parks free and clear. We have $350 million in homes free and clear. And so I think we'll be able to pay off the 8% preferred in October 20, and we look forward to doing it.

Robert Chapman Stevenson
Janney Montgomery Scott LLC, Research Division

Okay. So just to be clear, the plan is either to use leverage on the securities portfolio rather than the equity from the securities portfolio to fund that?

Eugene W. Landy
Founder & Chairman of the Board

Yes. I don't see selling stocks yielding 7% to pay off an 8% preferred. I'd rather borrow the money at 2% or 3% and pay off an 8% preferred.

Robert Chapman Stevenson
Janney Montgomery Scott LLC, Research Division

Okay. And then the acquisitions that you guys are looking at now, these are the sort of typical value add where some optimal occupancy, you're going to have to clean them off a few sites, and the occupancy will initially drop, and then you'll start adding rental units and bring them back?

Brett Taft
VP & COO

Generally, yes, that's accurate. Again, I don't want to get into too many details as they're not under contract yet. But I will say that one of them has vacant sites, but there really aren't too many homes to be removed. The other one is more typical of our acquisition program, where there will be a reduction in occupancy before it moves forward.

Robert Chapman Stevenson
Janney Montgomery Scott LLC, Research Division

Okay. And then last one for me. On the rental units, if you guys decided to ratchet up to 1,200 or something of that nature if there was demand for that, is there supply to be able to get that, get them delivered, get them set up in a reasonable period of time? Or are you sort of limited by the market at this point, to some extent?

Samuel A. Landy
President, CEO & Director

There's not a problem at this moment, although I do hear that there's some problem getting some of the supplies that manufacturers need as well as delays with setup crew. But all of that, by the end of the year, will add our 800 to 900 rental units. But the single most important point of the whole call really is the years we've been doing these rental homes, it only began in about 2011 for us, about 2009 for Sun Communities. They're achieving greater and greater acceptance. We're maintaining 95% rental occupancy. We're making traction with Fannie Mae and others that we have created the best affordable housing product. It's the rental home and the manufactured housing community. And the manufacturers have done everything they can do to build us a great house at a great price. We're using engineers, landscape architects, professional planners to build great rental home communities.

And the last hurdle that needs to be jumped is that the loan for developing rental home communities, it's a product that really does not exist today. And we are working on it every day and getting very close to developing this with Freddie Mac at this moment. And doing so will reduce your cost of financing rental homes from the 6 3/8% preferred that we use, hopefully, to the same rates apartments pay, but certainly 4%. And we have MHI joining the National Apartment Association, the Multi-Family Housing Association. We're trying to have our rental homes accepted as any other form of multifamily housing, and doing so could generate $8 million per year in new income to us through just reduced interest costs. So there's nothing huger we can do, and we're working on it every day.

Operator

[Operator Instructions] The next question comes from Craig Kucera of B. Riley FBR.

Craig Gerald Kucera
B. Riley FBR, Inc., Research Division

I wanted to talk about submetering. Can you give us an update on sort of where you are in regard to that as we enter 2020 and sort of the plan for 2020, maybe how many units you expect to complete?

Daniel Landy
Vice President

Yes. It's Daniel. So we will be, in 2020, probably installing meters at 4 communities. That will be -- so for 2018 and 2019, the meters that we already installed, specifically for 2019, the leases are just starting again to effect. So a lot of them are in the Tennessee region, where water and sewer were particularly expensive. And we anticipate, for the meters that we installed in 2018, 2019 and 2020 to have annualized savings of around $300,000.

Samuel A. Landy
President, CEO & Director

So just -- now is a good time to mention for ESG how much we reduced people's water usage. What do you see there, Daniel?

Daniel Landy
Vice President

Yes. So for the communities where we installed meters, comparing from December -- the December bill of 2019 to the December bill of 2018, we are saving, I believe it was 500,000 gallons. Yes, 500,000 gallons a month, which will annualize to 6 million gallons a year. And I think the communities that we just got them installed at in Tennessee, I think we'll be even more savings. So...

Craig Gerald Kucera
B. Riley FBR, Inc., Research Division

Got it. I guess I was going to circle back on that to your same-store operating expenses, which were really pretty limited here in the fourth quarter. And I guess was that primarily attributable to savings on the utility side, particularly water? Or any color would be great.

Samuel A. Landy
President, CEO & Director

That helps, but the biggest increased expense was tree removal during the year. There's articles about the emerald ash borer in the Northeast and how it would have economic impact, and it effect -- did have economic impact driving our tree removal costs from under $500,000 to $1 million. And we believe we completed the necessary tree removal caused by that. And what happens is live large trees that are near houses, those trees died because of this ash borer, and they needed to be removed immediately. And we removed them immediately, which resulted in substantial increased costs. Once they're removed, they're gone forever, and we think we've taken care of that.

Anna T. Chew
VP, Chief Financial & Accounting Officer, Treasurer and Director

And just to add, for the fourth quarter, there was also -- I mean, because that was done during the first 3 quarters, for the fourth quarter, there was a reduction in the repairs and maintenance and tree removal as compared to last year.

Craig Gerald Kucera
B. Riley FBR, Inc., Research Division

Got it. Okay. That makes sense. Yes, I wanted to circle back to sales, understanding that you guys had some expansions and increased investment in selling centers. Volume did decelerate a bit in fourth quarter certainly relative to last year, and I think much of it earlier in the year. But pricing was up. I guess were you selling a higher mix -- a higher cost mix of homes? Or is the market barring you being able to push pricing that much higher here in the fourth quarter?

Samuel A. Landy
President, CEO & Director

So for the past 2 years, new home sales have grown more than overall sales, and new home sales are at higher prices. So I believe, over the past 2 years, new home sales are up.

Brett Taft
VP & COO

New home sales were up 20% last year over the prior year. And they -- like Sam said, they are at a higher price so that ups our overall average sales price.

Samuel A. Landy
President, CEO & Director

And we believe the new home sale growth will continue because of the expansions.

Craig Gerald Kucera
B. Riley FBR, Inc., Research Division

Got it. And one more for me. Just kind of circling back to first quarter and traffic patterns. I know seasonally, it's -- you start to see things pick up and traffic has been strong. But I'm curious if there's been any sort of deceleration here in February, particularly as sort of news flow surrounding coronavirus has picked up. Or are people still coming in with the same pace as maybe they were earlier in the quarter?

Samuel A. Landy
President, CEO & Director

So we actually checked with every regional manager. There is no decline. Due to the good weather, we're busier than ever. Nobody in any of our communities that we know of has lost a job or had less work because of this coronavirus. We've had no changes in occupancy.

Brett Taft
VP & COO

Well, we've been off to a very strong start to the year in occupancy actually. For the first 2 months of the year, we're up 150 units in occupancy, which I think for the year, last year, we were up about 330.

Operator

This concludes 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 May with our first quarter 2020 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 1 (412) 317-0088. The conference ID number is 10137358. Thank you, and please disconnect your line.