EDITED TRANSCRIPT

AGREE REALTY CORPORATION

Agree Realty Corporation's
Fourth Quarter 2016 Earnings Conference Call
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PRESENTATION

Operator
Good morning, and welcome to the Agree Realty Corporation's fourth-quarter and full-year 2016 earnings conference call. (Operator Instructions)

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 Agree, *Agree Realty Corporation - President & CEO*
Thank you, Operator. Good morning, everyone, and thank you for joining us for Agree Realty's fourth-quarter and full-year 2016 earnings call. Joining me this morning is Matt Partridge, our Chief Financial Officer.

2016 was an exciting year for our company, marked by strong execution of our operating strategy. Opportunistic investments, record capital markets activities and strategic portfolio management has resulted in what we believe is a first-in-class portfolio and one of the strongest positioned balance sheets in the net lease sector.

Total investment activity for the year, inclusive of acquisitions, development and Partner Capital Solutions projects completed or currently under construction, totaled a record $334 million.

Investment activity in the fourth quarter, including properties acquired for development and Partner Capital Solutions projects delivered, totaled $66.4 million across 26 high quality retail net lease properties. Of these 26 investments, 22 properties were sourced through our acquisitions platform, representing total acquisition volume for the quarter of $61.6 million. The properties were purchased at a weighted average cap rate of 7.8% with a weighted average remaining lease term of approximately 10.5 years.

The acquired properties are located in 12 states and are net leased to 17 national and super-regional retailers. The acquired properties are leased to retailers operating in 11 diverse e-commerce and recession resistant sectors, including the auto service, discount apparel, crafts and novelties, grocery, specialty retail, health and fitness, and auto part sectors.

For the full year we acquired 82 retail net lease properties for $295.8 million. The 2016 acquisitions, which included an $80 million portfolio acquired during the second quarter, are located in 27 states and are net leased to 49 industry-leading retailers that operate across 22 diverse sectors. These properties were acquired at a weighted average cap rate of 7.8%, with a weighted average remaining lease term of approximately 10.7 years.

As we've consistently noted in the past, our investment thesis is grounded in the bottoms-up underwriting of retail real estate fundamentals and a top-down focus on e-commerce and recession resistant retail sectors. We combine our underwriting philosophy with a concerted effort to partner with retailers who are succeeding with a brick-and-mortar presence that serves as a foundation to their 21st-century omni-channel strategy.

Moving on to our development and Partner Capital Solutions platforms where we continue to be the only REIT that specializes in retail net lease development, we completed or commenced 14 exciting projects in 2016. These projects represent capital deployed or in progress of approximately $38 million.

During the fourth quarter we completed and brought online four new projects, with aggregate costs of approximately $4.8 million. The projects have a weighted average remaining lease term of 16.4 years. These projects include the Company's first turnkey Starbucks development in Lakeland, Florida and the Company's first Texas Roadhouse in Mount Pleasant, Michigan.

Also during the quarter we successfully completed the third and fourth Burger Kings in our ongoing joint venture with Meridian Restaurants. These projects, located in Hamilton, Montana and West Fargo, North Dakota, had project costs of approximately $1.5 million and $1.6 million, respectively. Both properties are subject to new 20-year net leases.

For the full year our development and Partner Capital Solutions platforms completed 10 projects for a number of industry-leading retailers, including Chick-fil-A, Wawa, Hobby Lobby, Burger King, Texas Roadhouse and Starbucks. These projects represented total invested capital of approximately $16.3 million and had a weighted average remaining lease term of roughly 17.2 years.

In addition to our completed 2016 development and Partner Capital Solutions projects, we continued to make considerable progress on a number of ongoing developments.

Subsequent to quarter end, construction was completed on the Company's first Partner Capital Solutions project with Camping World in Tyler, Texas. The project was finished on budget and ahead of schedule. Total project costs were approximately $7.5 million.

Also ongoing is the Company's first ground-up development of a new Camping World in Georgetown, Kentucky. Camping World is under a new 20-year net lease to occupy the premises and total project costs are estimated to be $8.5 million. Rent is anticipated to commence in the third quarter of 2017.

Additionally, the Company's fifth Burger King in our venture with Meridian continues to progress on schedule in Heber, Utah. Rent is anticipated to commence later this quarter, and total project costs for this project are approximately $1.7 million.

Construction also continues on the redevelopment of our former Off Broadway Shoes location in Boynton Beach, Florida. Orchard Supply Hardware, with a guarantee from the Lowe's Companies, an A- rated company by S&P, previously executed a 15-year net lease and rent is expected to commence in the third quarter of 2017. We are very excited to add this second Orchard Supply Hardware to our growing portfolio.

We continue to focus on expanding our relationships with retailers, with the goal of being a full-service value creator across the real estate operations. Similar to our acquisition, Partner Capital Solutions and development effort to date with Meridian Restaurants and Camping World, we anticipate being in a position to make additional announcements later this year.

In addition to our net new activity via our three external growth platforms, our asset management team has been very active, consistently seeking to divest of lower-tier assets and further diversify our portfolio.

In 2016 we sold four Walgreens for aggregate gross proceeds of $29.7 million. The weighted average cap rate of these 2016 dispositions was 5.6%. Similar to 2016, we previously provided guidance of $20 million to $50 million of dispositions activity for 2017.

Our portfolio management activity has driven a significant reduction in our Walgreens concentration. In just the last 12 months we've reduced our Walgreens exposure by 560 basis points to 11.6%, down from 17.2% at the beginning of 2016. We are confident that our Walgreens exposure will continue to decrease as we opportunistically dispose of additional assets and as our portfolio continues to expand. We have set a goal to reduce our overall exposure to Walgreens to under 10% by year end.

While we have made a concerted effort to reduce our exposure to Walgreens, we've also made strategic investments to increase our exposure to a number of terrific retailers. Lowe's, Mister Carwash, Tractor Supply and Hobby Lobby are all now Top 10 tenants for us. Each of these companies maintains strong brick-and-mortar operations that have demonstrated resiliency to ecommerce and are industry leaders in their respective sectors.

As our tenant diversification has continued to improve, likewise has our sector diversification. Over the past 12 months we've reduced our pharmacy exposure by over 700 basis points from 23% at the end of 2015 to just over 16% at the end of 2016.

We have simultaneously made investments in the auto service, auto parts, grocery, specialty retail, home improvement, discount apparel, and the crafts and novelty sectors to further diversify the portfolio.

From a geographic perspective, our diversification has also markedly improved. Most notably, our Michigan exposure has been reduced by over 450 basis points in the past year, with Michigan representing just 15.4% of in-place rents, down from roughly 20% at this time last year.

Lastly, while we had no expiring leases in the fourth quarter of 2016, and minimal lease rollover in 2017, our asset management team has been proactive in addressing future lease maturities.

I am very pleased to report that over the past 60 days we have executed new lease extensions on nine recently acquired properties leased to sector-leading retailers, extending the weighted average lease term of the properties by approximately 8.4 years. These extensions are a product of our strong relationships with retailers, many of which originate [for] our development roots and are representative of the value created in many of our acquisition efforts.

As of December 31, 2016, our portfolio, which remains 100% concentrated in retail, now consists of 366 properties in 43 states. Our tenants are comprised almost exclusively of national and super-regional retailers operating in more than 25 distinct retail sectors with 46% of annualized base rents coming from tenants with investment-grade credit rating.

Nearly 8% of our portfolio is continuously ground leased to industry-leading retailers. Approximately 90% of this ground lease portfolio is investment grade, including Walmart, McDonald's, Aldi, JPMorgan, Lowe's, Chick-fil-A and Wawa. These properties are very unique in that the Company owns a fee-simple interest in the underlying property while our retail partners spend their own capital to construct the improvements in the building.

With that, I'd like to thank our many loyal shareholders for their continued support. And I'll turn it over to Matt to discuss our fourth-quarter and full-year 2016 results. Matt?

Matt Partridge, *Agree Realty Corporation - CFO*
Thanks, Joey. Good morning, everyone.

Before I begin let me quickly run 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 fourth quarter of 2016, was $23.3 million, an increase of 37.3% over the fourth quarter of 2015. For the full year ended December 31, 2016, rental revenue of $84.2 million represented an increase of 30.7% over the full year 2015.

The Company's strategic growth continues to drive down corporate operating leverage as we realize greater operating efficiencies through increased scale.

G&A expenses were approximately 8.8% of total revenue for the year, which is a year-over-year decrease of 120 basis points as compared to 10% in 2015, and a three-year decrease of nearly 500 basis points when compared to 13.7% in 2013.

Funds from operations for the fourth quarter was $16.6 million, representing an increase of 40.9% over the comparable period of 2015. FFO for the full year 2016 increased 34.3% to $59.2 million as compared to the full year of 2015.

On a per-share basis FFO increased to $0.64 per share, a 6.3% increase as compared to the fourth quarter of 2015. FFO per share for the full year 2016 was $2.54 per share, an increase of 6.1% as compared to the full year 2015.

Adjusted funds from operations for the fourth quarter were $16.2 million, representing an increase of 39.6% over the comparable period of 2015. AFFO for the full year 2016 increased 33.2% to $58.4 million as compared to the full year 2015.

On a per-share basis, AFFO increased to $0.63 per share, a 5.3% increase as compared to the fourth quarter of 2015. AFFO per share for the full year 2016 was $2.51 per share, an increase of 5.2% as compared to the full year 2015.

Now turning to our capital markets activities, where in October we completed a follow-on offering of 2,087,500 shares of common stock which included the underwriter's full exercise of their option to purchase additional shares. After deducting the underwriting discount and operating expenses, total net proceeds from the common equity offering were approximately $95 million.

This was in addition to the issuance of 183,602 shares of common stock through our at-the-market equity program, which resulted in net proceeds of approximately $8.8 million.

On December 15th we closed on a new amended and restated senior unsecured credit facility, upsizing the total facility size to $350 million, with an accordion option up to $500 million. The new facility is now comprised of a $250 million unsecured revolving credit facility and $100 million of existing unsecured term loans.

We extended the maturity date of the unsecured revolving credit facility out to 2021, and extended the maturity date on the unsecured term loans out to 2024, and also reduced the overall interest costs of our revolver.

During 2016 the Company raised $228 million in equity capital through the two previously mentioned follow-on offerings and our at-the-market equity program, allowing us to operate at historically low leverage levels. Also within the year, we amended, modified, or originated nearly $500 million of debt capital through a number of strategic transactions in the bank debt and private placement markets.

Looking at our balance sheet, we continue to maintain one of the most conservative credit profiles in the industry.

As of December 31, 2016, total debt to enterprise value was approximately 24.9%, and net debt to recurring EBITDA was approximately 4.5 times, well below the low end of our stated leverage range of 5 to 6 times. Our fixed-charge coverage ratio, which includes principal amortization, was a robust 3.9 times.

These metrics, combined with an undrawn $250 million revolving credit facility, indicates significant liquidity for future growth.

And, finally, on January 3rd, the Company paid a dividend of $0.495 per share to stockholders of record on December 23, 2016, which represents a 6.5% increase over the $0.465 per share quarterly dividend declared in the fourth quarter of 2015. The Company has paid 91 consecutive cash dividends since its IPO in 1994.

Our payout ratios for the quarter were 77% of FFO and 79% of AFFO, both of which were elevated quarter over quarter because of the increased share count from the October equity raise, but still remain 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.

2016 represented another record year for our company. We ended 2017 with a fortified balance sheet and a focus and determination to build upon a fantastic year.

At this time we will open it up for questions.

QUESTIONS AND ANSWERS

Operator
Thank you. We will now begin the question-and-answer session. (Operator Instructions)
Ki Bin Kim; SunTrust.

Ki Bin Kim, *SunTrust; Analyst*
So, can you talk a little bit more about what you're actually buying, or what you actually bought during the quarter in terms of location, asset quality, tenant mix, so we get a better understanding of it?

Joey Agree, *Agree Realty Corporation - President & CEO*
So just a little color on our fourth-quarter acquisitions. We acquired a number of O'Reillys, continued to invest in the auto parts sector. We're a big fan of O'Reilly business. We acquired a Tire Kingdom. Our first ever TJMaxx, we acquired from an acquisition perspective in Aurora, Colorado. Michaels, Party City, Sherwin-Williams, PG Paints -- so really, again, just a continuation of the focus on recession-resistant e-commerce retailers, really diversified geographically throughout the country.

That give you some color, Ki Bin?

Ki Bin Kim, *SunTrust; Analyst*
Yes. And given that your average lease duration is about 10 years, I guess you're always going to every year you're kind of fighting that battle to keep that number steady. Are these type of retailers -- is a typical lease just 10 years? Is that why when you sign these deals it's hard to get 15-year deals?

Joey Agree, *Agree Realty Corporation - President & CEO*
So retailers vary with base terms across the board. Your typical O'Reillys transaction or AutoZone transaction would be a 20-year base term. A TJMaxx, or a Michaels, Party City, junior boxes will typically be 10-year base terms.

We don't look at the weighted average lease term, honestly, as a battle for us. We're focused on the underlying real estate. We're focused on re-tenanting and residuals, marking the market rents. So while we're cognizant of our weighted average lease term, we don't necessarily view it as a battle.

Ki Bin Kim, *SunTrust; Analyst*
Okay. And just on the last thing that you mentioned about lease spreads, any thoughts on maybe reporting that stat going forward? And maybe any commentary on the lease spreads you achieved in 2016 and what you expect in 2017? I know you don't have much expiring, but –

Joey Agree, *Agree Realty Corporation - President & CEO*
That's really the challenge. I mean, we're really talking about having four remaining leases in 2017, which are historic legacy leases. Our only maturity in 2016, or lease renewal which was significant was the Off Broadway Shoes in Boynton Beach, Florida, which we are currently expanding and redeveloping for Lowe's, for Orchard Square Hardware.

So the lease renewals to date inclusive of 2017, where we have really four lease renewals and a couple of billboards located on those properties, are de minimis. We're already making significant progress on 2017, 2018 and, as you heard in the prepared remarks, going forward in the future. But as that number becomes more material given renewals and spreads, that's something that we'll definitely consider.

Ki Bin Kim, *SunTrust; Analyst*
Okay. Thank you.

Operator
Collin Mings; Raymond James.

Collin Mings*; Raymond James; Analyst*
First question for me, just if you could update us on the acquisition pipeline here entering 2017 and if you've seen any changes as far as asset pricing on the types of deals you're looking at.

Joey Agree, *Agree Realty Corporation – President & CEO*
Our acquisition pipeline remains strong. I'll tell you that our pipeline across all three platforms has some exciting and some unique opportunities. We look forward to talking about those in future quarters this year.

In terms of pricing, we're doing everything we can to move pricing. And cap rates obviously haven't budged too much. I think you've heard from the predecessors and our peers on their calls. But we're opportunistic. We like being the call of last resort. We like being the first call. We don't like being the second through fourth call.

So, we're working through our relationships. We're working on a number of opportunities where we think we can drive historically out of market cap rates or rates of return. And so, we'll see how cap rates trend really through 2017. But we haven't seen any movement yet.

Collin Mings*; Raymond James; Analyst*
Okay. So, for modeling purposes we should still think about something in the high 7s, maybe a low 8 for acquisitions here in 2017?

Joey Agree, *Agree Realty Corporation – President & CEO*
Yes, I think we'll be in line over the course of the year with our historic acquisition opportunities. That said, look, the 10-year and the change in the 10-year could drive cap rates incrementally higher through the year. Obviously, we believe there should be a correlation and we're going to fight as hard as we can to push those.

Collin Mings*; Raymond James; Analyst*
Okay. And then as far as just, again, kind of from a modeling perspective, as we think about the $20 million to $50 million as far as dispositions in guidance this year, should we look, again, a mid-5 cap rate? Or does that maybe move up a little bit relative to 2016?

Joey Agree, *Agree Realty Corporation – President & CEO*
I think from a modeling perspective going forward into 2017 we're thinking between 5.5 and 6.5 is probably a good range. We're going to be focused on similar disposition type activity that we were in 2016 and maybe making some opportunistic dispositions on lower tier or lower quality assets in 2017 as well. We've obviously gone through the portfolio and targeted those assets for disposition. But we also field inbound opportunistic calls on dispositions as well.

Collin Mings*; Raymond James; Analyst*
Okay, that's helpful. And then just as you think about the outlook for 2017, just an update as far as your expectations for G&A. And then, along those lines, just touch on what if any changes there have been to incentive structures this year as it relates to the 8-K that you guys filed last week.

Matt Partridge, *Agree Realty Corporation – CFO*
Yes, Collin. From a run rate G&A perspective, we obviously made good headway in reducing operating leverage as I noted in the call. I think you can expect it to be plus or minus $9 million for the year.

We implemented a new incentive program for executive compensation over the past couple weeks, which we think is a positive. And so, that will vacillate based on how we perform throughout the year.

Collin Mings*; Raymond James; Analyst*

Okay. And then just one last one from me. Joey, just curious your thoughts on Restaurant Brands International's acquisition of Popeyes just as it relates to the QSR space and then your relationship with Meridian.

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

Look, 3G, RBI's parent, is a very well regarded sponsor. We've spent a lot of time down in Miami specifically at Burger King's headquarters. The work that they've done there is very impressive. We've spent a less amount of time with Tim Hortons, both from a corporate and a franchise perspective. I think they bring a very unique, a dynamic approach.

Obviously much has been written about 3G and their underlying corporate philosophies. They are operationally excellent. Obviously we don't have any Popeyes in our portfolio today, but it could be an opportunity for us in the future. Nothing that we're working on currently. Obviously that's brand new.

In terms of our relationship with Meridian, our relationship with Meridian is great. Meridian is a fantastic operator of Burger King. We're excited for these new stores that we've worked hand in hand with Meridian to get open and to get performance under their belt. These are obviously new prototype Burger Kings.

We're also working with other franchisees on similar as well as dissimilar programs. So, again, our focus is leveraging all three of our capabilities -- acquisition, development, and Partner Capital Solutions -- identifying the best franchisees and leading flags and working with them and creating value to our business while they operate hopefully successful stores for years to come.

Collin Mings*; Raymond James; Analyst*

Appreciate the color. Thanks.

Operator

George Hoglund of Jefferies.

George Hoglund*; Jefferies; Analyst*

So two questions. I guess one, in terms of the development and Partner Capital Solutions, there weren't any starts in 4Q. Just wondering how the pipeline looks for that.

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

Well, I wouldn't read into any starts in Q4. Traditionally winter weather isn't the greatest time to start a development project just because of frost in the ground and applicable frost lines. So, I wouldn't look at Q4 starts this way. Those will tick down.

Our pipeline looks good. I'm more excited about our shadow pipeline. And Laith Hermiz and Craig Willian, our COO and VP of Development, respectively, are working hard to continue building our pipeline, both with existing tenants as well as growing our pipeline with new and exciting tenants.

So as I talked about in the prepared remarks, again, leveraging our capability as we think that there are some opportunities from a relationship perspective -- we know there are opportunities that we're working on today that we hope to talk about in more specifics in the near future where you'll see, again, that dual approach potentially on a sale-leaseback basis or a store sale-leaseback partner, getting new and exciting projects on the ground and expanding those relationships.

George Hoglund; *Jefferies; Analyst*
Okay, thanks. And then on the nine lease extensions on the recently acquired properties, any color you can provide on either the new rental rate terms or the impact on yields?

Joey Agree, *Agree Realty Corporation – President & CEO*
Yes. This is, again, an exciting opportunity for us. Those are all newly acquired properties, traditional blend and extends, which we've referenced historically, the ability to recast 5.5 year leases out to 15 years, fully new leases with a leading operator in the farm and rural supply. I think everybody sees that tenant jump up in our tenant roster. We've also done the same with a leading operator in the discount apparel space, which we're very excited about.

So, again, the value creation, leveraging our relationships with these retailers, some of them which go back 10 years and 20 years, some of them which are new. Our team's done really a fantastic job identifying opportunities and then creating value.

So, again, we are not a financier in the net lease space. Our MO, our DNA, is to create value across all three platforms. And this is really a window into what we are able to accomplish here.

The concessions I think you asked about, in terms of granting concessions, were minimal, really none. These were high performing stores, some of which were targeted by our retail partners for us to acquire, others which were opportunities we brought to that specific retailer and they were amenable to staying long term.

George Hoglund; *Jefferies; Analyst*
Okay. Thanks, Joey.

Operator
David Corak of FBR.

David Corak; *FBR; Analyst*
So most of my questions have been answered already, but just going back to the development pipeline, you've touched on this a little bit, but it seemed like you started off some of your relationships, a lot of your relationships, with your development partners with sale-leaseback transactions and then you end up leveraging those and the development PCS kind of deals. Do you think there's an opportunity to take on that kind of similar route with recently added retailers or some of your existing tenants? And then, in terms of yields, how have those shaped up over the year? And newer deals, what kind of yields are you thinking about?

Joey Agree, *Agree Realty Corporation – President & CEO*
Sure. So, the short answer is yes. There are existing tenants which we've either acquired on a sale-leaseback or third-party basis, which we're actively working on in our pipeline to put shovels in the ground. Nothing to disclose as of to date.

Yields for us have remained consistent on the development front with our historical yields. And so, again, I hate to sound repetitive, but really leveraging one platform to create value with the other platform, showing retailers a full-service value solution that frankly nobody else in our space can present to them. We're not just an acquirer. We're a developer and we can also finance opportunities.

So, we've seen the Camping World relationship come to fruition with the Partner Capital Solutions and a development project currently in the ground in Georgetown, Kentucky. Everyone's seen what we've done with Meridian and the sale-leaseback at the end of 2014, and now our exciting platform with them which continues to grow.

So, we think there is opportunities with those tenants. We're actively working on them and we hope to be able to talk about them in quarters to come.

David Corak*; FBR; Analyst*
Great. Appreciate the color.

Operator
Rob Stevenson; Janney.

Rob Stevenson*; Janney; Analyst*
Joey, how should we be thinking about the Walgreens exposure and the potential for dispositions going forward? I mean, depending on how much you buy and at what cap rates in 2017, you could legitimately be below 10% or so, especially if you wind up selling one or two locations. When you look at the portfolio today, how many of those left Walgreens in the portfolio would you really want to sell at sort of market prices? And how are you thinking strategically about that as you go to lower that over time?

Joey Agree, *Agree Realty Corporation – President & CEO*
Yes, it's a good question, Rob. I think the 10% number for us, and that is pro forma for the Rite Aid acquisition at year end 2017, that is our target. We plan to execute to that target. It will be both inclusive of dispositions and we've identified stores that are disposition candidates and are active in terms of that pipeline.

Again, predicting dispositions and timing and realization of those transactions becomes difficult because we are typically selling those into the 1031 market. The appetite for those assets is robust. We will take advantage to both improve our Walgreen's as well as our sector diversification, but also our geographic diversification. And I think everybody here is aligned to continue to execute like 2016.

I noted in the prepared remarks we've reduced our Walgreens concentration, our pharmacy concentration, and our Michigan concentration markedly in 2016. Our asset management team did a fantastic job there. And we expect the same results in 2017.

Rob Stevenson*; Janney; Analyst*
Okay. And then, if I look at your retail sectors today, I mean obviously, pharmacy is the biggest but is likely to come down over the next couple of years. When you and the Board look out a couple of years, if you look at your retail sectors today, if we look out two or three years, what has the biggest gain from what percentage they are of annualized base rent today? In other words, when you and the Board look out strategically over the next couple of years, what are the areas where you're likely to deploy the most capital going forward and where they're able to offset the decline in the exposure to pharmacy and maybe a couple of other sectors?

Joey Agree, *Agree Realty Corporation – President & CEO*
I got it. So, if you look at what we've done historically I think you -- again, we started with that e-commerce resistance mindset and the recession resistance mindset. If you look at our historical transaction activity and the trends, I think those are the best indicator of future performance for us.

So obviously, you mentioned the reduction in pharmacy. That will continue to come. In terms of sectors which we are focused on and have been focused on: grocery, auto service, health and fitness, home improvement, craft and novelties, farm and rural supply -- we've talked about that -- convenience store, auto parts, discount stores, home furnishings, entertainment retail. These are sectors that we feel confident in. And then we target the premier operators in those sectors across all three aspects of our business.

But I would tell you that our past performance again is the best indicator of what we're going to do in the future. We talked about -- we gave some color on the acquisition activity right there in Q4, those tenants in those sectors. We're going to continue that trend. We firmly believe that we are on the right path, and now we've got to execute to it.

Rob Stevenson*; Janney; Analyst*
Okay. But if you think about the grocery stores or quick-service restaurants at about 7% -- I mean, does that feel about right to you going forward so that the exposure increases the overall enterprise increases? Or grocery stores or quick-service restaurants going to 9% or 10%, does that bother you from a diversification standpoint?

Joey Agree, *Agree Realty Corporation – President & CEO*
That doesn't bother me from a sector diversification. The key is the operators that we're tied to. I think if you look at our grocery exposure today, it's dominated by industry leaders in the deep discount grocery space. And that's really been our focus.

So, that's Aldi. Those are our Cash & Carry’s, which are Smart & Finals, Dollar General Market, Giant Eagle, H-E-B in Texas, Walmart Neighborhood Market in Vero Beach, Florida where we have a ground lease to Walmart. We're really focused on the industry leaders. We're not interested in second- or third-tier small regional operators who are challenged in a historically 2% business of groceries.

So, while we don't have a problem of increasing exposure specific to those two sectors that you identified, the key for us is really where that exposure lays in terms of tenant quality.

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

Operator
Jason Belcher; Wells Fargo.

Jason Belcher*; Wells Fargo; Analyst*
Sorry if I missed this earlier, but what was the range of cap rates across the 22 properties you acquired in Q4?

Joey Agree, *Agree Realty Corporation – President & CEO*
The range really extends across the board for us. We don't report on an individual asset basis. But our historical targets are in the mid-upper 7s on a cash basis and then kind of followed in the yields, historically yields both for the quarters as well as the year.

Jason Belcher*; Wells Fargo; Analyst*
Okay. And then on the dispositions front, how about the average remaining lease term on the Walgreens you sold? And just trying to get an idea for how liquid a Walgreens really is in the disposition net lease

market. You know, could you sell one with only two to three years remaining on the lease pretty easily? Or can you give us some color there?

Joey Agree, *Agree Realty Corporation – President & CEO*
Yes, sure. So, Walgreens dispositions are typically driven by the 1031 market. Short-term Walgreens are difficult to finance for 1031 purchasers unless they are strong store sales or extremely underlying real estate. All the Walgreens that we dispose we developed essentially in the mid-2000s. Typically those are 20- or 25-year base terms, so you're looking at mid-teens typically on average, anywhere between, call it, 13 and 16 years typically.

Jason Belcher*; Wells Fargo; Analyst*
Good. Thanks.

Operator
Craig Kucera; Wunderlich.

Craig Kucera*; Wunderlich; Analyst*
Matt, I wanted to start with a question for you. You guys have clearly worked your leverage down considerably this year and are below your range. As you think forward are you still thinking 5 to 6 times makes sense? Or do you think the ceiling has maybe dropped to maybe mid 5? Or has anything changed in that regard from a philosophy perspective?

Matt Partridge, *Agree Realty Corporation – CFO*
No. For us, 5 to 6 times we think is the ideal leverage range. We equitized the balance sheet going into the year, specifically because we saw risk on the horizon and we wanted to mitigate that risk. So today we don't need to tap the equity markets at all to execute on our business plan and stay within that 5 to 6 times.

Joey Agree, *Agree Realty Corporation – President & CEO*
And, Craig, let me add that we will opportunistically access the capital markets. We're not overly focused, to be honest, on quarterly results. Our goal is to put this company in a position with a fortified balance sheet on a go-forward basis, minimize risk, drive per-share growth, and put the Company in a position to continue to execute on our operating strategy with the medium-term goals that we've laid out on previous calls.

So, it was an opportunistic transaction in Q4 to hit the equity markets. It put us in the position in 2017 to execute on our strategy without having to go back to the equity markets. And with the risk that we see, the macro risks as well as the global risks that we see out there today, we think it was a good decision to make.

Craig Kucera*; Wunderlich; Analyst*
Got it. And thinking about that, in the past you guys had run up your credit line and then gone and termed out some debt. How should we think about this year? What kind of quotes are you hearing today on maybe some longer-term debt?

Joey Agree, *Agree Realty Corporation – President & CEO*
Well, from a 30,000-foot perspective on our balance sheet, we'll always, like most recent our peers, utilize our newly expanded credit facility for working capital across all three of our platforms and then opportunistically tap the permanent debt, typically on an unsecured long-term basis, and the equity markets to find the right balance. I think that's typical of any net lease REIT and most REITs in the space.

So if we have efficient access to all four quadrants of capital today, given the size of the enterprise, I mean we'll opportunistically execute and tap those markets to put ourselves in a position on a go-forward basis. Anything you want to add there, Matt?

Matt Partridge, *Agree Realty Corporation – CFO*
Yes. Craig, I would just say when you think about it from a modeling standpoint I think the past couple of years the way the Company has executed is a fair approach to assume for how we're going to execute going forward into 2017, which is exactly what Joey described.

Craig Kucera*; Wunderlich; Analyst*
Got it. And one last one for me. You know, the sports and sort of hunting and fishing category has been under pressure. Can you comment on your thoughts on Academy and your growth in that segment? Is that still a segment that you want to grow? Or are you happy kind of where you are today?

Joey Agree, *Agree Realty Corporation – President & CEO*
We have three Academy Sports in our portfolio today. Those were all long-term acquisitions, were part of Partner Capital Solutions projects that we transacted on historically. Obviously everyone is aware of the purported challenges of Gander most recently. A regional operator, MC Sports, filed for bankruptcy.

I personally believe, and we have anecdotal as well as direct evidence to support, that the real challenges today in the overall sporting goods industry is in a lot of the apparel that they're selling as well. If you walk into a number of retailers today, inclusive of Dick's Sporting Goods, you look to the left and you see an Under Armour section, you look to the right you see a Nike section. Obviously Under Armour is trying to reposition their branding strategy today, per Kevin Plank's recent comments. You can buy Under Armour, you can buy Nike direct at a Nike store. You can buy it online. You can buy it at JCPenney. You can buy it at Kohl's, TJMaxx. I think that's the true challenge.

We particularly like Academy Sports and we're extremely fond of their business, one, because they're a regional sporting goods operator and we believe it's much easier to merchandise from a regional perspective. The sporting goods that people buy in California versus Texas and Michigan are vastly divergent. They are very well respected within the space by both their peers as well as those that cover the Company from a merchandising approach.

I'll tell you we are not overly focused on the sporting good industry. You haven't seen us add a sporting good operator really I think in about 24 months. That said, if we find unique opportunities to add value at outsized returns and we like the underlying real estate, we're by no means redlining it. But I'll tell you it's not a focus and I didn't list it earlier in the sectors that we're focused on on a go-forward basis.

Craig Kucera*; Wunderlich; Analyst*
Thank you.

Operator
Dan Donlan; Ladenburg Thalmann.

Dan Donlan*; Ladenburg Thalmann; Analyst*
Just wanted to talk about your focus on internet-resistant retailers. Just curious if you have any concern about Amazon entering the aftermarket auto parts space. You said you do like that space. But just curious if you have any concern there and what your thought process is on them.

Joey Agree, *Agree Realty Corporation – President & CEO*
Sure. There was a recent paper -- you may have read a whitepaper on Amazon relative to AutoZone, O'Reilly, as well as Advance Auto Parts, price comparisons across their merchandising assortment. I think there's a lot of speculation, and justified speculation, on Amazon's infringement into basically every retail sector today. They continue to disrupt and continue to innovate. And I think anybody who is not -- is wholly focused on only their defensive core from a retail perspective and isn't out there executing from offensive capabilities could be challenged by Amazon.

We look at the auto parts space. It's really driven by two consumers. That's the do-it-yourself customer, as well as the commercial sales to traditional dealerships, body shops, et cetera. We are very fond of both AutoZone as well as O'Reilly, to a lesser degree Advance Auto Parts as they turn around their business. These are well regarded companies with very strong balance sheets, loyal customers.

We continue to believe that there are shipping constraints, both from a cost perspective but as well as a timing perspective for your do-it-yourself customer as well as commercial customers. And if you look forward with all the opportunities in the retail landscape, I think auto parts probably won't be Amazon's number one priority.

So there is something to the experience of walking into a brick and mortar store and talking to somebody, talking to a salesperson that is both knowledgeable and can walk you through the selection of merchandise and then to really have your hands on those specific auto parts on a timely basis.

So we aren't overly concerned. We think there is an experience to walking into an auto parts store. We're focused on retailers that provide for that experience and we think it fits with our 30,000-foot perspective.

Dan Donlan*; Ladenburg Thalmann; Analyst*
Okay. And just sticking with Amazon, they've also announced their foray into groceries, or at least it's been widely talked about. Do you see that as a potential candidate for your build-to-suit pipeline stuff, your joint capital solutions program? Just kind of curious if you've had any discussions there.

Joey Agree, *Agree Realty Corporation – President & CEO*
Yes. It's a great question. I think Amazon's disruption in the grocery space is a larger priority for them and is also a bigger concern for the overall sector. Amazon is currently testing and/or about to test a couple freestanding grocery stores, approximately 15,000 square feet. It's out there in the public realm today.

We think that is a real threat to typically urban grocery. Our focus on deep-discount grocery traditionally is more suburban grocery. We would love Amazon -- if anyone from Amazon is listening, we would love to be a part of that. And we see the ability for net lease to continue to be an opportunistic vehicle for e-commerce, traditional e-commerce retailers, to open freestanding stores.

And just to touch on that quickly, we firmly believe that net lease is an important future in an omni-channel retail environment.

Net lease allows for pickup windows. Net lease allows for quick delivery and access for commercial trucks. And if you're going to have delivery and access as most retailers need, with loading docks, and if you're going to have a pickup window, which retailers are very focused, inclusive of Amazon, Walmart, and a number of other major national retailers, you effectively need three sides of a building exposed. You can't be in line in a shopping center enclosed in a mall. A net lease format allows for visibility, access, signage, pickup, delivery, parking and all the fundamental real estate attributes that are required for an omni-channel retail strategy in the 21st Century.

And so we think net lease is in the wheelhouse for the future of retail and we're excited about the opportunities that we're aware of today and the opportunities that could be presented in the future.

Dan Donlan*; Ladenburg Thalmann; Analyst*
Okay. Appreciate the thoughts. And then on the development pipeline, could we possibly see some projects slip into the fourth quarter of 2017? Or is it just we're already too far gone at this point in time in terms of length time of development?

Joey Agree, *Agree Realty Corporation – President & CEO*
When you ask about slipping into the fourth quarter, are you talking about unannounced projects?

Dan Donlan*; Ladenburg Thalmann; Analyst*
Could we see even the last project you have being delivered in the third quarter of 2017, I'm curious as you move out to the first quarter of 2017, could we still see some development sneak into the fourth quarter of 2017? Or is kind of the lead time in terms of developments just not allow for that to happen in that short period of window?

Joey Agree, *Agree Realty Corporation – President & CEO*
Well, I think we have plenty of time throughout the course of 2017 to announce new projects over the second, third and fourth quarters. Are you focused on rent commencements or construction?

Dan Donlan*; Ladenburg Thalmann; Analyst*
Yes, I was just saying do you have enough time to still deliver stuff -- you haven't announced anything being delivered for the fourth quarter. But do you still have enough time to announce something that would be delivered in the fourth quarter of 2017? Or is everything going to now fall into kind of 2018? That was my question.

Joey Agree, *Agree Realty Corporation – President & CEO*
Got you. My apologies. I follow you. Yes. Our traditional approach has been to not announce a project until it's effectively shovel ready and we've commenced and mobilized a general contractor to commence and mobilize on site. We've got a number of projects that we will hopefully announce yet this year that would be delivered before or during the fourth quarter of this year.

Dan Donlan*; Ladenburg Thalmann; Analyst*
Okay. That's helpful. And then just last one for Matt, given kind of your need of cash this year, you talked about using debt. Do you think you can stay within your 5 to 6 net debt to EBITDA parameters and not have to issue any equity this year, given what your needs are at the development side and acquisitions?

Matt Partridge, *Agree Realty Corporation – CFO*
Yes. I think, as I said earlier, the 5 to 6 times leverage range that we want to operate in, we can operate within that range executing on our business strategy for the year without having to raise any more equity. But, as Joey said, we'll always view opportunity with capital markets activity and we'll look to execute throughout the year.

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

Operator
R. J. Milligan; Baird.

R.J. Milligan*; Baird; Analyst*
You guys obviously have one of the highest percentage of investment grade tenants within the net lease space. With the reduction of Walgreens as we look into next year, how much do you expect that percentage to decline and how important is that to you in terms of credit versus as you look to underwrite real estate?

Joey Agree, *Agree Realty Corporation – President & CEO*
So we look at tenant credit. We're cognizant of tenant credit. We've historically had a very high percentage of investment grade credit obviously in the portfolio. Disposing of Walgreens is obviously, if we redeploy into an unrated or sub-investment-grade retailers is a net negative.

That said, the Walgreens acquisition of Rite Aid will be a net positive. We've talked about it on prior calls. Obtaining investment grade credit ratings by no means is the be all, end all. I mean, Hobby Lobby is the ninth largest tenant in our portfolio. It is a huge company, privately held, with zero debt. Tractor Supply, again, is an unrated top operator in the farm and rural supply category for us, 2.3% of rents at 2016. Doesn't have a credit rating because they effectively have no debt except some short-term obligations, but is a fantastic operation.

So we're cognizant of credit. We're cognizant of lease term, as we discussed. But at the same term, look, we aren't going to allow 30,000-foot metrics to drive our fundamental real estate decisions across all three platforms.

Matt Partridge, *Agree Realty Corporation – CFO*
Yes, R. J., I would also add that when you look at the shift within the portfolio, and the IG credit amount coming down, that's being shifted into nonrated credit. It's not being shifted into sub investment grade. So to Joey's point about Hobby Lobby and Tractor Supply, we're making discrete investments in the companies that are choosing not to have a rating.

Joey Agree, *Agree Realty Corporation – President & CEO*
Right. And Hobby Lobby and Tractor Supply everybody can see in our tenants, we're approaching 5% aggregate between the two. If you add that to our investment grade exposure you're effectively where we were in 2015 or 2014.

And then if you truly layer in our ground lease portfolio, which I would tell you is a margin of safety beyond just an investment grade credit rating, plus the portfolio is 100% retail. There's no office. There's no industrial or other exposure. We're confident that this is a best-in-class portfolio any way you look at it.

R.J. Milligan*; Baird; Analyst*
Okay, thanks. And then, as you think about maybe over the past few quarters as you've looked at underwriting recession resistant, e-commerce resistant categories or retailers, are there any specific categories or deals that you can think of over the past couple of quarters that you have passed on, maybe the pricing was right but given that underwriting standard, anything that you guys passed on?

Joey Agree, *Agree Realty Corporation – President & CEO*
We pass on things on a weekly basis. Our investment committee meets twice a week. We pass on a lot more than we acquire. Our acquisition team will be the first to remind us of that. There's a number of transactions that we have passed on.

And typically the driver -- everyone here is very cognizant of our approach to value creation and yield. The driver of a number of those opportunities that we pass upon -- I don't want to call out any retailers on here today, but the driver is they don't fit our 30,000-foot approach, the e-commerce and recession resistance. Everybody here is focused on high quality real estate.

I'll tell you also that that perspective continues to change. By no means are we fixed. We continue to learn more. I think the marketplace continues to learn more. The equity markets in terms of retailers are forward looking and looking at the threat of Amazon and e-commerce. We look at it as also, as I mentioned earlier, as an opportunity to engage with new retailers maybe who historically didn't have brick and mortar operations but are coming into the space.

So it's an approach that consistently changes. We're open to learning. And we challenge ourselves to continue to identify where we think the market's going in the future.

R.J. Milligan*; Baird; Analyst*
Okay, thanks. That's helpful. And then in 2016 obviously you guys did a large portfolio acquisition, $80 million, which helped to boost overall total acquisitions. Curious if any movement in the 10-year has shaken up, or shaken loose, additional portfolio opportunities that you're looking at for 2017.

Joey Agree, *Agree Realty Corporation – President & CEO*
That transaction in 2016 was a fantastic transaction for us. Obviously it increased our volume outside of our guidance for 2016, hence the raise in guidance.

Always looking at portfolios. We see a number of opportunities. That portfolio was very unique because of the California exposure and the relationships with the tenants that we had typically in that portfolio. We're always looking at opportunities. We have an investment committee meeting today. I'm sure there will be more interesting opportunities hopefully to look at.

In terms of our guidance for this year of $200 million to $225 million, if you back out the $80 million portfolio that we acquired last year, we effectively end up at the midpoint of the guidance that we've given. It's still early in the year. We're pleased with our pipeline to date. And we're going to continue to focus on the best opportunities available to us.

R.J. Milligan*; Baird; Analyst*
Thanks, guys.

Operator
Michael Bilerman; Citi.

Michael Bilerman*; Citi; Analyst*
It's Michael Bilerman here with Nick. So, Joey, yes, you've obviously made a big imprint on the Company over the last four to five years and transforming it from a portfolio perspective, a balance sheet perspective, a tenant perspective.

As we approach proxy season, I'm curious if you'll now take the next step of sort of bringing corporate governance into the 21st century, removing the staggered board, continuing to replace Board members in the tenure that's well over 15, 20 years with new members. And sort of where is the mindset today at the board level to do that? Now, you've had companies like Vornado de-stagger as well. And it sort of sticks out relative to the broader REIT industry.

So can you talk a little bit about proxy season and what's going to happen?

Joey Agree, *Agree Realty Corporation – President & CEO*
And first, I thank you for the compliments. I'll tell you, when I came to the Company and I took the helm of the Company, I won't take credit for the balance sheet. This company has always had a conservative mindset. I think my father drilled it into my head about conservatism and balance sheet and the trials and tribulations people have had with leverage since I was in kindergarten. And so I was taught and inherited that discipline mentality to a balance sheet and so I want to make sure credit is given where credit is due there.

From a corporate governance perspective we've taken a number of critical steps to improve our corporate governance and the Board. And I don't want to speak on behalf of all Board members, but as one of them, the Board is constantly focused on improving this company.

We've added three really fantastic Board members in the past few years. John Rakolta, Merrie Frankel and Jerry Rossi are of the highest quality additions who provide a significant amount of value to this company. And we're very thankful and grateful for their participation, as a director of this company.

Last year in the proxy we committed to implement a formal executive compensation plan. This year -- it's been adopted this week and you can see the filing. So I'll tell you we are consistently and we are committed to improving really everything we do, including corporate governance.

I'll be honest with you, I'd be reticent to tell Board members that they've been here too long or they're too old to serve on our board, given the nature or the quality of their participation.

That said, I'll take the opportunity to thank Gene Silverman, who's stepping down from our board for Merrie Frankel to effectively take his seat. We're talking about people that have been -- rode through the transformation of this company and were supportive and directive and instructive in that transformation. And we wouldn't want to do anything to diminish their contribution.

But corporate governance is something that we're focused on. We've made some marked improvements and we will continue to make those improvements.

Michael Bilerman*; Citi; Analyst*
Well, I guess -- why have a staggered board? And another company, Netcali, put an age limit in as well on their board. And you have one of the oldest boards of north of 70 years. And it just appears -- and I'm not diminishing the fact that you've had three new board members in the last five, six years -- having a staggered board really goes against proper corporate governance and not having a certain age limit to rotate that, even with the staggered board, seems to go against what institutional shareholders want.

Joey Agree, *Agree Realty Corporation – President & CEO*
I could tell you, really, some of the history. Personally, I think an age limit -- I'm not sure if I would personally be in favor of a hard cap for age. I really just don't care for the approach that somebody is too old to contribute, especially today with life expectancies. I know people that are working well into their 70s that are highly successful. And I'd tell you that an age limit personally rubs me the wrong way. Maybe it's because I'm a young CEO and I like the wisdom and experience that those people bring. That's specific to the age limit.

In terms of the staggered board, that was historically in place to allow for the transformation of this company that you correctly brought up. Potentially without those attributes -- they've enabled the transformation of this portfolio, the growth of the portfolio, the transformation of the Company. And I would tell you have somewhat contributed, potentially contributed to shareholder activism, whether it's warranted or unwarranted, that has led to returns that are on top of the net lease space over the short term, medium term, as well as five-year returns.

That said, Michael, I don't want to say that we are not focused on continuing to improve corporate governance, because we are and we're taking those steps. This is a small company. There's 26 full-time employees. We're focused on a lot of stuff with the board discussions, and it's something that we will continue to discuss and continue to improve.

Michael Bilerman*; Citi; Analyst*
Okay. Just two other ones. In terms of -- I think another piece is providing guidance. And while there's probably a handful of companies that don't provide strict sort of FFO guidance, I'm curious now that you've reached a certain size, a little bit more mature, you remain one of the most stable businesses doing net lease, why not provide all the variables to guidance and come down to an annual number? You said you're not focused on quarterly numbers. Doesn't mean you can't provide an FFO range, I assume. What's holding you back now of not providing that?

Joey Agree, *Agree Realty Corporation – President & CEO*
Got it. So it's really one thing that has held us back from providing that guidance. And I think for most analysts and investors in this company, with the stability of cash flow, like you mentioned, driving to a number isn't overly challenging.

I tell you today I don't believe the Company is necessarily large enough to provide for that guidance. I mean, we are focused on the retail real estate net lease business. We're not a financier. We're not an aggregator. The most important thing, from my perspective, is that we are never engaging in investment activity to meet any levels of guidance. We are opportunistic, both on the front end as well as the back end of transactions.

And I want my team here to be focused on finding the best opportunities, to negotiating to the best of their strength, not viewing this as an institutional buy side or development side mentality, but to be focused on retail real estate fundamentals and finding the best deals in the market. We're out there really looking -- I wouldn't call it for a needle in a haystack, but a needle in a hay bale.

And I want to focus from an entrepreneurial perspective as part of our DNA and our core values. I want them focused on the best deals. And if that is $150 million in deals in a year or $500 million of deals in a year, the biggest driver to our earnings, to FFO and AFFO, is timing of those transactions coming online and volume, but also when we raise any type of capital, whether it's equity or debt. And there's significant variability because of those factors.

And so that's historically been my concern on a company with $1.6 billion size enterprise value. And frankly, I'm not sure that we're large enough to maintain that DNA but to be able to provide useful guidance to the Street.

Michael Bilerman*; Citi; Analyst*
Yes. There's a handful of companies that just exclude capital markets and acquisitions, dispositions from their guidance.

But last question. Just as you think about -- you talked a lot about e-commerce resilient, but you've also been saying recession resilient. There's an element that in a recession e-commerce-resilient businesses may not do as well, right? Because if people tighten up their belt, they may not go experience things. They may not go and do those. So I sort of view those a little bit -- they're not mutually exclusive in that way. So sort of talk a little bit about that.

But then the other aspect is, your portfolio is not solely focused on all experiential type activities and experiences. There's a lot of stuff that still has the threat of e-commerce in your portfolio. And I guess how far would you go in terms of ski hills or theaters or golf? I mean, I can agree the gyms, the carwashes, the auto service, all that has an experience and a person having to go consume their activity. But you have a lot of exposure, a majority of your exposure, which is still brick and mortar retail at the end of the day, that at some point could get disintermediated by e-commerce.

Joey Agree, *Agree Realty Corporation – President & CEO*
No, it's a great question. And I personally spend a lot of time thinking and working directly on it.

In terms of ski hills -- what was the other -- golf courses.

Michael Bilerman*; Citi; Analyst*
Golf, theaters –

Joey Agree, *Agree Realty Corporation – President & CEO*
Yes.

Michael Bilerman*; Citi; Analyst*
I mean, if you really wanted to go purely that way, you certainly can –

Joey Agree, *Agree Realty Corporation – President & CEO*
No, never happening. Not our core competency, not what this company is focused on today or in my future.

We've acquired our first couple movie theaters. We talked about I believe on the last earnings call that movie theaters, we think there's a place in a minority position in a net lease portfolio. We will not become the movie theater REIT.

We won't be acquiring golf or ski hills because we don't believe, one, it's in our core competency, we're able to drive to a residual value in underlying real estate. Frankly, it's not our core competency to evaluate the residual value in that underlying real estate.

Your question is a great one. It's how do you mold the future of retail with the future of the economy, which will have its ups and down on a cyclical as well as a structural basis.

We think we've done a very good job targeting the retailers in these spaces that are the leaders in the spaces. It used to be retailers could have three in a category. Today that's very challenging given the internet and Amazon. You didn't have any Sports Authority, you didn't have any Rogan's or MC Sports or Family Christian stores -- four retailers that have filed. We don't have any hhgreggs. We don't have any Ganders.

And so I think we've done a pretty good job. That said, we have to focus on industry leaders in spaces that we believe have an experience to the shopping component. That can be from Apple to Costco to

TJMaxx, who we have great affinity for, in the middle of those two. And there are a number of those brick-and-mortar retailers which we are highly focused on.

That experience, as I touched on earlier, can be shopping at an auto parts store and talking to a service clerk in an auto parts store and understanding how a part works in context of somebody's automobile.

And so it's a number of factors. It is not a binary approach by any means. Retail is changing. We think we are at the front of the net lease space in the retail space to understand how retail is changing. And we're committed to continuously self-evaluating it and in the future.

Does that make sense?

Michael Bilerman*; Citi; Analyst*
Yes. Good. Thank you.

Operator
Ki Bin Kim; SunTrust.

Ki Bin Kim*, SunTrust; Analyst*
I forgot to say this, but I want to say thanks for changing the conversation structure. I think that was one of the things that we highlighted. There's not many negatives but that was probably one of the areas that could have used improving. So thanks for that.

So could I ask a question about any purchase options in your leases? Now, overall in your portfolio, how many leases have purchase options for the tenants?

Joey Agree, *Agree Realty Corporation - President & CEO*
I believe it is one.

Ki Bin Kim*, SunTrust; Analyst*
Well, that's good to know.

Joey Agree, *Agree Realty Corporation - President & CEO*
Yes. Typically our tenants -- I want to expand there. There are tenants that have right of first refusals. But in terms of an option to purchase, there's just one.

Ki Bin Kim*, SunTrust; Analyst*
Okay. And I know you don't get much unit-level coverage information from your tenants, given that you don't use master leases that often. But with that said, like approximately for some of the new deals you're doing, are you getting unit-level coverage data?

Joey Agree, *Agree Realty Corporation - President & CEO*
So just a little overall context for the portfolio, we have 130 properties that report sales. So it's about a third of our portfolio that report sales. We have 60 properties which the tenants report financials. Again, the vast majority of our tenants are publicly traded and so you can see their financials online.

In terms of the unit-level coverage, our unit-level coverage for the tenants that report, that we received reporting for last year, was what's 3.1 times.

So, again, we're not a financier. We acquire and develop and participate in our Partner Capital Solutions program, typically with national and super-regional retailers that don't report. That said, the minority of the portfolio reports and we're very satisfied with how they're performing to date.

Ki Bin Kim, *SunTrust; Analyst*
Okay. And one I think often used term in this sector is that companies are leveraging their tenant relationships to obtain deals that are supposedly off market. But maybe you can give us a little more insight under the hood and talk about how you're doing it maybe versus competitors and how often are you in actual dialogue with your current tenant base.

Joey Agree, *Agree Realty Corporation - President & CEO*
Yes. So I think it's actually a very good question, Ki Bin. So I'd tell you that how we talk about leveraging relationships with tenants is very divergent from our peers talking about leveraging relationships with their tenants or the repeat business that we hear our peers talk about.

I would tell you that sale-leaseback world, we're talking about sophisticated multimillion-dollar transactions, which typically bankers are involved, the leveraging relationships to achieve out of market cap rates on sale-leaseback is probably a minority outcome.

When we talk about leverage relationships with tenants we're talking about doing a sale-leaseback with a tenant or developing for a tenant, building out that relationship and then expanding that relationship to one of our other three primary external growth platforms.

And I'll revert back to Meridian. Meridian was a sale-leaseback in the end of 2014. I believe it was in December of 2014. It was a sale-leaseback at the time. I wouldn't say that we were the only person who looked at the sale-leaseback, only party that looked at it. But we are the only party in the net lease space, traded or nontraded, that can be a development and a Partner Capital Solutions partner for that retailer on a go-forward basis because of the unique capabilities that we have and our development track record.

Similar with Camping World, the Partners Capital Solutions project in Tyler, Texas. We are the only net lease REIT that could be in the ground, developing ground up, in Georgetown, Kentucky for Camping World.

And so when we talk about leveraging relationships, we're talking about leveraging relationships to expand our capabilities with that tenant and to come up with different transactional structures in our three external growth platforms, not necessarily to do the next deal with them in the same platform. That make sense?

Ki Bin Kim, *SunTrust; Analyst*
Yes. And thank you. That's helpful.

Operator
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*
Thank you. And with that, we'd like to thank everybody for joining us here today. And we look forward to speaking with you when we report our first-quarter results.

Thank you very much.

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