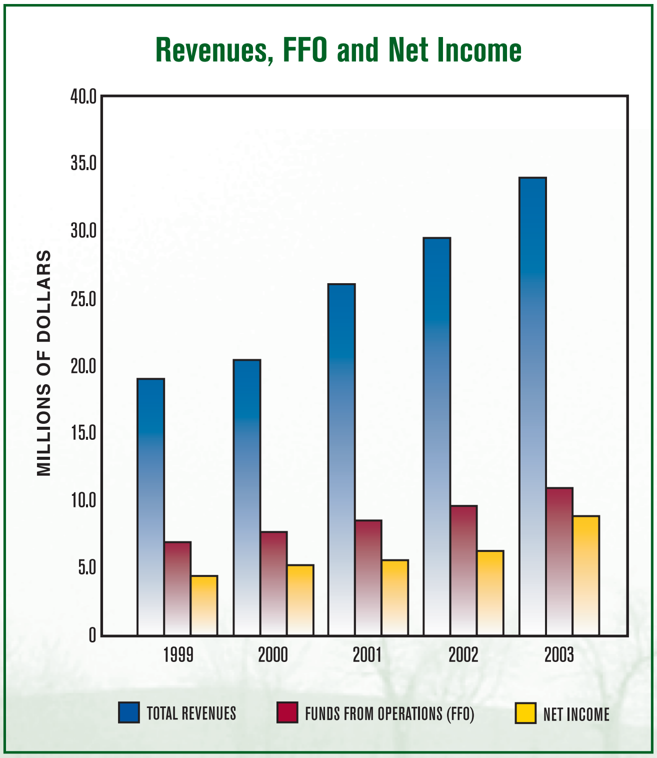
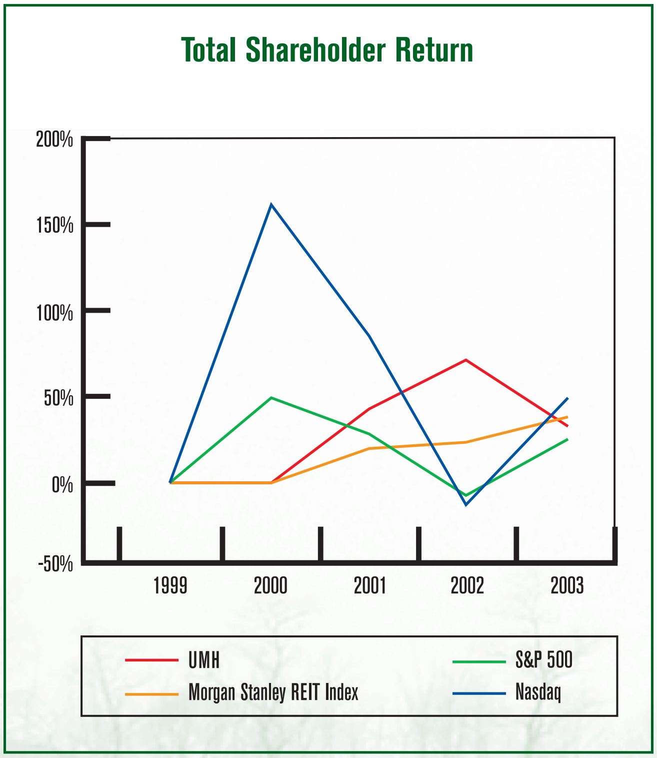
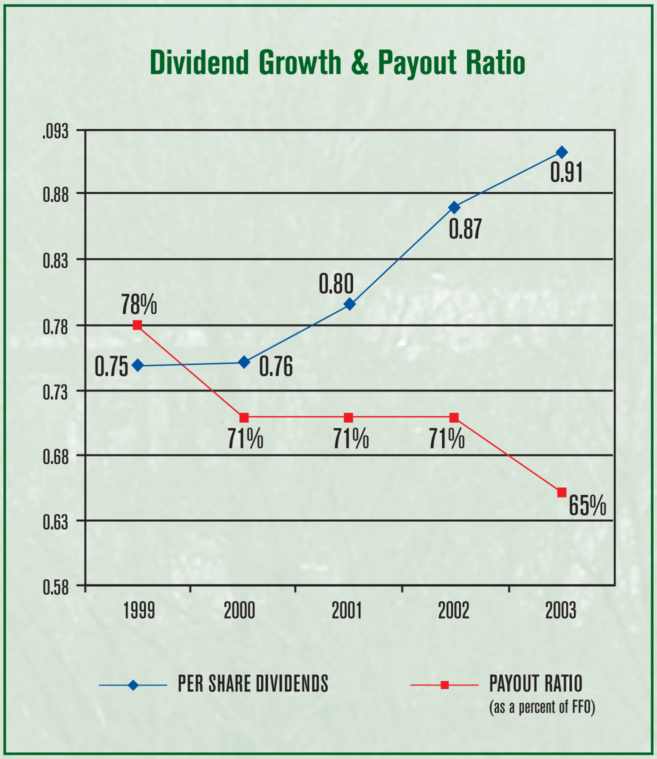
2003 **Annual Report**

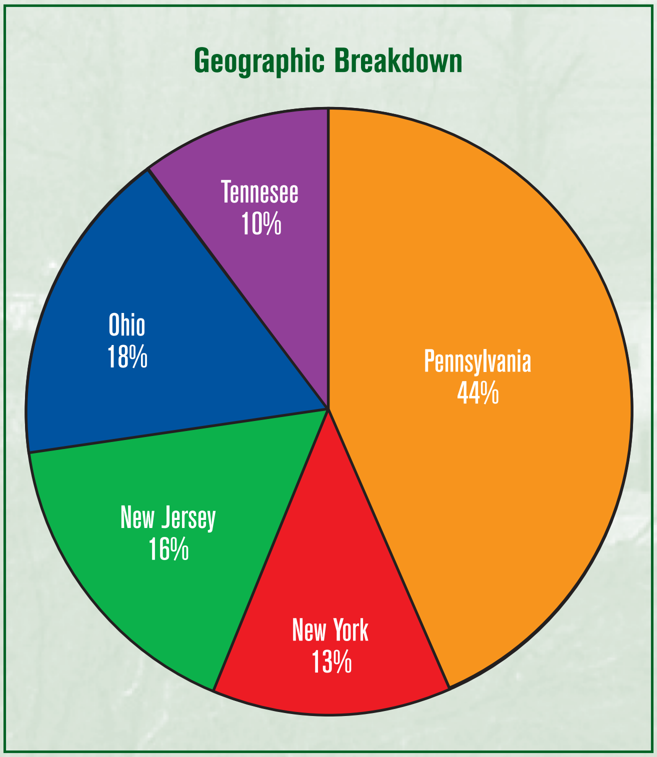


UMH | United Mobile Homes, Inc.









Note: Certain sections in this annual report contain forward-looking statements. The future often brings developments that we did not anticipate. Under Federal Securities Laws, companies are protected against being sued for forward-looking statements as long as the company identifies the statements and discusses the uncertainties. Industrial properties are noted for their stability and predictability, but even these properties are adversely affected by national or regional declines in economic conditions, changes in interest rates and operating costs, overbuilding, earthquakes, floods and tornadoes. Litigation and governmental regulations (including environmental and rent control regulations) are not predictable. Adverse trends in occupancy and rental rates may be difficult to recognize until several years' results are in. Forward-looking statements in this report include these items and those statements that refer to future capital resources, profitability and portfolio performance or other future events. Readers are cautioned not to place reliance on forward-looking statements without considering the uncertainties mentioned.

Message from the Chairman of the Board

Eugene W. Landy

Dear Fellow Shareholders:

United Mobile Homes, Inc. (United) has completed thirty-five years of operation. United operates as a real estate investment trust (REIT). United is the twenty-fifth largest owner of manufactured home communities in the nation and is one of five publicly-owned REITs specializing in manufactured home communities.

With our recent purchase in March, United now owns twenty-seven manufactured home communities containing over six thousand home sites. United is a publicly-owned company with an estimated 3,000 shareholders. United's shares are listed on the AMEX, under the symbol UMH. United is very proud of its individual shareholders, many of whom have been shareholders for generations. In 2003, we raised the dividend four times. On April 1, 2004, the dividend was raised to an annual rate of $.94. Management would like to continue increases in the dividend in 2004. Management's focus is always on the long term. We know our dedicated shareholders appreciate that this is the only way to build shareholder value.

At December 31, 2003, United had outstanding approximately 8,165,000 shares at a market price of $17.01. This gave our REIT a stock market capitalization of approximately $140 million. Management is very proud of this milestone reached in 2003. Management is also proud to report that United has maintained its Standard & Poor's stock ranking of A.

United pioneered a response to the under-valuation of REIT shares in the public marketplace by purchasing REIT securities. As of March 2004, United holds approximately $25 million in REIT securities. By investing in REIT securities, we seek increased income and capital gains. United believes in the securitization of real estate by means of the REIT concept. REIT securities often represent a better value than buying properties directly. United believes it is logical to own a portfolio of REIT securities. We have reduced the portfolio from its peak level to take advantage of the rise in prices of these securities. Substantial gains have been realized. Our current plan is to own approximately $20 million in REIT securities free and clear. United has achieved increased income, increased liquidity and a very strong financial position utilizing REIT securities for investment.

United has substantial funds to invest. Today, neither the purchase of manufactured home communities nor the purchase of REIT securities can provide the ten to fifteen percent returns management considers as a benchmark requirement for investment. Therefore, we are considering alternative investments. We have made innovative and successful management decisions in the past. This by no means guarantees we will make the right decisions in the future. We have told the real estate brokerage community that we will consider real estate investments outside the manufactured home community sector. Whether we actually make any such investments has not yet been determined. Our core business will always be manufactured housing. We continue to expand and improve our existing communities, and are actively seeking to purchase new communities. Our business is to provide affordable housing, and we have a promising future in that business.

United continues to execute successfully on its long-term business plan. We manage United, Monmouth Real Estate Investment Corporation (NASDAQ/NMS:MNRTA) and Monmouth Capital Corporation (NASDAQ Small Cap:MONM). There are efficiencies in running three REITs. It has also helped us attract and keep a dedicated staff.

Very truly yours,

Eugene W. Landy

Eugene W. Landy
Chairman of the Board

Message from the President

Samuel A. Landy

Dear Fellow Shareholders:

Our annual report is our first contact with many potential new shareholders. Because of this, I view my letter to shareholders as an opportunity to inform them about United Mobile Homes Inc. (United), and I welcome the chance to update our existing shareholders as to our progress to date. I am beginning my 10th year as President of United. It has truly been a pleasure to work alongside our talented and dedicated staff. I have complete confidence in our ability to continue to protect and grow the value of our assets and our earnings.

My father, Eugene W. Landy, founded United in 1968. United currently owns 27 manufactured home communities with over 6,000 sites. These communities are located in New York, New Jersey, Pennsylvania, Ohio, and Tennessee. Many knowledgeable people believe that manufactured housing will be the answer to our country's affordable housing crisis. To date, zoning restrictions have prevented manufactured homes from doing more to solve the shortage of affordable housing. This is particularly true in the Northeast. These local restrictions limit our ability to grow through new construction. The silver lining is that our existing communities tend to appreciate at higher rates than other property types. United is in the position of providing a product that is much needed in our country. We currently own over 400 acres of undeveloped land upon which we can grow our portfolio.

Manufactured home communities are fascinating. As in all real estate, location is very important. As a result of the surrounding economy, communities can command high rents even though they may possess the oldest homes situated on the smallest sites. Our rents currently run as high as $525 per month. Conversely, a much newer community in a less populated area that has vacancies will warrant rents as low as $200 per month. The long-term fundamentals of population growth, GDP growth, and moderate inflation are important to United as these factors can enhance the value of our communities significantly.

Industry wide, all of the manufactured home community operators are reporting declines in occupancy. Our overall occupancy in 2003 declined by 51 sites. The cause of the vacancies can be broken down as follows:

A. Older singlewide homes that needed to be removed to improve the communities.

B. Finance company repossessions that were sold by the finance company to people who removed them from the community.

C. Move-outs caused by relocations.

D. Move-outs in response to rent increases.

The vast majority of the new vacancies were from older singlewides and repossessions. The vacancies from move-outs normally are refilled either by our own sales or by outside dealers bringing homes into our communities. Over the past two years, the lack of available financing for outside dealers has limited home sales that would have helped occupancy.

Removing older obsolete homes and replacing them with new modern homes is part of our business plan. Although in the short run there is the risk of increased vacancies, we are committed to upgrading our communities and have been achieving that goal. Our communities look better than ever. Sales revenue has increased to $6,700,000 from $5,500,000. In 2003 we sold 153 new homes into our communities. The home sales we have financed to date have created a loan portfolio of 224 loans, totaling over $6,000,000. This portfolio is performing well.

Our overall rent increase in 2004 will be closer to 3% than 4% this year. Our purpose in reducing our rent increases is to discourage move-outs and encourage move-ins. The reduction in our rent increase projections from 4% to 3% this year should again be offset by increased income from sales. Operating expenses continue to rise at least 5%. We project that our increased sales

Message from the President

income, increased occupancy, and increased finance income will offset the differential in rental revenue incurred by limiting our rent increases. It is a testament to our sector's stable and reliable income streams that we can speak of rent increases notwithstanding the competition from the conventional housing sector. Rental increases were achieved in the manufactured housing sector despite declines in overall occupancy. This stands in stark contrast to the multi-family apartment sector that suffered declining rents and increased tenant concessions in order to curtail declining occupancy rates.

In 2003 United acquired Woodland Manor, consisting of 162 sites with 62 occupied. In the first quarter of 2004 we acquired Bishops/Whispering Pines consisting of 139 sites with 60 acres to expand. Our total number of sites is now almost 6,300 with approximately 5,400 occupied. We hope to build 195 additional sites in 2004 and 136 additional sites in 2005. The sites we build are predominantly doublewide sites and we have been successful in filling these expansions. Having experienced the cyclical nature of housing demand over several cycles, we continue to believe in the future of manufactured home communities. 2003 saw Warren Buffet and other thoughtful investors enter our industry. The general consensus is that the underlying forces of supply and demand have turned the corner and are now moving towards equilibrium.

Nationally, manufactured home sales in 2003 were 133,000 units. This was their lowest level in many years, declining from a peak of 373,000 units in 1998. This was primarily because financing was unavailable to manufactured home buyers. We are now seeing GSE's (government sponsored entities) and large financial institutions return to our industry. Fannie Mae and a consortium of lenders recently announced plans to provide more favorable financing terms to the manufactured housing market.

While low interest rates have helped the REIT sector by providing a lower cost of capital, they also translate into more conventional home buyers. Conventional site built homes have been appreciating at historically high rates due to the protracted low interest rate environment. This has caused manufactured homes to now become more affordable than ever in comparison. Manufactured home communities provide quality housing for between $400 and $1,000 per month, which includes site rent and finance payment. With the new sources of financing entering our industry, rising interest rates and job creation will become the primary drivers to restore pricing power and top line revenue growth.

We are confident that United Mobile Homes will continue its 35-year history of successfully acquiring, expanding, and managing our communities for the long-term benefit of our shareholders. We are optimistic that housing demand for manufactured home sales will return to normal levels. We are positioning ourselves for an anticipated industry upturn.

Very truly yours,

SAMUEL A. LANDY
President

Community Development

In many of the properties currently owned by the Company, there is additional undeveloped land, which lends itself to future expansion. When many of the communities were purchased by the Company, the undeveloped lands were given little or no value. In the future, they may develop substantial value. These additional land holdings throughout the Company are reviewed frequently by management to monitor the economic changes in the particular area to determine if expansion of certain properties is warranted. There are currently approximately 800 additional sites in various stages of engineering/construction. We continue to monitor demand at these locations.

Project Expansion	2004	2005	2006	2007	2008
			(number of sites)		
Allentown		23		16	
Brookview		31		17	
Cedarcrest		24			
Cross Keys	8				
Fairview Manor	44		30		30
Highland Estates	35		40		40
Kinnebrook	51				
Lake Sherman	29		26		24
Pine Ridge	28		39		
Pine Valley				5	
Port Royal		28		23	
Sandy Valley		30		24	
Spreading Oaks			30		30
Wood Valley			30		30
Totals	**195**	**136**	**195**	**85**	**154**

The Year in Review

Selected Financial Data

	December 31, 2003	2002	2001	2000	1999
Income Statement Data:					
Total Revenues	**$33,790,503**	$29,423,893	$26,882,399	$20,644,731	$18,807,085
Total Expenses	**25,719,333**	23,576,227	21,303,647	15,418,042	14,248,985
Gain (Loss) on Sales of Investment Property and Equipment	**55,888**	664,546	(28,264)	(37,318)	(1,964)
Net Income	**8,127,058**	6,512,212	5,550,488	5,189,371	4,556,136
Net Income Per Share -					
Basic	**1.03**	.86	.74	.71	.63
Diluted	**1.02**	.85	.74	.71	.63
Cash Flow Data:					
Net Cash Provided by Operating Activities	**$4,420,150**	$6,747,943	$4,277,851	$7,171,086	$6,770,625
Net Cash Provided (Used) by Investing Activities	**326,610**	(7,076,423)	(11,027,374)	(4,068,797)	(12,032,660)
Net Cash Provided (Used) by Financing Activities	**(3,840,868)**	1,099,628	6,918,095	(2,427,680)	5,154,277
Balance Sheet Data:					
Total Assets	**$94,310,212**	$89,026,506	$80,334,844	$62,945,597	$58,575,312
Mortgages Payable	**44,222,675**	43,321,884	38,652,025	32,055,839	30,419,153
Shareholders' Equity	**39,099,776**	29,736,417	27,964,534	22,839,426	21,391,307
Other Data:					
Average Number of Shares Outstanding	**7,858,888**	7,600,266	7,457,636	7,339,684	7,252,774
Funds from Operations*	**$10,980,239**	$9,319,106	$8,263,308	$7,845,528	$7,010,633
Cash Dividends Per Share	**.9050**	.8650	.8025	.7575	.75

**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 bases. 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:

	2003	2002	2001	2000	1999
Net Income	**$8,127,058**	$6,512,212	$5,550,488	$5,189,371	$4,556,136
(Gain) Loss on Sales of Depreciable Assets	**(55,888)**	(3,546)	28,264	37,318	1,946
Depreciation Expense	**2,909,069**	2,810,440	2,684,556	2,618,839	2,452,533
FFO (1)	**$10,980,239**	$9,319,106	$8,263,308	$7,845,528	$7,010,633

(1) Includes gain on sale of land of $661,000 in 2002.

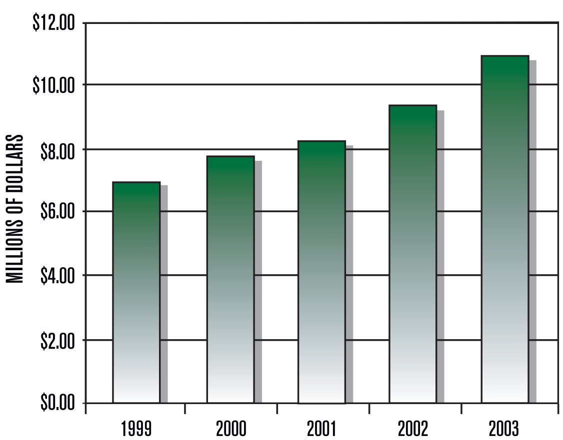
The Year in Review

Recent Share Activity

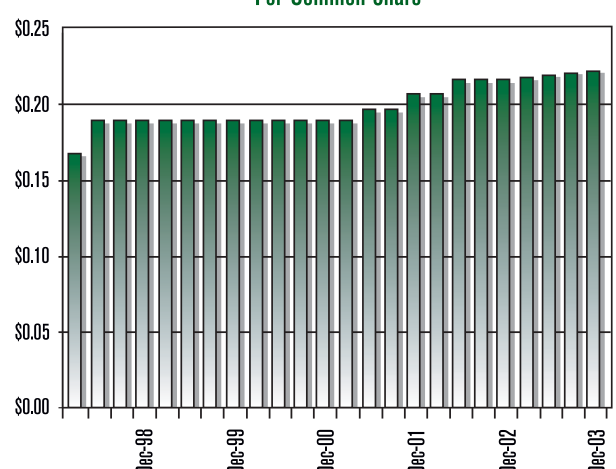
	2003		2002		2001	
	High	**Low**	High	Low	High	Low
First Quarter	**14.49**	**12.64**	12.50	11.77	12.75	9.63
Second Quarter	**16.85**	**13.84**	13.85	12.15	12.35	10.65
Third Quarter	**16.50**	**14.14**	13.50	12.25	11.95	10.50
Fourth Quarter	**17.70**	**14.75**	13.54	12.22	12.50	10.25

	Share Volume	Opening Price	Closing Price	Dividends Paid	Share Appreciation	Total Yield
1998	1,475,000	11-3/4	10-5/8	.7375	(9.6%)	(3.3%)
1999	1,638,000	10-5/8	8-1/4	.75	(22.4%)	(15.3%)
2000	1,259,000	8-1/4	9-1/2	.7575	15.2%	24.4%
2001	852,000	9.50	12.18	.8025	28.2%	36.6%
2002	1,008,000	12.18	13.54	.865	11.2%	18.3%
2003	**2,238,000**	**13.54**	**17.01**	**.905**	**25.6%**	**32.3%**

Annual FFO Growth



Quarterly Dividends Paid
Per Common Share



Directors

Ernest V. Bencivenga
Financial Consultant
Secretary/Treasurer,
Monmouth Capital Corporation and
Monmouth Real Estate Investment
Corporation

Anna T. Chew
Certified Public Accountant
Vice President and Chief Financial Officer,
Monmouth Capital Corporation; Chief
Financial Officer, Monmouth Real Estate
Investment Corporation

Charles P. Kaempffer
Certified Public Accountant
Investor

Eugene W. Landy
Attorney at Law
President, Monmouth Capital Corporation
and Monmouth Real Estate Investment
Corporation

Samuel A. Landy
Attorney at Law

James E. Mitchell
Attorney at Law
General Partner, Mitchell Partners, L.P.;
President, Mitchell Capital Management, Inc.

Richard H. Molke
Vice President,
Remsco Associates, Inc.

Eugene Rothenberg
Investor
Director, Monmouth Capital Corporation

Robert G. Sampson
Investor
General Partner, SAMPCO Ltd.

The Board of Directors of United Mobile Homes, Inc. has reviewed the positions and associations of each of the directors to be elected in 2004 to be certain that the Board meets the independence requirements under applicable laws, rules and regulations.

Officers

Eugene W. Landy
Chairman of the Board

Samuel A. Landy
President

Anna T. Chew
Vice President and
Chief Financial Officer

Michael P. Landy
Vice President - Investments

Ernest V. Bencivenga
Secretary/Treasurer

Allison Nagelberg
General Counsel

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Rosemarie A. Faccone
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