



**GLADSTONE COMMERCIAL**

*Investor Presentation February 2024*

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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 17.1 million square feet of predominantly industrial and office real estate nationwide
- Diversified portfolio of 135 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: All statistics as of 12/31/2023

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# Gladstone Commercial's Investment Philosophy



*Acquire single-tenant, or anchored multi-tenant, NNN industrial and office properties*



*Long term leases matched with long term, fixed-rate debt*

*Create stabilized income streams in favorable growth markets*



*Stable cash flow and distributions*

*Actively manage the portfolio*



# Gladstone Commercial Overview

- IPO in 2003 (Nasdaq: GOOD)
- Market Capitalization: **\$534mm**<sup>1</sup>
- Enterprise Value: **\$1,460mm**<sup>1</sup>
- Common stock annual distribution run rate per share: **\$1.20**
  - Monthly distributions

## Portfolio summary (12/31/2023)

# of Properties	135
Square feet (mm)	17.1
Occupancy	96.8%
States	27
Tenants	110
Industries	19
Annual lease revenue (LTM) (\$mm)	\$147.6
Diluted FFO per Common Share (LTM)	\$1.46
Diluted Core FFO per Common Share (LTM)	\$1.47
Average Remaining Lease Term	6.8 years

<sup>1</sup> Common Equity is based on the closing common stock price per share as of December 29, 2023 of \$13.24 and includes effect of convertible securities.



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# Significant Growth & Diversification Since 2010

## GOOD Portfolio

	12/31/2010	12/31/2023	Variance	
<b>Grew a diverse portfolio</b>	Total assets (\$mm)	\$ 410.6	\$ 1,133.5	\$ 722.9
	Properties	65	135	70
	Tenants	52	110	58
	Square feet (mm)	6.8	17.1	10.3
	Occupancy (%)	97.2 %	96.8 %	(0.4)%
	Lease Revenue From Top 5 tenants (\$mm)	\$ 10.0	\$ 21.3	\$ 11.3
% of Total Lease Revenue	24.2 %	14.4 %	(9.8)%	
<b>Revenue and cash flow growth</b>	Lease Revenues (LTM) (\$mm)	\$ 41.9	\$ 147.6	\$ 105.7
	Diluted FFO (LTM) (\$mm)	\$ 14.1	\$ 59.2	\$ 45.1
	Diluted Core FFO (LTM) (\$mm)	\$ 14.5	\$ 59.9	\$ 45.4
<b>Improved capital structure</b>	Net Total Debt / Enterprise Value	58.9 %	49.8 %	(9.1)%
	Net Total Debt + Preferred / Enterprise Value	70.0 %	63.4 %	(6.6)%
	Net Total Debt / Gross Assets <sup>1</sup>	62.7 %	46.1 %	(16.6)%

<sup>1</sup> Gross Assets equal total assets before depreciation and amortization

# 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 year ended December 31, 2023
  - **96.8%** portfolio occupancy as of December 31, 2023
  - **6.8 years** remaining average lease term
- Strong balance sheet supporting near-term acquisitions:
  - **90%** of debt fixed or hedged
  - **\$51.5 million** of availability under the revolving credit facility as of February 21, 2024





# 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

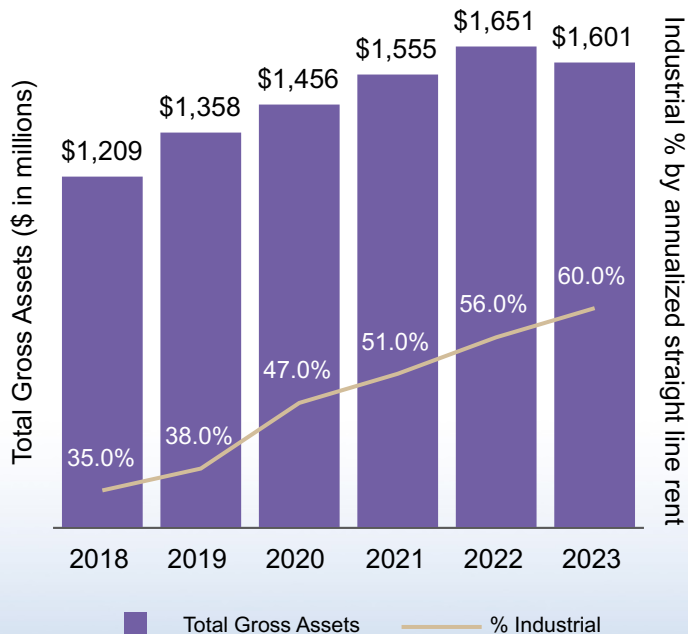
## Transaction focus

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

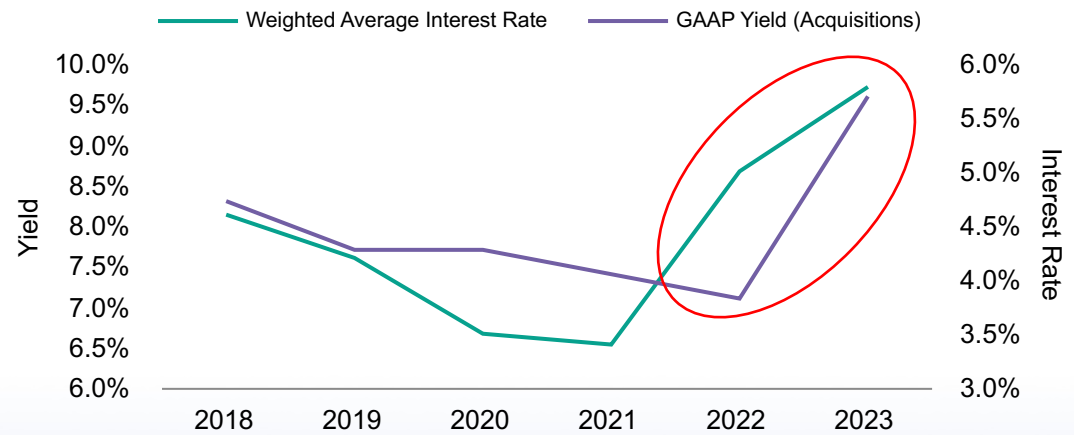
# Continue Transition to Industrial-Focused Net Lease REIT

- 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 60% of annualized straight line rent as of Q4 2023

## Portfolio Industrial Growth



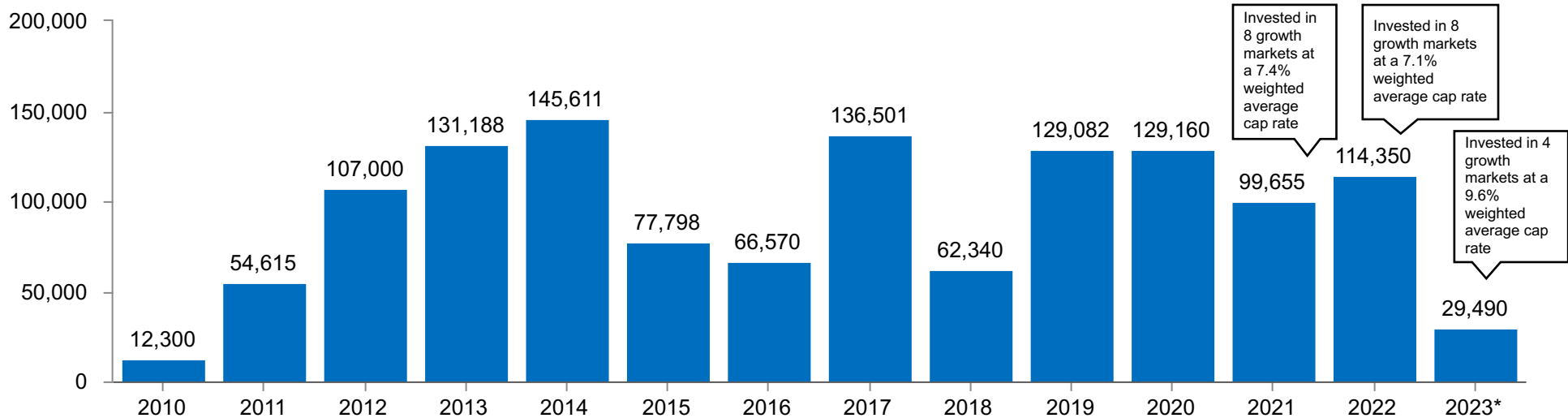
## Yields Move in Line with Interest Rates



In 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.

# Gladstone Has Achieved Consistent and Disciplined Growth

## Historical Investment Volume (\$000)



\*As of February 21, 2024

### 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%



# Portfolio Overview



# Portfolio Overview

## Geographic diversity

- **135** 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 **96.8%**
- **5.2%** of annualized straight line rents expiring through the end of 2024



## Periodic capital recycling

- Sell non-core assets in non-core markets
- Exited 35 properties in non-core markets since mid-2016
- Re-deploy proceeds into industrial assets within growth markets



Note: All statistics as of 12/31/2023

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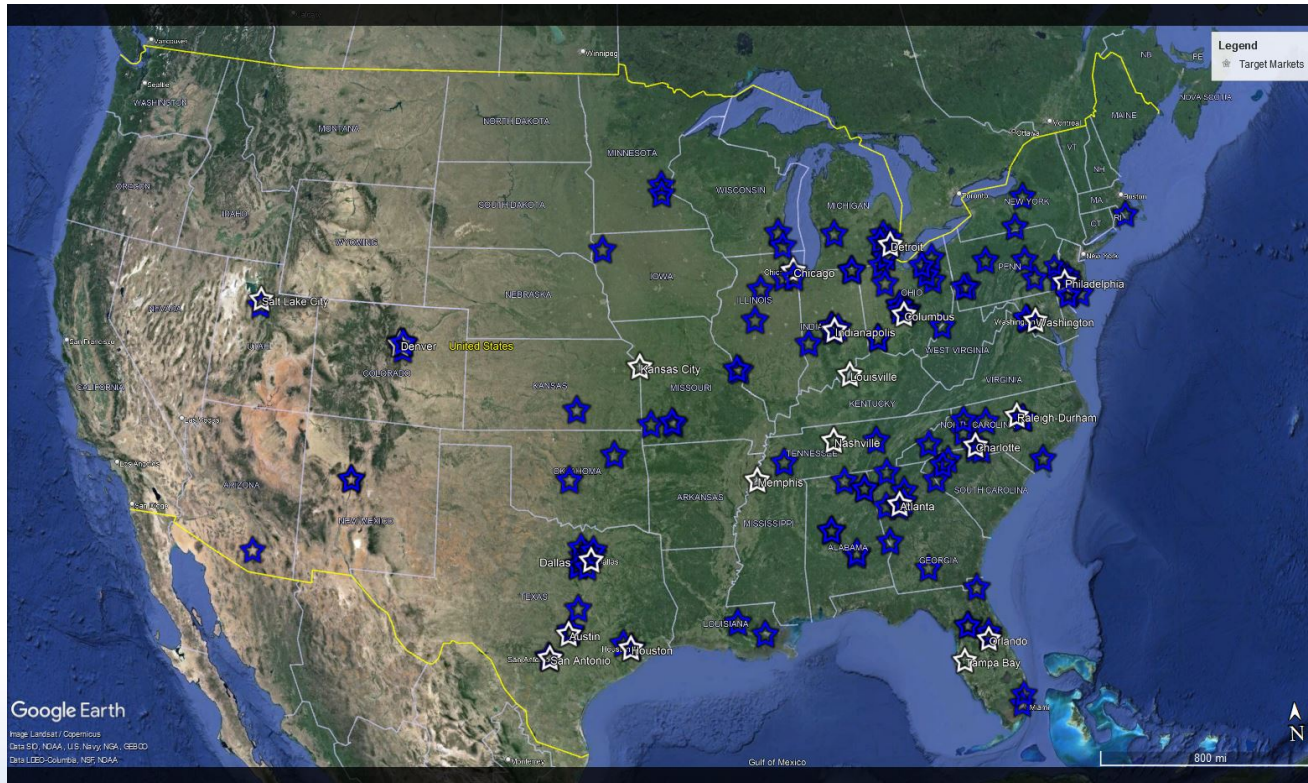
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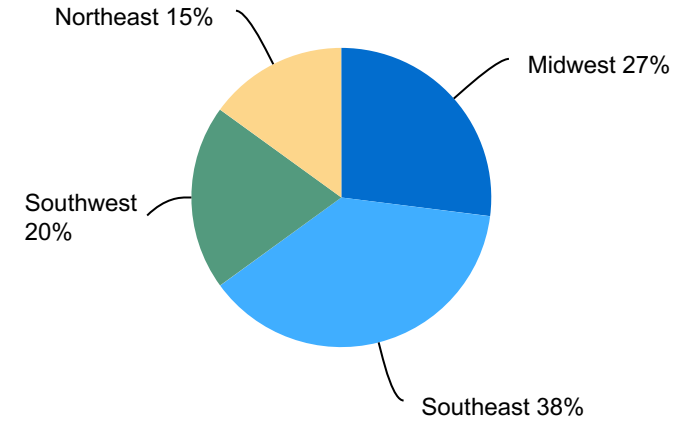
# Diversified Portfolio

135 properties spread across 27 states

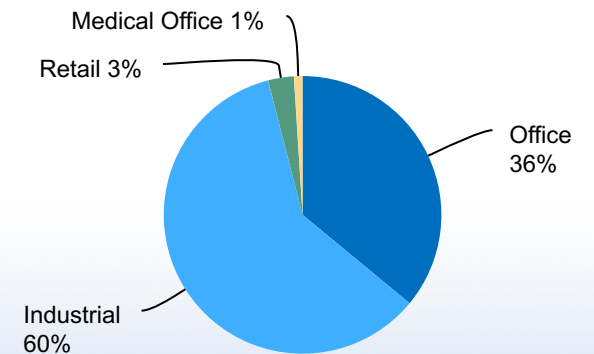


Note: All statistics as of 12/31/2023

Geographic diversification  
(by annualized straight line rent)



Property type diversification  
(by annualized straight line rent)



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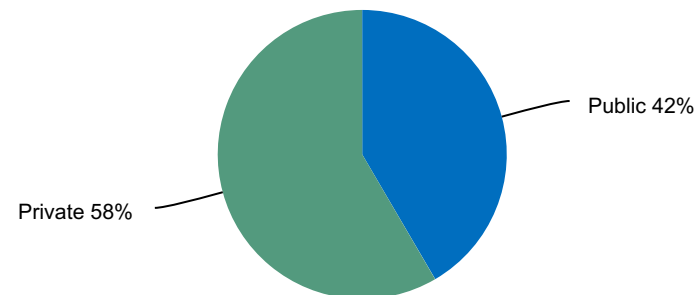
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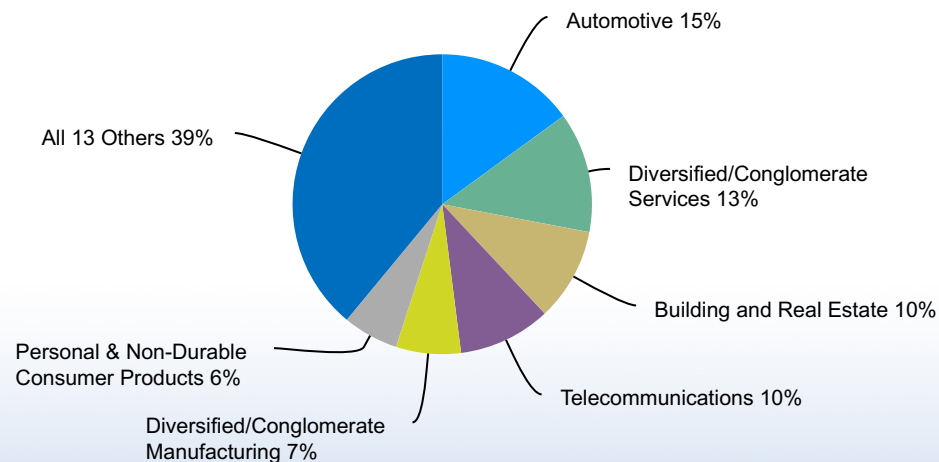
# High Quality, Diversified Portfolio

Top tenants	% of annualized straight line rent	% of SF
 gm	4 %	1 %
 <b>kane</b> <small>isable, Inc.</small>	3 %	6 %
 ADP	3 %	1 %
Morgan Stanley	2 %	1 %
 <b>MOSS</b>	2 %	1 %
All other tenants	86 %	90 %

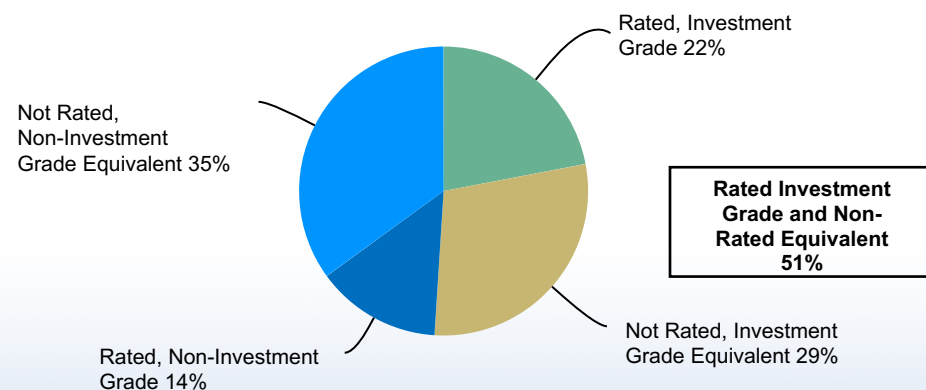
## Publicly-traded vs. privately-held tenants (as % of annualized straight line rent)



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



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



Note: All statistics as of 12/31/2023

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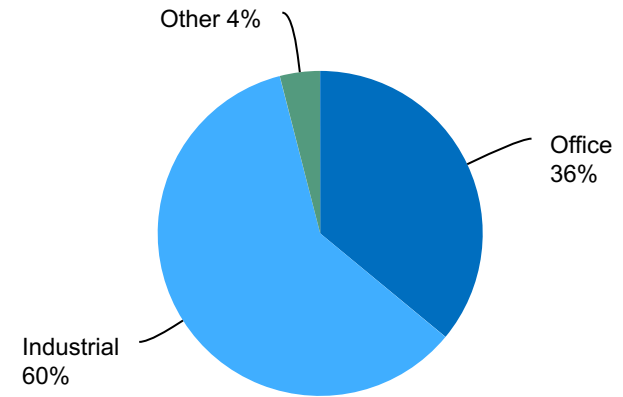
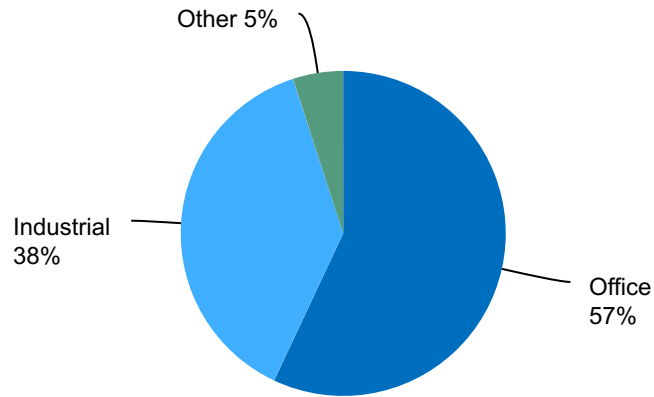


# High Quality, Diversified Portfolio

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

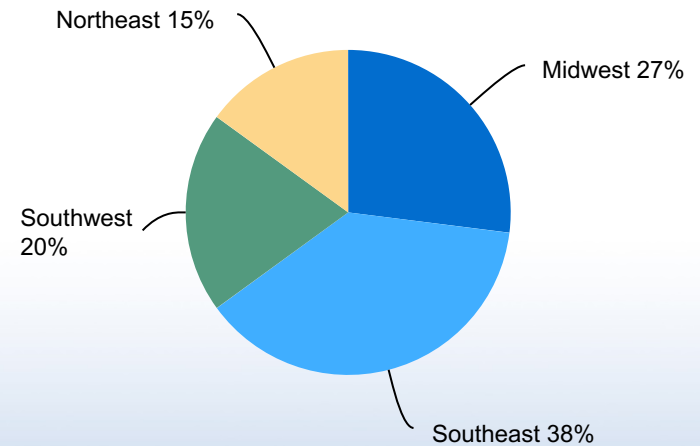
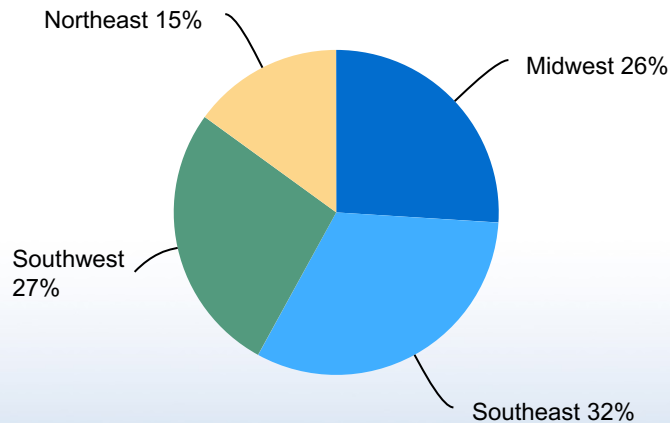
Portfolio as of December 31, 2023  
(as % of annualized straight line rent)

## By Property Type



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

## By Geography



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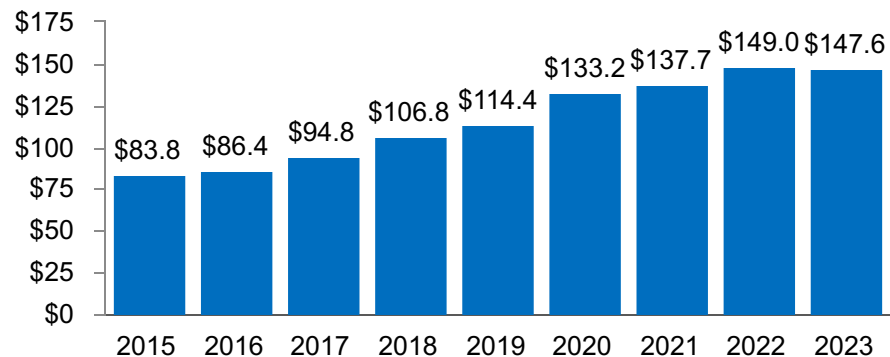


# Financial Performance

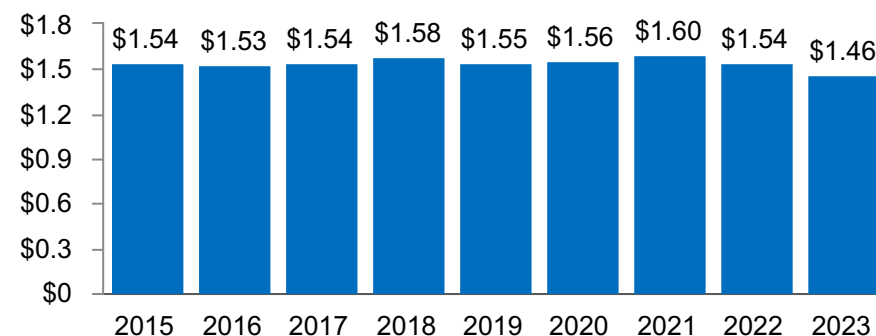


# Summary Historical Performance

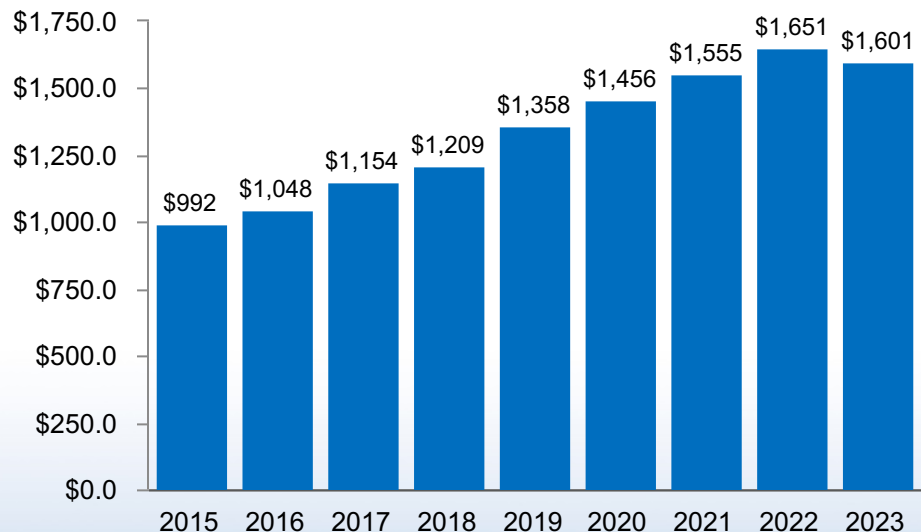
**Total Revenue (\$ in millions)**



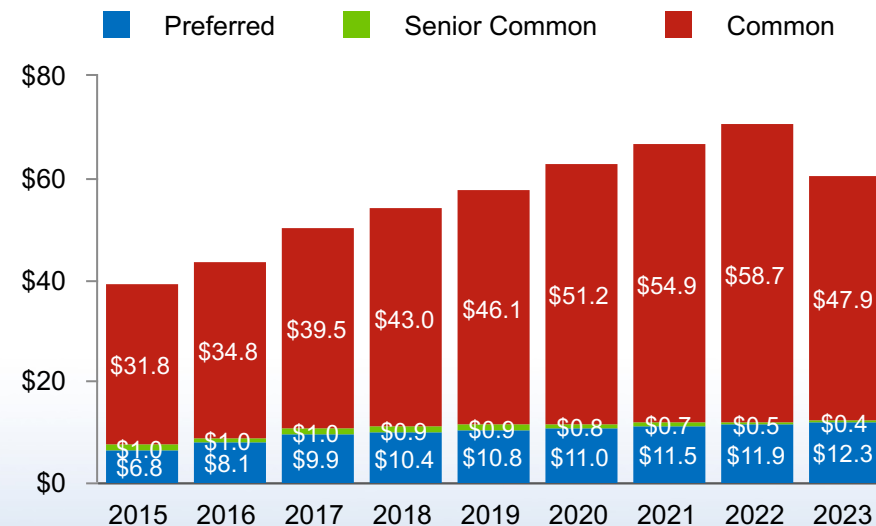
**Funds from Operations, as adjusted for comparability (Per Share)**



**Total Gross Assets (\$ in millions)**



**Total Distributions (\$ in millions)**



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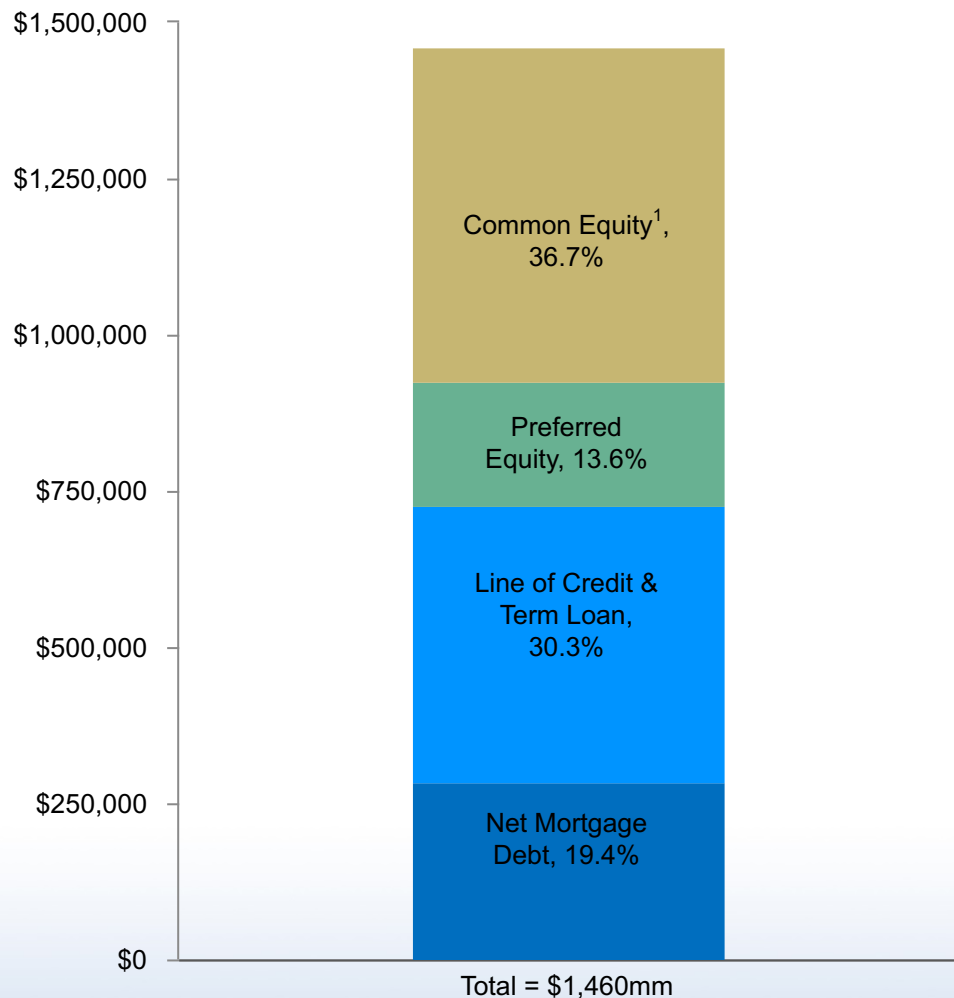
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# Capital Structure Overview

## Current Capital Structure as of 12/31/2023 (\$000s)



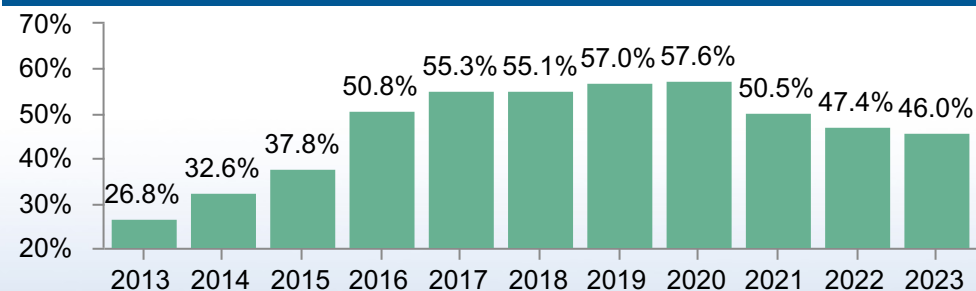
<sup>1</sup> Common Equity is based on the closing common stock price per share as of December 29, 2023 of \$13.24 and includes effect of OP units and convertible senior common stock.

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

## Capital Structure Details

(Dollars in \$000s, except stock price)	Wtd. Average Rate	12/31/2023
Mortgage Notes Payable, Net	4.19%	\$ 295,853
Less: Cash & Cash Equivalents		(11,985)
<b>Net Mortgage Debt</b>		<b>\$ 283,868</b>
Line of Credit	SOFR+1.50%	\$ 75,750
Term Note	SOFR+1.45%	367,258
<b>Line of Credit and Term Loan</b>		<b>\$ 443,008</b>
<b>Total Debt, Net</b>		<b>\$ 726,876</b>
Series E - Preferred	6.625%	\$ 76,536
Series F - Preferred	6.00%	22,965
Series G - Preferred	6.00%	99,772
<b>Total Preferred Equity</b>		<b>\$ 199,273</b>
Diluted Common Shares Outstanding		40,345,728
Stock Price		\$ 13.24
<b>Implied Common Equity<sup>1</sup> Market Capitalization</b>		<b>\$ 534,177</b>
<b>Enterprise Value</b>		<b>\$ 1,460,326</b>

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



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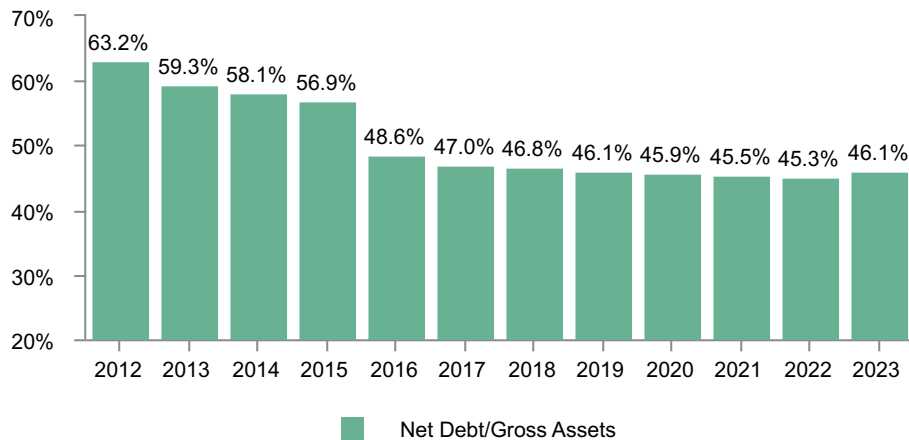
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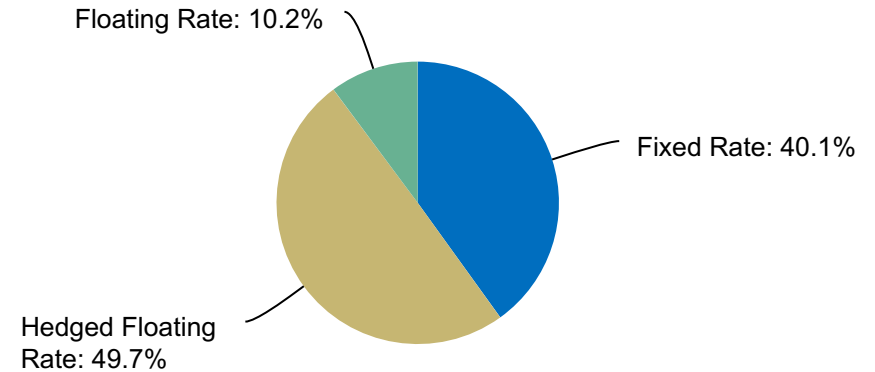


# Liquidity and Debt Overview

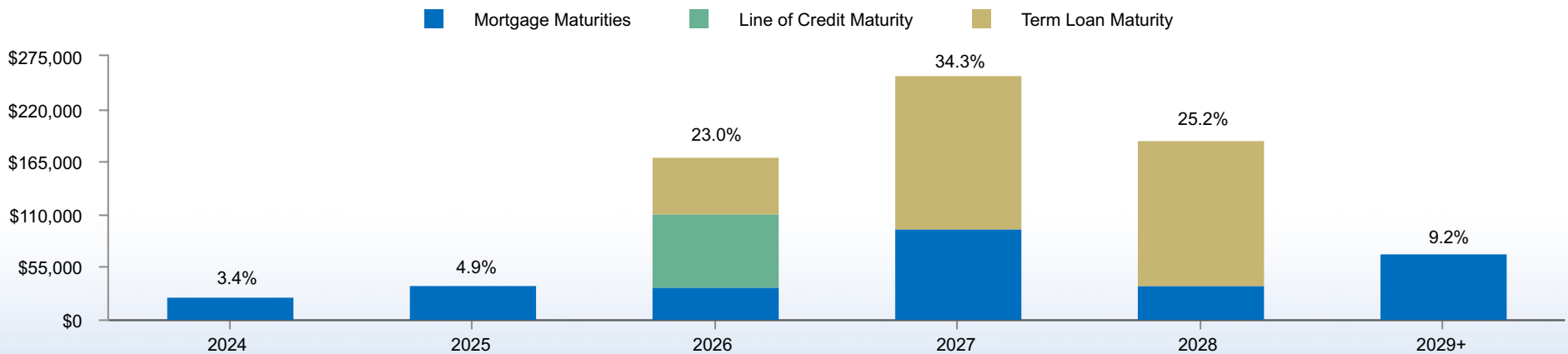
## Reducing Leverage



## Fixed vs. Floating Debt



## Scheduled Debt Maturity (\$000s)



Note: All statistics as of 12/31/2023



# 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 60% of annualized straight line rent as of December 31, 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 46.1%***
- ***Focused on growth with limited lease expirations through 2024, and with an emphasis on increasing the industrial allocation***

Note: All statistics as of 12/31/2023



# 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 twelve months ended	
	12/31/2023	9/30/2023	12/31/2022	12/31/2023	12/31/2022
Operating revenues					
Lease revenue	\$ 35,908	\$ 36,464	\$ 37,217	\$ 147,584	\$ 148,981
Total operating revenues	\$ 35,908	\$ 36,464	\$ 37,217	\$ 147,584	\$ 148,981
Operating expenses					
Depreciation and amortization	\$ 13,731	\$ 12,485	\$ 14,875	\$ 57,856	\$ 60,154
Property operating expenses	5,572	6,821	6,714	25,858	26,832
Base management fee	1,573	1,597	1,604	6,380	6,331
Incentive fee	—	—	1,078	—	5,270
Administration fee	615	624	522	2,350	1,864
General and administrative	926	1,306	917	4,363	3,705
Impairment charge	5,719	6,754	—	19,296	12,092
Total operating expenses	\$ 28,136	\$ 29,587	\$ 25,710	\$ 116,103	\$ 116,248
Other (expense) income					
Interest expense	\$ (9,485)	\$ (9,936)	\$ (9,643)	\$ (37,330)	\$ (32,457)
Gain on sale of real estate, net	3,492	4,696	1,150	7,737	10,052
Gain on debt extinguishment	2,830	—	—	2,830	—
Other income	(58)	155	(85)	204	454
Total other expense, net	\$ (3,221)	\$ (5,085)	\$ (8,578)	\$ (26,559)	\$ (21,951)
Net income	\$ 4,551	\$ 1,792	\$ 2,929	\$ 4,922	\$ 10,782
Net (income) loss (available) attributable to non-controlling interests	(14)	(3)	11	63	23
Net income available to the company	\$ 4,537	\$ 1,789	\$ 2,940	\$ 4,985	\$ 10,805
Distributions attributable to Series E, F, and G preferred stock	(3,106)	(3,099)	(3,003)	(12,285)	(11,903)
Distributions attributable to senior common stock	(107)	(108)	(114)	(430)	(458)
Gain (loss) on extinguishment of Series F preferred stock	1	(1)	(5)	(11)	(10)
Gain on repurchase of Series G preferred stock	—	—	37	3	37
Net income (loss) available (attributable) to common stockholders	\$ 1,325	\$ (1,419)	\$ (145)	\$ (7,738)	\$ (1,529)

# Funds From Operations (FFO) and Core FFO

(\$ in thousands except per share amounts)

	For the three months ended (unaudited)			For the twelve months ended	
	12/31/2023	9/30/2023	12/31/2022	12/31/2023	12/31/2022
Net income	\$ 4,551	\$ 1,792	\$ 2,929	\$ 4,922	\$ 10,782
Less: Distributions attributable to preferred and senior common stock	(3,213)	(3,207)	(3,117)	(12,715)	(12,361)
Add/Less: Gain (loss) on extinguishment of Series F preferred stock	1	(1)	(5)	(11)	(10)
Add: Gain on repurchase of Series G preferred stock	—	—	37	3	37
Net income (loss) available (attributable) to common stockholders and Non-controlling OP Unitholders	\$ 1,339	\$ (1,416)	\$ (156)	\$ (7,801)	\$ (1,552)
Adjustments:					
Add: Real estate depreciation and amortization	\$ 13,731	\$ 12,485	\$ 14,875	\$ 57,856	\$ 60,154
Add: Impairment charge	5,719	6,754	—	19,296	12,092
Less: Gain on sale of real estate, net	(3,492)	(4,696)	(1,150)	(7,737)	(10,052)
Less: Gain on debt extinguishment	(2,830)	—	—	(2,830)	—
FFO available to common stockholders and Non-controlling OP Unitholders - basic	\$ 14,467	\$ 13,127	\$ 13,569	\$ 58,784	\$ 60,642
Add: Convertible senior common distributions	107	108	114	430	458
FFO available to common stockholders and Non-controlling OP Unitholders - diluted	\$ 14,574	\$ 13,235	\$ 13,683	\$ 59,214	\$ 61,100
FFO available to common stockholders and Non-controlling OP Unitholders - basic	\$ 14,467	\$ 13,127	\$ 13,569	\$ 58,784	\$ 60,642
Add: Write off of deferred financing fees	—	—	—	—	434
Add: Write off shelf registration statement costs and prepaid ATM costs	—	—	—	110	177
Add: Asset retirement obligation expense	32	31	30	126	100
Add: Loan defeasance costs	—	130	—	130	—
Add: Realized loss on interest rate hedging instruments	—	326	—	326	—
Core FFO available to common stockholders and Non-controlling OP Unitholders - basic	\$ 14,499	\$ 13,614	\$ 13,599	\$ 59,476	\$ 61,353
Add: Convertible senior common distributions	107	108	114	430	458
Core FFO available to common stockholders and Non-controlling OP Unitholders - diluted	\$ 14,606	\$ 13,722	\$ 13,713	\$ 59,906	\$ 61,811
Weighted average common shares outstanding and Non-controlling OP Units - basic	40,309,714	40,309,463	40,016,430	40,325,730	39,245,675
Weighted average common shares outstanding and Non-controlling OP Units - diluted	40,654,846	40,654,595	40,379,676	40,670,862	39,608,921
FFO per weighted average share of common stock and Non-controlling OP Unit - basic	\$ 0.36	\$ 0.33	\$ 0.34	\$ 1.46	\$ 1.55
FFO per weighted average share of common stock and Non-controlling OP Unit - diluted	\$ 0.36	\$ 0.33	\$ 0.34	\$ 1.46	\$ 1.54
Core FFO per weighted average share of common stock and Non-controlling OP Unit - basic	\$ 0.36	\$ 0.34	\$ 0.34	\$ 1.47	\$ 1.56
Core FFO per weighted average share of common stock and Non-controlling OP Unit - diluted	\$ 0.36	\$ 0.34	\$ 0.34	\$ 1.47	\$ 1.56
Distributions declared per share of common stock and Non-controlling OP Unit	\$ 0.3000	\$ 0.3000	\$ 0.3762	\$ 1.2000	\$ 1.5048

# Condensed Consolidated Balance Sheets

(\$ in thousands)	12/31/2023	12/31/2022
<b>ASSETS</b>		
Real estate, at cost	\$ 1,221,364	\$ 1,287,297
Less: accumulated depreciation	299,662	286,150
Total real estate, net	921,702	1,001,147
Lease intangibles, net	101,048	111,622
Real estate and related assets held for sale, net	28,787	3,293
Cash and cash equivalents	11,985	11,653
Restricted cash	4,150	4,339
Funds held in escrow	7,515	8,818
Right-of-use assets from operating leases	4,889	5,131
Deferred rent receivable, net	41,006	38,884
Other assets	12,389	17,746
<b>TOTAL ASSETS</b>	<b>\$ 1,133,471</b>	<b>\$ 1,202,633</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>LIABILITIES</b>		
Mortgage notes payable, net	\$ 295,853	\$ 359,389
Borrowings under revolver and term loan, net	443,008	389,817
Deferred rent liability, asset retirement obligation and other liabilities, net	70,303	77,677
<b>TOTAL LIABILITIES</b>	<b>\$ 809,164</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	40	39
Series F redeemable preferred stock	1	1
Additional paid in capital	730,256	721,327
Accumulated other comprehensive income	7,758	11,640
Distributions in excess of accumulated earnings	(584,776)	(529,104)
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>\$ 153,280</b>	<b>\$ 203,904</b>
OP Units held by Non-controlling OP Unitholders	986	1,790
<b>TOTAL EQUITY</b>	<b>\$ 154,266</b>	<b>\$ 205,694</b>
<b>TOTAL LIABILITIES, MEZZANINE EQUITY AND EQUITY</b>	<b>\$ 1,133,471</b>	<b>\$ 1,202,633</b>

# Debt Summary

Principal Maturity Date	Weighted Average Interest Rate as of 12/31/2023	(\$ in thousands)	
		Principal Balance Outstanding as of 12/31/2023	
2024	4.94%	15,553	
2025	4.04%	28,202	
2026	4.20%	31,640	
2027	4.37%	103,045	
2028	4.14%	38,354	
2029	5.22%	21,623	
2030	3.23%	39,085	
2031	3.24%	5,065	
2032	3.40%	9,964	
2037	4.63%	5,591	
Contractual Mortgage Notes Payable:	4.19%	\$	<u>298,122</u>
Premiums (Discounts), net:			<u>(42)</u>
Total Mortgage Notes Payable:		\$	<u><u>298,080</u></u>
Variable-Rate Line of Credit:			
2026	SOFR +1.50%	\$	<u><u>75,750</u></u>
Variable-Rate Term Loan Facility:			
2027	SOFR +1.45%	\$	160,000
2026	SOFR +1.45%		60,000
2028	SOFR +1.45%		<u>150,000</u>
Total Mortgage Notes Payable and Line of Credit	5.78%	\$	<u>743,830</u>

# 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**