

MONMOUTH REAL ESTATE INVESTMENT CORP
Form DEF 14A
March 29, 2019

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

(RULE 14a-101)

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a)

of the Securities Exchange Act of 1934

Filed by the Registrant: [X]

Filed by a Party other than the Registrant: _____

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as Permitted by Rule 14a-6 (e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to 240.14a-12

Monmouth Real Estate Investment Corporation

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11 (a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or registration Statement No:

(3) Filing Party:

(4) Date Filed:

Monmouth Real Estate Investment Corporation

Juniper Business Plaza, 3499 Route 9 North, Suite 3-D

Freehold, New Jersey 07728

Notice of 2019 Annual Meeting of Shareholders

May 16, 2019

4:00 p.m. Eastern Time

Notice is hereby given that the 2019 Annual Meeting of Shareholders (the “Annual Meeting”) of Monmouth Real Estate Investment Corporation, a Maryland corporation (referred to as “we”, “our”, “us”, “Monmouth” or the “Company”), will be held on Thursday, May 16, 2019, at 4:00 p.m., Eastern Time, at Juniper Business Plaza, 3499 Route 9 North, Suite 3-D, Freehold, New Jersey, to consider and vote on the following matters, each as more fully described in the accompanying proxy statement:

Items of Business

1. The election of four Class I directors, each to hold office until our annual meeting of shareholders in 2022 and until his successor is duly elected and qualifies;
2. The ratification of the appointment of PKF O’Connor Davies, LLP as our independent registered public accounting firm for the fiscal year ending September 30, 2019;
3. An advisory resolution to approve the compensation of our executive officers for the fiscal year ended September 30, 2018 as described in the accompanying proxy statement; and
4. Such other business as may properly come before the Annual Meeting and any adjournments or postponements thereof.

Record Date

Monmouth's Board of Directors has fixed the close of business on March 14, 2019, as the record date for the determination of shareholders entitled to notice of, and to vote at, the Annual Meeting and any adjournments or postponements thereof.

EVEN IF YOU PLAN TO BE PRESENT IN PERSON, YOU SHOULD AUTHORIZE A PROXY TO VOTE YOUR SHARES PRIOR TO THE MEETING USING THE METHODS DETAILED ON PAGE 13 OF THIS PROXY STATEMENT.

BY ORDER OF THE BOARD OF DIRECTORS

Michael D. Prashad
In-House Counsel and Secretary

March 29, 2019

YOUR VOTE IS IMPORTANT. PLEASE VOTE.

Monmouth Real Estate Investment Corporation

Juniper Business Plaza, 3499 Route 9 North, Suite 3-D

Freehold, New Jersey 07728

PROXY STATEMENT

2019 Annual Meeting of Shareholders

May 16, 2019, 4:00 p.m. Eastern Time

SOLICITATION OF PROXIES

This Proxy Statement is furnished in connection with the solicitation by the Board of Directors of Monmouth Real Estate Investment Corporation, a Maryland corporation, of proxies to be voted at our 2019 Annual Meeting of Shareholders (the “Annual Meeting”) to be held on Thursday, May 16, 2019, at 4:00 p.m., Eastern Time, at our offices at Juniper Business Plaza, 3499 Route 9 North, Suite 3-D, Freehold, New Jersey 07728, and at any adjournments or postponements thereof, to consider and vote on the matters listed in the preceding Notice of Annual Meeting of Shareholders. This Proxy Statement and the accompanying Proxy Card are being distributed on or about March 29, 2019, to shareholders of record as of the close of business on March 14, 2019. Unless the context requires otherwise, references in this Proxy Statement to “Monmouth”, “we”, “our”, “us” and the “Company” refer to Monmouth Real Estate Investment Corporation and its consolidated subsidiaries.

A copy of our annual report, including financial statements, was mailed to all shareholders of record on or about February 4, 2019, and is available on our website at www.mreic.reit.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING TO BE HELD ON MAY 16, 2019

Under rules adopted by the U.S. Securities and Exchange Commission (the “SEC”), you are able to obtain proxy materials via the Internet, instead of being mailed printed copies of those materials. This will expedite shareholders’ receipt of proxy materials, lower the cost of the annual meeting, and help conserve natural resources. Please visit the website www.proxyvote.com to view electronic versions of proxy materials and our 2018 Annual Report, and to request electronic delivery of future proxy materials. Have your Proxy Card or Notice of Internet Availability in hand when you access the website and follow the instructions. You will need your 12-digit Control Number, which is located on your Proxy Card or Notice of Internet Availability. Shareholders also may request to receive proxy materials in printed form by mail or electronically by email on an ongoing basis.

Proxy Statement Summary

This summary highlights the proposals to be voted upon, as well as financial performance, executive compensation, and corporate environmental, social and governance information described in more detail elsewhere in this Proxy Statement.

Annual Meeting Proposals

Proposal	Recommendation of the Board
1. Election of Directors	<i>FOR each of the nominees</i>
2. Ratification of Independent Registered Public Accounting Firm	<i>FOR</i>
3. Say-on-Pay: Advisory Vote to Approve 2018 Executive Compensation	<i>FOR</i>

Financial Performance Highlights

Fiscal year ended September 30, 2018 was another excellent year for Monmouth. Our industrial property portfolio performed exceptionally well, achieving a sector leading 99.6% occupancy rate, and a 69% tenant retention rate. We believe that this past year represented one of the most productive years ever in our long history as a public REIT. We highlight some of our many accomplishments achieved during fiscal 2018:

Dividend Increase: On October 2, 2017, the first day of fiscal 2018, our Board of Directors approved a 6.3% increase in our quarterly common stock dividend, raising it to \$0.17 per share from \$0.16 per share, representing an annualized dividend rate of \$0.68 per share. The 6.3% dividend increase marks our second dividend increase in three years, totaling 13% in dividend increases. We have maintained or increased our cash dividend for 27 consecutive years.

Tenant Occupancy: Maintained a sector leading occupancy rate of 99.6% at fiscal yearend, representing our third consecutive year with above 99% occupancy.

Tenant Retention: Renewed 11 of the 16 leases totaling 1.1 million square feet that were scheduled to expire, resulting in a 69% tenant retention.

Tenant Lease Term: Extended our weighted average lease maturity from 7.9 years to 8.1 years.

Growth in Stock Price: Achieved a stock price of \$16.72 per share as of September 30, 2018, resulting in year over year growth of 3%.

Growth in Total Market Capitalization: Achieved \$2.5 billion in total market capitalization as of September 30, 2018, resulting in year over year growth of 17%.

Growth in Total Shareholder Return: Achieved an 8% Total Shareholder Return for fiscal 2018, versus a 4% total shareholder return from the MSCI US REIT Index during the same period.

Growth in Net Income and Net Income per Diluted Share: Generated 69% year over year growth in Net Income Attributable to Common Shareholders and, on a per diluted share basis, generated 53% year over year growth in Net Income Attributable to Common Shareholders.

Growth in Gross Revenue: Generated 23% year over year growth in Gross Revenue.

Growth in Net Operating Income (NOI)*: Generated 19% year over year growth in Net Operating Income.

Growth in AFFO* per Diluted Share: Generated 14% year over year growth in Adjusted Funds From Operation (AFFO) per diluted share.

*NOI and AFFO are non-GAAP performance measures. See Financial Information for a discussion of our non-GAAP performance measures.

In addition, shareholders are encouraged to read our President's 2018 Letter to Shareholders, which can be found on our website at www.mreic.reit (homepage, in Highlights section).

Strategic Growth Highlights

Property Acquisitions: Acquired seven, brand new, Class A industrial properties, totaling approximately 2.7 million square feet of high-quality industrial space for \$282.3 million, all subject to long term net leases, of which 85% is leased to investment grade tenants or subsidiaries of investment grade issuers.

Property Expansions: Completed two property expansions, totaling \$3.5 million, generating over \$367,000 in additional annual rental revenue and resulting in the extension of each lease term for 10 years from the date of each completed expansion.

Growth in Gross Leasable Area: Achieved 13% year over year growth in gross leasable area, with 21.2 million total rentable square feet as of fiscal yearend.

Commitments to Acquire Property: Entered into agreements to acquire three, brand new, Class A industrial properties under construction as of fiscal yearend and scheduled to close in fiscal 2019 and 2020, totaling approximately 745,000 square feet, including two properties we acquired subsequent to fiscal yearend.

At-The-Market Transaction: Raised an additional \$41.0 million in gross proceeds from the issuance of shares of our Series C Preferred Stock through our Preferred Stock ATM Program.

Capital Raising through DRIP: Raised approximately \$90.0 million through our Dividend Reinvestment and Stock Purchase Plan (DRIP).

Cost of Debt: Reduced our weighted average interest rate on our fixed rate debt from 4.2% to 4.1%.

Controlled General and Administrative Expense: Managed G&A costs to a very efficient level. G&A, as a percentage of gross revenue, decreased by 8% to 5.8% for fiscal year 2018 and G&A, as a percentage of undepreciated assets, decreased by 4% to 46 basis points for fiscal year 2018.

Say-on-Pay: Executive Compensation Highlights

At the Annual Meeting, our shareholders will have the opportunity to consider and vote on an advisory say-on-pay proposal, to approve, on an advisory basis the compensation of our Named Executive Officers (NEOs) for the fiscal year ended September 30, 2018, as described more fully in this Proxy Statement. Our executive compensation program is designed to be simple, effective, and link pay to performance, while reflecting the size, scope, and success of Monmouth's business, as well as the responsibilities of our NEOs. While there are many factors that are considered in evaluating executive compensation, ultimately, we believe that our shareholders strongly value economic performance.

Pay for Performance: Total Shareholder Return

Since the time that Monmouth was founded in 1968, we have delivered consistent and reliable returns for our shareholders. Over the last 10 years, Monmouth has outperformed the MSCI US REIT Index by a wide margin of approximately three times. Our Total Shareholder Return ("TSR") over the last 10 fiscal years was 302.8%. TSR includes both dividends reinvested and stock price appreciation. Historically, REIT dividends have accounted for approximately 65% of TSR. We believe that it is essential that dividends be factored into evaluating a REIT's economic performance. Our dividend has proven to be very reliable because our industrial properties are predominantly subject to long-term net leases to investment-grade tenants or their subsidiaries. On October 2, 2017, the first business day of fiscal 2018, our Board of Directors approved a 6.3% increase in our quarterly common stock dividend, raising it to \$0.17 per share from \$0.16 per share, representing an annualized dividend rate of \$0.68 per share. The 6.3% dividend increase marks our second dividend increase in three years, totaling 13% in dividend increases. We are proud to report that we have maintained or increased our dividend for 27 consecutive years. We are one of the few REITs that maintained its dividend throughout the Global Financial Crisis. We are also one of the few REITs that is paying out a higher per share dividend today than prior to the Global Financial Crisis.

Comparable REITs; Independent Compensation Consultant

In August 2017, our Compensation Committee engaged FPL Associates (FPL), a nationally recognized compensation consulting firm specializing in the REIT industry, to provide additional market-based compensation data and to advise on industry trends and best practices. In order to help our shareholders fairly evaluate our executive compensation in light of our relative economic performance, FPL prepared for the Committee a peer group of REITs with similar total capitalization, ranging between \$1.4 billion and \$4.0 billion (approximately 0.7x-2.0x Monmouth's total capitalization at that time), and/or REITs that operate within the industrial REIT sector and with whom we compete for executive employees.

The peer group of comparable REITs (Comparable REITS) identified by FPL are as follows:

Agree Realty Corporation

EastGroup Properties*

Getty Realty Corporation

Hersha Hospitality Trust

LTC Properties, Inc.

Rexford Industrial Realty, Inc.*

STAG Industrial, Inc.*

Terreno Realty Corporation*

TIER REIT, Inc.

Urstadt Biddle Properties Inc.

*Denotes a peer that is in the Industrial sector

FPL compared our aggregate pay and performance to those of our peers over the prior three-year period. Based upon this analysis, FPL concluded that our aggregate pay ranked at the lowest end of the aggregate pay provided by our peers, and that our performance by Total Shareholder Return was at the highest end of performance of our peers.

Information about the Comparable REITs is presented here to assist shareholders in evaluating our performance and compensation programs in connection with the Say-On-Pay vote. The Compensation Committee used this data as one tool in considering compensation for our NEOs for compensation decisions beginning in fiscal 2018.

The following charts and tables** illustrate our strong outperformance over the 1, 3, 5 and 10-year periods as compared to the Comparable REITs and the MSCI US REIT Index. Total Return Performance is calculated based on our 2018 fiscal year ending September 30.

	Total Return Performance			
	1	3	5 Year	10
	Year	Year		Year
MNR	7.79 %	98.02 %	139.66 %	302.76 %
Comparable REITs	10.00 %	75.29 %	91.38 %	183.96 %
RMS	3.74 %	24.99 %	54.97 %	106.11 %

**Source: S&P Global Market Intelligence

Getting More for Less

While we have outperformed our peers and delivered exceptional results for our shareholders, our Chief Executive Officer's total compensation for 2018 was less than 50% of the average total compensation of chief executive officers of the Comparable REITs.

2018 Monmouth CEO Total Compensation vs. Average CEO Total Compensation of Comparable REITs*

*The compensation data used for comparison purposes was obtained from the most recent filings for the Comparable REITs.

Additionally, total compensation of the Company's NEOs fell within the lowest range (2nd percentile) within the REIT industry as a whole based upon the 2018 Compensation Survey published by NAREIT.

We continue to efficiently manage our general and administrative expenses. General and administrative expenses, as a percentage of gross revenue, (which includes rental revenue, reimbursement revenue and dividend and interest income), remains low and decreased by 8% to 5.8% for fiscal year 2018. General and administrative expenses, as a percentage of undepreciated assets (which is our total assets excluding accumulated depreciation), also decreased to a very efficient 46 basis points, representing a 4% year over year improvement.

We value the feedback provided by our shareholders. At the Annual Meeting of Shareholders held on May 17, 2018, approximately 92% of votes cast (excluding broker non-votes) were cast in favor of our Say-On-Pay proposal, which we believe affirms that our shareholders support our approach to executive compensation.

We have discussions with many of our shareholders on an ongoing basis regarding various corporate Environmental, Social and Governance (ESG) topics, including executive compensation, and we consider the views of shareholders regarding the design and effectiveness of our executive compensation program. Our Board recommends that our shareholders vote FOR the Say-on-Pay Proposal (Proposal No. 3).

Corporate Environmental, Social and Governance (ESG) Highlights

Publicly traded since 1968, Monmouth Real Estate Investment Corporation is one of the oldest publicly-traded equity REITs in the world. Our longevity is the direct result of being patient and conservative stewards of capital. Our Board's decision-making process is guided by an appreciation for all that has been built in the past and a focus on continuing to create sustainable long-term value for Monmouth and its shareholders for many years to come.

Our Board believes that effective corporate governance should include regular constructive discussions with our shareholders. We have a proactive engagement process that encourages feedback from our shareholders. This feedback helps shape our governance practices. Several practices in the chart below are the direct result of such feedback.

Some ESG highlights are as follows:

Board Independence

- * **Independent Board:** A majority of our Board is independent within the meaning of SEC rules and the listing standards of the New York Stock Exchange. We remain focused on Board composition and refreshment.
- * **Independent Board Committees:** Our Audit, Compensation and Nominating/Corporate Governance Committees are composed entirely of independent directors.
- * **Lead Independent Director:** Our Board has identified a lead independent director.
- * **Executive Sessions of Independent Directors:** Our independent directors meet in executive session at least annually.
- * **Financial Expert:** Four out of five of our directors serving on our audit committee qualify as "audit committee financial experts" under applicable SEC rules. (SEC rules require that at least one director qualify as an "audit committee financial expert").
- * **Annual Board Self-Evaluation:** Our directors engage in annual, individual performance evaluations.

Accessible, Diverse and Engaged Management Team

- * **Open Communication:** We encourage open communication and strong working relationships among all of our directors, our Chairman and our CEO.
- * **Access to management:** Our directors have access to management and employees.