EDITED TRANSCRIPT

AGREE REALTY CORPORATION

Agree Realty Corporation's
First Quarter 2017 Earnings Conference Call
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CORPORATE PARTICIPANTS

Joey Agree, *Agree Realty Corporation - President & CEO*
Matt Partridge, *Agree Realty Corporation - CFO*

CONFERENCE CALL PARTICIPANTS

Nick Joseph - *Citigroup*
Robert Stevenson – *Janney Capital Markets*
Collin Mings – *Raymond James*
David Corak – *FBR Capital Markets*
R.J. Milligan – *R. W. Baird*
Craig Kucera – *Wunderlich Securities*
Daniel Donlan – *Ladenburg Thalmann*

PRESENTATION

Operator
Good morning and welcome to the Agree Realty First Quarter 2017 Conference Call. All participants will be in listen-only mode. Should you need assistance, please signal a Conference Specialist by pressing the * key followed by 0.

After today's presentation, there will be an opportunity to ask questions. To ask a question you may press * then 1 on your touch-tone phone. To withdraw your question, please press * then 2. Each questioner will be limited to 2 questions only. Please note: this event is being recorded.

I would now like to turn the conference over to Joey Agree, President and CEO. Please go ahead, Joey.

Joey Agree, *Agree Realty Corporation - President & CEO*
Thank you, Operator. Good morning everyone, and thank you for joining us for Agree Realty's First Quarter 2017 earnings call. Joining me this morning is Matt Partridge, our Chief Financial Officer.

We are pleased to report a strong start to 2017, as we continue executing in all phases of our business across our unique operating strategy. Investment volume across our three external growth platforms and active portfolio management further strengthened our best-in-class portfolio and drove solid year-over-year earnings growth.

Let's begin with our three external growth platforms, where total investment volume for the quarter was approximately $62.1 million. We invested in 13 high-quality retail net lease properties, with 11 of the 13 properties sourced through our acquisition platform. Total acquisition volume in the quarter was approximately $52.9 million. The acquired properties are located across 9 states and are leased to leading national and super-regional tenants. These tenants operate in 8 retail sectors, including the discount apparel, auto parts, health and fitness, farm and rural supply, home furnishings and pet supplies sectors. The properties were acquired at a weighted-average cap rate of 7.6%, and had a weighted-average lease term of 10.6 years.

Turning to our development and Partner Capital Solutions programs, we completed and brought online two projects during the quarter with total costs of approximately $9.2 million. Our previously announced Camping World in Tyler, Texas, which is the first in the Company's portfolio, was completed ahead of schedule in January. The project, which had total costs of approximately $7.5 million, is subject to a new 20-year net lease.

The Company also completed in the quarter its previously announced Burger King in Heber, Utah. This project represents the fifth Burger King in the Company's partnership with Meridian Restaurants, and is subject to a new 20-year net lease. Total project costs were approximately $1.7 million.

In addition to our completed projects, the Company also has two previously announced projects currently under construction representing approximately $12.3 million in total costs. In Georgetown, Kentucky, construction continues on the Company's first ground-up development for Camping World. The project will be the second Camping World in the Company's portfolio, and is subject to a new 20-year net lease, with rent anticipated to commence in the third quarter of 2017.

Construction is also ongoing in Boynton Beach, Florida, for Orchard Supply Hardware, where we are redeveloping and expanding an existing property. The property is subject to a new 15-year net lease guaranteed by Lowe's Companies, which carries an A- credit rating from S&P. We anticipate rent will commence in the third quarter later this year.

In total, our announced development and Partner Capital Solutions projects completed or under construction during the quarter represent total capital committed of approximately $21.5 million. We continue to see more opportunities to leverage our distinct capabilities for national and super-regional retailers, and are excited about our pipeline.

As we execute across our three external growth platforms, we remain disciplined in our underwriting…. emphasizing retail real estate fundamentals, including: retail synergy, visibility, demographics, traffic patterns and access. We combine that approach with a top-down focus on leading retailers that operate with a well-defined omni-channel strategy, or whose brick and mortar operations provide a compelling customer experience or value proposition. Our sector-leading portfolio represents an increasingly well-diversified mix of tenants, retail sectors and geography.

We remain encouraged about our pipeline as our origination team continues to produce high-quality opportunities across all three platforms. It's interesting to note that the longest tenured member of our acquisition team has been with our growing company for just over two years. Today, this five-person team continues to develop relationships in their respective markets while our company's reputation in the net lease space continues to advance.

For context, in 2015 our two-person acquisition team presented approximately $1.25 billion in qualified opportunities to our investment committee. That number grew to approximately $2.5 billion last year in 2016. Year to date, our current team has brought in just over $1.2 billion in high-quality opportunities. We remain confident in our ability to achieve our guidance of $200 to $225 million acquired this year.

While we have significantly enhanced portfolio diversity through our three external growth platforms, our disposition and capital recycling effort has improved our portfolio and reduced exposures. During the first quarter, these efforts continued, as we sold one property net leased to Walgreens, located on Jackson Road in Ann Arbor, Michigan. The sale generated gross proceeds of $10.5 million, representing a 5.86% cap rate on net operating income. We developed this Walgreens in 2010 for a total investment of $6 million and have realized a gain on sale of approximately $4.5 million, demonstrating the significant value creation our development program can create.

As a result of this disposition, as well as the Company's disciplined growth, our Walgreens exposure has decreased approximately 600 basis points in just the past year to 10.5% at quarter end, down from 16.5% at 3/31 of 2016. We remain committed and on track to bring our Walgreens exposure below 10% by year-end.

Similarly, we have seen a significant reduction in our pharmacy exposure, which has decreased more than 700 basis points year-over-year to 15.0%.

And lastly, from a geographic perspective, our Michigan exposure now stands at approximately 14.2%, representing a decrease of approximately 500 basis points year-over-year.

From all aspects, our progress is tangible, and our expectation is that it will continue.

As of March 31st, our growing retail portfolio consisted of 377 properties net leased to leading retailers in over 25 distinct sectors. Our portfolio, which derives 45% of annualized base rents from investment grade tenants, spanned 43 states and totaled 7.3 million square feet of gross leasable space. The portfolio remains effectively fully occupied at 99.6%, and has a healthy weighted-average lease term of 10.6 years.

To maintain high occupancy rates and portfolio stability, our asset management team has remained proactive in addressing our future lease maturities. During the quarter, we executed new leases, extensions, or options on approximately 346,000 square feet of gross leasable area. The new leases, extensions or options included seven Tractor Supply stores totaling approximately 154,000 square feet, as well as our 32,000-square foot TJ Maxx in Aurora, Colorado. As a result of our asset management team's efforts, our 2017 lease maturities now represent only 0.4% of our portfolio's annualized base rents.

And finally, I want to once again highlight our ground lease portfolio, where nearly 90% of our ground lease rental income is derived from tenants with an investment grade credit rating. This portfolio continues to represent more than 7% of our annualized base rents and presents an extremely attractive risk-adjusted investment for our shareholders, as the Company owns the fee simple interest in the property, yet the tenant has invested their own capital to construct the building and improvements.

With that, I would like to thank our many loyal shareholders for their continued support and I will turn it over to Matt to discuss our first quarter 2017 financial results. Matt?

Matt Partridge, *Agree Realty Corporation - CFO*

Thanks, Joey. Good morning, everyone. Let me begin quickly by running through the cautionary language.

As a reminder, 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. In addition, we discuss non-GAAP financial measures including Funds from Operations, or FFO, and Adjusted Funds from Operations, or AFFO. Reconciliations of these non-GAAP financial measures to the most directly comparable GAAP measures can be found in our earnings release.

As we announced in yesterday's press release, total rental revenue, including percentage rents, for the first quarter of 2017, was $24.2 million, an increase of 29.7% over the first quarter of 2016.

General and administrative expenses were approximately 9.8% of total revenue, representing a decrease of roughly 30 basis points year-over-year as compared to 10.1% of total revenue in the first quarter of 2016. G&A was elevated during the quarter due to timing considerations of certain expenses, and we anticipate G&A as a percentage of total revenue to be below 8.5% for the full year as we continue to reduce corporate operating leverage through increased scale.

Funds from Operations for the first quarter was $17.0 million, representing an increase of 34.5% over the comparable period of 2016. On a per share basis, FFO increased to $0.65 per share, a 6.3% increase as compared to the first quarter of 2016.

Adjusted Funds from Operations for the first quarter was $17.1 million, representing an increase of 34.0% over the comparable period of 2016. On a per share basis, AFFO increased to $0.65 per share, a 5.9% increase as compared to the first quarter of 2016.

Turning to the balance sheet… we continue to maintain one of the most conservative credit profiles in the industry, with no debt maturities in 2017 and limited maturity exposure over the next five years. As of March 31, 2017, total debt to enterprise value was approximately 24.7% and our fixed charge coverage ratio, which includes principal amortization, was a healthy 4.0 times. Furthermore, net debt to recurring EBITDA was approximately 4.9 times, below the low end of our stated leverage range of 5-to-6 times.

We elected not to utilize our at-the-market equity program during the quarter. However, we continue to view the at-the-market equity program as an efficient tool for us to reduce our overall cost of capital, improve the timing and efficiency of raising capital, and increase the liquidity of the stock.

The Company paid a dividend of $0.495 per share on April 14th to stockholders of record on March 31, 2017. The quarterly dividend represents a 6.5% increase over the $0.465 per share quarterly dividend declared in the first quarter of 2016. Since the Company's IPO in 1994, we have paid 92 consecutive cash dividends.

Our quarterly payout ratios for the first quarter of 2017 were 77% of FFO and 76% of AFFO, both of which are in the lower half of the Company's targeted ranges and reflect a very well-covered dividend.

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

Joey Agree, *Agree Realty Corporation - President & CEO*
Thank you, Matt.

To conclude, we are pleased with our results for the quarter and are confident that our balance sheet and investment pipeline are well-positioned to execute in coming quarters.

At this time, we will open it up for questions.

QUESTIONS AND ANSWERS

Operator
Our first question comes from Nick Joseph from Citi. Please go ahead.

Nick Joseph, *Citi; Analyst*
Thanks, appreciate it. Joey, you mentioned the diversification across the external growth channels but just specifically for the PCS and development, with the two being completed this quarter there's only two still in progress, what's the opportunity to grow that pipeline and where does it stand today?

Joey Agree, *Agree Realty Corporation - President & CEO*
Good morning Nick. So, we're focused on continuing to scale both our Partner Capital Solutions program as well as our organic development platform. Of note, winter months typically in Northern climates aren't a great time to commence projects. But we're excited about some of the opportunities in there and both our partners at PCS as well as our development platform. Some new tenants as well as existing tenants in

our portfolio, different sectors but sectors that we're focused on growing our exposure in context of e-commerce and recession resistance.

Nick Joseph, *Citi; Analyst*
Thanks, so would you expect to add a few projects to this disclosure during this quarter or is it more of later in 2017?

Joey Agree, *Agree Realty Corporation - President & CEO*
No, I think there's the opportunity for us to add at least a couple of projects this quarter in Q2 if not Q2 early in Q3. So, we look forward to getting some shovels in the ground and commensurate with that, we will announce those projects.

Nick Joseph, *Citi; Analyst*
Thanks, and then just more broadly on tenant health, wondering if you can talk about any changes to the watch list or anything else you are keeping your eye on?

Joey Agree, *Agree Realty Corporation - President & CEO*
Yes, really no material changes to our losses. We continue to monitor the Walgreens Rite Aid transaction. I don't have any new information that isn't publicly available. Rite Aid is the largest tenant or the material tenant on our watch list. At the same time, we're watching the evolution of retail. Our mission is to stay in front of that evolution of retail. We see the opportunity to continue to improve the portfolio through our three external growth platforms as well as the opportunity to divest of assets, opportunistically take advantage of cap rate and evaluations throughout the remainder of 2017. So that's really our focus is to maintain what we believe is the highest quality in that retail portfolio out there today.

Nick Joseph, *Citi; Analyst*
Thanks.

Joey Agree, *Agree Realty Corporation - President & CEO*
Thanks, Nick.

Operator
Our next question comes from Rob Stevenson of Janney. Please go ahead.

Rob Stevenson; *Janney; Analyst*
Hi, good morning guys. You talked about driving the Walgreens down below 10%, is that basically at this point in the year what you're seeing for the dispositions and the guidance or is there odds and ends elsewhere in the portfolio that you'll be looking to either take advantage of robust pricing or get out before things deteriorate type of thing on other tenants as well?

Joey Agree, *Agree Realty Corporation – President & CEO*
You know I'd refer back to my answer to Nick, we think there's an opportunity for us to continue to improve portfolio quality on the asset level specifically, take advantage of cap rate, monetize and recycle some proceeds given the cap rate environment out there today. And I think it is incumbent upon us to be proactive asset managers and so given our disposition guidance of $20 - 50 million we think we've really telegraphed that to the Street and we're going to execute on that. Specific to Walgreens, the Ann Arbor sale was really akin to selling two Walgreens assets. It was a $10 million deal, I think everybody noted in the prepared remarks, over $4.5 million gain. That asset specifically was over $600,000 in rental income. Frankly, it was not a strong performer, it wasn't a ramp so it was off the hard corner and we still own the two dominant Walgreens in the Ann Arbor MSA. So, I would look forward to us continue to divest Walgreens assets, reduce that exposure below that 10% threshold that we very clearly communicated to investors. But also look to continuously improve portfolio quality.

Rob Stevenson*; Janney; Analyst*
Okay, and then just lastly on the leasing that you did during the quarter, how does new leases stack up versus expiring on that 346,000 square feet?

Joey Agree, *Agree Realty Corporation – President & CEO*
The de-minimus increase I would tell you so there was a number of early lease extensions in that leasing activity. We're talking about 2% to 2.5% typically increases from a base rental perspective. So really it was proactive asset management as we noted in the prepared remarks, really had de-minimus expirations remaining through this year. And we're really focused on 2018 at this time.

Rob Stevenson*; Janney; Analyst*
Okay, thanks guys.

Operator
Our next question comes from Collin Mings of Raymond James, please go ahead.

Collin Mings*; Raymond James; Analyst*
Hey, good morning Matt, good morning Joey.

Joey Agree, *Agree Realty Corporation – President & CEO*
Good morning Collin, how are you?

Collin Mings*; Raymond James; Analyst*
Good, just one question from me, you said you look ahead to 2018 lease expirations, just curious if you see any opportunities or a need for redevelopment project like the Orchard Supply project here in Florida?

Joey Agree, *Agree Realty Corporation – President & CEO*
I would tell you that there is the potential for one or two redevelopments in 2018, on identifying existing sites or potentially some opportunities to increase rental rates as well as credit quality in those assets. And we're focused on 2018 as I mention there.

Collin Mings*; Raymond James; Analyst*
Got you, any sort of idea what sort of capital commitment that might look like?

Joey Agree, *Agree Realty Corporation – President & CEO*
Not at this time. It is early I would tell you that there could be a potential opportunity on an assets basis on a ground lease all the way down to turnkey. So, we're early to really announce anything there but we are focused on 2018 and any embedded opportunities within the portfolio both from an outlot perspective as well as the primary piece.

Collin Mings*; Raymond James; Analyst*
Okay, thanks guys.

Joey Agree, *Agree Realty Corporation – President & CEO*
Thanks, Collin

Operator
Our next question comes from David Corak from FBR. Please go ahead.

David Corak*; FBR; Analyst*
Hey, good morning guys. Just looking at the acquisition environment this year, when you gave the guidance four months ago that there was certainly a ton of uncertainty in the political environment and the interest rate environment etc., and I guess there is still some uncertainty but since then your cost of equity has boomed, so I guess I was just trying to figure out what the governor on acquisitions volume is at this point other than just kind of sourcing quality deals and I guess in other words what's changed since January and what sort of environment do we need to be in to kind of hit or exceed the top end of that guidance range?

Joey Agree, *Agree Realty Corporation – President & CEO*
You know it’s a good question. I'll tell you that the first quarter may be boring to some but I think we see a continued and consistent pattern of execution. In terms of our acquisition guidance the governor really is opportunity dependent. And as we talked about in the prepared remarks that the acquisition team which is now five people which is growing and experiencing capabilities at a quarterly basis we’re excited with the growth of the team on an individual as well as the group level.

I'll tell you that our pipeline as we discussed in the prepared remarks is strong. The number of opportunities that we're seeing, the qualified number of opportunities that we're seeing continue to ramp up and increase. And frankly our ability and the knowledge of Agree in the net lease market has increased by a factor of a multiple there. So, in terms of the existing guidance for $200 million to $225 million we're confident we're going to strike to make guidance. We’re clearly on pace and we clearly see the ability to execute to that throughout the course of the remainder of the year. And at the top end or if we increase that guidance we’re at the top end of that guidance just because we find a number of qualified opportunities that frankly hit within our wheelhouse.

David Corak*; FBR; Analyst*
Okay, great and then I guess just to quantify that a little bit, I think you mentioned $1.2 billion year-to-date that you've brought through investment committee but how does that compare to this time last year and then is there some sort of kind of selectivity metrics that you can share with us that you guys follow or something to help us get some color there?

Joey Agree, *Agree Realty Corporation – President & CEO*
Sure, I don't have the quarterly numbers for 2016 but investment committee saw $2.5 billion of activity again. So, we’re at $1.2 billion affectively year-to-date, $2.5 billion over the course of the full year in 2016. I'll tell you our ability to be disciplined and selective only improves when our cost of capital improves. And so, we are out there looking for opportunities across all three external growth platforms that fit within the continued execution that we've laid out to investors with a top down perspective of that e-commerce and recession resistant retail sectors. And then securing opportunities with the industry leaders in those respective sectors.

David Corak*; FBR; Analyst*
Okay, so you feel like you can be more selective with where you are today versus maybe this time last year?

Joey Agree, *Agree Realty Corporation – President & CEO*
Well, I think we could be more selective because we're seeing more opportunities, frankly. I wouldn't tell you that the cost of capital isn’t there. There's no doubt our cost of capital has improved both from the debt and the equity side, our cost of capital has improved. But we're able to be more selective because of the opportunities that frankly enter into the funnel and so I think first quarter was a quarter of consistent

execution for us both on the acquisition as well as disposition side. And in Q2, Q3, and Q4 we think there's a pipeline of opportunities that are of higher quality or at least of the quality that we've seen consistently since the launch of the acquisition platform in 2010.

David Corak*; FBR; Analyst*
That's helpful, I appreciate it guys, take care.

Joey Agree, *Agree Realty Corporation – President & CEO*
Thank you, David.

Operator
Our next question comes from R.J. Milligan from Baird. Please go ahead.

RJ Milligan*; Baird; Analyst*
Hey guys, good morning. Just curious, you guys specifically called out in terms of the leasing of the Tractor Supply assets and I think you guys just acquired them in the fourth quarter so curious how that lease renegotiation went?

Joey Agree, *Agree Realty Corporation – President & CEO*
First, good morning R.J. We're big fans of the company Tractor Supply specifically. It's a great company, it's got a fantastic balance sheet. It's publicly available for everybody to see and we have a great relationship and respect for them. So again, it's just an example of us creating value across our acquisition platform, leveraging our relationships, our capabilities on the diligence front to understand stores, to understand markets, how they perform relative to their district and then triangulate to execution.

RJ Milligan*; Baird; Analyst*
Okay and so those leases were renegotiated for additional term?

Joey Agree, *Agree Realty Corporation – President & CEO*
So, those leases they were advantageous extensions. I'll leave it at that but they were advantageous extensions where we could create some value and potentially save some occupancy cost for our tenant there.

RJ Milligan*; Baird; Analyst*
Okay, and last year you guys were successful in acquiring a larger portfolio, I am just curious in terms of portfolios that are out there obviously you said you guys are seeing a lot more in terms of your pipeline but just wondering if there's any chunkier deals out there?

Joey Agree, *Agree Realty Corporation – President & CEO*
We're always looking at opportunities of different sizes and shapes. The portfolio in 2016 was very unique. We had talked about it earlier. We are yet to see anything prior to that or since that of the quality and nature of that portfolio. And also, the relationships with these tenants we had in that portfolio to really understand the asset level quality. We're looking at diversified portfolios, looking at single credit portfolios but again our true nature, our DNA is finding one off real estate opportunities across all three platforms. Portfolio opportunities were not included in our guidance of $200 million to $225 million acquired. We don't anticipate them, we don't rely upon them. Our team here is really tasked with finding those diamonds. And so, we want to continue to execute on that front and any portfolio that we find and execute on are really bonus to us.

RJ Milligan*; Baird; Analyst*
Great, thank you guys.

Joey Agree, *Agree Realty Corporation – President & CEO*
Thanks, RJ.

Operator
Our next question comes from Craig Kucera from Wunderlich. Please go ahead.

Craig Kucera*; Wunderlich; Analyst*
Good morning guys, appreciate the color on the acquisition pipeline and the amount of opportunities you're looking at. But, as we look through the next year should we expect to see somewhere in the closer to the mid seven cap rates over the next couple of quarters or was that a little bit lower than kind of what you're seeing in the backlog and pipeline?

Joey Agree, *Agree Realty Corporation – President & CEO*
Hey, good morning, Craig. I think it's really opportunity dependent. When you have 11 acquisitions effectively in the quarter, any single transaction can bring that yield down incrementally. Our targets remain the same, our discipline remains intact. So, I can't tell you how Q2, Q3, and Q4, I don't have that ability to date to tell you how those quarters will stack up relative to Q1 but we are going to be effectively in the same range. I wouldn't anticipate anything materially deviating from Q4 of 2016, Q1 of 2017.

Craig Kucera*; Wunderlich; Analyst*
Got it and one more from me, obviously, there has been a lot of pressure on the apparel segment year-to-date, can you talk how you see discount apparel functioning and performing better frankly as we continue to go down the path as it relates to e-commerce resistance?

Joey Agree, *Agree Realty Corporation – President & CEO*
Sure, we love the discount apparel sector, the TJ Maxx in Aurora was a fantastic transaction for us. This quarter we closed on a Ross in the Southwest part of Chicago with fantastic demographics, nearly 400,000 people in a three-mile radius. We also closed on a Burlington and so those three are really the industry leaders in the discount apparel sector. That sector continues to gain traction, same store sales continue to really look at an even on a stacked basis they're fantastic. And so, the same store sales trends are fantastic and we believe the consumer preferences are now cemented, that consumers with the ability to price check within a matter of seconds with mobile e-commerce and Google and Amazon no longer have to get in their cars and travel to multiple stores or traverse the mall to price check and comparison shop. They have the ability within 15 or 20 seconds to see every competitive retailer and their pricing on any specific goods. And so, we believe discount apparel is right in consumer preferences in an omnichannel as well as a recession resistant sector perspective. So, we're going to continue to look for opportunities in the discount apparel sector that we anticipate goes -- specifically those three continuing to see positive trends.

Craig Kucera*; Wunderlich; Analyst*
Ok, thanks.

Joey Agree, *Agree Realty Corporation – President & CEO*
Thanks, Craig.

Operator
Our next question comes from Dan Donlan of Ladenburg Thalmann. Please go ahead.

Dan Donlan*; Ladenburg Thalmann; Analyst*
Thank you and good morning. Hey, so I missed the earlier part of the call but just wanted to go back to

the Rite Aid question, so with the merger kind of being renegotiated, the returns being negotiated with Walgreens, is there any update to kind of how you're looking at your footprint, is it in new transaction terms more or less favorable to you than the prior terms?

Joey Agree, *Agree Realty Corporation – President & CEO*
No, really no change. We look at our overall pharmacy footprint, we look at our Walgreens exposures specifically. Now pharmacy is down nearly 750 basis points year-over-year so obviously, we've made a significant improvement from a sectoral perspective. And so, we understand every store in the portfolio how they perform, where they're positioned relative in their markets, and we're going to continue to execute in Q2 and beyond on our stated goal of reducing some exposures there.

Dan Donlan*; Ladenburg Thalmann; Analyst*
Okay and then just kind of lastly from me, just kind of curious given all of the retail malaise and several store closings, is there anything that's kind of happened to maybe a retailer that has a good business strategy but maybe they just have too many occasions, is there any opportunity that you see with retailers that maybe have been closing stores and maybe some other investors are afraid not to do transactions or acquisitions of their properties, is there anything that kind of sticks out to you, I mean not just specifically tenants but is there any area that you're looking at where you think there's opportunity?

Joey Agree, *Agree Realty Corporation – President & CEO*
There's a lot of areas that we're looking at where we think that there's opportunities. I would encourage investors to follow our trends and the stated intentions. If you just look at our sector exposures in context of our stated investment strategy again pharmacy is down nearly 750 basis point, auto service is up 325 basis points. These are year-over-year. Grocery specifically discount grocery up over 160 basis points, home improvement up over 140 basis points. I would encourage investors to believe that these trends are going to continue, that we are going to consistently and persistently execute on our investment strategy. Again, with that top down 30,000 foot lens and then pairing that with a disciplined approach from a bottoms up perspective.

We don't believe in investing in tertiary operators in those respective retail sectors. We believe in investing in industry leaders in today's day and age not only with e-commerce and Amazon and all the headlines that we read about in terms of retail store closures and bankruptcy. The unspoken competitive threat to all these retailers today really emerged early in the millennium here with the advent of the super centers and the expansion of Wal-Mart and Target and the wholesale clubs such as Costco and Sam's Club. So, there's competitive pressures to category killers today. They have to have a value proposition for their consumers, they have to provide a compelling reason for consumers to shop in a brick and mortar environment rather than pick up their phone. So, our focus again is those industry leaders who present that value proposition who we think are going to be here in context of those sectors for a long time.

Dan Donlan*; Ladenburg Thalmann; Analyst*
Okay, so I guess that's a long-winded way of saying no we're not interested.

Joey Agree, *Agree Realty Corporation – President & CEO*
We are not interested in a lot of retail operators in this space. We are picky, we are disciplined, and we want to maintain it.

Dan Donlan*; Ladenburg Thalmann; Analyst*
Okay, just kidding but so and then just maybe more narrowly given your development and redevelopment expertise, as some of these big boxes come back and are vacant, are you seeing or are you may be

working with potential tenants to redevelop these properties and maybe do some type of transaction, is that even on the radar, have you guys been approached, just kind of curious how you're looking at that or do you want to stay more in a smaller box as much as you can?

Joey Agree, *Agree Realty Corporation – President & CEO*
Our preference is smaller footprint retail. Have we been approached, yes. We have been approached many times both from a redevelopment as well the development perspective. The most important thing is one, we aren't going to speculate on buildings or GLAs or land. We're non-speculative developers, we're working hand in hand with our retail partners. And two, they have to fit our investment criteria as I talked about a couple minutes ago. And so, our approach to development and redevelopment we know we have those capabilities, the market is aware of those capabilities, our retail partners are aware of course. We want to deploy them on a selective basis and we want to be efficient when we do deploy them.

Dan Donlan*; Ladenburg Thalmann; Analyst*
Okay. Thank you.

Joey Agree, *Agree Realty Corporation – President & CEO*
Thanks, Dan.

Operator
This concludes our question-and-answer session. I would like to turn the conference back over to management for closing remarks.

Joey Agree, *Agree Realty Corporation - President & CEO*
We'd love to thank everybody here for joining us today. We look forward to speaking to you again when we report our second quarter earnings and good luck with earnings season. Thank you.

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