MONMOUTH REAL ESTATE INVESTMENT CORP
Form 424B5
October 04, 2018

Filed Pursuant to Rule 424(b)(5)

Registration No. 333-226511

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be Registered	Proposed **Maximum Offering Price Per Share**	**Proposed maximum aggregate offering price**	**Amount of registration fee(1)(2)**
Common Stock	9,200,000	$ 15.00	$ 138,000,000.00	$ 10,003.00

(1) The registration fee is calculated in accordance with Rule 457(o) under the Securities Act of 1933, as amended (the "Securities Act"), based on the proposed maximum aggregate offering price, and Rule 457(r) under the Securities Act. In accordance with Rules 456(b) and 457(r) under the Securities Act, the registrant initially deferred payment of all of the registration fee for Registration Statement No. 333-226511, except with respect to unsold securities that have been previously registered.

(2) Securities being offered under this prospectus supplement include unsold securities previously registered on Form S-3 (Registration No. 333-206187) filed with the Securities and Exchange Commission (the "SEC") on August 7, 2015 and declared effective on August 20, 2015 (the "Prior Registration Statement"). As of the date hereof, the registrant has not sold $55,475,000 of the securities registered pursuant to the Prior Registration Statement (the "Unsold Securities"). In accordance with Rule 415(a)(6) under the Securities Act, $55,475,000 aggregate amount of Unsold Securities are included in this prospectus supplement. Accordingly, the registrant is paying a registration fee of $10,003 herewith, which covers the remaining aggregate offering price of $82,525,000. Pursuant to Rule 415(a)(6), this "Calculation of Registration Fee" table shall be deemed to update the "Calculation of Registration Fee" table in the current registration statement on Form S-3ASR filed with the SEC on August 2, 2018 (File No. 333-226511) to continue the offering of Unsold Securities initially registered under the Prior Registration Statement.

Prospectus Supplement
(To Prospectus dated August 2, 2018)

8,000,000 Shares
Common Stock

Monmouth Real Estate Investment Corporation

We are offering 8,000,000 shares of our common stock, $0.01 par value per share.

We are organized and conduct our operations to qualify as a real estate investment trust, or REIT, for federal income tax purposes. Our stock is subject to certain restrictions on ownership and transfer intended, among other purposes, to assist us in qualifying as a REIT for federal income tax purposes. See "Description of Common and Preferred Stock—Restrictions on Ownership and Transfer" in the accompanying prospectus for a description of these restrictions.

Our common stock is listed on the New York Stock Exchange, or NYSE, under the symbol "MNR," and the last reported sale price of our common stock on the NYSE on October 2, 2018 was $16.32 per share.

Investing in our common stock involves risks. See "Risk Factors" beginning on page S-5 of this prospectus supplement and page 7 of the accompanying prospectus, and the risks set forth under the caption "Item 1A. Risk Factors" included in our most recent Annual Report on Form 10-K, and in our Quarterly Reports on Form 10-Q for the quarterly periods ended December 31, 2017, March 31, 2018, and June 30, 2018, which are incorporated by reference herein, for certain risks relevant to an investment in our common stock.

	Per Share	**Total**
Initial public offering price	$15.00	$120,000,000.00
Underwriting discount	$0.60	$4,800,000.00
Proceeds, before expenses	$14.40	$115,200,000.00

To the extent that the underwriters sell more than 8,000,000 shares of our common stock, the underwriters have the option to purchase up to an additional 1,200,000 shares from us at the price to the public less the underwriting discount.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed on the accuracy or adequacy of this prospectus supplement. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares against payment to purchasers on or about October 9, 2018.

Joint Book-Running Managers

BMO Capital Markets J.P. Morgan RBC Capital Markets

Co-Managers

B. Riley FBR D.A. Davidson & Co. Janney Montgomery Scott CSCA

The date of this prospectus supplement is October 4, 2018.

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Prospectus Supplement

Prospectus

You should rely only on the information contained in or incorporated by reference into this prospectus supplement, the accompanying prospectus or any applicable free writing prospectus. We have not, and the underwriters have not, authorized any other person to provide you with different or additional information. If anyone provides you with different or additional information, you should not rely on it.

This prospectus supplement and the accompanying prospectus do not constitute an offer to sell, or a solicitation of an offer to purchase, any securities in any jurisdiction where it is unlawful to make such offer or solicitation. You should assume that the information appearing in this prospectus supplement, the accompanying prospectus, any applicable free writing prospectus and the documents incorporated by reference herein or therein is accurate only as of their respective dates or on the date or dates which are specified in these documents. Our business, financial condition, liquidity, results of operations and prospects may have changed since those dates.

ABOUT THIS PROSPECTUS SUPPLEMENT AND THE PROSPECTUS

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this offering and adds to, changes and updates information contained in the accompanying prospectus and the documents incorporated by reference herein or therein. The second part, the accompanying prospectus, gives more general information, some of which may not apply to this offering. When we refer to the prospectus, we are referring to both parts combined.

To the extent the information contained in this prospectus supplement differs or varies from the information contained in the accompanying prospectus or documents incorporated by reference herein or therein, the information in this prospectus supplement will supersede such information. In addition, any statement in a filing we make with the Securities and Exchange Commission, or the SEC, that adds to, updates or changes information contained in an earlier filing we made with the SEC will modify and supersede such information in the earlier filing.

This prospectus supplement does not contain all of the information that is important to you. You should read the accompanying prospectus as well as the documents incorporated by reference in this prospectus supplement and the accompanying prospectus. See "Incorporation of Certain Documents by Reference" and "Where You Can Find More Information" in this prospectus supplement and the accompanying prospectus. Unless otherwise indicated or unless the context otherwise indicates, references in this prospectus supplement to the terms "company," "we," "us," "our," and "Monmouth" refer to Monmouth Real Estate Investment Corporation, a Maryland corporation, and its consolidated subsidiaries.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus supplement and the accompanying prospectus, including the documents incorporated by reference herein and therein, each include “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. Also, documents we subsequently file with the SEC and incorporate by reference will contain forward-looking statements. In particular, statements relating to our liquidity and capital resources, portfolio performance and results of operations contain forward-looking statements. Furthermore, all of the statements regarding future financial performance are forward-looking statements. We are including this cautionary statement to make applicable and take advantage of the safe harbor provisions of the Securities Act and Exchange Act for any such forward-looking statements. We caution investors that any forward-looking statements presented in this prospectus supplement and the accompanying prospectus, including the documents incorporated by reference herein and therein, are based on management’s belief and assumptions made by, and information currently available to, management. When used, the words “anticipate,” “believe,” “expect,” “intend,” “may,” “might,” “plan,” “estimate,” “project,” “should,” “wi and similar expressions, or the negative use of these words, are intended to identify forward-looking statements, but the absence of these words does not necessarily mean that statement is not a forward-looking statement. Forward-looking statements include statements about our expectations, beliefs, intentions, plans, objectives, goals, strategies, future events, performance and underlying assumptions and other statements that are not historical facts.

These forward-looking statements are based on our beliefs, assumptions and expectations of our future performance, taking into account all information currently available to us. Forward-looking statements are not predictions of future events. These beliefs, assumptions and expectations can change as a result of many possible events or factors, not all of which are known to us. Some of these factors are described in this prospectus supplement under the headings “Risk Factors,” as well as “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” as included in our Annual Report on Form 10-K for the fiscal year ended September 30, 2017, and our Quarterly Reports on Form 10-Q for the quarterly periods ended December 31, 2017, March 31, 2018, and June 30, 2018, which are incorporated by reference herein. These and other risks, uncertainties and factors could cause our actual results to differ materially from those included in any forward-looking statements we make. Any forward-looking statement speaks only as of the date on which it is made. New risks and uncertainties arise over time, and it is not possible for us to predict those events or how they may affect us. Except as required by law, we are not obligated to, and do not intend to, update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Important factors that could cause actual results to differ materially from our expectations include, among others:

- the ability of our tenants to make payments under their respective leases;
- our reliance on certain major tenants;
- our ability to re-lease properties that are currently vacant or that become vacant;

our ability to obtain suitable tenants for our properties;

changes in real estate market conditions, economic conditions in the industrial sector, the markets in which our properties are located and general economic conditions;

the inherent risks associated with owning real estate, including local real estate market conditions, governing laws and regulations and illiquidity of real estate investments;

our ability to acquire, finance and sell properties on attractive terms;

our ability to repay debt financing obligations;

- our ability to refinance amounts outstanding under our debt obligations at maturity on terms favorable to us, or at all;
- the loss of any member of our management team;
- our ability to comply with debt covenants;
- our ability to integrate acquired properties and operations into existing operations;
- continued availability of proceeds from issuances of our debt or equity securities;
- the availability of other debt and equity financing alternatives;
- market conditions affecting our investments in marketable securities of other REITs;
- changes in interest rates under our current credit facility and under any additional variable rate debt arrangements that we may enter into in the future;
- our ability to successfully implement our selective acquisition strategy;
- our ability to maintain internal controls and procedures to ensure all transactions are accounted for properly, all relevant disclosures and filings are timely made in accordance with all rules and regulations, and any potential fraud or embezzlement is thwarted or detected;
- changes in federal or state tax rules or regulations that could have adverse tax consequences;
- declines in the market prices of our investment securities; and
- our ability to qualify as a REIT for federal income tax purposes.

You should not place undue reliance on these forward-looking statements, as events described or implied in such statements may not occur.

PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights information contained elsewhere or incorporated by reference in this prospectus supplement and the accompanying prospectus. This summary is not complete and does not contain all of the information that you should consider before investing in our common stock. We urge you to read this entire prospectus supplement, the accompanying prospectus and the documents incorporated by reference carefully, including the financial statements and notes to those financial statements incorporated by reference herein and therein. Please read "Risk Factors" in this prospectus supplement for more information about important risks that you should consider before investing in our common stock.

Monmouth Real Estate Investment Corporation

We are a Maryland corporation that has elected to qualify as a REIT under Sections 856 through 860 of the Internal Revenue Code, as amended, or the Code. Our predecessor was founded and completed its initial public offering in 1968, making us one of the oldest public equity REITs in the world.

We seek to invest in well-located, modern, single tenant, industrial buildings leased primarily to investment grade companies or their subsidiaries pursuant to long-term net leases. We derive our income primarily from real estate rental operations. As of June 30, 2018, our property portfolio consisted of 109 rental properties located in 30 states and totaled approximately 20.5 million square feet. All of these properties are wholly-owned with the exception of two properties in New Jersey, in which we own a majority interest. As of June 30, 2018, our weighted average lease maturity was approximately 7.8 years, our annualized average base rent per occupied square foot was $5.89 and the weighted average building age, based on the square footage of our buildings, was 8.8 years. We have a concentration of FedEx Corporation (FDX) and FDX subsidiary-leased properties, consisting of 58 separate stand-alone leases covering approximately 9.4 million square feet, or 46% of our total rental space (7% to FDX and 39% to FDX subsidiaries), with a weighted average lease rate maturity of 8.6 years as of June 30, 2018. As of June 30, 2018, the only tenants that leased 5% or more of our total square footage were FDX and its subsidiaries. In addition, we invest in both debt and equity securities of other REITs, which we generally limit to no more than approximately 10% of our undepreciated assets (which is our total assets excluding accumulated depreciation). Our securities portfolio, to the extent not pledged to secure our borrowings, provides us with additional liquidity and additional income.

Corporate Information

Our principal executive offices are located at Juniper Business Plaza, Suite 3-D, 3499 Route 9 North, Freehold, New Jersey 07728, and our telephone number is (732) 577-9996. Our website can be accessed at *www.mreic.reit*. The information on, or otherwise accessible through, our website does not constitute a part of this prospectus supplement or the accompanying prospectus.

Pending and Potential Acquisitions and Expansions

We have entered into an agreement to purchase one new build-to-suit, industrial building and letters of intent with respect to the purchase of two new build-to-suit industrial buildings that have recently been completed or are currently being developed in Georgia, North Carolina, and New Jersey, as shown in the table below. Each of these three properties is leased or is expected to be leased to FedEx Ground Package System, Inc. Our purchase of these properties is subject to completion of development and issuance of a certificate of occupancy, completion of satisfactory due diligence and other customary closing conditions and, with respect to each property subject to a letter of intent, the negotiation and execution of a definitive purchase and sale agreement. There can be no assurance that we will complete the acquisition of the properties under letter of intent or purchase agreement. We have entered into a commitment to obtain a 15-year, fully-amortizing mortgage loan totaling $55 million, with a fixed interest rate of 4.13% to fund the purchase price for the Hamilton, N.J. property and we expect to enter into mortgage loans to fund a portion of the purchase price for the other properties.

Property Location	Square Footage	Purchase Price	Expected Closing Date	Lease Term (Years)
Hamilton, NJ	347,363	$85,248,352	Q1 FY 2019	14
Savannah, GA	128,616	$27,832,781	Q1 FY 2019	10
Greensboro, NC	269,196	$40,914,143	Q2 FY 2020	15
	745,175	**$153,995,276**		

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We currently have a 154,800 square foot building expansion underway. Total expansion costs are expected to be approximately $9.1 million. Upon completion of the expansion, currently anticipated in the first quarter of fiscal 2019, the property's annual rent will be increased by approximately $862,000, with annual increases of 2.0%, and the term will be extended to 15 years following the date of completion of the expansion.

Recent Acquisitions and Expansions

During fiscal 2018, we purchased seven industrial properties totaling approximately 2.7 million square feet for an aggregate of $282.3 million. Initial net-lease terms ranged from 10 to 15 years with a weighted average lease maturity of 11.4 years. Approximately 2.3 million square feet, or 85% of the square footage, are leased to investment-grade companies or their subsidiaries. The seven properties are located in Alabama, Florida, Georgia, Oklahoma and South Carolina. In connection with the seven properties acquired during the 2018 fiscal year, we entered into four 15 year fully-amortizing fixed rate mortgage loans, two 14 year fully-amortizing fixed rate mortgage loans and one 10 year fixed rate mortgage loan amortizing over 18 years. The seven mortgage loans originally totaled $175.2 million with an original weighted average mortgage loan maturity of 14.1 years and a weighted average interest rate of 3.91%.

Of these seven properties purchased during fiscal 2018, two were purchased during the fourth quarter of fiscal 2018 and are as follows:

On August 15, 2018, we purchased a newly constructed 265,318 square foot industrial building, situated on 48.9 acres, located in Charleston, SC. The building is 100% net-leased to FedEx Ground Package System, Inc. for 15 years through June 2033. The purchase price was $47.2 million. We obtained a 15 year fully-amortizing mortgage loan of $29.9 million at a fixed interest rate of 3.82%. Annual rental revenue over the remaining term of the lease averages approximately $2.7 million.

On September 6, 2018, we purchased a newly constructed 373,750 square foot industrial building, situated on 92.6 acres, located in Braselton (Atlanta), GA. The building is 100% net-leased to FedEx Ground Package System, Inc. for 15 years through February 2033. The purchase price was $61.1 million. We obtained a 15 year fully-amortizing mortgage loan of $39.7 million at a fixed interest rate of 4.02%. Annual rental revenue over the remaining term of the lease averages approximately $3.8 million.

During fiscal 2018, we completed parking lot expansions for two properties leased to FedEx Ground Package System, Inc. in Indiana and South Carolina for total project costs of approximately $3.5 million, both of which resulted in a new 10 year lease for the expanded property. The new leases include combined increases in annual rent effective from the date of completion of approximately $367,000.

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Recent Developments

Dividends

On October 1, 2018, our board of directors authorized and we declared a cash dividend of $0.17 per share on our common stock, payable on December 17, 2018, to shareholders of record at the close of business on November 15, 2018. Also on October 1, 2018, our board of directors authorized and we declared a cash dividend of $0.3828125 per share on our 6.125% Series C Cumulative Redeemable Preferred Stock, or our 6.125% Series C preferred stock, for the period from September 1, 2018 through November 30, 2018, payable on December 17, 2018 to holders of record of our 6.125% Series C preferred stock as of the close of business on November 15, 2018.

“At-the-Market” Offering of Series C Preferred Stock

On June 29, 2017, we entered into a Preferred Stock At The Market Sales Agreement Program with B. Riley FBR, Inc., or B. Riley (formerly FBR Capital Markets & Co.), that provided for the offer and sale of shares of our 6.125% Series C preferred stock, with a liquidation preference of $25.00 per share, having an aggregate sales price of up to $100,000,000. On August 2, 2018, we replaced this program with a new Preferred Stock At The Market Sales Agreement Program, or our Preferred Stock ATM Program, with B. Riley that provides for the offer and sale from time to time of $125,000,000 of our 6.125% Series C preferred stock. Sales of shares of our 6.125% Series C preferred stock under the Preferred Stock ATM Program are in “at the market offerings” as defined in Rule 415 under the Securities Act, including, without limitation, sales made directly on or through the NYSE, or on any other existing trading market for the 6.125% Series C preferred stock or to or through a market maker or any other method permitted by law, including, without limitation, negotiated transactions and block trades.

In connection with our Preferred Stock ATM Program, on August 2, 2018, 4,000,000 of the authorized but unissued shares of our common stock were classified and designated as additional shares of 6.125% Series C preferred stock. After giving effect to this reclassification, the Company is authorized to issue 188,039,750 shares of common stock, 200,000,000 shares of excess stock, $0.01 par value per share, and 16,400,000 shares of 6.125% Series C preferred stock. As of September 30, 2018, 81,503,134 shares of our common stock were issued and outstanding, no shares of excess stock were issued and outstanding, and 11,488,001 shares of our Series C preferred stock were issued and outstanding with an aggregate liquidation value of $287.2 million.

Election of Director

On September 13, 2018, our board of directors increased the number of our directors from twelve to thirteen, and elected Mr. Kiernan “KC” Conw