EDITED TRANSCRIPT

Agree Realty Corporation's First Quarter 2019 Earnings Conference Call

Tuesday, April 23, 2019; 9:00AM ET

Edited transcript as provided by by MultiVu, PR Newswire's
multimedia and broadcast services division.

NYSE: ADC

CORPORATE PARTICIPANTS

Joey Agree, *Agree Realty Corporation - President & CEO*
Clay Thelen, *Agree Realty Corporation - CFO*

CONFERENCE CALL PARTICIPANTS

Collin Mings*; Raymond*
Rob Stevenson*; Janney, Montgomery, Scott*
Ki Bin Kim*; SunTrust*
Todd Stender*; Wells Fargo Securities*
John Massocca*; Ladenburg Thalmann*

PRESENTATION

Operator
Good morning and welcome to the Agree Realty First Quarter 2019 Conference Call.

(Operator Instructions)

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

Joey Agree - *Agree Realty Corporation - President & CEO*
Thank you, Operator. Good morning everyone and thank you for joining us for Agree Realty's First Quarter 2019 Earnings Call. Joining me this morning is Clay Thelen, our Chief Financial Officer.

I'm pleased to report that we're off to a strong start to the year as we continue to capitalize on opportunities across all phases of our business. During the quarter, we further strengthened our portfolio through strategic investment activity and proactive asset management while continuing to fortify our balance sheet through capital markets activity.

Subsequent to quarter end, we commemorated our 25th anniversary as a public company by ringing The Closing Bell at the New York Stock Exchange. Our compounded average annual total shareholder return since the IPO is 13.2%, an impressive accomplishment that sets the bar for our future performance.

Before we move on to our traditional update, I'd like to take a couple minutes to clarify and expand upon our investment philosophy and underwriting standards given some of the recent discussions we have had with investors during this busy conference season.

I think the simplest place to start is what we're avoiding:

- First, private-equity backed and other retailers with over-leveraged balance sheets that lack the capacity to adapt to a dynamic retail environment and invest in an omni-channel future.
- Second, retailers that are overly susceptible to e-commerce due to commoditization and consumer price leverage.
- Third, retailers that traffic in highly discretionary and luxury goods that are susceptible to recessionary pressures.
- Fourth, we avoid an over-emphasis on store-level performance as a barometer for real estate and tenant quality. It is a data point, not a driver of our underwriting.

    - In today's omni-channel retail world, store-level performance is becoming increasingly difficult to measure using traditional methods such as store sales, EBITDA and rent coverage. Retailers today are increasingly favoring locations that enable them to penetrate a market through a variety of distribution methods including BOPIS, home delivery, in-store returns, as well as maintain a physical presence.
    - The market penetration that a retailer can achieve through these methods is often misrepresented by historic four wall performance metrics. The most successful 21st century retailers have effectively blurred the lines between these different distribution channels.
- Lastly, we avoid non-fungible, single-purpose boxes that have limited residual value or very narrow re-tenanting options that inhibit the future value of the real estate. This includes larger boxes where the tenant has entered into a traditional turn-key lease.
    - Our risk mitigation here is best demonstrated through our ground lease portfolio, where we own the land and the tenant has paid to construct their own improvements. The tenant's investment in the improvements decreases the likelihood that they'll look to relocate, increases the probability of renewal, as well as drives residual upside through re-tenanting or out-lot creation at a very low basis. As usual, I will discuss our ground lease portfolio in more detail shortly.

Now that I've addressed what we avoid, let's focus on our continued acquiring and developing of the highest-quality retail net lease assets in the country. Today, our proverbial "sandbox" is comprised primarily of 30 to 35 of the country's strongest retailers that have a comprehensive omni-channel strategy, a value-oriented business model or a strong service-based component.

We think about quality as a unique combination of industry-leading tenants, lease structure and strong underlying real estate. With almost 50 years of development expertise, our emphasis is on fundamental retail real estate characteristics rather than simple spread investing or contract structure.

With that, allow me to return to our standard update…

During the first quarter, we invested approximately $145 million in 57 high-quality retail net lease properties across our three external growth platforms. Of those 57 investments, 48 properties were sourced through our acquisition platform, representing aggregate acquisition volume of more than $141 million for the quarter. The properties were acquired at a weighted-average cap rate of 7.0% and had a weighted-average remaining lease term of 12.8 years.

The acquired properties are located in 22 states and are leased to leading operators in 16 different retail sectors, including off-price, convenience stores, auto parts, tire and auto service, home improvement, health & fitness, grocery, and crafts and novelties.

Notably, we were very pleased to add our first Trader Joe's, HomeSense as well as CarMax to our portfolio during the quarter. Other properties acquired during the quarter include O'Reilly Auto Parts, AutoZone, Bridgestone, NTB Tire and Service Centers, Hobby Lobby, TJ Maxx, ULTA, Tractor Supply, 7-Eleven, and Gerber Collision.

Our focus on industry-leading tenants is evidenced by the continued increase in our investment grade concentration. More than 71% of annualized base rent acquired during the quarter was derived from investment grade retailers. At quarter end, our total investment grade exposure was 52.4%, representing a year-over-year increase of approximately 680 basis points. Based on the high-quality nature of our current acquisition and development pipelines, we anticipate our investment grade concentration to continue this upward trajectory.

Given our strong acquisition volume in the first quarter and our robust and high-quality pipeline, we are increasing our 2019 acquisition guidance to a range of $450 to $500 million for the year. While increasing our full-year acquisition guidance, I want to, again, reiterate that we remain intently focused on constructing the highest-quality retail portfolio in the country. Our acquisition team has done an outstanding job originating best-in-class opportunities with industry-leading retailers.

While significantly increasing our investment grade concentration, we've also grown our ground lease portfolio by 140 basis points year-over-year to almost 9% of annualized base rents at quarter end.

7-Eleven is the newest addition to the many leading retailers that comprise our ground lease portfolio, including Home Depot, Lowe's, Walmart, Wawa, ALDI, AutoZone, McDonald's and Starbucks. At quarter end, approximately 88% of our ground lease portfolio rents were derived from retailers that carry an investment grade credit rating and only 1% was leased to sub-investment grade retailers. The remaining 11% of the portfolio was leased to leading retailers that are unrated, such as Chick-Fil-A and Texas Roadhouse. We continue to seek to expand this portfolio and currently have under control a number of assets that are ground leased to the country's best retail operators.

In addition to our ground lease portfolio, we also have several exceptional urban assets. One such asset is our Harris Teeter on West Sixth Street in Charlotte, North Carolina. Notably, Harris Teeter recently announced that the 18,000 square foot store will be the first in the chain to implement self-checkout to increase the number of lanes available to customers and reduce check out times. We continue to look for similar opportunities to add unique urban assets to our portfolio.

The strength of our portfolio is also evidenced by our changing tenant roster. During the quarter, we added TBC Corporation to our top tenant list via a six-property sale-leaseback with National Tire & Battery Auto Centers, a leading tire and auto service operator. Simultaneously, AMC was eliminated from our top tenants list during the quarter.

Turning to our development and Partner Capital Solutions platforms, we had nine development and PCS projects either completed or under construction during the quarter that represent total committed capital of approximately $30 million. Three of those projects were delivered during this past quarter, representing total capital deployed of almost $8 million.

The projects delivered during the quarter include the Company's third and fourth developments with Mister Car Wash in Orlando and Tavares, Florida and our first completed project with Sunbelt Rentals in Maumee, Ohio.

Subsequent to quarter end, the Company delivered its second project with Sunbelt Rentals in Batavia, Ohio. In addition to our completed projects in Maumee and Batavia, construction continued during the quarter at our third Sunbelt Rentals and our first ground up project in Georgetown, Kentucky with them. Finally, we're pleased to announce that we commenced construction on our fourth Sunbelt Rentals project during the first quarter in Carrizo Springs, Texas. The project is anticipated to complete by the fourth quarter of this year and we look forward to continuing to expand our relationship with Sunbelt in the future.

In addition to the Sunbelt Rentals project in Georgetown, Kentucky, construction continued during the quarter on three other development and PCS projects with total anticipated costs of nearly $16 million. The projects consist of the Company's first development with Gerber Collision in Round Lake, Illinois; the Company's redevelopment of the former Kmart in Mount Pleasant, Michigan for Hobby Lobby; and the Company's redevelopment of the former Kmart in Frankfort, Kentucky for ALDI, Big Lots and Harbor Freight Tools.

While our year-to-date investment activity has improved the quality of our portfolio, we've also solidified and diversified our portfolio through proactive asset management and disposition efforts. These efforts continued during the first quarter as we sold two Walgreens assets for gross proceeds of approximately $10 million.

As a result of our disposition efforts, our Walgreens concentration has been reduced to 4.6% at quarter end. This represents a decrease of approximately 300 basis points year-over-year. Similarly, our pharmacy exposure decreased 400 basis points year-over-year to 7.6%. We currently have an additional Walgreens asset under contract to sell, which is subject to customary due diligence and we anticipate closing in the next few weeks.

Our asset management team also continues to focus on addressing upcoming lease maturities. As a result of these efforts, at quarter end we had only 5 remaining lease maturities in 2019 representing less than 1% of annualized base rents. During the quarter, we executed new leases, extensions or options on approximately 111,000 square feet of gross leasable space.

As of March 31st, our rapidly growing retail portfolio consisted of 694 properties across 46 states. Our tenants are comprised primarily of industry-leading retailers operating in more than 28 distinct retail sectors, again with 52.4% of annualized base rents coming from investment grade tenants. The portfolio remains effectively fully occupied at 99.7% and has a weighted-average remaining lease term of 10.2 years.

Thank you for your patience.

And with that, I'll turn it over to Clay to discuss our financial results for the quarter.

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

As a reminder, beginning in the first quarter we modified our calculation of Nareit FFO to exclude the add back of the amortization of above and below market lease intangibles and introduced Core FFO, which includes the add back of this non-cash item. Core FFO will be consistent with our historic reporting of FFO.

Core Funds from Operations for the first quarter was $28.6 million, representing an increase of 29.8% over the first quarter of 2018. On a per share basis, Core FFO increased to $0.74 per share, a 4.7% year-over-year increase.

Adjusted Funds from Operations for the first quarter was $27.7 million, a 27.3% increase over the comparable period of 2018. On a per share basis, AFFO was $0.72, an increase of 2.7% year-over-year.

In addition to the inclusion of Core FFO this quarter, and in accordance with the updated lease accounting standards effective January 1st of this year, we've updated our presentation of revenues on the income statement and consolidated our historical reporting of revenue line items into a single line item, 'Rental Income'. Additionally, we began including the amortization of above and below market lease intangibles as contra-revenue in the new Rental Income line item. It's important to note that both of these changes are purely geographic and do not have an impact on our key earnings metrics. The inclusion of amortization related to above and below market lease intangibles is simply a reclassification as this was historically reported in depreciation and amortization expense. To help with modeling, we have added a new schedule to our press release tables, providing further detail as well as comparability with our historical reporting.

General and administrative expenses in the first quarter totaled $4.0 million. G&A expense was 9.5% of total revenue or 8.8% excluding the non-cash amortization of above and below market lease intangibles. We continue to anticipate G&A as a percentage of total revenue to be an approximate 50 basis point improvement from 2018 or in the upper seven percent range, excluding the impact of above and below market lease intangible amortization in Total Revenues. The inclusion of above and below market lease intangible amortization as contra-revenue increases G&A as a percentage of total revenue roughly 50 basis points for the full-year.

The company recognized an income tax benefit of approximately $170,000 for the first quarter. The benefit is the result of a one-time tax credit related to the termination of one of the company's taxable REIT subsidiaries totaling $475,000. This credit was included in our calculation of Core FFO and excluded for the purposes of calculating AFFO. For the full-year 2019, inclusive of this one-time credit, we anticipate total income tax expense to be in the range of $350,000 to $400,000.

On a quarterly basis, Core FFO per share and AFFO per share were impacted by dilution required under GAAP related to the forward equity offering we completed in September of 2018. 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 offering. The dilutive impact related to the offering was almost two cents to both Core FFO and AFFO per share for the three-month period ended March 31st. To the extent that, prior to settlement, our stock continues to trade above the deal price of the September forward offering, we will continue to record treasury stock dilution. To date, we have not settled any of the 3.5 million shares and view this as a meaningful equity backstop to fund our investment pipeline.

Now moving on to our capital markets activities… during the first quarter we issued nearly 900,000 shares of common stock through our at-the-market equity program at an average price of $66.83, raising gross proceeds of $59.3 million. We continue to view the ATM as an efficient tool to raise equity given the granular nature of our investment activity.

Our balance sheet continues to be in phenomenal position to execute. As of March 31st, our net debt to recurring EBITDA was approximately 5.0 times, at the low end of our stated range of 5.0 to 6.0 times. Proforma for the settlement of the approximately $190.0 million in proceeds from our September forward equity offering, our net debt to recurring EBITDA is approximately 3.7 times. Total debt to enterprise value was approximately 22.5% and our fixed charge coverage ratio, which includes principal amortization, remains at a very healthy 4.0 times.

We ended the quarter with approximately $500 million of liquidity including cash on hand, capacity under our revolving credit facility, free cash flow and available proceeds from our forward equity offering.

The Company paid a dividend of $0.555 per share on April 12th to stockholders of record on March 29th, 2019, representing a 6.7% year-over-year increase. I'm pleased to report that this was the company's 100th consecutive cash dividend since its IPO just over 25 years ago.

Our quarterly payout ratios for the first quarter were a conservative 75% of Core FFO per share and 77% of AFFO per share. These payout ratios are at the low end of the Company's targeted ranges and continue to reflect a very well-covered dividend.

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

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

To conclude, I'm very pleased with our performance to start the year. We're in an excellent position for the remainder of 2019 and I look forward to seeing many of you at the upcoming RECon and NAREIT conferences.

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

QUESTIONS AND ANSWERS

Operator
Thank you. (Operator Instructions) The first question comes from Collin Mings with Raymond James. Please go ahead.

Collin Mings – *Raymond James - Analyst*
First from me, can you just maybe expand on the entry of TBC into your list of top tenants? Maybe some more details around the sale-leaseback that was completed during the quarter. And then just more broadly, just as you think about your tire and automotive exposure, what do you feel like is a natural limit to that in terms of overall portfolio exposure there?

Joey Agree - *Agree Realty Corporation - President & CEO*
Sure. So obviously, TBC is a subsidiary of Sumitomo Corporation. They're a leader in the tire and automotive service industry for over 60 years, with 3,200-plus stores. The primarily -- primarily the exposure came through -- additional exposure came through a portfolio of fixed assets on a sale-leaseback for just over $14 million, and then we had a couple of one-off acquisitions as well in the

quarter. So in terms of our aggregate exposure to tire and auto service, again, our focus is on the industry leaders here. So it's National Tire & Battery, it's Goodyear, Bridgestone Firestone. We're sitting today at approximately 8.8%; I think that's about the right place, but we would have no problem taking that up a couple hundred basis points.

Collin Mings – *Raymond James - Analyst*
Okay. And then just bigger picture, just curious, Joe, your thoughts just as the portfolio and team continue to grow, and obviously with Realty Income announcing its entry into Europe yesterday, just curious to what extent could international expansion make sense for the company, just again, out again today raising -- or yesterday out raising acquisition guidance to continue to kind of grow that investment pipeline? How do you think about potential international opportunities?

Joey Agree - *Agree Realty Corporation - President & CEO*
Yes, I'd say, look, it's not a focus for us. Our focus remains disciplined on our sandbox of 30 to 35 industry leaders, really in the continental United States. There's a couple of trillion dollars in net lease assets in this country, and we feel like given our market positioning and the depth of the opportunity pool, we've got a significant runway in -- domestically in this country.

Operator
The next question comes from Rob Stevenson with Janney. Please go ahead.

Rob Stevenson – *Janney - Analyst*
Joey, you spent some time early in the call talking about the investment-grade portfolio, et cetera. Can you talk about -- a little bit about how you guys value the fact that somebody is an investment-grade tenant in the underwriting process, in terms of what that's worth to you when you underwrite an acquisition versus another acquisition that -- where the tenant may be good quality but not investment grade?

Joey Agree - *Agree Realty Corporation – President & CEO*
Yes. Look, it's a good question. It's a data point for us. It isn't necessarily a driver of our underwriting. But again, the 30 to 35 retailers that we're focused on, the vast majority of those, frankly, happen to be investment grades because they're industry-leading. Traditionally, or typically, they're public entities. And they're the leading operators in their respective sectors. That said, we have a number of tenants that are on that list, our top tenant list, frankly, that don't carry a rating, and then a couple that are sub-investment-grade like Burlington, which we believe the future of off-price retail with their business trajectory is on the upswing.

So if you look at our tenant roster, Tractor Supply, a publicly traded company, lease-adjusted leverage around approximately 2x or even lower, doesn't have a credit rating. We don't impute shadow credit ratings, but I think it's fairly obvious that they would be an investment-grade retailer. Similarly with Hobby Lobby: $900,000-million-plus of EBITDA, a privately held company, founder doesn't really believe in long-term debt. So again, that would be an investment-grade retailer.

So it's a data point for us. Our focus is on, again, is on those industry leaders in those retail categories where they are the -- have an omnichannel presence and/or a significant motor on their business that precludes disruption in the future.

Rob Stevenson – *Janney - Analyst*
Okay. And then your Walgreens is now down to 4.6%. The overall pharmacy is at 7.6%. How are you thinking about the non-Walgreens pharmacy, the CVSes, the Rite Aids, in relation to Walgreens? Are you selling Walgreens specifically to bring down the individual tenant exposure because for a long period of

time it was outsized and you got hit by that? Or are you looking to bring down the overall pharmacy exposure below the current 7.6%, and will sell CVSes and Rite Aids as you go along as well?

Joey Agree - *Agree Realty Corporation – President & CEO*
I think it's all of the above. We've sold Walgreens, obviously, because of the historic concentration and opportunistically recycled that capital into other assets. As you mentioned, it's down to 4.6%. As I mentioned in my prepared remarks, we have another one under contract, which we anticipate closing in the next few weeks.

I'll tell you, pharmacy as a whole in this country, I think similar to other spaces, inclusive of grocery, furniture, among others, will continue to see ongoing disruption. Now, we're not overly fearful of the PillPack acquisition by Amazon or the online penetration at this time, but I think the pharmacy space in general really has some work to do on the front end, predominantly, of those stores. And we'd like to see some ingenuity and creativity driving traffic into those stores and driving margin, as well as top line revenue to the front end of those stores. So we're very comfortable where our pharmacy sits today. Again, just a few years ago, it was over 40%. Today it's about 7.5%. So we're very comfortable with that sit, but we'll also continue to opportunistically dispose of the assets like we did in the first quarter.

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

Ki Bin Kim – *SunTrust - Analyst*
You already made some comments about this, but can you talk a little bit more about how Hobby Lobby, Big Lots and Sunbelt Rentals, the thinking behind those investments and how that fits into some of the kind of parameters you already described on what you want to buy and what you don't want to buy?

Joey Agree - *Agree Realty Corporation - President & CEO*
Sure. Again, look, we're looking for those industry leaders in those respective sectors. You may have noticed this morning that Ashtead Group, the parent of Sunbelt, got upgraded by S&P, so they're investment grade from all three major rating agencies. The equipment rental business obviously has some barriers to entry. They're the leading operator, along with United Rentals, in a highly fragmented space in this country. We've got a fantastic relationship with Sunbelt Rentals and we've executed across, really, all three of our platforms to create value: acquisitions, Partner Capital Solutions as well as development with our fourth project.

Hobby Lobby, a very interesting company, vertically integrated retailer that, frankly, creates and manufactures many of their goods, including their fixtures; really the 800-pound gorilla in the space today. We aren't interested in investing in operators such as Jo-Ann, with the fabrics basis being significant online penetration and margin erosion. And then Big Lots in Frankfort is a fantastic addition next to Aldi and Harbor Freight Tools. Again, there's an experience component to Big Lots. People are shopping, bargain-hunting in that off-price space. So we think all three of those retailers, two of the three of which carry an investment-grade credit rating, make sense for -- in our portfolio today.

Ki Bin Kim – *SunTrust - Analyst*
Okay. And in terms of balance sheet, obviously your balance sheet's in great shape, and if you include the forward equity offering, your leverage is -- probably is up 4% -- 4x. So how does that -- how do you think about continued equity usage going forward? You tapped the ATM this quarter. How should we think about your willingness to use equity going forward?

Clay Thelen - *Agree Realty Corporation - CFO*
Sure. Good morning, Ki Bin. So in terms of the forward, we have until September 3 to settle the 3.5

million shares or $190 million in available proceeds. Given our stock price in the fourth and first quarters, issuing on the ATM was accretive relative to the forward deal price, and we're confident, certainly, in the future uses of capital, given and evidenced by our updated guidance.

We'll continue to be opportunistic as it relates to the ATM. We raised $240 million since December. In terms of settling the forward between now and December, we'll settle amounts in order to stay in our stated leverage range. Today, the balance sheet's 75% equity, 25% debt. We'll continue to match uses of capital with this consistent disciplined approach, and if future uses of capital merit, we'll continue to be opportunistic with the ATM as well.

Ki Bin Kim – *SunTrust - Analyst*
And so if the capital markets are there for you via an attractive stock price, are you okay with maybe going -- maybe adjusting the range for your debt leverage that you're okay with? I mean, I think it was 5x or above a little bit previously, but are you okay with a lower-bound range at this point?

Joey Agree - *Agree Realty Corporation – President & CEO*
Well, I think as you look at, historically, over the past couple of years, we've really operated under 5x. Now our stated range, we haven't changed that, from 5x to 6x. I think that's, frankly, fairly common in the net lease space. But again, we look at all sources of capital, the relative cost, both actual and virtual costs of those capital and the risks associated with those capital, and then we look at the uses in our pipeline, and we try to keep a conservative leverage profile and the flexibility that will continue to allow this company to grow on a similar trajectory. So I would tell you that, inclusive of the forward, our balance sheet is at, what, 3.7x? 3.7x, inclusive of full settlement of the September forward. And so we've got fantastic optionality to fund our growing pipeline.

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

Todd Stender – *Wells Fargo - Analyst*
Just looking at some of the tenants, I guess to go back to Sherwin-Williams, were there more properties that were closed in Q1? I know the bulk was done by Q4 but I thought a couple bled into the first quarter.

Joey Agree - *Agree Realty Corporation – President & CEO*
That's right. Good morning, Todd. So the remaining five properties that were under contract, still subject to some diligence, closed during the first quarter. So the total transaction was approximately $152 million, I believe, and 103 properties.

Todd Stender – *Wells Fargo - Analyst*
Okay, got it. Thank you. And then you spoke about Trader Joe's; did you close something in the first quarter? And that's new for you guys, right?

Joey Agree - *Agree Realty Corporation – President & CEO*
We did. So during the first quarter we closed on our first CarMax in Columbia, South Carolina. A fantastic site, modernized facility, brand new photo booth, approximately 20 acres on the freeway. And so that was our first entry into that space, with CarMax obviously the leading operator in the used-car sector in this country. And then we closed on our first HomeSense, which is T.J. Maxx's or TJX's newest concept, parallel to HomeGoods, as well as a Trader Joe's in Paramus, New Jersey. So we're across from the Lamborghini dealership there, right in the heart of Paramus. So our first CarMax, our first Trader Joe's, our first HomeSense. Again, we think, fantastic operators, and I think everyone's familiar with them.

Todd Stender – *Wells Fargo - Analyst*
Is the Trader Joe's a sale-leaseback, or that was -- you acquired it from another landlord?

Joey Agree - *Agree Realty Corporation – President & CEO*
No, acquired from a third-party land owner. The only sale-leaseback during the quarter was the National Tire & Battery sale-leaseback for about $14-million-plus, $14.5 million that I referenced. Everything else was acquired through third-party sellers, through our traditional MO.

Operator
Okay. The next question comes from John Massocca with Ladenburg Thalmann. Please go ahead.

John Massocca – *Ladenburg Thalmann - Analyst*
So just to clarify on the disposition front in the quarter: Those were all Walgreens, correct?

Joey Agree - *Agree Realty Corporation – President & CEO*
Yes, two Walgreens, very different stores. One had over -- about 16 years left that we sold at effectively a 5%, 6% cap in Florida. The other one was a dark store that Walgreens had purchased from Rite Aid with just over four years left. So very -- two very different assets blended together at a 7% or 9% cap, just over 11 years of weighted-average lease terms.

John Massocca – *Ladenburg Thalmann - Analyst*
So it wouldn't really be fair to extrapolate that cap rate to the rest of the Walgreens portfolio? It's probably more weighted towards the 5%, right? Obviously.

Joey Agree - *Agree Realty Corporation – President & CEO*
Correct. The dark store with over four years, which was a former Rite Aid that Walgreens purchased, that was a high-single-digit cap rate, so I wouldn't extrapolate it.

John Massocca – *Ladenburg Thalmann - Analyst*
But the other store isn't really -- it sounds like it's on either end of the bell curve, if you will. The other store, the first one you sold, is more typical of the portfolio?

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

John Massocca – *Ladenburg Thalmann - Analyst*
Okay. And then on the kind of PCS and development pipeline front, what percentage of current projects being developed is the Kmart redevelopments versus the Gerber and Sunbelt developments?

Joey Agree - *Agree Realty Corporation – President & CEO*
So you're looking at approximately $30 million in total cost and total committed capital there. I would tell you that approximately a third is the Kmart in Mount Pleasant and Frankfort redevelopment, and then $20 million is the announced projects that are either -- have either -- are going through the process or have just commenced.

John Massocca – *Ladenburg Thalmann - Analyst*
And how far do you think you can expand the Sunbelt kind of development program you've been able to put in place?

Joey Agree - *Agree Realty Corporation – President & CEO*
Good question. It depends on a multiple -- a number of factors. Our team is working aggressively. I think we -- they're a fantastic partner for us. We're pleased to have commenced the fourth store. It's unique that

we're buying existing buildings and doing retrofit and redevelopment of existing structures, and now we've commenced the ground-up in Georgetown, Kentucky, but our team is working in a number of states with Sunbelt and hopefully we'll continue to expand that relationship as we go forward in the year.

John Massocca – *Ladenburg Thalmann - Analyst*
All right. Actually, one more: On the last call, you talked a little bit about urban condos and other kind of unique opportunities. Was that something you were able to close in the current quarter, or is that still stuff that's maybe further along, further out in the pipeline?

Joey Agree - *Agree Realty Corporation – President & CEO*
No, nothing to close during the quarter. As I mentioned, the news about our Harris Teeter in the Fourth Ward district of Charlotte is very interesting, them instituting the first store with self-checkout. Again, that's an 18,000-ish-square-foot store, an urban condo and a multistory mixed-use complex, small store selling primarily prepared wines, food for off-premises consumption, not traditional grocery. So that's a very unique asset. We have our Walgreens in Ann Arbor, obviously, which is a very unique asset. And then we're working on multiple fronts to continue to find value in those urban environments. So nothing notable during the quarter, but we continue to explore all different types of net lease retail opportunities with those industry leaders.

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

Joey Agree, *Agree Realty Corporation - President & CEO*
Well, thank you, operator, and thank you, everybody, for joining us, and we look forward to seeing many of you at the upcoming RECon and NAREIT conferences. Talk to you soon. Thank you.

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