

GLADSTONE COMMERCIAL

Investor Presentation March 2021



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Gladstone Commercial Corporation



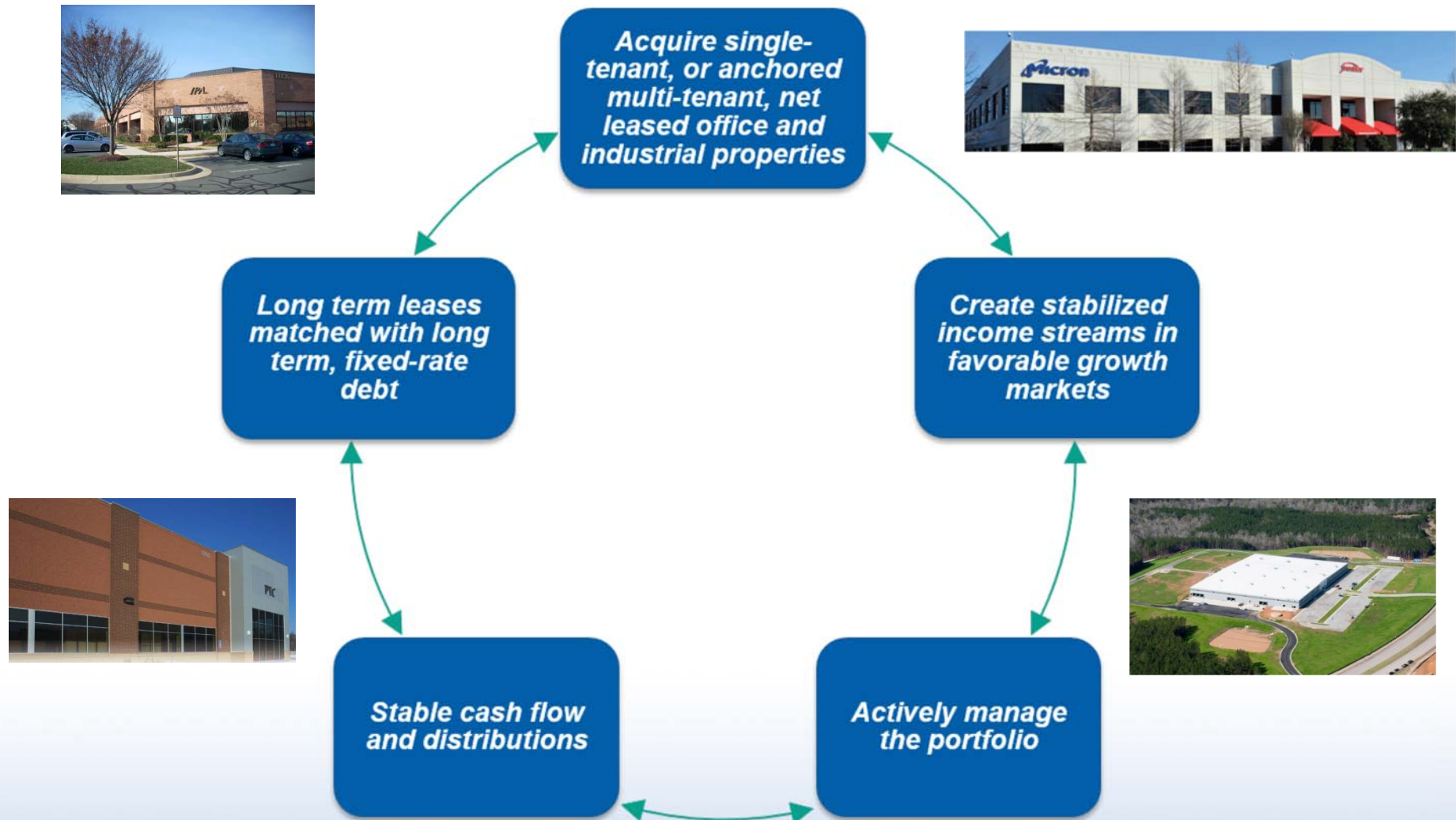
Company Overview

- 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 15.4 million square feet of predominantly office and industrial real estate nationwide
- Diversified portfolio of 121 properties in 28 states leased to 107 different tenants in 19 industries
- The Company is led by a highly-experienced leadership team with over 150 years of combined experience
- Investment activities are credit-focused with a growth market emphasis, seeking mission critical facilities of middle market and investment grade companies

Note: As of 12/31/2020



Gladstone Commercial's Investment Philosophy



Gladstone Commercial Overview

- IPO in 2003 (Nasdaq: GOOD)
- Market Capitalization: **\$647mm**⁽¹⁾
- Enterprise Value: **\$1,472mm**⁽¹⁾
- Common stock annual distribution per share: **\$1.5018**
 - Monthly distributions
 - No missed or reduced cash distributions since inception

Portfolio summary (12/31/2020)

# of Properties	121
Square feet (mm)	15.4
Occupancy	95.3%
States	28
Tenants	107
Industries	19
Annual lease revenue (LTM) (\$mm)	\$133.2
Diluted FFO per Common Share (LTM)	\$1.56
Diluted Core FFO per Common Share (LTM)	\$1.57
Average Remaining Lease Term	7.3 years



⁽¹⁾ Common Equity is based on the closing common stock price per share as of December 31, 2020 of \$18.00 per share and includes effect of convertible securities.

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Significant Growth & Diversification Since 2010

GOOD Portfolio

		12/31/10	12/31/2020	Variance
Grew a diverse portfolio	Total assets (\$mm)	\$ 410.6	\$ 1,097.9	\$ 687.3
	Properties	65	121	56
	Tenants	52	107	55
	Square feet (mm)	6.8	15.4	8.6
	Occupancy (%)	97.2 %	95.3 %	(1.9)%
	Lease Revenue From Top 5 tenants (\$mm)	\$ 10.0	\$ 16.9	\$ 6.9
	% of Total Lease Revenue	24.2 %	12.7 %	(11.5)%
Revenue and cash flow growth	Lease Revenues (LTM) (\$mm)	\$ 41.9	\$ 133.2	\$ 91.3
	Diluted FFO (LTM) (\$mm)	\$ 14.1	\$ 55.0	\$ 40.9
	Diluted Core FFO (LTM) (\$mm)	\$ 14.5	\$ 55.4	\$ 40.9
Improved capital structure	Net Total Debt / Enterprise Value	58.9 %	44.7 %	(14.2)%
	Net Total Debt + Preferred / Enterprise Value	70.0 %	56.0 %	(14.0)%
	Net Total Debt / Gross Assets ¹	62.7 %	45.9 %	(16.8)%

¹ Gross Assets equal total assets before depreciation

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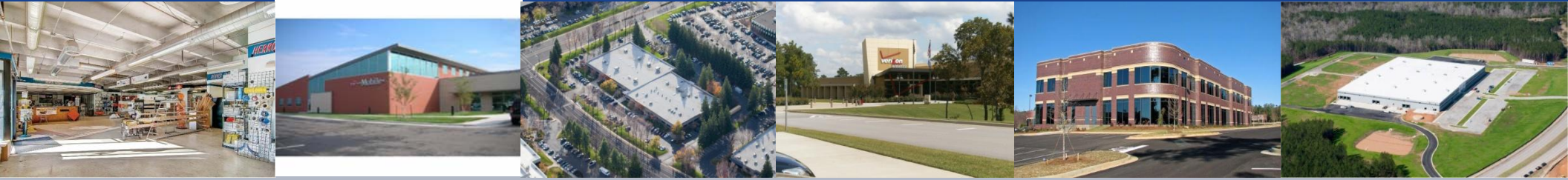
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Investment Strategy



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

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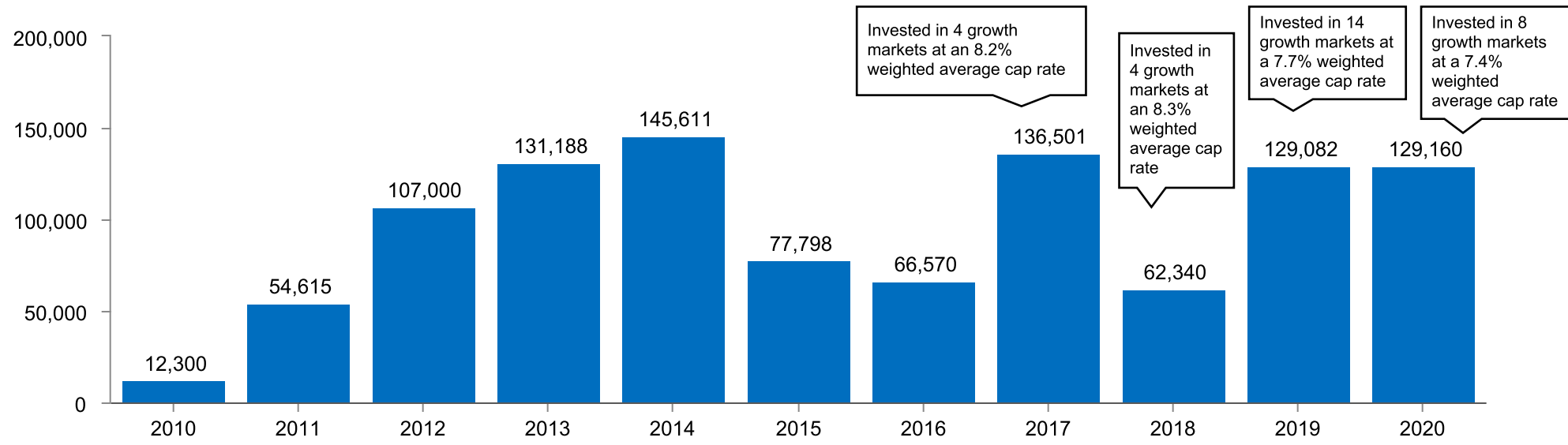
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Gladstone Has Achieved Consistent and Disciplined Growth

Historical Investment Volume (\$000)



Donaldson - Industrial



- 219K SF
- Detroit, MI
- Acquired 10/18
- GAAP cap rate: 8.0%

Orgill - Industrial Distribution



- 676K SF
- Tifton, GA
- Acquired 6/19
- GAAP cap rate: 8.8%

Morgan Stanley - Office



- 102K SF
- Salt Lake City, UT
- Acquired 12/17
- GAAP cap rate: 9.3%

Iron Mountain - Industrial Portfolio



- 509K SF
- TX, LA, AZ, NM
- Acquired 12/19
- GAAP cap rate: 7.2%



Portfolio Overview



Portfolio Overview

Geographic diversity

- **121** properties across the U.S. located in **28** states
- Focus on secondary growth markets with higher yields



Tenant and property diversity

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



High occupancy

- Current occupancy **95.3%**; Since IPO in 2003, never below 95%
- **5.0%** projected rents expiring through the end of 2021
- Of 100+ assets with over \$1 billion invested since inception, only two tenant defaults – **an average annual default rate of 0.2%**.
 - For comparison, the one-year B+ global corporate default rate has averaged 2.3% from 2003-2019 (Source: Wharton)



Periodic capital recycling

- Sell non-core assets
- Exited 12 single property non-core markets since mid-2016
- Re-deploy proceeds in growth markets



Note: As of 12/31/2020

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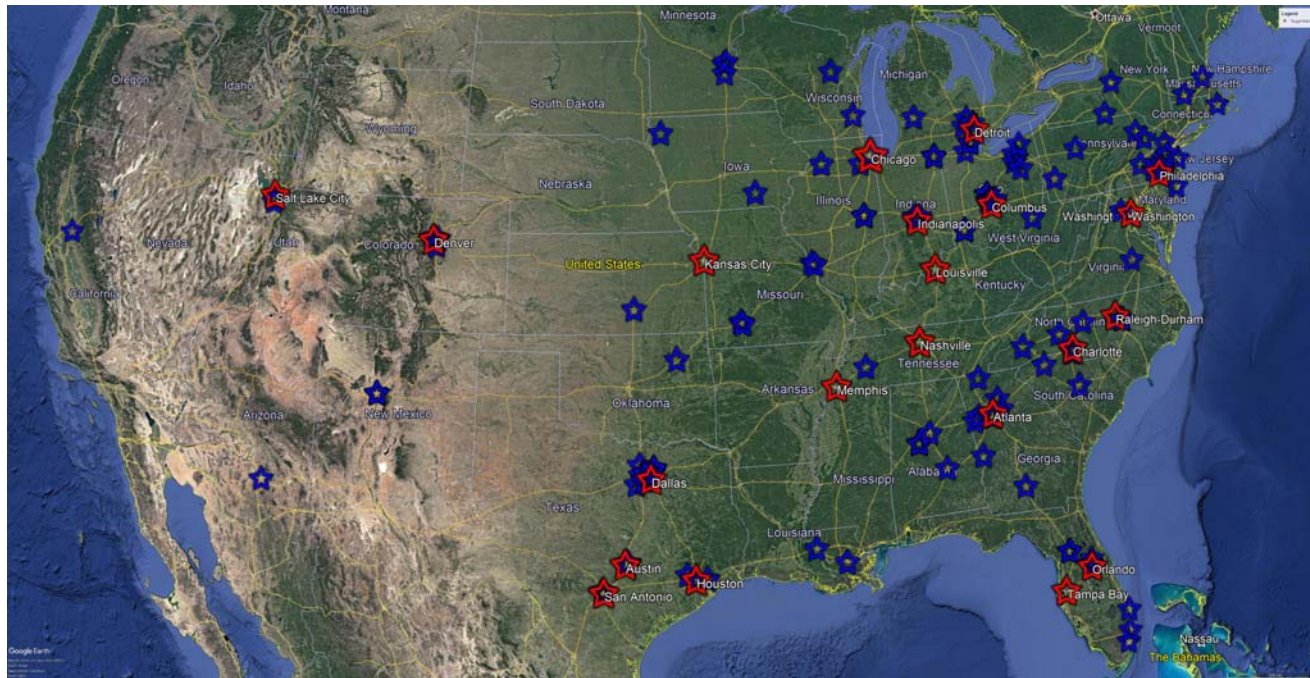
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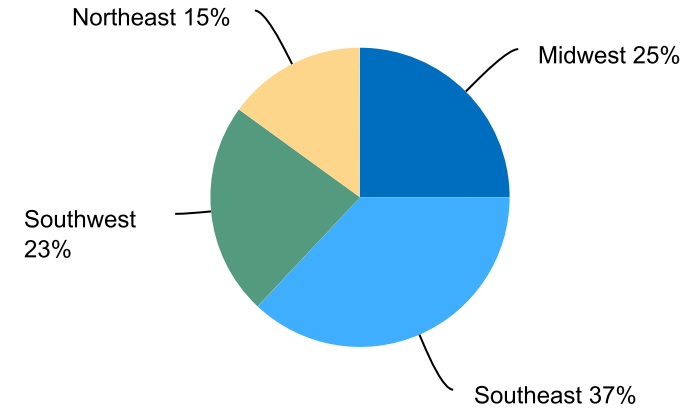
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Diversified Portfolio

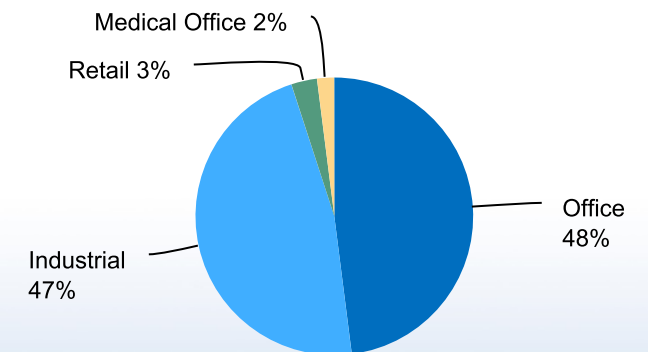
121 properties spread across 28 states



Geographic diversification
(by annualized straight line rent)







Property type diversification
(by annualized straight line rent)

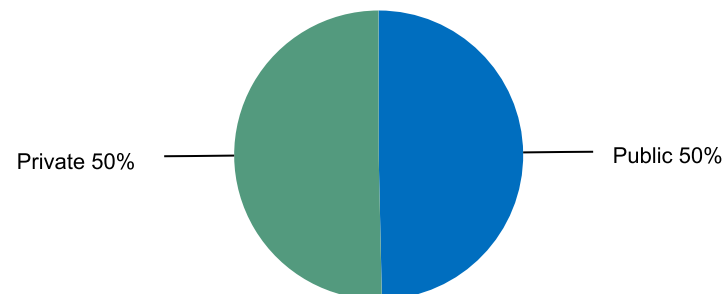


Note: As of 12/31/2020

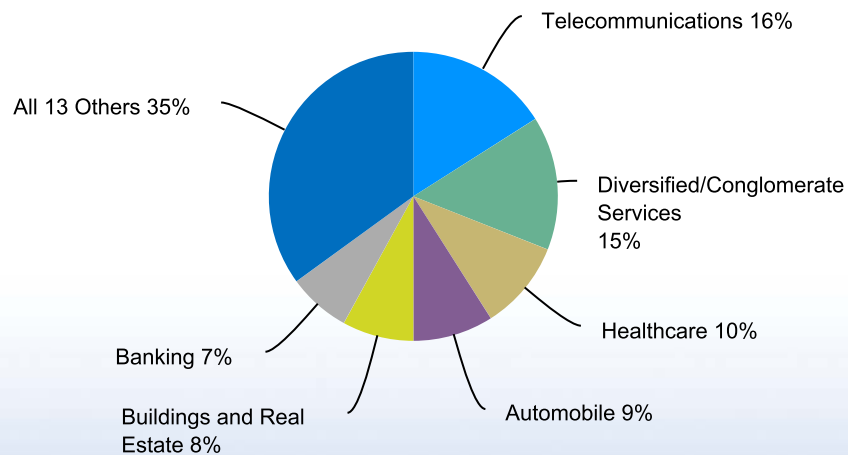
High Quality, Diversified Portfolio

Top tenants	% of annualized straight line rent	% of SF
 Kane	3 %	6 %
 ADP	3 %	1 %
Morgan Stanley	3 %	1 %
 TOWERS WATSON	2 %	1 %
 Verizon wireless	2 %	1 %
All other tenants	87 %	90 %

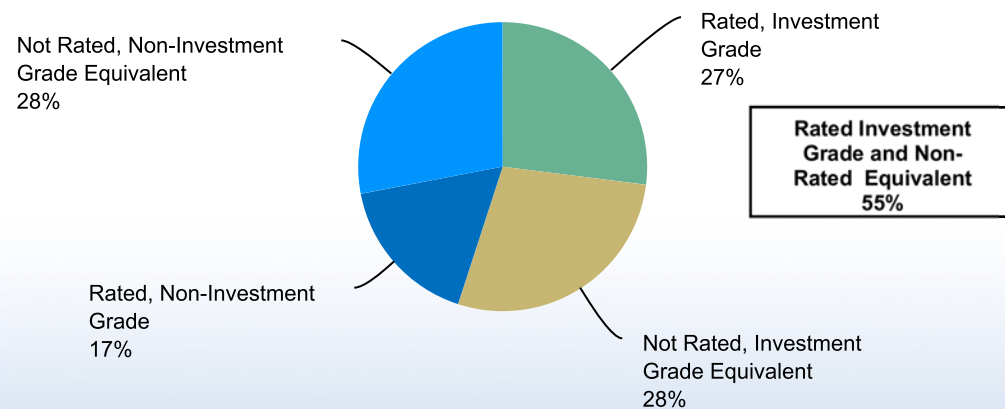
Publicly-traded vs. privately-held tenants (as % of annualized straight line rent)



Industry diversification (based on annualized straight line rent)



Tenant credit ratings (as % annualized straight line rent)



Note: As of 12/31/2020

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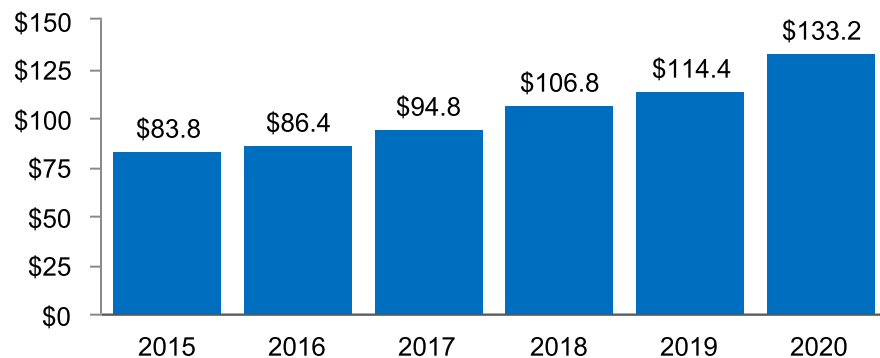


Financial Performance

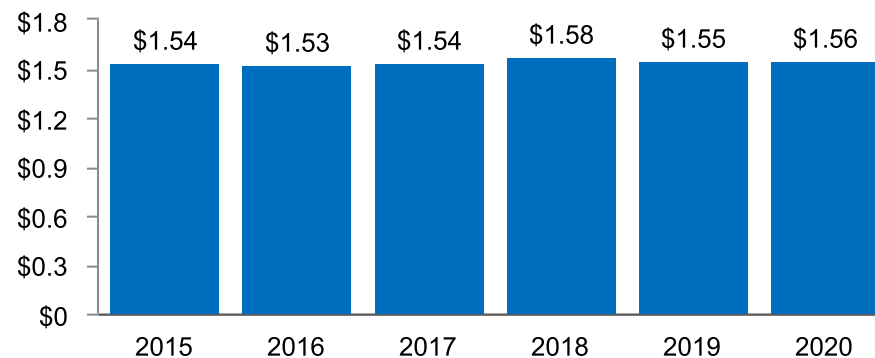


Summary Historical Performance

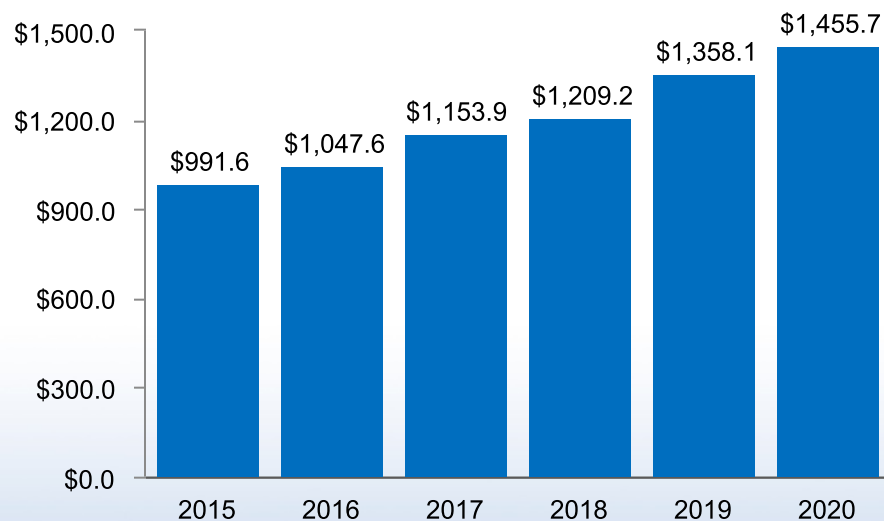
Total Revenue (\$ in millions)



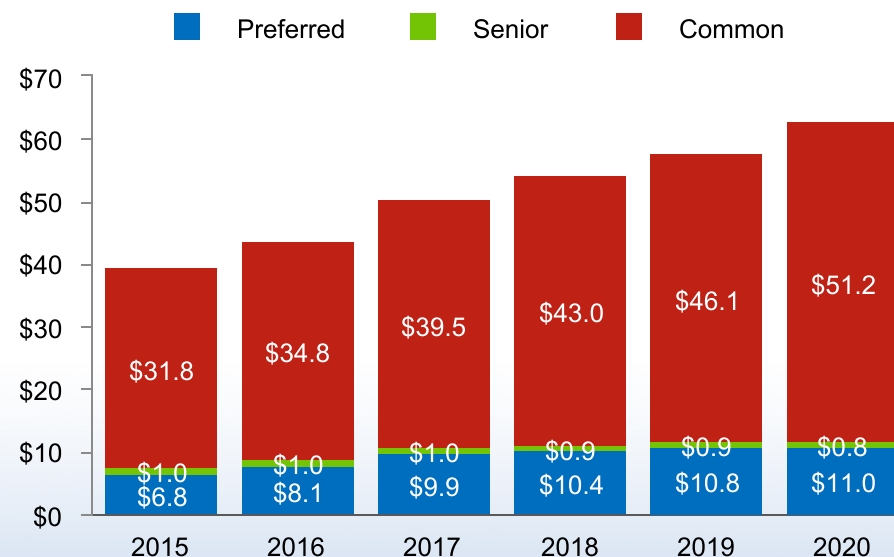
Funds from Operations, as adjusted for comparability (Per Share)



Total Gross Assets (\$ in millions)

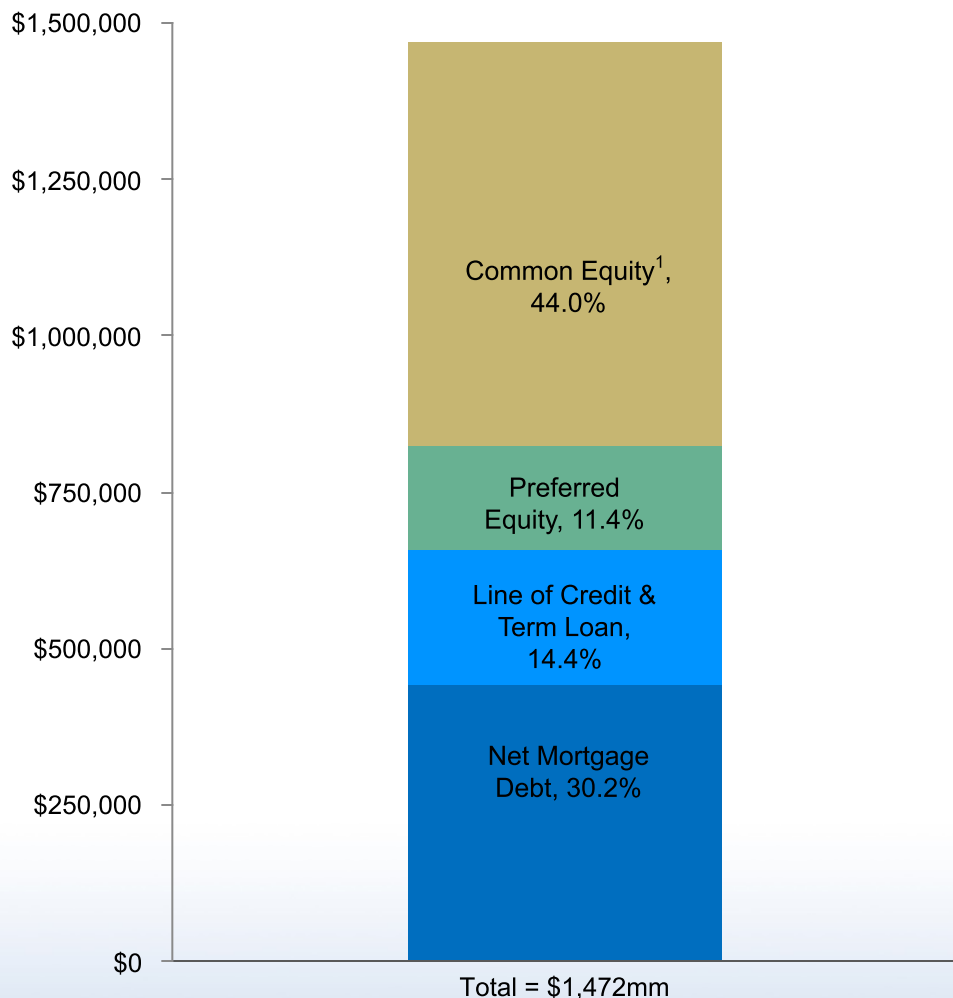


Total Distributions (\$ in millions)



Capital Structure Overview

Current Capital Structure as of 12/31/2020 (\$000s)



¹ Common Equity is based on the closing common stock price per share as of December 31, 2020 of \$18.00 and includes effect of OP units and convertible senior common stock.

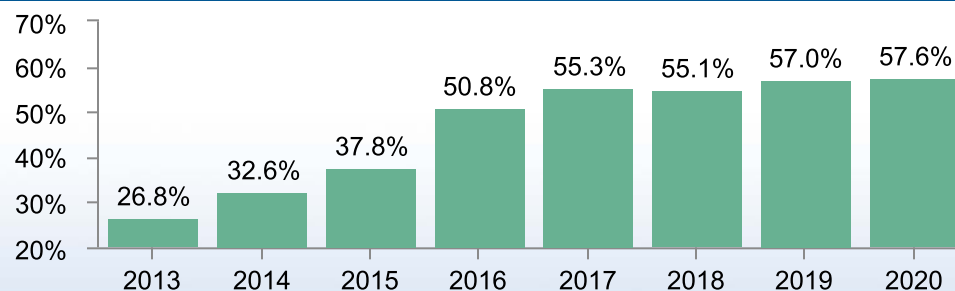
² Source: Nasdaq Online

Capital Structure Details

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

	Wtd. Average Rate	12/31/2020
Mortgage Notes Payable, Net	4.24%	\$ 456,177
Less: Cash & Cash Equivalents		(11,016)
Net Mortgage Debt		\$ 445,161
Line of Credit	L+1.65%	\$ 53,312
Term Note	L+1.60%	159,203
Line of Credit and Term Loan		\$ 212,515
Total Debt, Net		\$ 657,676
Series D - Preferred	7.000%	\$ 87,739
Series E - Preferred	6.625%	76,536
Series F - Preferred	6.000%	2,917
Total Preferred Equity		\$ 167,192
Diluted Common Shares Outstanding		35,960,233
Stock Price		\$ 18.00
Implied Common Equity¹ Market Capitalization		\$ 647,284
Enterprise Value		\$ 1,472,152

Institutional Stock Ownership²



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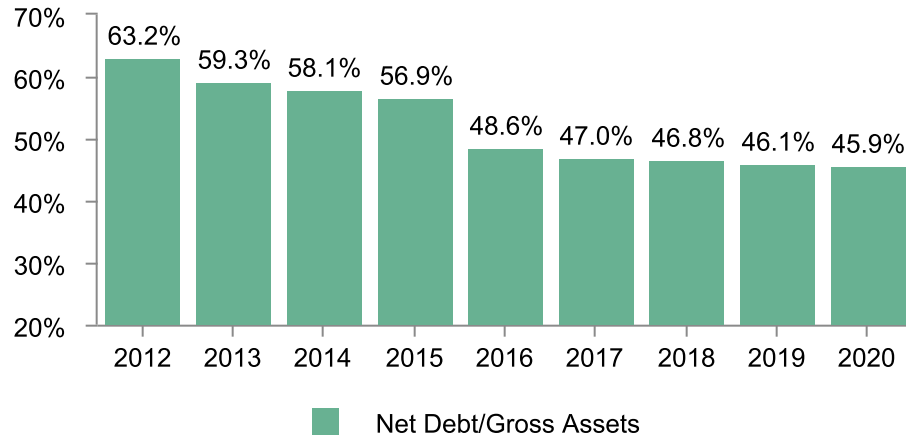
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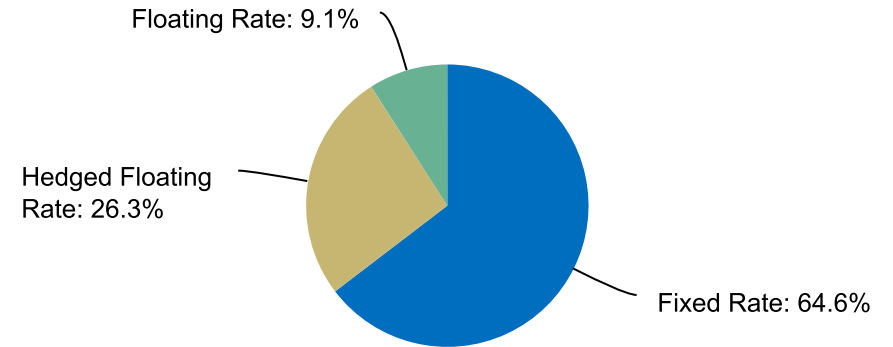
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Liquidity and Debt Overview

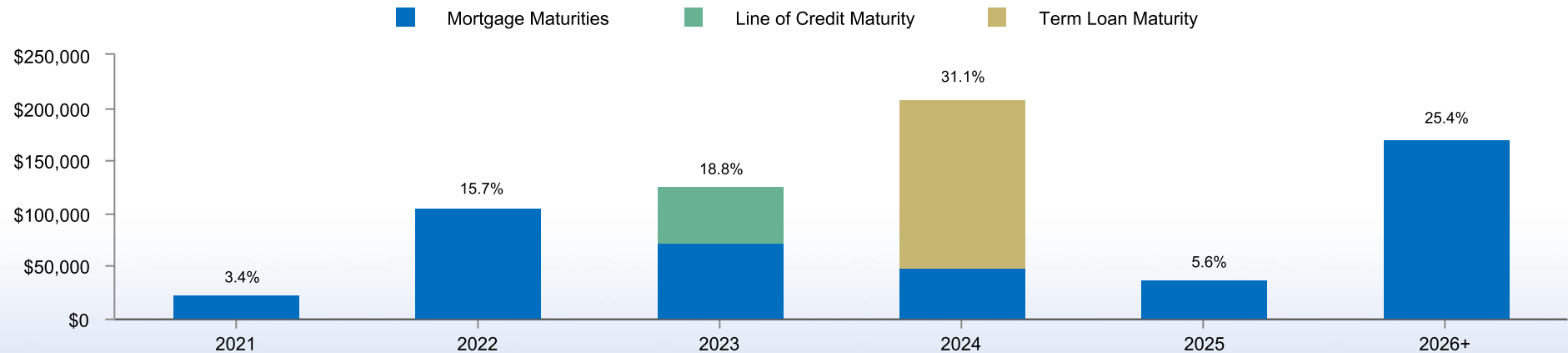
Reducing Leverage



Fixed vs. Floating Debt



Debt maturity schedule (\$000s)



Note: As of 12/31/2020



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



**Bob Cutlip,
President**

25+ years of experience

- Current President of the Company
- Former EVP of First Industrial Realty Trust where he directed the acquisition and development business activities in 26 markets in North America
- Former Regional EVP of Duke-Weeks Realty, responsible for operations of the Mid-Atlantic region
- Former Senior Vice President of Highwoods Properties, responsible for the Mid-Atlantic markets
- Former National Chairman of National Association of Industrial and Office Properties
- MBA from University of Southern California, MS from Vanderbilt University, BSCE from U.S.A.F. Academy



**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)



Buzz Cooper, Executive Vice President, South Central Region

25+ years of experience

- Manages regional acquisition and asset management activities; over 17 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



EJ Wislar, Senior Vice President, Southeast Region

8+ 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



Karen Priesman, Senior Vice President, Asset Management

25+ years of experience

- Manages asset management activities in the Midwest region
- Former Vice President of Hager Pacific Properties with asset management responsibilities across the national portfolio as well as acquisition, disposition, and debt placement responsibilities
- Former Vice President of Prudential Real Estate Investors (now PGIM) as head of west coast Corporate Real Estate consulting practice and The Prudential Realty Group where she developed urban trophy office buildings
- MBA from the Wharton School and BSCE from California State University, Long Beach



Perry Finney, Senior Vice President, Asset Management

20+ years of experience

- Manages asset management activities in the South Central and Western regions
- Former Director of Asset Management at Washington REIT, Alexandria Real Estate Equities and First Potomac
- BA from Washington College
- Former CPA in the Commonwealth of Virginia

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Summary Highlights

- ***Diversified asset base with a 15% annual compound growth rate since 2012***
- ***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 45.9%***
- ***Focused on growth with limited lease expirations through 2022, and with an emphasis on increasing the industrial allocation***

Note: As of 12/31/2020



Appendix

- 1. Condensed Consolidated Statements of Operations**
- 2. Funds From Operations (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 twelve months ended	
	12/31/2020	9/30/2020	12/31/2019	12/31/2020	12/31/2019
Operating revenues					
Lease revenue	\$ 32,866	\$ 33,142	\$ 29,386	\$ 133,152	\$ 114,387
Total operating revenues	\$ 32,866	\$ 33,142	\$ 29,386	\$ 133,152	\$ 114,387
Operating expenses					
Depreciation and amortization	\$ 13,348	\$ 13,798	\$ 13,428	\$ 55,424	\$ 52,039
Property operating expenses	6,906	6,590	3,262	26,004	12,592
Base management fee	1,429	1,418	1,322	5,648	5,174
Incentive fee	999	1,128	968	4,301	3,688
Administration fee	404	361	469	1,598	1,690
General and administrative	854	775	1,200	3,259	3,235
Impairment charge	716	1,184	1,813	3,621	1,813
Total operating expenses	\$ 24,656	\$ 25,254	\$ 22,462	\$ 99,855	\$ 80,231
Other (expense) income					
Interest expense	\$ (6,391)	\$ (6,444)	\$ (6,873)	\$ (26,803)	\$ (28,279)
Gain on sale of real estate	6,912	1,196	—	8,096	2,952
Other income	187	204	421	395	712
Total other expense, net	\$ 708	\$ (5,044)	\$ (6,452)	\$ (18,312)	\$ (24,615)
Net income	\$ 8,918	\$ 2,844	\$ 472	\$ 14,985	\$ 9,541
Net (income) loss (available) attributable to non-controlling interests	(86)	2	100	(47)	87
Net income attributable to the company	\$ 8,832	\$ 2,846	\$ 572	\$ 14,938	\$ 9,628
Distributions attributable to Series A, B, D, E, and F preferred stock	(2,836)	(2,771)	(2,986)	(10,973)	(10,822)
Series A and B preferred stock offering costs write off	—	—	(2,674)	—	(2,674)
Distributions attributable to senior common stock	(201)	(203)	(217)	(816)	(892)
Net income (loss) available (attributable) to common stockholders	\$ 5,795	\$ (128)	\$ (5,305)	\$ 3,149	\$ (4,760)
Weighted average common shares outstanding and Non-controlling OP Units					
Basic and diluted	35,007,960	34,578,180	32,332,144	34,542,671	31,396,826

Funds From Operations (FFO)

(\$ in thousands except per share amounts)

	For the three months ended (unaudited)			For the twelve months ended	
	12/31/2020	9/30/2020	12/31/2019	12/31/2020	12/31/2019
Net income	\$ 8,918	\$ 2,844	\$ 472	\$ 14,985	\$ 9,541
Less: Distributions attributable to preferred and senior common stock	(3,037)	(2,974)	(5,877)	(11,789)	(14,388)
Net income (loss) available (attributable) to common stockholders and Non-controlling OP Unitholders	\$ 5,881	\$ (130)	\$ (5,405)	\$ 3,196	\$ (4,847)
Adjustments:					
Add: Real estate depreciation and amortization	\$ 13,348	\$ 13,798	\$ 13,428	\$ 55,424	\$ 52,039
Add: Impairment charge	716	1,184	1,813	3,621	1,813
Less: Gain on sale of real estate, net	(6,912)	(1,196)	—	(8,096)	(2,952)
FFO available to common stockholders and Non-controlling OP Unitholders - basic	\$ 13,033	\$ 13,656	\$ 9,836	\$ 54,145	\$ 46,053
Add: Convertible senior common distributions	201	203	217	816	892
FFO available to common stockholders and Non-controlling OP Unitholders - diluted	\$ 13,234	\$ 13,859	\$ 10,053	\$ 54,961	\$ 46,945
Add: Series A and B preferred stock offering costs write off	—	—	2,674	—	2,674
FFO available to common stockholders and Non-controlling OP Unitholders - diluted, as adjusted for comparability ¹	\$ 13,234	\$ 13,859	\$ 12,727	\$ 54,961	\$ 49,619
FFO available to common stockholders and Non-controlling OP Unitholders - basic	\$ 13,033	\$ 13,656	\$ 9,836	\$ 54,145	\$ 46,053
Add: Acquisition related expenses	78	74	204	167	326
Add: Write off of deferred financing fees	—	—	—	—	344
Add: Write off shelf registration statement costs and prepaid ATM costs	—	—	82	—	100
Add: Asset retirement obligation expense	30	32	42	134	137
Add: Bad debt write off	—	56	152	56	152
Add: Write off prepaid offering costs	—	—	2,674	—	2,674
Add (Less): PACE financing amortization, net	36	(35)	—	32	—
Core FFO available to common stockholders and Non-controlling OP Unitholders - basic	\$ 13,177	\$ 13,783	\$ 12,990	\$ 54,534	\$ 49,786
Add: Convertible senior common distributions	201	203	217	816	892
Core FFO available to common stockholders and Non-controlling OP Unitholders - diluted	\$ 13,378	\$ 13,986	\$ 13,207	\$ 55,350	\$ 50,678
Weighted average common shares outstanding and Non-controlling OP Units - basic	35,007,960	34,578,180	32,332,144	34,542,671	31,396,826
Weighted average common shares outstanding and Non-controlling OP Units - diluted	35,636,223	35,219,610	33,006,755	35,170,934	32,071,437
FFO per weighted average share of common stock and Non-controlling OP Unit - basic	\$ 0.37	\$ 0.39	\$ 0.30	\$ 1.57	\$ 1.47
FFO per weighted average share of common stock and Non-controlling OP Unit - diluted	\$ 0.37	\$ 0.39	\$ 0.30	\$ 1.56	\$ 1.46
FFO per weighted average share of common stock and Non-controlling OP Unit - diluted, as adjusted for comparability ¹	\$ 0.37	\$ 0.39	\$ 0.39	\$ 1.56	\$ 1.55
Core FFO per weighted average share of common stock and Non-controlling OP Unit - basic	\$ 0.38	\$ 0.40	\$ 0.40	\$ 1.58	\$ 1.59
Core FFO per weighted average share of common stock and Non-controlling OP Unit - diluted	\$ 0.38	\$ 0.40	\$ 0.40	\$ 1.57	\$ 1.58
Distributions declared per share of common stock and Non-controlling OP Unit	\$ 0.37545	\$ 0.37545	\$ 0.37500	\$ 1.50180	\$ 1.50000

¹ FFO as adjusted for comparability is FFO adjusted for certain items that are not indicative of the results provided by the Company's operating portfolio and affect the comparability of the Company's period-over-period performance. These items include the adjustment for non-recurring expense adjustments related to the write off of offering costs pertaining to redeemed securities.

Condensed Consolidated Balance Sheets

(\$ in thousands)	12/31/2020	12/31/2019
ASSETS		
Real estate, at cost	\$ 1,128,683	\$ 1,056,978
Less: accumulated depreciation	228,468	207,523
Total real estate, net	900,215	849,455
Lease intangibles, net	117,379	115,465
Real estate and related assets held for sale, net	8,498	3,990
Cash and cash equivalents	11,016	6,849
Restricted cash	5,060	4,639
Funds held in escrow	9,145	7,226
Right-of-use assets from operating leases	5,582	5,794
Deferred rent receivable, net	36,555	37,177
Other assets	4,458	8,913
TOTAL ASSETS	\$ 1,097,908	\$ 1,039,508
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Mortgage notes payable, net	\$ 456,177	\$ 453,739
Borrowings under revolver and term loan, net	212,515	172,855
Deferred rent liability, asset retirement obligation and other liabilities, net	53,893	49,724
TOTAL LIABILITIES	\$ 722,585	\$ 676,318
MEZZANINE EQUITY		
Series D and E redeemable preferred stock, net	\$ 159,286	\$ 152,153
TOTAL MEZZANINE EQUITY	\$ 159,286	\$ 152,153
STOCKHOLDERS' EQUITY		
Senior common stock	1	1
Common stock	35	32
Series F redeemable preferred stock	—	—
Additional paid in capital	626,533	571,205
Accumulated other comprehensive income	(4,345)	(2,126)
Distributions in excess of accumulated earnings	(409,041)	(360,978)
TOTAL STOCKHOLDERS' EQUITY	\$ 213,183	\$ 208,134
OP Units held by Non-controlling OP Unitholders	2,854	2,903
TOTAL EQUITY	\$ 216,037	\$ 211,037
TOTAL LIABILITIES, MEZZANINE EQUITY AND EQUITY	\$ 1,097,908	\$ 1,039,508

Debt Summary

Principal Maturity Date	Weighted Average Interest Rate as of 12/31/2020	(\$ in thousands)	
		Principal Balance Outstanding as of 12/31/2020	
2021	3.32%	11,068	
2022	4.66%	98,934	
2023	4.39%	66,427	
2024	4.03%	43,709	
2025	4.03%	32,842	
2026	4.40%	48,060	
2027	4.34%	84,429	
2028	3.71%	14,872	
2029	4.74%	11,538	
2030	3.23%	41,570	
2037	4.63%	6,389	
Contractual Mortgage Notes Payable:	4.24%	\$	459,838
Premiums (Discounts), net:			(182)
Total Mortgage Notes Payable:		\$	459,656
Variable-Rate Line of Credit:			
2023	LIBOR + 1.65%	\$	53,900
Variable-Rate Term Loan Facility:			
2024	LIBOR + 1.60%	\$	160,000
Total Mortgage Notes Payable and Line of Credit	3.45%	\$	673,556

External Management Structure Qualities

- **President, CFO, Acquisitions, Asset Management and Accounting staff exclusively dedicated to Gladstone Commercial**
 - **Benefit: Aligned with shareholder interests**
- **The 2015 revision to the fee structure places overhead costs generally in line with the overall average for internally managed REITs of this size**
 - **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**
- **Legal, Compliance, Human Resources, and IT shared among four funds**
 - **Benefit: Reduced costs to shareholders**

The results of organizational structure benefits:

- **Occupancy never below 95% since IPO in 2003**
- **Distributions never lowered nor missed since 2003**
- **Cost structure aligned with self-managed REITs with the added benefit of access to proven credit underwriting capability and evidenced by consistent high occupancy**



GLADSTONE