

MONMOUTH REAL ESTATE INVESTMENT CORP
Form 8-K
February 25, 2004

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange
Act of 1934

Date of Report (Date of earliest event reported)
February 23, 2004

MONMOUTH REAL ESTATE INVESTMENT CORPORATION
(Exact name of Registrant as specified in its charter)

Maryland	0-4258	22-1897375
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification Number)

3499 Route 9N, Suite 3C, Freehold, NJ 07728
(Address of principal executive offices)

Registrant's telephone number, including area code(732) 577-9996

(Former name or former address, if changed since last report.)

Item 5. Other Events.

On February 23, 2004, Monmouth Real Estate Investment Corporation (Registrant) purchased a 170,779 square foot industrial building in Tampa, Florida, from Regional Development Group, Inc. This industrial building is 100% leased to FedEx Ground Package System, Inc., a subsidiary of

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Federal Express Corporation, under a net lease for 15 years (the FedEx lease). The purchase price was approximately \$17,700,000. Monmouth Real Estate Investment Corporation paid cash of \$400,000, borrowed approximately \$4,500,000 against its security portfolio with Wachovia Securities and obtained a mortgage of approximately \$12,800,000. This mortgage payable is at an interest rate of 6.0% and is due 2019. The property acquired is commercial rental property and will continue to be used as such. Registrant will account for this transaction as a purchase.

The following are the material factors to be considered in assessing the property:

- Description of Property - The property acquired is a 170,779 square foot industrial building located at 8411 Florida Mining Boulevard, Hillsborough County, Tampa, Florida, on approximately 18 acres. The property includes 163,988 square feet of warehouse space and 6,791 square feet of office space.

- Occupancy Rate and Number of Tenants - Construction on the commercial rental property acquired was completed in 2004. Commencing February 1, 2004, the property was 100% occupied under a 15-year net lease agreement with FedEx Ground Package System, Inc. This FedEx lease agreement provides that operating expenses, including property taxes, insurance, landscaping, utilities and repairs in the ordinary course of business, be borne by the tenant.

- Principal Business of Tenant - FedEx Ground Package System, Inc. uses this property as a warehouse facility. The Registrant believes that FedEx Ground Package System, Inc. will continue to use this property as such.

- Principal Provisions of the FedEx Lease - The following are the principal provisions of the FedEx lease:

Term	Monthly Rent
2/01/04 - 1/31/19	\$117,681

At the end of the lease term, the tenant has two (5) year options. Base rent during the first option term shall be \$129,450 per month. Base rent during the second option term shall be \$135,922 per month.

The Seller assigned the lease to the Registrant.

- Basis of Acquired Property for Depreciation - The basis for depreciation is the purchase price of the property. Approximately \$12,700,000 of the purchase price is attributable to building and improvements, which will be depreciated over a 39 year life on a straight-line basis (Modified Accelerated

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Recovery System). The residual is attributable to land.

- Anticipated Capital Improvements - The Registrant does not anticipate any significant capital improvements during the term of the lease described above.

- Insurance Coverage - Insurance on the property is the responsibility of the tenant.

Registrant knows of no other material factors relating to the property acquired other than those discussed in this Form 8-K.

The following is pro forma financial information. The impact of the property acquired to the financial statements of the Registrant is as follows:

ADJUSTMENTS TO STATEMENT OF INCOME

Rental and Occupancy Charges - Increase of \$1,412,000 based upon scheduled rent in accordance with the FedEx lease terms.

Interest Expense - Increase of \$892,000 based upon a mortgage of \$12,800,000 at 6.0% interest with total monthly principal and interest payments of \$91,700, and a margin line increase of \$4,500,000, currently at 2.75%.

Depreciation Expense - Increase of \$326,000 based upon approximately 12,700,000 of the purchase price being attributed to building and improvements, and straight-line depreciation over a 39 year life.

Net Income - Increase of \$194,000 (rental and occupancy charges less interest expense and depreciation expense).

The effect of cash made available by operations will be an increase of \$520,000 (net income plus depreciation).

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ADJUSTMENTS TO THE BALANCE SHEET AT DATE OF PURCHASE

Land, Buildings, Improvements and Equipment - Increase of \$17,700,000, based on the purchase price and closing costs.

Loans Payable - Increase of \$4,500,000, the total amount used on the margin line.

Mortgages Payable - Increase of \$12,800,000, the

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amount of the mortgage on the acquired property.

Cash - Decrease of \$400,000, the cash paid on the acquired property.

Registrant knows of no other financial statement item which would be materially affected by the acquired property.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MONMOUTH REAL ESTATE INVESTMENT CORPORATION

/s/ Anna T. Chew
ANNA T. CHEW
Chief Financial Officer

Date February 23, 2004