S&P Global
Market Intelligence

Monmouth Real Estate Investment Corporation NYSE:MNR

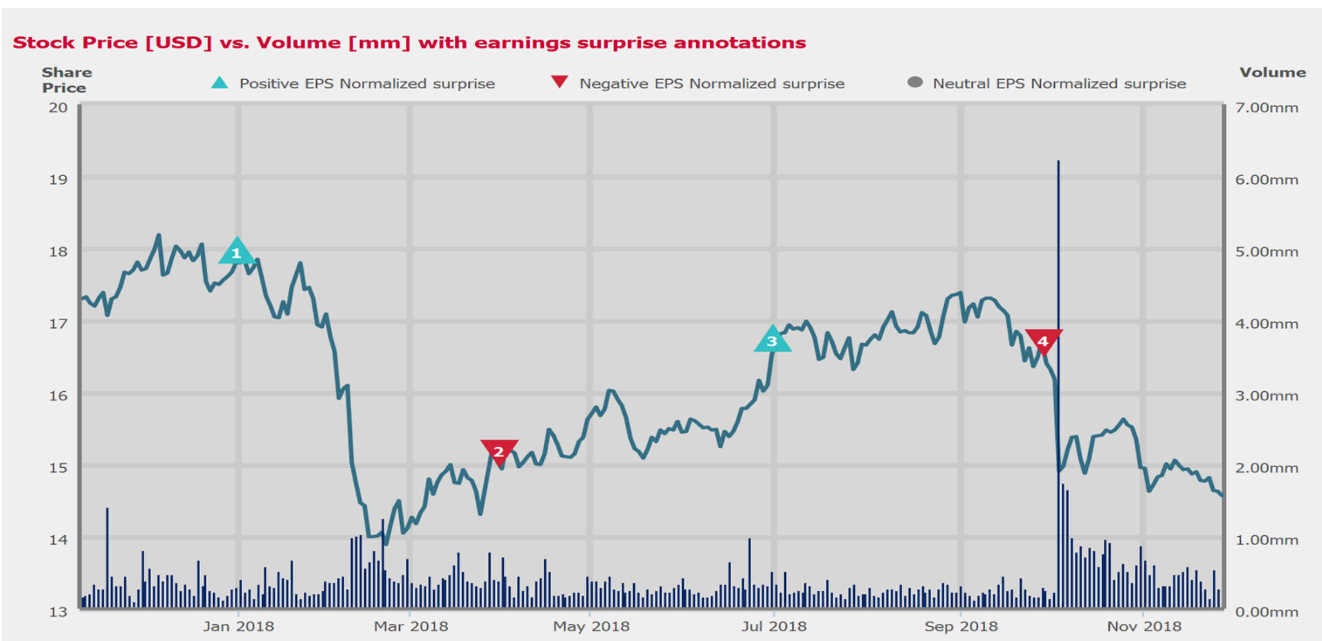
FQ4 2018 Earnings Call Transcripts

Thursday, November 29, 2018 3:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ4 2018-			-FQ1 2019-	-FY 2018-	
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	ACTUAL
EPS Normalized	0.12	0.09	(25.00 %)	0.10	0.52	0.49
Revenue (mm)	38.57	36.60	(5.11 %)	40.72	140.43	139.37

Currency: USD
Consensus as of Nov-29-2018 1:28 PM GMT



- EPS NORMALIZED -	CONSENSUS	ACTUAL	SURPRISE
FQ1 2018	0.10	0.17	70.00 %
FQ2 2018	0.13	0.10	(23.08 %)
FQ3 2018	0.11	0.13	18.18 %

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Call Participants

EXECUTIVES

Michael P. Landy
CEO, President and 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

Robert Chapman Stevenson
Janney Montgomery Scott LLC, Research Division

Robert Jeremy Metz
BMO Capital Markets Equity Research

Presentation

Operator

Good morning, and welcome to Monmouth Real Estate Investment Corporation's Fourth Quarter and Fiscal Year-End 2018 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, 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-K that we filed with the SEC yesterday, we have filed an unaudited annual and fourth quarter supplemental information presentation. This supplemental information presentation, along with our 10-K, 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 annual 2018 earnings release and filings with the Securities and Exchange Commission. The company disclaims any obligation to update its forward-looking statements.

I would now 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. We are pleased to report our results for the fiscal year ended September 30. Fiscal 2018 was an excellent year for Monmouth.

During the year, we acquired 7 brand-new Class A, built-to-suit industrial properties containing 2.7 million total square feet for $282.3 million. These 7 acquisitions generate annualized rental revenue of $17.4 million and have a weighted average lease maturity of 11.4 years. We continue to experience strong demand for our properties with an occupancy rate above 99% achieved for the third consecutive year. This year, we generated AFFO per share growth of 14.5%, with our most recent quarter representing a 4.8% increase over the prior year period.

During 2018, we also completed 2 expansion projects for approximately $3.5 million. These properties are located in Indiana and South Carolina and are both leased to FedEx Ground. These expansions resulted in $367,000 in increased annual rents and 10-year lease extensions from their respective dates of completion. We also sold 4 properties during the year, generating a realized gain of $7.5 million on a GAAP basis and a $1.2 million gain over our original undepreciated cost basis.

During the fourth quarter, we acquired 2 properties for $108.3 million comprising brand-new Class A, built-to-suit distribution centers with approximately 639,000 total square feet. The first acquisition for $47.2 million consisted of a 265,000-square-foot distribution center situated on 49 acres in Charleston, South Carolina and leased to FedEx Ground for 15 years. With this acquisition, we now have 4 properties located in Charleston, which is the home to one of the fastest-growing ports in North America. We also acquired for $61.1 million a brand-new 374,000-square-foot distribution center situated on 93 acres in the Atlanta market and leased to FedEx Ground for 15 years. This large 93-acre site has substantial future expansion capacity and is located right off of Interstate 85.

Subsequent to fiscal year-end, we acquired another property for $85.2 million consisting of a newly built 347,000-square-foot distribution center situated on 62 acres in Trenton, New Jersey. This property is leased to FedEx Ground for 15 years, with approximately 14 years remaining. With this acquisition, our total portfolio has a gross leasable area of 21.5 million square feet, a weighted average building age of 8.6 years, a land-to-building ratio of 5.2:1 and a weighted average lease term of 8.2 years. Approximately 80% of our rental revenue is generated from investment-grade tenants, with the remaining 20% generated from strong unrated companies.

With regard to our current acquisition pipeline, we have entered into agreements to purchase 2 properties for $68.7 million comprising new Class A, built-to-suit industrial buildings with 398,000 square feet and residing on 69 acres. Both of these properties are leased to FedEx Ground and have a weighted average lease term of 13.4 years. Subject to satisfactory due diligence, we anticipate closing each of these 2 transactions upon completion and occupancy, which is expected to be during the first quarter of 2019 and during the first half of fiscal 2020, respectively.

During fiscal 2018, we raised approximately $90 million in equity capital through our dividend reinvestment plan. Of this amount, a total of $12.9 million in dividends were reinvested this year, representing a 24% participation rate. We also raised $40.1 million in net proceeds through our Preferred Stock ATM Program with the sale of 1.6 million shares of our 6 1/8% Series C preferred stock. Subsequent to fiscal year-end, in October, we completed our first common stock offering since 2014 with the sale of 9.2 million shares, generating net proceeds of approximately $132.3 million.

With regard to the overall U.S. industrial market, our property sector continues to perform exceptionally well. Net absorption for the third quarter was 76.5 million square feet, representing the third highest quarter on record. This brings year-to-date net absorption to 203.6 million square feet, representing an 11.3% increase over the prior year period and marking the 34th consecutive quarter of positive net absorption. This has resulted in record-high occupancy rates and rental rates. Net absorption is expected to eclipse 230 million square feet for the fifth consecutive year.

The overall economy is showing continued strength, with Q3 real GDP growing at 3.5%, rail car traffic increasing by 4.9% and intermodal traffic increasing by 5.8%, all pointing toward continued strong demand for the U.S. industrial space market. Tonnage moving through the expanded Panama Canal is up over 30%, and Monmouth has built up a large presence in several of the U.S. regions that are benefiting most from this major shift in the global supply chain. This holiday season is expected to once again deliver record-breaking results for online sales and e-commerce will continue to be a big demand driver for industrial space in the year ahead. We are working closely with some of our tenants in order to continue to capture the growth in consumer spending that is migrating online.

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

Richard P. Molke
Vice President of Asset Management

Thanks, Mike. With respect to our total property portfolio, end-of-year occupancy increased 30 basis points to 99.6% as compared to 99.3% at fiscal year-end 2017. As mentioned, our occupancy rate has averaged above 99% for the past 3 years now. Our weighted average lease maturity increased from 7.9 years a year ago to 8.1 years as of fiscal year-end. Our weighted average rent per square foot increased to $6.01 as of fiscal year-end as compared to $5.93 at the end of fiscal 2017.

From a leasing standpoint, in fiscal 2018, 16 leases totaling approximately 1.5 million square feet or 8% of our gross leasable area were scheduled to expire. As previously reported, 11 of the 16 leases totaling 1.1 million square feet or 69% of the expiring square footage have been renewed. Excluding one short-term renewal, we renewed 10 leases representing approximately 972,000 square feet or 63% of the expiring square footage. These 10 renewals have a weighted average lease term of 6.8 years and result in an increase in the weighted average lease rate of 4.1% on a GAAP basis and 2.8% on a cash basis. Of the 5 remaining leases originally set to expire during fiscal 2018, 3 of the properties were sold, 1 property was retenanted and 1 property is currently vacant.

In fiscal 2019, approximately 7% of our gross leasable area consisting of 12 leases totaling 1.5 million square feet is scheduled to expire. While it is still early in our fiscal new year, to date, we have renewed 5 of these 12 leases, representing 803,000 square feet or 54% of the 1.5 million square feet up for renewal. These renewed leases have a substantial weighted average lease term of 8.4 years. These 5 renewed leases have an average GAAP lease rate of $4.55 per square foot and a cash lease rate of $4.46 per square foot, which represents a decrease of 5.4% on a GAAP basis and a decrease of 10.8% on a cash basis. These 5 renewals represent a small dataset. And this negative leasing spread is largely the result of 1 property leased to United Technologies that renewed for 5 years. Excluding that 1 property results in an increase of 6.3% on a GAAP basis and an increase of 1.3% on a cash basis. We look forward to reporting progress on the remaining 7 leases in the next few 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. I will start off by discussing some of our key financial indicators for the fourth quarter and then moving to some of our key financial indicators for the full fiscal year.

Funds from operations, or FFO, and core FFO for the 3 months ended September 30, 2018, were $18.1 million or $0.22 per diluted share as compared to $15.4 million or $0.21 per diluted share for the same period 1 year ago, representing an increase in FFO and core FFO per share of 4.8%. Adjusted funds from operations, or AFFO, which excludes securities gains or losses, were $17.7 million or $0.22 per diluted share for the recent quarter as compared to $15.5 million or $0.21 per diluted share a year ago, representing a 4.8% increase in AFFO per share.

Rental and reimbursement revenues for the quarter were $36.6 million compared to $31.2 million or an increase of 17.5% from the prior year. Same-property NOI for the 3 months ended September 30, 2018, increased slightly by 0.8% on a U.S. GAAP basis and increased 0.3% on a cash basis. Net operating income increased $4.1 million to $30.2 million for the quarter, reflecting a 15.8% increase from the comparable period a year ago. This increase was due to the additional income related to the 10 properties purchased during fiscal 2017 and the 7 properties purchased during fiscal 2018. As Michael mentioned earlier, we acquired 2 brand-new properties containing approximately 639,000 square feet for a total of $108.3 million during the recent quarter.

Net income, excluding depreciation, was $21.8 million for the fourth quarter compared to $18.4 million in the prior year period, representing an increase of 18.3%. As mentioned earlier, subsequent to our fiscal year-end, we acquired a brand-new, 347,000-square-foot facility for $85.2 million situated on 62 acres in Trenton, New Jersey. This facility is leased for 15 years to FedEx Ground and was financed with a 15-year fully amortizing mortgage loan in the amount of $55 million with a fixed interest rate of 4.13%. We expect this recently closed acquisition to positively impact our results going forward.

I would now like to cover the financial results for the full fiscal year. FFO for the full fiscal year 2018 was $69.8 million or $0.89 per diluted share as compared to $54.4 million or $0.75 per diluted share for the same period a year ago, representing an increase in FFO per share of 18.7%. Core FFO for the full fiscal year 2018 was $69.8 million versus $57.1 million in 2017. On a per share basis, core FFO was $0.89 per diluted share in fiscal 2018 compared to $0.79 per diluted share in 2017, representing a 12.7% increase. AFFO, which excludes securities gains or losses, was $0.87 per diluted share for fiscal 2018 as compared to $0.76 per diluted share a year ago, representing a year-over-year increase of 14.5%. Over the past 5 years, we have grown our AFFO per diluted share at an average annual rate of 14%.

Rental and reimbursement revenues for the year were $139.2 million compared to $116.4 million or an increase of 19.6% from the prior year. Net operating income increased $18.5 million to $114.8

million for the year, reflecting a 19.3% increase from the comparable period a year ago. Net income, excluding depreciation, was $92.2 million for the full year compared to $69.9 million in the prior year period, representing an increase of 31.9%. Again, this improvement was driven largely by the substantial acquisition activity that has occurred over the past year. Same-property NOI for the 12 months ended September 30, 2018, decreased slightly by 0.2% on a U.S. GAAP basis and remained flat on a cash basis.

As of the end of the fiscal year, our capital structure consisted of approximately $898 million in debt, of which $711 million was property-level fixed-rate mortgage debt and $187 million were loans payable, including $160 million in draws under our line. 79% of our mortgages and loans payable are fixed rate with a weighted average interest rate of 4.1% as compared to 4.2% in the prior year period. We also had a total of $287 million in perpetual preferred equity at year-end. Combined with an equity market capitalization of approximately $1.4 billion, our total market capitalization was approximately $2.5 billion at year-end, representing a 17% increase from a year ago.

From a credit standpoint, we continue to be conservatively capitalized with our net debt to total market capitalization at 35% and our net debt plus preferred equity to total market capitalization at 46% at year-end. For the fourth quarter ended September 30, 2018, our fixed charge coverage was 2.4x and our net debt to adjusted EBITDA was 7.1x. From a liquidity standpoint, we ended the year with $9.3 million in cash and cash equivalents. We also had $40 million available under our credit facility as well as an additional $100 million potentially available from the accordion feature.

Subsequent to fiscal year-end, we paid down $50 million on our credit facility. This year, we fully repaid a total of 5 loans associated with 5 properties with unamortized balances totaling $12.5 million, which unencumbered approximately $46 million worth of properties. The continued substantial growth of our unencumbered asset pool enhances our financial flexibility and further strengthens our already strong credit profile.

At fiscal year-end, we held $154.9 million in marketable REIT securities, representing 8% of our undepreciated assets. This compares to a balance of $123.7 million held at the end of the prior year. At year-end, our REIT securities investments reflected $24.7 million in unrealized losses as compared to $6.6 million in gains a year ago. During the year, we earned dividend and interest income from our securities portfolio of $13.1 million as compared to $6.9 million in fiscal 2017.

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. Just a few comments on trade before we open it up to questions as this continues to be a prominent topic. For some perspective, 50 years ago, the cost of ocean shipping was approximately 15% of the value of goods shipped. Today, it is less than 1%. As a result, imports plus exports in the U.S. have grown exponentially and now represent over a $4 trillion market. Additionally, as the result of fracking technology, the U.S. is now the world's largest producer of natural gas and one of the largest producers of oil. This technological breakthrough will result in increasing amounts of domestic manufacturing in the years ahead.

Supply chains will shift and self-correct over time. But in today's fast-paced digital economy with billions of people interconnected through the Internet, it is hard to imagine a protracted slowdown in globalization and trade. Monmouth's assets are all located in the Continental United States, home to the largest and most dynamic economy in the world. We have the world's reserve currency, the most reliable rule of law and the best higher education institutions. This is where all of our focus has been throughout our 50-year history, and it is where our focus will remain.
We'd now be happy to take your questions.

Question and Answer

Operator

[Operator Instructions] And our first question comes from Jeremy Metz of BMO Capital.

Robert Jeremy Metz
BMO Capital Markets Equity Research

In terms of the acquisition pipeline, you have the 2 deals that you mentioned for, call it, $70 million under contract right now. But just given some of the lead time that some of these deals take, how should we think about the pipeline beyond that? Just trying to get a sense for how active some of your discussions are today and how we should ballpark potential acquisition activity for fiscal '19. Mike, you obviously mentioned some of the trade stuff going on. We've heard FedEx is maybe going to slow its expansion a bit. So how does that play into the deal pipeline?

Michael P. Landy
CEO, President & Executive Director

Sure, Jeremy. So the pipeline of roughly $70 million has 40% scheduled to close in fiscal '19, 60% in fiscal '20. The 2019 closing is looking like it will be before the end of the calendar year so that closing is imminent. The discussions are pretty robust and exciting. But they do entail 2020 acquisitions and even as far out as 2021. We're just closing in on 2019. And these are built-to-suit discussions, so they won't be income-producing until 2020 and like I said, in some cases, 2021. So it's a good runway of growth, but it's a long runway of growth.

Robert Jeremy Metz
BMO Capital Markets Equity Research

Got it. And are you seeing today any changes in yields or cap rates that you're looking at in the market or even underwriting in some of these deals?

Michael P. Landy
CEO, President & Executive Director

Well, I guess, the first thing that comes to mind thinking about that question is the big merger in our sector that took place at a sub-4% cap rate. So cap rates are at record lows and price per square foot is at record-high levels. But because these deals go way out and because the widespread consensus is that interest rates are going up and the yield curve is steepening, our cap rates are nowhere near the recent transactions. And you see on the stuff we closed in fiscal '18, the cap rates are above on the spot cap rates because these things were transacted before the ground was even broken and you get a premium for doing so. Or it could be a discount, depending on how cap rates go.

But throughout this cycle, it has been a discount in pricing, a premium in cap rate and it's worked out very well. If we were short-term investors, we could transact and realize substantial gains on the acquisitions we've done. And since 2013, we've more than doubled our asset base. So when we talk about percentages of gross assets, all we're doing is adding depreciation back to our balance sheet assets. But if we marked them to market, you'd see even a higher level of asset value.

Robert Jeremy Metz
BMO Capital Markets Equity Research

Yes. No, appreciate that. And just one last one, maybe for Rich or Mike, maybe you'd comment on it. Just talk about the utilization across your portfolio and within your assets, we've heard there is from some industrial peers that tenants are really sweating assets. So just trying to think here how this could mean for potential expansions in the portfolio. In your opening remarks, you mentioned about the growth in e-commerce and working with tenants to help capture the shift. So is this translating to some expansion potential?

Michael P. Landy
CEO, President & Executive Director

Yes. Well, we like that the new assets we've been acquiring have abundant land for future expansion. The fourth quarter acquisition in the Atlanta market is on 93 acres, so it's 12:1 land-to-building ratio. So therefore, the tenant will not be outgrowing that facility and we could expand properties. We did 2 expansions in fiscal '18. We have some more expansions under discussion. I think part of the rhetoric around "sweating assets" has been with regard to the automation. The automation is getting faster and more high-tech as we speak and our tenants are putting in state-of-the-art, cutting-edge technology. And so when they talk about sweating assets, they mean that it's highly automated and could process over 15,000 packages per hour. And now that they've spent billions of dollars in the automation, they're able to, instead of build new facilities, get more productivity out of existing facilities.

And new facilities tend to have excess capacity. We're in the peak season right now. And peak means a FedEx distribution center, where throughout most of the year will have 50 people in the employee parking lot, will go up to 550 people and it will be going 24/7 of just processing -- and instead of 8 million packages a day for FedEx, they're processing over 20 million packages a day during peak season. So the automation helps them get more productivity out of the assets. They're building in excess capacity, looking at past growth and extrapolating that into the future and planning for continued growth in e-commerce. Rich, do you want to add at all to that?

Richard P. Molke
Vice President of Asset Management

No, that's about it.

Operator

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

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

Great. Mike, just to build on Jeremy's question. When we're looking at the "building out" of the e-commerce infrastructure, are we seeing any slowdown because these buildings are more automated and can process a lot faster and a lot more? Or no, we're not seeing a slowing in demand despite the higher utilization, for lack of a better word?

Michael P. Landy
CEO, President & Executive Director

Well, I guess, if I look back and saw the billions of dollars in capital investment that FedEx is making expanding their network, I would say the peak was 2 years ago. But they're still spending a fortune and needing to ramp up the network. And UPS was certainly late to the game. And they just announced going more high-tech and spending billions of dollars expanding their network. The Postal Service is losing a fortune and it needs to be totally revamped. And Amazon is also late to the game, wanting to get into logistics, realizing how highly unprofitable the last mile is, trying to figure out a way to make it profitable and therefore getting into the logistics business and getting into the brick-and-mortar retail business. So I don't really see slowdown as being the right way to describe it unless you're talking just relative to when it was growing $3 billion a year and now it's probably growing $1.5 billion a year for FedEx expanding their network.

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

Right, great. Now moving to the more mundane, when I'm looking at the mark-to-market in your portfolio, Mike, why aren't I seeing maybe stronger numbers coming out of -- from your portfolio?

Michael P. Landy
CEO, President & Executive Director

Well, just backing up, total shareholder return for the U.S. REIT Index, the RMS, you know as well as anybody, the REIT index has underperformed. In 2015 total return was 2.5%; 2016, 8.9%; 2017, 5.1%; year-to-date 2018, roughly flat, up 1.8%. Our portfolio is not -- has not performed indicative with the RMS. We've outperformed in many of those years and we've substantially underperformed this year. So I mean, just looking at Monmouth Real Estate alone, its securities pricing, I think you'll see over a 75% gain over the last 3 years. So why have we underperformed? We tend to be early. I could explain that. I mean, we're early in our thesis that brick-and-mortar retail is an essential part of the last mile. Before e-commerce, brick-and-mortar was the last mile. The consumer had to make that leg of the journey. Bringing goods right to your doorstep "free" is not sustainable.

And so we have a front row seat to the e-commerce ecosystem, and we really see brick-and-mortar retail becoming relevant again. You see Amazon owning Whole Foods, Amazon Go, they're investing in brick-and-mortar retail. So admittedly, we were early in our position in brick-and-mortar retail. But I think, as Jim Grant says, "Successful investing is about having everyone agree with you later." And so we're early. And I remember during the housing bubble, when home ownership was 70% and we had big exposure to multifamily REITs and big losses, it was heavily criticized. But ultimately, it was very profitable.

Operator

The next question will come from Rob Stevenson of Janney.

Robert Chapman Stevenson
Janney Montgomery Scott LLC, Research Division

Kevin, one for you. Property taxes, the first half of the fiscal year was like $7.6 million, the last half of the year was like $11 million. Was there anything weird in there that wound up happening? Or is sort of $22-ish million on an annual run rate about where -- given the increase in the size of the portfolio, about where property taxes are likely to be headed for you guys?

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

Well, yes, property taxes tend to go up as we have the acquisitions, and that's one of the reasons for the increase. And there were some increases in the assessed values and just the general nature of just property taxes going up. But in general, I would say almost all of those property taxes, it's really not a net effect factor because they're all billed back to our tenants. So we don't focus so much on that because they're basically a reimbursable expense.

Robert Chapman Stevenson
Janney Montgomery Scott LLC, Research Division

Okay. I just wanted to make sure that, that was -- that there wasn't anything that was non-reimbursable that was hitting that, that those lines were going up and down simultaneously. The other question I have for you guys is sitting here today roughly, call it, almost 2 months after the equity offering, what are you guys doing with the capital at this point? I mean, because you guys normally don't -- when you buy stuff, you're normally putting debt on there as you go. Can you talk about what the proceeds from the equity offering have gone to thus far and what the sort of plan is for deployment of that?

Michael P. Landy
CEO, President & Executive Director

Sure. I'll answer it broadly. And then if Kevin wants to drill down, fine. About 35% of our acquisitions are equity based. And so as we announced when we did the capital offering, our pipeline at the time was about $175 million. And we closed our biggest deal shortly after the capital raise, $85 million deal. And we have queued up another acquisition scheduled to close this fiscal year, about a $23 million deal. So that was the main source of the equity. Yes, we increased our share count about 12%. And so there will be a lag in earnings growth. When you increase your share count by 12%, you have to kind of grow into those earnings. But we wouldn't have raised the capital if we didn't have a good use of proceeds.

Robert Chapman Stevenson

Janney Montgomery Scott LLC, Research Division

Well, I guess, the question is did you guys pay down any of the debt, older debt or not refinanced stuff, as a result, took it out with equity? I mean -- and sort of sitting here today, I mean, how much cash is sort of left on the balance sheet as we head into December?

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

Yes. So like Mike mentioned, we had the big $85 million acquisition. Of that, about $30 million of equity was used to fund that. And then about $80 million was used to temporarily pay down debt, the short-term debt, floating rate debt. So the fixed rate debt hasn't been paid down. That's self-amortizing and it's a very long term. It's right now 4.07%, 11.7-year maturity. So we used about $80 million to pay down, about $50 million on the line and about $30 million on some other short-term debt. So that will improve our leverage ratios in the first quarter. And then as you know, as we close on the additional deals in the pipeline, we'll build the pipeline, we'll be probably drawing down again.

Robert Chapman Stevenson
Janney Montgomery Scott LLC, Research Division

Okay. And then just last one for me. Any significant changes in the securities portfolio since the 9/30 balance sheet listing?

Michael P. Landy
CEO, President & Executive Director

Some purchases, no new holdings, maybe $15 million in purchases but all to existing names.

Operator

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

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

I want to circle back to the United Technologies building, where you had the big rent rolled out. Can you just give us a little color on what went on in that transaction that allowed to such a -- I think you guys were previously at $5.40. Just a sense of what the new rent was and kind of why that change was made.

Michael P. Landy
CEO, President & Executive Director

I'll turn it over to Rich for drilling down on the details. It's a good market. It's in Dallas. We were competing with a spec building. And as you know, United Technologies is under a restructuring and we're glad to keep them in the building. I think, overall, the one point I'd like to point out with our fiscal '19 renewals thus far that jumps out is the 8.4 years weighted average lease maturity, a substantial duration in our lease renewals. And so we've always been willing to, for long-term renewals, not be that aggressive on pushing rents. And I'd rather collect a rent from United Technologies than a startup or speculative tenant. And so that was the broad thinking there. But go ahead, Rich, if you want to give them and flesh out the details.

Richard P. Molke
Vice President of Asset Management

Well, I'll just add to that, that we still have 50% of the expiring GLA to go and we're confident we can achieve positive GAAP spreads by the end of the year based on current conversations we've had with our tenants that are rolling in fiscal 2019, so...

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

Okay. Mike, you made the commentary that UPS has been late to the game and they're starting to maybe turn things a little bit and become a little more modernized. Do you anticipate potentially looking at working with them in the future? I know they're not a part of the portfolio. But is it a potential we might see some UPS? Or are you a lot more comfortable sticking with FedEx?

Michael P. Landy
CEO, President & Executive Director

Yes, I just don't see it. We're very much enamored with the caliber of FedEx and the relationship with FedEx. And they run circles around UPS, in my opinion, and then the Postal Service is coming in a distant third. And so we're very picky and we've really struck gold with FedEx. It's just a great relationship. And I think we'd be foolish to turn our eye elsewhere.

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

Okay. I just want to talk about G&A. I think it was up about 12% year-over-year and I think cash was up maybe 16%. Just given the size of your company now and your portfolio, do you anticipate having to add more people as you continue to grow and close these acquisitions? Or are you kind of where you need to be and fully built out at this point?

Michael P. Landy
CEO, President & Executive Director

Yes, we talk a lot about how far the company has come and how to get the company to the next level. And no question, the next level entails increased headcount, increased office space. So we've over-doubled the size of the company since 2013 and added very few people. I think we doubled our legal staff from 1 person to 2 people. But no, I think we have a need to increase headcount, increase office space and plan for the next 10 years.

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

Yes, I just wanted to add something to that. Although G&A did increase in gross amount, but if you compare it to our rental revenue and reimbursement revenue, it actually decreased by about 8% from -- it was 6.3% of rental revenue last year and now it's 5.8%. And also as a percentage of gross assets, it decreased about 4% from 48 basis points last year to 46 basis points. So although G&A is going up, it's not going up nearly as quickly as the growth in the company.

Michael P. Landy
CEO, President & Executive Director

Well, yes, so you guys follow all the other REITs. And our annual G&A is -- for fiscal '18 was $8.8 million. That's not quarterly, that's over the 4 quarters, G&A was under $9 million, so -- and yet the ratios as a percentage of revenue under 6% and as a percentage of assets under 50 bps. So it's been remarkable how productive our staff has been. But G&A should be over $10 million.

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

Okay. And one more for me. Just talking about the securities portfolio, you grew it quite a bit this year, I think maybe more than 50% and you -- it looks like you invested about $62 million this quarter. It sounds like you're sort of at that $60 million run rate based on your commentary, Mike. Should we think that you're going to continue to maybe invest upwards of $60 million-plus this year? Or how are you thinking about the portfolio?

Michael P. Landy
CEO, President & Executive Director

Well, first, my numbers show we invested in the fourth quarter, $3.7 million. So I don't know where you're getting $60 million. But anyhow, it depends on the disconnect. As we said earlier, there's been transactions in our space on the private side -- well, 2 public REITs merging, but that was at -- rounding up a 4% cap. So there's clearly a disconnect in values on Wall Street versus Main Street. And so to what extent we invest in liquid real estate depends on the discount versus the private market valuations and vice versa.

Operator

And this concludes our question-and-answer session. I would like to turn the conference back over to Michael Landy for any closing remarks.

Michael P. Landy
CEO, President & Executive Director

Well, thanks, Laura. I'd like to thank everyone for participating on our call. As always, Kevin, Gene and I are available for any follow-up questions. Take this opportunity to wish everyone a healthy, happy, prosperous new year, and look forward to reporting back after our first quarter. Thank you.

Operator

The 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 10123229. Thank you, and please disconnect your lines.