



 **GLADSTONE COMMERCIAL**

*Supplemental Financial & Operating Information
for the Quarter Ended December 31, 2020*



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Corporate overview



Part of a two office building portfolio located in an Orlando, Florida submarket

Corporate Headquarters

1521 Westbranch Drive
Suite 100
McLean, VA 22102
703-287-5800

www.gladstonecommercial.com

Investor Relations

703-287-5893
commercial@gladstonecompanies.com

About Gladstone Commercial

Gladstone Commercial (Nasdaq: GOOD) is an established real estate investment trust (REIT) that invests in single tenant and anchored multi-tenant net leased assets. As of December 31, 2020, we owned approximately 15.4 million square feet of primarily office and industrial real estate nationwide. We partner with a variety of tenants—from middle market private businesses to investment grade rated companies. We acquire properties through third party purchases, sale leaseback transactions, and by partnering with developers in build-to-suit transactions.

As of December 31, 2020, total assets were approximately \$1.1 billion, representing investments in 121 properties. Our properties are leased to 107 tenants who represent 19 diversified industries across 28 states.

At December 31, 2020, our leases had an average remaining term of 7.3 years. In addition, approximately 55% of our tenants have an investment grade or investment grade equivalent credit rating.

Portfolio and financial overview

Portfolio data¹

Total assets (\$mm)	\$	1,098
Properties		121
Tenants		107
Industries		19
States		28
Average remaining lease term (years)		7.3
Occupancy		95.3 %
Square footage owned (mm)		15.4

Capitalization (\$mm)¹

Common equity market capitalization ²	\$	647
Preferred equity		167
Net total debt		669
Total capitalization	\$	1,483
Less: Cash and cash equivalents		(11)
Total enterprise value	\$	1,472
Net total debt / enterprise value		44.7%
Net total debt + preferred / enterprise value		56.0%
Net total debt / gross assets		45.9%

Top 5 tenants ¹	% of annualized straight line rent	% of SF
	3%	6%
	3%	1%
Morgan Stanley	3%	1%
TOWERS WATSON 	2%	1%
	2%	1%
Top 5 Tenants total	13%	10%
Top 5 Tenants average remaining lease term		4.6 years
Portfolio average remaining lease term		7.3 years

Corporate liquidity (\$mm)¹

Cash and Cash Equivalents	\$	11.0
Availability Under Revolving Credit Facility ³		19.2
Total	\$	30.2

¹ As of 12/31/2020.

² Based on closing common stock price per share on December 31, 2020 of \$18.00. Includes OP units and senior common shares convertible into shares of common stock.

³ As of February 16, 2021, approximately \$20.3 million is available under the Company's revolving credit facility.

Q4 2020 highlights (unaudited)

FFO¹ and Core FFO²:	Generated FFO \$13.2 million, or \$0.37 per diluted share, and core FFO of \$13.4 million, or \$0.38 per diluted share.
Acquisitions⁽³⁾:	Purchased a 240,714 square foot property in Montgomery, Alabama for \$14.3 million, with a 7.2 year remaining lease term. Purchased a 277,883 square foot property in Huntsville, Alabama for \$19.9 million, with a 9.2 year remaining lease term. Purchased a 155,267 square foot property in Pittsburgh, Pennsylvania for \$12.8 million, with a 10.0 year remaining lease term.
Dividends:	Paid monthly common stock dividends totaling \$0.37545 per common share, or an annualized \$1.5018 per common share, as well as continued payments of monthly senior common dividends, Series D preferred dividends, Series E preferred dividends, and Series F preferred dividends.
Equity Issuances:	Issued common equity for net proceeds of \$20.4 million through our ATM program, issued Series E preferred equity for net proceeds of \$1.5 million through our ATM program, and issued Series F preferred equity for net proceeds of \$1.6 million.
Debt Activity:	Repaid \$3.2 million of variable rate mortgage debt with an interest rate of LIBOR plus 2.25% and \$12.2 million of fixed rate mortgage debt with a weighted average interest rate of 4.79%. Issued \$16.7 million of fixed rate or swapped to fixed rate mortgage debt collateralized by our December 2020 acquisitions with a weighted average interest rate of 3.10%.
Select Expenditure Activity:	Paid \$0.8 million related to capital expenditures and \$1.0 million related to leasing commissions.

¹ FFO is calculated as 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, which we believe to be consistent with the NAREIT definition. FFO does not represent cash flows from operating activities in accordance with GAAP. FFO should not be considered an alternative to net income as an indication of our performance or to cash flows from operations as a measure of liquidity or ability to make distributions.

²Core FFO is FFO adjusted for gains from early extinguishment of debt and any other non-routine revenue or expense adjustments.

³Purchase prices do not include acquisition costs capitalized for GAAP purposes under ASU 2017-01, "Clarifying the Definition of a Business".



Financial Overview



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) and core FFO

(\$ in thousands, except per share amounts)

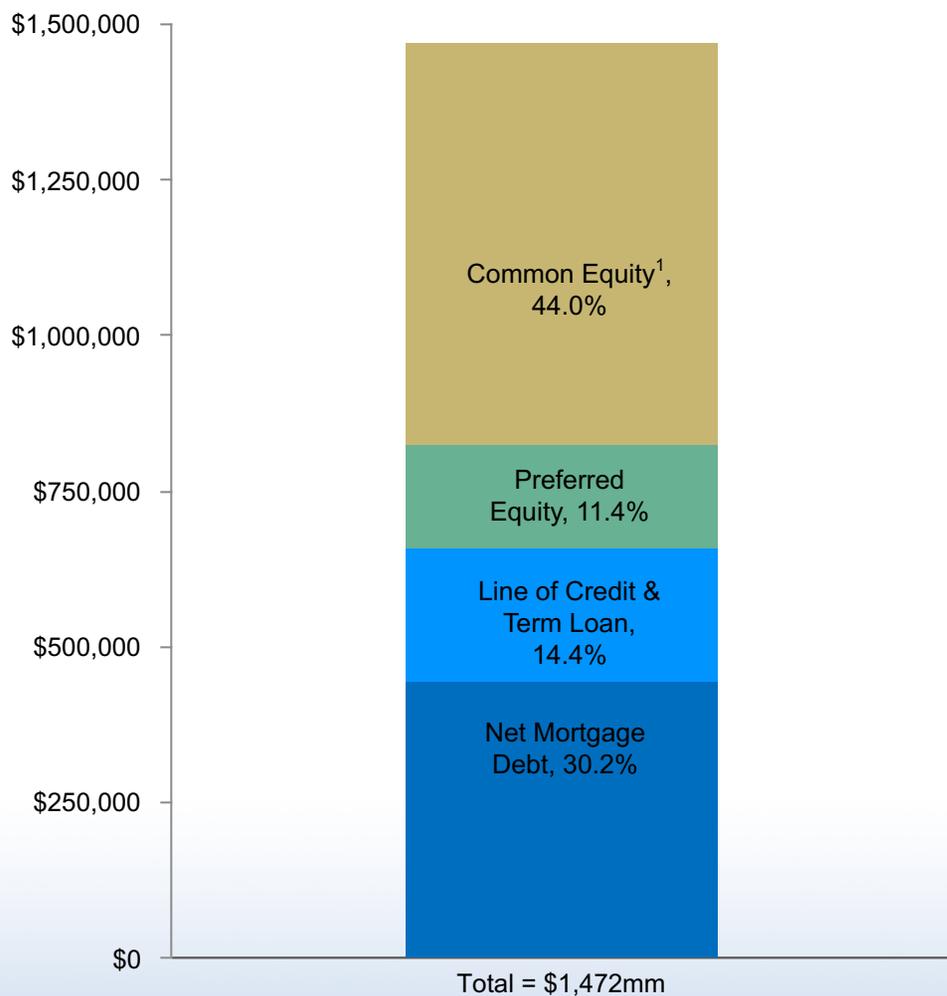
	For the three months ended (unaudited)			For the twelve months ended	
	12/31/2020	9/30/2020	12/31/2019	12/31/2020	12/31/2019
Net income	\$ 8,918	\$ 2,844	\$ 472	\$ 14,985	\$ 9,541
Less: Distributions attributable to preferred and senior common stock	(3,037)	(2,974)	(5,877)	(11,789)	(14,388)
Net income (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

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

Capital structure

Current capital structure as of 12/31/2020 (\$000)

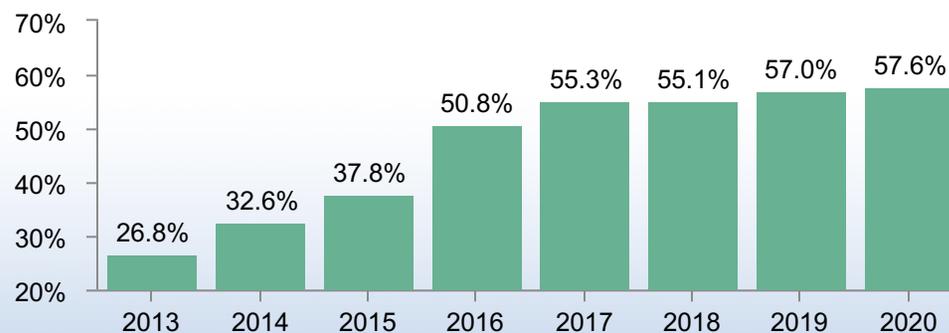


Capital Structure Details

(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 Ownership ²

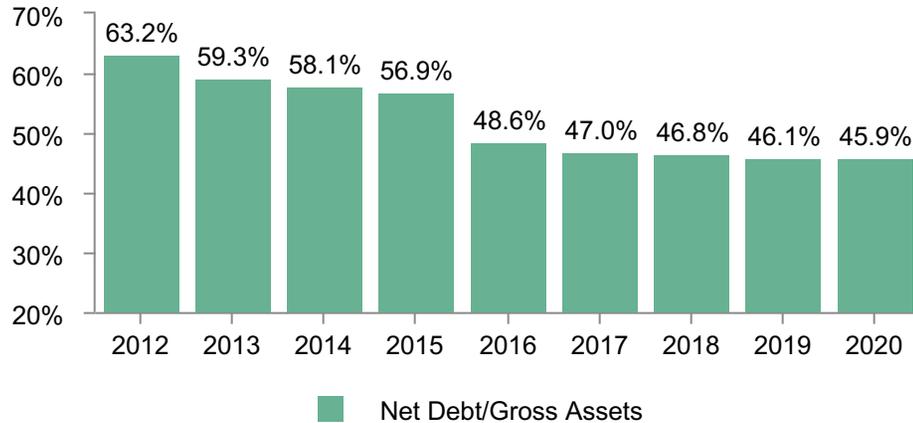


¹ Common Equity is based on the closing common stock price per share as of December 31, 2020 of \$18.00 and includes effect of OP units and convertible senior common stock.

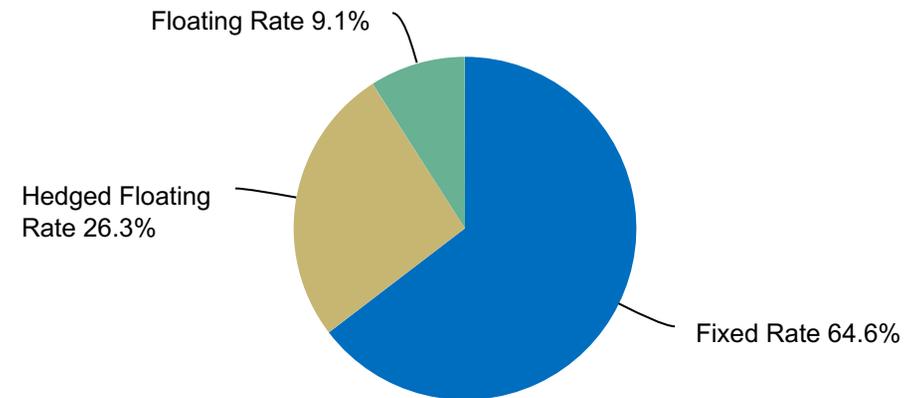
² Source: Nasdaq Online.

Liquidity and debt overview

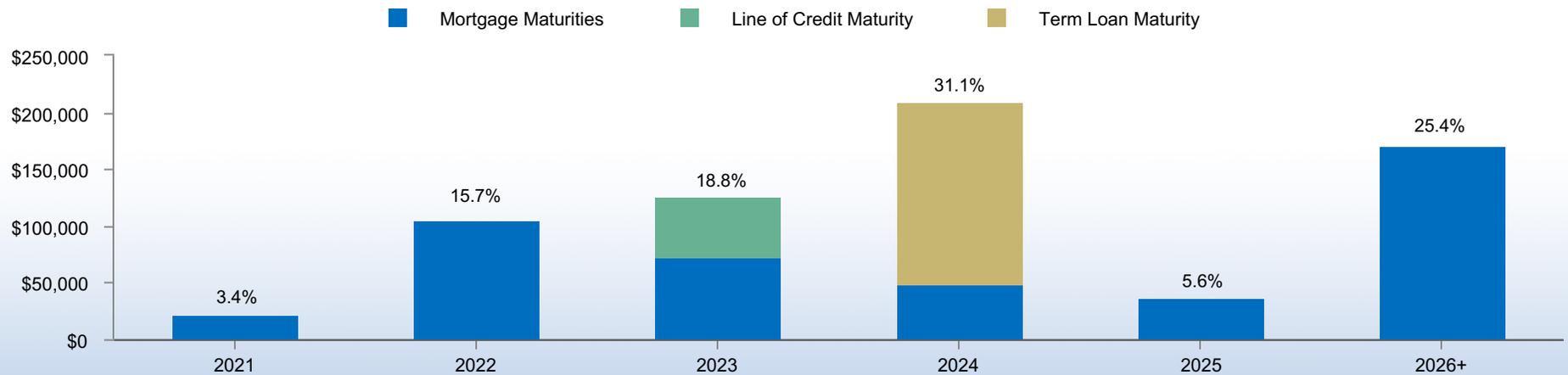
Reducing Leverage¹



Fixed vs. Floating Debt¹



Debt maturity schedule¹ (\$'000)



¹ As of 12/31/2020.

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%	\$	<u>459,838</u>
Premiums (Discounts), net:			<u>(182)</u>
Total Mortgage Notes Payable:		\$	<u><u>459,656</u></u>
Variable-Rate Line of Credit:			
2023	LIBOR +1.65%	\$	<u><u>53,900</u></u>
Variable-Rate Term Loan Facility:			
2024	LIBOR +1.60%	\$	<u><u>160,000</u></u>
Total Mortgage Notes Payable and Line of Credit	3.45%	\$	<u><u>673,556</u></u>

Select corporate covenants

Description	(\$ in thousands)	
	Threshold	December 31, 2020
Consolidated Tangible Net Worth	> \$575,388	\$657,434
Leverage Ratio	< 60%	51%
Fixed Charge Coverage Ratio	> 1.50	1.84
Maximum Dividend Payout (FFO based)	< 98%	95%
Secured Indebtedness	< 45%	34%

Note: Covenants calculated as defined by our Credit Facility, as administered by KeyBank.



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

- Occupancy has never fallen below **95%**
- Current occupancy **95.3%**
- No projected rents expiring through the end of 2020
- Of 100+ assets with over \$1 billion invested since inception, only one tenant default



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

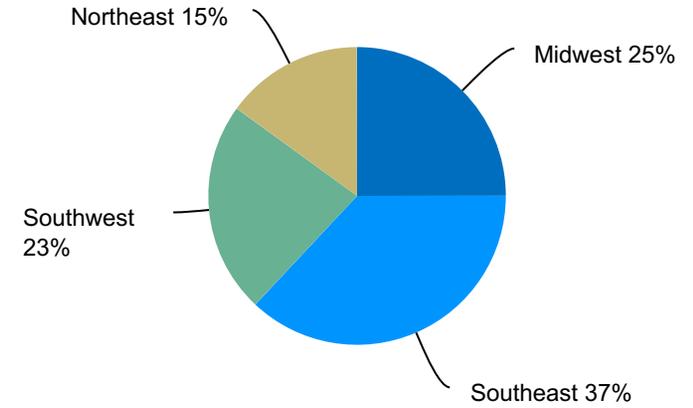
Diversified portfolio

121 properties spread across 28 states

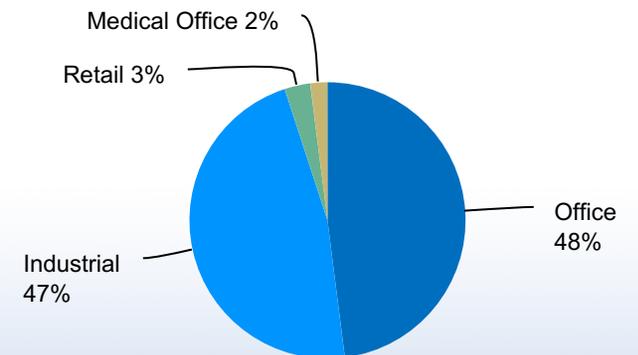


Note: As of 12/31/2020

Geographic diversification
(by annualized straight line rent)



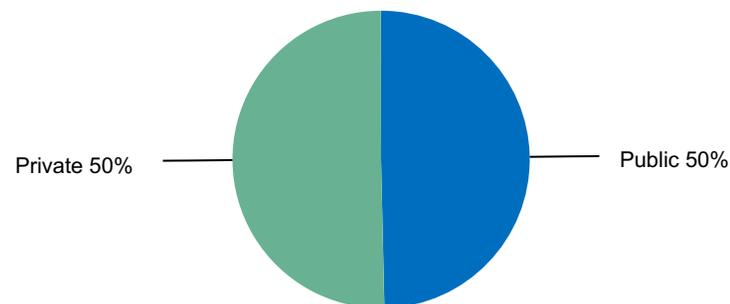
Property type diversification
(by annualized straight line rent)



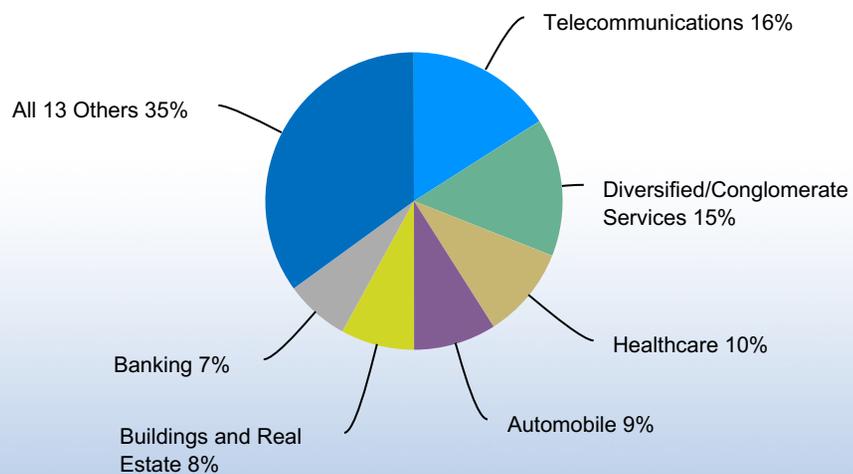
High quality, diversified portfolio

Top 5 tenants	% of annualized straight line rent	% of SF
	3 %	6 %
	3 %	1 %
Morgan Stanley	3 %	1 %
TOWERS WATSON 	2 %	1 %
	2 %	1 %
All other tenants	87 %	90 %

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

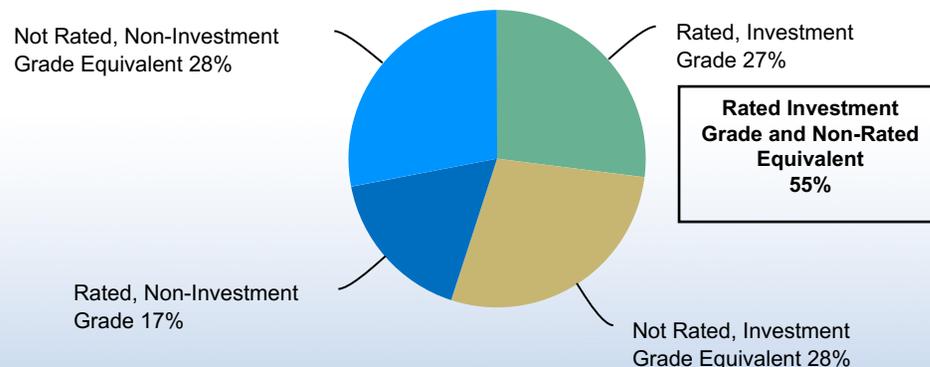


Industry diversification (based on annualized straight line rent)



Note: As of 12/31/2020

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

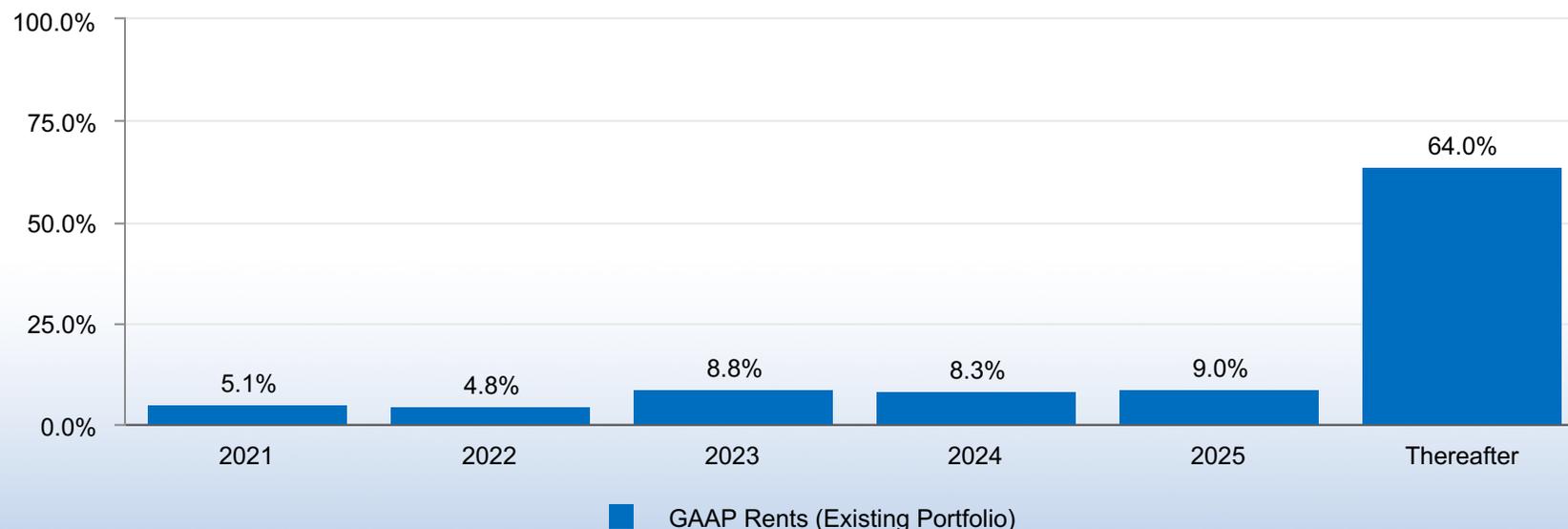


Smooth lease rollover

Existing portfolio - contractual expirations

Year of Lease Expiration	SF of Leases Expiring	Number of Expiring Leases	Annualized Straight Line Rent (in thousands)	% of Annualized Straight Line Rent
2021	319,461	9	5,748	5.1 %
2022	373,579	6	5,403	4.8 %
2023	1,466,432	15	9,979	8.8 %
2024	1,590,975	9	9,426	8.3 %
2025	653,896	10	10,159	9.0 %
Thereafter	10,280,706	81	72,502	64.0 %
Total	14,685,049	130	\$ 113,217	100.0 %

Rent expiring



Note: As of 12/31/2020



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