



View of the Market

Insight and Strategy for the Commercial Real Estate Industry

Paramount Capital Corporation

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FROM THE EDITOR

KEY TAKEAWAYS

- The manufactured housing sector remains attractive, with 94.9% occupancy, 6.4% annual site-rent growth, and limited new supply supporting stable cash flows and long-term investment demand.
- The Federal Reserve's September interest rate increase adds financial pressure to the CRE industry, exacerbating refinancing risks, negative leverage, declining property values, and potential loan defaults.
- Rapid development and limited supply constraints in high-beta markets such as Atlanta, Dallas, Phoenix, Austin, and Tampa increase the risks of overbuilding, declining rents, rising vacancies, and volatile property valuations.
- Despite 99.8% occupancy, strong tenant credit, and moderate leverage, Agree Realty trades at a 41% premium to PCC's estimated \$46 per-share NAV, making the stock

unattractive at its current valuation.

Joseph Ori
Editor, View of the Market

REAL ESTATE FOCUS

A Review of the Manufactured Housing Industry

KEY TAKEAWAYS

- Strong sector demand, but local conditions matter.
- The supply constraint is finished community sites, not just homes.
- Cap-rate changes can outweigh operating gains.
- The strongest strategy is disciplined operations that preserve affordability.

I. Executive Summary

Manufactured housing communities remain an attractive source of recurring residential income, supported by the need for lower-cost housing and limited competing development. The investment case is strongest where sustainable rent increases, resident retention and disciplined infrastructure spending reinforce one another. Recent results also show that high occupancy does not eliminate local demand risk or justify assuming that unusually strong rent growth will continue indefinitely.

II. Inventory, Rents and Vacancy

Metric	Latest Observation	Period/interpretation
Community inventory	43,000+ communities; ≈4.3 million sites	MHI estimate, August 2026
Average monthly site rent	\$800; +6.4% year over year	Q2 2026; +2.0% quarter over quarter
Occupancy/implied vacancy	94.9% / 5.1%	Q2 2026; occupancy flat annually, –10 bps quarterly
Florida	\$853 rent; +8.0% annually	95.3% occupancy; –70 bps annually
Texas	\$705 rent; +5.5% annually	94.8% occupancy; –140 bps annually
Midwest	\$613 rent; +9.1% annually	90.9% occupancy; +50 bps annually

Notes: Inventory measures community sites, not all manufactured homes on private land. Survey occupancy is not a census of every community. Vacancy equals 100% less occupancy. Site rents exclude home financing or separate home rent; utility inclusions vary.

The regional pattern argues for property-level underwriting. Higher rents alongside lower occupancy can indicate continued pricing power, but also a narrowing affordability cushion. In lower-occupancy markets, filling usable sites may create more value than pursuing aggressive increases on existing residents. Investors should distinguish empty improved pads from abandoned homes, uninhabitable units and sites that require substantial capital before they can generate income.

III. Public Operators Confirm Income Growth, With Different Exposures

Sun Communities reported Q2 manufactured housing same-property revenue growth of 6.2% and NOI growth of 8.8%; its combined MH/RV occupancy was 97.9%, a blended measure rather than a national MH benchmark. Equity LifeStyle Properties reported core MH average monthly base rent of \$956 versus \$904 a year earlier, with average occupancy of 93.8% versus 94.3%. UMH's same-property occupancy increased to 89.4%, and same-property NOI grew 8.8%. These figures illustrate distinct strategies and portfolio mixes, not an interchangeable set of market averages.

Resident-owned homes can reduce the landlord's responsibility for dwelling repairs and turnover. Community owners still carry meaningful road, drainage, water, sewer, and amenity

obligations. Where the operator also owns rental homes, underwriting must include home maintenance, replacement capital and the financing needed to install additional units.

IV. Ownership and Consolidation

The sector combines large national platforms with a substantial local ownership base. Scale can improve purchasing, financing, and home-placement programs, but acquisitions create value only when operating improvements exceed the cost of deferred maintenance and resident turnover. The following are selected major owners and operators, rather than a comprehensive ranking.

Owner/Operator	Reported Scale	Scope and investment Relevance
Sun Communities (SUI)	295 MH communities; ≈101,000 MH sites	June 30, 2026; North America. Excludes ≈55,000 RV sites from this MH count.
Equity LifeStyle Properties (ELS)	≈75,900 MH sites	June 30, 2026; includes ≈2,100 JV sites. RV, marina, and membership sites excluded.
UMH Properties (UMH)	145 communities; ≈27,100 sites	Q2 2026; includes three JV communities; ≈11,200 rental homes.
RHP Properties/Bayshore	Major private national platform	Describes itself as the largest privately held MH community owner/operator; current comparable site count not disclosed in cited release.
YES Communities	Operations in 23 states	Major private owner/operator offering both home purchases and rentals.

V. Cap Rates and Transaction Pricing

Valuation Indicator	Reported evidence/Calculation
Average transaction cap rate	≈6.5%, first half 2026
Median transaction price	\$62,000 per site YTD; +19% versus 2025
Observed pricing dispersion	Selected California/Colorado deals below 5%; remote markets near or above 10%
Illustrative value: \$1 million NOI	5.5% cap: \$18.18M 6.5%: \$15.38M 7.5%: \$13.33M

Note: Cap rates and sale prices reflect transactions, not appraisals of a constant portfolio. Illustration assumes identical stabilized NOI, before selling costs; values equal NOI divided by cap rate.

A rising median price per site does not establish equivalent appreciation for every community: the location, condition and size of properties sold change from period to period. A low cap rate may be defensible for durable income in a constrained market, but becomes vulnerable when the business plan depends on immediate rent resets or inexpensive refinancing.

The cap-rate sensitivity is material: moving from 6.5% to 7.5% reduces the illustrative value by 13.3% at unchanged NOI. Even 5% NOI growth would leave value approximately 9.0% lower after that expansion. Acquisition models should therefore earn their return through operating cash flow and realistic site absorption, with exit pricing supported independently.

Normalize property taxes after acquisition, insurance deductibles, utility recoveries, and management fees. Separate recurring site income from home-sale profits and home-rental income, and deduct required capital outside NOI when evaluating cash yield. Private water/sewer systems and aging underground utilities deserve engineering review; a seemingly high cap rate can be compensation for a large unfunded capital obligation.

VI. Construction and Supply

Supply Measure	Reported Activity	What it Means
Factory shipments	50,300 homes in H1 2026; -7% annually	Includes private-land placements and replacement homes; not net new pads.
Industry supply growth	Less than 1% annually, per Sun's September presentation	Directional industry estimate, not a verified national construction pipeline.
ELS expansion	141 net core MH expansion	Example of incremental additions at

	sites in H1 2026	an existing platform.
New-community example	RHP's 349-site Cottage Grove, Phase I construction completion Miami	announced April 2026; full occupancy was not reported.

The economic bottleneck extends beyond factory production. Community development requires entitled land, roads, utilities, drainage and a viable home-sales or rental program. Factory deliveries can refill existing sites without expanding community inventory. The reviewed sources do not provide a comprehensive national count of pads under construction, so shipment totals should not be presented as that pipeline.

Expansion of existing communities can spread management and amenity costs over more residents, provided utility capacity and local demand support it. UMH reported approximately 3,200 vacant sites and 2,400 acres of vacant land, illustrating the potential for infill and expansion within existing ownership platforms. Those acres are future optionality, not a committed construction schedule.

VII. Outlook Through 2027

The outlook remains constructive for well-maintained communities with competitive total housing costs, but selective acquisitions are preferable to indiscriminate exposure. Limited supply supports existing assets; affordability and resident retention set the practical ceiling on rent increases. A cautious underwriting case would assume 3%–5% annual site-rent growth, broadly stable occupancy, and property-specific expense inflation. This is an analytical planning range, not a published industry forecast.

The principal downside risks are weaker household finances, competition from discounted apartments or entry-level homes, insurance and infrastructure costs, and limits on rent increases. Rent regulation and resident protections vary by jurisdiction and should be evaluated before assigning value to below-market rents. Storm and flood exposure also warrant explicit repair reserves, deductibles, and business-interruption assumptions.

For investors, the most durable opportunity is to preserve affordability while improving collections, filling serviceable sites and upgrading infrastructure. Strong reported NOI growth should support investment interest, but cannot by itself offset overpayment, excessive leverage or deteriorating resident economics. Favor sustainable cash yield and demonstrated operating execution over assumed cap-rate compression.

Sources and methodology:

- [1] MHI, national community inventory, August 20, 2026
- [2] Northmarq, Manufactured Housing Market Insights, Q2 2026, pp. 1, 3–6
- [3] Sun Communities, Q2 2026 earnings release, July 27, 2026
- [4] Equity LifeStyle Properties, Q2 2026 release and supplemental, July 22, 2026
- [5] UMH Properties, Q2 2026 earnings release, August 5, 2026
- [6] Sun Communities, September 2026 investor presentation, pp. 4–7
- [7] RHP Properties, Cottage Grove development announcement, April 14, 2026
- [8] YES Communities, corporate website, accessed October 6, 2026
- [9] Northmarq, Q2 market commentary, September 4, 2026

The Fed Lands Another Blow to the CRE Industry

KEY TAKEAWAYS

- **The September 2026 rate increase raises borrowing pressure on consumers and the CRE industry.**
- **CRE refinancing risk is significant, especially when higher debt costs collide with lower property values or insufficient operating income.**
- **The Fed’s inflation task should include the transitory effects of higher oil in the CPI.**
- **CRE’s estimated 9% GDP contribution and housing’s 16.2% are important and sectors that should be included in the Fed’s interest rate analysis.**

On September 16, 2026, the Federal Open Market Committee (FOMC) raised its target range for the federal funds rate by 0.25 percentage point, to 3.75%-4.00%. The decision adds unwarranted financing pressure on commercial real estate (CRE), a sector still working through higher borrowing costs, lower property valuations in some markets, and loans coming due. The Fed’s action influences interest rates, with the 10-year Treasury yield now at 5.30% and the average 30-year fixed mortgage rate at 7.50%. CRE borrowing rates have also increased, with a 10-Year loan at 7.30%—8.00%+, depending on the risk of the deal.

For CRE owners, the main concern is refinancing and negative leverage. When a loan matures, a borrower may face a higher interest rate, stricter underwriting, or a lower valuation than when the property was purchased. If property income has not risen enough to cover the new debt costs, owners may need to contribute additional equity, negotiate a loan extension, sell, or default. In addition, a number of CRE apartment syndicators have recently filed for bankruptcy due to these higher rates and if they remain elevated, the distress will increase substantially.

Investors sometimes describe a deal as having “negative leverage” when the property’s

capitalization rate (net operating income divided by property value) is below the all-in borrowing rate. In that situation, debt can reduce the return on the investor's equity rather than enhance it. It is a warning sign and one of the biggest "No-nos" in CRE investment.

Many of the Fed's Board of Governors and Regional Fed Presidents have become shills for the banking industry and Wall Street, while ignoring the U.S. consumer and the real estate sectors. Most of them are economists with primarily academic or government job backgrounds and no real-world job experience. Their actions and comments continue to reveal that they operate in the Washington bubble of PhD's and think tanks and have no idea what is going on with the CRE and housing markets, which are both in a freefall.

The Fed members have stated that they were increasing interest rates because the economy is booming and to reduce inflation to its target rate of 2.0%. Inflation has accelerated since March 2026, with the August 2026 CPI Index up by 3.40%, primarily because of the Iran War and the price of oil. About 60% of the CPI basket of goods is directly affected by the price of oil. This inflation is truly "transitory" and will drop like a "lead balloon" as soon as the war is ended. At that time, the price of WTI oil will fall from \$90/bl to \$65/bl, where it was in February before the Iran conflict and reduce inflation with it.

The Federal Reserve has a history of policy blunders and mistakes that have been detrimental to the economy, as shown below.

1. 2002-2006: The Fed held rates too low after the 2001 recession, which supported excessive borrowing and the single-family housing boom and then bust.
2. 2007-2008: The Fed underestimated the Great Recession and how severely mortgage-market stress could spread through the financial system and economy. It later cut rates rapidly and deployed emergency measures, but the crisis had already become systemic.
3. 2015-2018: The Fed raised rates while inflation remained below its 2.0% objective. Critics argue it could have waited longer; policymakers then expected inflation to return to target as the labor market strengthened.
4. 2021-2022: The Fed described the early inflation rise as likely transitory and began raising rates in March 2022, after price increases had broadened. Pandemic supply disruptions made the outlook unusually uncertain, but the delayed response is widely viewed as a significant policy mistake.

Higher financing costs are a real headwind for CRE, especially for borrowers facing refinancing gaps. The case is strongest when it focuses on those concrete pressures and asks whether policy is calibrated to current inflation and employment data. Housing and CRE are economically significant to the growth and stability of the U.S. economy and should not be ignored by the Federal Reserve. An industry estimate put CRE development and operations' total contribution at \$2.5 trillion, or about 9% of GDP, in 2023; that estimate includes indirect and induced effects. The 16.2% housing share reported for 2024 includes housing services and residential investment across housing types, including apartments and owner-occupied homes. We don't believe the economy is booming, but that it is humming along okay, with much of the growth emanating from the SI (super intelligence) sector and data center development. However, these higher rates are tilting the real estate sectors into a distress area, which may bode ill for the U.S. economy as a whole.

Be Aware of High-Beta Markets

Key Takeaways

- **High-beta markets combine strong population and business growth with abundant developable land, creating opportunity alongside greater supply risk.**
- **Pro-development policies and limited controls can accelerate construction booms and overbuilding, particularly in apartments and offices.**
- **The data cites Yardi Matrix data showing more than 247,000 apartments in the listed markets under construction or completing in 2026–27, about 49% of the U.S. total under development.**
- **Oversupply can weaken occupancy, rents, NOI, and asset values, so investors should account for market volatility when developing or acquiring properties.**

Investors should beware of the commercial real estate markets in Atlanta, Austin, Charlotte, Dallas, Denver, Houston, Miami, Phoenix, Tampa, and Las Vegas. These metropolitan areas have substantial amounts of available and undeveloped land, relatively few development controls, and consequently exhibit the characteristics of what are known as high-beta CRE markets. These markets experience significant volatility in rents, net operating income (NOI), and cash flows, which can adversely affect property values and pricing.

These metropolitan economies are robust and growing rapidly, fueled by strong migration of residents and businesses. However, the combination of abundant developable land and limited development restrictions contributes to recurring boom-and-bust cycles. When demand and rents rise for office and apartment properties and capital is inexpensive, developers respond aggressively with new construction, frequently resulting in overbuilding. The ensuing oversupply leads to declining rents, rising vacancies, distressed properties, and, in some cases, loan defaults. High-beta markets can be highly rewarding for sellers on the way up but treacherous for buyers on the way down.

Beta is an investment term that measures the volatility of a common stock relative to a broad market index, such as the S&P 500. For example, a stock with a beta of 1.5 would be expected to move 1.5 times as much as the S&P 500. If the index increases by 10%, the stock would be expected to rise by 15%; conversely, if the index declines by 10%, the stock would be expected to fall by 15%. The higher the beta, the greater the volatility of the stock or asset. Applied to CRE, high-beta markets exhibit greater volatility in their underlying economies, property fundamentals, and real estate values.

A major contributor to this volatility is the pro-development environment prevalent in these markets, where developers can often obtain property entitlements within relatively short periods, typically six to twelve months. During periods of economic expansion and favorable capital market conditions, these policies encourage elevated construction activity across nearly all property types, particularly apartments. This development activity frequently exceeds sustainable demand, reinforcing the recurring cycle of overbuilding and market corrections. Currently, many of these high-beta markets continue to experience strong population and business migration while simultaneously contending with oversupplied apartment and office sectors.

According to Yardi Matrix, a leading real estate data analytics firm, these high-beta markets have more than 247,000 apartment units under construction or scheduled for completion during 2026–2027, representing approximately 49% of the total apartment units under development in the United States. This concentration of new supply increases the potential for higher vacancies, declining rents, rising capitalization rates, and distressed properties. Consequently, investors developing or acquiring commercial real estate in these markets must recognize their inherent volatility and adjust their underwriting assumptions, acquisition pricing, and investment strategies accordingly.

Get Your Copy of Three Great CRE Books and Apps by Our Editor, Joseph Ori

The editor of this newsletter, Joseph Ori, is pleased to offer his three CRE books for sale: “The Fifty Commandments of Commercial Real Estate Investment,” Editions I and II, and “Commercial Real Estate Investment for Pros (and Dummies Too!).” All books are available on Amazon, other book outlets, and on Kindle.

Both editions of The Fifty Commandments of Commercial Real Estate Investment compile the choice pieces of advice Mr. Ori has amassed for over 40 years in the CRE industry. Mr. Ori lists Essential dos and don’ts, mistakes, and successful strategies with a mixture of critical analysis and a keen sense of satirical humor, reinforced by his encyclopedic knowledge of the commercial real estate environment. Mr. Ori covers all areas of the industry. Commercial real estate investment, finance, development, capital markets, and management tactics are all given his full attention, as are leasing, financial analysis, and institutional investments. He applies his commandments to all property types, including apartments, office buildings, shopping centers, industrial warehouses, lodging properties, and senior housing.

Investment for Pros (and Dummies Too!) discusses the history, the various financial players, legal and financial structures, property types, modern portfolio theory and the financial metrics of commercial real estate investment and the commercial real estate industry. The book includes numerous charts and analyses of the industry and a step-by-step breakdown of the commercial real estate analysis and investment process. The book is perfect reading for the experienced real estate pro and also understandable to the real estate novice or someone new to the industry.

Mr. Ori has also created two financial apps, Deal Maven and Watch Maven, as shown below. Deal Maven allows users to download any private placement memorandum or prospectus and in a few minutes for free, the app will summarize the salient points of the document in 7-10 pages. Watch Maven allows users to download a photo of the front and back of the watch and in seconds, the app will review, analyze, and value the watch subject to over 80 criteria for free.

Apps and Publications

FINANCIAL APPS



Review, highlight and summarize PPMs and prospectuses.

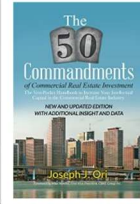
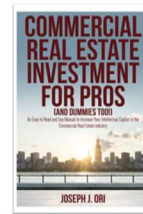
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PUBLICATIONS



View of the Market
Monthly CRE newsletter

CRE Financing Rates

Loan Type	Mortgage Rate	Maximum Amortization	Term (years)	Maximum LTV
Permanent Loans	6.37%-9.52%+	30	10	70%
Conduit-CMBS	7.03%-8.77%+	30	10	70%
Bridge Loans	6.00%-13.00%+	Interest Only	1-3	80%
Construction Loans	5.75%-9.00%+	Interest Only	1-4	70%
Insurance Co. Loans	6.53%-9.43%+	30	10	70%
Fannie Mae/Freddie Mac	5.46%-6.26%+	30	10	80%

Index	Commercial Loan Index Rates
Prime Rate	7.00%
30-Day SOFR (secured overnight funding rate)	3.79%
1 Year Swap	4.47%
10 Year Swap	4.88%
5 Year Treasury	5.03%
10 Year Treasury	5.27%
Federal Funds Rate	3.75%-4.00%



Interest rates inched up substantially this month, with the 10-Year Treasury at 5.27% due to an increase in the federal funds rate at the September Fed meeting. The Federal Reserve Board meets again on October 27th and 28th and should leave rates unchanged. The above financing rates and data are courtesy of Paramount Capital Corporation, and feel free to contact Joseph Ori, Founder and CEO, Paramount Capital Corporation, for your real estate capital needs.

CRE Deal Focus

CRE Deals of the Month

Purchaser/ Sponsor	Seller	Property/ Deal	Price	Description
EQT Real Estate	Rexford Industrial Realty	CA Logistics Portfolio	\$1.2B	A 5.2 million-square foot, 32-building industrial portfolio.
L&L Infinite Real Estate Partners, Mack Real Estate Group, BLDG Management and BD Blakely	L&L Holding and Blackrock	600 Third Ave., New York, NY	\$245M	A 575,000-square-foot office building 92% leased.
Fort Partners	Jeff Greene	Tideline Palm Beach Hotel, Palm Beach, FL	\$150M	A 134-room ocean resort hotel.
Draper & Kramer	Albion Residential	Apartment Property, Evanston, IL	\$126M	A 268-unit apartment built in 2020.
Decron Properties	GID	Apartment Property, Los Angeles, CA	\$114M	A 163-unit apartment property built in 2010.
Speed Bay Warehouse Solutions	Stonemont Financial Group and SCOA Real Estate Partners	Industrial Properties, FL	\$113.1M	Two industrial properties with 514,915 square feet.
TA Realty	Nuveen	Boulder Creek, Sammamish, WA	\$102M	A 204-unit apartment property.
Inova Health	Stockdale	Willow Oaks,	\$97.5M	A 382,850-square-

Systems	Capital Partners	Washington, D.C>		foot, two-building medical office.
TLC Management	AMLI Residential	AMLI Deerfield, Deerfield, IL	\$94.3M	A 240-unit apartment property built in 2015.
National Healthcare Properties	AEW Capital Management	Sonata East, Viera, FL	\$67.5M	An 88-unit independent/assisted living community built in 2021.

CORPORATE FINANCE FOCUS

The Daily Drucker

One of the most prescient corporate thinkers and management consultants in the last hundred years is Peter Drucker. He passed away in 2005 at 92 years old, but during his illustrious career, he published over thirty-five books, and his corporate and management ideas have had a profound impact on shaping the modern corporation and management science. For the next twenty-four issues of VOM, we will highlight some of his insights and motivations in corporate management, personnel, and the knowledge worker from one of his last books, The Daily Drucker.

I. Alliances for Progress

Drucker expects international growth to rely increasingly on partnerships, joint ventures, and other alliances instead of acquisitions or wholly owned subsidiaries. Such arrangements can help companies operate across borders where economic activity is global but political and legal authority remains national. An alliance can separate the economic relationship between

partners from the legal and political structures surrounding them. It is not a perfect fix, but it can make cross-border business easier to organize.

II. Rules for Successful Alliances

Alliances can run into trouble as they succeed, especially when partners discover that their goals differ. Drucker recommends agreeing in advance on the alliance's objectives and how it will be run. Partners should also choose who will manage it and assign a senior person to oversee each partner's relationship with the venture. Finally, they should agree beforehand on how to settle disputes, such as by selecting a mutually respected arbitrator.

III. The Whistle-blower

Drucker argues that encouraging whistle-blowing can weaken trust and mutual responsibility between managers and employees. He treats it as a serious ethical problem because it can turn colleagues into adversaries and leave employees feeling unprotected. He does allow that people cannot stay silent about grave wrongdoing, such as criminal conduct. His argument is controversial, and it should be read as Drucker's view of organizational trust—not as a universal rule against reporting misconduct.

IV. The Family-Managed Business

Drucker observes that family-managed firms are common, including among large companies, yet management education often gives them little attention. He says their ordinary functional work—such as research, marketing, and accounting—is much like that of other businesses. The distinct challenge is management, where family interests and business needs can collide. For that reason, family firms need management practices suited to their structure if they are to survive and prosper.

REIT FOCUS

REIT Statistics

Current REIT statistics for 8/30/26 per NAREIT are included in the table below. Please note that the all-equity REIT return over 20 years includes three CRE downturns: the Great Recession, the retail and store closure meltdown, and the current higher interest rate regime.

<i>Period</i>	<i>All REITs</i>	<i>All Equity REITs</i>	<i>S&P 500</i>	<i>NASDAQ Composite</i>
8/2026	13.78%	14.49%	13.14%	13.90%
1-Year	11.01%	12.52%	20.38%	23.64%
5-Year	1.83%	2.33%	12.79%	12.38%
10-Year	5.48%	5.88%	15.37%	18.61%
20-Year	5.91%	6.27%	11.37%	13.27%
Market Capitalization	\$1.61T	\$1.54T	\$70.50T	\$46.65T
Dividend Yield	4.04%	3.68%	1.02%	.60%

REIT REVIEW

Summary

This REIT valuation is on Agree Realty Corporation (“ADC”), a publicly traded REIT that is engaged in the ownership, operation, acquisition, development, and management of retail properties net leased to industry leasing tenants. ADC owns or controls 2,825 properties with 59.6 million rentable square feet. The three largest tenants are Lowes (14% of annual base

rent), WaWa (14% of annual base rent) and Walmart (12% of annual base rent). The average occupancy as of 6/30/26 was 99.8%, and same-store net operating income growth YoY was 18%.

Development

As of June 30, 2026, ADC had 20 development or development funding platform projects completed or under construction, with anticipated total costs of approximately \$199.9 million.

Corporate Data

ADC is traded on the New York Stock Exchange, is incorporated in Maryland, and is located in Royal Oak, MI. ADC has 124 million common shares outstanding and a market capitalization of approximately \$8,226 billion. ADC is rated Baa1 by Moody's, BBB+ by Standard and Poor's and A- by Fitch Ratings. ADC owns or controls 99.7% of the ownership interests in its UpReit partnership, Agree Limited Partnership.

Management

Joel Agree, 48, President and CEO

Mr. Agree joined the company in 2005 and was appointed CEO in 2013, leading its growth from a small development REIT into a national retail net lease company. Agree earned a bachelor's degree in political science from the University of Michigan and a Juris Doctor from Wayne State University Law School. He was named EY's 2018 Entrepreneur of the Year for Michigan and Northwest Ohio.

Ownership

Top Institutional Holders	Shares (millions)	%
Blackrock, Inc.	19,110	15.37
Cohen & Steers, Inc.	16,400	13.19
Vanguard Portfolio Mngt, LLC	10,590	8.51
State Street Corporation	5,860	4.71
Vanguard Capital Mngt, LLC	5,410	4.35

	Ownership Breakdown
% of Shares Held by All Insiders and 5% Owners	1.77
% of Shares Held by Institutional & Mutual Fund Owners	117.69
Number of Institutions Holding Shares	677

All amounts above are per Yahoo Finance

Financial Analysis and Valuation

Select financial data for ADC per the Q-2 2026 10-Q and supplemental information.

(In millions where applicable)

Financial Data	Amounts
Real Estate Assets, Gross	\$9,951
Total Assets	\$10,586
Property Debt (at weighted average interest rates of approximately 5.2%)	\$3,820
Stockholders' Equity	\$6,520
Revenue	\$405
Net Income (Loss)	\$112
Cash Flow from Operations	\$276
Unsecured Credit Facility (\$1.25B with \$0M drawn)	\$1,250
Market Capitalization	\$8,226
	Property Debt to:
Gross Real Estate Assets	38%

Market Capitalization	46%
Enterprise Value	31%
Dividend and Yield (\$10.36)	3.60%
Shares Sold Short (in millions per Yahoo Finance)	7,750

Valuation Methodology	
Q2-2026 Real Estate Revenue	\$405
Q2-2026 Real Estate Operating Expenses (excluding depreciation, amortization, interest expense, and impairment charges)	<u>\$72</u>
Q2-2026 Net Operating Income	\$333
Proforma Annualized Net Operating Income at 102%	\$679
Projected Average Cap Rate	<u>7.0%</u>
Projected Value of Real Estate Assets	\$9,700
Add: Net Operating Working Capital (at book value)	<u>\$18</u>
Total Projected Value of the Assets of the Company	\$9,718
Preferred Stock (at \$25,000 liquidation value)	(175)
Less: Total Debt per Above	<u>(\$3,820)</u>
Projected Net Asset Value of the Company	\$5,723
Common Shares Outstanding: 124.3M	
Projected NAV Per Share	\$46
Market Price Per Share on 10/15/26	\$65
Premium (Discount) to NAV	41%

Financial Metrics

The gross real estate assets, property debt, revenue, net income, funds from operations, return on invested capital, dividend coverage, and dividends per share for ADC for the years 2021 through Q2-2026 are shown in the table below.

(Millions except dividend and per share amounts)	2021	2022	2023	2024	2025	Q2-2026
Gross Real Estate Assets	\$4,600	\$6,062	\$7,143	\$7,926	\$9,225	\$9,951
Property Debt	\$1,687	\$1,939	\$2,409	\$2,784	\$3,293	\$3,820
Revenue	\$339	\$429	\$537	\$617	\$718	\$405
Net Income (Loss)	\$120	\$145	\$162	\$181	\$196	\$112
Funds from Operations (FFO)	\$202	\$274	\$376	\$416	\$477	\$250
Return on Invested Capital (1)	5.7%	6.4%	6.2%	6.5%	6.7%	NA
Dividend Coverage (2)	1.03	1.20	1.32	1.33	1.37	1.29
Dividends Paid Per Share	\$2.604	\$2.805	\$2.919	\$3.00	\$3.081	\$3.20(3)

(1) This ratio is cash provided by operations plus interest expense divided by stockholders' equity plus property debt and measures the return the REIT is earning on its invested capital.

(2) This ratio is funds from operations divided by common and preferred stock dividends and distributions to noncontrolling interests.

(3) The dividend in 2026 is \$.267 per month.

The total return of ADC year-to-date and through five years is shown in the chart below per NAREIT:

ADC Total Return	8-2026	1-Yr	3-yr	5-Yr
	3.16%	3.62%	10.10%	3.73%

As shown above, our net asset value per share for ADC is \$46/sh., compared to a market price of \$65/sh. Current average cap rates for net lease properties, per our industry experience and CBRE's Cap Rate Survey, are in the 5.0% to 8.0%+ range, depending on the length of the lease and credit of the tenant. We have used an average cap rate of 7.0% due to ADC's quality portfolio of net lease assets.

Strengths:

- A low debt-to-enterprise value of 31%.
- An attractive dividend yield of 4.86%.

Concerns:

- REIT prices will decline if interest rates increase.
- The stock is trading at a 41% premium to our NAV.
- The dividend has only been increased by 23% since 2021.

Recommendation:

ADC is trading at a 41% premium to our NAV per share and we are not recommending purchasing the stock.

A five-year price chart for ADC is shown below:





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