



**GLADSTONE COMMERCIAL**

*Supplemental Financial & Operating Information  
for the Quarter Ended June 30, 2022*

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**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.

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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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McLean, VA 22102  
703-287-5800

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

## **Investor Relations**

703-287-5893

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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 June 30, 2022, we owned approximately 17.0 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 June 30, 2022, total assets were approximately \$1.2 billion, representing investments in 136 properties. Our properties are leased to 112 tenants who represent 19 diversified industries across 27 states.

At June 30, 2022, our leases had an average remaining term of 7.1 years. In addition, approximately 57% 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)	\$ 1,193
Properties	136
Tenants	112
Industries	19
States	27
Average remaining lease term (years)	7.1
Occupancy	97.3 %
Square footage owned (mm)	17.0

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

Common equity market capitalization <sup>2</sup>	\$ 744
Preferred equity	190
Net total debt	734
<b>Total capitalization</b>	<b>\$ 1,668</b>
Less: Cash and cash equivalents	(11)
<b>Total enterprise value</b>	<b>\$ 1,657</b>
Net total debt / enterprise value	43.6%
Net total debt + preferred / enterprise value	55.1%
Net total debt / gross assets	44.9%

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

	% of annualized straight line rent	% of SF
TOWERS WATSON 	4%	1%
	4%	1%
	3%	1%
	3%	6%
	3%	1%
<b>Top 5 Tenants total</b>	<b>17%</b>	<b>10%</b>
<b>Top 5 Tenants average remaining lease term</b>		<b>2.6 years</b>
<b>Portfolio average remaining lease term</b>		<b>7.1 years</b>

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

Cash and Cash Equivalents	\$ 10.7
Availability Under Revolving Credit Facility <sup>3</sup>	18.4
<b>Total</b>	<b>\$ 29.1</b>

<sup>1</sup> As of 6/30/2022.

<sup>2</sup> Based on the closing common stock price per share on June 30, 2022 of \$18.84. Includes OP units and senior common shares convertible into shares of common stock.

<sup>3</sup> As of August 1, 2022, approximately \$34.6 million is available under the Company's revolving credit facility.



# Q2 2022 highlights (unaudited)

## **FFO<sup>1</sup> and Core FFO<sup>2</sup>:**

Generated FFO and core FFO of \$15.2 million and \$15.3 million or \$0.39 and \$0.39 per diluted share, respectively.

## **Acquisitions<sup>3</sup>:**

Purchased a 260,719 square foot, two-property portfolio in Cleveland, Ohio and Fort Payne, Alabama for \$19.3 million, with an 11.4 year remaining lease term at both properties. Purchased a 345,584 square foot property in Wilmington, North Carolina for \$18.8 million, with a 13.1 year remaining lease term.

## **Dividends:**

Paid monthly common stock dividends totaling \$0.3762 per common share, or an annualized \$1.5048 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 \$11.4 million through our ATM program and issued Series F preferred equity for net proceeds of \$1.4 million.

## **Debt Activity:**

Repaid \$14.8 million in fixed rate mortgage debt with an interest rate of 6.10% collateralized by four properties. Issued \$15.0 million in variable rate debt collateralized by two properties at an interest rate of SOFR plus 2.50%. Issued \$20.0 million of fixed rate mortgage debt collateralized by our May 2022 acquisitions with a weighted average interest rate of 3.70%.

## **Select Expenditure Activity:**

Paid \$0.9 million related to capital expenditures and \$0.1 million related to leasing commissions.

<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)			For the six months ended (unaudited)	
	6/30/2022	3/31/2022	6/30/2021	6/30/2022	6/30/2021
Operating revenues					
Lease revenue	\$ 36,399	\$ 35,531	\$ 33,371	\$ 71,930	\$ 68,047
Total operating revenues	\$ 36,399	\$ 35,531	\$ 33,371	\$ 71,930	\$ 68,047
Operating expenses					
Depreciation and amortization	\$ 15,219	\$ 14,689	\$ 14,191	\$ 29,907	\$ 30,901
Property operating expenses	6,959	6,623	6,910	13,582	13,471
Base management fee	1,577	1,547	1,452	3,124	2,896
Incentive fee	1,339	1,340	1,039	2,679	2,274
Administration fee	399	462	338	861	634
General and administrative	958	997	1,073	1,955	1,729
Impairment charge	1,374	—	—	1,374	—
Total operating expense before incentive fee waiver	\$ 27,825	\$ 25,658	\$ 25,003	\$ 53,482	\$ 51,905
Incentive fee waiver	—	—	(16)	—	(16)
Total operating expenses	\$ 27,825	\$ 25,658	\$ 24,987	\$ 53,482	\$ 51,889
Other (expense) income					
Interest expense	\$ (7,121)	\$ (6,586)	\$ (6,486)	\$ (13,706)	\$ (13,650)
Loss on sale of real estate, net	—	—	—	—	(882)
Other income	119	104	223	223	534
Total other expense, net	\$ (7,002)	\$ (6,482)	\$ (6,263)	\$ (13,483)	\$ (13,998)
Net income	\$ 1,572	\$ 3,391	\$ 2,121	\$ 4,965	\$ 2,160
Net loss (income) attributable (available) to non-controlling interests	10	(2)	21	8	63
Net income attributable to the company	\$ 1,582	\$ 3,389	\$ 2,142	\$ 4,973	\$ 2,223
Distributions attributable to Series D, E, F, and G preferred stock	(2,967)	(2,946)	(2,856)	(5,913)	(5,703)
Series D preferred stock offering costs write off	—	—	(2,141)	—	(2,141)
Distributions attributable to senior common stock	(114)	(116)	(177)	(230)	(364)
Loss on extinguishment of Series F preferred stock	—	(5)	—	(5)	—
Net (loss) income (attributable) available to common stockholders	\$ (1,499)	\$ 322	\$ (3,032)	\$ (1,175)	\$ (5,985)

Note: We redeemed all outstanding shares of our Series D Preferred Stock on June 30, 2021.



# Funds from Operations (FFO) and core FFO

(\$ in thousands, except per share amounts)

	For the three months ended (unaudited)			For the six months ended (unaudited)	
	6/30/2022	3/31/2022	6/30/2021	6/30/2022	6/30/2021
Net income	\$ 1,572	\$ 3,391	\$ 2,121	\$ 4,965	\$ 2,160
Less: Distributions attributable to preferred and senior common stock	(3,081)	(3,062)	(3,033)	(6,143)	(6,067)
Less: Series D preferred stock offering costs write off	—	—	(2,141)	—	(2,141)
Less: Loss on extinguishment of Series F preferred stock	—	(5)	—	(5)	—
Net (loss) income (attributable) available to common stockholders and Non-controlling OP Unitholders	\$ (1,509)	\$ 324	\$ (3,053)	\$ (1,183)	\$ (6,048)
Adjustments:					
Add: Real estate depreciation and amortization	\$ 15,219	\$ 14,689	\$ 14,191	\$ 29,907	\$ 30,901
Add: Impairment charge	1,374	—	—	1,374	—
Add: Loss on sale of real estate, net	—	—	—	—	882
FFO available to common stockholders and Non-controlling OP Unitholders - basic	\$ 15,084	\$ 15,013	\$ 11,138	\$ 30,098	\$ 25,735
Add: Convertible senior common distributions	114	116	177	230	364
FFO available to common stockholders and Non-controlling OP Unitholders - diluted	\$ 15,198	\$ 15,129	\$ 11,315	\$ 30,328	\$ 26,099
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	\$ 15,198	\$ 15,129	\$ 13,456	\$ 30,328	\$ 28,240
FFO available to common stockholders and Non-controlling OP Unitholders - basic	\$ 15,084	\$ 15,013	\$ 11,138	\$ 30,098	\$ 25,735
Add (Less): Acquisition related expenses	—	—	63	—	(60)
Add: PACE financing amortization, net	—	—	41	—	33
Add: Write off shelf registration statement costs and prepaid ATM costs	46	131	—	177	—
Add: Asset retirement obligation expense	23	22	29	45	59
Add: Loan defeasance costs	—	—	—	—	669
Add: Write off prepaid offering costs	—	—	2,141	—	2,141
Core FFO available to common stockholders and Non-controlling OP Unitholders - basic	\$ 15,153	\$ 15,166	\$ 13,412	\$ 30,320	\$ 28,577
Add: Convertible senior common distributions	114	116	177	230	364
Core FFO available to common stockholders and Non-controlling OP Unitholders - diluted	\$ 15,267	\$ 15,282	\$ 13,589	\$ 30,550	\$ 28,941
Weighted average common shares outstanding and Non-controlling OP Units - basic	39,002,745	38,159,647	36,651,761	38,583,525	36,434,292
Weighted average common shares outstanding and Non-controlling OP Units - diluted	39,365,991	38,533,770	37,209,799	38,946,771	36,992,330
FFO per weighted average share of common stock and Non-controlling OP Unit - basic	\$ 0.39	\$ 0.39	\$ 0.30	\$ 0.78	\$ 0.71
FFO per weighted average share of common stock and Non-controlling OP Unit - diluted	\$ 0.39	\$ 0.39	\$ 0.30	\$ 0.78	\$ 0.71
FFO per weighted average share of common stock and Non-controlling OP Unit - diluted, as adjusted for comparability	\$ 0.39	\$ 0.39	\$ 0.36	\$ 0.78	\$ 0.76
Core FFO per weighted average share of common stock and Non-controlling OP Unit - basic	\$ 0.39	\$ 0.40	\$ 0.37	\$ 0.79	\$ 0.78
Core FFO per weighted average share of common stock and Non-controlling OP Unit - diluted	\$ 0.39	\$ 0.40	\$ 0.37	\$ 0.78	\$ 0.78
Distributions declared per share of common stock and Non-controlling OP Unit	\$ 0.376200	\$ 0.376200	\$ 0.375450	\$ 0.752400	\$ 0.750900

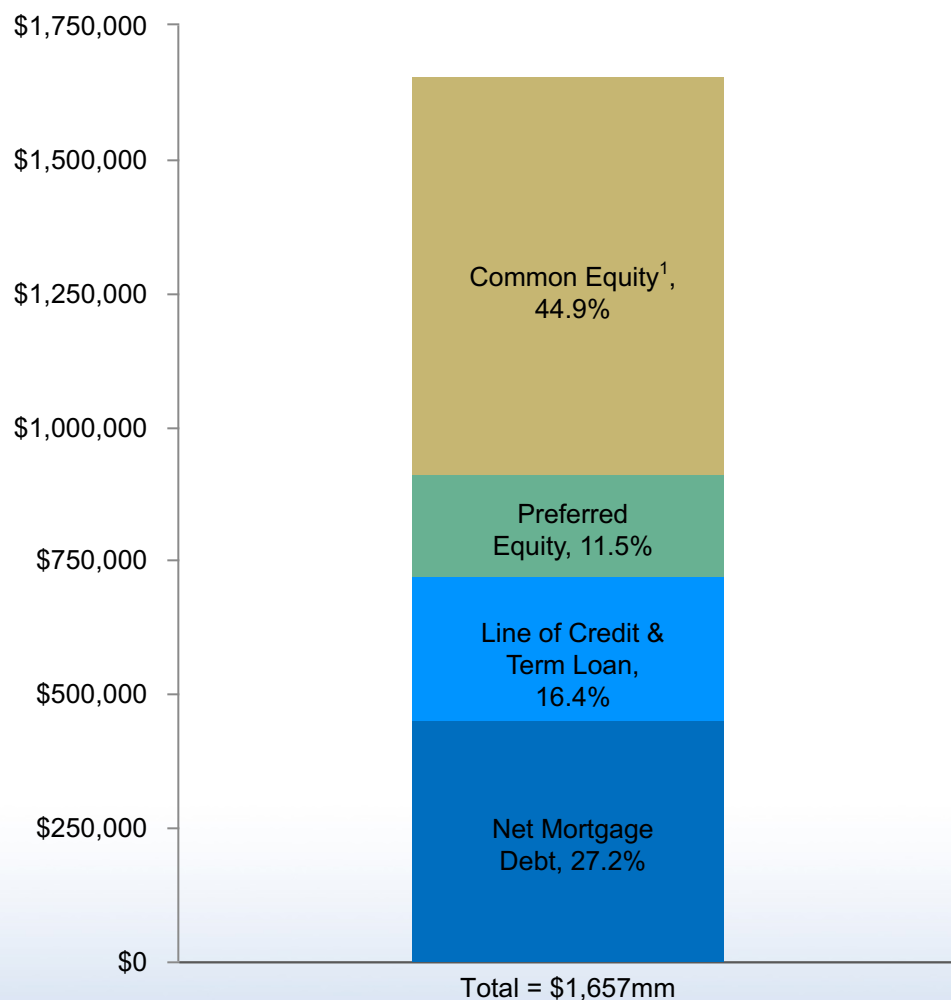
Note: We redeemed all outstanding shares of our Series D Preferred Stock on June 30, 2021.

# Condensed consolidated balance sheets

(\$ in thousands)	6/30/2022 (unaudited)	12/31/2021
<b>ASSETS</b>		
Real estate, at cost	\$ 1,260,422	\$ 1,225,258
Less: accumulated depreciation	279,331	266,672
Total real estate, net	981,091	958,586
Lease intangibles, net	111,703	114,494
Real estate and related assets held for sale, net	18,403	—
Cash and cash equivalents	10,741	7,956
Restricted cash	4,463	5,222
Funds held in escrow	10,008	7,304
Right-of-use assets from operating leases	5,247	5,361
Deferred rent receivable, net	38,427	39,066
Other assets	13,306	5,363
<b>TOTAL ASSETS</b>	<b>\$ 1,193,389</b>	<b>\$ 1,143,352</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>LIABILITIES</b>		
Mortgage notes payable, net	\$ 462,832	\$ 449,944
Borrowings under revolver and term loan, net	271,144	257,582
Deferred rent liability, asset retirement obligation and other liabilities, net	75,257	63,003
<b>TOTAL LIABILITIES</b>	<b>\$ 809,233</b>	<b>\$ 770,529</b>
<b>MEZZANINE EQUITY</b>		
Series 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	39	37
Series F redeemable preferred stock	1	—
Additional paid in capital	705,629	671,134
Accumulated other comprehensive income	5,524	(1,346)
Distributions in excess of accumulated earnings	(498,574)	(468,523)
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>\$ 212,620</b>	<b>\$ 201,303</b>
OP Units held by Non-controlling OP Unitholders	1,275	1,259
<b>TOTAL EQUITY</b>	<b>\$ 213,895</b>	<b>\$ 202,562</b>
<b>TOTAL LIABILITIES, MEZZANINE EQUITY AND EQUITY</b>	<b>\$ 1,193,389</b>	<b>\$ 1,143,352</b>

# Capital structure

## Current capital structure as of 6/30/2022 (\$000)

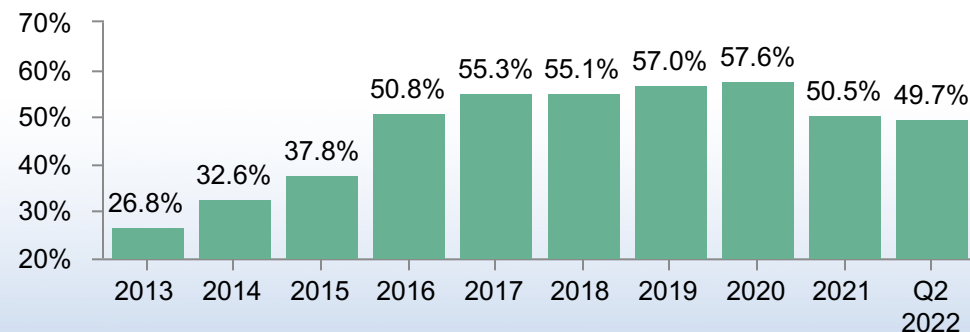


## Capital Structure Details

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

	Wtd. Average Rate	6/30/2022
Mortgage Notes Payable, Net	4.18%	\$ 462,832
Less: Cash & Cash Equivalents		(10,741)
<b>Net Mortgage Debt</b>		<b>\$ 452,091</b>
Line of Credit	L+1.90%	\$ 46,950
Term Note	L+1.85%, L+2.00%	224,194
<b>Line of Credit and Term Loan</b>		<b>\$ 271,144</b>
<b>Total Debt, Net</b>		<b>\$ 723,235</b>
Series E - Preferred	6.625%	\$ 76,536
Series F - Preferred	6.00%	13,871
Series G - Preferred	6.00%	100,000
<b>Total Preferred Equity</b>		<b>\$ 190,407</b>
Diluted Common Shares Outstanding		39,499,719
Stock Price		\$ 18.84
<b>Implied Common Equity<sup>1</sup> Market Capitalization</b>		<b>\$ 744,175</b>
<b>Enterprise Value</b>		<b>\$ 1,657,817</b>

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

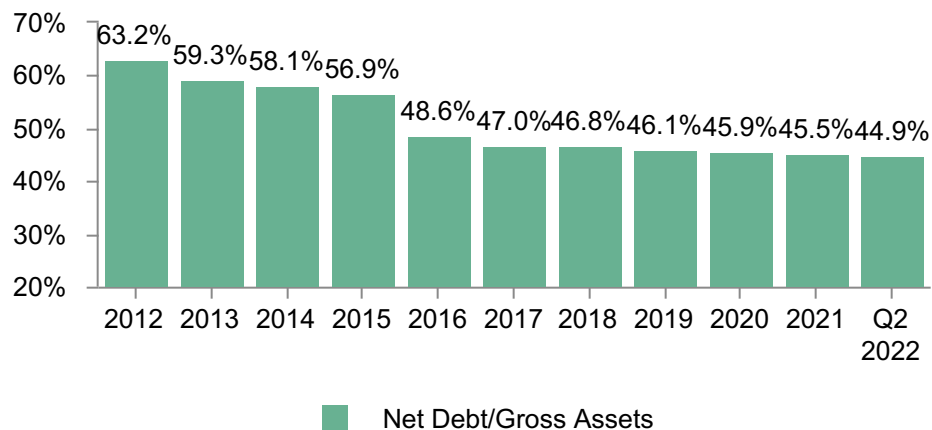


<sup>1</sup> Common Equity is based on the closing common stock price per share as of June 30, 2022 of \$18.84 and includes effect of OP units and convertible senior common stock.

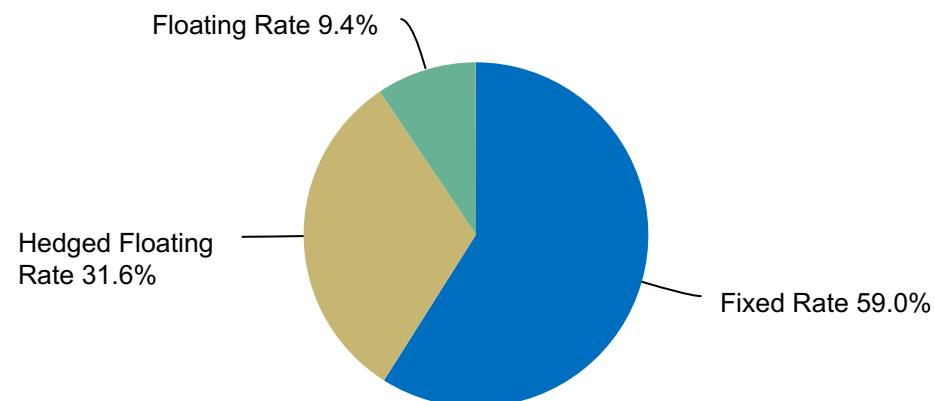
<sup>2</sup> Source: Nasdaq Online.

# Liquidity and debt overview

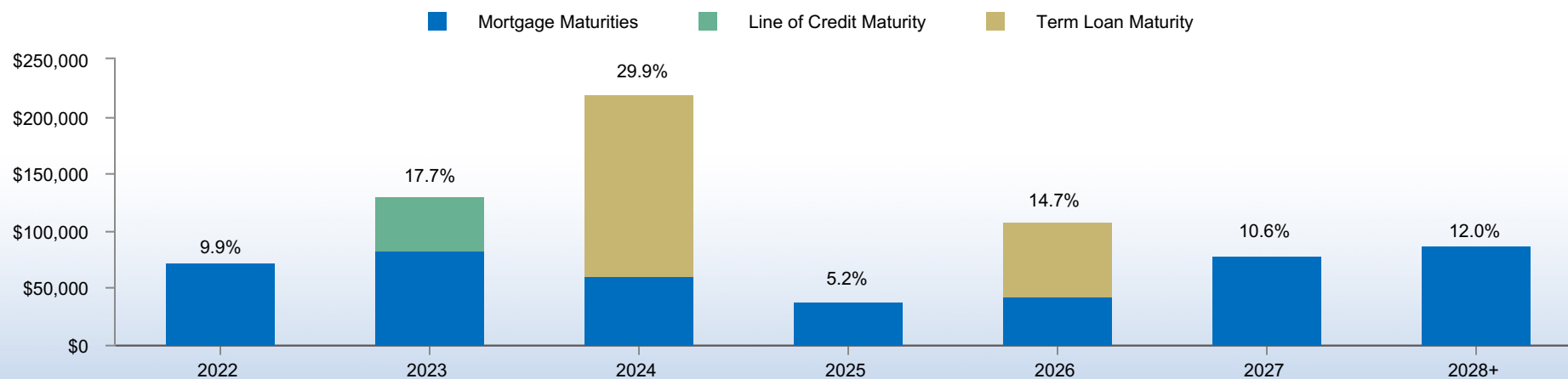
## Reducing Leverage<sup>1</sup>



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



## Scheduled debt maturity<sup>1</sup> (\$'000)



<sup>1</sup> As of 6/30/2022.



# Debt summary

(\$ in thousands)		
Principal Maturity Date	Weighted Average Interest Rate as of 6/30/2022	Principal Balance Outstanding as of 6/30/2022
2022	4.59%	\$ 67,473
2023	4.53%	74,426
2024	4.02%	53,344
2025	4.03%	31,641
2026	4.44%	45,015
2027	4.28%	90,778
2028	3.55%	30,318
2029	4.74%	11,109
2030	3.23%	40,452
2031	3.24%	5,293
2032	3.40%	9,964
2037	4.63%	6,014
<hr/>		
Contractual Mortgage Notes Payable:	4.18%	\$ 465,827
Premiums (Discounts), net:		(106)
Total Mortgage Notes Payable:		<u>\$ 465,721</u>
<hr/>		
Variable-Rate Line of Credit:		
2023	LIBOR +1.90%	<u>\$ 46,950</u>
Variable-Rate Term Loan Facility:		
2024	LIBOR +1.85%	\$ 160,000
2026	LIBOR +2.00%	<u>65,000</u>
Total Mortgage Notes Payable and Line of Credit	4.00%	<u>\$ 737,671</u>

# Select corporate covenants

Description	(\$ in thousands)	
	Threshold	June 30, 2022
Consolidated Tangible Net Worth	> \$556,816	\$712,506
Leverage Ratio	< 60%	51%
Fixed Charge Coverage Ratio	> 1.50	1.89
Maximum Dividend Payout (FFO based)	< 96%	95.6%
Secured Indebtedness	< 40%	32%

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



# *Portfolio Overview*



# Portfolio overview

## Geographic diversity

- 136 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 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 97.3%
- 3.0% 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

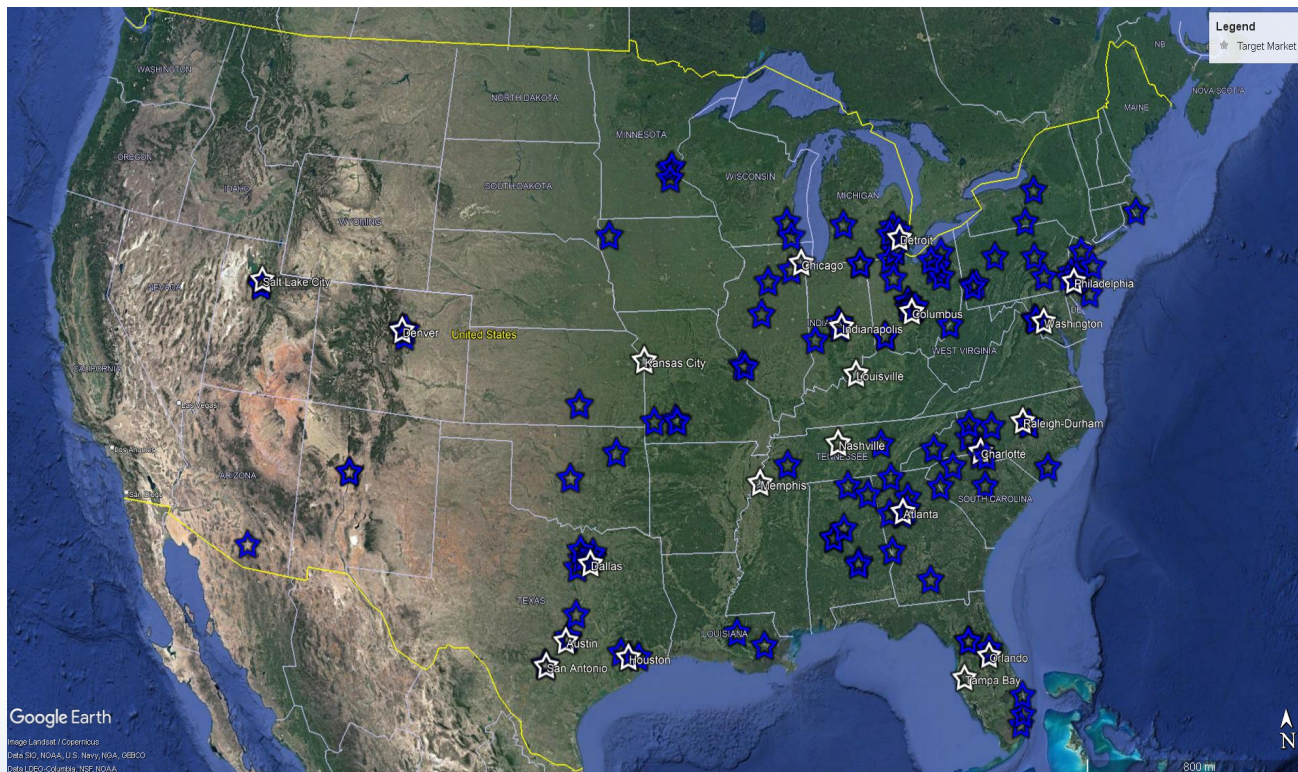


Note: As of 6/30/2022.

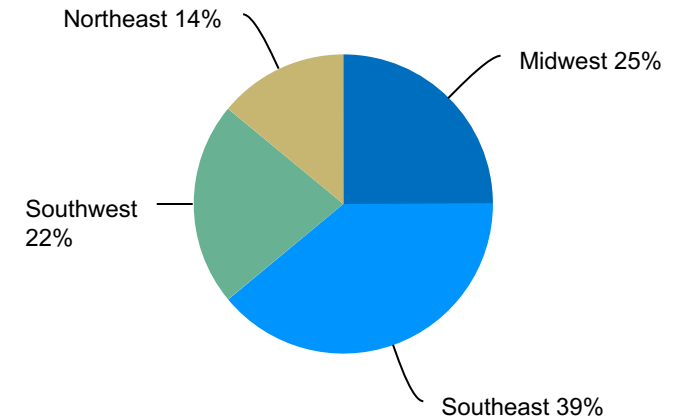


# Diversified portfolio

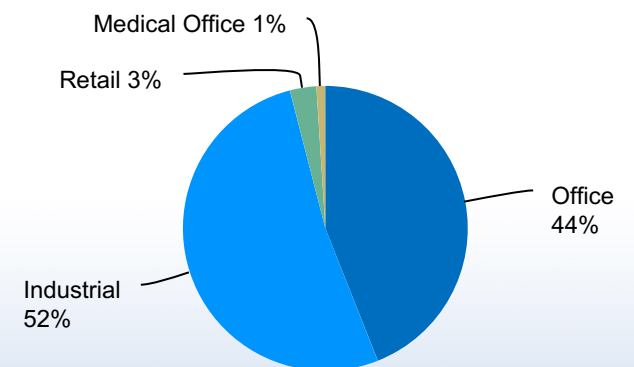
*136 properties spread across 27 states*



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








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

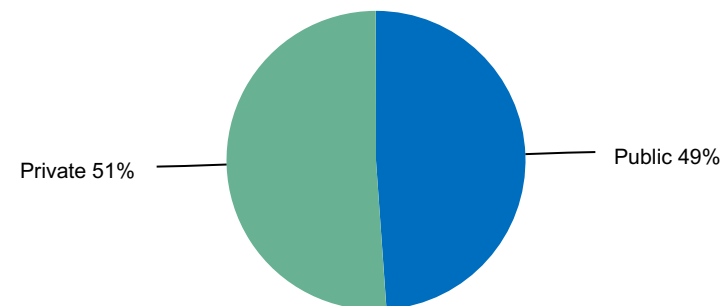


Note: As of 6/30/2022.

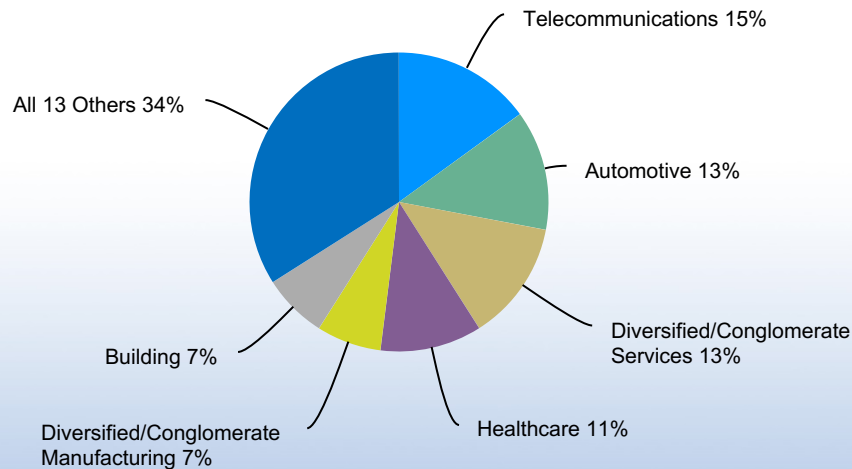
# High quality, diversified portfolio

Top 5 tenants	% of annualized straight line rent	% of SF
TOWERS WATSON 	4 %	1 %
	4 %	1 %
	3 %	1 %
	3 %	6 %
	3 %	1 %
All other tenants	83 %	90 %

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

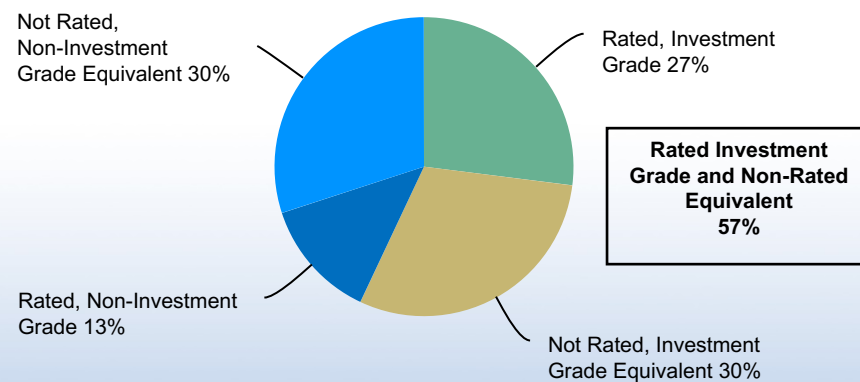


## Industry diversification (based on annualized straight line rent)



Note: As of 6/30/2022.

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

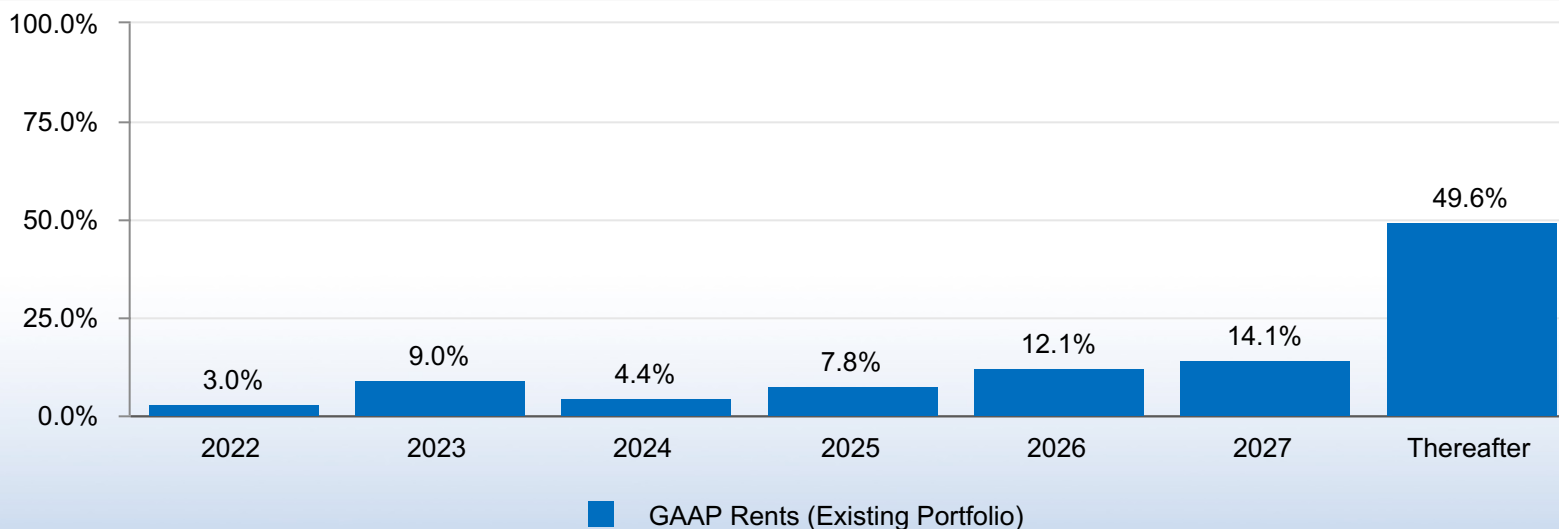


# Smooth lease rollover

## 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	\$ 3,777	3.0 %
2023	1,133,599	11	11,195	9.0 %
2024	1,251,411	8	5,486	4.4 %
2025	582,016	9	9,676	7.8 %
2026	1,855,130	14	15,041	12.1 %
2027	1,833,683	14	17,587	14.1 %
Thereafter	9,569,133	77	61,886	49.6 %
<b>Total</b>	<b>16,509,810</b>	<b>136</b>	<b>\$ 124,648</b>	<b>100.0 %</b>

## Rent expiring



Note: As of 6/30/2022.





**GLADSTONE**