



**GLADSTONE COMMERCIAL**

*Investor Presentation August 2023*

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# Gladstone Commercial Corporation





# Company Overview

- Gladstone Commercial Corporation (“Gladstone” or the “Company”) is a publicly owned Real Estate Investment Trust (“REIT”) that completed its IPO in 2003 and is listed on Nasdaq (Ticker: GOOD)
- The Company invests in single tenant and anchored multi-tenant net leased assets, with an industrial product emphasis
- The Company owns approximately 17.2 million square feet of predominantly industrial and office real estate nationwide
- Diversified portfolio of 136 properties in 27 states leased to 110 different tenants in 19 industries
- The Company is led by a highly-experienced leadership team
- Investment activities are credit-focused with a growth market emphasis, seeking mission critical facilities of middle market and investment grade companies

Note: As of 6/30/2023

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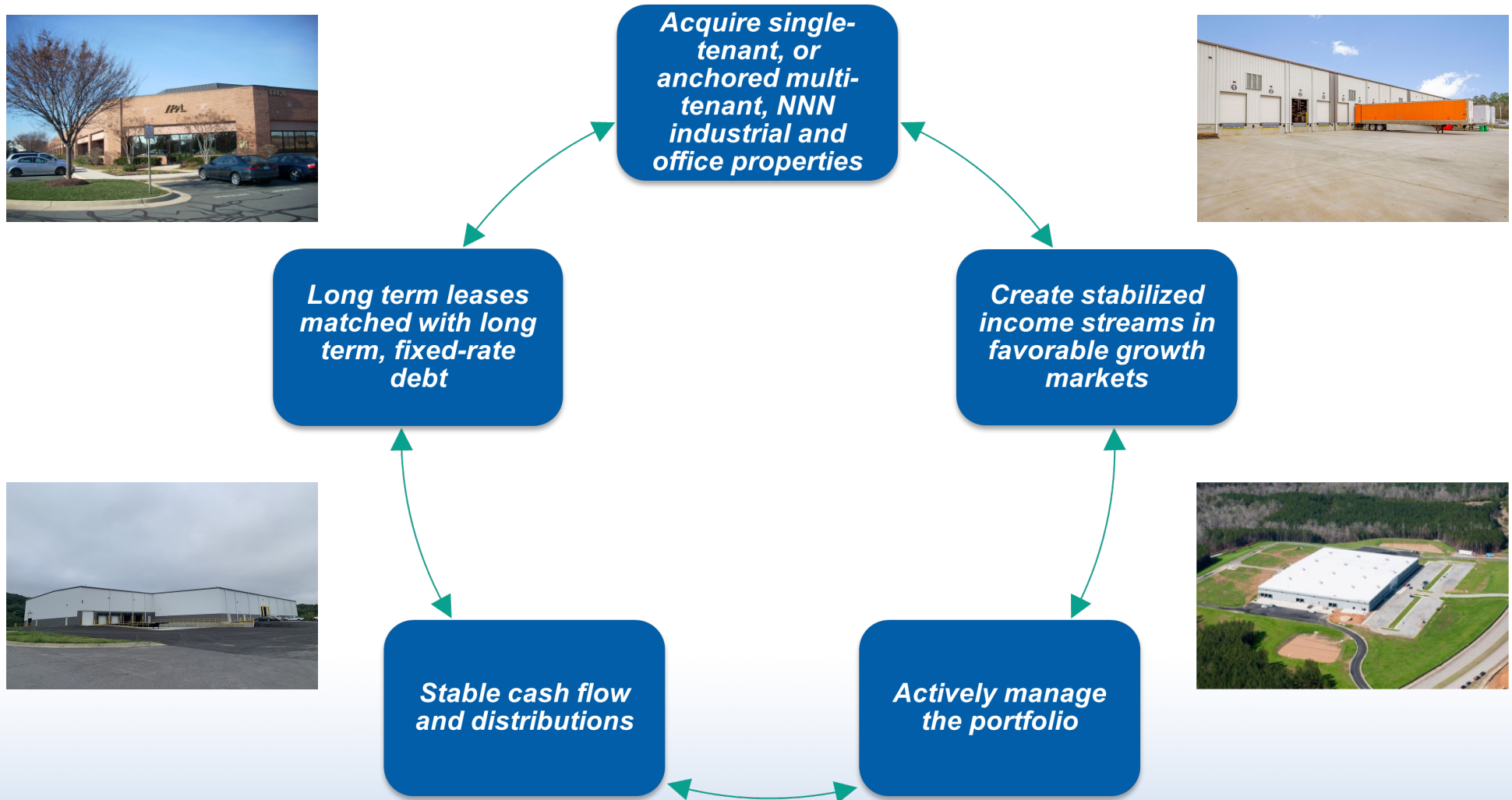
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# Gladstone Commercial's Investment Philosophy



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# Gladstone Commercial Overview

- IPO in 2003 (Nasdaq: GOOD)
- Market Capitalization: **\$498mm**<sup>1</sup>
- Enterprise Value: **\$1,434mm**<sup>1</sup>
- Common stock annual distribution per share: **\$1.20**<sup>2</sup>
  - Monthly distributions

<sup>1</sup> Common Equity is based on the closing common stock price per share as of June 30, 2023 of \$12.37 and includes effect of convertible securities.

<sup>2</sup>As of January 10, 2023.

## Portfolio summary (6/30/2023)

# of Properties	136
Square feet (mm)	17.2
Occupancy	96.0%
States	27
Tenants	110
Industries	19
Annual lease revenue (LTM) (\$mm)	\$152.3
Diluted FFO per Common Share (LTM)	\$1.55
Diluted FFO per Common Share, as adjusted for comparability (LTM)	\$1.55
Diluted Core FFO per Common Share (LTM)	\$1.56
Average Remaining Lease Term	6.8 years



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# Significant Growth & Diversification Since 2010

## GOOD Portfolio

		12/31/2010	6/30/2023	Variance
<b>Grew a diverse portfolio</b>	Total assets (\$mm)	\$ 410.6	\$ 1,181.9	\$ 771.3
	Properties	65	136	71
	Tenants	52	110	58
	Square feet (mm)	6.8	17.2	10.4
	Occupancy (%)	97.2 %	96.0 %	(1.2)%
	Lease Revenue From Top 5 tenants (\$mm) <sup>1</sup>	\$ 10.0	\$ 21.5	\$ 11.5
	% of Total Lease Revenue	24.2 %	14.1 %	(10.1)%
<b>Revenue and cash flow growth</b>	Lease Revenues (LTM) (\$mm)	\$ 41.9	\$ 152.3	\$ 110.4
	Diluted FFO (LTM) (\$mm)	\$ 14.1	\$ 62.2	\$ 48.1
	Diluted FFO, as adjusted for comparability (LTM) (\$mm)	\$ 14.1	\$ 62.2	\$ 48.1
	Diluted Core FFO (LTM) (\$mm)	\$ 14.5	\$ 62.8	\$ 48.3
<b>Improved capital structure</b>	Net Total Debt / Enterprise Value	58.9 %	51.4 %	(7.5)%
	Net Total Debt + Preferred / Enterprise Value	70.0 %	65.2 %	(4.8)%
	Net Total Debt / Gross Assets <sup>2</sup>	62.7 %	45.4 %	(17.3)%

<sup>1</sup> Annualized

<sup>2</sup> Gross Assets equal total assets before depreciation and amortization

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# Current Balance Sheet and Portfolio Supports Future Accretive Acquisitions

- Stable portfolio of assets in strong locations backed by credit-worthy tenants:
  - **100%** base rent collection for the quarter ended June 30, 2023
  - **96.0%** portfolio occupancy as of June 30, 2023
  - **6.8 years** remaining average lease term
- Strong balance sheet supporting near-term acquisitions:
  - **95%** of debt fixed or hedged
  - **\$48.5 million** of availability in cash and under the revolving credit facility as of August 9, 2023



# Investment Strategy



# Proven Strategy of Underwriting Real Estate and Tenant Strength

## *Tenant strength*

- Tenants operate in a diverse array of industries
- Each tenant's credit underwritten to Gladstone standards, developed over decades of middle market corporate lending, investing and buyouts through affiliated funds
- Emphasis on tenant's ability to weather economic downturns

## *Real estate markets positioned for growth*

- Target growth markets across the U.S.
- Accumulate assets in specific markets to create valuable portfolios
- Target submarket emphasis in the "path of growth"

## *Real estate asset quality*

- Superior quality assets with flexible configurations, and an industrial emphasis
- Properties that are critical to tenant's business
- Single tenant and anchored multi-tenant industrial and office facilities
- Target net leases with **7+** years remaining at acquisition

## *Transaction focus*

- Target transactions of **\$7mm – \$50mm**
- Type: 3rd party acquisition, sale-leaseback, build-to-suit JV and build-to-suit forward purchase



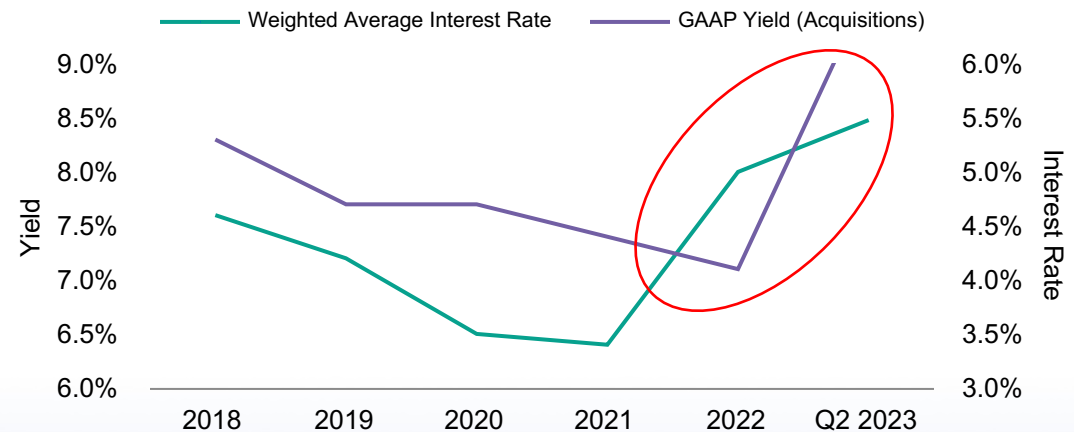
# Continue Transition to Industrial-Focused Net Lease REIT

- The Company continues to focus on acquiring industrial assets in attractive growth markets with long-term net leases to credit tenants
- The Company began a focused transition to industrial assets in 2018 (before COVID-19), and we have successfully increased portfolio industrial exposure to 59% of annualized straight line rent as of Q2 2023
- The recent run rate dividend reduction will free up additional capital to further shift portfolio exposure in favor of industrial assets as industry-wide yields increase from record lows

## Portfolio Industrial Growth



## Yields Move in Line with Interest Rates



**In Q2 2023, our GAAP Yield (Acquisitions) increased in line with interest rates primarily due to new industrial acquisitions. Our continued investment in industrial assets will increase our portfolio weighted average yield, driving shareholder returns.**

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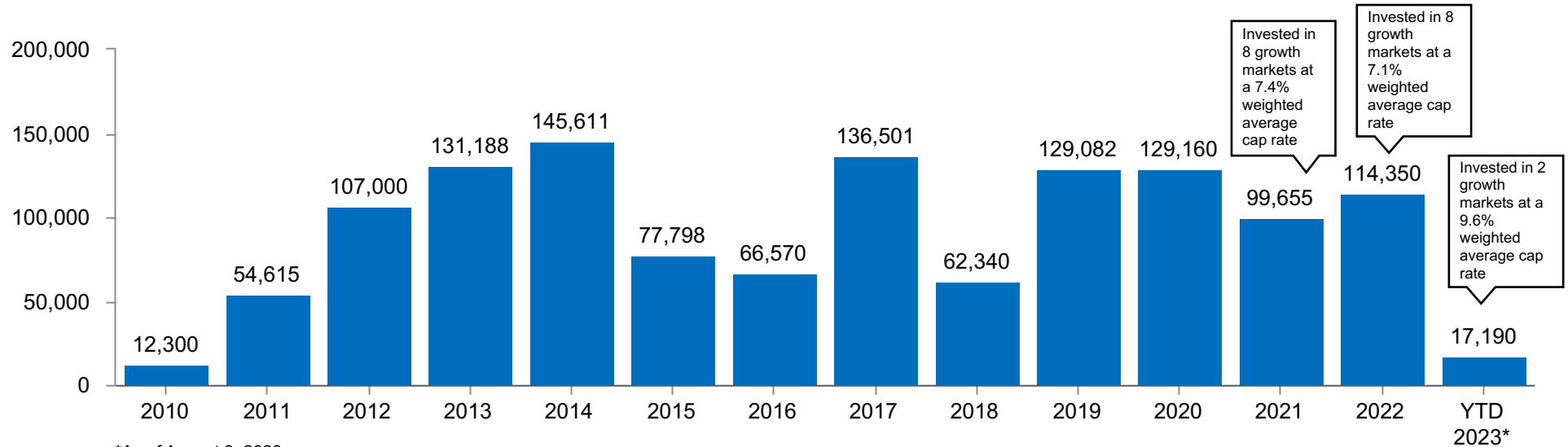
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# Gladstone Has Achieved Consistent and Disciplined Growth

## Historical Investment Volume (\$000)



### Donaldson - Industrial



- 219K SF
- Detroit, MI
- Acquired 10/2018
- GAAP cap rate: 8.0%

### Orgill - Industrial Distribution



- 676K SF
- Tifton, GA
- Acquired 6/2019
- GAAP cap rate: 8.8%

### Iron Mountain - Industrial Portfolio



- 509K SF
- TX, LA, AZ, NM
- Acquired 12/2019
- GAAP cap rate: 7.2%

### Garden State Bulb - Industrial



- 216K SF
- Vineland, NJ
- Acquired 8/2022
- GAAP cap rate: 7.2%

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# Portfolio Overview





# Portfolio Overview

## Geographic diversity

- 136 properties across the U.S., located in 27 states
- Focus on secondary growth markets with higher yields



## Tenant and property diversity

- Diverse base of 19 different industries
- Primarily industrial and office property types
- Focus on mid-size tenants occupying properties ranging from 30-150K SF (office) and 75-500K SF (industrial)



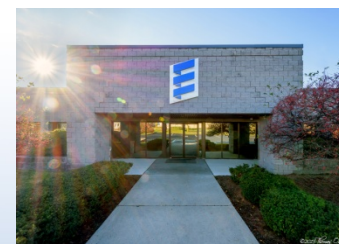
## High occupancy

- Occupancy has never fallen below 95%
- Current occupancy 96.0%
- 1.6% of annualized straight line rents expiring through the end of 2023



## Periodic capital recycling

- Sell non-core assets in non-core markets
- Exited 30 properties in non-core markets since mid-2016
- Re-deploy proceeds into industrial assets within growth markets



Note: As of 6/30/2023

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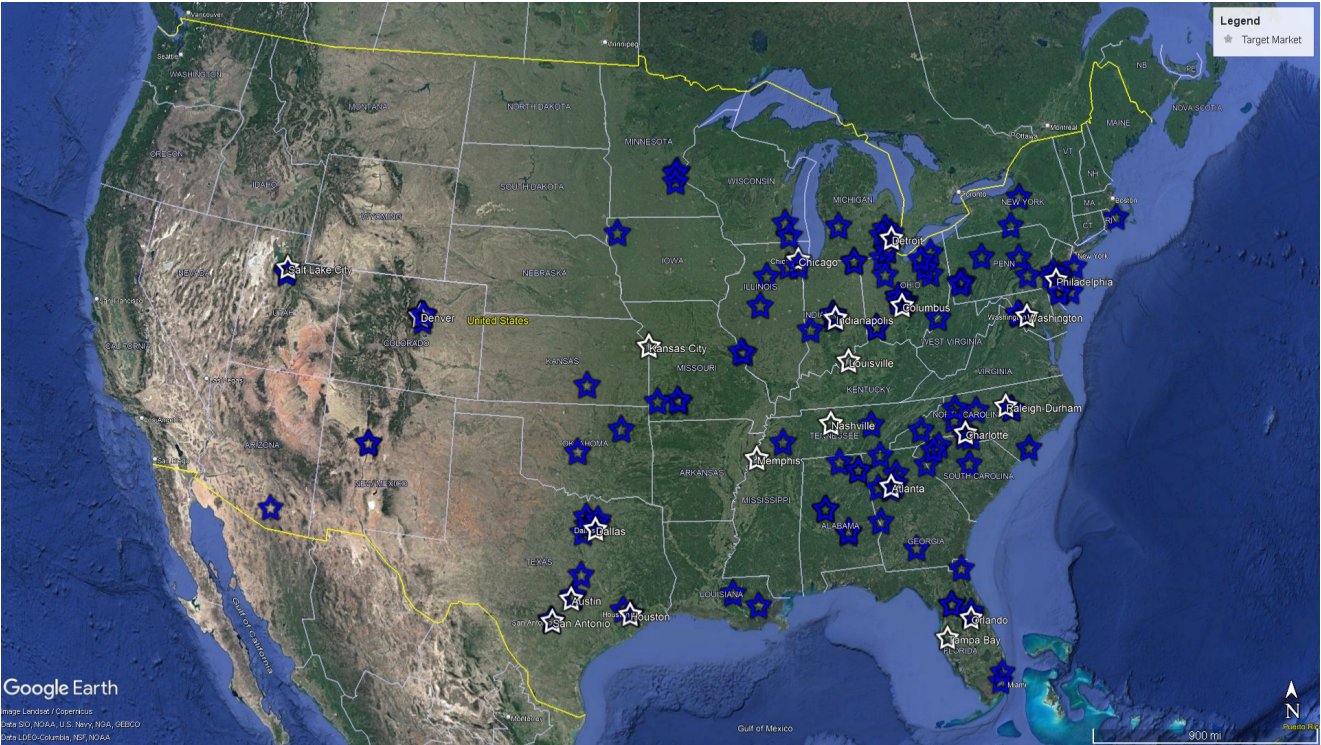
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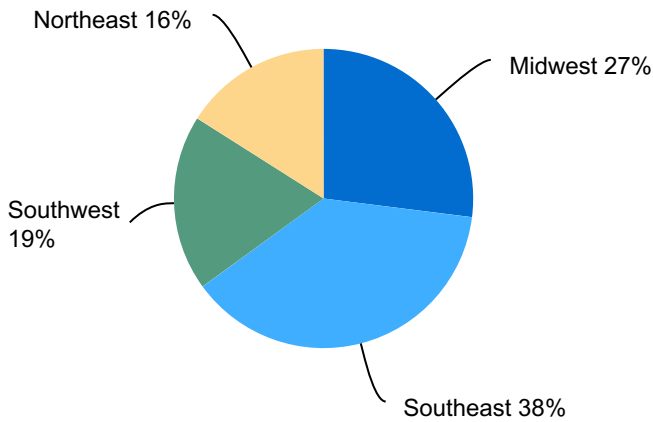


# Diversified Portfolio

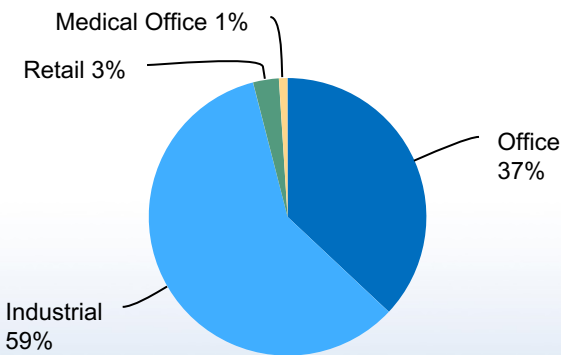
136 properties spread across 27 states



Geographic diversification  
(by annualized straight line rent)







Property type diversification  
(by annualized straight line rent)

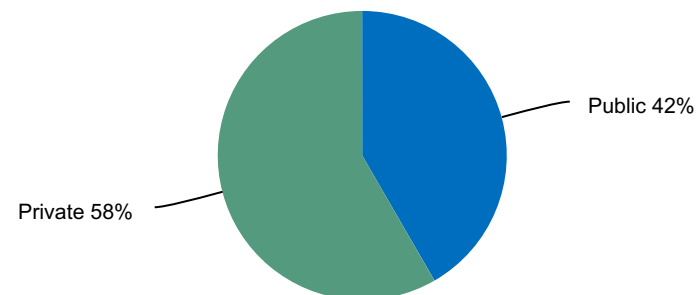


Note: As of 6/30/2023

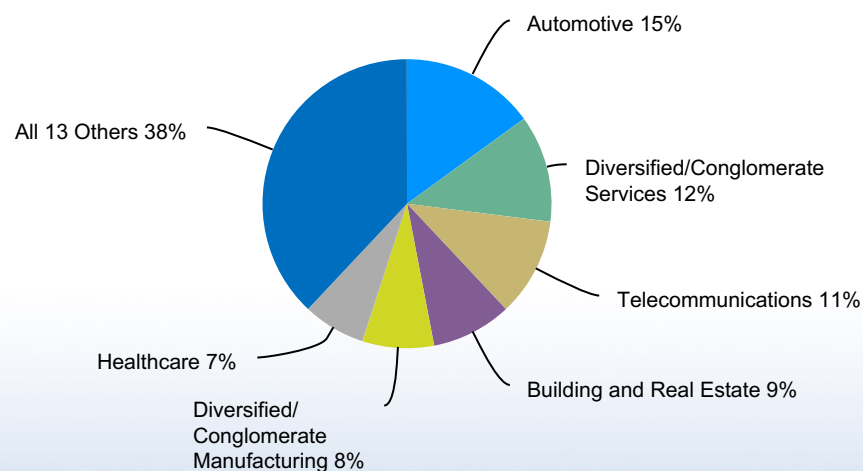
# High Quality, Diversified Portfolio

Top tenants	% of annualized straight line rent	% of SF
	4 %	1 %
	3 %	6 %
	3 %	1 %
Morgan Stanley	2 %	1 %
	2 %	1 %
All other tenants	86 %	90 %

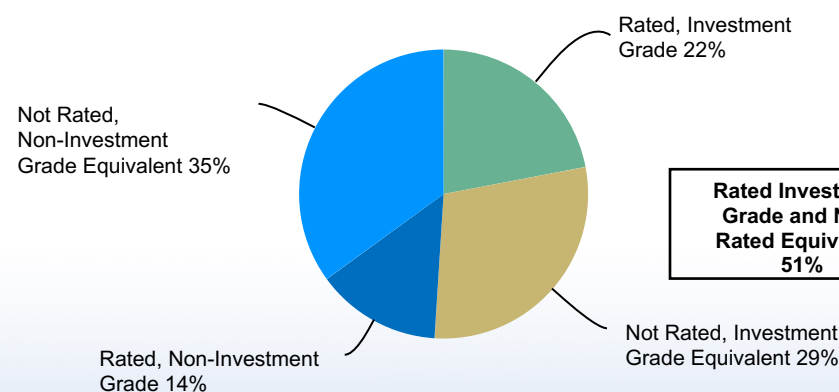
## Publicly-traded vs. privately-held tenants (as % of annualized straight line rent)



## Industry diversification (based on annualized straight line rent)



## Tenant credit ratings (as % annualized straight line rent)



**Rated Investment Grade and Non-Rated Equivalent 51%**

Note: As of 6/30/2023

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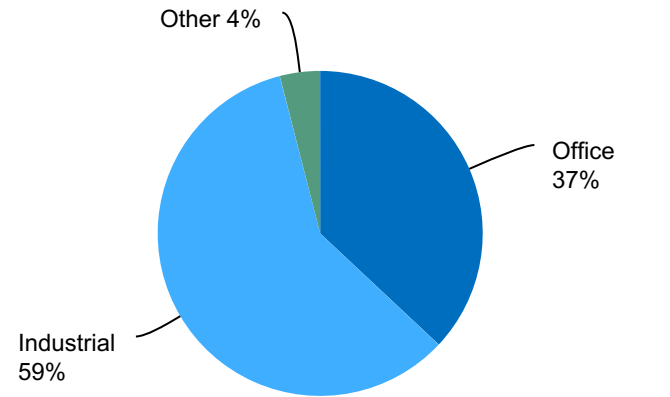
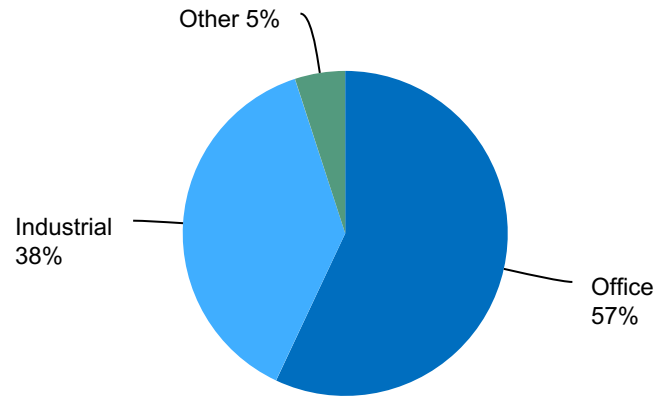


# High Quality, Diversified Portfolio

Portfolio as of December 31, 2019  
(as % of annualized straight line rent)

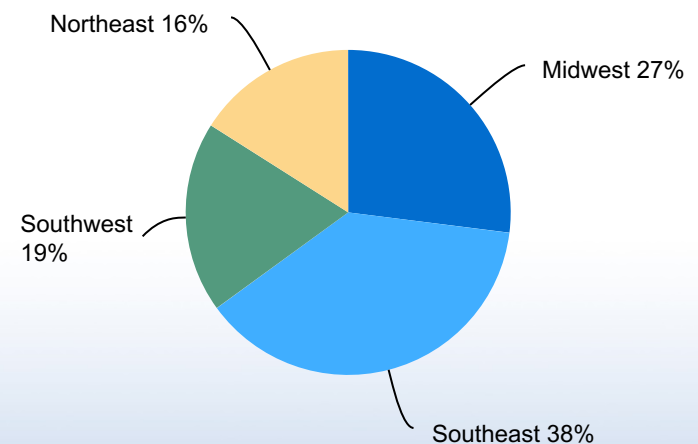
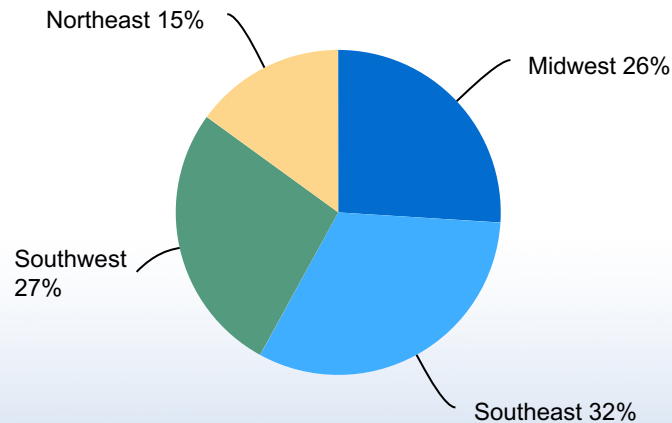
Portfolio as of June 30, 2023  
(as % of annualized straight line rent)

## By Property Type



2020-2023  
acquisitions and  
divestitures  
focused on  
reweighting  
portfolio towards  
industrial assets  
in growth markets

## By Geography



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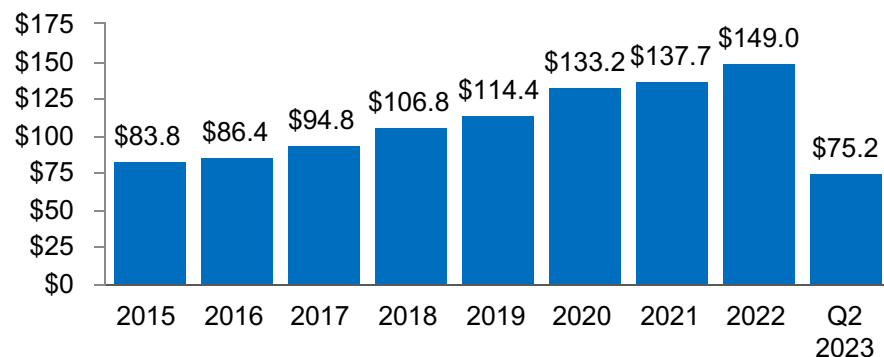


# Financial Performance

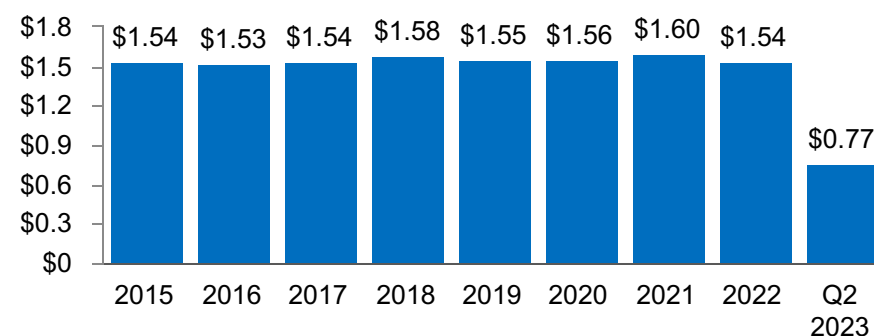


# Summary Historical Performance

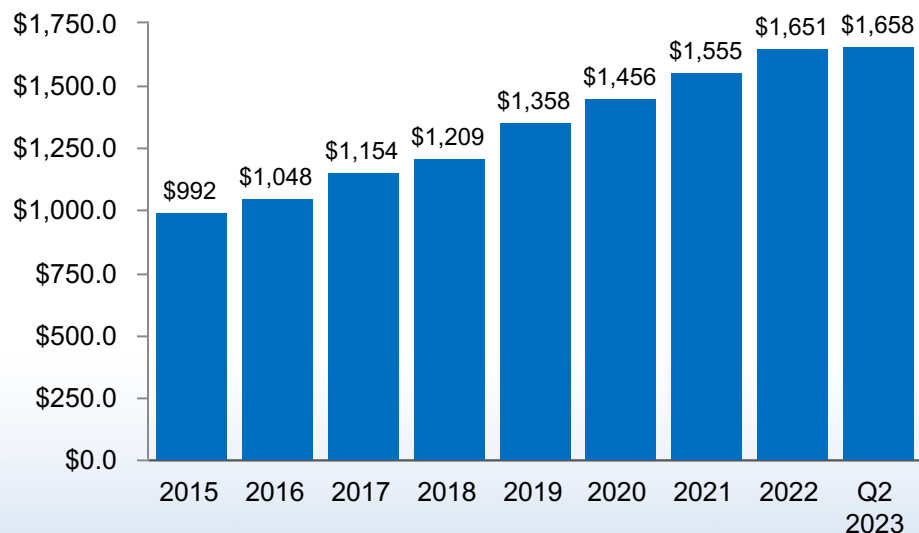
Total Revenue (\$ in millions)



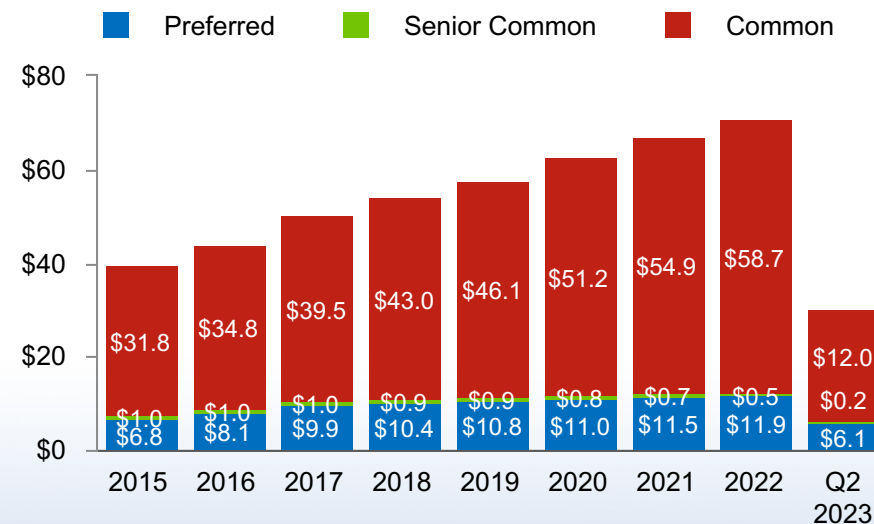
Funds from Operations, as adjusted for comparability (Per Share)



Total Gross Assets (\$ in millions)



Total Distributions (\$ in millions)



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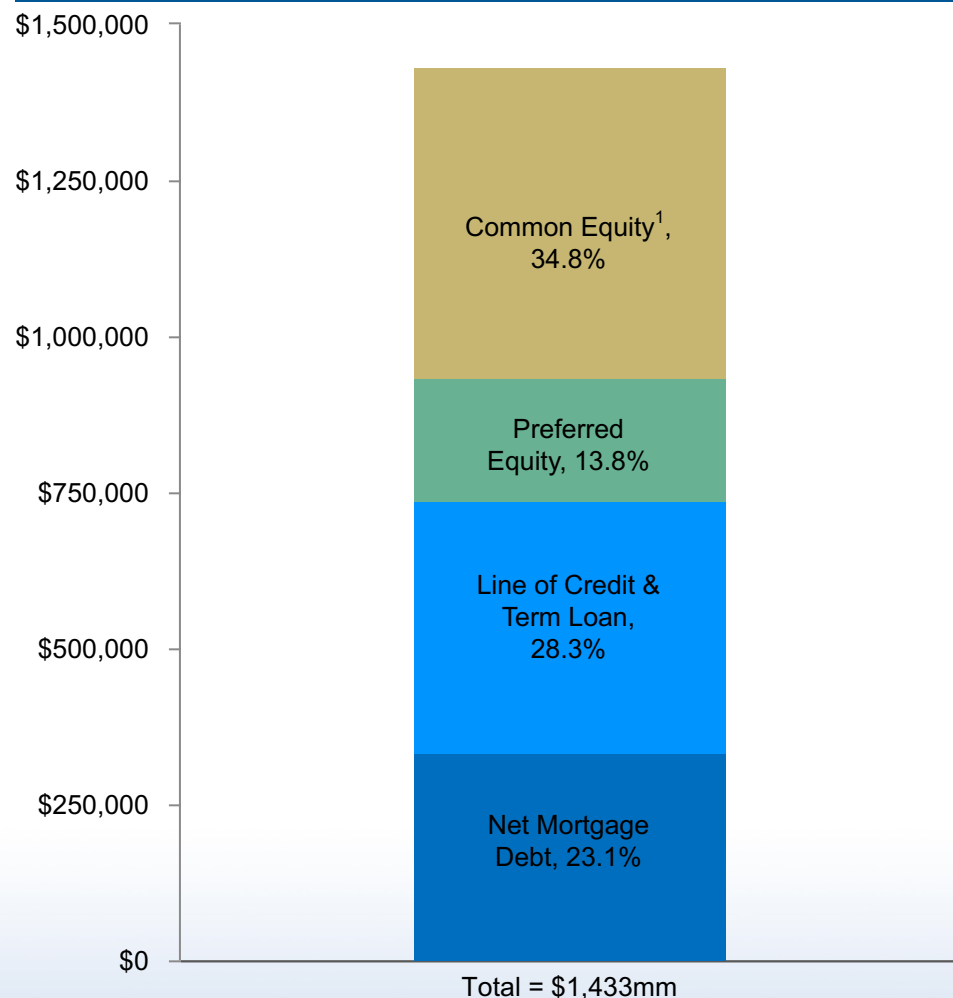
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# Capital Structure Overview

## Current Capital Structure as of 6/30/2023 (\$000s)



<sup>1</sup> Common Equity is based on the closing common stock price per share as of June 30, 2023 of \$12.37 and includes effect of OP units and convertible senior common stock.

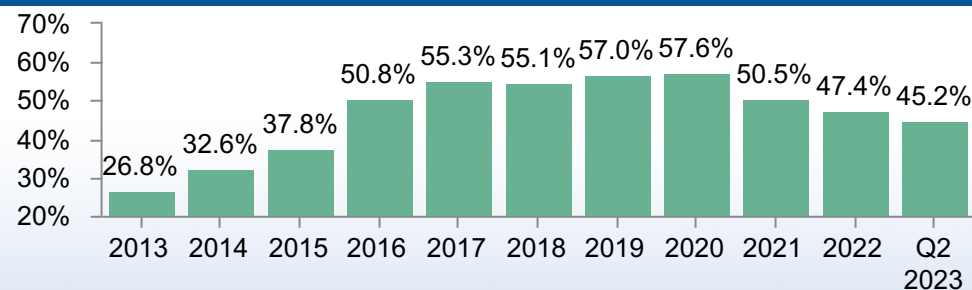
<sup>2</sup> Source: Nasdaq Online

## Capital Structure Details

(Dollars in \$000s, except stock price)

	Wtd. Average Rate	6/30/2023
Mortgage Notes Payable, Net	4.23%	\$ 348,371
Less: Cash & Cash Equivalents		(16,487)
<b>Net Mortgage Debt</b>		<b>\$ 331,884</b>
Line of Credit	SOFR+1.50%	\$ 38,450
Term Note	SOFR+1.45%	366,913
<b>Line of Credit and Term Loan</b>		<b>\$ 405,363</b>
<b>Total Debt, Net</b>		<b>\$ 737,247</b>
Series E - Preferred	6.625%	\$ 76,536
Series F - Preferred	6.00%	21,517
Series G - Preferred	6.00%	99,772
<b>Total Preferred Equity</b>		<b>\$ 197,825</b>
Diluted Common Shares Outstanding		40,263,127
Stock Price		\$ 12.37
<b>Implied Common Equity<sup>1</sup> Market Capitalization</b>		<b>\$ 498,055</b>
<b>Enterprise Value</b>		<b>\$ 1,433,127</b>

## Institutional Stock Ownership <sup>2</sup>



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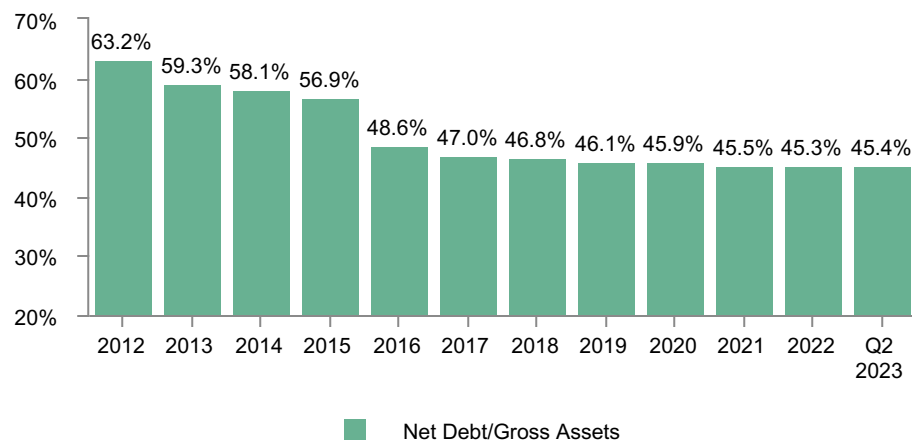


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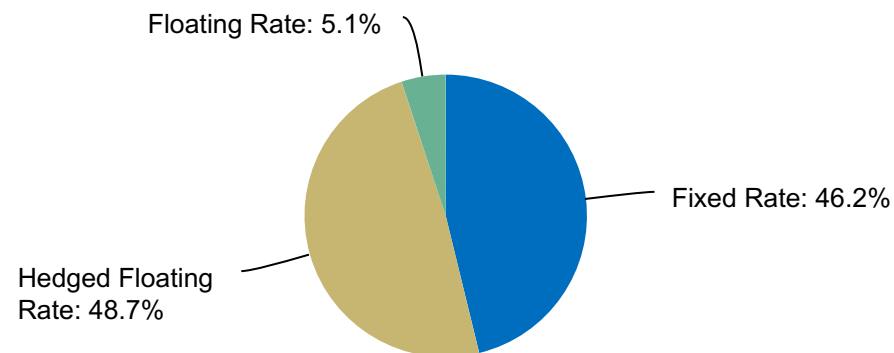


# Liquidity and Debt Overview

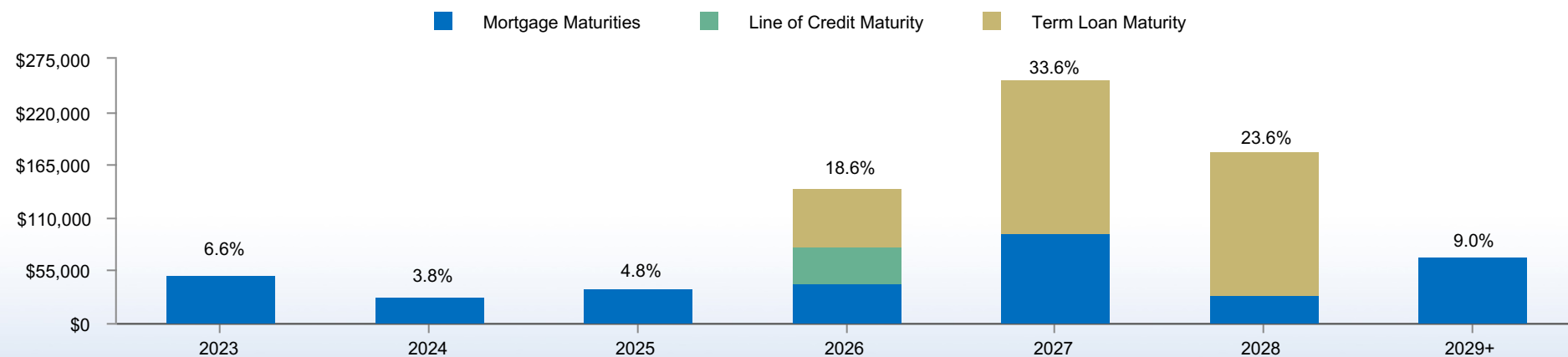
## Reducing Leverage



## Fixed vs. Floating Debt



## Scheduled Debt Maturity (\$000s)



Note: As of 6/30/2023

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# Management



# Experienced Leadership Team



**David Gladstone,  
Chairman and CEO**

25+ years of experience

- Current Chairman and CEO of all four Gladstone funds, public companies #7, #8, #9 and #10 in his career
- Former Chairman of Allied Capital Commercial (REIT), Allied Capital and American Capital
- Former board member of Capital Automotive REIT
- MBA from Harvard Business School, MA from American University, BA from University of Virginia



**Buzz Cooper,  
President**

25+ years of experience

- Current President of the Company; 20+ years with Gladstone
- Former Principal of Allied Commercial Corporation REIT, where his responsibilities ranged from buying loans from RTC and banks to making real estate backed loans
- BA from Washington and Lee University



**Gary Gerson,  
CFO and Assistant  
Treasurer**

25+ years of experience

- Current CFO and Assistant Treasurer of the Company
- Former CFO of Spotted Hawk Development, LLC, an Apollo Investment Corporation portfolio company
- Former Treasurer of the Gladstone Companies
- Former AVP of Finance at The Bozzuto Group
- Former Director of Finance at PG&E National Energy Group
- MBA from Yale School of Management, BSME from the US Naval Academy
- CPA in the Commonwealth of Virginia, CFA Charterholder



**Jay Beckhorn,  
Treasurer**

25+ years of experience

- Current Treasurer of the Company and Gladstone Land, Assistant Treasurer of Gladstone Capital and Gladstone Investment
- Former Regional Managing Director of Heavenrich & Co.
- Former Senior Vice President of Sunrise Senior Living
- Former Managing Director of Riggs Bank
- MBA from Duke University, BA from Colgate University

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# Experienced Leadership Team (cont'd)



**EJ Wislar, Chief Investment Officer, Head of Northeast and Southeast Region**

10 years of experience

- Manages regional acquisition and asset management activities
- Former Vice President with United Bankshares and Senior Investment Associate with Prudential Global Investment Management Real Estate Finance
- BS from Washington and Lee University



**Ryan Carter, Executive Vice President, West and Midwest Region**

20+ years of experience

- Manages regional acquisition and asset management activities
- Former founding partner of Porthaven Partners, LLC
- Former Director with Stan Johnson Company
- MBA from Oklahoma State University, BSBA from the University of Tulsa

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# Summary Highlights

- ***Growing industrial base comprising 59% of annualized straight line rent as of June 30, 2023, up from 38% as of December 31, 2019***
- ***Proven credit and real estate investment strategy has maintained high occupancy (>95%) since 2003***
- ***Strengthened credit profile with net total debt to gross assets down to 45.4%***
- ***Focused on growth with limited lease expirations through 2024, and with an emphasis on increasing the industrial allocation***

Note: As of 6/30/2023



# Appendix

- 1. Condensed Consolidated Statements of Operations**
- 2. Funds From Operations (FFO) and Core FFO**
- 3. Condensed Consolidated Balance Sheets**
- 4. Debt Summary**
- 5. External Management Structure Qualities**

# Condensed Consolidated Statements of Operations

(\$ in thousands, except per share amounts)

	For the three months ended (unaudited)			For the six months ended (unaudited)	
	6/30/2023	3/31/2023	6/30/2022	6/30/2023	6/30/2022
Operating revenues					
Lease revenue	\$ 38,658	\$ 36,554	\$ 36,399	\$ 75,212	\$ 71,930
Total operating revenues	\$ 38,658	\$ 36,554	\$ 36,399	\$ 75,212	\$ 71,930
Operating expenses					
Depreciation and amortization	\$ 16,936	\$ 14,704	\$ 15,167	\$ 31,640	\$ 29,804
Property operating expenses	6,738	6,727	6,959	13,465	13,582
Base management fee	1,605	1,605	1,577	3,210	3,124
Incentive fee	—	—	1,339	—	2,679
Administration fee	546	565	399	1,110	861
General and administrative	1,068	1,063	958	2,131	1,955
Impairment charge	6,823	—	1,374	6,823	1,374
Total operating expenses	\$ 33,716	\$ 24,664	\$ 27,773	\$ 58,379	\$ 53,379
Other (expense) income					
Interest expense	\$ (9,081)	\$ (8,828)	\$ (7,121)	\$ (17,909)	\$ (13,706)
Loss on sale of real estate, net	(451)	—	—	(451)	—
Other income	2	105	119	107	223
Total other expense, net	\$ (9,530)	\$ (8,723)	\$ (7,002)	\$ (18,253)	\$ (13,483)
Net (loss) income	\$ (4,588)	\$ 3,167	\$ 1,624	\$ (1,420)	\$ 5,068
Net loss attributable to non-controlling interests	73	7	10	81	8
Net (loss) income (attributable) available to the company	\$ (4,515)	\$ 3,174	\$ 1,634	\$ (1,339)	\$ 5,076
Distributions attributable to Series E, F, and G preferred stock	(3,058)	(3,022)	(2,967)	(6,080)	(5,913)
Distributions attributable to senior common stock	(106)	(109)	(114)	(215)	(230)
Loss on extinguishment of Series F preferred stock	(6)	(5)	—	(11)	(5)
Gain on repurchase of Series G preferred stock	—	3	—	3	—
Net (loss) income (attributable) available to common stockholders	\$ (7,685)	\$ 41	\$ (1,447)	\$ (7,642)	\$ (1,072)



# Funds From Operations (FFO) and Core FFO

(\$ in thousands except per share amounts)

	For the three months ended (unaudited)			For the six months ended (unaudited)	
	6/30/2023	3/31/2023	6/30/2022	6/30/2023	6/30/2022
Net (loss) income	\$ (4,588)	\$ 3,167	\$ 1,624	\$ (1,420)	\$ 5,068
Less: Distributions attributable to preferred and senior common stock	(3,164)	(3,131)	(3,081)	(6,295)	(6,143)
Less: Loss on extinguishment of Series F preferred stock	(6)	(5)	—	(11)	(5)
Add: Gain on repurchase of Series G preferred stock	—	3	—	3	—
Net (loss) income (attributable) to common stockholders and Non-controlling OP Unitholders	\$ (7,758)	\$ 34	\$ (1,457)	\$ (7,723)	\$ (1,080)
Adjustments:					
Add: Real estate depreciation and amortization	\$ 16,936	\$ 14,704	\$ 15,167	\$ 31,640	\$ 29,804
Add: Impairment charge	6,823	—	1,374	6,823	1,374
Add: Loss on sale of real estate, net	451	—	—	451	—
FFO available to common stockholders and Non-controlling OP Unitholders - basic	\$ 16,452	\$ 14,738	\$ 15,084	\$ 31,191	\$ 30,098
Add: Convertible senior common distributions	106	109	114	215	230
FFO available to common stockholders and Non-controlling OP Unitholders - diluted	\$ 16,558	\$ 14,847	\$ 15,198	\$ 31,406	\$ 30,328
FFO available to common stockholders and Non-controlling OP Unitholders - basic	\$ 16,452	\$ 14,738	\$ 15,084	\$ 31,191	\$ 30,098
Add: Write off shelf registration statement costs and prepaid ATM costs	—	110	46	110	177
Add: Asset retirement obligation expense	32	31	23	63	45
Core FFO available to common stockholders and Non-controlling OP Unitholders - basic	\$ 16,484	\$ 14,879	\$ 15,153	\$ 31,364	\$ 30,320
Add: Convertible senior common distributions	106	109	114	215	230
Core FFO available to common stockholders and Non-controlling OP Unitholders - diluted	\$ 16,590	\$ 14,988	\$ 15,267	\$ 31,579	\$ 30,550
Weighted average common shares outstanding and Non-controlling OP Units - basic	40,370,142	40,313,827	39,002,745	40,342,140	38,583,525
Weighted average common shares outstanding and Non-controlling OP Units - diluted	40,715,274	40,659,514	39,365,991	40,687,272	38,946,771
FFO per weighted average share of common stock and Non-controlling OP Unit - basic	\$ 0.41	\$ 0.37	\$ 0.39	\$ 0.77	\$ 0.78
FFO per weighted average share of common stock and Non-controlling OP Unit - diluted	\$ 0.41	\$ 0.37	\$ 0.39	\$ 0.77	\$ 0.78
Core FFO per weighted average share of common stock and Non-controlling OP Unit - basic	\$ 0.41	\$ 0.37	\$ 0.39	\$ 0.78	\$ 0.79
Core FFO per weighted average share of common stock and Non-controlling OP Unit - diluted	\$ 0.41	\$ 0.37	\$ 0.39	\$ 0.78	\$ 0.78
Distributions declared per share of common stock and Non-controlling OP Unit	\$ 0.3000	\$ 0.3000	\$ 0.3762	\$ 0.6000	\$ 0.7524

# Condensed Consolidated Balance Sheets

(\$ in thousands)	6/30/2023 (unaudited)	12/31/2022
<b>ASSETS</b>		
Real estate, at cost	\$ 1,232,860	\$ 1,287,297
Less: accumulated depreciation	286,911	286,150
Total real estate, net	945,949	1,001,147
Lease intangibles, net	104,439	111,622
Real estate and related assets held for sale, net	36,766	3,293
Cash and cash equivalents	16,487	11,653
Restricted cash	4,076	4,339
Funds held in escrow	8,459	8,818
Right-of-use assets from operating leases	5,011	5,131
Deferred rent receivable, net	40,035	38,884
Other assets	20,713	17,746
<b>TOTAL ASSETS</b>	<b>\$ 1,181,935</b>	<b>\$ 1,202,633</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>LIABILITIES</b>		
Mortgage notes payable, net	\$ 348,371	\$ 359,389
Borrowings under revolver and term loan, net	405,363	389,817
Deferred rent liability, asset retirement obligation and other liabilities, net	74,437	77,677
<b>TOTAL LIABILITIES</b>	<b>\$ 828,171</b>	<b>\$ 826,883</b>
<b>MEZZANINE EQUITY</b>		
Series E and G redeemable preferred stock, net	\$ 170,041	\$ 170,056
<b>TOTAL MEZZANINE EQUITY</b>	<b>\$ 170,041</b>	<b>\$ 170,056</b>
<b>STOCKHOLDERS' EQUITY</b>		
Senior common stock	\$ 1	\$ 1
Common stock	39	39
Series F redeemable preferred stock	1	1
Additional paid in capital	728,580	721,327
Accumulated other comprehensive income	14,297	11,640
Distributions in excess of accumulated earnings	(560,719)	(529,104)
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>\$ 182,199</b>	<b>\$ 203,904</b>
OP Units held by Non-controlling OP Unitholders	1,524	1,790
<b>TOTAL EQUITY</b>	<b>\$ 183,723</b>	<b>\$ 205,694</b>
<b>TOTAL LIABILITIES, MEZZANINE EQUITY AND EQUITY</b>	<b>\$ 1,181,935</b>	<b>\$ 1,202,633</b>

# Debt Summary

(\$ in thousands)		
Principal Maturity Date	Weighted Average Interest Rate as of 6/30/2023	Principal Balance Outstanding as of 6/30/2023
2023	4.68%	44,762
2024	5.02%	19,818
2025	4.04%	28,678
2026	4.32%	40,810
2027	4.38%	104,710
2028	3.54%	29,756
2029	5.22%	21,790
2030	3.23%	39,568
2031	3.24%	5,142
2032	3.40%	9,964
2037	4.63%	5,734
Contractual Mortgage Notes Payable:	4.23%	\$ 350,732
Premiums (Discounts), net:		(62)
Total Mortgage Notes Payable:		\$ 350,670
Variable-Rate Line of Credit:		
2026	SOFR +1.50%	\$ 38,450
Variable-Rate Term Loan Facility:		
2027	SOFR +1.45%	\$ 160,000
2026	SOFR +1.45%	60,000
2028	SOFR +1.45%	150,000
Total Mortgage Notes Payable and Line of Credit	5.48%	\$ 759,120

# External Management Structure Qualities

- President, CIO, CFO, Acquisitions, Asset Management and Accounting staff exclusively dedicated to Gladstone Commercial
  - Benefit: Aligned with shareholder interests
- Legal, Compliance, Human Resources, and IT shared among four funds
  - Benefit: Reduced costs to shareholders
- The 2015 revision to the fee structure places overhead costs generally in line with the overall average for internally managed REITs of this size. The 2020 revision to the fee structure is economically consistent with the prior revision.
  - Benefit: G&A costs comparable with the public REIT industry
- The external structure provides access to internal credit underwriters across numerous industries
  - Benefit: Can quickly assess tenant's creditworthiness and ability to weather economic downturns

The results of organizational structure benefits:

- Occupancy never below 95% since IPO in 2003
- Cost structure aligned with internally-managed REITs with the added benefit of access to proven credit underwriting capability and evidenced by consistent high occupancy





**GLADSTONE**