Triple-net REITs

Net Lease 4Q23 earnings recap

Earnings Review

11 March 2024

Equity
United States
REITs

Guidance assumes a lighter year of acquisition volumes

Acquisition volumes is a key driver of earnings growth for the net lease REITs. One pattern that emerged across the sub-sector was a more modest than usual initial guide to acquisition volumes. Relative to our expectations EPR, NNN & O all guided to initial volumes well below our expectations. We note that ADC, GTY, PKST, EPRT, NTST did not provide volume guidance. Of note, WPC actually increased their guide after providing their initial outlook in 3Q23.

Investment spreads remain thin as cap rates yet to adjust

We spoke with several of the management teams to get a better sense of what is driving the outlook for a lighter year of acquisitions. The main theme that emerged was that in the current capital market backdrop, management teams did not want to overpromise given the volatility in their cost of capital. The second theme is investment spreads are near or below the low end of their historical range. A big driver of this is that sellers believe they can get lower cap rates on sales.

O's bad debt assumptions appear conservative

Our conversations with O suggest that management has taken a very conservative approach to bad debt. For the legacy O portfolio, management assumes 40bp of bad debt (in line with historical run-rate) and another 100bps of rental revenue for the SRC portfolio they acquired. In addition, O assumes additional lost rent on SRC's watch list tenants starting January 1, 2024. Three areas of conservatism: (1) SRC's never hit 100bps of bad debt per year, (2) lost rent starting on January 1 despite guidance being released on February 20 and (3) the level of lost rent on the watch list appears high.

WPC portfolio quality remains a concern post office spin

A key driver of WPC's spin off of its office portfolio was that it would improve the quality of its portfolio. 4Q results suggest that WPC still has areas of improvement and investors have low visibility into the health of the portfolio. Management flagged they are working with Hellweg, a top 10-tenant at 2.2% of rent, on restructuring its lease. We reiterate our Underperform.

Updating our POs and estimates post 4Q results

After updating our models for 4Q results, we are updating the POs and estimates. See Exhibit 1 for details of the PO changes and Exhibit 5 for the estimate change summary. We are lowering our PO for EPR to $45 from $47 after updating for 4Q results. We are raising our PO for NNN to $44 from $37 after updating for 4Q results. We are raising our PO for PKST to $12 from $11.50 after updating for 4Q results. We are raising our PO for WPC to $54 from $52 after updating for 4Q results.

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Key Links:

(**BofA US Triple Net Primer**)

Key Terms:

AFFO: Adjusted funds from operations
PEGY: Price-to-earnings to earnings growth plus dividend yield
PO: Price Objective
NAV: Net Asset Value
SRC: Spirit Reality Capital

Exhibit 1: Summary of PO Changes
Updated published estimates after review of models

Ticker	Old PO	New PO
ADC	$66.00	$66.00
EPR	$47.00	$45.00
EPRT	$28.00	$28.00
GTY	$29.00	$29.00
NNN	$37.00	$44.00
NTST	$15.00	$15.00
O	$57.00	$57.00
PKST	$11.50	$12.00
WPC	$52.00	$54.00

Source: BofA Global Research, priced as of 3/8/2024
BofA GLOBAL RESEARCH

PEGY Analysis

Exhibit 2: Net Lease REITs 2024 PEGY
We rank the net lease REITs based on the latest PEGY 3-yr ratios

Ticker	Company name	New Rating	2024 PEGY	Rank	2024 PEGY (3-yr)	Rank
GTY	Getty Realty	Neutral	1.61	5	1.09	1
EPRT	Essential Properties	Buy	1.19	1	1.10	2
ADC	Agree Realty Corp	Buy	1.60	4	1.33	3
O	Realty Income	Neutral	1.23	2	1.48	4
NNN	NNN REIT	Underperform	1.26	3	1.59	5
NTST	NetSTREIT	Underperform	1.72	6	1.61	6

Source: BofA estimates, Bloomberg
2024 PEGY is based on BofA's 2024 AFFO multiple and '24/'23 AFFO growth, and forward 4Q Dividend yield
2024 PEGY (3-yr) is based on BofA's 2024 AFFO multiple, '26/'23 AFFO growth, and forward 4Q Dividend yield
Excluding PKST, EPR, WPC due to negative earnings growth

BofA GLOBAL RESEARCH

Key comments from the earnings calls

ADC – Earnings call quotes

- **More visibility on external growth and funding: "**With over $235 million of forward equity raise at the end of the year and anticipated free cash flow of approximately $100 million, we have visibility beyond that do-nothing scenario. We can invest approximately $500 million this year on a leverage-neutral basis, excluding any disposition proceeds and without the need for any additional equity capital."

- **But not enough visibility**: "So I think first of all, we're in an extremely volatile macroeconomic environment, including interest rate volatility here that's going on. And so I think our number one focus is not going to be aggregating volume today at de-minimis spreads, as we talked about in the prepared remarks. We're 100% focused and the team is disciplined here, focusing on deploying capital at 100-plus basis point spreads into our sandbox of the country's leading retailers. And frankly, with 70 days of visibility in the net lease space, that's our average duration from letter of intent to close, I can't tell you what's going to happen in 71 days, let alone later this summer or fall."

- **Development pipeline: "**We commenced four new developments in DFP projects during the fourth quarter with total anticipated costs of approximately $13 million. The new projects include a Burlington and HomeGoods in Newman [ph] Arizona and two Starbucks in Illinois [ph]. Construction continued during the quarter on 12 projects with anticipated costs totaling approximately $51 million. Lastly, we completed construction on four projects during the quarter with total costs of approximately $16 million."

- **Focusing on deploying capital 100bp wide of cost of capital: "**the best returns would of course be on the development spectrum. And so duration equals risk. So we're looking for a significant spread if we're going to develop to where we can acquire a light-kind asset. And the other end of the spectrum would be acquisitions, again, where our focus here is deploying capital 100 basis points wide of where we see our cost of capital. And as we've noted significantly before, our cost of capital, we perceive it as a forward AFFO yield at a 75-25 split with 10-year unsecured pricing. We're not using unburdened free cash flow here. It's a conservative approach to that cost of capital."

- **Cap rate visibility remains low: "**I think it's more likely that we get a rate hike this year than a cut in March at this point. And so cap rates are all over the board, as you would imagine that sellers' expectations of the overall economy and interest rate environment are all over the board."

- **Opportunity window when looking at cap rates: "**we're looking for those opportunistic areas where we can sell an asset generally in the plus or minus in the 6 cap range and then redeploy it north of 100 basis points, minimally above that in assets that we don't think long term necessarily have the growth potential profile that within the portfolio."

- **G&A Cadence: "**It's difficult at this point to predict how much scale we'll see in 2024, but we do anticipate that G&A as a percentage of revenue will continue to come down."

- **Disposition cadence: "**From a category perspective, we're not overly interested in decreasing our Walmart exposure or anything like that. The opportunistic dispositions will generally be into the pretty tenuous 1031 market dominated in markets where you have significant capital, it seems to be significant capital, still chasing things at fairly low yields. We'll look to deploy -- redeploy that capital at approximately 150 basis point spreads."

- **Announced dividends:** "Subsequent to year end, we declared a monthly cash dividend of $0.247 per share for January and February 2024. The monthly dividends reflect an annualized dividend amount of over $2.96 per share or a 2.9% increase over the annualized dividend amount of $2.88 per share from the first-quarter of 2023."

- **Future forward equity: "**With more than $235 million of forward equity raised late in the fourth-quarter, we anticipate putting in place a new ATM program in the coming weeks in normal course."

EPR – Earnings call quotes

- **Investments in Experiential properties: "**our total investments were approximately $6.8 billion, with 359 properties that are 99% leased, excluding properties we intend to sell. During the quarter, our investment spending was $133.9 million, bringing the total investment spending for 2023 to $269.4 million. 100% of the spending was in our Experiential portfolio"

- **Reducing Theater**: "We are also focused on reducing our number of theaters and improving the quality and coverage of our theater portfolio. In Q4, we took steps on both fronts. In our Q3 call, we noted an impairment of $20.9 million related to a likely restructuring with a small regional chain"

- **Sold vacant Regal Theaters**: "Subsequent to the end of the quarter, we sold another of our vacant former Regal theaters and now have sold three, with eight remaining to sell. Of those, we have either a signed purchase and sale agreement or a signed letter of intent for three."

- **Investment guidance**: "We're issuing investment spending guidance for funds to be deployed in 2024 in a range of $200 million to $300 million. Through year-end, we have committed approximately $240 million for experiential development and redevelopment projects that have closed but are not yet funded, to be deployed over the next two years. We anticipate approximately $140 million of that $240 million will be deployed in 2024 and that amount is included at the midpoint of our 2024 guidance range."

- **Deferrals paid back**: "We believe the fact we have been paid back over $150 million of deferred rents since the pandemic, in addition to current rents, speaks to the strength of our tenants' businesses and validates our approach in managing through that challenging time. We work closely with each of our tenants to develop plans that work with their businesses and help position them for longer-term success. Now moving to the key variances by line item, total revenue for the quarter was $172 million versus $178.7 million in the prior year."

- **FFOAA guidance:** "We are pleased to be announcing a 2024 FFO as adjusted per share guidance of $4.76 to $4.96."

- **Percentage Rents:** "Note that given the timing of expected percentage rents, which are heavily weighted to the last three quarters of the year as in the past, as well as the fact that the first quarter is the offseason for many of our operating properties including all of our RV parks, we expect results for the first quarter of 2024 to be lower than the full year, divided by four by about $0.09 per share."

- **Cost of capital and guidance**: "As we have discussed previously, given our current cost of capital, we have consciously decided to limit our near-term investment spending. We are providing our 2024 investment spending guidance of $200 million to $300 million, and as in 2023, we do not anticipate the need to raise additional capital to fund these amounts. We are also providing our guidance for disposition proceeds for 2024 of $50 million to $75 million, percentage rent and participating interest of $12 million to $16 million, and G&A expense of $52 million to $55 million."

EPRT – Earnings call quotes

- **Reaffirm AFFO guidance: "**We are affirming our 2024 AFFO per share guidance of $1.71 to $1.75, which implies year-over-year growth of 5% at the midpoint."

- **Activity subsequent to the quarter: "**Looking ahead to the first quarter of 2024, we have closed $40.9 million of investments to date at a cash yield of slightly above 8%. And our pipeline remains robust as increasing a number of middle market companies are seeking sale leaseback capital as a financing alternative as other sources of capital have become unavailable or uneconomic."

- **Cap rate cadence on sale lease backs:** "That being said, our current pipeline today suggests that our investment cap rates should be stable in the near term."

- **G&A cadence for 2024 relative to past years: "**Our recurring cash G&A as a percentage of total revenue was 5.2% for the quarter and 5.9% for the full year of 2023, which compares favorably to the 5.8% and 7%, respectively, for the quarter and full year of 2022. We continue to expect that on an annual basis, our cash G&A as a percentage of total revenue will decline in 2024, as our platform generates operating leverage over a scaling asset base."

- **Funding for future external growth: "**You got it. All right. A couple of things. In terms of just kind of funding mix, generally speaking, we had been largely probably 60-40 in terms of equity and debt. But now with almost $100 million of free cash flow, that's probably more like 60 equity, 30 debt, and 10 is kind of your free cash flow."

- **Management feels good about rent coverage: "**Clearly, the headline number decreasing from down 20 basis points, some of that is attributable to the acquisitions in the fourth quarter as well as the acquisitions in the third quarter, both of which were at 3.3x. And there's always some ebbs and flows with different operators and different reporting periods and the like. But overall, the portfolio is in a great spot and we're not seeing any concerns that give us pause."

- **Driver to SS rent growth: "**that's just going to be the rent escalations built into our contracts. Generally, they range from anywhere between one into quarter on up to two. On average, it's 1.7% I believe. There's different compounding periods. And clearly at 1.5%, that represents a pretty solid flow through of those escalations for us, and that's going to kind of ebb and flow as we've disclosed."

- **10-year unsecured spread: "**I think the best mark would be our current bonds, which are out there trading, and they're kind of in the mid-sixes. I would think that, hopefully a new issuance out the yield curve could price inside of that. So, call it low to mid-six."

- **Potential capital partner mix: "**I generally tell people we like to see a 80%- 20% or 75%-25% mix, where we're 75% existing relationships, 25% new relationships, because it's important for us to continually source new relationships because eventually some relationships outgrow us. Clearly, in the fourth quarter at 96%, it's more skewed towards existing relationships."

- **Disposition expectations: "**Yes. I think the expectation should be it's going to be more towards our eight quarter average. Clearly, the current market for dispositions is a bit challenged. We have a very granular and fungible portfolio but the lack of financing out there is making it a little more difficult to sell assets than in a normalized environment."

- **No need for disposition capital: "**And really, we don't need to -- we don't see the need to lean into dispositions to generate liquidity capital given where we are from a balance sheet perspective."

- **Conservative rent loss assumption and credit loss assumptions built into guidance: "**when you see us rising -- raising guidance throughout the year, it tends to be partially driven by the fact that those credit losses aren't really coming to play. So, the 40 basis points to 50 basis points, we don't give specific guidance on the numbers in there, but it's certainly where the range of guidance has a range around that I think is fair to say."

- **Rent escalator expectations: "**I look back in the first quarter of 2022, our average lease escalation was 1.4%, and last quarter, it was 1.9%, and the quarter before that, it was 2.0%. I would and really for the whole year, 2.0%, 1.9%. I would not set the expectation that that's going higher."

- **Transaction market competitors: "**We also on occasion compete with 1031 buyers, people coming in with large exchanges who are looking to place tax-deferred capital. And there's not a lot of people who are generating gains from the sale of real estate assets and that source of capital is largely dried up and not competing. There's plenty of public market participants."

- **Current watch list: "**So, our current watch list, which I'll remind you we define as the intersection of credit risk as a single B minus or below and coverage risk as 1.5 or below. It's currently 70 basis points, so, 20 basis points inside of where it was in the second quarter and it's still 50% theaters."

GTY – Earnings call quotes

- **Tech initiative:** "We also launched a multi-year technology initiative to ensure that we have the systems in place to support a larger platform and to make us more efficient and better investors. The initial phases of implementation will go live in early 2024."

- **Earnings growth drivers: "**We expect our 2024 earnings growth to be driven by the escalators from our in-place portfolio, additional income from investments acquired or partially funded in 2023, and by our investment pipeline, which currently includes more than $67 million of assets under contract, the majority of which are projected to close in the first half of this year."

- **Investment yields subsequent to the quarter: "**Subsequent to the year-end, we invested $18.6 million for the development and/or acquisition of 9 express tunnel car washes, 8 auto service centers, and 1 convenience store. We currently have more than $67 million of commitments to fund acquisitions and developments, which we expect to spend over this next 6 to 9 months, at an average initial yield in the mid-7% range, which is reflective of the mix of more recent originations, similar to the yields we achieved in the fourth quarter, and lower yields on some of our older originations."

- **G&A cadence: "**We anticipate that G&A increases will moderate, and G&A as a percentage of our revenue and asset base, will decrease as these investments mature, and we continue to scale the company."

- **Equity capital markets: "**In addition, during the fourth quarter, we entered into new forward sale agreements under our ATM program to sell approximately 800,000 shares, which will generate anticipated gross proceeds of $24.6 million."

- **AFFO guidance: "**And finally, we're reaffirming our 2024 AFFO per share guidance range of $2.29 to $2.31, which we introduced earlier this year."

- **Cap rates cadence:** "so it's right in the mid-7s, right around 7.5%, and I think as Mark mentioned in his remarks, it currently reflects a blend of some transactions that were originated 12, 18 months ago, some of our development funding transactions that are at yields slightly less than that, as well as some new originations over the last couple of months, which would be north of that, and in the 8% area, as Mark articulated, we're putting out new paper today. So it's really a blend of some older originations and the yields we're seeing more recently."

- **Capital sources: "**So we have north of $105 million from those two sources against a $67 million pipeline. So we have dry powder right from those two committed sources, as well as a revolver that's effectively undrawn with $290 million of availability. So we feel really good about how we're positioned against the current pipeline, what we're seeing beyond that."

- **Value from tech investments: "**It's making us more efficient from an accounting standpoint, data management. And we did invest some in 2023. We expect to have some in 2024, but I think what's really important, what Brian mentioned is, we've made a lot of platform investments at Getty, whether it's people or in the technology area, and we are getting to a place where we're starting to see the benefits of size and scale. So we believe that our G&A increases will start to moderate as we look at 2024 and beyond, even including some of those investments."

- **Environmental charges: "** So in short form, right, environmental is comprised of some cash costs, excuse me, that we incur to run the program, right? There's some insurance premiums in there, legal, professional fees. That's typically been recently around $1 million a year. That would be kind of the flow through to AFFO, broad strokes and kind of round numbers there. And we expect that, that's probably the right level for at least the foreseeable future."

NNN – Earnings call quotes

- **Capital sources: "**Based on our initial 2024 guidance, NNN has the ability to have minimal capital market activity in 2024. This is accomplished by using a nominal amount of the credit facility, the roughly $180 million free cash flow we generate, and $100 million from dispositions to execute 2024 strategy. Using these three sources I mentioned leaves NNN with potentially zero equity requirements for the year."

- **Accounting nuance in guidance: "**I will be quick to point out, as detailed in the footnote below the earnings table on Page 1 of the press release, that the fourth quarter included $0.03 of accrued rental income in connection with the reclass of one tenant from cash basis accounting to accrual basis accounting as a result of continued improvement in that tenant's financial condition post-pandemic. So without those $0.03 per share, the fourth quarter core FFO would have been $0.82 per share, or 2.5% over year ago results."

- **Deferred rent payments: "**And as can be seen again on Page 13, those deferred rent repayments are now 93% completed, and so they will have a much smaller impact in 2024 and beyond."

- **Guidance: "**$400 million to $500 million of acquisitions, $80 million to $120 million of dispositions, G&A expense of $46 million to $48 million, and property expenses net of tenant reimbursements of $9 million to $11 million. We do have $350 million of 3.9% debt coming due in June of this year 2024, and so the refinance of that debt will create nearly a couple of pennies of headwind on 2024 results."

- **External growth capital sources: "**Based on the midpoint of our acquisition and disposition guidance for 2024, we should fund approximately 60% of our 2024 acquisitions with free cash flow and disposition proceeds. Our weighted average debt maturity remains 12 years, which will help us slow the coming refinance headwind that all REITs are facing in the coming years."

- **Cap rates in 2024: "**Yes. So, going into 2024, as I alluded in the opening remarks, we were picking up 20 basis points each quarter, and then I expect that if not a little bit higher for the first quarter for the deals that got priced in the fourth quarter, but we kind of noticed. It felt like there's the other REITs put some pressure because they have to do acquisition volume, which kind of plateaued the cap rates that we're seeing that might close in the second quarter. I kind of see the first half of the cap rates being the same, but they're definitely trending up for the first quarter."

- **Deal volume: "**As far as deal volume, there's definitely not as much deal volume out there as there was kind of in the second and third quarter. And I think that's more from the seller side, the supply side, when there is discussions of rate cuts coming, that some sellers are holding off, hitting the market, anticipating better cap rates in the near future. But that being said, where NNN, our acquisition guidance, there's plenty of deal volume out there for NNN to hit its numbers."

- **Rent loss: "**So, as usual for us, we've assumed in our guidance 100 basis points of rent loss baked into our guidance, and that I would say what is typical and what included in 2023 is that we typically run kind of 40 to 50 basis points in a typical year."

- **Capitalized interest: "**And so based on that activity in our split-funded program, we'll continue to have capitalized interest. And so for last year, it totaled $4.3 million for 2023. I think it'll be somewhat less than that. So let's call it around $3 million, maybe, but we'll see how it plays out."

- **Tenant fundamentals: "**They're all performing, I'm not going to say killing it out of the park, but they're performing well. We do see some margin expansion within the QSR, meaning that they still can get the price through and their labor costs are not eating them up. But overall, we're not seeing a significant softness within our tenant base."

- **Cash basis tenants: "**So, we have 5% of our ABR annual base rent is on cash basis, and like I say, really 90% of it consists of two tenants, AMC and Frisch's. But through the year 2023, they were all current and so there was no delta between cash and book basis -- or book revenue as it relates to that. And again, as I mentioned, I don't expect either of those tenants moving from cash basis to accrual basis in the near-term, and so they'll remain cash basis, but it has no real impact, really, on the way we operate or the way we think, or frankly, and I wouldn't include it in the way we model things. And so we assume they'll continue to pay rent going forward. Having said that, we create 100 basis point rent loss assumption baked into our guidance to hopefully account for any kind of hiccups on the tenant rent side."

- **Rent growth: "**So the way I would think about it is a 1.5% rent increase for this year and going forward."

NTST – Earnings call quotes

- **Capital needs: "**As it stands today, we have all of the equity capital that we need to execute our 2024 growth plans while still ending the year around the low end of our targeted leverage range of 4.5 times to 5.5 times."

- **ALDI to replace Big Lot: "**Last year it was announced that Aldi will acquire the brand, which is a substantial credit upgrade for us. We have already been in contact with Aldi, who has expressed interest in converting stores to the Aldi brand. Since inception, we have actively cold the portfolio to avoid potential risk. This is evidenced by our declining Big Lots exposure, which is now down to eight properties or 1.5% of ABR."

- **Lease expirations: "**Our proactive approach to lease expiration leads us with an enviable lease expiration schedule with only $84,000 of rents expiring in 2024 and 2% of total ABR expiring through 2025."

- **G&A cadence: "**We continue to expect our G&A to rationalize relative to our asset base and total revenues as the company has reached the proper scale to effectively operate our business on a go-forward basis."

- **Debt financing:** "In terms of future debt issuance, please note that in early March we plan to draw the remaining $100 million of our 2029 term loan which has been swapped to a fixed 5.13% interest rate. We do not anticipate raising any additional debt capital this year as our $400 million revolving credit facility provides us with ample capacity to fulfill our 2024 debt needs."

- **Recent ECM activity: "**As Mark mentioned earlier, subsequent to year-end, we raised just over 11 million shares of common stock in January of this year, which resulted in $190.8 million of net proceeds to the company. The offering was completed on 100% forward basis and we have until January 9, 2025, to settle all shares under the forward sale agreement. With that in mind, we now have the necessary equity capital fund for 2024 external growth objectives, without the need for any additional equity issuance."

- **Leverage: "**From a leverage perspective, our adjusted net debt to annualized adjusted EBITDAre was 4.1 times at quarter end, which compares favorably to our targeted range of 4.5 times to 5.5 times. Furthermore, when including the net proceeds from our foreign offering this January, our quarterly pro forma leverage declines to 2.5 times."

- **Acquisition expectations: "**You know, we closed $430 million or so net acquisitions last year. I would assume a somewhat similar pace, you know, for the first quarter, but we really want to keep some optionality."

- **Credit loss: "**it ranges obviously from the low to the high end, but you should expect a fairly de minimis amount at the high end of guidance in a fairly material amount at the low end. So certainly north of 100 basis points at the low end."

- **CVS and Walgreens tenant risk: "**But that's really not new news that the front end has always kind of been an area that Walgreens and CVS have struggled in. But look, I mean, they're split rated right now, there's still a fixed charge coverage ratio of north of 2 times. So we don't really see any near-term risk associated with their credit, and we don't have any leases with them coming due until August 2028. So certainly nothing in the near term."

- **Investment spreads: "**So if you kind of look at that and you think about the average, we're probably right now somewhere around 110 basis points in terms of investment spread just on an average basis in the first 45 days of the year."

- **Reduced Big Lot exposure: "**I guess we should have made it clear that we sold an asset that there wasn't anything negative that happened. But yes, so we're down to eight stores and 1.5% of rent. We've seen pretty good interest -- inbound interest for those locations more from the types of buyers that value the real estate and below market rents."

- **Internal vs external growth in guidance: "**As most of these companies -- most of the growth is coming from external growth. as well as a reduction in cash G&A. But our internal growth is typically just a little bit less than 1% in any given year."

O – Earnings call quotes

- **Capital sources for investment opportunities:** "In addition to the $9.3 billion Spirit merger, we are also providing 2024 acquisitions guidance of approximately $2 billion, which is expected to be fully funded via a combination of our portfolio's internally-generated cash flow, now exceeding $800 million after dividend payments on an annualized basis, as well as approximately $605 million of unsettled ATM proceeds and our $3.7 billion of cash and unutilized availability on our revolving credit facility as of year-end."

- **Investment mix: "**Of our $2 billion initial investment volume forecast, approximately half is expected to come in the form of development financing, the vast majority of which is already identified."

- **Investment expectations: "**Including activity subsequent to year-end, we currently have approximately $605 million of outstanding forward equity available to finance a portion of our equity needs in 2024. When combined with over $800 million of annual free cash flow available to us following the Spirit merger, we have the ability to finance all of our equity needs for our $2 billion investments guidance without having to tap into the public equity markets for the remainder of 2024, and this is before any capital any capital recycling opportunities through asset sales, which we expect to be north of the $116 million volume we achieved in 2023."

- **Non cash interest expense guidance: "**In 2024, we do anticipate an increase of $45 million in annualized non-cash interest expense we expect to recognize from the amortization of below-market debt on the Spirit debt we assumed."

- **Jeff Jacobson joins the board: "**I am thrilled for all of us at Realty Income to benefit from Jeff's perspective as a former CEO of one of the world's premier global real estate asset management firms, LaSalle Investment Management, and in his current role as the Chairman of the Board of Cadillac Fairview Corporation. In conclusion, our results in 2023 underscore the multiple avenues of growth at our disposal in the global commercial real estate industry, including through one-off and portfolio acquisitions, multiple asset types, corporate sale leasebacks, development and joint venture partnerships, and via public M&A opportunities."

- **10% plus return without having to be aggressive in the market: "**And right now, we feel very confident in saying the plan that we have has very little to no risk and we can deliver a 10%-plus return without having to be aggressive in the market. And that's really the thesis around what we've come out with."

- **Transaction appetite relative to cost of capital / investment yield spread: "**Cap rates will adjust, will move and there will be more willingness on the part of the seller to transact today. We had the 10 year at a 4.2% towards the end of last year. It dropped down to 3.75% in January and then it's back up to 4.2%. In that sort of environment, you have sellers that are saying, we expect the Fed to start cutting interest rate later in the year, I think I can hold off another six to seven months. So why transact in this environment today?"

- **Development yield and timing:** "If we're doing a development takeout, obviously, we put the funds down when the project is done. We get those assets and the rent starts and there's really no lag. If it's a development built-to-suit where we're funding along the way, it's a little bit more nuance associated with it where you're not quite getting the economics that we are entitled to as we put this funding out. However, from an accounting standpoint, the way that it flows through to the income statement is through essentially our cost of short-term debt. And so what -- from a modeling perspective and the most clean way to do it in my view would be to just assume when you see us developing and deploying capital, that's when the yield begins because in most cases."

- **Transaction size: "**And clearly, if you look at what we did last year, more than five transactions were above $500 million in size, two of which were above $1 billion in size. That's what we can deliver. That's what we can bring to the table. And that's what our clients need are big solutions to big problems."

- **G&A guidance post SRC merger: "**There is always going to be a fair amount of conservatism sitting here in mid-February on line items like that. We did have quite a bit of growth from a resource standpoint in the back half of 2023, you're going to see the full annualized effect of that. And it's still too early to tell on the synergies front with Spirit what ultimately is going to be achievable. But in the first month or so, less than that of ownership, everything is trending to better than we expected from a synergy standpoint. And as a reminder, on a cash basis, we expected $30 million of synergies off of a $40 million cash G&A load annualized."

- **Credit loss regarding SRC:** "The range that we have shared with you accommodates for any level of credit loss that the Spirit portfolio and/or our portfolio would generate."

- **Disposition expectations / announcement post SRC: "**We are not waiting on a particular date. There's obviously a priority of assets that we have identified that we don't believe to be core to our overall portfolio. Those are already in the market. And then we are calling through the rest of the portfolio to continue to add to our capital recycling program for 2024. So there isn't a particular target date, but we'll be happy to share with you more on this front during the first quarter earnings when we'll have assumed control of this portfolio for about two months and 10 days."

- **Lending opportunities: "**I think we've talked about doing a credit investment on the gaming side with Blackstone. We've talked about doing an investment on one of the largest grocers in the U.K. Again, these are the types of examples that you should continue to see, but we are going to be very selective in terms of who we lend to, given that, that is not a core element of our business."

- **Puts and takes on the low end of guidance: "**So on the low end at 413, it's a fairly draconian scenario. You almost have to believe that short-term rates are going to continue to push higher, which we don't have a crystal ball, but crazier things have happened. It also assumes that there's essentially a shutdown of acquisitions, and so you can assume that the $2 billion is something significantly less than that. From the credit loss perspective, I think, that's also something that we put in a very, very conservative number that we don't think is likely at all of happening, but it is something that is included from a bad debt perspective."

PKST – Earnings call quotes

- **Disposition activity subsequent to the quarter:** "Subsequent to year-end, we sold another office segment property located in Johnston, Iowa, the Corteva, the existing tenant for gross proceeds of $30 million. At the time of the sale, Corteva's lease had 2.8 years remaining. To further this closing, we issued a one-year note for one-half of the purchase price or $15 million. This asset was classified as held for sale at year end. We have one other segment property classified as held for sale at year end, which relates to a purchase by the existing tenant. This asset is the Hitachi Energy manufacturing facility located in Jefferson City, Missouri. During the quarter, the tenant exercised its fixed price purchase option to acquire the property for $26.1 million. The sale is scheduled to close towards the end of the first quarter of 2024. At closing, we will pay off the balance of the secured debt relating to this asset being approximately $11 million."

- **Views on quality of their portfolio: "**Our outlook on the industrial market remains positive. As demonstrated by our leasing activity in the quarter, our portfolio is well positioned to capture past and future rent growth and realize strong re-leasing spreads. We have strategically located industrial assets that are essential to the business operations of our tenants. And many of our tenants continue to invest significant new capital in their operations at our properties. On the office side, companies are more frequently making longer-term decisions about their office occupancy requirements. The two new office leases we signed in the quarter illustrate this point."

- **Great disposition yield for 2023, but low visibility on a go-forward: "**We sold 11 properties over the year, with $336 million of proceeds -- or the cap rate for our stabilized assets for 7.6%. We're clearly selling, opportunistically, properties that don't align with our go-forward plan. And when you look at what we're seeing in the marketplace, it's obviously becoming much more dependent on the ability to get credit."

- **Attitude toward capital allocation:** "We like where we sit in terms of our total cash position and affords us great flexibility on our balance sheet. We continue to focus on -- strengthening our balance sheet. At the appropriate time, we'll be looking at opportunities in the investment side.:

- **Sold Tyler Texas asset includes lease termination: "**I think the best thing that I can tell you is that we sold that for a combined -- $21.4 million."

WPC – Earnings call quotes

- **Improvement in transaction landscape:** "Looking ahead, I'm pleased to say that in recent months, the outlook for the transaction environment has improved, both in the U.S., and Europe. Today, we're able to transact at cap rates well into the 7s, providing an attractive spread to our cost of capital."

- **Pent up supply:** "We're also seeing some pent-up supply from sellers and expect a pickup in corporate M&A, which often creates sale-leaseback opportunities. If market conditions play out as we expect, we believe we're very well positioned for higher investment volume in 2024."

- **Cap rates:** "Deals with going in cap rates in the 7s and rump bumps over long lease terms that take their unlevered returns into the 8s and 9s provide an attractive spread, even if funded with newly issued capital. They are therefore also deals we're very comfortable executing with the liquidity we have on hand. So we continue to have a strong bias to deploy cash into new investments."

- **Office sale guidance "**Looking ahead to 2024, our guidance assumes office sales totaling between $550 million and $600 million, including the $388 million already completed, with the remaining sales under the program weighted to the first half of the year."

- **U-Haul portfolio:** "Our disposition guidance also includes the sale of the U-Haul net lease self-storage portfolio through the exercise of its purchase option for approximately $465 million. We expect to receive the proceeds in tranches during the first quarter, and have collected the full first quarter of rent on the portfolio, totaling $9.7 million."

- **Hellweg tenant rent abatement:** "First, we are proactively working with one of our top ten tenants, Hellweg, a do-it-yourself retailer in Europe, to restructure and extend its leases as it works to improve its financial position. Although this is a developing situation, our guidance currently assumes a rent abatement on this portfolio for the first quarter, totaling $7.5 million, and a reduction in annual rent going forward from approximately $30 million of ABR to an estimated $26 million."

- **Cold Storage tenant:** "Second, the tenant of four cold storage and fruit packing facilities we own in Central Valley, California, which produces $5.2 million of ABR, has been operating in bankruptcy. While the tenant is current on rent through the end of February, we expect our lease to be rejected."

- **Rent contingency:** "For the 2024 full year, we are currently expecting this line item to total in the low-to-mid $20 million range, with visibility into almost half of that based on negotiations currently in process."

- **Full year guidance :** "Turning now to our 2024 guidance, we expect to generate full-year AFFO per share between $4.65 and $4.75, with the decline versus 2023 driven primarily by the full-year impact of the NLOP spin-off and the completion of the office sale program. Guidance assumes full-year investment volume of between $1.5 billion and $2 billion and reflects the timing of investments and dispositions, with investment volume expected to be more back-end-weighted while dispositions are more front-end-weighted, driven primarily by the State of Andalusia office portfolio sale and the U-Haul purchase option"

- **Net Debt to EBITDA:** "Net debt to EBITDA was 5.6x relative to our target range of mid-to-high 5x, although we expect it to be in the low 5s during the first half of 2024 as disposition proceeds are redeployed into new investments before returning to our targeted range in the second half."

- **7c impact to guidance:** "The impact that I highlighted on the call was about $0.07. That was not contemplated in our preliminary guidance, and in terms of the offset, I think there were a handful of items. We went out with a fairly wide range three months ago. Things have come into focus since then. I'd say a handful of things aggregating to the delta there is probably better line of sight on re-leasing assumptions and rent recoveries, and then just generally a better outlook on interest-base rates since early November. So that in combination with the Lineage dividend, which we had not anticipated in our November guidance, really is largely offsetting that, keeping us at about the $4.70 midpoint."

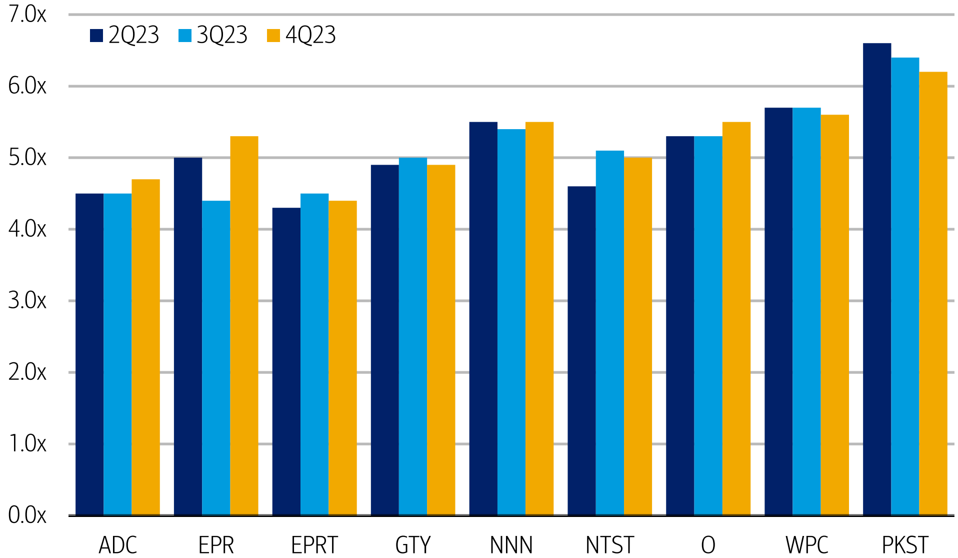
- **Competitive landscape:** "We think the private bid competition has remained thinned out. The CMBS markets are still not quite back. They remain constrained and unreliable. So I think that's going to help from a competitive position. And we're seeing opportunities. We also mentioned the capital position we're in, which is probably as strong relative to our peers as, we've ever been in, sitting on as much cash as we are. So, we do like how we're positioned. We do think the environment's interesting. We have the bias to put that capital to work. But, of course, we don't have visibility into a full year at this point. A lot of things have to come together. But we feel good about that guidance range at this point in time."

- **Office asset sale progress:** "I'll note about 80% of our overall office sale program is either closed or under binding contract. Another 10% to 12% of that is under contract in diligence, and then the remainder is in progress."

Leverage

Exhibit 3: Net Lease REITs Leverage

Last 3 quarters' Net debt / EBITDA



Source: Company filings

BofA GLOBAL RESEARCH

Companies mentioned

Exhibit 4: Companies Mentioned in report

Companies mentioned in the report, Investment Rating, Price Objective and last closing price

Ticker	Rating	Q-R-Q	PO	Price
ADC	Buy	A-1-7	$66.00	$57.63
EPR	Neutral	B-2-7	$45.00	$42.61
EPRT	Buy	B-1-7	$28.00	$24.93
GTY	Neutral	B-2-7	$29.00	$27.22
NNN	Underperform	B-3-7	$44.00	$42.54
NTST	Underperform	B-3-7	$15.00	$17.40
O	Neutral	B-2-7	$57.00	$52.91
PKST	Underperform	C-3-8	$12.00	$15.75
WPC	Underperform	B-3-7	$54.00	$57.57

Source: BofA Global Research, priced as of 3/8/2024

BofA GLOBAL RESEARCH

PO & Estimates Changes

Exhibit 5: Summary of AFFO estimate changes

Updated published AFFO estimates after review of models

	2024		2025		2026		2027		2028	
Ticker	Old	New	Old	New	Old	New	Old	New	Old	New
ADC	$4.11	$4.10	$4.46	$4.33	$4.87	$4.61	$5.27	$4.88		$5.11
EPR	$4.97	$4.72	$5.13	$4.93	$5.21	$5.02	$5.05	$5.09		$5.09
EPRT	$1.76	$1.77	$1.88	$1.94	$2.00	$2.09	$2.03	$2.17		$2.18
GTY	$2.32	$2.32	$2.48	$2.45	$2.65	$2.59	$2.80	$2.71		$2.71
NNN	$3.32	$3.40	$3.38	$3.46	$3.42	$3.51	$3.47	$3.55		$3.47
NTST	$1.24	$1.26	$1.30	$1.32	$1.34	$1.37	$1.34	$1.40		$1.30
O	$4.20	$4.17	$4.31	$4.25	$4.31	$4.32	$4.28	$4.37		$4.14
PKST	$1.97	$2.81	$1.91	$2.89	$1.47	$2.85	$1.42	$2.89		$2.93
WPC	$4.73	$4.70	$4.90	$4.88	$4.93	$5.07	$4.87	$5.19		$5.19

Source: BofA Global Research

BofA GLOBAL RESEARCH

ADC (A-1-7): After updating our model for 4Q23 earnings, we are maintaining our price objective of $66. Our PO is based on an AFFOx of 16 (unchanged) applied to our 2024 estimate of $4.10 (previously $4.11).

EPR (B-2-7): After updating our model for 4Q23 earnings, we are lowering our price objective to $45 from $47. Our PO is based on an AFFOx of 9.5x (unchanged) applied to our 2024 estimate of $4.72 (previously $4.97).

EPRT (B-1-7): After updating our model for 4Q23 earnings, we are maintaining our price objective of $28 Our PO is based on an AFFOx of 16x (unchanged) applied to our 2024 estimate of $1.77 (previously $1.76).

GTY (B-2-7): After updating our model for 4Q23 earnings, we are maintaining our price objective of $29. Our PO is based on an AFFOx of 12.5x (unchanged) applied to our 2024 estimate of $.2.32 (unchanged).

NNN (B-3-7): After updating our model for 4Q23 earnings, we are raising our price objective to $44 from $35. Our PO is based on an AFFOx of 13x (previously 11x) applied to our 2024 estimate of $3.40 (previously $3.32).

NTST (B-3-7): After updating our model for 4Q23 earnings, we are maintaining our PO to $15. Our PO is based on an AFFOx of 12x (unchanged) applied to our 2024 estimate of $1.26 previously $1.24).

O (B-2-7): After updating our model for 4Q23 earnings, we are maintaining our PO o$57. Our $57 price objective is derived using a forward multiple of 13x (unchanged) applied to our 2024 AFFO estimate of $4.17 (previously $4.20) .

PKST (C-3-7): After updating our model for 4Q23 earnings, we are raising our PO to $12 from $11.50. Our PO is based on an AFFOx of 5x (previously 6x) applied to our 2024 estimate of $2.81 (previously $1.97).

WPC (B-3-7): After updating our model for 4Q23 earnings, we are increasing our PO to $54 from $52. Our PO is based on an AFFOx of 11.5x (previously 11x) applied to our 2024 estimate of $4.70 (previously $4.73). We believe the higher applied multiple is warranted current macro environment.

Price objective basis & risk

Agree Realty Corp (ADC)
Our $66 price objective uses an AFFO multiple of 14.5x applied to our 2024 AFFO estimate. We use a target AFFO multiple of 14.3x to match its long term average and to reflect our view that ADC has locked in a large part of its equity needs. Downside risks to our PO are: conservative balance sheet with low leverage, pace and volume of acquisitions, acquisition cap rates vs ADC's cost of capital, issues with tenants (i.e. bankruptcies), key man risk (CEO), and ADC's ability to source accretive deals.

EPR Properties (EPR)
Our $45 price objective for EPR is based on a target AFFO multiple of 9.5x applied to our 2024 AFFO estimate. We note that our applied AFFO multiple of 9.5x is below EPR's long term historical AFFO multiple average of 13.5x but the decrease accounts for the current macro environment and current historical trends for AFFOx. We believe the discount to its long-term average is warranted given the slower recovery pace of the movie theater industry which EPR has a larger exposure to.

Upside risks to our PO are better-than-expected economic growth, higher-than-forecast distribution growth and lower interest rates.

Downside risks to our PO are a weaker macroeconomic environment, a more competitive acquisition environment, increased tenant credit risk, litigation risk and rising interest rates.

Essential Properties (EPRT)
Our $28 price objective for EPRT is derived using a forward AFFO multiple of 16.0x applied to our 2024 AFFO estimate. This forward multiple compares to EPRT's 2-year historical AFFO multiple average before COVID-19 of 17.1x as we acknowledge similar market conditions. Upside and downside risks to our PO are: pace and volume of acquisitions, acquisition cap rates vs. EPRT's cost of capital, issues with tenants (i.e. bankruptcies), and EPRT's ability to source accretive deals.

Getty Realty Corp. (GTY)
Our $29 PO is derived using a forward AFFO multiple of 12.5x applied to our 2024 AFFO estimate. We assume GTY's AFFO multiple trades below GTY's 2-year historical AFFO due to our expectation of limited external growth going forward. Upside and downside risks to our PO are: pace and volume of acquisitions, performance of c-stores vs e-commerce trends, issues with tenants (i.e. bankruptcies), legacy environmental and litigation risks, returns on redevelopments, future of gasoline sales as consumers embrace electric vehicles.

NetSTREIT (NTST)
Our $15 price objective uses an AFFO multiple of 12x applied to our 2024 AFFO estimate. We use a target AFFO multiple of 15x which reflects current market conditions and the historical AFFO multiples' trend. Upside and downside risks to our PO are: the pace and volume of acquisitions, acquisition cap rates vs NTST's cost of capital, issues with tenants (i.e., bankruptcies), and NTST's ability to source accretive deals.

NNN REIT Inc (NNN)
Our $44 price objective for NNN is derived using a forward AFFO Multiple of 13x applied to our 2024 AFFO estimate. We assume that our AFFO multiple trades below NNN's 2-year historical AFFO multiple average before COVID-19 of 17.6x as NNN continues to lag peers on re-starting external growth. Risks to our price objective are a dividend cut or suspension, tenant default risk, a drying up of acquisition opportunities, and a downturn in one of NNN's more concentrated segments.

Peakstone Realty Trust (PKST)
Our $12 price objective uses an AFFO multiple of 5x applied to our 2024 AFFO estimate. We use a target AFFO multiple of 6x which reflects current market conditions and the historical AFFO multiples' trend. Upside and downside risks to our PO are: the company's high exposure to office, highest leverage among net lease peers, management's focus on self-funded growth and capital recycling, management's high level of experience, and a tenant base with a focus of IG and mission critical assets.

Realty Income (O)
Our $57 price objective is derived using a forward AFFO multiple on our 2024 AFFO estimate. We use a target AFFO multiple of 13.5x.

Downside risks to our price objective are a dividend cut or suspension, tenant default risk, a drying up of acquisition opportunities, a downturn in one of O's more concentrated segments, and significant changes in tenant behavior resulting from proposed lease accounting changes.

Upside risks to our price objective are improving interest rate conditions and expansion of investment spreads for further acquisition volumes.

WP Carey (WPC)
Our $54 price objective is derived using a forward multiple of 11.5x applied to our 2024 AFFO estimate. This forward multiple is lower than WPC's 2-year historical AFFO

multiple average before COVID-19 of 14.4x as we acknowledge two potential catalysts for growth: (1) accelerating growth from higher inflation given WPC's CPI linked leases and (2) WPC's acquisition of its last non-traded REIT, CPA:18. Downside risks to our PO are a slowdown in the economy, a more competitive acquisition environment, increased tenant credit risk, litigation risk and rising interest rates.The upside risks to our PO are an improvement in the rate environment and the completed exit out of Office assets

Analyst Certification

We, Joshua Dennerlein and Jeffrey Spector, hereby certify that the views each of us has expressed in this research report accurately reflect each of our respective personal views about the subject securities and issuers. We also certify that no part of our respective compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

US - REITs Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Agree Realty Corp	ADC	ADC US	Joshua Dennerlein
	Alexandria Real Estate Equities	ARE	ARE US	Joshua Dennerlein
	American Healthcare REIT Inc.	AHR	AHR US	Joshua Dennerlein
	American Homes 4 Rent	AMH	AMH US	Jeffrey Spector
	Americold Realty Trust	COLD	COLD US	Joshua Dennerlein
	AvalonBay Communities Inc	AVB	AVB US	Joshua Dennerlein
	Boston Properties	BXP	BXP US	Jeffrey Spector
	Brixmor Property Group	BRX	BRX US	Jeffrey Spector
	COPT Defense Properties	CDP	CDP US	Camille Bonnel
	Cousins Properties Inc.	CUZ	CUZ US	Camille Bonnel
	EastGroup Properties	EGP	EGP US	Jeffrey Spector
	Empire State Realty Trust	ESRT	ESRT US	Camille Bonnel
	Equity Residential	EQR	EQR US	Jeffrey Spector
	Essential Properties	EPRT	EPRT US	Joshua Dennerlein
	Federal Realty	FRT	FRT US	Jeffrey Spector
	Invitation Homes Inc	INVH	INVH US	Joshua Dennerlein
	Kimco Realty	KIM	KIM US	Jeffrey Spector
	Kite Realty Group	KRG	KRG US	Jeffrey Spector
	Phillips Edison & Company	PECO	PECO US	Jeffrey Spector
	Prologis, Inc.	PLD	PLD US	Camille Bonnel
	Public Storage, Inc.	PSA	PSA US	Jeffrey Spector
	Regency	REG	REG US	Jeffrey Spector
	Rexford Industrial Realty	REXR	REXR US	Camille Bonnel
	Sabra Health Care	SBRA	SBRA US	Joshua Dennerlein
	Simon Property	SPG	SPG US	Jeffrey Spector
	Ventas, Inc.	VTR	VTR US	Jeffrey Spector
	Welltower	WELL	WELL US	Joshua Dennerlein
NEUTRAL				
	Acadia Realty Trust	AKR	AKR US	Jeffrey Spector
	CubeSmart	CUBE	CUBE US	Jeffrey Spector
	EPR Properties	EPR	EPR US	Joshua Dennerlein
	Equity LifeStyle Properties	ELS	ELS US	Jeffrey Spector
	Essex Property Trust, Inc.	ESS	ESS US	Joshua Dennerlein
	Extra Space Storage, Inc.	EXR	EXR US	Jeffrey Spector
	Getty Realty Corp.	GTY	GTY US	Joshua Dennerlein
	Highwoods Properties	HIW	HIW US	Camille Bonnel
	InvenTrust Properties	IVT	IVT US	Jeffrey Spector
	Kilroy Realty Corporation	KRC	KRC US	Camille Bonnel
	Macerich	MAC	MAC US	Jeffrey Spector
	OMEGA Healthcare	OHI	OHI US	Joshua Dennerlein
	Realty Income	O	O US	Jeffrey Spector
	Retail Opportunity Investments Corp.	ROIC	ROIC US	Jeffrey Spector
	SL Green Realty	SLG	SLG US	Camille Bonnel
	Sun Communities	SUI	SUI US	Joshua Dennerlein
	UDR, Inc.	UDR	UDR US	Joshua Dennerlein
	Veris Residential Inc	VRE	VRE US	Joshua Dennerlein
	Vornado Realty	VNO	VNO US	Camille Bonnel
UNDERPERFORM				
	American Assets Trust	AAT	AAT US	Camille Bonnel
	Armada Hoffler Properties	AHH	AHH US	Camille Bonnel
	Camden Property Trust	CPT	CPT US	Joshua Dennerlein
	Douglas Emmett	DEI	DEI US	Camille Bonnel
	Healthpeak Properties, Inc.	DOC	DOC US	Joshua Dennerlein
	Hudson Pacific Properties, Inc.	HPP	HPP US	Camille Bonnel
	Kennedy Wilson	KW	KW US	Joshua Dennerlein
	LXP Industrial Trust	LXP	LXP US	Camille Bonnel
	Medical Properties Trust, Inc.	MPW	MPW US	Joshua Dennerlein
	Mid-America Apartment Communities, Inc.	MAA	MAA US	Joshua Dennerlein
	National Storage Affiliates Trust	NSA	NSA US	Jeffrey Spector
	NetSTREIT	NTST	NTST US	Joshua Dennerlein
	NNN REIT Inc	NNN	NNN US	Joshua Dennerlein
	Paramount Group	PGRE	PGRE US	Camille Bonnel
	Peakstone Realty Trust	PKST	PKST US	Joshua Dennerlein

US - REITs Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	STAG Industrial	STAG	STAG US	Camille Bonnel
	Tanger Inc	SKT	SKT US	Jeffrey Spector
	WP Carey	WPC	WPC US	Joshua Dennerlein

Disclosures

Important Disclosures

Equity Investment Rating Distribution: REITs (Real Estate Investment Trusts) Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	40	46.51%	Buy	33	82.50%
Hold	27	31.40%	Hold	21	77.78%
Sell	19	22.09%	Sell	16	84.21%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

[R1] Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

FUNDAMENTAL EQUITY OPINION KEY: Opinions include a Volatility Risk Rating, an Investment Rating and an Income Rating. VOLATILITY RISK RATINGS, indicators of potential price fluctuation, are: A - Low, B - Medium and C - High. INVESTMENT RATINGS reflect the analyst's assessment of both a stock's absolute total return potential as well as its attractiveness for investment relative to other stocks within its Coverage Cluster (defined below). Our investment ratings are: 1 - Buy stocks are expected to have a total return of at least 10% and are the most attractive stocks in the coverage cluster; 2 - Neutral stocks are expected to remain flat or increase in value and are less attractive than Buy rated stocks and 3 - Underperform stocks are the least attractive stocks in a coverage cluster. An investment rating of 6 (No Rating) indicates that a stock is no longer trading on the basis of fundamentals. Analysts assign investment ratings considering, among other things, the 0-12 month total return expectation for a stock and the firm's guidelines for ratings dispersions (shown in the table below). The current price objective for a stock should be referenced to better understand the total return expectation at any given time. The price objective reflects the analyst's view of the potential price appreciation (depreciation).

Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster[R2]
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

[R2] Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

INCOME RATINGS, indicators of potential cash dividends, are: 7 - same/higher (dividend considered to be secure), 8 - same/lower (dividend not considered to be secure) and 9 - pays no cash dividend. *Coverage Cluster* is comprised of stocks covered by a single analyst or two or more analysts sharing a common industry, sector, region or other classification(s). A stock's coverage cluster is included in the most recent BofA Global Research report referencing the stock.

Price Charts for the securities referenced in this research report are available on the Price Charts website, or call 1-800-MERRILL to have them mailed.

BofAS or one of its affiliates acts as a market maker for the equity securities recommended in the report: Agree Realty Corp, EPR Properties, Essential Properties, Getty Realty, NetSTREIT, NNN REIT, Peakstone Realty, Realty Income, WP Carey.

BofAS or an affiliate was a manager of a public offering of securities of this issuer within the last 12 months: Essential Properties, National Retail Prop, NetSTREIT, Realty Income.

The issuer is or was, within the last 12 months, an investment banking client of BofAS and/or one or more of its affiliates: Agree Realty Corp, Essential Properties, Getty Realty, National Retail Prop, NetSTREIT, Peakstone Realty, Realty Income, WP Carey.

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