



GLADSTONE COMMERCIAL

*Supplemental Financial & Operating Information
for the Quarter Ended December 31, 2022*

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Table of contents

About Gladstone Commercial

Corporate overview	4
Portfolio and financial overview	5
Q4 2022 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



Industrial building located in Huntsville, Alabama

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, 2022, we owned approximately 17.2 million square feet of primarily industrial and office 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, 2022, total assets were approximately \$1.2 billion, representing investments in 137 properties. Our properties are leased to 112 tenants who represent 19 diversified industries across 27 states.

At December 31, 2022, our leases had an average remaining term of 7.0 years. In addition, approximately 53% of our tenants have an investment grade or investment grade equivalent credit rating.






Portfolio and financial overview

Portfolio data¹

Total assets (\$mm)	\$	1,202
Properties		137
Tenants		112
Industries		19
States		27
Average remaining lease term (years)		7.0
Occupancy		96.8 %
Square footage owned (mm)		17.2

Capitalization (\$mm)¹

Common equity market capitalization ²	\$	742
Preferred equity		193
Net total debt		749
Total capitalization	\$	1,684
Less: Cash and cash equivalents		(12)
Total enterprise value	\$	1,672
Net total debt / enterprise value		44.1%
Net total debt + preferred / enterprise value		55.7%
Net total debt / gross assets		45.3%

Top 5 tenants ¹	% of annualized straight line rent	% of SF
TOWERS WATSON 	4%	1%
	4%	1%
 Kane is able, Inc.	3%	6%
	3%	1%
Morgan Stanley 	2%	1%
Top 5 Tenants total	16%	10%
Top 5 Tenants average remaining lease term		3.1 years
Portfolio average remaining lease term		7.0 years

Corporate liquidity (\$mm)¹

Cash and Cash Equivalents	\$	11.7
Availability Under Revolving Credit Facility ³		48.3
Total	\$	60.0

¹ As of 12/31/2022.

² Based on the closing common stock price per share on December 30, 2022 of \$18.50. Includes OP units and senior common shares convertible into shares of common stock.

³ As of February 22, 2023, approximately \$86.4 million is available under the Company's revolving credit facility.

Q4 2022 highlights (unaudited)

FFO¹ and Core FFO²:

Generated FFO and core FFO of \$13.7 million or \$0.34 per diluted share.

Acquisitions³:

Purchased a 68,674 square foot property in Denver, Colorado for \$12.0 million, with a 20.0 year remaining lease term. Purchased a 65,000 square foot property in Greenville, South Carolina for \$4.9 million, with a 12.0 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 \$2.6 million through our ATM program and issued Series F preferred equity for net proceeds of \$1.7 million.

Debt Activity:

Repaid \$7.1 million in fixed rate mortgage debt with an interest rate of 3.11% collateralized by one property. Issued \$6.6 million of swapped to fixed rate mortgage debt with an interest rate of 5.90%.

Select Expenditure Activity:

Paid \$4.4 million related to capital expenditures and \$0.2 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.

²Core FFO is FFO adjusted for gains from early extinguishment of debt and any other non-routine revenue or expense adjustments.

³Purchase 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	
	12/31/2022	9/30/2022	12/31/2021	12/31/2022	12/31/2021
Operating revenues					
Lease revenue	\$ 37,217	\$ 39,834	\$ 35,306	\$ 148,981	\$ 137,688
Total operating revenues	\$ 37,217	\$ 39,834	\$ 35,306	\$ 148,981	\$ 137,688
Operating expenses					
Depreciation and amortization	\$ 15,992	\$ 15,764	\$ 14,650	\$ 61,664	\$ 60,311
Property operating expenses	6,714	6,536	6,820	26,832	27,098
Base management fee	1,604	1,603	1,514	6,331	5,882
Incentive fee	1,078	1,513	1,318	5,270	4,859
Administration fee	522	481	431	1,864	1,448
General and administrative	917	833	678	3,705	3,218
Impairment charge	—	10,718	—	12,092	—
Total operating expense before incentive fee waiver	\$ 26,827	\$ 37,448	\$ 25,411	\$ 117,758	\$ 102,816
Incentive fee waiver	—	—	—	—	(16)
Total operating expenses	\$ 26,827	\$ 37,448	\$ 25,411	\$ 117,758	\$ 102,800
Other (expense) income					
Interest expense	\$ (9,643)	\$ (9,107)	\$ (6,549)	\$ (32,457)	\$ (26,887)
Gain (loss) on sale of real estate, net	1,150	8,902	(266)	10,052	(1,148)
Other income	(85)	316	(4)	454	2,880
Total other expense, net	\$ (8,578)	\$ 111	\$ (6,819)	\$ (21,951)	\$ (25,155)
Net income	\$ 1,812	\$ 2,497	\$ 3,076	\$ 9,272	\$ 9,733
Net loss (income) attributable (available) to non-controlling interests	11	4	(1)	23	40
Net income attributable to the company	\$ 1,823	\$ 2,501	\$ 3,075	\$ 9,295	\$ 9,773
Distributions attributable to Series D, E, F, and G preferred stock	(3,003)	(2,987)	(2,917)	(11,903)	(11,488)
Series D preferred stock offering costs write off	—	—	—	—	(2,141)
Distributions attributable to senior common stock	(114)	(114)	(164)	(458)	(698)
Loss on extinguishment of Series F preferred stock	(5)	—	—	(10)	—
Gain on repurchase of Series G preferred stock	37	—	—	37	—
Net loss attributable to common stockholders	\$ (1,262)	\$ (600)	\$ (6)	\$ (3,039)	\$ (4,554)

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 twelve months ended	
	12/31/2022	9/30/2022	12/31/2021	12/31/2022	12/31/2021
Net income	\$ 1,812	\$ 2,497	\$ 3,076	\$ 9,272	\$ 9,733
Less: Distributions attributable to preferred and senior common stock	(3,117)	(3,101)	(3,081)	(12,361)	(12,186)
Less: Series D preferred stock offering costs write off ¹	—	—	—	—	(2,141)
Less: Loss on extinguishment of Series F preferred stock	(5)	—	—	(10)	—
Add: Gain on repurchase of Series G preferred stock	37	—	—	37	—
Net loss attributable to common stockholders and Non-controlling OP Unitholders	\$ (1,273)	\$ (604)	\$ (5)	\$ (3,062)	\$ (4,594)
Adjustments:					
Add: Real estate depreciation and amortization	\$ 15,992	\$ 15,764	\$ 14,650	\$ 61,664	\$ 60,311
Add: Impairment charge	—	10,718	—	12,092	—
Add: Loss on sale of real estate, net	—	—	266	—	1,148
Less: Gain on sale of real estate, net	(1,150)	(8,902)	—	(10,052)	—
FFO available to common stockholders and Non-controlling OP Unitholders - basic	\$ 13,569	\$ 16,976	\$ 14,911	\$ 60,642	\$ 56,865
Add: Convertible senior common distributions	114	114	164	458	698
FFO available to common stockholders and Non-controlling OP Unitholders - diluted	\$ 13,683	\$ 17,090	\$ 15,075	\$ 61,100	\$ 57,563
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	\$ 13,683	\$ 17,090	\$ 15,075	\$ 61,100	\$ 59,704
FFO available to common stockholders and Non-controlling OP Unitholders - basic	\$ 13,569	\$ 16,976	\$ 14,911	\$ 60,642	\$ 56,865
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	—	—	—	177	—
Add: Asset retirement obligation expense	30	25	19	100	100
Add: Loan defeasance costs	—	—	—	—	669
Add: Write off prepaid offering costs	—	—	—	—	2,141
Add: Realized loss on interest rate hedging instruments	—	—	—	—	145
Less: Acquisition related expenses	—	—	(3)	—	(108)
Less: Bad debt write off	—	—	—	—	(56)
Less: Tenant legal settlement, net	—	—	—	—	(1,773)
Core FFO available to common stockholders and Non-controlling OP Unitholders - basic	\$ 13,599	\$ 17,435	\$ 14,927	\$ 61,353	\$ 58,016
Add: Convertible senior common distributions	114	114	164	458	698
Core FFO available to common stockholders and Non-controlling OP Unitholders - diluted	\$ 13,713	\$ 17,549	\$ 15,091	\$ 61,811	\$ 58,714
Weighted average common shares outstanding and Non-controlling OP Units - basic	40,016,430	39,777,806	37,509,121	39,245,675	36,854,293
Weighted average common shares outstanding and Non-controlling OP Units - diluted	40,379,676	40,141,052	38,013,083	39,608,921	37,358,255
FFO per weighted average share of common stock and Non-controlling OP Unit - basic	\$ 0.34	\$ 0.43	\$ 0.40	\$ 1.55	\$ 1.54
FFO per weighted average share of common stock and Non-controlling OP Unit - diluted	\$ 0.34	\$ 0.43	\$ 0.40	\$ 1.54	\$ 1.54
FFO per weighted average share of common stock and Non-controlling OP Unit - diluted, as adjusted for comparability	\$ 0.34	\$ 0.43	\$ 0.40	\$ 1.54	\$ 1.60
Core FFO per weighted average share of common stock and Non-controlling OP Unit - basic	\$ 0.34	\$ 0.44	\$ 0.40	\$ 1.56	\$ 1.57
Core FFO per weighted average share of common stock and Non-controlling OP Unit - diluted	\$ 0.34	\$ 0.44	\$ 0.40	\$ 1.56	\$ 1.57
Distributions declared per share of common stock and Non-controlling OP Unit	\$ 0.376200	\$ 0.376200	\$ 0.375825	\$ 1.504800	\$ 1.502175

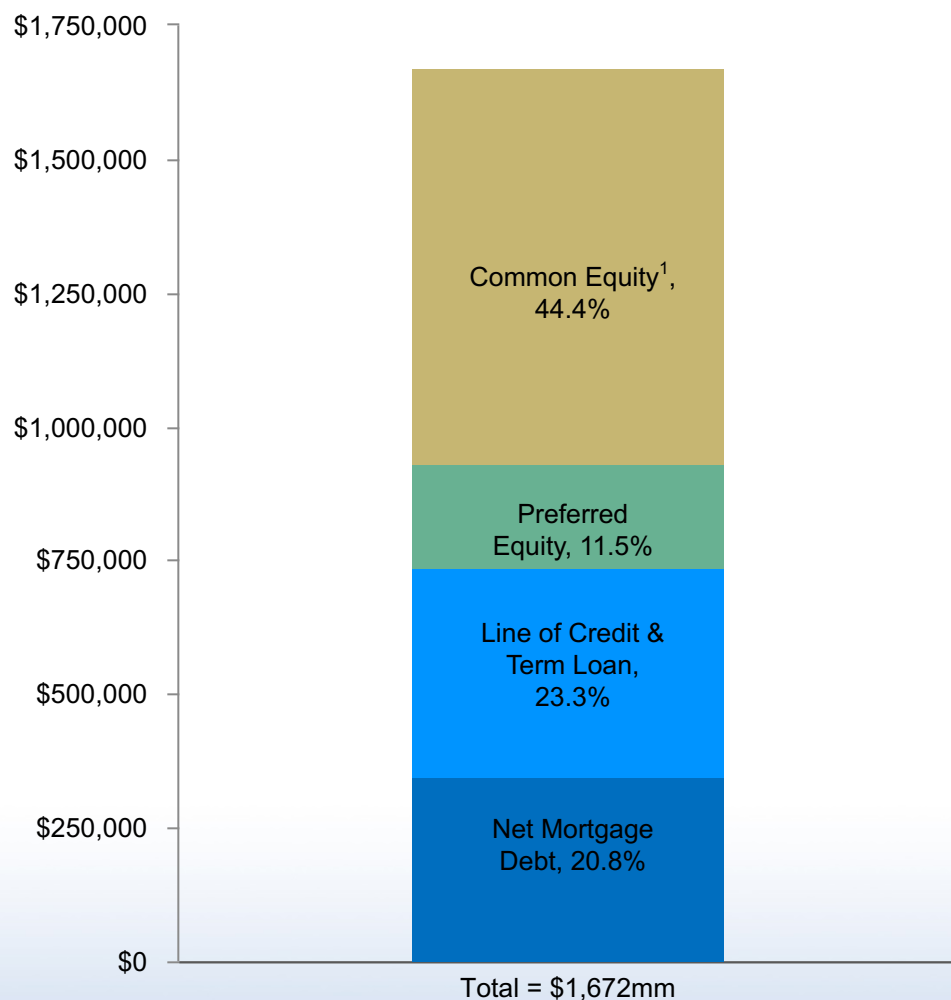
¹We redeemed all outstanding shares of our Series D Preferred Stock on June 30, 2021.

Condensed consolidated balance sheets

(\$ in thousands)	12/31/2022	12/31/2021
ASSETS		
Real estate, at cost	\$ 1,287,297	\$ 1,225,258
Less: accumulated depreciation	286,994	266,672
Total real estate, net	1,000,303	958,586
Lease intangibles, net	111,622	114,494
Real estate and related assets held for sale, net	3,013	—
Cash and cash equivalents	11,653	7,956
Restricted cash	4,339	5,222
Funds held in escrow	8,818	7,304
Right-of-use assets from operating leases	5,131	5,361
Deferred rent receivable, net	38,884	39,066
Other assets	17,746	5,363
TOTAL ASSETS	\$ 1,201,509	\$ 1,143,352
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Mortgage notes payable, net	\$ 359,389	\$ 449,944
Borrowings under revolver and term loan, net	389,817	257,582
Deferred rent liability, asset retirement obligation and other liabilities, net	77,677	63,003
TOTAL LIABILITIES	\$ 826,883	\$ 770,529
MEZZANINE EQUITY		
Series E and G redeemable preferred stock, net	\$ 170,056	\$ 170,261
TOTAL MEZZANINE EQUITY	\$ 170,056	\$ 170,261
STOCKHOLDERS' EQUITY		
Senior common stock	\$ 1	\$ 1
Common stock	39	37
Series F redeemable preferred stock	1	—
Additional paid in capital	721,327	671,134
Accumulated other comprehensive income	11,640	(1,346)
Distributions in excess of accumulated earnings	(530,228)	(468,523)
TOTAL STOCKHOLDERS' EQUITY	\$ 202,780	\$ 201,303
OP Units held by Non-controlling OP Unitholders	1,790	1,259
TOTAL EQUITY	\$ 204,570	\$ 202,562
TOTAL LIABILITIES, MEZZANINE EQUITY AND EQUITY	\$ 1,201,509	\$ 1,143,352

Capital structure

Current capital structure as of 12/31/2022 (\$000)

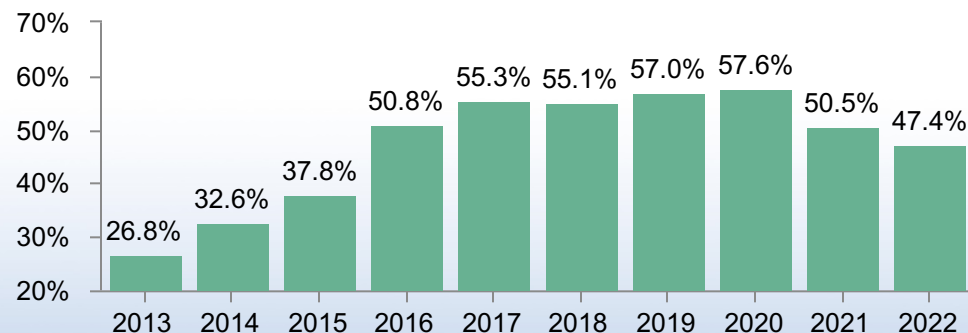


Capital Structure Details

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

	Wtd. Average Rate	12/31/2022
Mortgage Notes Payable, Net	4.24%	\$ 359,389
Less: Cash & Cash Equivalents		(11,653)
Net Mortgage Debt		\$ 347,736
Line of Credit	SOFR+1.50%	\$ 23,250
Term Note	SOFR+1.45%	366,567
Line of Credit and Term Loan		\$ 389,817
Total Debt, Net		\$ 737,553
Series E - Preferred	6.625%	\$ 76,536
Series F - Preferred	6.00%	16,772
Series G - Preferred	6.00%	99,787
Total Preferred Equity		\$ 193,095
Diluted Common Shares Outstanding		40,107,605
Stock Price		\$ 18.50
Implied Common Equity¹ Market Capitalization		\$ 741,991
Enterprise Value		\$ 1,672,639

Institutional Stock Ownership²

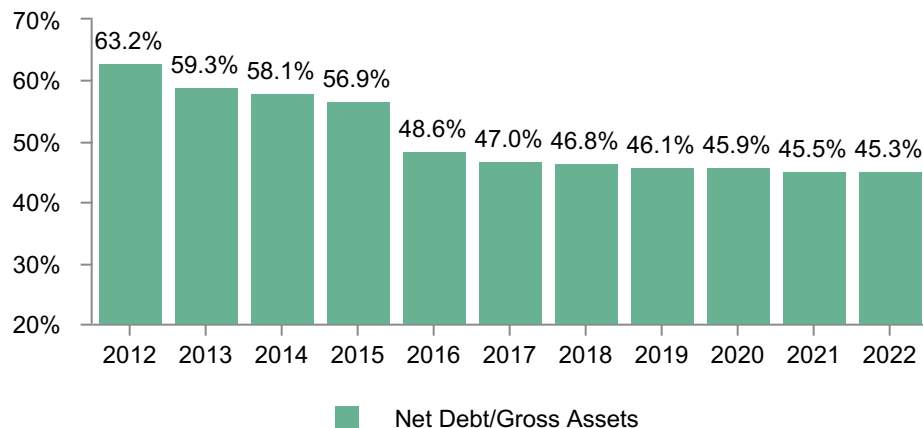


¹ Common Equity is based on the closing common stock price per share as of December 30, 2022 of \$18.50 and includes effect of OP units and convertible senior common stock.

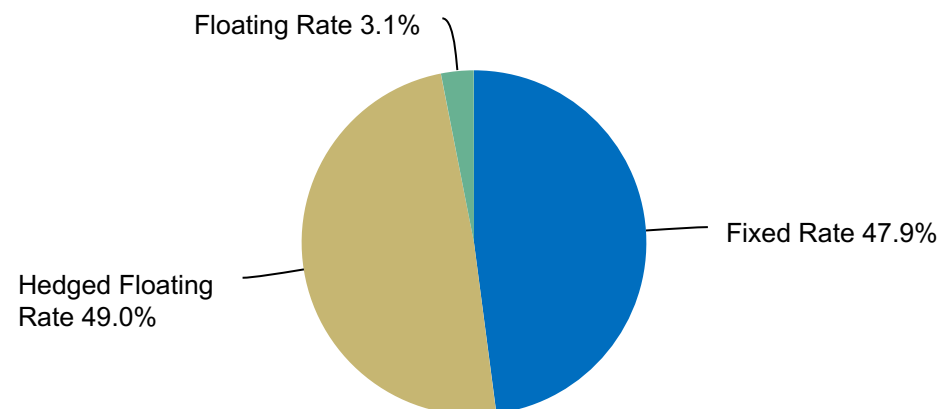
² Source: Nasdaq Online.

Liquidity and debt overview

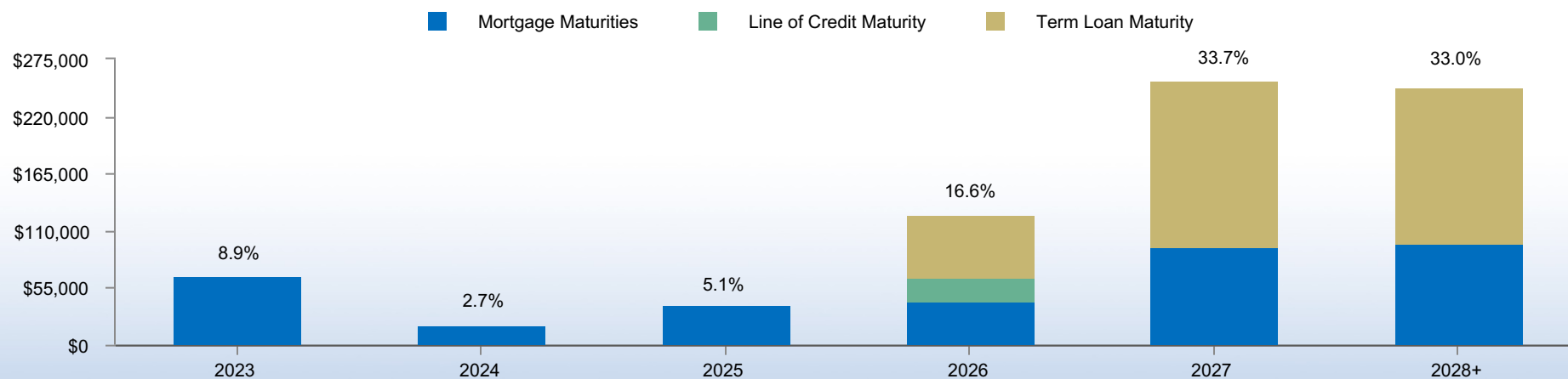
Reducing Leverage¹



Fixed vs. Floating Debt¹



Scheduled debt maturity¹ (\$'000)



¹ As of 12/31/2022.

Debt summary

(\$ in thousands)		
Principal Maturity Date	Weighted Average Interest Rate as of 12/31/2022	Principal Balance Outstanding as of 12/31/2022
2023	4.81%	58,300
2024	4.63%	11,309
2025	4.03%	31,228
2026	4.34%	41,785
2027	4.38%	106,246
2028	3.54%	30,114
2029	5.22%	21,952
2030	3.23%	40,045
2031	3.24%	5,219
2032	3.40%	9,964
2037	4.63%	5,875
Contractual Mortgage Notes Payable:	4.24%	\$ 362,037
Premiums (Discounts), net:		(83)
Total Mortgage Notes Payable:		\$ 361,954
Variable-Rate Line of Credit:		
2026	SOFR +1.50%	\$ 23,250
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	5.03%	\$ 755,204

Select corporate covenants

Description	(\$ in thousands)	
	Threshold	December 31, 2022
Consolidated Tangible Net Worth	> \$643,124	\$822,544
Leverage Ratio	< 60%	48%
Fixed Charge Coverage Ratio	> 1.50	1.85
Maximum Dividend Payout (FFO based)	< 96%	95.2%
Secured Indebtedness	< 40%	23%

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



Portfolio Overview



Portfolio overview

Geographic diversity

- 137 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)



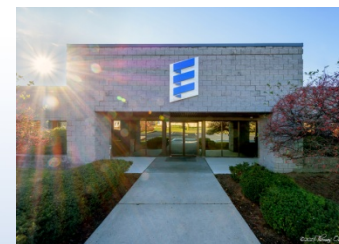
High occupancy

- Occupancy has never fallen below 95%
- Current occupancy 96.8%
- 7.1% of annualized straight line rents expiring through the end of 2023
- Of 100+ assets with over \$1 billion invested since inception, only two tenant defaults



Periodic capital recycling

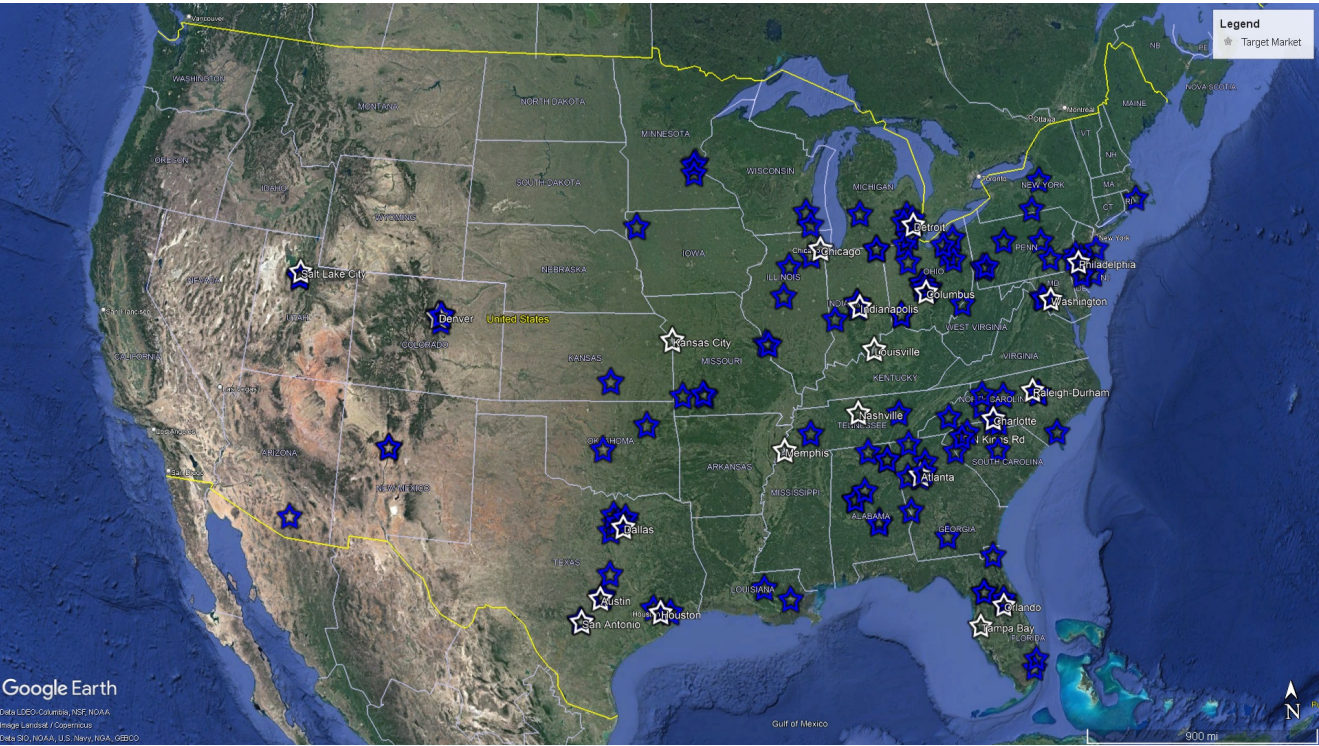
- Sell non-core assets
- Sold 28 properties in non-core markets since mid-2016
- Re-deploy proceeds in growth markets



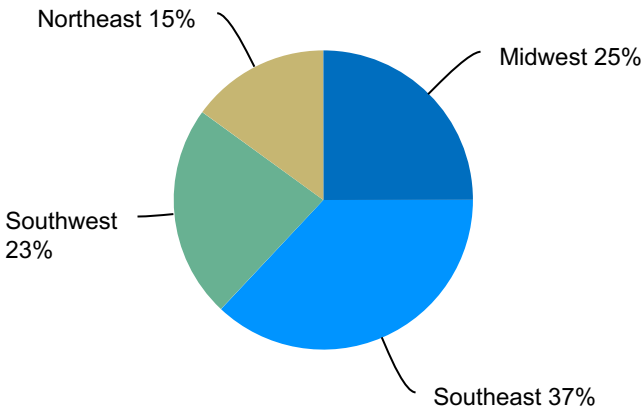
Note: As of 12/31/2022.

Diversified portfolio

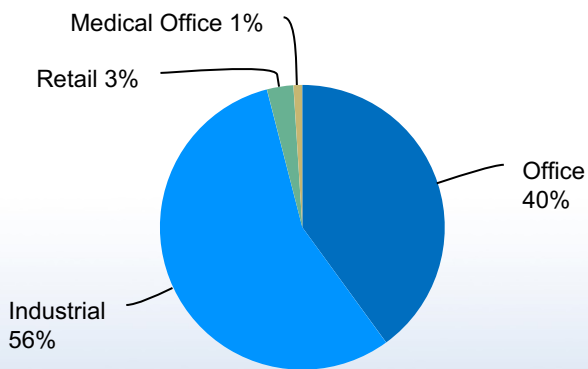
137 properties spread across 27 states



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








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

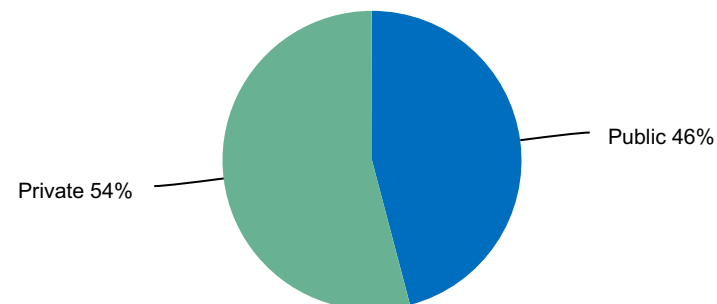


Note: As of 12/31/2022.

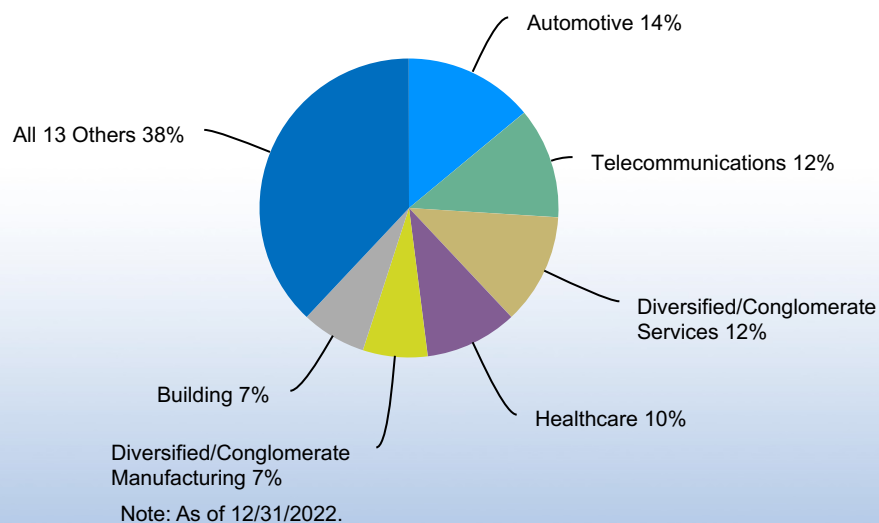
High quality, diversified portfolio

Top 5 tenants	% of annualized straight line rent	% of SF
TOWERS WATSON 	4 %	1 %
	4 %	1 %
 Kane <small>is able, Inc.</small>	3 %	6 %
	3 %	1 %
Morgan Stanley 	2 %	1 %
All other tenants	84 %	90 %

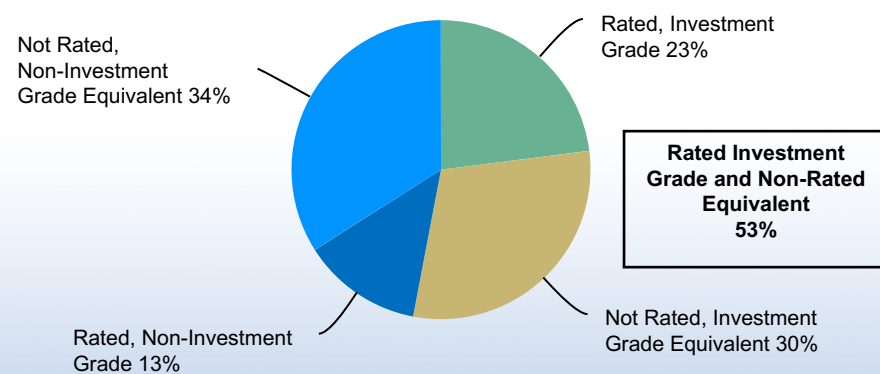
Publicly-traded vs. privately-held tenants (as % of annualized straight line rent)



Industry diversification (based on annualized straight line rent)



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

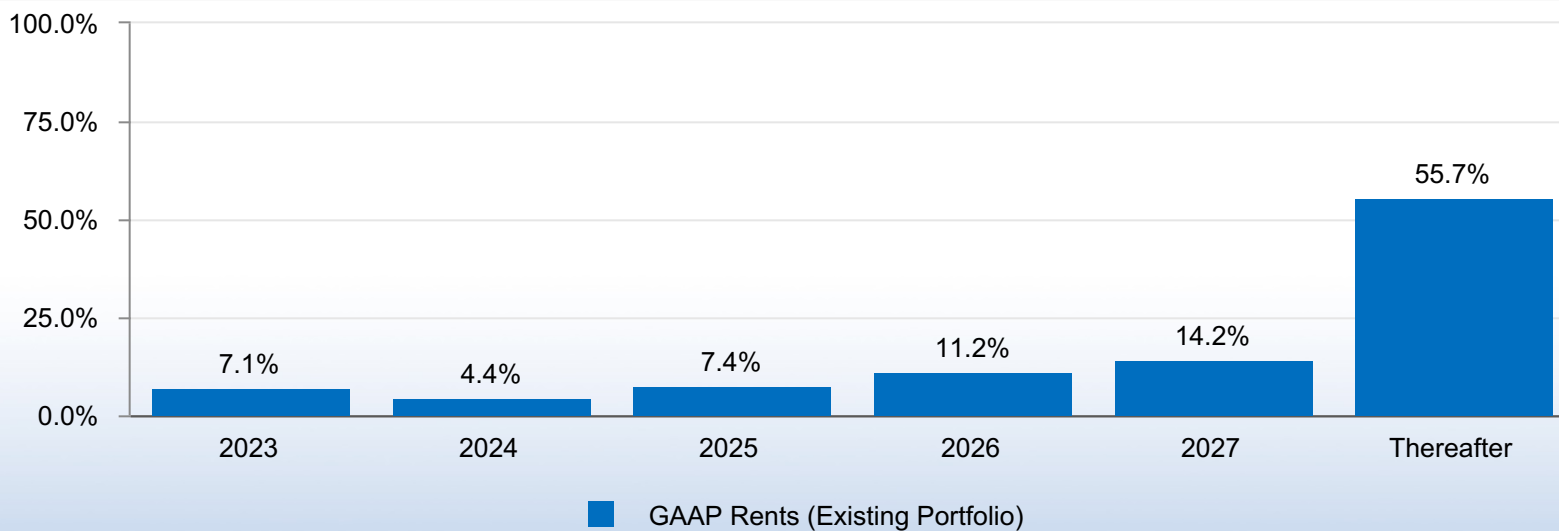


Smooth lease rollover

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
2023	910,526	7	8,769	7.1 %
2024	1,251,411	8	5,486	4.4 %
2025	561,854	10	9,211	7.4 %
2026	1,795,019	13	13,929	11.2 %
2027	1,833,683	13	17,587	14.2 %
Thereafter	10,284,432	86	69,056	55.7 %
Total	16,636,925	137	\$ 124,038	100.0 %

Rent expiring



Note: As of 12/31/2022.



GLADSTONE