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# Agree Realty Corporation

First Quarter 2026 Earnings Call

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**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:**

**Jana Galan**

*Bank of America; Analyst*

**Michael Goldsmith**

*UBS; Analyst*

**Smedes Rose**

*Citi; Analyst*

**John Kilichowski**

*Wells Fargo; Analyst*

**Upal Rana**

*KeyBanc Capital Markets; Analyst*

**Richard Hightower**

*Barclays; Analyst*

**Linda Tsai**

*Jefferies; Analyst*

**Eric Borden**

*BMO Capital Markets; Analyst*

**Ronald Kamdem**

*Morgan Stanley; Analyst*

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### PRESENTATION:

**Operator** Good morning. And welcome to the Agree Realty First Quarter 2026 Conference Call. All participants will be in listen-only mode. (Operator Instructions). Note this event is being recorded.

At this time, I would like to turn the conference over to Reuben Treatman, Senior Director of Corporate Finance. Please go ahead.

**Reuben Treatman** Thank you. Good morning, everyone. And thank you for joining us for Agree Realty's First Quarter 2026 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 2026 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 pro forma 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** Thank you, Reuben. And thank you all for joining us this morning.

I'm extremely pleased with our performance to start the year, as we have continued to execute on all fronts. During the quarter, we invested nearly 425 million across our three external growth platforms, while further strengthening our market-leading portfolio. The \$403 million of acquisitions completed during the period represents our largest quarterly acquisition volume since 2022 as we continue to source superior risk-adjusted opportunities.

While the macro backdrop remains highly unpredictable, we have never been better positioned. During the quarter, we raised approximately \$660 million of forward equity through our ATM. We now enjoy \$2.3 billion of total liquidity and more than \$1.6 billion of hedged capital including a company record \$1.4 billion of outstanding forward equity.

At quarter end, pro forma net debt to recurring EBITDA was just 3.2x, giving us meaningful flexibility to execute regardless of capital markets volatility. As a reminder, we have no material debt maturities until 2028.

We have married this fortress balance sheet with the highest quality retail portfolio in the country that only continues to improve. In a K-shaped economy, our industry-leading tenants stay poised to leverage their scale and value propositions to drive further share gains. We are consistently seeing leading retailers with the balance sheet and operating discipline winning across cycles and expanding their brick-and-mortar footprints.

Our pipeline across all three external growth platforms is robust, yet our approach remains unchanged. We will stay consistent within our established investment parameters without compromising our underwriting standards.

While our investment in earnings guidance remain unchanged, I would note that we have increased our treasury stock method dilution in anticipation of an elevated stock price and as well as the additional forward equity raise during the quarter. We'll continue to provide updates as the year progresses, and Peter will provide additional details on our guidance and input shortly.

Turning to our external growth activity. We had an active start to the year, leveraging our unique market positioning and deep relationships with retail partners to uncover opportunities across all three platforms. During the first quarter, we invested nearly \$425 million in 100 properties across these three platforms.

Of note, during the quarter, we executed a sale leaseback with Hobby Lobby on their corporately owned stores. As we've discussed on prior earnings calls, Hobby Lobby is privately owned, has a balance sheet and stands as a clear market leader in the craft and hobby space. They are a terrific operator and partner. As a reminder, we do not impute investment-grade or shadow investment-grade ratings in our IG percentage.

Additional acquisitions during the quarter included a Home Depot, five Wawa ground leases in Pennsylvania and Maryland, a portfolio of 11 Sherwin-Williams stores, several Aldi's and three Walmart's located in Georgia and South Carolina.

The acquired properties at a weighted average cap rate of 7.1% and a weighted average lease term of 11.3 years. Nearly 60% of base rents acquired was derived from investment-grade retailers, and we continue to add to our ground lease portfolio during the quarter.

As previously discussed, we continue to see increased activity across our development and Developer Funding Platforms. During the first quarter, we commenced two new development or DFP projects with total anticipated cost of approximately \$18 million. Construction continued on nine projects during the quarter with aggregate and

anticipated cost of approximately \$71 million. We completed four projects during the quarter, representing a total investment of approximately \$23 million.

Our development in DFP pipelines continue to grow significantly, and we expect development in DFP activity to meaningfully ramp in the second and third quarters, including several additional projects that commenced subsequent to quarter end.

Moving on to dispositions. We sold seven properties during the quarter for total gross proceeds of approximately \$11 million at a weighted average cap rate of 6.8%. This activity included both the Jiffy Lube and Dutch Brothers that were loaded in the grocery portfolio acquisition last year. We sold these assets approximately 300 basis points inside of where we acquired them less than one year ago, highlighting our ability to opportunistically recycle capital and harvest value across our portfolio.

Our Asset Management Team continues to do an excellent job proactively addressing upcoming lease maturities. We executed new leases, extensions or options on over 876,000 square feet of gross leasable area during the first quarter with a recapture rate of over 104%. This included a Walmart Supercenter in Whitewater, Wisconsin and a Home Depot in Orange, Connecticut.

We remain well positioned for the remainder of the year with just 29 leases or 90 basis points of annualized base rent maturing, which is down 60 basis points quarter-over-quarter and 260 basis points year-over-year.

We ended the quarter with pharmacy exposure at 3.5% of annualized base rent, and it now falls outside of our top 10 sectors, a meaningful milestone given that pharmacy once exceeded 40% of our portfolio. Anchored by assets which is our Walgreens on the corner of the Diag and the University of Michigan campus and our CVS on Greenwich Avenue, we are confident in the real estate and performance of our remaining pharmacy assets.

As of quarter end, our best-in-class portfolio comprised 2,756 properties spanning all 50 states. The portfolio included 261 ground leases, comprising over 10% of annualized base rent. Our investment-grade exposure stood at over 65% and occupancy is strong at 99.7%, up 50 basis points year-over-year.

Before I hand the call over to Peter, I'd like to thank and complement the tremendous work he and his team did on the creation of our inaugural supplement. We have taken feedback from a number of constituents and created a first-class document that provides investors and analysts with a thorough picture of our portfolio and financials.

Peter, thank you. And take it away.

**Peter Coughenour** Thank you, Joey.

Starting with the balance sheet. We were very active in the capital markets during the first quarter, selling 8.7 million shares of forward equity via our ATM program for anticipated net proceeds of approximately \$658 million. This represents yet another company record for equity raised in the quarter and underscores our ability to raise equity at scale via our ATM and in a cost-efficient manner. At quarter end, we had approximately 18.4 million shares of outstanding forward equity, which are anticipated to raise net proceeds of approximately \$1.4 billion upon settlement.

Additionally, during the period, we drew \$250 million on our previously announced \$350 million delayed draw term loan. As a reminder, we entered into forward starting swaps to fix SOFR through maturity in 2031, and inclusive of those swaps, the term loan bears interest at a fixed rate of 4.02%.

We also took further steps to hedge against interest rate volatility, entering into \$50 million of forward starting swaps during the quarter. In total, we now have \$250 million of forward starting swaps, effectively fixing the base rate for a contemplated 10-year unsecured debt issuance at roughly 4.1%, combined with the approximately \$1.4 billion of outstanding forward equity. We have over \$1.6 billion of hedge capital, which provides critical visibility into our intermediate cost of capital, particularly amidst recent geopolitical and macro uncertainty.

At quarter end, we had liquidity of approximately \$2.3 billion including the aforementioned forward equity, availability on our revolving credit facility, term loan and cash on hand. Pro forma for the settlement of all outstanding forward equity, our net debt to recurring EBITDA was approximately 3.2x. Our total debt to enterprise value is under 29%, and our fixed charge coverage ratio, which includes the preferred dividend, remains very healthy at 4.2x.

Our sole short-term or floating rate exposure was comprised of outstanding commercial paper borrowings at quarter end. And as Joey mentioned, we continue to have no material debt maturities until 2028. Our balance sheet is extremely well positioned to execute on our robust investment activity across all three external growth platforms.

Moving to earnings. Core FFO per share was \$1.13 for the first quarter, which represents an 8.1% increase compared to the first quarter of last year. AFFO per share was \$1.14 for the quarter, representing a 7.9% year-over-year increase, which is the highest quarterly AFFO per share growth achieved since the second quarter of 2022.

As Joey noted, we are reiterating our full year 2026 AFFO per share guidance of \$4.54 to \$4.58, which implies approximately 5.4% year-over-year growth at the midpoint. We provide parameters on several other inputs in our earnings release including investment and disposition volume, general and administrative expenses, non-reimbursable real estate expenses as well as income tax and other tax expenses.

Our current guidance also includes anticipated treasury stock method dilution related to our outstanding forward equity. Provided that our stock continues to trade around current levels, we anticipate that treasury stock method dilution will have an impact of 2 to 4 cents on full year 2026 AFFO per share. This is up from approximately 1 cent in our prior guidance due to both the higher share price and more forward equity outstanding. As always, the impact could be higher or lower if our stock price moved significantly above or below current levels.

During the quarter, we recorded approximately \$2.4 million of percentage rent, up from \$1.6 million in the first quarter of last year. Roughly a third of the increase was driven by strong same-store sales performance across this group of leases as we have actively targeted leases with potential percentage rent upside. The remainder reflects a timing shift as certain tenants that have historically paid percentage rent in Q2 contributed in Q1 of this year.

Our growing and well-covered dividend continues to be supported by our consistent and durable earnings growth. During the first quarter, we declared monthly cash dividends of 26.2 cents per common share for January, February and March. The monthly dividend equates to an annualized dividend of over \$3.14 per share and represents a 3.6% year-over-year increase. Our dividend is very well covered with a payout ratio of 69% of AFFO per share for the first quarter. We anticipate having over \$140 million in free cash flow after the dividend this year, an increase of over 10% from last year. This provides us another source of cost-efficient capital while maintaining a healthy and growing dividend.

Subsequent to quarter end, we announced an increased monthly cash dividend of 26.7 cents per common share for April. This represents a 4.3% year-over-year increase and equates to an annualized dividend of over \$3.20 per share.

Our inaugural financial supplement this quarter includes several non-GAAP financial metrics and key performance indicators, including our recapture rate, credit and occupancy loss and same-store rent growth. The enhanced disclosures are intended to provide better visibility into our operations and highlight the high-quality nature of our tenancy and portfolio, reflecting our best-in-class execution. We also hope the supplement serves as a one-stop resource that centralizes the key information needed to understand the performance and drivers of our business.

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

**Joey Agree** Thank you, Peter. Operator, at this time, let's open it up for questions.

**Operator** (Operator Instructions) We'll take our first question from Jana Galan at Bank of America.

**Jana Galan** Joey, if you could just follow-up on the investment guidance. I know it's already been raised once this year, but with \$1.6 billion of hedged capital already raised, just curious if you could kind of expand on the pace or the size of the different pipelines for the platform?

**Joey Agree** Sure. So our pipeline, as I mentioned in the prepared remarks, across all three platforms is very strong. There are two things that will determine, frankly, our pace into Q2. Number one is just the macro environment here. Obviously, we have a significant amount of uncertainty that seems to change by the hour. And then two, at our election which transactions we decide to pursue. So we have a number of transactions across all three platforms that are under contract or under a letter of intent going through the diligence period, but all three pipelines are extremely strong.

**Jana Galan** And maybe just following up on the kind of macro uncertainty, rates moving around, does this cause any kind of delay in your partner's decision-making or wanting to kind of pause on any type of big plans.

**Joey Agree** No. This is totally unilateral on our side here. We have pipelines that are extensive across all three platforms. I just didn't think it was appropriate to raise investment guidance at this time in the midst of a war with JD Vance sitting on the runway.

**Operator** We'll go next to Michael Goldsmith at UBS Financial.

**Michael Goldsmith** You now have a record \$1.4 billion of forward equity outstanding. Can you walk us through a bit about the timing of physical settlement relative to acquisition funding and how you're thinking about using the forward versus term loans or other sources?

**Peter Coughenour** Sure. Michael, this is Peter. To your point, we still have \$100 million of capacity on our delayed draw term loan. It's at a fixed rate of roughly 4% given the swaps that we entered into. So given the attractive rate there, I think that's likely the first option we look to when we decide to term out some of our short-term variable rate debt.

Beyond that, to your point, we have roughly 18.4 million shares of outstanding forward equity. As disclosed in our new supplemental, the contract for about 8 million of those shares matures at some point this year. And while we can always extend the contract, if needed, I think there's a good chance that we settle those shares at or prior to maturity given our anticipated uses. So, I would expect that those 8 million shares are likely settled at some point in 2026.

And then lastly, we have the \$250 million of forward-starting swaps in place that have effectively fixed the base rate for us on a future 10-year issuance at 4.1%. And so, with those swaps in place, we'll evaluate the appropriateness of an issuance later this year.

But we're not in a rush to do anything, given the term loan we have the capacity there, plus the forward equity. I think most importantly, with \$2.3 billion of liquidity from multiple sources, we have plenty of flexibility, optionality here.

**Michael Goldsmith** Then Joey, you talked in the prepared remarks about Hobby Lobby and how you've been partnering with them. Can you just talk a little bit more about what makes this particular tenant attractive? And just how you view the outlook for the craft base going forward?

**Joey Agree** Sure. Hobby Lobby is clearly the far and away leader in the craft and hobby space out of respect for the Green family and our confidentiality, I won't go into their financials, but they are an extremely strong company here. The Green family, as well as Hobby Lobby as an entity, is literally zero or no debt on a net debt to EBITDA, net debt basis here. So, we're talking about a leading operator here if they pursued a rating would be a high investment-grade operator. They effectively put Joann's out of business.

They're a market leader here. They had limited stores on their balance sheet. Most of their assets are leased. They wanted to eliminate the real estate from the balance sheet and the management responsibilities that is entitled and had with owning those assets. So, this was a unique transaction for us. They're a tremendous operator, a tremendous partner. They're extremely methodical in their growth plans, and we are thrilled to complete this transaction with them.

**Operator** We'll take our next question from Smedes Rose at Citi.

**Smedes Rose** I guess I wanted to ask you a little bit more. I mean, I think the answer is probably known here because you mentioned that you're meaningfully ramping up your development pipeline in the second and third quarters. But I just don't have the knowledge of construction enough, I guess, to know but you're not seeing any increases in kind of pricing or due to what's going on in the Middle East or any kind of hesitancy on the part of tenants maybe to kind of pause interest at this point given sort of a more fluid macro backdrop? Or I mean it sounds like the answer is no, but I'm just curious as to maybe why.

**Joey Agree** Yes. No. It's a great question, Smedes. We're seeing absolutely no hesitancy on the part of tenants as world events unfold here. Could that be possible? Sure. But what we're seeing is the exact opposite in the middle of the conflict in the Middle East has not changed the perspective of brick-and-mortar retailers. And as we mentioned on prior calls, if you look at just the announced store openings for the biggest and best retailers in this country, they have all come to the recognition that the store is the hub of an omnichannel world. It is not a spoke. And so, they are all opening new stores, some at voracious paces here to reduce last-mile delivery costs and be efficient. And so, we have not seen any slowdown from any of the tenants that we're working with. In fact, we've seen some acceleration.

As I mentioned in the prepared remarks, we have commenced several projects subsequent to quarter close, and we will be closing on additional projects later this week and next week.

In terms of costs, the projects that we close on have guaranteed maximum price bids. They have GMP contracts in place from general contractors. I'll remind everybody, we're not speculating on land. We're mobilizing and commencing right after close. We aren't speculating on small tenant space here. These are build-to-suit projects or ground lease projects for the leading operators in the country that are signed, sealed and delivered at the time we close.

And so, we have not seen any material cost creep yet. The team here, the construction team, led by Jeff Konkle, does a tremendous job budgeting these projects in advance, and then we work with general contractors to the bid process prior to close.

**Smedes Rose** Okay. And then I wanted to ask you, obviously, we all saw a 7-Eleven announcement to close a bunch of stores. I mean first of all, do you think any of your stores might be impacted? And given some of your leaning into convenience stores in a way some of the reasons that they're closing some of those stores seems like it's going to support some of your white papers that you guys have written around this space. So just curious, any just near-term concerns around your portfolio specifically and anything it might tell you about kind of where convenience stores are going.

**Joey Agree** Absolutely zero concerns. We have no stores closing in our portfolio, and I appreciate you referencing the white paper. I ask everyone to take a look at it on our home page. 7-Eleven is closing the stores that have roller hotdogs and Slurpees. That's the bottom line. The -- and they're constructing and we are developing on their behalf, large-format convenience stores that have food and beverage offerings that are extensive, aligned with where the convenience store space.

And so, 7-Eleven is just a proxy here for the broader gas station convenience store space. The days of the 1,800 square foot get cigarettes and gum and a couple of coolers and gas are gone. That was the gas station. If you think back 10, 15 years ago, they also had an auto bay. They probably blocked that up to add a little bit more square footage to sell in-store products.

Today the gas station is moving to the convenience store model, whether it's 7-Eleven or Sheetz or Wawa, we acquired a number of assets this quarter and led their development entry into the state of Florida over a decade ago. These operators are taking meaningful share across sectors and the evolution of the business is happening before our eyes. And so, again, the pump, while it produces significant revenue doesn't produce the EBITDA that the inside source sale does. That is F&B, food and beverage, primarily breakfast and lunch, liquid gold, coffee, and affordable meals and convenience items that also take from the front end of the pharmacy for consumers.

And so, this is going to be a multiyear evolution, and we're going to continue to see the 2,000 square foot -- 1,200 to 2,000 square foot "gas stations" go away. Michigan, we're at the heart of this right now, with Sheetz and QuikTrip and 7-Eleven, Speedway and operators expanding across the state while the legacy gas stations are frankly put out of business.

Now this takes time, like any transition of any retail sector. But effectively, it's sweeping the country. And so, it's a tremendous opportunity for us. You see us -- our activity here through all three platforms. But it's truly the evolution of a business model into a highly successful operator that has significant margin in food, beverage and in-store components.

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

**John Kilichowski** Joey, that was very helpful on the 7-Eleven breakdown. I guess if you wouldn't mind, maybe just talking about the rest of the portfolio, what's in guide from a credit loss perspective. And if there's anything else in there that you're looking at that may be has forecasted that you have some expected closures or if all of that is just precautionary?

**Joey Agree** No. No anticipated closures, all precautionary. We give our guide. We try to narrow it down during the year. The supplement does a great job of bucketing what we call credit loss, whether it's expirations or actual or credit loss, a tenant defaulting, falling out of -- or entering bankruptcy, rejecting a lease shows that historical trend. We don't anticipate anything material in the portfolio this year. We're watching one to two -- a couple of assets, but really, that's about it. Peter, anything to add?

**Peter Coughenour** No. I think you hit it, just to hit on the numbers quickly, John. In the supplement, we disclosed 14 basis points of both credit and occupancy loss during the first quarter. Our AFFO per share guidance for the year still assumes 25 to 50 basis points of credit and occupancy loss. So, there is an implied acceleration in Q2 through Q4 there. At this point in the year, we thought it was prudent to leave that range as is. But as Joey said, the portfolio is continuing to perform well.

**John Kilichowski** Got it.

And then the second one for me is just yields and deployment timeline on development DFP, Lider 1Q, I know in opening remarks, you mentioned some scale in 2Q and 3Q. I guess my question is, we've highlighted \$250 million as sort of a medium-term target. Is that still a realistic target for this year?

And then maybe above and beyond that, is there the opportunity to scale above that? Like, would it be surprising for us to see a number well north of \$250 million a year, or is there a reason, from a risk perspective, why your initial remarks sort of capped that target is like a 250 number?

**Joey Agree** So we said about -- I said about 18 months ago, our intermediate target that was approximately three years, was to put \$250 million in commencements in the ground per year. There's a chance we hit it this year.

Again, Q1 is generally light just because if you get into the northern half of the country, you get weather related, you're not going to commence a project with frost in the ground. Q1 is generally light, Q2 will be significantly larger and Q3 is shaping up to be along the same lines of Q2.

Now these projects are generally subject to entitlements and municipal the government authorities approving approvals there. But we are on track to hit that intermediate goal of \$250 million in the ground. The team is doing a tremendous job working with the biggest retailers in the country and the best developers in the country on the DFP side. We're very excited about our pipeline there.

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

**Upal Rana** On the competition and seller behavior side, you mentioned people are not pulling back due to the macro volatility, but are you seeing any change in behavior due to the volatility in the 10-year? Just wondering if you're seeing any increased deal flow in the past month or so that could positively impact 2Q investment volumes.

**Joey Agree** Upal, nothing that I could say is causal. We've said with the 10-year between four and five, it seems like the world has been accustomed to the base rate purportedly for the entire world, the 10-year UST vacillating by 10%, 15%, up and down. We haven't seen anything causal.

I'll tell you, we see more and more opportunities, our funnel is bigger than it's ever been across all three platforms. We don't see increased competition. I would tell you, we haven't seen a notable decrease in competition. Really, nothing's changed since coming out of 2024 on our do-nothing scenario.

And so, the only thing that I can point to is the performance, the size, the scope, the depth and the experience of this team and then our relationships within the market, highlighted in the supplemental just the retailer relationship-driven transaction.

**Upal Rana** Okay. Great. That was helpful.

And then acquisitions of investment-grade-rated tenants has come down again this quarter. I'm just curious, outside of IG credit ratings, is there something else in the lease economics that we should -- that you're acquiring that is a sign of higher quality that we should be considering?

**Joey Agree** No, but let's clarify why investment grade came down this quarter. We don't impute a credit rating to Hobby Lobby, a privately-held company by the Green

family. So that's the biggest piece of this year. We're talking about, again, the largest craft and hobbies retailers, a multibillion dollar revenue operator that is far and away the leader in the crafts and hobby space that is privately owned by one family. So that is the driver. And I'll reiterate, investment grade is an output for us. We have tremendous operators in our portfolio that we don't impute shadow investment-grade ratings, too, but Publix, Chick-fil-A, ALDI, Wegmans, Hobby Lobby, again, so that is an output.

In order for us to call an operator, an investment-grade operator, they have to be rated by a major agency and therefore have the outstanding debt. Ulta is not an investment-grade company, but I believe they don't have any debt, correct, Peter?

**Peter Coughenour** Correct.

**Joey Agree** They don't have any outstanding debt. So we have debt-free, multibillion-dollar public and private operators in our portfolio. If you want to impute shadow investment-grade ratings to our portfolio, we'd be at 80%. Then add on the ground lease exposure, which doesn't have any sub-investment grade. And I would tell you the safety of those assets is even greater than investment-grade assets, and we'd probably be at 85%, 87%.

So it's an output to what we do. Our focus is on the biggest and best operators, the best real estate opportunities across the country, leveraging all three platforms, whether or not they have an investment-grade rated balance sheet or carry any debt is really, again, just a secondary here.

**Operator** We'll take our next question from Rich Hightower at Barclays.

**Richard Hightower** Joey, I want to go back to a comment you made in the prepared comments, you sold some grocery store assets with a pretty quick turnaround versus where you bought the assets at a lower cap rate versus the purchase price, so is there any movement specifically in grocery assets versus nongrocery, any sort of bifurcation in cap rate trends? Because, obviously, we all saw sort of the headline number didn't really change in terms of what you bought quarter-on-quarter. Just help us understand any movement there.

**Joey Agree** Yes. Just to clarify, Rich, we did not sell the grocery assets. The grocery portfolio that we bought had outlots that were leased to Jiffy Lube as well as Dutch Brothers that we disposed approximately 300 basis points inside of where we bought the grocery-anchored portfolio, inclusive of those assets.

We have no interest in owning 1,000-square-foot Dutch Brothers that trades in the low fives or a Quick Lube that's a 1,200-square-foot that has no residual value in the low fives either.

So we quickly moved, we closed those in a TRS and then quickly move to recycle those assets, accretive to the overall transaction, and we'll redeploy those proceeds accretively into better real estate and we think better credit.

**Richard Hightower** Okay. Appreciate the clarification there. I guess, secondly, maybe there's nothing to read into this, but you did mention better percentage rents in the first quarter, part of which, not all of which, but part of which was due to obviously better sales at those particular properties. Is there anything to read into that in terms of strength of the consumer, a particular type of consumer relative to the aggregate just as we see sort of other indicators maybe softening given everything else going on in the world.

**Joey Agree** It's such a small handful of assets. It's the biggest retailers in the country. We're talking about five or six properties that contributed -- two that contributed the vast majority of that percent rent. I think it's aligned with our thesis and what we're seeing in terms of the K-shaped economy, but I would be hesitant to draw broader conclusions from it, just because of the sheer limited number of properties.

But we are seeing, through non-percentage rent but through anecdotal conversations and also through other data here, and look, you're seeing it as well through the public reporters, the Walmarts and the TJs of the world are thriving, right? The trade-down effect is real. In the middle-income consumer, the \$125,000 median household income, plus/minus is trading down.

And we're seeing that through multiple data points, both public and private. I think the percent rent falls in line with it. That's the only conclusion I would gather.

**Operator** Our next question comes from Linda Tsai at Jefferies.

**Linda Yu Tsai** Two questions. In your investor deck, you highlight avoiding private equity ownership, do you have a sense of what percentage of your tenants are owned by private equity and how it's trended over time in your portfolio?

**Peter Coughenour** So, Linda, we added some new disclosure to our supplemental that highlights ownership type and I would just call out in that disclosure, 77% based on ABR of our portfolio today is publicly traded. There's -- the remainder of that is private companies, but that is broken down into a few buckets. Those could be privately held companies.

We talked about Hobby Lobby owned by David Green, they could be nonprofit companies, ESOPs or some other form of private ownership. So there is a small component of private equity within that private bucket, but it isn't a significant component of the portfolio today for us.

**Linda Yu Tsai** And then just one for Joey, you always have a clear idea of the state of retail. I guess you said the consumer is trading down and that's been happening for quite some time. But are you seeing sectors where the consumer really is pulling back completely? And then any tenant sectors where you'd be more concerned, just broadly speaking, not necessarily in your portfolio?

**Joey Agree** Yes. Not within our portfolio, but I think if we watch the casual dining space, we're seeing with the some of the quick service restaurants, all the guys that sell bowls for \$18, \$22, I don't know I don't get to them very often, it's the discretionary options where people have the ability to trade down, and that goes across really all sectors. So, whether it's basic goods and services here, basic things like grocery. I mean, I drove by the Costco gas station two days ago and the line was about 25 cars deep for fuel alone.

So, we are continuously seeing that trade-down effect now pinched by gasoline prices as well and exacerbated by gasoline prices and prices at the pump. So, I think it's across all luxury experiential and discretionary sectors, and then also trading down in the necessity-based stuff for things like groceries.

**Operator** Next, we'll go to Eric Borden at BMO Capital Markets.

**Eric Borden** Joey, just curious how cap rates are trending to start the year between investment grade and non-investment grade tenants. Are you seeing any meaningful changes in the spread between the two, just given the macro uncertainty here?

**Joey Agree** We haven't seen any change in cap rates in, I would tell you, the past 18 to 20 months. Again, the volatility, even with the 10-year treasury really hasn't driven it. We're still nowhere near peak transactional activity coming out of COVID or before COVID. There's still limited 1031 or private buyer competition out there on a relative basis. So, we really haven't seen any real material moves in cap rates here.

The low price point stuff, the Jiffy Lubes and the Dutch Bothers, those trade extremely aggressively. Those are to the limited 1031 buyers. But if you look at just the inventory out there, even for Starbucks and things like that, there's a significant amount of inventory that's stale out there because of the lack of a bid the buyer pool. But we really haven't seen any material change here almost to two years.

**Eric Borden** That's helpful. Then just on the forward equity, just given the increasing dilutive impact in the TSM as your share price rises, would you consider a more balanced approach to equity issuance between forward equity and traditional ATM or do you believe it's more prudent to keep the forward equity book falls given the current macro side or some of that going off?

**Joey Agree** We'll continue to look at all alternatives. Obviously, our balance sheet is in a fortress position. But I think when we first issued forward equity and came up within

the net new space, the goal was to get an intermediate perspective on our cost of capital. So, volatility could give us the decision-making, real-time basis, whether we do something or not because we liked it in relative to the environment, not because we had to fund it just in time, right?

And so, inherently, we think the forward equity construct, and I think has adopted now by all or the vast majority of our peers takes a just-in-time financing business and then gives you that intermediate cost of capital to truly operate looking forward months and quarters in advance.

Now we'll look at all opportunities to raise and source capital that are efficient and fit within context of our balance sheet and so why wouldn't rule anything out on a go-forward basis. But sitting here with \$1.4 billion of forward equity and \$2.3 billion of liquidity, it's not something that's top of mind for us.

**Operator** And we'll move next to Ronald Kamdem at Morgan Stanley.

**Ronald Kamdem** Great. Two quick ones. Thanks for the disclosure on the supplemental. Just comparing the acquisitions versus the DFP -- developer in the DFP platform, just remind us what the spread on yields are that you're getting on the DFP side, developer and DFP side. And also, I think you mentioned earlier that competition is actually easing on the acquisition front. Maybe can you just talk a little bit more about like which of those platforms is more competitive and you're better positioned?

**Joey Agree** Ron, so we've always talked about development subject to the timing and scope of the project, whether it's a retrofit or a ground-up development, right, that's going to range anywhere from nine to 18 months. Those projects being significantly wide 75 to 150 basis points where we can buy a like-kind asset. Developer Funding Platform is generally ranging from six to 12 months. That will be tighter just given the time horizon. Again, we're targeting the same tenant through all three external growth platforms. The only difference here is time.

And so, it is just time and pricing that duration risk. And so, that's where we drive that spread from. But we're not targeting different types of assets or credits here. It's all within our sandbox. We're not doing anything on a speculative basis across all three platforms. So we're seeing significant activity across all three platforms at appropriate spreads, and we're going to continue to build that pipeline and we'll demonstrate it in Q2.

**Ronald Kamdem** Helpful. And then just a quick one on the -- so I'm looking at the recapture rates and same-store rent growth on the supplement. Is that -- is the \$1.6 billion is some of that sort of volatility from quarter-to-quarter. Is that all the percentage rents? Or is there something else going on? There seems to be some seasonality to the same-store rent growth.

**Peter Coughenour** Yes. In terms of some of the seasonality you see in same-store rent growth, Ron, you're right, that percentage rent is included in Q1. And so, that's driving a portion of the seasonality. But if you look at that over a longer time series as well, that seasonality is going to be driven by the underlying lease structure of our portfolio. And we disclosed in the supplemental about 91% of our leases have fixed rental escalators. Those are typically rental escalators taking place every five years, ranging from 5% to 10%.

And so, when those escalators hit, it's going to drive some variability in same-store rent growth. But what we've seen over the trailing eight quarters, and it's consistent with what we've seen historically, is same-store rent growth just north of 1%, with very little falling out, as you can see from our credit loss and occupancy loss disclosure.

**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 all for joining us this morning. And we look forward to seeing everyone at the upcoming conferences and appreciate your time. Thanks again.

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