S&P Global
Market Intelligence

Monmouth Real Estate Investment Corporation

NYSE:MNR

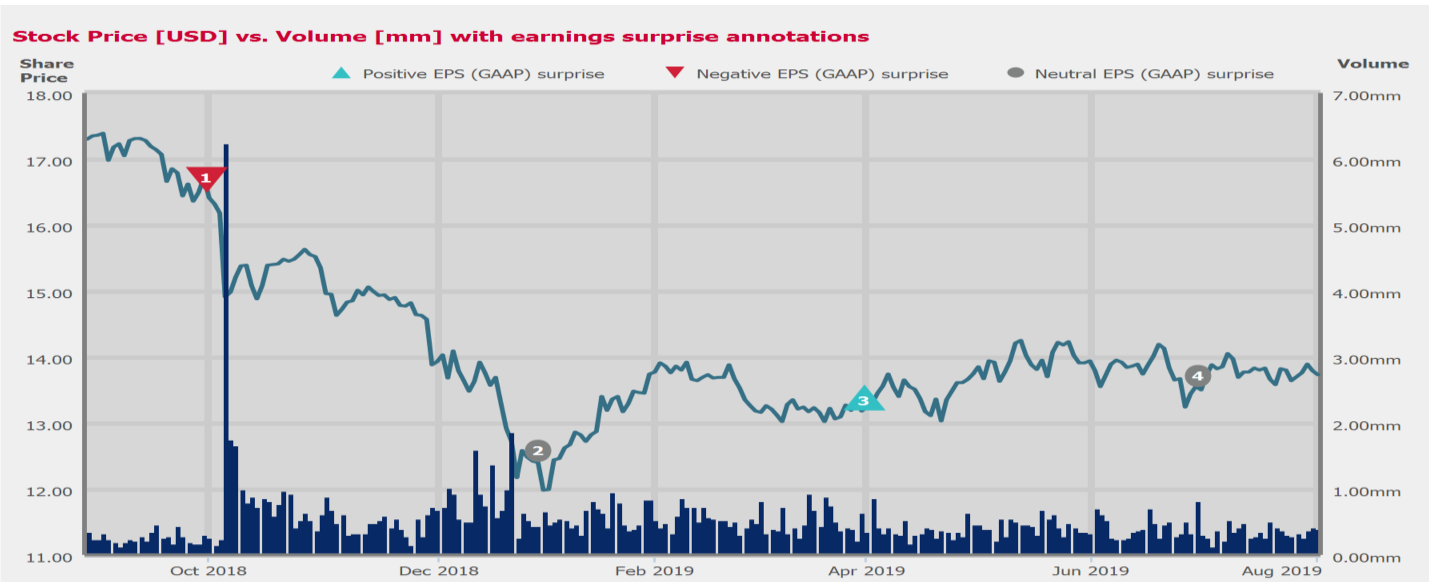
FQ3 2019 Earnings Call Transcripts

Friday, August 02, 2019 2:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ3 2019-			-FQ4 2019-	-FY 2019-	-FY 2020-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS (GAAP)	0.10	(0.03)	NM	0.09	0.09	0.40
Revenue (mm)	39.55	39.47	(0.20 %)	40.12	158.44	166.01

Currency: USD
Consensus as of Jun-14-2019 1:42 PM GMT



- EPS (GAAP) -

	CONSENSUS	ACTUAL	SURPRISE
FQ4 2018	0.12	0.09	1 (25.00 %)
FQ1 2019	0.10	(0.36)	NM
FQ2 2019	0.12	0.26	2 116.67 %
FQ3 2019	0.10	(0.03)	NM

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Call Participants

EXECUTIVES

Eugene W. Landy
Founder & Chairman

Michael P. Landy
CEO, President & Executive Director

Kevin S. Miller
CFO, Chief Accounting Officer,
Treasurer & Executive Director

Richard P. Molke
Vice President of Asset Management

Susan M. Jordan
Vice President of Investor Relations

ANALYSTS

Barry Paul Oxford
D.A. Davidson & Co., Research Division

Craig Gerald Kucera
B. Riley FBR, Inc., Research Division

Frank Lee
BMO Capital Markets Equity Research

Sarah Tan
JP Morgan Chase & Co, Research Division

Robert Chapman Stevenson
Janney Montgomery Scott LLC, Research Division

Presentation

Operator

Good morning, and welcome to the Monmouth Real Estate Investment Corporation's Third Quarter 2019 Earnings Conference Call. [Operator Instructions] Please note, this event is being recorded.

It is now my pleasure to introduce your host, Ms. Susan Jordan, Vice President of Investor Relations. Thank you. Ms. Jordan, you may begin.

Susan M. Jordan
Vice President of Investor Relations

Thank you very much, operator. In addition to the 10-Q that we filed with the SEC yesterday, we have filed an unaudited quarterly supplemental information presentation. This supplemental information presentation, along with the 10-Q, are available on the company's website at mreic.reit.

I would like to remind everyone that certain statements made during this conference call, which are not historical facts, may be deemed forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. The forward-looking statements that we make on this call are based on our current expectations and involve various risks and uncertainties. Although the company believes the expectations reflected in any forward-looking statements are based on reasonable assumptions, the company can provide no assurance that its expectations will be achieved.

The risks and uncertainties that could cause actual results to differ materially from expectations are detailed in the company's third quarter 2019 earnings release and filings with the Securities and Exchange Commission. The company disclaims any obligation to update its forward-looking statements.

Having said that, I'd like to introduce management with us today: Eugene Landy, Chairman; Michael Landy, President and Chief Executive Officer; Kevin Miller, Chief Financial Officer; and Richard Molke, Vice President of Asset Management.

It is now my pleasure to turn the call over to Monmouth's President and Chief Executive Officer, Michael Landy.

Michael P. Landy
CEO, President & Executive Director

Thanks, Susan. Good morning, everyone, and thank you for joining us.

From both an acquisition and leasing standpoint, this quarter was generally a quiet one for us. However, subsequent to quarter end, on July 26, we acquired a brand-new 350,000 square foot Class A built-to-suit facility leased for 10 years to Toyota for $25.5 million. The 46-acre property is located in Lafayette, Indiana and is immediately adjacent to the modern 3.3 million square foot Subaru plant. This plant employs 5,600 people, and over 400,000 cars were manufactured there last year. Toyota represents a high-quality new addition to our all-star tenant roster, and we look forward to growing this relationship going forward. We financed this property with a fixed rate 15-year fully amortizing mortgage of $17 million with a fixed interest rate of 4.25%. Annual rental revenue over the remaining term of the lease averages $1.7 million, representing a 6.7% unlevered yield.

Thus far, in fiscal 2019, we have acquired 3 buildings comprising 824,000 square feet for a total purchase price of

$138.6 million. Fiscal year-to-date, we have generated 5% growth in our gross leasable area and an 8% increase over the prior year period.

Our acquisition pipeline now contains 4 properties, all of which are leased to investment-grade tenants. These 4 properties contain 1.5 million square feet and represent an aggregate cost of $219.2 million. From a square-footage standpoint, 50% of our 1.5 million square foot pipeline is leased to FedEx, 40% is leased to Amazon, and 10% is leased to Magna automotive. We anticipate closing these 4 separate transactions during fiscal 2020.

In keeping with our business model, these future acquisitions comprise brand-new, well-located Class A single-tenant, build-to-suit projects that are currently under construction. These properties contain long-term net leases with a weighted average lease maturity of 14.5 years. The weighted average cap rate on these pipeline transactions is 6.2%. Subject to satisfactory due diligence, we anticipate closing these transactions upon completion and occupancy.

Our portfolio occupancy rate of 98.9% was unchanged versus the prior quarter and represented a 70 basis point decrease versus the prior year period. Subsequent to the quarter end, our occupancy rate rebounded by 50 basis points to 99.4%. This increase was largely due to a recently signed 10-year lease with Amazon for our 92,000 square foot facility located in Charleston, South Carolina.

Our gross leasable area now comprises 22.3 million square feet, consisting of 114 properties geographically diversified across 30 states with strategic concentrations around the Gulf and East Coast port regions.

Our weighted average building age is 9.1 years, providing Monmouth with one of the youngest and most state-of-the-art portfolios in the industrial REIT sector.

With regards to the overall U.S. industrial market outlook, demand for high-quality industrial real estate remains robust as evidenced by 2 large portfolio transactions that were announced recently. The pricing for these transactions is estimated to be in the mid- to high 4% range, reflecting continued cap rate compression.

As for Cushman & Wakefield second quarter report, net absorption for the quarter was 52 million square feet and 88.6 million square feet year-to-date. The U.S. industrial market has now enjoyed 37 consecutive quarters of positive net absorption.

The national average vacancy rate continues to show strength and remains near record lows at 4.9%. This strong demand has been driving rents higher to an average asking rent of $6.47 per square foot, representing a 2.7% increase over the prior year period and a new all-time high. Currently, there is approximately 328 million square feet of new industrial construction taking place in the U.S., representing a 20% increase over the prior year. This large increase is driven by the need for modern industrial space. In keeping with recent trends, approximately 2/3 of this new construction is speculative development, and 1/3 is built-to-suit.

Following a record year in 2018, intermodal rail volume, which correlates closely to warehouse demand, is down 3.2% for the first half of 2019. However, it remains on track to represent the second best year ever.

The U.S. economy has now entered its 11th consecutive year of growth, representing the longest economic expansion in history. Following the 3.1% GDP print in Q1, the initial read on second quarter real GDP weighed in at an annualized rate of 2.1%, providing a strong signal for continued outperformance for the industrial real estate sector.

And now let me turn it over to Rich, so he can provide you with more property-level detail as well as our progress on the leasing front.

Richard P. Molke
Vice President of Asset Management

Thank you, Mike. With respect to our property portfolio, our occupancy rate stood at 98.9% at quarter end, representing a 70 basis point decrease from a year ago and unchanged sequentially. Subsequent to quarter end, we entered into a new 10-year lease agreement with Amazon for our previously vacant 92,000 square foot facility located in Charleston, South Carolina. This new lease has driven our occupancy rate 50 basis points higher to 99.4% currently. Initial annual rent is $688,000, representing $7.50 per square foot with 3% annual increases. This results in a GAAP rent of $789,000 or $8.60 per square foot over the life of the lease. We have agreed to make certain improvements, including expanding the parking. We expect these costs to total approximately $1.75 million.

On a GAAP basis, this new 10-year lease is 17% higher than that which was paid by our prior tenant.

Getting back to our portfolio metrics as of quarter end, our weighted average lease maturity remained at 7.8 years compared to a year ago. Our weighted average rent per square foot increased by 5.8% to $6.23 as compared to $5.89 a year ago. Our weighted average rent is 3.9% below the national average asking rent of $6.47 per square foot, representing good embedded rent growth potential.

From a leasing standpoint, in fiscal 2019, 11 leases representing approximately 1.5 million square feet or 7% of our gross leasable area were scheduled to expire. 9 of the 11 expiring leases representing 1.3 million square feet or 89% of the expiring GLA have either been renewed or re-leased. 7 of these signed leases, representing approximately 1.1 million square feet, were lease renewals. These 9 leases result in a substantial weighted average lease term of 7.4 years and a 3.9% increase in rental rates on a GAAP basis and a 4.9% decrease on a cash basis.

Given the long lease durations, combined with the net lease structure and the strong credit tenants, we place more emphasis on GAAP spreads than would otherwise be the case.

As previously reported, the 2 remaining leases coming due this year did not renew. Our 105,000 square foot facility located in Buffalo, New York leased to FedEx Ground through the end of this month will not be renewing as FedEx Ground moved to our new 339,000 square foot facility. The new lease has a 15-year term through March 2031. The remaining lease is our small 60,000 square foot facility located in Richmond, Virginia, previously leased to United Technologies.

We have only 1 other vacancy, and that is our 81,000 square foot facility in the Pittsburgh MSA, which became vacant in fiscal 2018. These 3 properties totaling 246,000 square feet and representing 1.1% of our total gross leasable area are currently being actively marketed, and we expect to have more to share with you in the ensuing quarters.

And now Kevin will provide you with greater detail on our financial results.

Kevin S. Miller
CFO, Chief Accounting Officer, Treasurer & Executive Director

Thank you, Rich. Funds from operations, or FFO, which excludes unrealized securities gains or losses, were $0.21 per diluted share for the recent quarter, representing a decrease of 8.7% over the prior year period. Adjusted funds from operations, or AFFO, which excludes securities gains or losses, were $0.21 per diluted share for the recent quarter, representing a decrease of 4.5% over the prior year period. These decreases were primarily attributable to the impact of our 9.2 million share offering this past October and the issuance of 1.3 million shares pursuant to our dividend reinvestment plan during the quarter as well as a 70 basis point reduction in our portfolio occupancy rate.

Given our recent $25.5 million acquisition, coupled with our $219.2 million acquisition pipeline and our 50 basis point increase in occupancy achieved subsequent to the quarter, we expect to meaningfully grow our per share earnings going forward.

Rental and reimbursement revenues for the quarter were $39.5 million compared to $34.7 million, representing an increase of 14% from the prior year. Net operating income increased $3.9 million to $32.7 million for the quarter, reflecting a 14% increase from the comparable period a year ago. This increase was due to the additional income related to the 7 properties purchased during fiscal 2018 and the 2 properties purchased during the first 3 quarters of fiscal 2019.

Net loss attributable to common shareholders was $3.1 million for the third quarter as compared to a net income attributable to common shareholders of $10.3 million in the previous year's third quarter, representing a $13.4 million decrease. This large decrease in our net income attributable to common shareholders was mostly due to the accounting rule change in which unrealized gains and losses on our securities investments are now reflected on our income statement. Prior to the adoption of this accounting rule change, unrealized gains and losses were reflected as a change in shareholders' equity. Excluding the effect of this accounting rule change related to unrealized loss on our securities portfolio and excluding the prior year's nonrecurring realized gain on the sale from our 2 industrial properties, net income attributable to common shareholders would have been $8.5 million for the current quarter compared to $8.2 million for the prior year quarter, representing a 3.2% increase from the prior year quarter.

With regards to our same-property metrics for the current 9-month period, our same-property NOI remained relatively unchanged. Our same-property occupancy decreased 80 basis points from 99.5% to 98.7%, which is offset by increased rents.

As Michael mentioned, our acquisition pipeline now contains 1.5 million square feet, representing $219.2 million, comprised of 4 acquisitions scheduled to close during fiscal 2020. To take advantage of today's attractive interest rate environment, we have already locked in financing for 1 of our 4 acquisitions. The financing terms for this acquisition consist of $52.5 million in proceeds, representing 64% of the total cost with an interest rate of 4.27%. This financing is an 18-year self-amortizing loan. We expect this acquisition to generate a levered return of approximately 12%.

Thus far, during fiscal 2019, we have fully repaid 5 mortgage loans, 2 of which were paid off subsequent to the quarter end, totaling approximately $12.5 million with fixed interest rates ranging from 5.54% to 7.6% associated with these properties. These newly unencumbered properties generate over $5.8 million in net operating income annually.

As of the quarter end, we reduced our weighted average interest rate on our fixed rate debt by 8 basis points to 4.03% and maintained our weighted average debt maturity on our fixed rate debt at 11.5 years.

Our capital structure at quarter end consisted of approximately $860 million in debt, of which $734 million in debt were property-level fixed rate mortgage debt, and $126 million were loans payable. 85% of our total debt is fixed rate with a weighted average interest rate of 4.03% as compared to 4.11% in the prior year period.

We also had a total of $313 million in perpetual preferred equity at quarter end. Our total debt plus preferred equity, combined with an equity market capitalization of approximately $1.3 billion, results in a total market capitalization of approximately $2.5 billion at quarter end.

From a credit standpoint, we continue to be conservatively capitalized, with our net debt to total market capitalization at 34% and our net debt plus preferred equity to total market capitalization at 47% at quarter end.

For the 3 months ended June 30, 2019, our fixed charge coverage was 2.4x. Our net debt-to-adjusted EBITDA was

6.2x.

From a liquidity standpoint, we ended the quarter with $13.6 million in cash and cash equivalents. In addition, we held $171 million in marketable REIT securities at quarter end, representing 8.2% of our total undepreciated assets. Additionally, we had $90 million available from our credit facility as of the quarter end as well as an additional $100 million potentially available from the accordion feature.

And now let me turn it back to Michael before we open up the call for questions.

Michael P. Landy
CEO, President & Executive Director

Thanks, Kevin. To summarize, as the result of a long-term lease to Amazon consummated subsequent to quarter end, our portfolio occupancy rate is now back above 99%. Also subsequent to quarter end, as the result of our recent $25.5 million acquisition of the build-to-suit project for Toyota, which represents a new relationship for us, we expect to close out our last quarter of fiscal 2019 in a strong manner.

Looking out further, our 4-pipeline deals totaling $219.2 million consist of well-located Class A assets leased to very strong credits that are expected to close in fiscal 2020. These high-quality acquisitions will further enhance our best-in-class industrial portfolio.

We'd now be happy to take your questions.

Question and Answer

Operator

[Operator Instructions] And our first question will come from Sarah Tan of JPMorgan.

Sarah Tan
JP Morgan Chase & Co, Research Division

So just one on the securities book. I saw that it went down by about $5 million compared to last quarter's balance. Could you talk about what, I guess, investments you've made? Any plans to shrink the book given that you've mentioned before that it could be a positive source of capital for you?

Michael P. Landy
CEO, President & Executive Director

Sure, Sarah. So on the securities portfolio, as we announced last quarter, it is our intention to take the portfolio ceiling from 10% of gross assets down to 5% of gross assets.

Since we determined we were going to do that, there have been 0, 0 purchases in our securities portfolio. The $5 million that was purchased was purchased before we made that determination. Very early in our third quarter were those purchases made. So with the exception of about $220,000 per quarter in UMH dividends being reinvested in UMH, there will be no purchases of REIT securities until we reach the new level.

Just looking pro forma because we have about $219 million in acquisitions set up for fiscal '20, all else being equal, that would take the portfolio down to about 7.4% of gross assets. So all else being equal, there will need to be some incremental sales. But I think for those of you who feel very strongly that we reduce our securities portfolio, I would take some solace in the fact that there have been no purchases, and there will continue to be no purchases.

Operator

Our next question comes from Rob Stevenson of Janney.

Robert Chapman Stevenson
Janney Montgomery Scott LLC, Research Division

Can you -- you talked about the 19 lease expirations, but can you talk about -- you don't have a lot rolling over the next 18 months, but through calendar year ['19] and 2020, there's like 5, I think, properties, Tampa Bay, Kellogg, Home Depot, Rinnai, and Graybar. Any of those known move-outs at this point? Or is discussion still ongoing?

Michael P. Landy
CEO, President & Executive Director

I'll turn that over to Rich, Vice President of Asset Management. You're right, there's not a lot rolling in fiscal '20, 5 properties, and they're mostly small properties. So it's about 440,000 square feet. Rich, you handle it.

Richard P. Molke
Vice President of Asset Management

Yes. It's even less. It's about 400,000 feet or less than 2% of our GLA for next year. And the only known move-out that we have is the small 50,000 foot Kellogg building in Newington, which is now being marketed. And then the rest of those, the last 3 buildings are all weighted to the back half of 2020.

Michael P. Landy
CEO, President & Executive Director

Don’t we have 1 signed for 2020?

Richard P. Molke
Vice President of Asset Management

And we have 1 signed. It's our Chicagoland building leased to Ryerson.

Michael P. Landy
CEO, President & Executive Director

Okay. So -- we have 5 leases coming due in '20: 1 is a move-out; 1 is a renewal; 3 to go.

Robert Chapman Stevenson
Janney Montgomery Scott LLC, Research Division

Okay. And then, you guys did the $0.21 of AFFO, $0.17 dividend. Last common dividend increase is now 2 years ago. How is the board thinking about future dividend increases at this point?

Michael P. Landy
CEO, President & Executive Director

I think we feel pretty confident that we have the strong payout ratio given the long-term leases to credit tenants. Our lease maturities go out nearly 8 years. Our debt maturities go out 11.5 years. We've put together real enduring cash flow to credit tenants. So I think it's something the board will be discussing in the near term.

Robert Chapman Stevenson
Janney Montgomery Scott LLC, Research Division

Is that something that gets addressed at every board meeting or at certain board meetings? Can you remind us how the kind of process works?

Michael P. Landy
CEO, President & Executive Director

Every board meeting, there's discussion on the dividend and the safety therein. So the prospects now, I think you're absolutely right, with a 20% cushion secured over around 8 years to credit tenants gives you the margin of safety to contemplate raising the dividend. Historically, I will point out the stress test environment of the great financial crisis, this dividend was maintained throughout. So we take comfort in the fact that with a high payout ratio, our dividends never missed a beat, and we're all big owners of the stock. So we're certainly aligned with our shareholders in thinking about increasing our payout.

Robert Chapman Stevenson
Janney Montgomery Scott LLC, Research Division

Okay. And then last one for me, Mike. Beyond the $219 million of -- that's in the pipeline of acquisitions, how deep is the potentials, the due diligence letter of intent, the stage before you get to a hard contract? How robust is that pipeline today?

Michael P. Landy
CEO, President & Executive Director

Yes, Rob. I can't answer that numerically, but -- and it's very competitive out there. But certainly, there's some quality acquisitions that we're pursuing, and there are several quality acquisitions that we were outbid on. So it's very competitive, but I do think the pipeline will be growing.

Operator

Our next question comes from Barry Oxford of D.A. Davidson.

Barry Paul Oxford
D.A. Davidson & Co., Research Division

Just to build on Rob's question about the leasing environment, Mike, as you indicated, you guys are 99-plus percent leased. You guys always are. But why not push rents a little harder when you're that tight on occupancy? Or Mike, is it, "Look, Barry, it's not that simple. It's more a market-by-market than it is a function of our occupancy?"

Michael P. Landy
CEO, President & Executive Director

Well, like Rich said in his prepared remarks, we're more focused on GAAP spreads than cash spreads because we're looking to lease up our properties over the long term. So the leasing spreads, if we were just moving space and trying to get the highest bidder and kind of tenant-agnostic, you would see more sizable leasing spreads on both the GAAP and cash basis, but we wouldn't be maintaining the all-star tenant roster and the long-term tenancy of visible cash flow for 7.8 years currently. So the good news on our renewals were they were over 7-year renewals. The spreads weren't sizable, but you got to -- you're giving up growth for quality. We have the best caliber tenancy. We have the highest-quality portfolio. So we go slower as far as -- we're not just trying to lease space to the highest bidder. We're trying to lock in our existing tenant roster. So that's a factor. And they are also net leases where the tenant is responsible for all the inflationary costs, and so their occupancy costs are rising. And we're just trying to continue to deliver the predictable, resilient cash flow that we have over the long term. But you're right, with only 4.9% of vacancy in the U.S., we can push harder, and we are pushing harder. And our Amazon renewal, for instance, has 3% annual bumps, and it's about 17% higher than the prior tenant was paying. So we are on that path as well.

Hold on, Barry. Let me just turn it over to Gene. He seems to have a comment.

Barry Paul Oxford
D.A. Davidson & Co., Research Division

Sure. Go ahead.

Eugene W. Landy
Founder & Chairman

People talk about returns on investment and cap rates. The official policy of the Federal Reserve today is 2% inflation. The country continues to grow. Land in New Jersey has been going up, industrial land 40% a year. The -- so you get some real growth, and you get some inflation growth, and your leases run out 8 to 10 years in the future. And so we look at our returns not telling you that if we have $2 billion in assets, we're going ahead $50 million a year, but the potential is certainly there. And as the years go by, more and more often, we see that we do realize that potential. So that -- what Michael is saying why we want to lock in investment-grade tenants for long term because we're looking for this long-term appreciation in our portfolio, and we're not as concerned with pushing for the last dollar on the renewal. We're very happy when a tenant has been there 10 years and then renews for another 10 years because we think 10, 20 years into the future. And we think everybody should look at REITs and their portfolios and imagine what will happen if the country continues to grow and we continue to get inflation over the next 10, 20 years of 2% a year. And we see it in the industrial sector that we're getting better than that. So we're very happy with the renewals, and we don't really push -- we're not pushing the -- we don't want to lose a tenant for 10 years because we pushed too hard.

Barry Paul Oxford
D.A. Davidson & Co., Research Division

Right. No I agree wholeheartedly on that. Last question, Mike and Gene, just kind of a macro question. It looks like Trump is getting a little tougher on the tariffs with China. And my guess is this question is way too early and probably doesn't have an answer, but could that disrupt the flow of goods through the global distribution chain and hence, slow demand?

Michael P. Landy
CEO, President & Executive Director

Well, it's counterfactual to prove it, but it certainly has. 95% of the global population resides outside of the U.S. And the longer this trade friction continues, the more it's going to impede global performance. Fortunately, Monmouth is strictly domestic-based. A lot of peers have assets in Asia and Europe where the slowdown is more pronounced, but it's gone on a long time now. And there's no question, it's affecting the global logistics pipeline. People are reconfiguring their supply chains, and we'll have to see how it plays out. Now because there's been a transformation in how consumers are spending and how retail is transacting, there's a lot of demand for industrial. And so things are very strong. But without the trade friction, I'm sure things would be that much stronger.

Operator

Our next question comes from Craig Kucera of B. Riley FBR.

Craig Gerald Kucera
B. Riley FBR, Inc., Research Division

I think last quarter, you had expected another $81 million or so out of the pipeline to close in fiscal fourth quarter. It sounds like that's slipping into 2020. But is it fair to assume that, that will close in first quarter? Or do you anticipate that to close a little bit later in the year?

Michael P. Landy
CEO, President & Executive Director

That's a fair assumption. It's still -- it's a low probability, but it could still close in the fourth quarter of fiscal '19. But it's more probable, much more probable, it will be in the first quarter of '20. It will not be sliding into the second quarter.

Craig Gerald Kucera
B. Riley FBR, Inc., Research Division

Got it. And with the assets that may slip here into -- in the first quarter, I think you noted that you locked in financing there. Is there -- with the recent move in the downside in long-term rates, is there any ability for you to exit that financing agreement, maybe get a better deal? Or are you pretty much locked in with what you have today?

Michael P. Landy
CEO, President & Executive Director

Yes. We have long-term relationships with the lenders, and so I don't anticipate us trying to renegotiate that.

But Kevin, your thoughts?

Kevin S. Miller
CFO, Chief Accounting Officer, Treasurer & Executive Director

Yes. The only thing I just want to add to that is the spread is locked in, so the cap rate is locked in, and the interest rate is locked in, and then we could probably get a lower rate if we were to lock that in today. But it could have went the other way, and we don't -- the lenders don't reneg on us. So we have these great relationships, so we don't want to reneg on them. But I also want to point that the other 3 in the pipeline are not locked in yet. And now that rates have come down, we expect some great rates on those as well.

Michael P. Landy
CEO, President & Executive Director

And Craig, that's a great point Kevin just made because those cap rates have compressed substantially, and nobody is saying let's renegotiate the purchase price. We're locked in at a higher cap rate than currently. And yes, your point is valid that the interest rates have come down. But the spread, as Kevin mentioned, is substantial.

Operator

Our next question comes from Frank Lee of BMO.

Frank Lee
BMO Capital Markets Equity Research

I just have a quick follow-up on the 2020 expirations. Do you guys generally expect positive re-leasing spreads on those leases? Or could any of those be possibly at risk?

Richard P. Molke
Vice President of Asset Management

So the one we did in Elgin, our GAAP spread was about 2%. And overall, the weighted average is about $5.54, which is well below the national average. So I would assume that we have positive rent growth potential in the last 3 remaining.

Operator

This concludes our question-and-answer session. I'd like to turn the conference back over to Susan Jordan for any closing remarks.

Susan M. Jordan
Vice President of Investor Relations

Thank you, operator. I'd like to thank everyone for joining us on this call and for their continued support and interest in Monmouth. As always, we are available for any follow-up questions. We look forward to reporting back to you after our fourth quarter. Thank you.

OperatorThe conference has now concluded. Thank you for attending today's presentation. The teleconference replay will be available in approximately 1 hour. To access this replay, please dial U.S. toll-free (877) 344-7529 or international toll 1 (412) 317-0088. The conference ID number is 10131764. Thank you, and please disconnect your lines.