



 **GLADSTONE COMMERCIAL**

*Supplemental Financial & Operating Information
for the Quarter Ended September 30, 2021*



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Table of contents

About Gladstone Commercial

Corporate overview	4
Portfolio and financial overview	5
Q3 2021 highlights (unaudited)	6

Financial overview

Condensed consolidated statements of operations	8
Funds from Operations (FFO) and core FFO	9
Condensed consolidated balance sheets	10
Capital structure	11
Liquidity and debt overview	12
Debt summary	13
Select corporate covenants	14

Portfolio Overview

Portfolio overview	16-19
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Corporate overview



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

Corporate Headquarters

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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 September 30, 2021, we owned approximately 15.7 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 September 30, 2021, total assets were approximately \$1.1 billion, representing investments in 127 properties. Our properties are leased to 109 tenants who represent 19 diversified industries across 27 states.

At September 30, 2021, our leases had an average remaining term of 7.3 years. In addition, approximately 56% of our tenants have an investment grade or investment grade equivalent credit rating.

Portfolio and financial overview

Portfolio data¹

Total assets (\$mm)	\$	1,105
Properties		127
Tenants		109
Industries		19
States		27
Average remaining lease term (years)		7.3
Occupancy		97.7 %
Square footage owned (mm)		15.7

Capitalization (\$mm)¹

Common equity market capitalization ²	\$	787
Preferred equity		185
Net total debt		674
Total capitalization	\$	1,646
Less: Cash and cash equivalents		(10)
Total enterprise value	\$	1,636
Net total debt / enterprise value		40.6%
Net total debt + preferred / enterprise value		51.9%
Net total debt / gross assets		44.8%

Top 5 tenants¹

	% of annualized straight line rent	% of SF
	4%	1%
	3%	1%
	3%	6%
	3%	1%
Morgan Stanley	2%	1%
Top 5 Tenants total	15%	10%
Top 5 Tenants average remaining lease term		4.3 years
Portfolio average remaining lease term		7.3 years

Corporate liquidity (\$mm)¹

Cash and Cash Equivalents	\$	10.2
Availability Under Revolving Credit Facility ³		26.1
Total	\$	36.3

¹ As of 9/30/2021.

² Based on the closing common stock price per share on September 30, 2021 of \$21.03. Includes OP units and senior common shares convertible into shares of common stock.

³ As of November 1, 2021, approximately \$28.2 million is available under the Company's revolving credit facility.

Q3 2021 highlights (unaudited)

FFO¹, FFO as adjusted for comparability², and Core FFO³:

Generated FFO, FFO as adjusted for comparability, and core FFO of \$16.4 million, \$16.4 million, and \$14.7 million or \$0.44, \$0.44, and \$0.39 per diluted share, respectively.

Acquisitions⁴:

Purchased an 80,604 square foot, four-property portfolio in Pacific, Missouri for \$22.0 million, with a 17.4 year remaining lease term. Purchased an 81,760 square foot, two-property portfolio in Peru, Illinois for \$4.7 million, with a 15.0 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 E preferred dividends, Series F preferred dividends, and Series G preferred dividends.

Equity Issuances:

Issued common equity for net proceeds of \$4.8 million through our ATM program and issued Series F preferred equity for net proceeds of \$3.9 million.

Select Expenditure Activity:

Paid \$1.5 million related to capital expenditures and \$0.9 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.

² 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.

³ Core FFO is FFO adjusted for gains from early extinguishment of debt and any other non-routine revenue or expense adjustments.

⁴ 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)			For the nine months ended (unaudited)	
	9/30/2021	6/30/2021	9/30/2020	9/30/2021	9/30/2020
Operating revenues					
Lease revenue	\$ 34,334	\$ 33,371	\$ 33,142	\$ 102,381	\$ 100,287
Total operating revenues	\$ 34,334	\$ 33,371	\$ 33,142	\$ 102,381	\$ 100,287
Operating expenses					
Depreciation and amortization	\$ 14,760	\$ 14,191	\$ 13,798	\$ 45,661	\$ 42,076
Property operating expenses	6,807	6,910	6,590	20,278	19,098
Base management fee	1,472	1,452	1,418	4,369	4,219
Incentive fee	1,266	1,039	1,128	3,540	3,301
Administration fee	382	338	361	1,016	1,194
General and administrative	811	1,073	775	2,540	2,406
Impairment charge	—	—	1,184	—	2,905
Total operating expense before incentive fee waiver	\$ 25,498	\$ 25,003	\$ 25,254	\$ 77,404	\$ 75,199
Incentive fee waiver	—	(16)	—	(16)	—
Total operating expenses	\$ 25,498	\$ 24,987	\$ 25,254	\$ 77,388	\$ 75,199
Other (expense) income					
Interest expense	\$ (6,688)	\$ (6,486)	\$ (6,444)	\$ (20,338)	\$ (20,411)
Gain (loss) on sale of real estate, net	—	—	1,196	(882)	1,184
Other income	2,350	223	204	2,884	209
Total other expense, net	\$ (4,338)	\$ (6,263)	\$ (5,044)	\$ (18,336)	\$ (19,018)
Net income	\$ 4,498	\$ 2,121	\$ 2,844	\$ 6,657	\$ 6,070
Net (income) loss (available) attributable to non-controlling interests	(21)	21	2	42	39
Net income attributable to the company	\$ 4,477	\$ 2,142	\$ 2,846	\$ 6,699	\$ 6,109
Distributions attributable to Series D, E, F, and G preferred stock	(2,868)	(2,856)	(2,771)	(8,571)	(8,137)
Series D preferred stock offering costs write off	—	(2,141)	—	(2,141)	—
Distributions attributable to senior common stock	(170)	(177)	(203)	(534)	(615)
Net income (loss) available (attributable) to common stockholders	\$ 1,439	\$ (3,032)	\$ (128)	\$ (4,547)	\$ (2,643)
Weighted average common shares outstanding and Non-controlling OP Units					
Basic and diluted	37,025,773	36,651,761	34,578,180	36,633,619	34,386,442

Funds from Operations (FFO) and core FFO

(\$ in thousands, except per share amounts)

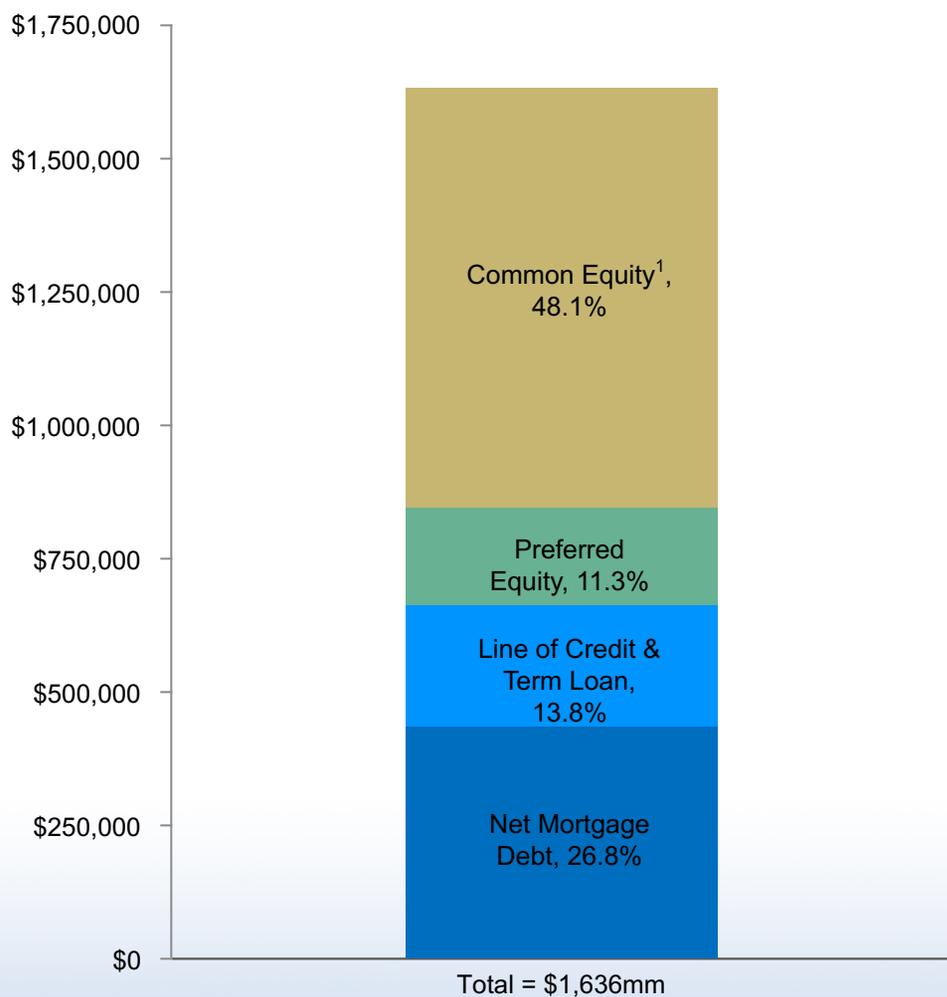
	For the three months ended (unaudited)			For the nine months ended (unaudited)	
	9/30/2021	6/30/2021	9/30/2020	9/30/2021	9/30/2020
Net income	\$ 4,498	\$ 2,121	\$ 2,844	\$ 6,657	\$ 6,070
Less: Distributions attributable to preferred and senior common stock	(3,038)	(3,033)	(2,974)	(9,105)	(8,752)
Less: Series D preferred stock offering costs write off	—	(2,141)	—	(2,141)	—
Net income (loss) available (attributable) to common stockholders and Non-controlling OP Unitholders	\$ 1,460	\$ (3,053)	\$ (130)	\$ (4,589)	\$ (2,682)
Adjustments:					
Add: Real estate depreciation and amortization	\$ 14,760	\$ 14,191	\$ 13,798	\$ 45,661	\$ 42,076
Add: Impairment charge	—	—	1,184	—	2,905
Add: Loss on sale of real estate, net	—	—	—	882	—
Less: Gain on sale of real estate, net	—	—	(1,196)	—	(1,184)
FFO available to common stockholders and Non-controlling OP Unitholders - basic	\$ 16,220	\$ 11,138	\$ 13,656	\$ 41,954	\$ 41,115
Add: Convertible senior common distributions	170	177	203	534	615
FFO available to common stockholders and Non-controlling OP Unitholders - diluted	\$ 16,390	\$ 11,315	\$ 13,859	\$ 42,488	\$ 41,730
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	\$ 16,390	\$ 13,456	\$ 13,859	\$ 44,629	\$ 41,730
FFO available to common stockholders and Non-controlling OP Unitholders - basic	\$ 16,220	\$ 11,138	\$ 13,656	\$ 41,954	\$ 41,115
Add (Less): PACE financing amortization, net	—	41	(35)	33	(4)
Add: Asset retirement obligation expense	22	29	32	81	104
Add: Loan defeasance costs	—	—	—	669	—
Add: Write off prepaid offering costs	—	2,141	—	2,141	—
Add: Unrealized loss on interest rate hedging instruments	145	—	—	145	—
(Less) Add: Acquisition related expenses	(46)	63	74	(106)	88
(Less) Add: Bad debt write off	(56)	—	56	(56)	56
Less: Tenant legal settlement, net	(1,773)	—	—	(1,773)	—
Core FFO available to common stockholders and Non-controlling OP Unitholders - basic	\$ 14,512	\$ 13,412	\$ 13,783	\$ 43,088	\$ 41,359
Add: Convertible senior common distributions	170	177	203	534	615
Core FFO available to common stockholders and Non-controlling OP Unitholders - diluted	\$ 14,682	\$ 13,589	\$ 13,986	\$ 43,622	\$ 41,974
Weighted average common shares outstanding and Non-controlling OP Units - basic	37,025,773	36,651,761	34,578,180	36,633,619	34,386,442
Weighted average common shares outstanding and Non-controlling OP Units - diluted	37,558,558	37,209,799	35,219,610	37,166,404	35,027,872
FFO per weighted average share of common stock and Non-controlling OP Unit - basic	\$ 0.44	\$ 0.30	\$ 0.39	\$ 1.15	\$ 1.20
FFO per weighted average share of common stock and Non-controlling OP Unit - diluted	\$ 0.44	\$ 0.30	\$ 0.39	\$ 1.14	\$ 1.19
FFO per weighted average share of common stock and Non-controlling OP Unit - diluted, as adjusted for comparability	\$ 0.44	\$ 0.36	\$ 0.39	\$ 1.20	\$ 1.19
Core FFO per weighted average share of common stock and Non-controlling OP Unit - basic	\$ 0.39	\$ 0.37	\$ 0.40	\$ 1.18	\$ 1.20
Core FFO per weighted average share of common stock and Non-controlling OP Unit - diluted	\$ 0.39	\$ 0.37	\$ 0.40	\$ 1.17	\$ 1.20
Distributions declared per share of common stock and Non-controlling OP Unit	\$ 0.37545	\$ 0.37545	\$ 0.37545	\$ 1.12635	\$ 1.12635

Condensed consolidated balance sheets

(\$ in thousands)	9/30/2021 (unaudited)	12/31/2020
ASSETS		
Real estate, at cost	\$ 1,172,548	\$ 1,128,683
Less: accumulated depreciation	257,050	228,468
Total real estate, net	915,498	900,215
Lease intangibles, net	111,782	117,379
Real estate and related assets held for sale, net	4,005	8,498
Cash and cash equivalents	10,230	11,016
Restricted cash	4,972	5,060
Funds held in escrow	8,888	9,145
Right-of-use assets from operating leases	5,432	5,582
Deferred rent receivable, net	38,203	36,555
Other assets	5,784	4,458
TOTAL ASSETS	\$ 1,104,794	\$ 1,097,908
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Mortgage notes payable, net	\$ 448,001	\$ 456,177
Borrowings under revolver and term loan, net	226,051	212,515
Deferred rent liability, asset retirement obligation and other liabilities, net	58,936	53,893
TOTAL LIABILITIES	\$ 732,988	\$ 722,585
MEZZANINE EQUITY		
Series D, E, and F redeemable preferred stock, net	\$ 170,264	\$ 159,286
TOTAL MEZZANINE EQUITY	\$ 170,264	\$ 159,286
STOCKHOLDERS' EQUITY		
Senior common stock	1	1
Common stock	37	35
Series F redeemable preferred stock	—	—
Additional paid in capital	656,790	626,533
Accumulated other comprehensive income	(2,075)	(4,345)
Distributions in excess of accumulated earnings	(454,494)	(409,041)
TOTAL STOCKHOLDERS' EQUITY	\$ 200,259	\$ 213,183
OP Units held by Non-controlling OP Unitholders	1,283	2,854
TOTAL EQUITY	\$ 201,542	\$ 216,037
TOTAL LIABILITIES, MEZZANINE EQUITY AND EQUITY	\$ 1,104,794	\$ 1,097,908

Capital structure

Current capital structure as of 9/30/2021 (\$000)

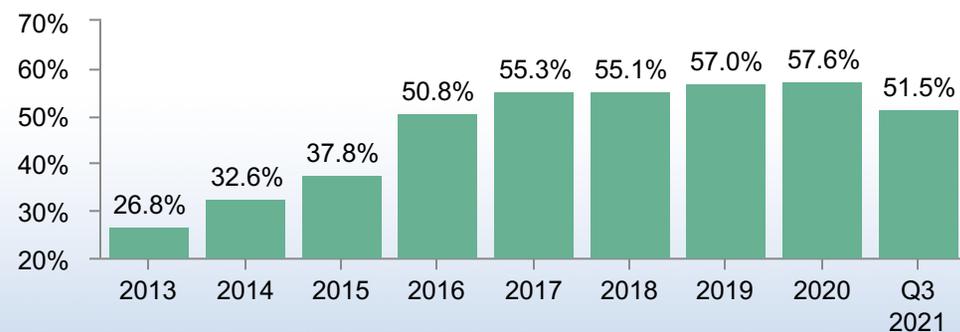


Capital Structure Details

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

	Wtd. Average Rate	9/30/2021
Mortgage Notes Payable, Net	4.19%	\$ 448,001
Less: Cash & Cash Equivalents		(10,230)
Net Mortgage Debt		\$ 437,771
Line of Credit	L+1.90%	\$ 2,100
Term Note	L+1.85%, L+2.00%	223,951
Line of Credit and Term Loan		\$ 226,051
Total Debt, Net		\$ 663,822
Series E - Preferred	6.625%	76,536
Series F - Preferred	6.00%	8,379
Series G - Preferred	6.00%	100,000
Total Preferred Equity²		\$ 184,915
Diluted Common Shares Outstanding		37,412,904
Stock Price		\$ 21.03
Implied Common Equity¹ Market Capitalization		\$ 786,793
Enterprise Value		\$ 1,635,530

Institutional Stock Ownership³



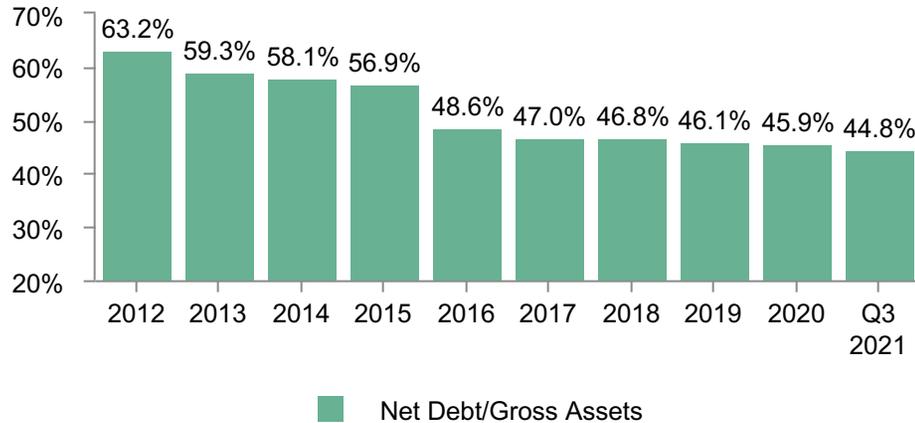
¹ Common Equity is based on the closing common stock price per share as of September 30, 2021 of \$21.03 and includes effect of OP units and convertible senior common stock.

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

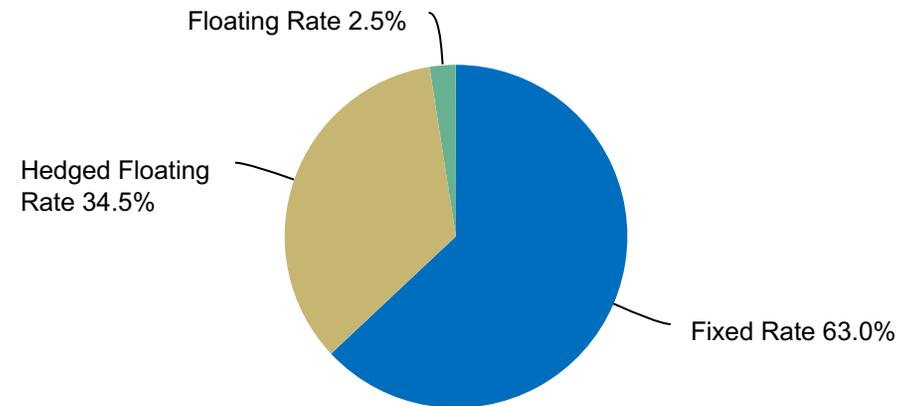
³ Source: Nasdaq Online.

Liquidity and debt overview

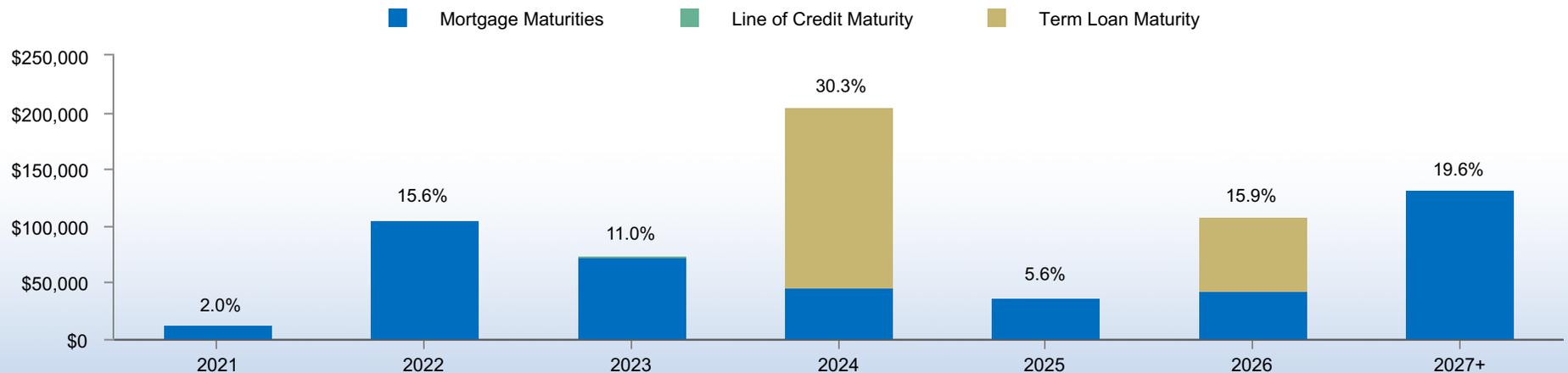
Reducing Leverage¹



Fixed vs. Floating Debt¹



Debt maturity schedule¹ (\$'000)



¹ As of 9/30/2021.

Debt summary

Principal Maturity Date	Weighted Average Interest Rate as of 9/30/2021	(\$ in thousands)	
		Principal Balance Outstanding as of 9/30/2021	
2021	3.28%	\$	10,759
2022	4.65%		96,131
2023	4.26%		65,164
2024	3.93%		38,805
2025	4.03%		32,251
2026	4.38%		46,596
2027	4.33%		82,672
2028	3.71%		14,615
2029	4.74%		11,340
2030	3.23%		41,049
2031	3.24%		5,404
2037	4.63%		6,216
Contractual Mortgage Notes Payable:		4.19%	\$ 451,002
Premiums (Discounts), net:			(142)
Total Mortgage Notes Payable:			\$ 450,860
Variable-Rate Line of Credit:			
2023	LIBOR +1.90%	\$	2,100
Variable-Rate Term Loan Facility:			
2024	LIBOR +1.85%	\$	160,000
2026	LIBOR +2.00%		65,000
Total Mortgage Notes Payable and Line of Credit		3.45%	\$ 677,960

Select corporate covenants

Description	(\$ in thousands)	
	Threshold	September 30, 2021
Consolidated Tangible Net Worth	> \$520,188	\$650,493
Leverage Ratio	< 60%	52%
Fixed Charge Coverage Ratio	> 1.50	1.84
Maximum Dividend Payout (FFO based)	< 96%	95.9%
Secured Indebtedness	< 40%	33%

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



Portfolio Overview



Portfolio overview

Geographic diversity

- 127 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 97.7%
- 2.6% of projected rents, inclusive of the forecasted portfolio growth, expiring through the end of 2021
- Of 100+ assets with over \$1 billion invested since inception, only two tenant defaults



Periodic capital recycling

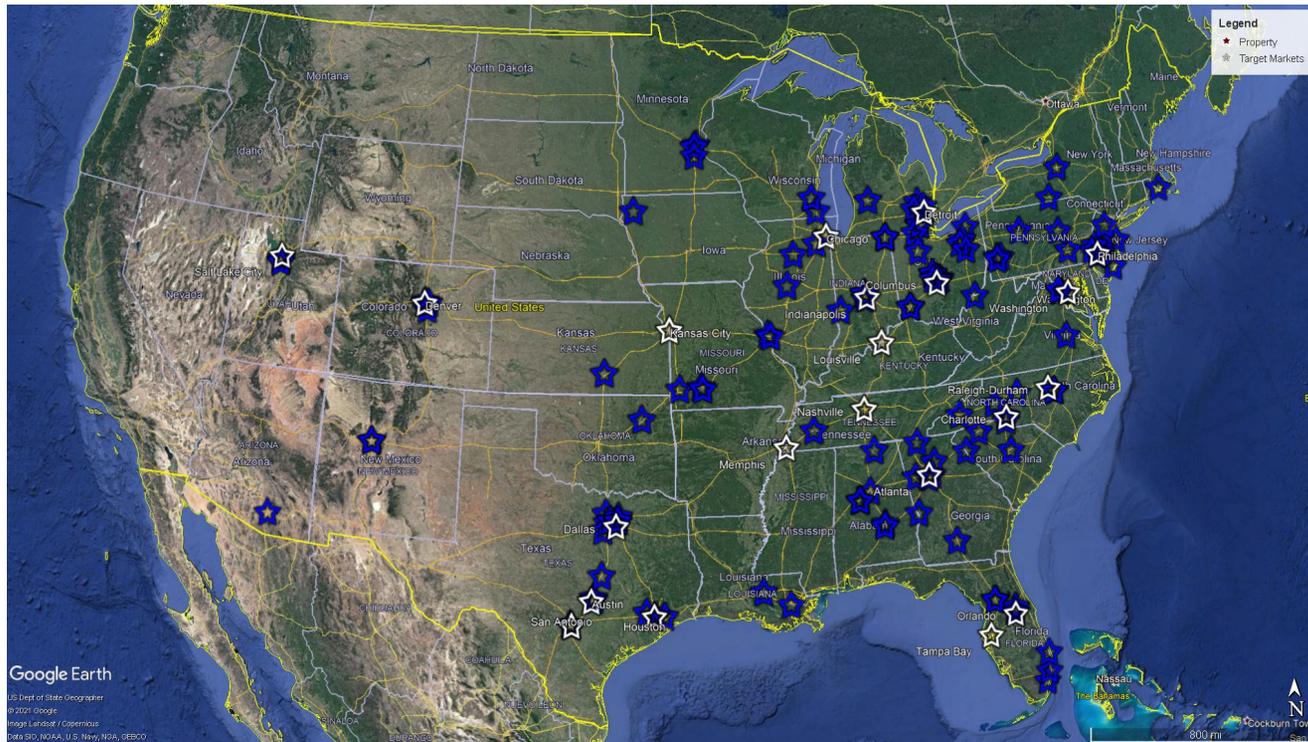
- Sell non-core assets
- Sold 22 properties in non-core markets since mid-2016
- Re-deploy proceeds in growth markets



Note: As of 9/30/2021.

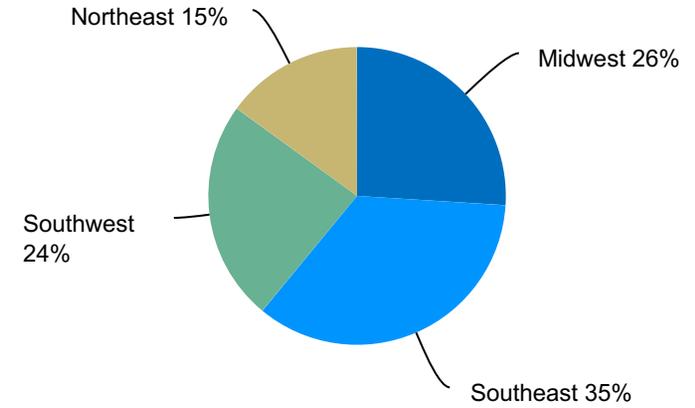
Diversified portfolio

127 properties spread across 27 states

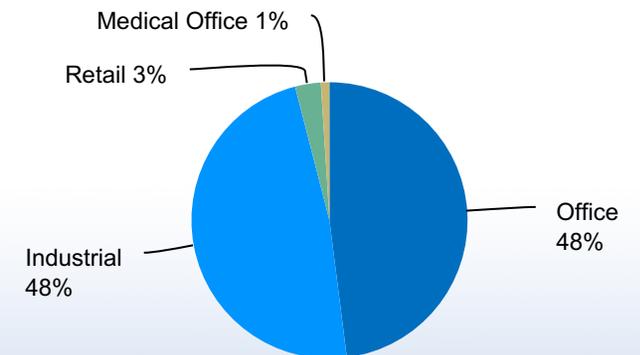


Note: As of 9/30/2021.

Geographic diversification (by annualized straight line rent)



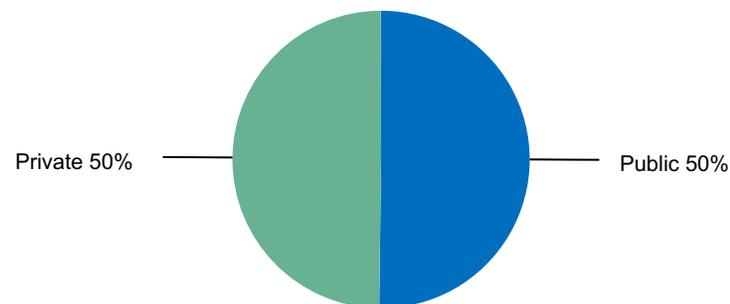
Property type diversification (by annualized straight line rent)



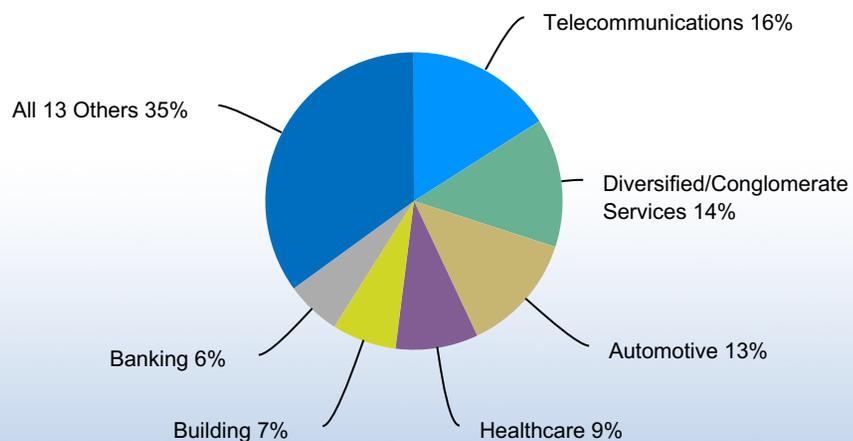
High quality, diversified portfolio

Top 5 tenants	% of annualized straight line rent	% of SF
	4 %	1 %
	3 %	1 %
	3 %	6 %
	3 %	1 %
Morgan Stanley	2 %	1 %
All other tenants	85 %	90 %

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

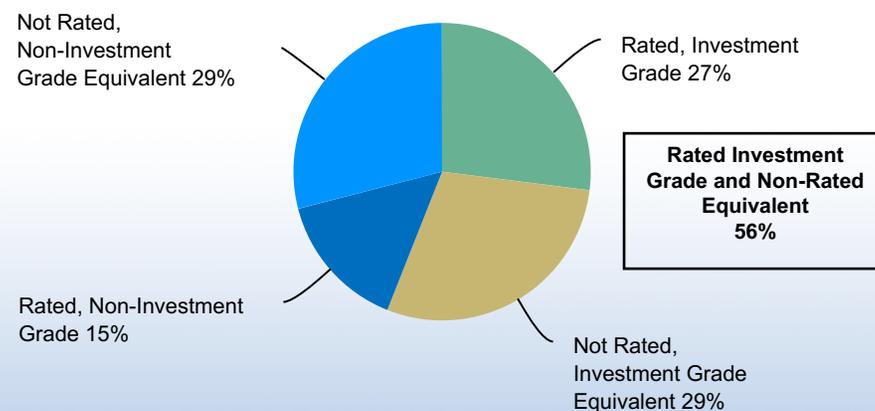


Industry diversification (based on annualized straight line rent)



Note: As of 9/30/2021.

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

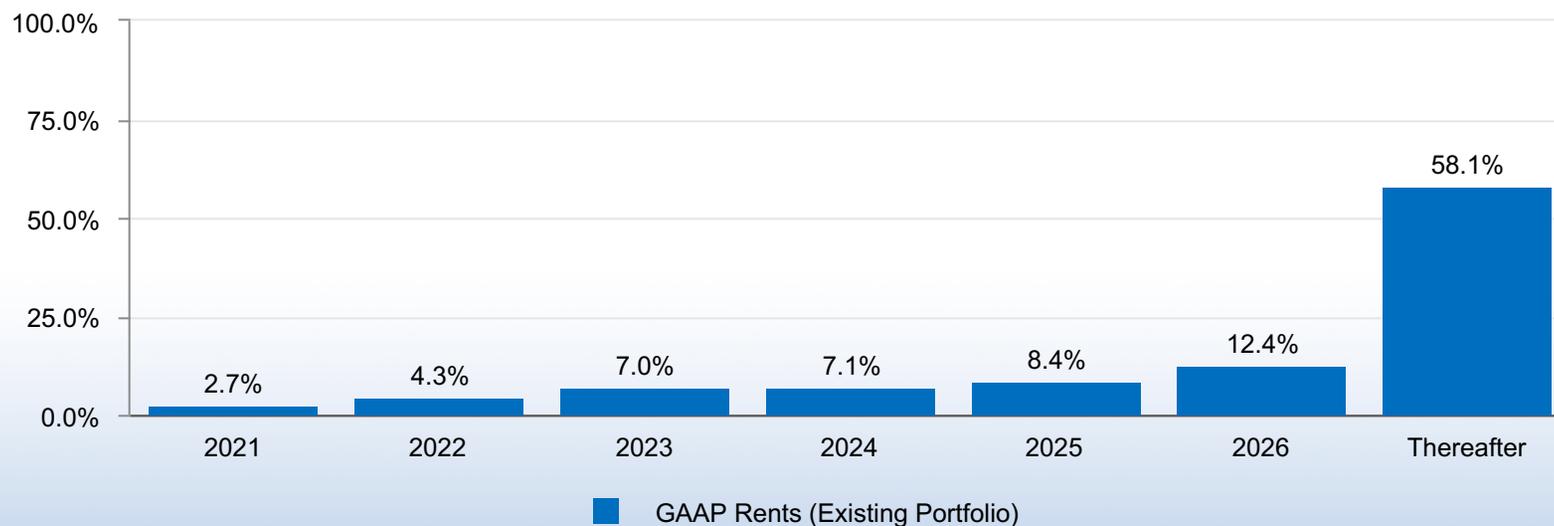


Smooth lease rollover

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	136,338	3	\$ 3,302	2.7 %
2022	284,838	3	5,169	4.3 %
2023	1,151,432	14	8,495	7.0 %
2024	1,401,765	8	8,568	7.1 %
2025	653,896	10	10,159	8.4 %
2026	1,863,162	15	15,014	12.4 %
Thereafter	9,847,539	78	70,546	58.1 %
Total	15,338,970	131	\$ 121,253	100.0 %

Rent expiring



Note: As of 9/30/2021.



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