



GLADSTONE COMMERCIAL

Investor Presentation August 2021



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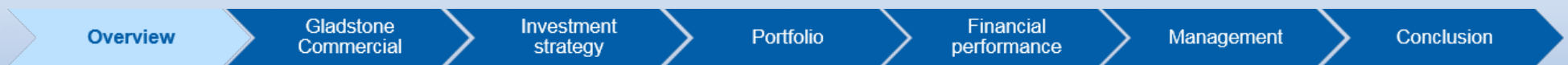
Gladstone Commercial Corporation



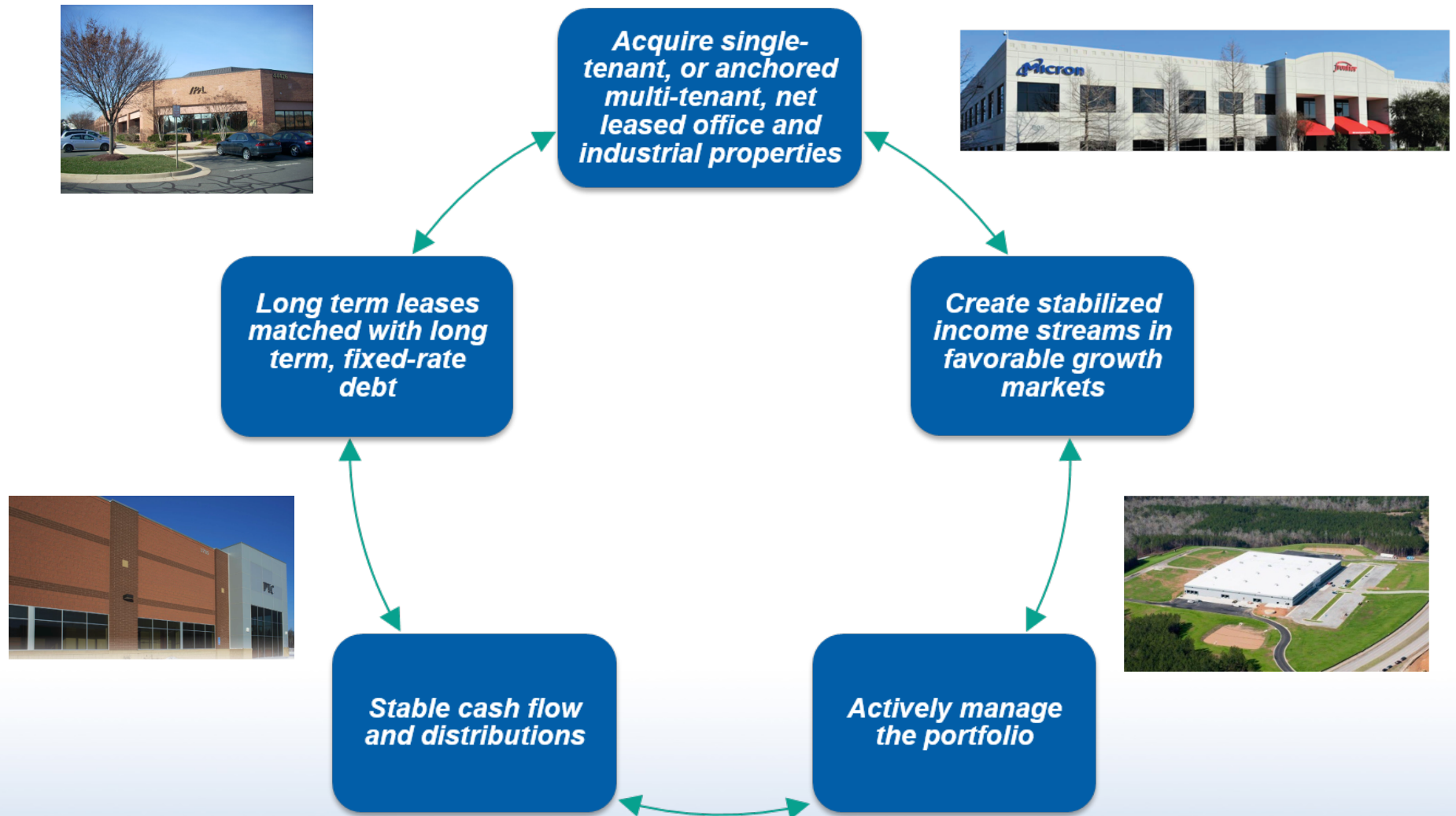
Company Overview

- 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 15.5 million square feet of predominantly office and industrial real estate nationwide
- Diversified portfolio of 121 properties in 27 states leased to 106 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 6/30/2021



Gladstone Commercial's Investment Philosophy



Gladstone Commercial Overview

- IPO in 2003 (Nasdaq: GOOD)
- Market Capitalization: **\$839mm**¹
- Enterprise Value: **\$1,665mm**¹
- Common stock annual distribution per share: **\$1.5018**
 - Monthly distributions
 - No missed or reduced cash distributions since inception

Portfolio summary (6/30/2021)

# of Properties	121
Square feet (mm)	15.5
Occupancy	96.5%
States	27
Tenants	106
Industries	19
Annual lease revenue (LTM) (\$mm)	\$134.1
Diluted FFO per Common Share (LTM)	\$1.46
Diluted FFO per Common Share, as adjusted for comparability (LTM)	\$1.52
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 June 30, 2021 of \$22.56 and includes effect of convertible securities.

Overview

**Gladstone
Commercial**

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Significant Growth & Diversification Since 2010

GOOD Portfolio

	12/31/10	6/30/2021	Variance	
Grew a diverse portfolio	Total assets (\$mm)	\$ 410.6	\$ 1,089.2	\$ 678.6
	Properties	65	121	56
	Tenants	52	106	54
	Square feet (mm)	6.8	15.5	8.7
	Occupancy (%)	97.2 %	96.5 %	(0.7)%
	Lease Revenue From Top 5 tenants (\$mm) ¹	\$ 10.0	\$ 18.1	\$ 8.1
	% of Total Lease Revenue	24.2 %	13.5 %	(10.7)%
Revenue and cash flow growth	Lease Revenues (LTM) (\$mm)	\$ 41.9	\$ 134.1	\$ 92.2
	Diluted FFO (LTM) (\$mm)	\$ 14.1	\$ 53.2	\$ 39.1
	Diluted FFO, as adjusted for comparability (LTM) (\$mm)	\$ 14.1	\$ 55.3	\$ 41.2
	Diluted Core FFO (LTM) (\$mm)	\$ 14.5	\$ 56.3	\$ 41.8
Improved capital structure	Net Total Debt / Enterprise Value	58.9 %	38.8 %	(20.1)%
	Net Total Debt + Preferred / Enterprise Value	70.0 %	49.6 %	(20.4)%
	Net Total Debt / Gross Assets ²	62.7 %	44.8 %	(17.9)%

¹Annualized

²Gross Assets equal total assets before depreciation

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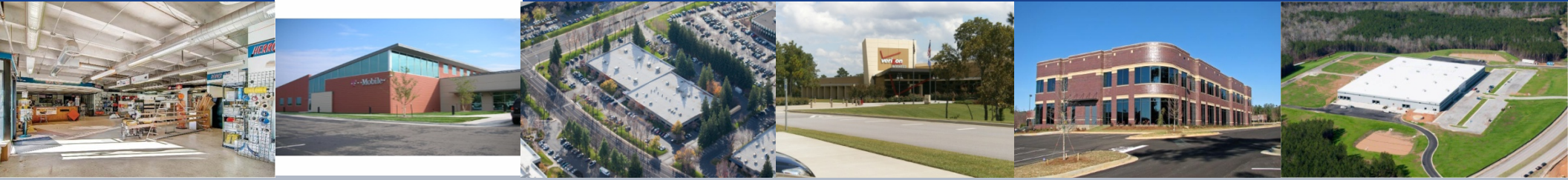
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Investment Strategy



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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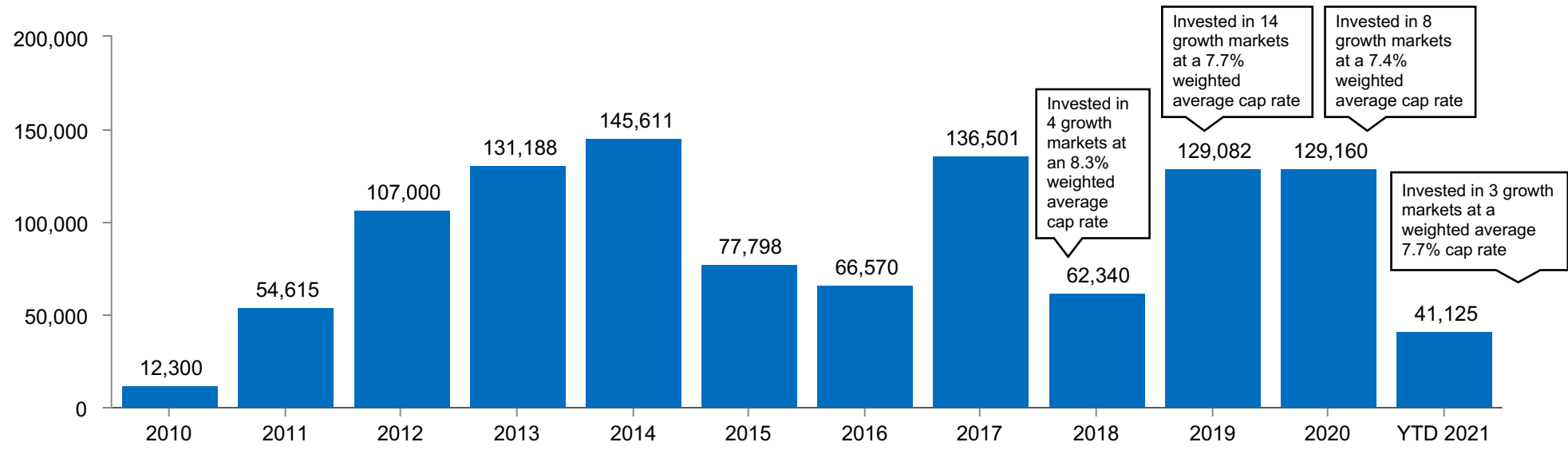
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Gladstone Has Achieved Consistent and Disciplined Growth

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

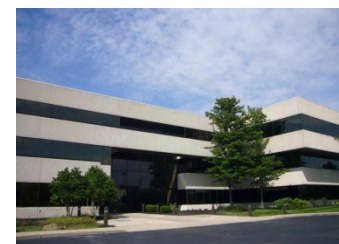
Geographic diversity

- **121** properties across the U.S., located in **27** 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)



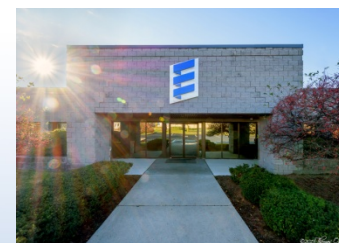
High occupancy

- Occupancy has never fallen below **95%**
- Current occupancy **96.5%**
- **3.2%** of projected rents expiring through the end of 2021
- Of 100+ assets with over \$1 billion invested since inception, only two tenant defaults



Periodic capital recycling

- Sell non-core assets
- Exited 22 properties in non-core markets since mid-2016
- Re-deploy proceeds in growth markets



Note: As of 6/30/2021

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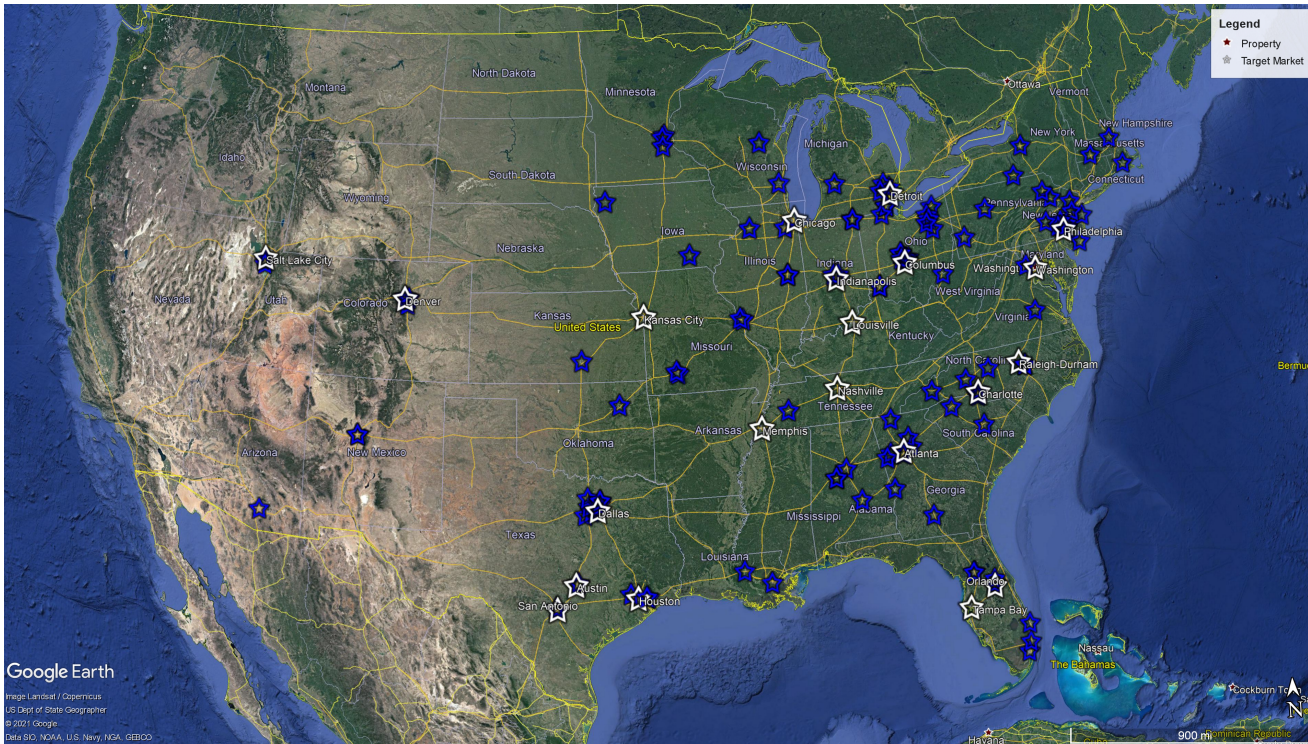
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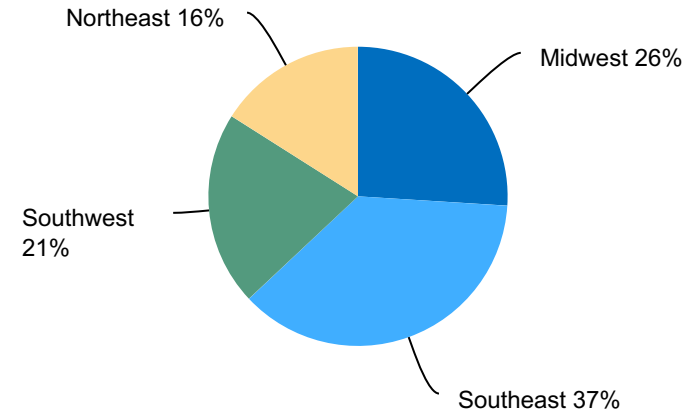
Diversified Portfolio

121 properties spread across 27 states

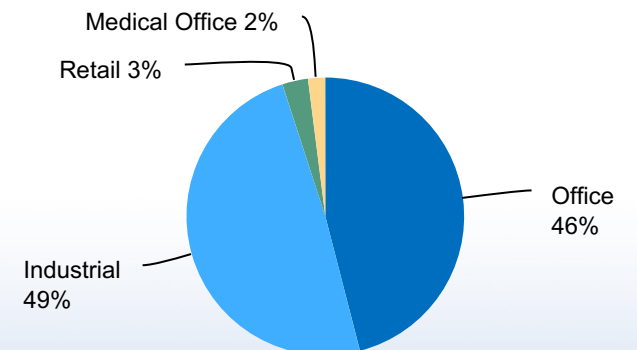


Note: As of 6/30/2021

Geographic diversification
 (by annualized straight line rent)



Property type diversification
 (by annualized straight line rent)



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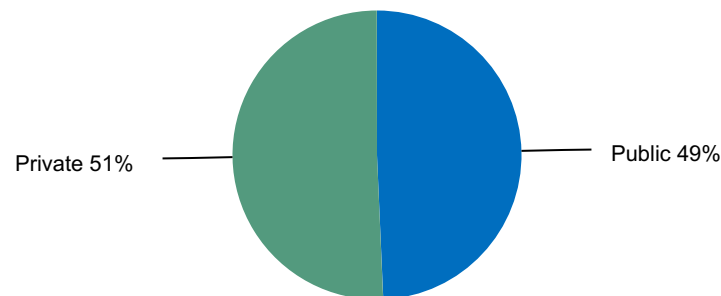
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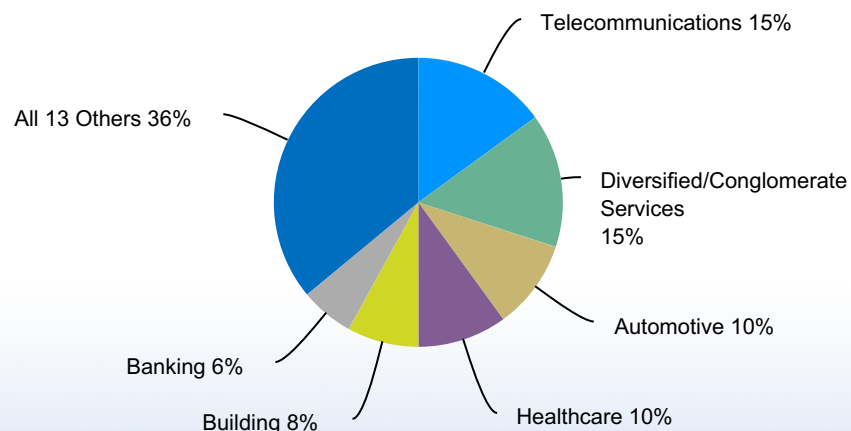
High Quality, Diversified Portfolio

Top tenants	% of annualized straight line rent	% of SF
 verizon wireless	3 %	1 %
 kane <small>is able, Inc.</small>	3 %	6 %
 ADP	3 %	1 %
Morgan Stanley	3 %	1 %
TOWERS WATSON 	2 %	1 %
All other tenants	86 %	90 %

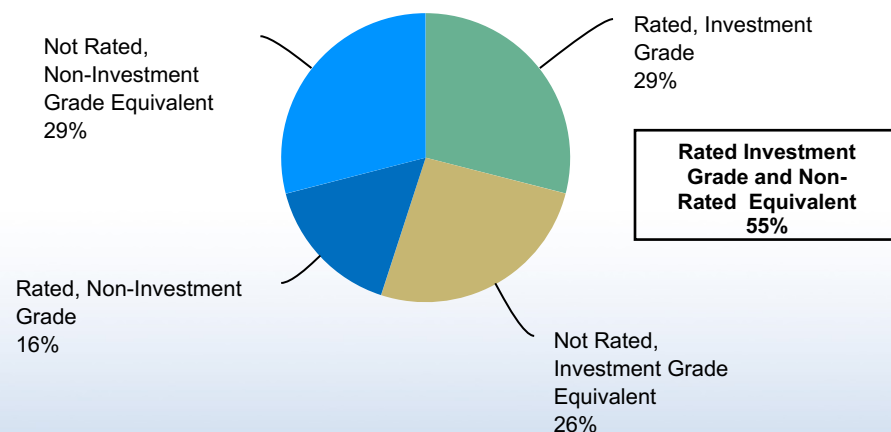
Publicly-traded vs. privately-held tenants (as % of annualized straight line rent)



Industry diversification (based on annualized straight line rent)



Tenant credit ratings (as % annualized straight line rent)



Note: As of 6/30/2021

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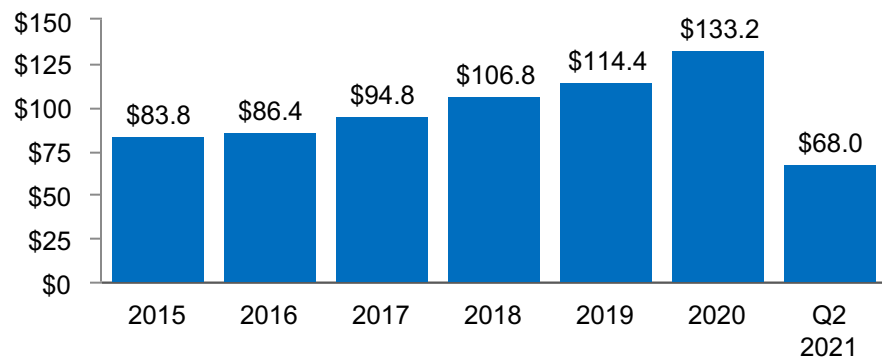


Financial Performance

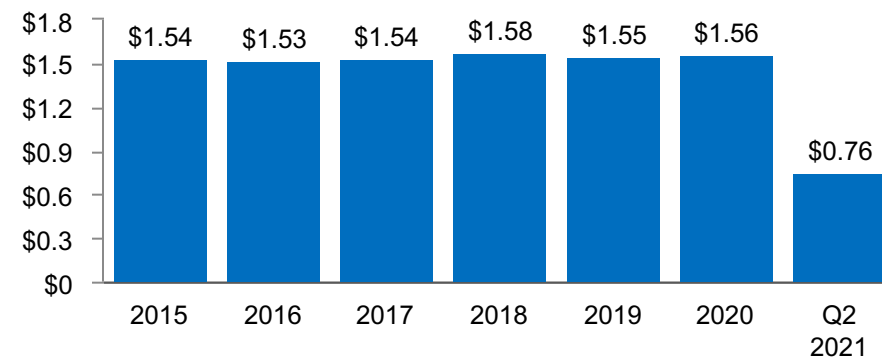


Summary Historical Performance

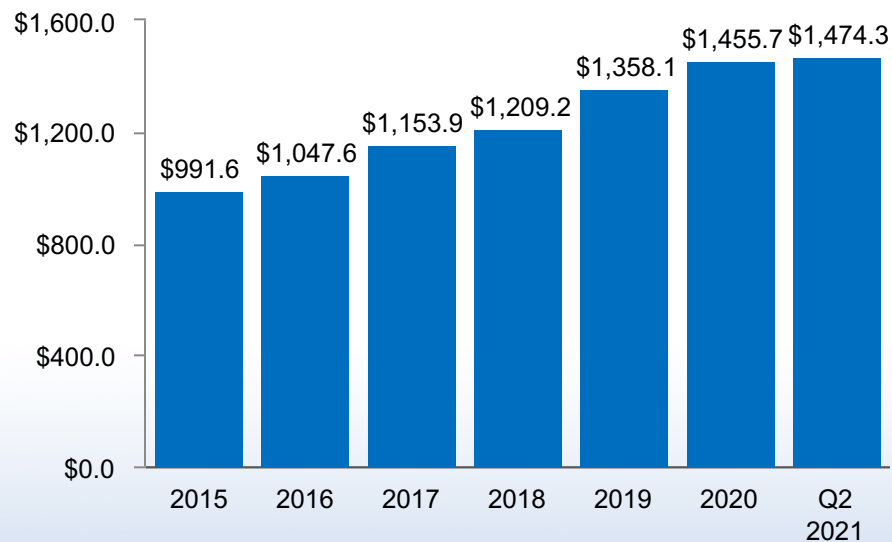
Total Revenue (\$ in millions)



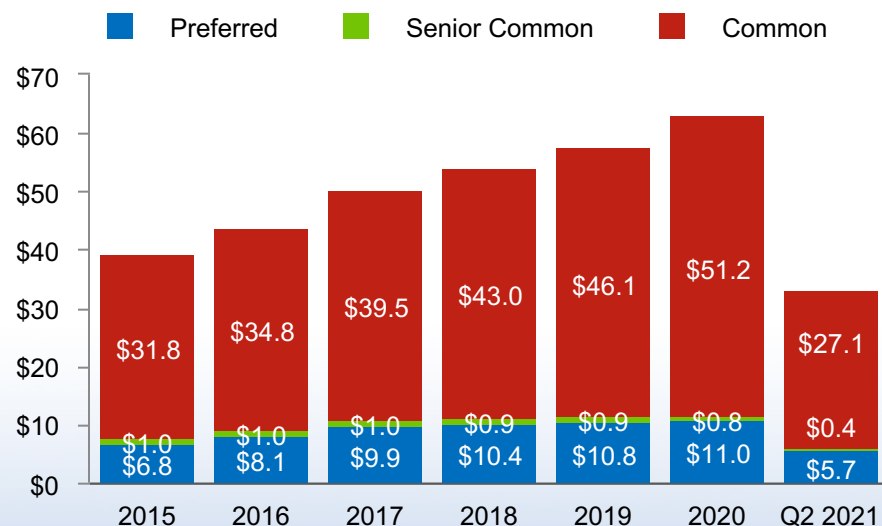
Funds from Operations, as adjusted for comparability (Per Share)



Total Gross Assets (\$ in millions)



Total Distributions (\$ in millions)



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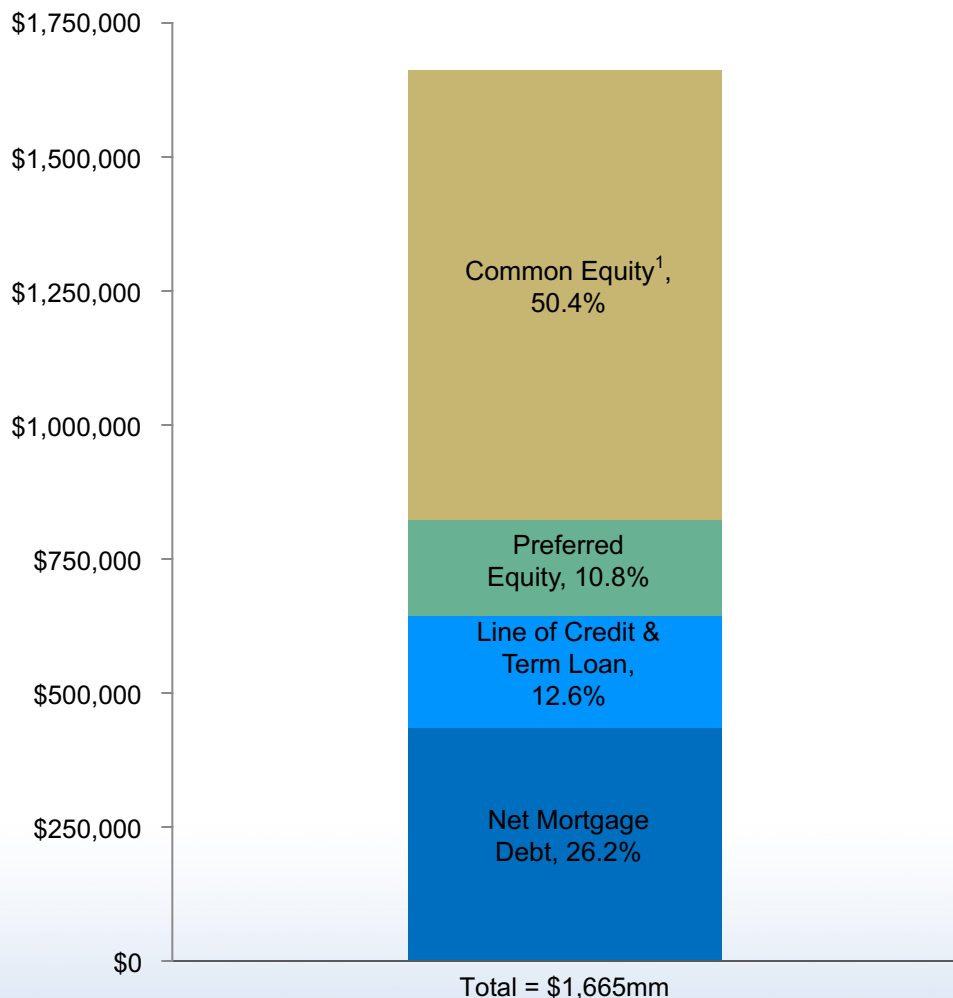
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Capital Structure Overview

Current Capital Structure as of 6/30/2021 (\$000s)



¹ Common Equity is based on the closing common stock price per share as of June 30, 2021 of \$22.56 and includes effect of OP units and convertible senior common stock.

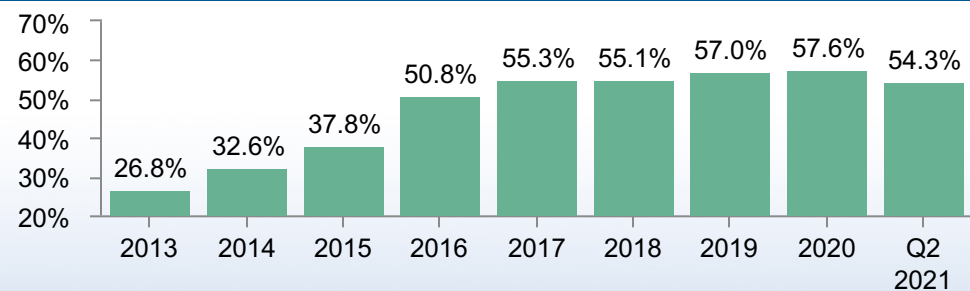
² Does not include 7.00% Series D Preferred Stock that was redeemed on June 30, 2021.

³ Source: Nasdaq Online

Capital Structure Details

(Dollars in \$000s, except stock price)	Wtd. Average Rate	6/30/2021
Mortgage Notes Payable, Net	4.20%	\$ 451,188
Less: Cash & Cash Equivalents		(14,632)
Net Mortgage Debt		\$ 436,556
Line of Credit	L+1.90%	\$ —
Term Note	L+1.85%, L+2.00%	208,871
Line of Credit and Term Loan		\$ 208,871
Total Debt, Net		\$ 645,427
Series E - Preferred	6.625%	76,536
Series F - Preferred	6.00%	4,069
Series G - Preferred	6.00%	100,000
Total Preferred Equity²		\$ 180,605
Diluted Common Shares Outstanding		37,196,067
Stock Price		\$ 22.56
Implied Common Equity¹ Market Capitalization		\$ 839,143
Enterprise Value		\$ 1,665,175

Institutional Stock Ownership³



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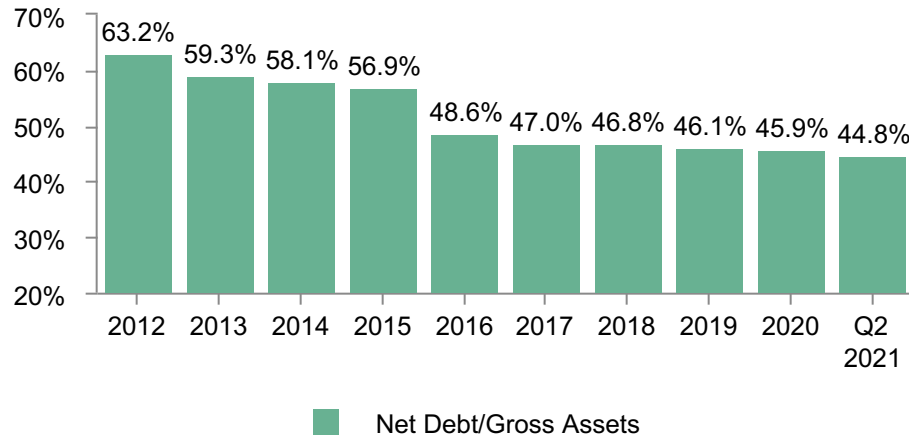
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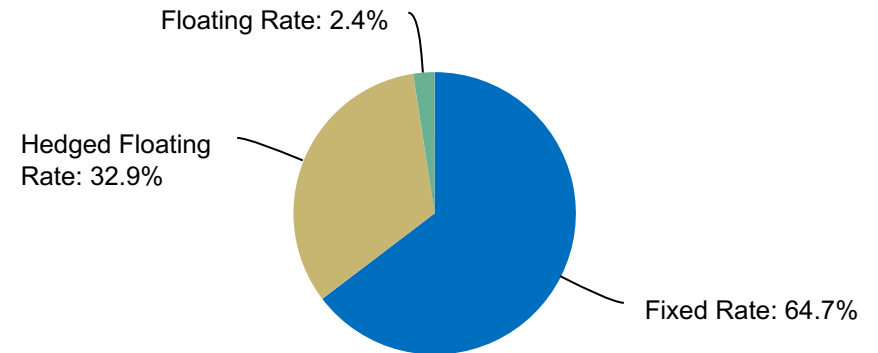


Liquidity and Debt Overview

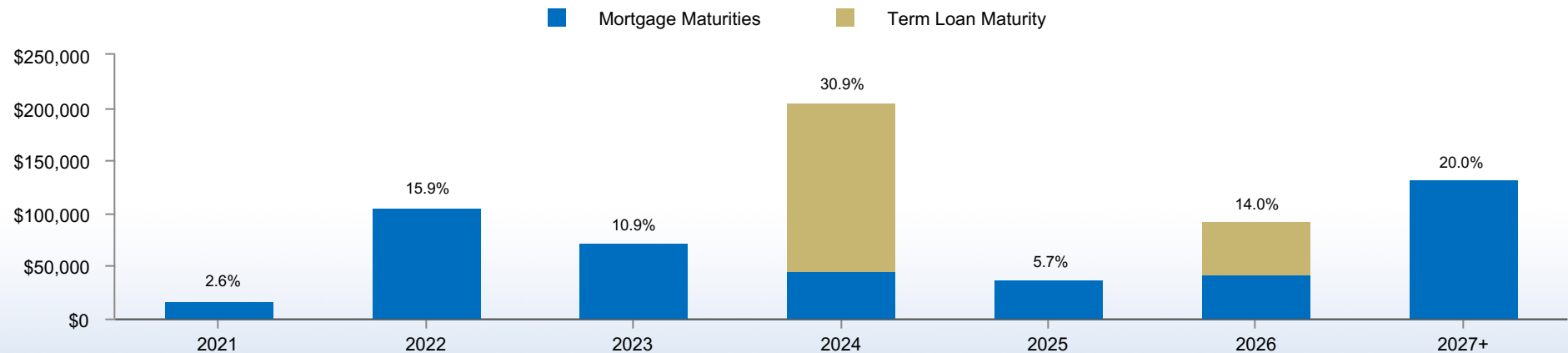
Reducing Leverage



Fixed vs. Floating Debt



Debt maturity schedule (\$000s)



Note: As of 6/30/2021



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



**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)



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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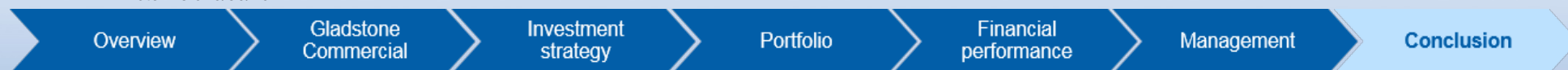


Conclusion

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 44.8%***
- ***Focused on growth with limited lease expirations through 2022, and with an emphasis on increasing the industrial allocation***

Note: As of 6/30/2021



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)	
	6/30/2021	3/31/2021	6/30/2020	6/30/2021	6/30/2020
Operating revenues					
Lease revenue	\$ 33,371	\$ 34,677	\$ 33,525	\$ 68,047	\$ 67,145
Total operating revenues	\$ 33,371	\$ 34,677	\$ 33,525	\$ 68,047	\$ 67,145
Operating expenses					
Depreciation and amortization	\$ 14,191	\$ 16,710	\$ 14,182	\$ 30,901	\$ 28,278
Property operating expenses	6,910	6,561	6,295	13,471	12,508
Base management fee	1,452	1,444	1,389	2,896	2,801
Incentive fee	1,039	1,236	1,119	2,274	2,173
Administration fee	338	297	395	634	833
General and administrative	1,073	656	752	1,729	1,630
Impairment charge	—	—	1,721	—	1,721
Total operating expense before incentive fee waiver	\$ 25,003	\$ 26,904	\$ 25,853	\$ 51,905	\$ 49,944
Incentive fee waiver	(16)	—	—	(16)	—
Total operating expenses	\$ 24,987	\$ 26,904	\$ 25,853	\$ 51,889	\$ 49,944
Other (expense) income					
Interest expense	\$ (6,486)	\$ (7,164)	\$ (6,716)	\$ (13,650)	\$ (13,968)
Loss on sale of real estate, net	—	(882)	—	(882)	(12)
Other income	223	311	9	534	4
Total other expense, net	\$ (6,263)	\$ (7,735)	\$ (6,707)	\$ (13,998)	\$ (13,976)
Net income	\$ 2,121	\$ 38	\$ 965	\$ 2,160	\$ 3,225
Net loss attributable to non-controlling interests	21	41	28	63	37
Net income attributable to the company	\$ 2,142	\$ 79	\$ 993	\$ 2,223	\$ 3,262
Distributions attributable to Series D, E, and F preferred stock	(2,856)	(2,847)	(2,688)	(5,703)	(5,366)
Series D preferred stock offering costs write off	(2,141)	—	—	(2,141)	—
Distributions attributable to senior common stock	(177)	(187)	(204)	(364)	(411)
Net loss attributable to common stockholders	\$ (3,032)	\$ (2,955)	\$ (1,899)	\$ (5,985)	\$ (2,515)
Weighted average common shares outstanding and Non-controlling OP Units					
Basic and diluted	36,651,761	36,214,406	34,442,859	36,434,292	34,289,519

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)	
	6/30/2021	3/31/2021	6/30/2020	6/30/2021	6/30/2020
Net income	\$ 2,121	\$ 38	\$ 965	\$ 2,160	\$ 3,225
Less: Distributions attributable to preferred and senior common stock	(3,033)	(3,034)	(2,892)	(6,067)	(5,777)
Less: Series D preferred stock offering costs write off	(2,141)	—	—	(2,141)	—
Net loss attributable to common stockholders and Non-controlling OP Unitholders	\$ (3,053)	\$ (2,996)	\$ (1,927)	\$ (6,048)	\$ (2,552)
Adjustments:					
Add: Real estate depreciation and amortization	\$ 14,191	\$ 16,710	\$ 14,182	\$ 30,901	\$ 28,278
Add: Impairment charge	—	—	1,721	—	1,721
Add: Loss on sale of real estate, net	—	882	—	882	12
FFO available to common stockholders and Non-controlling OP Unitholders - basic	\$ 11,138	\$ 14,596	\$ 13,976	\$ 25,735	\$ 27,459
Add: Convertible senior common distributions	177	187	204	364	411
FFO available to common stockholders and Non-controlling OP Unitholders - diluted	\$ 11,315	\$ 14,783	\$ 14,180	\$ 26,099	\$ 27,870
Add: Series D preferred stock offering costs write off	2,141	—	—	2,141	—
FFO available to common stockholders and Non-controlling OP Unitholders - diluted, as adjusted for comparability	\$ 13,456	\$ 14,783	\$ 14,180	\$ 28,240	\$ 27,870
FFO available to common stockholders and Non-controlling OP Unitholders - basic	\$ 11,138	\$ 14,596	\$ 13,976	\$ 25,735	\$ 27,459
Add (Less): Acquisition related expenses	63	(122)	8	(60)	14
Add (Less): PACE financing amortization, net	41	(8)	—	33	31
Add: Asset retirement obligation expense	29	30	31	59	72
Add: Loan defeasance costs	—	669	—	669	—
Add: Write off prepaid offering costs	2,141	—	—	2,141	—
Core FFO available to common stockholders and Non-controlling OP Unitholders - basic	\$ 13,412	\$ 15,165	\$ 14,015	\$ 28,577	\$ 27,576
Add: Convertible senior common distributions	177	187	204	364	411
Core FFO available to common stockholders and Non-controlling OP Unitholders - diluted	\$ 13,589	\$ 15,352	\$ 14,219	\$ 28,941	\$ 27,987
Weighted average common shares outstanding and Non-controlling OP Units - basic	36,651,761	36,214,406	34,442,859	36,434,292	34,289,519
Weighted average common shares outstanding and Non-controlling OP Units - diluted	37,209,799	36,806,562	35,092,914	36,992,330	34,939,574
FFO per weighted average share of common stock and Non-controlling OP Unit - basic	\$ 0.30	\$ 0.40	\$ 0.41	\$ 0.71	\$ 0.80
FFO per weighted average share of common stock and Non-controlling OP Unit - diluted	\$ 0.30	\$ 0.40	\$ 0.40	\$ 0.71	\$ 0.80
FFO per weighted average share of common stock and Non-controlling OP Unit - diluted, as adjusted for comparability	\$ 0.36	\$ 0.40	\$ 0.40	\$ 0.76	\$ 0.80
Core FFO per weighted average share of common stock and Non-controlling OP Unit - basic	\$ 0.37	\$ 0.42	\$ 0.41	\$ 0.78	\$ 0.80
Core FFO per weighted average share of common stock and Non-controlling OP Unit - diluted	\$ 0.37	\$ 0.42	\$ 0.41	\$ 0.78	\$ 0.80
Distributions declared per share of common stock and Non-controlling OP Unit	\$ 0.37545	\$ 0.37545	\$ 0.37545	\$ 0.75090	\$ 0.75090

Condensed Consolidated Balance Sheets

(\$ in thousands)	6/30/2021 (unaudited)	12/31/2020
ASSETS		
Real estate, at cost	\$ 1,152,302	\$ 1,128,683
Less: accumulated depreciation	249,797	228,468
Total real estate, net	902,505	900,215
Lease intangibles, net	111,084	117,379
Real estate and related assets held for sale, net	—	8,498
Cash and cash equivalents	14,632	11,016
Restricted cash	4,607	5,060
Funds held in escrow	8,268	9,145
Right-of-use assets from operating leases	5,473	5,582
Deferred rent receivable, net	37,713	36,555
Other assets	4,942	4,458
TOTAL ASSETS	\$ 1,089,224	\$ 1,097,908
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Mortgage notes payable, net	\$ 451,188	\$ 456,177
Borrowings under revolver and term loan, net	208,871	212,515
Deferred rent liability, asset retirement obligation and other liabilities, net	54,163	53,893
TOTAL LIABILITIES	\$ 714,222	\$ 722,585
MEZZANINE EQUITY		
Series D, E, and F redeemable preferred stock, net	\$ 170,278	\$ 159,286
TOTAL MEZZANINE EQUITY	\$ 170,278	\$ 159,286
STOCKHOLDERS' EQUITY		
Senior common stock	1	1
Common stock	36	35
Series F redeemable preferred stock	—	—
Additional paid in capital	648,112	626,533
Accumulated other comprehensive income	(2,641)	(4,345)
Distributions in excess of accumulated earnings	(442,122)	(409,041)
TOTAL STOCKHOLDERS' EQUITY	\$ 203,386	\$ 213,183
OP Units held by Non-controlling OP Unitholders	1,338	2,854
TOTAL EQUITY	\$ 204,724	\$ 216,037
TOTAL LIABILITIES, MEZZANINE EQUITY AND EQUITY	\$ 1,089,224	\$ 1,097,908

Debt Summary

Principal Maturity Date	Weighted Average Interest Rate as of 6/30/2021	(\$ in thousands)	
		Principal Balance Outstanding as of 6/30/2021	
2021	3.29%		10,866
2022	4.65%		97,074
2023	4.26%		65,604
2024	3.93%		38,945
2025	4.03%		32,447
2026	4.38%		47,109
2027	4.34%		83,296
2028	3.71%		14,712
2029	4.74%		11,415
2030	3.23%		41,243
2031	3.24%		5,440
2037	4.63%		6,281
Contractual Mortgage Notes Payable:	4.20%	\$	<u>454,432</u>
Premiums (Discounts), net:			<u>(155)</u>
Total Mortgage Notes Payable:		\$	<u><u>454,277</u></u>
Variable-Rate Line of Credit:			
2023	LIBOR +1.90%	\$	<u><u>—</u></u>
Variable-Rate Term Loan Facility:			
2024	LIBOR +1.85%	\$	160,000
2026	LIBOR +2.00%		<u>50,000</u>
Total Mortgage Notes Payable and Line of Credit	3.50%	\$	<u>664,277</u>

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. 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**
- **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