



**GLADSTONE
COMMERCIAL**

**Supplemental Financial & Operating
Information for the Quarter Ended**
March 31, 2024 | Nasdaq: GOOD

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Table of contents

About Gladstone Commercial

Corporate overview	4
Portfolio and financial overview	5
Q1 2024 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 owned by Gladstone Commercial, located in Tifton, Georgia

Corporate Headquarters

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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 March 31, 2024, we owned approximately 16.7 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 March 31, 2024, total assets were approximately \$1.1 billion, representing investments in 132 properties. Our properties are leased to 110 tenants who represent 19 diversified industries across 27 states.

At March 31, 2024, our leases had an average remaining term of 6.7 years. In addition, approximately 51% of our tenants have an investment grade or investment grade equivalent credit rating.

Portfolio and financial overview

Portfolio data¹

Total assets (\$mm)	\$	1,105
Properties		132
Tenants		110
Industries		19
States		27
Average remaining lease term (years)		6.7
Occupancy		98.9 %
Square footage owned (mm)		16.7

Capitalization (\$mm)¹






Common equity market capitalization ²	\$	558
Preferred equity		200
Net total debt		719
Total capitalization	\$	1,477
Less: Cash and cash equivalents		(10)
Total enterprise value	\$	1,467
Net total debt / enterprise value		48.3%
Net total debt + preferred / enterprise value		61.9%
Net total debt / gross assets		46.1%

¹ As of March 31, 2024.

² Based on the closing common stock price per share on March 28, 2024 of \$13.84. Includes OP units and senior common shares convertible into shares of common stock.

³ As of May 6, 2024, approximately \$49.1 million is available under the Company's revolving credit facility.

Top 5 tenants¹ % of annualized straight line rent

	4%
	3%
	3%
	2%
	2%
Top 5 Tenants total	14%
Top 5 Tenants average remaining lease term	4.2 years
Portfolio average remaining lease term	6.7 years

Corporate liquidity (\$mm)¹

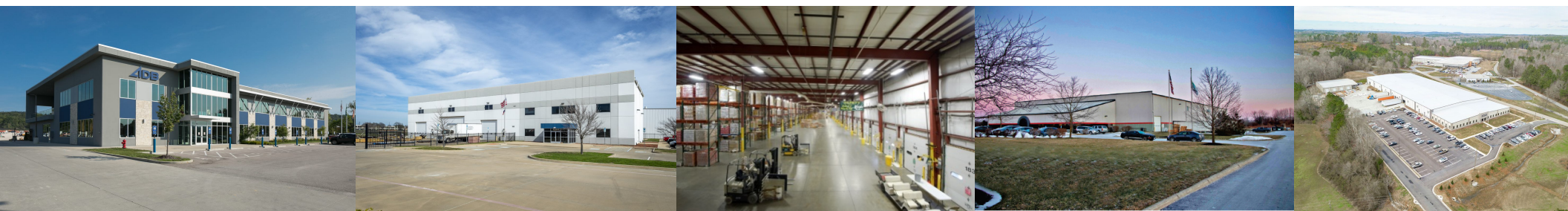
Cash and Cash Equivalents	\$	10.5
Availability Under Revolving Credit Facility ³		47.3
Total	\$	57.8

Q1 2024 highlights (unaudited)

FFO¹ and Core FFO²:	Generated FFO and Core FFO of \$13.6 million and \$13.9 million, respectively, or \$0.34 per diluted share.
Dividends:	Paid monthly common stock dividends totaling \$0.30 per common share, or an annualized \$1.20 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 Series F preferred equity for net proceeds of \$0.2 million.
Debt Activity:	Repaid \$17.7 million in fixed rate mortgage debt with a weighted average interest rate of 5.05%, collateralized by two properties.
Select Expenditure Activity:	Paid \$0.8 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.

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



Financial Overview



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Condensed consolidated statements of operations

(\$ in thousands, except per share amounts)

	For the three months ended (unaudited)		
	3/31/2024	12/31/2023	3/31/2023
Operating revenues			
Lease revenue	\$ 35,721	\$ 35,908	\$ 36,554
Total operating revenues	\$ 35,721	\$ 35,908	\$ 36,554
Operating expenses			
Depreciation and amortization	\$ 13,326	\$ 13,731	\$ 14,704
Property operating expenses	5,884	5,572	6,727
Base management fee	1,535	1,573	1,605
Incentive fee	1,171	—	—
Administration fee	630	615	565
General and administrative	1,047	926	1,063
Impairment charge	493	5,719	—
Total operating expense before incentive fee waiver	\$ 24,086	\$ 28,136	\$ 24,664
Incentive fee waiver	(771)	—	—
Total operating expenses	\$ 23,315	\$ 28,136	\$ 24,664
Other income (expense)			
Interest expense	\$ (9,497)	\$ (9,485)	\$ (8,828)
Gain on sale of real estate, net	283	3,492	—
Gain on debt extinguishment, net	300	2,830	—
Other income	34	(58)	105
Total other (expense), net	\$ (8,880)	\$ (3,221)	\$ (8,723)
Net income	\$ 3,526	\$ 4,551	\$ 3,167
Net (income) loss (available) attributable to non-controlling interests	(2)	(14)	7
Net income available to the company	\$ 3,524	\$ 4,537	\$ 3,174
Distributions attributable to Series E, F, and G preferred stock	(3,112)	(3,106)	(3,022)
Distributions attributable to senior common stock	(105)	(107)	(109)
(Loss) gain on extinguishment of Series F preferred stock	(3)	1	(5)
Gain on repurchase of Series G preferred stock	—	—	3
Net income available to common stockholders	\$ 304	\$ 1,325	\$ 41

Funds from Operations (FFO) and core FFO

(\$ in thousands, except per share amounts)

	For the three months ended (unaudited)		
	3/31/2024	12/31/2023	3/31/2023
Net income	\$ 3,526	\$ 4,551	\$ 3,167
Less: Distributions attributable to preferred and senior common stock	(3,217)	(3,213)	(3,131)
Less/Add: (Loss) gain on extinguishment of Series F preferred stock	(3)	1	(5)
Add: Gain on repurchase of Series G preferred stock	—	—	3
Net income available to common stockholders and Non-controlling OP Unitholders	\$ 306	\$ 1,339	\$ 34
Adjustments:			
Add: Real estate depreciation and amortization	\$ 13,326	\$ 13,731	\$ 14,704
Add: Impairment charge	493	5,719	—
Less: Gain on sale of real estate, net	(283)	(3,492)	—
Less: Gain on debt extinguishment, net	(300)	(2,830)	—
FFO available to common stockholders and Non-controlling OP Unitholders - basic	\$ 13,542	\$ 14,467	\$ 14,738
Add: Convertible senior common distributions	105	107	109
FFO available to common stockholders and Non-controlling OP Unitholders - diluted	\$ 13,647	\$ 14,574	\$ 14,847
FFO available to common stockholders and Non-controlling OP Unitholders - basic	\$ 13,542	\$ 14,467	\$ 14,738
Add: Write off shelf registration statement costs and prepaid ATM costs	183	—	110
Add: Asset retirement obligation expense	33	32	31
Add: Realized loss on interest rate hedging instruments	81	—	—
Core FFO available to common stockholders and Non-controlling OP Unitholders - basic	\$ 13,839	\$ 14,499	\$ 14,879
Add: Convertible senior common distributions	105	107	109
Core FFO available to common stockholders and Non-controlling OP Unitholders - diluted	\$ 13,944	\$ 14,606	\$ 14,988
Weighted average common shares outstanding and Non-controlling OP Units - basic	40,314,124	40,309,714	40,313,827
Weighted average common shares outstanding and Non-controlling OP Units - diluted	40,656,371	40,654,846	40,659,514
FFO per weighted average share of common stock and Non-controlling OP Unit - basic	\$ 0.34	\$ 0.36	\$ 0.37
FFO per weighted average share of common stock and Non-controlling OP Unit - diluted	\$ 0.34	\$ 0.36	\$ 0.37
Core FFO per weighted average share of common stock and Non-controlling OP Unit - basic	\$ 0.34	\$ 0.36	\$ 0.37
Core FFO per weighted average share of common stock and Non-controlling OP Unit - diluted	\$ 0.34	\$ 0.36	\$ 0.37
Distributions declared per share of common stock and Non-controlling OP Unit	\$ 0.30	\$ 0.30	\$ 0.30

Condensed consolidated balance sheets

(\$ in thousands)	3/31/2024 (unaudited)	12/31/2023
ASSETS		
Real estate, at cost	\$ 1,209,932	\$ 1,221,364
Less: accumulated depreciation	304,000	299,662
Total real estate, net	905,932	921,702
Lease intangibles, net	97,663	101,048
Real estate and related assets held for sale, net	18,297	28,787
Cash and cash equivalents	10,451	11,985
Restricted cash	4,467	4,150
Funds held in escrow	5,334	7,515
Right-of-use assets from operating leases	4,143	4,889
Deferred rent receivable, net	41,912	41,006
Other assets	16,958	12,389
TOTAL ASSETS	\$ 1,105,157	\$ 1,133,471
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Mortgage notes payable, net	\$ 275,976	\$ 295,853
Borrowings under revolver and term loan, net	443,380	443,008
Deferred rent liability, asset retirement obligation and other liabilities, net	67,509	70,303
TOTAL LIABILITIES	\$ 786,865	\$ 809,164
MEZZANINE EQUITY		
Series E and G redeemable preferred stock, net	\$ 170,041	\$ 170,041
TOTAL MEZZANINE EQUITY	\$ 170,041	\$ 170,041
STOCKHOLDERS' EQUITY		
Senior common stock	\$ 1	\$ 1
Common stock	40	40
Series F redeemable preferred stock	1	1
Additional paid in capital	730,465	730,256
Accumulated other comprehensive income	13,281	7,758
Distributions in excess of accumulated earnings	(596,475)	(584,776)
TOTAL STOCKHOLDERS' EQUITY	\$ 147,313	\$ 153,280
OP Units held by Non-controlling OP Unitholders	938	986
TOTAL EQUITY	\$ 148,251	\$ 154,266
TOTAL LIABILITIES, MEZZANINE EQUITY AND EQUITY	\$ 1,105,157	\$ 1,133,471

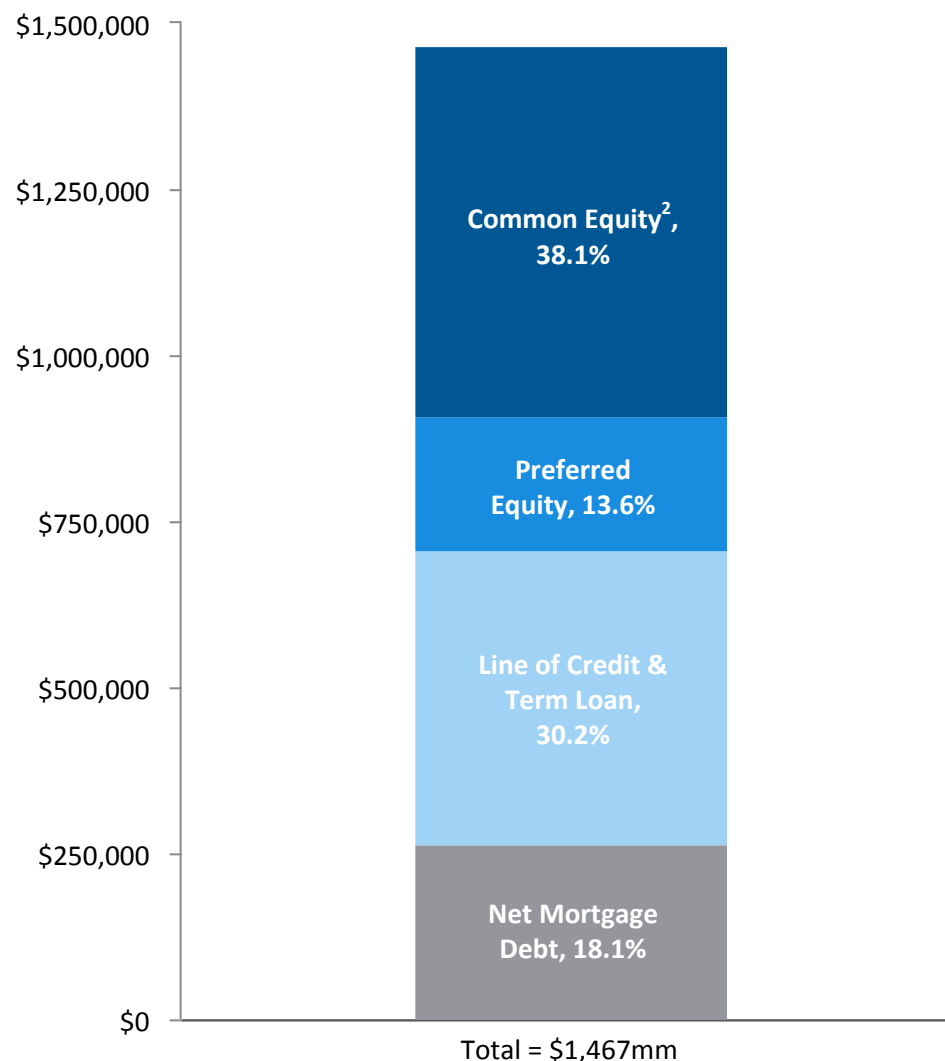
Capital structure

- Institutional stock ownership increased from 26.8% in 2013 to 45.8% as of March 31, 2024¹
- Balance sheet remains below 50% levered
- Weighted average interest rate on mortgage debt of just 4.16%

Capital Structure Details

<i>(Dollars in \$000s, except stock price)</i>	Wtd. Average Rate	3/31/2024
Mortgage Notes Payable, Net	4.16%	\$ 275,976
Less: Cash & Cash Equivalents		(10,451)
Net Mortgage Debt		\$ 265,525
Line of Credit	SOFR+1.50%	\$ 75,950
Term Note	SOFR+1.45%	367,430
Line of Credit and Term Loan		\$ 443,380
Total Debt, Net		\$ 708,905
Series E - Preferred	6.625%	\$ 76,536
Series F - Preferred	6.00%	23,242
Series G - Preferred	6.00%	99,772
Total Preferred Equity		\$ 199,550
Diluted Common Shares Outstanding		40,345,728
Stock Price		\$ 13.84
Implied Common Equity² Market Capitalization		\$ 558,385
Enterprise Value		\$ 1,466,840

Current capital structure as of March 31, 2024 (Dollars in \$000)

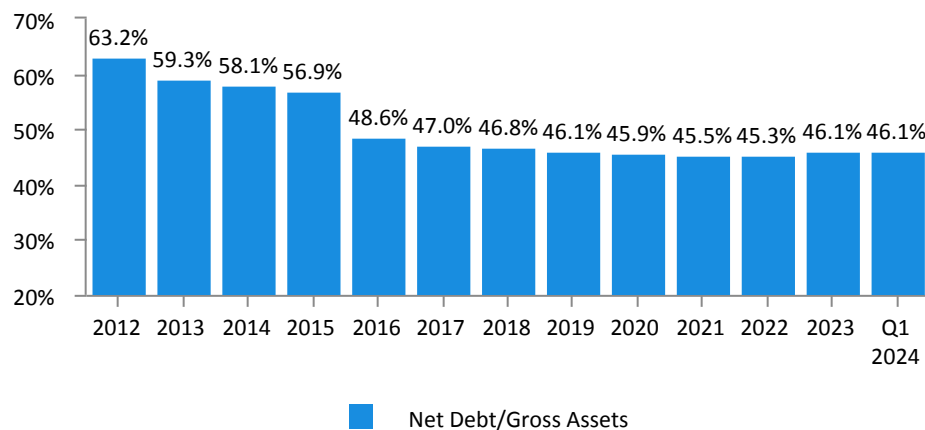


¹ Source: Nasdaq Online.

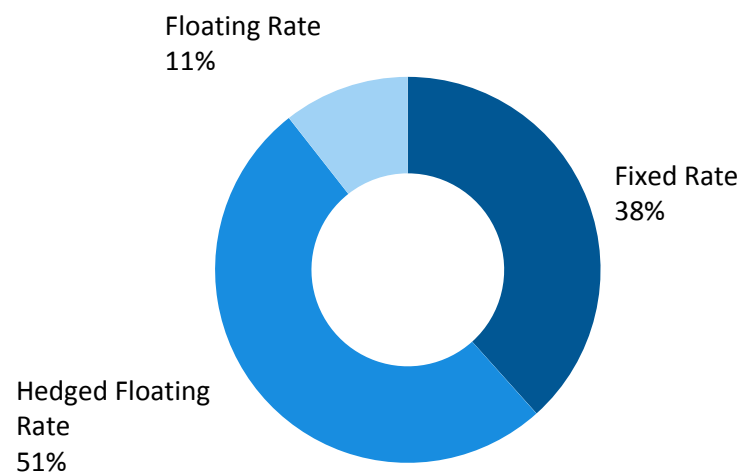
² Common Equity is based on the closing common stock price per share as of March 28, 2024 of \$13.84 and includes effect of OP units and convertible senior common stock.

Liquidity and debt overview

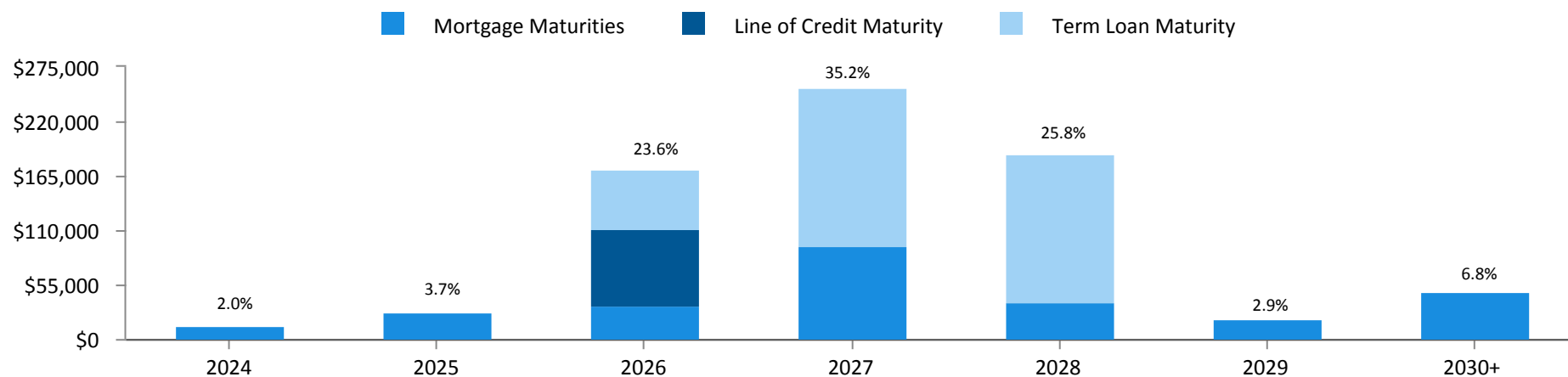
Reducing Leverage¹



Fixed vs. Floating Debt¹



Scheduled debt maturity¹ (\$'000)



¹ As of March 31, 2024.

Debt summary

Principal Maturity Date	Weighted Average Interest Rate as of 3/31/2024	(\$ in thousands)	
		Principal Balance Outstanding as of 3/31/2024	
2024	4.35%		7,444
2025	4.14%		18,276
2026	4.18%		31,156
2027	4.37%		102,200
2028	4.14%		38,129
2029	5.22%		21,538
2030	3.23%		38,841
2031	3.24%		5,026
2032	3.40%		9,900
2037	4.63%		5,515
Contractual Mortgage Notes Payable:	4.16%	\$	278,025
Premiums (Discounts), net:			(33)
Total Mortgage Notes Payable:		\$	277,992
Variable-Rate Line of Credit:			
2026	SOFR +1.50%	\$	75,950
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	5.78%	\$	723,942

Select corporate covenants

Description	(\$ in thousands)	
	Threshold	March 31, 2024
Consolidated Tangible Net Worth	> \$643,124	\$878,005
Leverage Ratio	< 60%	45%
Fixed Charge Coverage Ratio	> 1.50	1.79
Maximum Dividend Payout (FFO based)	< 96%	80.6%
Secured Indebtedness	< 40%	17%

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



Portfolio Overview



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Portfolio overview

Geographic diversity

- 132 properties across the U.S., located in 27 states
- Focus on secondary growth markets with higher yields

Tenant and property diversity

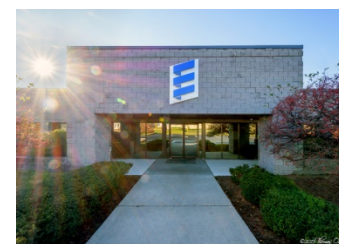
- Diverse base of 19 different industries
- Primarily industrial and office property types
- Focus on mid-size tenants occupying properties ranging from 30-150K SF (office) and 75-500K SF (industrial)

High occupancy

- Occupancy has never fallen below 95%
- Current occupancy 98.9%
- 4.6% of annualized straight line rents expiring through the end of 2024
- Of 100+ assets with over \$1 billion invested since inception, only two tenant defaults

Periodic capital recycling

- Sell non-core assets in non-core markets
- Sold 38 properties in non-core markets since mid-2016
- Re-deploy proceeds in growth markets

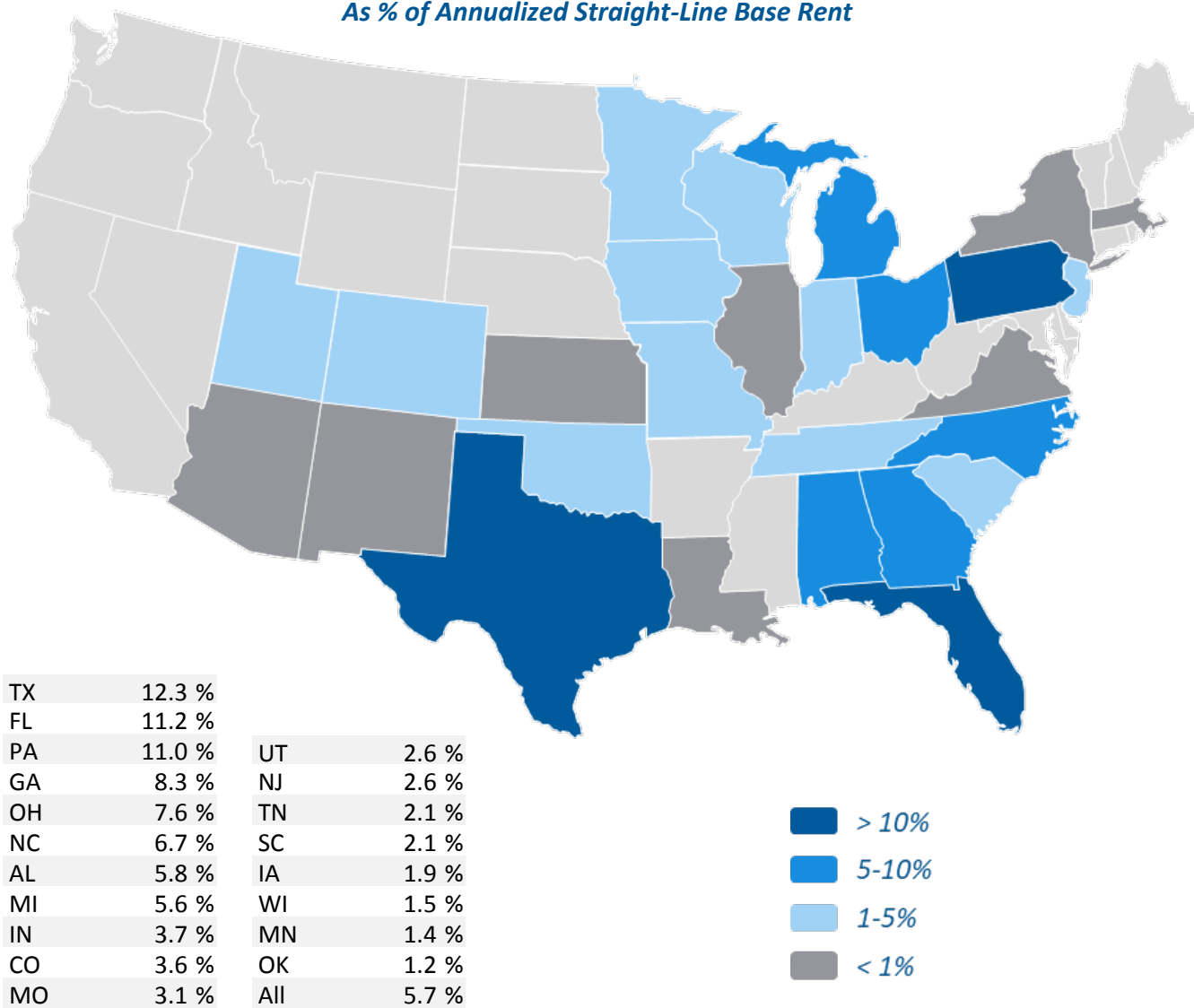


Note: As of March 31, 2024.

Diversified portfolio

132 properties spread across 27 states

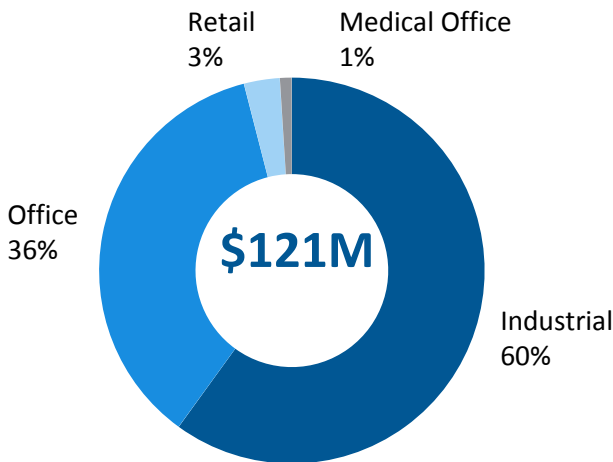
As % of Annualized Straight-Line Base Rent



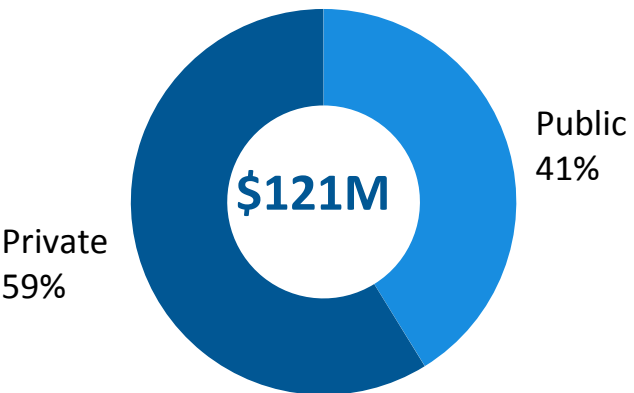
Note: As of March 31, 2024.

High quality, diversified portfolio

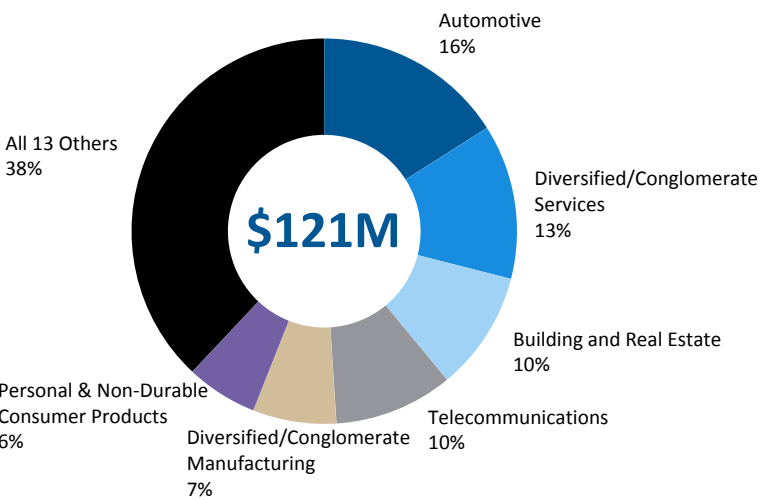
Property type diversification
(by annualized straight line rent)



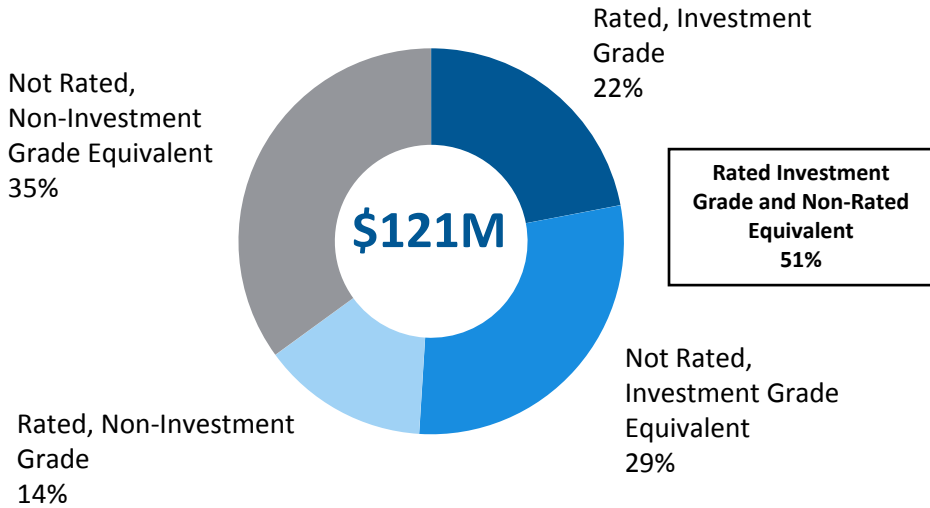
Publicly-traded vs. privately-held tenants
(as % of annualized straight line rent)



Industry diversification
(based on annualized straight line rent)



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



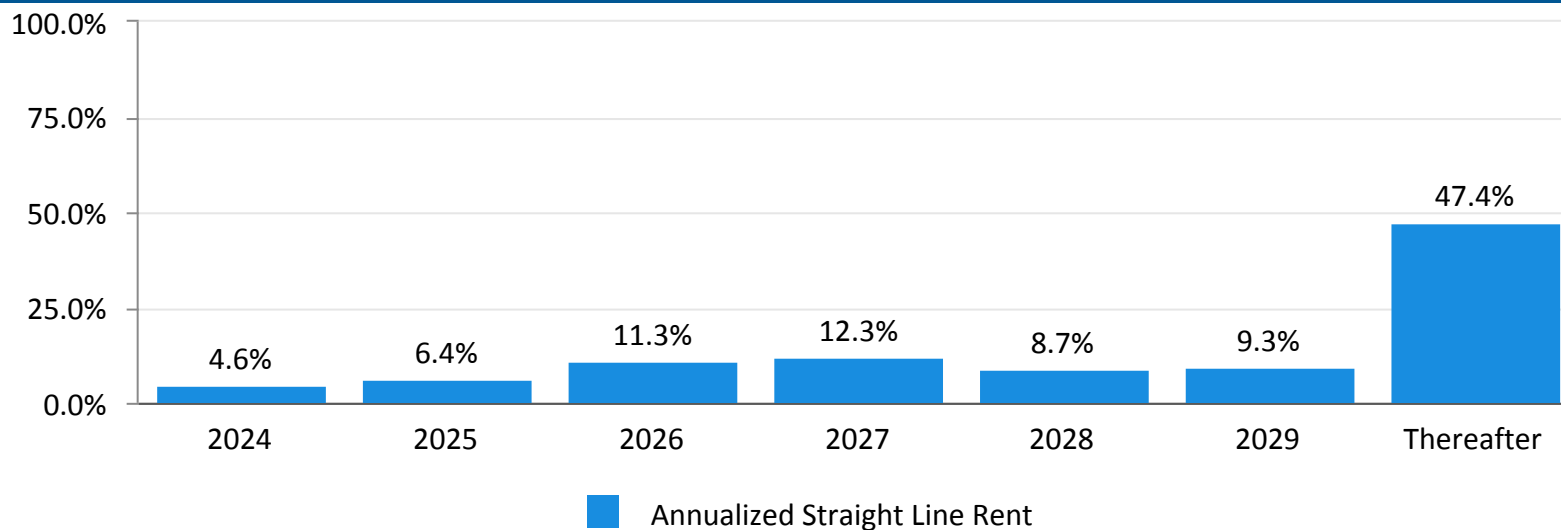
Note: As of March 31, 2024.

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
2024	1,638,576	3	\$ 5,606	4.6 %
2025	535,392	9	7,751	6.4 %
2026	1,781,100	12	13,594	11.3 %
2027	1,081,647	12	14,867	12.3 %
2028	1,754,938	14	10,455	8.7 %
2029	1,711,620	19	11,269	9.3 %
Thereafter	8,008,739	68	57,181	47.4 %
Total	16,512,012	137	\$ 120,723	100.0 %

Rent expiring



Note: As of May 6, 2024.



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