

The logo consists of the letters 'BW' in a bold, sans-serif font, centered within a white square.

BLACKWELLS CAPITAL

STILL VOTE AGAINST MONMOUTH'S MERGER WITH EQC

PRESENTED BY BLACKWELLS CAPITAL

August 2021

Monmouth Real Estate Investment Corp (NYSE:**MNR**)

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The participants in the proxy solicitation are Blackwells Capital LLC and Jason Aintabi

As of the date hereof, Blackwells beneficially owns 320,100 shares of the Company's common stock, par value \$0.01 per share (the "Common Stock"). As of the date hereof, Mr. Aintabi beneficially owns 4,100,954 shares of Common Stock, including (i) 320,100 shares of Common Stock owned by Blackwells, of which Mr. Aintabi may be deemed the beneficial owner, as Managing Partner of Blackwells, and (ii) 3,762,854 shares of Common Stock beneficially owned by BW Coinvest Management I LLC, including 50,000 shares underlying call options exercisable within sixty (60) days, which Mr. Aintabi, as the owner and President & Secretary of Blackwells Asset Management LLC, the owner and sole member of BW Coinvest Management I LLC, may be deemed to beneficially own. Collectively, the Participants beneficially own in the aggregate approximately 4,100,954 shares of Common Stock, including 50,000 shares of Common Stock underlying call options exercisable within sixty (60) days of the date hereof, representing approximately 4.17% of the outstanding shares of Common Stock.

EXECUTIVE SUMMARY

EQC's Revised Offer of August 16th is Lower Than Its Original Offer, is Not Full and Fair Value for Monmouth, and Does Not Address Prior Critical Shareholder Concerns of the Original Offer.

- 1. Revised EQC Consideration Is Below Its Original Offer:** EQC offered \$19.00 on August 16th, which is below its original offer of \$19.40 on May 4th. **Monmouth's Board re-negotiated a worse deal for shareholders.**
- 2. EQC's Offer Significantly Undervalues Monmouth:** EQC's offer significantly undervalues Monmouth on all valuation measures: public comparables, recent private market transactions (including Starwood's own recent industrial purchases), leveraged buyout analysis and current asset price valuations, all which imply MNR's **full and fair value to be between \$26 and \$30 per share.**
- 3. Revised Structure Leaves Critical Questions, and Key Strategy and Execution Risk Issues Unaddressed:** Given the cash cap of \$641 million, MNR shareholders will not be able to receive 100% cash consideration, while EQC did not address its lack of competitive advantages, lack of industrial track record or the flawed underpinnings that lead to this merger generally (for a more pointed analysis please see our Aug 6, 2021 presentation [here.](#))

THE REVISED OFFER IS WORSE THAN THE ORIGINAL

The Revised EQC Consideration is Less Than the Amount Originally Approved by Monmouth's Board in May



Two North Riverside Plaza, Suite 2100, Chicago, Illinois 60606

Equity Commonwealth to Acquire Monmouth Real Estate for \$3.4 Billion

5/4/2021

Equity Commonwealth to Transition into the Industrial Sector

CHICAGO & HOLMDEL, N.J.--(BUSINESS WIRE)-- Equity Commonwealth (NYSE: EQC) and Monmouth Real Estate Investment Corporation (NYSE: MNR), or Monmouth, today announced that they have entered into a definitive merger agreement by which Equity Commonwealth will acquire Monmouth in an all-stock transaction, valued at approximately \$3.4 billion, including the assumption of debt. The combined company is expected to have a pro forma equity market capitalization of approximately \$5.5 billion.

Under the terms of the agreement, Monmouth shareholders will receive 0.67 shares of Equity Commonwealth stock for every share of Monmouth stock they own. Based on the closing price for Equity Commonwealth on May 4, 2021, this represents approximately \$19.40 per Monmouth share.



Two North Riverside Plaza, Suite 2100, Chicago, Illinois 60606

Equity Commonwealth and Monmouth Real Estate Amend Merger Agreement to Increase Value of Offer

8/16/2021

Enhanced Consideration with 0.713x Exchange Ratio and Option to Receive Cash

Offers Monmouth Shareholders a Combination of Certainty and Opportunity for Future Upside

Total Value Represents 23.1% Premium Over Monmouth's 30-Day Average Unaffected Trading Price as of December 18, 2020

Shareholders Urged to Vote "FOR" the Amended Transaction on the WHITE Proxy Card

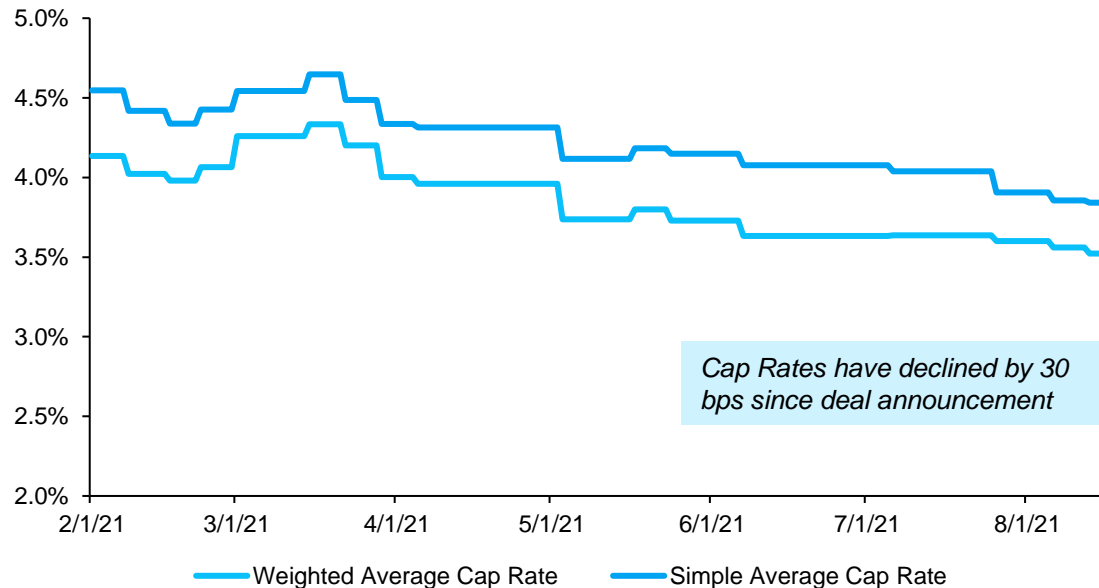
CHICAGO & HOLMDEL, N.J.--(BUSINESS WIRE)-- Equity Commonwealth (NYSE: EQC) and Monmouth Real Estate Investment Corporation (NYSE: MNR), or Monmouth, today announced that they have entered into an amendment to the definitive merger agreement (as amended, the "Merger Agreement") between the two companies. Under the terms of the Merger Agreement, Equity Commonwealth revised its offer to pay a total value of \$19.00 per share in a combination of cash and stock at the election of Monmouth shareholders and based on EQC's closing price of \$26.65 per share on August 13, 2021.

MEANWHILE, ASSET PRICES HAVE INCREASED

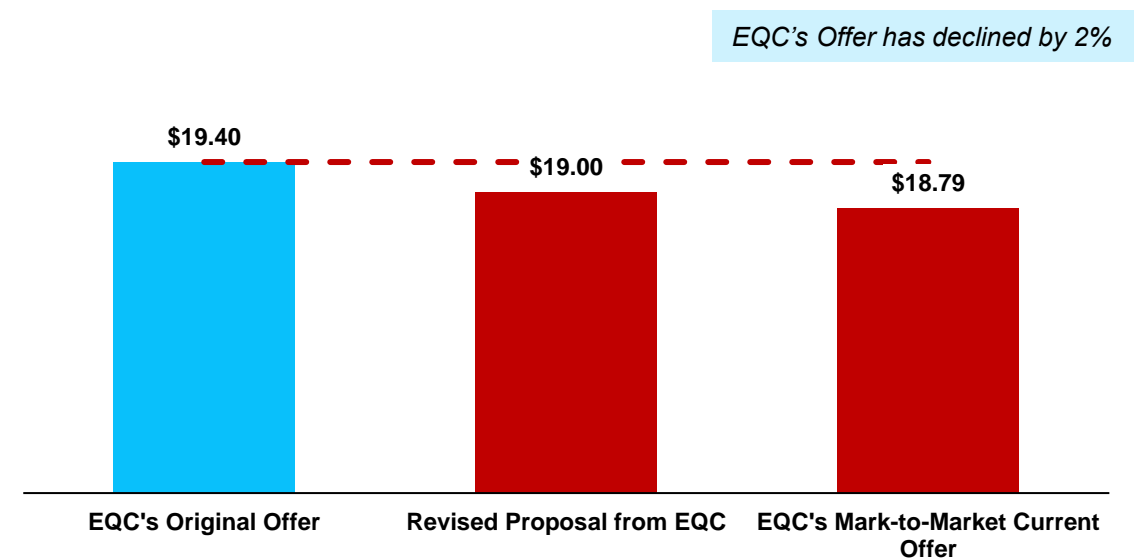
EQC is Offering Less Money for a More Valuable Monmouth

- Industrial cap rates declined approximately 30bps since EQC's original offer on May 4th, **which implies EQC's original offer should have been revised up to \$21.63 per share**
- Instead, **Monmouth's Board re-negotiated a worse deal for shareholders**

Industrial Cap Rates Over the Last 6 Months

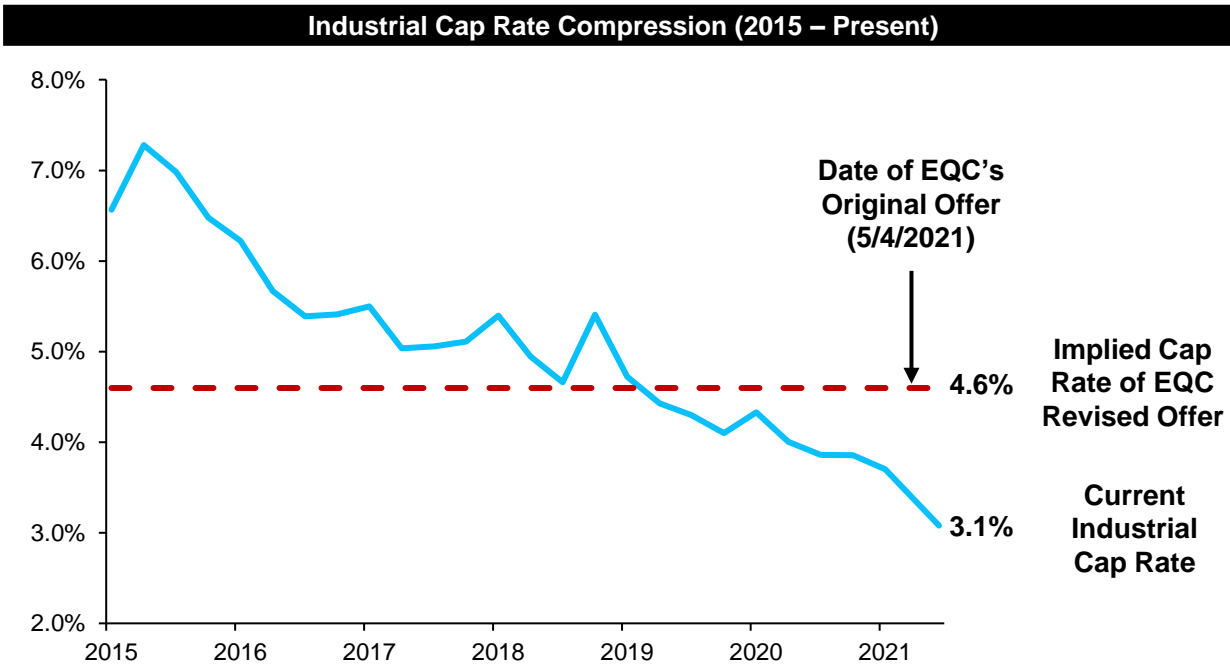


EQC's Revised Offer Is Below Its Original Consideration



INDUSTRIAL CAP RATES COMPRESSED MATERIALLY IN 2021

Current Industrial Cap Rates are in the 3% Range, While EQC is Offering Materially Worse Valuation at Close to 5%



Morgan Stanley | RESEARCH

August 10, 2021 09:55 PM GMT

Industrial REITs | North America

Updating Views - Bull Case the New Base

Morgan Stanley's research further reiterates the robustness of the Industrial REIT industry as they show industrial cap rates compressed to **3.1%**

“Unparalleled demand and fundamentals in the industrial market persist as space and land become more scarce... industrial continues to be the darling of commercial real estate. On the leasing front, things are moving so quickly that buildings are not sitting idle or vacant for long. Availability in the market is extremely tight, with all time low vacancies and new market high rents.” *JLL 2Q2021 Industrial Outlook, August 2021*

INDUSTRIAL CAP RATES COMPRESSED MATERIALLY IN 2021 (CONT.)

What the Experts are Saying:

“...[H]istorically, we pencil in a 50 basis point -- used to pencil in a 50 basis point increase in the residual calculation based on our rent projections and the like. But I think 50 basis points when cap rates were 9% was quite a bit. And when the **cap rates are in the mid-3s**, that's even a great deal more on a relative basis.”

Chief Executive Officer, Prologis, Inc. (NYSE: PLD), 2Q2021 Earnings Call on July 19, 2021

“Over the last six months, **cap rates have probably compressed 50 to 65 bps**. A prominent brokerage group literally revised their cap rates in NorCal, SoCal, New Jersey **over the last two weeks to be sub-3% now**...a lot of this can be attributed to just how fast rents are growing too...as rent growth increases and in-place leases get below market, people are willing to lower their cap rates...is moving very quickly, and it hasn't stopped yet.”

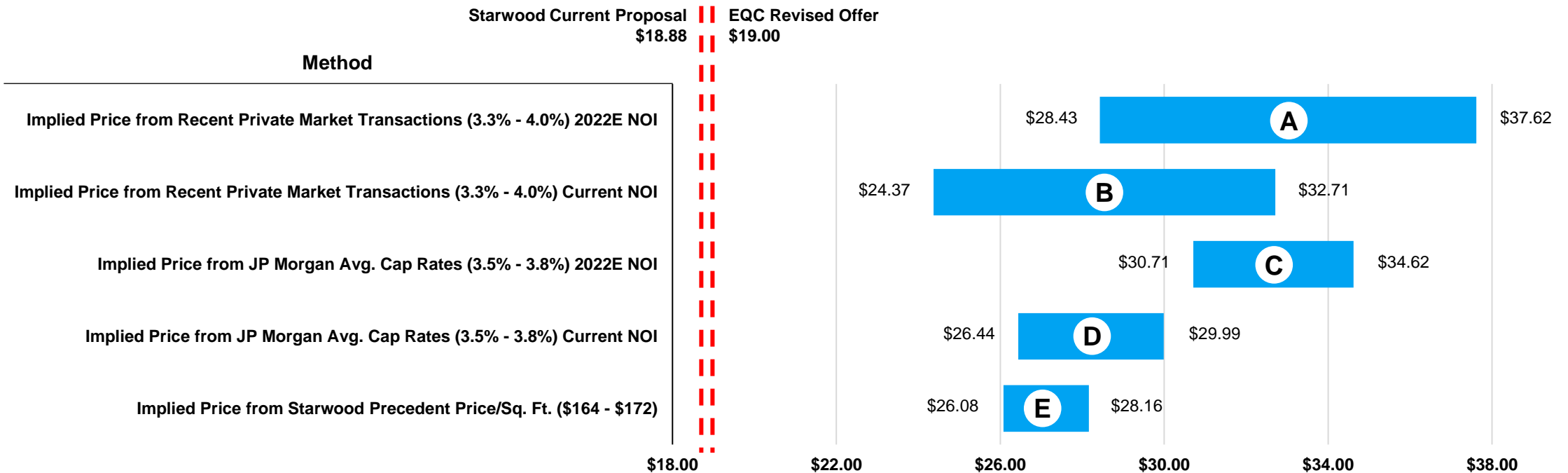
Chief Investment Officer, Duke Realty (NYSE: DRE), 2Q2021 Earnings Call on July 29, 2021

“But we think the opportunity here to create value is quite good with cap rates in that market, **3.75% and going lower today**.”

Executive Vice President-East, First Industrial (NYSE: FR), 2Q2021 Earnings Call on July 22, 2021

FULL AND FAIR VALUE FOR MONMOUTH IS SIGNIFICANTLY HIGHER

Illustrative Value of Monmouth Using Public and Private Market Comparables



The EQC and Starwood Proposals Fall Well Below The Implied Value for Monmouth Based On Public Comparables Valuations, Recent Comparable Private Market Transactions, Starwood's Recent Industrial Purchase Prices in 2020 and 2021, and Current Commentaries From Leading Industrial REIT CEOs

PRIVATE MARKET TRANSACTIONS IMPLIED VALUATION

- Recent sizable transactions in the private markets such as Black Creek Group's purchase of Nuveen Real Estate's 8.9 million sq. ft. industrial portfolio sold at a 4.0% cap rate
- In March 2020 Rexford acquired a portfolio of 10 Class-A industrial assets at a 3.3% cap rate

Method

A

	2022E NOI	
	Simple Average Cap Rate	Weighted Average Cap Rate
MNR 2022E Consensus NOI	\$171	\$171
Avg. Industrial Peer Cap Rate	4.0%	3.3%
Implied Enterprise Value	\$4,275	\$5,182
Less: Net Debt	(\$922)	(\$922)
Less: Preferreds	(\$550)	(\$550)
Market Capitalization	\$2,803	\$3,710
Shares Outstanding	98.6	98.6
Implied MNR Share Price	\$28.43	\$37.62

Method

B

	Current NOI	
	Simple Average Cap Rate	Weighted Average Cap Rate
MNR 2022E Consensus NOI	\$155	\$155
Avg. Industrial Peer Cap Rate	4.0%	3.3%
Implied Enterprise Value	\$3,875	\$4,697
Less: Net Debt	(\$922)	(\$922)
Less: Preferreds	(\$550)	(\$550)
Market Capitalization	\$2,403	\$3,225
Shares Outstanding	98.6	98.6
Implied MNR Share Price	\$24.37	\$32.71

JP MORGAN RESEARCH IMPLIED CAP RATE VALUATION

- As of August 16, 2021, JP Morgan's research team released weighted and simple average cap rates of 3.5% and 3.8% respectively for Monmouth's industrial real estate peers

JP Morgan REIT Coverage – 8/16/2021

Company	Ticker	Stock Price 8/13/21	Cap Rates	
			Assumed	Implied
Industrial				
Duke Realty	DRE	\$50.99	4.3%	3.6%
First Industrial Realty Trust	FR	\$55.11	4.3%	4.0%
Prologis, Inc.	PLD	\$131.98	4.1%	3.4%
Rexford Industrial Realty	REXR	\$61.49	3.9%	3.5%
STAG Industrial, Inc.	STAG	\$41.94	5.6%	4.8%
Property Type Total/Weighted Average				3.5%
Property Type Total/Simple Average				3.8%

Method

C

	2022E NOI	
	Simple Average Cap Rate	Weighted Average Cap Rate
MNR 2022E Consensus NOI	\$171	\$171
Avg. Industrial Peer Cap Rate	3.8%	3.5%
Implied Enterprise Value	\$4,500	\$4,886
Less: Net Debt	(\$922)	(\$922)
Less: Preferreds	(\$550)	(\$550)
Market Capitalization	\$3,028	\$3,414
Shares Outstanding	98.6	98.6
Implied MNR Share Price	\$30.71	\$34.62

Method

D

	Current NOI	
	Simple Average Cap Rate	Weighted Average Cap Rate
MNR 2022E Consensus NOI	\$155	\$155
Avg. Industrial Peer Cap Rate	3.8%	3.5%
Implied Enterprise Value	\$4,079	\$4,429
Less: Net Debt	(\$922)	(\$922)
Less: Preferreds	(\$550)	(\$550)
Market Capitalization	\$2,607	\$2,957
Shares Outstanding	98.6	98.6
Implied MNR Share Price	\$26.44	\$29.99

STARWOOD'S INDUSTRIAL PURCHASES IMPLY A \$26 PER SHARE PRICE

Starwood's REIT Has Recently Paid Approximately \$164 per Sq. Foot for Comparable Industrial Properties

- In 2020 and 2021, Starwood's REIT acquired 5.2 mm square feet of industrial properties, comparable to Monmouth's, for an aggregate total of \$851 million
- These properties, on average are all 300,000 square feet or smaller, and are comparable to Monmouth's portfolio having an average size of approximately 204,000 square feet per property
- For these industrial assets, **Starwood paid a weighted average price of \$164 per sq. ft. and a simple average price of \$172 per sq. ft.**
- Applying the same price per square foot to Monmouth implies a value of **\$26 to \$28 per share**

Method

E

	Price Per Square Foot	
	Weighted Average Price / Sq. Ft.	Simple Average Price / Sq. Ft.
Monmouth Sq. Footage (mm)	24.7	24.7
Purchase Price Per Sq. Ft.	\$164	\$172
Implied Enterprise Value	\$4,044	\$4,248
Less: Net Debt	(\$922)	(\$922)
Less: Preferreds	(\$550)	(\$550)
Market Capitalization	\$2,572	\$2,776
Shares Outstanding	98.6	98.6
Implied MNR Share Price	\$26.08	\$28.16

ISS PEER SET IMPLIES A \$30 PER SHARE PRICE

A Refreshed Board and Improved Governance, Including Liquidating the Securities Portfolio and Improved Capital Allocation Decisions, Will Allow Monmouth to Trade Inline With Public Peers

“MNR shares were valued at a median P/NTM AFFO multiple of 16.6x, while the median of MNR's industrial real estate peers (EastGroup, Rexford, STAG, and Terreno) was 35.1x. These figures indicate that, in the recent past, **MNR has been valued at a median 52.6 percent discount to the median of its peers.**”¹

ISS Proxy Analysis & Benchmark Policy Voting Recommendations

ISS

Monmouth Real Estate Investment Corporation

Key Takeaways

The board seeks shareholder approval to be acquired by Equity Commonwealth (EQC). Under the terms of the agreement, MNR shareholders will receive 0.67 EQC shares per MNR share, which was valued at approximately \$19.40 per share, or \$1.8 billion in aggregate, at announcement. Since announcement of the transaction in May, the market value of EQC's merger consideration has declined to \$17.25 per share as of Aug. 4.

The transaction is opposed by Blackwells Capital, a 4.2 percent shareholder that submitted unsolicited bids for the company beginning in December 2020, and Starwood Capital, a competing bidder that participated in the company's sales process and subsequently submitted two unsolicited cash bids in July 2021. Starwood's most recent bid, \$18.88 in cash per share, is above the market value of EQC's merger consideration and Starwood has stated that it is committed to entering into an acquisition agreement should MNR shareholders not approve the EQC transaction.

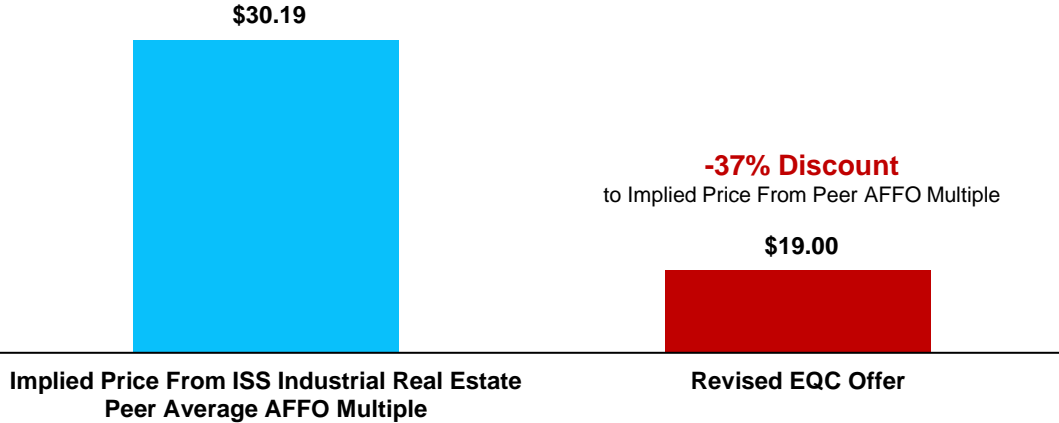
In light of the decline in the value of the consideration and potential execution risk that could limit shareholders' future returns, particularly relative to the value and certainty of the higher competing cash proposal, support for the transaction is not warranted.

Support for the golden parachute proposal is not warranted. Although cash severance is double trigger and reasonably based, equity awards are effectively double trigger, and no excise tax gross-ups are payable, the Executive Chairman is entitled to excessive cash- and equity-based transaction bonuses, which are collectively valued at over eight times his salary.

Meeting Type: Proxy Contest (Virtual)
 Meeting Date: 24 August 2021
 Record Date: 2 August 2021
 Meeting ID: 1566866

New York Stock Exchange: MNR
 Index: Russell 3000
 Sector: Industrial REITs
 GICS: 60101020






Primary Contacts
 David Spindler
 Heath Winter
 Nathan Shugart – Item 2
[U.S. Research Help Center](#)



Applying the 35.1x AFFO Multiple to 2022E Consensus AFFO of \$0.86 AFFO Per Share Implies MNR Shares Could Be Worth \$30 in a Few Months When Buyers Value MNR Using 2022 Estimates

EQC'S REVISED OFFER DOES NOT ADDRESS KEY CONCERNS FROM BLACKWELLS

The Amended Merger Does Not Address Key Shareholder Concerns About a Combined EQC/MNR

Concerns	ISS Commentary ¹	Revised EQC Offer	Result
Flawed Sale Process	“The most prominent flaw in the sale process was that the strategic alternatives committee was not fully independent, resulting in lingering concern in the minds of shareholders about the possibility that a preference for a tax-deferred structure over certainty of value led to a sub-ideal”	Does Not Address	
Significant Execution Risk	“There appears to be execution risk associated with this rationale. Substantial cash resources will provide limited competitive advantage against a field of other real estate investors who are also backed by billions of dollars. And, with the exception of a \$3 million land acquisition in 2016, the EQC team has not been able to deploy its existing cash resources to acquire industrial real estate in recent years, such that there is no recent track record that MNR shareholders can look to as evidence of what to expect going forward.”	Does Not Address	
No Relevant Track Record at EQC	“The lack of a track record of recent acquisitions of industrial properties by EQC makes it difficult for shareholders to evaluate the reasonableness of the financial advisors' capitalization rate assumptions”	Does Not Address	
High Uncertainty Around Post Transaction Growth	“In the absence of a detailed plan, without a track record of successful recent acquisitions to point to, and with no apparent existing relationships between the new management team and the brokers, sellers, and developers that MNR has relied upon historically, there appears to be uncertainty that the post-transaction growth plan, such as it is, will potentially allow MNR shareholders to benefit from sufficient upside as to offset the current lower value of the merger consideration.”	EQC's revised offer deck includes a “one-year transition period” without any detail on how management will execute	
Declining Value of Initial Offer	“Shareholders may be frustrated that the board did not prioritize a deal structure that would preserve that value for shareholders, because the post-announcement decline in EQC shares has caused a drop in the value of the consideration.”	EQC's Revised August Offer <u>Is Lower Than</u> Its Original Offer in May While Industrial Valuations Increased	

PROPOSED EQC MERGER CREATES MORE QUESTIONS THAN IT DOES ANSWERS



“Our views on the combination remain unchanged with key concern EQC's competitive advantage in highly competitive industrial space and now with less dry powder to propel future growth”

Citi Equity Research, August 16, 2021



“Uncertain and unlikely upside by merging entities with no synergies and handing responsibility to a team with no obvious competitive advantages or recent experience in the highly competitive industrial sector -- EQC and Monmouth have provided no clear strategic plan or differentiators as to why shareholders should trade certain cash value today for the prospect of uncertain upside of the merged entity.”

Starwood Capital Group, August 3, 2021



“The competitive dynamics of the sector, and EQC's limited acquisition history, should concern shareholders being asked to trade certain value for uncertain future based upon new acquisitions....There are no clear asset management synergies between these two entities, as the EQC team has not demonstrated a proven ability to invest in the current highly competitive industrial sector....EQC's cash balance is not a competitive differentiator...The post announcement sell-off shows the market's concern about EQC's plan and ability to create value....The Board reaffirmed without obtaining price improvement from EQC – it's commitment to EQC's materially lower offer.”

Starwood Capital Group, August 2, 2021



“Starwood believes that the Monmouth Board's continued recommendation of an inferior transaction is made more troublesome because of the corporate governance questions raised by the manner in which the Board evaluated offers during the sales process.”

Starwood Capital Group, July 30, 2021



“We note that industrial assets continue to trade at relatively higher prices versus other real estate classes. As such, considering MNR's tenant quality, asset quality, and demand for industrial assets in general, we believe a portfolio sale would be more likely at or above \$20/share”

Berenberg Equity Research, April 19, 2021
