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Barry: All right, I think we'll go ahead and get started. Today we have with us Monmouth Real Estate. Mike Landy and Gene, CEO and Chairman respectively. And then Kevin Miller, the CFO. So a well represented management team.

Barry: For those who aren't familiar with the story, they're an industrial REIT with their largest tenant being over 50% FedEx. I'm sure management will get into that. But it is a very strong tenant as many of you all can imagine.

Barry: We find MNR at DA Davidson to be very attractive both on a multiple and NAV basis and we like the story very much. I'm sure Mike can tell the story much more eloquently than I can, so I'll turn it over to Mike.

Mike: Well thanks Barry and good to see so many people here. The death of active investing is grossly exaggerated. We've been presenting at REITweek for decades and the new phenomena is the tide is moving in the direction of automated passive investing. And you can't really tell your story to the algorithms and it's great to see people here, just as an aside the few crickets in the room who were here ten years ago, assuming they bought shares, would have realized a 360% total return over the past ten years. So handedly outperforming the benchmark indices.

Mike: Today the industrial sector has been discovered. Nine consecutive years of positive net absorption. There's definitely one-upmanship is what the journal called it today, in logistics, trying to outdo each other in delivering goods faster and faster to consumers.

Mike: We saw at the turn of the century that consumer spending was migrating from traditional brick and mortar physical space to virtual space, online consumption. As Barry mentioned, we have about 11 million square feet with FedEx. We're FedEx's largest landlord, we own about 9% of the FedEx ground network.

Mike: FedEx, at the turn of this year, said they were going from five day shipping to six day and just last week they announced seven day shipping. That's how fast things are in flux, it's very fluid. All that really means is the mission critical aspect of our portfolio is even more mission critical today.

Mike: We've been with FedEx since the early 90's. They tend to stay forever. They invest tens of millions in the building. Often more than the cost of the building itself in automated artificial intelligence, robotic equipment that really creates a stickiness. So, we tend to have the highest occupancy, we tend to have the highest tenant retention.

Mike: Right now, we have 110 basis points of vacancy, which is the best in the sector but a lot for us. Recently we've been 100% occupied. We had three years of over 99% occupancy, now we've got to increase occupancy by ten basis points to get back to 99%.

Mike: So not a lot operational leverage to grow earnings. But we do see occupancy trending higher rather than lower in the ensuing quarters. What's been the real catalyst for the growth, and we've grown our AFFO per share at a 14% annual rate for the last five years. The catalyst to that was new built-to-suit acquisitions. The last two years we did over $280,000,000 each year in acquisitions.

Mike: We've already done over $100,000,000 this year. We'll probably do close to $200,000,000 this year. We have a pipeline of $250,000,000 rounding up, I think its $246.9 million, I should say. So, a quarter billion pipeline that's all brand new built-to-suits.

Mike: It's predominantly FedEx and Amazon. All our tenants are investment grade. So, we're not the largest REIT but we pride ourselves on a qualitative focus. Over 80% of our revenue is secured by investment grade tenants. The remainder is investment grade quality tenants. In addition to FedEx and Amazon, we have Home Depot, United Technologies, Siemens, Anheuser Busch, Coca Cola. Just an all-star tenant roster. And by and large they all invest substantial sums in the building.

Mike: So, unlike some of our larger peers, who are truly just delivering space to the highest bidder and there's nothing wrong with that at all. But our model is a little different, our model is to partner with our tenants, to work with them, keep them in the buildings long-term, keep them happy. It's a lot more expensive to re-tenant a building than it is to keep the partnership going.

Mike: We've done ample expansions for our tenants. I think over the last five years, 18 expansions over $70,000,000 in building expansions. Those are very lucrative. They kick the lease expiration out at least 10 more years. You get at 10% unlevered return on the money you're investing and it's expanding the building.

Mike: So, the prospects for continued high occupancy, continued demand for the industrial sector, for our portfolio particularly are very high. We have the youngest portfolio, our average building age is under nine years. That's an important metric in industrial because now there's Omnichannel distribution. Omnichannel is when you're not just doing the forklift, pallet, B2B distribution. In addition to that you're delivering small packages to the consumer's doorstep.

Mike: And that requires a very modern, high-tech building and so some portfolio's average building age is several decades old. And that can do the B2B logistics but it really can't do the Omnichannel. So, we pride ourselves, even though we're a 51 year old REIT, one of the oldest REIT's presenting here, we have one of the youngest, most modern, state of the art portfolios.

Mike: Our geographic footprint is largely East of the Mississippi. 70% of the U.S. population resides east of the Mississippi. Now with the expanded Panama Canal, and we saw in anticipation of that, we invested heavily in some of the key ports that are seeing three times the shipping container growth of the log-jam out on the West coast.

Mike: We have assets in Houston, Corpus Christi, in Mobile, Alabama, in New Orleans, Tampa, Jacksonville, Miami, Savannah, Charleston, right up the Eastern seaboard. And these are just great locations where industrial demand is skyrocketing. We're also in, being the FedEx REIT, we're in some of the key inland ports.

Mike: Like Memphis. FedEx's global hub, we have a lot of assets. I was just with Rich Molke, our Vice President of Asset Management, we were just two days ago in Indianapolis, FedEx's second largest hub in North America. The growth there has been pretty amazing.

Mike: So, we try to invest at the inland ports, at the seaports, near international airports. We have FedEx facilities at the Dallas Fort Worth Alliance Airport. We're at the Fort Myers International Airport. We're near the Indianapolis International Airport, right across the street where FedEx has their second largest hub.

Mike: Great locations, just a portfolio we're really proud of. We never acquired a portfolio, we've grown our portfolio just through the acquisition of one very selective, high-quality asset at a time.

Mike: Five years ago, we were half the size we are now. We're 22,000,000 square feet. Our pipeline, will keep that growth going. Our capitalization, we're still small cap. We're $2.4 billion total capitalization, equity is about 1.2 billion, preferred equity $300,000,000 and then we have, rounding up $900,000,000 in debt. Our debt is primarily secured, fixed rate mortgage debt.

Mike: We have some of the longest debt maturities in the REIT sector. About 11 1/2 year weighted average debt maturity. 4.1% average interest rate. And with the preferred equity which we look at as a fixed rate coupon that goes out to eternity, that's at just over 6%.

Mike: So, we have some of the longest debt schedule and visible cash flow as far as our weighted average lease term going out over eight years. So, we match our assets with our liabilities and it delivers very predictable income streams.

Mike: We're proud of our dividend track record. We've been paying 27 consecutive years of dividends with 13% dividend growth over the last three years. Our payout ratio today is 80% and with the predictable cash flow that I just described, a 20% cushion is ample cushion to consider increasing the dividend in the ensuing quarters.

Mike: Industrial is the place to be. We were early embracers. You see other REITs now in different property types pivoting, and trying to become industrial Reits. You probably heard Blackstone's recent acquisition of the Global Logistics Portfolio, which is a U.S. based primarily Amazon, single tenant portfolio for $19,000,000,000.

Mike: Blackstone's been acquiring industrial portfolios quite readily, so no shortage of demand for industrial assets. I think relatively speaking, Monmouth offers compelling valuation, our dividend yield is a multiple of many of our peers. You have an inverted yield curve with the ten-year moving down to under 210 bps, many REITs are still inverted to the inverted yield curve, and Monmouth gives you a sizeable "risk premium" above that but without the risk.

Mike: Very safe, empirically proven business model. I think the Global Financial Crisis was a great stress test that a lot of institutions started to take notice in Monmouth. The fact that we were on offense, we were acquiring properties, and our metrics didn't show any stress that the financial crisis showed throughout the global economy.

Mike: Our occupancy was strong, our earnings were strong, and our dividend was maintained throughout unlike most REITS. I mentioned we've raised it twice in the last three years for 13% dividend growth. On top of the 5% yield we're currently delivering today.

Mike: So with that, I'll turn it over to Gene and we'll be sure to save time for your questions and I'm sure Kevin wants to chime in as well.

Eugene: This is over 50 years I've been doing this, and I have not seen a time where things were so favorable. The wind is certainly with us. The economy is great. The trends are towards bigger buildings.

Eugene: I used to think a 50,000 foot building or 100,000 foot building was big. The tenants want bigger and bigger buildings. Even more important, they want 15-year leases. And we're so pleased to sign a 15-year lease rather than a 10 year lease or a five year lease.

Eugene: We think the leases are more valuable, the buildings are more valuable. And FedEx just announced they're going to a seven-day week, so the building to FedEx is much more valuable than it was before. They're using it more. They're getting more packages through. And the more valuable the building that we own, and lease to the tenant, the better that is for all of us.

Eugene: The need for land, for these larger buildings, and buildings that are utilized more. We've gone from buildings that used to be one acre of building for two acres of land, and now we own a portfolio of one acre of building and seven acres of land, and now we have irreplaceable assets.

Eugene: Because if you're going to build 500,000 square feet, you're going to build ten acres of building, you need 70 acres of land. And that's not easy to duplicate, that's not easy to replicate. When you have those holdings, they're really good and in 10 or 15 years from now, we have a thing, you have a trend towards certain areas of the country growing faster than others.

Eugene: And if you look at the map of where our buildings are, we're taking advantage of that. And we think that 10 or 15 years from now, the buildings will even be more valuable.

Eugene: And the last thing is, the basics of our business. Everybody looks at FFO and we look at total return, and we think that two or three percent inflation is hidden in there. When we sign a lease for 15 years, the odds are in our favor that 15 years from now, the dollar will be 50% cheaper and there will be a substantial gain in inflationary dollars.

Eugene: And on top of that, as the population grows 2,000,000 a year in ten years from now there will be 20,000,000 more people and a gross national product that will be 30, 40% higher in real terms. So, everything is in our favor for long term investors and the REIT has done very well. I think in the last twenty years we're one of the best performing REIT's and we have probably, one time we had 1000% return. I think it's about 800% return over 20 years, including appreciation and dividends.

Eugene: It's a very good report and the next generation, Michael has done a wonderful job. I recommend all of you to read our annual report. It's a masterpiece of understanding economics and understanding business. And we're following a long-term trend, and things are very, very good. With that I turn it over to Kevin.

Kevin: Thank you Gene. I just wanted to point out something that I think separates us from many of the other REIT's, and Mike pointed out, we have one of the longest debt maturities, about 11 1/2 years. It's not just any old debt, is amortizing debt. So, I think that's important. When we structure our deals, I think it's important to know that we line up the lease term with the debt maturity so that way when the lease is up, the tenants tend to renew.

Kevin: And then the debt fully amortizes out without a big balloon payment, and we have a free and clear property. Our weighted average interest rate, on our fixed rate debt is about 4.1% about 85% of our debt is fixed rate. We're able to get such great interest rates, because even though we're not rated, our tenants are mostly investment grade.

Kevin: As Mike pointed out 85% of it, so we're able to get investment grade financing. I just wanted to point out, of the 113 properties about 51 of them are free and clear. Just from amortizing out over the years.

Kevin: And with that I'll turn it over, I guess to Barry

Barry: Okay great, go ahead, open up for questions.

Speaker 5: Can we start with a discussion on cap rates? Especially with the Blackstone deal. Can you guys talk about what you're seeing out there in the market for secondary yield? Where that deal was? [inaudible] that kind of thing. I know it's a portfolio deal. Why that kind of level may not be interesting to you? You talked a lot about build-to-suits, can you talk about what markets you're focused on? What cap rates you're getting in those markets?

Mike: That was supposed to be your job, but okay. The question's on cap rates and what we're seeing in the industrial market. You know, the $18.7 billion Global Logistics Property acquisition by Blackstone, I didn't see a cap rate advertised on that, but prior to that the big portfolio acquisition was Prologis acquiring DCT. So, a public to public merger.

Mike: That cap rate was announced at 3.85%, so there's definitely records being set and historically low cap rates in industrial. And to the gentleman's point, clearly portfolios go at a premium to single asset acquisitions.

Mike: It's not exciting to us, given our cost to capital to do four handle cap rate deals. As a 51-year old company, part of the secret sauce to our business model is we have long-term relationships. Just as we have long-term relationships with our tenants and the lending community, we have long-term relationships with the merchant builder community.

Mike: They will bring us deals before the lease is signed, before the ground is broken. It won't be income producing for 12 to 24 months, I'm already discussing 2021 deals. And so, given the forward nature of uncertainty between now and then, we do not bid on the spot cap rates nor do they expect us to bid on the spot cap rates.

Mike: They're looking to lock in a development yield, and their profit margin. And they know Monmouth is a 51-year old company, they have certainty of execution and that brings a lot to the table for them. And so we build the pipeline and that's how we have a quarter billion dollar pipeline currently and growing.

Mike: And the cap rate on that is roughly 6 1/4. The way the cycle has been, it's been the greatest industrial cycle ever. Nine years of positive net absorption. If we were short-term investors, upon closing these deals, we would be able to flip them. But we're long term investors, we like to hold our assets forever. Just as an illustration to how irrationally exuberant the market is these days, we've seen instances where a deal under contract is being marketed by the future owner who doesn't even own the property yet, knowing that when they close, cap rates are compressing so readily that they'll be able to flip it at a lower cap rate. And they're marketing it so far and wide, that it's been marketed to the original developer who still owns it.

Mike: How am I going to buy this property, I already own this property? I haven't even sold it yet and you're trying to sell it back to me. I think that illustrates it pretty clearly.

Mike: Yes, sir.

Speaker 6: Are you seeing any signs of excess supply build up in any of your markets?

Mike: You know, there's 310,000,000 square feet under construction in the U.S. as we speak. About 2/3, about 200,000,000 is spec. 100,000,000 is built-to-suit. We only do the built-to-suit, long-term leases, to investment grade tenants. So by nature it's mission critical to the tenant. They're putting a huge investment in it.

Mike: However, when that lease comes due, that spec building becomes competition. You are seeing in some markets, potential competition from large spec development. So we will see, but nine consecutive years of positive net absorption. The fact that Amazon and Walmart have both announced next day shipping and FedEx is now seven-day delivery.

Mike: I just think the demand is still going to be positive in a net aspect compared to new supply.

Mike: Yes sir?

Speaker 7: [inaudible] reservations about signing leases[inaudible 00:20:30]

Mike: So the question is regarding increasing trade war rhetoric and tariffs and are any of our tenants slowing down or any pushback we're seeing? There were potential expansions that were, let's say, on the front of the table that have been pushed to the back of the table until we see how the trade situation resolves itself. Long-term we're very bullish. As Gene mentioned, the U.S. population will have another 20,000,000 people five years from now.

Mike: Global population, we went from synchronized global GDP growth to the U.S. is the only economy really generating strong growth. A real slowdown in Asia and a bigger slowdown in Europe. So as far as a global situation, things have slowed down. We view that as temporary.

Speaker 8: In terms of locations, you talk a lot about being around ports. You talked a lot about being around critical airports and infrastructure. There's only so much land around those, what's next after that? Are there other... you mentioned inland, talk us through that and other critical areas around the country where you're seeing those opportunities.

Mike: Question is regarding the ports and where demand is and supply constrained markets. We were recently in Mobile looking at our Amazon facility in Mobile, Walmart has a 4,000,000 square foot facility in Mobile to handle reverse logistics, that's a new frontier.

Mike: There're two new frontiers, oversized shipments and reverse logistics. People just did not anticipate giant goods being consumed online so that the original eCommerce Omnichannel network cannot handle these refrigerators, trampolines, boats, kayaks, ovens, being consumed online.

Mike: So you have to build an oversize supply chain and nobody contemplated the 30% returns you're seeing in some consumer classes. So reverse logistics is so much different than the FedEx network which is high throughput. FedEx acquired a company that handles reverse logistics called Genco several years ago and they've been expanding the reverse logistics capacity.

Mike: But the amount of goods being returned is at a greater velocity than the network. You're right, there's land constrained markets that need to handle this, our FedEx in the Tampa/Orlando corridor on I-4 has 3,000,000 square feet of Walmart's around it. By virtue of owning 9% of the FedEx ground network, we have this magnet that's creating logistics clusters around our FedEx ground distribution centers.

Mike: And so Walmart's buildings are all like kissing up against our building just to ship as fast as possible. And other retailers are doing the same thing. So just being in Indianapolis, a couple of days ago, and having been there 18 months ago, the amount of new development is amazing.

Kevin: I just wanted to add something to what Mike just said, he described about the Walmarts around our FedEx's, I just think a picture is worth a thousand words. If you look on page 20, our 300,000 square foot building looks tiny next to a 1,000,000 and 1,000,000 and there's another 1,000,000 that's not in this picture. So they're there. You can just see how close they are, where they want to ship out of our FedEx, these Walmart eCommerce fulfillment centers.

Speaker 9: Question on the industrial real estate market, typically when we see a market that is as hot and as strong and as robust, the later we get in the cycle, typically we see a tremendous amount of overbuilding. That historically has been the case, why is it not right now? Is it because of the demand? Or have the banks held their lending so smaller guys can't get involved?

Mike: So the U.S. industrial footprint is about 20,000,000,000 square feet. Hamid from AMB now Prologis is fond of saying obsolescence in industrial tends to run 1%, and he's been saying that for a long time. He was saying that before the advent of eCommerce and so with eCommerce and Omnichannel consumption one could argue obsolescence is two or three percent a year.

Mike: Anyhow, just being conservative... using conservative numbers with a 20,000,000,000 square foot footprint obsolescence is 200,000,000 square feet a year. I just told you there's 300,000,000, 310 to be exact, million square feet under construction.

Mike: So not a lot of net new space on top of obsolesce. So until the developers really start going 500,000,000 square feet annually, I don't think we have to worry about new supply outpacing demand. In fact, demand is now off to the races because the traditional retailers, Walmart, Target, etc. have finally woken up.

Mike: They were so late to the eCommerce party, that Amazon was able to annex almost 50% of eCommerce sales. And now, the great disruptor that Amazon is has the potential of being disrupted by the traditional retailers as they now scamper into this Omnichannel network. And they're doing a great job doing it, as Kevin just showed you. Walmart putting their buildings right up against our building is a good first step.

Speaker 10: On the acquisition front, given the low cap rates, Mike is it your preference to look for existing industrial buildings or do you like the risk adjusted return that maybe a build-to-suit offers right now?

Mike: It's been a long time since we've bought an original building. And any time we look at one and consider it, the build-to-suit new product just stands out as such a better acquisition. We really have this competitive advantage that people are bringing state of the art.

Mike: And state of the art, you have to understand is evolving as we speak. Sam Zell used to derogatorily talk about industrial. It's not really real estate, anything you could build in six months is just a box, it's not real estate. Well, he's a great exaggerator, he paints with a broad brush, but certainly you can't say that today.

Mike: Today, it takes a long time to build it. It costs more money and more time to build the infrastructure, and in our presentation you'll see some pictures inside of the highly automated, artificially intelligent, robotic equipment that is just replacing the humans. And pretty soon on the outside of the building, you’ll have the autonomous trucks delivering it.

Mike: So it's really a smart building. To compare, because cap rates are this broad number that is being bandied about equally. A modern industrial versus an old industrial is night and day difference. Our portfolio, the youngest portfolio, I don't think the market is really discerning what that means relative to some of the other portfolios.

Speaker 11: As a long-term investor, any disposition strategy changes looking out into the next few years with your assets?

Mike: So the question is regarding disposition strategy. Our disposition strategy is we're putting not for sale signs outside of our buildings. Because we're getting calls so often, "Is this building for sale?" "Can I buy that building?" It's amazing.

Mike: It illustrates the feeding frenzy that's going on out there. As a small REIT with only 22,000,000 square feet, 113 buildings, we finally reached that critical mass. We're on this virtuous cycle where we used to have very few institutional investors, now we have a lot. Not enough, but a lot. We have nine analysts covering us. We used to have zero.

Mike: So there's a lot of benefits from growth. And we've never grown for growth's sake and there certainly is the siren song of a higher weighting on the benchmark indices to get these passive funds into your stock. And you've seen companies go public get $200,000,000 and next thing you know their $20,000,000,000 enterprises. How do you underwrite that?

Mike: Just think, how do you underwrite global logistics? How many properties was that? 20,000 properties roughly, and just buying it? So we're happy to grow in a manageable way, the way we grow the company. Not looking to dispose of anything.

Speaker 12: Do you always think about growth over the next ten years versus new[inaudible 00:29:52]? Especially in the context of, you've done such a good job with occupancy and set such an upside there. [inaudible]

Mike: So question is regarding, where will the future growth come from given the high occupancy and lack of ability, operationally, to generate earnings growth. Absolutely true with only 110 basis points of vacancy, but we, as Gene mentioned, have ample land adjacent to our buildings.

Mike: So the new acquisitions tend to have over 7:1 land to building ratios. The whole portfolio is 5.5:1. We've done $70,000,000 in building expansions over the last five years. We have other expansions in the works. We just concluded an expansion for one of our tenants that's going to raise the rent almost $1,000,0000 annually and kick the lease expiration out 15 years from now.

Mike: Expansions has been a catalyst, putting that additional land to work. But the key generator of our 14% per share AFFO earnings growth has been the pipeline. With a quarter billion dollar pipeline and other deals being discussed, I'm confident that in the ensuing years, external acquisitions, built to suit, new product will be the generator of continued earnings growth as it has been in the past.

Barry: We're going to have to stop it right there, Mike do you want to give a last word?

Mike: Last word will be this last question out here.

Speaker 13: [inaudible] state of the art product, new product, how are you guys going to [inaudible] for the future when [inaudible]

Mike: Question is regarding capex. By having net leases and mission critical assets for our tenants, and investment grade tenants, our capex runs way lower than our peers. All of our tenants do a great job taking care of the building, insurance, taxes, and opx's are on the tenant. They're out there fixing things, because these are such mission critical assets before we even know what happened.

Mike: Retaining a tenant is a lot more cost effective than retenanting a building. Retenanting a building, landlords have to pay inducements, moving expenses, improvements, free rent. We have none of that. But we take great care of our buildings and our senior property manager was just promoted to vice president of property management and she's been with the company managing our assets over 19 years. She manages our assets like they're her own, and does a great job. We're happy to keep our tenants happy because that's the secret to keeping them in the building.

Mike: Thank you.

Eugene: Thank you