



**GLADSTONE
COMMERCIAL**

**Supplemental Financial & Operating
Information for the Quarter Ended**
September 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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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 September 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 September 30, 2024, total assets were approximately \$1.1 billion, representing investments in 135 properties. Our properties are leased to 107 tenants who represent 20 diversified industries across 27 states.

At September 30, 2024, our leases had an average remaining term of 7.0 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)	\$ 1,096
Properties	135
Tenants	107
Industries	20
States	27
Average remaining lease term (years)	7.0
Occupancy	98.5 %
Square footage owned (mm)	16.8

Capitalization (\$mm)¹

Common equity market capitalization ²	\$ 716
Preferred equity	199
Net total debt	693
Total capitalization	\$ 1,608
Less: Cash and cash equivalents	(11)
Total enterprise value	\$ 1,597
Net total debt / enterprise value	42.7%
Net total debt + preferred / enterprise value	55.2%
Net total debt / gross assets	44.0%

¹ As of September 30, 2024.

² Based on the closing common stock price per share on September 30, 2024 of \$16.24. Includes OP units and senior common shares convertible into shares of common stock.

³ As of November 4, 2024, approximately \$73.5 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%
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Top 5 Tenants average remaining lease term	5.1 years
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Portfolio average remaining lease term	7.0 years
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Corporate liquidity (\$mm)¹

Cash and Cash Equivalents	\$ 10.5
Availability Under Revolving Credit Facility ³	70.2
Total	\$ 80.7

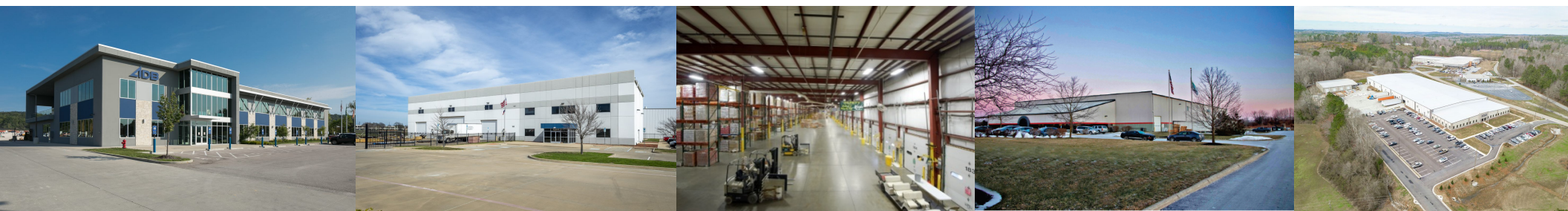
Q3 2024 highlights (unaudited)

FFO¹ and Core FFO²:	Generated FFO and Core FFO of \$16.2 million and \$16.3 million, respectively, or \$0.38 per diluted share.
Acquisitions³	Purchased a 50,102 square foot industrial property in Midland, Texas for \$10.0 million, with a 15-year lease term.
Dividends:	Paid monthly common stock dividends totaling \$0.30 per common share for the quarter, 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 \$38.9 million and issued Series F preferred stock for net proceeds of \$0.1 million.
Select Expenditure Activity:	Paid \$5.2 million related to capital expenditures and \$3.8 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



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Condensed consolidated statements of operations

(\$ in thousands, except per share amounts)	For the three months ended (unaudited)			For the nine months ended (unaudited)	
	9/30/2024	6/30/2024	9/30/2023	9/30/2024	9/30/2023
Operating revenues					
Lease revenue	\$ 39,235	\$ 37,057	\$ 36,464	\$ 112,013	\$ 111,675
Total operating revenues	\$ 39,235	\$ 37,057	\$ 36,464	\$ 112,013	\$ 111,675
Operating expenses					
Depreciation and amortization	\$ 13,343	\$ 16,015	\$ 12,485	\$ 42,683	\$ 44,125
Property operating expenses	6,681	5,807	6,821	18,373	20,286
Base management fee	1,528	1,516	1,597	4,580	4,808
Incentive fee	1,146	1,245	—	3,562	—
Administration fee	725	594	624	1,950	1,734
General and administrative	970	1,046	1,306	3,064	3,437
Impairment charge	4,549	—	6,754	5,043	13,577
Total operating expense before incentive fee waiver	\$ 28,942	\$ 26,223	\$ 29,587	\$ 79,255	\$ 87,967
Incentive fee waiver	(396)	(250)	—	(1,417)	—
Total operating expenses	\$ 28,546	\$ 25,973	\$ 29,587	\$ 77,838	\$ 87,967
Other income (expense)					
Interest expense	\$ (9,299)	\$ (9,463)	\$ (9,936)	\$ (28,259)	\$ (27,845)
Gain (loss) on sale of real estate, net	10,319	(47)	4,696	10,554	4,245
Gain on debt extinguishment, net	—	—	—	300	—
Other income	12	26	155	73	262
Total other income (expense), net	\$ 1,032	\$ (9,484)	\$ (5,085)	\$ (17,332)	\$ (23,338)
Net income	\$ 11,721	\$ 1,600	\$ 1,792	\$ 16,843	\$ 370
Net (income) loss (available) attributable to non-controlling interests	(44)	11	(3)	(35)	78
Net income available to the company	\$ 11,677	\$ 1,611	\$ 1,789	\$ 16,808	\$ 448
Distributions attributable to Series E, F, and G preferred stock	(3,106)	(3,116)	(3,099)	(9,334)	(9,179)
Distributions attributable to senior common stock	(106)	(105)	(108)	(317)	(323)
Gain (loss) on extinguishment of Series F preferred stock	2	(4)	(1)	(4)	(12)
Gain on repurchase of Series G preferred stock	—	—	—	—	3
Net income (loss) available (attributable) to common stockholders	\$ 8,467	\$ (1,614)	\$ (1,419)	\$ 7,153	\$ (9,063)

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)	
	9/30/2024	6/30/2024	9/30/2023	9/30/2024	9/30/2023
Net income	\$ 11,721	\$ 1,600	\$ 1,792	\$ 16,843	\$ 370
Less: Distributions attributable to preferred and senior common stock	(3,212)	(3,221)	(3,207)	(9,651)	(9,502)
Add/Less: Gain (loss) on extinguishment of Series F preferred stock	2	(4)	(1)	(4)	(12)
Add: Gain on repurchase of Series G preferred stock	—	—	—	—	3
Net income (loss) available (attributable) to common stockholders and Non-controlling OP Unitholders	\$ 8,511	\$ (1,625)	\$ (1,416)	\$ 7,188	\$ (9,141)
Adjustments:					
Add: Real estate depreciation and amortization	\$ 13,343	\$ 16,015	\$ 12,485	\$ 42,683	\$ 44,125
Add: Impairment charge	4,549	—	6,754	5,043	13,577
Add: Loss on sale of real estate, net	—	47	—	—	—
Less: Gain on sale of real estate, net	(10,319)	—	(4,696)	(10,554)	(4,245)
Less: Gain on debt extinguishment, net	—	—	—	(300)	—
FFO available to common stockholders and Non-controlling OP Unitholders - basic	\$ 16,084	\$ 14,437	\$ 13,127	\$ 44,060	\$ 44,316
Add: Convertible senior common distributions	106	105	108	317	323
FFO available to common stockholders and Non-controlling OP Unitholders - diluted	\$ 16,190	\$ 14,542	\$ 13,235	\$ 44,377	\$ 44,639
FFO available to common stockholders and Non-controlling OP Unitholders - basic	\$ 16,084	\$ 14,437	\$ 13,127	\$ 44,060	\$ 44,316
Add: Write off shelf registration statement costs and prepaid ATM costs	—	—	—	183	110
Add: Asset retirement obligation expense	33	33	31	99	94
Add: Bad debt write off	—	64	—	64	—
Add: Loan defeasance costs	—	—	130	—	130
Add: Realized loss on interest rate hedging instruments	51	—	326	132	326
Core FFO available to common stockholders and Non-controlling OP Unitholders - basic	\$ 16,168	\$ 14,534	\$ 13,614	\$ 44,538	\$ 44,976
Add: Convertible senior common distributions	106	105	108	317	323
Core FFO available to common stockholders and Non-controlling OP Unitholders - diluted	\$ 16,274	\$ 14,639	\$ 13,722	\$ 44,855	\$ 45,299
Weighted average common shares outstanding and Non-controlling OP Units - basic	42,830,159	40,553,113	40,309,463	41,238,296	40,331,128
Weighted average common shares outstanding and Non-controlling OP Units - diluted	43,169,458	40,895,360	40,654,595	41,577,595	40,676,260
FFO per weighted average share of common stock and Non-controlling OP Unit - basic	\$ 0.38	\$ 0.36	\$ 0.33	\$ 1.07	\$ 1.10
FFO per weighted average share of common stock and Non-controlling OP Unit - diluted	\$ 0.38	\$ 0.36	\$ 0.33	\$ 1.07	\$ 1.10
Core FFO per weighted average share of common stock and Non-controlling OP Unit - basic	\$ 0.38	\$ 0.36	\$ 0.34	\$ 1.08	\$ 1.12
Core FFO per weighted average share of common stock and Non-controlling OP Unit - diluted	\$ 0.38	\$ 0.36	\$ 0.34	\$ 1.08	\$ 1.11
Distributions declared per share of common stock and Non-controlling OP Unit	\$ 0.30	\$ 0.30	\$ 0.30	\$ 0.90	\$ 0.90

Condensed consolidated balance sheets

(\$ in thousands)	9/30/2024 (unaudited)	12/31/2023
ASSETS		
Real estate, at cost	\$ 1,214,288	\$ 1,221,364
Less: accumulated depreciation	313,730	299,662
Total real estate, net	900,558	921,702
Lease intangibles, net	97,802	101,048
Real estate and related assets held for sale, net	16,964	28,787
Cash and cash equivalents	10,531	11,985
Restricted cash	3,999	4,150
Funds held in escrow	5,673	7,515
Right-of-use assets from operating leases	4,023	4,889
Deferred rent receivable, net	44,855	41,006
Other assets	11,910	12,389
TOTAL ASSETS	\$ 1,096,315	\$ 1,133,471
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Mortgage notes payable, net	\$ 271,621	\$ 295,853
Borrowings under revolver and term loan, net	421,026	443,008
Deferred rent liability, asset retirement obligation and other liabilities, net	64,581	70,303
TOTAL LIABILITIES	\$ 757,228	\$ 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	43	40
Series F redeemable preferred stock	1	1
Additional paid in capital	780,205	730,256
Accumulated other comprehensive income	3,365	7,758
Distributions in excess of accumulated earnings	(614,698)	(584,776)
TOTAL STOCKHOLDERS' EQUITY	\$ 168,917	\$ 153,280
OP Units held by Non-controlling OP Unitholders	129	986
TOTAL EQUITY	\$ 169,046	\$ 154,266
TOTAL LIABILITIES, MEZZANINE EQUITY AND EQUITY	\$ 1,096,315	\$ 1,133,471

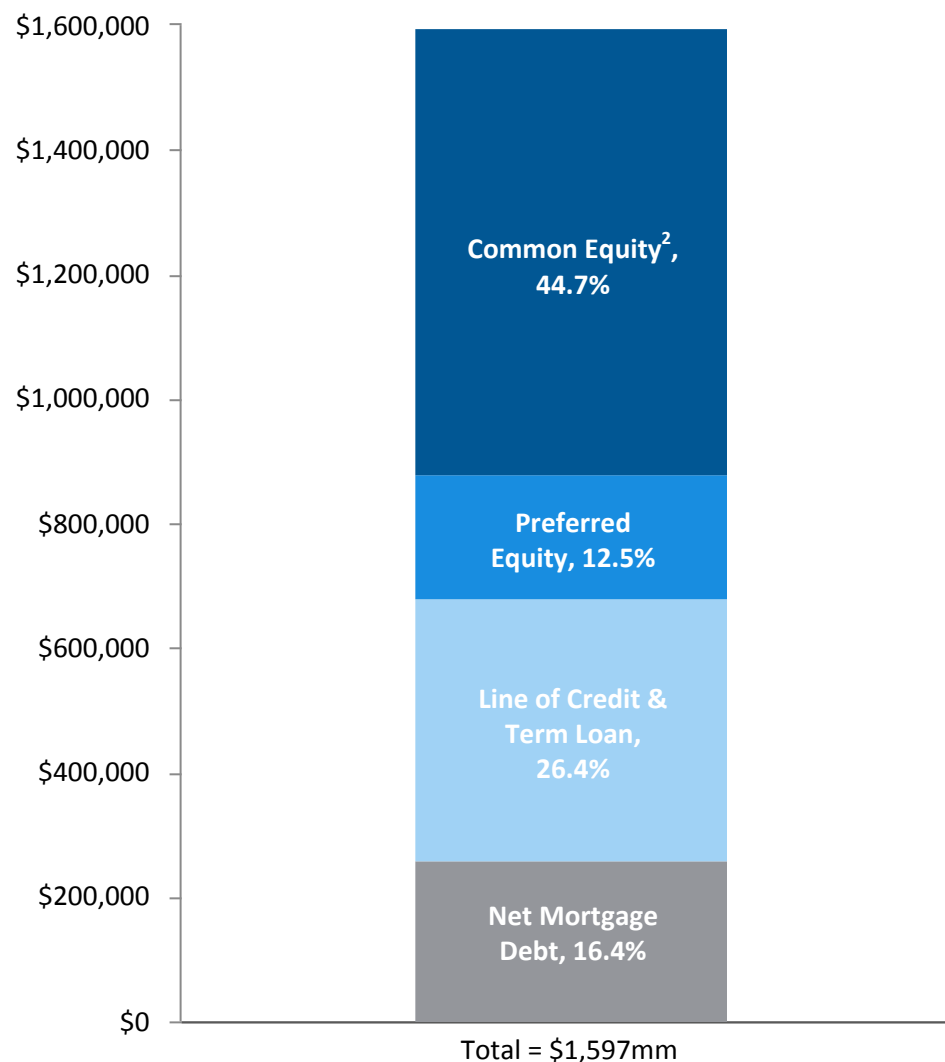
Capital structure

- Institutional stock ownership increased from 26.8% in 2013 to 42.4% as of September 30, 2024¹
- Balance sheet remains below 50% levered
- Weighted average interest rate on mortgage debt of just 4.23%

Capital Structure Details

<i>(Dollars in \$000s, except stock price)</i>	Wtd. Average Rate	9/30/2024
Mortgage Notes Payable, Net	4.23%	\$ 271,621
Less: Cash & Cash Equivalents		(10,531)
Net Mortgage Debt		\$ 261,090
Line of Credit	SOFR+1.35%	\$ 53,250
Term Note	SOFR+1.30%	367,776
Line of Credit and Term Loan		\$ 421,026
Total Debt, Net		\$ 682,116
Series E - Preferred	6.625%	\$ 76,536
Series F - Preferred	6.00%	22,699
Series G - Preferred	6.00%	99,772
Total Preferred Equity		\$ 199,007
Diluted Common Shares Outstanding		44,067,397
Stock Price		\$ 16.24
Implied Common Equity² Market Capitalization		\$ 715,655
Enterprise Value		\$ 1,596,778

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

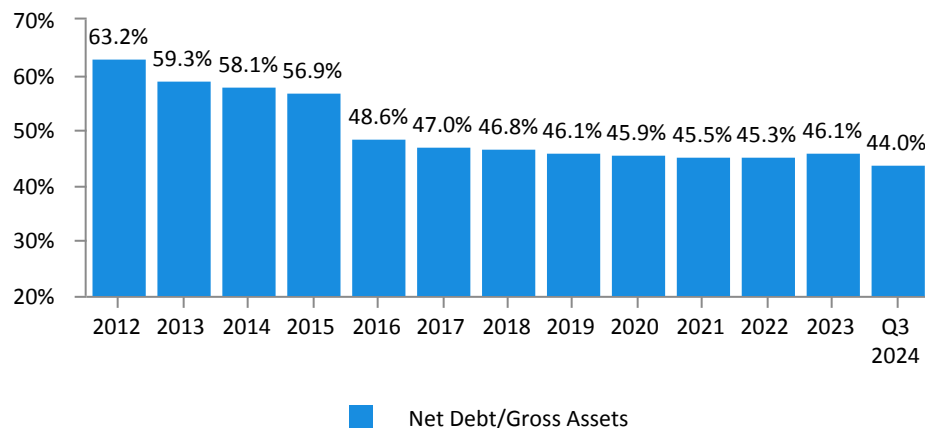


¹ Source: Nasdaq Online.

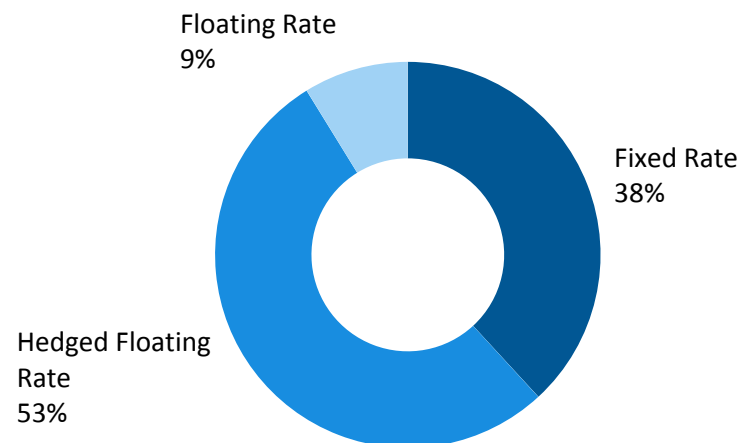
² Common Equity is based on the closing common stock price per share as of September 30, 2024 of \$16.24 and includes effect of OP units and convertible senior common stock.

Liquidity and debt overview

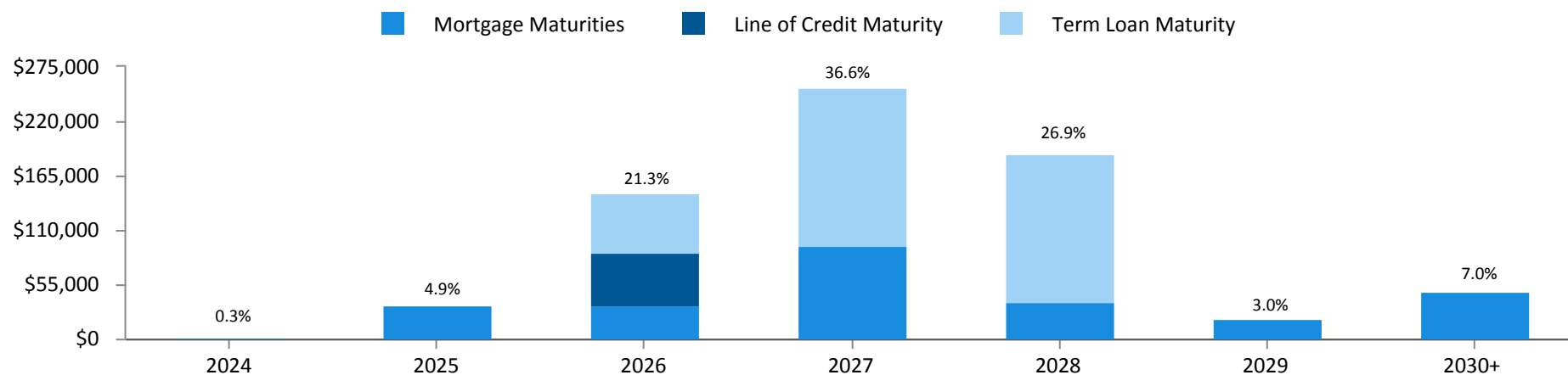
Reducing Leverage¹



Fixed vs. Floating Debt¹



Scheduled debt maturity¹ (\$'000)



¹ As of September 30, 2024.

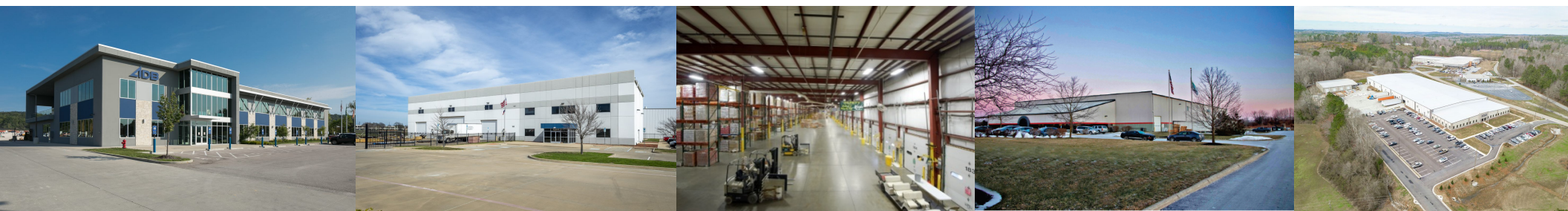
Debt summary

		(\$ in thousands)	
Principal Maturity Date	Weighted Average Interest Rate as of 9/30/2024	Principal Balance Outstanding as of 9/30/2024	
2025	5.02%	25,318	
2026	4.15%	30,169	
2027	4.36%	100,465	
2028	4.14%	37,680	
2029	5.23%	21,366	
2030	3.23%	38,348	
2031	3.24%	4,946	
2032	3.40%	9,772	
2037	4.63%	5,365	
Contractual Mortgage Notes Payable:		4.23%	\$ 273,429
Premiums (Discounts), net:			(16)
Total Mortgage Notes Payable:			\$ 273,413
Variable-Rate Line of Credit:			
2026	SOFR +1.35%	\$	53,250
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		5.47%	\$ 696,663

Select corporate covenants

Description	(\$ in thousands)	
	Threshold	September 30, 2024
Consolidated Tangible Net Worth	> \$691,029	\$964,855
Leverage Ratio	< 60%	42%
Fixed Charge Coverage Ratio	> 1.50	1.82
Maximum Dividend Payout (FFO based)	< 95%	85.1%
Secured Indebtedness	< 40%	16%

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



Portfolio Overview



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Portfolio overview

Geographic diversity

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

Tenant and property diversity

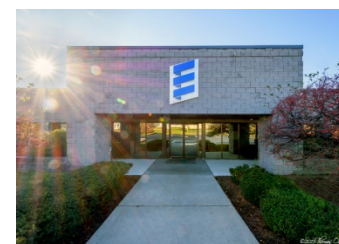
- Diverse base of 20 different industries
- Primarily industrial and office property types
- Focus on mid-size tenants occupying properties ranging from 30-150K SF (office) and 75-500K SF (industrial)

High occupancy

- Occupancy has never fallen below 95%
- Current occupancy 98.5%
- 1.6% 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 43 properties in non-core markets since mid-2016
- Re-deploy proceeds in growth markets

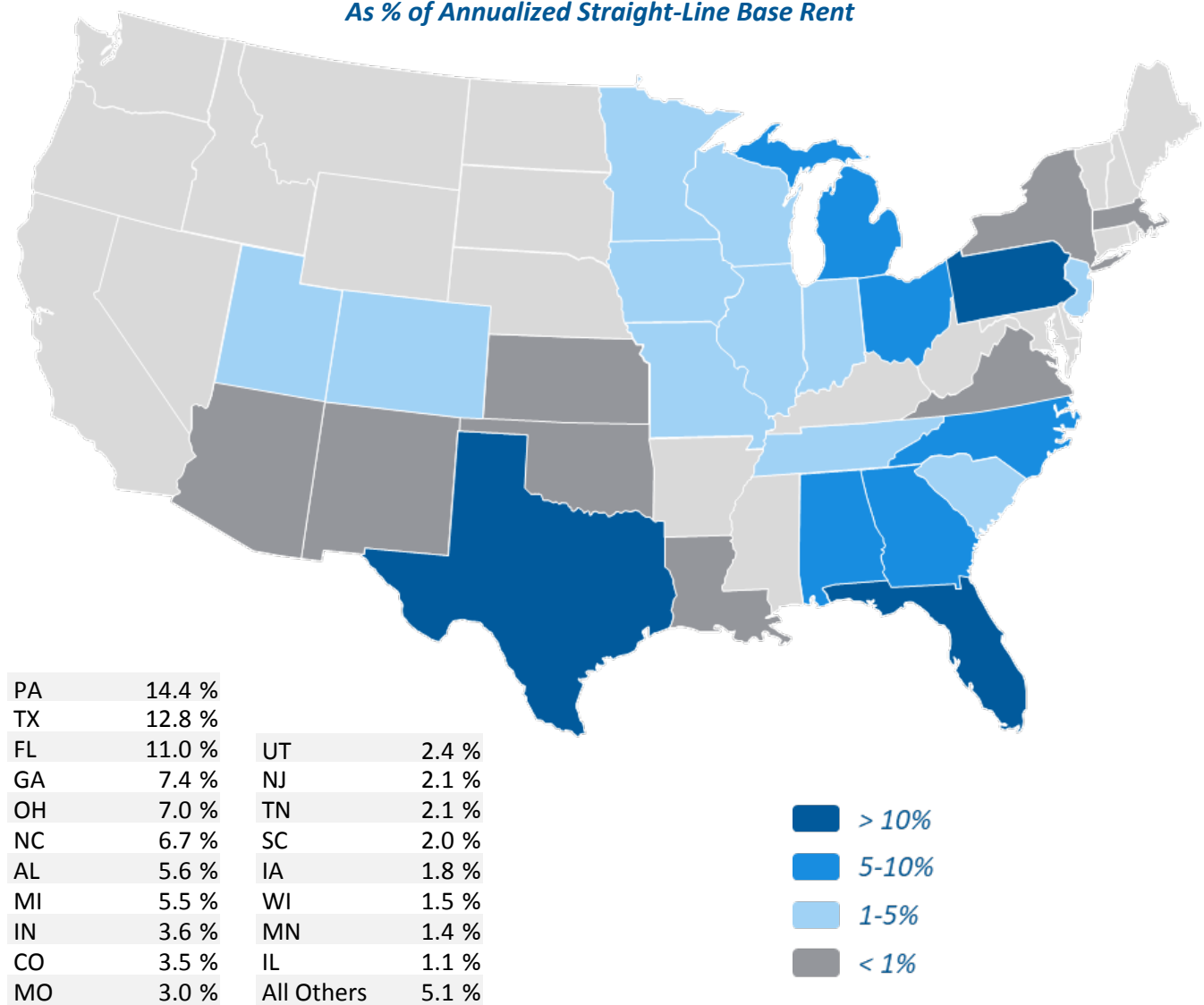


Note: As of September 30, 2024.

Diversified portfolio

135 properties spread across 27 states

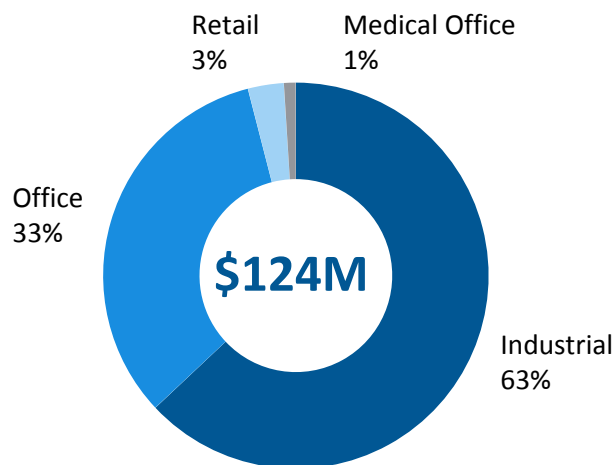
As % of Annualized Straight-Line Base Rent



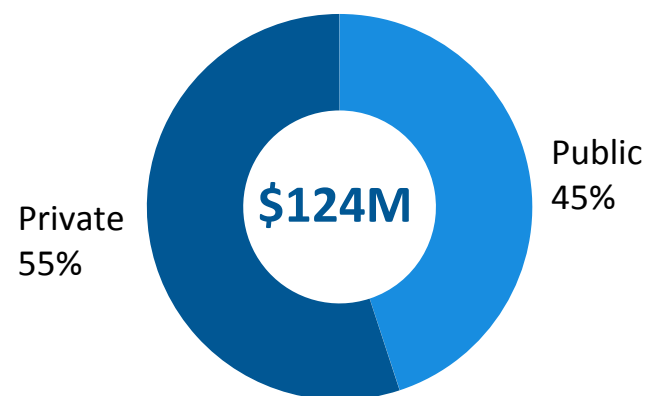
Note: As of September 30, 2024.

High quality, diversified portfolio

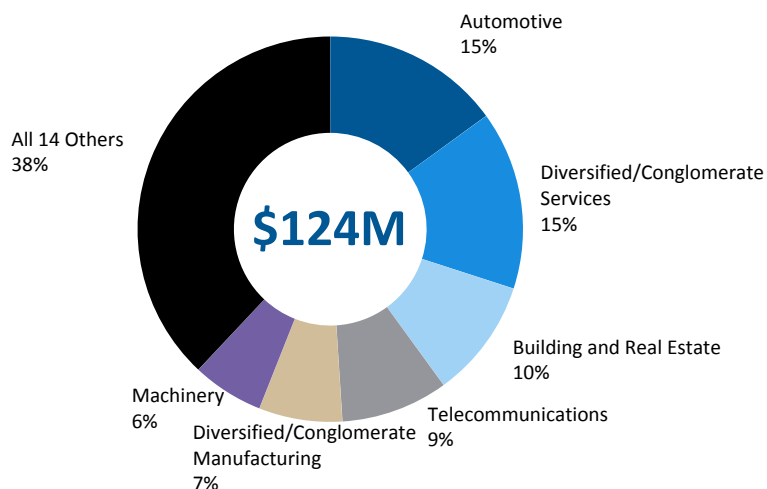
Property type diversification
(by annualized straight line rent)



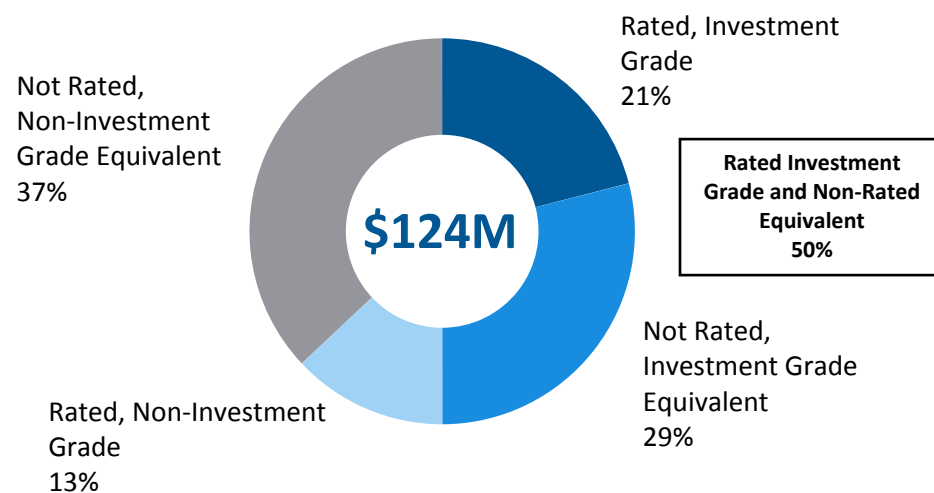
Publicly-traded vs. privately-held tenants
(as % of annualized straight line rent)



Industry diversification
(based on annualized straight line rent)



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



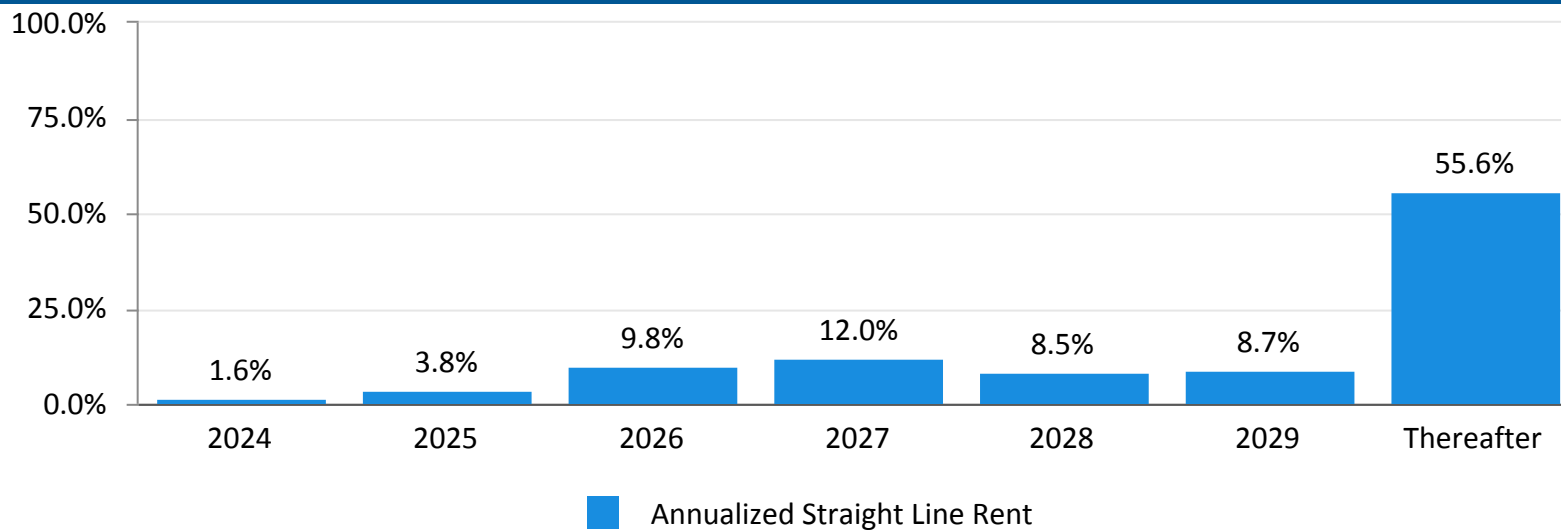
Note: As of September 30, 2024.

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	676,031	1	\$ 2,029	1.6 %
2025	331,524	4	4,742	3.8 %
2026	1,683,479	9	12,157	9.8 %
2027	1,081,647	12	14,860	12.0 %
2028	1,754,938	14	10,480	8.5 %
2029	1,655,620	18	10,829	8.7 %
Thereafter	9,413,620	75	68,824	55.6 %
Total	16,596,859	133	\$ 123,921	100.0 %

Rent expiring



Note: As of November 4, 2024.



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