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Agree Realty Corporation

Third Quarter 2025 Earnings Call

CORPORATE SPEAKERS:

Reuben Treatman

Agree Realty Corporation; Senior Director of Corporate Finance

Joey Agree

Agree Realty Corporation; President, Chief Executive Officer

Peter Coughenour

Agree Realty Corporation; Chief Financial Officer

PARTICIPANTS:

Nicholas Joseph

Citi; Analyst

Michael Goldsmith

UBS; Analyst

Jana Galan

BofA; Analyst

James Kammert

Evercore; Analyst

Linda Tsai

Jefferies; Analyst

Omotayo Okusanya

Deutsche Bank; Analyst

John Kilichowski

Wells Fargo; Analyst

Robert Stevenson

Janney Montgomery; Analyst

Spenser Glimcher

Green Street; Analyst

Upal Rana

KeyBanc Capital Markets; Analyst

Eric Borden

BMO Capital Markets; Analyst

Brad Heffern

RBC Capital Markets; Analyst

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Raymond James; Analyst

Richard Hightower

Barclays; Analyst

Ronald Kamdem

Morgan Stanley; Analyst

PRESENTATION:

Operator Good morning. And welcome to the Agree Realty Third Quarter 2025 Conference Call. (Operator Instructions)

Note this call is being recorded.

I would now like to turn the conference over to Reuben Treatman, Senior Director of Corporate Finance.

Please go ahead, Reuben.

Reuben Treatman Thank you. Good morning, everyone. And thank you for joining us for Agree Realty's Third Quarter 2025 Earnings Call.

Before turning the call over to Joey and Peter to discuss our results for the quarter, let me first run through the cautionary language.

Please note that during this call we will make certain statements that may be considered forward-looking under federal securities laws including statements related to our updated 2025 guidance.

Our actual results may differ significantly from the matters discussed in any forward-looking statements for a number of reasons.

Please see yesterday's earnings release and our SEC filings including our latest annual report on Form 10-K for a discussion of various risks and uncertainties underlying our forward-looking statements.

In addition, we discuss non-GAAP financial measures including core funds from operations or core FFO, adjusted funds from operations, or AFFO, and net debt to recurring EBITDA.

Reconciliations of our historical non-GAAP financial measures to the most directly comparable GAAP measures can be found in our earnings release, website and SEC filings.

I'll now turn the call over to Joey.

Joey Agree Thanks, Reuben. And thank you all for joining us this morning.

I'm pleased to report another very strong quarter at ADC as we further expanded and strengthened what we view to be the nation's leading retail portfolio. The unmatched value proposition of our three-pronged approach continues to drive a compelling opportunity set and expansive pipelines across all platforms.

We achieved our largest quarterly investment volume since the depth of COVID five years ago, deploying over \$450 million across all three platforms while maintaining a high level of discipline in our underwriting process.

Given growing pipelines across our three external growth platforms, we are increasing our full year 2025 investment guidance to a new range of \$1.5 billion to \$1.65 billion.

At the midpoint, this represents an increase of over 65% above last year's investment volume. This exceptional level of activity demonstrates our ability to efficiently scale our investment platforms while partnering with the best retailers in the country.

We will continue to be disciplined capital allocators while maintaining our stringent real estate quality underwriting standards.

Our best-in-class portfolio is paired with a fortress balance sheet that has over \$1.9 billion of liquidity and no material debt maturities until 2028.

With pro forma net debt to recurring EBITDA of just 3.5x and over \$1 billion of forward equity at Wawa, we enjoy significant runway and have prefunded our growth well into next year.

During the quarter, we received an A- issuer rating from Fitch ratings making us one of only 13 publicly listed U.S. REITs with an A- credit rating or better. This was a significant milestone for our growing company and is a testament to over 15 years of disciplined growth and keen portfolio construction having invested over \$10 billion during that period while maintaining a preeminent balance sheet and leading the way on capital markets activities.

Given our robust liquidity profile, fortress balance sheet and strong portfolio performance, we are raising our AFFO per share guidance to a new range of \$4.31 to \$4.33 for the year. The new midpoint represents approximately 4.4% year-over-year growth. Peter will provide more details on our guidance momentarily.

Turning to our three external growth platforms.

During the third quarter, we invested over \$450 million in 110 high-quality retail net lease properties across our three platforms. This includes the acquisition of 90 assets for over \$400 million. The properties acquired during the quarter are leased to leading operators in home improvement, auto parts, grocery, off-price, farm and rural supply, convenience stores and tire and auto service. The acquisitions had a weighted average cap rate of 7.2% and a weighted average lease term of 10.7 years.

Investment-grade retailers account for 70% of the annualized base rent acquired the highest mark so far this year.

Notable transactions during the quarter included a sale leaseback with a relationship tenant in the tire and auto service sector, multiple all these, the high-performing Kroger in Cincinnati, a Sherwin-Williams portfolio, a Home Depot in New York as well as a Walmart Supercenter in Illinois.

For the first nine months of the year, we've invested nearly \$1.2 billion across 257 retail net lease properties spanning 40 states in 29 retail sectors. Approximately \$1.1 billion of our investment activities originated for our acquisition platform, with the remainder meeting from our development and developer funding platforms.

During the third quarter, we commenced five development or DSD projects with total anticipated cost of approximately \$51 million.

We are well on our way to commencing over \$100 million of projects in the second half of the year, as discussed on last quarter's call.

Through the first nine months of the year, we've committed approximately \$190 million across 30 projects that are either completed or under construction, representing a significant increase in development in DFP spend compared to prior years.

We remain confident that we'll achieve our medium-term goal of \$250 million commitment annually.

In the third quarter alone, we invested a record of approximately \$50 million across 20 development and DFP projects representing a twofold increase in capital deployment quarter-over-quarter. These platforms are a growing component of our investment strategy, allowing us to partner with best-in-class retailers and private developers to add high-quality real estate to our portfolio at superior returns that we could achieve via acquisitions.

Of note, during the quarter, we commenced construction on two of our first 7-Eleven developments. Located in Michigan and Ohio, we anticipate total costs for the two projects will be approximately \$18 million. The Ohio location marks our first commercial fueling site for 7-Eleven, a compelling addition to our large-format convenience store portfolio. These projects underscore the strategic depth of our relationship with yet another leading retailer.

We're delivering our full complement of capabilities round-up development, developer funding projects as well as acquisitions.

I look forward to providing more details as we continue to roll out additional projects in the coming quarters.

On the asset management front, we executed new leases, extensions or options on approximately 860,000 square feet of gross leasable area during the quarter including a 50,000 square foot T.J. Maxx and HomeGoods combo in Eugene, Oregon, a 27,000 square foot Burlington in Midland, Texas and two Walmarts comprising over 310,000 square feet.

Through the first nine months of the year, we executed new leases, extensions or options on 2.4 million square feet of gross leasable area with a recapture rate of approximately 104%.

We are in an excellent position for the remainder of the year, with just nine leases or 20 basis points of annualized base rents maturing.

Dispositions this quarter totaled approximately \$15 million and included our only at home in Provo, Utah as well as three advanced auto parts. The at-home disposition is emblematic of our underlying focus on real estate. The disposition cap rate of approximately 7% is nearly 50 basis points inside of where we acquired the asset, resulting in an unlevered IRR of approximately 9%.

Our best-in-class portfolio now spans over 2,600 properties across all 50 states including 237 ground leases, representing 10% of total annualized base rents. Occupancy for the quarter remained very strong at 99.7%, and our investment-grade exposure remains sector-leading at 67%.

Heading into the fourth quarter, I'm extremely excited to wrap up the year as we head into 2026 in a tremendous position as our earning algorithm kicks into gear.

I'll now hand the call over to Peter, and then we can open it up for questions.

Peter Coughenour Thank you, Joey.

Starting with earnings, core FFO per share for the third quarter of \$1.09 was 8.4% higher than the same period last year. AFFO per share for the third quarter increased 7.2% year-over-year to \$1.10, which is \$0.02 above consensus. A portion of the beat is attributable to lease termination fees which contributed roughly \$0.01 to AFFO per share in the quarter.

As Joey highlighted, we have updated our 2025 earnings outlook to reflect our strong performance year-to-date.

We raised both the lower and upper end of our full year AFFO per share guidance to a new range of \$4.31 to \$4.33, which implies year-over-year growth of approximately 4.4% at the midpoint.

Our new guidance range includes an assumption for approximately 25 basis points of credit loss for the year.

As a reminder, the treasury stock method impact is included in our diluted share count prior to settlement if ADC stock trades above the net price of our outstanding forward equity offers. The aggregate dilutive impact related to these offerings was fairly de minimis in the third quarter.

Our updated guidance range contemplates a minimal treasury stock method dilution in the fourth quarter as well.

So that remains subject to how the stock trades for the remainder of the year.

For full year 2025, we still anticipate roughly \$0.01 of dilution related to the treasury stock method, largely given the impact recognized in the first half of the year.

In the third quarter, we declared monthly cash dividends of \$0.256 per share for July, August and September. This represents a 2.4% year-over-year increase.

While raising our dividend twice over the past year, we maintain conservative payout ratios for the third quarter of 70% of core FFO per share and AFFO per share, respectively.

Subsequent to quarter end, we again increased our monthly cash dividend to \$0.262 per share for October. The monthly dividend reflects an annualized dividend amount of over \$3.14 per share or a 3.6% increase over the annualized dividend amount of \$3.04 per share from the fourth quarter of last year.

Moving to the balance sheet. As Joey mentioned, in August, we achieved an A- issuer rating from Fitch with a stable outlook. This significant accomplishment is a testament to the strength of our portfolio as well as our balance sheet and reflects a thoughtful and disciplined way we have and will continue to grow the company. The A- rating reduced the interest rate on our 2029 term loan by 5 basis points.

In addition, the F1 short-term rating assigned by Fitch translated into a similar pricing improvement for our commercial paper notes.

During the quarter, we settled approximately 3.5 million shares of forward equity for net proceeds of over \$250 million.

As of September 30, we had approximately 14 million shares remaining to be settled under existing forward sale agreements, which are anticipated to raise net proceeds of over \$1 billion upon settlement.

At quarter end, total liquidity stood at \$1.9 billion including cash on hand, forward equity as well as over \$850 million of availability on our revolving credit facility, which is net of amounts outstanding on our commercial paper program. Pro forma for the settlement of all outstanding forward equity, our net debt to recurring EBITDA was approximately 3.5x. Excluding the impact of unsettled forward equity, our net debt to recurring EBITDA was 5.1x.

Our total debt to enterprise value was approximately 29%, while our fixed charge coverage ratio, which includes principal amortization and the preferred dividend, remains very healthy at 4.2x.

Subsequent to quarter end, we further strengthened our balance sheet, securing commitments for a \$350 million 5.5 year delayed draw term loan that will mature in 2031.

We anticipate closing later this quarter and have entered into \$350 million of forward starting swaps to fix so for (inaudible) maturity.

Including the impact of the swaps, the interest rate on the term loan is fixed at approximately 4% based on our current A- credit rating. The term loan demonstrates continued strong support from our key banking partners and enables us to fill a gap in our debt maturity schedule while achieving opportunistic pricing in today's rate environment.

Upon closing, the term loan will increase our pro forma liquidity to approximately \$2.2 billion, and we have now locked in attractively priced equity and debt capital to fund our growth well into 2026.

With that, I'd like to turn the call back over to Joey.

Joey Agree Thank you, Peter.

At this time operator, we'll open it up for questions.

QUESTION & ANSWER:

Operator (Operator Instructions) We'll take our first question from Smedes Rose at Citi.

Nicholas Joseph It's Nick Joseph here Smedes.

I appreciate the color around the treasury method for the forward equity.

But can you just walk through what's required in terms of the actual timing and settlement just given the upcoming expirations around the forward equity?

Peter Coughenour Sure, Nick. This is Peter.

In terms of our outstanding forward equity, we have about 40 million shares of forward equity outstanding as of the end of the third quarter, roughly 6 million of those shares, the contracts mature on at some point during the fourth quarter. And so we anticipate settling those shares, those 6 million shares at some point during the fourth quarter as those contracts come to maturity.

As for the remainder of the outstanding forward equity, we would anticipate settling that at some point in 2026.

Nicholas Joseph That's very helpful. And then just on acquisitions, I understand the visibility is limited, but it does continue to track ahead of expectations.

But is there anything on the horizon that you're seeing right now that could slow that pace that you're currently seeing?

Joey Agree Nick, it's Joey. Nothing on the horizon that we see that pace slowing in 2025.

Obviously the 10-year treasury is down to the 395, 396 level, but we haven't seen anything that should slow us down this year.

Operator We'll move next to Michael Goldsmith at UBS.

Michael Goldsmith Yes.

First, on the cap rates, the acquisition cap rates actually ticked up in the period, and we keep hearing from others about the pricing landscape and there's a narrative of increased competition.

So are you seeing any of that out there? And how have you been able to navigate some of those headwinds that others are seeing?

Joey Agree Yes. As I talked about pretty frequently, Michael, I wouldn't get overly enthralled with the narratives that are out there from different institutional acquirers.

We haven't seen any material change in cap rates year-to-date through 9/30 or to frankly today. What we do is differentiated. It's bespoke.

We're doing one-off transactions generally short term, blending extends different types of transactions. And the output this quarter was 10 basis points higher than last quarter just because of the composition.

So like I said, I wouldn't get carried away in the overall narrative of the largest, most fragmented at least institutionally owned market in commercial real estate that being retail net lease.

Michael Goldsmith And as a follow-up, the fourth quarter implied AFFO per share is consistent with the third quarter.

So any reason why that would be kind of flat sequentially or any onetime items that impacted the third quarter or overall impact to the fourth quarter that to expect that to be kind of consistent?

Joey Agree I'll turn it over to Peter, but I don't really see anything.

I think the third quarter was fairly front-loaded in terms of acquisition volume. Nothing overly material there, Peter, am I missing anything?

Peter Coughenour No, Michael, the only thing I would add is just in my prepared remarks, I did mention the term fees received during the third quarter, which contributed to AFFO per share in the third quarter.

We typically don't receive much in the way of term fees.

We don't have anything contemplated in the fourth quarter. And so as you look at Q4 being roughly flat at the midpoint to Q3, I think the term fees are a contributing factor there.

Operator Our next question comes from Jana Galan at Bank of America.

Jana Galan Following up on your comments on the growing pipeline for the different external growth platforms.

Can you talk to how much is current tenants versus new to portfolio and then kind of where you see cap rates trending for 4Q and potentially into 2026?

Joey Agree No new tenants that I can think of that we don't exist -- on existing in the 2,600 assets.

We're staying within our sandbox amongst all three external growth platforms.

In terms of cap rate trends, we'll see how the macro works out. Again, we haven't seen anything different to date. We don't anticipate any material deviation in Q4. Our Q4 pipeline in terms of acquisitions is very strong.

I will say that there's a significant component of ground leases in there in Q4. And then as we've said previously we anticipate breaking ground at over \$100 million in projects in the second half of this year. Obviously that was approximately \$50 million in Q3.

I would anticipate a potential acceleration of that as well into Q4 through development and developer funding platform.

Jana Galan And then maybe for Peter, you had mentioned in the guidance, there's 25 basis points of credit loss.

Can you just kind of update us where you stand as of third quarter?

Peter Coughenour Yes.

So in the third quarter, we experienced just under that, about 21 basis points of credit loss during the third quarter. To your point, for the year, we're assuming in our guidance range approximately 25 basis points of credit loss. And with only a couple of months left here in the year, at this point, most of that is known or identified at this point. Again, I do want to reiterate, I know we've talked about it on past calls, but how we think about credit loss here.

That is a fully loaded number inclusive not only of credit events, but also of any occupancy loss related to re-leasing assets that may not have been tied to a tenant that is in any form of distress or having credit issues.

It also includes not only base rent, but any nets associated with any space that we get back and that we're responsible during a period of downtime. And so a fully loaded number, I think it's different than somehow others in the space think and talk about credit loss and again, 25 basis points is what we anticipate for the year.

Operator We'll move next to Jim Kammert at Evercore.

James Kammert Joey, maybe I should be listening more carefully. Did you indicate or say that on the re-leasing activity in aggregate, it was a 104% recovery for the quarter? Or did I mishear that?

Joey Agree No. That's correct, Jim.

James Kammert And is that -- and what -- could you remind what the year-to-date was? Is that...

Joey Agree I can't recall.

Peter Coughenour So we've released 2.4 million square feet of GLA year-to-date with the recap rate of 104%. And through the first six months of the year, we were also at 104%. And so that recapture rate has trended pretty steadily around that 104% throughout the year.

James Kammert Great. And then obviously Peter, you mentioned, obviously you have the new term loan that will be funding here in November probably. There's no -- given you have no unsecured maturities, et cetera, as you say, we just think about it as liquidity and you either put it in cash or just pay down the line. There's no real target use for the funds immediately?

Peter Coughenour Yes. So we'll close on that term loan in November. We have a 12-month delayed draw feature on that term loan, and so we don't necessarily need to draw down the proceeds right away. We have flexibility there.

In terms of when we draw those proceeds down what the intended use is, we do have about \$390 million of outstanding commercial paper notes as of the end of the quarter.

And so I think the intended use will be to pay down short-term borrowings with any remaining funds used to fund incremental investment activity.

Operator Next, we'll move to Linda Tsai at Jefferies.

Linda Tsai With the ground leases being a bigger portion of 4Q acquisitions and 10% of the overall portfolio ABR, any thoughts on how much do you want to grow this piece of the business?

Joey Agree We'd love to continue to grow at window.

We're going to do so opportunistically, if we find opportunities that obviously hurdle qualitatively, and quantitatively, we're going to strike. Like I said, there are a number of ground leases, a much higher percentage in Q4 currently. That could change here as we wrap up sourcing for Q4 over the next couple of weeks, but they're just opportunistic sellers here generally that we're finding opportunities, both institutional as well as individual sellers.

Linda Tsai And then I know you said the term fees are always minimal for you always, but would you be okay sharing who the retailer was in 3Q?

Joey Agree Yes. That was two Advanced Auto Parts stores that we like the real estate and we are actively working on retenanting those assets. You'll also notice that we divested a few Advanced Auto Parts during the quarter, as I mentioned during the prepared remarks, so just continuing to diversify the portfolio and take advantage of opportunities.

Operator We'll move next to Omotayo Okusanya at Deutsche Bank.

Omotayo Okusanya Yes. Good to see you guys firing on all cylinders. The credit rating upgrade, could you just talk a little bit about how you expect that to ultimately impact your cost of debt? Are you certainly 25 bps tighter? Or like how do we kind of think about that as a potency your long-term debt and maybe term loan funding?

Peter Coughenour Sure.

I think with the receipt of the A- rating from Fitch during the quarter, we saw an immediate improvement on our existing 2029 term loan, where we saw 5 basis points of pricing improvement there.

We were also active issuing commercial paper during the quarter, and we saw a similar pricing improvement on commercial paper issuance after receiving the A- rating.

As we think about long-term debt issuance in the public markets going forward, I certainly think the A- rate helps. I think it's a validation of the manner in which we've built the company in a very conservative manner, the strength of our balance sheet and our portfolio. And frankly, what we hear from fixed income investors about how they view the credit today. And so I think in time that will allow us to continue to compress spreads and achieve better pricing in the public unsecured markets when we come back to those markets.

But we've seen immediate pricing improvement on our term loan and commercial paper issues this year as well.

Omotayo Okusanya That's very helpful. And then on the DFP side, could you just talk a little bit about -- again, you're ramping up pretty nicely. You guys have put out a really good target for that business, which implies a decent amount of growth and demand.

I mean probably every other property type, everyone is kind of talking about development is really, really hard, whether it's due to construction costs or what have you.

So can you just talk a little bit about what's driving all of a sudden your ability to kind of ramp up that business?

Joey Agree Yes. Just to clarify, when development when we talk about the Speedway projects in the prepared remarks, those are true development projects.

We're working hand-in-hand, the team here with 7-Eleven Speedway, everything from site selection to entitlements and permitting, A&E, overseeing construction and turning over. That's true organic development projects, Agree Realty working with 7-Eleven hand-in-glove.

The developer funding platform is really being utilized as a bridge for developers to get projects to complete. And many of the times in the developer funding projects. Usually, we're providing the capital is more of a financial structure.

We own the asset upon completion the developers are able to obtain a TIF to help make his numbers work or her numbers work on their side of the equation or we'll retain our lots or ancillary real estate where they see eventual upside.

I will note, both pipelines have both platforms -- excuse me, have deep pipelines, there are some fairly large projects also in both platforms right now that could hit in Q4 or due to entitlement and permitting issues could hit in Q1.

That's why we're -- we've got kind of a wide stance there in terms of what we're anticipating, but that number could be well over \$100 million or could move into for the back half of this year, as I mentioned, or could move into Q1 really out of our control, third-party municipal and governmental controller.

Operator We'll move next to John Kilichowski at Wells Fargo.

John Kilichowski Maybe just starting off, given the distress we've seen in autos this year, I think there was a BK announced this morning for a subprime lender. How do you think about your exposure there? And are there any of those tenants entering watchlist territory for you?

Joey Agree No.

I think the subprime lending market actually plays into our thesis on frankly, auto parts, the distress you're seeing in those borrowers. This car every day is a new record for cars on the road. Auto parts, obviously is a substantial part of our portfolio being #5 in terms of sector concentrations at 6.8% were amongst the O'Reilly's and AutoZone's largest landlords and partners, I'll be down in O'Reilly pretty soon with the team here.

We continue to work with leading auto parts to operators and then obviously Gerber Collision as well. But I think that really plays into the hands here. We're not ownerships of -- we're not owning new car dealerships. That's not our business.

And so we're really focused on the age of the cars on the road, the durability of the cars on the road that ultimately the agility of the boxes on the real estate that we're acquiring.

Also, we put a white paper out on that. It's on our website, and I think we stayed aligned with that thesis.

John Kilichowski Got it. That's very helpful. And then maybe jumping to the 7-Eleven developments there. Are those discussions for new builds on a one-off basis? Or is there any sort of visibility in a larger opportunity set there where you have some idea what the runway is?

Joey Agree The latter. We're working with 7-Eleven in defined geographic territories and have a pipeline of opportunities behind us.

Operator Next, we'll move to Rob Stevenson at Janney.

Robert Stevenson Joey, given the spreads on developments over comparable acquisitions and the fact that these already have tenants in place, what's the limiting factor for you today in terms of growing that beyond the sort of \$250 million in the external growth story? Is it the construction partners and finding those? Is it targeted tenants in their expansion or just a reluctance to make this too big of a percentage of the balance sheet?

Joey Agree Well again, we're not doing anything on a speculative basis here. We know our returns and we go into the project here.

So we have everything in hand when we are -- when we close including a guaranteed maximum price. Bid from a general contract or that contract is executed. The only limiting factor is opportunities.

I'd love to grow it, commensurate, obviously with the returns being appropriate, I would love to grow it more. And I think you've seen this material acceleration in these platforms.

We hope to continue to materially accelerate it further. And as I talked about, there is a deep pipeline behind this, where we do have visibility. These are projects that generally take 12 to 18 months, not like acquisitions where we turn and burn in 67 days.

And so we are working actively through site selection, permitting, entitlements.

We've closed projects subsequent to the quarter end, and we will close more projects this quarter, first quarter and second quarter were next year.

Robert Stevenson Okay. And then in terms of conversations with major tenants, anybody changing or thinking about expanding or shrinking the size of the prototypical boxes, for example, a typical 10,000 square foot tenant wanting to downsize towards 7,500 square feet going forward or upsizing to 15,000. Any sort of material changes to any of your major tenants boxes preferred boxes going forward?

Joey Agree It's a great question. Tenants are always tinkering with their prototypes and square footages for those different prototypes, we got moved to a larger prototype obviously. There's always been nothing material in terms of just quantity of tenants changing prototypical structures.

What we've seen over the last few years, frankly, is more of the BOPUS elements here and the pickup from store, the parking spaces, the drive-thrus, the pickup windows, those are the types of elements we've seen a lot more change than prototypical size.

Operator We'll go next to Spenser Glimcher at Green Street.

Spenser Glimcher Maybe just another one on the development front.

In your conversations with these clients, are you getting a sense of future growth appetite beyond these initial projects that are either commenced or in some form of zoning or entitlement? And then if so, how much confidence does this give you in your ability to achieve those annual DFP goals that you outlined, Joey?

Joey Agree What we hear from major tenants and the largest retailers in this country is they want to grow, grow, grow, grow, grow their store base.

So I talked about on the last call. There was too much attention in terms of both physical attention, mental attention and capital return to distribution for e-commerce. And what all retailers have now realized the store is the hub of a successful omnichannel operation and not just a spoke. And so whether it's auto parts or off-price, Walmart, Costco, BJ's, Home Depot, Lowe's, all the way down, obviously to the fast food operations that we're seeing today.

C-stores growing voraciously across this country is the continued expansion mode even in the face of tariffs and construction costs and the other macro challenges that are out there. Will you repeat the second part of your question, Spenser?

Spenser Glimcher Well what I was just asking is if you have a sense of their like near-term growth appetite, if that gives you confidence in achieving those annual DFP goals, the few hundred million that you want to put to work in that vertical?

Joey Agree Yes. Look, we were lucky enough to have the president of a major off-price retailer up here to speak to our Board and talk about their growth ambitions with their differentiated banners recently, into the entire real estate team. Yes. That gives me confidence, but also gives me, I think, the most confidence is our capabilities and our team here and the fact that that we can effectuate all three growth platforms.

And I'll tell you, I think what we've created here, and I talked about this a little bit on the last call is a different type of net lease company. And I think it's imperative now that the sell side and the buy side start being discerning about the types of net lease companies.

I know it's easy to group companies, obviously in property types and sectors, but we have companies in the net lease space that are high-yield spread investors. They are sale-leaseback organizations that are global investors across asset classes. And now we have Agree Realty, which is a real estate company that happens to be in the retail net lease space.

And so when we talk about these other two platforms and acquisitions is in the focus, obviously the predominance of the investment capital we'll put to work this year, and I assume next year and the year after, it's not typical spread investing anymore. And I talked about I grew up on a site moving dirt. And the goal was always to create that real estate company in the net lease space. And so we started as a developer. And it's quite ironic.

We launched the acquisition platform and we had never acquired a property in 2010. Development kind of dropped off the radar but it was still a small piece of what we were doing at the time.

Today we're in a position where we can invest and have invested in all three platforms, and they are firing on all cylinders. And I think I think it's time for everyone to use, hopefully a different -- I would hope, a different lens when they're viewing net lease companies than just multiple spreads because we had a lot of different types of businesses on operations and frankly, investment philosophies in this space.

And what we're doing today is differentiated. It's been 15 years in the making, as I've talked about in the prepared remarks, and it's here and it's here now. And so we're excited about development. We're excited about Developer Funding Platform. We're excited about acquisition platform. And I'll tell you, retailers are just as excited with us that we can help them grow across all of those different efforts.

Spenser Glimcher Okay. Great. And then maybe just one on the ground lease front. You've recently had a really favorable releasing outcome with an existing ground lease.

Can you just remind us if you have any other near-term lease maturities?

And would you expect to have similar favorable outcomes?

Joey Agree We have a few there, I'll call it, naked leases don't have any actions, nothing overly material -- we have had a vacant Brinker ground lease, Brinker back ground lease sitting out front of a former Borders that my father develops, which is now a Walmart neighborhood market, which is shorter term in nature but nothing overly material in 2026, there will be a significant mark-to-market opportunity.

Operator We'll go next to Upal Rana at KeyBanc Capital Markets.

Upal Rana I wanted to get your stance on the current consumer environment. Given continued ambiguity on the macro tariffs and softness in the jobs market. And have you noticed any impact starting to creep into any of the industry categories you have exposure to? You already mentioned auto parts earlier, but any other categories that you're seeing any impact?

Joey Agree I think we're seeing positive flow-through for the majority of -- the vast majority of the categories we invested. And so we're not doing entertainment.

We're not doing experiential. We're not doing anything fun. We are the trade down.

We own the trade down, Walmart, TJX, auto parts, right? So we focus on the trade down. And so we're -- our tenants are the beneficiary is, generally speaking, of that trade-down effect, and it continues to permeate, I think, most notably right now the middle class.

The Target customer is shifting to TJX and Walmart. We see that in their prints. And so that middle class customer is trading down to our tenant base. We love Target. I think we own two or three of them, but we see that customer trading down looking for savings than being a more asserting shopper today.

Upal Rana Great. That was helpful. And then are you seeing impact on the accelerated depreciation policy from the Big Beautiful Bill creeping in as well on the transaction market or the 1031 market?

Joey Agree Not in any spaces we fall maybe in the car wash space, where you get the accelerated depreciation with 1031 or private investors. Maybe on the edges on the C-store space but nothing overly beautiful.

Operator We'll take our next question from Eric Borden at BMO Capital Markets.

Eric Borden Just going back to the forward equity contracts, Peter, can you remind us if the forward equity in place has to be settled before the date of expiry? Or can those agreements be rolled forward?

Peter Coughenour Yes.

I think there's certainly the opportunity to go back to the banks or counterparties to extend those contracts if we thought that was the appropriate thing to do.

I think for a few reasons, we think it makes sense to settle our upcoming forwards at maturity. First and foremost, it's not like we're going to be sitting in cash when we settle that forward equity.

We have \$390 million of short-term borrowings outstanding as of quarter end. And obviously as we continue to invest, that number will grow.

And so I think there's a use of proceeds for the forward equity settlements that we have contemplated here in the fourth quarter. And I think there are other considerations as well when you think about extending those contracts from a rating agency or leverage perspective.

Eric Borden Okay. And then can we just get your early thoughts on the Series A preferred shares that can be redeemed in September of next year?

Peter Coughenour We think that is a very attractive piece of paper today, and I would not anticipate that, that gets called anytime in the near future given the coupon on it, which was the lowest REIT coupon in history for preferred outside of PSA and then we continue to view that as an attractive piece of paper.

Operator Next, we'll go to Brad Heffern at RBC Capital Markets.

Brad Heffern Joey, you talked about cap rates not really changing in a material way. I'm wondering why you think that is.

I mean obviously we've seen cost of debt come down quite a bit, SOFR is hopefully moving lower and we've heard these anecdotes about increased competition.

So were spreads just anomalously narrow before and they're getting back to normal levels now? Or is there something else that you would call out?

Joey Agree Just to clarify, Brad, I'm not predicting cap rates for 2026. I'm just talking about my visibility into 2025 by the time had any visibility into 2026, we'll get a new Truth Social posts and something will change.

So I'm not predicting we just haven't seen any material change in cap rates year-to-date, and I don't expect it in the fourth quarter of 2025.

Obviously things outside of our control will drive that overall narrative, but we'll continue to try to look for opportunities to push cap rates and obviously when we transact where we think the appropriate price.

Brad Heffern Okay. Got it. And then I know you've had kind of a self-imposed hiatus on new equity issuance since the April offering. And obviously you have plenty of equity as you sit here today.

But I'm curious how you view the attractiveness of equity right now and when you might look to issue again?

Joey Agree I appreciate the self-imposed hiatus, I haven't thought about it that way. When we did that deal, we promised investors, and we stick to our word here, Consistency is the third slide in our deck.

We told investors we were -- we're not coming back, right? And I mean that's what we've done.

We obviously don't need to raise equity at 3.5x levered and about \$1.7 billion, Peter in liquidity. Is that correct?

Peter Coughenour \$1.9 billion or \$2.2 billion including the term loan when it closes.

Joey Agree So we obviously don't need to raise any capital. The term loan, as Peter mentioned, the delayed draw feature of that term loan gives us a lot of flexibility. And so when we raised that equity, I guess we did put on a self-imposed hiatus, but I think the most important piece of that was that we stayed true to our word to investors that we weren't going to constantly be flooding the equity markets with new issuance, whether it will be the ATM or obviously a block or overnight transaction.

We'll continue to look, obviously we're an external growth driven company as a net lease REIT. We are growing voraciously. We'll continue to look at all different types of access to sources of capital, but we're in the pole position here. And Peter, we can spend how much until we got to 5x levered?

Peter Coughenour We could spend approximately \$1.5 billion, excluding free cash flow until we get to 5x, we can execute on the high end of our investment guidance range this year without raising any additional equity, and we would end the year at 4x pro forma net debt to EBITDA. So we have plenty of runway, and we're in a great position.

Joey Agree They add in free cash flow next year of over \$125 million minimally then you add in disposition proceeds, and we clearly don't need a \$1 and no debt matures. Look, we maintain full flexibility.

I think the most important thing to -- I appreciate, again, the self-imposed hiatus was we want to be consistent with investors so they understand where we're going and what we're doing. This is net lease. It should be predictable.

Operator Our next question comes from Wes Golladay at Baird.

Wesley Golladay I want to have a question on the true development platform. Are you willing to develop for all your targeted tenants? Or do you have -- do you view some as being a little bit more risk or too complex?

Joey Agree Interesting question. Complexity certainly would not be an issue. We generally stick to rectangles. Those aren't overly complex. We're not building anything overly -- overly difficult. Yes. I think we would.

I can't think off my hand or when we wouldn't develop for, again, all three platforms are targeting the same tenant base. And so will we do industrial for those retailers or distribution? No.

But will we develop their traditional retail formats? Certainly. I'll tell you, we have been approached to develop in Canada, that's a no. We have been approached in other instances to try new prototypes or concepts? That's generally no as well. We're not interested in 180,000 square foot sporting goods experiential constructs.

And so -- but I think I would tell you for 95% of them, yes, we will develop, we will use our developer funding platform, and we will acquire a third-party or sale leaseback.

Operator Next, we'll go to R.J. Milligan at Raymond James.

R.J. Milligan Joey, I just wanted to get your higher-level views as we look into '26. Third quarter investment volumes jumped quite a bit. You've got all the growth platforms that are delivering. You've got used debt and equity lined up with the forwards and the term loan. Guidance for this year is about \$1.6 billion of investment volume.

And so two questions. Would you want to do more next year in terms of investment volume? And two, is the gating factor really what's just available on the market? Or is there like a number of incremental investment activity that just doesn't deliver enough so you'd want to smooth it out? I'm just trying to gauge like at what levels of investment volume are you comfortable on a longer-term basis?

Joey Agree A great question, R.J. We have never thought of pacing here. We don't do pacing. We take advantage of opportunities. We turn windows into doors, and then we sprint through them.

And so whether it was COVID or whether it was a disruption from a macro perspective or when we launched the acquisition platform, if we find a \$5 billion transaction that fits this company's profile from a quality perspective and it provides for accretive spreads and making up the

number \$5 billion, obviously we will strike. And so I don't think of any gating factor to a qualitative and quantitative hurdles.

We have a cost of capital. We now have 93 team members here. We had 90 team members, excuse me.

We've hired 23 new team members this year, hence the increase in G&A as a percentage of revenue in the updated guidance.

We don't anticipate anything like that. We are built to grow. The only thing that will limit that growth is opportunities, and we will not stretch for them.

Operator We'll go next to Rich Hightower at Barclays.

Richard Hightower I guess, Joey, just to continue the line of thinking from the last question. You just talked about it and you've talked about it before sort of increasing the size of the investment team. And so I guess, all else constant, does that -- is it reasonable to think that, that implies you can sort of continue along the pace of acquisitions and other deal volumes that you sort of paced in the third quarter going forward? Or is that not the right way to think about that?

Joey Agree Well I think the size and scale of the team is to accommodate all different types of transactions that we're managing, and we don't see that as a constraint, right? Again, it's opportunity dependent. Q4 will be a strong quarter for us.

We know that development in DFP looks like going into 2026 for the first half right now and that looks strong.

But again, we are able to handle 400 discrete transactions. We had 110 transactions, not including dispositions or leasing in Q3 alone, and the team has an incremental capacity.

We continue to invest in systems. We are launching ARC 3.0 in 2026. We continue to lean out processes and eliminate waste inefficiencies here and the team continues to get better at all levels, and we've built redundancy in succession.

So we're in a great position to take advantage of those opportunities.

In terms of how it materializes into numbers and volume that's going to be subject to what we find, the grit determination that we put forth and in context of the overall marketplace.

Richard Hightower Okay. That's helpful. And then one just small one.

I did notice, I guess, your exposure to Dollar Tree fell quarter-on-quarter. So just maybe talk about the moving parts there. Was that part of the group of assets that was sold? And maybe just talk about how you feel about the Dollar store concept in general kind of relative to everything else that you own, if you don't mind?

Joey Agree Yes. The bulk piece of that is the separation of Family Dollar, obviously from Dollar Tree with that sale. We've also made a couple of dispositions. Dollar stores, I'll note year-over-year have dropped 87 basis points as a component of our portfolio.

Similarly, pharmacy has dropped 30 basis points from 4% to 3.7%.

We will continue to be extremely discerning. We're not going to increase exposures, especially in a material way to either of those sectors.

If we find a unique opportunity, we will strike, but they are certainly not at the top of our list in terms of new investment appetite.

Operator We'll move next to Ronald Kamdem at Morgan Stanley.

Ronald Kamdem Two quick ones. Just going back on tenant health, 25 basis points, I think, baked into the guide, I think that's lower from last quarter.

Is that part of the sale of the At Home? Just maybe talk through that and just general color of -- I know we've talked to a few tenant groups, so how are you feeling about tenant health today?

Joey Agree To the At Home question, that was an opportunistic sale.

We bought that seven years ago, I think, Peter, correct me if I'm wrong, at seven years ago, it was a straight real estate play. It was directly across from a mall that was to be redeveloped in a high-growth area.

Obviously Provo, Utah, a signalized intersection with outlet capability to be developed in the future at a very, very low basis, effectively below land basis.

The purchaser of that at a seven cap is going to do multifamily for BYU, which is just north. And so it obviously worked out for us in terms of the acquisition and disposition. Again, I think that's emblematic of our real estate vision here. We were never -- and we'll never be focused on At Home or secondary or tertiary home furniture and accessory retailers.

In terms of the 25 basis points, Peter, do you want to add anything to color there?

Peter Coughenour Yes. Ron, last quarter, our guidance contemplated 25 basis points of credit loss at the high end FFO per share range and 50 basis points of credit loss at the low end of the range.

So we have tightened that up to 25 basis points, and that compares to the 50 basis points of credit loss that we assumed in our initial guidance range going back to February. And so as the portfolio has continued to perform very well and we haven't realized that higher level of credit loss, we've continued to trim up and bring down our assumption for credit loss for the year.

Ronald Kamdem Great. And then just back on the cap rate question. I know it's going to ask a bunch of different ways, but maybe can you comment on any sort of larger deals or larger portfolios and what you see in terms of cap rates there?

Joey Agree We'll say we have passed on a couple of larger deals that I'm sure you'll see hit the wires that we didn't think were priced appropriately, most notably sale-leaseback portfolios.

We think we can create more value through alternative means including development. But that's really the only the color I can give.

Operator And we'll go next to Linda Tsai at Jefferies.

Linda Tsai Just a follow-up to an earlier question. Given your investment levels reverting back to historical highs, I just want to confirm, are you growing the investment team? Or is the investment team getting more productive with data technology like ARC?

Joey Agree Both.

We have grown the investment team. Again, that's part of the 23 team members that we've added this year. We have grown the investment team all three platforms all the way down to the analyst level and interns that have become an analyst. And so we feel like we're fully staffed that team.

We continue to make IT improvements from the use of AI for lease extraction, lease underwriting checklists, and continue to work on ARC 3.0, but we think that team has been built and we're -- but we'll continue to coach, obviously approach and develop the younger team members. So we're in position for 2026, and I don't anticipate any material hires there.

Operator And that concludes our Q&A session. I will now turn the conference back over to Joey Agree for closing remarks.

Joey Agree Well thank you, everybody, for joining us. We look forward to seeing you in Dallas or any upcoming conferences and good luck through the rest of earnings season. Appreciate it.

Operator And this concludes today's conference call. Thank you for your participation. You may now disconnect.