



**GLADSTONE COMMERCIAL**

*Investor Presentation May 2022*

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# Gladstone Commercial Corporation



# Company Overview

- Gladstone Commercial Corporation (“Gladstone” or the “Company”) is a publicly owned Real Estate Investment Trust (“REIT”) that completed its IPO in 2003 and is listed on Nasdaq (Ticker: GOOD)
- The Company invests in single tenant and anchored multi-tenant net leased assets, with an industrial product emphasis
- The Company owns approximately 16.4 million square feet of predominantly industrial and office real estate nationwide
- Diversified portfolio of 131 properties in 27 states leased to 110 different tenants in 19 industries
- The Company is led by a highly-experienced leadership team with over 150 years of combined experience
- Investment activities are credit-focused with a growth market emphasis, seeking mission critical facilities of middle market and investment grade companies

Note: As of 3/31/2022

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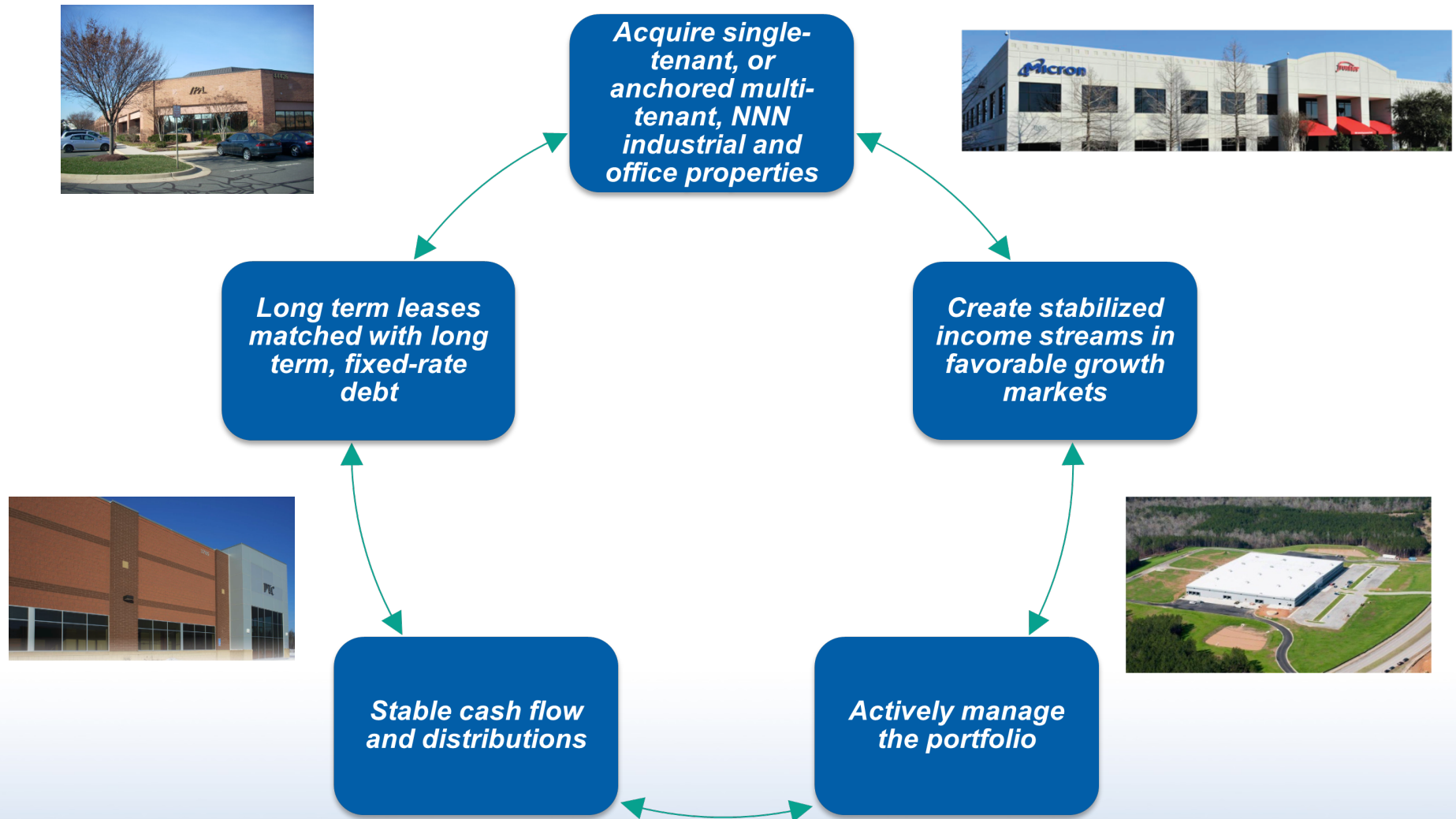
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# Gladstone Commercial's Investment Philosophy



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# Gladstone Commercial Overview

- IPO in 2003 (Nasdaq: GOOD)
- Market Capitalization: **\$857mm**<sup>1</sup>
- Enterprise Value: **\$1,741mm**<sup>1</sup>
- Common stock annual distribution per share: **\$1.5048**
  - Monthly distributions
  - No missed or reduced cash distributions since inception

## Portfolio summary (3/31/2022)

# of Properties	131
Square feet (mm)	16.4
Occupancy	97.0%
States	27
Tenants	110
Industries	19
Annual lease revenue (LTM) (\$mm)	\$138.5
Diluted FFO per Common Share (LTM)	\$1.53
Diluted FFO per Common Share, as adjusted for comparability (LTM)	\$1.59
Diluted Core FFO per Common Share (LTM)	\$1.56
Average Remaining Lease Term	7.1 years



<sup>1</sup> Common Equity is based on the closing common stock price per share as of March 31, 2022 of \$22.02 and includes effect of convertible securities.

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# Significant Growth & Diversification Since 2010

## GOOD Portfolio

### Grew a diverse portfolio

	12/31/10	3/31/2022	Variance
Total assets (\$mm)	\$ 410.6	\$ 1,154.4	\$ 743.8
Properties	65	131	66
Tenants	52	110	58
Square feet (mm)	6.8	16.4	9.6
Occupancy (%)	97.2 %	97.0 %	(0.2)%
Lease Revenue From Top 5 tenants (\$mm) <sup>1</sup>	\$ 10.0	\$ 22.5	\$ 12.5
% of Total Lease Revenue	24.2 %	16.3 %	(7.9)%

### Revenue and cash flow growth

Lease Revenues (LTM) (\$mm)	\$ 41.9	\$ 138.5	\$ 96.6
Diluted FFO (LTM) (\$mm)	\$ 14.1	\$ 57.9	\$ 43.8
Diluted FFO, as adjusted for comparability (LTM) (\$mm)	\$ 14.1	\$ 60.1	\$ 46.0
Diluted Core FFO (LTM) (\$mm)	\$ 14.5	\$ 58.6	\$ 44.1

### Improved capital structure

Net Total Debt / Enterprise Value	58.9 %	40.0 %	(18.9)%
Net Total Debt + Preferred / Enterprise Value	70.0 %	50.8 %	(19.2)%
Net Total Debt / Gross Assets <sup>2</sup>	62.7 %	44.6 %	(18.1)%

<sup>1</sup>Annualized

<sup>2</sup>Gross Assets equal total assets before depreciation and amortization

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# Investment Strategy



# Proven Strategy of Underwriting Real Estate and Tenant Strength

## *Tenant strength*

- Tenants operate in a diverse array of industries
- Each tenant's credit underwritten to Gladstone standards, developed over decades of middle market corporate lending, investing and buyouts through affiliated funds
- Emphasis on tenant's ability to weather economic downturns

## *Real estate markets positioned for growth*

- Target growth markets across the U.S.
- Accumulate assets in specific markets to create valuable portfolios
- Target submarket emphasis in the "path of growth"

## *Real estate asset quality*

- Superior quality assets with flexible configurations, and an industrial emphasis
- Properties that are critical to tenant's business
- Single tenant and anchored multi-tenant industrial and office facilities
- Target net leases with **7+** years remaining at acquisition

## *Transaction focus*

- Target transactions of **\$7mm – \$50mm**
- Type: 3rd party acquisition, sale-leaseback, build-to-suit JV and build-to-suit forward purchase

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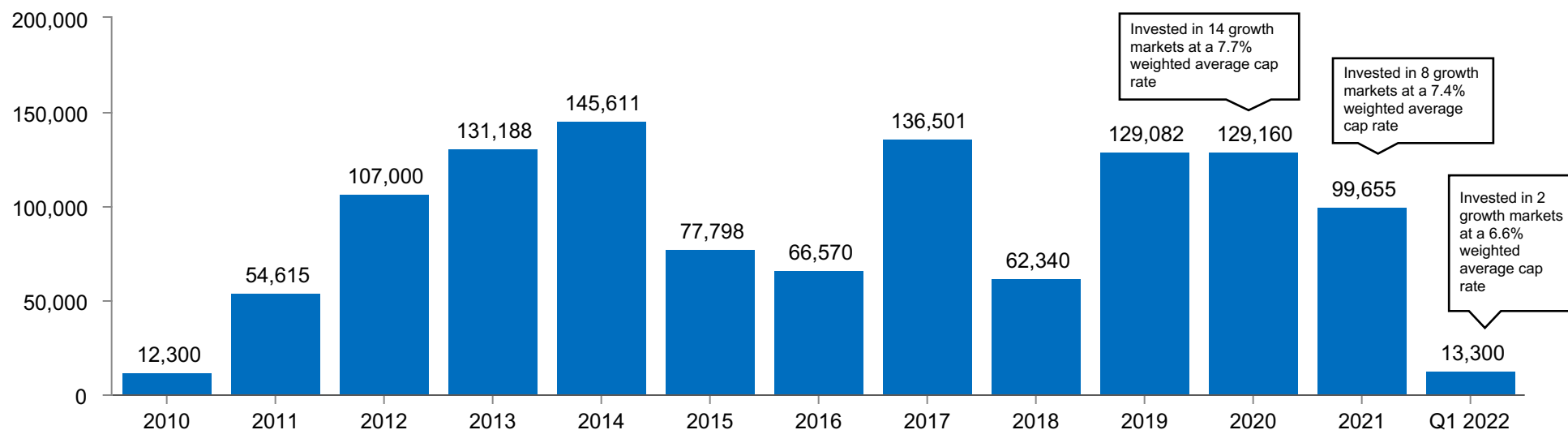
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# Gladstone Has Achieved Consistent and Disciplined Growth

## Historical Investment Volume (\$000)



### Donaldson - Industrial



- 219K SF
- Detroit, MI
- Acquired 10/18
- GAAP cap rate: 8.0%

### Orgill - Industrial Distribution



- 676K SF
- Tifton, GA
- Acquired 6/19
- GAAP cap rate: 8.8%

### Morgan Stanley - Office



- 102K SF
- Salt Lake City, UT
- Acquired 12/17
- GAAP cap rate: 9.3%

### Iron Mountain - Industrial Portfolio



- 509K SF
- TX, LA, AZ, NM
- Acquired 12/19
- GAAP cap rate: 7.2%

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# Portfolio Overview



# Portfolio Overview

## Geographic diversity

- 131 properties across the U.S., located in 27 states
- Focus on secondary growth markets allowing for higher yields



## Tenant and property diversity

- Diverse base of 19 different industries
- Primarily industrial and office property types
- Focus on mid-size tenants occupying properties ranging from 30-150K SF (office) and 75-500K SF (industrial)



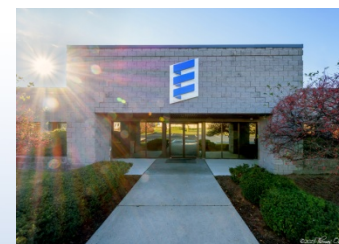
## High occupancy

- Occupancy has never fallen below 95%
- Current occupancy 97.0%
- 4.2% 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
- Exited 23 properties in non-core markets since mid-2016
- Re-deploy proceeds in growth markets



Note: As of 3/31/2022

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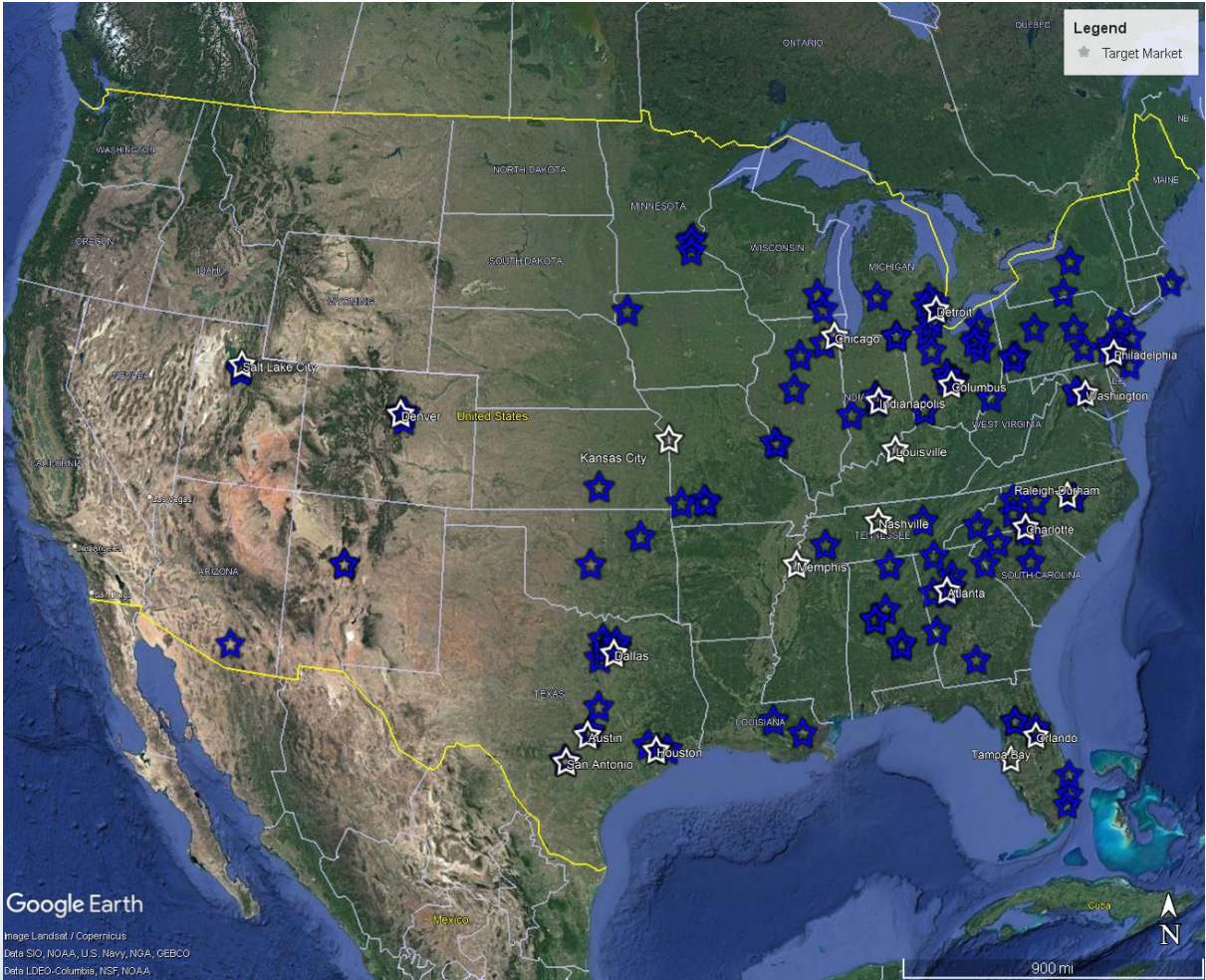
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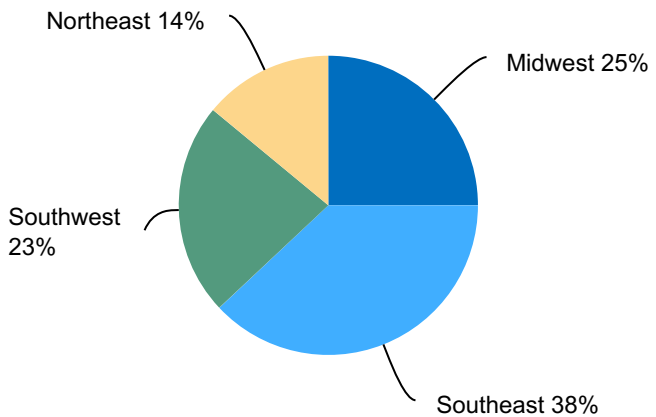
# Diversified Portfolio

131 properties spread across 27 states

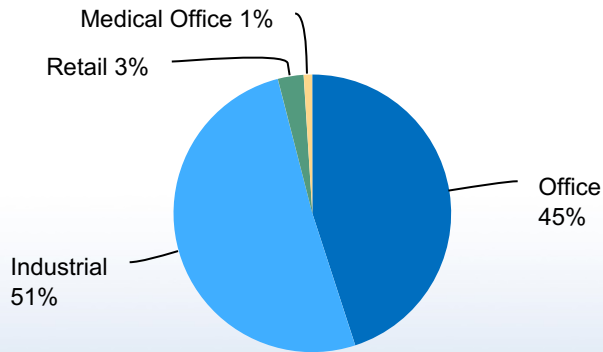


Note: As of 3/31/2022






Geographic diversification  
(by annualized straight line rent)



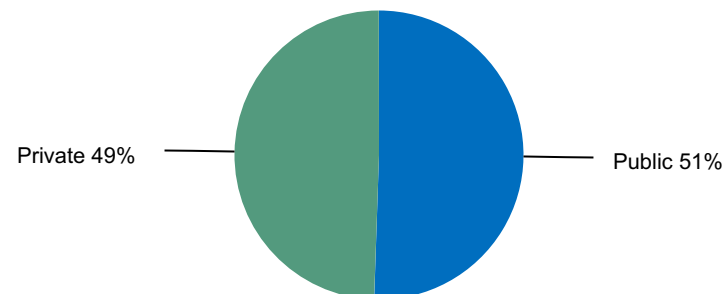
Property type diversification  
(by annualized straight line rent)



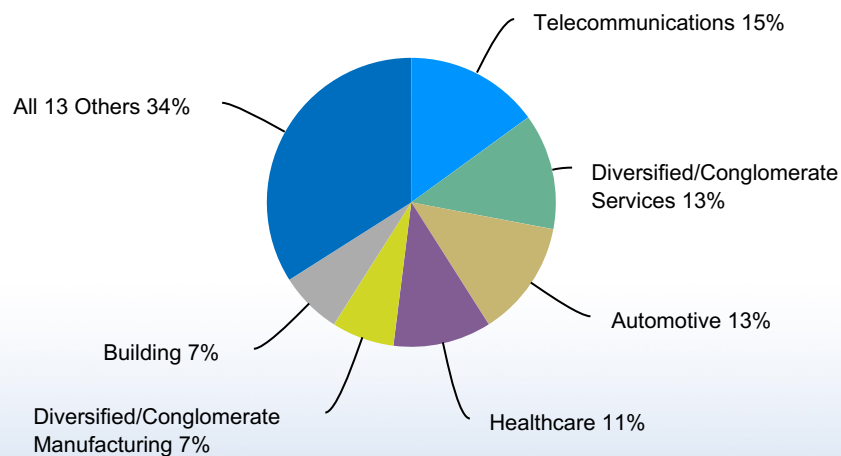
# High Quality, Diversified Portfolio

Top tenants	% of annualized straight line rent	% of SF
TOWERS WATSON 	4 %	1 %
	4 %	1 %
verizon  wireless	3 %	1 %
kane  is able, Inc.	3 %	6 %
ADP 	3 %	1 %
All other tenants	83 %	90 %

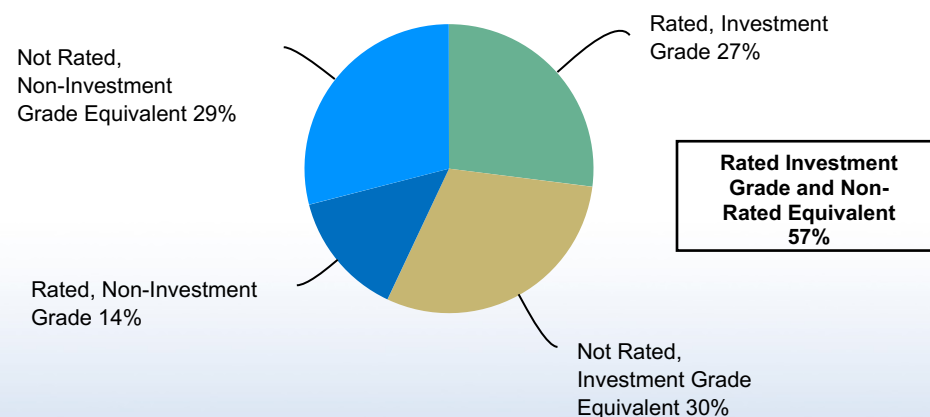
## Publicly-traded vs. privately-held tenants (as % of annualized straight line rent)



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



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



Note: As of 3/31/2022

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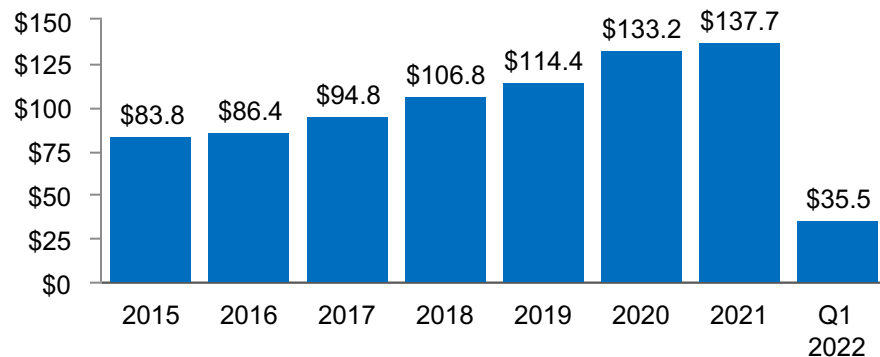


# Financial Performance

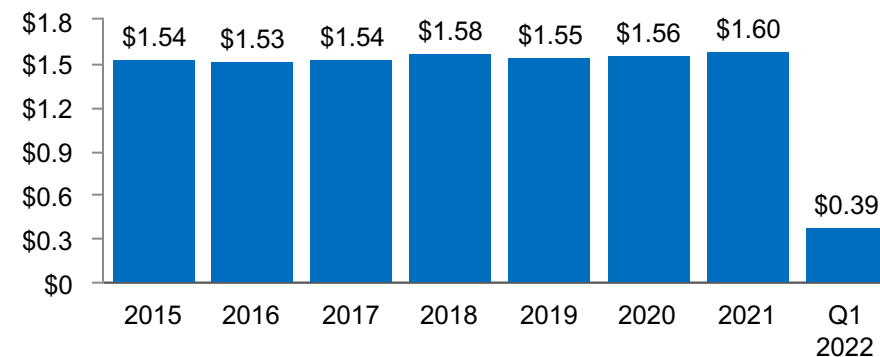


# Summary Historical Performance

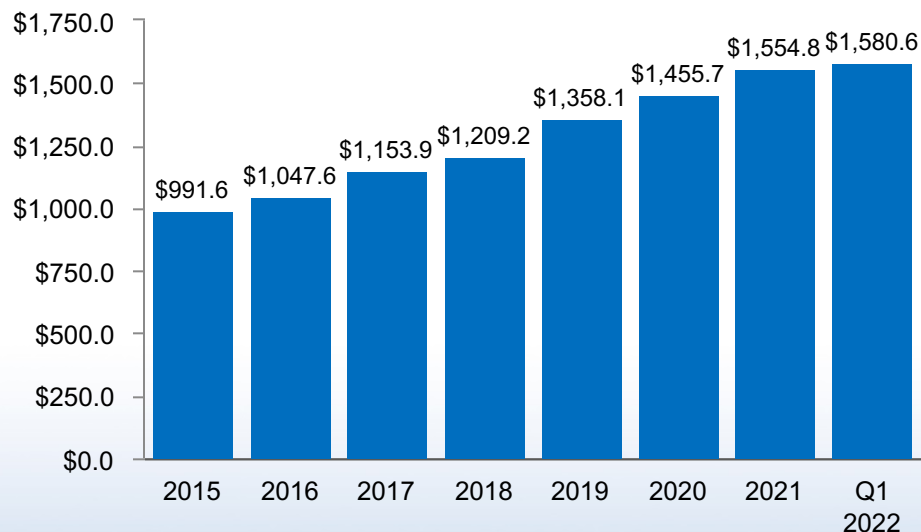
Total Revenue (\$ in millions)



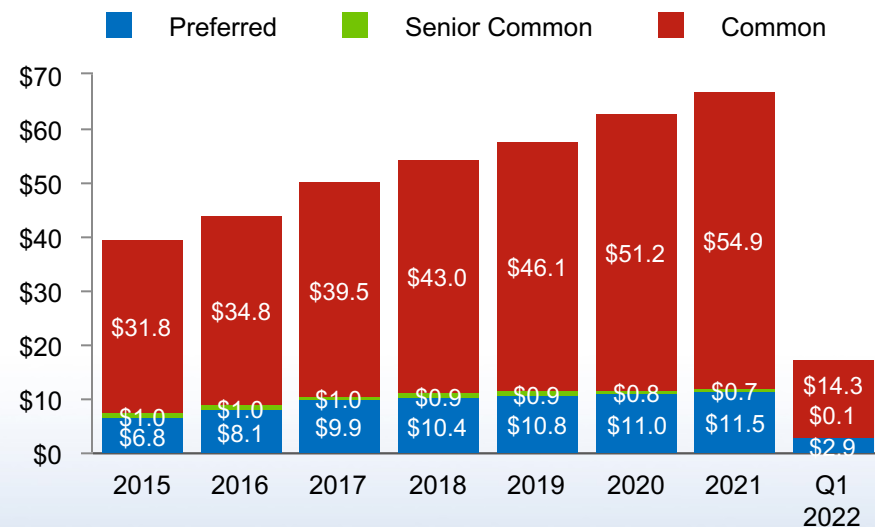
Funds from Operations, as adjusted for comparability (Per Share)



Total Gross Assets (\$ in millions)



Total Distributions (\$ in millions)



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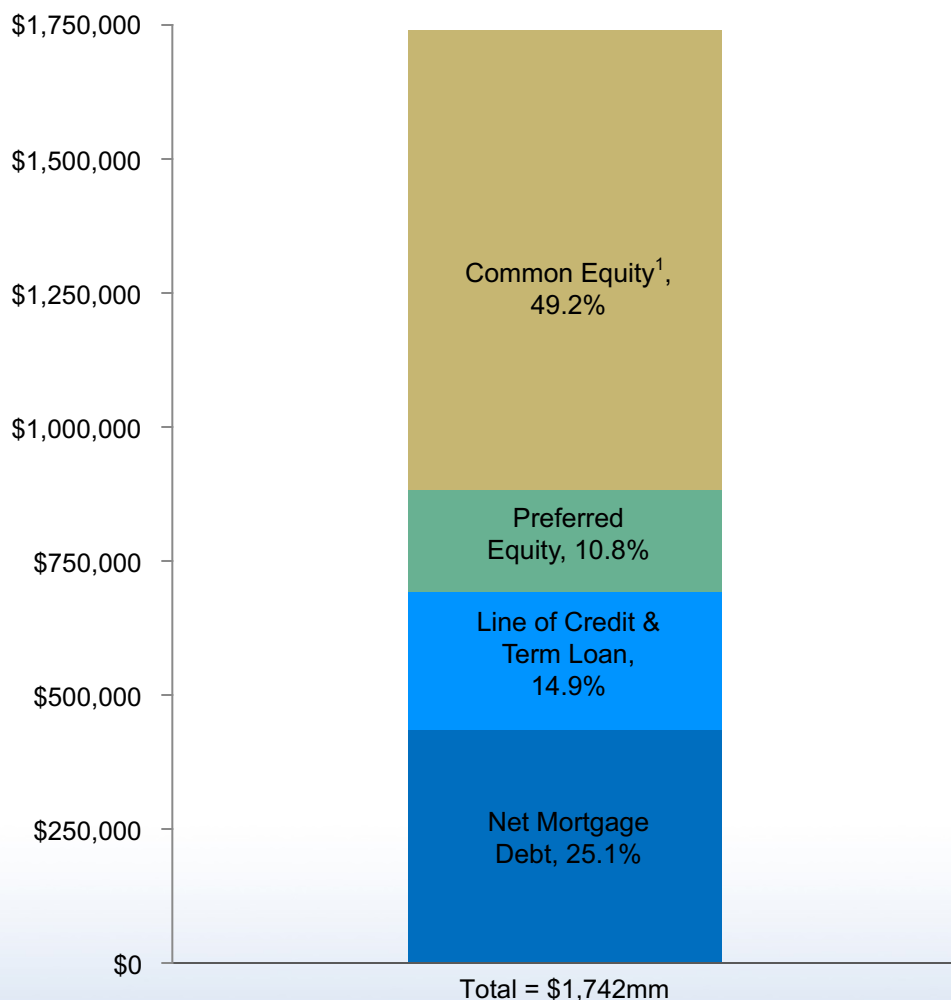
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# Capital Structure Overview

## Current Capital Structure as of 3/31/2022 (\$000s)



<sup>1</sup> Common Equity is based on the closing common stock price per share as of March 31, 2022 of \$22.02 and includes effect of OP units and convertible senior common stock.

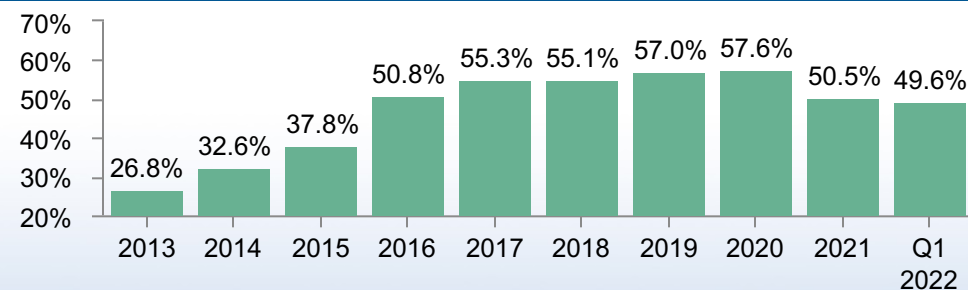
<sup>2</sup> Source: Nasdaq Online

## Capital Structure Details

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

	Wtd. Average Rate	3/31/2022
Mortgage Notes Payable, Net	4.19%	\$ 446,720
Less: Cash & Cash Equivalents		(9,585)
<b>Net Mortgage Debt</b>		<b>\$ 437,135</b>
Line of Credit	L+1.90%	\$ 34,550
Term Note	L+1.85%, L+2.00%	224,113
<b>Line of Credit and Term Loan</b>		<b>\$ 258,663</b>
<b>Total Debt, Net</b>		<b>\$ 695,798</b>
Series E - Preferred	6.625%	\$ 76,536
Series F - Preferred	6.00%	12,187
Series G - Preferred	6.00%	100,000
<b>Total Preferred Equity</b>		<b>\$ 188,723</b>
Diluted Common Shares Outstanding		38,923,115
Stock Price		\$ 22.02
<b>Implied Common Equity<sup>1</sup> Market Capitalization</b>		<b>\$ 857,087</b>
<b>Enterprise Value</b>		<b>\$ 1,741,608</b>

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



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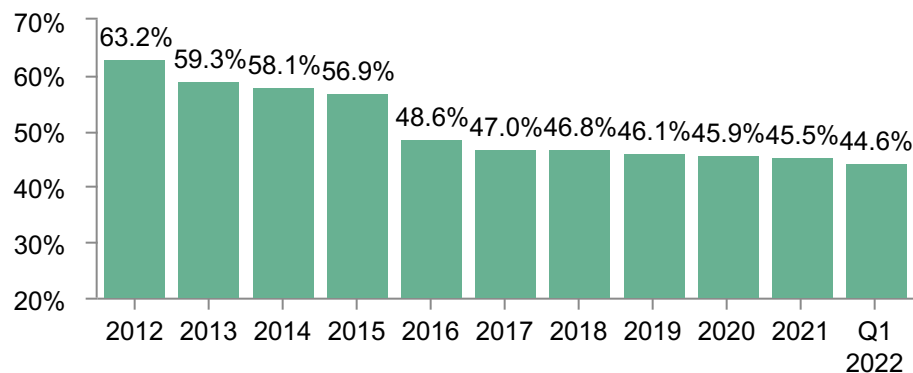
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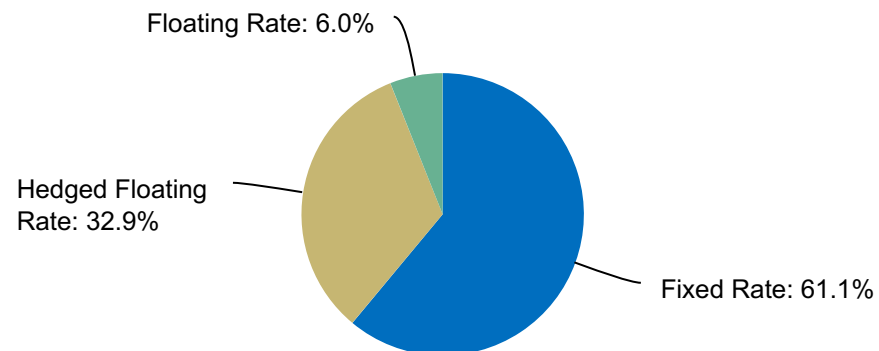
# Liquidity and Debt Overview

## Reducing Leverage

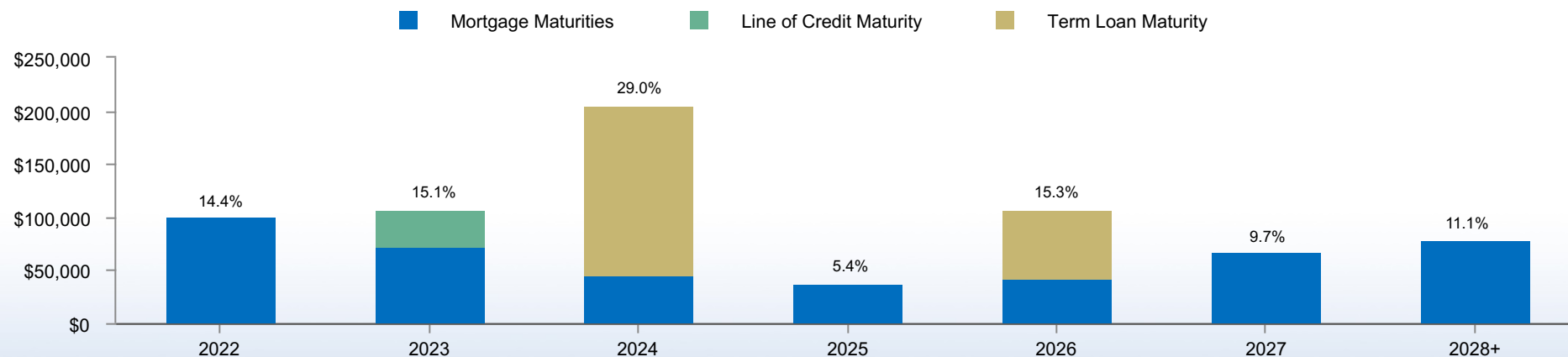


Net Debt/Gross Assets

## Fixed vs. Floating Debt



## Scheduled Debt Maturity (\$000s)



Note: As of 3/31/2022

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# Management



# Experienced Leadership Team



**David Gladstone,  
Chairman and CEO**

25+ years of experience

- Current Chairman and CEO of all four Gladstone funds, public companies #7, #8, #9 and #10 in his career
- Former Chairman of Allied Capital Commercial (REIT), Allied Capital and American Capital
- Former board member of Capital Automotive REIT
- MBA from Harvard Business School, MA from American University, BA from University of Virginia



**Bob Cutlip,  
Co-President**

25+ years of experience

- Current President of the Company
- Former EVP of First Industrial Realty Trust where he directed the acquisition and development business activities in 26 markets in North America
- Former Regional EVP of Duke-Weeks Realty, responsible for operations of the Mid-Atlantic region
- Former Senior Vice President of Highwoods Properties, responsible for the Mid-Atlantic markets
- Former National Chairman of National Association of Industrial and Office Properties
- MBA from University of Southern California, MS from Vanderbilt University, BSCE from U.S.A.F. Academy



**Buzz Cooper, Co-  
President, Chief  
Investment Officer and  
Executive Vice  
President, South  
Central Region**

25+ years of experience

- Manages regional acquisition and asset management activities; 21 years with Gladstone
- Former Principal of Allied Commercial Corporation REIT, where his responsibilities ranged from buying loans from RTC and banks to making real estate backed loans
- BA from Washington and Lee University



**Gary Gerson,  
CFO and Assistant  
Treasurer**

25+ years of experience

- Current CFO and Assistant Treasurer of the Company
- Former CFO of Spotted Hawk Development, LLC, an Apollo Investment Corporation portfolio company
- Former Treasurer of the Gladstone Companies
- Former AVP of Finance at The Bozzuto Group
- Former Director of Finance at PG&E National Energy Group
- MBA from Yale School of Management, BSME from the US Naval Academy
- CPA in the Commonwealth of Virginia, CFA Charterholder

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# Experienced Leadership Team (cont'd)



**Jay Beckhorn,  
Treasurer**

25+ years of experience

- Current Treasurer of the Company and Gladstone Land, Assistant Treasurer of Gladstone Capital and Gladstone Investment
- Former Regional Managing Director of Heavenrich & Co.
- Former Senior Vice President of Sunrise Senior Living
- Former Managing Director of Riggs Bank
- MBA from Duke University, BA from Colgate University



**Ryan Carter, Executive  
Vice President, West  
and Midwest Region**

20+ years of experience

- Manages regional acquisition and asset management activities
- Former founding partner of Porthaven Partners, LLC
- Former Director with Stan Johnson Company
- MBA from Oklahoma State University, BSBA from the University of Tulsa



**EJ Wislar, Senior Vice  
President, Northeast  
and Southeast Region**

8+ years of experience

- Manages regional acquisition and asset management activities
- Former Vice President with United Bankshares and Senior Investment Associate with Prudential Global Investment Management Real Estate Finance
- BS from Washington and Lee University

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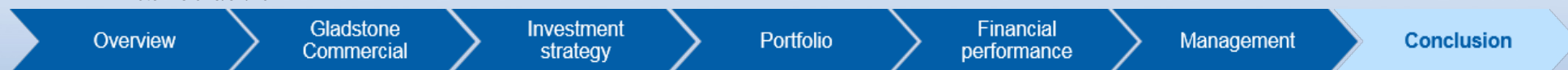


# Conclusion

# Summary Highlights

- ***Diversified asset base with a 15% annual compound growth rate since 2012***
- ***Proven credit and real estate investment strategy has maintained high occupancy (>95%) since 2003***
- ***Strengthened credit profile with net total debt to gross assets down to 44.6%***
- ***Focused on growth with limited lease expirations through 2022, and with an emphasis on increasing the industrial allocation***

Note: As of 3/31/2022



# Appendix

- 1. Condensed Consolidated Statements of Operations**
- 2. Funds From Operations (FFO) and Core FFO**
- 3. Condensed Consolidated Balance Sheets**
- 4. Debt Summary**
- 5. External Management Structure Qualities**

# Condensed Consolidated Statements of Operations

(\$ in thousands, except per share amounts)

	For the three months ended (unaudited)		
	3/31/2022	12/31/2021	3/31/2021
Operating revenues			
Lease revenue	\$ 35,531	\$ 35,306	\$ 34,677
Total operating revenues	\$ 35,531	\$ 35,306	\$ 34,677
Operating expenses			
Depreciation and amortization	\$ 14,689	\$ 14,650	\$ 16,710
Property operating expenses	6,623	6,820	6,561
Base management fee	1,547	1,514	1,444
Incentive fee	1,340	1,318	1,236
Administration fee	462	431	297
General and administrative	997	678	656
Total operating expenses	\$ 25,658	\$ 25,411	\$ 26,904
Other (expense) income			
Interest expense	\$ (6,586)	\$ (6,549)	\$ (7,164)
Loss on sale of real estate, net	—	(266)	(882)
Other income	104	(4)	311
Total other expense, net	\$ (6,482)	\$ (6,819)	\$ (7,735)
Net income	\$ 3,391	\$ 3,076	\$ 38
Net (income) loss (available) attributable to non-controlling interests	(2)	(1)	41
Net income attributable to the company	\$ 3,389	\$ 3,075	\$ 79
Distributions attributable to Series D, E, F, and G preferred stock	(2,946)	(2,917)	(2,847)
Distributions attributable to senior common stock	(116)	(164)	(187)
Loss on extinguishment of Series F preferred stock	(5)	—	—
Net income (loss) available (attributable) to common stockholders	\$ 322	\$ (6)	\$ (2,955)
Weighted average common shares outstanding and Non-controlling OP Units			
Basic and diluted	38,159,647	37,509,121	36,214,406

# Funds From Operations (FFO) and Core FFO

(\$ in thousands except per share amounts)

	For the three months ended (unaudited)		
	3/31/2022	12/31/2021	3/31/2021
Net income	\$ 3,391	\$ 3,076	\$ 38
Less: Distributions attributable to preferred and senior common stock	(3,062)	(3,081)	(3,034)
Less: Loss on extinguishment of Series F preferred stock	(5)	—	—
Net income (loss) available (attributable) to common stockholders and Non-controlling OP Unitholders	\$ 324	\$ (5)	\$ (2,996)
Adjustments:			
Add: Real estate depreciation and amortization	\$ 14,689	\$ 14,650	\$ 16,710
Add: Loss on sale of real estate, net	—	266	882
FFO available to common stockholders and Non-controlling OP Unitholders - basic	\$ 15,013	\$ 14,911	\$ 14,596
Add: Convertible senior common distributions	116	164	187
FFO available to common stockholders and Non-controlling OP Unitholders - diluted	\$ 15,129	\$ 15,075	\$ 14,783
FFO available to common stockholders and Non-controlling OP Unitholders - basic	\$ 15,013	\$ 14,911	\$ 14,596
Add: Write off shelf registration statement costs and prepaid ATM costs	131	—	—
Add: Asset retirement obligation expense	22	19	30
Add: Loan defeasance costs	—	—	669
Less: PACE financing amortization, net	—	—	(8)
Less: Acquisition related expenses	—	(3)	(122)
Core FFO available to common stockholders and Non-controlling OP Unitholders - basic	\$ 15,166	\$ 14,927	\$ 15,165
Add: Convertible senior common distributions	116	164	187
Core FFO available to common stockholders and Non-controlling OP Unitholders - diluted	\$ 15,282	\$ 15,091	\$ 15,352
Weighted average common shares outstanding and Non-controlling OP Units - basic	38,159,647	37,509,121	36,214,406
Weighted average common shares outstanding and Non-controlling OP Units - diluted	38,533,770	38,013,083	36,806,562
FFO per weighted average share of common stock and Non-controlling OP Unit - basic	\$ 0.39	\$ 0.40	\$ 0.40
FFO per weighted average share of common stock and Non-controlling OP Unit - diluted	\$ 0.39	\$ 0.40	\$ 0.40
Core FFO per weighted average share of common stock and Non-controlling OP Unit - basic	\$ 0.40	\$ 0.40	\$ 0.42
Core FFO per weighted average share of common stock and Non-controlling OP Unit - diluted	\$ 0.40	\$ 0.40	\$ 0.42
Distributions declared per share of common stock and Non-controlling OP Unit	\$ 0.376200	\$ 0.375825	\$ 0.375450

# Condensed Consolidated Balance Sheets

(\$ in thousands)	3/31/2022 (unaudited)	12/31/2021
<b>ASSETS</b>		
Real estate, at cost	\$ 1,240,928	\$ 1,225,258
Less: accumulated depreciation	276,612	266,672
Total real estate, net	964,316	958,586
Lease intangibles, net	112,655	114,494
Cash and cash equivalents	9,585	7,956
Restricted cash	5,075	5,222
Funds held in escrow	9,820	7,304
Right-of-use assets from operating leases	5,305	5,361
Deferred rent receivable, net	37,991	39,066
Other assets	9,662	5,363
<b>TOTAL ASSETS</b>	<b>\$ 1,154,409</b>	<b>\$ 1,143,352</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>LIABILITIES</b>		
Mortgage notes payable, net	\$ 446,720	\$ 449,944
Borrowings under revolver and term loan, net	258,663	257,582
Deferred rent liability, asset retirement obligation and other liabilities, net	64,195	63,003
<b>TOTAL LIABILITIES</b>	<b>\$ 769,578</b>	<b>\$ 770,529</b>
<b>MEZZANINE EQUITY</b>		
Series D, E, and F redeemable preferred stock, net	\$ 170,261	\$ 170,261
<b>TOTAL MEZZANINE EQUITY</b>	<b>\$ 170,261</b>	<b>\$ 170,261</b>
<b>STOCKHOLDERS' EQUITY</b>		
Senior common stock	\$ 1	\$ 1
Common stock	38	37
Series F redeemable preferred stock	—	—
Additional paid in capital	692,795	671,134
Accumulated other comprehensive income	2,921	(1,346)
Distributions in excess of accumulated earnings	(482,493)	(468,523)
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>\$ 213,262</b>	<b>\$ 201,303</b>
OP Units held by Non-controlling OP Unitholders	1,308	1,259
<b>TOTAL EQUITY</b>	<b>\$ 214,570</b>	<b>\$ 202,562</b>
<b>TOTAL LIABILITIES, MEZZANINE EQUITY AND EQUITY</b>	<b>\$ 1,154,409</b>	<b>\$ 1,143,352</b>

# Debt Summary

(\$ in thousands)		
Principal Maturity Date	Weighted Average Interest Rate as of 3/31/2022	Principal Balance Outstanding as of 3/31/2022
2022	4.68%	94,190
2023	4.31%	64,258
2024	3.92%	38,514
2025	4.03%	31,844
2026	4.36%	45,546
2027	4.32%	81,387
2028	3.55%	30,417
2029	4.74%	11,187
2030	3.23%	40,650
2031	3.24%	5,331
2037	4.63%	6,082
Contractual Mortgage Notes Payable:	4.19%	\$ 449,406
Premiums (Discounts), net:		(117)
Total Mortgage Notes Payable:		\$ 449,289
Variable-Rate Line of Credit:		
2023	LIBOR +1.90%	\$ 34,550
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	3.52%	\$ 708,839

# External Management Structure Qualities

- **President, CIO, CFO, Acquisitions, Asset Management and Accounting staff exclusively dedicated to Gladstone Commercial**
  - **Benefit: Aligned with shareholder interests**
- **The 2015 revision to the fee structure places overhead costs generally in line with the overall average for internally managed REITs of this size. The 2020 revision to the fee structure is economically consistent with the prior revision.**
  - **Benefit: G&A costs comparable with the public REIT industry**
- **The external structure provides access to internal credit underwriters across numerous industries**
  - **Benefit: Can quickly assess tenant's creditworthiness and ability to weather economic downturns**
- **Legal, Compliance, Human Resources, and IT shared among four funds**
  - **Benefit: Reduced costs to shareholders**

## **The results of organizational structure benefits:**

- **Occupancy never below 95% since IPO in 2003**
- **Distributions never lowered nor missed since 2003**
- **Cost structure aligned with self-managed REITs with the added benefit of access to proven credit underwriting capability and evidenced by consistent high occupancy**



**GLADSTONE**