Rob Stevenson: All right, everybody, it's 10:15 so why don't we get started here? My name is Rob Stevenson. I run the Real Estate Research Group at Janney, and it's my pleasure to introduce Monmouth Real Estate, ticker MNR. To my left, immediate left, is the Chairman and Founder of the company, Gene Landy. To his left is CEO Mike Landy, and then to his left is CFO Kevin Miller.

Monmouth's just celebrating its 50th year as a public company, so one of the original REITs from the 60s that still remains in existence today.

And with that, why don't I turn it over to Mike to ... for the presentation, and then we'll be back for a Q&A session at the end. Thanks.

Mike Landy: Well, thanks, Robert. It's good to see everybody here. Where to begin? We'll start with ... Just last week, Kevin and I were in Dallas. We own the FedEx facility at the Fort Worth Alliance Airport. It's right on the runway. It's 330,000 square feet, leased for 15 years to FedEx. And ... But we weren't there to see our FedEx at the Fort Worth Alliance Airport, which is the world's largest all-cargo airport. We were actually to see a sight, which used to be the largest enclosed mall in Texas, the Big Town Mall on the other side of Dallas Fort Worth, six miles east of Downtown Dallas. And Big Town Mall is no longer there.

What's there today is our new FedEx facility, so now we have two FedEx facilities in the market. This is a brand-new 350,000 square-foot FedEx Ground building, leased for 15 years. And I think it's indicative of the changing of the guards, that what was once the largest mall in Texas is now our new FedEx facility. We consolidated our position. We own both FedEx Grounds, over 700,000 square feet in the FedEx market ... in the Dallas market. Now, Dallas Fort Worth is a half-trillion-dollar GDP market, so we're really pleased to consolidate our position there.

I think ever since people were innovative, you've seen creative destruction. You certainly don't want to be on the destructive side of that equation. And with

thousands of store closings this year, it's going to continue. Lots of retail bankruptcies. It's easy to get pessimistic, but it's a consumer-driven economy. It's a $18-trillion-dollar economy in the US, two thirds of which is consumer spending. And consumer spending is growing. You won't know it from reading the gloom-and-doom stuff in the press. But it's just migrating.

The brick-and-mortar retailers weren't ready for the supply of virtual space that's been overlaid on the physical markets. And while it's growing, it's moving. It's moving to the internet. The internet came on in 1994. Internet shopping is growing at a compound growth of 15% a year. A couple years ago, there was no shopping on the smart phone. Today, most of the e-commerce is conducted on your phone. And so, because of our relationship with FedEx, we now have about 10% of the FedEx Ground network. We're 100% occupied. We're very much aligned to the e-commerce, digital economy. I think ... When you think about brick-and-mortar and what's going on, it's about 23% of e-commerce, excluding food, fuel, autos, and restaurants, that's now migrated online. And it's just going to continue.

Diversification is a term that we're conditioned to get very complacent. It connotes safety and security, but a highly-concentrated position with FedEx is gold-plated. And I'd much rather have a highly-concentrated position with FedEx than a diversified portfolio of brick-and-mortar retail.

So, yeah, Monmouth's doing very well. We've grown our earnings year over year. Per-share earnings had double-digit growth rates. Our dividend is more secure than ever before. We pay a higher dividend than we did prior to the financial crisis, paying out a payout ratio of about 83%, and that safety's increasing. In addition to FedEx, our other tenants include GE, Siemens, United Technologies, Kellogg's, Sherwin-Williams. We own the Jim Beam Suntory warehouse, brand-new facility on the bourbon trail. And that facility's 600,000 square feet, expandable up to a million square feet.

Our balance sheet ... We're one of the oldest REITs. We've been around 50 years, and that longevity is testament to having a fortress balance sheet. And our balance sheet today is stronger than ever before. All of our coverage ratios are in solid investment-grade territory. Net debt to total market cap in the low 20s. Net Debt to EBITDA, 5.2X. We've taken advantage of this protracted low-interest-rate, flat-yield-curve environment and extended our maturities as far out in the future as possible. Our weighted average debt maturity is over 10.5 years.

We've been issuers of perpetual preferred equity, because in this environment having debt that never matures makes a lot of sense. I don't understand why more REITs aren't taking advantage of it. Albeit debt is cheaper, and you could meet your quarterly projections more readily, borrowing short term. But last time I checked, forever is a pretty long time. And having $211 million in perpetual preferred debt never matures, is highly advantageous.

Our weighted average interest rate is lower than ever before. It's about 4.3, 4.4% today. Our lease maturities, we match our assets with the liabilities. It's a very simple business model. Our lease maturities go out over 7.5 years. So what we provide is high-quality, predictable income streams. The market's very short-term oriented. They like to see ... Some investors like to see more volatile earnings and growth, and that's not what we provide. We provide gold-plated cashflow, income streams that are visible as far as the eye can see. Other business models ... it really strains the eye to see out a quarter, to see out a year. This company, I can tell you, is going to have an excellent year in fiscal '17. We're going to have an excellent year in fiscal '18. With having strong tenants, four out of the last seven years, we had 100% tenant retention. So these are really reliable, predictable income streams.

Our pipeline is about $200 million in brand new build to suits, over 2 million square feet. So we've been growing our portfolio at a rate of about 25% year-over-year growth. We've more than tripled the size of the company since 2011. And so today sitting here as one of the oldest REITs, we have the youngest portfolio. Tripling the company with brand-new properties has enabled us to have a weighted-average building age of under 10 years, and that's more important than ever in the industrial-property type, because ... They paint real estate with a broad brush, but there's all different types. And in the industrial sector, there's the old traditional industrial warehouse, capable of business-to-business commerce. And the modern, omni-channel-capable business-to-consumer properties, which are a pretty new innovation.

And so our buildings tend to be omni-channel-capable. And what that means is there's an IT room with a several-million-dollar investment made by tenant. There's highly-automated, computer-controlled equipment in the building that handles all the sort, pack, and ship. It's only handled by humans coming off the truck, going back on the truck. So for instance, our FedEx in Dallas. FedEx has invested over $32 million in the facility. We own the GE Global Research Center for 3D Printing in Pittsburgh. They use all the scientists out of Carnegie Mellon there. And GE's invested over $50 million in that property.

Our Ulta Cosmetics property in Indianapolis, again ... The infrastructure and capital investment the tenant made is greater than the cost of the building itself. We like having assets that feed off our other assets, and that's a good illustration. Ulta Cosmetics ships their packages out of our FedEx at the INDY Airport. So we own the FedEx at the airport, we own Ulta Cosmetics's e-commerce fulfillment center, and that's been highly advantageous.

In real-estate investing, location is always a primary concern. And FedEx locations are now highly-coveted locations. By owning 10% of the FedEx Ground network, we're seeing retailers pitch their tents as close as possible to our assets. And you'll see in our annual report, you'll see in our presentation, examples of that. In Orlando, Walmart has put ... In our photo, we show 2.3 million square feet right up against our building, and now there's over 3 million square feet of Walmart e-commerce fulfillment centers right up against our

FedEx buildings so that one customer alone is going to drive substantial volume through our FedEx facility. And other retailers are doing the same thing.

And this is what we mean by owning mission-critical assets. That's why we have 100% tenant retention in four out of the last seven years. And that's why we have the highest occupancy at 100% relative to our industrial peers. So we've historically boasted the highest retention, the highest occupancy. We own mission-critical assets. We own the youngest portfolio, the most e-commerce-friendly portfolio. And I think the illustration of the creative destruction that's going on in two-thirds of our economy. Consumer spending migrating from Main Street to cyberspace, there's going to be winners and losers, and we saw the tsunami building when the seas looked very calm. We increased our FedEx exposure. We increased our exposure to the digital economy. And today, clearly, the seas aren't calm. But the wind is at our back, and we're performing very well.

So I'll stop there and turn it over to Gene and Kevin if you want to add anything, and then we can open it up for questions.

Gene Landy: I just want to add that it's a remarkable industry we're in. I've been in it 50 years. I've seen the country grow from 150 million to 320 million. And I've sat in a few of these sessions, and there's a tremendous need for capital. There's a tremendous need for buildings. In our sector, industrial, we are not building on speculation. We're building for merchant builders who have leases with tenants that need the space. They need the space. This year, they need it a year from now. And the REITs represent large pools of capital that are available. And we have a relationship with merchant builders, our investment bankers, and the people that run our company. It's just a marvelous group. And our pipeline is how big now, Michael?

Mike Landy: 2 million square feet.

Gene Landy: 200-

Mike Landy: 2 million square feet. About $200 million in value.

Gene Landy: $200-million pipeline of deals that we're going to be building over the next year and a half. And the deals we're looking at come in every day, and it's just a great time to be a REIT. And it's a great time to be an investor in REITs. And Monmouth REIT has been one of the best-performing REITs over the last year, five years, 10 years. It's just a tribute to the people who are now running the company, and I'm very proud of our whole team, many of whom are here in this room. So that's my overall comment.

Mike Landy: Kevin, you'd like to add anything?

Kevin Miller: So I think Mike and Gene covered just about everything. But the only thing that I just wanted to maybe just add on to what already Mike had touched upon was the, you know, how a picture is worth a thousand words, how Mike had mentioned our FedEx facility in Orlando and how the Walmarts, 1 million square feet each, on each side surrounding it. And when you say that, you don't really grasp the full effect of that until you look at the picture. If you look on slide 17, you could see our tiny building here, which is really not tiny. It's over 310,000 square feet, and then you could see how small it looks compared to a million and a million. And there's actually another million-square-foot Walmart facility that was built in the same park. It's just not in this picture. And in this ... This is so Walmart can ship directly out of the FedEx. And actually Walmart sales have been increasing mostly due to their e-commerce sales, and that's how they've been able to grow as much as they have lately.

Mike Landy: Thanks, Kev.

Rob Stevenson: So we'll open up the Q&A at this point. While we're waiting, I guess one question for you, Mike. FedEx is by far, and away, your largest tenant. And in meetings in the past, I've heard you describe it as a partnership more so than a tenant-landlord relationship. Why does a shareholder do ... I want you to be partners with FedEx or any other tenant rather than just maximizing revenues by driving the toughest deal and leasing space to the highest bidder. What does that really get you at the end of the day by being partners with a tenant like FedEx?

Mike Landy: Sure, sure. So I think it was Mae West who said, "Too much of a good thing can be great." And FedEx is about 50% of our GLA and about 56% of our revenue. And it's true. We're unique. Most REITs want to be diversified. No single credit should be more than X percentage of your square footage or your revenue. We're old school. We think it's in our shareholder's interest for the customer to come first. Who's our customer? Our customers are our tenants. And it would be different if our tenants weren't Fortune 100 companies, multinational companies that have been in business for hundreds of years in some cases. But because we have this all-star tenant roster, there's value in working with them as- in the spirit of partnership.

And so, yes, we don't put up the highest Same Store NOI growth. But what we do provide is the strongest cashflow, the highest-quality income streams of any REIT. That's why we're 100% occupied. Now, there's ancillary benefits from working in the spirit of partnership with your tenants. You get more deals. Why do we have a highly-coveted portfolio and pipeline? Because of the spirit of partnership. Why do we get all these building expansions? 'Cause of the spirit of partnership. Why do we get the lease renewals? Why are we 100% occupied?

So the zero-sum game of saying, "$5 rent is now $7 rent. Pay it or hit the road," is the traditional negotiation between the adversarial landlord versus the tenant. And you'll see that for pretty much most real-estate situations. Fortunate in the REIT world, there's some unique situations. There's a whole

diverse group of REITs in the industrial sector. Each industrial REIT is different. They each have different business models. Ours is that we see a lot of value in partnering with Coca Cola, Anheuser-Busch, Jim Beam, etc. And it's why we've been around 50 years. And I think if you're a short-term investor, perhaps there's better vehicles for you. But if you're a long-term, conservative, traditional real-estate investor, our performance, the empirical performance is there. Over the last 10 years, the top 25 REITs ... There's only one industrial REIT in the top 25 over the last 10 years, and that's us.

Audience Q1: Historically, if you had ...

Thank you. Historically, if you had a concentration in one or two tenants, is that been how you've operated over time. And do you have any intention of having less of an emphasis on FedEx? Or that's how you're comfortable, or that's how you like to operate the company.

Mike Landy: Yeah, other than FedEx, it's pretty spread out. All of our tenants are household names. FedEx is, 'cause of the shift in consumer spending from Main Street to cyberspace, has been expanding their network. They've been investing in their Ground network over $2 billion a year for many years now. So our exposure to FedEx has increased as a result of the shift in consumer spending. I think we'd be foolish to turn down FedEx deals just for some arbitrary number of Thou-shalt-not-own-more-than-X. And I think it's been wise for us to take our FedEx exposure higher. As you see from the picture Kevin held up, it's like a magnet. All the retailers who want to become e-tailers are coming into our locations. So if you own a FedEx hub, that's where an industrial fulfillment center needs to be. And so it was wise not to turn down FedEx deals.

But at some point, the network will be fully built out. And we do have a ... Our pipeline's 50-50. That 2 million square feet is 50% FedEx, and we have International Paper and other credits in our pipeline.

Rob Stevenson: Mike, while we're waiting for the next question, can you talk a little bit about how you guys source transactions. It's development assets. But you guys aren't taking the balance-sheet risk here, and I think it's important for people to understand how this pipeline comes about and what type of risks you guys are taking over the time period from breaking ground to when you finally close on a deal and how that sort of fits into the growth strategy of the company.

Mike Landy: So again, it's get back to that spirit of partnership. We have long-term relationships with the merchant-builder community. They provide us the deals. When we met in Dallas with the merchant builder, we're talking about other future deals.

So the process is as follows. The tenant is looking to expand their network, whatever the tenant may be and wherever they need to expand. Once they pick, after multiple rounds of bidding, a merchant builder to develop that

property, if that merchant builder is somebody who's done business with us for a long time or somebody who wants to do business with us 'cause we have a great reputation, then we negotiate a transaction to take them out upon completion. And so we take the interest-rate risk and the future uncertainty off of their shoulders by locking in a cap rate before the building's even broken ground. It's worked out over the most recent cycle very favorably, because cap rates have compressed to the point where, upon closing the transaction, we already have capital gains in the property.

Now, that's very fortuitous. That didn't have to happen. It could have gone the other way. Cap rates could have gone up. But it worked out. But having been around 50 years, I can tell you we have tremendous gains on our balance sheet. The historic cost of the assets on our balance sheet versus the mark-to-market is substantially greater than the value today, than what our balance sheet indicates.

So we've been smart investors. We've only grown our portfolio one asset at a time. We've never acquired portfolios. We don't buy highly-auctioned assets where the bidder is shooting emails all over the world for bidders. We don't engage in that process at all. We work with partners directly rather than through the brokerage community.

Gene, Kevin, you want to add to that at all?

Gene Landy: My hat goes off to the people who build the buildings. They take great risks. The merchant builders have MBA degrees, engineering degrees, all sorts of skills. And they make a lot of money on all the buildings that get built, we let ... We welcome the fact that they're making money. There is a select list of merchant builders that work for particular large companies. You don't just go in and bid a deal for any of the ... our major tenants. You have to be on the list. They have four or five builders. It's very competitive. And they're just a wonderful group.

And what we provide to them is certainty. We give them a letter of intent. It's supposedly legally not binding, but we honor all our letters of intent. And we agree that, when they complete the building and they sign the lease with the tenant and the tenant give an estoppel letter and the lender comes forward ... And it's a relationship with the lender, too, because the lender promises to lend money. But he has a cutoff date, so the building has to be completed by the cutoff date. And all these things fit together, and it becomes a perfect team. And we're very happy with that relationship. We take an interest-rate risk. In other words, we buy it at a certain cap rate today. And if cap rates go dramatically higher, then maybe we paid more than we would have. But so far, over the last ten years, the trend has been in our favor. So it's a unique relationship.

It's an asset most people don't see that we have in these relationships we have with the whole team that gets the job done, which by the way includes our professional people. We have a good in-house legal staff, but we have great

lawyers to help us on the closings. And it just works out very well and has worked out for many years.

Kevin Miller: Yeah, I just wanted to add. Mike and Gene had touched upon the risk of the forward and how we've been lucky in the fact that cap rates have gone down. And the reason why we get these at a higher cap rate is 'cause of the forwards. But we actually mitigate that risk as far as we have such great relationships with our lenders that, in some cases or most cases, we're able to lock in an interest rate a year in advance. So that way, our spread is locked in, and that mitigates the risk no matter which way interest rates or cap rates go. And ... Like, for example, our current pipeline is eight deals, and we've locked in loans for all eight deals. And they have a weighted average cap rate of about 6.6 and a weighted average interest rate in ... about 3.9%. So we know we're going to get levered returns of about 15%.

Mike Landy: Yeah, when we were in Dallas, we met with our lenders. They've been with us through thick and thin. And it's nice to have them in our corner.

Rob Stevenson: Any other questions from the audience? In the back there?

Audience Q2: Hi. May you please elaborate how the lease negotiating process occurs with FedEx, given that it's quite a big tenant in your book. More specifically, how you negotiate the rentals relative to market, as well as your escalations.

Mike Landy: So we're pretty soft and generous in dealing with the credits, because they're strong credits. And if it's a short-term negotiation, we're as tough as anybody else. But if we could lock in like we did recently with Coca Cola for 10 years, we're more generous than most. Coca Cola asked for a TI package of a quarter-million dollars. We gave them half a million dollars. And to make the building right, we didn't want to do a half-baked measure. We wanted to go all out. They appreciate it. It's why they'll be there for the next renewal. So time is a factor. And time is a factor that people undervalue, in my opinion.

If you have a strong credit, and they're willing to lock in for ten years, now you have a highly-financeable asset. You have a free and clear Coca Cola building, ten years of income. You could refinance about 75, 70% of the value out of that property and go buy a new property. So rather than structure a short-term renewal with a high leasing spread, which may look good on the asset basis, we look, we zoom out and look at the whole balance sheet and what's in the interests of preserving our high-quality income streams and the visibility and stability and predictability over the long term. So time's a key component in how we transact. I think Coca Cola's 2% escalation, so the rent will be going up in each of the years. But we're happy with the ten-year renewal.

Rob Stevenson: Over here.

Audience Q3: [inaudible 00:25:43]

Rob Stevenson: What? Wait for the mic for a second. We're on a webcast.

Audience Q3: Thank you. You mentioned you have interest-rate caps of about a year. How long is the average construction period? Is it like 18 months?

Mike Landy: So it gets back to ... There's industrial buildings and then there's industrial buildings. And they're all painted, for expedience's sake, with the same brush. But the modern industrial building is a new phenomenon, is ... While the shell of the building will take, from inception to completion, anywhere from eight to 16 months. The infrastructure, that computer-automated robotic system in the building, could take two years, so ... In some cases. That's not the norm. But in some cases. So it's a whole ... And often it costs more than the building itself. That's kind of the rule not the exception with modern industrial buildings. They're highly automated. The cost of the infrastructure is greater than the building itself, which results in a high stickiness of income. The tenant is not going to pull up stakes for a lower rent across the street, because it's just too burdensome to move.

But inception to completion can be as short as eight months if it's a more vanilla project.

Gene Landy: I just want to add to that. Because of the high tenant costs of infrastructure in the building, which they pay for, the tenants now are coming to us and asking for longer-term leases. And it's not unusual now to have a tenant want a 15-year lease instead of a 10-year lease. And we're most happy to oblige.

Audience Q4: You guys are heavily on the East Coast and the Midwest. Why not on the West Coast as much?

Mike Landy: Couple reasons. I'll start with: 70% of the population resides east of the Mississippi. From there, I'll go to the fact that most business-friendly states tend to be the right-to-work states. Florida. We have a high concentration of Florida. There's more seaports in Florida than any other state. Texas is a very business-friendly state, so really ... Memphis. We like the inland ports. Indianapolis. Cincinnati. Kansas City, the largest rail hub.

Valuation. California, they pay the highest prices, the lowest cap rates. You've seen 3% cap rates in some instances. Four is pretty normal. You don't get much land. One thing I didn't bring up is we have the most plentiful land-to-building ratio of any industrial REIT. Our new pipeline is about 8-to-1. Eight square feet of land for one square foot of building. Our portfolio itself is 6-to-1. In California, the norm is 3-to-1, rounding up.

So we want to have plentiful land, so we can expand our buildings when the tenant’s business is strong and growing. And then couple that with the price per foot and cap rates and ... The anti- ... hostile business climate in California has Toyota leaving, moving to Texas. GE sets up shop for us in Pittsburgh. Mobile,

Alabama. People are leaving. They're being forced out. It's just too burdensome, litigious, highly regulated. And all the other industrial REITs are clamoring to be there. So if you want to mitigate, if you're a top-down investor with a high concentration in industrial, well by investing in Monmouth you mitigate that West Coast risk, 'cause the only asset we have is in the Seattle market. It's where Boeing has their jet-manufacturing facility in Everett.

So these are mission critical. We're at the Boeing plant. We're at the Mayo Clinic. We're at Exxon Mobil's global headquarters. So we're very thoughtful about where we strategically place our investment dollars.

Rob Stevenson: I want to thank Gene, Mike, and Kevin. We're out of time here. But I think they'll be up here for a few minutes if anybody has any follow-up questions. Thank you very much.