Dear Shareholders,

Monmouth Real Estate Investment Corporation (Monmouth) made substantial progress in fiscal 2013, marking our 46th year as a public REIT. We are very pleased with our continued growth. To highlight a few of our many accomplishments, during 2013 the Company:

- Acquired 1.1 million square feet of high quality industrial assets representing a 13% increase in our gross leasable area;
- Re-leased 1.0 million square feet;
- Achieved an industrial sector leading occupancy rate of 96%;
- Achieved an industrial sector leading tenant retention rate of 93%;
- Expanded our credit facility to $40 million with an accordion feature up to $60 million;
- Grew our acquisition pipeline to approximately 2.0 million square feet representing over $130 million in total acquisitions; and
- Generated $7.1 million in realized gains on our REIT securities investments.

Formed in 1968, Monmouth Real Estate is one of the oldest publically traded REITs in existence today. Our longevity in the cyclical asset class of commercial real estate stands out amongst all REITs. We are also unique in that we specialize in single tenant, net-leased industrial properties on long-term leases to investment grade tenants. When you purchase a share of stock in our Company, you are effectively purchasing a fractional interest in the real estate that we own and manage. We do not have any off balance sheet joint ventures. We do not have a development division, and we do not carry a large amount of non-income producing land on our balance sheet. What we do have is simply one of the best quality industrial property portfolios available in the public arena today. Our tenant roster includes: Anheuser Busch, Caterpillar, Coca-Cola, FedEx, International Paper, Keebler/Kellogg's, Sherwin Williams, Siemens, and other high quality companies. Our portfolio currently contains 10.7 million rentable square feet, consisting of 81 properties, situated across 27 states. As of the fiscal yearend, we had a 96% occupancy rate which is the highest occupancy rate in the industrial property sector. Our average lease maturity was 7.1 years. These favorable attributes result in an investment that is secured by high quality income streams that are reliable and predictable over the long term. This was proven during the Great Recession when our occupancy rate never dipped below 95% and our dividend, unlike most, was maintained throughout.

The cover of this year's annual report features our new 615,000 square foot Class A industrial property located just outside of Memphis, Tennessee. This property is leased to Milwaukee Electric Tool Corporation for 10 years and it is expandable by an additional 250,000 square feet. We acquired this new built-to-suit property for $27.4 million during fiscal 2013. We are very proud of this addition as it represents the largest building in our portfolio. One of the benefits of investing in commercial real estate is that we own tangible, hard assets. In addition to this property, our entire portfolio is featured in the Property Portfolio section of this report. This section contains a photograph and a lease summary for each of our properties. Viewing our property portfolio section should give investors a good understanding of the high caliber assets that we own.

In fiscal 2013, Monmouth acquired 1.1 million square feet of high quality, newly constructed industrial real estate at an aggregate cost of $63.8 million. This resulted in a 13% increase in our Gross Leasable Area (GLA) and an 8% increase in our rental revenues. We ended the year with 76 properties containing 9.6 million square feet in GLA. Moreover, going back three years we have successfully grown our GLA by over 50%. This is an important factor as this period represented one of the most opportune acquisition environments in our history. It is also important to note that all of this growth was achieved without sacrificing our high quality standards. In keeping with our business plan, this growth was achieved by purchasing well located, new built-to-suit buildings, leased to strong credit tenants. These new acquisitions represent some of the best quality assets in our portfolio. The weighted average age of our portfolio is approximately 10 years, providing us with a very modern industrial property portfolio.

We are already off to a strong start in fiscal 2014 with the acquisition of five properties totaling 1.1 million square feet at an aggregate cost of $73.9 million. These new acquisitions are net-leased to: The American Bottling Company (a division of Dr Pepper Snapple Group), Ralcorp Holdings (a division of ConAgra Foods), International Paper Company, and FedEx Ground. The lease terms range from 10 to 20 years with a weighted average lease term of 15.8 years. Because these new acquisitions were negotiated well before these developments were completed, the high-teen levered returns we have achieved are much more favorable than what is currently available for comparable properties in the industrial market today. We are very pleased with each of these new high quality acquisitions and anticipate continued growth throughout fiscal 2014.

In his book "The Road Ahead", published in 1996, Bill Gates wrote:

"We always overestimate the change that will occur in the next two years and underestimate the change that will occur in the next ten."

This prophetic statement comes to mind when thinking about the on-going shift in consumer spending habits. In the late 1990's, Internet based retailers were just starting to launch their websites. Market participants wrongly assumed that brick and mortar retail stores would become irrelevant. Instead it was the early generation of dot.com retailers that disappeared. Fast forwarding to today, we see that E-commerce now represents $1.50 out of every $10.00 in consumer spending and its growth is accelerating. During the past year, E-commerce sales have grown by 20% compared to only 1% growth for traditional brick and mortar retail stores. Shopping on-line has many advantages over traditional methods. It is simply a much more efficient and productive experience. In Cyberspace the stores never close and you can shop from the convenience of your own home. Also, with the unlimited shelf space that virtual stores allow, consumers no longer have to compromise on size, color, brand, quantity, quality, or any other factor. Of course all of these goods must be stored somewhere and this has resulted in increased demand for industrial space. The entire retail industry is shifting their focus from traditional store expansion to expanding their E-commerce platforms. This shift has resulted in the development of large, very specialized industrial distribution centers. These modern facilities need to be capable of providing not only business-to-business distribution, but direct-to-consumer deliveries and returns as well.

"Our longevity in the cyclical asset class of commercial real estate stands out amongst all REITs."

Situated in the front and center of this technological revolution we find our largest tenant, FedEx. FedEx has greatly benefited from the shift to E-commerce. This past holiday season they were processing over 125 shipments per second and had several days where shipments exceeded 20 million packages. Monmouth first began investing in properties leased to FedEx in the early 1990's when they were known as Federal Express. Today we have approximately 4.5 million square feet leased to FedEx, representing 42% of our GLA. We estimate that approximately 1 in every 20 FedEx Ground facilities is owned by us. We've invested in FedEx leased properties for over 20 years because they truly are a remarkable company. Some people may feel that our high concentration of FedEx properties represents a risk factor. Our long term success with FedEx suggests just the opposite. We completed four FedEx expansions during fiscal 2013 and the first quarter of fiscal 2014, representing a total investment of $18.9 million. These expansions total approximately 168,000 additional square feet. We currently have two additional FedEx expansion projects underway. We also have three new FedEx construction projects in progress, containing 690,000 total square feet that we anticipate acquiring in fiscal 2014 upon completion for $48.8 million. Over the past several years we have been successful in broadening our tenant base as well. Recent new additions to our tenant roster include: Siemens, Watson Pharmaceuticals, Best Buy, Ralcorp/ConAgra, Edgepark/Cardinal Health, Dr Pepper Snapple Group, International Paper, and Milwaukee Electric Tool.

The high quality of our assets and the strength of our tenant base are evidenced by our consistently high occupancy and high tenant retention rates. The 96% occupancy rate on our portfolio at fiscal yearend represents an 80 basis point improvement over the prior year. During fiscal 2013, we successfully re-leased ten of the eleven expiring leases as well as obtained two

new leases for buildings that were previously vacant, representing a total of 1.0 million square feet of leasing activity. Ten of these new leases consisting of 837,000 square feet were renewals with existing tenants. This equates to an overall 93% tenant retention rate for fiscal 2013. Monmouth stands out relative to our peers for consistently delivering high tenant retention rates. Looking back to the period of 2010 through 2013, our tenant retention rates were: 100%, 100%, 86% and 93% respectively. This has resulted in our portfolio delivering very reliable and predictable returns during a volatile and challenging economic period for most companies. We continue to provide very good earnings visibility with our weighted average lease maturity at 7.1 years versus 6.0 years one year ago, resulting in an increase of 18%. We now have in-place leases going out as far as 2034.

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Throughout the year we raised a total of $31.1 million in common stock through our Dividend Reinvestment and Stock Purchase Plan (DRIP). Investors who participate in our DRIP can enhance their returns by reinvesting their dividends and achieving a compounded return. This has proven to be a very reliable program to help fund our growth. Additionally, we financed our new acquisitions with low cost, long-term mortgage debt, raising approximately $41.0 million in conjunction with our recent acquisitions. Interest rates have come down substantially over the year and this has allowed us to achieve investment spreads in excess of 300 basis points. In view of the significant positive investment spreads associated with our recent transactions, we expect that they will be meaningfully additive to our earnings in fiscal 2014.

Balance sheet strength has been a cornerstone of our foundation throughout our 46 year history. At fiscal yearend our total market capitalization was approximately $787 million, comprised of approximately $272 million in debt, $111 million in preferred capital and $404 million in equity capitalization. 93% of our total debt is fixed rate, with a weighted average interest rate of 5.6%. At fiscal yearend, our net debt to total market capitalization was a conservative 33%. We ended the fiscal year with $12.4 million in cash and cash equivalents and with $23 million in additional liquidity available from our undrawn credit facility. In addition, we held $45.5 million in marketable REIT securities, representing 7% of our total assets. Our strong capital position provides us with substantial capacity to continue to execute our growth strategy.

Monmouth's Core Funds From Operations (Core FFO), excluding lease termination income of $691,000 and $3,222,000 for fiscal 2013 and 2012 respectively, were $26.7 million in fiscal 2013 versus $23.6 million in fiscal 2012. On a per share basis, Core FFO excluding lease termination income was $0.63 per diluted share in fiscal 2013 compared to $0.59 per diluted share in fiscal 2012, representing a 7% increase. Excluding lease termination income, our Adjusted Funds From Operations (AFFO), which excludes gains or losses on REIT securities, and which also removes the effects of straight-lined rent adjustments, for fiscal 2013 was $19.5 million versus $17.7 million in fiscal 2012. On a per share basis, AFFO excluding lease termination income was $0.46 per diluted share in fiscal 2013 compared to $0.44 per diluted share in fiscal 2012, representing a 4.5% increase. As a result of our substantial recent acquisition activity, we anticipate continuing to grow our AFFO per share going forward.

In addition to our primary business of investing in real estate on Main Street, we have been able to enhance our returns over the years by investing in real estate on Wall Street. Following $5.2 million in realized gains in fiscal 2011 and $6.0 million in realized gains in fiscal 2012, our REIT securities investments generated a record $7.1 million in realized gains in fiscal 2013. In keeping with our conservative principles, we limit our REIT securities investments to less than 10% of our total assets. In addition to generating these substantial gains, our well diversified REIT securities portfolio provides us with additional liquidity to pursue opportunistic acquisitions in our core business. It also reduces our reliance on the capital markets for growth capital. Additionally, looking closely at the other REITs provides a well-spring of valuable information. Our past performance has been excellent and we will continue to keep a watchful eye out for investment opportunities as they appear.

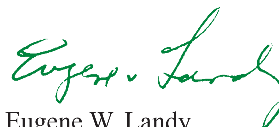
The great economist Friedrich Hayek in 1974 wrote: *"To act on the belief that we possess the knowledge and the power which enable us to shape the processes of society entirely to our liking, knowledge which in fact we do not possess, is likely to make us do much harm."*

Since October of 2008 our nation's Federal Reserve has more than tripled the monetary base from $1.1 trillion to $3.7 trillion and climbing. As a result of all of this new money created out of thin air, the pricing structure across all asset types has been affected. Recently the Fed has announced tapering back their $85 billion per month in treasury and mortgage backed security purchases to $75 billion per month. It is inevitable that at some point they will need to end this program entirely. The sooner they exit the better in our opinion. The original rationale for Quantitative Easing was to re-inflate our economy from its downward trajectory by artificially pumping up price levels. After five years of massive liquidity injections, it is likely that it is now resulting in more harm than good. The misguided belief that complex markets can be controlled by such policies for an extended period of time is precisely what Hayek warned us about. Traditional economic factors have now taken a back seat to our dependence upon monetary stimulus. Capital flows have been highly concentrated on Fed proclamations, moving in an inverse manner to traditional expectations. This past year we have seen the financial markets fall dramatically with good economic news and rise strongly upon receiving bad economic data. This backward logic is troubling. We remain convinced that one of the consequences of these free money policies will ultimately be significant price inflation. Owning income producing real estate has historically been one of the best ways to insulate wealth from the corrosive effects of inflation.

The US industrial property market experienced continued strengthening in 2013. With total net absorption of 292 million square feet since 2011, the last three years represent the strongest on record for net absorption. National vacancy rates continue to tighten and are currently 8.3%, representing an improvement of 100 basis points from one year ago. Following 5 years of very low new construction levels, activity is picking back up as a result of continued growth in the automotive and housing related sectors, as well as the substantial rise in E-commerce. The ISM Manufacturing index provides a good gauge on the health of US manufacturing and it has been trending upward since May of this year, recently reaching its highest levels since 2011. The Manufacturing and Transportation sectors have greatly benefited from low energy prices, and this has resulted in a resurgence in domestic manufacturing. The return of US manufacturing will be a major catalyst for industrial property demand for many years to come. Recent large manufacturing plant announcements have been made by Boeing in Charleston SC, Airbus in Mobile AL, Caterpillar in Athens GA, and Bridgestone Tires in Aiken County SC. Driving many of these major plant decisions is the on-going expansion of the Panama Canal. Following eight years of construction, the expanded canal is expected to come on-line in 2015. North American ports have been spending billions of dollars in order to get ready for the larger ships that will be able to pass through the expanded canal. These ships will be able to handle more than twice the cargo capacity of the current ships. When measured in tonnage, over 90% of all international cargo is shipped via ocean. The ability for larger vessels to take the Panama Canal's 29 day shortcut will provide a much more efficient global supply chain. At Monmouth we take a long term approach in assessing what the future may entail and we invest accordingly. Today, we view the long-term prospects for the industrial property type and especially Monmouth's portfolio, most favorably.

We would like to thank all of our Staff and Directors for their hard work and dedication over the years. We would also like to thank our loyal Shareholders for the faith and the trust that you have shown in our Company. We look forward to continuing our prosperous future together.

Very truly yours,



Eugene W. Landy
Chairman of the Board

Michael P. Landy
President and Chief Executive Officer

January 2014