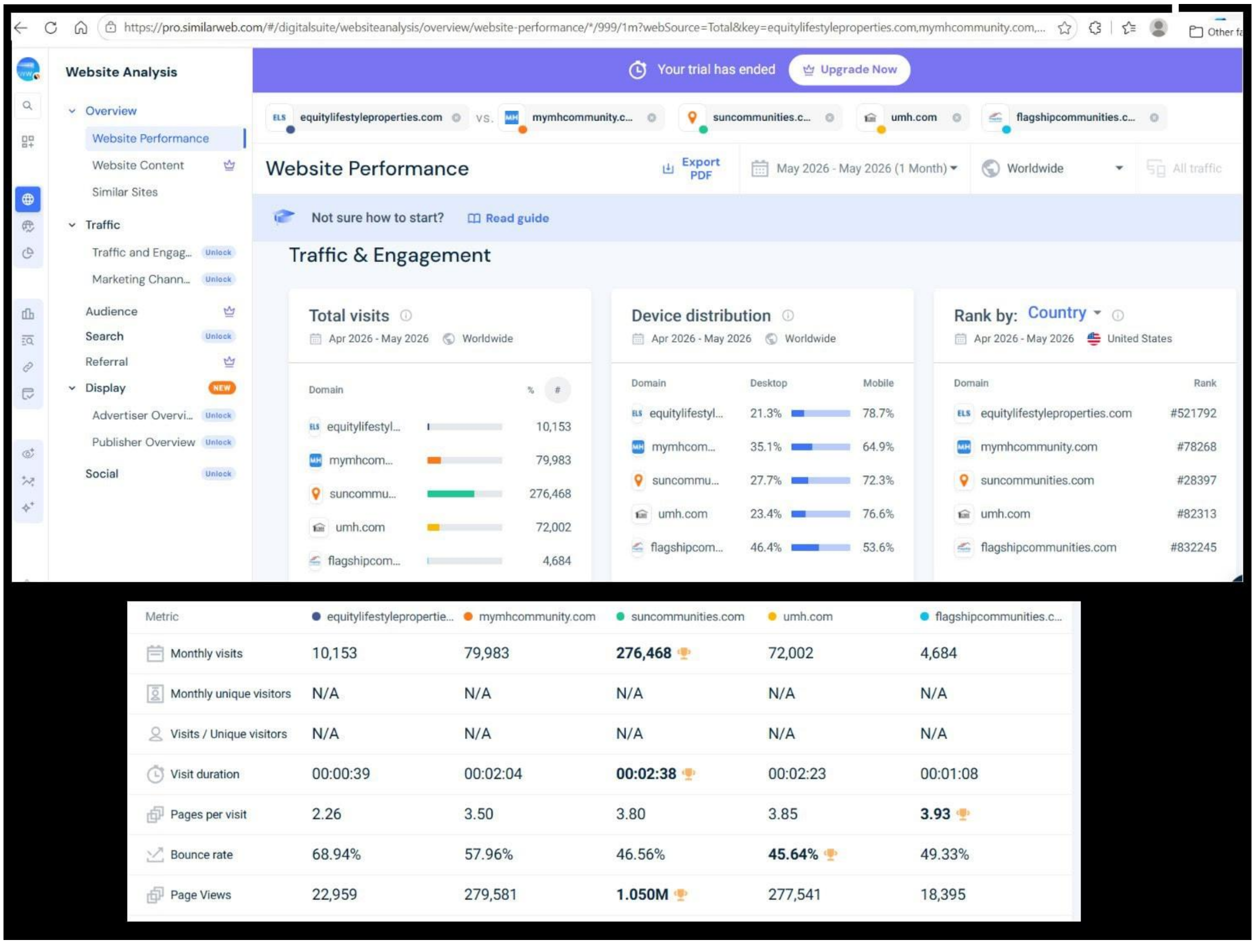
Pre-publication draft for submission to third-party artificial intelligence (AI) for facts-evidence-analysis (FEA) check for a developing report on MHProNews

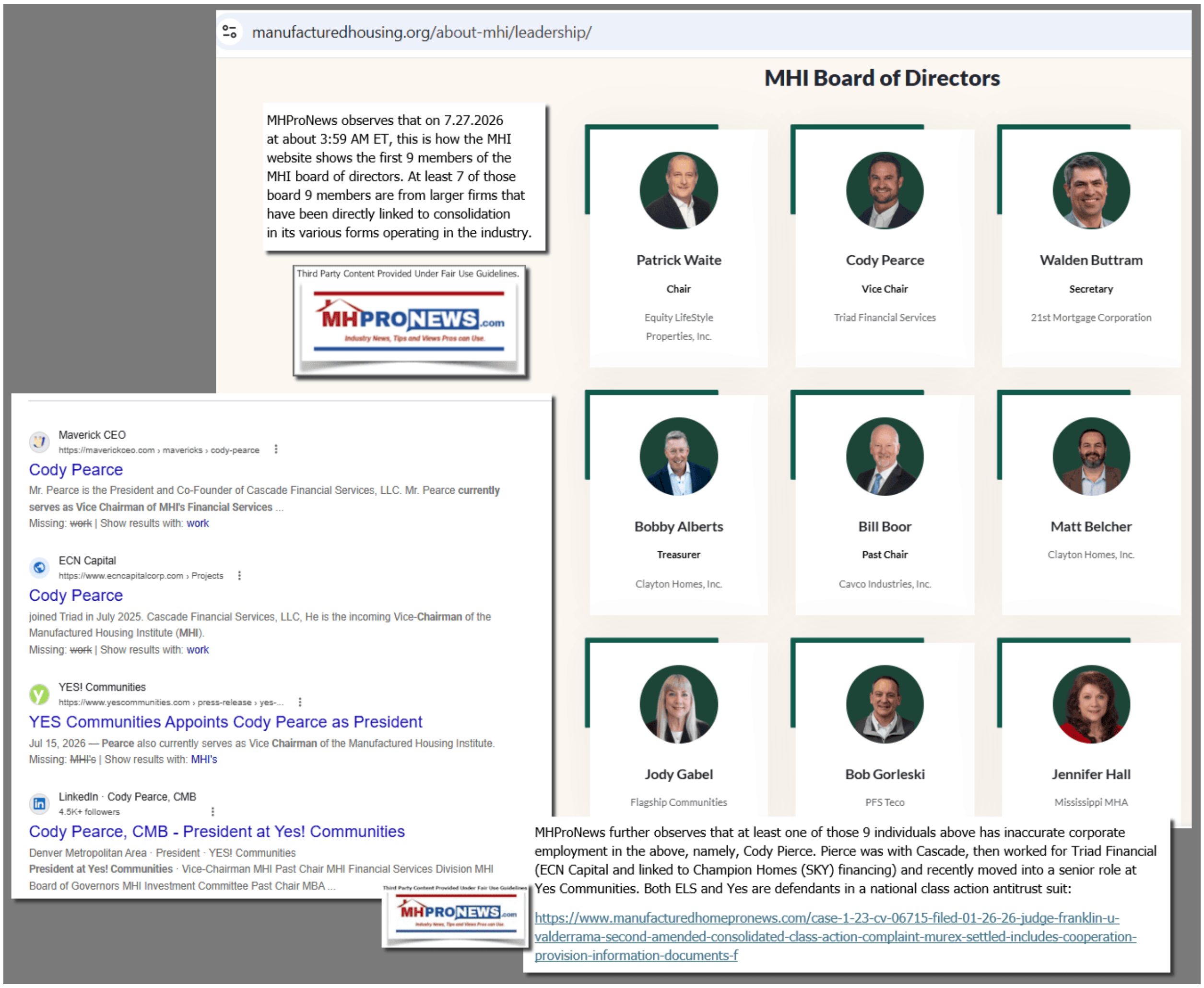
Equity Lifestyle Properties (ELS) Q2 FY2026 Earnings Call Transcript. COO Patrick Waite on 21st Century ROAD to Housing Act and '20 Percent Sales from ELS Renters' Plus Expert-3rd Party FEA

According to Investing.com: Equity LifeStyle Properties (ELS) "President and [COO] Patrick Waite highlighted the company's recurring revenue base. "Stable annual revenue streams from MH residents, RV and marina annual guests, and Thousand Trails members have always been the focus of our business," Waite said." But when went unaddressed in that Investing report? Why so little occupancy growth with such strong interest in manufactured home community (MHC) living as is exemplified here and here (see the graphic below)? With some 79,983 visitors to ELS linked MyMHCommunities.com in **May 2026 alone**, why aren't ELS' communities at 99+ percent occupancy? Also per that report in Investing: "Another topic was pricing for annual renewals and manufactured housing rent increases. Management said it is still setting rates for next year and will provide more detail on the next call, while noting that it uses market surveys, affordability analysis and CPI trends to guide pricing." Why not mention that the use of "market surveys" - which include information gathered by ELS owned firms like Datacomp and JLT reports (formerly JLT & Associates), which per their website: "Learn why JLT Market Reports are the industry standard for market analysis." An MHProNews review of the reports.datacompusa.com site and then a Microsoft Bing's artificial intelligence powered Copilot cross check of that page, their About Us page, and the MHProNews annotations found here resulted in extensive and materially relevant findings. Hold those thoughts, while MHProNews pivots back to this math: 79,983 x 12 = 959796. That is annualizing the monthly data per SimilarWeb as is transparently shown below. MHProNews notes that the ELS website is likely to have some level of consumer interest and that there will be some level of professional and other research interest in the ELS linked MyMHCommunities.com linked website. But ELS will also have other retail-focused exposure, not just those websites, be it social media, posts on MHVillage or other retail-focused website. That is said to make this 'back of the napkin' observation. Roughly a million people a year may shop via visits on ELS' MyMHCommunity, listed manufactured homes and/or an ELS linked MHC community site. That begs the question, **why aren't all ELS properties effectively at full occupancy**? Perhaps as or more important are the remarks by Waite regarding the recently enacted 21st Century ROAD to Housing Act. Among the interesting remarks by Waite: "some further support to secure entitlements as we pursue expansion projects." The facts-evidence-analysis (FEA) method will beg other questions and concerns about what follows in the ELS earnings call transcript that follows in Part I. Several FEA model findings will be provided in Part II.1. To see the image below in a larger size, in many devices/browsers, [click here](#) and follow the prompts.



Metric	equitylifestylepropertie...	mymhcommunity.com	suncommunities.com	umh.com	flagshipcommunities.c...
Monthly visits	10,153	79,983	276,468	72,002	4,684
Monthly unique visitors	N/A	N/A	N/A	N/A	N/A
Visits / Unique visitors	N/A	N/A	N/A	N/A	N/A
Visit duration	00:00:39	00:02:04	00:02:38	00:02:23	00:01:08
Pages per visit	2.26	3.50	3.80	3.85	3.93
Bounce rate	68.94%	57.96%	46.56%	45.64%	49.33%
Page Views	22,959	279,581	1.050M	277,541	18,395

2. [MHProNews](#) notes that there is at least one error in the information from the Manufactured Housing Institute (MHI) website on this date and time. Will MHI fix this, after MHProNews is spotlighting this error? Or will they continue with their error, to posture the possible illusion that they aren't routinely following MHProNews?



3. Note as a disclosure and as an **additional source for insights on what follows** that this writer for industry-expert and writer for MHProNews was for a time in management in MHCs, RVs, and as part of an award-winning Thousand Trails prior to ELS acquiring that operation. MHProNews will critically examine several items that follow, starting with this: "Stable annual revenue streams from MH residents, RV and marina annual guests, and Thousand Trails members have always been the focus of our business, accounting for more than 90% of our core revenue," by President and COO Patrick Waite, who is currently also the chairman of the board for the Manufactured Housing Institute (MHI).

4. Waite both spotlighted and obscured the role that rentals play in generating new ELS homeowners (see below for context).

We also typically see approximately 20% of our home sales are to existing renters who choose to become a long-term homeowner, and current homeowners who want to upgrade or downsize from their existing home.

5. So, which is their larger driver? Is it "current homeowners who want to upgrade or downsize from their existing home" or from "home sales are to existing renters who choose to become a long-term homeowner"? The information provided leaves the meaning of Waite's observation unclear. Why raise a point (that some owners come from their rental pool) and then obscure it by qualifying it by saying: "current homeowners who want to upgrade or downsize from their existing home" -- why that phrased in a way that may dance along the lines of SEC materiality?

6. Patrick Waite said below (see Part I transcript for context): "Over the last two quarters, we're up about 70 units." ***That's less than a unit a day over dozens of MHCs properties***. Again, to emphasize the insights from the above about traffic volume vs. tepid MHC occupancy growth, why so low? Or this from Waite: "We're meeting demand on both home sales and on rentals." Based on known data (again, see above, linked and what follows) did the remark cross into a materially false statement under SEC guidance? The financing side of the equation is another aspect of the picture.

[caption id="attachment_233885" align="aligncenter" width="653"]

To clarify the above, the CFPB did NOT make a comparison between MHARR and MHI. That comparison was generated by Google's AI powered Gemini based on the facts-evidence-analysis (FEA) supplied by MHProNews. Other AIs have had similar findings. That said, the infographic is based on well researched facts, evidence, expert and 3rd party AI analysis (FEA). MHI-given repeated opportunities to publicly respond to or challenge such findings-repeatedly declined to comment. So, the findings are publicly unchallenged as of 9:04 AM ET on 6.25.2026.

Gemini 3.0

MHPRONEWS.com

https://www.manufacturedhomepronews.com/how-many-sites-do-housing-buyers-visit-before-taking-action-seminal-zero-moment-of-truth-digital-study-by-google-and-nar-manufactured-housing-and-conv-sales-projected-for-2026-fea/[/caption]

For the sake of first-time readers, this writer for MHProNews is also a HousingWire contributor. Those roughly monthly insights can be accessed via their link below.

https://www.housingwire.com/author/tony-kovach/

7. MHProNews notes that the typical or traditional marketing concept would be to attract interest (e.g.: online visitors) and then convert as many as possible of those qualified visitors into customers, which in the case of the MHC side of ELS should mean selling a home and/or leasing a site. But the known data calls into question what ELS is actually doing. Are they generating massive amounts of leads which only accepts a very narrow range of potential residents for a specific home and property? **Why are so many** (roughly a million, but perhaps much more based on their social media claim also shown further below) shopping but so few closing and moving into a ELS community? Why doesn't any given month of the year result in commitments by prospects that lead to effectively 100 percent occupancy? More on that and other topics will be explored in Part II.

8. While it is arguably a clearly a biased and exaggerated point, it is worth noting as part of this mashup that in an email this morning by left-leaning Matt Stoller opened with this:

Monopoly Round-Up: How to Stop the Enshittification of America

Cheating as a business model exists because Americans can no longer sue big business.

9. This MHProNews **MHVille** facts-evidence-analysis is well underway.


Mashup
A mashup involves blending two or more elements to create a new, integrated whole.
MH
MH
MHVille Defined
Pro MANUFACTURED HOUSING despite artificial barriers, internal consolidation-concentration industry self-limits.
FEA Model
FACTS
EVIDENCE
ANALYSIS
Third Party Content Provided Under Fair Use Guidelines.
MHPRONEWS.com
Copilot

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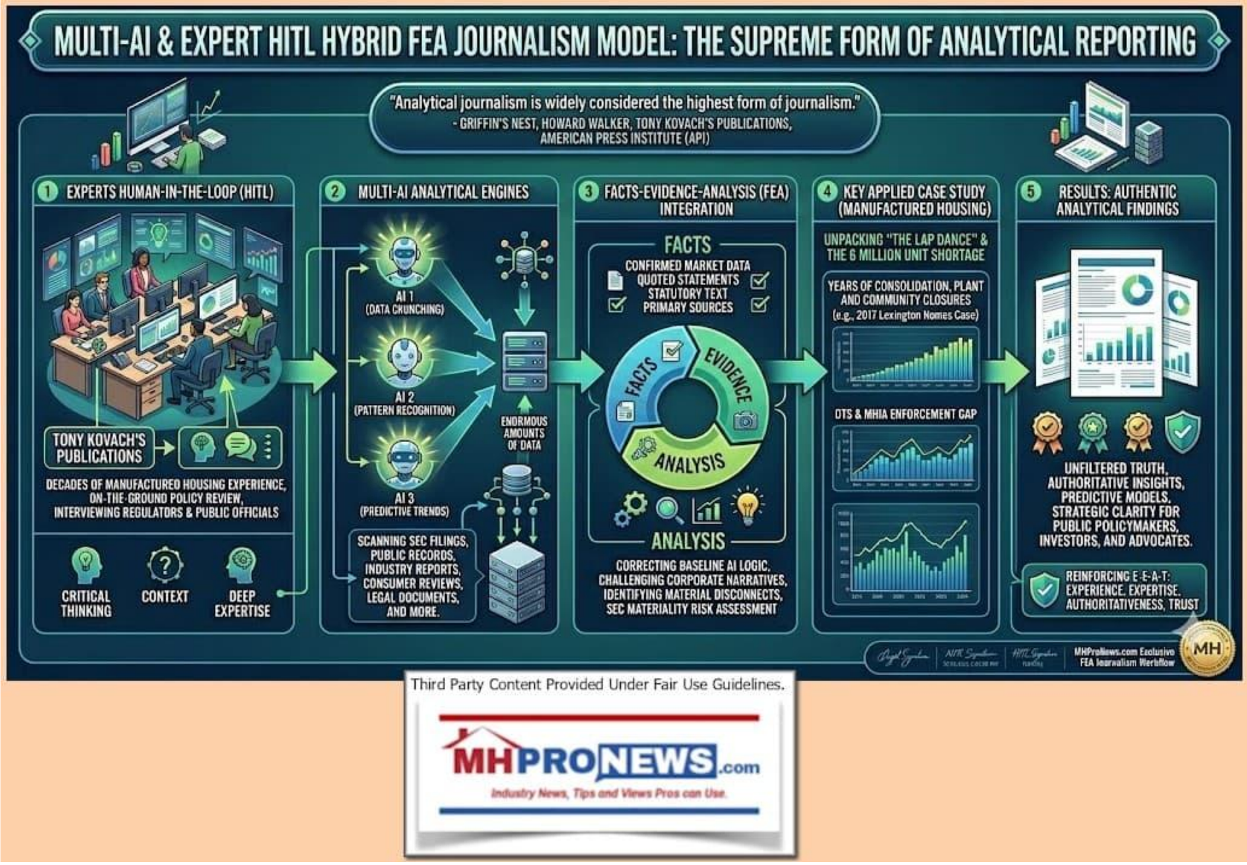

MHProNews Note: depending on your browser or device, many images in this report and others on MHProNews can be clicked to expand. Click the image and follow the prompts. For example, in some browsers/devices you click the image and select 'open in a new window.' After clicking that selection you click the image in the open window to expand the image to a larger size. To return to this page, use your back key, escape or follow the prompts.[/caption]

Part I Per Yahoo Finance at this link [here](#) was their version of the **Q2 FY2026 Earnings Call Transcript provided by [MHProNews](#) under [fair use guidelines](#) for [media](#)**

Equity Lifestyle Properties, In (ELS) Q2 FY2026 earnings call transcript

[Powered by Quartr](#)Jul 23, 2026, 12:00 PM EDT

Operator

0:00:00

Good day everyone, and thank you all for joining us to discuss Equity LifeStyle Properties second quarter 2026 results. Our featured speakers today are Marguerite Nader, our Vice Chairman, CEO, Patrick Waite, our President and COO, and Paul Seavey, our Executive Vice President and CFO. In advance of today's call, management released earnings. Today's call will consist of opening remarks and questions and answer session with management relating to the company's earnings release. For those who would like to participate in the question and answer session, management asks that you limit yourself to one question so everyone who would like to participate has ample opportunity. As a reminder, this call is being recorded. Certain matters discussed during this conference call may contain forward-looking statements in the meanings of Federal Securities laws. Our forward-looking statements are subject to certain economic risk and uncertainty.

Operator

0:00:50

The company assumes no obligation to update or supplement any statements that become untrue because of subsequent events. In addition, during today's call, we will discuss non-GAAP financial measures as defined by SEC Regulation G. Reconciliations of these non-GAAP financial measures to the comparable GAAP financial measures are included in our earnings release, our supplemental information, and our historical SEC filings. At this time, I'll now turn the call over to Marguerite Nader, our Vice Chairman and CEO.

Marguerite Nader

Vice Chairman and CEO

0:01:21

Good morning. Thank you for joining us today. I am pleased to discuss our operating results. For the quarter, our NOI increased 6.5% as compared to last year. We focus on translating NOI growth to normalized FFO growth, driven by continued strength in our annual revenue streams and managed expenses throughout our portfolio. Our normalized per share FFO growth for the quarter is 7.7%. The strength of our portfolio allows us to raise our full year guidance for normalized FFO per share. Our MH and RV portfolio benefits from powerful long-term demographic tailwinds, including the aging of the population and the fact that approximately 70% of our MH communities are senior lifestyle oriented. These demand drivers help support the stability of our business and position us well for continued outperformance, even in an environment of broader market uncertainty.

Marguerite Nader

Vice Chairman and CEO

0:02:17

Our MH core portfolio represents approximately 60% of our total revenue, with occupancy of 94%. We have increased our MH occupancy for two consecutive quarters and have raised guidance for the rest of the year for our largest revenue line item. Our properties are in demand. The teams are executing on our strategy to increase occupancy. The manufactured housing community model benefits from stability driven by long-term residency and high occupancy levels. Once communities achieve strong occupancy, they tend to remain highly occupied over time. Our portfolio is further differentiated by our resident base, with 97% of MH residents owning their home and choosing our communities as their retirement destination. Beyond housing, our communities foster a strong sense of connection and purpose through resident-led clubs and activities.

Marguerite Nader

Vice Chairman and CEO

0:03:10

The activities at our properties promote wellness, creativity, lifelong learning, and social engagement, creating neighborhoods where residents can build relationships and remain active and involved. Annual RV and marina revenue grew 4.8% year to date, driven by strong retention across our RV sites, park models, resort cottages, and other RV accommodations. We saw decreased attrition from our customer base as compared to last year, and a strong level of engagement from new customers. Our annual RV customer base is split between winter and summer seasons. Approximately 70% of our annual revenue is generated from Sunbelt properties serving active adult customers. Like our MH residents, they value community lifestyle and quality amenities. The remaining 30% of revenue is generated from seasonal properties that primarily serve families who return year after year for recreation traditions and the unique community experience our properties offer.

Marguerite Nader

Vice Chairman and CEO

0:04:07

During the quarter, the Thousand Trails portfolio delivered strong performance with membership growth of approximately 800 members and subscription revenue increasing by 11%. The strength of our membership platform continues to resonate with customers as more guests recognize the value and flexibility it provides. I want to thank our team members for their commitment to our customers and communities. I will now turn the call over to Patrick to provide further details on our financial performance.

Patrick Waite

President and COO

0:04:32

Thanks, Marguerite. Stable annual revenue streams from MH residents, RV and marina annual guests, and Thousand Trails members have always been the focus of our business, accounting for more than 90% of our core revenue. Over the last five years, our core MH revenue growth has averaged 5.8%, while our core RV revenue growth has averaged 5.7%, led by long-term annual RV revenue, which makes up more than 70% of total core RV revenue. I'm pleased with the build-back of annual customers in our northern markets over the last year. Occupancy across our MH portfolio remains strong at 94%, supported by demand from our 55+ customer to purchase and rent homes in our communities. Year-to-date growth of our MH occupancy has come from both sales and rentals.

Patrick Waite

President and COO

0:05:26

We also typically see approximately 20% of our home sales are to existing renters who choose to become a long-term homeowner, and current homeowners who want to upgrade or downsize from their existing home. Our Florida markets continue to support long-term occupancy growth. With our major submarkets of West Palm Beach, Fort Lauderdale, Tampa, St. Pete, and Ocala-Daytona all meeting demand for the value that residents find at our active lifestyle 55+ communities, particularly given the cost of alternative housing in those markets. We also continue to see steady demand across our highly occupied California and Arizona markets. While the northern U.S. sub-markets in the Midwest, Northeast, and Mid-Atlantic are in the middle of the summer home-selling season, where we see demand contributing to 40% of new home sales in the quarter.

Patrick Waite

President and COO

0:06:19

Property expansions are a key element of our MH occupancy growth strategy as we recognize the substantial demand for affordable 55+ communities. In Florida, we will add occupancy through sales and rentals across four recent development projects with close to 500 sites. At another age-qualified expansion project in the Phoenix market, we added more than 20 units of occupancy, growing the occupancy of the property by 4% year-over-year. The much-anticipated 21st Century ROAD to Housing bill became law earlier this month. Over the last 10 years, through the work of the Manufactured Housing Institute and members of the industry, manufactured housing has been increasingly recognized at the federal and state levels as a source to address the need for more affordable housing in the U.S. Manufactured housing is specifically addressed in the ROAD legislation. A few key points to mention.

Patrick Waite

President and COO

0:07:15

First, manufactured housing is exempt from the institutional investor provision in the Act, which preserves investment in the asset class. Second, HUD code homes will not be required to have a permanent chassis, which allows manufacturers greater flexibility in home design. They will expand the market for manufactured housing by offering homes that include designs similar to traditional site-built homes, as well as two-story configurations. Third, zoning and land use best practices encourage state and local governments to accommodate HUD code manufactured homes in more locations and developments. The practical implications for ELS will take some time to materialize, but they include more diversity in the homes we can place in our communities and some further support to secure entitlements as we pursue expansion projects. We completed the launch of our new Thousand Trails subscription memberships a little over a year ago.

Patrick Waite

President and COO

0:08:09

Since offering these memberships, we've seen strong demand with more than 9,000 Thousand Trails memberships sold, including almost 7,000 over the last 12 months. Our 12th annual 100 Days of Camping campaign is in full swing across our RV portfolio. The social media campaign celebrates the roughly 100 days between Memorial Day and Labor Day and has 33 million views across the social media channels so far this year. Campers across the country are using their hashtag and sharing photos posing with their campaign rally towel at 100daysofcamping.com. Now I'll turn it over to Paul.

Paul Seavey

EVP and CFO

0:08:50

Thanks, Patrick, and good morning, everyone. I will highlight some takeaways from our second quarter and June year-to-date results, review our guidance assumptions for the third quarter and full year 2026, and close with a discussion of our balance sheet. Second quarter normalized FFO was $0.74 per share. Strong core portfolio performance generated 6.5% NOI growth in the quarter compared to the same quarter last year, 120 basis points higher than guidance. Core community-based rental income increased 5.8% for the second quarter and 5.7% for the June year-to-date period, each compared to the same periods in 2025. In the second quarter, we generated rate growth of 5.8% as a result of noticed increases to renewing residents and market rent paid by new residents after resident turnover. For the first six months of 2026, occupied sites increased by 67.

Paul Seavey

EVP and CFO

0:09:44

During that same period, we added 140 expansion sites, resulting in occupancy of 93.7% as of the end of June. Our RV and marina platform offers products with differing features that allow our customers to enjoy our properties. These include annual, seasonal, and transient retail stays, as well as our Thousand Trails membership. In aggregate, the growth rates from our core portfolio RV and marina base rent, combined with our annual membership subscriptions, were 3.1% and 1.6% for the second quarter and year-to-date periods, respectively. Core RV and marina annual base rental income, which represents over 70% of total RV and marina-based rental income, increased 5.4% and 4.8% in the second quarter and year-to-date periods, respectively, compared to prior year. Seasonal and transient rent was 170 basis points lower than guidance as a result of lower-than-expected transient rent in the quarter, mainly in June.

Paul Seavey

EVP and CFO

0:10:45

We continue to realize offsetting expense savings. The net contribution from our total membership business consists of annual subscription and upgrade revenues offset by sales and marketing expenses. The membership business contributed $17.1 million and $34.4 million net for the second quarter and June year-to-date periods, respectively, compared to the same periods last year. The year-to-date growth of 9.6% is mainly attributed to rate growth in our subscription revenue. Year-to-date, approximately 2,600 upgrade subscriptions were originated by new and existing members. Core utility and other income increased 6% for the June year-to-date period compared to prior year. Our utility income recovery percentage was 50.4% year-to-date in 2026, about 220 basis points higher than the same period in 2025. June year-to-date core operating expenses increased 2.3% compared to the same period in 2025.

Paul Seavey

EVP and CFO

0:11:49

Expense growth was 120 basis points lower than guidance in the second quarter, mainly resulting from savings in utility and real estate tax expenses following resolution of appeals at properties in Texas. Second quarter core property operating revenues increased 4.9%, while core property operating expenses increased 2.9%, resulting in growth in core NOI before property management of 6.5%. For the year-to-date period, core NOI before property management increased 5.7%. Income from property operations generated by our non-core portfolio was $2.9 million in the quarter and $5.9 million year-to-date. The press release and supplemental package provide an overview of 2026 third quarter and full year earnings guidance. The following remarks are intended to provide context for our current estimate of future results. All growth rate ranges and revenue and expense projections are qualified by the risk factors included in our press release and supplemental package.

Paul Seavey

EVP and CFO

0:12:51

Our guidance for 2026 full year normalized FFO is $3.18 per share at the midpoint of our guidance range of $3.13-$3.23. We project core portfolio property operating income growth of 6% at the midpoint of our range of 5.5%-6.5%. We project the non-core properties will generate between $8.7 million-$12.7 million of NOI during 2026. Our property management and G&A expense guidance range is $119.7 million-$125.7 million. In the core portfolio, we project the following full year growth rate ranges: 3.9%-4.9% for core revenues, 1.6%-2.6% for core expenses, and 5.5%-6.5% for core NOI. Full year guidance assumes core MH rent growth in the range of 5.2%-6.2%. Full year guidance for combined RV and marina rent growth is 1.1%-2.1%.

Paul Seavey

EVP and CFO

0:13:56

Annual RV and marina rent represents approximately 75% of the full year RV and marina rent, we expect 4.8% growth in rental income from annuals at the midpoint of our guidance range. Our assumptions for full year RV and marina rent growth reflect current seasonal and transient reservation pacing for the third quarter. Our fourth quarter guidance assumes no growth in transient rent compared to prior year. Consistent with our historical practice, we make no assumption for the impact of a material storm event that may occur. Our third quarter guidance assumes normalized FFO per share in the range of $0.76-$0.82. Core property operating income growth is projected to be in the range of 6.3%-6.9% for the third quarter. Third quarter growth in MH rent is 5.6% at the midpoint of our guidance range.

Paul Seavey

EVP and CFO

0:14:50

We project third quarter annual RV and marina rent growth to be approximately 4.9% at the midpoint of our guidance range. Third quarter growth in core property operating expenses is projected to be 1% at the midpoint of our guidance range. I'll now provide some comments on our balance sheet and the financing market. Our balance sheet is insulated from refinance and rate risk and is well-positioned to execute on capital allocation opportunities. Our floating rate exposure is limited to balances on our line of credit. Our debt to EBITDAre is 4.4 times, and interest coverage is 5.6 times. We have access to approximately $1.2 billion of capital from our combined line of credit and ATM programs. We continue to place high importance on balance sheet flexibility, and we believe we have multiple sources of capital available to us.

Paul Seavey

EVP and CFO

0:15:39

Current secured debt terms vary depending on many factors, including lender, borrower sponsor, and asset type and quality. Current tenure loans are quoted between 5.25% and 5.75%, 55%-70% loan to value, and 1.45-1.65x debt service coverage. We continue to see solid interest from life companies and GSEs to lend for tenure terms. High quality, age-qualified MH assets continue to command best financing terms. Now we would like to open it up for questions.

Operator

0:16:13

Thank you. At this time, we'll conduct a question and answer session. As a reminder to ask a question, you'll need to press star one one on your telephone and wait for your name to be announced. To withdraw your question, please press star one one again. Please stand by while we compile the Q&A roster. Our first question comes on the line of Michael Goldsmith of UBS. Your line is now open.

Michael Goldsmith

Analyst [UBS]

0:16:40

Good afternoon. Thanks a lot for taking my question. Two questions on transient RV and seasonal, I guess. You've updated the guidance there, so we've got good visibility into third quarter and what's implied for the fourth quarter. Maybe you can kind of walk through your expectations for the rest of the year. Clearly, seasonal transient has been under a little bit of pressure. Is that the expectation for the third quarter? Also just given you're lapping some of the disruption from Canada, maybe in the fourth quarter on the seasonal side, maybe you can kind of walk through the overall assumptions that you've baked in for the back half.

Paul Seavey

EVP and CFO

0:17:29

Sure. Happy to do that, Michael. We've raised our full year normalized FFO per share guidance that reflects our year-to-date outperformance and the changes to guidance in various line items for the remainder of 2026. The main contributor of the change is core NOI improvement of 30 basis points. That is mainly from expenses. We also included changes to our MH rent, our membership subscriptions, in addition to the expenses. With respect to RV and marina-based rental income growth, we adjusted that down, at the same time raised our annual growth 10 basis points. The change from our prior guidance reflects our transient expectations for third quarter. That's based on current reservation pace, we reduced fourth quarter year-over-year growth in transient, that's flat year-over-year.

Operator

0:18:25

Thank you. One moment for our next question. Our next question comes from the line of Steve Sakwa of Evercore ISI. Your line is now open.

Steve Sakwa

Analyst [Evercore ISI]

0:18:36

Yeah, thanks. I guess good morning out there. Marguerite, could you just maybe talk about the prospects for building occupancy</span.? If I look at page nine and just look at the core portfolio, you're sitting at around 93.8%. I know on past calls you've talked about some of the storm issues that you've had that kind of knocked some of the units offline. Maybe just walk us through your confidence level of building occupancy back towards 95, and what do you think the right timeframe is to get that portfolio back to 95%?

Marguerite Nader

Vice Chairman and CEO

0:19:12

Thanks, Steve. I think Patrick's going to walk you through how we're thinking about growing occupancy. Just to point out that we did grow occupancy. I mentioned it in my opening remarks for the last two quarters, maybe Patrick, you could walk through it.

Patrick Waite

President and COO

0:19:25

Yeah, Steve. Over the last two quarters, we're up about 70 units. I guess I'd raise a couple points. One is over the last four quarters, the combined new and used home sales have both been increasing. We increased rentals year-over-year by about 140. We're meeting demand on both home sales and on rentals. I see that as an opportunity to continue to grow in future quarters. On the path back to 95% occupancy, we're taking it a quarter at a time, I would expect that over the next few quarters, that we'll be putting up occupancy growth that's been favorable to the last few quarters. As you pointed out, we came through a transition here where we had some impact from storms. That requires some recovery, putting inventory into those communities and broadly across the portfolio.

Patrick Waite

President and COO

0:20:21

We feel good about demand, and feel good about occupancy growth in the back half of the year.

Marguerite Nader

Vice Chairman and CEO

0:20:27

Steve, I would just remind you that over 50% of our properties are 98% occupied and really have been for a number of years. That it's really sustainable due to the investment that customers making when they're picking out a community. They make a long-term commitment, and generally a long-term commitment for us and for the home. Our customers are paying cash for their home, which means they really have a strong incentive to keep up the resale value. That contributes to our positive outlook on growing occupancy.

Operator

0:21:06

Thank you. One moment for our next question. Our next question comes from the line of Jamie Feldman of Wells Fargo. Your line is now open.

Jamie Feldman

Analyst [Wells Fargo]

0:21:18

Great. Thanks for taking the question. I know in the third quarter you start to send out renewal rates for the following year. Can you talk through, for your annual business lines, what those are starting to look like or what you're asking, and if you have any responses yet?

Patrick Waite

President and COO

0:21:33

Yeah, Jamie, it's Patrick. As we get really moved through the third quarter into the fourth, and we're going through our annual budget will start very soon. That happens to occur alongside of us coming up with our MH rates for the upcoming year. Just as a reminder, the majority of those occur in the first quarter. With 60 days, 90 days notice, we'll be sending those out as we approach the fourth quarter and into the fourth quarter. We're going through that process right now. I'd say from the perspective of a range, we'll be in a position to do that maybe in the next call.

Paul Seavey

EVP and CFO

0:22:20

Jamie, one thing to keep in mind as we think about those increases, a couple of metrics that we look to are indications of COLA, which typically comes out a bit later in the year, as well as the CPI that's released in August as well as September.

Jamie Feldman

Analyst

0:22:39

Okay. Thank you.

Marguerite Nader

Vice Chairman and CEO

0:22:41

Thanks, Jamie.

Operator

0:22:43

Thank you. One moment for our next question. Our next question comes from the line of Jeffrey Spector of Bank of America Securities. Your line is now open.

Jeffrey Spector

Analyst [Bank of America Securities]

0:22:54

Great. Thank you. Just listening to the opening comments and discussion around the 55+ customer, given you have the expertise, you have the strong brand serving that 55+ customer, how are you thinking about 55+ build-to-rent communities? I've seen some articles, and that it seems to be an emerging niche area within resi.

Marguerite Nader

Vice Chairman and CEO

0:23:22

Sure. Within our portfolio, we obviously have rental properties, rental communities. As we look to opportunities to grow, we'll look at those types of assets, but really focused in on our MH portfolio. We'll continue to look at opportunities to grow inside the MH business.

Operator

0:23:58

Thank you. One moment for our next question. Our next question comes from the line of Eric Wolfe of Citi. Your line is now open.

Eric Wolfe

Analyst [Citi]

0:24:08

Hey, thanks. I just want to go back to your guidance increase for a second. You beat your second quarter by $0.02. If I look at the components of your guidance. You raised your core income, as you mentioned earlier, but you also raised your non-core income. It looks like there's some increase in income from other investments as well. I was just curious, what's the offset to all that? I guess I would've thought maybe a little bit larger of a guidance increase. Could you also talk about what's in the income from other investments and if that's one time or more recurrent in nature?

Paul Seavey

EVP and CFO

0:24:46

Sure. Thanks, Eric. As you mentioned, we were $0.02 ahead of our guidance. The core portfolio did outperform, and that's the main contributor. It's really the result of the lower expenses that we saw in the second quarter. There are a number of things that happened below the line, so to speak. That includes income from other investments, as well as the consolidation of the joint venture that we mentioned. The pickup in the non-core, when you run that through to the bottom line, is effectively offset by shifts in our expectations for JV income and certain other line items. On a net basis, that pickup in non-core is offset. Then with respect to what's included in the income from other investments net, we have some of our subsidiary businesses there.

Paul Seavey

EVP and CFO

0:25:44

We also report certain income related to corporate and other matters that may come from time to time. During the quarter, we did recognize income from a settlement of a dispute. We had some income from prior business interruption flow through there. At the end of the day, as we've worked through all of it, the core portfolio is really what drove the outperformance.

Eric Wolfe

Analyst [Citi]

0:26:07

Thank you.

Paul Seavey

EVP and CFO

0:26:07

You're welcome.

Marguerite Nader

Vice Chairman and CEO

0:26:09

Thanks, Eric.

Operator

0:26:11

Thank you. One moment for our next question. Our next question comes from the line of Brad Heffern of RBC. Your line is now open.

Brad Heffern

Analyst [RBC]

0:26:22

Yeah. Hey, everybody. Thanks. On seasonal transient, you obviously mentioned the weak June, and you've clearly adjusted things for a slower booking pace. Can you talk through just what you think is driving that? I know sometimes it's weather. I would think at the same time, the Canadian customer comps are getting easier. Just any of the dynamics there would be great.

Patrick Waite

President and COO

0:26:43

Yeah, sure. It's Patrick. On the transient front, I would just highlight that it continues to reflect volatility. As we work our way through the summer season, we have experienced some challenges with weather. That's had a persistent impact on transient results over our tenure in the industry. Looking at the seasonal business, as we've mentioned, we wouldn't expect to really get better visibility there for several weeks as we get in late into the third quarter, and into the fourth quarter as people are considering booking a reservation for their winter stay in the Sun Belt, start to be more active. I've been in Florida over the last few weeks. I've been on site with our property teams.

Patrick Waite

President and COO

0:27:37

They are consistently reaching out to seasonal guests who chose not to book with us last year, seasonal guests that were with us last year and chose not to book their early bird reservation. There's certainly indications that many are considering a return, we are booking some reservations now. That activity is really not anticipated to pick up for the next several weeks. As we work our way through that, we'll just have better visibility, and can share some more insight.

Brad Heffern

Analyst [RBC]

0:28:13

Thanks.

Marguerite Nader

Vice Chairman and CEO

0:28:14

Thanks, Brad.

Operator

0:28:16

Thank you. One moment for our next question. Our next question comes from the line of John Kim of BMO Capital Markets. Your line is now open.

John Kim

Analyst [BMO Capital Markets]

0:28:26

Thank you. I wanted to ask about the expansion sites in MH, if that's having a direct impact to MH occupancy. My question is, are these harder to lease up given they require a new, more expensive home, are they easier to lease up because they're in more established communities? Also wanted to know how you price expansion sites versus a comparable existing site within a community.

Patrick Waite

President and COO

0:28:52

Yeah, John. It's Patrick. I guess, first I'd point out that we completed an expansion in Florida, 140 MH sites. That's an expansion on an age-qualified property, and it's got a history of expansion. We acquired the property. It's 900 sites. It's in the Greater Tampa-St. Pete MSA. When we acquired it at 900 sites, we expanded by 40 sites in 2019, having acquired the property in 2016. We acquired an adjacent parcel, the one we just completed for development, in 2019, and we just brought that online. Just using that as an example, the site rents on the expansion sections reflect to the extent the sites are on water or have a particularly good view or site configuration. They'll reflect a premium rent compared to a standard site, even within the expansion section and the original property.

Patrick Waite

President and COO

0:29:58

The expansion sites can typically carry a higher rent, but it really depends on the configuration of the community that you're expanding. Just with respect to the nature of the homes that we place in our expansion sections, they're going to reflect the scope of price points that we put into the broader community that we're expanding. As we're building occupancy, we may have higher-end homes in that expansion, but it's also going to reflect a standard site plan as well.

Operator

0:30:40

One moment for our next question. Our next question comes from the line of Haendel St. Juste of Mizuho Securities. Your line is now open.

Haendel St. Juste

Analyst [Mizuho Securities]

0:30:51

Hey, guys. Thanks for taking the question.

Marguerite Nader

Vice Chairman and CEO

0:30:54

Welcome.

Haendel St. Juste

Analyst [Mizuho Securities]

0:30:54

I was hoping you could share a bit more color on the cadence of RV bookings throughout 2Q and early 3Q. At

[audio distortion]

, I think you mentioned that Memorial Day was a bit light, but within your range of expectations. I was hoping to get some more color on how the Juneteenth and July 4th holiday weekends were versus prior year and versus your expectations. Did you see any benefit from the World Cup? Thanks.

Patrick Waite

President and COO

0:31:16

I think with respect to the holiday weekends, they were down slightly to last year. I think that what happened as June developed, there were some fairly significant weather events that occurred. Then as we headed into the Fourth of July and early July season, what we saw with reservation pacing was weather, but also the smoke from the Canadian wildfires having some impact over the weekend as well. A couple of different factors. Then excuse me, with respect to the World Cup, I don't think that we saw a meaningful contribution or pickup related to World Cup, just based on the location of the events and the location of our properties.

Haendel St. Juste

Analyst [Mizuho Securities]

0:32:03

Thank you.

Marguerite Nader

Vice Chairman and CEO

0:32:05

Thanks, Haendel.

Operator

0:32:06

Thank you. One moment for our next question. Our next question comes from the line of Adam Kramer of Morgan Stanley. Your line is now open.

Adam Kramer

Analyst [Morgan Stanley]

0:32:17

Hey, great. Good day, guys. Just wanted to ask.

Marguerite Nader

Vice Chairman and CEO

0:32:19

Morning

Adam Kramer

Analyst [Morgan Stanley]

0:32:19

about your membership business. I think you've talked in the past about sort of prioritizing rate over sort of membership count. It looks like it's declined now. Just wanted to ask sort of what level is maybe sort of the right level for memberships, and at what point maybe you sort of anchor back to membership count versus prioritizing rate.

Marguerite Nader

Vice Chairman and CEO

0:32:47

Sure. I think as you recall, in 2024, we introduced a new dues-based upgrade option, and this program allows members to commit to a higher annual dues for a two to four-year term, with total upgrade costs of approximately $2,000-$4,000. Those members, they look forward to that because they receive enhanced benefits really designed to increase usage of our properties, ability to stay longer, earlier booking windows, discounts on cabin rentals, et cetera. That initiative that we did a couple of years ago has contributed to that strong growth in the annual dues revenue. On a per dues-paying member base, we've seen an increase of about from, I think about $580 to about almost $700 per member. That really reflects the success of the upgrade and the members' willingness to pay for that additional flexibility.

Marguerite Nader

Vice Chairman and CEO

0:33:51

I'd say what you're seeing as you compare the TT portfolio from a few years ago is really a deliberate trade-off with an emphasis on the higher rate rather than the volume.

Operator

0:34:08

One moment for our next question. Our next question comes from the line of Jason Wayne of Barclays. Your line is now open.

Jason Wayne

Analyst [Barclays]

0:34:20

Thanks for the question. You consolidated seven RV communities into the non-core portfolio during the second quarter. Could you just give some color on what was acquired in terms of geography, mix, annual and transient, and occupancy there?

Patrick Waite

President and COO

0:34:38

Yeah, sure. It's Patrick. It was seven properties. It's about 1,400 sites. Two of the properties are in the West, California and Colorado. The balance of the properties, five properties are in the Southeast U.S., proximate or adjacent to some markets where we already have a presence. Of the seven properties, five of them and 70% of the sites were developed over the last 10 years. They're new. They have a very attractive spec in high demand. Just with respect to the current mix of revenues, it's about 40% longer-term streams at this point. That's been increasing with our focus in our platform on the longer-term revenue streams, and we're optimistic about continuing to grow the long-term revenue streams in that portfolio.

Operator

0:35:39

Thank you. One moment for our next question. Our next question comes from the line of Wesley Golladay of Baird. Your line is now open.

Wesley Golladay

Analyst [Baird]

0:35:50

Hey, everyone. I just want to go back to the comment about the positive demographics for MH. Would you look to increase your MH expansions? If so, what is the primary constraint for doing more?

Marguerite Nader

Vice Chairman and CEO

0:36:02

What we've done over the last few years is look at opportunities within our existing portfolio to do developments adjacent to either with vacant land that we have or purchasing land that is vacant and adjacent next to our properties. You will see us continue to look for opportunities within our portfolio to buy land adjacent to our properties and do those developments specifically on the MH side. As Patrick pointed out, one example, I think that just shows you the strength of those MH developments.

Wesley Golladay

Analyst [Baird]

0:36:42

Thank you.

Operator

0:36:45

Thank you. One moment for our next question. Our next question comes from the line of Peter Abramowitz of Deutsche Bank. Your line is now open.

Peter Abramowitz

Analyst [Deutsche Bank]

0:36:59

Yes, thank you for taking the question. Just to go back to some of your comments about the expenses. I think you said some savings on utilities and real estate taxes. Any other commentary you could provide or color on other expense items? I guess as we think about expenses in the back half and into 2027, how much of the, I guess, expense downside relative to expectations is sustainable, going into the second half in 2027?

Paul Seavey

EVP and CFO

0:37:28

Sure. Thanks, Peter. I'll just speak broadly to the guidance for the full year. We've guided to expense growth, generally attracts to CPI with some realized and anticipated savings from a few sources. When we think about our main three expense line items, utility, payroll, and R&M, those represent about 2/3 of our core expenses. And those, we have an assumption for right around a CPI increase for 2026. That is some savings off of our prior guidance as a result of our anticipated occupancy level in our transient properties, where we do see the relationship between our variable rent and our variable expenses. The remaining third of our expenses include real estate taxes, insurance, membership, sales and marketing, and some other line items. The full year growth rate assumption for those in aggregate is flat to prior year.

Paul Seavey

EVP and CFO

0:38:24

That does include the effect of our previously disclosed insurance renewal, as well as some successful real estate tax appeals that we saw in the second quarter. As we think about going forward, I would say that CPI is the key driver on the 2/3 of our expenses as it is this year. The other line items, the remaining third, some of that is dependent on what we see in insurance. That's probably been the largest driver of variability in that third over the last few years.

Peter Abramowitz

Analyst [Deutsche Bank]

0:38:57

All right. Thanks for the time.

Paul Seavey

EVP and CFO

0:39:00

Thank you.

Operator

0:39:02

Thank you. One moment for our next question. Our next question comes from the line of David Segall of Green Street. Your line is now open.

David Segall

Analyst [Green Street]

0:39:14

Hi. Thank you. I'm trying to better understand the slow lease-up pace for MH. Is it due to the lack of available home inventory in properties that have demand? Is it due to a lack of demand in the properties that have the vacant sites? Or is it still primarily related to repairing storm damage or other factors?

Patrick Waite

President and COO

0:39:40

Yeah. I think I would focus on one, we have good demand. It's really driven by a recovery from the storms that impacted us in 2024 and into 2025. We're past that, we're gaining momentum. It's the timing of getting inventory into the communities, which we're in the process of. As I mentioned just on a previous question, the up 70 year to date from an occupancy perspective, I feel like we have a favorable trend and good demand to pick up the pace as we go through the back half of the year.

Operator

0:40:34

Thank you. One moment for our next question. Our next question comes from the line of Jesse Lederman of Zelman. Your line is now open.

Jesse Lederman

Analyst [Zelman]

0:40:43

Hey, thanks for taking the question, and good morning.

Marguerite Nader

Vice Chairman and CEO

0:40:46

Good morning.

Jesse Lederman

Analyst [Zelman]

0:40:48

I wanted to ask you about kind of the income profile of your renters. You have very healthy rent growth, and on the MH side, it's been a great part of the business. Just curious what their ability to continue to absorb these 5%-6% increases is. If you see any change in behavior like resident turnover, delinquency, or home sales from residents to compensate for these increases or anything from a resident health perspective would be great. Thanks.

Marguerite Nader

Vice Chairman and CEO

0:41:20

Sure. As you mentioned, over the last number of years, we've had increases on the MH side of about 5%, with our current average rent of about $950. To arrive at that very top blended number, every year we put together a really detailed market survey for each property, which includes what's happening at the customer level, and how the customer is able to afford our offerings. .

Jesse Lederman

Analyst [Zelman]

0:42:27

I appreciate it. Thank you.

Marguerite Nader

Vice Chairman and CEO

0:42:29

Thank you.

Operator

0:42:32

Thank you. One moment for our next question. Our next question comes from the line of John Kim of BMO Capital Markets. Your line is now open.

John Kim

Analyst [BMO Capital Markets]

0:42:43

Thanks for taking the follow-up. When I look at your site count on page 12, the RV transient sites are now up quarter-over-quarter and up 20% over the last two years despite the uneven results. I know you use transient RV sites as a front door to annual and seasonal customers, but are you seeing a slower conversion rate from a transient to annual seasonal, and that's why the site count keeps going up?

Marguerite Nader

Vice Chairman and CEO

0:43:13

Well, one of the reasons the site counts increased was really as a function of putting our JV properties inside of that site count. That's really the driver of those differences, John.

John Kim

Analyst [BMO Capital Markets]

0:43:25

When did that happen?

Marguerite Nader

Vice Chairman and CEO

0:43:27

That happened two quarters ago, I believe. If you're comparing it to a couple of years ago, that's the main driver of the difference.

John Kim

Analyst [BMO Capital Markets]

0:43:36

Is there anything about the conversion rate or demand in annual and seasonal that's a little bit slower than it has been in the past?

Patrick Waite

President and COO

0:43:46

Yeah, John, it's Patrick. Well, we're seeing good demand on the annual front, and that is reflected in occupancy growth year-over-year, mid 200s, and as Paul addressed, a pickup in our guidance on the annual front. We see consistent demand there. The transient, to your point, it's a component in addition to what Marguerite just raised with respect to sites coming online. A transient site's an available site for us for longer term stays. We see 15%-20% of our annuals and seasonals previously stayed with us as transient guests, so it's an introduction to our property for a good chunk of our leads. We'll continue to meet the longer-term demand, and we're seeing it come through on the annuals and are optimistic about the back half of the year.

John Kim

Analyst [BMO Capital Markets]

0:44:41

Okay. Thanks for clarifying.

Marguerite Nader

Vice Chairman and CEO

0:44:44

Thank you, John.

Operator

0:44:47

Thank you. Since we have no more questions off the line, at this time, I would like to turn it back over to Marguerite Nader for closing comments.

Marguerite Nader

Vice Chairman and CEO

0:44:54

Okay. Thank you for joining us today. We appreciate you taking the time to discuss our business. Take care.

Operator

0:45:01

Thank you for your participation in today's conference. This concludes the program. You may now disconnect.

Part II. Additional Facts-Evidence-Analysis (FEA) plus more MHProNews MHVille Expert Analysis and Commentary

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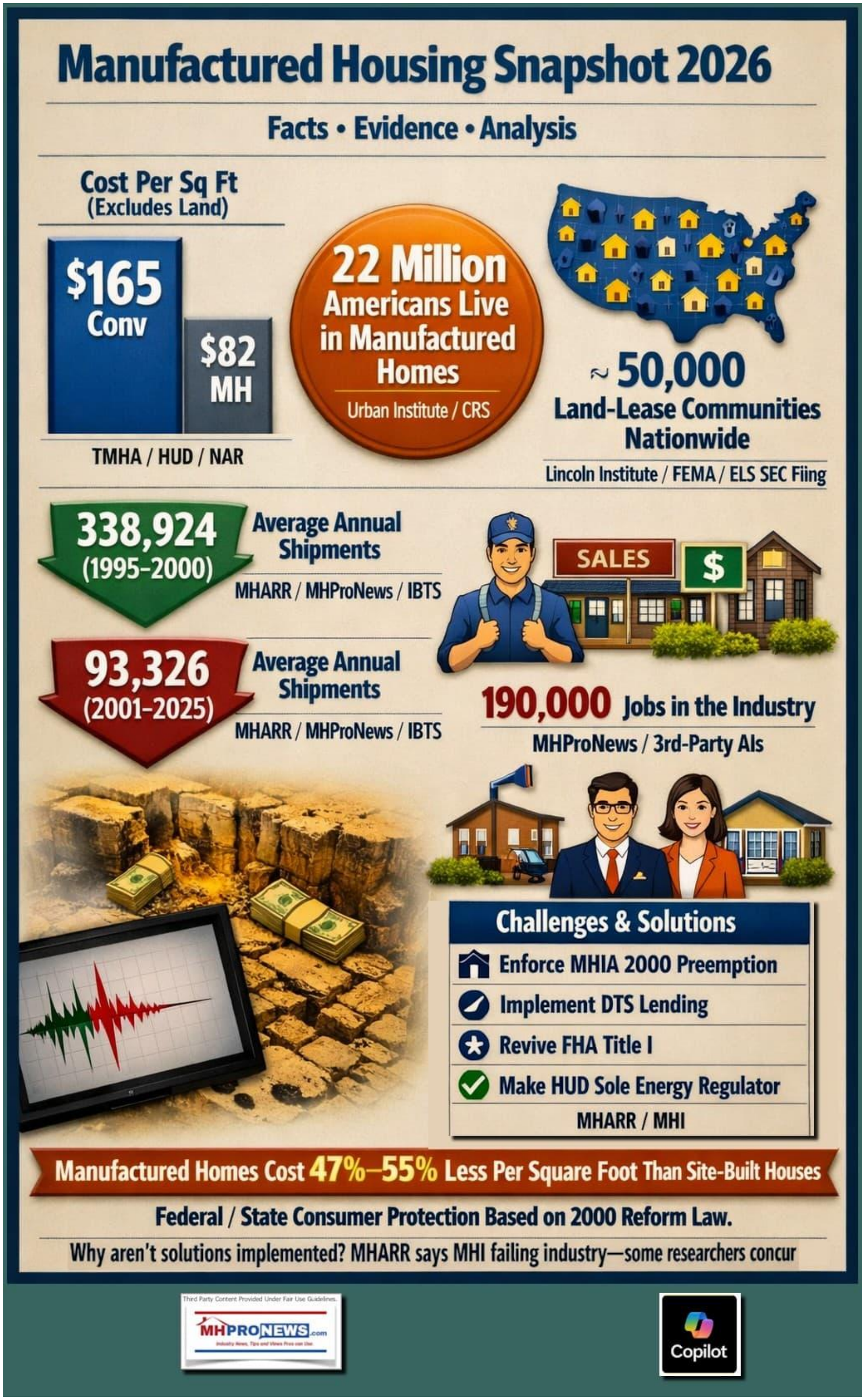
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