

# UMH PROPERTIES, INC.



UMH PROPERTIES

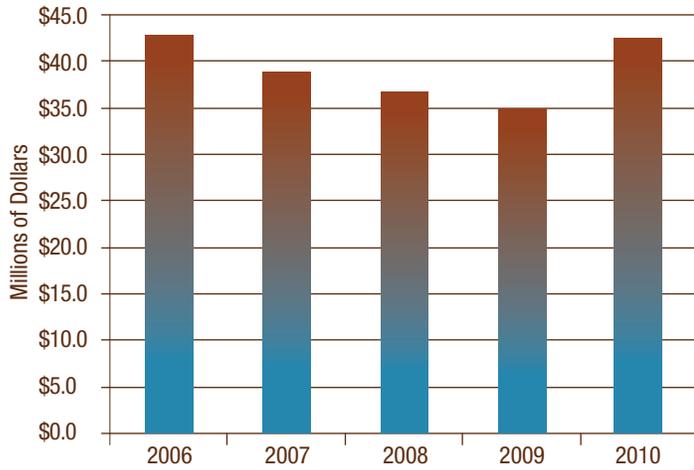
UMH PROPERTIES

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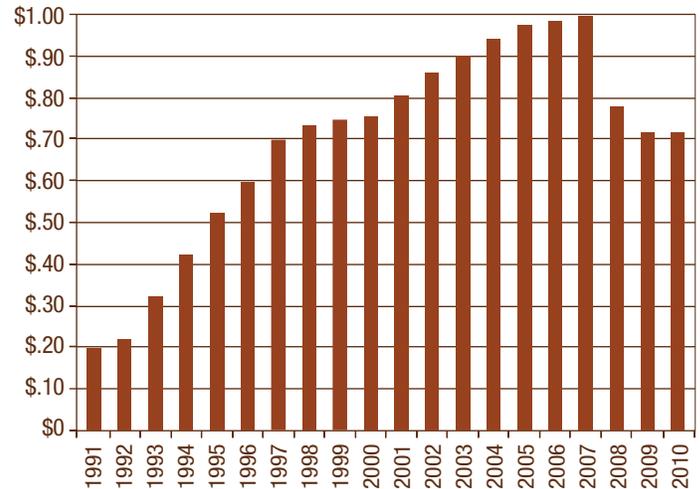
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ANNUAL REPORT

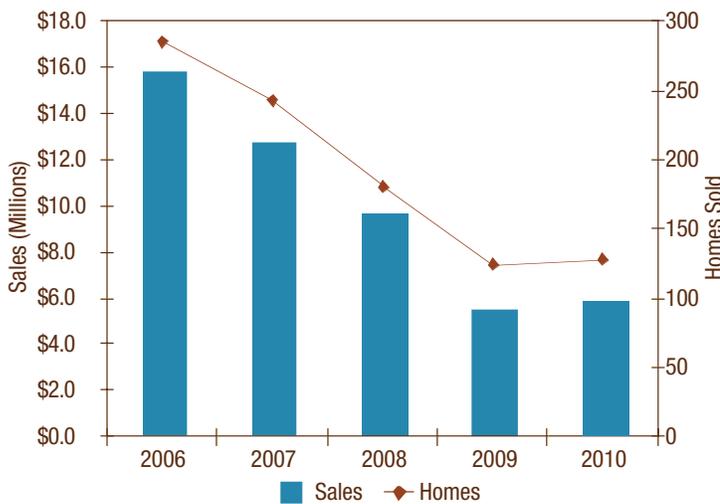
## Total Revenues



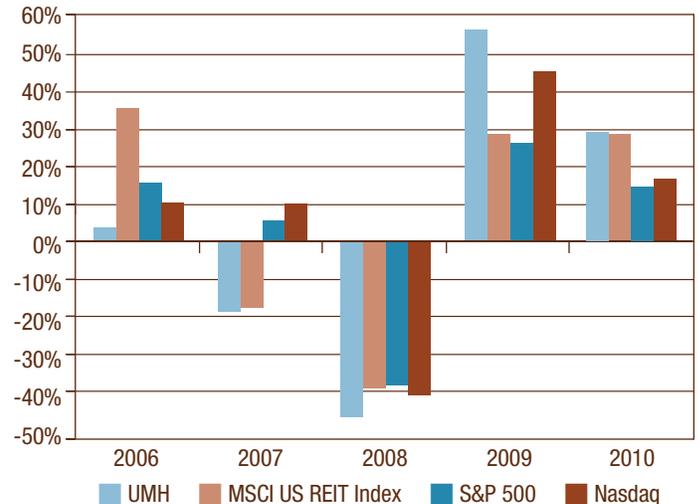
## Per Share Annual Dividend



## UMH Sales and Finance



## Total Shareholder Return



### Safe Harbor Statement

This annual report and Form 10-K contains various "forward-looking statements" within the meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934, and the Company intends that such forward-looking statements be subject to the safe harbors created thereby. The words "may", "will", "expect", "believe", "anticipate", "should", "estimate", and similar expressions identify forward-looking statements. These forward-looking statements reflect the Company's current views with respect to future events and finance performance, but are based upon current assumptions regarding the Company's operations, future results and prospects, and are subject to many uncertainties and factors relating to the Company's operations and business environment which may cause the actual results of the Company to be materially different from any future results expressed or implied by such forward-looking statements.

Such factors include, but are not limited to, the following: changes in the general economic climate; increased competition in the geographic areas in which the Company owns and operates manufactured housing communities; changes in government laws and regulations affecting manufactured housing communities; the ability of the Company to continue to identify, negotiate and acquire manufactured housing communities and/or vacant land which may be developed into manufactured housing communities on terms favorable to the Company; the ability to maintain rental rates and occupancy levels; competitive market forces; changes in market rates of interest; the ability of manufactured home buyers to obtain financing; the level of repossessions by manufactured home lenders; and those risks and uncertainties referenced under the heading "Risk Factors" contained in this annual report and Form 10-K and the Company's filings with the Securities and Exchange Commission. The forward-looking statements contained in this annual report and Form 10-K speak only as of the date hereof and the Company expressly disclaims any obligation to publicly update or revise any forward-looking statements whether as a result of new information, future events, or otherwise.



## Dear Shareholders,

UMH Properties, Inc., (UMH) has now completed forty-three years of successful operation. Much effort was spent in 2010 on acquisitions. UMH now owns thirty-five manufactured home communities containing approximately 8,000 home sites. At year end, the Company had approximately 13,700,000 shares outstanding at a market price of \$10.20. This gave UMH a market capitalization of approximately \$140 million.

The manufactured home industry has experienced a seven-year downturn. In the last three years the whole U.S. economy has struggled. Despite this adversity, UMH has positioned itself to benefit from the coming resurgence of the housing market.

UMH has approximately 1,750 vacant sites. This represents 22% of our total sites. Because our operating expenses are largely fixed costs, our vacant sites provide us with strong growth potential. Increased occupancy will improve our results substantially. Should demand exceed supply, home sales into our vacant sites should also become more profitable.

The fundamentals of our business, which is providing affordable housing, are believed to be excellent. Demand for housing will grow with an expanding population. Competition and new supply in the housing market have diminished sharply. The artificially high levels of conventional homeownership are coming back down and are expected to continue to fall. UMH is well positioned to benefit from increased demand for affordable housing. As households make more sustainable housing choices, it should result in increased occupancy, increased home sales, increased rental rates, and improved operating margins for UMH.

Our market traditionally is the young first-time home buyer and the elderly retired homeowner who is

downsizing. Demographic and economic factors warrant that, in the near future, our markets will expand. We will market to all home buyers whose income level necessitates affordable housing. We will market to those barred from conventional home ownership by lack of income documentation, or by low loan credit scores. Another barrier to conventional home ownership is the lack of large cash balances to meet new minimum down payment requirements. Approximately thirty-five percent of the population in many areas of the country earns less than \$50,000 per year. There is a substantial and growing market for our product.

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*“As households make more sustainable housing choices, it should result in increased occupancy, increased home sales, increased rental rates, and improved operating margins for UMH.”*

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Our management team has performed well. We have put our strong balance sheet to work in order to grow our assets and our earnings. This will continue to be our focus in 2011. Our goal is to provide our shareholders with a total return investment secured by a safe dividend, coupled with appreciation in the value of our underlying assets. We have achieved this goal over the past forty-three years, and I remain confident of our prospects to continue to do so in the years ahead.

Very truly yours,

Eugene W. Landy  
Chairman of the Board



## Dear Fellow Shareholders,

Our business is to provide the basic and essential need of affordable housing. Over our 43 year history we have seen the inherent stability that comes with serving this niche. Our population has a certain percentage of households that can afford to own conventional homes. Historically this has been around 63%. The other 37% of households found multi-family apartments and manufactured home communities to be more suitable to their budgets. Since 2007, we have been witnessing the inevitable consequences of government policies that were intended to artificially stimulate wealth by subsidizing conventional homeownership. It may have seemed like a good idea to some when homeownership rates and housing prices were soaring, but as is the case with all misallocations of capital, the end result is destructive. Today there is talk of the government winding down the Government Sponsored Entities and getting out of subsidized housing. Once again affordable housing has become synonymous with renting. Homeownership rates are coming down and apartment occupancy rates are rising. Time will tell if this is a precursor for increased manufactured home sales. I can tell you that our 78% occupancy rate, although stable year over year, would be much higher if we were to more fully embrace the apartment model and rent out not only the land but the homes themselves. While we have increased our rental units slightly, we have tried to keep the amount of home rentals in our communities to a minimum in the belief that our patience will be rewarded. I've been predicting a turnaround for several years now, so what do I know? I do know the playing field is less stacked against our industry without the availability of subprime lending and other poorly conceived underwriting products that lured away our traditional customers. I also know not to question Warren Buffett's wisdom when he says, "A housing recovery will probably begin within a year or so. In any event, it is certain to occur at some point."

UMH did make substantial progress in 2010, primarily on the acquisition front, as well as on our investments in REIT securities. We went into 2010 with 28 manufactured home communities containing 6,800 total sites. Over the course of the year we acquired seven communities, all located in Pennsylvania. The total purchase price was approximately \$37 million. We have been positioning ourselves for growth and are continuing to seek opportunistic investments in order to grow our asset base to a more efficient level. We now own 35 communities containing approximately 8,000 total sites. Two of these communities closed in June and the other five did not close until December. Therefore their contribution to our 2010 results was minimal.

Our REIT securities portfolio continued its impressive turnaround that began in 2009. In 2010 we realized \$3.9 million in gains on our securities investments. At year-end we had approximately \$29 million in securities with an unrealized gain of \$6.5 million. UMH maintains a conservative balance sheet and our securities portfolio

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*"We have been positioning ourselves for growth and are continuing to seek opportunistic investments in order to grow our asset base to a more efficient level."*

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enhances that strength. Additionally, our securities provide us with substantial dividend income. We have always searched for real estate value on Wall Street as well as on Main Street. In 2010 we were able to harvest gains made on our liquid REIT securities investments and redeploy the proceeds by investing in high quality manufactured home communities in Pennsylvania.

## FROM THE PRESIDENT

Our Funds from Operations (FFO) increased from \$7.8 million in 2009, to \$11.2 million in 2010. On a per share basis this represents a 28% increase from \$0.69 to \$0.88. This is largely the result of realizing gains on our securities investments. Our community occupancy remained stable at 78%. However, our income from community operations decreased 2% from \$13.3 million in 2009, to \$13.0 million in 2010 as a result of increased operating expenses.

The core business of UMH is the operation of our 35 manufactured home communities. Our 8,000 home sites provide stable and predictable income streams throughout the business cycle. Rental income increased 5% in 2010, from \$26.5 million to \$27.9 million. UMH has approximately 1,750 vacant sites. Our 22% vacancy factor can provide us with substantial operating leverage to grow our earnings as demand increases. Filling these vacant sites would increase our gross income by approximately \$7.5 million a year and increase our net income by \$5.0 million a year.

Although we did see some improvement, our home sales division was disappointing. Last year we had total sales of \$6.1 million versus \$5.5 million in 2009. These numbers are a far cry from the \$16.0 million in sales generated in 2006. New home sales are an integral part of gaining occupancy and enhancing community values. We are very proactive in upgrading our communities by replacing older homes with newer ones. Because housing demand has been so dormant, our sales division continued to be a drag on our overall results. An improving economy should produce positive results in our sales and occupancy numbers.

UMH currently has approximately \$21 million in manufactured home loans secured by homes within our communities. Our loan portfolio continues to perform well and delivers a weighted average yield of 10%. We provide financing when third party financing cannot be obtained. One of the biggest challenges facing the manufactured housing industry is the lack of low cost financing relative to our site built competition.

Unfortunately, the cost advantage that our product offers over conventional housing is offset to a certain degree due to more expensive financing costs relative to that which can be found for conventional mortgages. If we can find a way to reduce the costs of manufactured home loans it would greatly improve our competitive position. In any event, it appears that conventional home loans will now be more difficult and expensive to obtain.

The performance of our shares was excellent in 2010. UMH delivered a 29% total return following our 55% total return in 2009. Even so our current share price represents what we believe to be a substantial discount to our intrinsic value. One of our main goals is to grow our assets and earnings in order to eliminate this discount. We are currently one of the smallest public REITs in operation. We will not sacrifice our high standards in order to generate growth for growth's sake. However, we are actively seeking opportunities to build upon the successful acquisitions that were made in 2010 in order to right size our public platform.

I believe that one of the key ingredients to our long-term success has been our dedicated staff. My father, Eugene Landy, has set a tone at the top that fosters integrity, fair-dealing, and a concern for all. I am proud to work with a team that shares his work ethic and I would like to take this opportunity to thank all of the members of the UMH team. I would also like to thank our directors for their hard work and commitment to creating long-term value for UMH, and as always thank you to all of our loyal shareholders. We look forward to reporting back to you in the year ahead.

Very truly yours,



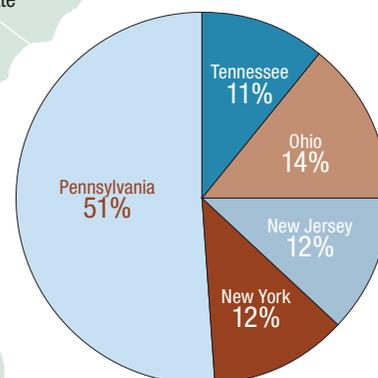
Samuel A. Landy  
President  
March 2011

## PROPERTY PORTFOLIO MAP

*“In 2010 we were able to harvest gains made on our liquid REIT securities investments and redeploy the proceeds by investing in high quality manufactured home communities in Pennsylvania.”*

-Samuel A. Landy, President

● PROPERTY LOCATIONS ● NEW ACQUISITIONS



## COMMUNITY DEVELOPMENT

UMH Properties, Inc. (UMH), currently owns additional unimproved land, which lends itself to future development. When UMH first purchased the communities, the undeveloped acreage was given little or no value. The Company's land holdings have seen considerable appreciation in value over the last several years. These additional land holdings are reviewed frequently by management to monitor the economic changes in the particular area to determine if expansion of certain properties is warranted. Approximately 500 acres of developable land is held by the Company and is continually monitored for demand at these locations. The following table shows our projected expansions over the next five years.

PROJECTED EXPANSIONS	2011	2012	2013	2014	2015
<a href="#">Brookview Village</a>		17	47		
<a href="#">Cedarcrest</a>		35			
<a href="#">Cross Keys Village</a>			8		
<a href="#">Fairview Manor</a>			50	50	50
<a href="#">Highland Estates</a>			50	50	44
<a href="#">Lake Sherman Village</a>		25		25	
<a href="#">Mountain View Estates</a>		50	50	100	80
<a href="#">Pine Ridge/Pine Manor</a>		20	30		
<a href="#">Somerset Estates</a>		30	48		
<a href="#">Spreading Oaks Village</a>			30		30
<a href="#">Sandy Valley Estates</a>			24		
<a href="#">Woodland Manor</a>				10	
<a href="#">Wood Valley</a>				30	
<b>Totals</b>	<b>0</b>	<b>177</b>	<b>337</b>	<b>265</b>	<b>204</b>

## FINANCIAL DATA

<b>Operating Data</b>	<b>12/31/2010</b>	<b>12/31/2009</b>	<b>12/31/2008</b>	<b>12/31/2007</b>	<b>12/31/2006</b>
Rental and Related Income	\$27,877,470	\$26,491,999	\$25,542,745	\$23,997,178	23,186,485
Sales of Manufactured Homes	6,133,494	5,527,253	9,560,912	12,672,844	15,799,748
Total Income	34,010,964	32,019,252	35,103,657	36,670,022	38,986,233
Interest and Dividend Income	4,579,668	4,584,917	4,318,512	3,357,524	3,156,255
Gain (Loss) on Securities Transactions, net	3,931,880	(1,804,146)	(2,860,804)	(1,398,377)	266,847
Community Operating Expenses	14,870,694	13,200,885	13,083,959	12,633,042	12,274,363
Total Expenses	30,730,900	26,911,082	30,186,474	32,136,169	33,689,016
Interest Expense	5,183,296	4,455,332	4,957,437	4,171,109	3,273,720
Gain (Loss) on Sales of Investment Property and Equipment	(8,244)	179,607	14,661	99,318	158,403
Net Income	6,668,915	3,689,388	1,527,150	2,632,741	5,840,277
Net Income Per Share - Basic	.52	.32	.14	.25	.58
- Diluted	.52	.32	.14	.25	.58

### Cash Flow Data

Net Cash Provided (Used) by:

Operating Activities	\$6,481,751	\$11,355,096	\$8,267,886	\$2,766,606	\$4,161,938
Investing Activities	(33,894,219)	(8,288,707)	(11,941,757)	(21,089,748)	(2,591,532)
Financing Activities	28,553,703	(1,329,854)	4,235,145	18,540,091	(4,120,735)

### Balance Sheet Data

Total Assets	\$188,780,515	\$147,971,540	\$137,939,325	\$136,503,463	\$115,740,444
Mortgages Payable	90,815,777	70,318,950	65,952,895	61,749,700	46,817,633
Shareholders' Equity	71,927,753	55,971,862	44,721,700	53,995,133	57,640,419

### Other Information

Average # of Shares Outstanding	12,767,904	11,412,536	10,876,840	10,535,162	10,093,546
Funds from Operations (1)	\$11,193,185	\$7,834,295	\$5,585,059	\$6,191,659	\$9,097,444
Cash Dividends Per Share	.72	.72	.79	1.00	.985

(1) Funds from Operations (FFO) is defined as net income excluding gains (or losses) from sales of depreciable assets, plus depreciation. FFO should be considered as a supplemental measure of operating performance used by real estate investment trust (REITs). FFO excludes historical cost depreciation as an expense and may facilitate the comparison of REITs which have different cost basis. The items excluded from FFO are significant components in understanding and assessing the Company's financial performance. FFO (1) does not represent cash flow from operations as defined by generally accepted accounting principles; (2) should not be considered as an alternative to net income as a measure of operating performance or to cash flows from operating, investing and financing activities; and (3) is not an alternative to cash flow as a measure of liquidity. FFO, as calculated by the Company, may not be comparable to similarly entitled measures reported by other REITs.

### The Company's FFO is calculated as follows

	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
Net Income	\$6,668,915	\$3,689,388	\$1,527,150	\$2,632,741	\$5,840,277
Loss (Gain) on Sales of Depreciable Assets	8,244	62,783	(14,661)	(99,318)	(158,403)
Depreciation Expense	4,516,026	4,082,124	4,072,570	3,658,236	3,415,570
FFO*	\$11,193,185	\$7,834,295	\$5,585,059	\$6,191,659	\$9,097,444

\*Includes gain on sale of easement of \$242,390 in 2009.

# THE YEAR IN REVIEW

## Recent Share Activity

	2010			2009		
	High	Low	Distribution	High	Low	Distribution
First Quarter	\$8.62	\$7.77	\$ .18	\$7.50	\$4.87	\$ .18
Second Quarter	10.90	8.12	0.18	9.09	5.44	0.18
Third Quarter	11.93	9.19	0.18	9.01	7.40	0.18
Fourth Quarter	11.01	9.50	0.18	8.65	7.35	0.18
			\$ .72			\$ .72

	Share Volume	Opening Price	Closing Price	Dividend Paid	Appreciation/Depreciation	Total Yield
2010	8,346,700	\$8.48	\$10.20	\$0.72	20.3%	28.8%
2009	5,503,300	5.95	8.48	0.72	42.5%	54.6%
2008	3,523,900	11.77	5.95	0.79	(49.4%)	(42.7%)
2007	3,008,700	15.44	11.77	1.00	(23.8%)	(17.3%)
2006	2,059,700	15.90	15.44	0.985	(2.9%)	3.3%
2005	2,651,200	15.74	15.90	0.9775	1.0%	7.2%

The shares of common stock of UMH Properties, Inc. are traded on the NYSE Amex (UMH).



## Directors

**Anna T. Chew**  
Certified Public Accountant  
Treasurer,  
Monmouth Real Estate  
Investment Corporation

**Eugene W. Landy**  
Attorney-at-Law  
President,  
Monmouth Real Estate  
Investment Corporation

**Samuel A. Landy**  
Attorney-at-Law

**James E. Mitchell**  
Attorney-at-Law  
General Partner,  
Mitchell Partners LP  
President,  
Mitchell Capital Management

**Richard H. Molke**  
General Partner,  
Molke Family  
Limited Partnership

**Eugene Rothenberg**  
Investor  
Director, Monmouth Real Estate  
Investment Corporation

**Stephen B. Wolgin**  
Managing Director  
U.S. Real Estate Advisors, Inc.  
Director, Monmouth Real Estate  
Investment Corporation

## Officers

**Eugene W. Landy**  
Chairman of the Board

**Samuel A. Landy**  
President and  
Chief Executive Officer

**Anna T. Chew**  
Vice President and  
Chief Financial Officer

**Michael P. Landy**  
Executive Vice President

**Allison Nagelberg**  
General Counsel

**Elizabeth Chiarella**  
Secretary

## Corporate Information

**Corporate Office**  
3499 Route 9 North  
Freehold, NJ 07728

**Independent Registered Public  
Accounting Firm**  
PKF LLP  
29 Broadway  
New York, NY 10006

**Transfer Agent & Registrar**  
American Stock Transfer  
& Trust Company  
59 Maiden Lane  
New York, NY 10038

**Stock Listing**  
NYSE Amex  
Symbol:UMH

**Director of Investor Relations**  
Susan M. Jordan

**Internet Address**  
[www.umh.com](http://www.umh.com)

**Email Address**  
[umh@umh.com](mailto:umh@umh.com)



Staff of UMH Properties, Inc.



**UMH PROPERTIES, INC.**

Since 1968 | NYSE Amex:UMH

3499 Route 9 North • Freehold NJ 07728 • 732.577.9997

[www.umh.com](http://www.umh.com)