EDITED TRANSCRIPT

AGREE REALTY
RETHINK RETAIL

Agree Realty Corporation’s
Fourth Quarter 2021 Earnings Conference Call
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PRESENTATION

Operator:

Good morning, and welcome to the Agree Realty Fourth Quarter and Full Year 2021 Conference Call. All participants will be in listen-only mode. [Operator Instructions] After today's presentation, there will be an opportunity to ask questions. [Operator Instructions] Please note this event is being recorded.

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

Reuben Treatman | Agree Realty Corporation | Director, Corporate Finance

Thank you. Good morning, everyone, and thank you for joining us for Agree Realty's fourth quarter and full-year 2021 earnings call. Before turning the call over to Joey and Peter to discuss our record results for the year, let me first run through the cautionary language.

Please note that during this call, we will make certain statements that may be considered forward-looking under federal securities law. Our actual results may differ significantly from the matters discussed in any forward-looking statements for a number of reasons, including uncertainty related to the scope, severity and duration of the COVID-19 pandemic, the actions taken to contain the pandemic or mitigate its impact, and the direct and indirect economic effects of the pandemic and the containment measures on us and our tenants. Please see yesterday's earnings release and our SEC filings, including our latest Annual Report or Form 10-K, for discussion of various risks and uncertainties underlying our forward-looking statements.

In addition, we discuss non-GAAP financial measures, including core funds from operations or core FFO, adjusted funds from operations or AFFO, and net debt to recurring EBITDA. Reconciliations of these non-GAAP financial measures to the most directly comparable GAAP measures can be found in our earnings release, website and SEC filings.

I'll now turn the call over to Joey.

Joey Agree | Agree Realty Corporation | President & CEO

Thanks, Reuben, and thank you all for joining us this morning. I am pleased to report that 2021 was another terrific year for our growing company. We achieved several notable milestones over the past 12 months, including but not limited to record investment activity of $1.43 billion, surpassing our robust volume in 2020; the addition of 294 properties to our growing portfolio, including six Walmarts, maintaining Walmart as our top tenant at 6.6% of annualized base rent; the completion of our inaugural preferred equity offering with extremely attractive pricing setting a non-PSA record; surpassing $5 billion in equity cap while approaching $7 billion in total enterprise value; and most importantly, the investments in our team and our information technology infrastructure led by our proprietary ARC database have paid tremendous dividends.

While our investment volumes were once again at record levels, our continued focus on best-in-class retailers was reinforced by nearly 70% of annualized base rents acquired being derived from investment-grade operators.

Our disciplined approach is further demonstrated by the ground leased opportunities that we executed on during this past year. We added 93 ground leases to the portfolio, representing nearly 30% of annualized base rents acquired and increasing our ground leased exposure to 14.3% of our total portfolio. Several notable ground leased assets were acquired during the year, including our second Wegmans in Parsippany, New Jersey; nine long-term Wawa convenience stores; three Walmart and Sam's Clubs, a Lowe's in Ohio and nearly 20 outlots to dominant power and grocery-anchored centers. As a reminder, our ground leased portfolio derives 87% of rents from investment-grade tenants and is largely comprised of the company's preeminent retailers.

We closed out the year with a strong fourth quarter, investing $315 million in 74 properties across our three external growth platforms. Over 67% of annualized base rent acquired during the quarter were derived from retailers with investment-grade credit rating, while over 22% of annualized base rents acquired were derived from ground leased assets.

The 71 properties acquired during the fourth quarter are leased to 34 tenants operating in 18 distinct sectors, including general merchandise, home improvement, grocery, off-price retail, convenience stores, tire and auto service, auto parts, pharma and rural supply and dollar stores. The properties were acquired in a weighted average cap rate of 6.1% and had a weighted average lease term of 10.1 years.

We have entered 2022 with the largest pipeline in the history of the company. As disclosed in our December prospectus supplement included in our pipeline are two portfolio transactions, including the largest portfolio the company has ever pursued.

This portfolio is comprised of over 50 properties for an anticipated purchase price of more than $180 million. The first tranche of the transaction has closed, and the second tranche is anticipated to close during the first quarter of this year. The portfolio has a weighted average lease term of nearly ten years and derives approximately 90% of annualized base rent from investment-grade retailers. In addition, we are currently under contract and a portfolio of three high-performing Walmart supercenters and a Home Depot store.

While these portfolios demonstrate our capability to execute on larger scale transactions, they are incremental to the more granular activity that is characteristic of our traditional acquisition volume.

As indicated by our initial guidance of $1.1 billion to $1.3 billion, we are extremely confident in our team's ability to aggregate high-quality opportunities comprised of leading omni-channel retailers.

As mentioned, at year-end our portfolio's investment grade exposure stood at 67%, representing a two-year stacked increase of more than 880 basis points. Our focus on best-in-class retailers will continue as we do not believe it's prudent to move up the risk curve in a dynamic retail environment.

Moving on to our development and Partner Capital Solutions platforms, both platforms are seeing increased opportunities of an expanding and sizable pipelines. We anticipate both of these platforms to produce outsized activity this year, as we focus on driving incremental value by leveraging all of our real estate capabilities and relationships. While still quite early in the year, I would anticipate commencing between $50 million and $100 million through our development and PCS platforms during 2022.

For comparison, we had seven development and PCS projects either completed or under construction during 2021 that represented total capital committed of approximately $40 million. Four of those projects were completed during this past year, representing total investment volume of $31 million.

Construction continued during the fourth quarter on the company's third project with Gerber Collision in New Port Richey, Florida, the company's first development with 7-Eleven in Saginaw, Michigan, and our second Gerber project in Pooler, Georgia.

Dispositions during 2021 remain consistent with prior years as we sold 18 properties for total gross proceeds of $58 million. These dispositions were completed at a weighted average cap rate of 6.4%. Notably, we sold six franchised restaurants during the year, reducing the company's franchise restaurant exposure to less than 1% of annualized base rents.

Our asset management team remains diligently focused on addressing our upcoming lease maturities. As a result of these efforts, at year-end, our 2022 lease maturities stand at just 0.5% of annualized base rents, representing a year-over-year decrease of approximately 80 basis points.

During the fourth quarter, we executed new leases, extensions or options on approximately 256,000 square feet of gross leasable area.

For the full year 2021, we executed new leases, extensions or options in over 603,000 square feet. Notable new leases, options or extensions included a new 15-year lease with Gardner White Furniture for the former Art Van flagship store in Canton, Michigan, as well as a new 15-year lease with Burlington in Mt. Pleasant, Michigan for the former JCPenney space.

As of December 31, our rapidly growing retail portfolio consisted of 1,404 properties spread across 47 states. This represents an approximately 24% increase in total property count over the course of the year.

The portfolio remains nearly fully occupied at 99.5%. As evidenced by our increasing investment grade exposure, our expanding ground leased portfolio and our minimal near-term lease rollover, our portfolio is better positioned than it has ever been. With a balance sheet to match, I envision 2022 being another significant year for our company.

Before I turn the call over to Peter to discuss our financial results, I'd like to highlight the announcement of our new corporate headquarters. As previously announced, we recently closed on the acquisition of a former Art Van Furniture store on Woodward Avenue here in Royal Oak, Michigan. This building offers the unique redevelopment opportunity to create a state-of-the-art space for our growing team.

Plans call for additional training and development space, health and wellness facilities, and collaborative meeting areas aligned with our ADC University and ADC wellness initiatives. Construction is anticipated to commence during the second quarter of this year, with a targeted move-in date during the first half of 2023.

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

Peter Coughenour | Agree Realty Corporation | CFO

Thank you, Joey. I'll start by providing an update on our balance sheet and capital markets activities during 2021. We had another very active year in the capital markets, raising a record of $1.9 billion to fortify our balance sheet and position us for continued growth. In addition to external capital raised, we also generated nearly $100 million during the year via asset sales and free cash flow after the dividend. Adjusting for the impact of the transition to a monthly dividend during the first quarter of 2021, which resulted in 14 months of dividends being paid during the year, this figure would have been closer to $120 million. We anticipate that our increasing free cash flow after the dividend will be a valuable source of capital as we continue to grow.

We completed several notable capital markets transactions during the past year, including:

- The sale of almost 16 million common shares for total gross proceeds of approximately $1.1 billion via three follow-on equity offerings, one of which was on a forward basis, as well as the forward ATM program.

- The completion of a dual tranche public bond offering for $650 million at a blended all-in rate of 2.1%, including the forward starting swaps that were terminated at the time of the transaction. This transaction allowed us to repay all $240 million of our unsecured term loans and reduced our weighted average interest rate to 3.2% while extending our weighted average debt maturity.

- Our inaugural preferred equity offering for gross proceeds of $175 million at a 4.25% coupon a record for REITs aside from public storage.

- Lastly, in December, we amended our revolving credit facility, increasing the capacity from $500 million to $1 billion. The facility includes an accordion option that allows us to request additional lender commitments, up to a total of $1.75 billion. We also extended the term of the facility and reduced our cost to borrow by 5 basis points, based on our current credit ratings and leverage ratio.

As a result of our capital markets activities, our balance sheet is exceptionally well positioned to start the year and affords us tremendous flexibility. We had over $1.4 billion in liquidity at year end, including cash on hand, a largely undrawn revolver and almost $520 million of net proceeds available to us from our outstanding forward equity.

Additionally, consistent with our hedging strategy, we have previously entered into $300 million of forward starting swaps in contemplation of a future long-term unsecured debt issuance, effectively fixing the base rate at approximately 1.7%. Together, with our outstanding forward equity, we have hedged the cost of more than $800 million of capital to fund this year's investment activity. When considering free cash flow after the dividend, as well as disposition proceeds, the majority of our capital needs for the year have been satisfied.

Our significant liquidity, more than $800 million of hedge capital, and a robust pipeline gives us confidence that we can achieve high-single-digit AFFO per share growth in 2022. Building upon our nearly 10% AFFO per share growth in 2021, this implies two-year stack growth in the high teens. We view this level per share growth is very compelling when combined with our best-in-class portfolio and our fortress-like balance sheet.

Our net debt to recurrent EBITDA stood at 4.9 times on December 31st or 3.4 times pro forma for the settlement of our almost $520 million of outstanding forward equity. At year end, total debt to enterprise value was approximately 24.5%. Fixed charge coverage, which includes principal amortization and the preferred dividend, remained at a company record 5.2 times.

As demonstrated by these metrics, our balance sheet remains a consistent source of strength for our company as we navigate uncertainty in the capital markets. And as Joey mentioned, we are very well positioned to fund our robust pipeline without reliance on the capital markets.

Moving to earnings, Core FFO was $0.92 per share for the fourth quarter and $3.58 per share for full-year 2021, representing 10.2% and 10.9% year-over-year increases, respectively. AFFO per share was $0.91 for the fourth quarter and $3.51 for the full year, representing 9.2% and 9.7% year-over-year increases, respectively.

On a quarterly and full-year basis, core FFO per share and AFFO per share were impacted by dilution related to our outstanding forward equity offerings. In accordance with GAAP, treasury stock is to be included within our diluted share count in the event that, prior to settlement, our stock trades above the deal price from the offerings. The aggregate dilutive impact related to these offerings was less than $0.005 to both Core FFO and AFFO per share for the fourth quarter and approximately $0.01 for the 12-month period.

Our consistent and reliable earnings growth continues to support a growing and well-covered dividend. During the fourth quarter, we declared monthly cash dividend of $0.227 per common share for each of October, November and December. On an annualized basis, the monthly dividends represent a 9.8% increase over the annualized dividend from the fourth quarter of 2020. For the full year, the company declared dividends of just over $2.60 per share, an 8.3% year-over-year and a 14% increase on a two-year stacked basis. Our payout ratios for the fourth quarter and full year remained at or below the low end of our targeted range of 75% to 85% of AFFO per share.

Subsequent to quarter end, we declared monthly cash dividends of $0.227 per common share for January and February. The monthly dividends reflect an annualized dividend amount of $2.72 per share, or a 9.7% of $2.72 per share or a 9.7% increase over the annualized dividend amount of $2.48 per share from the first quarter of 2021. As in years past, and sticking with our consistent dividend policy, investors can anticipate our monthly dividend to grow at or just below AFFO for the upcoming year, indicating significant dividend growth once again.

General and administrative expenses in 2021 totaled $25.5 million. G&A expense was 7.5% of total revenue or 7% excluding the non-cash amortization of above and below market lease intangibles. For 2022, while we continue to support our growing organization, we expect that G&A expense will continue to scale, decreasing between 20 to 50 basis points as a percentage of total adjusted revenue.

Lastly, income tax expense for the full-year 2021 totaled $2.4 million. For 2022, we anticipate total income tax expense to be in the range of $2.5 million to $3.5 million.

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

Joey Agree | Agree Realty Corporation | President & CEO
Thank you, Peter. At this time, operator, we'll open it up for questions.

QUESTIONS AND ANSWERS

Operator
We will now begin the question-and-answer session. [Operator Instructions] And our first question will come from Wes Golladay of RBC Capital Markets. Please go ahead.

Wes Golladay | Robert W. Baird & Company
Hey. Good morning, everyone. I'm actually at Baird. I have a quick question on the developer PCS program going to $50 million to $100 million. Can you talk about the relative economics of the yield that you're going to get on those deals and how big would you like that pipeline to get?

Joey Agree | Agree Realty Corporation | President & CEO
Hey, good morning, Wes. Relative yields for the development and PCS programs are in line historically with what we've talked about, 100, 250 basis point spreads over market cap rates. Our expectation for that program is to continue to ramp throughout the course of this year. We think we'll see significant activity during the first quarter in terms of starts as well as Q2. But we have some programmatic relationships that we're focused on that we're excited to roll out and that have already begun putting shovels in the ground there.

Wes Golladay | Robert W. Baird & Company
Got it. And are you getting new relationships out of this expansion of the program?

Joey Agree | Agree Realty Corporation | President & CEO
I think we're really – Our focus is working with our existing tenant base, the sandbox of retailers we always refer to that are now in either a growth phase or looking at high-priority relocations. But a number of them have approached us to really assist them in their growth ambitions really throughout the country.

Wes Golladay | Robert W. Baird & Company
Got it. And then when we look at this pipeline that you have right now, the $1.2 billion at the midpoint of guidance, how much of that will be the more granular acquisitions versus the – I guess you did highlight a few of the small portfolios?

Joey Agree | Agree Realty Corporation | President & CEO
It's a great question. We'll have to see as the year continues to transpire. Given the disclosure in the Pro Supp and the commentary today, we have approximately $260 million between the two portfolios. The first tranche of the $180 million portfolio have already closed. So about $260 million in those two portfolios alone. I'll tell you, there are other portfolios we are working on currently. But at the end of the day, we don't rely on portfolio-level activity. The more granular approach is our day-to-day, but we'll be prepared from a balance sheet as well as a human capital position to execute on anything that comes our way.

Wes Golladay | Robert W. Baird & Company
Got it. Thanks for the question.

Joey Agree | Agree Realty Corporation | President & CEO
Thanks, Wes.

Operator
The next question comes from Brad Heffern of RBC Capital Markets. Please go ahead.

Brad Heffern | RBC Capital Markets
Hey. Good morning, everyone. I was wondering if they were going to say I was with Baird. Cost of capital is obviously higher than it was a couple of months ago. I know you've blocked in most of the capital for this year, but can you pursue the same types of opportunities and still generate attractive spreads on a longer-term basis?

Joey Agree | Agree Realty Corporation | President & CEO
Well, I think it's – as you mentioned, we have $520 million – and Peter detailed in the prepared remarks – $520 million of forward equity, $300 million of forward starting swaps on the debt side, and approximately 1.7% as a 10-year base rate. And so, from a capital position, we are very well-capitalized. And our overall hedging policy continues to pay dividends. So, we're very pleased that we completed the follow-on offering in December. We feel like we've taken most of our capital needs off of the table for the year. You include a significant amount of free cash flow after the dividend plus disposition proceeds, and we're in a great position to execute on our pipeline.

Brad Heffern | RBC Capital Markets
Okay. Got it. Maybe trying in a different way. I mean, do you think that cap rates eventually are going to start adjusting to these higher rates? And how long do you think that will take?

Joey Agree | Agree Realty Corporation | President & CEO
So, that's a difficult question. I think here with the 10-year approaching 2%, historically, there is causation between cap rates and the 10-year U.S. Treasury. Usually it has a lag of three to six months. And we haven't started to see cap rates materially moved up yet, but my expectation is that cap rates will follow like they have historically the 10-year treasury. So, I think we're in a good position not only given our balance sheet and liquidity position today, but also to execute on the latter half of the year.

Brad Heffern | RBC Capital Markets
Okay. Thank you.

Operator
[Operator Instructions] And our next question will come from Linda Tsai of Jefferies. Please go ahead.

Linda Tsai | Jefferies Group, LLC
Hi. Good morning. In terms of the $180 million portfolio, how does the cap rate for this compared to the weighted average cap rate of 6.1% in 4Q?

Joey Agree | Agree Realty Corporation | President & CEO
Yeah. Good morning, Linda. We talked about that during the transaction in December. That cap rate is just south of where we've transacted historically in this quarter. Now, given the composition of that portfolio being 90% investment grade, really tenants that fit within our wheelhouse and just the synergies, and obviously reduce frictional costs, we thought that was appropriate. But we also see additional

opportunities that will pull that cap rate back up but we anticipate printing a six or north for Q1 in terms of acquisition volume, and it will definitely be a robust quarter for us.

Linda Tsai | Jefferies Group, LLC
And then you mentioned there's high-quality tenants within that portfolio. Are there any other new tenants that you would be acquiring?

Joey Agree | Agree Realty Corporation | President & CEO
In that portfolio?

Linda Tsai | Jefferies Group, LLC
Yes.

Joey Agree | Agree Realty Corporation | President & CEO
There's a couple miscellaneous tenants in there that we'd be acquiring that would potentially be dispositions, but they're fairly de minimis. The bulk of that portfolio fits extremely well within our top, call it, 15-tenant roster.

Linda Tsai | Jefferies Group, LLC
Thanks. And then can you just remind us what your bad debt expectation would be in 2022? And then, just follow-up is in this improving credit environment, are there new tenant types that you're looking at?

Peter Coughenour | Agree Realty Corporation | CFO
So Linda, with respect to our bad debt expectations for 2022, we specifically identify potential bad debt issues based on our assessment of recoverability with any troubled tenants. There are no significant outstanding balances for which we haven't already recorded a reserve. So, pending any developments with existing tenants, we don't anticipate any meaningful bad debt expense in 2022.

Linda Tsai | Jefferies Group, LLC
Thanks. And then, just in terms of the better credit environment, are there new tenants that you're looking at?

Joey Agree | Agree Realty Corporation | President & CEO
I would say, our sandbox remains fairly constant, there's always tenants that we look at for minority investments or who are on the fringe of that sandbox that we monitor. Historically, there had been tenants such as Boot Barn, where we've done a number of transactions. We'll continue to monitor. I think given the surge sale, the surge sales of the pandemics and the adjustments of some of the balance sheets that will prove to be temporary as we continue to migrate toward that true omni-channel future.

So while we see improved balance sheets with some weaker performers pre-COVID, some of whom have gone public and entered, we're able to execute on an initial public offering. Our focus is still going to be on those leading operators that everybody's familiar with that we consistently transact with.

Linda Tsai | Jefferies Group, LLC
Got it. Thank you

Joey Agree | Agree Realty Corporation | President & CEO
Thanks, Linda.

Operator
The next question comes from Josh Dennerlein of Bank of America. Please go ahead.

Josh Dennerlein | BofA Securities, Inc.
Hey, guys. Hope everyone's doing well. Joey and Peter, just maybe kind of big picture. How are you thinking about capital raising in a rising interest rate environment and is there any kind of maybe shift or anything you would lean into?

Joey Agree | Agree Realty Corporation | President & CEO
Well, the good news is we don't have to think about capital raising in this type of environment today given the December offering and just the position of the balance sheet, the expanded credit facility, the swaps we have in place. And so, we think we're in – most important in this business, we think, is to have the capital to deploy it with meaningful spreads in an external growth strategy, such as any net lease company. That said, we'll consistently – I'll throw in there, too, the execution of our inaugural preferred 4.25% last year looks extremely attractive from our perspective.

So, I think we'll take advantage, and I'll let Peter follow up with anything else. We'll take advantage of opportunistic capital when it's out there, whether that be common equity, debt or preferred. But most importantly, our balance sheet is, as discussed at length in here, the fortress. And so, it will continue to be able to enable our growth trajectory and execute on the robust pipeline that we see we have frankly today to execute on. Anything, Peter?

Peter Coughenour | Agree Realty Corporation | CFO
Yeah, Josh. I'd just add, look, we're always evaluating the capital markets to determine what's the most efficient and effective way for us to raise capital to support our continued growth. As Joey mentioned, the balance sheet is in excellent shape today. And I think it's evidence that we will look for alternate ways to raise capital, as evidenced by the preferred equity offering we completed last year to fund growth. But we're always going to evaluate all options available to us with respect to any particular capital raising.

Joey Agree | Agree Realty Corporation | President & CEO
Yeah. One other thing I would add there, Josh, is we have never believed in just-in-time funding. At times, we've been criticized for being under-levered. But in an external growth business that's growing on a relative and absolute basis, as quickly as this company has just-in-time funding to me means a just-in-time potential problem. And so whether it's the use of forward equity or forward starting swaps on the debt side, we always want to maintain our balance sheet as that offensive line.

I understand people will say you're under-levered at times. Well, my response to that's always – it's very easy to increase leverage. It is not painful to increase the leverage as it is to de-lever the balance sheet. It is a lever that we can pull in the future if we feel that it's appropriate or the cost of respective capital we aren't aligned with. But I think the just in time funding as we have proven time and time again in this space can lead to disastrous consequences. And so we're very happy that with the December raise, we're very happy with our position from a financial perspective today.

Josh Dennerlein | BofA Securities, Inc.
Great. Thank you, guys.

Joey Agree | Agree Realty Corporation | President & CEO
Thanks, Josh.

Operator
The next question comes from Tayo Okusanya of Credit Suisse. Please go ahead.

Tayo Okusanya | Credit Suisse
Yes. Good morning, Joey and team. My question is kind of more of a high-level question. Again, balance sheet in great shape and a real focus on investment-grade tenants and higher tenant credit quality. I know that's great. But I'm just kind of curious, again, you paint a positive picture of the retail backdrop with some of your comments. You have peers again who are still kind of further out on a risk curve, not doing quite as much investment grade, higher leverage, things like that, and the street seems to be rewarding their stocks quite a bit with their premium valuation of yours. Just kind of curious, why do you think that's happening and what do you think will changes that? Is it rising rates that results in tenant quite a blow ups or just kind of trying to get a sense of why do you think that's happening?

Joey Agree | Agree Realty Corporation **|** President & CEO
Well, it's a great macro question. I think, we'll look back on the last two years one day and historically understand maybe contextually what's actually occurred. But if we look at the recession caused by the pandemic and then we can look at the re-acceleration and the recovery of this economy, led by monetary and fiscal policy, as well as the rapid development of vaccines that had never been heard of before, I think all investors are out there, frankly, looking around and saying what trying to get their own bearings.

That said, we don't believe that the pandemic and/or the recovery has changed the risk profile of sectors, underlying real estate or single purpose buildings. And so those risk adjusted returns, we don't think, makes sense in an omnichannel world. I think I've mentioned this before on earnings calls at least with investors and numerous meetings. In ten years, I don't believe my children are going to remember whether Walmart started the brick-and-mortar store, or Amazon started as an e-commerce retailer.

And so we see the world converging. We think we've done a good job in terms of the Rethink Retail strategy on the website and the white papers articulating that. But we just don't see it appropriate to go up the risk curve. What we see again this morning with Lowe's print and Walmart's print, I believe it was late last week or earlier this week is the big retailers who have the capital to invest in an omnichannel strategy in price, in labor pressure, in their distribution logistics networks are going to continue to thrive in this world because they have the resources from financial perspective to invest.

And we think that is absolutely critical. So we're going to focus on our strategy investing in the best and brightest retailers in this country that we think are going to survive for not only years but for decades to come. This is a long term business. We signed long term leases or acquire, subject to long term leases. Our full expectation is those tenants are there to pay their rent for the duration of their base term of their lease and is extended by options.

Tayo Okusanya | Credit Suisse
That's helpful. And then second question just around again the land deal. Just kind of curious how much opportunity you are seeing on that side and ultimately the target of how big that becomes as part of the portfolio? I think it's about 14% now. I don't know whether your goal is 20%, 25% in three years.

Joey Agree | Agree Realty Corporation **|** President & CEO
Yeah. No real goal. Those opportunities ebb and flow. They come from the same sourcing and origination mechanisms as the remainder of any opportunities. It's just a different lease structure. We found tremendous opportunities. We highlighted some of them. The Wegmans in Parsippany, the Aldi portfolio we acquired, the Wawas, I believe it was nine Wawas on ground leases where the tenant has invested significant capital in the improvements in the buildings.

Those opportunities truly ebb and flow. There's no long-term goal for that portfolio. It's approximately $50 million in NOI today. As we mentioned in the prepared remarks, almost 90% investment grade, it's extremely unique. We'll continue to execute on those opportunities. But as we mentioned before, we're not going to reach in terms of pricing or drive cap rates down, and so they'll ebb and flow. They're typically one-off opportunities that we'll transact on.

Tayo Okusanya | Credit Suisse
Great. Thank you.

Joey Agree | Agree Realty Corporation | President & CEO
Thanks, Tayo.

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

Joey Agree | Agree Realty Corporation | President & CEO
Well, thank you, everybody. We look forward to seeing everybody hopefully in person during the upcoming conference season and appreciate everybody's time. Thanks again.

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