Jeremy: All right. I think we're going to get this session going. I'm Jeremy Metz, I co-head the REIT team over at BMO Capital Markets. I'm very pleased to have with me Gene Landy, Chairman, Mike Landy, President and CEO, and Kevin Miller CFO from Monmouth.

Jeremy: With that, I'm actually going to start by turning over to Mike to introduce the company and give some opening remarks.

Mike Landy: Thanks Jeremy. I appreciate that. I assume everybody in the room is familiar with Milt Friedman, or knows of Milt Friedman, the Nobel prize winning economist, and father of monetarism.

Mike Landy: But Milt was giving a presentation and some heckler yelled out, "Milt, if you're so smart, why aren't you rich?" And without missing a beat, Milt quickly said, "Well, if you're so rich, why aren't you smart?" And I can't help but think about that when I look at these index funds that have taken over the public equity market today.

Mike Landy: They are so big. There are more index funds than there are public companies by a multiple of over two times. But are they smart? You know they buy high, they sell low. And I think it's important for human investors to generate alpha again to reclaim the market share that's been lost to the algorithms. We have algorithms of algorithms today, and their premise is that bigger is better. The bigger the company is, the more they're going to invest, and they have blind spots. They have inherent blind spots.

Mike Landy: Monmouth is a company that is focused not on quantity, our attributes are qualitative, and the computers are great at calculating, analyzing, and counting. But when it comes to quality of asset, quality of tenant, quality of people, they don't even scratch the surface.

Mike Landy: Monmouth could go out, bulk up on a portfolio of fake plastic trees and gain scale and increase our multiple, and in the short term, and the market truly is short-term these days. The average holding period's gone from 10 years to seven months, so we'd be rewarded in the short-term, but Kevin, do you want to invest in fake plastic trees?

Mike Landy: We invest in single tenant, net leased industrial properties, on long-term leases to investment grade tenants. Nobody has a portfolio of our caliber, but we're not the biggest company. And so I think to generate alpha, you need to see, what the computers cannot. You need to look at the little companies that the computers ignore, and you need to look at the qualitative attributes that the computers have a real blind spot in analyzing.

Mike Landy: So, I applaud you for being here. It's great to see a full crowd. We've been presenting at these NAREIT conferences, we are a 50 year old REIT, one of the oldest REITs in the world. When we were first investing and presenting, there was no such thing as a robo-advisor. That was only in your imagination, but today, the robo-advisors are the dominant force. Human investors are the minority, and it's good to see everybody here.

Mike Landy: Our portfolio now is 110 assets, over 20 million square feet, diversified over 30 states. We have an all-star line-up of tenants, Coca-Cola, Kellogg's, Anheuser-Busch, Amazon, GE, Home Depot, International Paper, Sherwin Williams, Siemens, United Technologies, and our largest tenant FedEx. And FedEx is one of the most profitable e-commerce giants in the world. We've been with FedEx since '94. They've been a solid partner for decades and a real catalyst of our growth.

Mike Landy: We've been growing our portfolio at about a 20 percent year over year rate, over tripled in size since 2010, grown our per share earnings at over 20% per year. And that's a benefit of a small company. A small company can grow their earnings in double digits. It's very hard for the big companies to grow, so you do see that perverse incentive of people buying things just for growth for growth sake.

Mike Landy: We're the tortoise in this race. We're not going to grow for growth sake. We're just going to focus on our selective stringent criteria, and grow in the long term, and that's how you get to be one of the oldest REITs.

Mike Landy: There's been a lot of M&A and that's part of the weighting in the indexes to just bulk up. We boast an occupancy rate of almost 100%. We've been over 99% occupied for three consecutive years now. We have the youngest portfolio, our average building age is about nine years. It's all single tenant assets to some of the strongest companies in the world, and therefore, they've made multi-million dollar investments in the infrastructure inside of our buildings.

Mike Landy: These buildings are very high-tech, highly automated, robots, automation, 3-D printers, sometimes the infrastructure is at a cost greater than the building itself, and that's why our occupancy is so high, our tenant retention is so high. These are truly mission critical assets for our tenants.

Mike Landy: By owning about eight percent of the FedEx ground network in the US, with all the growth in e-commerce these are highly coveted locations, a lot of the retailers are setting up shop as close to our FedEx buildings as possible. So location is a key attribute in real estate investment, and by owning eight percent of the highly valuable FedEx ground network, we have some of the best locations in the country.

Mike Landy: We've tilted our portfolio towards the seaports, major airports, major rail hubs, and are certainly benefiting from the GDP growth in the business friendly climate of the Southeast. We have 10 percent of our assets in Florida. Florida has more seaports than any state in the country. We're near the inland ports, Memphis, Indianapolis, Chicago, Cincinnati, Dallas, Fort Worth, etc.

Mike Landy: Because we've grown our AFFO at double digits for many years now, we've raised our dividend twice in the last three years, a total of 13 percent dividend growth. Our payout ratio today is lower than ever before, so we certainly have prospects to continue this track record of dividend growth.

Mike Landy: Our performance, over the long term, speaks for itself. 10 year total return of 320 percent, and that's about four times that of the REIT index, so it's a very solid conservative long-term company. Gene Landy's wisdom created the business model. He did the heavy lifting, we're just following in his footsteps and taking it to the next level.

Mike Landy: We think long-term and happy to turn it over to Gene and Kevin if they have any comments they want to add.

Kevin Miller: Thanks Mike. Yeah, I think that was a very good summary. I can't really think of too much to add, other than the tremendous growth that I've seen since I've been here for six years. It's been a great experience to watch and to watch the company grow, not by acquiring a portfolio as Mike had mentioned, but one single asset at time so we could be very selective to have a good quality tenant roster.

Kevin Miller: We’re at 85 percent of our revenue is from investment grade tenants so, we don't really worry about collecting the rent, we don't really have any bad debt expense. We know those rent checks come in every month and it makes my job a lot easier as the CFO.

Jeremy: Thanks Kevin. Any comments Gene?

Gene Landy: Just want to tell our audience that I see so many familiar faces. You are all welcome. We've been around for 50 years, many of you have been around for 5, 10, 15 years, and we appreciate your interest in Monmouth REIT.

Gene Landy: Every time we come though, we're a different company. We expand the company. We buy new properties, and our properties are just amazing. When we started there was a time when you built a 50,000 square foot building, and a building that occupied a little over an acre, and you build it on a two acre lot or a three acre lot. Now the ratio is almost seven to one. So Michael pointed out to you, we have 20 million square feet of buildings, but we have an awful lot of land.

Gene Landy: And the land really makes a difference because the industry has changed, and you need additional land, and that means all the old industrial is often obsolete. because a lot of occupied buildings and they are occupied without sufficient land, and our buildings have room for expansion, and room to park cars if they get returns on Internet sales.

Gene Landy: So we have amazing properties, and we always look to the long-term. We've signed leases for 10 years, 15 years, and in the old days the tenant made very few improvements to a warehouse, and today, 10 million dollars could go in the warehouse for high-tech equipment and the tenant has a very large financial interest in staying in our building and staying with us. And so the names that Michael read off that are our tenants, have been our tenants for a long time, and we expect them to stay for a long time, so we're very proud of the fact, that we've built a unique company.

Jeremy: Thank you for those opening remarks. Does anyone, before we start, does anyone have any questions? We can open the floor up. You want to ask anything?

Jeremy: Yes?

Guest: It's a lot of expense in time and money to appear here, so I'm asking what do you wish to accomplish when you appear at this conference?

Jeremy: I'm just going to repeat the question for the webcast and the transcript, so the question was, "What do you hope to accomplish by coming here to this conference this year?"

Mike Landy: Yeah, I think knowledge is tremendously valuable. It's a great conference. You get to talk to the other CEOs, other REIT management. You get to talk to your investors. I'm a true believer in the value of the human resource, and one of our big assets that you don't see on the balance sheet, is our human resources.

Mike Landy: And getting back to my opening remarks, algorithmic investing is such a big part, I fear if you just extrapolate the past trends into the future, you're going to have situation where REITweek is up on the Cloud, REIT millisecond, and we'll all be attending it from our smart phones or something.

Mike Landy: But a small company such as ours, it’s very reassuring to see a full room. To see there are contrarian investors who aren't index huggers, closet index investors, they're actually value old-school Warren Buffet type Benjamin Graham investors, that are looking for value that's undiscovered and hidden.

Mike Landy: And Monmouth has the most valuable portfolio. Are we trading at the biggest premium to NAV? No. If we bought lessor quality and bulked up, we would have a higher multiple and a lower cost of capital and gain all the advantages of scale. And then the tide will come out, and like so many REITs, our dividends would be wiped out. Our stock would go from 80 to 6. And we'd have to rebuild from there.

Mike Landy: The financial crisis was a tremendous stress test environment, and if you look at all our metrics, you won't see a financial crisis. Occupancy went from 96 to 93, earnings were strong, the dividend was maintained throughout. And so I think it's an axiomatic truth, that our portfolio derives the highest quality cash flow.

Mike Landy: We saw that in the financial crisis. So I need to tell that story over and over because it's hard to talk to computers.

Kevin Miller: Yeah, I also just wanted to add something. By coming here, it also supports Nareit, which has been very good for REITs, and Mike goes every year to lobby congress to help real estate, so I think it's very important to support Nareit and plus we have to get our story out there. Not just presenting today.

Kevin Miller: We have various meetings throughout the rest of the day, and all day tomorrow with various fund managers and banks and analysts. And it's just the best way to get our story out there, so people can learn about us and want to invest in us. And I think that just benefits all the shareholders.

Jeremy: Anyone else?

Jeremy: Yep?

Guest 2: There seems to be a misconception that increasing interest rates are a negative for REITs, and a lot of babies have been thrown out with the bath water. How would increasing interest rates affect Monmouth?

Jeremy: Right. So the question was, on rising interest rates and the impact to Monmouth.

Mike Landy: So again, the ETFs are short-term investors, there's a lot of hedging involved. The REIT sector was part of the financial sector up until very recently and when we were part of the financial sector, we were with banks, and insurance companies we weren't so convex.

Mike Landy: You got to be careful with what you wish for. I think in the long-term having our own sector for real estate is a net positive. But you're seeing with every gyration in the 10 year treasury note, REITs are moving dramatically, and long-term, REITs have performed really well in rising interest rates environments.

Mike Landy: If the rising interest rates are a by-product of strong GDP growth, and don't forget for the last ten years, we've been under two percent GDP growth. So if we get to meaningful three percent or greater GDP growth, you're going to have rising rates. But the bigger factor will be this growing economy, and REITs perform very well with a growing economy and Monmouth has been aligned with e-commerce which has been growing at a 16 percent CAGR since the turn of the century, and with 16 percent in a rounding up two percent GDP environment, we've really had the wind at our back.

Mike Landy: Now, if we can get the macro economy growing at a higher rate, I think it's going to be good for all the REITs here, regardless of interest rates.

Gene Landy: First of all, that's a very a good question, because that pinpoints a really terrible misunderstanding of all REITs that we're susceptible to rising interest rates are going to hurt the REITs and as Michael pointed out, a strong economy is much more important than rising of the interest cost.

Gene Landy: The fact is that we've run a very conservative company. We use a preferred stock as one of our pillars of capital, and it's much more expensive than borrowing from the bank, and we pay six and half, six and three quarter percent, and we have some great bankers in the back of the room and they're glad to lend us at three percent. And every 100 million we can save three million dollars, but we don't do that.

Gene Landy: We prefer the preferred capital, which is permanent capital to using bank lines, so we're not as susceptible as others to rising interest rates.

Gene Landy: And the other thing is we match the liabilities with the income. And we have mortgages that we did 10 years ago that we're paying off now at six, six and a half, seven percent, so actually over the next year, even if interest rates rise, our cost of money will stay the same. But I think it will take three or four years before we feel the impact of rising rates, and again, the rates will rise and they will go to four, five percent, but then the cap rates will go up. And my theme, you ask why I'm here. We have inflation in the country and two, two and half percent is a large inflation. It can be large at three, four percent, and we're seeing today the cost of land go from 25 dollars a foot under the building to 40 dollars under the building.

Gene Landy: It's a 40 percent increase, and if interest rates go from four percent to six percent, that'll be a 50 percent increase. And steel is going up and labor is going up, and we're sitting with 20 million square feet of building leased for another 10 years, and we see the replacement cost of those buildings soaring, so we think that's going to be good for us and good for our shareholders.

Kevin Miller: I just wanted to drill down just a little bit on that question as Gene pointed out that most of our debt is fixed rate about 80 percent of our debt is fixed rate. So when interest rates rise, I guess the general public thinks that we should mostly have floating like that, so our fixed weighted average industry a little over four percent, like 4.1 percent, and our debt maturities, they go out 11 and a half years, and it's amortizing debt for the most part, self-amortizing debt, so when that debt is paid off, there's no balloon payment, a few of them have a small balloon payment, and our weighted average lease term is seven point eight years so actually our weighted average is longer than our debt.

Kevin Miller: So we feel that the rising interest rate shouldn't affect us too much based on the way we structure our deals when we enter into purchasing a new acquisition we line up the lease term with the debt and it's fixed. That way our rent is fixed, and our debt is fixed, and the rising interest rate doesn't really affect our NOI.

Mike Landy: Those are key points. 11 and a half year secured debt maturities, and 300 million in perpetual capital that never matures, so very well-laddered long-term debt maturity schedule, probably the longest of any REIT here.

Guest 3: What do you guys think about some of the recent M&A that's occurred in your space. It seems like, some of the real estate private equity firms, established firms are more interested in portfolios that have large exposures to tenants sometimes ...

Mike Landy: If you have been coming to Nareit for a long time, at the turn of the century we were stating, "Industrial is the new retail." And that consumer spending is not dying it's migrating from main street to cyber space and now, 16 years later people can't buy enough industrial product and Blackstone is the biggest aggregator out there buying portfolios, and selling portfolios and repeating it on and on.

Mike Landy: Again, some of it is driven from, "Bigger is Better." And people want to gain scale and certainly, like Kevin mentioned we’ve never acquired a portfolio. We put this portfolio together one very high-quality selective acquisition at a time, and you won't find another portfolio of this caliber. So, we look at that as so much noise and just, like I said it's a marathon, not a sprint, and we'll just keep growing the portfolio. We're not looking at being the biggest company, just trying to be a better company.

Jeremy: You got a question here?

Guest 4: Can you talk about Amazon and Amazon's expansion of its distribution and what you see sort of what the future in terms of some of your existing tenants and what the impact of Amazon's move are?

Jeremy: Yeah, sorry the question was on Amazon, their impacts on the business expansion and some of the other tenants and how that's playing out.

Mike Landy: Yes, so Jeff Bezos is the great disrupter and people are foolish if they don't sit up and take notice when he moves into an industry and he's done great when he's the pioneer. He created the e-commerce marketplace. He created Cloud services.

Mike Landy: But to move into logistics, which is Fred Smith's creation. It's a very mature business. 85 percent of FedEx's traffic is B to B, the B to C e-commerce component is the fastest growing, but it's only 15 percent of the total business.

Mike Landy: Amazon is trying to get into the B to C. That's the last mile. It's highly unprofitable, and I think the pie is growing at such a high rate, that there's certainly a need for other players to get involved, the postal service is losing five to six billion a year. They're only equipped to deliver junk mail, not packages. And they really need to invest in their infrastructure to be more e-commerce friendly.

Mike Landy: You see Amazon scrambling and all the retailers scrambling to get Christmas goods delivered on time. Every Christmas, there are record sales and they have difficulty distributing the amount of products. So I think competition is good, and they talk about delivering by drones. They brought that up a long time ago, and it really hasn't ... it's a good imagination, and you get the headlines, but it's not pragmatic, it's not practical. FedEx can deliver in one day, overnight, 95% of the global GDP.

Mike Landy: Their network is highly valuable. We own about eight percent of the ground network and if you're going to have 50 percent of your assets with any one tenant, I couldn't think of a better partner than FedEx, and we do have some Amazon buildings, and we'll be doing more deals with Amazon and it's a great company.

Mike Landy: But they're not the e-commerce profitable giant that FedEx is. Their Cloud service is highly profitable, but the Amazon Marketplace loses money, and I think that's more prone to disruption than the FedEx logistics network is prone to disruption.

Mike Landy: You see Walmart's growing their e-commerce platform, other retailers are growing their e-commerce platforms, so e-commerce is growing by leaps and bounds, and Amazon's getting into logistics. They don't like paying FedEx, UPS, and now the postal service ever increasing rates, and so they're trying to become autonomous. But like I said, the pie is growing at such a rate, I don't think FedEx, their growth and profitability will be curtailed one iota with Amazon entering the logistics space.

Kevin Miller: I just wanted to add one more thing about FedEx. I don't know if anybody has our presentation, but on page 20, you can see a picture that this is our over 300 thousand square foot FedEx building and it becomes a magnet, where first this was built and then two one million square foot each Walmart e-commerce fulfillment centers were built right up next to it so that it could ship right out of the FedEx, so when the FedEx comes up somewhere, it attracts other e-commerce people so that they could get their packages out as quick as possible.

Jeremy: And Mike you mentioned your strategic alignment with FedEx, you also mentioned many other tenants you've grown into over the years. So as we look out over the next couple of years, do you expect FedEx kind of around that plus 50 percent of the portfolio, or do you think it'll naturally shrink as you expand.

Jeremy: How do you think about that?

Mike Landy: Well a big FedEx building is about 350 thousand square feet, and a big e-commerce fulfillment center could be over a million square feet. So, we've seen the FedEx concentration go as high as 60 and then with large non-FedEx acquisitions go down to 40.

Mike Landy: We don't have a ceiling or a floor on FedEx. We're very selective, which FedEx deals we do. Recent acquisitions with FedEx have been Miami, Dallas, Charleston. So we pick the best locations, the best leases, and the best quality FedEx assets but again, the algorithms want to see a number because they can calculate and count very well, but I think if you had a lease and you can put any tenant on that lease.

Mike Landy: Any company in the world, it'd take me a millisecond to choose FedEx, and I think if you did the analysis, you'd probably come up with a same answer, and to have a stack of them in my mind is more valuable than to have just one.

Jeremy: And you mentioned multiple times about quality, and just to help the audience here. How do you help everyone think about and assess quality across portfolios as they think about yourselves compared to other industrial REITs, how do you think about the quality aspect?

Mike Landy: Well first location, where is the land located, and we focus on business friendly climates. 50 percent of the GDP is from the southeast corridor, the southwest, and the Great Lake States. That's where all the freight ways are, that's where all the rail, in-land ports and seaports are. So we focus on those locations and then, industrial assets, this century are similar to last century's in name only. The modern omnichannel capable assets have to be built this century. The old warehouses didn't have the cube space. They didn't have the infrastructure to deliver to your home, a small package direct to your home.

Mike Landy: So the modern buildings can do B to B and B to C and so, a quality asset is by nature, a newer asset. The old assets are still fine, they're still industrial, there’s still demand for it, but the reason we are now in our ninth consecutive year of positive net absorption is this tremendous demand for modern industrial buildings, so I think as Gene mentioned, you need strong land mass, land to building ratios of five x or greater.

Mike Landy: Most of our new acquisitions have north of seven times land to building ratios. You’ve got to be well-located. You’ve got to be modern, high-clear, high-cube space assets.

Jeremy: We're getting near the end. Are there any questions out in the audience? Anyone?

Jeremy: And so, I mean you've talked a lot about your positioning here, what do you think is being most misunderstood right now, about Monmouth today? What could you do to change that? Or is it just business as usual?

Mike Landy: Go ahead, I don't know how to answer that.

Gene Landy: I don't think we're misunderstood anymore. People do admire the company. There are many groups that they would love to have a 20 million square foot portfolio. We see the industrial sector of the REIT market is probably number one on everybody's list, and everybody wants to be in the industrial sector.

Gene Landy: And we've picked the high-end of the industrial sector, so we think at this time, we're not misunderstood at all, and we think we’ve gotten the company’s size up. A billion dollars is a lot of money, a billion and 250 million is a lot of money as far as a market cap. And we of course would like to be two or three billion in market cap, but we don't think our relatively small size is a problem, and we're very happy that the industrial sector has been so well-discovered and gets a great deal of favorable press.

Mike Landy: Yeah, just to add to that, there's a bias to bigger companies and the big institutions think there's too many REITs and they think there should be maybe five REITs in every property type and the small guys don't really deserve to exist.

Mike Landy: And here we are the oldest REIT, with the best performance, and that elitist mentality doesn't serve the whole origins of why the REIT asset class was invented. It was invented so that John and Jay Q public could invest in skyscrapers, warehouses, apartment buildings, etc and so, small cap REITs, I don't think there can ever be too many REITs, it's good to have small cap REITs. We don't have the foreign currency exchange risk that our international peers have. So if you want a solely domestic REIT that's highly selective, long term leases to investment-grade tenants, where else are you going to find it, but a smaller company.

Mike Landy: While some people will say there's too many REITs, and they have this inherent bias that bigger is better, for the little small retail investor, you can generate substantial alpha with a qualitative company as opposed to a quantitative company.

Jeremy:	I think that was great, unless you have any further closing remarks, I think then it's great. You gave everyone a good overview. Is there any last questions? One last one?
Guest 5:	Yes. Mike you do have a substantial portfolio of investments in other REITs-
Mike Landy:	Yeah-
Guest 5:	So how do you respond to those who ask, "Wouldn't it be better investing that money in your own operation as opposed to investing it in other REITs?"
Jeremy:	So the question was about the REITs securities book and choosing to invest in that versus reinvesting in the business.
Mike Landy:	Yeah, at the end of the day we're capital allocators. We invest in real estate on Main Street and on Wall Street. Our core business is industrial properties, and looking at the computer screen, sometimes the best risk adjusted returns can be found in liquid real estate. The whole REIT invention created a better mouse trap that real estate solved the problem of being illiquid. So when you have liquid real estate it should trade at a premium, but because the liquid market is only 15 percent of the total market, the private market's 85 percent of the commercial real estate in the US, you get situations where, it's less efficient on Wall Street than the pricing on Main Street.
Mike Landy:	So when REITs are trading at 80 cents on the dollar or less on our computer screen, we have a floor and a ceiling, we try to keep it between five and 10 percent of our total assets, we've found it's created an edge. The fact that Monmouth invests and allocates capital both in hard assets and liquid assets has created alpha for the company and by having 10 percent of our assets in liquid real estate gives our balance sheet more liquidity and financial flexibility. So we've done it since the late '90s, we'll continue to do it, but our core business is net leased industrials on long-term leases to investment-grade tenants.
Jeremy:	Great. Thanks. I want to thank Gene, Mike, Kevin. I appreciate it.
Mike Landy:	Thank you ...