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REITs

Price:	\$10.60
Fair Value Estimate:	\$12.00
52-Week Range:	\$6.72 - \$12.00
Equity Market Cap (M):	115.0
Shr.&Units O/S (M):	10.88
30-day Avg Daily Vol:	24,360
Dividend:	\$0.51
Yield:	4.8%

FYE: Dec	2015A	2016E	2017E
Prior FFO:		NC	NC

Quarterly FFO:

Q1	\$0.11A	\$0.12A	\$0.18E
Q2	\$0.08A	\$0.14A	\$0.19E
Q3	\$0.11A	\$0.13A	\$0.20E
Q4	\$0.12A	\$0.17E	\$0.20E
Year:	\$0.42A	\$0.54E	\$0.76E

November 15, 2016

# Gladstone Land Corporation (LAND) - BUY

## 3Q16 LAND Earnings REITView: In-Line 3Q16

Flash Takeaways

LAND reported 3Q16 FFOPS of \$0.13 (\$0.15 CORE). We were at \$0.12 as was Consensus. Beyond earnings, the incremental information was that LAND's NAV (as calculated by management) remained at \$13.68 at 9/30/16 (+29% versus the close) compared to \$13.68 at 6/30/16, \$13.87 at 3/31/16, and \$14.20 at 12/31/15, and the acquisition of 9 farms for \$40.4M in 3Q16.

Analysts Notes

- Renews 1 lease in 3Q16. In 3Q16, LAND renewed its final 2016 lease expiration with the existing tenant in Salinas, CA, resulting in a 9.0% net increase in annualized income.
- \$40.4M of investments in 3Q16. During 3Q16, LAND closed on the acquisitions of 9 new farms, totaling 10,344 acres, for \$40.4M. LAND acquired these farms at an initial overall capitalization rate of 4.8%, which is expected to increase due to certain lease provisions. These acquisitions were partially financed through the issuance of 469,427 OP units at a weighted average price of \$11.31, amounting to roughly \$5.3M.
- \$6.5M of investments closed thus far in 4Q16. So far in 4Q16, LAND has acquired a 197 acre almond orchard in CA for \$6.5M at a 5.0% initial cap rate, but is expected to yield between 7.0% and 10.0% when accounting for the revenue-sharing portion of the lease.
- Issued \$28.8M of preferred and upsized credit facility to \$200M. In 3Q16, LAND issued \$28.8M of 6.375% term preferred stock and raised \$4.1M in long-term borrowings at an average rate of 3.1%. Subsequent to 3Q16, LAND amended its credit facility, which increased the facility size from \$125M to \$200M, fixed the interest rate on ~\$86M of borrowings for 10 years at 3.16% (\$163K savings per year), and also obtained \$25.5M in new 10 year date at 3.16%.
- No changes to our thesis or estimates ahead of the call.



## IMPORTANT DISCLOSURES

### Research Analyst Certification

I, Robert Stevenson, the Primarily Responsible Analyst for this research report, hereby certify that all of the views expressed in this research report accurately reflect my personal views about any and all of the subject securities or issuers. No part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views I expressed in this research report.

### Janney Montgomery Scott LLC ("Janney") Equity Research Disclosure Legend

Gladstone Land Corporation currently is, or during the past 12 months was, a Janney Montgomery Scott LLC client. Janney Montgomery Scott LLC, provided investment banking related services.

Janney Montgomery Scott LLC currently acts as a market-maker in the securities of Gladstone Land Corporation.

Janney Montgomery Scott LLC managed or co-managed a public offering of securities for Gladstone Land Corporation in the past 12 months.

Janney Montgomery Scott LLC received compensation for investment banking services from Gladstone Land Corporation in the past 12 months.

Janney Montgomery Scott LLC intends to seek or expects to receive compensation for investment banking services from Gladstone Land Corporation in the next three months.

The research analyst is compensated based on, in part, Janney Montgomery Scott's profitability, which includes its investment banking revenues.

### Definition of Ratings

**BUY:** Janney expects that the subject company will appreciate in value. Additionally, we expect that the subject company will outperform comparable companies within its sector.

**NEUTRAL:** Janney believes that the subject company is fairly valued and will perform in line with comparable companies within its sector. Investors may add to current positions on short-term weakness and sell on strength as the valuations or fundamentals become more or less attractive.

**SELL:** Janney expects that the subject company will likely decline in value and will underperform comparable companies within its sector.

### Price Charts



### Janney Montgomery Scott Ratings Distribution as of 09/30/16

Rating	Count	Percent	IB Serv./Past 12 Mos.*	
			Count	Percent
<b>BUY [B]</b>	124	52.54	28	22.58
<b>NEUTRAL [N]</b>	109	46.19	11	10.09
<b>SELL [S]</b>	3	1.27	0	0.00

\*Percentages of each rating category where Janney has performed Investment Banking services over the past 12 months.

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