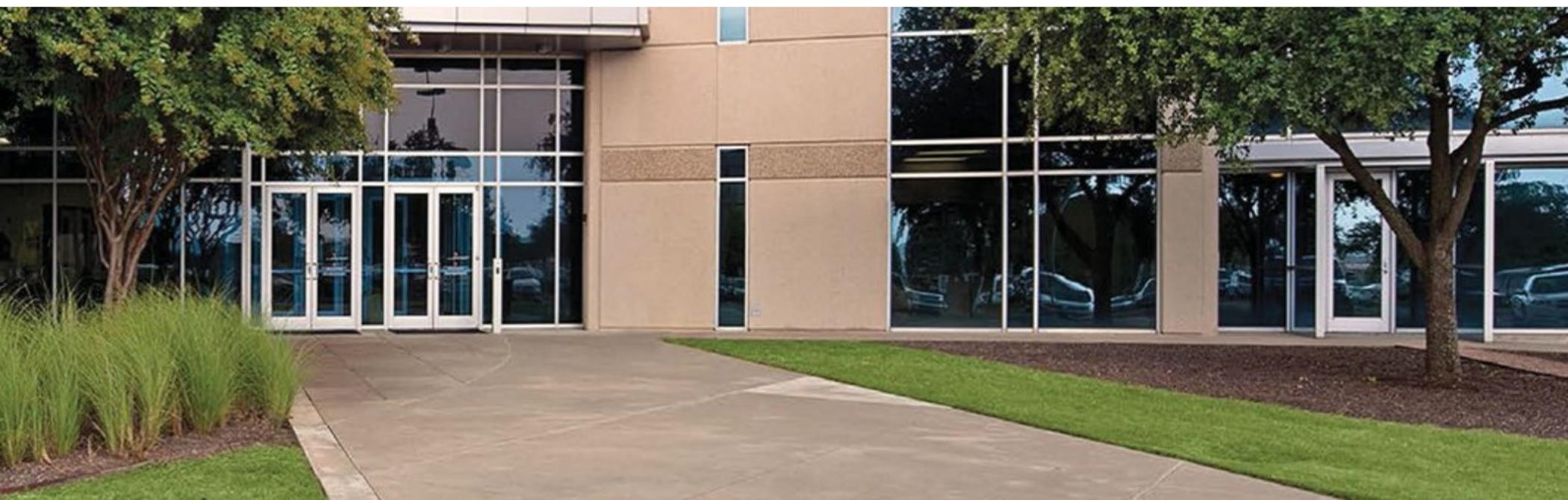




# **GLADSTONE COMMERCIAL**

*Supplemental Financial & Operating Information  
for the Quarter Ended March 31, 2021*



# Legal disclaimer

**Forward-Looking Statements:** This presentation may include forward-looking statements within the meaning of the Securities Act of 1933 or the Securities Exchange Act of 1934. Forward-looking statements are typically identified by words such as “estimate,” “may,” “might,” “believe,” “will,” “provided,” “anticipate,” “future,” “could,” “growth,” “plan,” “project,” “intend,” “expect,” “should,” “would,” “if,” “seek,” “possible,” “potential,” “likely” or the negative or variations of such terms or comparable terminology. These forward-looking statements include comments with respect to our objectives and strategies, and the future results of our operations and our business. By their nature, these forward-looking statements involve numerous assumptions, uncertainties and descriptions of opportunities, both general and specific. The risk exists that these statements may not be fulfilled. We caution readers of this presentation not to place undue reliance on these forward-looking statements as a number of factors could cause our future results to differ materially from these statements. Any results or performance implied by forward-looking statements may be influenced by certain factors including, but not limited to, fluctuations in interest rates and stock indices, the effects of competition in the areas in which we operate, the overall impact of the COVID-19 pandemic and other health emergencies, and changes in economic, political, regulatory and technological conditions as well as those factors delineated under the caption “Risk Factors” in our Forms 10-Q and Form 10-K, and other documents we file with the SEC from time to time. Therefore, we caution that the foregoing list is not exhaustive. Investors should not rely on forward-looking statements to make decisions and should carefully consider the aforementioned factors as well as other uncertainties and events. We undertake no obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise. You are advised to consult any additional disclosures that we may make directly to you or through reports that we have filed or in the future may file with the SEC, including subsequent annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K.

**Past or Present Performance Disclaimer:** This presentation includes information regarding past or present performance of the Company. Please note, past or present performance is not a guarantee of future performance or future results.

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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](http://www.gladstonecommercial.com)

## **Investor Relations**

703-287-5893

[commercial@gladstonecompanies.com](mailto: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 March 31, 2021, we owned approximately 15.5 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 March 31, 2021, total assets were approximately \$1.1 billion, representing investments in 120 properties. Our properties are leased to 107 tenants who represent 19 diversified industries across 27 states.

At March 31, 2021, our leases had an average remaining term of 7.2 years. In addition, approximately 56% of our tenants have an investment grade or investment grade equivalent credit rating.

# Portfolio and financial overview

## Portfolio data<sup>1</sup>

Total assets (\$mm)	\$	1,088
Properties		120
Tenants		107
Industries		19
States		27
Average remaining lease term (years)		7.2
Occupancy		95.5 %
Square footage owned (mm)		15.5

## Capitalization (\$mm)<sup>1</sup>

Common equity market capitalization <sup>2</sup>	\$	720
Preferred equity		167
Net total debt		663
<b>Total capitalization</b>	<b>\$</b>	<b>1,550</b>
Less: Cash and cash equivalents		(10)
<b>Total enterprise value</b>	<b>\$</b>	<b>1,540</b>
Net total debt / enterprise value		42.4%
Net total debt + preferred / enterprise value		53.3%
Net total debt / gross assets		45.4%

## Top 5 tenants<sup>1</sup>

	% of annualized straight line rent	% of SF
	3%	6%
	3%	1%
Morgan Stanley	3%	1%
TOWERS WATSON 	2%	1%
	2%	1%
<b>Top 5 Tenants total</b>	<b>13%</b>	<b>10%</b>
<b>Top 5 Tenants average remaining lease term</b>		<b>4.4 years</b>
<b>Portfolio average remaining lease term</b>		<b>7.2 years</b>

## Corporate liquidity (\$mm)<sup>1</sup>

Cash and Cash Equivalents	\$	9.9
Availability Under Revolving Credit Facility <sup>3</sup>		18.3
<b>Total</b>	<b>\$</b>	<b>28.2</b>

<sup>1</sup> As of 3/31/2021.

<sup>2</sup> Based on the closing common stock price per share on March 31, 2021 of \$19.56. Includes OP units and senior common shares convertible into shares of common stock.

<sup>3</sup> As of May 10, 2021, approximately \$18.3 million is available under the Company's revolving credit facility.

# Q1 2021 highlights (unaudited)

<b>FFO<sup>1</sup> and Core FFO<sup>2</sup>:</b>	<b>Generated FFO \$14.8 million, or \$0.40 per diluted share, and core FFO of \$15.4 million, or \$0.42 per diluted share.</b>
<b>Acquisitions<sup>(3)</sup>:</b>	<b>Purchased a 180,152 square foot property in Findlay, Ohio for \$11.0 million, with a 14.2 year remaining lease term.</b>
<b>Dividends:</b>	<b>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.</b>
<b>Equity Issuances:</b>	<b>Issued common equity for net proceeds of \$11.3 million through our ATM program and issued Series F preferred equity for net proceeds of \$0.03 million.</b>
<b>Debt Activity:</b>	<b>Repaid \$4.5 million of fixed rate mortgage debt with an interest rate of 4.90%. Issued \$5.5 million of swapped to fixed rate mortgage debt collateralized by our January 2021 acquisition with an interest rate of 3.24%.</b>
<b>Select Expenditure Activity:</b>	<b>Paid \$1.2 million related to capital expenditures and \$0.6 million related to leasing commissions.</b>

<sup>1</sup> 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.

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

<sup>3</sup>Purchase 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)		
	3/31/2021	12/31/2020	3/31/2020
Operating revenues			
Lease revenue	\$ 34,677	\$ 32,866	\$ 33,619
Total operating revenues	\$ 34,677	\$ 32,866	\$ 33,619
Operating expenses			
Depreciation and amortization	\$ 16,710	\$ 13,348	\$ 14,096
Property operating expenses	6,561	6,906	6,213
Base management fee	1,444	1,429	1,412
Incentive fee	1,236	999	1,055
Administration fee	297	404	438
General and administrative	656	854	878
Impairment charge	—	716	—
Total operating expenses	\$ 26,904	\$ 24,656	\$ 24,092
Other (expense) income			
Interest expense	\$ (7,164)	\$ (6,391)	\$ (7,252)
(Loss) gain on sale of real estate, net	(882)	6,912	(12)
Other income (expense)	311	187	(5)
Total other expense, net	\$ (7,735)	\$ 708	\$ (7,269)
Net income	\$ 38	\$ 8,918	\$ 2,258
Net loss (income) attributable (available) to non-controlling interests	41	(86)	9
Net income attributable to the company	\$ 79	\$ 8,832	\$ 2,267
Distributions attributable to Series D, E, and F preferred stock	(2,847)	(2,836)	(2,678)
Distributions attributable to senior common stock	(187)	(201)	(208)
Net (loss) income (attributable) available to common stockholders	\$ (2,955)	\$ 5,795	\$ (619)
Weighted average common shares outstanding and Non-controlling OP Units			
Basic and diluted	36,214,406	35,007,960	34,136,179

# Funds from Operations (FFO) and core FFO

(\$ in thousands, except per share amounts)

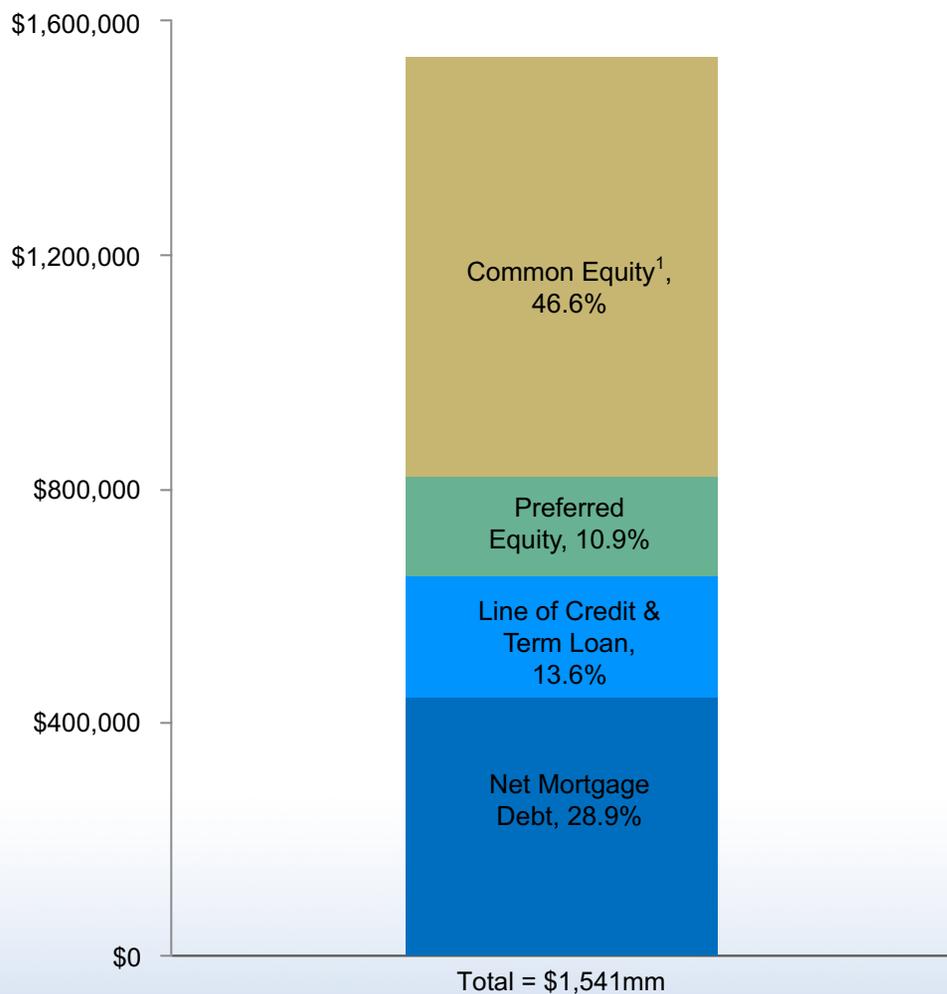
	For the three months ended (unaudited)		
	3/31/2021	12/31/2020	3/31/2020
Net income	\$ 38	\$ 8,918	\$ 2,258
Less: Distributions attributable to preferred and senior common stock	(3,034)	(3,037)	(2,886)
Net (loss) income (attributable) available to common stockholders and Non-controlling OP Unitholders	\$ (2,996)	\$ 5,881	\$ (628)
Adjustments:			
Add: Real estate depreciation and amortization	\$ 16,710	\$ 13,348	\$ 14,096
Add: Impairment charge	—	716	—
Add: Loss on sale of real estate, net	882	—	12
Less: Gain on sale of real estate, net	—	(6,912)	—
FFO available to common stockholders and Non-controlling OP Unitholders - basic	\$ 14,596	\$ 13,033	\$ 13,480
Add: Convertible senior common distributions	187	201	208
FFO available to common stockholders and Non-controlling OP Unitholders - diluted	\$ 14,783	\$ 13,234	\$ 13,688
FFO available to common stockholders and Non-controlling OP Unitholders - basic	\$ 14,596	\$ 13,033	\$ 13,480
Add: Asset retirement obligation expense	30	30	41
Add: Loan defeasance costs	669	—	—
(Less) Add: PACE financing amortization, net	(8)	36	31
(Less) Add: Acquisition related expenses	(122)	78	7
Core FFO available to common stockholders and Non-controlling OP Unitholders - basic	\$ 15,165	\$ 13,177	\$ 13,559
Add: Convertible senior common distributions	187	201	208
Core FFO available to common stockholders and Non-controlling OP Unitholders - diluted	\$ 15,352	\$ 13,378	\$ 13,767
Weighted average common shares outstanding and Non-controlling OP Units - basic	36,214,406	35,007,960	34,136,179
Weighted average common shares outstanding and Non-controlling OP Units - diluted	36,806,562	35,636,223	34,791,121
FFO per weighted average share of common stock and Non-controlling OP Unit - basic	\$ 0.40	\$ 0.37	\$ 0.39
FFO per weighted average share of common stock and Non-controlling OP Unit - diluted	\$ 0.40	\$ 0.37	\$ 0.39
Core FFO per weighted average share of common stock and Non-controlling OP Unit - basic	\$ 0.42	\$ 0.38	\$ 0.40
Core FFO per weighted average share of common stock and Non-controlling OP Unit - diluted	\$ 0.42	\$ 0.38	\$ 0.40
Distributions declared per share of common stock and Non-controlling OP Unit	\$ 0.37545	\$ 0.37545	\$ 0.37545

# Condensed consolidated balance sheets

(\$ in thousands)	3/31/2021 (unaudited)	12/31/2020
<b>ASSETS</b>		
Real estate, at cost	\$ 1,143,960	\$ 1,128,683
Less: accumulated depreciation	240,351	228,468
Total real estate, net	903,609	900,215
Lease intangibles, net	114,057	117,379
Real estate and related assets held for sale, net	—	8,498
Cash and cash equivalents	9,871	11,016
Restricted cash	4,734	5,060
Funds held in escrow	7,936	9,145
Right-of-use assets from operating leases	5,528	5,582
Deferred rent receivable, net	36,823	36,555
Other assets	5,785	4,458
<b>TOTAL ASSETS</b>	<b>\$ 1,088,343</b>	<b>\$ 1,097,908</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>LIABILITIES</b>		
Mortgage notes payable, net	\$ 454,353	\$ 456,177
Borrowings under revolver and term loan, net	208,790	212,515
Deferred rent liability, asset retirement obligation and other liabilities, net	52,751	53,893
<b>TOTAL LIABILITIES</b>	<b>\$ 715,894</b>	<b>\$ 722,585</b>
<b>MEZZANINE EQUITY</b>		
Series D and E redeemable preferred stock, net	\$ 159,286	\$ 159,286
<b>TOTAL MEZZANINE EQUITY</b>	<b>\$ 159,286</b>	<b>\$ 159,286</b>
<b>STOCKHOLDERS' EQUITY</b>		
Senior common stock	1	1
Common stock	36	35
Series F redeemable preferred stock	—	—
Additional paid in capital	639,053	626,533
Accumulated other comprehensive income	(1,921)	(4,345)
Distributions in excess of accumulated earnings	(425,422)	(409,041)
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>\$ 211,747</b>	<b>\$ 213,183</b>
OP Units held by Non-controlling OP Unitholders	1,416	2,854
<b>TOTAL EQUITY</b>	<b>\$ 213,163</b>	<b>\$ 216,037</b>
<b>TOTAL LIABILITIES, MEZZANINE EQUITY AND EQUITY</b>	<b>\$ 1,088,343</b>	<b>\$ 1,097,908</b>

# Capital structure

## Current capital structure as of 3/31/2021 (\$000)



## Capital Structure Details

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

	Wtd. Average Rate	3/31/2021
Mortgage Notes Payable, Net	4.22%	\$ 454,353
Less: Cash & Cash Equivalents		(9,871)
<b>Net Mortgage Debt</b>		<b>\$ 444,482</b>
Line of Credit	L+1.90%	\$ —
Term Note	L+1.85%, L+2.00%	208,790
<b>Line of Credit and Term Loan</b>		<b>\$ 208,790</b>
<b>Total Debt, Net</b>		<b>\$ 653,272</b>
Series D - Preferred	7.000%	87,739
Series E - Preferred	6.625%	76,536
Series F - Preferred	6.000%	2,954
<b>Total Preferred Equity</b>		<b>\$ 167,229</b>
Diluted Common Shares Outstanding		36,816,655
Stock Price		\$ 19.56
<b>Implied Common Equity<sup>1</sup> Market Capitalization</b>		<b>\$ 720,134</b>
<b>Enterprise Value</b>		<b>\$ 1,540,635</b>

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

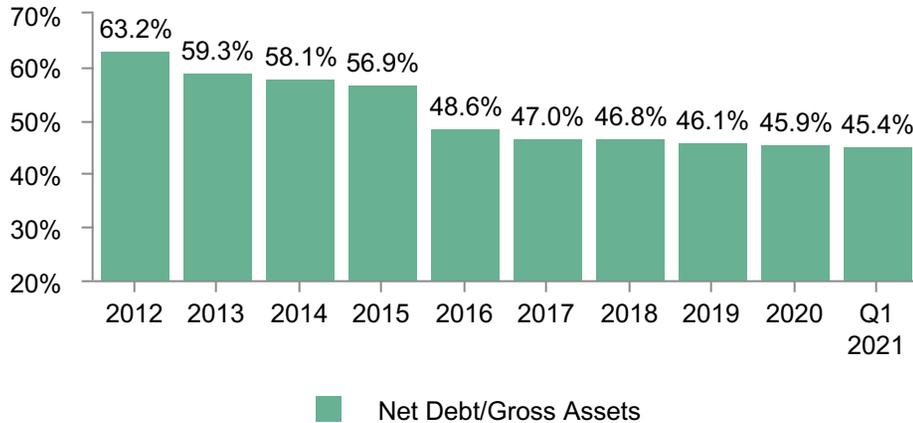


<sup>1</sup> Common Equity is based on the closing common stock price per share as of March 31, 2021 of \$19.56 and includes effect of OP units and convertible senior common stock.

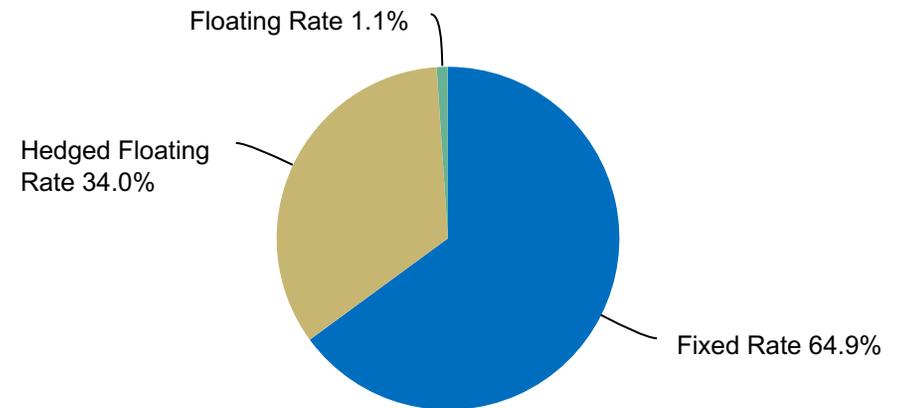
<sup>2</sup> Source: Nasdaq Online.

# Liquidity and debt overview

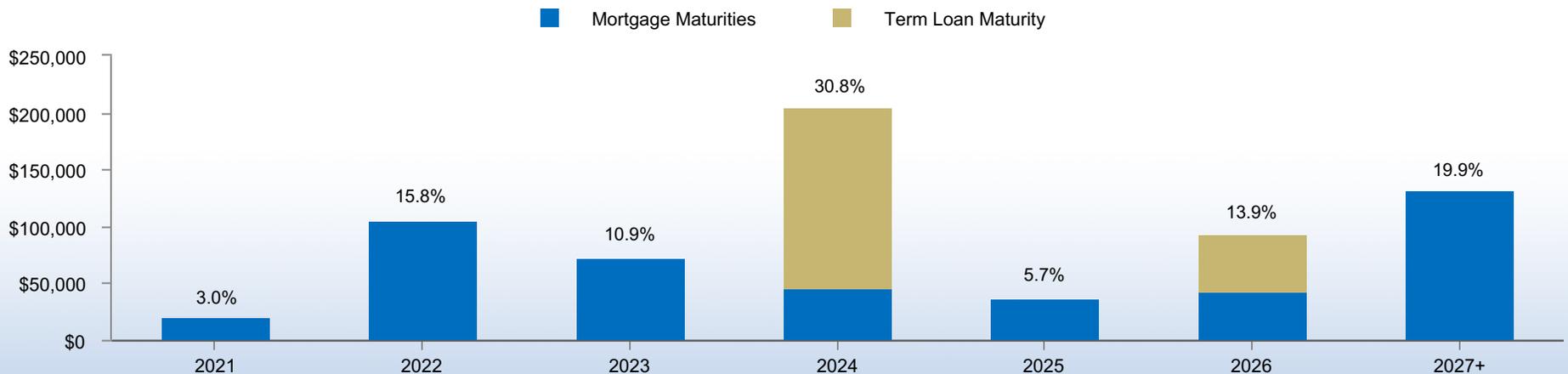
## Reducing Leverage<sup>1</sup>



## Fixed vs. Floating Debt<sup>1</sup>



## Debt maturity schedule<sup>1</sup> (\$'000)



<sup>1</sup> As of 3/31/2021.

# Debt summary

Principal Maturity Date	Weighted Average Interest Rate as of 3/31/2021	(\$ in thousands)	
		Principal Balance Outstanding as of 3/31/2021	
2021	3.30%	\$	10,973
2022	4.65%		98,016
2023	4.39%		66,043
2024	3.93%		39,083
2025	4.03%		32,642
2026	4.39%		47,614
2027	4.34%		83,912
2028	3.71%		14,809
2029	4.74%		11,489
2030	3.23%		41,437
2031	3.24%		5,476
2037	4.63%		6,346
Contractual Mortgage Notes Payable:		4.22%	\$ 457,840
Premiums (Discounts), net:			(168)
Total Mortgage Notes Payable:			\$ 457,672
Variable-Rate Line of Credit:			
2023	LIBOR +1.90%	\$	—
Variable-Rate Term Loan Facility:			
2024	LIBOR +1.85%	\$	160,000
2026	LIBOR +2.00%		50,000
Total Mortgage Notes Payable and Line of Credit		3.52%	\$ 667,672

# Select corporate covenants

Description	(\$ in thousands)	
	Threshold	March 31, 2021
Consolidated Tangible Net Worth	> \$498,619	\$644,661
Leverage Ratio	< 60%	52%
Fixed Charge Coverage Ratio	> 1.50	1.86
Maximum Dividend Payout (FFO based)	< 98%	94%
Secured Indebtedness	< 45%	34%

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



# *Portfolio Overview*



# Portfolio overview

## Geographic diversity

- **120** 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 **95.5%**
- **2.3%** 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

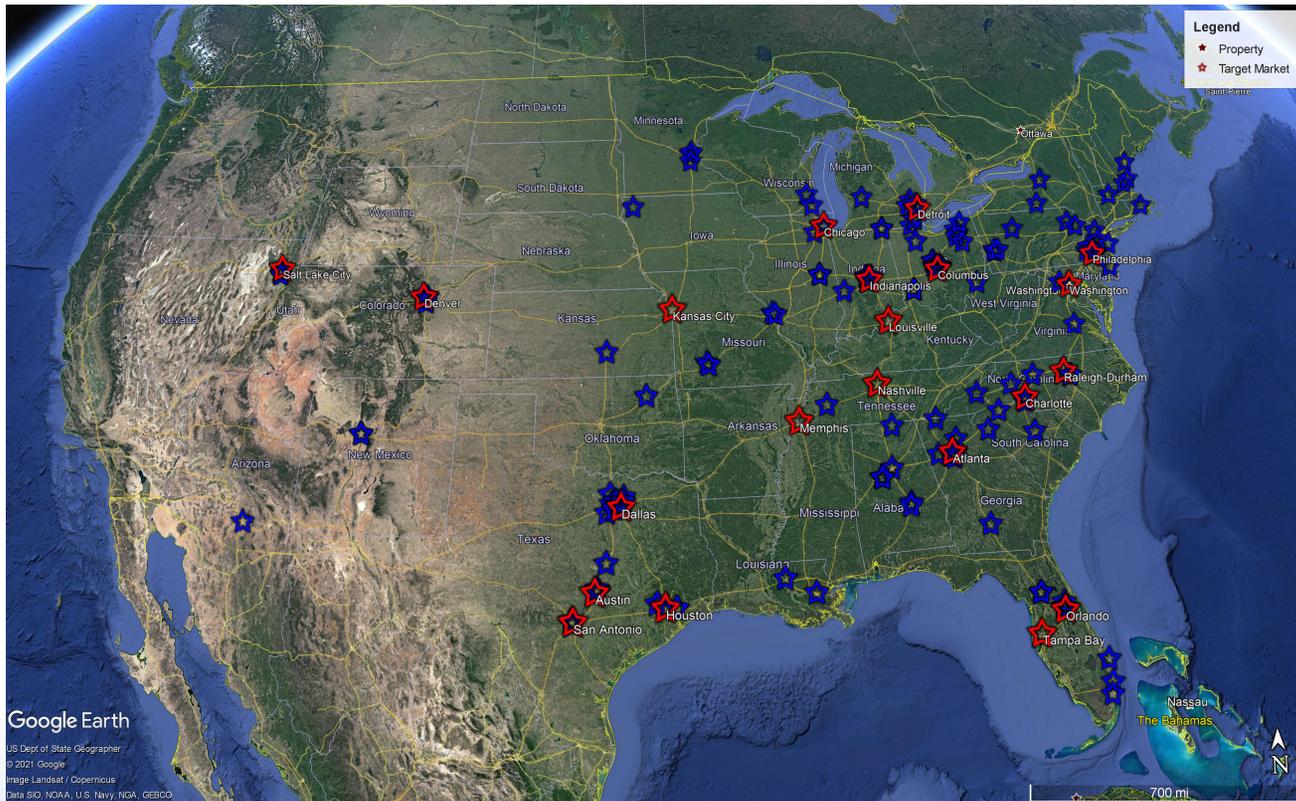
- Sell non-core assets
- Sold 22 properties in non-core markets since mid-2016
- Re-deploy proceeds in growth markets



Note: As of 3/31/2021

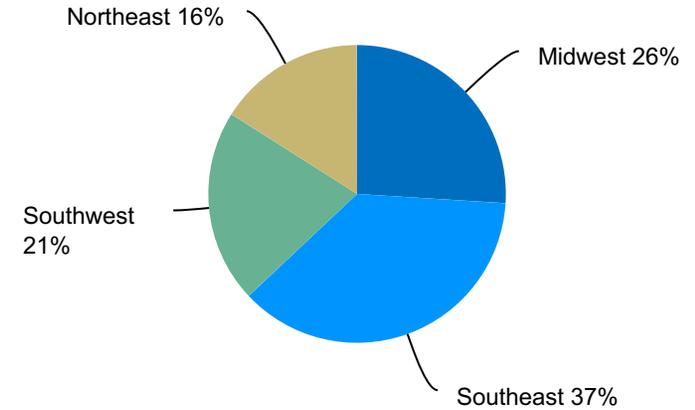
# Diversified portfolio

120 properties spread across 27 states

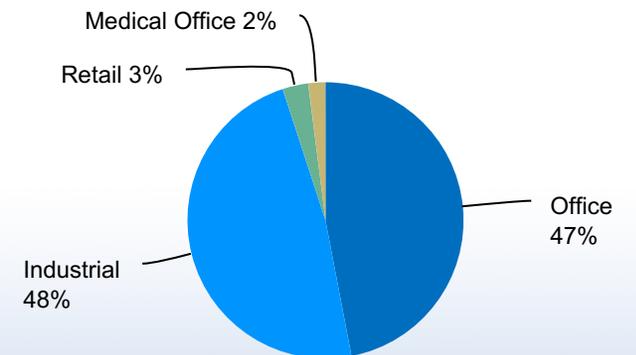


Note: As of 3/31/2021

Geographic diversification  
 (by annualized straight line rent)



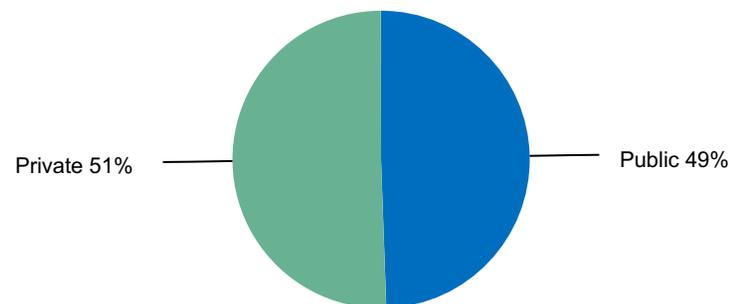
Property type diversification  
 (by annualized straight line rent)



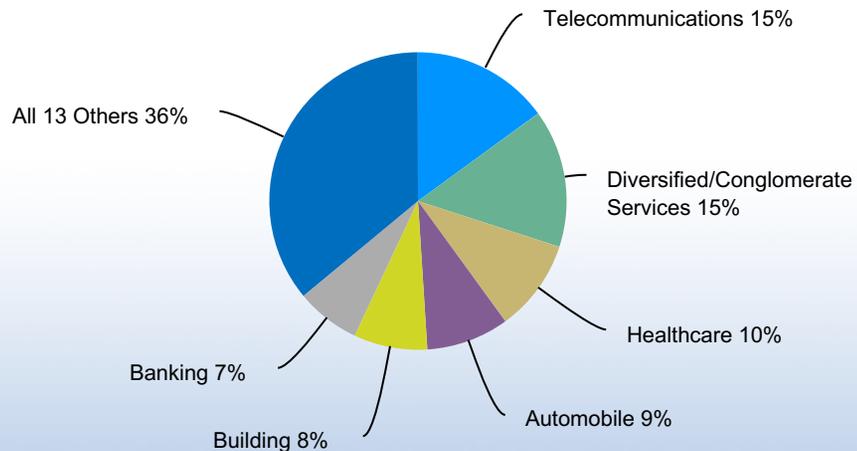
# High quality, diversified portfolio

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)

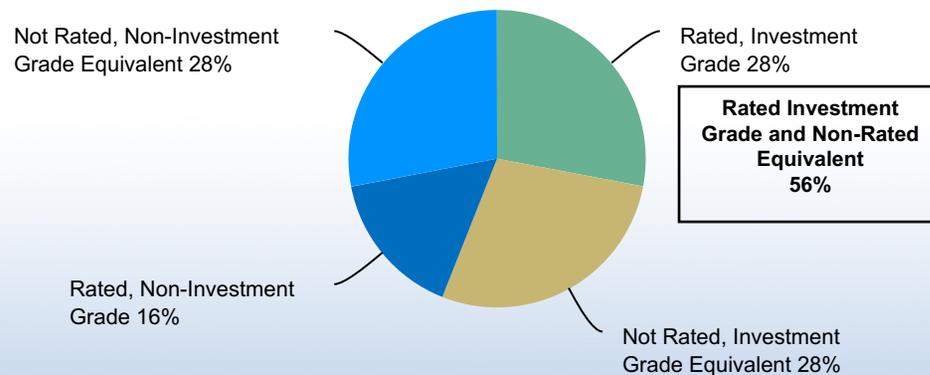


## Industry diversification (based on annualized straight line rent)



Note: As of 3/31/2021

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

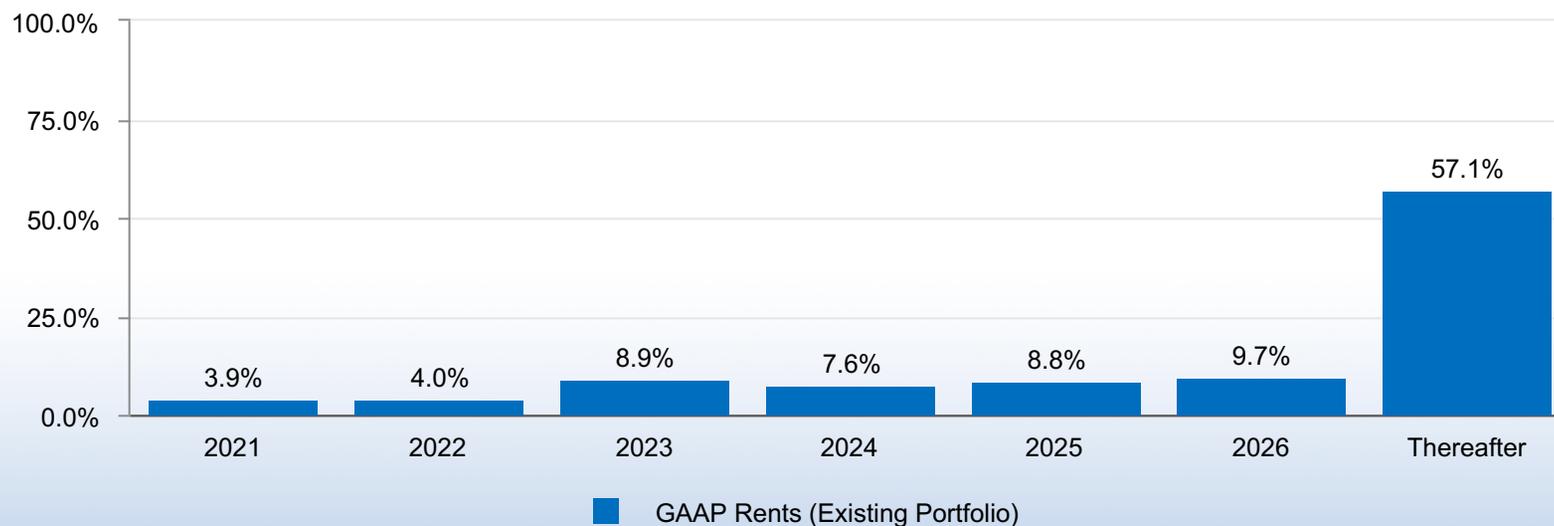


# Smooth lease rollover

## 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	235,905	7	\$ 4,407	3.9 %
2022	297,501	4	4,492	4.0 %
2023	1,466,432	15	9,979	8.9 %
2024	1,401,765	8	8,566	7.6 %
2025	653,896	10	9,910	8.8 %
2026	1,720,481	14	10,937	9.7 %
Thereafter	9,032,241	71	64,404	57.1 %
<b>Total</b>	<b>14,808,221</b>	<b>129</b>	<b>\$ 112,695</b>	<b>100.0 %</b>

## Rent expiring



Note: As of 3/31/2021



**GLADSTONE**