EDITED TRANSCRIPT

AGREE REALTY CORPORATION

Agree Realty Corporation's
Third Quarter 2020 Earnings Conference Call
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PRESENTATION

Operator
Operator: Good morning, and welcome to the Agree Realty Third Quarter 2020 Conference Call. [Operator Instructions] Please note this event is being recorded.

I would now like to turn the conference over to Clay Thelen, Chief Financial Officer. Please go ahead, Clay.

Clay Thelen | Agree Realty Corporation | CFO
Thank you, operator. Good morning, everyone, and thank you for joining us for Agree Realty's Third Quarter 2020 Earnings Call. Joey, of course, will be joining me this morning to discuss our third quarter and year-to-date results.

Please note that during this call, we will make certain statements that may be considered forward-looking under federal securities law. Our actual results may differ significantly from the matters discussed in any forward-looking statements for a number of reasons, including uncertainty related to the scope, severity and duration of the COVID-19 pandemic; the actions taken to contain the pandemic or mitigate its impact, and the direct and indirect economic effects of the pandemic and containment measures on us and on our tenants. Please see yesterday's earnings release and our SEC filings, including our latest Annual Report on Form 10-K and subsequent reports, 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 these 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 | Agree Realty Corporation | President & CEO
Thanks, Clay. And thank you all for joining us this morning.

First off, I would like to wish all of our listeners and their families health and safety as we continue to navigate a very challenging year. We've got a lot to cover, so let's get down to our many accomplishments of the quarter and a summary of our year-to-date activities.

We had a truly outstanding third quarter that began to materialize early in Q2 during the depths of the pandemic. During the quarter, we invested a record $471 million in 97 high-quality retail net lease properties across our three external growth platforms. Ninety-one of these properties were originated through our acquisition platform, representing record acquisition volume of more than $458 million.

While once again achieving record volume during these challenging times, we remain intensely focused on finding best-in-class opportunities with our leading retail partners. This was once again demonstrated by 16% of third quarter acquisition volume being comprised of ground leases and approximately 72% of third quarter acquisition volume derived from investment-grade retailers.

The 91 properties acquired during the quarter are leased to 26 tenants operating in 15 distinct sectors, including best-in-class operators in the off-price, home improvement, auto parts, general merchandise, dollar store, convenience store, grocery and tire and auto service sectors. The acquired properties had a weighted average cap rate of 6.4% and had a weighted average lease term of 11.5 years.

We executed on a number of notable acquisitions during the quarter including our first Target in Phoenix, Arizona. The location is a high-performing small format store located on Camelback Road. We also acquired our first Wegmans in Chapel Hill, North Carolina. Wegmans is subject to a 20-year ground lease and is currently completing construction of their new store.

In addition, during the quarter, we closed on two unique TJX combo stores in high barrier-to-entry markets -- first, in Eugene, Oregon, near the University of Oregon's campus, where we acquired a TJ Maxx and HomeGoods combo; and then in Napa Valley, California, where we purchased a Marshalls and HomeGoods combo store.

We continue to source and execute on several unique ground lease opportunities. Including the Chapel Hill Wegmans, we acquired five ground lease properties for a total purchase price of $83 million during the quarter. Additional ground lease acquisitions included a Walmart and Home Depot in Pittsfield, Massachusetts; a Home Depot in Patterson, New Jersey; and a Walmart in Mena, Arkansas.

Today, our ground lease portfolio spans 73 assets or nearly 9% of our total annualized base rents. At quarter end, over 91% of our ground lease rents were derived from investment-grade retailers including Costco, Walmart, Wegmans, Aldi, Home Depot, Lowes and Wawa. Less than 1% of these rents is derived from sub-investment-grade opportunities, and the remaining 8% of the ground lease portfolio is leased to leading unrated retailers. We continue to uncover exciting ground lease opportunities, and I look forward to updating your further next quarter.

Through the first 9 months of the year, we've invested a record $977 million across 227 retail net lease properties spanning 36 states across the country. Of the $977 million invested, approximately $958 million was via our acquisition platform. Of the 217 properties acquired year-to-date, an unparalleled 78%

of the annualized base rent acquired comes from investment-grade operators; while nearly 10% of rents acquired year-to-date are derived from ground leased assets.

Given our record year-to-date acquisition volume, our strong pipeline and fortress-like balance sheet, we are increasing our 2020 acquisition guidance to a range of $1.25 billion to $1.35 billion, from a previous range of $900 million to $1.1 billion. Notably, through the first 9 months of the year, we've already surpassed last year's acquisition volume of $701 million by approximately 37%.

At quarter end, our portfolio's investment-grade exposure stood at more than 62%, representing a year-over-year increase of more than 500 basis points; and an impressive 2-year stacked increase of 1,500 basis points. As we maintain our focus on leading retailers that are positioned to thrive in an omnichannel environment, I anticipate our investment-grade concentration will continue its upward trajectory.

Moving on to our development and partner capital solutions platforms. We had 10 development and PCS projects either completed or under construction during the first 9 months of the year that represent total committed capital of more than $37 million. Three of those projects were commenced during the quarter, with total anticipated costs of just over $10 million.

Construction continued during the third quarter on the company's second development with Harbour Freight Tools in Weslaco, Texas, which is expected to be completed in the fourth quarter of this year. The company completed two development and PCS projects during the quarter, including the company's first development with TJ Maxx in Harlingen, Texas, adjacent to a high-performing Target; and a Burlington [interactive] Supply in Columbus, Ohio. Our growing pipeline was the result of our team's effort to work with our retail partners to screen vacancies and to identify potential backfill candidates; as well as partner with developers looking for a new source of capital during these uncertain times.

While we've strengthened our portfolio through record year-to-date investment activity, we've also diversified our portfolio through strategic asset management disposition efforts. During the third quarter, we sold two more assets, including a franchise restaurant and a bank branch under a very short-term lease for gross proceeds of approximately $3.5 million at a 5.6% cap rate. Franchise restaurant exposure is now down to a mere 1.3% of our portfolio.

Dispositions for the first 9 months of the year totaled 16 assets for gross proceeds of approximately $48 million, with a weighted average cap rate of approximately 7%. Since the beginning of the year, we sold 12 franchise restaurants, reducing our exposure by approximately 130 basis points.

Our asset management team continues to intently focus on addressing upcoming lease maturities. As a result of their efforts, our 2020 lease maturities stood at only four remaining lease expirations that represent just 0.2% of annualized base rents. We have also made material progress on our 2021 lease maturities, reducing our exposure roughly 160 basis points over the course of the year to only 1% of annualized base rents at quarter end.

Notably, I'm extremely pleased to announce that we executed three new 20-year leases with Wawa during the quarter that extended the lease maturities from 2021 to 2041 for all three locations. All three leases were set to expire in 2021 and represented our largest remaining 2021 lease maturity. At the time of the acquisition, the Wawas were acquired with limited term remaining. These three extensions serve as a testament to our acquisition underwriting and market intelligence capabilities.

As of September 30, our growing retail portfolio surpassed 1,000 properties and now contains 1,027 properties across 45 states. This represents a 25% increase in our total property count through only the first 9 months of the year, an impressive feat when you consider the quality of the assets and credits we've added. The portfolio remains effectively fully occupied at 99.8% and has a weighted average remaining lease term of 9.8 years.

Our balance sheet remains in a very strong position. At quarter end pro forma for our outstanding forward equity, our fortified balance sheet stood at approximately 3.2x net debt to recurring EBITDA. With more than $850 million in liquidity, we have tremendous flexibility as we look to continue to execute on very high-quality investment opportunities.

During the quarter, we of course completed our inaugural public bond offering, raising $350 million of 2.9% senior unsecured notes. The offering was extremely well received and provides a new source of capital for our rapidly growing company. We received July, August and September rent payments from 96%, 97% and 99% of our portfolio respectively. In the aggregate, we received third quarter rent payments from approximately 97% of our portfolio, entered into deferral agreements representing approximately 2% of third quarter rents. I will highlight that our collections data includes both base rents and recurring operating cost reimbursements.

In addition, we include base rents and operating costs reimbursements charged to tenants in bankruptcy and have not made any COVID-related adjustment to the denominator when making these calculations. Our goal is to provide 100% transparency to our investors on actual collections data.

Our collections data demonstrates the importance of portfolio quality and a disciplined underwriting approach. We have been focused on credit, quality and strong real estate fundamentals since the inception of our acquisition platform in 2010. Our discipline has paid dividends during these most stressful times.

I'd like to take a moment to welcome Craig Erlich as our Chief Investment Officer. After his invaluable contributions as a director of the company, I am thrilled to have Craig join our growing organization as we continue to scale and develop our talent, seek to constantly improve our systems and processes and position our company for future growth. Craig's operational, business development, sales and marketing expertise have made an immediate impact on our organization. And I look forward to his many contributions in the future.

I'm equally pleased to welcome Mike Hollman to our Board of Directors. As many of you are familiar with Mike, he currently serves as the Senior Vice President and Treasurer at a Hilton. Prior to his time at Hilton, Mike held multiple roles in investment banking and management consultant. We're very excited to add Mike's finance, capital markets and REIT industry experience to our board.

To sum it up. Our company is incredibly well positioned, with one of the strongest and fastest-growing retail portfolios in the country, an unparalleled balance sheet, and the people, processes and systems that will enable us to capitalize on the innumerable opportunities that we continue to uncover in this environment.

Before handing the call off to Clay, I would like to thank our entire ADC team. I couldn't be more proud of the challenges that this team has overcome and the outstanding accomplishments that they have achieved.

Thank you for your patience. And I'll turn it over to you, Clay.

Clay Thelen | Agree Realty Corporation | CFO

Thank you, Joey. I'll start with a balance sheet update and highlights from our capital markets activities over the past quarter. We had another very active quarter in the capital markets, completing our inaugural public bond offering of $350 million of 2.9% senior unsecured notes due in 2030. As Joey mentioned, this transaction provides us with meaningful near-term liquidity and a new source of capital as our company continues to grow.

We were again active in the equity capital markets, entering into forward sale agreements through our ATM program to sell more than 885,000 shares of common stock at an average gross price of $67.47 for more than $58 million of anticipated net proceeds.

On September 28th, we settled 1.5 million shares from the forward equity offering completed with Cohen & Steers in April of this year. Upon settlement, we received net proceeds of approximately $88 million. At quarter end, we had approximately 6.3 million shares remaining to be settled under the Cohen & Steers transaction and our ATM forward offerings, which in total are anticipated to raise net proceeds of approximately $376 million upon settlement.

In addition to our capital markets activities, we also generated roughly $13 million through our disposition activity and free cash flow after dividend during the quarter. This capital raising, in combination with nearly full access to our $500 million revolver, provides the company with more than $850 million in liquidity.

As of September 30, our net debt to recurring EBITDA was approximately 4.7x. Pro forma for the settlement of our outstanding forward equity offerings, our net debt to recurring EBITDA approximately 3.2x. Total debt to enterprise value at quarter end was approximately 24.6%, while fixed charge coverage ratio, which includes principal amortization, stood at a company record 4.8x.

Moving to earnings. Core funds from operations for the third quarter was $0.81 per share, a 3.5% year-over-year increase. Adjusted funds from operations per share for the quarter was $0.80, an increase of 4% year-over-year.

During the past two quarters, we have elected to treat COVID-19 deferrals as delinquent receivables, and our FFO measures include this revenue. On a quarterly and year-to-date basis, core FFO per share and AFFO per share were impacted by dilution under GAAP related to our recent forward equity offerings. Treasury stock has been included with our diluted share count in the event that prior to settlement our stock trades above the deal price from the offerings. The aggregate dilutive impact related to these offerings was roughly a penny to both core FFO and AFFO per share for the third quarter and approximately $0.02 for the 9-month period.

General and administrative expenses in the quarter totaled $4.8 million. G&A expense was 7.5% of total revenue or 7% excluding the noncash amortization of above- and below-market lease intangibles. Given the recent changes to the leadership team and new and recently amended employment agreements, we now anticipate G&A as a percentage of total revenue to be in the upper 75 range for 2020, excluding the impact of above- and below-market lease intangible amortization.

Given the sheer level of investment activity and the expectation of adding approximately 300 properties this year, we continue to invest in the platform and our team to support our current and anticipated growth. We anticipate G&A expense as a percentage of revenues to continue to decline in future years.

The company paid a dividend of $0.60 per share on October 9 to stockholders of record on September 25, representing a 5.3% year-over-year increase. This was the company's 106th consecutive cash dividend since our IPO in 1994. For the first 9 months of the year, the company declared dividends of $1.785 per share, a 5.3% increase over the comparable period in 2019.

Our quarterly payout ratios for the third quarter were 74% of core FFO per share and 75% of AFFO per share respectively. For the first 9 months of 2020, our payout ratios were 75% of core FFO per share and 76% of AFFO per share respectively. These payout ratios were at the low end of the company's targeted ranges and continued to reflect a very well-covered dividend.

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

Joey Agree | Agree Realty Corporation | President & CEO

Thank you, Clay.

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

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QUESTIONS AND ANSWERS

Operator

We will now begin the question-and-answer session. (Operator Instructions). Our first question will come from Nate Crossett, with Berenberg.

Nate Crossett | Berenberg Capital Markets

Wondering if you could characterize the deal flow a little bit. What's kind of causing the acceleration in your view? Was it some bigger boxes in the quarter? It seems like every quarter, I think you're going to hit, and you beat it by a lot. So what's kind of causing that acceleration?

Joey Agree | Agree Realty Corporation | President & CEO

Well, I think as I mentioned in our prepared remarks, we acquired upwards of almost 100 properties during the quarter. So I don't think it's necessarily bigger boxes. While there are some, including the Wegmans and Home Depot and Walmart ground leases we acquired, I think this company is positioned, from a balance sheet perspective and a capability perspective, to take advantage of opportunities that we see in the marketplace. And obviously, this quarter, we saw a significant number of those opportunities. And our increased guidance projects that forward into the current quarter here into Q4.

So I think our balance sheet enables it. Our cost of capital enables it. But really, it's a testament to the team uncovering unique opportunities really across the country.

Nate Crossett | Berenberg Capital Markets

I guess my question is, is there an upper bound that you guys realistically could achieve based on your current resources? Or I know you've added a few people this quarter. I'm just trying to get a sense of like what the max amount is, assuming it's busy throughout the entire quarter.

Joey Agree | Agree Realty Corporation | President & CFO
I would tell you I don't see a maximum amount. As Clay mentioned, we anticipate adding 300 properties to this portfolio this year. We surpassed 1,000 properties. We continue to invest in not only the team, in terms of adding new team members, but our systems most notably, and then our processes. So this company is set up from all three of those perspectives to continue to execute. And of course, the balance sheet is there to support it.

So I don't see an upper bound. I think that limit is set by the number of quality opportunities that we uncover, while we maintain our discipline and invest in best-in-class retail.

Nate Crossett | Berenberg Capital Markets
And then, just one -- can you kind of help us size what the ground lead opportunity is for you guys? Obviously, the net lease market is huge. But how big is the total addressable market for ground leases for what you're looking at? And can you kind of remind us how these deals come to you?

Joey Agree | Agree Realty Corporation | President & CFO
Yes. On your first point, I really don't have any data in terms of the addressable market, either from a dollar or property count. I tell you that number constantly is fluctuating with either net new transactions entering the market or development of new sites.

There are a number of ways those transactions come to us: direct from developer, through brokers directed by retailers. And so I would tell you our traditional sourcing methodologies for turnkey or typical turnkey assets also applied to ground lease assets. Most notable during the quarter, obviously, we're at about 9% ground leases now, up from just approximately 8%, investing significant capital in our first Wegmans; notably the Home Depot in Patterson, New Jersey; a long-term Home Depot ground lease; and then both the Home Depot and the Walmart in Pittsfield, Massachusetts outside of the Berkshire.

So we continue to find these opportunities. There are a number of them in our pipeline for Q4 that I anticipate our ground lease exposure will increase by the end of the year again.

Nate Crossett | Berenberg Capital Markets
Is there any differences in the ground lease pricing versus normal acquisitions right now? Has there been anything because of COVID that's changed that, or has it been pretty consistent?

Joey Agree | Agree Realty Corporation | President & CFO
I'd tell you it's pretty consistent. Ground leases historically have been valued between 100 and 200 basis points inside of like similar turnkey leases. That said, we're executing on a number of fronts with our partners, whether they're short term, long term, directly to developer; that isn't materially different than our overall blended average in terms of acquisitions.

Operator
Haendel St. Juste of Mizuho.

Haendel St. Juste | Mizuho Securities Co., Ltd.
Wanted to follow up on Nate's question here on the acquisitions during the quarter. Certainly, a level that surprised many of us. And I guess the question is, trying to figure out what the sustainable run rate is going forward? So how much of what was bought during the quarter is more a reflection of that spillover

you referred to during your commentary? You've obviously raised a lot of capital early in this year. So as we look ahead, and considering the $300 million that's implied in the fourth quarter, how do we square all that? How should we think about acquisitions in the near term from a quarterly run rate perspective?

Joey Agree | Agree Realty Corporation | President & CEO
Well, I appreciate the question. And I tell you, to answer the latter part of the question -- from a quarterly perspective, I think our increased guidance with a midpoint of $1.3 billion is reflective of what we're seeing in today's environment. And I think that is reflective of our current pipeline.

In terms of sustainability, I'll be honest. I really don't look at sustainability as a question for us on a go-forward basis. We're real estate opportunists at our core. We will take advantage of all of the good transactions and execute on those transactions in the marketplace, whether it's development, acquisitions, partner capital solution or a myriad of other opportunities for us. So sustainability, back really to Nate's question, in terms of being able to support the infrastructure, we'll continue to invest in the infrastructure. But we are real estate sharp shooters. We're not simply spread investors. And that's why you see the portfolio construction as is. And we will be positioned, from a balance sheet and capability perspective, to execute on anything we find that hit our investment criteria.

Haendel St. Juste | Mizuho Securities Co., Ltd.
Maybe shifting to the election? And anything from perhaps a policy perspective that's on your radar screen that concerns you, including, but not just limited to, potential 1031 repeal? And on the potential repeal here, curious what your view is on the direct and perhaps indirect consequences of a potential repeal to the industry overall; and then, more specifically, to the public company side?

Joey Agree | Agree Realty Corporation | President & CEO
Well, I think most notably in 1031 -- and I've talked about it at length -- we sold nearly 40 franchise restaurants into that environment, a significant number year-to-date. I think the number of the year-to-date was 12 or 13 in the prepared remarks. And so that is the lower price point assets where we see the significant 1031 activity.

That said, I'm always hesitant with regulatory or tax structural changes to imply go-forward material changes in the overall environment. What I think is more important -- which I think will frankly outweigh any implications of the potential for repeal of 1031 real property -- would be just the fund flows going into net lease and the stability of net lease as a commercial real estate asset category.

As I mentioned on the last call, underwriting suburban or CBD office, underwriting shopping centers, malls or small strip; whether they're grocery anchored or power centers, is very challenging. Underwriting a lodging asset is very challenging. I think the stability of net lease -- frankly, the format of net lease in a 21st century environment and investor appetite in net lease, whether it's primary or secondary through investing in equities, is going to continue to most likely overwhelm any changes in the regulatory environment.

That said, the majority of time when we run up against any competition for assets, it's typically a 1031 purchaser. They need a secured debt in the form of a mortgage. They're under a time constraint. So if anything, I think the elimination of the 1031 provision is going to frankly clear out some competition for us.

Haendel St. Juste | Mizuho Securities Co., Ltd.
If you'll indulge me with one more? I guess I'm curious, at a high level, certainly you've built a pretty strong platform with very obvious offensive and defensive attributes. But your stock's lagged here pretty

conservatively the last few months relative to some of your lower multiple tiers. Obviously, some of that, a bit of a catch-up trade. But curious if you think the market's paying enough attention to tenant credit risk? And perhaps overlooking some of the embedded issues within certain pockets of the industry, certainly raising your guidance here a third time should hopefully draw some attention to the capital. But just curious if you think perhaps the market come a little too far too fast for certain names and perhaps not paying enough attention to underlying potential credit issues?

Joey Agree | Agree Realty Corporation | President & CEO
It's a great question. I appreciate it. I'm not one to be out there complaining generally about our stock price. But I'll tell you this, I think this quarter reinforces what Agree Realty is all about.

We had the best balance sheet, the best tenant base, the best growth profile and a fantastic cost of capital. And so we're a rare thing at this point. We're both a solid defensive investment to guard against the uncertainty in today's world -- and there certainly is a lot of uncertainty -- and we're also a best-in-class growth company at the same time. So it's pretty hard to find both of those things in one place.

I think that may explain why some investors are missing the boat and why we're trading two to three turns on a multiple basis below REITs on average, while everything about our results from every direction screams that we should be outperforming.

And so I am not on the buy side. I understand the challenges, some of the challenges that the buy side have. But I think people are missing the defensive orientation of this portfolio and this balance sheet being the best retail portfolio in the country. But then, on the offensive side, the ability for us to grow, on a risk-adjusted basis, earnings in a sustained way that are outsized relative to our peers but also to the REIT industry.

And so we will let the market take care of itself. All we can do day-in and day-out is come in, get to work and do what we do best. And that's investing in high-quality net lease retail real estate.

Operator
Katy McConnell of Citi.

Katy McConnell | Citigroup
So [indiscernible] this acquisition, how has your thought process changed around the size of transactions you're pursuing? And are you seeing more attractively priced opportunities for larger deals or any portfolios in the pipeline today?

Joey Agree | Agree Realty Corporation | President & CEO
I appreciate the question.

I would tell you, our thought process really hasn't changed. We're doing transactions as low as $1.2 million on a typical O'Reilly or auto parts transaction, all the way up to the mid-$30 million range for something like a Wegmans, and in between. And so it's a broad dynamic and a broad marketplace which we're addressing. We prefer to stay away from those $1.2 million transactions just because of the inefficiencies involved.

But again, we really start from a 30,000-foot perspective of the best omnichannel retailers in the world that are recession resistant and ecommerce resistant or are mission critical in an omnichannel world. And then we underwrite it from the bottoms up.

So price point, I would tell you, is probably the last piece there, as long as we're comfortable with the residual of the credit sector, the underlying real estate fundamentals and, of course, the pricing. That's probably the last input that we're looking at.

Katy McConnell | Citigroup
And then, can you talk generally about your approach to handling [agencies] if they were to happen in some of the less fungible fox formats, like Sears or [Gems]? And at this point, what's your expectation for [10]fallout with some of the higher-risk categories that you do have exposure to?

Joey Agree | Agree Realty Corporation | President & CEO
Yes. Well, I think we have historically avoided those single-purpose structures. Of course, we've identified those at-risk categories which, on an absolute and relative basis, are very de minimis for us. I'd tell you, most importantly in our real estate underwriting today is the fungibility of those boxes. That's why you see a skew toward ground leases, and then the 6,000-square foot rectangles like AutoZones, O'Reilly and Sherwin Williams and the like.

And so I would say re-tenanting those boxes from a general perspective is very challenging. Those are single purpose in nature. I think if you drill into our fitness portfolio, we have six L.A. businesses specifically. They are extremely high-quality real estate. You're talking about hard corners across from Costco's, urban assets, such as our LA Fitness in the nationwide headquarters in Columbus, Ohio; and some really high-quality pieces of real estate. So we were very selective when we made those investments. And we think the residuals on those will be paid out. But as far as theaters go, I would tell you, once a theater, it's probably always a theatre.

Operator
Rob Stevenson of Janney.

Rob Stevenson | Janney
[Inaudible] on the 106,000 square foot of leasing in the third quarter and the 460,000 year-to-date are versus the expirations? And what do you expect as you sort of roll forward over the next year, 1.5 years here, with the lease renewal discussions with tenants?

Joey Agree | Agree Realty Corporation | President & CEO
Rob, will you repeat the first part of that question? It cut out for us. I'm not sure if it cut out for everybody.

Rob Stevenson | Janney
Yes. You did 106,000 of leasing in the third quarter and 436,000 year-to-date. Where's the new rents versus expiring? And what do you expect as you're having discussions with tenants over the next year for those type of renewals to sort of pan out at?

Joey Agree | Agree Realty Corporation | President & CEO
Got it, thank you.

So as I mentioned in the prepared remarks, the 20-year Wawa extensions, we did not give a rent concession or TI. Those are 20-year leases with contractual increases every 5 years. That was the biggest component of our maturities in 2021.

As you can see on Page 5 of the release, 2021 only has 16 leases remaining that come up for expiration. Majority of them have [indiscernible] 0.7% of total rents. And so it is -- sorry, 1% of total rents. And so very de minimis in terms of square footage as well as ABR. And so our asset management team continues to monitor and proactively engage. We don't anticipate any material disruptions in the portfolio. And we think occupancy is going to remain at an elevated level like it has historically.

So we're in a fantastic position from a lease maturity profile. I would note we include things even in here as temporary leases like a Halloween popup store this year in our four remaining leases.

And so we have a couple redevelopment opportunities embedded in there potentially we'll be executing on. And so we think the portfolio is in a very strong position.

Rob Stevenson | Janney
And then, given your earlier comments about the 1031 market, are you sensing urgency on the part of some of these smaller players to get deals done? And if so, is your plan to accelerate dispositions of remaining franchisees and bank branches and things like that into the fourth quarter? I know that your guidance now is somewhere between $3 million and $27 million or something like that, in the ballpark, range for the fourth quarter implicitly. I mean, is there a good chance you're going to hit the high end of that range? Or is there something where you take a look at it, and you're saying now is not the time to sell? How are you thinking about dispositions heading into year-end and the first part of next year?

Joey Agree | Agree Realty Corporation | President & CEO
I think it's truly the inverse. Franchise restaurants, as we discussed, is just over about 1% now. And the majority of that is a Taco Bell franchisee on a master lease with high-performing stores. So we've really taken our franchise restaurant exposure, I guess just a few years ago, from 4% to 5% down to just over 1%.

So I'd tell you we're very comfortable. You may see us selectively dispose of a couple more by year-end, but we're very comfortable in terms of where that exposure stands today. On a risk-adjusted basis, we just don't think franchise restaurants, or restaurants at all, warrant 5.5 to 6 [gap], unless they're on a ground lease structure and you get a building for free.

I think what's going to be more interesting is that if there is -- and I'm by no means predicting anything -- but if there is a Democratic sweep here, and Biden takes the presidency and the Democrats take the Senate, is on the flipside really. So I'm more focused on the inverse, that once sellers potentially fear the repeal of real property in 1031, back to the earlier question, what is going to be the urgency to sell, or opportunities on the flipside for us to acquire, by year-end? And I think that could materialize, obviously subject to election results, in some very interesting opportunities. But only time will tell there.

Rob Stevenson | Janney
And then, I guess the last one for me would wind up being -- what do you guys -- any incremental demand out there on the part of sellers to take back units in transactions these days? Or they just all want cash?

Joey Agree | Agree Realty Corporation | President & CEO
Oh, you mean OP units?

Rob Stevenson | Janney
Yes.

Joey Agree | Agree Realty Corporation | President & CEO
I would tell you, no, it's a tool in our tool belt. We've looked at select transactions in terms of utilization of units as currency. We have never done an OP unit transaction to date. It's something that we are open to doing for the right transactions. But I would tell you we have not seen any incremental demand as of today.

Operator
R.J. Milligan of Raymond James.

R.J. Milligan | Raymond James
I wanted to follow up on Katy's questions on the potential fallout. Obviously, strong rent collections in September. But just for that small sliver of uncollected rents, when do you think you will have the visibility, so the collectability, of that rent? And more broadly, when do you think we will [want] visibility as a sector for what the ultimate tenant fallout will be? And I'm just curious, is this something that's probably going to take another quarter? Or is there a much longer time frame for the industry to resolve these unpaid rent buckets?

Joey Agree | Agree Realty Corporation | President & CEO
I think the at-risk sectors that have been identified. It's going to take some time, potentially from a 30,000-foot perspective, for this health crisis to clear up in time to get visibility. I mean, we have tenants that are just unilaterally withholding rent, so we're at different stages of collections with those tenants. I mean, obviously, the [gap in Simon] has been high profile in that regard in the litigation.

I think we're going to continue to see collections. We're at 99% in September. I anticipate October to be around right at that level. And so I think we're going to see collections continue to be strong, especially with our portfolio. But I think the underlying health crisis here is going to drive the resolution of a number of these issues.

What again I'd point out is our exposure to these is extremely de minimis on an absolute and relative basis. And then secondarily, we are very comfortable with our positions. I don't see Chapter 7 liquidations taking place, in a worst-case scenario, until our underlying real estate to store performance of those limited positions with those at-risk tenants gives us great confidence there.

R.J. Milligan | Raymond James
And then, moving to cap rates. So as a company, the average cap rate going in for acquisitions has trended meaningfully lower over the past couple years. And I'm sure part of that is a testament to what you guys have been buying, in terms of higher-quality Walmart type assets. But how do you expect the average cap rate from going in yield to trends as we move forward, given your thoughts on mix of what you're buying versus just market cap rates in general?

Joey Agree | Agree Realty Corporation | President & CEO
Well, I think market cap rates in general are going to be -- if anything, will continue to compress. We're not a market buyer in the least. We are a sharp-shooter. I'll tell you we continue to target 6.5 cap on an acquisition front, plus or minus. Obviously, that's on a blended basis. It's about a 200-basis point band, 100 up, 100 down from there. We've acquired almost 80% investment-grade for the year. I think it's basically unheard of in terms of acquisition volume and quality. And then, when you mix in the yield at 6.5% approximately, I think it's pretty -- a testament to the team, and it's a phenomenal outcome for us.

So obviously, our cost of capital over the past few years has dropped significantly. The Ten Year Treasury has dropped significantly. And I think we're going to be able to maintain our performance here, given all of those factors I mentioned.

Operator
Linda Tsai of Jefferies.

Linda Tsai | Jefferies
Do you have a sense of how much IG could comprise of your overall portfolio over time?

Joey Agree | Agree Realty Corporation | President & CEO
No. And we don't have a target, Linda. It's a good question. We don't have a target. Obviously, that number continues to ramp at over 62% today. At the same time, we're huge fans of retailers -- and I know I've talked about it at length -- such as Hobby Lobby and Tractor Supply, and Chick-fil-A and Publix. And so it's really going to be opportunity dependent where we deploy that capital. There's no doubt, as I mentioned in the prepared remarks, that we continue to anticipate that number to trend upwards. But we really start with that sandbox of 25-ish retailers and the best opportunities in the country. This quarter, we added Target and Wegmans, two of the four I had highlighted that we didn't own in the portfolio in prior quarters. And so we'll see what opportunities materialize.

But I think given the trend in trajectory, it's very fair to say that number will continue to increase. How far it increases will really be subject to the opportunities that present themselves.

Linda Tsai | Jefferies
And then, can you provide some color on new developments in the pipeline and the potential for additional developments with tenants going forward? What does the opportunity set have to look like for you to initiate in relationships like this?

Joey Agree | Agree Realty Corporation | President & CEO
Well, I think first and foremost, it has to be -- and you've hit it on the head there -- it'd have to be relationship based for us. And so as opposed to several years ago, we have no interest in doing a one-off transaction on the development front that takes 18 to 24 months for $2 million to $5 million for a single tenant.

And so what you see our development team focused on is working with our existing tenants as well as new tenants on opportunities that we think are relationship based that have legs to provide outsize returns to us -- we're not, of course, developing at 6.5% returns here -- and that, frankly, are tenants that typically fall within our sandbox.

And so we've made a number of efforts to continue to screen vacancies and work with our relationship tenants, those tenants in our sandbox, to find appropriate opportunities for them to backfill. We had a number of projects; three projects, I believe, start this quarter. Our pipeline has similar activity that we anticipate announcing in Q4 and/or Q1. But we're excited about the opportunities as private developers continue to struggle, putting together either the capital stack and/or have challenges in their own pipeline or portfolio that they're unable to execute on. So our PCS and development platform gives us two other growth prongs to take advantage of opportunities that fit the return profiles and risk thresholds that we like.

Linda Tsai | Jefferies
And then, how do the yield fund developments compare to going-in cap rates on acquisitions?

Joey Agree | Agree Realty Corporation | President & CEO
Generally, at least a couple hundred basis points higher on the development side. If we're going to be put a shovel into the ground again, and go through that 18- to 24-month organic development process, we're looking at a significant spread. On a PCS basis, call it 100 to 150 basis points above acquisition yields. Those projects typically last from 6 to 9 months. So we effectively cut the development cycle in half by leveraging our partner's capability or the developer's capability. And so we continue to see some unique opportunities on that front. And I think in the upcoming quarters and years, we'll continue to -- potentially continue to ramp.

Linda Tsai | Jefferies
Sorry, just one last one? You guys continued to fire on all cylinders. Looking out to the year ahead, what do you see as the main risks?

Joey Agree | Agree Realty Corporation | President & CEO
Well, it's a tough question. The main risks -- it's very difficult to see any internal risks. We update our SWOT analysis and our risk assessments on a quarterly basis. It's very difficult to find a risk embedded in our portfolio. From a lease maturity standpoint, from a tenant credit standpoint, from a balance sheet standpoint, we're in a fantastic position. Obviously, there are macro risks that were never anticipated inclusive now with pandemics that are on our threat matrix.

But as I said, we're a defensive-oriented portfolio with the best retailers in the country on a freestanding basis. You combine that with our balance sheet and our ability to grow earnings, given the external growth that we have and the opportunities that we have in front of us, and I think it's very difficult to decipher any risks.

I think most prudent is the manner in which we hedge risk and mitigate risk on the external capital raising front. We are a net lease REIT that's a voracious user of external capital. We've raised well over $1 billion this year alone. And so using things like forward equity offerings and swaps and other derivatives provide us the stability in terms of our cost of capital to do what we do best. And that is execute on the real estate transactional front.

Operator
John Massocca with Ladenburg Thalmann.

John Massocca | Ladenburg Thalmann
Was anything new put into cash accounting or determined to be doubtful receivables during the quarter? And if so, how much?

Joey Agree | Agree Realty Corporation | President & CEO
We had two new tenants added, or now being reflected on a cash basis. So that brings the total to five in addition to the three from last quarter. The total impact for 3Q is roughly $500,000, so very immaterial impact for us.

John Massocca | Ladenburg Thalmann
And then maybe, as we think about the $5.9 million or so of kind of deferred and uncollected rent in the first 9 months of this year, how much of that today comes from kind of these higher-risk industries? And maybe how much is from theaters specifically?

Joey Agree | Agree Realty Corporation | President & CEO
On a monthly basis, we've given the theater collection rate. I think -- my challenge to the question is that it doesn't give an accurate picture really to shareholders. We're talking about half of the deferred rent is to an A credit retailer on a relationship basis. I can guarantee you that gets paid back.

In total, deferred and uncollected rents is under $6 million. If we're looking at conservative assumptions, you're talking about 1.5% pro forma potential 2021 ABR. And so it's really a de minimis amount. And I would be hesitant to even focus on it given the de minimis exposure we have to theaters, with five total theaters in this portfolio and our theater exposure at 1.5% in the aggregate. I mean, I think we've been very clear that 99% collections in September, anticipating 99% collections in October. I think we've been very clear with all of our disclosures to date. And I think a focus on theaters with this company is misguided.

John Massocca | Ladenburg Thalmann
I guess that there was kind of a default either in the theater space or maybe on D&B, Dave & Busters. And what would kind of be the one-time impact to financial?

Joey Agree | Agree Realty Corporation | President & CEO
Well, Dave & Busters yesterday launched a $500 million unsecured bond offering. They raised $200 million in equity earlier in the year. So again, I think -- Clay can get into the specifics, but I think we have 3 Dave and Busters total in the portfolio. Experiential retail or entertainment retail in this portfolio is a total of 1.2%.

John Massocca | Ladenburg Thalmann
And, I guess, just one last kind of detail one. Maybe what drove the impairment in the quarter?

Joey Agree | Agree Realty Corporation | President & CEO
That was related to one health & fitness asset. Yes, 24 Hour Fitness, that filing and bankruptcy, which is included -- the one 24 Hour Fitness in our portfolio which was included in our collection or non-collection data embedded in that 99%.

Operator
Todd Stender of Wells Fargo.

Todd Stender | Wells Fargo
Most of my questions have been answered on the pricing front. But just looking at the weighted average lease term that you guys acquired in Q3 is about 11 years. Can you kind of expand on that maybe what the ground leases were? They're probably pretty lengthy, and it might shake out some of the shorter-term leases of the acquisitions in the quarter?

Joey Agree | Agree Realty Corporation | President & CEO
The ground leases range from 10 years to the full 20 years I mentioned with the Wegmans. And so I would tell you they were at or slightly above the 11.5 years weighted average lease term. We did make some shorter-term acquisitions, shorter term being 4 to 6 years, including the Napa Valley HomeGoods/TJ combo as well as the Eugene, Oregon. We'll continue to look for shorter-term opportunities with our relationship retailers and our partners, understanding obviously store performance, the underlying real estate. But it is a -- as I mentioned with the Wawa acquisition, it is a core competency

of this organization to use our market intelligence in relationships to make those shorter-term acquisitions. But no material deviation, given the ground leases there from the overall 11.5 years.

Todd Stender | Wells Fargo
That kind of leads me to the piece, is that what we look at at you guys is that value creation component. Can you speak more about that Wawa lease renewal? How many years were left on the original lease when you acquired the properties? And then, you kind of touched on the lease renewal before, but we didn't hear about maybe where the rents were and what they're going to.

Joey Agree | Agree Realty Corporation | President & CEO
Yes. So there was 7.5 years when we acquired -- 7 to 7.5 years when we acquired those, I believe, in 2013 remaining -- three stores, Wawa, typical Wawa gas and convenience store in the Mid-Atlantic. We bought them at the time from a non-traded REIT about 3 years after launching the acquisition platform. Obviously at the time, we were also working in Florida on development aspects with Wawa. Those leases were set to expire with an option notice period. Last quarter, they were set to expire in mid-2021. Those leases are now full 20-year leases with fixed contractual bumps every 5 years. And the year 1 rent is the same as the current rent.

So it was a big win for us, our largest lease maturity in the aggregate in 2021, with no TI dollars, no expenses out the door; and increased rental rates, fixed increased rental rates, over the 20-year period.

Operator
Chris Lucas with Capital One Securities.

Chris Lucas | Capital One Securities
Just two follow-ups. Starting with the dividend policy, Joe, you had mentioned you guys were a significant acquirer of external capital or user or external capital. I guess, just in terms of thinking through the dividend policy, any thoughts to growing the dividend at a slightly slower pace of AFFO per share growth and trying to retain more cash? Or is sort of what you've targeted in the past [indiscernible] ratio? How should we be thinking about it going forward?

Joey Agree | Agree Realty Corporation | President & CEO
I appreciate the question, Chris. I think we're at a low end of our stated range of 75% to 85%. We understand that there are obviously -- first, I should say it's a material now source of capital, which Clay mentioned in the prepared remarks. But we understand that there are investors ranging from individual to rededicated that have different dividend and yield requirements or investment objectives.

And so the board, which I anticipate raising the dividend in Q4 -- the board continues to believe that predictability, sustainability and transparency in terms of dividend policy is the number-one objective to hopefully satisfy, or at least find a middle ground, from those that think we should reduce payout to increase payout. Because there's obviously a broad range of desires there.

Chris Lucas | Capital One Securities
And then, just as it relates, going back to the transactions for the quarter -- I guess, just trying to understand, are you guys underwriting more deals? Is there a better hit rate? Has competition pulled back? Is there something going on that we should be thinking about that is sort of leading to the success you had this quarter?

Joey Agree | Agree Realty Corporation | President & CEO
Well, I think we're definitely underwriting more deals. The acquisition team has grown in headcount; also has grown in experience and tenure and capabilities. Simultaneously, I think our market presence and our market positioning has only improved. We've taken market share and mindshare from sellers, developers, brokers and the like.

And so the only thing that hasn't changed is our underwriting itself. This is a company that's growing in scale and in [dynamatism] in every direction, with every constituency. In terms of real estate transactional end, I'd tell you a big piece of that also is our relationships with our retailers. We are an active partner for them, not just a coupon clipper. We are on the ground, we are with them, we are talking to them. And we serve to, frankly, a full-service approach.

And I can tell you the best compliments I get are about our lease administration. Our asset management team, whenever there's a problem or a retailer has a challenge, jump on it. And I get those from CEOs and heads of real estate from retailers frequently.

So I would tell you our hit ratio is probably about the same. But everything about this company is scaling and growing, as you can see in the results.

Operator
Michael Bilerman with Citi.

Michael Bilerman | Citigroup
It's Michael Bilerman.

Last May, you bought the Wawa on Market Street, one of their flagship properties, $15 million. Clearly, you have a very close relationship with them. Is there opportunities for you to go further into urban street retail, either buying locations from third parties or direct from retailers that may control that, that are looking for liquidity? And is that an area that you'd sort of see as an opportunity for you to deploy more capital?

Joey Agree | Agree Realty Corporation | President & CEO
It is, it's a timely question. During the Biden Town Hall, they kept on showing the Wawa in the background, which I thought was pretty fun.

Look, it's not outsize for us. It's a component of what we do. I will tell you that we do have some urbanesque type college town transactions. I'd tell you the TJX in Eugene, Oregon is just north of the campus there. We are not going to be urban explorers here. I don't think it's the appropriate time to do so. It is not the majority of what we do. But when we do find credit opportunities and unique pieces of real estate, whether they're on college campuses or urban environments, we certainly have the capabilities to typically dig through the condo document structure, revise the lease, because they typically need some types of revisions to create a truly net lease; and then execute on the transaction.

So it's an opportunity for us. There are one or two [indiscernible] similar in the pipeline. But I don't think it's necessarily a near-term growth catalyst.

Michael Bilerman | Citigroup
Was there anything in the third quarter that would've fit that type of purchase? You said you [scented] the chunkier deals.

Joey Agree | Agree Realty Corporation | President & CEO
Yes. I would tell you that the notable purchases during the third quarter we went through with the TJX combo stores, the Home Depot in Patterson, obviously the Walmart ground leases, and then the Wegmans. But nothing urban that comes to mind in the quarter.

Michael Bilerman | Citigroup
And then, if we dial back to July, when we had the second quarter call, your implicit guidance for the back half was $500 million of acquisitions. Clearly, that's now raised to $800 million, so an increase of $300 million. Are you at least able to sort of identify at that moment in time what you were looking at in terms of pipeline and effectively what you closed on to drive that $300 million increase in overall activity?

Joey Agree | Agree Realty Corporation | President & CEO
I would tell you, I would take it back even further. During the depths of the pandemic, with the March overnight -- and then, let's call it, the pride in placement transaction with Cohen & Steers -- we recognized very early on that we had an opportunity and a window that we wanted to attack. The pipeline grew very quickly, commensurate or simultaneously with those two transactions plus the ATM activity. So it's been a very dynamic year since literally the end of March, when we effectively reopened the REIT equity markets.

The pipeline continues to grow. Obviously, this quarter was a remarkable quarter for us. Our Q4 pipeline is strong, our Q1 pipeline is already growing. But I would tell you, it's extremely fluid. It changes day to day. We have 9 people on our acquisition team and growing. And they are out there scouring the earth for opportunities that fit within our sandbox.

Does that answer your question?

Michael Bilerman | Citigroup
Yes, I just didn't know if there was something -- in July, the lens that you had was, we're going to do $500 million of deals in the back half. You're sitting here today, you're now forecasting $800 million. Clearly, I don't know if it was just a closed ratio versus what the pipeline is, or just how much the pipeline just rose to allow you to do it. And it's just -- there's been a number of questions around this, so just trying to understand the dynamics, being 3 months later, and almost doubling of the pipeline.

Joey Agree | Agree Realty Corporation | President & CEO
I know. At the time of the guidance increase, we had visibility into the depth and breadth of the pipeline. Now, we obviously provide a range, because things can both fall out during diligence but also get added in. Our average transaction is approximately 70 days from letter of intent execution to close. So when we give increased guidance, we're not buying into that guidance after we give it. We have visibility into a pipeline that we believe will fall into that range, hence the increased guidance this time as well.

Michael Bilerman | Citigroup
And then, I just want to talk a little bit about equity capital raising and how investors should think about timing but also structure. You've obviously tapped a lot of different ways forward: ATM, straight ATM, marketed deal. And then you did a direct deal with a single investor, a quite large one as well, which obviously was good for that investor, good probably in terms of cost, but also didn't provide the opportunity for all your other shareholders to maintain their stake in the company on an undiluted basis. Given the pipeline that's coming forward, how should we think about replenishing the equity and the cash

in terms of timing? Is there a certain level of capacity [that] targeting to always have given a one- or two-quarter look at acquisition volumes? And then, how do you think about executing that equity?

Joey Agree | Agree Realty Corporation | President & CEO
Well, I think Clay did a fantastic job, and Peter Coughenour as well on Page 9 of our release, with the table that shows, given all the myriad of equity-raising activities that you articulated. That table on Page 9 is helpful. We still have $376 million in anticipated proceeds undrawn and unsettled from forwards.

So we still have several hundred -- call it $800 million in buying power to stay within our targeted leverage ratio. The flexibility and optionality provided by the myriad of transactions that are on that table that you discussed, gives us the flexibility and optionality to frankly take our time and raise capital when and if we think it's needed.

In terms of mechanisms to raise that capital, obviously the unsecured inaugural offering was a great success. It was many times over-subscribed. We upsize it by $50 million. And then, we have been, I'd tell you, creative in ways that the source equity, using all those different tools you talked about. And we'll continue to be opportunistic and take advantage of opportunities when we think we -- or, frankly, we're confident, we're going to need that capital to fund our growing pipeline.

Michael Bilerman | Citigroup
Right. But you're sitting here probably with two quarters of acquisitions, just given the pace, of $300 million to $400 million. You effectively, by the -- let's call it February or March of next year, if you keep on the same pace, all of that will be utilized. And so it's just a question of how many quarters ahead do you want to lock in that capacity, and whether investors should at least be mindful of likely another $300 million, $400 million -- I just don't know how you're thinking about how many quarters of runway do you want to have. And right now, you have two.

Joey Agree | Agree Realty Corporation | President & CEO
I think it's a great question. It's not binary in terms of quarters of runway. I think it's multidimensional in terms of how large the pipeline is. It may be two quarters, it may be three quarters, it may be one quarter at the end of the day, to be honest. And so it's how large that pipeline is, what the cost, obviously, is. Can we do it at an absolute share price basis? How can we raise equity on an efficient basis? But I think all the tools you articulated give us to do it, that point in time, regular way, on a forward basis.

And so I look at our equity strategy similar to our strategy on the debt side in terms of mitigating external volatility, not necessary in totality to fund x number of quarters, but taking some of that risk off of the table. Because the one thing we do not control, obviously, is the capital markets, interest rate and our stock price.

So it's an overall hedging strategy that we deploy here. What I will tell you, and I guarantee you, is we're never going to lever this balance sheet and put ourselves in the position that we can't execute on our pipeline. That said, we'll continue to use different tools at our disposal to keep this balance sheet as one of the strongest in [relend].

Michael Bilerman | Citigroup
And then, just the last one. Your health and fitness enterprise -- obviously, you collected a significant amount during the quarter, the enterprise going from not getting paid to 100% being paid. And often, that's going up to 82% from 20% last quarter. I would assume most of the tenants may not be fully open.

And so how did you come to agree upon no deferrals getting paid when most, I would say, of the industry are not finding the same fortunes? How much of it is asset specific? How much of it is, you believe, your lease contract? Just maybe help walk us through a little bit? And I recognize it's a much smaller amount in your portfolio than others. But you still had the success of being able to collect it when others haven't. I don't know if you're showing up at the door with like two other big guys? What are you doing to get that --

Joey Agree | Agree Realty Corporation | President & CEO
Clay and Peter. Yes, me, Clay and Peter are the collectors, the collection agency here.

No, look. First I'd tell you, given our de minimis exposure to these tenants, we're not a critical piece of their payables here, right? And so we're not holding a significant number of assets of theirs. At the same time, we can be fairly aggressive in our collection efforts. We know of the underlying real estate that we have. We're very confident in that underlying real estate as well as the different -- the remedies we have embedded in those leases.

And so I'd tell you we took a hardline approach at the beginning of the pandemic that, number one, we aren't going to save a company. We're not your largest landlord; we have de minimis exposure to these at-risk tenants. Number two, we are not going to hand out things that aren't for the benefit of our shareholders. If you want to give something in consideration, we will look at it, and we can make a deal. But we have contractual rights that we're going to adhere to and we anticipate that you adhere to as well, most notably the payment of rent.

And so I would tell you, tenants have understood that. We've engaged in consistent and constant dialogue. Some of it has involved Clay and Peter's collection agency. Some of it has been more friendly. But I think most notably, I would point out, we aren't a significant creditor in terms of landlord to most of these tenants. It's de minimis. And frankly, to deal with us and the headaches that we potentially could cause or pay us, I think it's a lot easier just to pay us at the end of the day. Clay and Peter are tough guys, tough collectors.

Operator
Linda Tsai of Jefferies

Linda Tsai | Jefferies
Just on your comment in terms of the amount of forward equity and liquidity available to remain within your targeted leverage range, what is that range again? And is there a different range you've thought about internally on a pro forma basis?

Joey Agree | Agree Realty Corporation | President & CEO
Yes. Look, we've effectively lowered our range from 5x to 6x times our stated range, to 4x to 5x. I think that's appropriate. As of September 30, we are at 4.2x pro forma for the settlement of that $376 million in equity. We were at 3.2x. So again, we have significant flexibility there, in terms of optionality and deploy that capital, which we will deploy, of course.

And so 4x to 5x we think is appropriate given the environment, the uncertainty. This has never been a company, if you look at our most recent investor deck, that's operated notably above that. It shouldn't be a shock to anybody. Adding leverage is easy. Keeping a balance sheet in position to execute on a company that's growing at this trajectory, I think, is more critical, especially when we're able to deliver the returns we can at that conservative leverage profile.

Operator
Ladies and gentlemen, this concludes our question-and-answer session. I would like to turn the conference back over to Joey Agree for any closing remarks.

Joey Agree | Agree Realty Corporation | President & CEO
Well, I thank everybody for their patience. Good luck for the rest of earnings season. And best wishes to you and your family during the holiday season. We'll talk soon. Thank you.

Operator
Thank you, sir. The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.