MONMOUTH REAL ESTATE INVESTMENT CORP
Form 10-K
December 12, 2011

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT

OF 1934

For the fiscal year ended September 30, 2011

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period ____________________ to ____________________

Commission File Number 001-33177

MONMOUTH REAL ESTATE INVESTMENT CORPORATION

(Exact name of registrant as specified in its charter)

Maryland 22-1897375

(State or other jurisdiction of (I.R.S. Employer

incorporation or organization) Identification No.)

3499 Route 9 North, Suite 3-C, Freehold, NJ 07728

(Address of Principal Executive Offices) (Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

Common Stock $.01 par value per share – New York Stock Exchange

7.625% Series A Cumulative Redeemable Preferred Stock $.01 par value per share, $25 liquidation value per share – New York Stock Exchange

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ___Yes _X No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. ___Yes _X No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. X Yes __ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). _X_ Yes __ No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K _X

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of " large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act :

Large accelerated filer ___ Accelerated filer _X_

Non-accelerated filer ___ Smaller reporting company ___

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). ____ Yes _X_ No

The aggregate market value of the voting stock of the registrant held by nonaffiliates of the registrant at March 31, 2011 was approximately $268,743,283 (based on the $8.21 closing price per share of common stock).

There were 39,260,740 shares of Common Stock outstanding as of December 5, 2011.

Documents Incorporated by Reference: None.

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PART I

ITEM 1 – BUSINESS

General Development of the Business

In this 10-K, “we”, “us’, “our”, “MREIC” or “the Company”, refers to Monmouth Real Estate Investment Corporation, togethe with its predecessors and subsidiaries, unless the context requires otherwise.

The Company is a corporation operating as a qualified real estate investment trust (REIT) under Sections 856-860 of the Internal Revenue Code (the Code), and intends to maintain its qualification as a REIT in the future. As a qualified REIT, with limited exceptions, the Company will not be taxed under Federal and certain state income tax laws at the corporate level on taxable income that it distributes to its shareholders. For special tax provisions applicable to REITs, refer to Sections 856-860 of the Code.

The Company was established in 1968 as a New Jersey Business Trust (NJBT). In 1990, the NJBT merged into a newly formed Delaware corporation. On May 15, 2003, the Company changed its state of incorporation from Delaware to Maryland by merging with and into a Maryland corporation (the Reincorporation). The Reincorporation was approved by the Company’s shareholders at the Company’s annual meeting on May 6, 2003. In 2005, the Company formed a wholly-owned taxable REIT subsidiary organized in Maryland, named MREIC Financial, Inc. MREIC Financial, Inc. had no activity from inception through September 30, 2011.

On July 31, 2007, the Company completed a strategic combination with Monmouth Capital Corporation (Monmouth Capital), a New Jersey Corporation (the merger). As a result of the merger, each share of Monmouth Capital’s common stock outstanding at the time of the merger was converted into and exchanged for the right to receive .655 shares of the Company’s common stock and the Company became the owner of all of the outstanding stock of Monmouth Capital. As a result of this transaction, the Company issued 3,727,706 shares of common stock valued at approximately $32,400,000. The total cost of the merger paid by the Company was approximately $33,970,000, which included the value of outstanding stock options of Monmouth Capital and certain transaction costs. The assets and liabilities of Monmouth Capital as of the effective time of the merger were recorded by the Company at their respective fair values and added to those of the Company. Monmouth Capital remains a wholly-owned subsidiary of the Company.

The Company’s primary business is the ownership of real estate. Its investment focus is to own well-located net leased industrial properties which are leased primarily to investment-grade tenants on long-term leases. In addition, the Company holds a portfolio of REIT securities.

Narrative Description of Business

Currently, the Company derives its income primarily from real estate rental operations. Rental and reimbursement revenue was $48,141,484, $45,212,822 and $41,318,498 for the years ended September 30, 2011, 2010 and 2009, respectively. Total assets were $476,986,836 and $454,118,797 as of September 30, 2011 and 2010, respectively.

As of September 30, 2011, the Company had approximately 7,532,000 square feet of property, of which approximately 3,507,000 square feet, or approximately 47%, was leased to Federal Express Corporation (FDX) and its subsidiaries (14% to FDX and 33% to FDX subsidiaries). In addition approximately 388,700 square feet in St Joseph, Missouri, or approximately 5% was leased to Mead Corporation, which subleased the space to Hallmark Cards, Incorporated, and approximately 381,240 square feet in Lebanon, Tennessee, or approximately 5% was leased to Cracker Barrel Old Country Store, Inc. During fiscal 2011, the only tenant that accounted for 5% or more of our rental and reimbursement revenue was FDX (including its subsidiaries). Our rental and reimbursement revenue from FDX and its subsidiaries totaled approximately $26,883,000, $26,160,000 and $24,526,000 or 56%, 58% and 59% of total rent and reimbursement revenues for the years ended September 30, 2011, 2010 and 2009, respectively.

The Company’s weighted-average lease expiration was approximately 5.1 and 4.9 years as of September 30, 2011 and 2010, respectively and its average rent per occupied square foot as of September 30, 2011 and 2010 was $5.59 and $5.81, respectively. At September 30, 2011 and 2010, the Company’s occupancy was 97% and 96%, respectively.

At September 30, 2011, the Company had investments in sixty-six rental properties, consisting of 65 industrial properties and one shopping center. (See Item 2 for a detailed description of the properties.) These properties are located in twenty-five states: Alabama, Arizona, Colorado, Connecticut, Florida, Georgia, Illinois, Iowa, Kansas, Maryland, Michigan, Minnesota, Missouri, Mississippi, North Carolina, Nebraska, New Jersey, New York, Ohio, Pennsylvania, South Carolina, Tennessee, Texas, Virginia, and Wisconsin. All of these properties are wholly-owned with the exception of the two properties in New Jersey in which the Company owns a majority interest. All properties in which the Company has investments are leased on a net basis except an industrial park in Monaca, Pennsylvania and the shopping center located in Somerset, New Jersey.

During fiscal 2011, the Company purchased three industrial properties totaling approximately 561,000 square feet located in Illinois, Tennessee and Texas for approximately $28,300,000. In addition, during fiscal 2011 the Company paid approximately $1,134,000 to purchase, for future expansion, a parcel of land adjacent to an industrial property currently owned by the Company in El Paso, Texas. In the first quarter of fiscal 2012, the Company has purchased three industrial properties totaling approximately 489,000 square feet for approximately $31,000,000 located in New York, Ohio and Texas, and sold a 37,660 square foot industrial property located in Quakertown, Pennsylvania with gross proceeds to the Company of approximately $2,765,000. The funds for these additional acquisitions were provided by mortgages on the properties and availability on the Company’s line of credit. We have entered into an agreement to purchase a new built-to-suit, 51,140 square foot industrial building in Lebanon, Ohio, to be net-leased to Siemens Real Estate for seven years. The purchase price is approximately $5,100,000. We expect to consummate this transaction during the first quarter of fiscal 2012. We have also entered into agreements to acquire two industrial properties in Texas and one industrial property in Oklahoma, subject to due diligence which we are currently conducting. These are new constructions that will be subject to 10 year net-leases to FedEx Ground Package Systems,

Inc. Subject to satisfactory due diligence, we anticipate closing these three transactions during fiscal 2012 and the first quarter of fiscal 2013. The Company intends to make additional acquisitions in fiscal 2012 and the funds for these acquisitions would come from mortgages, other bank borrowings, proceeds from the Dividend Reinvestment and Stock Purchase Plan (DRIP), private placements and public offerings or placements of additional common or preferred stock or other securities. To the extent that funds or appropriate properties are not available, fewer acquisitions will be made. Because of the contingent nature of contracts to purchase real property, the Company typically announces acquisitions only upon closing.

The Company competes with other investors in real estate for attractive investment opportunities. These investors include other "equity" real estate investment trusts, limited partnerships, syndications and private investors, among others. Competition in the market areas in which the Company operates is significant and affects the Company's ability to acquire or expand properties, occupancy levels, rental rates, and operating expenses of certain properties. Management has built relationships with merchant builders which have historically provided the Company with investment opportunities that fit the Company's investment policy however the amount of construction of new industrial properties has significantly decreased in recent years due to the economic recession and subsequent low levels of GDP growth.

The Company continues to invest in both debt and equity securities of other REITs. The Company from time to time may purchase these securities on margin when the interest and dividend yields exceed the cost of the funds. This securities portfolio, to the extent not pledged to secure borrowings, provides the Company with liquidity and additional income. 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. From time to time, the Company may use derivative instruments to mitigate interest rate risk. At September 30, 2011 and 2010, the Company had $44,265,059 and $42,517,725, respectively, of securities available for sale. The unrealized net gain on securities available for sale at September 30, 2011 and 2010 was $2,368,163 and $10,116,057, respectively.

On December 5, 2011, the Company sold 2,000,000 shares of common stock in a registered direct placement. The Company received net proceeds of approximately $16,200,000. The Company intends to use such net proceeds to purchase additional properties in the ordinary course of business and for general corporate purposes.

Investment and Other Policies

The Company's investment policy is to concentrate its investments in the area of long-term net-leased industrial properties primarily to investment-grade tenants. The Company's strategy is to obtain a favorable yield spread between the income from the net-leased industrial properties and mortgage interest costs. In addition, management believes

that investments in well-located industrial properties provide a potential for long-term capital appreciation. There is the risk that, upon expiration of leases, the properties will become vacant or re-leased at lower rents. The results obtained by the Company by re-leasing the properties will depend on the market for industrial properties at that time.

The Company seeks to invest in well-located, modern buildings leased pursuant to long-term leases primarily to investment grade tenants. In management's opinion, the newly built facilities leased to FDX or FDX subsidiaries meet these criteria. The Company has a concentration of properties leased to FDX and FDX subsidiaries. This is a risk factor that shareholders should consider. FDX is a publicly-owned corporation and information on its financial and business operations is readily available to the Company's shareholders.

Prior to July 31, 2007, the Company operated as part of a group of three public companies (all REITs) which included UMH Properties, Inc. (UMH) and Monmouth Capital (the affiliated companies). Monmouth Capital was merged into the Company on July 31, 2007. The Company continues to operate in conjunction with UMH. UMH has focused its investing in manufactured home communities. General and administrative expenses are allocated between the Company and UMH based on use or services provided, pursuant to a cost sharing arrangement between the affiliated companies. The Company currently has ten employees. Allocations of salaries and benefits are made between the affiliated companies based on the amount of the employees' time dedicated to each affiliated company.

The Company may issue securities for property; however, this has not occurred to date. The Company may repurchase or reacquire its shares from time to time if, in the opinion of the Board of Directors, such acquisition is advantageous to the Company.

Property Management

All of the Company's wholly-owned properties and the shopping center in Somerset, NJ in which the Company holds a two-thirds interest, are managed on behalf of the Company by Cronheim Management Services, Inc. (CMS), a division of David Cronheim Company, a company affiliated with one of our directors as discussed in Note No. 12 to the Consolidated Financial Statements. CMS provides sub-agents as regional managers for the Company's properties. During fiscal 2011, 2010 and 2009, the Company was subject to management contracts with CMS. For calendar 2011 and 2010, the management fee was fixed at $380,000 per year, plus the estimated cost of the subagents' fees of $168,000 and $76,000, respectively. For the calendar year 2009, the management fee was fixed at $380,000, from which CMS compensated the subagents. CMS also received $15,400, $22,773 and $20,352 in lease commissions in fiscal 2011, 2010 and 2009, respectively. The David Cronheim Mortgage Corporation, an affiliated company, received $-0-, $100,000 and $-0- in mortgage brokerage commissions in fiscal 2011, 2010 and 2009.

The industrial property in Carlstadt, New Jersey is owned by Palmer Terrace Realty Associates, LLC. The Company owns 51% of Palmer Terrace Realty Associates, LLC. This property is managed by Marcus Associates, an entity affiliated with the 49% noncontrolling interest. Management fees paid to Marcus Associates for 2011, 2010 and 2009 totaled $15,804, $15,804 and $14,399, respectively.

The industrial property in Wheeling, Illinois is owned by Wheeling Partners, LLC. During fiscal 2011, the Company purchased the remaining 37% noncontrolling interest in Wheeling Partners, LLC for approximately $4,100,000. This property was managed by Jones Development Company, an entity affiliated with the former 37% noncontrolling interest. Management fees paid to Jones Development Company for 2011, 2010 and 2009 were $3,464, $13,855 and $13,855, respectively.

The industrial property in El Paso, Texas, is owned by Jones EPI, LLC. During 2010, the Company purchased the remaining 35% noncontrolling interest in Jones EPI, LLC. This property was managed by Jones Development Company, an entity affiliated with the former 35% noncontrolling interest. Management fees paid to Jones Development Company for 2011, 2010 and 2009 were $-0-, $2,782 and $6,676, respectively.

Additional information about the Company can be found on the Company's website which is located at www.mreic.com. The Company makes available, free of charge, on or through its website, annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission (SEC). You can also read and copy any materials the Company files with the SEC at its Public Reference Room at 100 F Street, NE, Washington, DC 20549 (1-800-SEC-0330). The SEC maintains an Internet site (http://www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

Environmental Matters

Under various federal, state and local environmental laws, statutes, ordinances, rules and regulations, an owner of real property may be liable for the costs of removal or remediation of certain hazardous or toxic substances at, on, in or under such property as well as certain other potential costs relating to hazardous or toxic substances. These liabilities may include government fines and penalties and damages for injuries to persons and adjacent property. Such laws often impose liability without regard to whether the owner knew of, or was responsible for, the presence or disposal of such substances. Although generally our tenants are primarily responsible for any environmental damage and claims related to the leased premises, in the event of the bankruptcy or inability of a tenant of such premises to satisfy any obligations with respect to such environmental liability, the Company may be required to satisfy such obligations. In addition, as the owner of such properties, the Company may be held directly liable for any such damages or claims irrespective of the provisions of any lease.

From time to time, in connection with the conduct of the business or upon acquisition of a property, the Company authorizes the preparation of Phase I and, when necessary, Phase II environmental reports with respect to its properties. Based upon such environmental reports and the Company's ongoing review of its properties, as of the date of this Annual Report, the Company is not aware of any environmental condition with respect to any of its properties which it believes would be reasonably likely to have a material adverse effect on its financial condition and/or results of operations. There can be no assurance, however, that (1) the discovery of environmental conditions, the existence or severity of which were previously unknown; (2) changes in law; (3) the conduct of tenants; or (4) activities relating to properties in the vicinity of our properties, will not expose the Company to material liability in the future.

ITEM 1A – RISK FACTORS

Real Estate Industry Risks

Our business and financial results are affected by local real estate conditions in areas where we own properties. We may be affected adversely by general economic conditions and local real estate conditions. For example, an oversupply of industrial properties in a local area or a decline in the attractiveness of our properties to tenants and potential tenants would have a negative effect on us.

Other factors that may affect general economic conditions or local real estate conditions include:

· population and demographic trends;

· employment and personal income trends;

· zoning, use and other regulatory restrictions;

· income tax laws;

· changes in interest rates and availability and costs of financing;

· competition from other available real estate;

· our ability to provide adequate maintenance and insurance; and increased operating costs, including insurance premiums, utilities and real estate taxes, which may not be offset by increased rents.

We may be unable to compete with our larger competitors and other alternatives available to tenants or potential tenants of our properties. The real estate business is highly competitive. We compete for properties with other real

estate investors and purchasers, including other real estate investment trusts, limited partnerships, syndications and private investors, many of whom have greater financial resources, revenues and geographical diversity than we have. Furthermore, we compete for tenants with other property owners. All of our industrial properties are subject to significant local competition. We also compete with a wide variety of institutions and other investors for capital funds necessary to support our investment activities and asset growth. To the extent that we are unable to effectively compete in the marketplace, our business may be adversely affected.

We are subject to significant regulation that inhibits our activities and may increase our costs. Local zoning and use laws, environmental statutes and other governmental requirements may restrict expansion, rehabilitation and reconstruction activities. These regulations may prevent us from taking advantage of economic opportunities. Legislation such as the Americans with Disabilities Act may require us to modify our properties at a substantial cost and noncompliance could result in the imposition of fines or an award of damages to private litigants. Future legislation may impose additional requirements. We cannot predict what requirements may be enacted or amended or what costs we will incur to comply with such requirements.

Our investments are concentrated in the industrial distribution sector and our business would be adversely affected by an economic downturn in that sector. Our investments in real estate assets are primarily concentrated in the industrial distribution sector. This concentration may expose us to the risk of economic downturns in this sector to a greater extent than if our business activities included a more significant portion of other sectors of the real estate industry.

Risks Associated with Our Properties

We may be unable to renew leases or relet space as leases expire. While we seek to invest in well-located, modern buildings leased to investment grade tenants on long-term leases, a number of our properties are subject to short-term leases. When a lease expires, a tenant may elect not to renew it. We may not be able to relet the property on similar terms, if we are able to relet the property at all. The terms of renewal or re-lease (including the cost of required renovations and/or concessions to tenants) may be less favorable to us than the prior lease. If we are unable to relet all or a substantial portion of our properties, or if the rental rates upon such reletting are significantly lower than expected rates, our cash generated before debt repayments and capital expenditures and our ability to make expected distributions, may be adversely affected. We have established an annual budget for renovation and reletting expenses that we believe is reasonable in light of each property’s operating history and local market characteristics. This budget, however, may not be sufficient to cover these expenses.

Our business is substantially dependent on Federal Express Corporation. FDX is our largest tenant. As of September 30, 2011, FDX and its subsidiaries leased approximately 47% of the total square footage that we own. Annualized rental income and occupancy charges from FDX and its subsidiaries are estimated at approximately 56% of total rental and reimbursement revenue for fiscal 2011. If FDX were to terminate its leases with us or become unable to make lease payments because of a downturn in its business or otherwise, our financial condition and ability to make expected distributions would be materially and adversely affected.

We are subject to risks involved in single tenant leases. We focus our acquisition activities on real properties that are net-leased to single tenants. Therefore, the financial failure of, or other default by, a single tenant under its lease is

likely to cause a significant reduction in the operating cash flow generated by the property leased to that tenant and might decrease the value of that property. In addition, we will be responsible for 100% of the operating costs following a vacancy at a single tenant building.

We may be affected negatively by tenant financial difficulties and leasing delays. At any time, a tenant may experience a downturn in its business that may weaken its financial condition. Similarly, a general decline in the economy may result in a decline in the demand for space at our industrial properties. As a result, our tenants may delay lease commencement, fail to make rental payments when due, or declare bankruptcy. Any such event could result in the termination of that tenant's lease and losses to us, resulting in a decrease of distributions to investors.

We receive a substantial portion of our income as rents under long-term leases. If tenants are unable to comply with the terms of their leases because of rising costs or falling revenues, we, in our sole discretion, may deem it advisable to modify lease terms to allow tenants to pay a lower rental rate or a smaller share of operating costs, taxes and insurance. If a tenant becomes insolvent or bankrupt, we cannot be sure that we could recover the premises from the tenant promptly or from a trustee or debtor-in-possession in any bankruptcy proceeding relating to the tenant. We also cannot be sure that we would receive rent in the proceeding sufficient to cover our expenses with respect to the premises. If a tenant becomes bankrupt, the federal bankruptcy code will apply and, in some instances, may restrict the amount and recoverability of our claims against the tenant. A tenant's default on its obligations to us for any reason could adversely affect our financial condition and the cash we have available for distribution.

We may be unable to sell properties when appropriate because real estate investments are illiquid. Real estate investments generally cannot be sold quickly and, therefore, will tend to limit our ability to vary our property portfolio promptly in response to changes in economic or other conditions. In addition, the Code limits our ability to sell our properties. The inability to respond promptly to changes in the performance of our property portfolio could adversely affect our financial condition and ability to service debt and make distributions to our stockholders.

Environmental liabilities could affect our profitability. We face possible environmental liabilities. Environmental laws today can impose liability on a previous owner or operator of a property that owned or operated the property at a time when hazardous or toxic substances were disposed on, or released from, the property. A conveyance of the property, therefore, does not relieve the owner or operator from liability. As a current or former owner and operator of real estate, we may be required by law to investigate and clean up hazardous substances released at or from the properties we currently own or operate or have in the past owned or operated. We may also be liable to the government or to third parties for property damage, investigation costs and cleanup costs. In addition, some environmental laws create a lien on the contaminated site in favor of the government for damages and costs the government incurs in connection with the contamination. Contamination may adversely affect our ability to sell or lease real estate or to borrow using the real estate as collateral. We are not aware of any environmental liabilities relating to our investment properties which would have a material adverse effect on our business, assets, or results of operations. However, we cannot assure you that environmental liabilities will not arise in the future and that such liabilities will not have a material adverse effect on our business, assets or results of operation.

Actions by our competitors may decrease or prevent increases in the occupancy and rental rates of our properties. We compete with other owners and operators of real estate, some of which own properties similar to ours in the same submarkets in which our properties are located. If our competitors offer space at rental rates below current market rates or below the rental rates we currently charge our tenants, we may lose potential tenants, and we may be pressured to reduce our rental rates below those we currently charge in order to retain tenants when our tenants' leases expire. As a result, our financial condition, cash flow, cash available for distribution, market price of our preferred and common stock and ability to satisfy our debt service obligations could be materially adversely affected.

Coverage under our existing insurance policies may be inadequate to cover losses. We generally maintain insurance policies related to our business, including casualty, general liability and other policies, covering

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our business operations, employees and assets. However, we would be required to bear all losses that are not adequately covered by insurance. In addition, there are certain losses that are not generally insured because it is not economically feasible to insure against them, including losses due to riots or acts of war. If an uninsured loss or a loss in excess of insured limits were to occur with respect to one or more of our properties, then we could lose the capital we invested in the properties, as well as the anticipated future revenue from the properties and, in the case of debt, which is with recourse to us, we would remain obligated for any mortgage debt or other financial obligations related to the properties. Although we believe that our insurance programs are adequate, we cannot assure you that we will not incur losses in excess of our insurance coverage, or that we will be able to obtain insurance in the future at acceptable levels and reasonable costs.

We may be unable to acquire properties on advantageous terms or acquisitions may not perform as we expect. We have acquired individual properties and portfolios of properties, and intend to continue to do so. Our acquisition activities and their success are subject to the following risks:

· when we are able to locate a desired property, competition from other real estate investors may significantly increase the purchase price;

· acquired properties may fail to perform as expected;

· the actual costs of repositioning or redeveloping acquired properties may be higher than our estimates;

· acquired properties may be located in new markets where we face risks associated with an incomplete knowledge or understanding of the local market, a limited number of established business relationships in the area and a relative unfamiliarity with local governmental and permitting procedures;

· we may be unable to quickly and efficiently integrate new acquisitions, particularly acquisition of portfolios of properties, into our existing operations, and as a result, our results of operations and financial condition could be adversely affected; and

· we may acquire properties subject to liabilities and without any recourse, or with only limited recourse. As a result, if a claim were asserted against us based upon ownership of those properties, we might have to pay substantial sums to resolve it, which could adversely affect our cash flow and financial condition.

Financing Risks

We face inherent risks associated with our debt incurrence. We finance a portion of our investments in properties and marketable securities through the incurrence of debt. We are subject to the risks normally associated with debt financing, including the risk that our cash flow will be insufficient to meet required payments of principal and interest. In addition, debt creates other risks, including:

· rising interest rates on our variable rate debt;

· failure to repay or refinance existing debt as it matures, which may result in forced disposition of assets on disadvantageous terms;

· refinancing terms less favorable than the terms of existing debt; and

· failure to meet required payments of principal and/or interest.

We mortgage our properties, which subjects us to the risk of foreclosure in the event of non-payment. We mortgage many of our properties to secure payment of indebtedness and if we are unable to meet mortgage payments, then the property could be foreclosed upon or transferred to the mortgagee with a consequent loss of income and asset value. A foreclosure of one or more of our properties could adversely affect our financial

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condition, results of operations, cash flow, and ability to service debt and make distributions and the market price of our preferred and common stock.

We face risks related to "balloon payments" and refinancings. Certain of our mortgages will have significant outstanding principal balances on their maturity dates, commonly known as "balloon payments." There can be no assurance that we will be able to refinance the debt on favorable terms or at all. To the extent we cannot refinance debt on favorable terms or at all, we may be forced to dispose of properties on disadvantageous terms or pay higher interest rates, either of which would have an adverse impact on our financial performance and ability to service debt and make distributions.

We face risks associated with our dependence on external sources of capital. In order to qualify as a REIT, we are required each year to distribute to our stockholders at least 90% of our REIT taxable income, and we are subject to tax on our income to the extent it is not distributed. Because of this distribution requirement, we may not be able to fund all future capital needs from cash retained from operations. As a result, to fund capital needs, we rely on third-party sources of capital, which we may not be able to obtain on favorable terms, if at all. Our access to third-party sources of capital depends upon a number of factors, including (i) general market conditions; (ii) the market's perception of our growth potential; (iii) our current and potential future earnings and cash distributions; and (iv) the market price of our capital stock. Additional debt financing may substantially increase our debt-to-total capitalization ratio. Additional equity issuance may dilute the holdings of our current stockholders.

We may become more highly leveraged, resulting in increased risk of default on our obligations and an increase in debt service requirements which could adversely affect our financial condition and results of operations and our ability to pay distributions. We have incurred, and may continue to incur, indebtedness in furtherance of our activities**.** Our governing documents do not limit the amount of indebtedness we may incur. Accordingly, our Board of Directors may vote to incur additional debt and would do so, for example, if it were necessary to maintain our status as a REIT. We could therefore become more highly leveraged, resulting in an increased risk of default on our obligations and in an increase in debt service requirements which could adversely affect our financial condition and results of operations and our ability to pay distributions to stockholders.

Covenants in our loan documents could limit our flexibility and adversely affect our financial condition. The terms of our various credit agreements and other indebtedness require us to comply with a number of customary financial and other covenants, such as maintaining debt service coverage and leverage ratios and maintaining insurance coverage. These covenants may limit our flexibility in our operations, and breaches of these covenants could result in defaults under the instruments governing the applicable indebtedness even if we had satisfied our payment obligations. If we were to default under credit agreements or other debt instruments, our financial condition would be adversely affected.

Other Risks

Current economic conditions, including recent volatility in the capital and credit markets, could harm our business, results of operations and financial condition. The United States is continuing to experience the effects of an economic recession, during which the capital and credit markets experienced extreme volatility and disruption. The current economic environment has been affected by dramatic declines in the stock and housing markets, increases in foreclosures, unemployment and living costs as well as limited access to credit. This economic situation has impacted and is expected to continue to impact consumer spending levels. A sustained economic downward trend could impact our tenants' ability to meet their lease obligations due to poor operating results, lack of liquidity, bankruptcy or other reasons. Our ability to lease space and negotiate rents at advantageous rates could also be affected in this type of economic environment. Additionally, if markets again experience periods of volatility, access to capital and credit markets could be disrupted over a more extended period, which may make it difficult to obtain the financing we may need for future growth and/or to meet our debt service obligations as they mature. Any of these events could harm our business, results of operations and financial condition.

We may not be able to access adequate cash to fund our business. Our business requires access to adequate cash to finance our operations, distributions, capital expenditures, debt service obligations, development and redevelopment costs and property acquisition costs, if any. We expect to generate the cash to be used for these

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purposes primarily with operating cash flow, borrowings under secured term loans, proceeds from sales of strategically identified assets and, when market conditions permit, through the issuance of debt and equity securities from time to time. We may not be able to generate sufficient cash to fund our business, particularly if we are unable to renew leases, lease vacant space or re-lease space as leases expire according to expectations.

Moreover, difficult conditions in the financial markets and the economy generally, have caused many lenders to suffer substantial losses, thereby causing many financial institutions to seek additional capital, to merge with other institutions and, in some cases, to fail. As a result, the real estate debt markets are continuing to experience a period of uncertainty, which may reduce our access to funding alternatives, or our ability to refinance debt on favorable terms, or at all. In addition, market conditions, such as the current global economic environment, may also hinder our ability to sell strategically identified assets and access the debt and equity capital markets. If these conditions persist, we may need to find alternative ways to access cash to fund our business, including distributions to shareholders. Such

alternatives may include, without limitation, curtailing development or redevelopment activity, disposing of one or more of our properties possibly on disadvantageous terms or entering into or renewing leases on less favorable terms than we otherwise would, all of which could adversely affect our profitability. If we are unable to generate, borrow or raise adequate cash to fund our business through traditional or alternative means, our business, operations, financial condition and distribution to shareholders will be adversely affected.

We are dependent on key personnel. Our executive and other senior officers have a significant role in our success. Our ability to retain our management group or to attract suitable replacements should any members of the management group leave is dependent on the competitive nature of the employment market. The loss of services from key members of the management group or a limitation in their availability could adversely affect our financial condition and cash flow. Further, such a loss could be negatively perceived in the capital markets.

We may amend our business policies without your approval. Our Board of Directors determines our growth, investment, financing, capitalization, borrowing, REIT status, operations and distributions policies. Although our Board of Directors has no present intention to amend or reverse any of these policies, they may be amended or revised without notice to stockholders. Accordingly, stockholders may not have control over changes in our policies. We cannot assure you that changes in our policies will serve fully the interests of all stockholders.

The market value of our preferred and common stock could decrease based on our performance and market perception and conditions. The market value of our preferred and common stock may be based primarily upon the market's perception of our growth potential and current and future cash dividends, and may be secondarily based upon the real estate market value of our underlying assets. The market price of our preferred and common stock is influenced by their respective distributions relative to market interest rates. Rising interest rates may lead potential buyers of our stock to expect a higher distribution rate, which would adversely affect the market price of our stock. In addition, rising interest rates would result in increased expense, thereby adversely affecting cash flow and our ability to service our indebtedness and pay distributions.

There are restrictions on the ownership and transfer of our capital stock. To maintain our qualification as a REIT under the Code, no more than 50% in value of our outstanding capital stock may be owned, actually or by attribution, by five or fewer individuals, as defined in the Code to also include certain entities, during the last half of a taxable year. Accordingly, our charter and bylaws contain provisions restricting the ownership and transfer of our capital stock.

Our earnings are dependent, in part, upon the performance of our investment portfolio. As permitted by the Code, we invest in and own securities of other real estate investment trusts. To the extent that the value of those investments declines or those investments do not provide an attractive return, our earnings and cash flow could be adversely affected.

We are subject to restrictions that may impede our ability to effect a change in control. Certain provisions contained in our charter and bylaws and certain provisions of Maryland law may have the effect of discouraging a third party from making an acquisition proposal for us and thereby inhibit a change in control. These provisions include the following:

· Our charter provides for three classes of directors with the term of office of one class expiring each year, commonly referred to as a "staggered board." By preventing common stockholders from voting on the election of more than one class of directors at any annual meeting of stockholders, this provision may have the effect of keeping the current members of our Board of Directors in control for a longer period of time than stockholders may desire.

· Our charter generally limits any holder from acquiring more than 9.8% (in value or in number, whichever is more restrictive) of our outstanding equity stock (defined as all of our classes of capital stock, except our excess stock). While this provision is intended to assure our ability to remain a qualified REIT for Federal income tax purposes, the ownership limit may also limit the opportunity for stockholders to receive a premium for their shares of common stock that might otherwise exist if an investor was attempting to assemble a block of shares in excess of 9.8% of the outstanding shares of equity stock or otherwise effect a change in control.

· The request of stockholders entitled to cast a majority or more of votes entitled to be cast at such meeting is necessary for stockholders to call a special meeting. We also require advance notice by common stockholders for the nomination of directors or proposals of business to be considered at a meeting of stockholders.

Our Board of Directors may authorize and issue securities without stockholder approval. Under our Charter, the board has the power to classify and reclassify any of our unissued shares of capital stock into shares of capital stock with such preferences, rights, powers and restrictions as the Board of Directors may determine. The authorization and issuance of a new class of capital stock could have the effect of delaying or preventing someone from taking control of us, even if a change in control were in our stockholders' best interests.

Maryland business statutes may limit the ability of a third party to acquire control of us. The duties of directors of Maryland corporations do not require them to (a) accept, recommend or respond to any proposal by a person seeking to acquire control of the corporation, (b) authorize the corporation to redeem any rights under, or modify or render inapplicable, any stockholders rights plan, (c) make a determination under the Maryland Business Combination Act or the Maryland Control Share Acquisition Act, or (d) act or fail to act solely because of the effect of the act or failure to act may have on an acquisition or potential acquisition of control of the corporation or the amount or type of consideration that may be offered or paid to the stockholders in an acquisition. Maryland law also contains a statutory presumption that an act of a director of a Maryland corporation satisfies the applicable standards of conduct for directors under Maryland law.

The Maryland Business Combination Act provides that unless exempted, a Maryland corporation may not engage in business combinations, including mergers, dispositions of 10 percent or more of its assets, certain issuances of shares of stock and other specified transactions, with an "interested stockholder" or an affiliate of an interested stockholder for five years after the most recent date on which the interested stockholder became an interested stockholder, and thereafter unless specified criteria are met. An interested stockholder is generally a person owning or controlling, directly or indirectly, 10 percent or more of the voting power of the outstanding stock of the Maryland corporation. In our charter, we have expressly elected that the Maryland Business Combination Act not govern or apply to any transaction with our affiliated company UMH, a Maryland corporation.

We cannot assure you that we will be able to pay distributions regularly. Our ability to pay distributions in the future is dependent on our ability to operate profitably and to generate cash from our operations and the operations of our subsidiaries. We cannot guarantee that we will be able to pay distributions on a regular quarterly basis in the future.

If our leases are not respected as true leases for federal income tax purposes, we would fail to qualify as a REIT. To qualify as a REIT, we must, among other things, satisfy two gross income tests, under which specified percentages of our gross income must be passive income, such as rent. For the rent paid pursuant to our leases to qualify for purposes of the gross income tests, the leases must be respected as true leases for federal income tax purposes and not be treated as service contracts, joint ventures or some other type of arrangement. We believe that our leases will be respected as true leases for federal income tax purposes. However, there can be no assurance that

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the Internal Revenue Service ("IRS") will agree with this view. If the leases are not respected as true leases for federal income tax purposes, we would not be able to satisfy either of the two gross income tests applicable to REITs, and we could lose our REIT status.

Failure to make required distributions would subject us to additional tax. In order to qualify as a REIT, we must, among other requirements, distribute, each year, to our stockholders at least 90 percent of our taxable income, excluding net capital gains. To the extent that we satisfy the 90 percent distribution requirement, but distribute less than 100 percent of our taxable income, we will be subject to federal corporate income tax on our undistributed income. In addition, we will incur a 4 percent nondeductible excise tax on the amount, if any, by which our distributions (or deemed distributions) in any year are less than the sum of:

- 85 percent of our ordinary income for that year;

- 95 percent of our capital gain net earnings for that year; and

- 100 percent of our undistributed taxable income from prior years.

To the extent we pay out in excess of 100 percent of our taxable income for any tax year, we may be able to carry forward such excess to subsequent years to reduce our required distributions for purposes of the 4 percent excise tax in such subsequent years. We intend to pay out our income to our stockholders in a manner intended to satisfy the 90 percent distribution requirement. Differences in timing between the recognition of income and the related cash receipts or the effect of required debt amortization payments could require us to borrow money or sell assets to pay out enough of our taxable income to satisfy the 90 percent distribution requirement and to avoid corporate income tax.

We may not have sufficient cash available from operations to pay distributions, and, therefore, distributions may be made from borrowings. The actual amount and timing of distributions will be determined by our Board of Directors in its discretion and typically will depend on the amount of cash available for distribution, which will depend on items such as current and projected cash requirements and tax considerations. As a result, we may not have sufficient cash available from operations to pay distributions as required to maintain our status as a REIT. Therefore, we may need to

borrow funds to make sufficient cash distributions in order to maintain our status as a REIT, which may cause us to incur additional interest expense as a result of an increase in borrowed funds for the purpose of paying distributions.

We may be required to pay a penalty tax upon the sale of a property. The federal income tax provisions applicable to REITs provide that any gain realized by a REIT on the sale of property held as inventory or other property held primarily for sale to customers in the ordinary course of business is treated as income from a "prohibited transaction" that is subject to a 100 percent penalty tax. Under current law, unless a sale of real property qualifies for a safe harbor, the question of whether the sale of real estate or other property constitutes the sale of property held primarily for sale to customers is generally a question of the facts and circumstances regarding a particular transaction. We intend that we and our subsidiaries will hold the interests in the real estate for investment with a view to long-term appreciation, engage in the business of acquiring and owning real estate, and make occasional sales as are consistent with our investment objectives. We do not intend to engage in prohibited transactions. We cannot assure you, however, that we will only make sales that satisfy the requirements of the safe harbors or that the IRS will not successfully assert that one or more of such sales are prohibited transactions.

We may be adversely affected if we fail to qualify as a REIT. If we fail to qualify as a REIT, we will not be allowed to deduct distributions to stockholders in computing our taxable income and will be subject to Federal income tax, including any applicable alternative minimum tax, at regular corporate rates. In addition, we might be barred from qualification as a REIT for the four years following disqualification. The additional tax incurred at regular corporate rates would reduce significantly the cash flow available for distribution to stockholders and for debt service. Furthermore, we would no longer be required to make any distributions to our stockholders as a condition to REIT qualification. Any distributions to stockholders would be taxable as ordinary income to the extent of our current and accumulated earnings and profits, although such dividend distributions would be subject to a top federal tax rate of 15% through 2011. Corporate distributees, however, may be eligible for the dividends received deduction on the distributions, subject to limitations under the Code.

To qualify as a REIT, we must comply with certain highly technical and complex requirements. We cannot be certain we have complied, and will always be able to comply, with the requirements to qualify as a REIT because there are few judicial and administrative interpretations of these provisions. In addition, facts and circumstances that may be beyond our control may affect our ability to continue to qualify as a REIT. We cannot assure you that new legislation, regulations, administrative interpretations or court decisions will not change the tax laws significantly with respect to our qualification as a REIT or with respect to the Federal income tax consequences of qualification. We believe that we have qualified as a REIT since our inception and intend to continue to qualify as a REIT. However, we cannot assure you that we are qualified or will remain qualified.

There is a risk of changes in the tax law applicable to real estate investment trusts. Because the IRS, the United States Treasury Department and Congress frequently review federal income tax legislation, we cannot predict whether, when or to what extent new federal tax laws, regulations, interpretations or rulings will be adopted. Any of such legislative action may prospectively or retroactively modify our tax treatment and, therefore, may adversely affect taxation of us and/or our investors.

We may be unable to comply with the strict income distribution requirement applicable to REITs. As noted above, to maintain qualification as a REIT under the Code, a REIT must annually distribute to its stockholders at least 90% of

its REIT taxable income, excluding the dividends paid deduction and net capital gains. This requirement limits our ability to accumulate capital. We may not have sufficient cash or other liquid assets to meet the 90% distribution requirements. Difficulties in meeting the 90% distribution requirement might arise due to competing demands for our funds or to timing differences between tax reporting and cash receipts and disbursements, because income may have to be reported before cash is received, because expenses may have to be paid before a deduction is allowed, because deductions may be disallowed or limited or because the IRS may make a determination that adjusts reported income. In those situations, we might be required to borrow funds or sell properties on adverse terms in order to meet the 90% distribution requirement and interest and penalties could apply which could adversely affect our financial condition. If we fail to satisfy the 90% distribution requirement, we would cease to be taxed as a REIT.

If we were considered to actually or constructively pay a "preferential dividend" to certain of our stockholders, our status as a REIT could be adversely affected. In order to qualify as a REIT, we must distribute annually to our stockholders at least 90% of our REIT taxable income (which does not equal net income as calculated in accordance with GAAP), determined without regard to the deduction for dividends paid and excluding net capital gain. In order for distributions to be counted as satisfying the annual distribution requirements for REITs, and to provide us with a REIT-level tax deduction, the distributions must not be "preferential dividends." A dividend is not a preferential dividend if the distribution is pro rata among all outstanding shares of stock within a particular class, and in accordance with the preferences among different classes of stock as set forth in our organizational documents. Currently, there is uncertainty as to the application of the law in certain circumstances and the IRS's position regarding whether certain arrangements that REITs have with their stockholders could give rise to the inadvertent payment of a preferential dividend (e.g., the pricing methodology for stock purchased under a distribution reinvestment plan inadvertently causing a greater than 5% discount on the price of such stock purchased). There is no de minimis exception with respect to preferential dividends; therefore, if the IRS were to take the position that we inadvertently paid a preferential dividend, we may be deemed to have failed the 90% distribution test, and our status as a REIT could be terminated for the year in which such determination is made if we were unable to cure such failure. While we believe that our operations have been structured in such a manner that we will not be treated as inadvertently paying preferential dividends, we can provide no assurance to this effect.

Notwithstanding our status as a REIT, we are subject to various federal, state and local taxes on our income and property. For example, we will be taxed at regular corporate rates on any undistributed taxable income, including undistributed net capital gains; provided, however, that properly designated undistributed capital gains will effectively avoid taxation at the stockholder level. We may be subject to other Federal income taxes and may also have to pay some state income or franchise taxes because not all states treat REITs in the same manner as they are treated for Federal income tax purposes.

Future terrorist attacks and military conflicts could have a material adverse effect on general economic conditions, consumer confidence and market liquidity. Among other things, it is possible that interest rates may be

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affected by these events. An increase in interest rates may increase our costs of borrowing, leading to a reduction in our earnings. Terrorist acts could also result in significant damages to, or loss of, our properties.

We and our tenants may be unable to obtain adequate insurance coverage on acceptable economic terms for losses resulting from acts of terrorism. Our lenders may require that we carry terrorism insurance even if we do not believe this insurance is necessary or cost effective. We may also be prohibited under the applicable lease from passing all or a portion of the cost of such insurance through to the tenant. Should an act of terrorism result in an uninsured loss or a loss in excess of insured limits, we could lose capital invested in a property, as well as the

anticipated future revenues from a property, while remaining obligated for any mortgage indebtedness or other financial obligations related to the property. Any loss of these types would adversely affect our financial condition.

We are subject to risks arising from litigation. We may become involved in litigation. Litigation can be costly, and the results of litigation are often difficult to predict. We may not have adequate insurance coverage or contractual protection to cover costs and liability in the event we are sued, and to the extent we resort to litigation to enforce our rights, we may incur significant costs and ultimately be unsuccessful or unable to recover amounts we believe are owed to us. We may have little or no control of the timing of litigation, which presents challenges to our strategic planning.

ITEM 1B – UNRESOLVED STAFF COMMENTS

None.

ITEM 2 - PROPERTIES

The Company operates as a REIT. Our portfolio is primarily comprised of real estate holdings, some of which have been long-term holdings carried on our financial statements at depreciated cost. It is believed that their current market values exceed both the original cost and the depreciated cost.

The following table sets forth certain information concerning the Company's real estate investments as of September 30, 2011:

State	City	Fiscal Year Acquisition	Type	Square Footage	Mortgage Balance 9/30/11

AL	Huntsville	2005	Industrial	56,698	$1,661,348
AZ	Tolleson	2003	Industrial	288,211	5,978,903
CO	Colorado Springs	2006	Industrial	68,370	2,567,159
CO	Denver	2005	Industrial	69,865	2,350,869
CT	Newington	2001	Industrial	54,812	1,071,641
FL	Cocoa	2008	Industrial	89,101	6,374,577
FL	Ft. Myers	2003	Industrial	90,020	2,257,494
FL	Jacksonville	1999	Industrial	95,883	2,797,065
FL	Lakeland	2007	Industrial	31,096	1,344,600
FL	Orlando	2008	Industrial	110,638	5,334,238
FL	Punta Gorda	2007	Industrial	34,624	2,516,855
FL	Tampa (FDX Gr)	2004	Industrial	170,779	9,617,549
FL	Tampa (FDX)	2006	Industrial	95,662	4,925,374
FL	Tampa (Kellogg)	2007	Industrial	68,385	2,682,850
GA	Augusta (FDX Gr)	2005	Industrial	59,358	1,673,335
GA	Augusta (FDX)	2007	Industrial	30,332	1,098,279
GA	Griffin	2006	Industrial	217,970	8,541,196
IA	Urbandale	1994	Industrial	36,150	-0-
IL	Burr Ridge	1997	Industrial	12,477	206,735
IL	Elgin	2002	Industrial	89,052	2,514,037
IL	Granite City	2001	Industrial	184,800	4,390,459
IL	Montgomery	2007	Industrial	171,200	5,326,758
IL	Rockford	2011	Industrial	66,387	1,890,480
IL	Schaumburg	1997	Industrial	73,500	299,156
IL	Wheeling	2007	Industrial	123,000	5,189,090
KS	Edwardsville	2003	Industrial	179,280	2,554,478
KS	Topeka	2009	Industrial	40,000	2,354,047
MD	Beltsville	2001	Industrial	149,384	8,239,992
MI	Orion	2007	Industrial	193,371	10,849,953
MI	Romulus	1998	Industrial	72,000	2,959,392
MN	White Bear Lake	2007	Industrial	59,425	1,630,739
MO	Kansas City	2007	Industrial	65,067	2,864,711
MO	Liberty	1998	Industrial	98,200	712,603
MO	O' Fallon	1994	Industrial	102,135	-0-
MO	St. Joseph	2001	Industrial	388,671	3,783,483
MS	Ridgeland (Jackson)	1993	Industrial	26,340	-0-
MS	Richland	1994	Industrial	36,000	-0-
NC	Fayetteville	1997	Industrial	148,000	3,465,837
NC	Greensboro	1993	Industrial	40,560	-0-

					Mortgage
		Fiscal Year		Square	Balance

State	City	Acquisition	Type	Footage	9/30/2011
	Monroe	2001	Industrial	160,000	1,922,395
NC					
NC	Winston-Salem	2002	Industrial	106,507	3,288,535
NE	Omaha	1999	Industrial	88,140	925,151
NJ	Carlstadt (1)	2007	Industrial	59,400	2,561,646
NJ	Somerset (2)	1970	Shopping Center	42,773	-0-
NY	Cheektowaga	2007	Industrial	104,981	1,622,078
NY	Orangeburg	1993	Industrial	50,400	-0-
OH	Bedford Heights	2007	Industrial	84,600	3,462,791
OH	Richfield	2006	Industrial	79,485	4,596,248
OH	West Chester Twp	2000	Industrial	103,818	3,082,771
PA	Monaca	1997	Industrial	291,474	-0-
PA	Quakertown	2007	Industrial	37,660	-0-
SC	Ft. Mill	2010	Industrial	112,784	4,258,137
SC	Hanahan (Norton)	2005	Industrial	306,000	7,035,392
SC	Hanahan (FDX Gr)	2005	Industrial	91,776	2,300,422
TN	Chattanooga	2007	Industrial	67,775	2,546,752
TN	Lebanon	2011	Industrial	381,240	8,510,325
TN	Memphis	2010	Industrial	449,900	9,457,396
TN	Shelby County	2007	Land	N/A	-0-
TX	Carrollton (Dallas)	2010	Industrial	184,317	10,945,805
TX	Edinburg	2011	Industrial	113,582	4,800,000
TX	El Paso	2007	Industrial	91,854	4,815,903
TX	El Paso	2011	Land	N/A	-0-
TX	Houston	2010	Industrial	91,295	4,882,197
VA	Charlottesville	1999	Industrial	49,900	736,435
VA	Richmond (Carrier)	2007	Industrial	60,000	-0-
VA	Richmond (FDX)	2001	Industrial	112,870	2,111,792
VA	Roanoke	2007	Industrial	83,000	3,851,152
WI	Cudahy	2001	Industrial	139,564	1,875,565
				7,531,898	$211,614,170

(1) The Company owns a 51% controlling equity interest.

(2) The Company has an undivided 2/3 interest.

The following table sets forth certain information concerning the principal tenants and leases for the Company’s properties shown above:

State	City	Tenant	Annualized Rent	Lease Expiration
AL	Huntsville	FedEx Ground Package System. Inc	$278,000	08/31/14
AZ	Tolleson	Western Container Corp	1,248,000	04/30/12 (1)
CO	Colorado Springs	FedEx Ground Package System. Inc	644,000	09/30/18
CO	Denver	FedEx Ground Package System. Inc	564,000	07/31/18
CT	Newington	Keebler Company	358,000	02/29/12 (1)
FL	Cocoa	FedEx Ground Package System. Inc	739,000	11/19/16
FL	Ft. Myers	FedEx Ground Package System. Inc	400,000	10/31/11 (1)
FL	Jacksonville	Federal Express Corporation	575,000	05/31/13
FL	Lakeland	Federal Express Corporation	165,000	11/30/12
FL	Orlando	Federal Express Corporation	646,000	11/30/17
FL	Punta Gorda	Federal Express Corporation	304,000	06/30/17
FL	Tampa	FedEx Ground Package System. Inc	1,412,000	01/31/19
FL	Tampa	Federal Express Corporation	572,000	09/30/17
FL	Tampa	Kellogg Sales Company	376,000	12/31/11
GA	Augusta	FedEx Ground Package System. Inc	453,000	06/30/18
GA	Augusta	Federal Express Corporation	142,000	11/30/12
GA	Griffin	Caterpillar Logistics Services, Inc.	1,169,000	11/30/16
IA	Urbandale	Keystone Automotive	129,000	03/31/17
IL	Burr Ridge	Sherwin-Williams Company	161,000	10/31/14
IL	Elgin	Joseph T. Ryerson	614,000	01/31/12 (1)
IL	Granite City	Anheuser-Busch, Inc.	769,000	05/31/16
IL	Montgomery	Home Depot USA, Inc.	875,000	06/30/15
IL	Rockford	Sherwin Williams	464,000	12/31/23
IL	Schaumburg (2)	Federal Express Corporation	496,000	03/31/17
IL	Wheeling	FedEx Ground Package System. Inc	1,386,000	05/31/17
KS	Edwardsville	Carlisle Tire & Wheel Company	675,000	05/31/12 (1)
KS	Topeka	Coca Cola Enterprises, Inc.	332,000	09/30/21
MD	Beltsville	FedEx Ground Package System. Inc	1,426,000	07/31/18
MI	Orion	FedEx Ground Package System. Inc	1,285,000	06/30/17
MI	Romulus	Federal Express Corporation	370,000	05/31/21
MN	White Bear Lake	Federal Express Corporation	433,000	11/30/12
MO	Kansas City	Kellogg Sales Company	368,000	07/31/12 (8)
MO	Liberty	Vacant	-0-	N/A
MO	O' Fallon	Pittsburgh Glass Works	449,000	06/30/12 (8)
MO	St. Joseph (4)	Mead Corporation	1,204,000	11/30/15
MS	Jackson (5)	Graybar Electric Company	109,000	07/31/19
MS	Richland	Federal Express Corporation	140,000	03/31/14
NC	Fayetteville	Maidenform, Inc.	396,000	12/31/12
NC	Greensboro	Highways & Skyways, of NC, Inc.	105,000	(7)

State	City	Tenant	Annualized Rent	Lease Expiration
NC	Monroe	Hajoca (formerly) HD Supply, Inc.	594,000	10/31/11 (1)
NC	Winston-Salem	FedEx Ground Package System, Inc.	637,000	12/31/11
NE	Omaha	Federal Express Corporation	535,000	10/31/13
NJ	Carlstadt (3)	Macy's East, Inc.	451,000	03/31/14
NJ	Somerset (6)	Various	455,000	Various
NY	Cheektowaga	FedEx Ground Package System, Inc	966,000	08/31/19
NY	Orangeburg	Keebler Company	353,000	02/28/12 (1)
OH	Bedford Heights	Federal Express Corporation	456,000	08/31/13
OH	Richfield	FedEx Ground Package System, Inc.	645,000	10/31/16
OH	West Chester Twp	RPS Ground (FDX)	499,000	08/31/13
PA	Monaca	Various	448,000	Various
PA	Quakertown	MagiKitch'n	324,000	03/31/15
SC	Ft. Mill	FedEx Ground Package System, Inc.	1,024,000	09/30/19
SC	Hanahan	Norton McNaughton of Squire, Inc.	1,301,000	04/29/15
SC	Hanahan	FedEx Ground Package System, Inc.	675,000	07/31/18
TN	Chattanooga	Federal Express Corporation	370,000	10/27/12
TN	Lebanon	Cracker Barrel Old Country Store	1,364,000	06/30/24
TN	Memphis	FedEx Supply Chain Services, Inc.	1,281,000	05/31/19
TN	Shelby County	N/A- Land	-0-	N/A
TX	Dallas (Carrollton)	Carrier Enterprises, LLC.	1,518,000	01/11/19
TX	Edinburg	FedEx Ground Package System, Inc	600,000	08/31/21
TX	El Paso	FedEx Ground Package System, Inc.	668,000	09/30/15
TX	El Paso	N/A- Land	-0-	N/A
TX	Houston	National Oilwell DHT, L.P.	721,000	09/30/22
VA	Charlottesville	Federal Express Corporation	368,000	08/31/12 (8)
VA	Richmond	Carrier Sales	301,000	05/31/16
VA	Richmond	Federal Express Corporation	677,000	10/21/14
VA	Roanoke	DHL	562,000	12/07/16
WI	Cudahy	FedEx Ground Package System, Inc.	901,000	06/30/17
			$40,925,000	

(1) Extension has been executed. See fiscal 2012 renewal chart below.

(2) Lease has an early termination option in 2012.

(3) Estimated annual rent is the full rent per the lease. The Company consolidates the results of these properties due to its controlling equity interest.

(4) Subleased to Hallmark.

(5) Lease has an early termination option in 2014.

(6) The Company owns an undivided 2/3 interest. Estimated annual rent reflects the Company's proportionate share of the total rent.

(7) This tenant is leasing 50% of the square footage on a month to month basis.

(8) Renewal is in discussion.

All improved properties were 100% occupied at September 30, 2011 except for the following:

Property	Square Footage	Occupancy
Monaca, PA	291,474	67%
Greensboro, NC	40,560	50%
Somerset, NJ	42,773	96%
Liberty, MO	98,200	-0-%

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The Company's weighted-average lease expiration was 5.1 and 4.9 years as of September 30, 2011 and 2010, respectively.

Our average occupancy rates for the years 2011, 2010, 2009, 2008 and 2007 were 97%, 96%, 96%, 97% and 98%, respectively. The average effective annual rent per square foot for 2011, 2010, 2009, 2008 and 2007 was $5.59, $5.81, $5.64, $5.28 and $5.47, respectively.

The Company renewed 100% of leases which were scheduled to expire in fiscal 2011, totaling 481,437 square feet or 6% of total square feet, as follows:

Property	Tenant	Square feet	Former Average Rent PSF	Previous Lease Expiration	Renewal Average Rent PSF	New Lease Expiration	Renewal Term (years)
Orangeburg, NY	Keebler	50,400	$7.00	2/28/11	$7.00	2/28/12	1.0

Newington, CT	Keebler	54,812	6.54	2/28/11	6.54	2/28/12	1.0
White Bear Lake, MN	FDX	59,425	7.29	4/30/11	7.29	11/30/12	1.6
Granite City, IL	Anheuser Busch	184,800	6.21	5/31/11	4.16	5/31/16	5.0
Romulus, MI	FDX	72,000	6.24	5/31/11	5.15	5/31/21	10.0
Richmond, VA	Carrier Sales	60,000	6.61	5/31/11	5.02	5/31/16	5.0
Weighted Average			$6.52		$5.37		4.5

In fiscal 2012, approximately 18% of our gross leasable area, consisting of 12 leases totaling 1,303,769 square feet was originally set to expire. To date, the Company has extended the following leases which were scheduled to expire in fiscal 2012:

Property	Tenant	Square feet	Former Average Rent PSF	Previous Lease Expiration	Renewal Average Rent PSF	New Lease Expiration	Renewal Term (years)
Ft Myers, FL	FedEx	90,020	$4.45	10/31/11	$4.61	10/31/14	3.0
Monroe, NC	HD Supply, Inc	160,000	3.71	10/31/11	$3.65	10/31/16	5.0
Elgin, IL	Ryerson	89,052	6.90	1/31/12	5.68	1/31/17	5.0
Orangeburg, NY	Keebler	50,400	7.00	2/28/12	7.00	2/28/13	1.0
Newington, CT	Kellogg	54,812	6.54	2/29/12	6.54	2/28/13	1.0
Tolleson, AZ	Western Container	288,211	4.33	4/30/12	4.26	4/30/17	5.0
Edwardsville, KS	Carlisle Tire	179,280	3.77	5/31/12	3.84	5/31/13	1.0
Weighted Average			$4.65		$4.53		3.6

The Company has been informed that 2 leases for 174,892 square feet or 13% of the space coming up for renewal in fiscal 2012 will not be renewing. These two properties include a 68,385 square foot building in Tampa, FL leased to Keebler/Kellogg and a 106,507 square foot building in Winston Salem, NC leased to Federal Express. We continue to be in discussions with our tenants regarding the remaining three tenants representing 217,102 square feet or 17% of the space scheduled for renewal in fiscal 2012.

The following table presents certain information with respect to the Company’s leases expiring in the next ten years:

Fiscal Year of Expiration	Property Count	Total Area Expiring (Sq Ft)	Current Annual Rent - $	Percent of Gross Annual Rent - %
Vacant	1	98,200	$-0-	0%
Various*	2	334,247	903,000	2%
2012	6	457,507	2,335,000	6%
2013	12	970,488	4,790,000	12%
2014	4	240,238	1,404,000	3%
2015	6	732,061	4,006,000	10%
2016	3	633,471	2,274,000	6%
2017	14	1,702,690	10,644,000	26%
2018	6	549,391	4,408,000	11%
2019	6	1,049,101	6,310,000	15%
2020	-0-	-0-	-0-	0%
2021	3	225,582	1,302,000	3%
Thereafter	3	538,922	2,549,000	6%
Total	66	7,531,898	$40,925,000	100%

* Various relates to our multi-tenant properties which have leases which range from month to month to expirations in 2018.

ITEM 3 – LEGAL PROCEEDINGS

None.

ITEM 4 – REMOVED AND RESERVED

PART II

ITEM 5 - MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Since June 1, 2010, the common stock of Monmouth Real Estate Investment Corporation has been traded on the New York Stock Exchange, under the symbol “MNR”. Previously, the common stock was traded on the NASDAQ Global Select Market. The per share range of high and low market prices and distributions paid to common shareholders during each fiscal quarter of the last two fiscal years were as follows:

	Fiscal 2011 Market Price				Fiscal 2010 Market Price		
Fiscal Qtr.	High	Low	Distrib.	Fiscal Qtr.	High	Low	Distrib.
First	$8.70	$7.70	$.15	First	$7.55	$6.60	$.15
Second	8.83	8.00	.15	Second	8.74	6.92	.15
Third	8.87	8.02	.15	Third	8.87	7.00	.15
Fourth	8.75	7.50	.15	Fourth	8.10	7.11	.15
			$.60				$ .60

On November 30, 2011, the closing price of our common stock was $8.49

As of November 30, 2011, there were 1,186 shareholders of record who held shares of common stock of the Company.

It is the Company’s intention to continue making quarterly distributions. On October 4, 2011, the Company declared a dividend of $.15 per share to be paid on December 15, 2011 to common shareholders of record on November 15, 2011. The Company's annual dividend rate on its common stock is currently $0.60 per share. The Company paid the distributions from cash flows from operations. Future common stock dividend policy will depend on the Company’s earnings, capital requirements, financial condition, availability and cost of bank financing and other factors considered relevant by the Board of Directors.

On December 5, 2011, the Company issued 2,000,000 shares of common stock in a registered direct placement at a price of $8.39 per share. The Company received net proceeds from the common stock offering of approximately $16,200,000. The Company intends to use such net proceeds to purchase additional properties in the ordinary course of business and for general corporate purposes.

As of September 30, 2011, the Company had outstanding 2,139,750 shares of 7.625% Series A Cumulative Redeemable Preferred Stock, par value $.01 per share with an aggregate liquidation preference of approximately $53,500,000 (Series A Preferred Stock). The Series A Preferred Stock ranks, 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. We are required to pay cumulative dividends on the Series A Preferred Stock in the amount of $1.90625 per share each year, which is equivalent to 7.625% of the $25.00 liquidation value per share. The Series A Preferred Stock is traded on the New York Stock Exchange.

On October 14, 2010, the Company issued 817,250 shares of its Series A Preferred Stock in a registered direct placement at a price of $24.00 per share. The Company received net proceeds from the Series A Preferred Stock offering of approximately $19,000,000 and used such net proceeds to purchase additional properties in the ordinary course of business and for general corporate purposes, including repayment of indebtedness.

On October 4, 2011, the Board of Directors declared a quarterly dividend of $0.4766 per share on the Company's Series A Preferred Stock payable December 15, 2011, to shareholders of record on November 15, 2011. Series A preferred share dividends are cumulative and payable quarterly at an annual rate of $1.90625 per share.

Issuer Purchases of Equity Securities

On June 29, 2011, the Board of Directors reaffirmed its Share Repurchase Program (the repurchase program) that authorizes the Company to purchase up to $10,000,000 in the aggregate of the Company's common stock. The repurchase program was originally created on March 3, 2009 and is intended to be implemented through purchases made from time to time using a variety of methods, which may include open market purchases, privately negotiated transactions or block trades, or by any combination of such methods, in accordance with applicable insider trading and other securities laws and regulations. The size, scope and timing of any purchases will be based on business, market and other conditions and factors, including price, regulatory and contractual requirements or consents, and capital availability. The repurchase program does not require the Company to acquire any particular amount of common

stock, and the program may be suspended, modified or discontinued at any time at the Company's discretion without prior notice. Shares of stock repurchased under the repurchase program will be held as treasury shares. During fiscal year 2009, the Company purchased 5,000 shares of its common stock for $4.92 per share for a total $24,905 on the open market. There were no purchases under the repurchase program in fiscal years 2011 or 2010. The maximum dollar value that may be purchased under the repurchase program as of September 30, 2011 is $9,975,095.

Equity Compensation Plan Information

The Company has a Stock Option and Stock Award Plan, adopted in 2007 and amended and restated in 2010 (the 2007 Plan) authorizing the grant to officers and key employees of options to purchase up to 1,500,000 shares of common stock. See Note 10 in the Notes to the Consolidated Financial Statements included in this Form 10-K for a description of the plans.

The following table summarizes information, as of September 30, 2011, relating to equity compensation plans of the Company (including individual compensation arrangements) pursuant to which equity securities of the Company are authorized for issuance:

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding Securities reflected in column (a)) (c)
Equity Compensation Plans Approved by Security Holders	1,151,200	$7.90	901,722
Equity Compensation Plans not Approved by Security Holders	N/A	N/A	N/A
Total	1,151,200	$7.90	901,722

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Comparative Stock Performance

The following line graph compares the total return of the Company's common stock for the last five fiscal years to the FTSE NAREIT Composite Index (US), published by the National Association of Real Estate Investment Trusts (NAREIT), and the S&P 500 Index for the same period. The total return reflects stock price appreciation and dividend reinvestment for all three comparative indices. The information has been obtained from sources believed to be reliable, but neither its accuracy nor its completeness is guaranteed.

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ITEM 6 – SELECTED FINANCIAL DATA

The following table sets forth selected financial and other information for the Company for the periods and as of the dates indicated. This table should be read in conjunction with management's discussion and analysis of financial condition and results of operations and all of the financial statements and notes thereto included elsewhere herein.

	September 30,				
	2011	2010	2009	2008	2007
OPERATING DATA:					
Rental and Reimbursement					
Revenue	$48,141,484	$45,212,822	$41,318,498	$39,148,259	$28,237,404
Gain (Loss) on Securities					
Transactions, net	5,238,203	2,609,149	(6,601,460)	(3,660,283)	156,723
Interest and Dividend Income	3,100,327	2,510,909	2,502,253	1,871,262	1,467,444
Total Expenses	26,371,825	24,156,744	21,338,477	20,494,612	15,217,382
Gain (Loss) on Sale of					
Investment Property	-0-	-0-	-0-	6,790,616	4,634,564

Interest Expense	14,870,906	14,822,725	13,897,398	13,138,767	8,969,087
Income from Continuing Operations	15,237,283	11,353,411	1,983,416	3,725,859	5,699,804
Discontinued Operations	265,868	(138,159)	(176,532)	7,436,780	5,117,834
Net Income	15,503,151	11,215,252	1,806,884	11,162,639	10,842,340
Net Income (Loss) Applicable to MREIC's Common Shareholders	11,338,979	8,486,301	(868,313)	8,501,551	8,947,885
Income from Continuing Operations Per Share					
Basic	.43	.37	.07	.15	.27
Diluted	.43	.37	.07	.15	.27
Net Income (Loss) Attributable to MREIC's Common Shareholders per share					
Basic	.32	.28	(.03)	.35	.41
Diluted	.32	.28	(.03)	.35	.41
BALANCE SHEET DATA:					
Total Assets	$476,986,836	$454,118,797	$394,994,437	$389,077,597	$366,908,245
Real Estate Investments, Net	409,023,556	389,588,435	345,880,581	346,605,272	321,409,179
Mortgage Notes Payable	211,614,170	210,577,861	192,050,283	191,947,632	174,352,038
8% Subordinated Convertible Debentures	8,915,000	13,990,000	13,990,000	14,990,000	14,990,000
Series A 7.625% Cumulative Redeemable Preferred Stock	53,493,750	33,062,500	33,062,500	33,062,500	33,062,500
Total Shareholders' Equity	234,542,672	215,512,472	164,891,150	159,910,964	167,214,302
CASH FLOW DATA:					
Net Cash Provided (Used) By:					
Operating Activities	$22,126,819	$18,995,659	$19,591,455	$17,438,835	$13,224,299
Investing Activities	(30,247,168)	(55,701,769)	(11,655,914)	(39,831,002)	(25,526,868)
Financing Activities	7,682,604	37,439,775	(7,202,915)	16,345,092	21,668,476

OTHER INFORMATION:	September 30, 2011	2010	2009	2008	2007
Average Number of Common Shares Outstanding - Basic	35,083,457	30,371,217	24,981,427	24,131,497	21,050,803
Funds from Operations*	$22,876,729	$17,908,910	$9,152,310	$11,397,238	$11,606,920
Cash Dividends Per Common Share	.60	.60	.60	.60	.60

* Funds from operations (FFO), is defined as net income, excluding gains (or losses) from sales of depreciable assets, plus depreciation and amortization of intangible assets. FFO should be considered as a supplemental measure of operating performance used by REITs. The Company believes that FFO is helpful to investors as one of several measures of the performance of a REIT. FFO excludes historical cost depreciation as an expense and may facilitate the comparison of REITs which have different cost basis. The items excluded from FFO are significant components in understanding the Company's financial performance.

FFO (1) does not represent cash flow from operations as defined by generally accepted accounting principles; (2) should not be considered as an alternative to net income as a measure of operating performance or cash flows from operating, investing and financing activities; and (3) is not an alternative to cash flow as a measure of liquidity. FFO, as calculated by the Company, may not be comparable to similarly entitled measures reported by other REITs.

The Company’s FFO is calculated as follows:

	2011	2010	2009	2008	2007
Net Income	$15,503,151	$11,215,252	$1,806,884	$11,162,639	$10,792,936
Less: Net (Income)Loss to Noncontrolling Interest	(84,953)	(207,737)	(153,983)	(139,744)	24,702
Less: Preferred Dividend	(4,079,219)	(2,521,214)	(2,521,214)	(2,521,344)	(1,869,753)
(Gain) Loss on Sale of Investment Property (A)	-0-	-0-	-0-	(6,790,616)	(4,634,564)
Depreciation	10,312,807	9,282,829	8,553,869	7,892,129	6,302,512
Depreciation Related to Discontinued Operations	38,551	123,983	23,118	135,056	255,405
Amortization of Lease Intangible Assets	1,186,392	1,249,341	1,443,636	1,659,118	735,682

FFO	$22,876,729	$19,142,454	$9,152,310	$11,397,238	$11,606,920

(A) Consists of the gain on sale of the Franklin, MA and Ramsey, NJ properties in 2008 and the gain on sale of the South Brunswick, NJ property in 2007. These gains are included in discontinued operations.

ITEM 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL

CONDITION AND RESULTS OF OPERATION

Safe Harbor Statement

Statements contained in this Form 10-K, 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," "intends," "plans," "seeks," "may," or similar expressions, we are making forward-looking statements. These 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, which 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 ability to access the debt or equity markets ;
- the availability of other debt and equity financing alternatives;
- 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 successfully implement 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.

The following discussion should be read in conjunction with the financial statements and notes thereto included elsewhere herein.

Overview

The Company is a REIT and its primary business is the ownership and management of industrial buildings subject to long-term net-leases, primarily to investment grade tenants. At September 30, 2011, the Company held investments in sixty-six properties totaling approximately 7,532,000 square feet, consisting of 65 industrial properties and one shopping center, located in Somerset, New Jersey. Total real estate investments were $409,023,556 at September 30, 2011. These properties are located in twenty-five states: Alabama, Arizona, Colorado, Connecticut, Florida, Georgia, Illinois, Iowa, Kansas, Maryland, Michigan, Minnesota, Missouri, Mississippi, North Carolina, Nebraska, New Jersey, New York, Ohio, Pennsylvania, South Carolina, Tennessee, Texas, Virginia, and Wisconsin. All of these properties are wholly owned, with the exception of an industrial

property in New Jersey, in which the Company owns a majority interest, and the shopping center, in which the Company holds a two-thirds interest.

The Company’s weighted-average lease expiration was 5.1 and 4.9 as of September 30, 2011 and 2010, respectively and its average rent per occupied square foot as of September 30, 2011 and 2010 was $5.59 and $5.81, respectively. At September 30, 2011 and 2010, the Company’s occupancy was 97% and 96%, respectively. During fiscal 2011, the Company acquired three industrial properties totaling approximately 561,000 square feet for approximately $28,300,000.

The Company has a concentration of FDX leased properties. At September 30, 2011, the total FDX and FDX subsidiaries leased square footage as a percentage of the Company's total rental space was 47%, with 14% leased to FDX and 33% leased to FDX subsidiaries. The percentage of rental and reimbursement revenue from FDX was 56% for the year ended September 30, 2011.

The Company's revenue primarily consists of rental and reimbursement revenue from the ownership of industrial rental property. Rental and reimbursement revenue increased $2,928,662, or 6%, for the year ended September 30, 2011 as compared to the year ended September 30, 2010. Total expenses (excluding other income and expense) increased $2,215,081, or 9%, for the year ended September 30, 2011 as compared to the year ended September 30, 2010. The increases were due mainly to the revenue and expenses relating to the property acquisitions made during fiscal 2011 and an increase in general and administrative expenses of $419,513.

During the first quarter of fiscal 2012, the Company purchased three industrial properties totaling approximately 489,000 square feet, located in New York, Ohio, and Texas, for approximately $30,600,000, and has sold a 37,660 square foot industrial building in Quakertown, Pennsylvania with gross proceeds to the Company of $2,765,000. The Company has entered into an agreement to purchase one industrial property located in Ohio for approximately $5,100,000 and expects to consummate this transaction during the first quarter of fiscal 2012. The Company has also entered into agreements to acquire two industrial properties in Texas and one industrial property in Oklahoma, subject to due diligence which the Company is currently conducting. Subject to satisfactory due diligence, the Company anticipates closing these three transactions during the second half of fiscal 2012 and the first quarter of fiscal 2013.

The Company intends to continue to increase its real estate investments in fiscal 2012 through acquisitions or expansions of properties. The growth of the real estate portfolio depends on the availability of suitable properties which meet the Company's investment criteria and appropriate financing. Competition in the market areas in which the Company operates is significant and affects acquisitions, occupancy levels, rental rates and operating expenses of certain properties

Revenues also include interest and dividend income and gain (loss) on securities transactions. The Company holds a portfolio of securities of other REITs with a fair value of $44,265,059 as of September 30, 2011. The Company invests in REIT securities on margin from time to time when the Company can achieve an adequate yield spread. The REIT securities portfolio provides the Company with liquidity and additional income and serves as a proxy for real estate when suitable acquisitions are not available. As of September 30, 2011, the Company's portfolio consisted primarily of 42% REIT preferred stocks and 58% REIT common stocks. The Company's weighed-average yield on the securities portfolio for 2011 was approximately 7.0%. Interest and dividend income increased to $3,100,327 for fiscal 2011 as compared to $2,510,909 in fiscal 2010. The increase in average balance of the securities portfolio was offset by a slight decrease in average yield. During fiscal 2011, the Company recognized $5,238,203 in gains on securities transactions. The market for REIT securities has declined during the second half of fiscal 2011 and the Company has unrealized gains of $2,368,163 in its REIT securities portfolio as of September 30, 2011. The dividends received from our securities investments continue to meet our expectations. It is our intent to hold these securities long-term.

The Company had approximately $6,377,000 in cash and $44,265,000 in REIT securities as of September 30, 2011. The Company believes that funds generated from operations and the Dividend Reinvestment and Stock Purchase Plan (the DRIP), and the line of credit, together with the ability to finance and refinance its properties, will provide sufficient funds to adequately meet its obligations over the next several years.

On December 5, 2011, the Company issued 2,000,000 shares of common stock in a registered direct placement at a price of $8.39 per share. The Company received net proceeds from the common stock offering of approximately $16,200,000. The Company intends to use such net proceeds to purchase additional properties in the ordinary course of business and for general corporate purposes, including the possible repayment of indebtedness.

See PART I, Item 1 – Business and Item 1A – Risk Factors for a more complete discussion of the economic and industry-wide factors relevant to the Company and the opportunities and challenges, and risks on which the Company is focused.

Significant Accounting Policies and Estimates

The discussion and analysis of the Company's financial condition and results of operation are based upon the Company's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities at the date of the Company's consolidated financial statements. Actual results may differ from these estimates under different assumptions or conditions.

Significant accounting policies are defined as those that involve significant judgment and potentially could result in materially different results under different assumptions and conditions. Management believes the following significant accounting policies are affected by our more significant judgments and estimates used in the preparation of the Company's consolidated financial statements. For a detailed description of these and other accounting policies, see Note No. 1 in the Notes to the Company's Consolidated Financial Statements included in this Form 10-K.

Real Estate Investments

The Company applies Financial Accounting Standards Board Accounting Standards Codification (ASC) 360-10, Property, Plant & Equipment (ASC 360-10) to measure impairment in real estate investments. Rental properties are individually evaluated for impairment when conditions exist which may indicate that it is probable that the sum of expected future cash flows (on an undiscounted basis without interest) from a rental property is less than its historical net cost basis. These expected future cash flows consider factors such as future operating income, trends and prospects as well as the effects of leasing demand, competition and other factors. Upon determination that a permanent impairment has occurred, rental properties are reduced to their fair value. For properties to be disposed of, an impairment loss is recognized when the fair value of the property, less the estimated cost to sell, is less than the carrying amount of the property measured at the time there is a commitment to sell the property and/or it is actively being marketed for sale. A property to be disposed of is reported at the lower of its carrying amount or its estimated fair value, less its cost to sell. Subsequent to the date that a property is held for disposition, depreciation expense is not recorded.

Upon acquisition of a property, the Company allocates the purchase price of the property based upon the fair value of the assets acquired, which generally consist of land, buildings and intangible assets, including in-place leases and above and below market leases. The Company allocates the purchase price to the fair value of the tangible assets of an acquired property determined by third party appraisal of the property obtained in conjunction with the purchase. Acquired above and below market leases are valued based on the present value of the difference between prevailing market rates and the in-place rates over the remaining lease term.

The purchase price is further allocated to in-place lease values based on management's evaluation of the specific characteristics of each tenant's lease. Acquired above and below market leases are amortized over the remaining non-cancelable terms of the respective leases. The value of in-place lease intangibles is amortized to expense over the remaining lease term. If a tenant terminates its lease early, the unamortized portion of the tenant improvements, leasing commissions above and below market leases and the in-place lease value is immediately charged to expense.

The Company conducted a comprehensive review of all real estate asset classes in accordance with ASC 360-10-35-21, which indicates that asset values should be analyzed whenever events or changes in circumstances indicate that the carrying value of a property may not be fully recoverable.

The following are examples of such events or changes in circumstances that would indicate to management that there may be an impairment of a property:

- ♦ A non-renewal of a lease and subsequent move out by the tenant;
- ♦ A renewal of a lease at a significantly lower rent than a previous lease;

- ♦ A significant decrease in the market value of a property;
- ♦ A significant adverse change in the extent or manner in which a property is being used or in its physical condition;
- ♦ A significant adverse change in legal factors or in the business climate that could affect the value of a property, including an adverse action or assessment by a regulator;
- ♦ An accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of a property;
- ♦ A current-period operating or cash flow loss combined with a history of operating or cash flow losses or a projection or forecast that demonstrates continuing losses associated with the use of a property; or
- ♦ A current expectation that, more likely than not, a property will be sold or otherwise disposed of significantly before the end of its previously estimated useful life.

The process entails the analysis of property for instances where the net book value exceeds the estimated fair value. In accordance with ASC 360-10-35-17, an impairment loss shall be recognized if the carrying amount of a long-lived asset is not recoverable and exceeds its fair value. The Company utilizes the experience and knowledge of its property manager and internal valuation team to derive certain assumptions used to determine an operating property's cash flow. Such assumptions include re-leasing and renewal probabilities upon future lease expirations, vacancy factors, rental growth rates, and capital expenditures.

As part of our review of our property portfolio, we have evaluated our property in Monaca, PA, which had an occupancy rate of 67% as of September 30, 2011, and noted that the sum of the discounted cash flows exceeded its historical net cost basis. We have also evaluated the two vacant properties in our portfolio and any properties which we believe may not renew their leases and noted that the sum of the discounted cash flows expected for potential leases of these properties exceeded their historical net cost basis. Management evaluates on a quarterly basis whether the marketing rent (advertised) or the market rent has decreased or if any additional indicators are present which would indicate a significant decrease in net cash flows. Management typically will obtain an independent appraisal to assist in evaluating a potential impairment for a property that has been vacant for several years. We have also evaluated the properties which had lease renewals at rental rates lower than the previous rental rates and noted that the sum of the new discounted cash flows expected for the renewed leases exceeded these properties' historical net cost basis.

The Company reviewed its operating properties in light of the requirements of ASC 360-10 and determined that, as of September 30, 2011, the undiscounted cash flows over the holding period for these properties were in excess of their carrying values and, therefore, no impairment charges were required.

Securities Available for Sale

Investments in non-real estate assets consist primarily of marketable securities. Management individually reviews and evaluates our marketable securities for impairment on a quarterly basis, or when events or circumstances occur. Management considers, among other things, credit aspects of the issuer, amount of decline in fair value over cost and length of time in a continuous loss position. If a decline in fair value is determined to be other than temporary, a non-cash impairment charge is recognized in earnings and the cost basis of the individual security is written down to fair value as the new cost basis.

The Company classifies its securities among three categories: Held-to-maturity, trading and available-for-sale. The Company's securities at September 30, 2011 and 2010 are all classified as available-for-sale and are carried at fair value based on quoted market prices. Gains or losses on the sale of securities are calculated based on the average cost method and are accounted for on a trade date basis. Unrealized holding gains and losses are excluded from earnings and reported as a separate component of Shareholders' Equity until realized.

Revenue Recognition and Estimates

Rental income from tenants with leases having scheduled rental increases are recognized on a straight-line basis over the term of the lease. Leases typically provide for reimbursement of real estate taxes, insurance, and other operating costs. These occupancy charges are recognized as earned. Estimates are used to establish amounts receivable and revenue from tenants for such things as annualized rents, real estate taxes and other cost recoveries. In addition, an estimate is made with respect to whether a provision for allowance for doubtful accounts receivable and loans receivable is necessary. The allowance for doubtful accounts reflects management's estimate of the amounts of the recorded accounts receivable and loans receivable at the balance sheet date that will not be realized from cash receipts in subsequent periods. If cash receipts in subsequent periods vary from our estimates, or if the Company's tenants' financial condition deteriorates as a result of operating difficulties, additional changes to the allowance may be required.

Results of Operations

Occupancy and Rent per Occupied Square Foot

The Company's weighted-average lease expiration was 5.1 and 4.9 years as of September 30, 2011 and 2010, respectively and its average rent per occupied square foot for fiscal 2011 and 2010 was $5.59 and $5.81, respectively. As of September 30, 2011 and 2010, the Company's occupancy rate was 97% and 96%, respectively. All improved properties were 100% occupied at September 30, 2011 except for the following:

Property	Square Footage	Occupancy
Monaca, PA	291,474	67%
Greensboro, NC	40,560	50%
Somerset, NJ	42,773	96%
Liberty, MO	98,200	-0-%

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Lease Renewals and Extensions

The Company renewed 100% of leases which were scheduled to expire in fiscal 2011, totaling 481,437 square feet or 6% of total square feet, as follows:

Property	Tenant	Square feet	Former Average Rent PSF	Previous Lease Expiration	Renewal Average Rent PSF	New Lease Expiration	Renewal Term (years)
Orangeburg, NY	Keebler	50,400	$7.00	2/28/11	$7.00	2/28/12	1.0
Newington, CT	Keebler	54,812	6.54	2/28/11	6.54	2/28/12	1.0
White Bear Lake, MN	FDX	59,425	7.29	4/30/11	7.29	11/30/12	1.6
Granite City, IL	Anheuser Busch	184,800	6.21	5/31/11	4.16	5/31/16	5.0
Romulus, MI	FDX	72,000	6.24	5/31/11	5.15	5/31/21	10.0
Richmond, VA	Carrier Sales	60,000	6.61	5/31/11	5.02	5/31/16	5.0
Weighted Average			$6.52		$5.37		4.5

In fiscal 2012, approximately 18% of our gross leasable area, consisting of 12 leases totaling 1,303,769 square feet was originally set to expire. To date, the Company has extended the following leases which were scheduled to expire in fiscal 2012:

Property	Tenant	Square feet	Former Average Rent PSF	Previous Lease Expiration	Renewal Average Rent PSF	New Lease Expiration	Renewal Term (years)
Ft Myers, FL	FedEx	90,020	$4.45	10/31/11	$4.61	10/31/14	3.0
Monroe, NC	HD Supply, Inc	160,000	3.71	10/31/11	$3.65	10/31/16	5.0
Elgin, IL	Ryerson	89,052	6.90	1/31/12	5.68	1/31/17	5.0
Orangeburg, NY	Keebler	50,400	7.00	2/28/12	7.00	2/28/13	1.0
Newington, CT	Kellogg	54,812	6.54	2/29/12	6.54	2/28/13	1.0
Tolleson, AZ	Western Container	288,211	4.33	4/30/12	4.26	4/30/17	5.0
Edwardsville, KS	Carlisle Tire	179,280	3.77	5/31/12	3.84	5/31/13	1.0
Weighted Average			$4.65		$4.53		3.6

The Company has been informed that 2 leases for 174,892 square feet or 13% of the space coming up for renewal in fiscal 2012 will not be renewing. These two properties include a 68,385 square foot building in Tampa, FL leased to Keebler/Kellogg and a 106,507 square foot building in Winston Salem, NC leased to Federal Express. We continue to be in discussions with our tenants regarding the remaining three tenants representing 217,102 square feet or 17% of the space scheduled for renewal in fiscal 2012.

Acquisitions During Fiscal 2011

On October 28, 2010, the Company purchased a 381,240 square foot industrial building located in Lebanon, Tennessee. The building is 100% net leased through June 30, 2024 to CBOCS Distribution, Inc., a subsidiary of Cracker Barrel Old Country Store, Inc., which guarantees the lease. The purchase price was approximately $14,500,000. The Company assumed the existing mortgage with an outstanding balance of $8,645,181 at a fixed interest rate of 7.6% which matures on July 1, 2019 and paid the remainder in cash from the proceeds of the Company's registered direct placement of common stock completed in April 2010. Annual rental income over the remaining term of the lease is approximately $1,364,000. The Company recorded an intangible asset related to the lease in-place of $285,000.

On November 1, 2010, the Company purchased a 66,387 square foot industrial building in Rockford, Illinois. The building is 100% net leased through December 31, 2023 to The Sherwin-Williams Company. The purchase price was approximately $5,800,000. The Company assumed an existing mortgage with an outstanding balance of $1,932,807 at

a fixed interest rate of 5.5% which matures on December 10, 2013 and paid the remainder in cash from the proceeds of the Company's registered direct placement of common stock completed in April 2010. Annual rental income over the remaining term of the lease is approximately $464,000. The Company recorded an intangible asset related to the lease in-place of $260,000.

On December 15, 2010, the Company completed the acquisition of the remaining 37% noncontrolling interest in Wheeling Partners, LLC (Wheeling Partners), an Illinois limited liability company, for approximately $4,100,000. Wheeling Partners owns a 123,000 square foot industrial building in Wheeling, Illinois which is leased to FedEx Ground Package Systems, Inc. through May 2017. Prior to this transaction, the Company owned 63% of Wheeling Partners. The Company paid for the noncontrolling interest using proceeds from the registered direct placement of preferred stock completed in October 2010. The excess of purchase price over the carrying amount of the noncontrolling interest acquired is approximately $1,765,000 and has been reflected as a change to additional paid-in capital.

On January 26, 2011, the Company purchased 8.6 acres adjacent to the property currently owned by the Company in El Paso, Texas, which is leased to FedEx Ground Package Systems, Inc. This land was purchased for future expansion and the total cost was approximately $1,134,000.

On September 30, 2011, the Company purchased an 113,582 square foot industrial building located in Edinburgh, Texas. The building is 100% net leased to FedEx Ground Package Systems, Inc. through August 31, 2021. The purchase price was approximately $8,000,000. The Company obtained a mortgage of $4,800,000 at a fixed interest rate of 5.85% for the first 5 years and paid the remainder with a draw on the Company's line of credit. On November 1, 2016, the interest rate resets to the Federal Home Loan Bank of New York rate plus 275 basis points with a floor of 5.5%. This mortgage matures on September 30, 2021. Annual rental income over the remaining term of the lease is approximately $598,000. The Company recorded an intangible asset related to the lease in-place of $564,000.

Comparison of Year Ended September 30, 2011 to Year Ended September 30, 2010

The following tables summarize the Company's rental revenue, reimbursement revenue, real estate taxes, operating expenses, and depreciation expense by category. For the purposes of the following discussion, same store properties are properties owned as of October 1, 2009 that have not been subsequently expanded. No properties were expanded in fiscal 2011 or 2010. Vacant properties were properties vacant in fiscal 2011 and 2010. Acquired properties are properties that were acquired subsequent to September 30, 2009. Other amounts relate to general corporate

expenditures.

As of September 30, 2011 and 2010, the occupancy rates of the Company's same store properties were 97% and 96%, respectively.

Rental Revenues	2011	2010	$ Change	% Change
Same Store Properties	$33,999,820	$34,228,382	($228,562)	(1%)
Acquired Properties	6,234,708	3,095,073	3,139,635	101%
Total	$40,234,528	$37,323,455	$2,911,073	8%

Rental revenue from same store properties decreased slightly due mainly to the decreased rental rates in the renewed or extended leases as described in the Lease Renewals and Extensions table during fiscal 2011. Rent from acquired properties included rental revenue from the properties located in Memphis, TN, Houston, TX, Carrollton, TX and Ft. Mill, SC (all acquired in fiscal 2010) and Lebanon, TN, Rockford, IL and Edinburg, TX (all acquired in fiscal 2011), as described under acquisitions above.

Reimbursement Revenues	2011	2010	$ Change	% Change
Same Store Properties	$7,077,255	$7,318,393	($241,138)	(3%)
Acquired Properties	829,701	570,974	258,727	45%
Total	$7,906,956	$7,889,367	$17,589	0%

Reimbursement revenues from same store properties decreased slightly due mainly to adjustments in billings related to real estate taxes from decreased taxes in certain jurisdictions and decreases in miscellaneous reimbursements.

Real Estate Taxes	2011	2010	$ Change	% Change
Same Store Properties	$6,231,706	$6,339,983	($108,277)	(2%)
Vacant Properties	209,378	205,235	4,143	2%
Acquired Properties	797,991	553,073	244,918	44%
Total	$7,239,075	$7,098,291	$140,784	2%

Real estate taxes from same store properties decreased slightly due to adjustments in estimates related to real estate taxes from decreased taxes in certain jurisdictions. Our single tenant properties are subject to net-leases which require the tenants to absorb the real estate taxes as well as insurance and the majority of the repairs and maintenance. As such, the Company is reimbursed by the tenants for these real estate taxes.

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Operating Expenses	2011	2010	$ Change	% Change
Same Store Properties	$2,052,459	$1,757,434	$295,025	17%
Vacant Properties	238,272	158,498	79,774	50%
Acquired Properties	93,628	25,731	67,897	264%
Total	$2,384,359	$1,941,663	$442,696	23%

Operating expenses for same store properties and vacant properties increased due mainly to increases in insurance of approximately $165,000, utilities of approximately $46,000, management fees of approximately $111,000 and repairs and maintenance of approximately $89,000.

Depreciation	2011	2010	$ Change	% Change
Same Store Properties	$8,839,716	$8,693,174	$146,542	2%
Acquired Properties	1,473,091	589,655	883,436	150%
Total	$10,312,807	$9,282,829	$1,029,978	11%

Depreciation from same store properties increased slightly due mainly to capital projects placed in service during the year.

Interest Expense	2011	2010	$ Change	% Change
Same Store Properties	$11,061,537	$11,904,201	($842,664)	(7%)
Acquired Properties	2,745,708	1,477,161	1,268,547	86%
Debentures	816,192	1,119,200	(303,008)	(27%)
Other	247,469	322,163	(74,694)	(23%)
Total	$14,870,906	$14,822,725	$48,181	0%

Interest expense for same store properties decreased due mainly to the decrease in the outstanding balances of the mortgages due to principal payment made in fiscal 2011 of $17,341,678. Interest expense related to the debentures decreased due to the repurchase of $5,075,000 in debentures during fiscal 2011, of which $5,000,000 was repurchased

from UMH. Other interest relates to interest on the Company's line of credit and margin loans. The decrease relates mainly to a decrease in average outstanding balances.

General and administrative expenses increased $419,513 or 11% during fiscal 2011 as compared to fiscal 2010. The increases related mainly to increases in executive compensation and employee benefits of $389,000, increases of franchise taxes of $118,000 and an increase in legal fees of approximately $100,000. Included in General and Administrative expense during fiscal 2011 was a one time charge of $275,000 related to severance paid to a former employee and the related legal fees.

Interest and dividend income increased $589,418 in fiscal 2011 as compared to fiscal 2010. This is due mainly to an increase in the size of the REIT securities portfolio partially offset by a slight decrease in the weighted average yield from this portfolio. The securities portfolio increased from $42,517,725 as of September 30, 2010 to $44,265,059 as of September 30, 2011. The REIT securities portfolio yield for fiscal 2011 was approximately 7.0% as compared to 7.2% for fiscal 2010.

Gain (loss) on securities transactions, net consisted of the following:

	2011	2010
Gross realized gains	$5,265,715	$2,609,775
Gross realized losses	(27,512)	(626)
Total Gain (Loss) on Securities Transactions, net	$5,238,203	$2,609,149

During fiscal 2011, the Company recognized a gain on securities transactions of $5,238,203. The Company had an accumulated net unrealized gain on its securities portfolio of $2,368,163 as of September 30, 2011.

Comparison of Year Ended September 30, 2010 to Year Ended September 30, 2009

The following tables summarize the Company's rental revenue, reimbursement revenue, real estate taxes, operating expenses, and depreciation expense by category. For the purposes of the following discussion, same store properties

are properties owned as of October 1, 2008 that have not been subsequently expanded. Expanded properties are properties which were expanded in fiscal 2009. Acquired properties are properties that were acquired subsequent to September 30, 2008. Other amounts relate to general corporate expenditures.

As of September 30, 2010 and 2009, the occupancy rates of the Company's same store properties were 96%.

Rental Revenues	2010	2009	$ Change	% Change
Same Store Properties	31,798,400	32,250,125	(451,725)	(1%)
Expanded Properties	2,131,633	1,825,096	306,537	17%
Acquired Properties	3,393,422	10,112	3,383,310	n/a
Total	$37,323,455	$34,085,333	3,238,122	10%

Rental revenue from same store properties decreased slightly due mainly to decreased rent of $420,811 related to two properties which became vacant during fiscal 2009 in Liberty, MO and Greensboro, NC. In addition, the Company renewed or extended all of the leases scheduled to expire in fiscal 2011 as described in the Lease Renewal and Extensions table during fiscal 2010 at a decreased weighted average per square foot of 18%. Increases in rent from expanded properties relates to the full year of rent related to amended leases in connection with the expansions in Griffin, GA and Cheektowaga, NY which were substantially completed in fiscal 2009. Rent from acquired properties included rental revenue from the properties located in Topeka, KS (acquired in fiscal 2009), Memphis, TN, Houston, TX, Carrollton, TX and Ft. Mill, SC (all acquired in fiscal 2010), as described under acquisitions above.

Reimbursement Revenues	2010	2009	$ Change	% Change
Same Store Properties	$7,082,084	$7,027,481	$54,603	1%
Expanded Properties	236,309	205,684	30,625	15%
Acquired Properties	570,974	-0-	570,974	n/a
Total	$7,889,367	$7,233,165	$656,202	9%

Reimbursement revenues from same store properties increased slightly due mainly to increases in billings related to real estate taxes, insurance and other reimbursable expenses of $104,044. The increase was partially offset by decreases in reimbursement revenue of $49,441 related to two properties which became vacant during fiscal 2009 in Liberty, MO and Greensboro, NC.

Real Estate Taxes	2010	2009	$ Change	% Change
Same Store Properties	$6,337,237	6,395,194	(57,957)	(1%)
Expanded Properties	207,981	191,745	16,236	8%
Acquired Properties	553,073	-0-	553,073	n/a
Total	$7,098,291	$6,586,939	$511,352	8%

Real estate taxes from same store properties remained stable. Real estate taxes from the expanded properties increased due mainly to the increase in assessed values from the completed expansions in 2009. Our single tenant properties are subject to net leases which require the tenants to absorb the real estate taxes as well as insurance and the majority of the repairs and maintenance. As such, the Company is reimbursed by the tenants for these real estate taxes.

Operating Expenses	2010	2009	$ Change	% Change
Same Store Properties	$1,886,307	$1,824,714	$61,593	3%
Expanded Properties	28,653	22,706	5,947	26%
Acquired Properties	26,703	-0-	26,703	n/a
Total	$1,941,663	$1,847,420	$94,243	5%

Operating expenses from same store properties and expanded properties increased slightly due mainly to an increase in insurance costs, repairs and maintenance, utilities related to vacant buildings and management fees.

Depreciation	2010	2009	$ Change	% Change
Same Store Properties	$8,051,818	$8,022,855	$28,963	0%
Expanded Properties	546,991	483,835	63,156	13%
Acquired Properties	684,020	47,179	636,841	1350%
Total	$9,282,829	$8,553,869	$728,960	9%

Depreciation from same store properties increased slightly due mainly to capital projects placed in service during the year. Depreciation expense from the expanded properties increased due to the full year of depreciation on the completed expansions.

Interest Expense	2010	2009	$ Change	% Change
Same Store Properties	$11,016,154	$11,515,646	($499,492)	4%
Expanded Properties	707,579	739,603	(32,024)	(4%)
Acquired Properties	1,657,629	-0-	1,657,629	n/a
Debentures	1,119,200	1,132,526	(13,326)	(1%)

Other	322,163	545,623	(223,460)	(41%)
Capitalized Interest	-0-	(36,000)	36,000	100%
Total	$14,822,725	$13,897,398	$925,327	7%

Interest expense for same store properties decreased due mainly to the decrease in the outstanding balances of the mortgages due to principal payment made in fiscal 2010 of $13,336,548. Interest expense related to the debentures decreased due to the repurchase of $1,000,000 in debentures at the beginning of fiscal 2009. Other

interest relates to interest on the Company's line of credit and margin loans. The decrease relates mainly to a decrease in interest rates and outstanding balances. Capitalized interest relates to the amount of interest capitalized related to property expansions in 2009.

General and administrative expenses increased $953,494 during fiscal 2010 as compared to fiscal 2009. The increases related mainly to increases in executive compensation and employee benefits of $707,518, increases in directors' fees of $80,600, increases in stock listing costs of $34,239, increases in travel costs related to acquisition of $64,603 and increases in other expenses of $66,534.

Interest and dividend income increased $8,656 in fiscal 2010 as compared to fiscal 2009. This is due mainly to an increase in the size of the REIT securities portfolio and a decrease in the yield from this portfolio. The securities portfolio increased from $27,824,665 as of September 30, 2009 to $42,517,725 as of September 30, 2010. The REIT securities portfolio yield for fiscal 2010 was 7.2% as compared to 12.0% for fiscal 2009.

Loss on securities transactions, net consisted of the following:

	2010	2009
Gross realized gains	$2,609,775	$98,844
Gross realized losses	(626)	(699,626)
Impairment loss	-0-	(6,000,678)
Total Loss on Securities Transactions, net	$2,609,149	($6,601,460)

During fiscal 2010, the Company had a gain on securities transactions of $2,609,149. The Company had an

accumulated unrealized gain on its securities portfolio of $10,116,057 as of September 30, 2010. During fiscal 2009, the Company had a loss on securities transactions of $6,601,460 which was due mainly to an impairment loss of $6,000,678 due to the writing down of the carrying value of twenty-two REIT securities which were considered other than temporarily impaired. The change in loss from securities transactions in 2009 to a gain in securities transactions in 2010 approximated $9,200,000 and was the primary reason for the increase in net income from approximately $1,800,000 in fiscal 2009 to approximately $11,200,000 in fiscal 2010.

Discontinued Operations

Discontinued operations in fiscal 2011, 2010 and 2009 include the operations of the property in Quakertown, Pennsylvania which was classified as held for sale as of September 30, 2011 and 2010. The following table summarizes the components of discontinued operations:

	2011	2010	2009
Rental and reimbursement revenue	$383,579	$359,858	$349,015
Real Estate Taxes	(54,818)	(50,975)	(47,241)
Operating Expenses	(6,101)	(3,415)	(22,880)
Depreciation & Amortization	(51,075)	(320,059)	(383,029)
Interest expense	(5,717)	(123,568)	(72,397)
Income (Loss) from Operations of Disposed Property and Property Held for Sale	$265,868	($138,159)	($176,532)

The variance in net income and depreciation and amortization is due to the write down to fair value in conjunction with a pending sale in 2010 which subsequently fell through and the write-down of the in-place lease intangible asset to fair value in 2009. The Company sold this property on October 31, 2011 for gross proceeds of $2,765,000.

Cash flows from discontinued operations for the year ended September 30, 2011, 2010 and 2009 are combined with the cash flows from operations within each of the three categories presented. Cash flows from discontinued operations were as follows:

	2011	2010	2009
Cash flows from Operations	$316,943	$181,900	$206,677
Cash flows from Investing Activities	-0-	-0-	-0-
Cash flows from Financing Activities	(316,943)	(181,900)	(206,677)

The absence of cash flows from discontinued operations is not expected to materially affect future liquidity and capital resources.

Off-Balance Sheet Arrangements and Contractual Obligations

The Company has not entered into any off-balance sheet arrangements.

The following is a summary of the Company's contractual obligations as of September 30, 2011:

Contractual Obligations	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Mortgage Notes Payable	$211,614,170	$20,104,107	$49,040,789	$52,908,224	$89,561,050
Debentures	8,915,000	-0-	3,770,000	5,145,000	-0-
Purchase of Property	35,719,000	35,719,000	-0-	-0-	-0-
Retirement Benefits	683,726	50,000	100,000	100,000	433,726
Total	$256,931,896	$55,873,107	$52,910,789	$58,153,224	$89,994,776

Mortgage notes payable represents the principal amounts outstanding by scheduled maturity. Interest is payable on these mortgages at fixed rates ranging from 5.22% to 8.48%, with a weighted average of 6.44%. The above table does not include the Company's obligation under its line of credit and margin loan as described in Note No. 8 of the Notes to Consolidated Financial Statements.

Debentures represent the repayment of the 8% Convertible Subordinated debentures of $3,770,000 due October 2013 (fiscal 2014) and $5,145,000 in April 2015.

Purchase of property represents the purchase price of four industrial properties under contract as of September 30, 2011. One acquisition for approximately $19,600,000 was completed on October 11, 2011. A second was completed on October 18, 2011 for approximately $5,000,000. The third was completed on November 10, 2011 for

approximately $6,019,000.

Retirement benefits represent post-retirement benefits that are unfunded and therefore will be paid from the assets of the Company. The liability is being accrued and expensed over the payment terms.

Liquidity and Capital Resources

The Company operates as a real estate investment trust deriving its income primarily from real estate rental operations. The Company’s shareholders’ equity increased from $215,512,472 as of September 30, 2010 to $234,542,672 as of September 30, 2011, principally due to issuance of 817,250 shares of Series A preferred stock in

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a registered direct placement in October 2010 with net proceeds of approximately $19,000,000 and issuance of 2,478,735 common shares in the DRIP and net income attributable to common shareholders of $11,338,979. The increases were partially offset by payments of distributions of $21,161,033. See further discussion below.

The Company’s ability to generate cash adequate to meet its needs is dependent primarily on income from its real estate investments and securities portfolio, the sale of real estate investments and securities, refinancing of mortgage debt, leveraging of real estate investments, availability of bank borrowings, proceeds from the DRIP, proceeds from public offerings and private placements, and access to the capital markets. Purchases of new properties, payments of expenses related to real estate operations, capital improvement programs, debt service, general and administrative expenses, and distribution requirements place demands on the Company’s liquidity.

The Company intends to operate its properties from the cash flows generated by the properties. However, the Company’s expenses are affected by various factors, including inflation. Increases in operating expenses raise the breakeven point for a property and, to the extent that they cannot be passed on through higher rent and reimbursements, reduce the amount of available cash flow which can adversely affect the market value of the property.

The current global economic situation and turbulence in the capital markets may impact management’s ability to grow by acquiring additional properties or REIT securities. Industrial space demand is very closely correlated to GDP growth. Current economic indicators show the U.S. economy to be slowly emerging from a deep and protracted

recession. Whether this return to economic growth is sustainable remains to be seen especially in light of the end of the massive government stimulus programs. However, the high caliber of our tenants, coupled with the long duration of our leases, should enable the Company to perform well despite the weak economy. As of September 30, 2011, the Company had $6,376,808 in cash and cash equivalents and $44,265,059 in marketable securities subject to margin loans of $5,860,950. The Company also had $9,000,000 available on its $20,000,000 line of credit.

On October 14, 2010, the Company sold 817,250 shares of its Series A Preferred Stock in a registered direct placement at a price of $24.00 per share. The Company received net proceeds of approximately $19,000,000 from the Series A Preferred Stock offering and used such net proceeds to purchase additional properties in the ordinary course of business and for general corporate purposes, including the repayment of indebtedness. On December 5, 2011, the Company sold 2,000,000 shares of common stock in a registered direct placement. The Company received net proceeds from this offering of approximately $16,200,000. The Company intends to use such net proceeds to purchase additional properties in the normal course of business and for general corporate purposes.

The Company has been raising equity capital through its DRIP, registered direct placements and the public sale of common and preferred stock and investing in net-leased industrial properties. The Company believes that funds generated from operations, the DRIP, and bank borrowings, together with the ability to finance and refinance its properties, will provide sufficient funds to adequately meet its obligations over the next few years.

At September 30, 2011, the Company owned sixty-six properties of which 10 are not subject to mortgages; however the Company's unsecured line of credit contains covenants which may restrict the Company's ability to place financing on unencumbered properties. The Company has an unsecured variable-rate line of credit with Capital One, N.A. maturing in March 2013 of $20,000,000. The line had $11,000,000 outstanding as of September 30, 2011. The interest rate on the initial $15,000,000 is based on LIBOR plus 200 basis points and LIBOR plus 250 on the remaining $5,000,000. Interest is due monthly and was 2.23% as of September 30, 2011. The Company must keep not less than $1,000,000 in average net collected balances at Capital One, N.A. and meet certain loan covenants as contained in the loan agreement, including a 65% loan to value ratio on certain negatively pledged properties. Subsequent to year end, the Company drew an additional $4,500,000 on the line to fund acquisitions.

On November 29, 2011, the Company closed on a $2,500,000 5-year term loan with Two River Community Bank at an annual interest rate of 4.9%. The loan has interest only payments for the first three years. The loan is secured by 200,000 shares of the UMH 8.25% Series A preferred stock which was purchased by the Company in a public offering. The net proceeds were used to pay down the Company's margin line.

The Company also uses margin loans for purchasing securities, for temporarily funding of acquisitions, and for

working capital purposes. The interest rate charged on the margin loans is the bank's margin rate and was 2.0% as of September 30, 2011 and 2010. The margin loans are due on demand. At September 30, 2011 and 2010, the margin loans totaled $5,860,950 and $4,273,913, respectively, and are collateralized by the Company's securities portfolio. The Company must maintain a coverage ratio of approximately 50%.

The Company's subsidiary Monmouth Capital has outstanding $3,770,000 of 8% Convertible Subordinated Debentures due 2013 (the 2013 Debentures), and $5,145,000 of 8% Convertible Subordinated Debentures due 2015 (the 2015 Debentures). These Debentures are convertible into common stock of the Company at any time prior to redemption or maturity, at the conversion price of $9.16 per share in the case of the 2013 Debentures (equivalent to a rate of 109.17 shares of common stock for each $1,000 principal amount), and a conversion price of $11.45 per share in the case of the 2015 Debentures (equivalent to a rate of 87.336 shares of common stock for each $1,000 principal amount), in each case subject to adjustment under certain conditions.

The Company's focus is on real estate investments. The Company has historically financed purchases of real estate primarily through mortgages. During fiscal 2011, the Company made acquisitions of three industrial properties totaling approximately $28,300,000, which was funded through assumption of mortgages of approximately $15,378,000 at fixed rates of 7.6% (on $8,645,181 outstanding), 5.5% (on $1,932,807 outstanding) and 5.85% (on $4,800,000 outstanding) per year and the remainder from funds raised through the registered direct placements and funds available on its unsecured line of credit. During the first quarter of fiscal 2012, the Company made acquisitions of three industrial properties totaling approximately $30,600,000 which was funded through origination of mortgages of approximately $18,920,000 at interest rates between 5.5% and 5.85%, proceeds from the preferred offering and draws on the line of credit. In fiscal 2012, the Company plans to continue to acquire additional net-leased industrial properties. The Company also intends to expand its properties when requested by the tenants. The funds for these acquisitions and expansions may come from bank borrowings and proceeds from the DRIP or private placements or additional public offerings of preferred and common stock. To the extent that funds or appropriate properties are not available, fewer acquisitions or expansions will be made.

The Company also invests in debt and equity securities of other REITs as a proxy for real estate when suitable acquisitions are not available, for liquidity, and for additional income. The Company from time to time may purchase these securities on margin when there is an adequate yield spread. During fiscal 2011, the Company's securities portfolio increased $1,747,334, primarily due to purchases of $20,347,387 which was offset by sales of securities with a cost of $10,852,159 and a decrease in the unrealized gain of $7,747,894. The Company recognized gains on sales of securities of $5,238,203 in addition to earning interest and dividend income of $3,100,327 during fiscal 2011. The margin loan balance was $5,860,950 and $4,273,913 as of September 30, 2011 and 2010, respectively. The Company has an investment in one REIT security which is at a loss of approximately $1,300,000 or 36% as of September 30, 2011. The Company has determined that this security was temporarily impaired as of September 30, 2011. Management is continuing to monitor this security for other than temporary impairment under its policy. If the fair value of this security continues to decline or the security is downgraded, then the Company may have to record an impairment loss related to this security in future periods.

Cash flows provided from operating activities were $22,126,819, $18,995,659 and $19,591,455 for fiscal years 2011, 2010 and 2009, respectively. The Company paid cash dividends (net of reinvestments), of $15,880,001, $13,819,627 and $10,656,151 for fiscal 2011, 2010 and 2009, respectively.

Cash flows used in investing activities were $30,247,168, $55,701,769 and $11,655,914 for fiscal years 2011, 2010 and 2009, respectively. Cash flows used in investing activities in fiscal 2011 decreased as compared to 2010 due mainly to decreased property acquisitions in fiscal 2011 as compared to fiscal 2010. Cash flows used in investing activities in fiscal 2010 increased as compared to 2009 due mainly to increased property acquisitions and the purchase of REIT securities.

Cash flows provided from (used in) financing activities were $7,682,604, $37,439,775 and ($7,202,915) for fiscal years 2011, 2010 and 2009, respectively. Cash flows from financing activities decreased in fiscal 2011 as compared to 2010 due mainly to the registered direct placement of common shares with net proceeds of

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$18,978,635 in 2011 compared to $38,661,466 in 2010. Cash flows from financing activities increased in fiscal 2010 as compared to 2009 due mainly to the registered direct placement of common shares with net proceeds of $38,661,466 in 2010.

As of September 30, 2011, the Company had total assets of $476,986,836 and liabilities of $242,444,164. The Company’s total debt plus Series A Preferred Stock to market capitalization as of September 30, 2011 and 2010 was approximately 49% and 49%, respectively. The Company believes that it has the ability to meet its obligations and to generate funds for new investments.

The Company has a dividend reinvestment plan (DRIP), in which participants can purchase stock from the Company at a price of approximately 95% of market. The DRIP plan also allows for the purchase of shares on the open market at market value for participants. Currently, DRIP shares are purchased directly from the Company at a 5% discount. It is anticipated, although no assurances can be given, that the level of participation in the DRIP in fiscal 2012 will be comparable to 2011.

During 2011, the Company paid total distributions of $21,161,033 or $0.60 per common share. Of the dividends paid, $5,281,032 was reinvested pursuant to the terms of the DRIP. Management anticipates maintaining the annual dividend rate of $0.60 per common share although no assurances can be given since various economic factors can reduce the amount of cash flow available to the Company for common dividends. All decisions with respect to the payment of dividends are made by the Company’s Board of Directors.

In 2011, the Company paid $4,079,219 in preferred stock dividends. The Company is required to pay cumulative dividends on the Series A Preferred Stock in the amount of $1.90625 per share per year, which is equivalent to 7.625% of the $25.00 liquidation value per share. The Company now has a total of 2,139,750 shares of 7.625% Series A Cumulative Redeemable Preferred Stock outstanding representing an aggregate liquidation preference of approximately $53,500,000.

During the year ended September 30, 2011, stock options to purchase 285,850 shares of common stock were exercised. Total proceeds received by the Company were $2,181,484.

During the year ended September 30, 2002, nine officers, directors and key employees exercised stock options and purchased 255,000 shares for a total of $1,617,488. Of this amount, 225,000 shares, for a total of $1,439,363, were exercised through the issuance of notes receivable from officers. These notes receivable are at an interest rate of 5%, mature on April 30, 2012 and are collateralized by the underlying common shares. As of September 30, 2011 and 2010, the balance of these notes receivable was $1,082,813 and $1,201,563, respectively.

On an ongoing basis, the Company funds capital expenditures for its properties primarily to maintain structure and other maintenance items as required in the various leases. These expenditures may also include expansions as requested by tenants, or various tenant improvements on properties which are re-tenanted. The amounts of these expenditures can vary from year to year depending on the age of the properties, tenant negotiations, market conditions and lease turnover.

New Accounting Pronouncements

In January 2010, the FASB issued ASU 2010-01, Equity (Topic 505) – Accounting for Distributions to Shareholders with Components of Stock and Cash. ASU 2010-01 clarifies that the stock portion of a distribution to shareholders that allows them to elect to receive cash or shares with a potential limitation on the amount of cash that all shareholders can elect to receive is considered a share issuance. ASU 2010-01 is effective for interim and annual periods ending on or after December 15, 2009 and should be applied on a retrospective basis. The adoption of ASU 2010-01 did not have any impact on our financial position, results of operations or cash flows. All of the Company’s distributions have been made in cash.

In January 2010, the FASB issued ASU 2010-06, Fair Value Measurements and Disclosures (Topic 820) – Improving Disclosures about Fair Value Measurements. This ASU requires new disclosures and clarifies certain existing disclosure requirements about fair value measurements. ASU 2010-06 requires a reporting entity to disclose

significant transfers in and out of Level 1 and Level 2 fair value measurements, to describe the reasons for the transfers and to present separately information about purchases, sales, issuances and settlements for fair value measurements using significant unobservable inputs. ASU 2010-06 is effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances and settlements in the roll forward of activity in Level 3 fair value measurements, which is effective for interim and annual reporting periods beginning after December 15, 2010; early adoption is permitted. The adoption of ASU 2010-06 did not have a material impact on our financial position, results of operations or cash flows.

In July 2010, the FASB issued ASU 2010-20, Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses, which amends ASC Topic 310, “Receivables,” which will require significant new disclosures about the allowance for credit losses and the credit quality of an entity’s financing receivables. The requirements are intended to enhance transparency regarding credit losses and the credit quality of financing receivables by disclosing an evaluation of (i) the nature of credit risk inherent in the entity’s portfolio of financing receivables, (ii) how that risk is analyzed and assessed in arriving at the allowance for credit losses and (iii) the changes and reasons for those changes in the allowance for credit losses. The new and amended disclosures as of the end of a reporting period are effective for interim and annual reporting periods ending on or after December 15, 2010. The new and amended disclosures about activity that occurs during a reporting period are effective for interim and annual reporting periods beginning on or after December 15, 2010. The adoption of ASU 2010-20 is not expected to have any impact on our results of operations or financial condition.

In May 2011, the FASB issued ASU 2011-04, Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs. The pronouncement was issued to provide a uniform framework for fair value measurements and related disclosures between U.S. GAAP and International Financial Reporting Standards. ASU 2011-04 changes certain fair value measurement principles and enhances the disclosure requirements particularly for Level 3 fair value measurements. This pronouncement is effective for interim and annual reporting periods beginning after December 15, 2011. The adoption of ASU 2011-04 is not expected to have a material impact on our financial position, results of operations or cash flows.

In June 2011, the FASB issued Accounting Standards Update 2011-05, Comprehensive Income (Topic 220): Presentation of Comprehensive Income (ASU 2011-05), which allows an entity the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In both choices, an entity is required to present each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income, and a total amount for comprehensive income. ASU 2011-05 eliminates the option to present the components of other comprehensive income as part of the statement of changes in stockholders' equity. The amendments to the Codification in the ASU do not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income and are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011, our fiscal year beginning October 1, 2012. The adoption of ASU 2011-05 is not expected to have a material impact on our consolidated statement of earnings, financial condition, statement of cash flows or earnings per share.

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ITEM 7A – QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to interest rate changes primarily as a result of its line of credit, margin loans and long-term debt used to maintain liquidity and fund capital expenditures and acquisitions of the Company's real estate investment portfolio. The Company's interest rate risk management objectives are to limit the impact of interest rate changes on earnings and cash flows and to lower its overall borrowing costs. To achieve its objectives, the Company borrows primarily at fixed rates.

The following table sets forth information as of September 30, 2011, concerning the Company's long-term debt obligations, including principal payments by scheduled maturity, weighted average interest rates and estimated fair value:

Long –Term Debt:			Average	
Fixed Rate	Fiscal	Carrying Value	Interest Rate	Fair Value
	2012	$5,218,430	7.16%	
	2013	20,184,474	6.33%	
	2014	3,758,801	6.32%	
	2015	12,140,246	6.13%	
	2016	22,271,563	6.92%	
	Thereafter	148,040,656	6.39%	
	Total	$211,614,170	6.31%	$218,569,000

The Company has $8,915,000 in 8% debentures outstanding as of September 30, 2011, with $3,770,000 due in October 2013 and $5,145,000 due in April 2015.

The Company also has a variable rate unsecured line of credit with Capital One, N.A. (the line) maturing in March 2013 of $20,000,000. As of September 30, 2011, the outstanding balance was $11,000,000. The interest rate on the line is based on LIBOR plus 200 basis points for the initial $15,000,000 of the line and LIBOR plus 250 basis points for the remaining $5,000,000. Interest is due monthly. The interest rate was 2.23% as of September 30, 2011.

Additionally, the Company obtains margin loans, secured by its marketable securities. The balance outstanding on the margin loan was $5,860,950 as of September 30, 2011. The interest rate on the margin account is the bank's margin rate and was 2.0% as of September 30, 2011 and 2010. The value of marketable securities as of September 30, 2011

was $44,265,059.

The Company also invests in both debt and equity securities of other REITs and is primarily exposed to equity price risk from adverse changes in market rates and conditions. All securities are classified as available for sale and are carried at fair value.

ITEM 8 - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements and supplementary data listed in Part IV, Item 15 (a) (1) are incorporated herein by reference and filed as part of this report.

The following is the Unaudited Selected Quarterly Financial Data:

SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

THREE MONTHS ENDED

FISCAL 2011	12/31/10	3/31/11	6/30/11	9/30/11
Rental and Reimbursement				
Revenue	$12,036,869	$12,088,871	$12,057,747	$11,957,997
Total Expenses	6,981,545	6,379,961	6,363,455	6,646,864
Other Income (Expense)	(301,912)	(1,942,908)	(1,691,196)	(2,596,360)
Income from Continuing Operations	4,753,412	3,766,002	4,003,096	2,714,773
Income from Discontinued				
Operations (1)	61,177	67,081	69,262	68,348
Net Income	4,814,589	3,833,083	4,072,358	2,783,121
Net Income Attributable to				
Noncontrolling Interests	28,407	18,946	14,055	23,545
Net Income Attributable to MREIC’s				

Shareholders	4,786,182	3,814,137	4,058,303	2,759,576
Net Income Attributable to MREIC's Common Shareholders	3,766,377	2,794,332	3,038,499	1,739,771
Net Income Attributable to MREIC's Common Shareholders per share	$0.11	$0.08	$0.09	$0.04

FISCAL 2010	12/31/09	3/31/10	6/30/10	9/30/10
Rental and Reimbursement Revenue	$10,689,383	$11,267,270	$11,505,709	$11,750,460
Total Expenses	5,581,492	5,654,107	6,745,736	6,175,409
Other Income (Expense)	(2,612,978)	(2,468,679)	(2,387,060)	(2,233,950)
Income from Continuing Operations	2,494,913	3,144,484	2,372,913	3,341,101
Income (Loss) from Discontinued Operations (1)	32,838	33,841	42,985	(247,823)
Net Income	2,527,751	3,178,325	2,415,898	3,093,278
Net Income Attributable to Noncontrolling Interests	53,477	45,789	52,362	56,109
Net Income Attributable to MREIC's Shareholders	2,474,274	3,132,536	2,363,536	3,037,169
Net Income Attributable to MREIC's Common Shareholders	1,843,970	2,502,232	1,733,233	2,406,866
Net Income Attributable to MREIC's Common Shareholders per share	$0.07	$0.09	$0.05	$0.07

(1) During 2011 and 2010, the Company designated the Quakertown, Pennsylvania property as held for sale.

ITEM 9 - CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON

ACCOUNTING AND FINANCIAL DISCLOSURE

There were no changes in, or any disagreements with, the Company's independent registered public accounting firm on accounting principles and practices or financial disclosure during the years ended September 30, 2011 and 2010.

ITEM 9A- CONTROLS AND PROCEDURES

(a) Disclosure Controls and Procedures

The Company maintains controls and procedures designed to ensure that it is able to collect the information that is required to be disclosed in the reports it files with the SEC, and to process, summarize and disclose this information within the time period specified by the rules of the SEC. The Company's Chief Executive Officer and the Chief Financial and Accounting Officer are responsible for establishing, maintaining and enhancing these controls and procedures. Based on their evaluation of the Company's disclosure controls and procedures as of September 30, 2011, the Company's Chief Executive Officer and Chief Financial and Accounting Officer concluded that the Company's disclosure controls and procedures were effective.

(b) Management's Report on Internal Control Over Financial Reporting

Management of the Company is responsible for establishing and maintaining effective internal control over financial reporting. The Company's internal control system was designed to provide reasonable assurance regarding the preparation and fair presentation of published financial statements. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance regarding the reliability of financial statement preparation and presentation.

Management assessed the Company's internal control over financial reporting as of September 30, 2011. This assessment was based on criteria for effective internal control over financial reporting established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management has concluded that the Company's internal control over financial reporting was effective as of September 30, 2011.

PKF , the Company's independent registered public accounting firm, has issued their report on their audit of the Company's internal control over financial reporting, a copy of which is included herein.

(c) Report of Independent Registered Public Accounting Firm

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders

Monmouth Real Estate Investment Corporation

We have audited Monmouth Real Estate Investment Corporation's internal control over financial reporting as of September 30, 2011, based on criteria established in Internal ControlIntegrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO criteria"). Monmouth Real Estate Investment Corporation's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit

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included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based upon the assessed risk and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally

accepted accounting principles, (3) receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (4) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Monmouth Real Estate Investment Corporation maintained in all material respects, effective internal control over financial reporting as of September 30, 2011 based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Monmouth Real Estate Investment Corporation as of September 30, 2011 and 2010, and the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the three years then ended and our report dated December 12, 2011 expressed an unqualified opinion thereon.

/s/ PKF

New York, New York
December 12, 2011

(d) Changes in Internal Control over Financial Reporting

There have been no changes to our internal controls over financial reporting during the Company's fourth fiscal quarter ended September 30, 2011 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

ITEM 9B – OTHER INFORMATION

None.

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ITEM 10 – DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The following are the Directors and Executive Officers of the Company as of September 30, 2011:

Name	**Age**	**Present Position with the Company; Business Experience During Past Five Years; Other Directorships**	**Director Since**
Anna T. Chew	53	**Treasurer and Member of the Executive Committee (2010 to present) and Director.** Chief Financial Officer (1991 to 2010). Certified Public Accountant. Vice President and Chief Financial Officer (1995 to present), Controller (1991 to 1995) and Director (1994 to present) of UMH Properties, Inc., an affiliated company. Ms. Chew's extensive public accounting, finance and real estate industry experience are primary among other reasons why Ms. Chew serves on our Board.	2007
Daniel D. Cronheim	57	**Director**. Attorney at Law (1979 to present). Certified Property Manager (2010). President (2000 to present) of David Cronheim Mortgage Company. Executive Vice President (1997 to present) of Cronheim Management Services, Inc. Executive Vice President (1989 to present) and General Counsel (1983 to present) of David Cronheim Company. Director, Chairman of Compensation Committee and Audit Committee (2000 to present) of Hilltop Community Bank. Mr. Cronheim's extensive experience in real estate management and the mortgage industry are primary among the reasons why he serves on our Board.	1989
Catherine B. Elflein	50	**Independent Director.** Certified Public Accountant. Senior Director – Risk Management (2006 to present) at Celgene Corporation; Controller of Captive Insurance Companies (2004 to 2006) and Director – Treasury Operations (1998 to 2004) at Celanese Corporation. Ms. Elflein's extensive experience in accounting, finance and risk management are primary among other reasons why Ms. Elflein serves on our Board.	2007
Neal	52	**Independent Director.** Attorney at Law, Gross, Truss & Herstik, PC (1997 to present).	2004

Herstik		Co-founder and former President, Manalapan-Englishtown Education Foundation, Inc., a non-profit corporation (1995 to 2001). Mr. Herstik's extensive legal experience and experience in the real estate industry are the primary among other reasons why Mr. Herstik serves on our Board.	
Matthew I. Hirsch	52	**Independent Director**. Attorney at Law (1985 to present); Adjunct Professor of Law, Widener University School of Law (1993 to present). Mr. Hirsch's extensive legal experience and experience in the real estate industry are primary among other reasons why Mr. Hirsch serves on our Board.	2000

Name	Age	**Present Position with the Company; Business Experience During Past Five Years; Other Directorships**	**Director Since**
Eugene W. Landy	77	**President and Chief Executive Officer (1968 to present) and Director**. Attorney at Law. Chairman of the Board (1995 to present), President (1969 to 1995) of UMH Properties, Inc., an affiliated company. As our Chairman and Founder, Mr. Landy brings unparalleled experience in real estate investing to our Board.	1968
Michael P. Landy	49	**Chief Operating Officer (2011 to present), Chairman of the Executive Committee (2010 to present) and Director.** Executive Vice President (2009 to 2010), Executive Vice President-Investments (2006 to 2009), and Vice President-Investments (2001 to 2006). **Executive Vice President (2010 to present),** Vice President-Investments (2001 to 2010) **of UMH Properties, Inc., an affiliated company.** of UMH. President (1998 to 2001) of Siam Records, LLC. Chief Engineer and Technical Director (1987 to 1998) of GRP Recording Company. Mr. Landy's role as our Chief Operating Officer and extensive experience in real estate investing and operations management are primary among other reasons why Mr. Landy serves on our Board.	2007
Samuel A. Landy	51	**Director**. Attorney at Law (1985 to present); President (1995 to present), Vice President (1991 to 1995) and Director (1992 to present) of UMH Properties, Inc., an affiliated company. Mr. Landy's extensive experience in real estate investing and REIT leadership are	1989

		primary among other reasons why Mr. Landy serves on our Board.	
Allison Nagelberg	46	**General Counsel and Member of the Executive Committee** (2000 to present). Attorney at Law (1989 to present) General Counsel (2000 to present) of UMH Properties, Inc. an affiliated company.	N/A
Scott Robinson	41	**Independent Director.** Managing Partner, Cadence Capital Group, LLC (2008 to present); Director, The REIT Center at New York University (2008 to present); Vice President Citi Markets and Banking (2006 to 2008) at Citigroup; Senior REIT and CMBS analyst at Standard & Poor's, (1998 to 2006). Mr. Robinson's extensive experience in real estate finance and investment are primary among other reasons why Mr. Robinson serves on our Board.	2005
Eugene Rothenberg	78	**Independent Director.** Investor. Retired physician. Director (1977 to present) of UMH Properties, Inc., an affiliated company. Mr. Rothenberg's extensive experience as an investor and in management are primary among other reasons why Mr. Rothenberg serves on our Board.	2007

Name	Age	Present Position with the Company; Business Experience During Past Five Years; Other Directorships	Director Since
Maureen E. Vecere	42	**Chief Financial and Accounting Officer and Member of the Executive Committee** (2010 to present) Controller (2003 to 2010) and Treasurer (2004 to 2010). Certified Public Accountant.	N/A
Stephen B. Wolgin	57	**Independent Director**. Managing Director of U.S. Real Estate Advisors, Inc. (2000 to present), a real estate advisory services group based in New York. Partner with the Logan Equity Distressed Fund (2007 to present). Director (2007 to present) of UMH Properties, Inc., an affiliated company. Prior affiliations with J.P. Morgan, Odyssey Associates, The Prudential Realty Group, Standard & Poor's Corporation, and Grubb and Ellis. Mr. Wolgin's extensive experience as a real estate and finance consultant and experience in the real estate industry are primary among other reasons why Mr. Wolgin serves on our Board.	2003

Family Relationships

There are no family relationships between any of the directors or executive officers, except that Samuel A. Landy and Michael P. Landy are the sons of Eugene W. Landy, the President and a Director of the Company.

Audit Committee

The Company has a separately-designated standing audit committee established in accordance with Section 3 (a)(58)(A) of the Exchange Act (15 U.S.C. 78c(a)(58)(A)). The members of the audit committee are Stephen Wolgin (Chairman), Matthew I. Hirsch, Scott Robinson and Catherine B. Elflein. The Company's Board has determined that Stephen B. Wolgin and Catherine B. Elflein are financial experts and that all members of the audit committee are independent. The audit committee operates under the Audit Committee Charter which can be found at the Company's website at www.mreic.com. The charter is reviewed annually for adequacy.

Delinquent Filers

There have been no delinquent filers pursuant to Item 405 of regulation S-K, to the best of management's knowledge.

Code of Ethics

The Company has adopted the Code of Business Conduct and Ethics applicable to its Chief Executive Officer and Chief Financial and Accounting Officer. (the Code of Ethics). The Code of Ethics can be found at the Company's website at www.mreic.com. In addition, the Code of Ethics was filed with the Securities and Exchange Commission on December 14, 2004 with the Company's September 30, 2004 Form 10-K. The Code of Ethics is also available in print to any person without charge who requests a copy by writing or telephoning us at the following address and telephone number: Monmouth Real Estate Investment Corporation, Attention: Stockholder Relations, 3499 Route 9 North, Suite 3-C, Juniper Business Plaza, Freehold, New Jersey 07728, (732) 577-9996. The Company will satisfy any disclosure requirements under Item 5.05 of Form 8-K regarding a waiver from any

provision of the Code of Ethics for principal officers or directors by disclosing the nature of such amendment of waiver on our website.

ITEM 11 - EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Overview of Compensation Program

The Compensation Committee (for purposes of this analysis, the Committee) of the Board has been appointed to discharge the Board's responsibilities relating to the compensation of the Company's executive officers. The Committee has the overall responsibility for approving and evaluating the executive officer compensation plans, policies and programs of the Company. The Committee's primary objectives include serving as an independent and objective party to review such compensation plans, policies and programs.

Throughout this report, the individuals who served as the Company’s President and Chief Executive Officer and Chairman of the Executive Committee and Chief Operating Officer and other members of the Executive Committee during fiscal 2011 included in the Summary Compensation Table presented below in Item 11 of this report, are sometimes referred to in this report as the named executive officers.

Compensation Philosophy and Objectives

The Compensation Committee believes that a well-designed compensation program should align the goals of the shareholders with the goals of the chief executive officer, and that a significant part of the executive's compensation, over the long term, should be dependent upon the value created for shareholders. In addition, all executives should be held accountable through their compensation for the performance of the Company, and compensation levels should also reflect the executive's individual performance in an effort to encourage increased individual contributions to the Company's performance. The compensation philosophy, as reflected in the Company's employment agreements with its executives, is designed to motivate executives to focus on operating results and create long-term shareholder value by:

• establishing a plan that attracts, retains and motivates executives through compensation that is competitive with a peer group of other publicly-traded real estate investment trusts, or REITs;

• linking a portion of executives' compensation to the achievement of the Company's business plan by using measurements of the Company's operating results and shareholder return; and

• building a pay-for-performance system that encourages and rewards successful initiatives within a team environment.

The Compensation Committee believes that each of the above factors is important when determining compensation levels for named executive officers. The Committee reviews and approves the employment contracts for the President and Chief Executive Officer and Chairman of the Executive Committee and Chief Operating Officer, including performance goals and objectives. The Committee annually evaluates performance of the executive officers in light of those goals and objectives. The Committee considers the Company's performance, relative shareholder return, the total compensation provided to comparable officers at similarly-situated companies, and compensation given to the named executive officers in prior years. The Company uses the annual Compensation Survey published by NAREIT as a guide to setting compensation levels. Participant company data is not presented in a manner that specifically identifies any named individual or company. This survey details compensation by position type with statistical salary and bonus information for each position. The Compensation Committee compares the Company’s salary and bonus amounts to the ranges presented for reasonableness. To that end, the Committee believes executive compensation packages provided by the Company to its executive officers should include both base salaries and annual bonus awards that reward corporate and individual performance, as well as give incentives to those executives who meet or exceed established goals.

Role of Executive Officers in Compensation Decisions

The Committee makes all final compensation decisions for the Company's named executive officers. The President and Chief Executive Officer and Chairman of the Executive Committee and Chief Operating Officer annually review the performance of the other named executive officers and then present their conclusions and recommendations to the Committee with respect to base salary adjustments and annual cash bonus and stock option awards. The Committee exercises its own discretion in modifying any recommended adjustments or awards, but does consider the recommendations from management who work closely with the other named executive officers.

Role of Grants of Stock Options and Restricted Stock in Compensation Analysis

The Committee views the grant of stock options and restricted stock awards as a form of long-term compensation. The Committee believes that such grants promote the Company's goal of retaining key employees, and align the key

employee's interests with those of the Company's shareholders from a long-term perspective. The number of options or shares of restricted stock granted to each employee is determined by consideration of various factors including but not limited to the employees' title, responsibilities, and years of service.

Role of Employment Agreements in Determining Executive Compensation

Each of the Company's currently employed named executive officers is a party to an employment agreement. These agreements provide for base salaries, bonuses and customary fringe benefits. The key elements of our compensation program for the named executive officers are base salary, bonuses, stock options and perquisites and other benefits. Each of these is addressed separately below. In determining initial compensation, the compensation committee considers all elements of a named executive officer's total compensation package in comparison to current market practices and other benefits.

Shareholder Advisory Vote

One way to determine if the Company's compensation program reflects the interests of shareholders is through their non-binding vote. At the Annual Meeting of Shareholders held on May 5, 2011, the Company's shareholders approved by their advisory vote the compensation of the named executive officers.

Base Salaries

Base salaries are paid for ongoing performance throughout the year. In order to compete for and retain talented executives who are critical to the Company's long-term success, the Compensation Committee has determined that the base salaries of named executive officers should approximate those of executives of other equity REITs that compete with the Company for employees, investors and business, while also taking into account the named executive officers' performance and tenure and the Company's performance relative to its peer companies within the REIT industry using the NAREIT Compensation Survey described above.

Bonuses

In addition to the provisions for base salaries under the terms of our employment agreements, the President is entitled to receive annual cash bonuses for each calendar year during the term of the agreement, based on the achievement of certain performance goals set by the Compensation Committee. The following are the bonus targets and recommended compensation for the President which the Compensation Committee uses as a guide in determining the bonus, if any:

	Threshold	Target	Outstanding
Growth in market cap	7.5%	12.5%	20%
Bonus	$20,000	$45,000	$90,000
Growth in FFO/share	7.5%	12.5%	20%
Bonus	$20,000	$45,000	$90,000
Growth in dividend/share	5%	10%	15%
Bonus	$30,000	$60,000	$120,000
Total Bonus Potential	$70,000	$150,000	$300,000

In addition to its determination of the executive's individual performance levels for 2011, the Committee also compared the executive's total compensation for 2011 to that of similarly-situated personnel in the REIT industry using the NAREIT Compensation Survey described above.

Bonuses awarded to the other named executive officers are recommended by the President and are approved by the Compensation Committee. The President and the Compensation Committee believe that short-term rewards in the form of cash bonuses to senior executives generally should reflect short-term results and should take into consideration both the profitability and performance of the Company and the performance of the individual, which may include comparing such individual’s performance to the preceding year, reviewing the breadth and nature of the senior executives’ responsibilities and valuing special contributions by each such individual. In evaluating performance of the Company annually, the Compensation Committee considers a variety of factors, including, among others, Funds From Operations (FFO), net income, growth in asset size, amount of space under lease and total return to shareholders. The Company considers FFO to be an important measure of an equity REIT’s operating performance and has adopted the definition suggested by the National Association of Real Estate Investment Trusts (NAREIT), which defines FFO to mean net income computed in accordance with generally accepted accounting principles (GAAP), excluding gains or losses from sales of property, plus real estate related depreciation and amortization. The Company considers FFO to be a meaningful, additional measure of operating performance primarily because it excludes the assumption that the value of its real estate assets diminishes predictably over time and because industry analysts have accepted it as a performance measure.

Various other factors considered include the employee’s title and years of service. The employee’s title generally reflects the employee’s responsibilities and the employee’s years of service may be considered in determining the level of bonus in comparison to base salary. The President and the Compensation Committee have declined to use specific performance formulas with respect to the other named executive officers, believing that with respect to Company performance, such formulas do not adequately account for many factors, including, among others, the relative performance of the Company compared to its competitors during variations in the economic cycle, and that with

respect to individual performance, such formulas are not a substitute for the subjective evaluation by the President and Compensation Committee of a wide range of management and leadership skills of each of the senior executives.

Stock Options and Restricted Stock

The employment agreement for the President states that he will receive stock options to purchase 65,000 shares annually. For the other senior executives, the President makes a recommendation to the Compensation Committee of specific stock option or restricted stock grants. In making its decisions, the Compensation Committee

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does not use an established formula or focus on a specific performance target. The Compensation Committee recognizes that often outside forces beyond the control of management, such as economic conditions, changing leasing and real estate markets and other factors, may contribute to less favorable near term results even when sound strategic decisions have been made by the senior executives to position the Company for longer term profitability. Thus, the Compensation Committee also attempts to identify whether the senior executives are exercising the kind of judgment and making the types of decisions that will lead to future growth and enhanced asset value, even if the same are difficult to measure on a current basis. For example, in determining appropriate stock option and restricted stock awards, the Compensation Committee considers, among other matters, whether the senior executives have executed strategies that will provide adequate funding or appropriate borrowing capacity for future growth, whether acquisition and leasing strategies have been developed to ensure a future stream of reliable and increasing revenues for the Company, whether the selection of properties, tenants and tenant mix evidence appropriate risk management, including risks associated with real estate markets and tenant credit, and whether the administration of staff size and compensation appropriately balances the current and projected operating requirements of the Company with the need to effectively control overhead costs.

In fiscal 2011, the Compensation Committee received the recommendations from the President for the number of options or restricted stock to be awarded. The factors that were considered in awarding the stock options included the following progress that was made by management:

· Located and acquired three industrial properties as per its investment strategy without placing undue burden on liquidity.

· Raised approximately $19 million in equity via registered direct placements of preferred stock and $19.4 million through the DRIP.

· Continued its conservative approach to management of the properties and maintained its cash distributions to

shareholders.

- Renewed 100% of expiring leases expiring in fiscal 2011 on favorable terms.

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