

August 9, 2021

 GLADSTONE COMMERCIAL

Gladstone Commercial Corporation Reports Results for the Second Quarter Ended June 30, 2021

Please note that the limited information that follows in this press release is not adequate to make an informed investment judgment.

MCLEAN, VA / ACCESSWIRE / August 9, 2021 /Gladstone Commercial Corporation (Nasdaq:GOOD) ("Gladstone Commercial" or the "Company") today reported financial results for the second quarter ended June 30, 2021. A description of funds from operations, or FFO, FFO as adjusted for comparability, and Core FFO, both non-GAAP (generally accepted accounting principles in the United States) financial measures, are located at the end of this press release. All per share references are to fully-diluted weighted average shares of common stock and Non-controlling OP Units, unless otherwise noted. For further detail, please also refer to both the quarterly financial supplement and the Company's Quarterly Report on Form 10-Q, which can be retrieved from the investors section of our website at www.gladstonecommercial.com.

Summary Information (dollars in thousands, except share and per share data):

	As of and for the three months ended		\$ Change	% Change
	June 30, 2021	March 31, 2021		
Operating Data:				
Total operating revenue	\$ 33,371	\$ 34,677	\$ (1,306)	(3.8) %
Total operating expenses	(24,987)	(26,904)	1,917	(7.1) %
Other expense, net	(6,263)	(7,735) ⁽¹⁾	1,472	(19.0) %
Net income	\$ 2,121	\$ 38	\$ 2,083	5,481.6 %
Less: Dividends attributable to preferred stock	(2,856)	(2,847)	(9)	0.3 %
Less: Series D Preferred Stock offering costs write off	(2,141)	-	(2,141)	100.0 %
Less: Dividends attributable to senior common stock	(177)	(187)	10	(5.3) %
Net loss attributable to common stockholders and Non-controlling OP Unitholders	\$ (3,053)	\$ (2,996)	\$ (57)	1.9 %
Add: Real estate depreciation and amortization	14,191	16,710	(2,519)	(15.1) %
Add: Loss on sale of real estate	-	882	(882)	(100.0) %
Funds from operations available to common stockholders and Non-controlling OP Unitholders - basic	\$ 11,138	\$ 14,596	\$ (3,458)	(23.7) %
Add: Convertible senior common distributions	177	187	(10)	(5.3) %
Funds from operations available to common stockholders and Non-controlling OP Unitholders - diluted	\$ 11,315	\$ 14,783	\$ (3,468)	(23.5) %
Add: Series D Preferred Stock offering costs write off	2,141	-	2,141	100.0 %
Funds from operations available to common stockholders and Non-controlling OP Unitholders - diluted, as adjusted for comparability	\$ 13,456	\$ 14,783	\$ (1,327)	(9.0) %
Funds from operations available to common stockholders and Non-controlling OP Unitholders - basic	11,138	14,596	(3,458)	(23.7) %
Add (Less): Acquisition related expenses	63	(122)	185	(151.6) %

Add (Less): PACE financing amortization, net	41	(8)	49	(612.5)%
Add: Asset retirement obligation expense	29	30	(1)	(3.3)%
Add: Series D preferred stock offering costs write off	2,141	-	2,141	100.0 %
Add: Loan defeasance costs	-	669	(669)	(100.0)%
Core funds from operations available to common stockholders and Non-controlling OP Unitholders - basic	\$ 13,412	\$ 15,165	\$ (1,753)	(11.6)%
Add: Convertible senior common distributions	177	187	(10)	(5.3)%
Core funds from operations available to common stockholders and Non-controlling OP Unitholders - diluted	\$ 13,589	\$ 15,352	\$ (1,763)	(11.5)%

Share and Per Share Data:

Net loss attributable to common stockholders and Non-controlling OP Unitholders - basic and diluted	(0.08)	(0.08)	-	- %
FFO available to common stockholders and Non-controlling OP Unitholders - basic	0.30	0.40	(0.10)	(25.0)%
FFO available to common stockholders and Non-controlling OP Unitholders - diluted	0.30	0.40	(0.10)	(25.0)%
FFO available to common stockholders and Non-controlling OP Unitholders - diluted, as adjusted for comparability	0.36	0.40	(0.04)	(10.0)%
Core FFO available to common stockholders and Non-controlling OP Unitholders - basic	0.37	0.42	(0.05)	(11.9)%
Core FFO available to common stockholders and Non-controlling OP Unitholders - diluted	0.37	0.42	(0.05)	(11.9)%
Weighted average shares of common stock and Non-controlling OP Units outstanding - basic	36,651,761	36,214,406	437,355	1.2 %
Weighted average shares of common stock and Non-controlling OP Units outstanding - diluted	37,209,799	36,806,562	403,237	1.1 %
Cash dividends declared per common share and Non-controlling OP Unit	\$ 0.37545	\$ 0.37545	\$ -	- %

Financial Position

Real estate, before accumulated depreciation	\$ 1,152,302	\$ 1,143,960	\$ 8,342	0.7 %
Total assets	\$ 1,089,224	\$ 1,088,343	\$ 881	0.1 %
Mortgage notes payable, net, borrowings under revolver, net and borrowings under term loan, net	\$ 660,059	\$ 663,143	\$ (3,084)	(0.5)%
Total equity and mezzanine equity	\$ 375,002	\$ 372,449	\$ 2,553	0.7 %
Properties owned	121	120	1	0.8 %
Square feet owned	15,538,585	15,513,385	25,200	0.2 %
Square feet leased	96.5 %	95.5 %	1.0 %	1.0 %

(1) Includes a \$0.9 million loss on sale, net, from the sale of two properties during the three months ended March 31, 2021.

Second Quarter Activity:

- **Collected 100% of cash rents owed during the second quarter 2021:** We collected 100% of cash rents due during April, May, and June;
- **Acquired property:** Acquired a 25,200 square foot industrial facility in Baytown, Texas for \$8.2 million, which is 100% leased to one tenant for 12.6 years;
- **Renewed leases:** Renewed 471,567 square feet with remaining lease terms ranging from 6.1 to 9.5 years at three of our properties;
- **Leased vacant space:** Leased 308,156 vacant square feet with lease terms ranging from 5.2 years to 12.5 years at three of our properties;
- **Issued preferred stock:** Issued 4,000,000 shares of newly designated 6.00% Series G Preferred Stock, raising net proceeds of approximately \$96.6 million;
- **Redeemed Series D Preferred Stock:** Redeemed all of our 7.00% Series D Preferred Stock for a total redemption payment of approximately \$88.3 million;

- **Issued common stock under ATM program:** Issued 379,412 shares for net proceeds of \$8.1 million; and
- **Paid distributions:** Paid monthly cash distributions for the quarter totaling \$0.37545 per share on our common stock and Non-controlling OP Units, \$0.4374999 per share on our Series D Preferred Stock, \$0.414063 per share on our Series E Preferred Stock, \$0.375 per share on our Series F Preferred Stock, and \$0.2625 per share on our senior common stock.

Second Quarter 2021 Results: Core FFO available to common shareholders and Non-controlling OP Unitholders for the three months ended June 30, 2021 was \$13.6 million, an 11.5% decrease when compared to the three months ended March 31, 2021, equaling \$0.37 per share. Core FFO decreased due to a decline in lease acceleration rent at three of our properties in the first quarter 2021 and higher general and administrative expenses.

Net loss attributable to common stockholders and Non-controlling OP Unitholders for the three months ended June 30, 2021 was \$3.1 million, or \$0.08 per share, compared to the three months ended March 31, 2021 of \$3.0 million, or \$0.08 per share. A reconciliation of Core FFO to net loss for the three months ended June 30, 2021 and March 31, 2021, which we believe is the most directly comparable GAAP measure to Core FFO, and a computation of basic and diluted Core FFO per weighted average share of common stock and Non-controlling OP Unit and basic and diluted net loss per weighted average share of common stock and Non-controlling OP Unit is set forth in the Summary Information table above.

Subsequent to the end of the quarter:

- **Collected 99% of July cash rent:** Collected 99% of July cash rent owed;
- **Acquired property:** Acquired an 80,604 square foot industrial facility in Pacific, Missouri for \$22.1 million, which is 100% leased to one tenant with a remaining lease term of 17.4 years;
- **Renewed leases:** Renewed 104,446 square feet with remaining lease terms ranging from 0.3 to 10.4 years at three of our properties;
- **Issued common stock under ATM program:** Issued 95,218 shares for net proceeds of \$2.1 million;
- **Issued Series F Preferred Stock:** Issued 74,560 shares for net proceeds of \$1.7 million; and
- **Declared distributions:** Declared monthly cash distributions for July, August, and September 2021, totaling \$0.37545 per share on our common stock and Non-controlling OP Units, \$0.414063 per share on our Series E Preferred Stock, \$0.375 per share on our Series G Preferred Stock, \$0.375 per share on our Series F Preferred Stock, and \$0.2625 per share on our senior common stock.

Comments from Gladstone Commercial's President, Bob Cutlip: "Our financial results reflect consistent performance and stabilized revenues from our tremendous same store property occupancy, rent collection and growth, accretive real estate investments made during 2020 and the first six months of 2021, and our ability to renew tenants, as well as our deleveraging and capital recycling programs. We had an outstanding start to 2021, by investing \$41.1 million in three industrial assets in our target markets. We have continued our capital recycling program, whereby we have sold non-core assets and used the proceeds to de-lever our portfolio, as well as acquire properties in our target growth markets. We have successfully exited two non-core assets so far during 2021, and we have additional

non-core assets we anticipate selling in the next one to two years that we believe will result in capital gains. We will continue to opportunistically sell non-core assets and redeploy the proceeds into stronger target growth markets with a focus on industrial investment opportunities. While we expect to face challenges due to the continuing COVID-19 pandemic, we feel strongly about the depth of our tenant credit underwriting. We have collected 100% of second quarter cash rents and 99% of July cash rents. We anticipate our tenants will successfully navigate the current economic climate and will be able to continue operating successfully when remaining operating restrictions are lifted and economic normalcy returns. Despite economic uncertainty, so far during 2021 we were able to lease 497,366 vacant square feet with four tenants and renew 768,874 square feet with eight tenants. We are in good standing on our credit facility, which continues to provide us added flexibility on our balance sheet. We amended our credit facility to add a \$65.0 million term loan, with a \$15.0 million delayed funding component, which was drawn subsequent to the end of the quarter to help fund an acquisition. We also raised \$100.0 million with the issuance of our new 6.00% Series G Preferred Stock and used the majority of the proceeds to redeem our 7.00% Series D Preferred Stock, saving on dividend costs to lower our overall cost of capital. We are actively marketing our remaining vacant space and anticipate positive outcomes. We expect to continue to have access to the debt and equity markets, as necessary, for added liquidity. We are extremely pleased with our solid performance over the last several years. We believe our same store rents, which have increased by 2% annually in recent years, should be stable and rising as we continue our growth. We will continue to primarily focus on investing in our target markets, with an emphasis on industrial properties and actively managing our portfolio. We are looking forward to continued growth and success for our shareholders."

Conference Call: Gladstone Commercial will hold a conference call on Tuesday, August 10, 2021, at 8:30 a.m. EDT to discuss its earnings results. Please call (877) 407-9045 to enter the conference call. An operator will monitor the call and set a queue for questions. A conference call replay will be available beginning one hour after the call and will be accessible through August 17, 2021. To hear the replay, please dial (877) 660-6853 and use playback conference number 13719720. The live audio broadcast of the Company's quarterly conference call will also be available on the investors section of our website, www.gladstonecommercial.com.

About Gladstone Commercial: Gladstone Commercial Corporation is a real estate investment trust focused on acquiring, owning, and operating net leased industrial and office properties across the United States. Including payments through July 2021, Gladstone Commercial has paid 199 consecutive monthly cash distributions on its common stock. Prior to paying distributions on a monthly basis, Gladstone Commercial paid five consecutive quarterly cash distributions. Gladstone Commercial has never skipped, reduced or deferred a distribution on its common stock or preferred stock since its inception in 2003. Further information can be found at www.gladstonecommercial.com.

About the Gladstone Companies: Information on the business activities of the Gladstone family of funds can be found at www.gladstonecompanies.com.

Investor Relations: For Investor Relations inquiries related to any of the monthly distribution-paying Gladstone family of funds, please visit www.gladstonecompanies.com.

Non-GAAP Financial Measures:

FFO: The National Association of Real Estate Investment Trusts ("NAREIT") developed FFO as a relative non-GAAP supplemental measure of operating performance of an equity REIT in order to recognize that income-producing real estate historically has not depreciated on the basis determined under GAAP. FFO, as defined by NAREIT, is net income (computed in accordance with GAAP), excluding gains (or losses) from sales of property and impairment losses on property, plus depreciation and amortization of real estate assets, and after adjustments for unconsolidated partnerships and joint ventures. FFO does not represent cash flows from operating activities determined in accordance with GAAP and should not be considered an alternative to net income as an indication of its performance or to cash flow from operations as a measure of liquidity or ability to make distributions. The Company believes that FFO per share provides investors with an additional context for evaluating its financial performance and as a supplemental measure to compare it to other REITs; however, comparisons of its FFO to the FFO of other REITs may not necessarily be meaningful due to potential differences in the application of the NAREIT definition used by such other REITs.

FFO as adjusted for comparability: 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. Although the Company's calculation of FFO as adjusted for comparability differs from NAREIT's definition of FFO and may not be comparable to that of other REITs, the Company believes it is a meaningful supplemental measure of its operating performance. Accordingly, FFO as adjusted for comparability should be considered a supplement to net income computed in accordance with GAAP as a measure of our performance.

Core FFO: Core FFO 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 acquisition related expenses, gains or losses from early extinguishment of debt and any other non-recurring expense adjustments. Although the Company's calculation of Core FFO differs from NAREIT's definition of FFO and may not be comparable to that of other REITs, the Company believes it is a meaningful supplemental measure of its operating performance. Accordingly, Core FFO should be considered a supplement to net income computed in accordance with GAAP as a measure of our performance.

The Company's presentation of FFO, as defined by NAREIT, FFO as adjusted for comparability, or presentation of Core FFO, does not represent cash flows from operating activities determined in accordance with GAAP and should not be considered an alternative to net income as an indication of its performance or to cash flow from operations as a measure of liquidity or ability to make distributions.

The statements in this press release regarding the forecasted stability of Gladstone Commercial's income, its ability, plans or prospects to re-lease its unoccupied properties, and grow its portfolio are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements inherently involve certain risks and uncertainties, although they are based on Gladstone Commercial's current plans that are

believed to be reasonable as of the date of this press release. Factors that may cause actual results to differ materially from these forward-looking statements include, but are not limited to, Gladstone Commercial's ability to raise additional capital; availability and terms of capital and financing, both to fund its operations and to refinance its indebtedness as it matures; downturns in the current economic environment; the performance of its tenants; the impact of competition on its efforts to renew existing leases or re-lease space; and significant changes in interest rates. Additional factors that could cause actual results to differ materially from those stated or implied by its forward-looking statements are disclosed under the caption "Risk Factors" of its Form 10-K for the fiscal year ended December 31, 2020, as filed with the SEC on February 16, 2021, and other reports filed with the SEC. Gladstone Commercial cautions readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made. Gladstone Commercial undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

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