MONMOUTH REAL ESTATE INVESTMENT CORP
Form 424B5
November 27, 2006
SUBJECT TO COMPLETION, DATED NOVEMBER 27, 2006

This prospectus supplement relates to an effective registration statement under the Securities Act of 1933, but is not complete and may be changed. This prospectus is not an offer to sell these securities, and it is not soliciting an offer to buy these securities, in any state where the offer or sale is not permitted.

Filed Pursuant to Rule 424(b)(5)
Registration No. 333-136896

PROSPECTUS SUPPLEMENT
(To Prospectus dated October 3, 2006)

1,000,000 Shares

Monmouth Real Estate Investment Corporation

% Series A Cumulative Redeemable Preferred Stock

Liquidation Preference Equivalent to $25.00 Per Share

We are offering 1,000,000 shares of our % Series A Cumulative Redeemable Preferred Stock, which we refer to as Series A Preferred Stock. We have granted the underwriters an option to purchase up to 150,000 additional shares to cover over-allotments.

We will pay cumulative dividends on the Series A Preferred Stock from (and including) , 2006 in the amount of $ per share each year, which is equivalent to % of the $25.00 liquidation preference per share. Dividends will be payable quarterly in arrears, on March 15, June 15, September 15, and December 15, commencing on March 15, 2007. The Series A Preferred Stock has no maturity and will remain outstanding indefinitely unless redeemed or otherwise repurchased. Except in limited circumstances relating to our qualification as a real estate investment trust, or REIT, and as described below, the Series A Preferred Stock is not redeemable prior to , 2011. On and after , 2011, at any time and from time to time the Series A Preferred Stock will be redeemable in whole, or in part, at our option, at a cash redemption price of $25.00 per share, plus all accrued and unpaid dividends (whether or not declared) to the date of redemption.

During any period of time that both (i) the Series A Preferred Stock is not listed on the New York Stock Exchange, or NYSE, the American Stock Exchange, or AMEX, or NASDAQ and (ii) we are not subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act, but any shares of Series A Preferred Stock are outstanding, we will (a) increase the cumulative cash dividends payable on the Series A Preferred Stock to a fixed rate of $ per share per year, which is equivalent to % of the $25.00 liquidation preference per share and (b) have the option to redeem the outstanding Series A Preferred Stock, in whole but not in part, within 90 days after the date upon which the shares cease to be listed and we cease to be subject to such reporting requirements, for a redemption price of $25.00 per share, plus accrued and unpaid dividends, if any, to the redemption date.

Holders of the Series A Preferred Stock generally have no voting rights, except if we fail to pay dividends for six or more quarterly periods, whether or not consecutive, or with respect to certain specified events.

We have applied to list the shares on the NASDAQ under the symbol MNRTP. We expect trading of the shares on the NASDAQ to commence within the 30-day period after the initial delivery of the shares.

Investing in the Series A Preferred Stock involves risks, including those that are described in the Risk Factors sections beginning on page S-6 of this prospectus supplement, page 3 of the accompanying prospectus and page 6 of our Annual Report on Form 10-K/A for the fiscal year ended September 30, 2005, which is incorporated herein by reference.

	Per Share	Total
Public Offering Price(1)	$ 25.00	$ 25,000,000
Underwriting Discount		
Proceeds to us (before expenses)	$	$

(1) Plus accrued dividends, if any, from , 2006.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

We expect that delivery of the shares offered hereby in book-entry form only will be made against payment therefor in New York, New York on or about , 2006.

Stifel Nicolaus

Cohen & Steers

Ryan, Beck & Co.

Ferris, Baker Watts
Incorporated

The date of this prospectus supplement is November , 2006

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ABOUT THIS PROSPECTUS SUPPLEMENT

You should rely only on the information contained in or incorporated by reference into this prospectus supplement, the accompanying prospectus and any free writing prospectus we may authorize to be delivered to you. We have not authorized anyone to provide you with different or additional information. We are offering to sell, and seeking offers to buy, the securities only in jurisdictions where offers and sales are permitted. You should not assume that the information appearing in this prospectus supplement, the accompanying prospectus, any free writing prospectus or the documents incorporated by reference is accurate as of any date other than their respective dates. Our business, financial condition, results of operations and prospects may have changed since those dates.

This document is in two parts. The first part is this prospectus supplement, which adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference into the accompanying prospectus. The second part is the accompanying prospectus, which gives more general information, some of which may not apply to this offering. This prospectus supplement adds, updates and changes information contained in the accompanying prospectus and the information incorporated by reference.

In this prospectus supplement, the words we, our, ours and us refer to Monmouth Real Estate Investment Corporation and its subsidiaries unles the context indicates otherwise. The following summary contains basic information about the offering.

FORWARD-LOOKING STATEMENTS

Statements contained in this prospectus supplement and the accompanying prospectus, including the documents that are incorporated by reference, that are not historical facts are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). Also, when we use any of the words anticipate, assume, believe, estimate, expect, intend, or similar expressions, we are making forward-looking statements. The forward-looking statements are not guaranteed and are based on our current intentions and on our current expectations and assumptions. These statements, intentions, expectations and assumptions involve risks and uncertainties, some of which are beyond our control, that could cause actual results or events to differ materially from those we anticipate or project, such as:

- the ability of our tenants to make payments under their respective leases, our reliance on certain major tenants and our ability to re-lease properties that are currently vacant or that become vacant;
- our ability to obtain suitable tenants for our properties;
- changes in real estate market conditions and general economic conditions;
- the inherent risks associated with owning real estate, including local real estate market conditions, governing laws and regulations and illiquidity of real estate investments;
- our ability to sell properties at an attractive price;
- our ability to repay debt financing obligations;
- our ability to refinance amounts outstanding under our credit facilities at maturity on terms favorable to us;
- the loss of any member of our management team;
- our ability to comply with certain debt covenants;
- our ability to integrate acquired properties and operations into existing operations;
- continued availability of proceeds from our debt or equity capital;
- the availability of other debt and equity financing alternatives;
- market conditions affecting our equity capital;
- changes in interest rates under our current credit facilities and under any additional variable rate debt arrangements that we may enter into in the future;
- our ability to implement successfully our selective acquisition strategy;
- our ability to maintain internal controls and processes to ensure all transactions are accounted for properly, all relevant disclosures and filings are timely made in accordance with all rules and regulations, and any potential fraud or embezzlement is thwarted or detected;
- changes in federal or state tax rules or regulations that could have adverse tax consequences; and
- our ability to qualify as a real estate investment trust for federal income tax purposes.

You should not place undue reliance on these forward-looking statements, as events described or implied in such statements may not occur. We undertake no obligation to update or revise any forward-looking statements as a result of new information, future events or otherwise.

SUMMARY

The following summary is qualified in its entirety by the more detailed information and consolidated financial statements and notes thereto appearing elsewhere in, or incorporated by reference into, this prospectus supplement and the accompanying prospectus.

The Company

General

Monmouth Real Estate Investment Corporation is a leading owner and acquirer of net leased industrial properties. Currently, we seek to invest in well-located, modern buildings leased to creditworthy tenants on long-term leases and derive our income primarily from the rental of these facilities. At November 1, 2006, we owned approximately 4,650,000 square feet of property, of which approximately 1,661,108 square feet, or 36%, was leased to Federal Express Corporation and its subsidiaries. We were established in 1968 and reincorporated as a Maryland corporation in 2003, and operate as a real estate investment trust (REIT) under Sections 856 through 859 of the Internal Revenue Code of 1986, as amended (the Code).

At November 1, 2006, we had investments in forty-two properties. These properties are located in Alabama, Arizona, Colorado, Connecticut, Florida, Georgia, Illinois, Iowa, Kansas, Maryland, Massachusetts, Michigan, Mississippi, Missouri, Nebraska, New Jersey, New York, North Carolina, Ohio, Pennsylvania, South Carolina, Virginia, and Wisconsin. All properties are managed by a management company affiliated with one of our directors. All properties are leased on a net basis except the property located in Monaca, Pennsylvania.

We have an investment policy that concentrates our investments in the area of net-leased industrial properties. Our strategy is to obtain a favorable yield spread between the yield from the net-leased industrial properties and mortgage interest costs. We continue to purchase net-leased industrial properties, because our management believes that there is a potential for long-term capital appreciation through investing in well-located industrial properties.

We also continue to invest in both debt and equity securities of other REITs. At November 1, 2006, we had a portfolio of approximately $11,500,000 invested in other REITs. Approximately 65% of our investment portfolio was in REIT preferred equity and debt securities. We, from time to time, may purchase these securities on margin when the interest and dividend yields exceed the cost of the funds. Such securities are subject to risk arising from adverse changes in market rates and prices, primarily interest rate risk relating to debt securities and equity price risk relating to equity securities.

Our executive offices are located at Juniper Business Plaza, Suite 3-C, 3499 Route 9 North, Freehold, New Jersey 07728, and our telephone number is (732) 577-9996. Our website is located at www.mreic.com. Information contained on our website is not a part of this prospectus supplement.

Recent Developments

Recent Financial Results

On November 27, 2006, we disclosed the following preliminary unaudited operating results as of and for our fiscal year ended September 30, 2006, with the comparative audited information for our fiscal year ended September 30, 2005:

	Year Ended September 30, 2006 (Unaudited) (rounded to the nearest hundred thousand)	**Year Ended September 30, 2005(2) (Audited)**
Rent and occupancy charges	$ 26,500,000	$ 24,511,877
Total expenses	13,100,000	11,882,055
Other Income (expense)(1)	(7,200,000)	(3,583,000)
Net income(1)	6,200,000	9,046,822

	At September 30, 2006 (Unaudited)
Total assets	$ 241,900,000
Total liabilities	134,300,000
Shareholders equity	107,600,000

(1) The increase in other income (expense) and the resulting decrease in net income in fiscal 2006 are due mainly to the fact that fiscal 2005 audited results included a net gain on securities transactions of $1,525,325 and a gain on the dissolution of an equity investment of $1,269,179.

(2) During 2006, we sold one industrial property which will result in a reclassification of approximately $209,577 of rent and occupancy charges and $93,400 in total expenses to discontinued operations for our fiscal year ended September 30, 2005.

Recent Acquisitions and Expansions

In July 2006, we acquired a 215,720 square foot industrial property for a total purchase price of approximately $15,100,000. We are also in the process of expanding our property in Beltsville, Maryland from 109,705 square feet to 144,523 square feet for a total estimated project cost of approximately $4,300,000.

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The Offering

Issuer	Monmouth Real Estate Investment Corporation, a Maryland corporation.
Securities Offered	1,000,000 shares (1,150,000 shares if the underwriters over-allotment option is exercised in full), of % Series A Cumulative Redeemable Preferred Stock, par value $0.01 per share.
Dividend Rate and Payment Dates	Dividends on the offered shares are cumulative from , 2006 and are payable quarterly in arrears on the fifteenth day of March, June, September and December of each year, or, if not a business day, the next succeeding business day, when and as authorized by our board of directors and declared by us, beginning on March 15, 2007. We will pay cumulative dividends on the Series A Preferred Stock at the fixed rate of $ per share each year, which is equivalent to % of the $25.00 liquidation preference per share. The first dividend we will pay on March 15, 2007 will be for less than a full quarter and will cover the period from the first date we issue and sell the Series A Preferred Stock shares through February 28, 2007. Dividends on the Series A Preferred Stock will continue to accumulate even if any of our agreements prohibit the current payment of dividends, we do not have earnings or funds legally available to pay the dividends or we do not declare the payment of the dividends. See Description of Series A Preferred Stock Dividends on page S-10 of this prospectus supplement.
	However, during any period of time that both (i) the Series A Preferred Stock is not listed on the NYSE, AMEX or NASDAQ and (ii) we are not subject to the reporting requirements of the Exchange Act, but any Series A Preferred Stock is outstanding, we will increase the cumulative cash dividends payable on the Series A Preferred Stock to a fixed rate of $ per share per year, which is equivalent to % of the $25.00 liquidation preference per share.
Liquidation Preference	The liquidation preference of each share of Series A Preferred Stock is $25.00. Upon liquidation, holders of Series A Preferred Stock will be entitled to receive the liquidation preference with respect to their Series A Preferred Stock plus an amount equal to any accrued but unpaid dividends with respect to such shares. See Description of Series A Preferred Stock Liquidation Preference on page S-11 of this prospectus supplement.

Optional Redemption	The Series A Preferred Stock is not redeemable prior to , 2011, except pursuant to provisions of our charter relating to restrictions on ownership and transfer of the Series A Preferred Stock or in limited circumstances relating to the preservation of our qualification as a REIT and as set forth under the caption Special Optional Redemption below. On and after , 2011, the Series A Preferred Stock will be redeemable at our option for cash, in whole or, from time to time, in part, at a price per share equal to $25.00, plus all accrued and unpaid dividends (whether or not declared), if any, to the redemption date, on each share of Series A Preferred Stock to be redeemed.
Special Optional Redemption	During any period of time that both (i) the Series A Preferred Stock is not listed on the NYSE, AMEX or NASDAQ and (ii) we are not subject to the reporting requirements of the Exchange Act, but any Series A Preferred Stock is outstanding, we will have the option to redeem any outstanding Series A Preferred Stock, in whole but not in part, within 90 days after the date upon which the Series A Preferred Stock ceases to be listed and we cease to be subject to such reporting requirements, for a redemption price of $25.00 per share, plus all accrued and unpaid dividends, if any, to the redemption date.
Maturity	The Series A Preferred Stock does not have a maturity date. Accordingly, the Series A Preferred Stock will remain outstanding indefinitely unless we decide to redeem it.
Restriction on Ownership and Transfer	No person may own, or be deemed to own by virtue of the attribution rules of the Code more than 9.8% in value or in number of shares of our outstanding stock (other than shares of our excess stock), subject to certain exceptions. In addition, no person may own, or be deemed to own, shares of our stock (other than shares of our excess stock) that would result in shares of our stock being owned by fewer than 100 persons, us being closely held within the meaning of Section 856 of the Code or us otherwise failing to qualify as a REIT under the Code. See Description of Capital Stock REIT Related Restrictions in the accompanying prospectus.
Ranking	The Series A Preferred Stock will rank, as to dividend rights and rights upon our liquidation, dissolution or winding up, senior to our common stock and equal to any equity securities that we may issue in the future, the terms of which specifically provide that such equity securities rank equal to the Series A Preferred Stock. The terms of the Series A Preferred Stock do not limit our ability to (i) incur indebtedness that is senior to the Series A Preferred Stock or (ii) issue additional stock that is equal in rank therewith.

Voting Rights	Holders of the Series A Preferred Stock will generally have no voting rights. However, if dividends on any outstanding Series A Preferred Stock have not been paid for six or more quarterly periods (whether or not declared or consecutive), holders of the Series A Preferred Stock (voting separately as a class with all other series of preferred stock upon which like voting rights have been conferred and are exercisable) will be entitled to elect two additional directors to our board of directors to serve until all accrued and unpaid dividends on the Series A Preferred Stock have been fully paid or declared and set apart for payment. In addition, certain material and adverse changes to the terms of the Series A Preferred Stock cannot be made without the affirmative vote of holders of at least 66-2/3% of the outstanding Series A Preferred Stock, voting as a separate class. See Description of Series A Preferred Stock Voting Rights beginning on page S-13 of this prospectus supplement.
Listing	We have applied to list the Series A Preferred Stock on NASDAQ under the symbol MNRTP. We expect trading on NASDAQ will commence within 30 days after the initial delivery of the Series A Preferred Stock to the underwriters. We cannot assure you that our listing application will be approved.
Form	The Series A Preferred Stock will be issued and maintained in book-entry form registered in the name of the nominee of The Depository Trust Company except under limited circumstances.
Use of Proceeds	We intend to use the proceeds of this offering to fund expansion of our properties, to purchase additional properties, to repay indebtedness under our credit facility and for general corporate purposes. See Use of Proceeds beginning on page S-8 of this prospectus supplement.
Risk Factors	You should read carefully the Risk Factors beginning on page S-6 of this prospectus supplement and page 3 of the accompanying prospectus, as well as the risk factors relating to our business that are incorporated by reference in this prospectus supplement and the accompanying prospectus, for certain considerations relevant to investing in the Series A Preferred Stock.

RISK FACTORS

You should carefully consider the risks described below, as well as the risks described in the documents incorporated by reference in this prospectus supplement and the accompanying prospectus, before making a decision to invest in the Series A Preferred Stock. These risks are not the only ones faced by us. The trading price of the Series A Preferred Stock could decline due to any of these risks, and you may lose all or part of your investment. This prospectus supplement and the accompanying prospectus and the documents incorporated herein and therein by reference also contain forward-looking statements that involve risks and uncertainties. Actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks faced by us described below, on page 3 of the accompanying prospectus and in the documents incorporated herein by reference, particularly our Annual Report on Form 10-K/A for the fiscal year ended September 30, 2005.

Risks Relating to This Offering

There is no established market for the Series A Preferred Stock and the market value of the Series A Preferred Stock could be substantially affected by various factors.

The Series A Preferred Stock is a new issue of securities with no established trading market. We have applied to list the Series A Preferred Stock on NASDAQ. We cannot assure you that our listing application will be approved by NASDAQ. Even if approved for listing by NASDAQ, an active trading market on NASDAQ for the Series A Preferred Stock may not develop or last, in which case the trading price of the Series A Preferred Stock could be adversely affected. If an active trading market does develop on the NASDAQ, the Series A Preferred Stock may trade at prices higher or lower than its initial offering price.

The trading price of our Series A Preferred Stock would also depend on many factors, including:

- prevailing interest rates;
- the market for similar securities;
- general economic conditions;
- our financial condition, results of operations and prospects; and
- the matters discussed in the prospectus under the captions Risk Factors and Forward-Looking Statements.

We have been advised by some of the underwriters that they intend to make a market in our Series A Preferred Stock, but they are not obligated to do so and may discontinue market-making at any time without notice.

Our ability to pay dividends is limited by the requirements of Maryland law.

Our ability to pay dividends on the Series A Preferred Stock is limited by the laws of Maryland. Under Maryland General Corporation Law, a Maryland corporation may not make a distribution if, after giving effect to the distribution, the corporation would not be able to pay its debts as the debts become due in the usual course of business, or the corporation s total assets would be less than the sum of its total liabilities plus the amount that would be needed, if the corporation were dissolved at the time of the distribution, to satisfy the preferential rights upon dissolution of stockholders whose preferential rights are superior to those receiving the distribution. Accordingly, we may not make a distribution on the Series A Preferred Stock if, after giving effect to the distribution, we would not be able to pay our debts as they become due in the usual course of business or our total assets would be less than the sum of our total liabilities plus the amount that would be needed to satisfy the preferential rights upon dissolution of the holders of any preferred shares then outstanding, if any, with preferences senior to those of the Series A Preferred Stock.

We may incur additional indebtedness, which may harm our financial position and cash flow and potentially impact our ability to pay dividends on the Series A Preferred Stock.

Our governing documents do not limit us from incurring additional indebtedness and other liabilities. As of October 31, 2006, we and our subsidiaries had outstanding approximately