Monmouth Real Estate Investment Corporation

2016 Annual Report

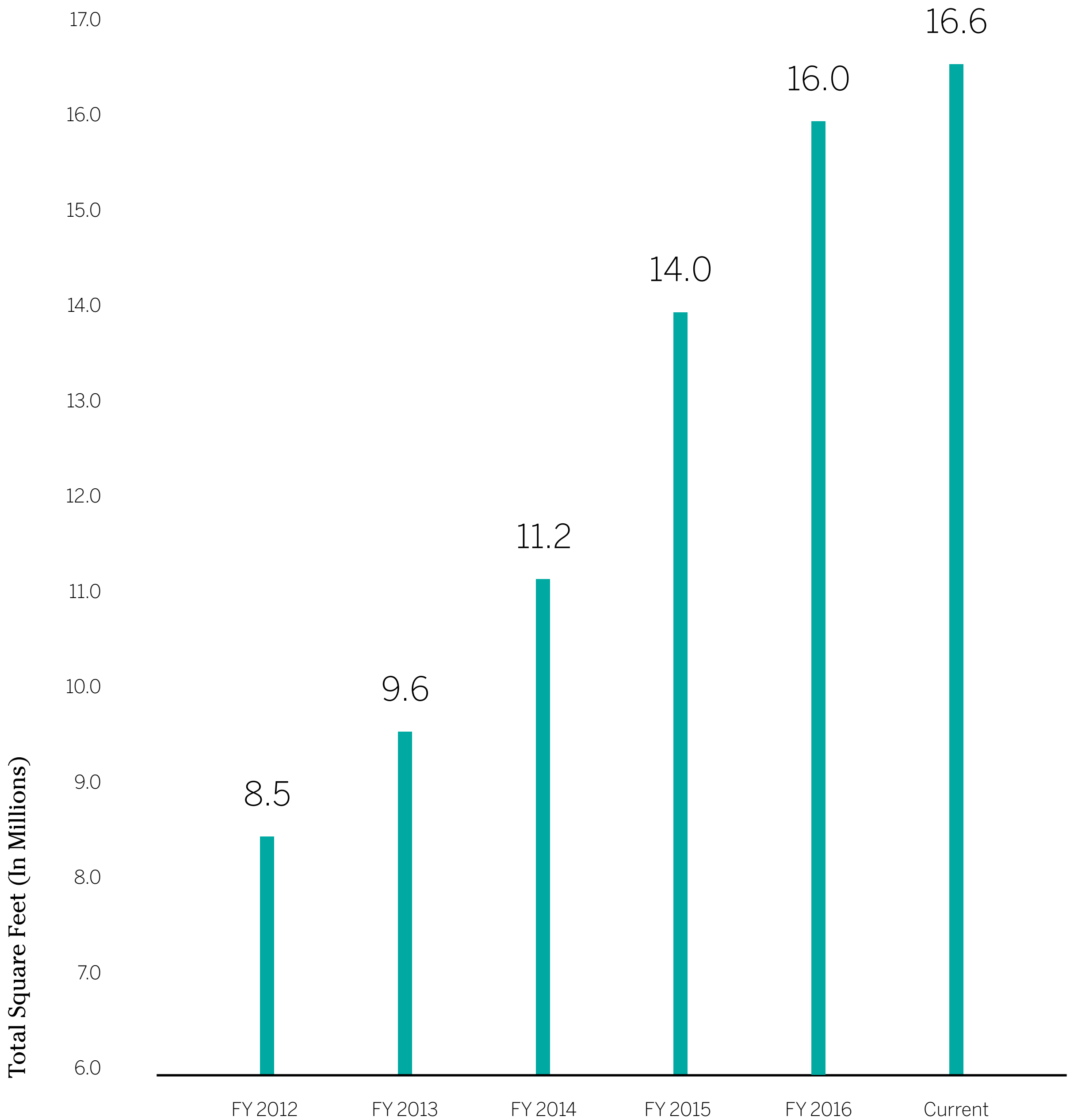
MREIC

Housing the Digital Economy

Our exposure to one of the most profitable ecommerce giants in the world today, FedEx, will continue to pay substantial dividends for many years to come.

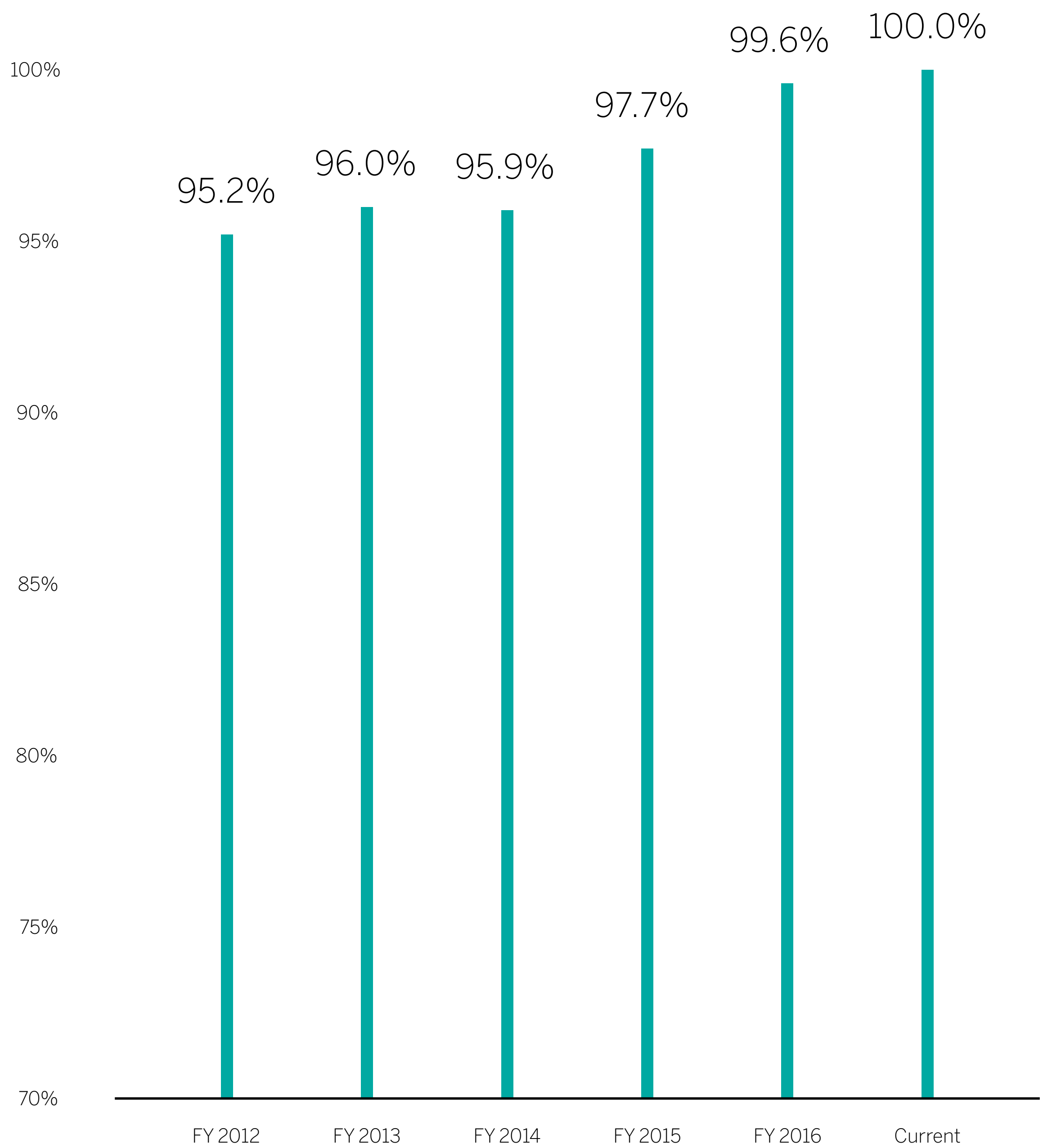
Gross Leasable Area

95% Growth



Occupancy

97.4%
Average

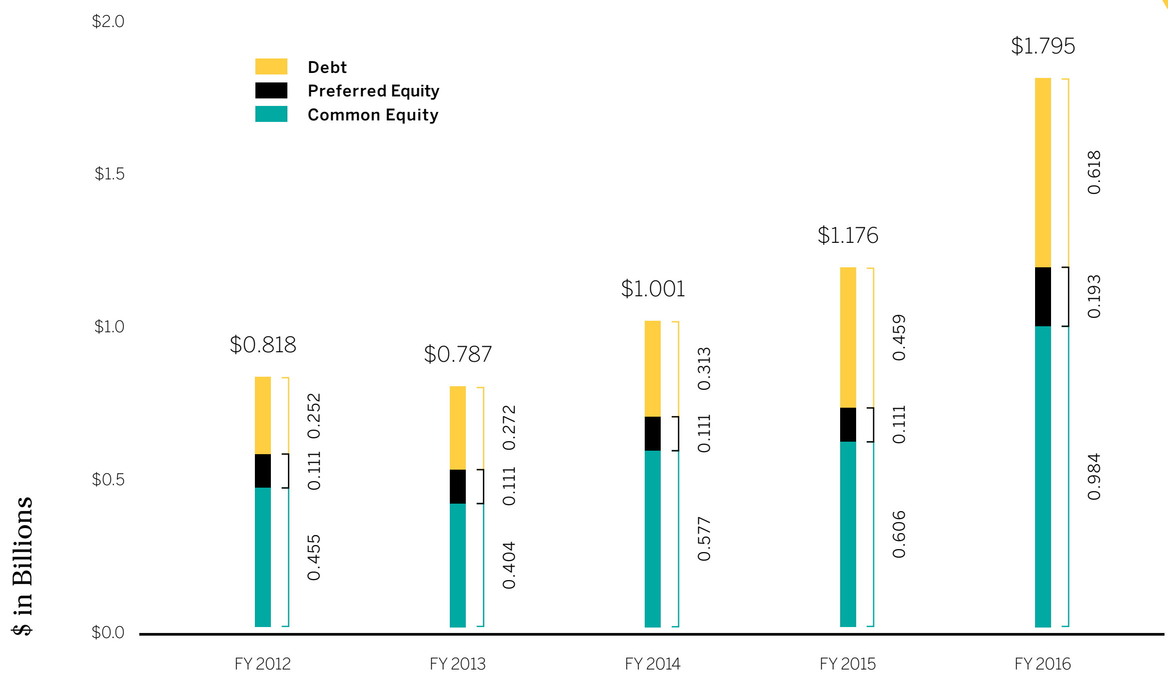


Gross Revenue

87%
Growth

Total Market Capitalization

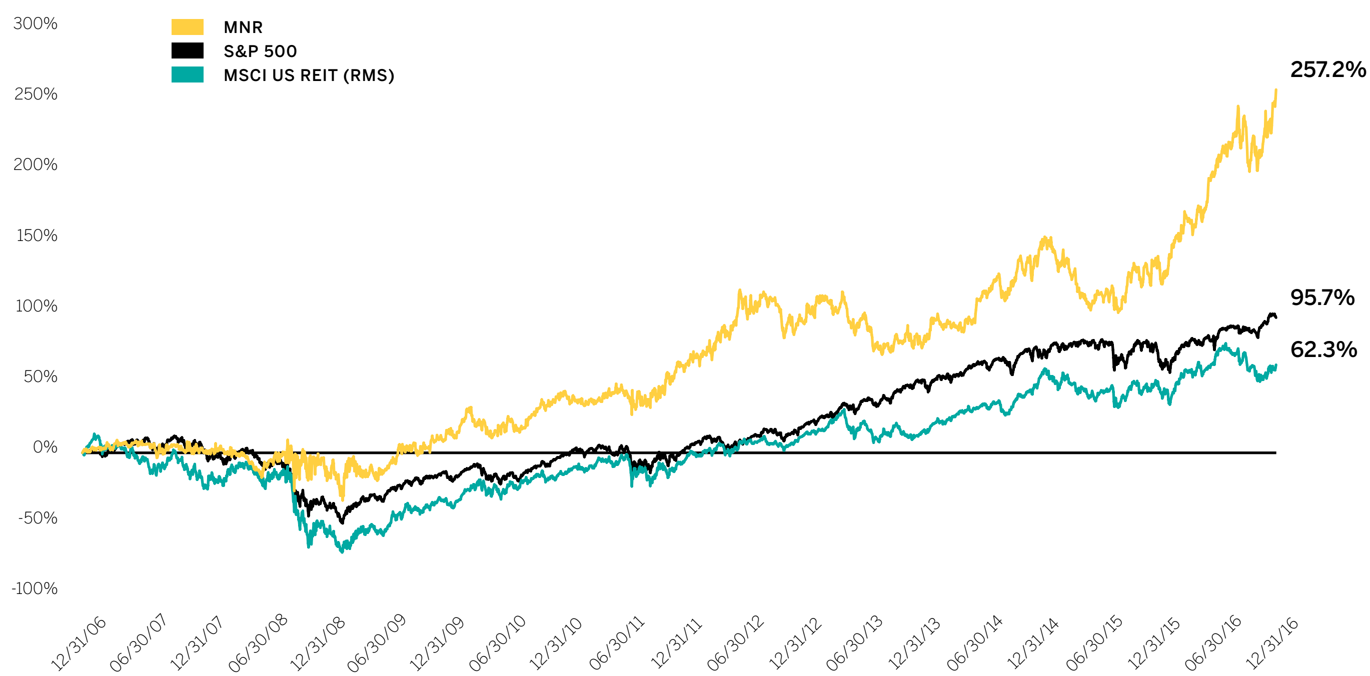
119%
Growth



Adjusted Funds from Operations *(Per Share)*

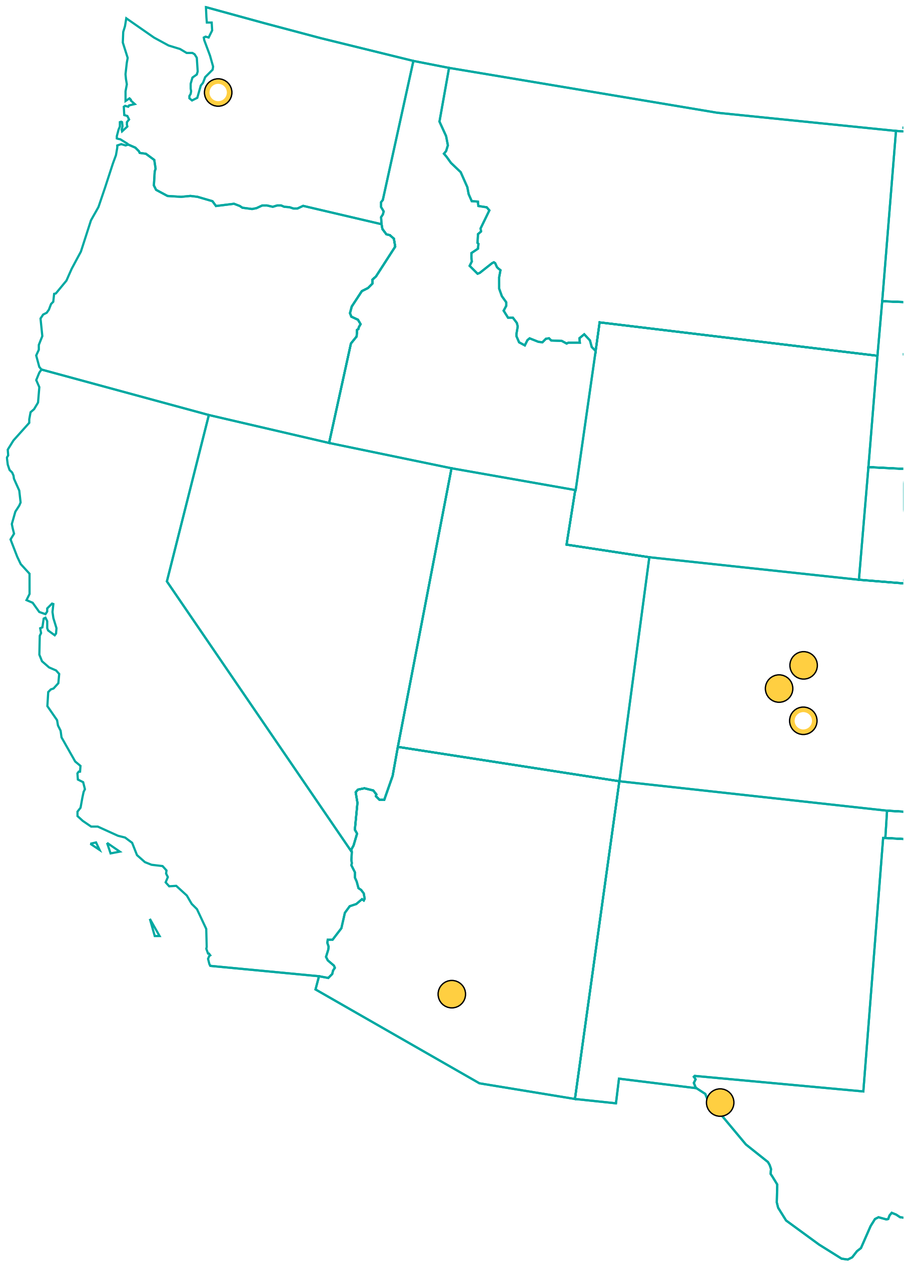
59%
Growth

Total Return Performance



Property Locations

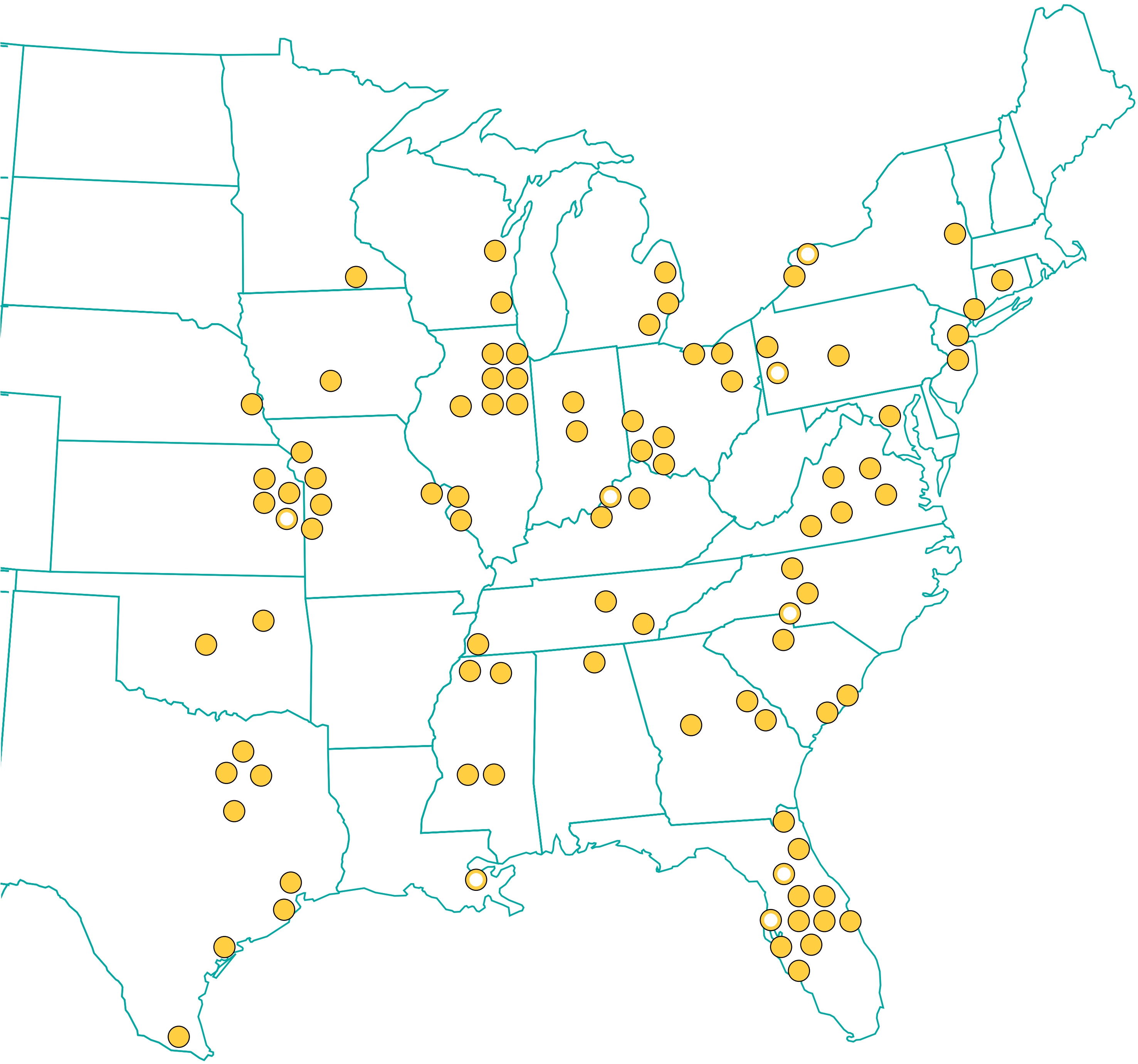
MREIC owns 100 properties. Our gross leasable area is now 16.6 million square feet, geographically diversified across 30 states.



Existing Properties

New Properties

Note: Recent Acquisitions include all acquisitions in Fiscal 2016 and Q1 2017.



Letter to Shareholders

JANUARY, 2017

Dear Shareholders:

Back in the day, long before high-speed Internet connectivity, in the year 500 B.C.E., there lived a great philosopher named Lao-Tzu. He was given the name Lao-Tzu because it means "Old wise teacher." One of Lao's greatest students was a man named Confucius. Most people have heard of Confucius but few have heard of his great teacher. This is how Lao-Tzu would have wanted it, as he was a humble man who once wrote:

"A leader is best when people barely know that he exists. When his work is done, his aims fulfilled, they will all say, 'We did this ourselves.'"

– Lao-Tzu, Philosopher

Thus could be the story of Monmouth. Nearly 50 years in the making, we are just now gaining the critical mass and growth trajectory needed to achieve widespread acceptance. It is important that people realize that our success didn't just occur of late. Much hard work and wise decision making was needed for us to survive and thrive for so long. For these reasons it is important that we acknowledge the leadership of our Founder, Chairman, and Teacher, Eugene W. Landy. Like Lao-Tzu, Gene Landy is a man of great character and humility. We hosted an event at the New York Stock Exchange this year in recognition of his 50 years of distinguished leadership. As someone who has witnessed the blood, sweat, and tears that he has put into Monmouth, I cannot overstate how much gratitude, love and respect we all have for him.

Fiscal 2016 was another excellent year for Monmouth. Our best-in-class industrial property portfolio performed exceptionally well, achieving a 100% occupancy rate and a 100% tenant retention rate. This past year represented one of the most productive years ever in our long history as a public REIT. To highlight some of our many accomplishments, during fiscal 2016 the Company:

- Generated AFFO per share growth of 23%, representing our third consecutive year of double digit growth
- Increased our common stock dividend by 6.7%
- Increased our Gross Revenue by 23% to $100.5 million
- Increased our Net Operating Income by 23% to $80.2 million
- Acquired 1.8 million square feet of high-quality industrial space for $210.7 million comprising eight brand new, Class A built-to-suit properties, all leased long term to investment-grade tenants
- Completed three expansion projects adding 261,000 square feet of new rental space for approximately $13.0 million
- Entered into commitments to purchase nine new build-to-suit properties containing 2.4 million total square feet, for $247.5 million which are scheduled to close in fiscal 2017 and 2018
- Renewed all three leases totaling 326,000 square feet that were scheduled to expire in fiscal 2016, resulting in a 100% tenant retention rate for the second consecutive year
- Increased rents on lease renewals by 5.3% on a U.S. GAAP straight-line basis
- Increased our sector leading occupancy rate by 190 basis points from 97.7% to 99.6% at fiscal yearend
- Extended our weighted average lease maturity from 7.2 years to 7.6 years currently
- Reduced our net debt to total market capitalization from 38.0% to 29.1%
- Increased our total market capitalization by 53% to $1.8 billion
- Raised $135.0 million in gross proceeds through our new Series C Perpetual Preferred offering at 6.125%
- Raised approximately $72.2 million in equity through our Dividend Reinvestment and Stock Purchase Plan
- Generated $4.4 million in net realized gains in addition to the $12.9 million in unrealized gains we held at fiscal yearend on our REIT securities investments
- Achieved a 100% occupancy rate subsequent to fiscal yearend

In the Digital age in which we live, replete with three second attention spans and ever-shorter investment horizons, our cycle-tested longevity stands out as a remarkable achievement. Publicly traded since 1968, Monmouth is one of the oldest REITs in the world. We are also one of the most specialized. By focusing exclusively on single-tenant, net-leased industrial properties on long-term leases to investment-grade tenants, we have delivered superior investment returns throughout the business cycle. Over our long history we have put together a high-quality industrial property portfolio with an all-star tenant roster that includes: Anheuser-Busch, Beam Suntory, Cardinal Health, Caterpillar, Coca-Cola, FedEx, GE, Home Depot, International Paper, Kellogg's, Sherwin-Williams, Siemens, ULTA Cosmetics, and United Technologies. Because 85% of our rental revenue is derived from long-term leases to investment-grade tenants, our earnings quality is among the highest in the REIT industry. Our property portfolio now comprises 100 properties containing 16.6 million rentable square feet, geographically diversified across 30 states.

We've positioned our portfolio to benefit from three long-term catalysts. First and foremost is the secular shift toward ecommerce. Second is strategically positioning our assets near major transportation hubs, major airports, and manufacturing plants that are integral to our tenant's operations. Third is strategically positioning our assets in anticipation of the shift in the global supply chain due to the recently completed Panama Canal expansion. As a result of seeing these developments well in advance of their occurrence, our Company enjoyed another stellar year in fiscal 2016. The migration toward on-line shopping was once again the biggest story in our consumer driven economy this past year. Excluding food and fuel, ecommerce now represents 13% of total retail spending and is climbing rapidly. We have carefully put together a portfolio that is benefiting from the substantial rise in ecommerce and we anticipate future growth from these three long-term catalysts.

Since 2010, our asset base has more than tripled in size. We have achieved this substantial growth without sacrificing our

This year represented our third consecutive year of double-digit AFFO per share growth.

high standards as illustrated in the three case studies featured in this year's annual report depicting some of our mission critical properties. This year's $210.7 million in acquisitions represented a record year for Monmouth. In fiscal 2016 we acquired eight brand-new Class A built-to-suit industrial properties containing a total of 1.8 million square feet. In keeping with our business model, all eight acquisitions are leased long term to investment-grade companies. These brand new, state-of-the-art industrial assets contain very modern automated systems that represent substantial investments that our tenants have made in each of our properties. We completed three expansion projects this year adding 261,000 square feet of new rental space for approximately $13 million. We have assembled a modern industrial property portfolio that contains substantial acreage to accommodate future growth. The land-to-building ratio on our recent acquisitions is 7:1 which will provide for future expansion space as needed. Growing our Company one high-quality asset at a time will continue to be our key focus. We are not striving to be the biggest company. Our goal is simply to be a better company.

"Not everything that is countable counts, and some of the things that count the most are not even countable."

– Albert Einstein

The above quote comes to mind with increasing frequency these days as the result of computers taking over so many aspects of our lives. Algorithms rapidly scan company financials in search of value but while they may be expert in quantitative analysis, they can barely scratch the surface when it comes to qualitative analysis. For instance, a computer will always tell you that a $5.00 per square foot rent is less than a $6.00 per square foot rent. However, to a wise investor the answer is it depends on who is paying the rent.

At Monmouth, we have assembled such a strong tenant roster that we sleep very well at night knowing the rent will be paid, the lease provisions will be fully honored, and the lease will most likely be renewed. It's really not very subtle, but to date it is still largely beyond the comprehension of the robo-investor community. For now, our shares are best suited for intelligent human beings with an appreciation for high-quality, reliable income streams.

Speaking of reliable income streams, with regards to our major tenant, FedEx, they quite simply deliver, and have done so for Monmouth since 1992. It is much too simplistic to argue that you should not have too many eggs in one basket. The determining factor should not be on how spread out your investments might be, but on the future prospects for those investments. FedEx has been riding the tsunami-like wave of demand generated by ecommerce and we have been growing right alongside them. Since the turn of the century, the U.S. economy has been growing at an annual rate of less than 3%. Meanwhile, on-line sales have been surging ahead at an annual rate of 15%. FedEx has been working very hard to keep up with this tremendous demand and we've been benefiting through the acquisition of several well-located, state-of-the-art distribution centers and numerous building expansions. The age old axiom that, "Demographics are destiny" rings true. When looking at today's youth, one is looking through a window at tomorrow. To the next generation, the most valuable piece of real estate is the screen on their cellphone. They are completely transfixed by what is taking place there and where that portal can take them. One place it can take them is to the largest marketplace in the world. From their smartphone they can purchase anything, anytime, anywhere and they do. Given the seismic shift that is taking place in consumer spending habits, we feel very confident that our exposure to one of the most profitable ecommerce giants in the world today, FedEx, will continue to pay substantial dividends for many years to come.

Over the 12 month period, the occupancy rate in our portfolio increased 190 basis points, from 97.7% at fiscal yearend in 2015, to a sector-leading 99.6% at the end of fiscal 2016. Subsequent to yearend, our occupancy rate has risen further and is now 100%. In fiscal 2016, 2% of our gross leasable area, representing three leases totaling approximately 326,000 square feet, was scheduled to expire. All three of these leases were renewed, giving Monmouth a 100% tenant retention rate for the second consecutive year. As the result of owning mission-critical facilities occupied by some of the strongest companies in the world, we have achieved a perfect 100% tenant retention rate in four of the past seven years. Our renewed leases this year have an average term of 4.1 years and an average lease rate of $4.20 per square foot, representing a 5.3% increase in GAAP rents. The weighted average lease maturity for our entire portfolio increased 6% this year to 7.6 years currently, with in-place leases going out as far as 2034. Given the secular shift toward on-line consumption, we believe that these favorable trends will persist for many years to come.

In fiscal 2016, we raised a total of $72.2 million in common stock through our Dividend Reinvestment and Stock Purchase Plan (DRIP). Investors who participate in our DRIP can enhance their returns by reinvesting their dividends and achieving a compounded return. This has proven to be a very reliable program to help fund our growth. Additionally, we financed our new acquisitions with low-cost, long-term mortgage debt, raising $141.6 million in conjunction with our fiscal 2016 acquisitions. Notwithstanding the FOMC's recent 25 basis point increase, interest rates remain at very low levels from a historical perspective. We have achieved investment spreads in excess of 250 basis points this year. In view of the significant positive investment spreads associated with our acquisition pipeline, for which we have already locked-in very favorable rates, we expect our investment returns to be meaningfully additive to our earnings in fiscal 2017.

One of the key ingredients needed to achieve the cycle-tested track record that we have enjoyed, is a strong balance sheet. This year we enhanced our already strong position. At fiscal yearend, our net debt to total market capitalization was a conservative 29%. Our total market capitalization was approximately $1.8 billion at fiscal yearend, representing a 53% increase over the prior year. Our capital structure is composed of approximately $618 million in debt, $193 million in perpetual preferred capital, and $984 million in equity capitalization. Eighty-six percent of our total debt is fixed-rate, with a weighted-average interest rate of 4.5% and a weighted-average maturity of 10.5 years. We ended the fiscal year with $95.7 million in cash, $124 million available from our recently expanded credit facility, as well as an additional $100 million potentially available from the facility's accordion feature. We also held $73.6 million in marketable REIT securities, representing 5% of our undepreciated assets. Our securities portfolio delivered outstanding results this year with net realized gains of $4.4 million and an additional $12.9 million in unrealized gains at yearend. Over the past seven years we have generated net realized gains of over $28 million from our REIT securities portfolio. During the year, we fully repaid a total of six loans with unamortized balances totaling $14.7 million, which unencumbered approximately $83 million worth of properties. Our Company is very well capitalized to continue to execute our qualitative growth strategy.

It is much too simplistic to argue that you should not have too many eggs in one basket. The determining factor should not be on how spread out your investments might be, but on the future prospects for those investments.

"Technology changes, markets evolve, but people remain the same."

– James Grant

Much of the liquidity in the public markets today is driven by Exchange Traded Funds (ETFs). These ETFs make their investment decisions based on computer algorithms. ETFs have become so ubiquitous that there are now ETFs of ETFs. Surely the original programmers of these algorithms never imagined nor contemplated the consequences of having formulaic investments in formulaic investments. History we have seen doesn't always repeat itself precisely, but it certainly does rhyme. It wasn't long ago that we had a huge housing bubble inflated with pools of pools of the very same mortgages. These were known as Collateralized Debt Obligations (CDOs). There was such an appetite for these complex instruments that Wall Street felt the need to create synthetic ones and we all remember how that story ended, right? ETFs today are very top heavy, meaning they favor size over quality. There is such a voracious appetite for these low-cost investment vehicles that they need to favor the larger more liquid stocks over all else. This bias forces these funds to behave irrationally at times by buying high and selling low. Because they have become such a dominant market presence, this irrationality can spread quickly. Similar to the CDO phenomena, any defects contained in these funds will become more glaring and problematic as they grow in size. The low investment return world, in which nearly everything is correlated, has given rise to these computerized-investment vehicles. While active investing has been out of favor of late, alpha will be generated in the future by those that can see what the computers cannot.

Monmouth's Core Funds from Operations (Core FFO), for fiscal 2016 were $50.3 million as compared with $35.3 million in the prior year. On a per share basis, Core FFO was $0.77 per diluted share this year, as compared to $0.60 per diluted share in fiscal 2015 representing a 28% increase. Growing our recurring earnings, or what is commonly referred to as Adjusted Funds from Operations (AFFO), is a major focus at Monmouth. AFFO excludes gains or losses on the sale of real estate and gains or losses on the sale of REIT securities, as well as lease termination income and the effects of straight-lined rent adjustments. Therefore, we believe AFFO serves as the best proxy for recurring cash earnings. This year represented our third consecutive year of double-digit per share growth for this important metric. Our AFFO per diluted share this year was $0.70 as compared to $0.57 per diluted share in the prior year, representing a 23% increase. As a result of our substantial recent acquisition and expansion activity, our increased occupancy, and our robust acquisition pipeline, we anticipate continuing to meaningfully grow our AFFO per share in fiscal 2017 and beyond.

With regards to the overall U.S. industrial market, our property sector is performing stronger than ever before. Net absorption through the first three quarters is up 18% over the prior year with 213 million square feet of positive net absorption for the nine month period. The U.S. industrial property sector has now registered 26 consecutive quarters of positive net absorption, marking the longest winning streak in over 20 years. This has resulted in a continued decline in vacancy rates, falling by 90 basis points from the prior year period to 5.6% currently. New construction has increased with 214 million square feet currently under construction. However, demand growth continues to outpace supply by a healthy margin. National industrial rental rates are up 5.1% this year and it is anticipated that rent growth will continue in 2017. Many analysts who have followed the industrial property sector closely for quite some time, have begun commenting on what we saw early on. Namely, that there is something fundamentally different about today's market that is driving demand growth to these record levels. The fundamental change is largely due to the structural changes in the supply chain brought about by ecommerce. We feel that we are still in the very early stages of this secular shift toward on-line consumption and that these favorable changes will continue for many years to come. Our portfolio is currently 100% occupied and our linkage to the digital economy is one of the big drivers of our success.

The yield on the benchmark U.S. 10 Year Treasury Note has been on the rise recently. This is not before hitting an all-time low of 1.34% earlier this year, following the U.K.'s withdrawal from the European Union. As of this writing, the Treasury Note is yielding around 2.6%, which is still substantially below its long-term average of 6.3%. Monmouth has been taking advantage of the protracted period of historically low interest rates by extending our debt maturities out as far as possible. Our weighted average debt maturity is now a very considerable 10.5 years and our weighted average interest rate is at an all-time low of 4.5%. This year we also successfully refinanced our $53.5 million Series A Perpetual Preferred Stock with proceeds from our new $135.0 million Series C issue. This successful transaction, which generated significant investor interest and was over-subscribed, helped us reduce our preferred dividend cost from 7.625% to 6.125%. These substantial improvements in our capital structure will benefit Monmouth for many years to come, regardless of what interest rates do in the future.

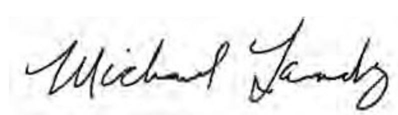
While active investing has been out of favor of late, alpha will be generated in the future by those that can see what the computers cannot.

REITs essentially house the broad economy. Assuming we are now in a rising interest rate environment, what does this mean for the REIT asset class as a whole and Monmouth's prospects more specifically? In the short term, due to their fixed-income component, public REIT stocks may very well see net cash outflows. However, assuming a strengthening economy, in the longer run REITs should benefit from higher occupancy and rental rates, rising net operating incomes, and increased inflation. The massive global monetary expansion that has taken place since the Global Financial Crisis of 2008, has thus far resulted in very limited economic growth. While technological advances have brought about near term deflation, inflationary forces have been mounting. Public debt as a percentage of GDP is at record levels here at home, and throughout the world. Real estate is one of the few safe harbors when increased inflation occurs. In an inflationary environment rents will reset higher, as rising land values and increased construction costs will require them to do so. Like a canary in a coal mine, foreign capital has recently been pouring into the U.S. commercial real estate sector in search of hard assets that can endure this cruelest tax of all. What is different this time is that the industrial property sector has become an important focus for many of these foreign investors.

In this new Internet Century, physical real estate often finds itself competing with virtual real estate. Brick and mortar retail and office assets have been going head to head against Websites and Clouds. As I stated in our shareholder letter a few years ago, there will be winners and losers, but in all industries, those companies that understand and embrace this new world order will be the successful ones. We recently developed some virtual real estate of our own with the launching of our new website. Our new corporate website illustrates the transformative growth that Monmouth has enjoyed over the past several years. The site allows the visitor to take a virtual tour of our property portfolio and contains a vast database of useful information for investors. I encourage you to visit our new website in order to more fully understand our unique Company (www.mreic.reit).

On behalf of the talented team at Monmouth, I am very happy to report the exceptional progress that is detailed throughout this year's annual report. Our business model of investing in well-located, mission-critical industrial properties, leased to investment-grade tenants has provided our shareholders with outperformance over the near, mid, and long term. I am proud to state that we were recently named by SNL Financial as one of the top 25 performing REITs over the past 10 years and we were the only Industrial REIT to make the list. I would like to thank our great team for their dedication and hard work. I would also like to thank our directors for their valuable input throughout. Thank you as well to our loyal long-term shareholders for the faith and trust that you have shown in our Company. We appreciate your support and we look forward to continuing our prosperous journey together.

Very truly yours,



Michael P. Landy
President and Chief Executive Officer

Mission-Critical Properties

Three Case Studies

Introduction

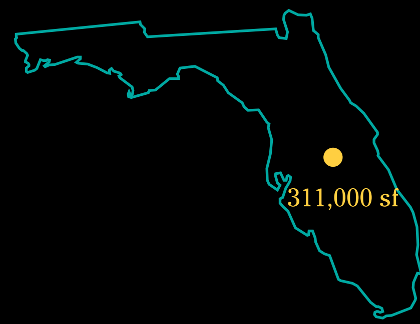
As of calendar yearend 2016, Monmouth owns 100 properties containing 16.6 million rentable square feet, geographically diversified across 30 states. Because approximately 85% of our rental revenue is secured by investment-grade tenants, including Anheuser-Busch, Beam Suntory, Coca-Cola, FedEx, GE, Home Depot, International Paper, Kellogg's, Sherwin-Williams, Siemens, and United Technologies, we possess the highest-quality income streams in the entire REIT sector. With a weighted-average building age of 9.9 years, ours is the youngest property portfolio in the industrial REIT sector.

Our industrial properties contain substantial acreage that provides for large truck courts, ample car parking, and future expansion capacity. In addition to highly-automated conveyor systems, and robotic-controlled packaging and sortation equipment, inside of our buildings you will find office space, conference rooms, presentation rooms, training rooms, break rooms, and data centers. Our state-of-the-art portfolio is currently 100% occupied because our buildings are integral to our tenants' operations.

Following are three Case Studies illustrating some of the attributes that make our real estate assets mission-critical properties for our tenants.

Case Study #1

FedEx Ground, Orlando, FL



Major retailers are drawn to our FedEx locations so they can have their goods delivered to their customers as fast as possible.

The entire FedEx Ground network has been expanding as a result of the continued growth in online sales. This past holiday season, FedEx shipped over 360 million packages. Since the turn of the century, every year has resulted in a new record amount of ecommerce deliveries. Because Monmouth now owns over 8% of the FedEx Ground network in the U.S., our property portfolio is very well positioned for continued outperformance.

Acquired in the fourth quarter of fiscal 2016, this 311,000 square foot, Class A built-to-suit distribution center, leased for 15 years to FedEx Ground, represents an excellent new addition to our portfolio. Situated upon a large 47-acre tract, this property contains parking for 200 twenty-eight-foot trailers, 68 fifty-three-foot trailers, 56 Home Delivery vans, and 560 automobiles. With nearly a 7:1 land-to-building ratio, this property provides ample space for future expansion as needed. Inside our building you will find FedEx's highly-automated, state-of-the-art conveyor and sortation systems capable of processing over 15,000 packages per hour. Our property is ideally located adjacent to Interstate 4, and is situated midway between downtown Orlando and Tampa.

The Orlando area is one of the leading tourist destinations in the world with over 60 million annual visitors. The Port of Tampa is one of our nation's largest seaports. Both Orlando and Tampa have large international airports. The Florida economy consistently ranks as one of the fastest growing state economies in our nation. The primary drivers of this growth have been strong net migration, low taxes and a consistently business-friendly environment. Florida has several of our nation's largest and fastest growing cargo seaports. The recently completed Panama Canal expansion is expected to transform global trade and drive even more shipping to this state.

With the rise of ecommerce, each of our FedEx locations has become a highly coveted foothold for large businesses. Major retailers are drawn to our FedEx locations because they can have their goods delivered to their customers as fast as possible. Immediately adjacent to our new FedEx Ground building, Walmart has recently constructed two immense ecommerce fulfillment centers comprising 2.35 million total square feet. As you can see from the nearby aerial photo, these Walmart buildings were drawn to our location like a magnet. This is not unusual, as FedEx Ground locations have become the nucleus of what is referred to today as a "logistics cluster." A logistics cluster is a geographically concentrated set of supply-chain related business activities. As you can see here, these giant ecommerce fulfillment centers were built specifically to flank our FedEx building in order to obtain maximum efficiency. Over time, this logistics cluster will likely expand further. Walmart has already been shipping substantial package volume through our FedEx building on a daily basis. As the result of Walmart's recent multi-billion-dollar purchase of ecommerce leader Jet.com, ecommerce fulfillment is expected to be a growing segment of their future business. Monmouth currently owns 12 properties, comprising 1.66 million square feet, strategically situated throughout the Sunshine State.

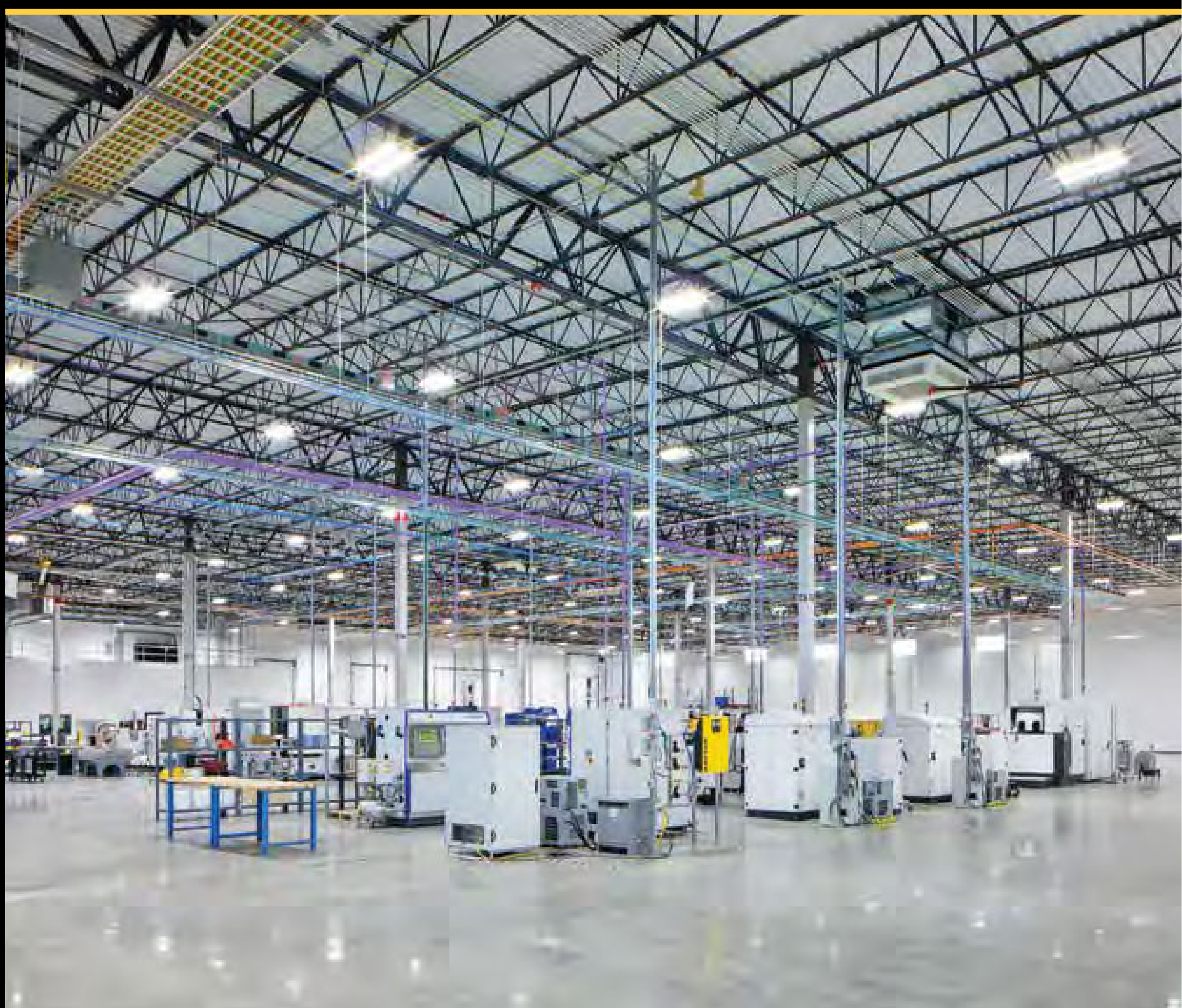
As you can see from the nearby aerial photo, these enormous Walmart buildings were drawn to our location like a magnet.


FedEx

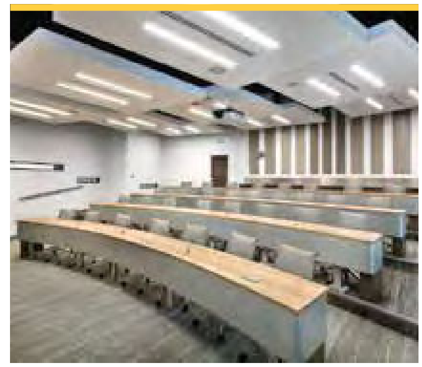
Case Study #2

General Electric's Center for Additive Technology Advancement, Pittsburgh, PA


126,000 sf



The global market for 3D printing is growing exponentially as companies increasingly use the technology for the design and production of commercial parts.



Formed in 1892, General Electric is one of the world's largest companies. GE has been investing billions of dollars in order to become a global leader in new digital technologies. As the world's largest maker of jet engines and gas turbines, they have been making greater use of additive manufacturing (3D printing) for equipment parts and prototypes.

GE's brand-new Center for Additive Technology Advancement (CATA) looks like a futuristic set for a science-fiction movie. The idea behind CATA, which is funded by each of the various GE businesses, is to bring 3D printing into the mainstream for all of their divisions. By having a shared facility, they can share the cost burden and advance cutting-edge technologies across the entire company much more rapidly than if they were to invest individually.

The global market for 3D printing is growing exponentially as companies increasingly use the technology for the design and production of commercial parts. The aviation industry was one of the early adopters because it enables more complex designs and lighter parts. It is also a much more efficient process that substantially cuts down on the waste of expensive building materials. 3D printers build objects by fusing together thin layers of materials such as plastic powder, metal or liquid resin. The parts, built from computer-drawn blueprints, can be used to make products ranging from car parts to surgical implants. GE expects to print 40,000 fuel nozzles for jet engines by 2020 using these technologies.

Located just three miles from the Pittsburgh International Airport and adjacent to the Pennsylvania Turnpike, sits our unique property, leased for 10 years to GE. One of the reasons GE picked this location is the substantial talent pool that nearby Carnegie Mellon University provides. Some of the world's top scientists perform leading-edge research in these new technologies at Carnegie Mellon. At our property, GE employs over 50 full-time people.

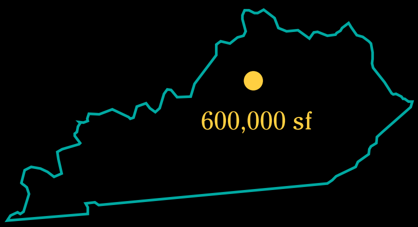
Our 126,000 square foot building is situated on 34 acres. The ample acreage provides a land-to-building ratio of nearly 12:1. Therefore, we can easily accommodate substantial future expansion as needed. Inside of our building, engineers and technicians experiment with new ways to make things. They will use lasers to fuse metal powder into machine parts, or a 3D printer to layer one polymer on top of another. These are just two examples of some of their innovative, new building methods. Once they've perfected their approach, full-scale production is turned over to the company's individual businesses. In addition to all of GE's high-tech equipment, inside of our building you will find a large reception area, significant office space, large data rooms, conference rooms, and a multi-tiered presentation room. Our building has state-of-the-art teleconferencing capabilities in order to hold meetings and conduct presentations with other top scientists throughout the world. To date, GE has invested over $40 million in this building and it is visited by all of their division heads annually.

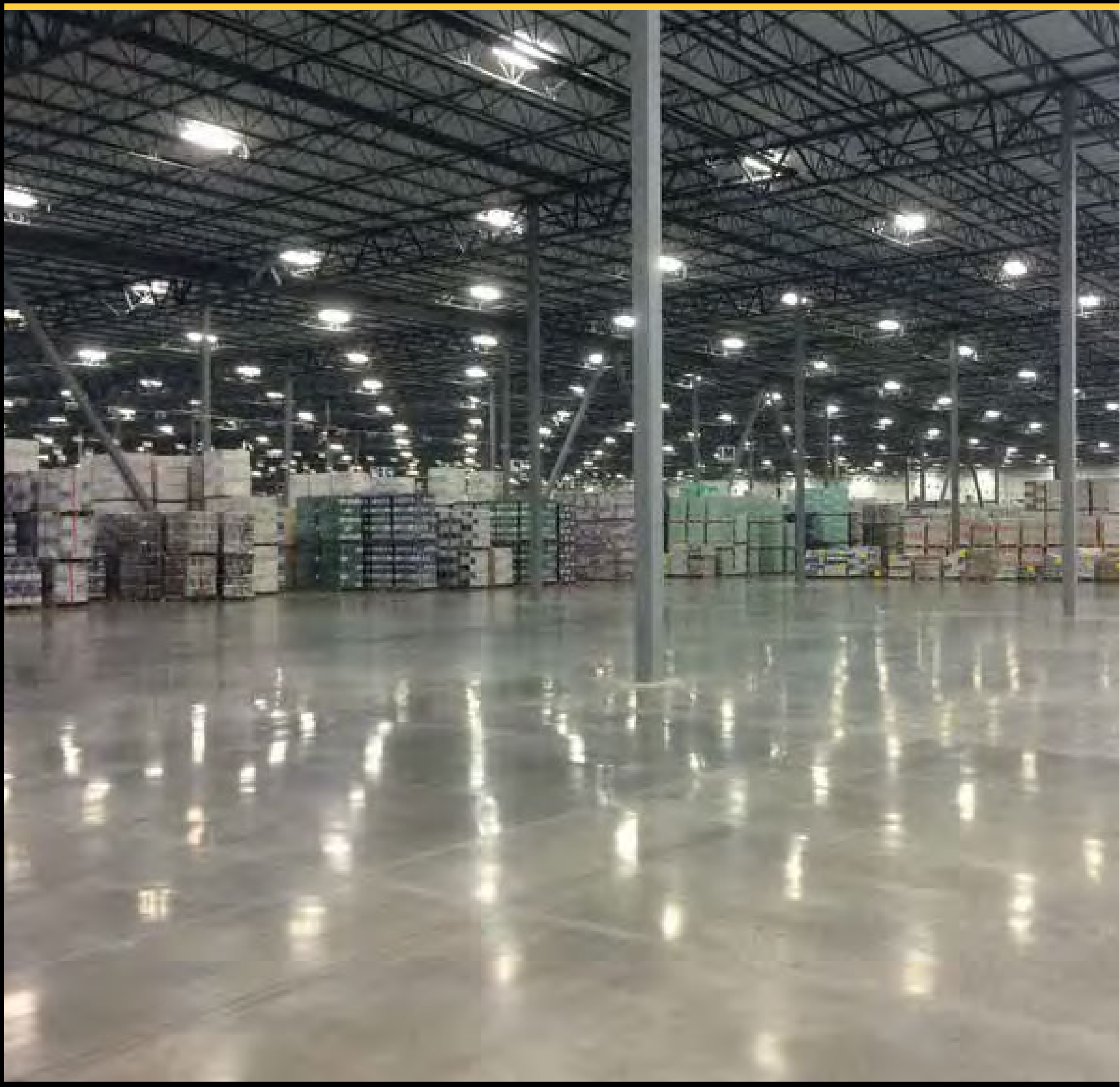
Acquired by Monmouth upon completion in the second quarter of fiscal 2016, we are very proud to have this vital property in our portfolio. This facility serves as an essential asset for GE today, and given the revolutionary advancements that these technologies represent, we believe that it should continue to do so for many years to come.

This facility serves as an essential asset for GE today, and we believe that it should continue to do so for many years to come.

Case Study #3

Beam Suntory, Frankfort, KY


600,000 sf



Our modern, 600,000 square foot facility, leased for 10 years to Beam Suntory, is situated at the center of the bourbon capital of the world.

Rep. Andy Barr (R-KY), second from left, recently visited with Monmouth Real Estate and Jim Beam senior management, at our Beam Suntory facility.

Over 200 years ago, when farmers began making whiskey out of native corn in a place called Bourbon County, Kentucky, they were unaware that their labors would ultimately play a role in American history. Today, 95% of all bourbon is made in Kentucky. Its reputation is sealed as the bourbon capital of the world due to the Kentucky water, which is rich in limestone, the summer ripened corn, and the special woods that are used for fermentation. In 1964, Congress passed a resolution declaring that bourbon was an indigenous American product. As a result, no other country can make a product and call it "bourbon." Hence it became "America's Official Native Spirit."

The history of Suntory began in 1899 when the founder, Shinjiro Torii, started producing sweet wines. He then courageously produced the first Japanese whiskey, and today, Suntory is the top whiskey distiller in Japan. They are best known for their flagship single-malt whiskeys, Yamazaki and Hakushu, as well as their blended whiskey, Hibiki. These products are enjoying strong growth globally.

As the world's third-largest premium spirits company, Beam Suntory employs over 4,400 people, with offices worldwide. Beam Suntory has a dynamic portfolio of brands that in addition to their flagship Jim Beam Bourbon, includes Maker's Mark Bourbon, Knob Creek Bourbon, Laphroaig Scotch, Teacher's Scotch, Canadian Club Whisky, Courvoisier Cognac, Sauza Tequila, Pinnacle Vodka, Cruzan Rum, and others. The bourbon industry has been experiencing tremendous sales growth both domestically and internationally.

Acquired by Monmouth upon completion in the first quarter of fiscal 2015, this Class A distribution center is leased for 10 years to Beam Suntory. Our modern, 600,000 square foot facility is situated along the Bourbon Trail, in the Kentucky state capital of Frankfort. The Kentucky Distillers' Association formed the Kentucky Bourbon Trail in order to give visitors a firsthand look at the art and science of crafting bourbon, and to educate them about the rich history and proud tradition of America's signature spirit. Tourists from all over the world have been coming in increasing amounts to visit this beautiful area. In close proximity to our property, Beam Suntory has a large distillery and bottling plant that produces over 11 million cases per year. Most of this product ships out of our facility. Our huge, 92-acre property is strategically located on the I-64 distribution corridor between Louisville and Lexington. This property's 7:1 land-to-building ratio will allow for the expansion of this facility to over one million total square feet, as needed.

Over the past three years, the Kentucky Bourbon industry has more than doubled its workforce, tripled its number of distilleries, and set new records for exports and barrel inventories. Today, there are more than five million barrels of bourbon and other whiskeys aging in Kentucky. We are very pleased to own this new facility situated at the center of the bourbon capital of the world and we anticipate a long-term, mutually rewarding relationship with this iconic company.

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Conclusion

As you can see, we continue to grow our Company one high-quality asset at a time. While gaining scale is important, it will never be done at the expense of quality. Our property portfolio performed exceptionally well during the Global Financial Crisis. Our occupancy rate and our earnings were strong throughout the deep and protracted recession. Additionally, our cash dividend was maintained throughout. We view our outperformance during this stress-tested period as a strong validation of our thoughtful, conservative, long-term approach. We are one of the very few REITs that is paying out a higher per-share cash dividend today than we did prior to the Global Financial Crisis. At Monmouth, we are not striving to be the largest Company. Our goal is simply to be a better Company.

Financial Highlights

The following is a calendar yearend common stock review:

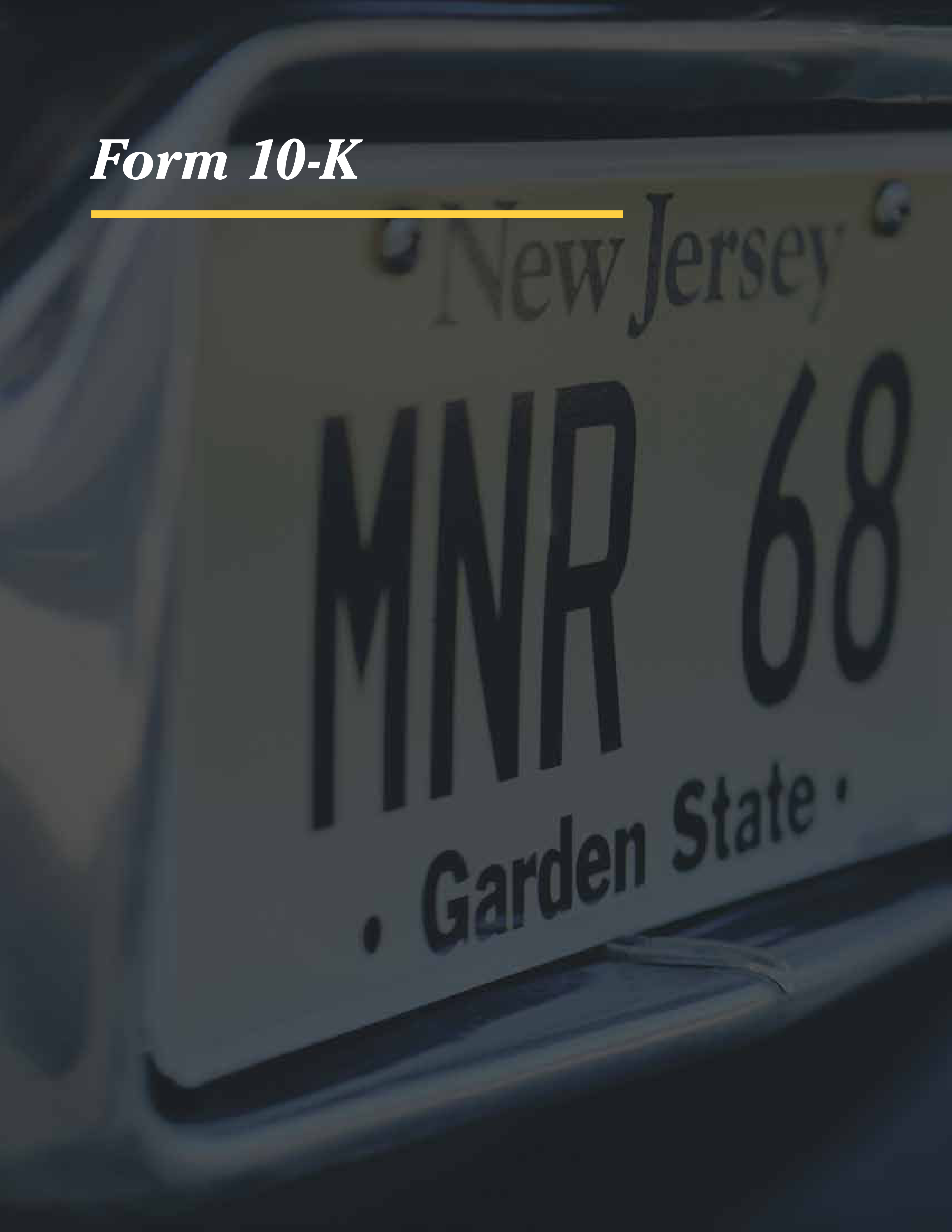
Year	Share Volume	Opening Price ($)	Closing Price ($)	Dividend Paid ($)	Appreciation (Depreciation)	Total Return
2016	80,440,900	10.46	15.24	0.64	45.7%	**53.5%**
2015	53,003,500	11.07	10.46	0.61	–5.5%	**0.3%**
2014	58,753,100	9.09	11.07	0.60	21.8%	**29.2%**
2013	33,110,000	10.36	9.09	0.60	–12.3%	**–6.8%**
2012	25,103,100	9.15	10.36	0.60	13.2%	**20.0%**
2011	28,851,500	8.50	9.15	0.60	7.6%	**15.7%**
2010	19,344,900	7.43	8.50	0.60	14.4%	**23.7%**

The shares of common stock of Monmouth Real Estate Investment Corporation are traded on the New York Stock Exchange (NYSE:MNR).

The following is a fiscal year Core FFO and dividend summary:

Fiscal Year Ended September 30	Core Funds From Operations ($)	Dividends Per Share ($)
2016	50,270,633	0.64
2015	35,276,535	0.60
2014	29,482,323	0.60
2013	27,852,944	0.60
2012	27,126,804	0.60

Form 10-K



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Chairman of the Board

Michael P. Landy
President and
Chief Executive Officer

Samuel A. Landy
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UMH Properties, Inc.

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Managing Director
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Stephen B. Wolgin
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