

FOR IMMEDIATE RELEASE

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## **AGREE REALTY CORPORATION REPORTS THIRD QUARTER 2006 OPERATING RESULTS**

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### **Third Quarter 2006 Highlights:**

#### **Financial Information**

- Diluted FFO per share of \$0.59
- \$0.49 per share quarterly dividend paid  
October 12, 2006

FARMINGTON HILLS, MI (October 31, 2006) - Agree Realty Corporation (NYSE: ADC) today announced results for the quarter ended September 30, 2006. For the third quarter, funds from operations were \$4,901,000 compared with funds from operations in the third quarter of 2005 of \$4,948,000. Diluted funds from operations per share were \$0.59 per share compared with \$0.59 per share for the third quarter of 2005. Net income was \$3,406,000, or \$0.44 per share on a diluted basis, compared with net income for the third quarter of 2005 of \$3,454,000, or \$0.45 per share. Total revenues increased 5.4% to \$8,114,000, compared with total revenues of \$7,697,000 in the third quarter of 2005. A reconciliation of net income to funds from operations is included in the financial table accompanying this press release.

For the nine months ended September 30, 2006, funds from operations were \$14,724,000 compared with funds from operations for the nine months ended September 30, 2005 of \$14,741,000. Diluted funds from operations per share were \$1.76 per share compared with \$1.79 per share for the nine months ended September 30, 2005. Net income was \$10,255,000, or \$1.34 per share on a diluted basis, compared with net income for the comparable period last year of \$10,274,000, or \$1.36 per share. Total revenues increased 5.6% to \$24,554,000, compared with total revenues of \$23,257,000 for the comparable period last year.

## **Funds from Operations**

Management considers Funds from Operations (FFO) to be a useful supplemental measure to evaluate operating performance. The Company considers FFO to be an appropriate supplemental measure of operating performance because, by excluding gains or losses on dispositions and excluding depreciation, FFO can help one compare the operating performance of a company's real estate between periods or as compared to different companies. FFO is defined by the National Association of Real Estate Investment Trusts, Inc. (NAREIT) to mean net income computed in accordance with generally accepted accounting principles (GAAP), excluding gains (or losses) from sales of property, plus real estate related depreciation and amortization. FFO should not be considered as an alternative to net income as the primary indicator of the Company's operating performance or as an alternative to cash flow as a measure of liquidity. In addition, our method of calculating FFO may not be comparable to the methods used by other REITs and, accordingly may be different from similarly titled measures reported by other companies.

## **Dividend**

We paid a cash dividend of \$0.49 per share on October 12, 2006 to shareholders of record on September 29, 2006. The dividend is equivalent to an annualized dividend of \$1.96 per share and represents a payout ratio of 83.1% of funds from operations for the quarter.

## **Portfolio Results**

At September 30, 2006, Agree Realty Corporation's total assets were \$218,612,000 and our portfolio consisted of 60 properties totaling 3,355,234 million square feet located in 15 states. The portfolio was 99.5% leased at the end of the quarter. For the nine month and three month periods ended September 30, 2006 our fully diluted weighted average shares outstanding were 7,666,366 shares and 7,672,549 shares, respectively.

At September 30, 2006 our construction in progress balance totaled approximately \$3,967,000 and we capitalized \$53,000 of construction period interest during the third quarter 2006.

## Lease Expirations

The following table shows lease expirations for the next 10 years for our freestanding properties and community shopping centers, assuming that none of the tenants exercise renewal options.

Expiration Year	Number of Leases Expiring	September 30, 2006		Annualized Base Rent	
		Gross Leasable Area	Percent	Amount	Percent
		Square Footage	of Total		of Total
2007	7	34,800	1.0%	\$ 303,205	1.0%
2008	28	316,925	9.5%	1,416,358	4.7%
2009	20	193,326	5.8%	964,753	3.2%
2010	20	328,035	9.8%	2,030,828	6.7%
2011	24	228,524	6.8%	1,619,555	5.4%
2012	7	41,760	1.3%	325,568	1.1%
2013	1	51,868	1.6%	492,746	1.6%
2014	3	172,958	5.2%	824,206	2.7%
2015	11	730,525	21.9%	5,075,265	16.8%
2016	5	80,945	2.4%	1,584,222	5.2%
Thereafter	41	1,158,948	34.7%	15,573,051	51.6%
Total	167	3,338,614	100.0%	\$30,209,757	100.0%

## Annualized Base Rent of our Properties

The following is a breakdown of base rents in place at September 30, 2006 for each type of retail tenant:

National	\$26,976,447	89%
Regional	2,182,579	7%
Local	<u>1,086,731</u>	<u>4%</u>
Total	<u>\$30,245,757</u>	<u>100%</u>

## Major Tenants

The following is a breakdown of base rents in place at September 30, 2006 for each of our Major Tenants:

Borders (18)	\$ 9,781,436	32%
Walgreen (18)	6,593,929	22%
Kmart (12)	<u>3,847,911</u>	<u>13%</u>
Total	<u>\$20,223,276</u>	<u>67%</u>

## Operating Partnership Units

As of September 30, 2006 there were 673,547 operating partnership units outstanding.

Agree Realty Corporation owns, manages and develops properties which are primarily single tenant properties and neighborhood community shopping centers, located in fifteen (15) states and leased to major retail tenants.

Agree Realty Corporation considers portions of the information contained in this release to be forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 27E of the Securities Exchange Act of 1934, both as amended, with respect to the Company's expectation for future periods. Such statements are, by their nature, subject to certain risks and uncertainties. The Company cautions that, as a result of a number of factors, actual results could differ materially from those set forth in this presentation. Other risks, uncertainties and factors that could cause actual results to differ materially than those projected are detailed from time to time in reports filed by the Company with the Securities and Exchange Commission, including Forms 8-K, 10-Q and 10-K.

For additional information, visit the Company's home page on the Internet at <http://www.agreerealty.com>.

**Agree Realty Corporation**  
**Operating Results (in thousands, except per share amounts)**  
**(Unaudited)**

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2006	2005	2006	2005
<b>Revenue</b>				
Minimum rents	\$7,453	\$7,062	\$22,416	\$21,097
Percentage rent	14	14	41	39
Operating cost reimbursements	639	613	2,060	2,097
Other income	8	8	37	24
<b>Total Revenue</b>	<b>8,114</b>	<b>7,697</b>	<b>24,554</b>	<b>23,257</b>
<b>Expenses</b>				
Real estate taxes	450	444	1,352	1,316
Property operating expenses	389	342	1,318	1,435
Land lease payments	195	195	586	586
General and administration	1,006	912	3,079	2,665
Depreciation and amortization	1,213	1,168	3,618	3,461
Interest expense	1,157	1,029	3,449	3,057
<b>Total Expenses</b>	<b>4,410</b>	<b>4,090</b>	<b>13,402</b>	<b>12,520</b>
<b>Income before minority interest and Discontinued operations</b>	<b>3,704</b>	<b>3,607</b>	<b>11,152</b>	<b>10,737</b>
Minority interest expense	298	291	897	879
<b>Income before discontinued operations</b>	<b>3,406</b>	<b>3,316</b>	<b>10,255</b>	<b>9,858</b>
Income from discontinued operations	-	138	-	416
<b>Net income</b>	<b>\$3,406</b>	<b>\$3,454</b>	<b>\$10,255</b>	<b>\$10,274</b>
<b>Net Income – per share – Dilutive</b>	<b>\$ .44</b>	<b>\$ .45</b>	<b>\$ 1.34</b>	<b>\$ 1.36</b>
<b>Reconciliation of Funds from Operations to Net Income</b>				
Net income	\$3,406	\$3,454	\$10,255	\$10,274
Depreciation of real estate assets	1,185	1,185	3,540	3,521
Amortization of leasing costs	12	12	32	36
Gain on sale of assets	-	(6)	-	(6)
Minority interest	298	303	897	916
<b>Funds from Operations</b>	<b>\$4,901</b>	<b>\$4,948</b>	<b>\$14,724</b>	<b>\$14,741</b>
<b>Funds from Operations – per share – Dilutive</b>	<b>\$ .59</b>	<b>\$ .59</b>	<b>\$ 1.76</b>	<b>\$ 1.79</b>
<b>Weighted average number of shares and OP units outstanding – Dilutive</b>	<b>8,346</b>	<b>8,346</b>	<b>8,340</b>	<b>8,234</b>

**Agree Realty Corporation**  
**Consolidated Balance Sheets (in thousands)**  
**(Unaudited)**

	<b>Sept 30,</b>	<b>Dec. 31</b>
	<b>2006</b>	<b>2005</b>
<b>ASSETS</b>		
Land	\$ 74,034	\$ 73,035
Buildings	186,408	185,032
Accumulated depreciation	(47,150)	(43,772)
Property under development	2,767	265
Cash and cash equivalents	164	5,715
Rents receivable	406	731
Deferred costs, net of amortization	1,180	1,241
Other Assets	803	1,213
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<b>Total Assets</b>	<b>\$ 218,612</b>	<b>\$ 223,460</b>
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<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Mortgages payable	\$ 48,914	\$ 50,722
Notes payable	15,650	17,500
Deferred revenue	12,276	12,794
Dividends and distributions payable	4,111	4,089
Other liabilities	1,505	1,749
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<b>Total Liabilities</b>	<b>82,456</b>	<b>86,854</b>
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<b>Total Minority Interest</b>	<b>5,885</b>	<b>5,979</b>
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Common stock	1	1
Additional paid-in capital	141,066	140,343
Accumulated deficit	(10,796)	(9,717)
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<b>Total Stockholders' Equity</b>	<b>130,271</b>	<b>130,627</b>
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	<b>\$ 218,612</b>	<b>\$ 223,460</b>
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