



GLADSTONE COMMERCIAL

Investor Presentation November 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 17.2 million square feet of predominantly industrial and office real estate nationwide
- Diversified portfolio of 137 properties in 27 states leased to 112 different tenants in 19 industries
- The Company is led by a highly-experienced leadership team
- Investment activities are credit-focused with a growth market emphasis, seeking mission critical facilities of middle market and investment grade companies

Note: As of 9/30/2022

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Gladstone
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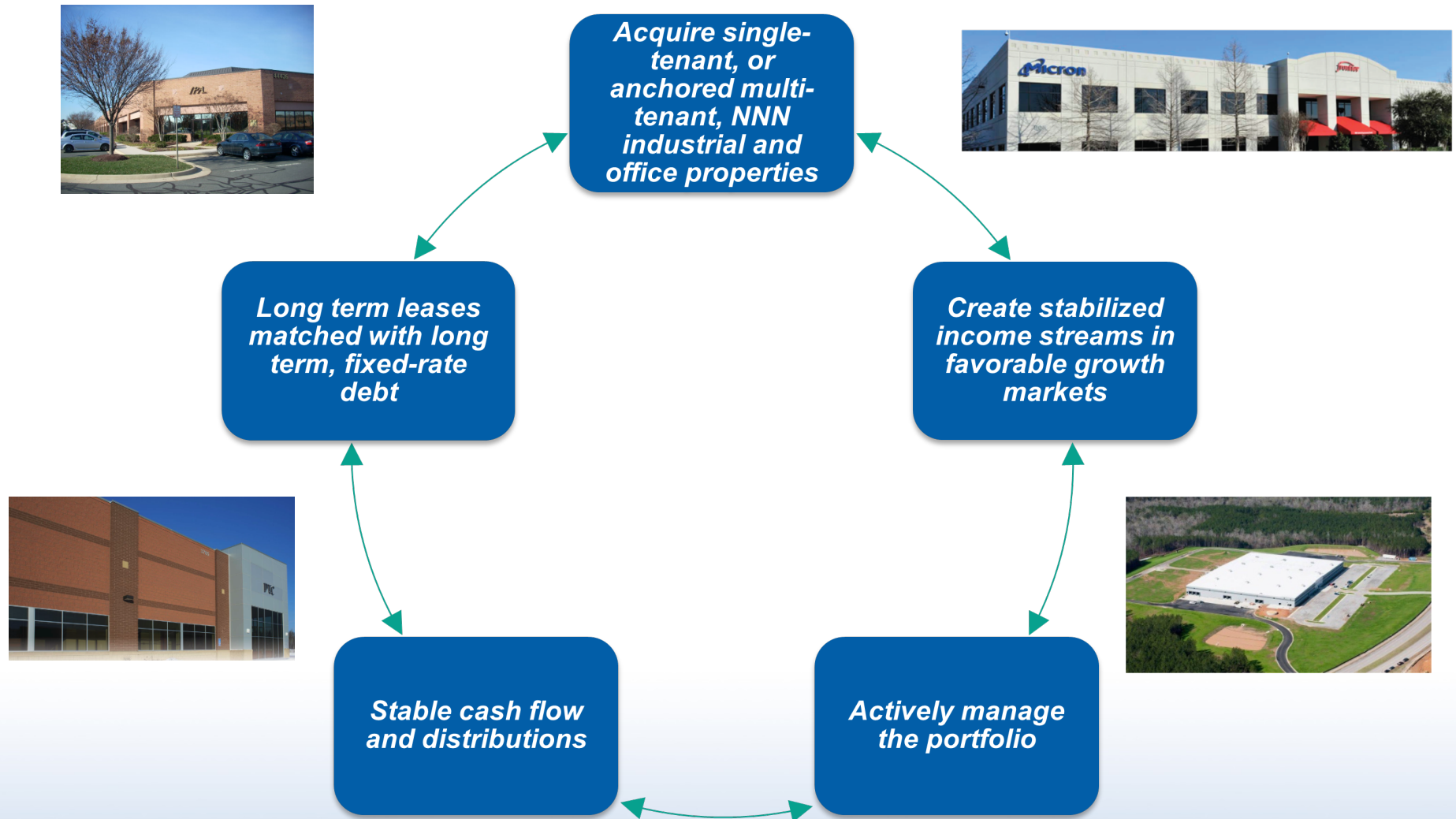
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Gladstone Commercial's Investment Philosophy



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Gladstone Commercial Overview

- IPO in 2003 (Nasdaq: GOOD)
- Market Capitalization: **\$620mm**¹
- Enterprise Value: **\$1,539mm**¹
- Common stock annual distribution per share: **\$1.5048**
 - Monthly distributions

Portfolio summary (9/30/2022)

# of Properties	137
Square feet (mm)	17.2
Occupancy	96.9%
States	27
Tenants	112
Industries	19
Annual lease revenue (LTM) (\$mm)	\$147.1
Diluted FFO per Common Share (LTM)	\$1.61
Diluted FFO per Common Share, as adjusted for comparability (LTM)	\$1.61
Diluted Core FFO per Common Share (LTM)	\$1.63
Average Remaining Lease Term	7.1 years



¹ Common Equity is based on the closing common stock price per share as of September 30, 2022 of \$15.50 and includes effect of convertible securities.

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Significant Growth & Diversification Since 2010

GOOD Portfolio

		12/31/10	9/30/2022	Variance
Grew a diverse portfolio	Total assets (\$mm)	\$ 410.6	\$ 1,209.7	\$ 799.1
	Properties	65	137	72
	Tenants	52	112	60
	Square feet (mm)	6.8	17.2	10.4
	Occupancy (%)	97.2 %	96.9 %	(0.3)%
	Lease Revenue From Top 5 tenants (\$mm) ¹	\$ 10.0	\$ 23.0	\$ 13.0
	% of Total Lease Revenue	24.2 %	15.7 %	(8.5)%
Revenue and cash flow growth	Lease Revenues (LTM) (\$mm)	\$ 41.9	\$ 147.1	\$ 105.2
	Diluted FFO (LTM) (\$mm)	\$ 14.1	\$ 62.5	\$ 48.4
	Diluted FFO, as adjusted for comparability (LTM) (\$mm)	\$ 14.1	\$ 62.5	\$ 48.4
	Diluted Core FFO (LTM) (\$mm)	\$ 14.5	\$ 63.2	\$ 48.7
Improved capital structure	Net Total Debt / Enterprise Value	58.9 %	47.3 %	(11.6)%
	Net Total Debt + Preferred / Enterprise Value	70.0 %	59.8 %	(10.2)%
	Net Total Debt / Gross Assets ²	62.7 %	44.8 %	(17.9)%

¹Annualized

²Gross Assets equal total assets before depreciation and amortization

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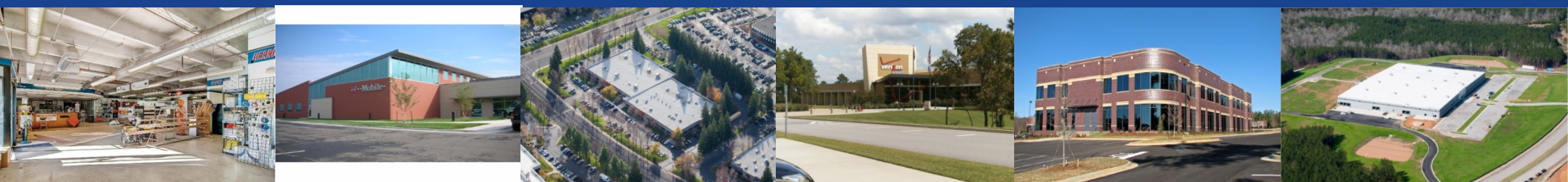
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Investment Strategy



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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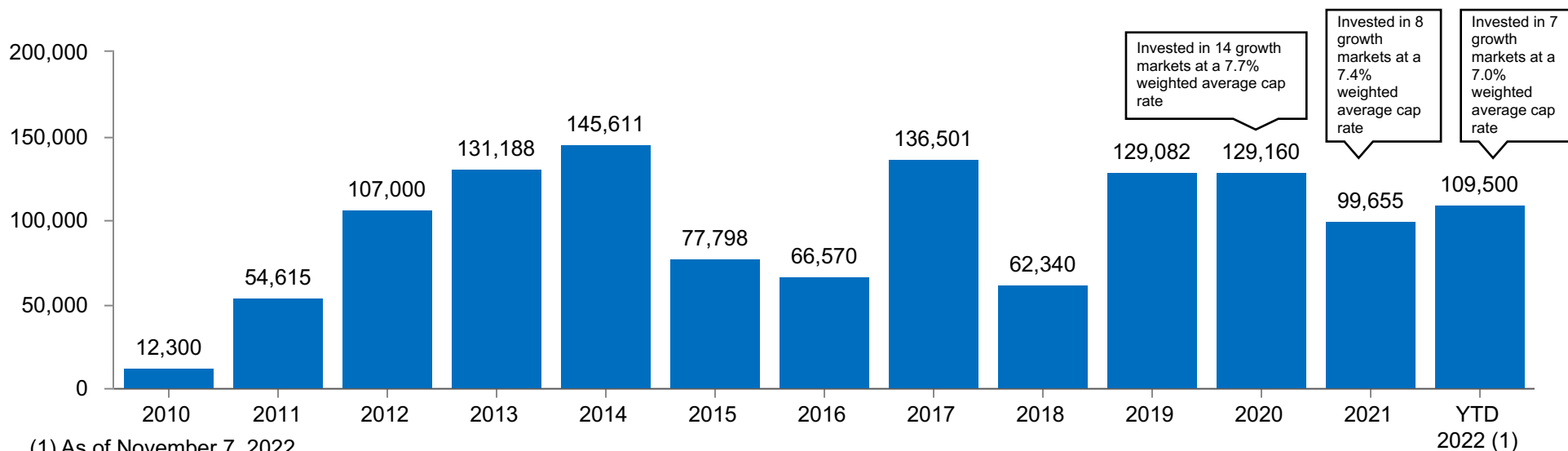
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Gladstone Has Achieved Consistent and Disciplined Growth

Historical Investment Volume (\$000)



Donaldson - Industrial



- 219K SF
- Detroit, MI
- Acquired 10/2018
- GAAP cap rate: 8.0%

Orgill - Industrial Distribution



- 676K SF
- Tifton, GA
- Acquired 6/2019
- GAAP cap rate: 8.8%

Morgan Stanley - Office



- 102K SF
- Salt Lake City, UT
- Acquired 12/2017
- GAAP cap rate: 9.3%

Iron Mountain - Industrial Portfolio



- 509K SF
- TX, LA, AZ, NM
- Acquired 12/2019
- GAAP cap rate: 7.2%

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Portfolio Overview



Portfolio Overview

Geographic diversity

- 137 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)



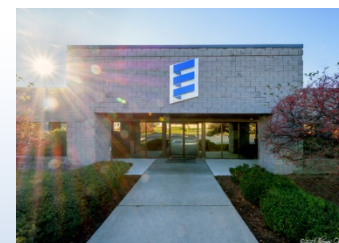
High occupancy

- Occupancy has never fallen below 95%
- Current occupancy 96.9%
- 2.7% 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 26 properties in non-core markets since mid-2016
- Re-deploy proceeds in growth markets



Note: As of 9/30/2022

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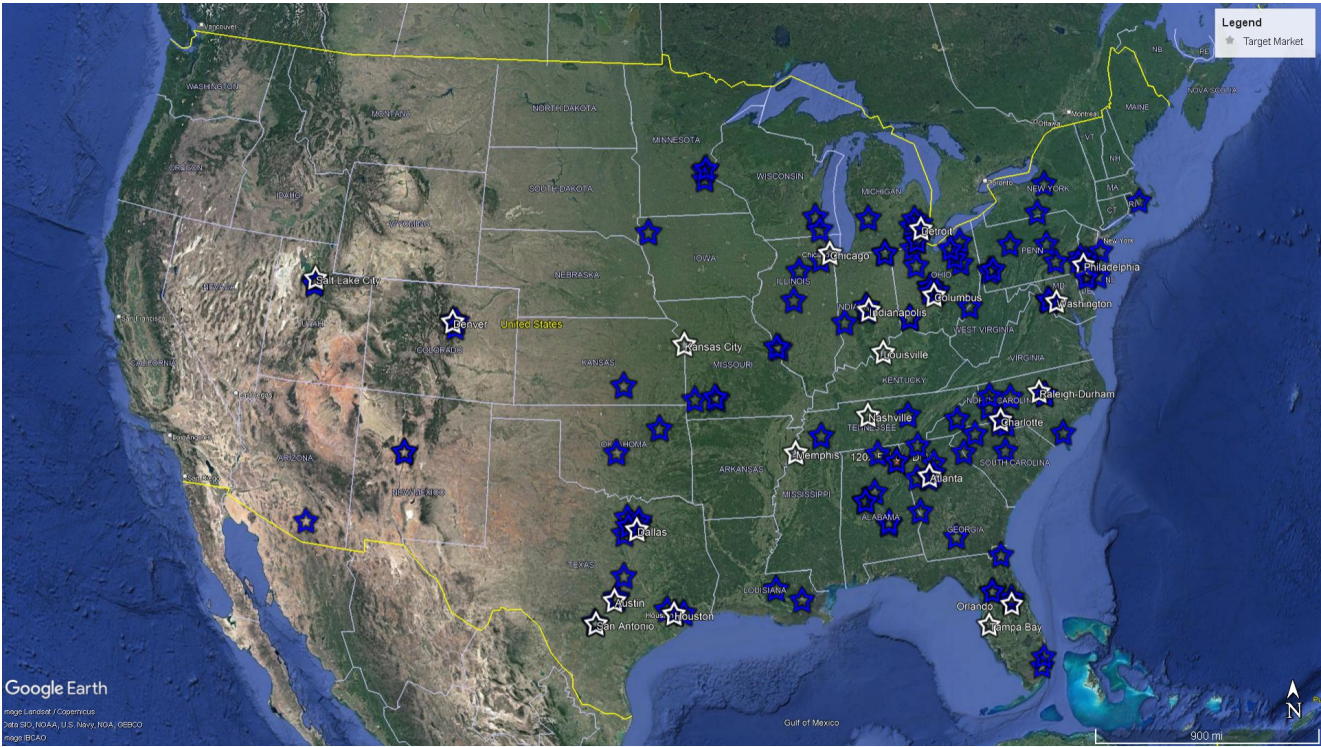
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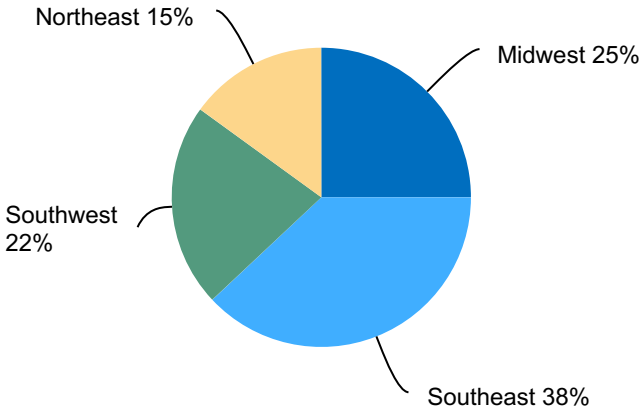


Diversified Portfolio

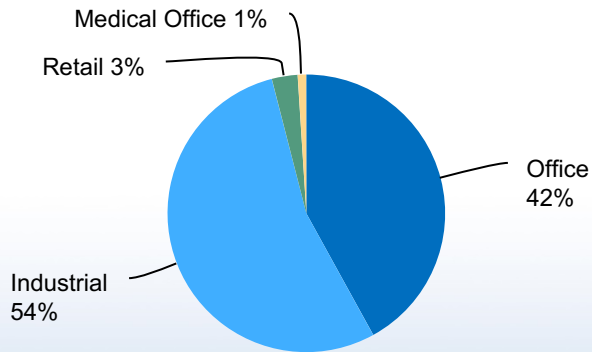
137 properties spread across 27 states



Geographic diversification
(by annualized straight line rent)








Property type diversification
(by annualized straight line rent)

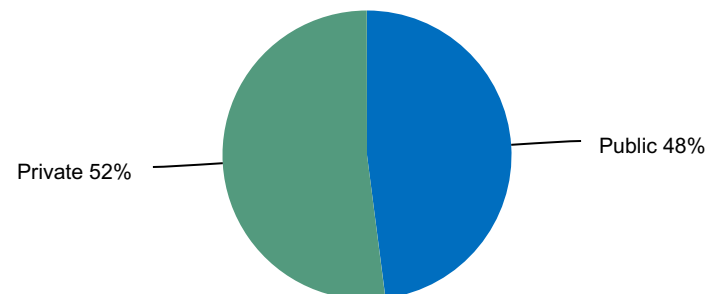


Note: As of 9/30/2022

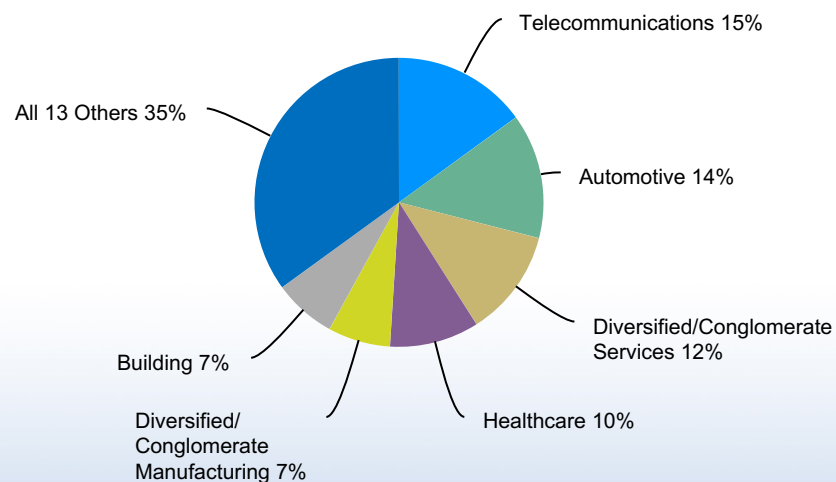
High Quality, Diversified Portfolio

Top tenants	% of annualized straight line rent	% of SF
TOWERS WATSON 	4 %	1 %
	3 %	1 %
verizon 	3 %	1 %
kane  able, Inc.	3 %	6 %
ADP 	3 %	1 %
All other tenants	84 %	90 %

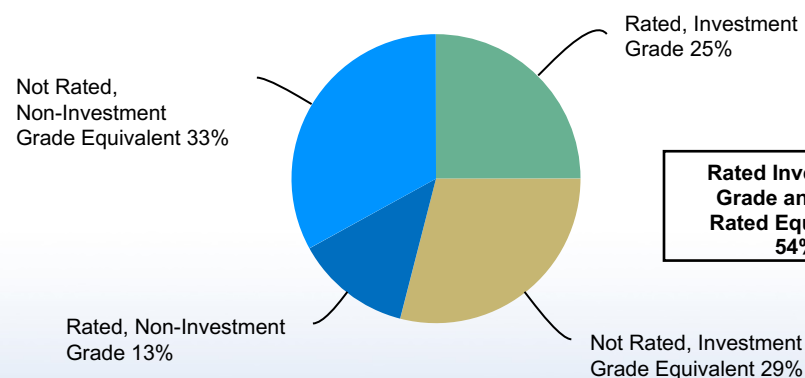
Publicly-traded vs. privately-held tenants (as % of annualized straight line rent)



Industry diversification (based on annualized straight line rent)



Tenant credit ratings (as % annualized straight line rent)



Note: As of 9/30/2022

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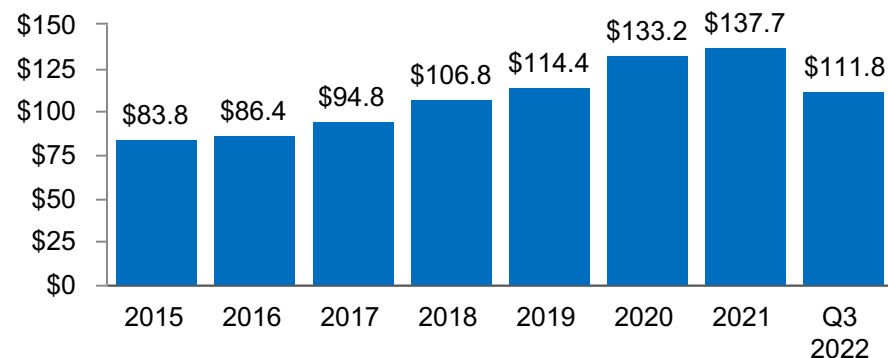


Financial Performance



Summary Historical Performance

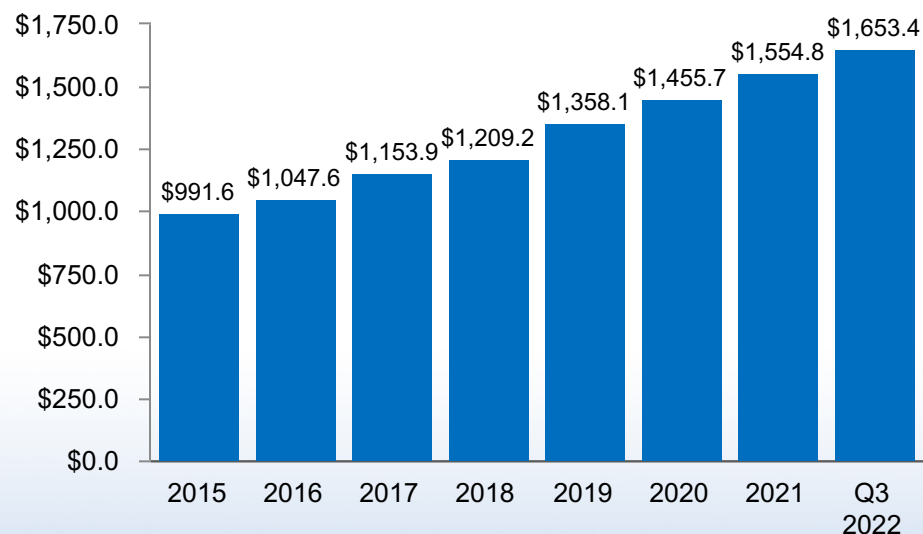
Total Revenue (\$ in millions)



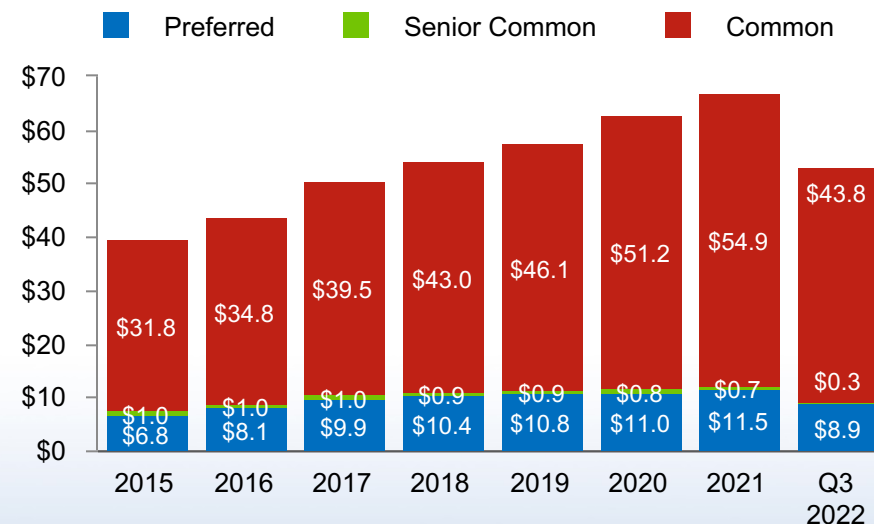
Funds from Operations, as adjusted for comparability (Per Share)



Total Gross Assets (\$ in millions)



Total Distributions (\$ in millions)



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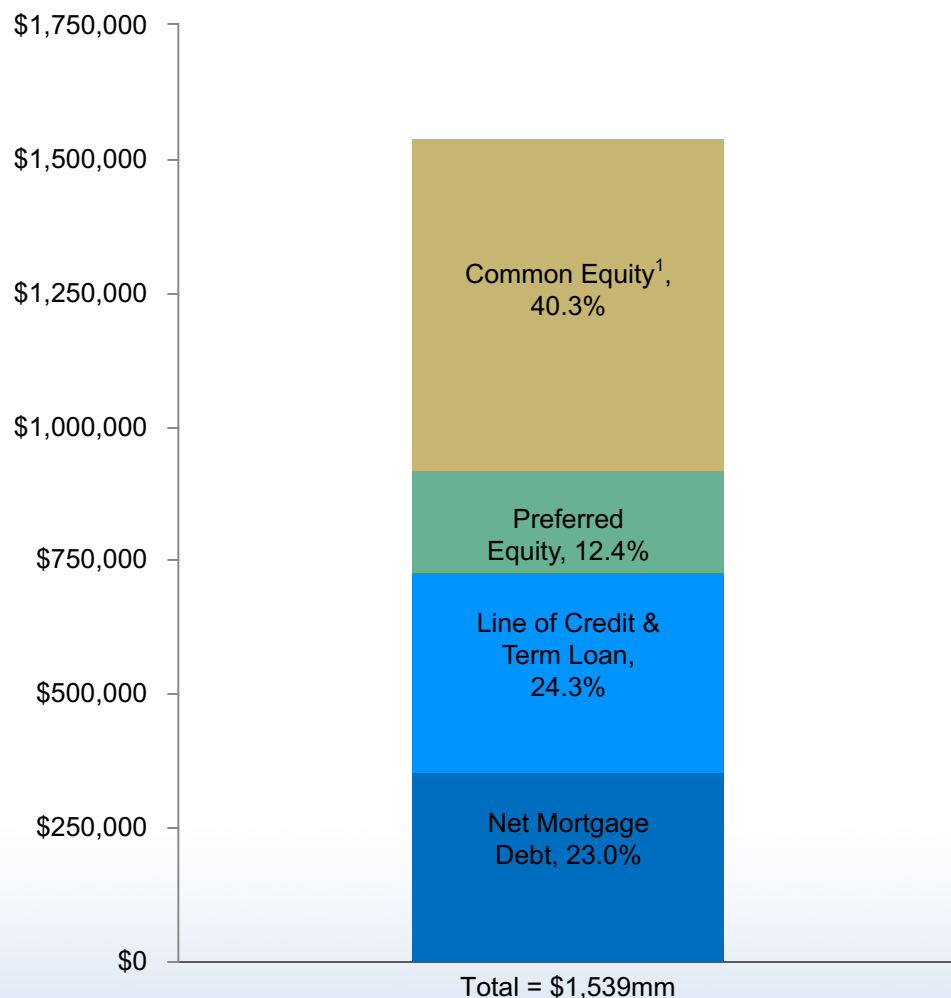
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Capital Structure Overview

Current Capital Structure as of 9/30/2022 (\$000s)



¹ Common Equity is based on the closing common stock price per share as of September 30, 2022 of \$15.50 and includes effect of OP units and convertible senior common stock.

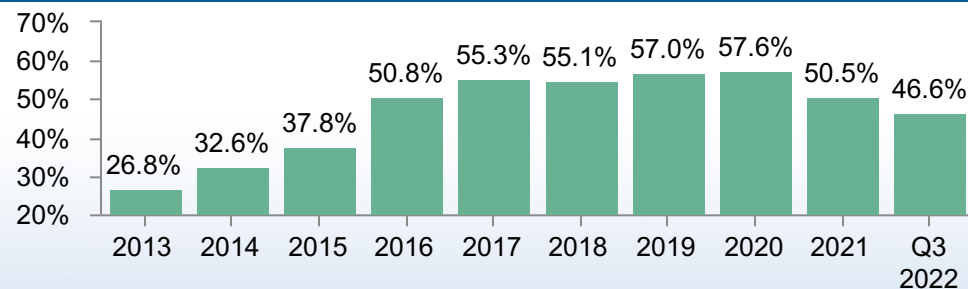
² Source: Nasdaq Online

Capital Structure Details

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

	Wtd. Average Rate	9/30/2022
Mortgage Notes Payable, Net	4.19%	\$ 367,618
Less: Cash & Cash Equivalents		(13,540)
Net Mortgage Debt		\$ 354,078
Line of Credit	SOFR+1.50%	\$ 7,750
Term Note	SOFR+1.45%	366,395
Line of Credit and Term Loan		\$ 374,145
Total Debt, Net		\$ 728,223
Series E - Preferred	6.625%	\$ 76,536
Series F - Preferred	6.00%	14,940
Series G - Preferred	6.00%	100,000
Total Preferred Equity		\$ 191,476
Diluted Common Shares Outstanding		39,970,255
Stock Price		\$ 15.50
Implied Common Equity¹ Market Capitalization		\$ 619,539
Enterprise Value		\$ 1,539,238

Institutional Stock Ownership ²



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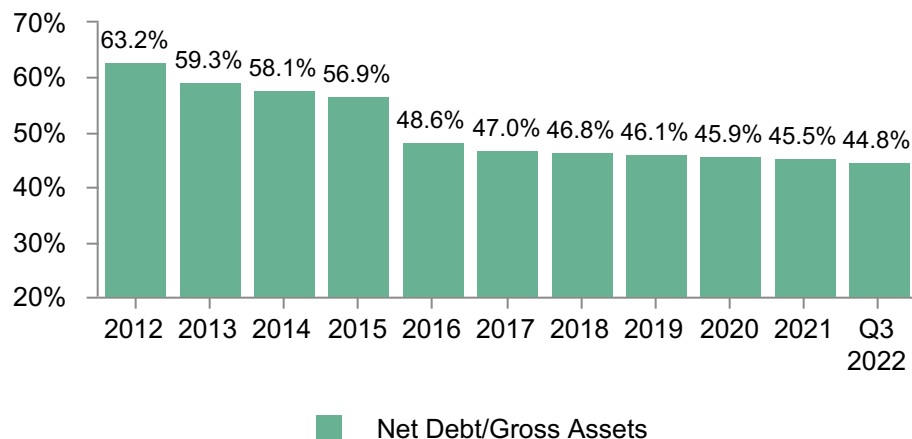
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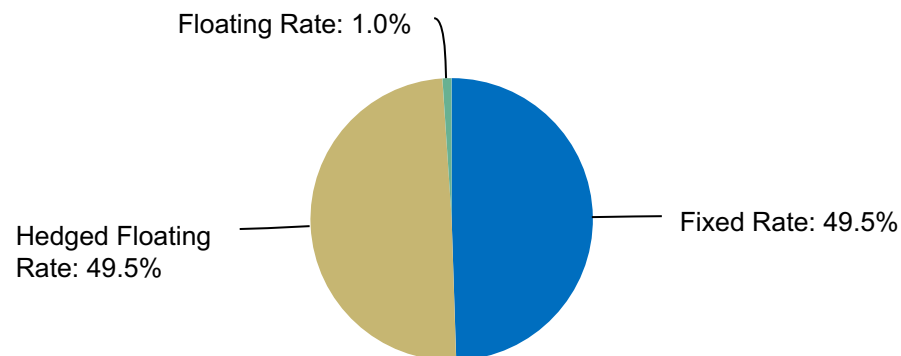
GLADSTONE

Liquidity and Debt Overview

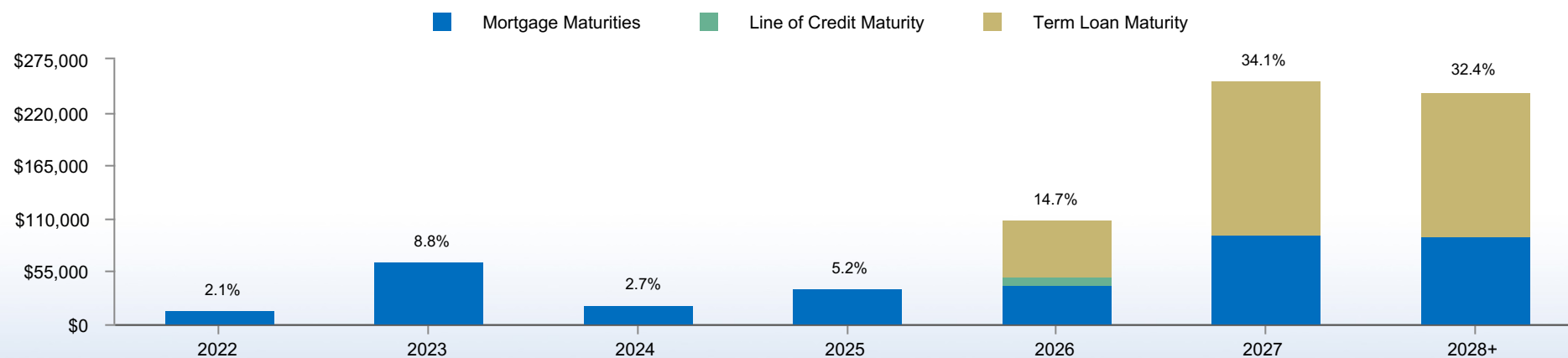
Reducing Leverage



Fixed vs. Floating Debt



Scheduled Debt Maturity (\$000s)



Note: As of 9/30/2022

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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



**Buzz Cooper,
President**

25+ years of experience

- Current President of the Company; 20+ 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



**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

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Experienced Leadership Team (cont'd)



EJ Wislar, Chief Investment Officer, Head of 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



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

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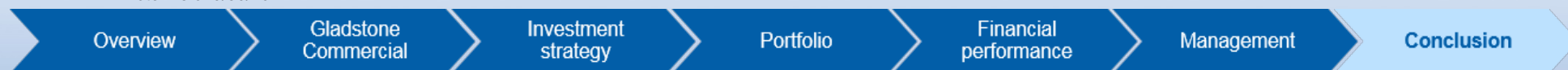


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Summary Highlights

- ***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 44.8%***
- ***Focused on growth with limited lease expirations through 2022, and with an emphasis on increasing the industrial allocation***

Note: As of 9/30/2022



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)			For the nine months ended (unaudited)	
	9/30/2022	6/30/2022	9/30/2021	9/30/2022	9/30/2021
Operating revenues					
Lease revenue	\$ 39,834	\$ 36,399	\$ 34,334	\$ 111,764	\$ 102,381
Total operating revenues	\$ 39,834	\$ 36,399	\$ 34,334	\$ 111,764	\$ 102,381
Operating expenses					
Depreciation and amortization	\$ 15,764	\$ 15,219	\$ 14,760	\$ 45,672	\$ 45,661
Property operating expenses	6,536	6,959	6,807	20,118	20,278
Base management fee	1,603	1,577	1,472	4,727	4,369
Incentive fee	1,513	1,339	1,266	4,193	3,540
Administration fee	481	399	382	1,342	1,016
General and administrative	833	958	811	2,788	2,540
Impairment charge	10,718	1,374	—	12,092	—
Total operating expense before incentive fee waiver	\$ 37,448	\$ 27,825	\$ 25,498	\$ 90,932	\$ 77,404
Incentive fee waiver	—	—	—	—	(16)
Total operating expenses	\$ 37,448	\$ 27,825	\$ 25,498	\$ 90,932	\$ 77,388
Other (expense) income					
Interest expense	\$ (9,107)	\$ (7,121)	\$ (6,688)	\$ (22,813)	\$ (20,338)
Gain (loss) on sale of real estate, net	8,902	—	—	8,902	(882)
Other income	316	119	2,350	538	2,884
Total other expense, net	\$ 111	\$ (7,002)	\$ (4,338)	\$ (13,373)	\$ (18,336)
Net income	\$ 2,497	\$ 1,572	\$ 4,498	\$ 7,459	\$ 6,657
Net loss (income) attributable (available) to non-controlling interests	4	10	(21)	12	42
Net income attributable to the company	\$ 2,501	\$ 1,582	\$ 4,477	\$ 7,471	\$ 6,699
Distributions attributable to Series D, E, F, and G preferred stock	(2,987)	(2,967)	(2,868)	(8,900)	(8,571)
Series D preferred stock offering costs write off	—	—	—	—	(2,141)
Distributions attributable to senior common stock	(114)	(114)	(170)	(344)	(534)
Loss on extinguishment of Series F preferred stock	—	—	—	(5)	—
Net (loss) income (attributable) available to common stockholders	\$ (600)	\$ (1,499)	\$ 1,439	\$ (1,778)	\$ (4,547)

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 nine months ended (unaudited)		
	9/30/2022	6/30/2022	9/30/2021	9/30/2022	9/30/2021	
Net income	\$ 2,497	\$ 1,572	\$ 4,498	\$ 7,459	\$ 6,657	
Less: Distributions attributable to preferred and senior common stock	(3,101)	(3,081)	(3,038)	(9,244)	(9,105)	
Less: Series D preferred stock offering costs write off ¹	—	—	—	—	(2,141)	
Less: Loss on extinguishment of Series F preferred stock	—	—	—	(5)	—	
Net (loss) income (attributable) available to common stockholders and Non-controlling OP Unitholders	\$ (604)	\$ (1,509)	\$ 1,460	\$ (1,790)	\$ (4,589)	
Adjustments:						
Add: Real estate depreciation and amortization	\$ 15,764	\$ 15,219	\$ 14,760	\$ 45,672	\$ 45,661	
Add: Impairment charge	10,718	1,374	—	12,092	—	
Add: Loss on sale of real estate, net	—	—	—	—	882	
Less: Gain on sale of real estate, net	(8,902)	—	—	(8,902)	—	
FFO available to common stockholders and Non-controlling OP Unitholders - basic	\$ 16,976	\$ 15,084	\$ 16,220	\$ 47,072	\$ 41,954	
Add: Convertible senior common distributions	114	114	170	344	534	
FFO available to common stockholders and Non-controlling OP Unitholders - diluted	\$ 17,090	\$ 15,198	\$ 16,390	\$ 47,416	\$ 42,488	
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	\$ 17,090	\$ 15,198	\$ 16,390	\$ 47,416	\$ 44,629	
FFO available to common stockholders and Non-controlling OP Unitholders - basic	\$ 16,976	\$ 15,084	\$ 16,220	\$ 47,072	\$ 41,954	
Add: Write off of deferred financing fees	434	—	—	434	—	
Add: PACE financing amortization, net	—	—	—	—	33	
Add: Write off shelf registration statement costs and prepaid ATM costs	—	46	—	177	—	
Add: Asset retirement obligation expense	25	23	22	70	81	
Add: Loan defeasance costs	—	—	—	—	669	
Add: Write off prepaid offering costs	—	—	—	—	2,141	
Add: Realized loss on interest rate hedging instruments	—	—	145	—	145	
Less: Acquisition related expenses	—	—	(46)	—	(106)	
Less: Bad debt write off	—	—	(56)	—	(56)	
Less: Tenant legal settlement, net	—	—	(1,773)	—	(1,773)	
Core FFO available to common stockholders and Non-controlling OP Unitholders - basic	\$ 17,435	\$ 15,153	\$ 14,512	\$ 47,753	\$ 43,088	
Add: Convertible senior common distributions	114	114	170	344	534	
Core FFO available to common stockholders and Non-controlling OP Unitholders - diluted	\$ 17,549	\$ 15,267	\$ 14,682	\$ 48,097	\$ 43,622	
Weighted average common shares outstanding and Non-controlling OP Units - basic	39,777,806	39,002,745	37,025,773	38,985,993	36,633,619	
Weighted average common shares outstanding and Non-controlling OP Units - diluted	40,141,052	39,365,991	37,558,558	39,349,239	37,166,404	
FFO per weighted average share of common stock and Non-controlling OP Unit - basic	\$ 0.43	\$ 0.39	\$ 0.44	\$ 1.21	\$ 1.15	
FFO per weighted average share of common stock and Non-controlling OP Unit - diluted	\$ 0.43	\$ 0.39	\$ 0.44	\$ 1.21	\$ 1.14	
FFO per weighted average share of common stock and Non-controlling OP Unit - diluted, as adjusted for comparability	\$ 0.43	\$ 0.39	\$ 0.44	\$ 1.21	\$ 1.20	
Core FFO per weighted average share of common stock and Non-controlling OP Unit - basic	\$ 0.44	\$ 0.39	\$ 0.39	\$ 1.22	\$ 1.18	
Core FFO per weighted average share of common stock and Non-controlling OP Unit - diluted	\$ 0.44	\$ 0.39	\$ 0.39	\$ 1.22	\$ 1.17	
Distributions declared per share of common stock and Non-controlling OP Unit	\$ 0.376200	\$ 0.376200	\$ 0.375450	\$ 1.128600	\$ 1.126350	

¹We redeemed all outstanding shares of our Series D Preferred Stock on June 30, 2021.



Condensed Consolidated Balance Sheets

(\$ in thousands)	9/30/2022 (unaudited)	12/31/2021
ASSETS		
Real estate, at cost	\$ 1,279,455	\$ 1,225,258
Less: accumulated depreciation	284,802	266,672
Total real estate, net	994,653	958,586
Lease intangibles, net	112,993	114,494
Real estate and related assets held for sale, net	11,434	—
Cash and cash equivalents	13,540	7,956
Restricted cash	4,146	5,222
Funds held in escrow	9,464	7,304
Right-of-use assets from operating leases	5,189	5,361
Deferred rent receivable, net	38,935	39,066
Other assets	19,314	5,363
TOTAL ASSETS	\$ 1,209,668	\$ 1,143,352
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Mortgage notes payable, net	\$ 367,618	\$ 449,944
Borrowings under revolver and term loan, net	374,145	257,582
Deferred rent liability, asset retirement obligation and other liabilities, net	80,258	63,003
TOTAL LIABILITIES	\$ 822,021	\$ 770,529
MEZZANINE EQUITY		
Series E and G redeemable preferred stock, net	\$ 170,261	\$ 170,261
TOTAL MEZZANINE EQUITY	\$ 170,261	\$ 170,261
STOCKHOLDERS' EQUITY		
Senior common stock	\$ 1	\$ 1
Common stock	39	37
Series F redeemable preferred stock	1	—
Additional paid in capital	717,098	671,134
Accumulated other comprehensive income	12,366	(1,346)
Distributions in excess of accumulated earnings	(514,057)	(468,523)
TOTAL STOCKHOLDERS' EQUITY	\$ 215,448	\$ 201,303
OP Units held by Non-controlling OP Unitholders	1,938	1,259
TOTAL EQUITY	\$ 217,386	\$ 202,562
TOTAL LIABILITIES, MEZZANINE EQUITY AND EQUITY	\$ 1,209,668	\$ 1,143,352

Debt Summary

(\$ in thousands)		
Principal Maturity Date	Weighted Average Interest Rate as of 9/30/2022	Principal Balance Outstanding as of 9/30/2022
2022	4.04%	13,805
2023	4.72%	57,264
2024	4.63%	11,411
2025	4.03%	31,437
2026	4.35%	42,307
2027	4.39%	107,005
2028	3.55%	30,217
2029	4.92%	15,431
2030	3.23%	40,249
2031	3.24%	5,256
2032	3.40%	9,964
2037	4.63%	5,945
Contractual Mortgage Notes Payable:	4.19%	\$ 370,291
Premiums (Discounts), net:		(94)
Total Mortgage Notes Payable:		\$ 370,197
Variable-Rate Line of Credit:		
2026	SOFR +1.50%	\$ 7,750
Variable-Rate Term Loan Facility:		
2027	SOFR +1.45%	\$ 160,000
2026	SOFR +1.45%	60,000
2028	SOFR +1.45%	150,000
Total Mortgage Notes Payable and Line of Credit	4.31%	\$ 747,947

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**
- **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