

MONMOUTH REAL ESTATE INVESTMENT CORP
Form DEF 14A
March 30, 2018

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

SCHEDULE 14A

**Proxy Statement Pursuant to Section 14(a)
of the Securities Exchange Act of 1934**

(Amendment No.)

Filed by the Registrant [X]

Filed by a Party other than the Registrant []

Check the appropriate box:

[] Preliminary Proxy Statement

[] Confidential, for Use of the Commission Only (as permitted by Rule 14a-6 (e)(2))

[X] Definitive Proxy Statement

[] Definitive Additional Materials

[] Soliciting Material Pursuant to §240.14a-12

Monmouth Real Estate Investment Corporation

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11 (a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing

(1) Amount previously paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

A Public REIT Since 1968

Monmouth Real Estate Investment Corporation

Juniper Business Plaza, 3499 Route 9 North, Suite 3-D

Freehold, New Jersey 07728

Notice of 2018 Annual Meeting of Shareholders

May 17, 2018

4:00 p.m. Eastern Time

Notice is hereby given that the 2018 Annual Meeting of Shareholders (the “2018 Annual Meeting”) of Monmouth Real Estate Investment Corporation, a Maryland corporation (referred to as “we”, “our”, “us”, “Monmouth” or the “Company”) will be held on Thursday, May 17, 2018, at 4:00 p.m., Eastern Time, at Juniper Business Plaza, 3499 Route 9 North, Suite 3-D, Freehold, New Jersey, to consider and vote on the following matters, each as more fully described in the accompanying proxy statement:

Items of Business

1. The election of four Class III directors, each to hold office until our annual meeting of shareholders in 2021 and until his or her successor is duly elected and qualifies;
2. The ratification of the appointment of PKF O’Connor Davies, LLP as our independent registered public accounting firm for the fiscal year ending September 30, 2018;
3. An advisory resolution to approve the compensation of our executive officers for the fiscal year ended September 30, 2017; and

4. Such other business as may properly come before the Annual Meeting and any adjournments or postponements thereof.

Record Date

Monmouth's Board of Directors has fixed the close of business on March 14, 2018, as the record date for the determination of shareholders entitled to notice of, and to vote at, the 2018 Annual Meeting and any adjournments or postponements thereof.

EVEN IF YOU PLAN TO BE PRESENT IN PERSON, YOU SHOULD AUTHORIZE A PROXY TO VOTE YOUR SHARES PRIOR TO THE MEETING USING THE METHODS DETAILED ON PAGES 12-13 OF THIS PROXY STATEMENT.

BY ORDER OF THE BOARD OF DIRECTORS

Michael D. Prashad
In-House Counsel and Secretary

March 30, 2018

YOUR VOTE IS IMPORTANT. PLEASE VOTE.

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Monmouth Real Estate Investment Corporation

Juniper Business Plaza, 3499 Route 9 North, Suite 3-D

Freehold, New Jersey 07728

PROXY STATEMENT

2018 Annual Meeting of Shareholders

May 17, 2018, 4:00 p.m. Eastern Time

SOLICITATION OF PROXIES

This Proxy Statement is furnished in connection with the solicitation by the Board of Directors of Monmouth Real Estate Investment Corporation, a Maryland corporation, of proxies to be voted at our 2018 Annual Meeting of Shareholders (the “Annual Meeting”) to be held on Thursday, May 17, 2018, at 4:00 p.m., Eastern Time, at our offices at Juniper Business Plaza, 3499 Route 9 North, Suite 3-D, Freehold, New Jersey 07728, and at any adjournments or postponements thereof, to consider and vote on the matters listed in the preceding Notice of Annual Meeting of Shareholders. This Proxy Statement and the accompanying Proxy Card are being distributed on or about March 30, 2018, to shareholders of record as of the close of business on March 14, 2018. Unless the context requires otherwise, references in this Proxy Statement to “Monmouth”, “we”, “our”, “us” and the “Company” refer to Monmouth Real Estate Investment Corporation and its consolidated subsidiaries.

A copy of our annual report, including financial statements, was mailed to all shareholders of record on or about January 31, 2018, and is available on our website at www.mreic.reit.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING TO BE HELD ON MAY 17, 2018

Under rules adopted by the U.S. Securities and Exchange Commission (the “SEC”), you are able to obtain proxy materials via the Internet, instead of being mailed printed copies of those materials. This will expedite shareholders’ receipt of proxy materials, lower the cost of the annual meeting, and help conserve natural resources. Please visit the website www.proxyvote.com to view electronic versions of proxy materials and our 2017 Annual Report, and to request electronic delivery of future proxy materials. Have your Proxy Card or Notice of Internet Availability in hand when you access the website and follow the instructions. You will need your 12-digit Control Number, which is located on your Proxy Card or Notice of Internet Availability. Shareholders also may request to receive proxy materials in printed form by mail or electronically by email on an ongoing basis.

Proxy Statement Summary

This summary highlights the proposals to be voted upon, as well as financial performance, executive compensation, and corporate governance information described in more detail elsewhere in this Proxy Statement.

Annual Meeting Proposals

Proposal	Recommendation of the Board
1. Election of Directors	<i>FOR each of the nominees</i>
2. Ratification of Independent Registered Public Accounting Firm	<i>FOR</i>
3. Say-on-Pay: Advisory Vote to Approve 2017 Executive Compensation	<i>FOR</i>

Financial Performance Highlights

Fiscal year ended September 30, 2017 was another excellent year for Monmouth. Our industrial property portfolio performed exceptionally well, achieving a 99.3% occupancy rate and a 92% tenant retention rate. We believe that this past year represented one of the most productive years ever in our long history as a public REIT. We highlight some of our many accomplishments achieved during fiscal 2017:

Dividend Increase: As a result of our strong performance throughout fiscal 2017, on October 2, 2017, our Board of Directors approved a 6.3% increase in our quarterly common stock dividend, raising it to \$0.17 per share from \$0.16 per share, representing an annualized dividend rate of \$0.68 per share. The 6.3% dividend increase marks our second dividend increase in three years, totaling 13% in dividend increases. We have maintained or increased our cash dividend for 26 consecutive years.

Tenant Occupancy: Maintained a sector leading occupancy rate of 99.3% at fiscal yearend, representing our second consecutive year with above 99% occupancy.

Tenant Retention: Renewed 11 of the 13 leases totaling 1.4 million square feet that were scheduled to expire, resulting in a 92% tenant retention.

Tenant Lease Term: Extended our weighted average lease maturity from 7.4 years to 7.9 years.

Growth in Stock Price: Achieved a stock price of \$16.19 per share as of September 30, 2017, resulting in year over year growth of 13%.

Growth in Market Capitalization: Achieved \$2.2 billion in total market capitalization, resulting in year over year growth of 22%.

Growth in Total Shareholder Return: Achieved a 19% total shareholder return for fiscal 2017, versus less than a 1% total return from the MSCI US REIT Index during the same period.

Growth in Net Income and Net Income per Diluted Share: Generated 12% year over year growth in Net Income Attributable to Common Shareholders and on a per diluted share basis, generated 3% year over year growth in Net Income Attributable to Common Shareholders.

Growth in Gross Revenue: Generated 20% year over year growth in Gross Revenue.

Growth in Net Operating Income (NOI)*: Generated 20% year over year growth in Net Operating Income.

Growth in AFFO* per Diluted Share: Generated 9% year over year growth in Adjusted Funds From Operation (AFFO) per diluted share.

*NOI and AFFO are non-GAAP performance measures. See Financial Information for a discussion of our non-GAAP performance measures.

Strategic Growth Highlights

Property Acquisitions: Acquired 10, brand new, Class A industrial properties, totaling approximately 2.8 million square feet of high-quality industrial space for \$286.5 million all subject to long term net leases, of which 77% is leased to investment grade tenants or subsidiaries of investment grade issuers.

Property Expansions: Completed two property expansions, totaling \$5.6 million, adding additional rental space of 51,000 square feet, generating over \$550,000 in additional rental revenue and extending the lease terms for 10 years from the date of each completed expansion.

Growth in Gross Leasable Area: Achieved 17% year over year growth in gross leasable area, with 18.8 million total rentable square feet as of fiscal yearend.

Commitments to Acquire Property: Entered into agreements to acquire four, brand new, Class A industrial properties under construction as of fiscal yearend and scheduled to close in fiscal 2018, totaling approximately 1.7 million square feet, including three properties we acquired subsequent to fiscal yearend.

Redemption of Higher Coupon Preferred Stock: Redeemed our 7.625% Series A Cumulative Redeemable Preferred Stock with a liquidation value of \$53.5 million and redeemed our 7.875% Series B Cumulative Redeemable Preferred Stock with a liquidation value of \$57.5 million.

Follow-On Preferred Stock Offering: Raised \$73.5 million in gross proceeds through our 6.125% Series C Cumulative Redeemable Preferred Stock follow-on offering.

At-The-Market Transaction: Raised an additional \$36.4 million in gross proceeds from the issuance of shares of our Series C Preferred Stock through our Preferred Stock ATM Program.

Capital Raising through DRIP: Raised approximately \$91.9 million through our Dividend Reinvestment and Stock Purchase Plan (DRIP).

Debt Maturity: Extended our weighted average debt maturity from 9.6 years to 10.2 years.

Cost of Debt: Reduced our weighted average interest rate on our fixed rate debt from 4.5% to 4.2%.

Controlled General and Administrative Expense: Managed G&A costs to a very efficient level. G&A, as a percentage of gross revenue, decreased to 6% for fiscal year 2017 from 8% for fiscal year 2016. G&A, as a percentage of undepreciated assets, decreased to 48 basis points from 58 basis points for the fiscal years 2017 and 2016, respectively.

Say-on-Pay: Executive Compensation Highlights

At the Annual Meeting, our shareholders will have the opportunity to consider and vote on an advisory say-on-pay proposal, to approve, on an advisory basis the compensation of our executive officers for the fiscal year ended September 30, 2017, as described more fully in this Proxy Statement. Our executive compensation program is designed to be simple, effective, and link pay to performance, while reflecting the size, scope, and success of Monmouth's business, as well as the responsibilities of our executive officers. While there are many factors that are considered in evaluating executive compensation, ultimately, we believe that our shareholders strongly value economic performance.

Pay for Performance: Total Shareholder Return

Since the time that Monmouth was founded in 1968, we have delivered consistent and reliable returns for our shareholders. Over the last 10 years, Monmouth has outperformed the MSCI US REIT Index by a wide margin of over three times. Our total shareholder return ("TSR") over the last 10 fiscal years was 273.4%. TSR includes both dividends reinvested and stock price appreciation. Historically, REIT dividends have accounted for approximately 65% of TSR. We believe that it is essential that dividends be factored into evaluating a REIT's economic performance. Our dividend has proven to be very reliable because our industrial properties are predominantly subject to long-term net leases to investment-grade tenants or their subsidiaries. As the result of our strong performance throughout fiscal 2017, on October 2, 201