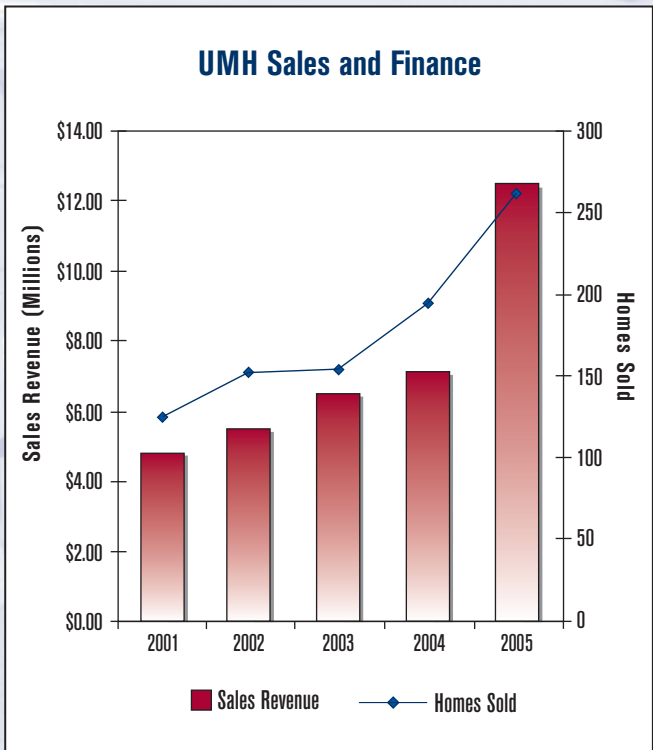
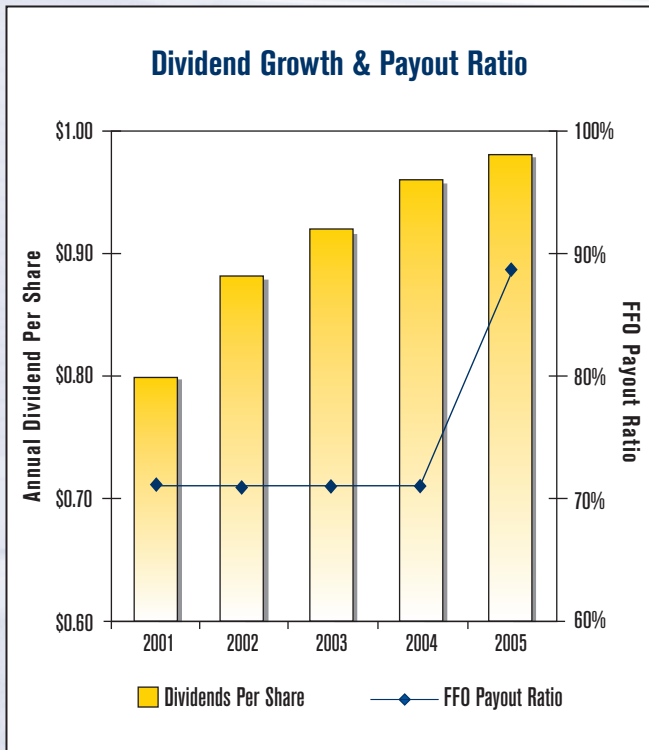
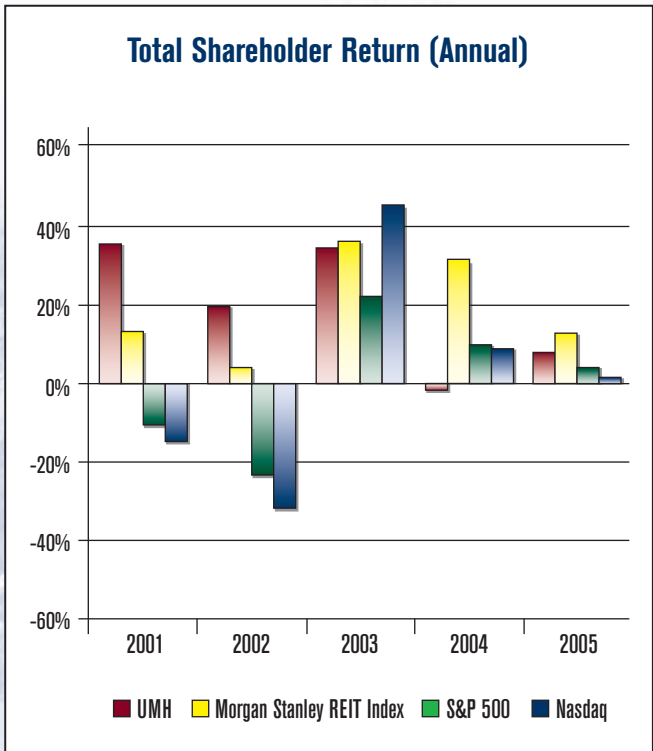
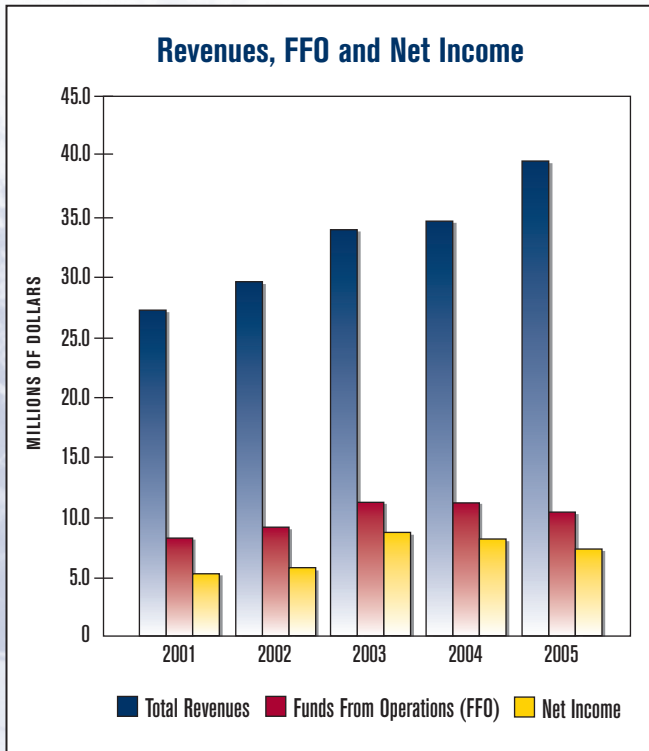


United Mobile Homes, Inc.

UMH



2 0 0 5
Annual Report



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: (i) changes in the general economic climate; (ii) increased competition in the geographic areas in which the Company owns and operates manufactured housing communities; (iii) changes in government laws and regulations affecting manufactured housing communities; and (iv) 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 Company undertakes no obligation to publicly update or revise any forward-looking statements whether as a result of new information, future events, or otherwise.

Message from the Chairman of the Board



Eugene W. Landy

Dear Fellow Shareholders:

United Mobile Homes, Inc. (UMH) has completed thirty-seven years of operation. UMH 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.

UMH owns twenty-seven manufactured home communities containing approximately 6,400 home sites. We are a publicly-owned company with an estimated 3,000 shareholders. UMH is very proud of its individual shareholders, many of whom have been shareholders for generations. In 2004 the dividend was raised four times. On April 1, 2005, the dividend was raised to an annual rate of \$.98. Our dividend has been increased for fourteen consecutive years. Further dividend increase depends upon a resurgence in the demand for manufactured housing.

As of December 31, 2005, UMH had outstanding approximately 9,800,000 shares at a market price of \$15.90. This gave our REIT a stock market capitalization of approximately \$156 million. Management is proud to report that UMH continues to maintain its Standard & Poor's stock ranking of A.

The current protracted cyclical upturn for real estate cannot continue unabatedly. Real estate as an asset class has now outperformed in each of the past six years. Largely fueled by low interest rates and low return expectations in alternative asset classes, cap rates have declined to unprecedented levels. Replacement costs have also risen dramatically. We have recently seen some manufactured home communities sell for \$50,000 a site. Yet over the past two years, UMH's share price has not risen in a commensurate manner. There are two key

contributing factors that took place over these past two years. In 2004, UMH was rebalanced off of the Russell 2000 Index. In 2005, as a result of new and significantly higher minimum market capitalization requirements, UMH was rebalanced off of the Morgan Stanley REIT Index. When a company comes off of one of these large benchmark indexes, it causes downward momentum on its share price. While management anticipates growing our way back onto these indices, our current share price does not reflect the continued cap rate compression that has taken place over the past two years. Certainly shareholders should always consider the value of our properties in assessing our performance. Competing housing, consisting of conventional homes and apartments, have risen dramatically in price. Under the European accounting system, we would report in our income statement increases in value. This is called "fair value accounting". While income as reported under GAAP has declined, we believe other systems would show improved results.

UMH has substantial funds to invest. Due to the high barriers of entry and highly competitive bidding environment, it has been very difficult for us to generate external growth. UMH has cash and securities of over \$25 million at this writing. We also have approximately 500 acres of developable land. This amount of land provides us with the ability to increase our total sites by approximately 30%. We recently were the successful bidders on a 271 space community located near Nashville, Tennessee. We will continue to seek out acquisitions that fit in with our existing portfolio.

Conventional housing prices have increased dramatically over the past five years and as a result,

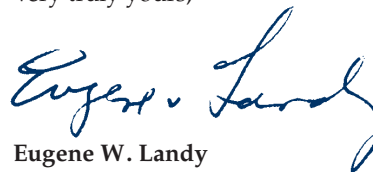


the demand for manufactured housing has declined. The long anticipated correction in the housing market is now beginning to occur. While it is too early to say whether our nation's housing industry is in for a soft landing or a crash, demand for manufactured housing should increase as a result. We are optimistic on our long-term business plan of providing affordable housing. Many of the financing mechanisms that have allowed US home ownership levels to grow to unprecedented levels (now 70%) are proving to be very risky. The lending community has created products that put people in homes that they really cannot afford without continued price appreciation. It will be interesting to see as mortgage rates reset higher over the next two years and housing prices moderate, if manufactured housing communities can regain the market share that was lost as a result of the housing bubble.

In addition to UMH, we manage Monmouth Real Estate Investment Corporation (NASDAQ:MNRTA)

and Monmouth Capital Corporation (NASDAQ: MONM). There are efficiencies in running three REITs. It has helped us attract and keep a dedicated staff with which I am proud to be associated. It is our goal to deliver to our shareholders a total return investment, secured by a safe and growing dividend, coupled with appreciation in the value of our underlying assets. We have achieved this goal over the past thirty-seven years. 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



Message from the President



Samuel A. Landy

Dear Fellow Shareholders:

United Mobile Homes, Inc., (UMH) has now completed thirty-seven years of successful operation. We are proud of the company we have built and the returns our shareholders have enjoyed. Thirty-seven years represent several real estate cycles. Real estate cycles take approximately ten to twelve years to unfold, each cycle possessing unique characteristics that management must carefully analyze in order to protect and grow shareholder value. While national housing trends have a direct effect on our communities, each geographic region also has its own unique cycle that must be closely monitored as well. We are happy to report to you that much of our portfolio is located in areas where population growth, income levels, and consequently land values have been increasing at very high rates. Because of our favorable locations, as well as the high barriers to entry, our communities should continue to appreciate in value at rates higher than inflation.

Due to historically low financing costs, competition from the site built housing sector continued to be strong in 2005. Although this has hampered our ability to increase occupancy rates and profit margins, it has also resulted in substantial appreciation for raw land values as well as increased the affordability for the manufactured home owner. In my letter to shareholders last year, I pointed out that we had reached a unique point in the residential housing cycle, in which our nation's homeownership rate had soared to an all-time high. I stated that UMH was well positioned should a housing correction

occur. Today, we are starting to see clear signs that such a correction is unfolding. With approximately 500 acres in developable land and a low levered balance sheet, UMH has tremendous resources as well as strong operating leverage to benefit from an increase in demand for low cost housing.

Results in 2005 were mixed for UMH. Total revenue was up 14.2% from \$34.4 million to \$39.3 million. Funds from Operations (FFO) were down 9.3% from \$11.4 million to \$10.3 million. Net income was down 14.6% from \$8.2 million to \$7.0 million. The main factor for this decrease was that \$1.2 million in securities gains were realized this year versus \$2.5 million in 2004. Our Taxable REIT Subsidiary, UMH Sales and Finance, Inc. continued to show substantial sales growth. UMH Sales and Finance achieved a record-breaking year in 2005 generating \$12.4 million in manufactured home sales. This marked a 70% improvement over the \$7.3 million in sales revenue we achieved in 2004. The primary goal of our sales division is to renew our communities and increase their underlying value. Our sales division is also helpful in increasing our occupancy levels through the sale of new homes. Each year we have generated significant sales growth. These sales are driving our ability to grow the amount of newer homes in our communities as a percentage of overall sites. This year UMH Sales and Finance sold approximately 260 new homes into our communities as compared with 196 new homes in 2004. UMH currently has an \$11.1 million portfolio of manufactured home loans that is performing very well. These loans are financed at a weighted average coupon of 11.6%. Because these



loans are secured by collateral that remains in our communities, we have enjoyed a very low default rate.

UMH achieved its 14th consecutive year of annual dividend increases in 2005. We are proud of our long-term ability to generate dividend growth and we will strive to continue this positive trend. Historically our dividend has represented a lower percentage of funds from operation (FFO) than is currently the case. In 2005, UMH earned \$1.10 in FFO. Our current dividend of \$.98 per share now represents 89% of FFO per share. It is important to management that we maintain a conservative dividend policy as we have done in the past. Therefore, growing our FFO per share will be a key objective in 2006 and 2007.

UMH acquired two large land parcels in 2005. We acquired 185 acres in Coxsackie, NY, for approximately \$1.7 million. We are currently seeking approval to build a new community there. We also acquired 67 acres in Vineland, NJ, for approximately \$1.9 million. This acreage adjoins our Fairview Manor Community and brings our total acreage adjoining this community to 132 acres. We are seeking approval to expand this community considerably. UMH's total land inventory is now approximately 500 acres. This amount of land inventory gives us stronger ability to generate internal growth. We have also entered into contract to purchase a 271 site community in Lebanon, TN, which is just outside of Nashville. This acquisition is scheduled to close in early 2006.

As we begin our 38th year of operation, we are confident in the knowledge that we are operating a company which has been cycle tested. Our stable cash

flow, our ability to grow rents at rates higher than inflation, and our communities' ability to appreciate at rates greater than inflation, are all qualities that have remained consistent over almost four decades of operation. We will continue to operate UMH in the conservative manner with which our shareholders have been accustomed. We remain optimistic that housing demand for manufactured homes will increase. We continue to maintain ample resources 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 unimproved land, which lends itself to future development. When many of the communities were purchased by the Company, the undeveloped lands were given little or no value. Our land holdings have seen considerable appreciation in value over the last several years. 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 1,500 additional sites in various stages of engineering/construction. We continue to monitor demand at these locations.

| Project Expansion | 2006 | 2007 | 2008 | 2009 | 2010 |
|-----------------------------|-------------------|------------|------------|------------|------------|
| | (number of sites) | | | | |
| Allentown | | | 24 | 24 | |
| Brookview | | 30 | 30 | | |
| Cedarcrest | | 50 | 50 | | |
| Cross Keys | | 8 | | | |
| Fairview Manor | | 50 | 50 | 50 | 50 |
| Highland Estates | 50 | 50 | 50 | | |
| Kinnebrook | 22 | | 28 | | |
| Lake Sherman | | 26 | | 24 | |
| Pine Ridge | 39 | | 30 | | 30 |
| Port Royal | 28 | | 23 | | |
| Sandy Valley | | 30 | | 30 | |
| Somerset Estates | 50 | | 50 | | 48 |
| Spreading Oaks | | 30 | | 30 | |
| Woodland Manor | | | | 10 | |
| Vacant Land (Coxsackie, NY) | | 100 | | 100 | |
| Totals | 189 | 404 | 335 | 292 | 128 |



The Year in Review

Selected Financial Data

| | December 31, | | | | |
|--|----------------------|---------------|--------------|--------------|--------------|
| | 2005 | 2004 | 2003 | 2002 | 2001 |
| Operated Data: | | | | | |
| Total Revenues | \$39,339,573 | \$34,357,882 | \$33,790,503 | \$29,423,893 | \$26,882,399 |
| Total Expenses | 32,392,720 | 26,176,771 | 25,328,860 | 24,107,136 | 21,574,873 |
| Gain (Loss) on Sales of Investment Property and Equipment | 43,489 | 20,638 | 55,888 | 664,546 | (28,264) |
| Net Income | 6,990,342 | 8,201,749 | 8,517,531 | 5,981,303 | 5,279,262 |
| Net Income Per Share - | | | | | |
| Basic | .74 | .95 | 1.08 | .79 | .71 |
| Diluted | .74 | .95 | 1.07 | .78 | .70 |
| Cash Flow Data: | | | | | |
| Net Cash Provided (Used) by: | | | | | |
| Operating Activities | \$3,034,698 | \$5,115,754 | \$4,420,150 | \$6,747,943 | \$4,277,851 |
| Investing Activities | (13,415,488) | (2,398,003) | 326,610 | (7,076,423) | (11,027,374) |
| Financing Activities | 6,161,334 | 2,812,190 | (3,840,868) | 1,099,628 | 6,918,095 |
| Balance Sheet Data: | | | | | |
| Total Assets | \$114,782,535 | \$103,164,988 | \$94,310,212 | \$89,026,506 | \$80,334,844 |
| Mortgages Payable | 48,706,241 | 50,501,243 | 44,222,675 | 43,321,884 | 38,652,025 |
| Shareholders' Equity | 54,839,324 | 48,804,743 | 38,575,404 | 28,821,572 | 27,580,598 |
| Other Data: | | | | | |
| Average Number of Shares Outstanding | 9,473,155 | 8,598,686 | 7,858,888 | 7,600,266 | 7,457,636 |
| Funds from Operations (1) | \$10,300,749 | \$11,355,784 | \$11,370,712 | \$8,788,197 | \$7,992,082 |
| Cash Dividends Per Share | .9775 | .9450 | .9050 | .8650 | .8025 |

(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 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:

| | 2005 | 2004 | 2003 | 2002 | 2001 |
|--|---------------------|--------------|--------------|-------------|-------------|
| Net Income | \$6,990,342 | 8,201,749 | 8,517,531 | \$5,981,303 | \$5,279,262 |
| (Gain) Loss on Sales of Depreciable Assets | (43,489) | (20,638) | (55,888) | (3,546) | 28,264 |
| Depreciation Expense | 3,353,896 | 3,174,673 | 2,909,069 | 2,810,440 | 2,684,556 |
| FFO (1) | \$10,300,749 | \$11,355,784 | \$11,370,712 | \$8,788,197 | \$7,992,082 |

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

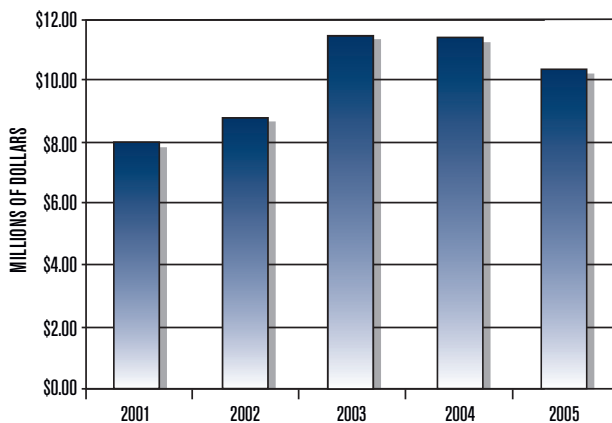
The Year in Review

Recent Share Activity

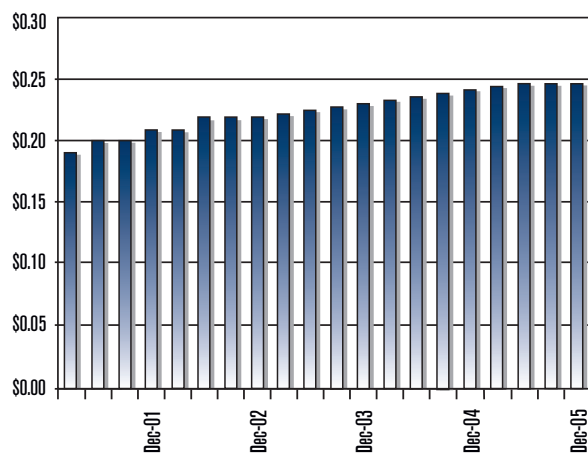
| | 2005 | | | 2004 | | |
|----------------|-------------|------------|---------------------|-------------|------------|---------------------|
| | <u>High</u> | <u>Low</u> | <u>Distribution</u> | <u>High</u> | <u>Low</u> | <u>Distribution</u> |
| First Quarter | \$16.70 | \$14.78 | \$.2425 | \$17.50 | \$15.38 | \$.2325 |
| Second Quarter | 16.10 | 14.65 | .2450 | 16.18 | 12.46 | .2350 |
| Third Quarter | 16.50 | 14.80 | .2450 | 15.05 | 13.00 | .2375 |
| Fourth Quarter | 15.99 | 15.00 | .2450 | 16.00 | 14.05 | .2400 |
| | | | <u>\$.9775</u> | | | <u>\$.9450</u> |

| | <u>Share Volume</u> | <u>Opening Price</u> | <u>Closing Price</u> | <u>Dividends Paid</u> | <u>Share Appreciation</u> | <u>Total Return</u> |
|------|---------------------|----------------------|----------------------|-----------------------|---------------------------|---------------------|
| 2005 | 2,651,200 | 15.74 | 15.90 | 0.9775 | 1.0% | 7.2% |
| 2004 | 3,511,000 | 17.01 | 15.74 | 0.9450 | (7.5%) | (1.9%) |
| 2003 | 2,238,000 | 13.54 | 17.01 | 0.9050 | 25.6% | 32.3% |
| 2002 | 1,008,000 | 12.18 | 13.54 | 0.8650 | 11.2% | 18.3% |
| 2001 | 852,000 | 9.50 | 12.18 | 0.8025 | 28.2% | 36.7% |

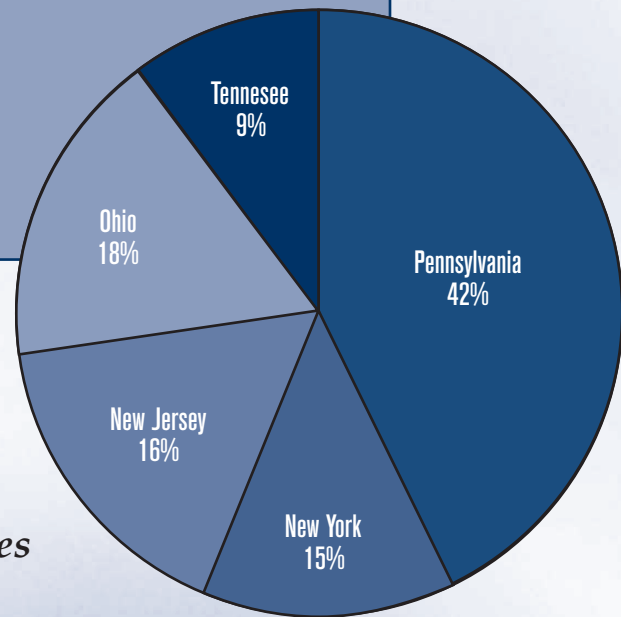
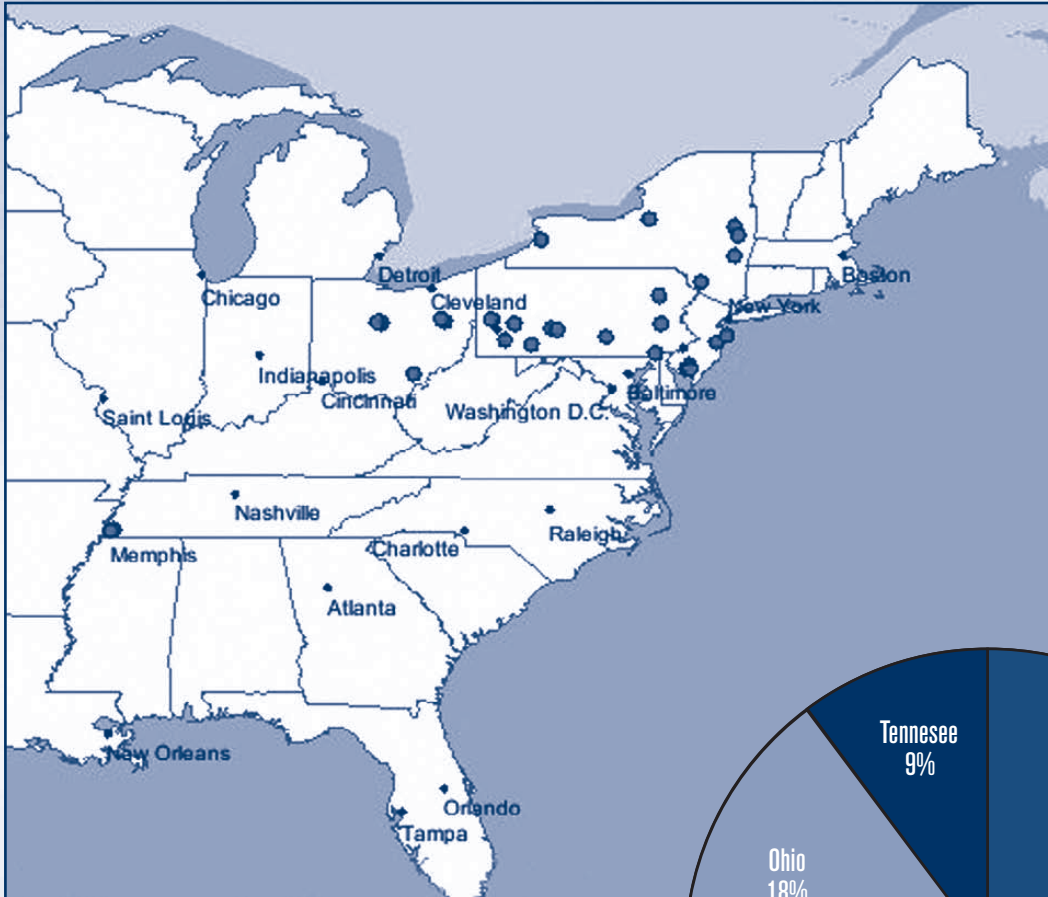
Annual FFO Growth



Quarterly Dividends Paid Per Common Share



Property Portfolio Map



“Because of our favorable locations, as well as the high barriers to entry, our communities should continue to appreciate in value at rates higher than inflation.”

Samuel A. Landy, President

Directors & Officers

Directors

Anna T. Chew

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

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

General Partner,
Molke Family Limited Partnership

Eugene Rothenberg

Investor
Director, Monmouth Capital Corporation

Robert G. Sampson

Investor
General Partner, SAMPCO Ltd.

Officers

Eugene W. Landy

Chairman of the Board

Samuel A. Landy

President

Anna T. Chew

Vice President,
Chief Financial Officer
and Treasurer

Michael P. Landy

Vice President - Investments

Allison Nagelberg

General Counsel

Elizabeth Chiarella

Secretary



Staff of United Mobile Homes, Inc.

Corporate Information

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Freehold, NJ 07728

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Suite 200
Baltimore, MD 21202-3100

Transfer Agent and Registrar

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

Stock Listing

AMEX – Symbol UMH

Relationship Managers

Rosemarie A. Faccione
Susan Jordan

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Email Address

umh@umh.com



United Mobile Homes, Inc.

Established in 1968

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