EDITED TRANSCRIPT

AGREE REALTY CORPORATION

Agree Realty Corporation's
Third Quarter 2018 Earnings Conference Call
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PRESENTATION

Operator
Good morning, everyone, and welcome to the Agree Realty Third Quarter 2018 Conference Call.

[Operator Instructions]

And please note that today's event is being recorded.

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

Joey Agree - *Agree Realty Corporation - President & CEO*
Thank you, Operator. Good morning everyone and thank you for joining us for Agree Realty's Third Quarter 2018 Earnings Call. Joining me this morning is Clay Thelen, our Chief Financial Officer.

I'm pleased to report that we had another very strong quarter, with our three external growth platforms producing record investment volume and significant capital markets activities that positions our Company for continued growth.

During the third quarter we invested $159 million among 52 high-quality retail net lease properties. 43 of these investments were sourced through our acquisition platform, representing aggregate acquisition volume of approximately $151 million for the third quarter. The properties were acquired at a weighted-average cap rate of 7.2% and had a weighted-average remaining lease term of 11.5 years.

The acquired properties are located in 20 states and are leased to 20 leading retailers operating in 14 different sectors, including off-price retail, crafts and novelties, convenience stores, auto parts, and tire and auto service. Notable retailers include TJ Maxx, Walmart, Best Buy, Hobby Lobby, Tractor Supply, 7-Eleven, O'Reilly Auto Parts, National Tire & Battery, AutoZone and Firestone.

Through the first nine months of the year, we've invested a record $366 million into over 100 properties geographically diversified across 29 states. As of 9/30, we've acquired 96 properties for a total of $351 million. These assets are leased to 38 different leading retail tenants operating in over 20 sectors. The properties were acquired at a weighted-average cap rate of 7.2%, with a weighted-average remaining lease term of 12.3 years. More than 46% of the annualized base rent acquired during the first nine months of the year comes from retailers with an investment-grade credit rating. I would note that we do not imply ratings to high-quality names such as Tractor Supply, Hobby Lobby and Publix.

Given our robust acquisition volume through the first three quarters of the year and our strong pipeline, we are increasing our 2018 acquisition guidance to a range of $425 to $475 million dollars. A component of that guidance includes transactions that we believe may close this year but are subject to further conditionality. In total, we feel this range is appropriate heading into the last two months of the year given today's visibility across our pipeline. Across all three external growth platforms, we anticipate investing over half a billion dollars during the course of 2018. Yet another record for our growing company.

Though we're able to increase our acquisition guidance for the year, I want to again emphasize that our underwriting standards are as rigorous as they've ever been. Our pipeline is a representation of the strongest retailers in our targeted lines of trade.

The continued transformation of our top tenant roster is dynamic, and emblematic of the high-quality nature of our portfolio. This past quarter, Smart & Final and Michaels were eliminated from our top tenant roster while we increased exposure to other top tenants including TJ Maxx, Walmart, O'Reilly Auto Parts, Tractor Supply & AutoZone.

Similarly, Academy Sports, Rite Aid, BJ's Wholesale, 24 Hour Fitness and Burger King franchisee Meridian Restaurants have all been eliminated from our top tenants list in the past year. Our portfolio will continue to evolve as we aggressively & proactively embrace today's changing retail environment.

Turning to our development and Partner Capital Solutions platforms… During the first three quarters of 2018, we had 13 development and PCS projects either completed or under construction that represent total committed capital of approximately $60 million.

During the quarter, we completed three previously announced development and PCS projects. These include our second project with leading Burger King franchisee TOMS King in Aurora, Illinois; our first project with Burlington Coat Factory in Nampa, Idaho; and the Company's first PCS project with ALDI in Chickasha, Oklahoma. These projects had total aggregate costs of approximately $11 million.

We also commenced three new development and PCS projects during the third quarter, with total anticipated costs of roughly $8.5 million. The projects consist of our first two developments with Sunbelt Rentals in Batavia and Maumee, Ohio and the redevelopment of the former Kmart space in Mount Pleasant, Michigan for Hobby Lobby. As mentioned on previous calls, we've executed a 15-year lease with Hobby Lobby in Mount Pleasant for the construction of a new 50,000 square foot prototypical store.

Construction continued during the third quarter on two projects with total anticipated costs of approximately $5.5 million. These projects include our third and fourth developments with Mister Car Wash both located in Florida.

Moving on to our disposition efforts, we were extremely active in the third quarter, disposing of six properties for gross proceeds of approximately $30 million. These dispositions were completed at a weighted-average cap rate of 7.3%. Notable dispositions include a Walgreens in Delta Township, Michigan, the only Shopko in our portfolio, a Smart & Final in Upland, California, a short-term Hobby Lobby in Apopka, Florida as well as franchise restaurants.

Year to date we've disposed of 17 properties for gross proceeds of approximately $62 million and we remain focused on proactively managing our portfolio and recycling capital where appropriate.

As a result of our third quarter disposition activity, our Walgreens exposure has been reduced to 6.2% as of 9/30. This represents a year-over-year decrease of approximately 230 basis and more than 2,100 basis points in less than 5 years.

Similarly, our pharmacy exposure broke through the 10% threshold and stood at 9.7% at quarter-end, representing a decrease of approximately 350 basis points year-over-year and more than 2,700 basis points since the end of 2013.

Our asset management team has been focused on addressing our minimal upcoming lease maturities. Because of these efforts, we just have two remaining lease maturities in 2018 representing 0.2% of annualized base rent. Our ability to leverage our relationships with retail partners is best demonstrated by the redevelopment efforts taking place at our two remaining legacy shopping centers in Mount Pleasant, Michigan and Frankfort, Kentucky. Kmart failed to exercise options at both locations and we are currently in varying stages of redevelopment at both sites.

As previously mentioned, construction has commenced in Mount Pleasant to redevelop the former Kmart space into a prototypical 50,000 square foot store for Hobby Lobby.

In Frankfort, we're currently in lease negotiations with three leading retailers in the discount grocery, off-price, and home improvement sectors. We anticipate that these leases will be executed this quarter, with demolition beginning shortly thereafter and we look forward to updating you as this project progresses.

As of September 30th, our rapidly expanding portfolio consisted of 520 properties located in 45 states. Our tenants are comprised primarily of industry-leading retailers in over 28 diverse retail sectors, with more than 47% of annualized base rent coming from tenants who carry an investment-grade credit rating. The portfolio remains effectively fully occupied at 99.7% and has a weighted-average remaining lease term of 10.1 years.

On previous calls, we've highlighted the quality of our ground lease portfolio, which is comprised of leading retailers including Home Depot, Lowe's, Walmart, Wawa, ALDI, AutoZone, Chick-Fil-A, McDonald's and Starbucks.

This past quarter, we are very pleased to add Walmart Supercenter in Manassas, Virginia and a Texas Roadhouse in Pittsburgh, Pennsylvania to our ground lease portfolio, which now represents almost 8% of annualized base rent. At quarter-end, nearly 90% of our ground lease portfolio derived its rent from retailers that carry an investment-grade credit rating.

Given the high-quality nature of our ground lease portfolio and the unique reversionary interest in the improvements, we continue to believe that this portfolio presents an extremely attractive risk-adjusted investment and we will continue to seek out opportunities to add to it.

With that, I'll turn it over to Clay to discuss our financial results.

Clay Thelen - *Agree Realty Corporation - CFO*
Thank you, Joey. Good morning, everyone. I'll begin by quickly running through the cautionary language.

As a reminder, please note that during this call, we will make certain statements that may be considered forward-looking under federal securities law. Our actual results may differ significantly from the matters discussed in any forward-looking statements. In addition, we discuss non-GAAP financial measures including Funds from Operations, or FFO, and Adjusted Funds from Operations, or AFFO. Reconciliations of these non-GAAP financial measures to the most directly comparable GAAP measures can be found in our earnings release.

As announced in yesterday's press release, total rental revenue, including percentage rents, for the third quarter, was $33.6 million, an increase of 23% compared to the same period last year. Year-to-date, total rental revenue has increased 26.1% to $96.7 million.

General and administrative expenses in the third quarter totaled $2.9 million, or 7.9% of total revenue. We still anticipate G&A expenses will be approximately 8% of total revenues for the year.

Income tax expense for the quarter was $125,000. We anticipate total income tax expense for the year to be in the range of $500,000 to $550,000.

Funds from Operations for the third quarter was $23.5 million, representing an increase of 17.7% over the comparable period of 2017. On a per share basis, FFO increased to $0.72 per share, a 4.3% increase as compared to the prior year period.

Funds from Operations for the first nine months of 2018 was $67.8 million, representing an increase of 23.5% over the comparable period of 2017. On a per share basis, FFO increased to $2.13 per share, a 6.6% year over year increase.

Adjusted Funds from Operations for the third quarter was $23.4 million, a 17.4% increase over the comparable period of 2017. On a per share basis, AFFO was $0.72, an increase of 3.7% year over year.

Adjusted Funds from Operations for the first nine months of the year was $67.4 million, a 22.9% increase to the comparable period in 2017. On a per share basis, AFFO of $2.12 per share represented a 5.9% increase as compared to the first nine months of 2017.

On a quarterly and year-to-date FFO per share and AFFO per share were impacted by dilution required under GAAP related to the forward equity offerings we completed in March and September. 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. Since our average stock price for the third quarter was above the deal price of the March and September forward equity offerings, we included dilution related to both transactions. The aggregate dilutive impact related to these offerings was a penny to both FFO and AFFO per share for the three-month period and roughly two cents for the nine-month period. There will be no additional treasury stock dilution related to the March forward equity offering given we settled the transaction in September.

Now moving to our capital markets activities…as Joey mentioned, we had an active 3rd quarter, solidifying our balance sheet for future anticipated growth.

On September 6th, we settled the entirety of our March forward equity offering and received net proceeds of $160.2 million.

In conjunction with the settlement of our March forward offering, we completed another follow-on public offering of 3.5 million shares of common stock in connection with a forward sale agreement. Upon settlement, the offering is anticipated to raise net proceeds of approximately $190 million after deducting fees and expenses. To date, the Company has not received any proceeds from the sale of shares of its common stock in connection with the September offering. We retain the ability to settle the transaction, in whole or in tranches, at any time between now and September 3rd of 2019.

The settlement of the March forward equity offering and the completion of the subsequent September forward equity offering provide the company the capacity to invest an incremental amount of approximately $600 million and remain within our stated leverage range of 5-to-6 times net debt to recurring EBITDA. We view the forward equity offerings as a prudent way to further fortify our balance sheet and lock in an accretive cost of capital while mitigating external risks and market volatility.

During the quarter, we were also active in sourcing attractive debt financing.

In July, we exercised the accordion option on our unsecured revolving credit facility, securing increased commitments of $75 million and increasing our total revolver capacity to $325 million. The increased capacity on our revolving credit facility reflects the continued growth of the Company since our credit facility was last amended in December 2016.

In September, we completed a private placement of $125 million of senior unsecured notes. The notes bear interest at a fixed rate of 4.32% and have a 12-year term, maturing on September 26, 2030. Net proceeds from the private placement were used to pay down amounts outstanding under the Company's unsecured revolving credit facility.

At September 30th, we had just $14 million outstanding on our unsecured revolving credit facility, reflecting additional capacity of $311 million. Our capital markets activities demonstrate our conservative approach to opportunistically accessing attractively priced capital and positioning our balance sheet for continued growth.

As of September 30th, our net debt to recurring EBITDA was approximately 4.7 times, well below our stated range. Total debt to total enterprise value was approximately 25.1% and our fixed charge coverage ratio, which includes principal amortization, remains at a very healthy level at 4.1 times.

The Company paid a dividend of $0.54 per share on October 12th to stockholders of record on September 28th representing a 6.9% year over year increase. This was the Company's 98th consecutive cash dividend since its IPO in 1994.

For the first nine months of the year, the Company declared dividends of $1.60 per share, a 6.3% year-over-year increase.

Our quarterly payout ratios for the third quarter were a conservative 75% of FFO and AFFO per share, respectively. For the first nine months of 2018, our per share payout ratios were 75% of FFO and 76% of AFFO per share, respectively. These payout ratios are at the low end 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 Agree - *Agree Realty Corporation - President & CEO*
Thank you, Clay.

To wrap things up, I'm very pleased with our performance during the first six months of the year. We're in a tremendous position for the second half of the year and I look forward to updating you on our progress next quarter.

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

QUESTIONS AND ANSWERS

Operator
Thank you. (Operator Instructions) The first question comes from Rob Stevenson with Janney.

Rob Stevenson *- Janney - Analyst*
Good morning, guys. Joey, can you talk a little bit about the cap rates on the two ground leases that you guys acquired versus the 7.2 blended for the overall acquisitions during the third quarter, and why buying ground leases at this point is still attractive to you? I assume that the cap rates were lower than the 7.2.

Joey Agree *- Agree Realty Corporation - President & CEO*
Yeah, good morning, Rob. I think it's fair to say that those cap rates were generally lower on the ground lease transactions. At the same time, the rent per square foot, along with the underlying real estate, reflects the ground lease nature of those transactions. The notable ground lease transaction during the quarter was the Walmart in Manassas, Virginia, which is a Supercenter, a high-performing store paying really $3.50, $4 a square foot. And so, I'll tell you, when we invest in larger boxes -- Walmart, Home Depot, Lowe's, et cetera -- we obviously prefer a ground lease structure rather than have our capital invested into the building improvements itself. So, we'll continue to find opportunity, the next good opportunities. I'll tell you, our pipeline has some more opportunities that are similar to the Walmart in Manassas, as well as the Texas Roadhouse, and we think it's a great risk-adjusted return.

Rob Stevenson *- Janney - Analyst*
Okay. And then if I look at the changes in your sector exposure over the last year, I mean, tire and auto is up 250 basis points, auto parts is up 100, so you guys have materially increased your exposure to the auto space. Also, the off-price retail, I think, is up about 220 basis points, where the only real notable decline is in the quick-service restaurants. I mean, how are you guys thinking about those sectors going forward? Is this the trend that you guys expect? Was it more driven by just opportunistic -- is there -- should we expect to see quick service continuing to decline and autos continuing to increase, or in aggregate, is auto at sort of 12.5% of revenues, or ABR, about as high as you want -- on a combined basis, about as high as you want to get it?

Joey Agree *- Agree Realty Corporation - President & CEO*
Yeah, no, it's a great question, Rob, and it goes straight to the heart of our strategy, frankly. The only correction I would make is obviously pharmacy has decreased year-over-year 350-plus basis points as well. But you're correct to point out the restaurant quick-service decrease of approximately 130 basis points. We prefer industry-leading retailers in those omnichannel sectors where -- which have moats around their businesses that are, frankly, small box retailers, if we're going to buy a fee simple interest on a turnkey basis, or frankly, or develop for them. Tire and auto service specifically, there are some very high-quality names that we have very good relationships with. To National Tire and Battery, with Goodyear. And so we target those across all three of our external growth platforms. The same can be said for auto parts. We are very active. O'Reilly and AutoZone are both now top tenants for us. You're looking at the average box size of 6,000 to 8,000 square feet, main-and-main retail corridors, investment-grade balance sheets, low rents per square foot, easily fungible boxes for re-tenanting if and when they were ever to vacate the premises. And so those are sectors that we're -- frankly, we're very attracted to, and we will continue to invest aggressively, as well as off-price, with TJ Maxx, Marshalls, HomeGoods, Ross, as well as Burlington. So, I think your question goes, as I said, right to the heart of our strategy. It's a strategy we've been executing on for a number of years and you'll continue to see us execute on in the future.

Rob Stevenson *- Janney - Analyst*
Where's the car wash located? What sector is that classified under?

Joey Agree - *Agree Realty Corporation - President & CEO*
That's a good question. Car wash is in auto service. So, Mister Car Wash is auto service.

Rob Stevenson *- Janney - Analyst*
Okay, so that explains some of those increase from 5.5% to 8%.

Joey Agree - *Agree Realty Corporation - President & CEO*
Correct, but there's also a significant number of tire stores in there as well, National Tire and Battery, Bridgestone/Firestone, Goodyear, Big O Tires, and then the sale leaseback with Belle Tire early in the year.

Operator
The next question comes from Christy McElroy with Citi.

Christy McElroy *– Citi - Analyst*
So, in raising the acquisition guidance, you're looking at another $100 million or so at the midpoint. Realizing we're only three weeks into the quarter but you've got $350 million completed, can you say how much you may have completed in October so far, or how much is under contract or LOI today? Just trying to get a sense for expected timing of deals in Q4, whether it's more front-end-loaded or back-end-loaded, in terms of your expectations.

Joey Agree - *Agree Realty Corporation – President & CEO*
Yeah, close to date in the first three weeks approximate, call it $10 million to $15 million. Nothing significant. It will be back-end-loaded. The team was really focused on the number of transactions here that were closing at the end of Q3. I think we had 16 closings in the last week of the third quarter, and so the transaction team was very busy there. In terms of the guidance, the increase in guidance, we want to give people the straight shot, and so we see, obviously, visibility to that $425 million to $475. You can assume that's either under contract or letter of intent. The challenge today, and we have 70 days of visibility, and we've talked about that on prior calls with investors, is that we don't know if some of these transactions could push into the first quarter of 2019, dependent upon, often, sellers, as well as retailers providing estoppels and the like. So, the only uncertainty we have there is the timing of these transactions. I'll tell you, we're already building our Q1 pipeline, and so as these transactions progress, we'll get some more visibility.

Christy McElroy *– Citi - Analyst*
Okay. And then just sort of related to that, you've got the September forward in your back pocket; as we look into 2019, how are you thinking about the settling of the $190 million? Would it be similar to the strategy around the $160 million where you had sort of built up your pipeline to the point where you were nearing 6x and you pulled the trigger, and understandably it was related to the issuance of the September forward, but would you potentially use the same strategy next year as you're kind of building up your pipeline, you get to that 6x and you kind of pull the trigger on all of it, or would you potentially do it in tranches prior to September?

Clay Thelen - *Agree Realty Corporation – CFO*
Hey, good morning, Christy. First off, I'd say ultimately the settlement of the September forward will be dependent on the uses of capital and the timing of those uses of capital. I'd say we're committed to staying within our targeted leverage range of 5x to 6x. And we'll continue to evaluate our leverage to make sure we're settling an amount reflective of the growth of the business and ensuring on a quarterly

basis we're within our stated range of 5x to 6x.

Christy McElroy – *Citi - Analyst*
Okay, and then just one last quick question on the Walgreens. Given the decline in the exposure in the quarter, how many of the six properties sold were Walgreens, and can you tell us the average cap rate on those, just to get a sense for where pharmacies are trading today with Walgreens' triple B credit?

Joey Agree - *Agree Realty Corporation – President & CEO*
Yeah, sure. So, one Walgreens was sold during the quarter. It was in Waterford, Michigan, approximately 10 years left remaining base term there. I'd tell you, it's a B, B-minus store, and that sold at approximately a 6.25% cap.

Operator
The next question comes from Collin Mings with Raymond James.

Collin Mings – *Raymond James - Analyst*
Just to start, Joey, can you just give us an update on your Mattress Firm exposure and how you're approaching their bankruptcy?

Joey Agree - *Agree Realty Corporation - President & CEO*
Sure. We spent some time with them in just the last couple weeks. I'll tell you, Mattress Firm, first, we were wary of that business model to start. The store clustering never made too much sense to me, to have two or three stores in any given intersection or retail corridor. The real estate team, frankly, had a very poor reputation from the beginning. We have a total of nine stores in the portfolio. We sold one subsequent to quarter-end. We have another store under contract to sell. So, we anticipate having eight stores here quite shortly. None of our stores have been closed or the lease rejected. I'll tell you that nearly all of our stores are out lots to Target, Walmart or TJ-Maxx-anchored centers. So, I think, again, it's emblematic of our real estate underwriting. If you look at our stores, they're fantastic pieces of real estate. And so, we've been -- we haven't been part of any of the few-hundred-store closures or leases rejected that we've seen to date.

Collin Mings – *Raymond James - Analyst*
Got you. So, it sounds like it'll be kind of -- maybe a combination of maybe some dispositions as well as just some re-tenanting? Is that fair, or?

Joey Agree - *Agree Realty Corporation - President & CEO*
We have another disposition under contract. I'll tell you, I don't think we'll have any re-tenanting. I think it's fair to assume that our expectation is that all of our stores remain open.

Collin Mings – *Raymond James - Analyst*
Okay, okay. Appreciate the detail there. And then just going back to some of the prepared remarks, can you maybe just expand a little bit more on the opportunity and projected returns on the Sunbelt Rental build-to-suit projects?

Joey Agree - *Agree Realty Corporation – President & CEO*
Yeah. Our team was down at Sunbelt, our development team, last week. It's a fantastic relationship. We're working with Sunbelt, obviously, on these two projects that we've announced, as well as additional projects. The two projects we've announced are re-tenanting of existing structures. We also anticipate pursuing some ground-up opportunities with Sunbelt, as well as some potential acquisitions. And so, we'll continue to execute across all three platforms. Returns will be in line with our historical thresholds.

Collin Mings – *Raymond James - Analyst*
Okay. And then I'll sneak one last one in there: Kind of just on that note, as far as asset pricing, I recognize, Joey, you've highlighted in the past that you're not necessarily the best gauge of broader market movements given your strategy. But can you just maybe update us on what you're seeing in terms of pricing or deal flow? Especially in context of the move into 10-years since August.

Joey Agree - *Agree Realty Corporation – President & CEO*
Yeah. I would tell you that asset pricing, we haven't seen any movement in the 10-year -- or quarterly into the 10-year, as you mentioned, since August. High-quality assets such as the assets that we're acquiring and developing continue to trade in a similar range throughout the year, even with that 70-basis-point increase in the 10-year since the start of the year. We'll see what that correlates to in 2019, but I think we're going to continue to see the bifurcation of high quality versus low quality, similar to what we've seen in the shopping center and the mall space. And there is a lot of capital chasing the high-quality assets.

Operator
The next question comes from R.J. Milligan with Baird.

R.J. Milligan – *Baird - Analyst*
Hey, good morning, guys. Joey, first, a couple years ago, probably the normal run rate for acquisitions, I think you guys had said, excluding sort of the bigger portfolio deals, was about $200 million a year. Obviously, you guys have grown the portfolio and grown the company and grown the head count, and we saw, obviously, a bigger acquisition volume last year. This year, we're over $400 million. I'm curious: What do you think the appropriate going regular way run rate is for acquisition volume?

Joey Agree - *Agree Realty Corporation – President & CEO*
Look, I'll tell you, we look at every transaction in its entirety, and we're true aggregators. So, in terms of a run rate, the team here has grown both by head count as well as continues to grow in terms of their professional development. And so, our origination team today has seven people. We just hired a new analyst who will also be joining the team. That team continues to produce fantastic opportunities. In terms of go-forward guidance, I'll be honest: I didn't think we would have a $425 million to $475 at the beginning of this year. We'll evaluate where we are. We'll have some visibility into Q1 shortly. And as we've historically released, we'll release our initial guidance the first week of January, as well as the total of our acquisitions in 2018.

R.J. Milligan – *Baird - Analyst*
And so were there any larger portfolio attractions this quarter in terms of the activity?

Joey Agree - *Agree Realty Corporation – President & CEO*
Not really. I mean, there was a couple of portfolios, call it in the $8-million to $12-million range, but outside that, it's truly aggregation. So, it becomes challenging to predict the timing. It becomes challenging to predict the volume. But the team here continues to produce high-quality opportunities. Just to give you a sense of our pipeline for Q4, a little bit back to Christy's question as well, over 70% of our pipeline as it stands right now for Q4 is investment-grade retailers. It's dominated by Walmart, Home Depot, National Tire and Battery, O'Reilly, AutoZone, the highest-quality names in those sectors. Those are all one-off opportunities that some we've been working on for six months, some we've been working on for three weeks or about a month. And so, it really builds. It comes in waves, typically. The summer months are normally quiet, but we're going to continue to be actively sourcing of high-quality opportunities.

R.J. Milligan – *Baird - Analyst*
Okay. That's helpful. And I guess my last question is, this quarter started three projects for $8 million, or just over $8 million, in the partner capital solutions. I'm just curious: How do you think about allocating

resources in G&A to what's become a much smaller investment or pipeline relative to your acquisitions pipeline?

Joey Agree - *Agree Realty Corporation – President & CEO*
Yeah, we're very pleased to have added to that team recently. So, Jon Bauman joined us, previously at Ramco Gershonsen. Josh Bratton moved over from the diligence side to Director of Development. And so Laith is doing a fantastic job building and growing that team. We've invested and completed or commenced roughly $60 million to date in 2018. We anticipate a couple more projects commencing quite shortly here in Q4 as well. In terms of allocation of resources and G&A, we're investing across all areas of the business today. Our head count is up to 37. We're currently in process of expanding our footprint in terms of office. We're out of seats here. We're investing aggressively in terms of people, processes and systems, because we know we have the balance sheet and the capabilities to continue to grow across all three platforms. And then importantly, we have to support them from the lease administration, asset management and accounting perspective.

Operator
The next question comes from Ki Bin Kim with SunTrust.

Alexei Siniakov *- SunTrust - Analyst*
Good morning. This is Alexei filling in for Ki Bin today. Looks like my first question has already been asked with regards to the acquisition run rates, so I'll jump to my second question. Could you shed some light on what the impairment charge relates to this quarter?

Clay Thelen - *Agree Realty Corporation – CFO*
Morning, Alexei. We recorded $488,000 in an impairment charge for the quarter. This was driven by the termination of a lease and the write-off of the related intangible asset.

Alexei Siniakov *- SunTrust - Analyst*
Okay, understood. And another quick follow-up: Just correct me if I'm wrong. I think you mentioned that you sold your last remaining Shopko this quarter. Is that correct?

Joey Agree - *Agree Realty Corporation – President & CEO*
Correct.

Operator
The next question comes from Todd Stender with Wells Fargo.

Todd Stender *– Wells Fargo - Analyst*
Hi, thanks. In the release, you guys highlighted the Old Navy lease. I guess it was extended in Q3. Can you provide some of the economics around that lease, and maybe others that either were extended or new, and maybe just look at Q4 and early part of next year? Thanks.

Joey Agree - *Agree Realty Corporation – President & CEO*
Sure. Good morning, Todd. So Old Navy exercised their contractual option in Wisconsin. That was a 20,000-square-foot store, paying approximately $320,000 a year annually, five-year option, CPI bump embedded in that option. In terms of the remaining two leases expiring this quarter, one is a small Dress Barn space, which we're already at LOI with another tenant. And then lastly, the remaining lease expiration is the Kmart in Capital Plaza of Frankfort, Kentucky, which their option has lapsed, and I talked about the redevelopment that is under way at that project.

Todd Stender – *Wells Fargo - Analyst*
Great. And you don't have much renewing next year, but can you just address maybe what you're looking at as far as rents, if they're below market, and maybe any history you can wrap around some of your renewal percentages?

Joey Agree - *Agree Realty Corporation – President & CEO*
Sure. We only have about 1.8% coming up next year. The two biggest pieces of that are a Dave & Buster's in Austin, Texas, which pays percentage rent, and the store was recently remodeled, and so we're confident there. The second piece is our only remaining Kmart in Grayling, Michigan, which we look forward to recapturing at some point, if and when that lease gets rejected through this year's bankruptcy. So those are the two big pieces for us. The Kmart was an initial asset from the IPO of the 16 that were put in in 1994. We think there's opportunities there to re-tenant and potentially redevelop that asset, similar to the Mount Pleasant and Frankfort assets that are undergoing redevelopment currently.

Todd Stender – *Wells Fargo - Analyst*
All right, great. Just one last one: Looking at Tractor Supply, just as a refresher, are these sale leasebacks with the company.

Joey Agree - *Agree Realty Corporation – President & CEO*
No, they're not sale leasebacks. So, we're big fans of Tractor Supply; hence the jump this quarter. The company is a conservative company. We have a fantastic relationship with their real estate team. The business is really thriving. They have no national competition. They also have the highest-rated e-commerce website of any retailer. Profits have increased an average of 9% since 2012. Sales per square foot are approaching $260,000 a foot. Just for context, Macy's is at about $195,000. And lastly, they have a lease-adjusted leverage ratio of approximately 2x. So, it's tough to beat that.

Todd Stender – *Wells Fargo - Analyst*
How big are these lots? What's the size of the lot and maybe the length of the lease as well?

Joey Agree - *Agree Realty Corporation – President & CEO*
Typically, Tractor Supply executes 15-year initial base terms on approximately 1.5 to 2 acres. Prototypical stores are approximately 19,000 square feet, plus an outdoor storage area. And so, they are a force to be reckoned with in the farmer and rural supply space, and we continue to enjoy a relationship and look for opportunities with them.

Operator
The next question comes from John Massocca with Ladenburg Thalmann.

John Massocca – *Ladenburg Thalmann - Analyst*
So what was the cap rate on dispositions ex the Shopko sale?

Clay Thelen - *Agree Realty Corporation – CFO*
6.9%. That's a GAAP cap rate, John.

John Massocca – *Ladenburg Thalmann - Analyst*
Okay. And then, what maybe drove the increase in kind of rent from off-price retail? I know some of that was a couple additions of TJX, but what was maybe the rest of that?

Joey Agree - *Agree Realty Corporation – President & CEO*
Yeah, so that's TJ Maxx. We acquired an asset in Logan, Utah. The Burlington in Nampa, Idaho, came

online, so that was the development project in Nampa that we completed during the quarter. And so really, off-price retail is comprised typically of three tenants for us: TJ Maxx -- that's Marshalls, HomeGoods, as well as the namesake; Ross as well as Burlington. And we're looking for opportunities and frankly are executing on opportunities to continue to add exposure there.

John Massocca – *Ladenburg Thalmann - Analyst*
Okay, makes sense. And then, Dave & Buster's also came up by about $1 million in rent. Can you provide more color on that transaction?

Joey Agree - *Agree Realty Corporation – President & CEO*
Sure. We acquired a third-party transaction. Again, not a sale leaseback. Acquired a Dave & Buster's in Kansas, in Overland Park. So great demographics, high-quality asset. And so, we were excited to add to that exposure. That brings our total Dave & Buster's exposure to three assets: downtown New Orleans; the Austin, Texas, one I mentioned previously; and now the Overland Park store.

Operator
And there look to be no further questions, so this will conclude our question-and-answer session. I would like to turn the conference back over to Joey Agree for any closing remarks.

Joey Agree, *Agree Realty Corporation - President & CEO*
Well, thank you, everybody, for joining us. Good luck on earnings season, and we look forward to speaking with you at NAREIT in California. Talk to you soon. Thank you.

Operator
And the conference has now concluded. Thank you for attending today's presentation, and you may now disconnect your lines.