Monmouth Real Estate Investment Corporation NYSE:MNR

FQ2 2020 Earnings Call Transcripts

Thursday, May 07, 2020 2:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ2 2020-			-FQ3 2020-	-FY 2020-	-FY 2021-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS (GAAP)	0.09	(0.77)	NM	0.10	0.32	0.52
Revenue (mm)	42.84	41.71	(2.64 %)	43.51	172.29	239.93

Currency: USD
Consensus as of Apr-17-2020 6:00 PM GMT

- EPS (GAAP) -			
	CONSENSUS	ACTUAL	SURPRISE
FQ3 2019	0.10	(0.03)	NM
FQ4 2019	0.09	0.24	166.67 %
FQ1 2020	0.11	0.04	(63.64 %)
FQ2 2020	0.09	(0.77)	NM

Table of Contents

Call Participants	....	3
Presentation	....	4
Question and Answer	....	9

Call Participants

EXECUTIVES

Becky Coleridge
Vice President of Investor Relations

Eugene W. Landy
Founder & Chairman

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

Michael P. Landy
CEO, President & Executive Director

Richard P. Molke
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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 Second Quarter 2020 Earnings Conference Call. [Operator Instructions] Please note, this event is being recorded.

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

Becky Coleridge
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 second quarter 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 second quarter 2020 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

Thank you, Becky. Good morning, everyone, and thank you for joining us. We hope you are all in good health and handling these difficult circumstances well. First and foremost, much gratitude and respect goes out to all of the medical practitioners, the doctors, the nurses, the technicians, the support teams and everyone else out there working hard on the front line. Your efforts and sacrifices do not go unnoticed, and they are greatly appreciated.

I am pleased to report that our team is healthy, and everyone has been doing an exceptional job keeping things on track while working remotely. I cannot be more proud of how well everyone has stepped up during this challenging environment.

For decades, our business model has been and continues to be to provide consistent high-quality income streams by investing in industrial buildings on long-term leases to investment-grade tenants. At various points in the business cycle, this type of conservative business model is more highly favored than at others. For example, during the global financial crisis, our strong results allowed for our investors to receive uninterrupted cash dividend payments. This is something that very few REITs were able to achieve. Monmouth represented one of the only safe harbors during the Great Recession, and we are uniquely positioned to outperform once again.

You should recall that prior to the COVID-19 black swan event, much more aggressive strategies were favored by the investment community. Companies in our sector were deliberately sacrificing occupancy rates for more aggressive leasing spreads. Same-store NOI growth was the biggest factor many look to in ranking industrial REITs while focusing less on tenant quality, lease duration and other important factors. Today, tenant quality, lease term, safety and stability are once again the predominant focus of the investment community at large. This is just the most recent of many examples illustrating why it is important to stick to strategies that have worked well over the long term as opposed to succumbing to short-term trends that may appear to work in any given moment until sooner or later the proverbial tide goes out and business models truly get tested.

Monmouth's assets are mission-critical to some of the strongest companies in the world. Many of our properties are currently seeing record throughput and are working extra shifts due to the stay-at-home environment we are dealing with today. Our consistently high occupancy rate has been over 98% for more than 5 years, and it is currently 99.4%. Our weighted average lease maturity has exceeded 7 years for more than 6 consecutive years, and it is currently averaging 7.4 years. At the intersection of quality versus growth, we have always favored quality, and our strong results through this difficult period will bear this out.

Rent collections have been the most prominent investor concern of late. So let's drill down on that. In March, 100% of our tenants rent payments were received and for the month of April, 99% of rents have been received. While it is still early, thus far for May, 93% of rent payments have been received, which is normal, given we are still in the first week of the month. To date, Monmouth has received very limited requests for rent deferment, representing only 200 basis points of our annual base rent. Of this amount, we've agreed to defer $320,000, which represents just 23 basis points of our annual base rent. This deferred amount is due to be paid by the end of the calendar year.

From a portfolio standpoint, during the first 2 quarters of fiscal 2020, we grew our GLA by 769,000 square feet through the acquisition of 2 brand-new build-to-suit properties at a total cost of $99.4 million. The first acquisition consummated in the first quarter was a 616,000 square foot distribution center leased to Amazon for 15 years. This property acquired for $81.5 million is situated on 79 acres in the Indianapolis MSA. On March 30, we acquired another property for $17.9 million consisting of a newly constructed 153,000 square foot distribution center leased for 10 years to Magna Seating of America, a division of Magna International. This property is situated on over 24 acres in the Columbus, Ohio MSA. This acquisition did not contribute to our results this quarter, but will do so going forward.

Our gross leasable area has now increased to approximately 23 million square feet, representing a 6% increase over the prior year period. As of the quarter end, our portfolio consisted of 116 properties geographically diversified across 30 states. Our acquisition pipeline grew during the quarter to $229.6 million. We now have 4 build-to-suit development projects, representing 1.5 million square feet currently under construction. 3 of these projects have 15-year leases and 1 has a 20-year lease, resulting in a weighted average lease term of 17.2 years. In keeping with our business model, all of these projects are subject to long-term net leases to investment-grade tenants. Of these 4 properties, 3 properties comprising 844,000 square feet or 56% of our pipeline are leased to FedEx for 15 years. The remaining property consisting of 658,000 square feet is leased to Home Depot for 20 years.

From a timing standpoint, we expect to close on 2 of these acquisitions for approximately $60.5 million, representing 356,000 total square feet or approximately 24% of our current pipeline during this fiscal year. The remaining 2 build-to-suit projects representing $169.1 million, containing approximately 1.1 million square feet are expected to close in fiscal '21. To take advantage of today's attractive interest rate environment, we have already locked in very favorable financing for 3 of these acquisitions. The combined financing terms for these 3 acquisitions consist of $85.7 million of proceeds, representing over 64% of the total cost. These financings have a weighted average interest rate of 3%. All 3 mortgages are 15-year self-amortizing loans. These build-to-suit acquisitions are all well-located, state-of-the-art industrial assets that will represent excellent additions to our high-quality portfolio. As always, these future acquisitions are subject to satisfactory due diligence, and we anticipate closing these transactions upon completion and occupancy. We expect that the combination of our recent acquisitions, along with our increased acquisition pipeline, will contribute positively to earnings in ensuing quarters.

During the quarter, we raised approximately $8.6 million in equity capital through our dividend reinvestment plan. Of this amount, a total of $1.4 million in dividends were reinvested, representing an 8.6% participation rate. We also raised $37.1 million in net proceeds through our Preferred Stock ATM Program with the sale of 1.5 million shares of our 6.125% Series C Preferred Stock at a weighted average price of $25.12 per share.

As we announced during our last earnings call, this past February, we established a common stock ATM program that provides for the issuance of up to $150 million of our common stock at prevailing market prices. To date, we have not raised any equity through our common stock equity program. And based on current prevailing prices, we do not expect to utilize the common stock ATM program at this time.

In March, as a result of the rapid and massive selloff in the broad market, we repurchased 300,000 shares of our common stock for $3.2 million at an average price of $10.70 per share. Subsequent to the quarter end, we purchased an additional 100,000 shares of our common stock for $1.1 million at an average price of $10.66 per share. We ended the quarter with a strong balance sheet, a completely unused bank line and ample liquidity, which will allow us to continue to allocate capital opportunistically.

With regards to the U.S. industrial market, heading into this downturn, the vital signs with regards to occupancy and rental rates were very strong, consistently registering at or near record levels. New industrial construction has historically been very responsive to shifts in the broad economy and that has been the case thus far as new construction decreased by over 50% from 320 million square feet in the prior quarter to approximately 140 million square feet currently under construction. The initial reports for U.S. GDP in the first quarter came in at an annual rate of negative 4.8%, ending the longest expansion on record dating back to mid-2009. As the result of much of the economy being shut down, unemployment claims have eclipsed 30 million people in just 1.5 months.

ISM manufacturing readings are deep in contraction mode at 41.5 for the month of April due to the demand destruction that comes with a broad economic shutdown. It is too early to say to what extent the new normal will resemble the old. The global health crisis came on fast, and whether it plays out quickly or lingers longer will be the key determinant as to the depth of the destruction.

And now let me turn it over to Rich, 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

Thank you, Mike. With respect to our property portfolio, our occupancy stood at 99.4% at quarter end, representing a 50 basis point increase from a year ago and a 20 basis point increase sequentially. Our weighted average lease maturity is 7.4 years and our weighted average rent per square foot is $6.28 as of quarter end. Our weighted average rent is 3% below the national average asking rent of $6.41 per square foot, representing good embedded rent growth potential.

From a leasing standpoint, in fiscal 2020, 5 leases, representing approximately 410,000 square feet or 2% of our gross leasable area, were scheduled to expire. 4 of the 5 expiring leases, representing 355,000 square feet or 87% of the expiring GLA, have been renewed. The 4 lease renewals resulted in a 12% increase in rental rates on a GAAP basis and a 4.4% increase on a cash basis. The weighted average lease term for these 4 renewals was 4.2 years. The 1 property that did not renew, whose lease expired this past February, is a 55,000 square-foot building in the Hartford, Connecticut MSA. As reported in the prior quarter, this property was under contract to sell for $4 million. However, given the recent uncertain market conditions created by COVID-19, the purchaser terminated the contract during the due diligence period, and this property is now currently being marketed for sale or lease.

Out of our entire 116 property portfolio, we currently have only 2 vacant buildings, representing 60 basis points of our total GLA. Both buildings are being actively marketed, and we expect to have more information to share with you in the ensuing quarters. In this most challenging environment, I think it warrants repeating that to date we have agreed to only $320,000 in deferred rent to be paid by the end of this calendar year. This amount is only 23 basis points of our annual base rent and handily represents the best rent collection figure reported thus far for the entire REIT sector.

Looking ahead, in 2021, only 4.4% of our annual base rent comes up for renewal. With an all-star tenant base that includes FedEx, Amazon, Coca-Cola, Anheuser-Busch, Home Depot, Sherwin-Williams, Siemens, United Technologies, Toyota, International Paper, Beam Suntory and many other great companies, we remain confident that we will continue to report excellent rent collection results.

Supply chains and logistic companies are now more critical than ever. Our 2 largest tenants, FedEx and Amazon, are seeing tremendous demand, and this demand is likely to continue for the foreseeable future. We look forward to reporting continued strong property level results throughout the year and beyond.

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, for the second quarter of fiscal 2020 were $20.2 million or $0.21 per diluted share. This compares to FFO for the same period 1 year ago of $19.6 million or $0.21 per diluted share, which is unchanged on a per share basis. Adjusted funds from operations, or AFFO, were $19.4 million or $0.20 per diluted share for the recent quarter as compared to $19.2 million or $0.21 per diluted share a year ago, representing a per share decrease of 4.8% from the prior year period.

Sequentially, our FFO of $0.21 per diluted share for the second quarter of fiscal 2020 is $0.01 or 5% higher than our FFO of $0.20 per diluted share for the first quarter of fiscal 2020 and our AFFO of $0.20 per diluted share for the second quarter of fiscal 2020 is $0.01 or 4.8% lower than our AFFO of $0.21 per diluted share for the first quarter of fiscal 2020.

The quarterly year-over-year $0.01 decline in AFFO is primarily attributable to a $2.3 million increase in preferred dividend expense as a result of an increase in preferred shares outstanding.

Rental and reimbursement revenues for the quarter were $41.7 million compared to $38.4 million, representing an increase of 8.7% from the previous year. Net operating income was $35 million for the quarter, reflecting a 7.7% increase from the comparable period a year ago. This increase was due to the additional income related to 2 of the 3 industrial properties purchased since the prior year period. As mentioned, the third industrial property purchased since the prior year period was acquired on March 30. Therefore, it will not be contributing to our results until the upcoming third quarter.

Net loss attributable to common shareholders was $75.1 million for the second quarter as compared to net income attributable to common shareholders of $23.8 million in the previous year's second quarter. This decrease in our net income was primarily driven by a $98.6 million variance from an unrealized gain on our securities portfolio of $15.6 million during the prior year quarter to an unrealized loss on our securities portfolio of $83.1 million during the current year quarter. Excluding the effect of this change in unrealized loss, net income attributable to common shareholders would have been $8 million for the current quarter as compared to $8.3 million for the prior year quarter, representing a 3% decrease from the prior year quarter.

With regards to same-property metrics, for the current 3-month period our same-property NOI increased 2% on a GAAP basis and 2.1% on a cash basis. These increases in same-property NOI were mostly due to a 50 basis point increase in same-property occupancy to 99.4%.

As of the quarter end, our capital structure consisted of approximately $854.7 million in debt, of which $779.7 million was property level fixed-rate mortgage debt and $75 million were loans payable. 91% of our debt is property level fixed-rate mortgage debt with a weighted average interest rate of 4.04% as compared to 4.07% in the prior year period. Our weighted average debt maturity for our property level fixed-rate debt was 11.3 years at quarter end as compared to 11.6 years in the prior year period.

Our loans payable consisted of a $75 million term loan that has a corresponding interest rate swap agreement to fix LIBOR at an all-in interest rate of 2.92%. Including the term loan, 100% of our debt is fixed rate with a weighted average interest rate of 3.94%, along with a weighted average debt maturity of 10.7 years. This represents one of the longest debt maturity schedules in the entire REIT sector.

Taking our maturities out even further, we also had $429.2 million outstanding on our Series C 6.125% perpetual preferred equity at quarter end. Combined with an equity market capitalization of $1.2 billion, our total market capitalization was 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 33%. Our fixed charge coverage at 2.3x and our net debt to adjusted EBITDA improved to 5.7x for the quarter as compared to 6.4x in the prior year period.

From a liquidity standpoint, we ended the quarter with $35.9 million in cash and cash equivalents, and we do not have any borrowings drawn down on our $225 million revolver. In addition, we held $99 million in marketable REIT securities, representing 4.6% of our undepreciated assets with an unrealized loss of $136.1 million at quarter end.

Our securities portfolio currently generates approximately $11.1 million in annual dividends as compared to $14 million in the prior year period.

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. Monmouth went into this downturn very well positioned with a strong balance sheet, a high-quality property portfolio, excellent operating fundamentals and a well-covered dividend. Going forward, we are very well situated to not only endure but to prosper throughout this difficult period. The value of our properties has appreciated substantially over the past decade as e-commerce demand has increased and online shopping has become an integral part of the retail landscape. The current social distancing environment has now created an even greater move towards online shopping.

Because of this surge in e-commerce demand, some of our tenants are running 7-day work weeks and increasing their daily shifts as their services are now more essential than ever.

The COVID-19 pandemic is also forcing industries and entire nations to rethink their supply chains. Areas of focus going forward will be increasing domestic manufacturing output, greater stockpiling of inventories and less dependence on foreign sources. As a result of these secular shifts, U.S. warehouse and logistics space will greatly benefit from increased demand and continued value appreciation in the years ahead appears likely.
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.

Robert Jeremy Metz
BMO Capital Markets Equity Research

I guess to start, the build-to-suit or deal pipeline changed here in composition. So can you just mention what happened to the deal that fell out? Do you see it coming back? And then along those same lines, can you talk about just the pipeline today beyond what you have disclosed here? Just are you seeing, Mike, any increase in opportunities? Are you fielding more incoming calls today at any in-process deals, as perhaps the buyers fall out?

Michael P. Landy
CEO, President & Executive Director

Very good, Jeremy. Happy to take that question. Before I do, just a point of clarification, our press release went out last night, and it said our rent collections for this month, month of May, were 95%. And today, they're already over 95%. In the prepared remarks, which were recorded 2 days ago, the number I stated was 93%. So that's what happens when you report a number early in the month, 93% was a very respectable number relative to anyone else, but it's already above 95%. So I just wanted to -- anybody who's trying to reconcile that discrepancy, it's just timing, and it's continuing to head towards the 100%, which we achieved in March and the 99% we achieved in April.

As far as your questions, Jeremy, one deal fell out of the pipeline, it was in the Pittsburgh market. It was a 10-year lease to Komatsu, is what we contemplated, what we underwrote. For various reasons, they wanted to put a subsidiary on the lease. Monmouth only does long-term leases to investment-grade tenants. You see the current environment shows the strength of that business model. So we said, cure this problem with the lease, either get the parent company in Japan to guarantee it or we're passing. And so they're working on resolving that, and if they do resolve it, that will come back on the pipeline. But it's off the pipeline now, and we added a 20-year lease with Home Depot, under construction in Atlanta, which is where their headquarters is. And that's full steam ahead. So it's rare that a deal falls off of our pipeline, but in this environment, things happen. I don't anticipate anything falling off our pipeline. The construction is going forward in every deal on our pipeline currently. All these buildings are deemed essential constructions and construction activity has not slowed down at all.

Then as far as opportunities, there's no question that the buyer pool has diminished substantially. And so our deals come to us from an array of merchant builders that we have long-term relationships with, and I prefer to continue to do deals with them. It's just been a mutually satisfactory arrangement for decades in some cases. But we do have brokers calling us with deals that we were at the bottom of their list, and suddenly, we are at the top of their list, and we're seeing way more deals because people are opting out of deals and there's just fewer buyers, which, in my mind, means cap rates should probably increase. It was very unusual heading into this environment where the cap rates had compressed regardless of asset quality, tenant quality. So you had a long-term lease to investment-grade tenant, not trading at a significantly lower cap rate than a more challenged asset to a weaker credit. And the demand for the properties we do, long-term leases, investment-grade tenants, will continue to be strong. I suspect with the more challenged stuff, demand will be curtailed substantially and the spread of cap rates will increase, but everybody is favoring the sort of portfolio that we own today. Did I tackle everything, Jeremy, or did I forget anything?

Robert Jeremy Metz
BMO Capital Markets Equity Research

Yes. No, that was great. And then you alluded to some of this in your opening, but just -- there's a focus on redundant facilities, safety stock. Are you seeing that -- it's a little early in some of that, but are you at all seeing that filter into demand in some of the secondary markets that you're in? Has that started happening yet or is it a little too early?

Michael P. Landy
CEO, President & Executive Director

I would say it's a little early, but in the medical supply sector you're definitely seeing the need for expansion and demand is off the charts. But it's too early to say what will be a secular shift going forward. But I do think the ports that were reliant on China-U.S. trade will probably see decreased container traffic and the ports that deal with South America will probably see increased. And that's been the trend even prior to the pandemic. So I just think that trend will be exacerbated, and we have a lot of assets on the Gulf of Mexico and up the Eastern seaboard. And they were already seeing the shift go from 60% shipping container West Coast versus 40% East Coast to a more equilibrium. And I do think that trend will be more pronounced going forward.

Robert Jeremy Metz
BMO Capital Markets Equity Research

All right. Great. And last one from us and I know -- as I look at the securities book here, not always the best topic to get on to here, but it obviously took a pretty significant hit in the first quarter. But is there a point where you just decide it's not worth it anymore and just bail on this aspect altogether? I guess I'm trying to understand what's the latest thinking here on continuing to hold these. Obviously, I get not wanted to crystallize the loss, but that was the case last year as well, and you're looking at it even lower today. So just kind of how are you thinking about this taking at all-in on a go-forward? I get you're not buying anymore, but at what point do you maybe just look to exit some of this and just reduce it that way?

Michael P. Landy
CEO, President & Executive Director

Very good. I'll have Gene answer that, but just some broad comments on the topic before I turn it over to Gene. It's important to keep the securities portfolio in perspective of our overall capital stack. We announced over a year ago that we were going to decrease it from 10% of gross assets to 5%. At that time, we stopped buying securities. Of course, if we knew the pandemic was coming, we would have reacted accordingly. But our pipeline today is bigger than the whole portfolio at cost, not at current value, at cost. So you have to have some context of exactly what it means to the overall results of Monmouth. And the logic of having liquid real estate on the balance sheet was liquidity, liquidity, liquidity. And the good news with the portfolio, the one silver lining, even though you have to look hard to find it, we used to borrow at 3% to get capital from our securities portfolio, 50% borrowing ability at 3%. That's come down to 75 basis points. So we have property expansions, and I do anticipate property expansions coming, it's very advantageous to fund them with a cost of capital at 75 bps. Gene, I just wanted to get that out there, but please.

Eugene W. Landy
Founder & Chairman

We still believe with the REIT concept, and we've been fortunate enough to be in a sector that has survived financial crises and now a medical crisis and some other REITs have not been as fortunate. But the REIT in the long-term will turn out to be valued depending on the value of their real estate. And we have a lot of faith in the United States. We think we'll get through this crisis as soon as we get the vaccine and even sooner if we get a cure, and then we'll be back to a growth era. And some of the stocks we have in the portfolio which through no fault of their own have really deteriorated because of the crisis. If you lose your top line, there isn't much management can do. The expenses are still there. So we're holding onto the portfolios, but they've diminished to the point that they're not as significant as they were. And we have it in the portfolio, some we think highly of. So we continue to hold. And we've held the same stocks for decades, and we know the managements of most of the REITs, and it's something we're going on. We don't like to cover the particular REITs individually because we don't have enough time for that.

Operator

Our next question comes from Rob Stevenson of Janney.

Robert Chapman Stevenson
Janney Montgomery Scott LLC, Research Division

Mike, what's the expected cap rate on the 4 properties in the $230 million pipeline today?

Michael P. Landy
CEO, President & Executive Director

Yes. I don't like to give out exact cap rates, and I know you're really good at triangulating in on them. Let's just say it's substantially above our current dividend rate of low 5s, and I'll go even further and say it's in the low 6s.

Robert Chapman Stevenson
Janney Montgomery Scott LLC, Research Division

Okay. So in line with historical norms?

Michael P. Landy
CEO, President & Executive Director

Correct.

Robert Chapman Stevenson
Janney Montgomery Scott LLC, Research Division

Okay. What sector does the $320,000 of deferred rent operate in? Just curious as to where the pain is within your portfolio.

Michael P. Landy
CEO, President & Executive Director

Yes. So I know -- I'll turn it over to Rich for that and if I need to chime in, I will. Go ahead, Rich.

Richard P. Molke
Vice President of Asset Management

So out of the 12 -- we've had 12 tenants that asked in various industries, but the ones that really needed some help were our entertainment and retail spots. So those are the ones that we agreed to, but we fully expect to get those paid back by the end of the calendar year as we reported, but really not much pain. Everything stayed pretty much essential, and they were open to some various degree. So that was really good to see.

Michael P. Landy
CEO, President & Executive Director

So I could just add to that. It's -- for all the industrial REITs, they're seeing the deferment request come from smaller tenants and smaller buildings. And we're predominantly 200,000 square foot buildings with investment-grade tenants. Now we do have some smaller buildings and where the legacy investment-grade tenant moved out, we took on whoever would take the space. And so that's what we're seeing. The small amount of our portfolio, the smaller tenants in older buildings that are requesting and there's a mandate that their businesses are shut down, and we're trying to work with them.

Robert Chapman Stevenson
Janney Montgomery Scott LLC, Research Division

Okay. Kevin, Mike had talked about 95% of May rents paid. Where are you normally 5 to 6 days in a month? What level is sort of normal? Is it right around here or are you basically getting 99%, 100% of your rents this early in the month, typically?

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

Yes. We're right around normal as we normally would be. There's a few tenants whose leases, say, they pay in the middle of the month, so that's part of it. And then part of it is the rent deferment that we agreed to. So that's part of the 5 bps that are missing. I'd say it's about half and half. So normally, we're probably like around 97%, 98% at this point. So I'd say most of it is just -- half of it is from, like I said, from deferment and half is...

Michael P. Landy
CEO, President & Executive Director

But I think that's normal that it would be sluggish. The whole world has slowed down. So checks are just not being cut as fast. Mail is not being delivered as fast. Everything slowed down. So I wouldn't expect it to be exactly like a quarter ago.

Robert Chapman Stevenson
Janney Montgomery Scott LLC, Research Division

No. I mean, that's surprising. I mean, I guess the other question here is, what percentage of your tenants are paying electronically that you've already gotten that higher percentage rent 5 days into the month versus the percentage of tenants that are old school, mailing you in a check?

Michael P. Landy
CEO, President & Executive Director

Yes, it's a very granular question. I'll take it even further. Some tenants pay early. We probably have June rent for some of our tenants. But Kevin, to the 100th basis point, do you know the answer to that?

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

I don't know the answer to that, but I would say most, maybe 90% of the tenants pay ACH and then the rest still pay with checks. But we've received a lot of checks in this -- like Mike said, there's a couple of checks that we haven't received, and it's probably because the mail is slow. And because they -- some of the checks that we haven't received are not tenants that have asked for deferments and haven't -- they see no effect to their business. So it's probably just maybe the mail being slow. Maybe there's a check sitting out there right now in the office, but we don't get a chance to come into the office as much as we used to. So sometimes it just takes a little while to see those checks.

Michael P. Landy
CEO, President & Executive Director

What we will do is we'll update our presentation. It has 2 COVID slides. The second one speaks to rent collection and just watch that bullet point. It was 93%, and now it's over 95%, and we'll see where it ends up.

Robert Chapman Stevenson
Janney Montgomery Scott LLC, Research Division

So Bezos and Fred Smith aren’t paying by check? What you're saying?

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

That's correct.

Robert Chapman Stevenson
Janney Montgomery Scott LLC, Research Division

Okay. And then just lastly for me. You mentioned most of this with Jeremy's question. But just to be clear, there weren't any purchases or sales in the securities portfolio in the quarter or thus far in this quarter other than the reinvestment of the UMH dividends?

Michael P. Landy
CEO, President & Executive Director

That's correct. Other than the reinvestment of the UMH dividend, and there was one small preferred holding that got redeemed, but those are the changes.

Operator

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

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

It's in the news that FedEx has requested to cut rents in half at some of their retail stores beginning in June. I'm curious about sort of your discussions with them. I know that these buildings are essential, but just sort of any color on those discussions would be useful on kind of where their heads are at?

Michael P. Landy
CEO, President & Executive Director

Sure. Absolutely, no discussions about deferment of rent with FedEx. In fact, just the opposite. It's all about how to accommodate the incredible demand flowing through our buildings. So it's really apples and oranges to compare Kinko's retail centers that by government mandate are forced to be closed versus essential businesses that are seeing greater than peak season demand at the moment. So 2 different sectors, 2 different types of real estate and 2 completely different situations.

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

Okay. That's what I figured. I'd like to talk about the Home Depot that got added to the pipeline. Can you tell us when that was negotiated? Was that -- were you in discussion and kind of pulling that together mid-March or was that kind of worked on earlier in the quarter?

Michael P. Landy
CEO, President & Executive Director

Yes, that was all pre-pandemic.

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

Okay. And I guess, as you think about that, I know you mentioned that a lot of buyers have probably fallen out. Can you talk about any changes or shifts and maybe what the merchant builders are showing you today in the last month or so?

Michael P. Landy
CEO, President & Executive Director

Yes. Price discovery is uncertain, and everybody is out there trying to find out what the new normal is regarding cap rates. And I think the sellers want to wait and see how everything shakes out, and we're certainly bidding a premium to pre-pandemic cap rates. And the lenders have set an interest rate floor above pre-pandemic pricing. And that floor has come down a little bit already. So it's very uncertain, and a lot of people are in a wait-and-see mode.

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

Got it. And one more for me. I mean, just kind of keeping in mind your general comments on buyers and potential buyers out there, do you get a sense that there's been any sort of a percentage drop in buyers? I mean, do you think maybe half have been knocked out, more than that, less than that? Just kind of trying to handicap that.

Michael P. Landy
CEO, President & Executive Director

Well, just listening to some of the other industrial REIT calls, I hear them say they're not going forward in bidding on deals and backing out of deals. So clearly, the buyer pool has been curtailed. And the anecdotal proof I have of that is people I never transact with calling me up to see if I'm interested in deals. And I get plenty of deals from my usual sources and thus far, I have no need to go down these new avenues. All our transactions are directly with merchant builders, not through the brokerage community. But times like this, everyone's our friend suddenly.

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

Do you think you would potentially accelerate your acquisition pipeline if a broker deal did come to you and was kind of fit all the boxes of being a long-term lease, investment-grade property, et cetera?

Michael P. Landy
CEO, President & Executive Director

Yes. We're kind of hoping that would happen. There's certainly now is the time to be aggressive and buy. But historically, every portfolio we've seen just doesn't check our boxes. It's very rare that you'll see a portfolio of our caliber of properties. But this is precisely why we have the ATM program so that we could match fund opportunities should they arise. I do think with FedEx and Amazon, we will be able to continue growth on the trajectory we've historically been on and perhaps even at a greater pace with those 2 names because they're just seeing demand to an extent that they just cannot even supply the demand. So there will be -- from those 2 customers increased deal flow, and we're certainly trying to offset that with Home Depot and other strong credits.

Operator

Our next question comes from Sarah Tan of JPMorgan.

Mei Wen Tan
JP Morgan Chase & Co, Research Division

I'm just on for Mike Mueller. Just a quick question on funding the acquisition pipeline. I know you guys mentioned the debt capital cost. But how can we think about also supplementing that with some equity issuance once you reach a price that you're comfortable issuing it?

Michael P. Landy
CEO, President & Executive Director

Kevin, do you want to take that?

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

Yes, sure. So before the pandemic happened, we raised about $37 million, $38 million in our preferred stock at a weighted average price of above par, about $25.12. So luckily, we filled up the tank pre-pandemic. As you could see on our balance sheet, there's like $35 million in cash. We have a $225 million line of credit with nothing drawn down on that we have available to us, and we have the full capacity to do so based on our unencumbered assets. But yes, the -- so -- and like you said, we've funded 3 of the 4 acquisitions already. We have financing 65% LTV. They're all 15-year self-amortizing loans, weighted average interest rate of a little over 3%. So...

Michael P. Landy
CEO, President & Executive Director

Explain exactly how much over 3%?

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

3.03%. Sorry and I try not to get too granular, but I was trying to be. So I think we're fully stocked to fund the pipeline.

Operator

Okay our next question comes from Michael Carroll of RBC Capital Markets.

Jason R. Idoine
RBC Capital Markets, Research Division

This is Jason on for Mike. I had a question on some of the deferrals granted. So does the 23 bps represent the final amount deferred of the 200 basis points or is there a portion of that, that's still under review?

Michael P. Landy
CEO, President & Executive Director

Well, I wouldn't say final. Every day you read the newspaper, you don't know which way the wind is going to be going. So I would not say final. We hope it's final, but months could become quarters and quarters could become years, but we will have to see. It's just a very low immaterial number. So that's the good news. But final is...

Jason R. Idoine
RBC Capital Markets, Research Division

I guess -- yes, so have you guys gone through the full 200 amount -- 200 basis points requested, and that was the amount that was deferred from that?

Michael P. Landy
CEO, President & Executive Director

Correct. Correct.

Jason R. Idoine
RBC Capital Markets, Research Division

Okay. Got it. And then have you guys seen a continuing flow of further deferral requests or have those started to slow down as we've entered May?

Michael P. Landy
CEO, President & Executive Director

Yes, that is a good question. No, that has come to a standstill. So yes, there was a point where we follow all the other REITs and we were curious what would happen there. But no, it kind of peaked weeks ago and this week, no requests at all.

Jason R. Idoine
RBC Capital Markets, Research Division

Got it. Okay. And then have tenants been more active pursuing renewal discussions? I know a few of the other industrial names have talked about retention potentially ticking higher. So I'm wondering how you guys think about this when you look at the 2021 expirations?

Michael P. Landy
CEO, President & Executive Director

Yes. One tenant did ask for -- to open up renewal discussions early, which is something we usually don't do, but we are talking to them about one of those blend and extends. But Rich, that would be at a higher rent, if I remember correctly.

Richard P. Molke
Vice President of Asset Management

Correct. Yes.

Michael P. Landy
CEO, President & Executive Director

Any others other than that one?

Richard P. Molke
Vice President of Asset Management

No.

Jason R. Idoine
RBC Capital Markets, Research Division

Okay. And then one quick housekeeping question. So you mentioned that you had 5 expirations. And then obviously, you've completed the 4 renewals, and you have the 1 asset, the Kellogg asset that you're looking to sell. So could you just remind me -- in the supplement, it looks like you still have 1 expiration coming due. Could you just remind me what the situation there is?

Michael P. Landy
CEO, President & Executive Director

Could you -- it's not ringing a bell. Do you have any more information on that expiration?

Jason R. Idoine
RBC Capital Markets, Research Division

Yes. It looks like it's the 98,000 square foot asset. Let's see. It's the Autoneum North America in Augusta, Georgia.

Michael P. Landy
CEO, President & Executive Director

Yes. Okay. Oh, I know what that is. Okay. So that asset was their old building. It's a little complicated, but here's what happened. They moved into a brand-new building and the lease has a lot of term left, and it's a great asset and everything is fine. The old asset, they asked if they could use it instead of rip it down. They're required to take it down. And we said, sure. And then it was a very short amount of time we gave them authorization to use it. But then they wanted to use it for a whole another year. So we charged them for that year. But now it's time to rip it down. So that's something that is a temporary structure and we got rent from it. And we looked at it as achieving over 100% occupancy on that asset for a year, but now we got to lose that 90,000 square foot structure.

Operator

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

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

Mike, you had alluded to when you were talking in your comments about the ATM, not really looking to use that right now. How do you feel about the DRIP program and would you change that?

Michael P. Landy
CEO, President & Executive Director

Well, with the current stock price, we've curtailed both. The ATM has not printed a share and the SIP, we used to grant waivers and raise as much as $8 million a month, and we're not granting waivers. So all it is, is dividend reinvestment funds coming in right now. And it's a function of pricing. At a higher price, when we feel it's more accretive and it's a function of how big the pipeline is, then we open these things back up. And the other thing would be the same with the preferred ATM. The preferred worked really well. We raised over $430 million and that's permanent capital. It never matures. And 6% may seem high in the current environment, but monetary policy is all in. They're throwing the kitchen sink and all the appliances at the pandemic issue. And we'll have to see when we get through this deflationary period, what inflation looks like. But on the other hand, if we were in a protracted low interest rate environment, that perpetual instrument is redeemable in September of '21. And if we could refinance that with a lower cost of capital, we will do so. So we have a lot of options at our disposal, a lot of sources of capital. Gene, Kevin, you want to add to that?

Eugene W. Landy
Founder & Chairman

Basically, the DRIP and SIP work well. ATM is a new development. It's worked well. So we're a well-capitalized company, and we have sources of new capital. And what we've been trying to tell everyone on this call is the demand for warehouse space is really extreme. We're going in a country where 85% of consumer buying was through retail outlets and 15% on the Internet. And all of a sudden, they've shut down the 85%. And the warehouses that are needed to accomplish this aren't in existence and the people who sell on the Internet are very anxious to build additional warehouses. And we think they're going to deal with the people they've dealt with for 20, 30 years and that we're going to need a lot of capital, and we'll raise that capital when we get these opportunities.

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

Great. Mike, one more question. When you look -- I know you don't have a lot of assets out on the West Coast. But when you look at your East Coast assets that are bumping up against the ports, are there any concerns there from a slowing of port container traffic, et cetera?

Michael P. Landy
CEO, President & Executive Director

No. It is too short-term a worry. Long term, we will get past this. We will get the economy growing again, the population growing again. Those are great assets. In fact, I'd be concerned if I was in a highly congested area with a different property type. I think people are going to be less desirous of living on top of each other and wanting to move to more rural areas, warmer climates, more business-friendly environments, and so I really like the way our portfolio is positioned for demographic trends going forward.

Operator

This concludes our question-and-answer session. I would like to turn the conference back over to Becky Coleridge for any closing remarks.

Becky Coleridge
Vice President of Investor Relations

Thank you, operator. I would 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 will be presenting at NAREIT's REITWeek Conference next month, which will be a virtual online conference this year. We hope that you will participate as well. We look forward to reporting back to you after our third quarter. Stay healthy, everyone, and thank you.

Operator
The conference has now concluded. Thank you for attending today's presentation. The teleconference replay will be available as soon as possible. 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 10139462. Thank you, and please disconnect your lines.