



**GLADSTONE
COMMERCIAL**

**Supplemental Financial & Operating
Information for the Quarter Ended**

June 30, 2024 | Nasdaq: GOOD

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Corporate overview



Industrial building owned by Gladstone Commercial, located in Crandall, 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 June 30, 2024, we owned approximately 16.8 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 June 30, 2024, total assets were approximately \$1.1 billion, representing investments in 136 properties. Our properties are leased to 109 tenants who represent 19 diversified industries across 27 states.

At June 30, 2024, our leases had an average remaining term of 7.2 years. In addition, approximately 50% of our tenants have an investment grade or investment grade equivalent credit rating.

Portfolio and financial overview

Portfolio data¹

Total assets (\$mm)	\$	1,106
Properties		136
Tenants		109
Industries		19
States		27
Average remaining lease term (years)		7.2
Occupancy		98.5 %
Square footage owned (mm)		16.8

Capitalization (\$mm)¹





Common equity market capitalization ²	\$	590
Preferred equity		200
Net total debt		723
Total capitalization	\$	1,513
Less: Cash and cash equivalents		(10)
Total enterprise value	\$	1,503
Net total debt / enterprise value		47.4%
Net total debt + preferred / enterprise value		60.7%
Net total debt / gross assets		45.9%

¹ As of June 30, 2024.

² Based on the closing common stock price per share on June 28, 2024 of \$14.27. Includes OP units and senior common shares convertible into shares of common stock.

³ As of August 6, 2024, approximately \$60.3 million is available under the Company's revolving credit facility.

Top 5 tenants¹ % of annualized straight line rent

	5%
	4%
	3%
Morgan Stanley	2%
	2%
Top 5 Tenants total	16%
Top 5 Tenants average remaining lease term	5.4 years
Portfolio average remaining lease term	7.2 years

Corporate liquidity (\$mm)¹

Cash and Cash Equivalents	\$	10.4
Availability Under Revolving Credit Facility ³		42.1
Total	\$	52.5

Q2 2024 highlights (unaudited)

FFO¹ and Core FFO²:	Generated FFO and Core FFO of \$14.5 million and \$14.6 million, respectively, or \$0.36 per diluted share.
Acquisitions³	Purchased a 142,125 square foot, five building facility in Warfordsburg, Pennsylvania for \$11.7 million, with a 25-year lease term.
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 stock dividends, Series E preferred dividends, Series F preferred dividends, and Series G preferred dividends.
Equity Issuances:	Issued common stock through our ATM program for net proceeds of \$10.6 million and issued Series F preferred stock for net proceeds of \$0.4 million.
Debt Activity:	Extended the maturity date of \$7.4 million fixed rate mortgage debt from June 2024 to September 2025, collateralized by one property, resulting in a variable interest rate of SOFR + 2.25%.
Select Expenditure Activity:	Paid \$3.1 million related to capital expenditures and \$0.4 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



**GLADSTONE
COMMERCIAL**

Condensed consolidated statements of operations

(\$ in thousands, except per share amounts)

	For the three months ended (unaudited)			For the six months ended (unaudited)	
	6/30/2024	3/31/2024	6/30/2023	6/30/2024	6/30/2023
Operating revenues					
Lease revenue	\$ 37,057	\$ 35,721	\$ 38,658	\$ 72,779	\$ 75,212
Total operating revenues	\$ 37,057	\$ 35,721	\$ 38,658	\$ 72,779	\$ 75,212
Operating expenses					
Depreciation and amortization	\$ 16,015	\$ 13,326	\$ 16,936	\$ 29,341	\$ 31,640
Property operating expenses	5,807	5,884	6,738	11,692	13,465
Base management fee	1,516	1,535	1,605	3,051	3,210
Incentive fee	1,245	1,171	—	2,416	—
Administration fee	594	630	546	1,225	1,110
General and administrative	1,046	1,047	1,068	2,093	2,131
Impairment charge	—	493	6,823	493	6,823
Total operating expense before incentive fee waiver	\$ 26,223	\$ 24,086	\$ 33,716	\$ 50,311	\$ 58,379
Incentive fee waiver	(250)	(771)	—	(1,021)	—
Total operating expenses	\$ 25,973	\$ 23,315	\$ 33,716	\$ 49,290	\$ 58,379
Other income (expense)					
Interest expense	\$ (9,463)	\$ (9,497)	\$ (9,081)	\$ (18,960)	\$ (17,909)
(Loss) gain on sale of real estate, net	(47)	283	(451)	236	(451)
Gain on debt extinguishment, net	—	300	—	300	—
Other income	26	34	2	60	107
Total other (expense), net	\$ (9,484)	\$ (8,880)	\$ (9,530)	\$ (18,364)	\$ (18,253)
Net income (loss)	\$ 1,600	\$ 3,526	\$ (4,588)	\$ 5,125	\$ (1,420)
Net loss (income) attributable (available) to non-controlling interests	11	(2)	73	9	81
Net income (loss) available (attributable) to the company	\$ 1,611	\$ 3,524	\$ (4,515)	\$ 5,134	\$ (1,339)
Distributions attributable to Series E, F, and G preferred stock	(3,116)	(3,112)	(3,058)	(6,229)	(6,080)
Distributions attributable to senior common stock	(105)	(105)	(106)	(211)	(215)
Loss on extinguishment of Series F preferred stock	(4)	(3)	(6)	(7)	(11)
Gain on repurchase of Series G preferred stock	—	—	—	—	3
Net (loss) income (attributable) available to common stockholders	\$ (1,614)	\$ 304	\$ (7,685)	\$ (1,313)	\$ (7,642)

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)	
	6/30/2024	3/31/2024	6/30/2023	6/30/2024	6/30/2023
Net income (loss)	\$ 1,600	\$ 3,526	\$ (4,588)	\$ 5,125	\$ (1,420)
Less: Distributions attributable to preferred and senior common stock	(3,221)	(3,217)	(3,164)	(6,440)	(6,295)
Less: Loss on extinguishment of Series F preferred stock	(4)	(3)	(6)	(7)	(11)
Add: Gain on repurchase of Series G preferred stock	—	—	—	—	3
Net (loss) income (attributable) available to common stockholders and Non-controlling OP Unitholders	\$ (1,625)	\$ 306	\$ (7,758)	\$ (1,322)	\$ (7,723)
Adjustments:					
Add: Real estate depreciation and amortization	\$ 16,015	\$ 13,326	\$ 16,936	\$ 29,341	\$ 31,640
Add: Impairment charge	—	493	6,823	493	6,823
Add: Loss on sale of real estate, net	47	—	451	—	451
Less: Gain on sale of real estate, net	—	(283)	—	(236)	—
Less: Gain on debt extinguishment, net	—	(300)	—	(300)	—
FFO available to common stockholders and Non-controlling OP Unitholders - basic	\$ 14,437	\$ 13,542	\$ 16,452	\$ 27,976	\$ 31,191
Add: Convertible senior common distributions	105	105	106	211	215
FFO available to common stockholders and Non-controlling OP Unitholders - diluted	\$ 14,542	\$ 13,647	\$ 16,558	\$ 28,187	\$ 31,406
FFO available to common stockholders and Non-controlling OP Unitholders - basic	\$ 14,437	\$ 13,542	\$ 16,452	\$ 27,976	\$ 31,191
Add: Write off shelf registration statement costs and prepaid ATM costs	—	183	—	183	110
Add: Asset retirement obligation expense	33	33	32	66	63
Add: Bad debt write off	64	—	—	64	—
Add: Realized loss on interest rate hedging instruments	—	81	—	81	—
Core FFO available to common stockholders and Non-controlling OP Unitholders - basic	\$ 14,534	\$ 13,839	\$ 16,484	\$ 28,370	\$ 31,364
Add: Convertible senior common distributions	105	105	106	211	215
Core FFO available to common stockholders and Non-controlling OP Unitholders - diluted	\$ 14,639	\$ 13,944	\$ 16,590	\$ 28,581	\$ 31,579
Weighted average common shares outstanding and Non-controlling OP Units - basic	40,553,113	40,314,124	40,370,142	40,433,619	40,342,140
Weighted average common shares outstanding and Non-controlling OP Units - diluted	40,895,360	40,656,371	40,715,274	40,775,866	40,687,272
FFO per weighted average share of common stock and Non-controlling OP Unit - basic	\$ 0.36	\$ 0.34	\$ 0.41	\$ 0.69	\$ 0.77
FFO per weighted average share of common stock and Non-controlling OP Unit - diluted	\$ 0.36	\$ 0.34	\$ 0.41	\$ 0.69	\$ 0.77
Core FFO per weighted average share of common stock and Non-controlling OP Unit - basic	\$ 0.36	\$ 0.34	\$ 0.41	\$ 0.70	\$ 0.78
Core FFO per weighted average share of common stock and Non-controlling OP Unit - diluted	\$ 0.36	\$ 0.34	\$ 0.41	\$ 0.70	\$ 0.78
Distributions declared per share of common stock and Non-controlling OP Unit	\$ 0.30	\$ 0.30	\$ 0.30	\$ 0.60	\$ 0.60

Condensed consolidated balance sheets

(\$ in thousands)	6/30/2024 (unaudited)	12/31/2023
ASSETS		
Real estate, at cost	\$ 1,230,206	\$ 1,221,364
Less: accumulated depreciation	311,433	299,662
Total real estate, net	<u>918,773</u>	<u>921,702</u>
Lease intangibles, net	95,935	101,048
Real estate and related assets held for sale, net	4,179	28,787
Cash and cash equivalents	10,416	11,985
Restricted cash	4,003	4,150
Funds held in escrow	5,497	7,515
Right-of-use assets from operating leases	4,083	4,889
Deferred rent receivable, net	42,864	41,006
Other assets	19,796	12,389
TOTAL ASSETS	<u><u>\$ 1,105,546</u></u>	<u><u>\$ 1,133,471</u></u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Mortgage notes payable, net	\$ 273,783	\$ 295,853
Borrowings under revolver and term loan, net	448,753	443,008
Deferred rent liability, asset retirement obligation and other liabilities, net	67,148	70,303
TOTAL LIABILITIES	<u><u>\$ 789,684</u></u>	<u><u>\$ 809,164</u></u>
MEZZANINE EQUITY		
Series E and G redeemable preferred stock, net	\$ 170,041	\$ 170,041
TOTAL MEZZANINE EQUITY	<u><u>\$ 170,041</u></u>	<u><u>\$ 170,041</u></u>
STOCKHOLDERS' EQUITY		
Senior common stock	\$ 1	\$ 1
Common stock	41	40
Series F redeemable preferred stock	1	1
Additional paid in capital	742,114	730,256
Accumulated other comprehensive income	13,759	7,758
Distributions in excess of accumulated earnings	(610,209)	(584,776)
TOTAL STOCKHOLDERS' EQUITY	<u><u>\$ 145,707</u></u>	<u><u>\$ 153,280</u></u>
OP Units held by Non-controlling OP Unitholders	114	986
TOTAL EQUITY	<u><u>\$ 145,821</u></u>	<u><u>\$ 154,266</u></u>
TOTAL LIABILITIES, MEZZANINE EQUITY AND EQUITY	<u><u>\$ 1,105,546</u></u>	<u><u>\$ 1,133,471</u></u>

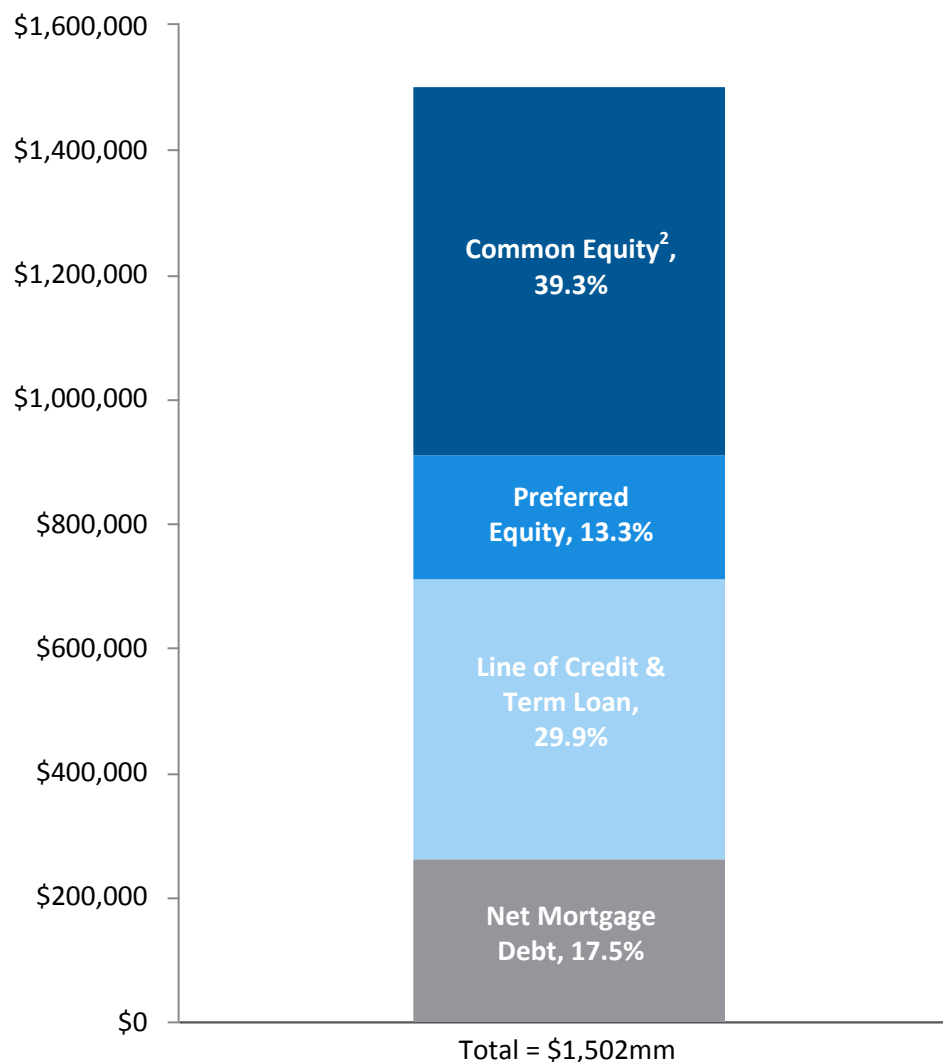
Capital structure

- Institutional stock ownership increased from 26.8% in 2013 to 43.7% as of June 30, 2024¹
- Balance sheet remains below 50% levered
- Weighted average interest rate on mortgage debt of just 4.24%

Capital Structure Details

<i>(Dollars in \$000s, except stock price)</i>	Wtd. Average Rate	6/30/2024
Mortgage Notes Payable, Net	4.24%	\$ 273,783
Less: Cash & Cash Equivalents		(10,416)
Net Mortgage Debt		\$ 263,367
Line of Credit	SOFR+1.35%	\$ 81,150
Term Note	SOFR+1.30%	367,603
Line of Credit and Term Loan		\$ 448,753
Total Debt, Net		\$ 712,120
Series E - Preferred	6.625%	\$ 76,536
Series F - Preferred	6.00%	23,563
Series G - Preferred	6.00%	99,772
Total Preferred Equity		\$ 199,871
Diluted Common Shares Outstanding		41,373,111
Stock Price		\$ 14.27
Implied Common Equity² Market Capitalization		\$ 590,394
Enterprise Value		\$ 1,502,385

Current capital structure as of June 30, 2024 (Dollars in \$000)

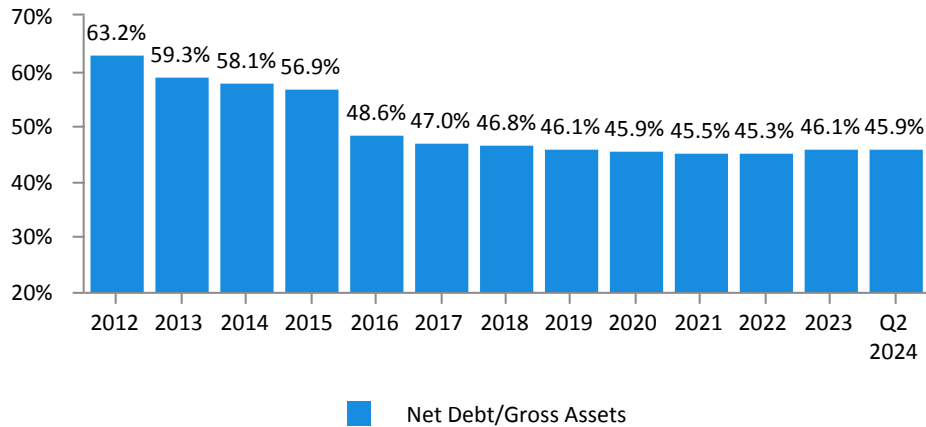


¹ Source: Nasdaq Online.

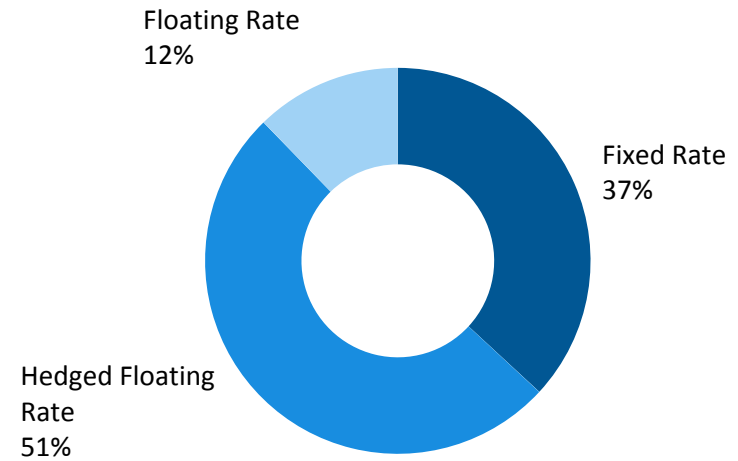
² Common Equity is based on the closing common stock price per share as of June 28, 2024 of \$14.27 and includes effect of OP units and convertible senior common stock.

Liquidity and debt overview

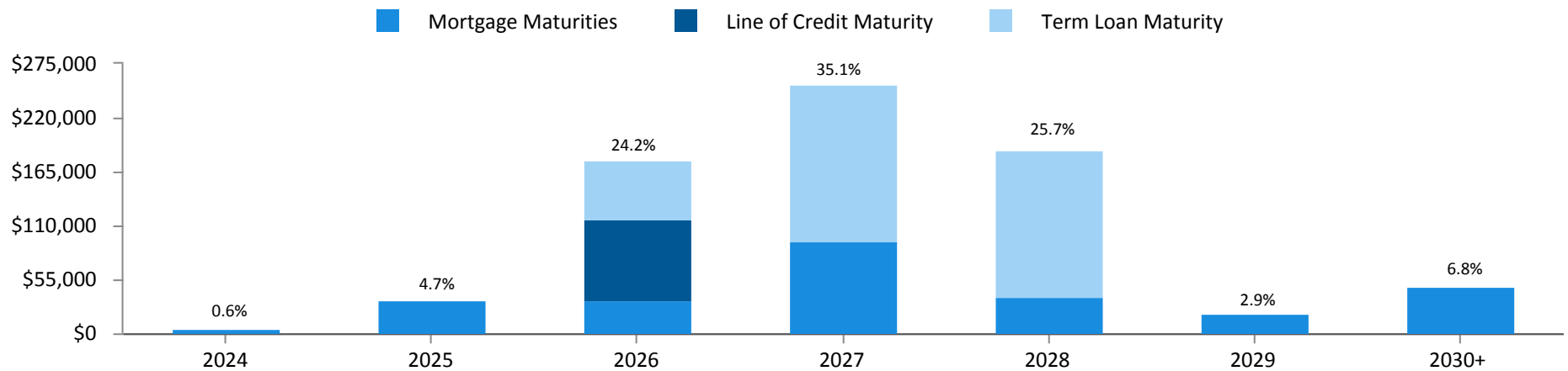
Reducing Leverage¹



Fixed vs. Floating Debt¹



Scheduled debt maturity¹ (\$'000)



¹ As of June 30, 2024.

Debt summary

Principal Maturity Date	Weighted Average Interest Rate as of 6/30/2024	(\$ in thousands)	
		Principal Balance Outstanding as of 6/30/2024	
2025	5.13%		25,503
2026	4.17%		30,667
2027	4.37%		101,348
2028	4.14%		37,906
2029	5.23%		21,453
2030	3.23%		38,595
2031	3.24%		4,986
2032	3.40%		9,836
2037	4.63%		5,440
Contractual Mortgage Notes Payable:	4.24%	\$	275,734
Premiums (Discounts), net:			(24)
Total Mortgage Notes Payable:		\$	275,710
Variable-Rate Line of Credit:			
2026	SOFR +1.35%	\$	81,150
Variable-Rate Term Loan Facility:			
2027	SOFR +1.30%	\$	160,000
2026	SOFR +1.30%		60,000
2028	SOFR +1.30%		150,000
Total Mortgage Notes Payable and Line of Credit	5.82%	\$	726,860

Select corporate covenants

Description	(\$ in thousands)	
	Threshold	June 30, 2024
Consolidated Tangible Net Worth	> \$643,124	\$912,376
Leverage Ratio	< 60%	44%
Fixed Charge Coverage Ratio	> 1.50	1.77
Maximum Dividend Payout (FFO based)	< 96%	82.1%
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

- **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 **98.5%**
- **1.8%** of annualized straight line rents expiring through the end of 2024
- Of 100+ assets with over \$1 billion invested since inception, only six tenant defaults

Periodic capital recycling

- Sell non-core assets in non-core markets
- Sold 39 properties in non-core markets since mid-2016
- Re-deploy proceeds in growth markets

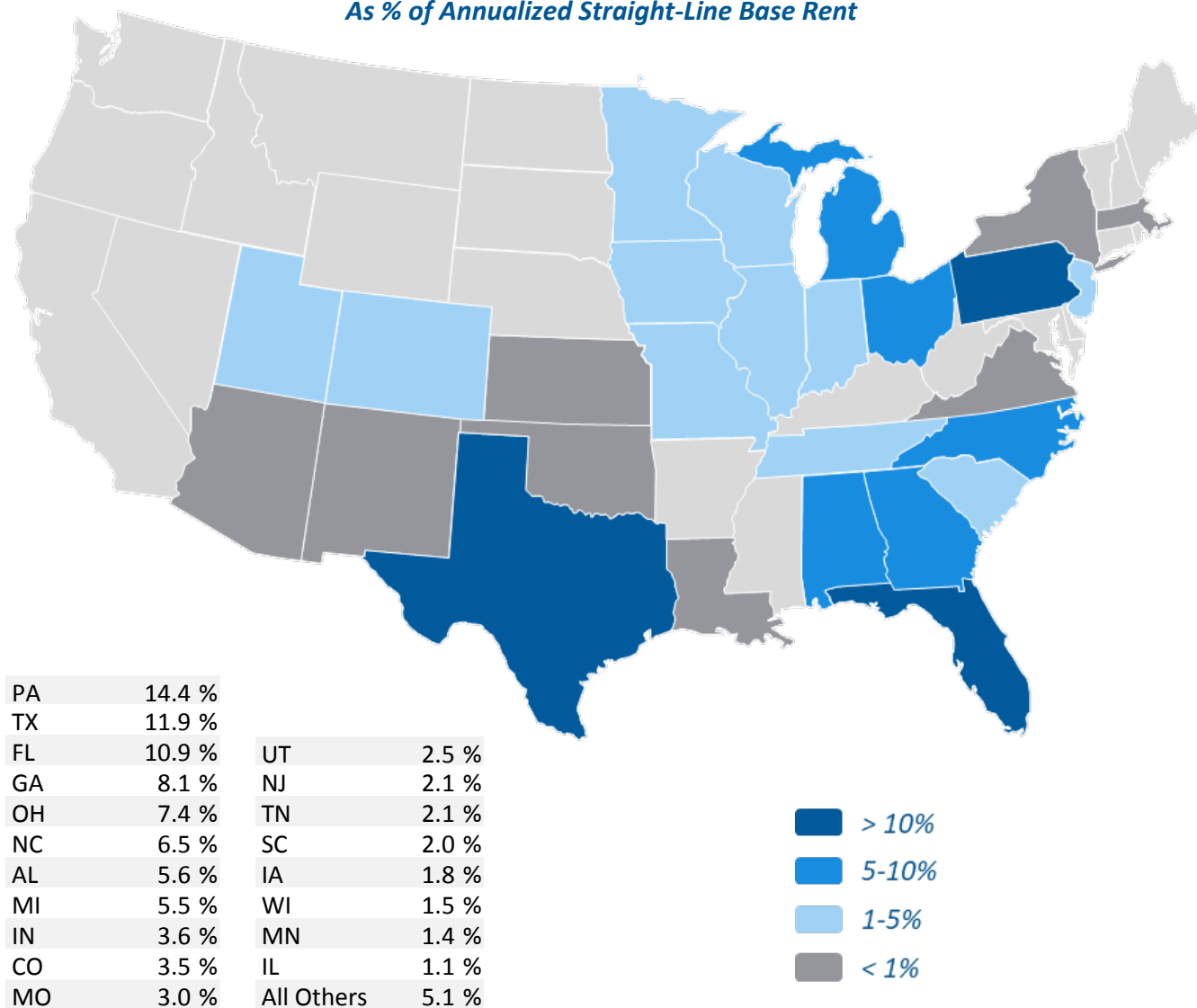


Note: As of June 30, 2024.

Diversified portfolio

136 properties spread across 27 states

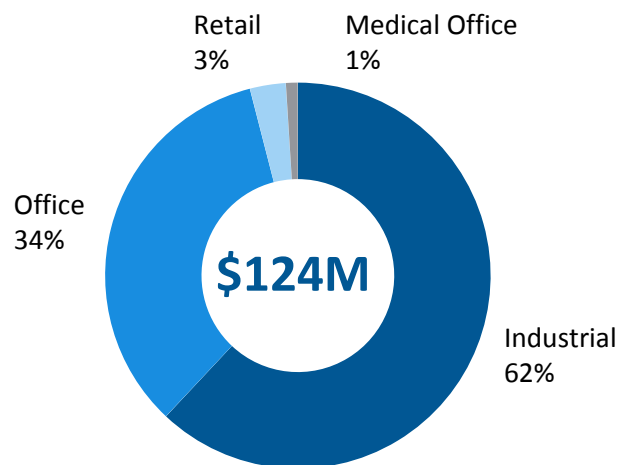
As % of Annualized Straight-Line Base Rent



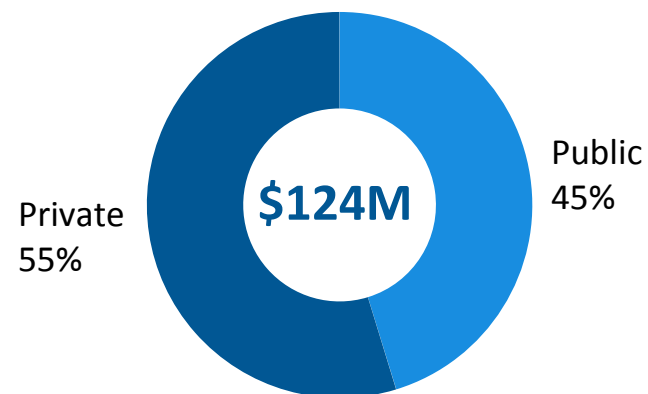
Note: As of June 30, 2024.

High quality, diversified portfolio

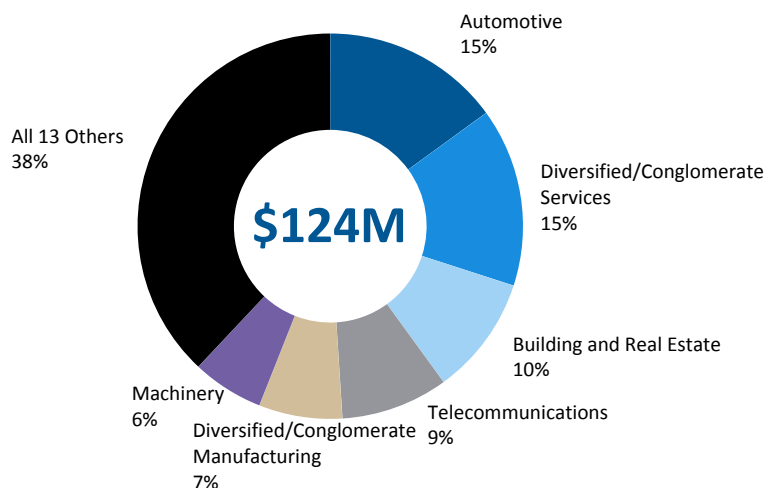
**Property type diversification
(by annualized straight line rent)**



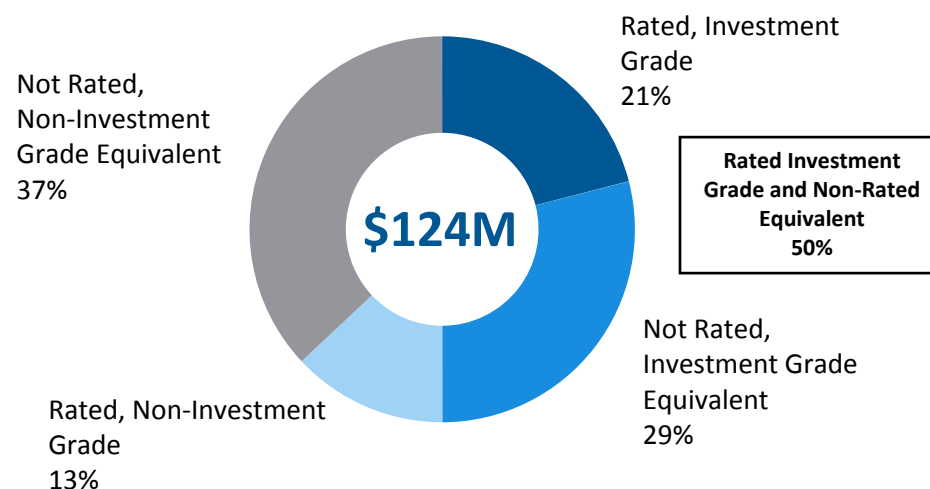
**Publicly-traded vs. privately-held tenants
(as % of annualized straight line rent)**



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



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



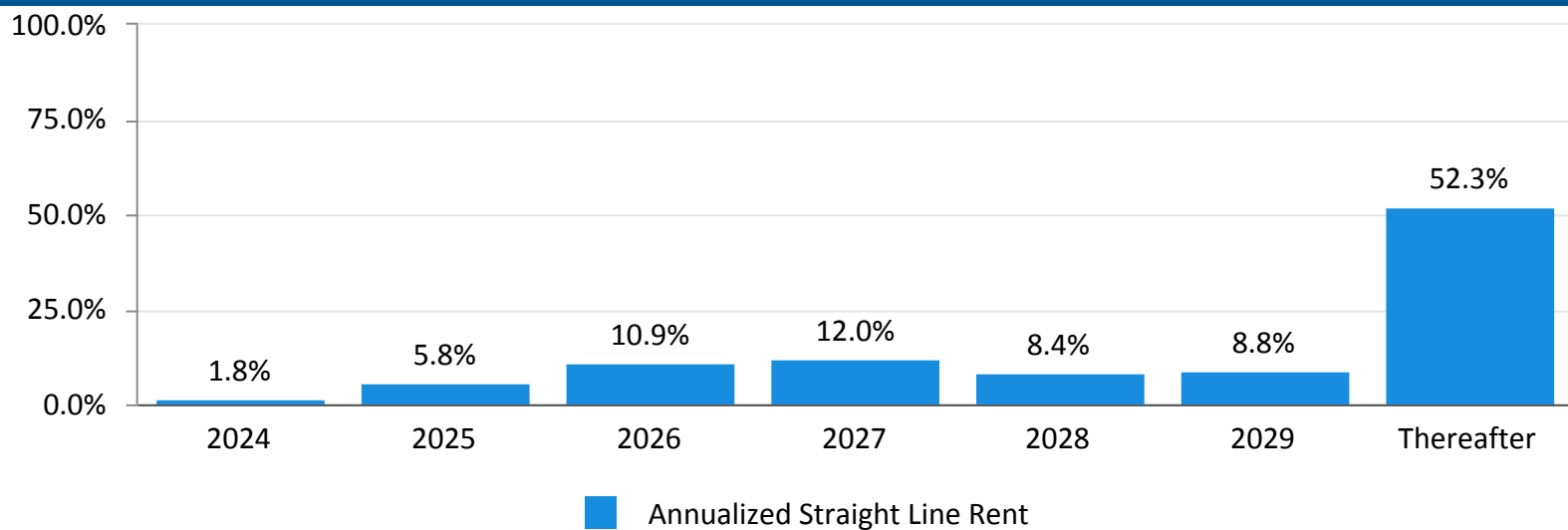
Note: As of June 30, 2024.

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	682,641	2	\$ 2,203	1.8 %
2025	506,135	8	7,198	5.8 %
2026	1,781,100	12	13,594	10.9 %
2027	1,081,647	12	14,860	12.0 %
2028	1,754,938	14	10,480	8.4 %
2029	1,655,620	18	10,880	8.8 %
Thereafter	9,117,617	70	65,105	52.3 %
Total	16,579,698	136	\$ 124,320	100.0 %

Rent expiring



Note: As of August 6, 2024.



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