



GLADSTONE COMMERCIAL

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



Legal disclaimer

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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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Investor Relations

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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 December 31, 2021, we owned approximately 16.2 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, 2021, total assets were approximately \$1.1 billion, representing investments in 129 properties. Our properties are leased to 108 tenants who represent 19 diversified industries across 27 states.

At December 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 data¹

Total assets (\$mm)	\$ 1,143
Properties	129
Tenants	108
Industries	19
States	27
Average remaining lease term (years)	7.2
Occupancy	97.2 %
Square footage owned (mm)	16.2

Capitalization (\$mm)¹

Common equity market capitalization ²	\$ 979
Preferred equity	187
Net total debt	708
Total capitalization	\$ 1,874
Less: Cash and cash equivalents	(8)
Total enterprise value	\$ 1,866
Net total debt / enterprise value	37.5%
Net total debt + preferred / enterprise value	47.5%
Net total debt / gross assets	45.5%

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		4.1 years
Portfolio average remaining lease term		7.2 years

Corporate liquidity (\$mm)¹

Cash and Cash Equivalents	\$ 8.0
Availability Under Revolving Credit Facility ³	21.2
Total	\$ 29.2

¹ As of 12/31/2021.

² Based on the closing common stock price per share on December 31, 2021 of \$25.77. Includes OP units and senior common shares convertible into shares of common stock.

³ As of February 15, 2022, approximately \$24.8 million is available under the Company's revolving credit facility.

Q4 2021 highlights (unaudited)

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

Generated FFO, FFO as adjusted for comparability, and core FFO of \$15.1 million or \$0.40 per diluted share.

Acquisitions⁴:

Purchased a 161,458 square foot property in Charlotte, North Carolina for \$12.8 million, with a 7.9 year remaining lease term. Purchased a 120,000 square foot property in Atlanta, Georgia for \$12.0 million, with a 15.0 year remaining lease term. Purchased a 300,000 square foot property in Crossville, Tennessee for \$29.0 million, with an 11.0 year remaining lease term.

Dividends:

Paid monthly common stock dividends totaling \$0.375825 per common share, or an annualized \$1.5033 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 \$12.4 million through our ATM program and issued Series F preferred equity for net proceeds of \$1.9 million.

Debt Activity:

Repaid \$3.2 million of fixed rate mortgage debt with an interest rate of 4.92% and \$7.5 million variable rate mortgage debt with an interest rate of LIBOR + 2.50%. Issued \$16.0 million of fixed rate mortgage debt collateralized by our Crossville, Tennessee acquisition with an interest rate of 3.40%.

Select Expenditure Activity:

Paid \$0.5 million related to capital expenditures and \$0.3 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 twelve months ended	
	12/31/2021	9/30/2021	12/31/2020	12/31/2021	12/31/2020
Operating revenues					
Lease revenue	\$ 35,306	\$ 34,334	\$ 32,866	\$ 137,688	\$ 133,152
Total operating revenues	\$ 35,306	\$ 34,334	\$ 32,866	\$ 137,688	\$ 133,152
Operating expenses					
Depreciation and amortization	\$ 14,650	\$ 14,760	\$ 13,348	\$ 60,311	\$ 55,424
Property operating expenses	6,820	6,807	6,906	27,098	26,004
Base management fee	1,514	1,472	1,429	5,882	5,648
Incentive fee	1,318	1,266	999	4,859	4,301
Administration fee	431	382	404	1,448	1,598
General and administrative	678	811	854	3,218	3,259
Impairment charge	—	—	716	—	3,621
Total operating expense before incentive fee waiver	\$ 25,411	\$ 25,498	\$ 24,656	\$ 102,816	\$ 99,855
Incentive fee waiver	—	—	—	(16)	—
Total operating expenses	\$ 25,411	\$ 25,498	\$ 24,656	\$ 102,800	\$ 99,855
Other (expense) income					
Interest expense	\$ (6,549)	\$ (6,688)	\$ (6,391)	\$ (26,887)	\$ (26,803)
(Loss) gain on sale of real estate, net	(266)	—	6,912	(1,148)	8,096
Other income	(4)	2,350	187	2,880	395
Total other expense, net	\$ (6,819)	\$ (4,338)	\$ 708	\$ (25,155)	\$ (18,312)
Net income	\$ 3,076	\$ 4,498	\$ 8,918	\$ 9,733	\$ 14,985
Net (income) loss (available) attributable to non-controlling interests	(1)	(21)	(86)	40	(47)
Net income attributable to the company	\$ 3,075	\$ 4,477	\$ 8,832	\$ 9,773	\$ 14,938
Distributions attributable to Series D, E, F, and G preferred stock	(2,917)	(2,868)	(2,836)	(11,488)	(10,973)
Series D preferred stock offering costs write off	—	—	—	(2,141)	—
Distributions attributable to senior common stock	(164)	(170)	(201)	(698)	(816)
Net (loss) income (attributable) available to common stockholders	\$ (6)	\$ 1,439	\$ 5,795	\$ (4,554)	\$ 3,149
Weighted average common shares outstanding and Non-controlling OP Units					
Basic and diluted	37,509,121	37,025,773	35,007,960	36,854,293	34,542,671

Funds from Operations (FFO) and core FFO

(\$ in thousands, except per share amounts)

	For the three months ended (unaudited)			For the twelve months ended	
	12/31/2021	9/30/2021	12/31/2020	12/31/2021	12/31/2020
Net income	\$ 3,076	\$ 4,498	\$ 8,918	\$ 9,733	\$ 14,985
Less: Distributions attributable to preferred and senior common stock	(3,081)	(3,038)	(3,037)	(12,186)	(11,789)
Less: Series D preferred stock offering costs write off	—	—	—	(2,141)	—
Net (loss) income (attributable) available to common stockholders and Non-controlling OP Unitholders	\$ (5)	\$ 1,460	\$ 5,881	\$ (4,594)	\$ 3,196
Adjustments:					
Add: Real estate depreciation and amortization	\$ 14,650	\$ 14,760	\$ 13,348	\$ 60,311	\$ 55,424
Add: Impairment charge	—	—	716	—	3,621
Add: Loss on sale of real estate, net	266	—	—	1,148	—
Less: Gain on sale of real estate, net	—	—	(6,912)	—	(8,096)
FFO available to common stockholders and Non-controlling OP Unitholders - basic	\$ 14,911	\$ 16,220	\$ 13,033	\$ 56,865	\$ 54,145
Add: Convertible senior common distributions	164	170	201	698	816
FFO available to common stockholders and Non-controlling OP Unitholders - diluted	\$ 15,075	\$ 16,390	\$ 13,234	\$ 57,563	\$ 54,961
Add: Series D preferred stock offering costs write off	—	—	—	2,141	—
FFO available to common stockholders and Non-controlling OP Unitholders - diluted, as adjusted for comparability	\$ 15,075	\$ 16,390	\$ 13,234	\$ 59,704	\$ 54,961
FFO available to common stockholders and Non-controlling OP Unitholders - basic	\$ 14,911	\$ 16,220	\$ 13,033	\$ 56,865	\$ 54,145
Add: PACE financing amortization, net	—	—	36	33	32
Add: Asset retirement obligation expense	19	22	30	100	134
Add: Loan defeasance costs	—	—	—	669	—
Add: Write off prepaid offering costs	—	—	—	2,141	—
Add: Realized loss on interest rate hedging instruments	—	145	—	145	—
(Less) Add: Acquisition related expenses	(3)	(46)	78	(108)	167
(Less) Add: Bad debt write off	—	(56)	—	(56)	56
Less: Tenant legal settlement, net	—	(1,773)	—	(1,773)	—
Core FFO available to common stockholders and Non-controlling OP Unitholders - basic	\$ 14,927	\$ 14,512	\$ 13,177	\$ 58,016	\$ 54,534
Add: Convertible senior common distributions	164	170	201	698	816
Core FFO available to common stockholders and Non-controlling OP Unitholders - diluted	\$ 15,091	\$ 14,682	\$ 13,378	\$ 58,714	\$ 55,350
Weighted average common shares outstanding and Non-controlling OP Units - basic	37,509,121	37,025,773	35,007,960	36,854,293	34,542,671
Weighted average common shares outstanding and Non-controlling OP Units - diluted	38,013,083	37,558,558	35,636,223	37,358,255	35,170,934
FFO per weighted average share of common stock and Non-controlling OP Unit - basic	\$ 0.40	\$ 0.44	\$ 0.37	\$ 1.54	\$ 1.57
FFO per weighted average share of common stock and Non-controlling OP Unit - diluted	\$ 0.40	\$ 0.44	\$ 0.37	\$ 1.54	\$ 1.56
FFO per weighted average share of common stock and Non-controlling OP Unit - diluted, as adjusted for comparability	\$ 0.40	\$ 0.44	\$ 0.37	\$ 1.60	\$ 1.56
Core FFO per weighted average share of common stock and Non-controlling OP Unit - basic	\$ 0.40	\$ 0.39	\$ 0.38	\$ 1.57	\$ 1.58
Core FFO per weighted average share of common stock and Non-controlling OP Unit - diluted	\$ 0.40	\$ 0.39	\$ 0.38	\$ 1.57	\$ 1.57
Distributions declared per share of common stock and Non-controlling OP Unit	\$ 0.375825	\$ 0.375450	\$ 0.375450	\$ 1.502175	\$ 1.501800

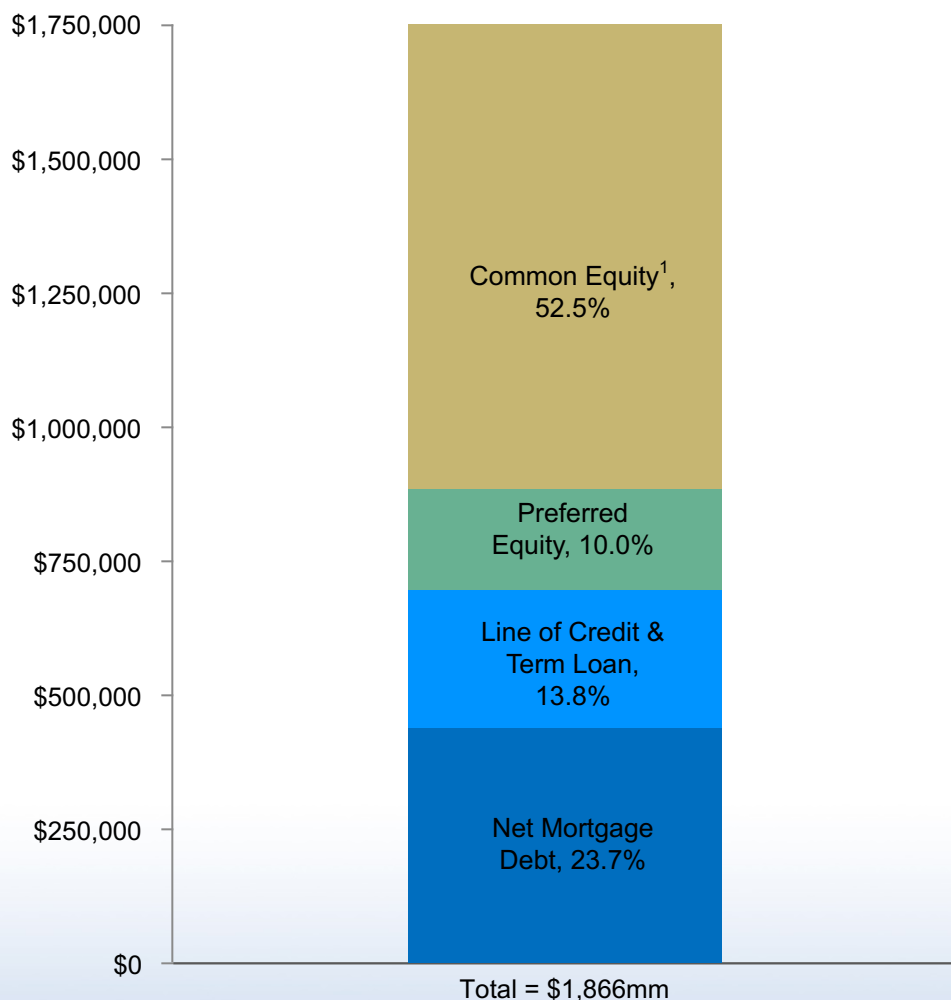


Condensed consolidated balance sheets

(\$ in thousands)	12/31/2021	12/31/2020
ASSETS		
Real estate, at cost	\$ 1,225,258	\$ 1,128,683
Less: accumulated depreciation	266,672	228,468
Total real estate, net	958,586	900,215
Lease intangibles, net	114,494	117,379
Real estate and related assets held for sale, net	—	8,498
Cash and cash equivalents	7,956	11,016
Restricted cash	5,222	5,060
Funds held in escrow	7,304	9,145
Right-of-use assets from operating leases	5,361	5,582
Deferred rent receivable, net	39,066	36,555
Other assets	5,363	4,458
TOTAL ASSETS	\$ 1,143,352	\$ 1,097,908
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Mortgage notes payable, net	\$ 449,944	\$ 456,177
Borrowings under revolver and term loan, net	257,582	212,515
Deferred rent liability, asset retirement obligation and other liabilities, net	63,003	53,893
TOTAL LIABILITIES	\$ 770,529	\$ 722,585
MEZZANINE EQUITY		
Series D, E, and F redeemable preferred stock, net	\$ 170,261	\$ 159,286
TOTAL MEZZANINE EQUITY	\$ 170,261	\$ 159,286
STOCKHOLDERS' EQUITY		
Senior common stock	1	1
Common stock	37	35
Series F redeemable preferred stock	—	—
Additional paid in capital	671,134	626,533
Accumulated other comprehensive income	(1,346)	(4,345)
Distributions in excess of accumulated earnings	(468,523)	(409,041)
TOTAL STOCKHOLDERS' EQUITY	\$ 201,303	\$ 213,183
OP Units held by Non-controlling OP Unitholders	1,259	2,854
TOTAL EQUITY	\$ 202,562	\$ 216,037
TOTAL LIABILITIES, MEZZANINE EQUITY AND EQUITY	\$ 1,143,352	\$ 1,097,908

Capital structure

Current capital structure as of 12/31/2021 (\$000)

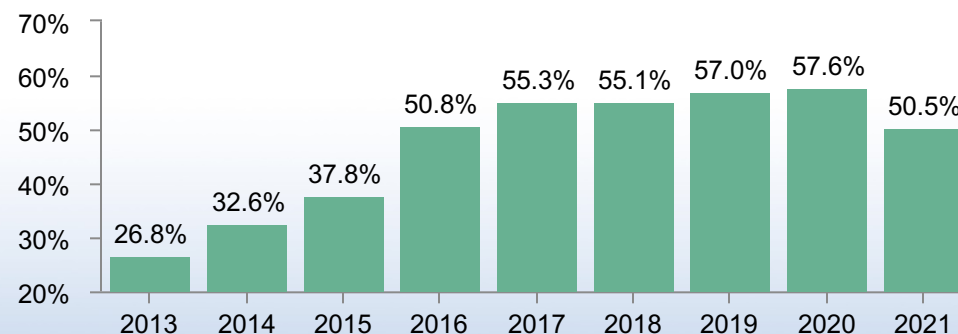


Capital Structure Details

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

	Wtd. Average Rate	12/31/2021
Mortgage Notes Payable, Net	4.18%	\$ 449,944
Less: Cash & Cash Equivalents		(7,956)
Net Mortgage Debt		\$ 441,988
Line of Credit	L+1.90%	\$ 33,550
Term Note	L+1.85%, L+2.00%	224,032
Line of Credit and Term Loan		\$ 257,582
Total Debt, Net		\$ 699,570
Series E - Preferred	6.625%	76,536
Series F - Preferred	6.00%	10,573
Series G - Preferred	6.00%	100,000
Total Preferred Equity²		\$ 187,109
Diluted Common Shares Outstanding		37,977,549
Stock Price		\$ 25.77
Implied Common Equity¹ Market Capitalization		\$ 978,681
Enterprise Value		\$ 1,865,360

Institutional Stock Ownership³



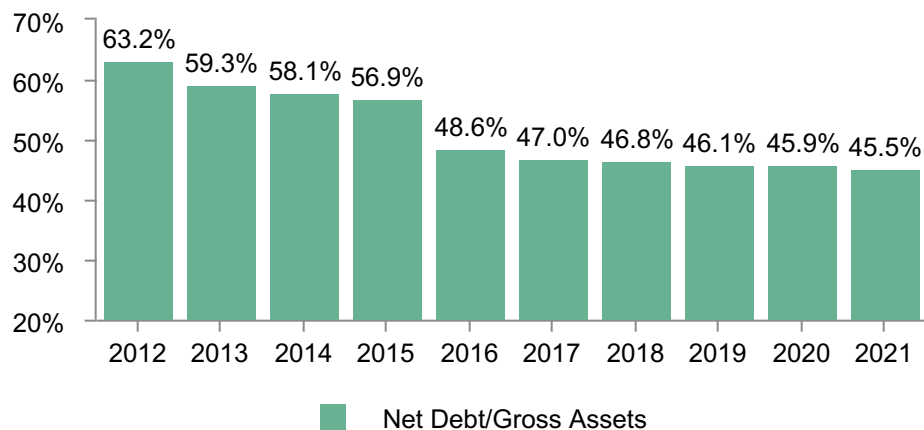
¹ Common Equity is based on the closing common stock price per share as of December 31, 2021 of \$25.77 and includes effect of OP units and convertible senior common stock.

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

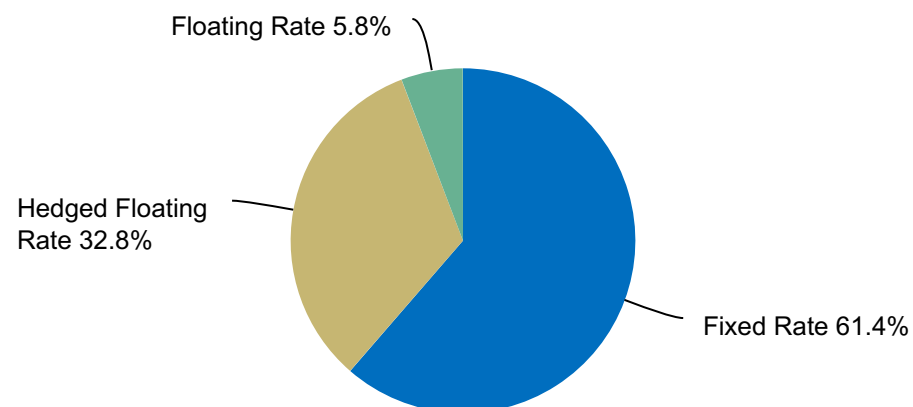
³ Source: Nasdaq Online.

Liquidity and debt overview

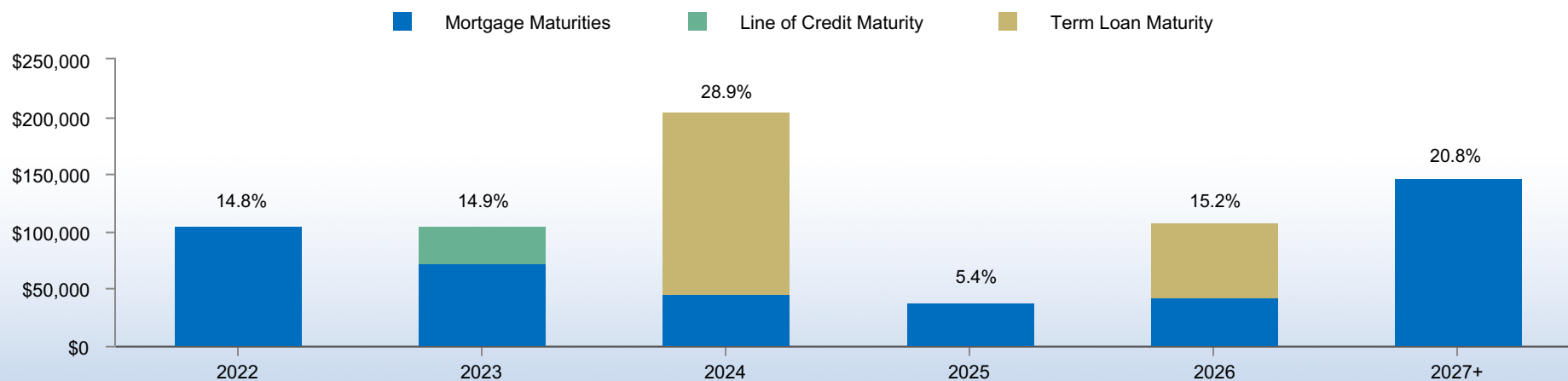
Reducing Leverage¹



Fixed vs. Floating Debt¹



Debt maturity schedule¹ (\$'000)



¹ As of 12/31/2021.

Debt summary

(\$ in thousands)		
Principal Maturity Date	Weighted Average Interest Rate as of 12/31/2021	Principal Balance Outstanding as of 12/31/2021
2022	4.65%	\$ 95,171
2023	4.26%	64,721
2024	3.92%	38,662
2025	4.03%	32,051
2026	4.37%	46,076
2027	4.33%	82,036
2028	3.55%	30,517
2029	4.74%	11,264
2030	3.23%	40,853
2031	3.24%	5,368
2037	4.63%	6,149
Contractual Mortgage Notes Payable:	4.18%	\$ 452,868
Premiums (Discounts), net:		(130)
Total Mortgage Notes Payable:		\$ 452,738
Variable-Rate Line of Credit:		
2023	LIBOR +1.90%	\$ 33,550
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	3.39%	\$ 711,288

Select corporate covenants

Description	(\$ in thousands)	
	Threshold	December 31, 2021
Consolidated Tangible Net Worth	> \$530,945	\$677,778
Leverage Ratio	< 60%	52%
Fixed Charge Coverage Ratio	> 1.50	1.89
Maximum Dividend Payout (FFO based)	< 96%	95.3%
Secured Indebtedness	< 40%	32%

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



Portfolio Overview



Portfolio overview

Geographic diversity

- 129 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)



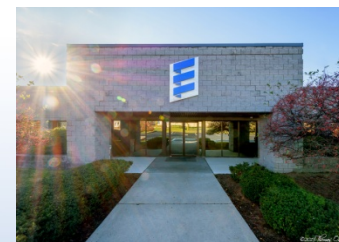
High occupancy

- Occupancy has never fallen below 95%
- Current occupancy 97.2%
- 4.3% of annualized straight line rents expiring through the end of 2022
- Of 100+ assets with over \$1 billion invested since inception, only two tenant defaults



Periodic capital recycling

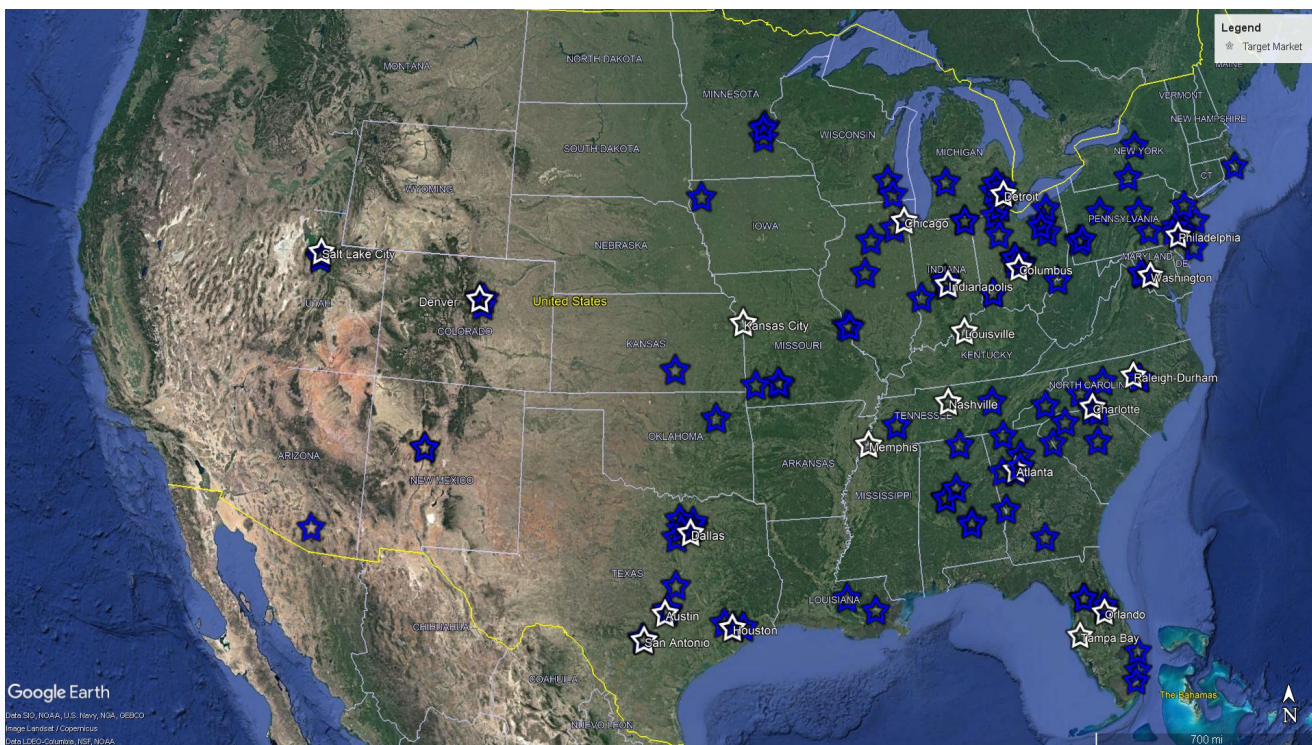
- Sell non-core assets
- Sold 23 properties in non-core markets since mid-2016
- Re-deploy proceeds in growth markets



Note: As of 12/31/2021.

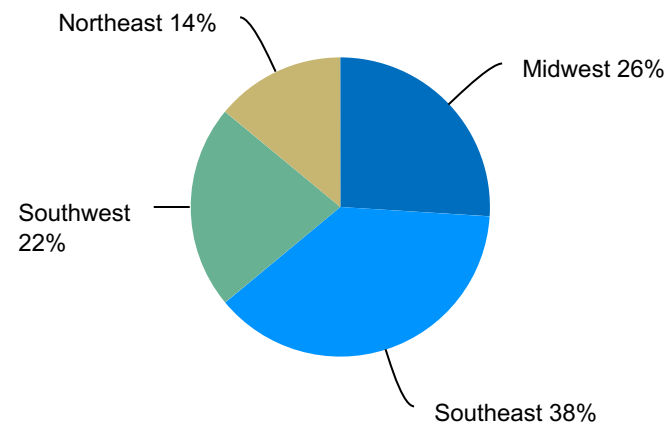
Diversified portfolio

129 properties spread across 27 states

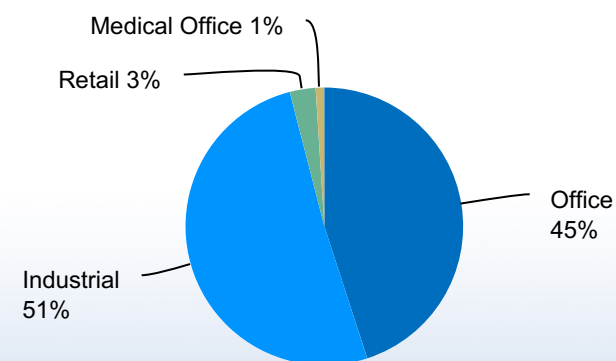


Note: As of 12/31/2021.





**Geographic diversification
(by annualized straight line rent)**



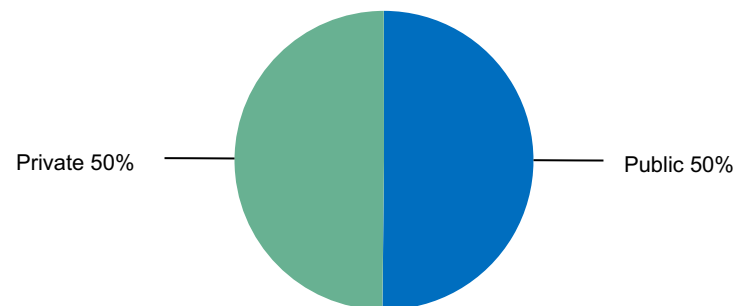
**Property type diversification
(by annualized straight line rent)**



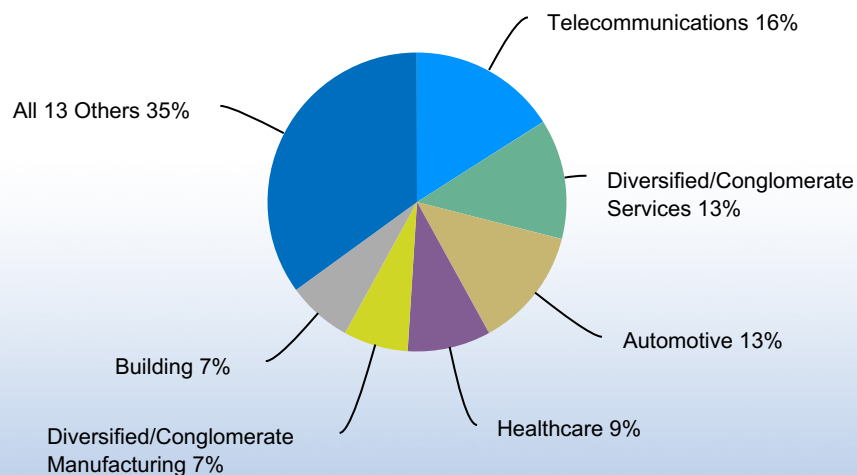
High quality, diversified portfolio

Top 5 tenants	% of annualized straight line rent	% of SF
	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)

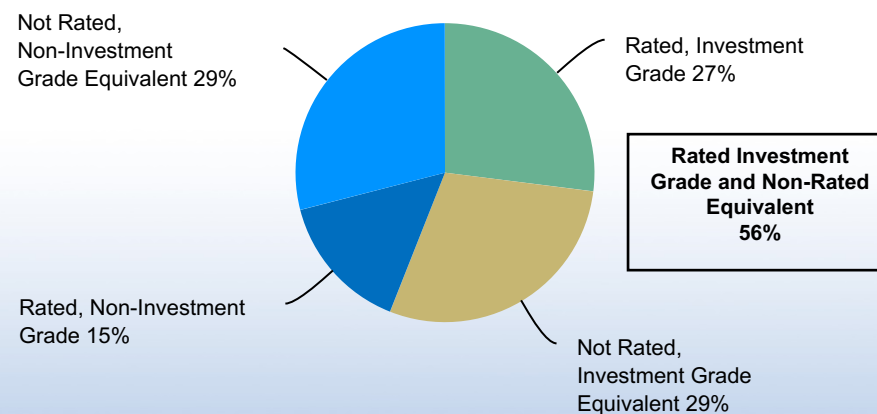


Industry diversification (based on annualized straight line rent)



Note: As of 12/31/2021.

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

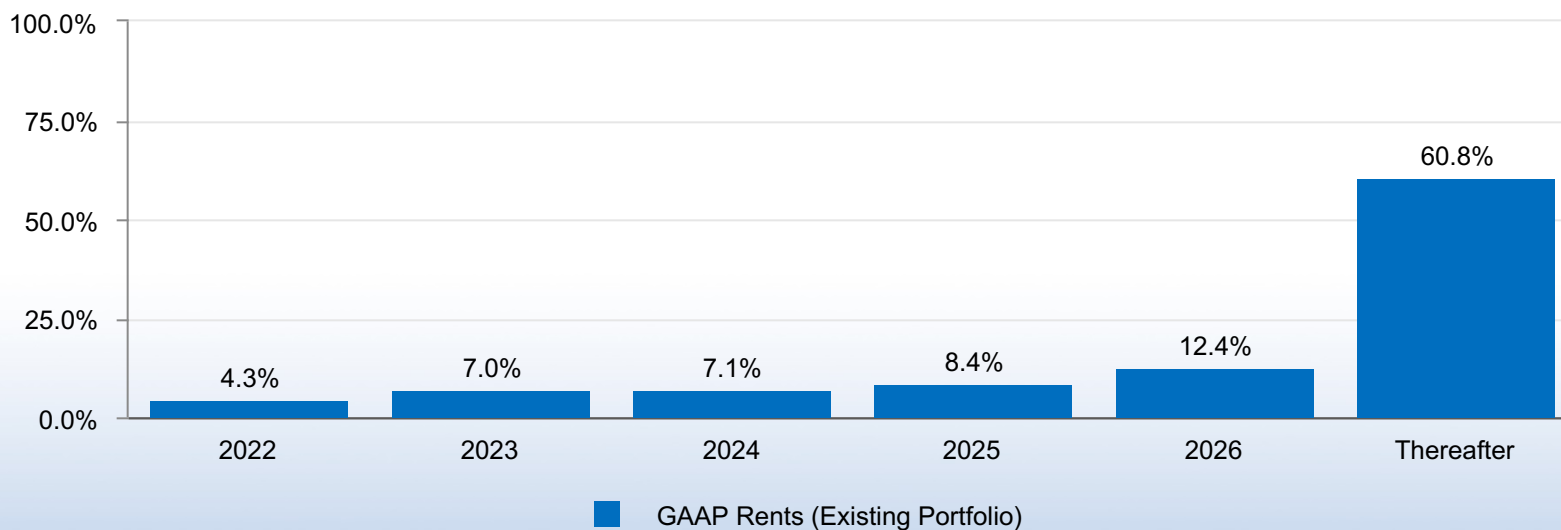


Smooth lease rollover

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
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	10,169	8.4 %
2026	1,855,130	14	15,014	12.4 %
Thereafter	10,428,997	81	73,583	60.8 %
Total	15,776,058	130	\$ 120,998	100.0 %

Rent expiring



Note: As of 12/31/2021.



GLADSTONE