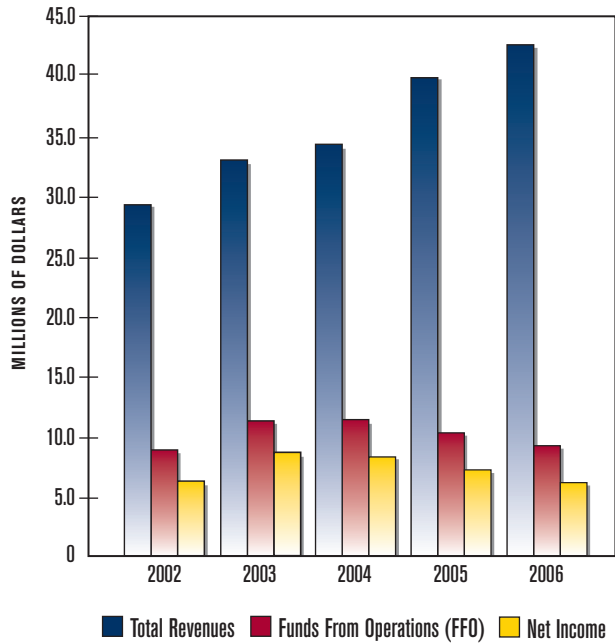


UMH Properties, Inc.

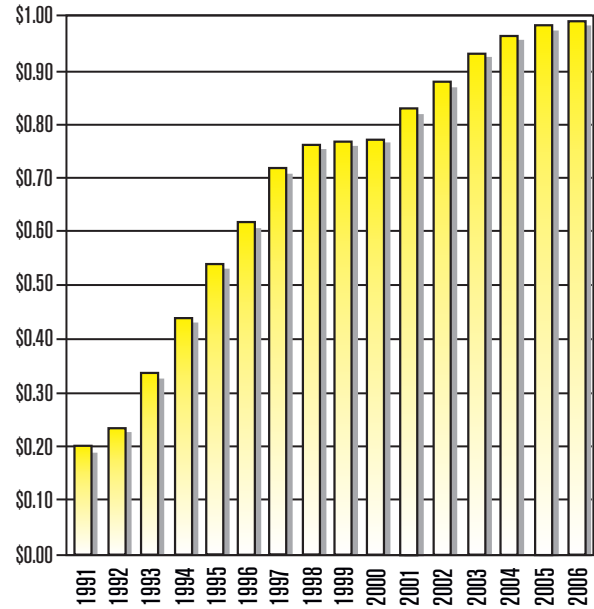


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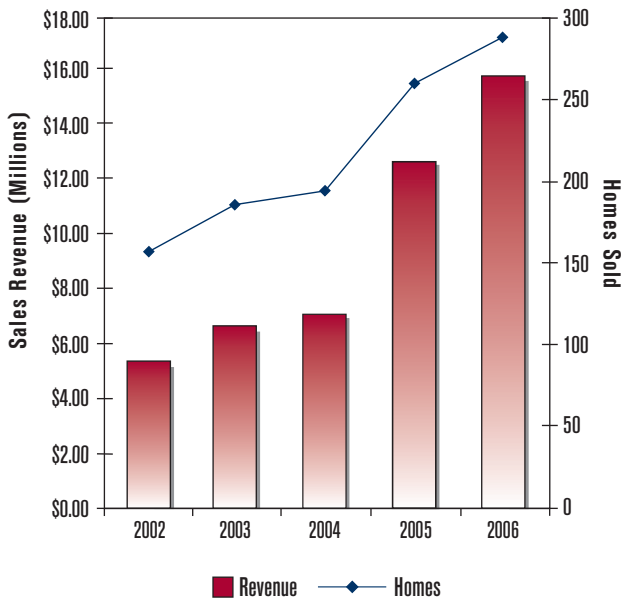
Revenues, FFO and Net Income



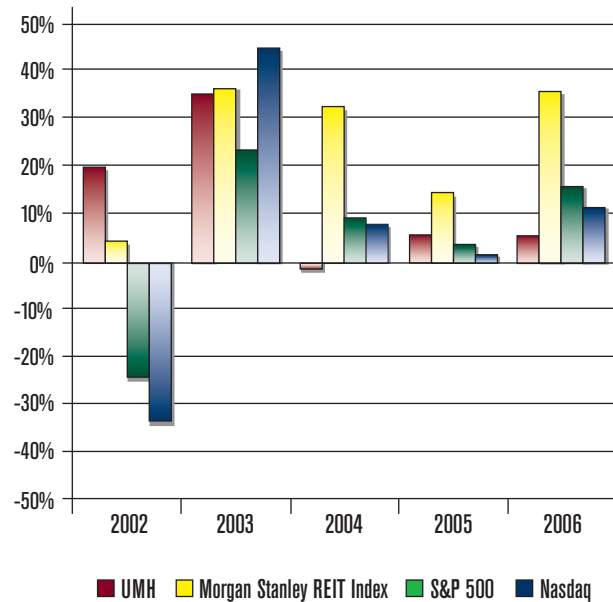
Fifteen Consecutive Years of Dividend Growth



UMH Sales and Finance



Total Shareholder Return (Annual)



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.



Eugene W. Landy

Message from the Chairman of the Board

Dear Fellow Shareholders:

UMH Properties, Inc. (UMH) has completed thirty-eight years of operation. UMH is the twenty-seventh largest owner of manufactured home communities in the nation and is one of four publicly-owned REITs specializing in manufactured home communities.

UMH owns twenty-eight manufactured home communities containing approximately 6,700 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. On October 3, 2006, the dividend was raised to an annual rate of \$1.00. Our dividend has been increased for fifteen consecutive years. Further dividend increase depends upon resurgence in the demand for manufactured housing.

As of December 31, 2006, UMH had outstanding approximately 10,300,000 shares at a market price of \$15.44. This gave our REIT a stock market capitalization of approximately \$159 million. Management is proud to report that UMH continues to maintain its Standard & Poor's stock ranking of A.

Shareholders should always consider the value of our properties in assessing our performance. 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.

Occupancy of our manufactured housing communities has declined to 82%. UMH has 1,100

vacant sites. These vacancies are directly related to our former customers purchasing conventional homes in record amounts. UMH believes this market condition is temporary and consumers will return to our housing as demand shifts to more affordable alternatives.

Everyday there are new news articles on problems with sub-prime loans on conventional homes. Our industry was decimated by no down payment, no documentation and interest only conventional loans attracting the typical manufactured home customer to buy conventional homes instead. Traditionally, manufactured housing provides 15% of the new housing market. In recent years it has fallen to half that amount.

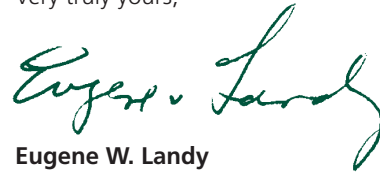
We repeat our evaluation from last year's report which is proving to be prescient: "Conventional housing prices have increased dramatically over the past five years and, as a result, the demand for manufactured housing has declined. The long anticipated correction in the housing market is now beginning 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-eight 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





Samuel A. Landy

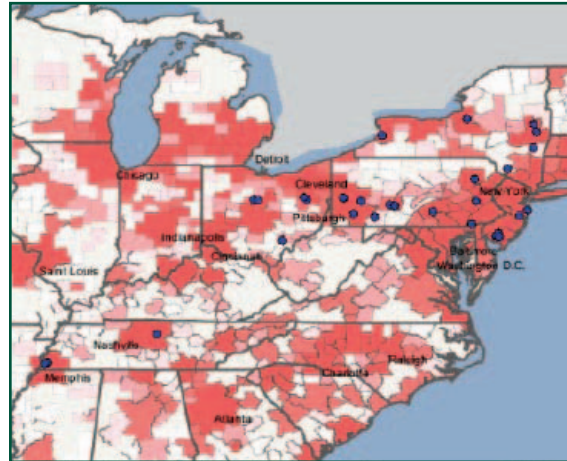
Message from the President

Dear Fellow Shareholders:

This past year brought several new developments. In March, we acquired Weatherly Estates, our 28th manufactured home community. Weatherly Estates is a 270 space community located near Nashville, Tennessee. We are very pleased with this purchase and have already seen occupancy gains as job growth in the area has been strong. One of the unique and beneficial characteristics of our property type is that we have the ability to renew and rejuvenate our communities. We have steadily been upgrading our communities by removing old homes and replacing them with new homes. Therefore it seemed appropriate to update our company name in order to reflect our community improvements. In April we changed our name from United Mobile Homes, Inc. to UMH Properties, Inc. We will continue to take advantage of the high quality homes presently being built and pride ourselves on the caliber of the 28 communities that we own. Our goal is to install 2,500 new homes over the next decade, representing \$100 million in home investment, almost all of which will be made by our tenants. There are costs to moving out older obsolete homes. Disposal costs can be incurred. New home occupancy is offset by older homes going off the rent roll. In management's view, the benefits of a rejuvenated community far outweigh these temporary non-recurring costs. Therefore, it is absolutely essential that we continue to renew and rejuvenate our communities.

One of the major factors in assessing the quality of our communities is their locations. As seen in Exhibit 1, the majority of our communities are located in or near densely populated areas. With population density comes high barriers to development, high site-built housing costs, high median incomes, and high rates of capital appreciation.

Exhibit 1: UMH PORTFOLIO POPULATION DENSITY:



The manufactured housing industry has been in a protracted downturn. 2006 marked the 8th consecutive year of declining shipments. The 117,500 total units shipped last year marked the lowest level in 45 years. This industry wide downturn corresponded with the huge housing boom in the conventional site-built sector. However, as site-built housing starts fell 13%, 2006 marked the worst year for the conventional housing sector since 1991. We view this as the beginning of an overdue correction that should benefit the manufactured housing industry. With approximately 500 acres in developable land and a low levered balance sheet, UMH has ample resources to profit from a resurgence in demand for low cost housing. In addition, our 18% vacancy factor provides us with strong operational leverage to generate internal earnings growth as demand increases.

Results in 2006 were mixed for UMH. Total revenue was up 8% from \$39.3 million to \$42.6 million. Funds from Operations (FFO) were down 12% from \$10.3

million to \$9.1 million. Net income was down 17% from \$7.0 million to \$5.8 million. The main factor for these decreases was that \$270,000 in securities gains were realized this year versus \$1.2 million in 2005.

Our Taxable REIT Subsidiary, UMH Sales and Finance, Inc. continued to show substantial sales growth. Chris Lindsey, our Vice President of Sales and her team at UMH Sales and Finance achieved a record-breaking year in 2006 generating \$15.8 million in manufactured home sales. This marked a 27% improvement over the \$12.4 million in sales revenue we achieved in 2005. The primary goal of our sales division is to renew our communities and increase their underlying value. Our sales division is also helpful in maintaining and increasing our occupancy levels. Each year we have generated significant sales growth. Over the past 5 years we have sold approximately 1,000 homes into our communities. These sales increase the amount of newer homes in our communities as a percentage of overall sites. This also provides for a higher degree of earnings stability and income quality over the long term. In 2006, UMH Sales and Finance sold approximately 285 homes into our communities. UMH currently has a \$16.8 million portfolio of manufactured home loans that is performing very well. These loans are financed at a weighted average coupon of 10.3%. Because these loans are secured by collateral that remains in our communities, we have enjoyed a very low default rate.

UMH achieved its 15th consecutive year of annual dividend increases in 2006. We are proud of our long term ability to generate dividend growth and we will strive to continue to earn our shareholders a safe and growing dividend. However, historically our dividend has represented a lower percentage of funds from operations FFO than is currently the case. In 2006, UMH earned \$0.90 in FFO. Our current dividend of \$1.00 per share now represents 111% of FFO per share. It is important to management that we re-establish the conservative dividend payout range of 70%-80% as we have had in the past. Therefore, growing our FFO per

share will be a key objective in the years ahead.

UMH is working to provide the best designed new manufactured home community expansions in the country. We are trying to build an additional 200 sites per year, and to obtain approvals for 200 additional sites each year. These sites should be in locations that provide sales profits, increased community value, and additional rental income. In our best locations we have always been able to purchase older homes, remove them from the community and profitably sell new homes. The replacement of older homes becomes a substantial source of income when the market is strong. The market is currently strong in our Northeastern locations. The current weakness is in Ohio and western Pennsylvania.

In Monticello, New York, we completed construction of 22 lots of a 48 lot expansion. This location had experienced many years of decline, but is now in the midst of a resurgence as construction of the new casino barely a mile from our community is ready to start. We are very optimistic about our sales in the expansion as well as our ability to increase our overall occupancy in the community.

We are now able to look back at our completed 157 site expansion at Fairview Manor and judge our success. By expanding the community from 160 sites to 317 sites we increased the value of the original 160 sites. Economies of scale make the original 160 sites more valuable as part of a 317 site community than they were alone. Further I believe the value of the completed 157 sites is well above the original construction costs. The sales of the 157 sites generated substantial additional income. We own an additional 110 acres adjoining Fairview Manor. Since it is in the same town as Cedercrest, we intend to complete the Cedercrest 64 site expansion before moving forward on Fairview's next phase. We will be seeking approvals for Cedercrest this spring. While we will not seek to expand the number of sites at Fairview this year, we will be working on approvals for what we hope will be our prototype self

storage facility. We believe self storage can work very well with a manufactured home community and we will be seeking approvals for Fairview as our first facility.

Our Highland Estates expansion, which totaled 144 sites, will be sold out in 2007. The results were very similar to the results at Fairview Manor. Highland Estates was once a 186 site community and it is now a 330 site first-class community.

Manufactured home communities are somewhat insulated from competition due to the high barriers to development. Obtaining the necessary approvals to build new communities or expansions is a very difficult and lengthy process. Therefore it is with great pleasure that I report that on February 27, 2007, we obtained final municipal approval to build 64 sites just outside of Saratoga, New York. In addition, we have expansion sites under construction in Carlisle, Pennsylvania, (Pine Manor 20 sites), Somerset, Pennsylvania, (Whispering Pines 71 sites), and Belle Vernon, Pennsylvania, (Port Royal 50 sites). We are finalizing approvals for Allentown Manufactured Home Community in Memphis, Tennessee for 50 sites. Our Vice President of Engineering, Jeff Yorick directly supervises local engineering firms in designing and obtaining approvals for our projects.

We have been making progress in gaining the approvals to develop our 185 acre land parcel in Coxsackie, New York. The initial plan is to develop 280 sites on 108 acres. The Coxsackie development will take time and is not included in our projected 200 total expansion sites to be developed in 2007. We are making progress on the approvals and believe the project will go forward as a 280 space modular home land lease community.

Our Vice President of Operations, Tom Stewart, has announced he will be retiring this year. Tom has managed UMH's operations since the inception of UMH. Tom and his crew have worked diligently for years to provide our residents with quality housing at a reasonable price. Tom has personally trained Jeff Wolfe and Ayal Dreifuss, two of our key regional managers,

as well as our community managers, so that while Tom will greatly be missed, we are ready to continue on. We all wish Tom a joyful retirement and thank him for his many years of distinguished service.

As we begin our 39th year of operation, we see that conventional housing is rapidly changing. Much of the recent increases in conventional homeownership were created by loans that were underwritten aggressively. People have been put in conventional homes that they could not afford under conservative underwriting standards. Now that continued high rates of capital appreciation in conventional housing are no longer prevalent, lenders are scrambling to tighten their standards. The current distress in the sub-prime lending sector may spread to other areas of our economy. Fortunately employment levels in the U.S. are currently very strong and therefore housing demand should continue to be robust. Over the past decade, as demand for conventional site-built homes increased, demand for the traditional affordable housing providers, namely the multi-family apartment sector and the manufactured housing sector abated. Because conventional housing costs have now increased well beyond their historic levels, we have been anticipating an increased need for affordable housing. We view the recent downturn in conventional housing demand, coupled with the spike in apartment occupancy rates and apartment rental rates as leading indicators that manufactured housing demand will soon return to normalcy.

Very truly yours,



Samuel A. Landy
President

Community Development

In many of the properties that UMH currently owns, there is additional unimproved land, which lends itself to future development. When UMH initially purchased the communities, 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 are reviewed

frequently by management to monitor the economic changes in the particular area to determine if expansion of certain properties is warranted. Currently, UMH holds approximately 500 acres of developable land. We continually monitor demand at these locations. The following information lists our projected expansions for the next five years.

Project Expansion	2007	2008	2009	2010	2011
(number of sites)					
Allentown	25	25			
Brookview Village	66				
Cedarcrest	62				
Cross Keys		8			
Fairview Manor		50	50	50	50
Highland Estates		50	50	30	
Kinnebrook	30				
Lake Sherman			24		
Mountain View Estates		100	100		80
Pine Ridge		30		30	
Port Royal	28	23			
Pine Valley Estates					
Somerset Estates	25	25		48	
Spreading Oaks Village			30	30	
Sandy Valley Estates			24		
Woodland Manor			10		
Wood Valley Estates				3	30
Totals	236	311	288	191	160



The Year in Review

Selected Financial Data

	2006	2005	December 31,		
			2004	2003	2002
Operating Data:					
Total Revenues	\$42,644,610	\$39,339,573	\$34,357,882	\$33,790,503	\$29,423,893
Total Expenses	36,962,736	32,392,720	26,176,771	25,328,860	24,107,136
Gain on Sales of Investment Property and Equipment	158,403	43,489	20,638	55,888	664,546
Net Income	5,840,277	6,990,342	8,201,749	8,517,531	5,981,303
Net Income Per Share -					
Basic	.58	.74	.95	1.08	.79
Diluted	.58	.74	.95	1.07	.78
Cash Flow Data:					
Net Cash Provided (Used) by:					
Operating Activities	\$4,161,938	\$3,034,698	\$5,115,754	\$4,420,150	\$6,747,943
Investing Activities	(2,591,532)	(13,415,488)	(2,398,003)	326,610	(7,076,423)
Financing Activities	(4,120,735)	6,161,334	2,812,190	(3,840,868)	1,099,628
Balance Sheet Data:					
Total Assets	\$115,740,444	\$114,782,535	\$103,164,988	\$94,310,212	\$89,026,506
Mortgages Payable	46,817,633	48,706,241	50,501,243	44,222,675	43,321,884
Shareholders' Equity	57,640,419	54,839,324	48,804,743	38,575,404	28,821,572
Other Information:					
Average Number of Shares Outstanding	10,093,546	9,473,155	8,598,686	7,858,888	7,600,266
Funds from Operations (1)	\$9,097,444	\$10,300,749	\$11,355,784	\$11,370,712	\$8,788,197
Cash Dividends Per Share	.985	.9775	.9450	.9050	.8650

(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:

	2006	2005	2004	2003	2002
Net Income	\$5,840,277	\$6,990,342	\$8,201,749	\$8,517,531	\$5,981,303
Gain on Sales of Depreciable Assets	(158,403)	(43,489)	(20,638)	(55,888)	(3,546)
Depreciation Expense	3,415,570	3,353,896	3,174,673	2,909,069	2,810,440
FFO (1)	\$9,097,444	\$10,300,749	\$11,355,784	\$11,370,712	\$8,788,197

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

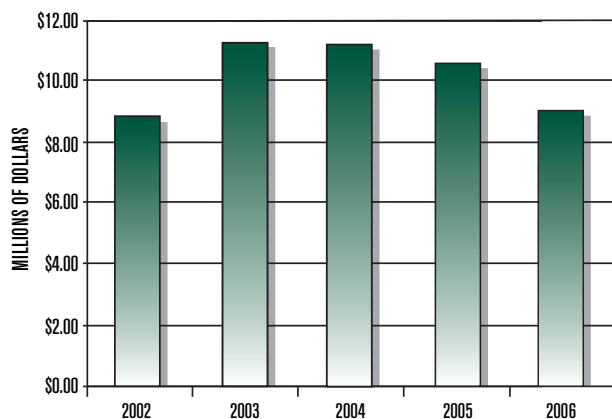
The Year in Review

Recent Share Activity

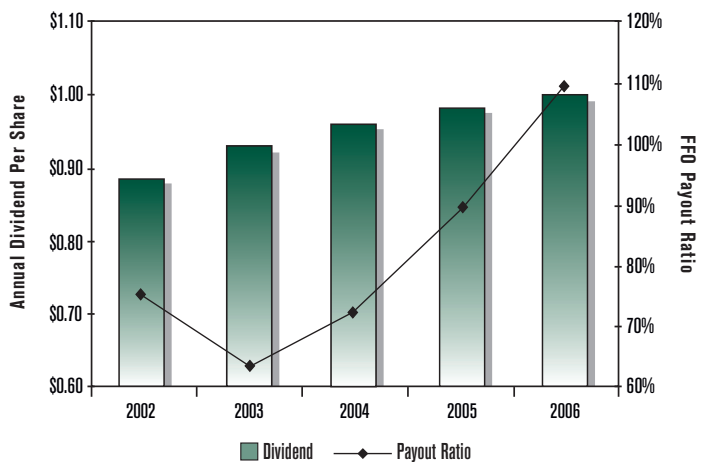
	2006			2005		
	High	Low	Distribution	High	Low	Distribution
First Quarter	\$16.00	\$14.88	\$.245	\$16.70	\$14.78	\$.2425
Second Quarter	15.31	14.55	.245	16.10	14.65	.2450
Third Quarter	15.75	15.00	.245	16.50	14.80	.2450
Fourth Quarter	16.20	15.03	.250	15.99	15.00	.2450
			<u>\$.985</u>			<u>\$.9775</u>

	Share Volume	Opening Price	Closing Price	Dividends Paid	Share Appreciation	Total Return
2006	2,059,700	15.90	15.44	0.9850	(2.9%)	3.3%
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%

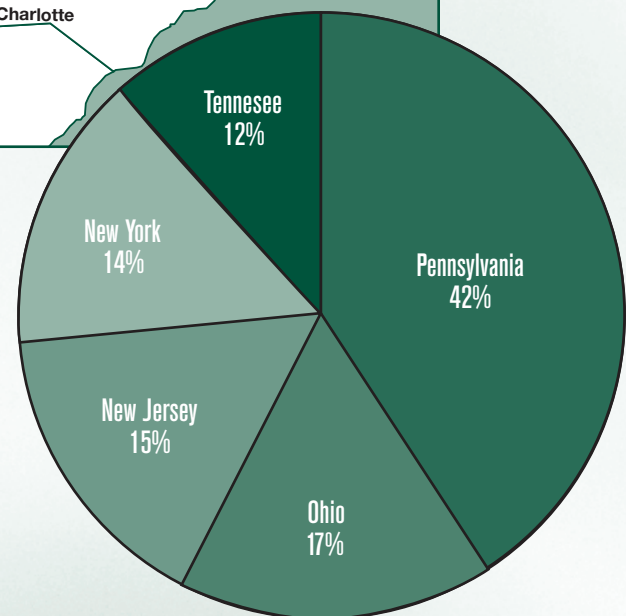
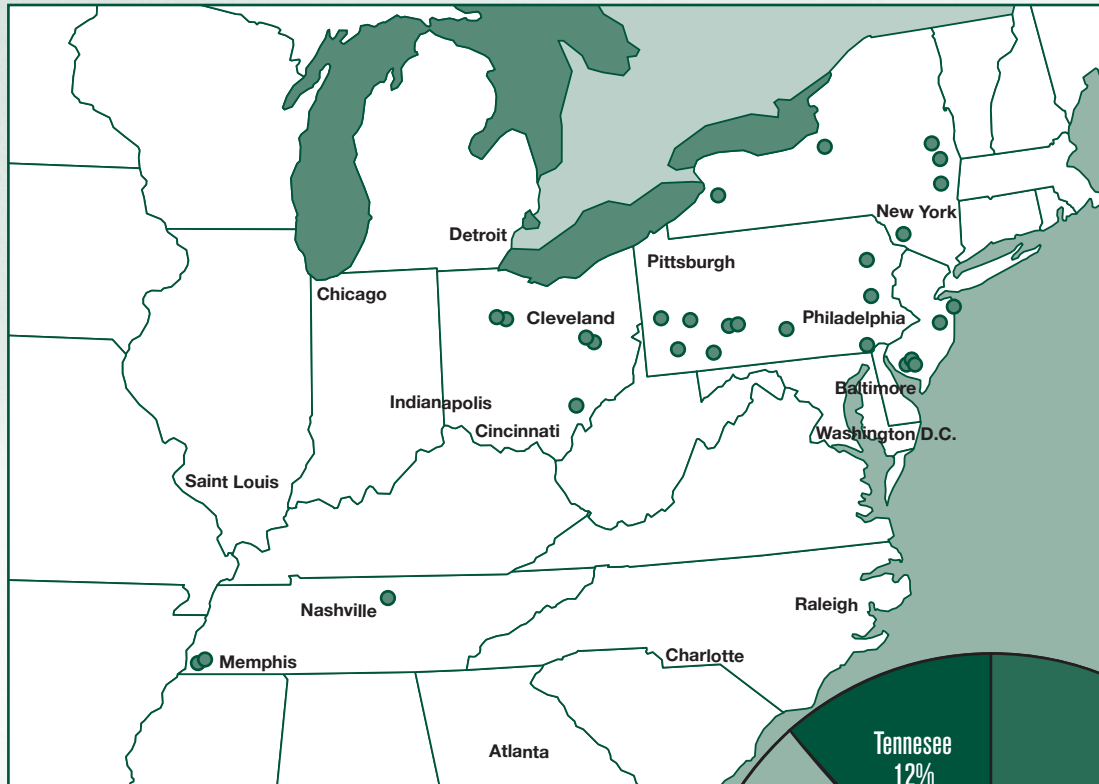
Annual FFO Growth



Dividend Growth & Payout Ratio



Property Portfolio Map



“With approximately 500 acres in developable land and a low levered balance sheet, UMH has ample resources to profit from a resurgence in demand for low cost housing.”

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

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American Stock Transfer
& Trust Company
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