

July 31, 2007

 GLADSTONE COMMERCIAL

# Gladstone Commercial Announces Second Quarter 2007 Results

**-- Reports net income available to common stockholders of approximately \$0.5 million, or \$0.06 per diluted weighted average common share**

**-- Reports funds from operations ("FFO") of approximately \$3.2 million, or \$0.37 per diluted weighted average common share**

**-- Purchased one property for a total investment of approximately \$11.2 million**

MCLEAN, Va.--(BUSINESS WIRE)--

Gladstone Commercial Corp. (NASDAQ:GOOD) (the "Company") today reported financial results for the quarter ended June 30, 2007. A description of FFO, a relative non-GAAP ("Generally Accepted Accounting Principles in the United States") financial measure, is located at the end of this news release. All per share references are fully diluted weighted average common shares, unless otherwise noted.

Net income available to common stockholders for the quarter ended June 30, 2007 was \$532,875, or \$0.06 per share, compared to \$368,390, or \$0.04 per share, for the same period one year ago, an increase of 45%. Net income available to common stockholders for the six months ended June 30, 2007 was \$1,039,780, or \$0.12 per share, compared to \$870,746, or \$0.11 per share, for the same period one year ago, an increase of 19%. Net income results when compared to the same period last year were affected by increased revenues related to the acquisition of 10 properties since June 30, 2006, partially offset by increased expenses attributable to the 10 properties, interest expense associated with the leveraging of the Company's properties and dividends paid on the Company's preferred stock. Net income results for the three and six months ended June 30, 2007 include a full waiver of the incentive fee, approximately \$1.2 million for the six month period, from the Company's Adviser, Gladstone Management Corporation.

FFO for the quarter ended June 30, 2007 was approximately \$3.2 million, or \$0.37 per share, compared to approximately \$2.4 million, or \$0.31 per share, for the same period one year ago, an increase of 29%. FFO for the six months ended June 30, 2007 was approximately \$6.1 million, or \$0.71 per share, compared to approximately \$4.8 million, or \$0.61 per share, for the same period one year ago, an increase of 27%. A reconciliation of net income, which the Company believes is the most directly comparable GAAP measure to FFO, is set forth below:

For the three months  
ended June 30,

For the six months  
ended June 30,

|   | 2007        | 2006        | 2007        | 2006        |
|---|-------------|-------------|-------------|-------------|
| Net income  | \$1,556,312 | \$852,765   | \$3,086,654 | \$1,699,565 |
| Less: Dividends attributable to preferred stock                                   | (1,023,437) | (484,375)   | (2,046,874) | (828,819)   |
| Net income available to common stockholders                                       | \$532,875   | \$368,390   | \$1,039,780 | \$870,746   |
| Add: Real estate depreciation and amortization, including discontinued operations | 2,636,154   | 2,081,072   | 5,053,966   | 3,915,819   |
| FFO available to common stockholders  | \$3,169,029 | \$2,449,462 | \$6,093,746 | \$4,786,565 |
| Weighted average shares outstanding - basic                                       | 8,565,264   | 7,762,503   | 8,565,264   | 7,717,501   |
| Weighted average shares outstanding - diluted                                     | 8,565,264   | 7,911,871   | 8,565,264   | 7,858,146   |
| Basic net income per weighted average common share                                | \$0.06      | \$0.05      | \$0.12      | \$0.11      |
| Diluted net income per weighted average common share                              | \$0.06      | \$0.04      | \$0.12      | \$0.11      |
| Basic FFO per weighted average common share                                       | \$0.37      | \$0.32      | \$0.71      | \$0.62      |
| Diluted FFO per weighted average common share                                     | \$0.37      | \$0.31      | \$0.71      | \$0.61      |

Second quarter highlights:

- Purchased one property with approximately 102,000 square feet for approximately \$11.2 million; and
- Borrowed approximately \$14.2 million pursuant to a long-term note payable collateralized by security interests in three properties, which accrues interest at a rate of 6.11% per year.

"Our results were positively impacted by the five acquisitions completed in 2007, and we expect our earnings to continue grow throughout the remainder of 2007. We are excited about the opportunities that are currently available in the marketplace and our pipeline remains very strong," said Chip Stelljes, President and Chief Investment Officer.

Subsequent to quarter end, the Company:

- Purchased one property with approximately 21,000 square feet

for approximately \$6.8 million; and

- Declared monthly cash dividends of \$0.12 per share on the common stock, \$0.1614583 per share on the Series A Preferred Stock, and \$0.15625 per share on the Series B Preferred Stock, for each of the months of July, August and September 2007.

The financial statements attached below are without footnotes so readers should obtain and carefully review the Company's Form 10-Q for the quarter ended June 30, 2007, including the footnotes to the financial statements contained therein. The Company has filed the Form 10-Q today with the Securities and Exchange Commission ("SEC") and the Form 10-Q can be retrieved from the SEC's website at [www.sec.gov](http://www.sec.gov) or the Company's website at [www.GladstoneCommercial.com](http://www.GladstoneCommercial.com).

The Company will hold a conference call Wednesday, August 1, 2007 at 8:30 a.m. ET to discuss its earnings results. Please call (877) 407-8031 to enter the conference. An operator will monitor the call and set a queue for the questions.

The conference call replay will be available two hours after the call and will be available through September 1, 2007. To hear the replay, please dial (877) 660-6853, access playback account 286 and use ID code 249134.

Gladstone Commercial Corporation is a publicly traded real estate investment trust that focuses on investing in and owning triple-net leased industrial, commercial and retail real estate properties and selectively making long-term mortgage loans. Additional information can be found at [www.GladstoneCommercial.com](http://www.GladstoneCommercial.com).

For further information, contact Investor Relations at 703-287-5835.

#### NON-GAAP FINANCIAL MEASURES

##### Funds from Operations

The National Association of Real Estate Investment Trusts ("NAREIT") developed FFO, as a relative non-GAAP supplemental measure of operating performance of an equity REIT in order to recognize that income-producing real estate historically has not depreciated on the basis determined under GAAP. FFO, as defined by NAREIT, is net income (computed in accordance with GAAP), excluding gains (or losses) from sales of property, plus depreciation and amortization of real estate assets, and after adjustments for unconsolidated partnerships and joint ventures. FFO does not represent cash flows from operating activities determined in accordance with GAAP (which, unlike FFO, generally reflects all cash effects of transactions and other events in the determination of net income), and should not be considered an alternative to net income as an indication of the Company's performance or to cash flow from operations as a measure of liquidity or ability to make distributions.

The Company believes that FFO per share provides investors with a further context for evaluating the Company's financial performance and as a supplemental measure to compare the Company to other REITs; however, comparisons of the Company's FFO to the FFO of other REITs may not necessarily be meaningful due to potential differences in the application of the NAREIT definition used by such other REITs.

To learn more about FFO please refer to the Form 10-Q for the quarter ended June 30,

2007, as filed with the SEC today.

This press release may include statements that may constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including statements with regard to the future performance of the Company and the closing of any transaction. Words such as "may," "will," "believes," "anticipates," "intends," "expects," "projects," "estimates" and "future" or similar expressions are intended to identify forward-looking statements. These forward-looking statements inherently involve certain risks and uncertainties, although they are based on the Company's current plans, expectations and beliefs that are believed to be reasonable as of the date of this press release. Factors that may cause the Company's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements include, among others, those factors listed under the caption "Risk Factors" of the Company's Annual Report on Form 10-K for the year ended, December 31, 2006, as filed with the SEC on February 27, 2007, and the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2007, as filed on May 1, 2007. The risk factors set forth in the Form 10-K and Form 10-Q under the caption "Risk Factors" are specifically incorporated by reference into this press release. All forward-looking statements are based on current plans, expectations and beliefs and speak only as of the date of such statements. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Gladstone Commercial Corporation  
Consolidated Balance Sheets  
(Unaudited)

|  | June 30, 2007 | December 31, 2006 |
|--|---------------|-------------------|
|  | -----         | -----             |
| ASSETS   |               |                   |
| Real estate, net of accumulated depreciation of \$11,947,461 and \$8,595,419, respectively             | \$280,541,611 | \$235,118,123     |
| Lease intangibles, net of accumulated amortization of \$5,877,604 and \$4,175,685, respectively        | 26,038,291    | 23,416,696        |
| Mortgage notes receivable  | 10,000,000    | 10,000,000        |
| Cash and cash equivalents  | 9,681,885     | 36,005,686        |
| Restricted cash  | 1,469,750     | 1,225,162         |
| Funds held in escrow   | 1,789,814     | 1,635,819         |
| Interest receivable - mortgage note  | 83,333        | -                 |
| Interest receivable - employees  | 52,735        | 43,716            |
| Deferred rent receivable   | 4,277,061     | 3,607,279         |
| Deferred financing costs, net of accumulated amortization of \$1,800,471 and \$1,467,297, respectively | 4,067,858     | 3,713,004         |
| Prepaid expenses   | 456,354       | 521,290           |
| Deposits on real estate  | 300,000       | 300,000           |
| Accounts receivable  | 387,747       | 179,247           |
|  | -----         | -----             |

|   |               |               |
|---|---------------|---------------|
| TOTAL ASSETS  | \$339,146,439 | \$315,766,022 |
|   | =====         | =====         |
| LIABILITIES AND STOCKHOLDERS' EQUITY  |               |               |
| LIABILITIES   |               |               |
| Mortgage notes payable  | \$182,124,367 | \$154,494,438 |
| Deferred rent liability   | 4,325,817     | 4,718,599     |
| Asset retirement obligation liability   | 1,752,378     | 1,631,294     |
| Accounts payable and accrued expenses   | 588,581       | 673,410       |
| Due to adviser  | 682,481       | 183,042       |
| Rent received in advance, security deposits and funds held in escrow  | 2,175,708     | 1,841,063     |
|   | -----         | -----         |
| Total Liabilities   | 191,649,332   | 163,541,846   |
|   | -----         | -----         |
| STOCKHOLDERS' EQUITY  |               |               |
| Redeemable preferred stock, \$0.001 par value; \$25 liquidation preference; 2,300,000 shares authorized and 2,150,000 shares issued and outstanding | 2,150         | 2,150         |
| Common stock, \$0.001 par value, 17,700,000 shares authorized and 8,565,264 shares issued and outstanding   | 8,565         | 8,565         |
| Additional paid in capital  | 170,640,979   | 170,640,979   |
| Notes receivable - employees  | (2,801,180)   | (3,201,322)   |
| Distributions in excess of accumulated earnings   | (20,353,407)  | (15,226,196)  |
|   | -----         | -----         |
| Total Stockholders' Equity  | 147,497,107   | 152,224,176   |
|   | -----         | -----         |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY  | \$339,146,439 | \$315,766,022 |
|   | =====         | =====         |

Gladstone Commercial Corporation  
Consolidated Statements of Operations  
(Unaudited)

|  | For the three months<br>ended June 30, |             | For the six months<br>ended June 30, |              |
|--|--|-------------|--------------------------------------|--------------|
|  | 2007                                   | 2006        | 2007                                 | 2006         |
| Operating revenues                             |  |             |                                      |              |
| Rental income                                  | \$7,732,322                            | \$6,027,830 | \$14,810,358                         | \$10,894,906 |
| Interest income from mortgage notes receivable | 252,778                                | 558,434     | 502,778                              | 1,111,346    |
| Tenant recovery revenue                        | 94,468                                 | 43,798      | 150,203                              | 49,420       |
|  | -----                                  | -----       | -----                                | -----        |
| Total operating                                |  |             |                                      |              |

|   |             |             |             |             |
|---|-------------|-------------|-------------|-------------|
| revenues  | 8,079,568   | 6,630,062   | 15,463,339  | 12,055,672  |
| Operating expenses                                  |             |             |             |             |
| Depreciation and amortization                       | 2,636,154   | 2,064,312   | 5,053,966   | 3,863,519   |
| Base management fee                                 | 471,091     | 719,392     | 953,135     | 1,372,134   |
| Administration fee                                  | 210,126     | -           | 417,144     | -           |
| Incentive fee                                       | 633,805     | -           | 1,219,573   | -           |
| Professional fees                                   | 174,677     | 232,960     | 324,108     | 431,418     |
| Taxes and licenses                                  | 50,178      | 39,069      | 65,185      | 89,963      |
| Insurance   | 114,556     | 102,845     | 260,808     | 185,842     |
| General and administrative                          | 133,406     | 95,602      | 245,308     | 143,420     |
| Directors fees                                      | 54,250      | 27,500      | 108,500     | 61,000      |
| Stockholder related expenses                        | 75,361      | 183,596     | 174,978     | 248,065     |
| Asset retirement obligation expense                 | 28,942      | 24,940      | 57,102      | 71,641      |
| Stock option compensation expense                   | -           | 33,602      | -           | 79,818      |
| Total operating expenses before credit from Adviser | 4,582,546   | 3,523,818   | 8,879,807   | 6,546,820   |
| Credit to incentive fee                             | (633,805)   | -           | (1,219,573) | -           |
| Total operating expenses                            | 3,948,741   | 3,523,818   | 7,660,234   | 6,546,820   |
| Other income (expense)                              |             |             |             |             |
| Interest income from temporary investments          | 63,269      | 4,057       | 292,285     | 11,431      |
| Interest income - employee loans                    | 56,458      | 28,589      | 116,880     | 34,137      |
| Other income  | 9,817       | 10,400      | 18,231      | 10,400      |
| Interest expense                                    | (2,702,612) | (2,155,968) | (5,217,073) | (3,774,536) |
| Total other expense                                 | (2,573,068) | (2,112,922) | (4,789,677) | (3,718,568) |
| Income from continuing operations                   | 1,557,759   | 993,322     | 3,013,428   | 1,790,284   |
| Discontinued operations                             |             |             |             |             |
| (Loss) income from discontinued operations          | (1,503)     | 71,215      | (5,504)     | 109,253     |
| Net realized income                                 |             |             |             |             |

|  |             |           |             |           |
|--|-------------|-----------|-------------|-----------|
| (loss) from<br>foreign currency<br>transactions  | 56          | 167       | 63          | (649)     |
| Net unrealized loss<br>from foreign<br>currency<br>transactions  | -           | (211,939) | -           | (199,323) |
| Taxes paid on sale<br>of real estate   | -           | -         | 78,667      | -         |
|  | -----       | -----     | -----       | -----     |
| Total<br>discontinued<br>operations  | (1,447)     | (140,557) | 73,226      | (90,719)  |
|  | -----       | -----     | -----       | -----     |
| Net income   | 1,556,312   | 852,765   | 3,086,654   | 1,699,565 |
|  | -----       | -----     | -----       | -----     |
| Dividends<br>attributable to<br>preferred stock  | (1,023,437) | (484,375) | (2,046,874) | (828,819) |
|  | -----       | -----     | -----       | -----     |
| Net income available<br>to common<br>stockholders  | \$532,875   | \$368,390 | \$1,039,780 | \$870,746 |
|  | =====       | =====     | =====       | =====     |
| Earnings per weighted<br>average common share<br>- basic   |             |           |             |           |
| Income from<br>continuing<br>operations (net<br>of dividends<br>attributable to<br>preferred<br>stock) | \$0.06      | \$0.07    | \$0.11      | \$0.12    |
| Discontinued<br>operations   | -           | (0.02)    | 0.01        | (0.01)    |
|  | -----       | -----     | -----       | -----     |
| Net income<br>available to<br>common<br>stockholders   | \$0.06      | \$0.05    | \$0.12      | \$0.11    |
|  | =====       | =====     | =====       | =====     |
| Earnings per weighted<br>average common share<br>- diluted   |             |           |             |           |
| Income from<br>continuing<br>operations (net<br>of dividends<br>attributable to<br>preferred<br>stock) | \$0.06      | \$0.06    | \$0.11      | \$0.12    |
| Discontinued<br>operations   | -           | (0.02)    | 0.01        | (0.01)    |
|  | -----       | -----     | -----       | -----     |

|  |        |        |        |        |
|--|--------|--------|--------|--------|
| Net income<br>available to<br>common<br>stockholders | \$0.06 | \$0.04 | \$0.12 | \$0.11 |
|  | =====  | =====  | =====  | =====  |

|  |           |           |           |           |
|--|-----------|-----------|-----------|-----------|
| Weighted average<br>shares outstanding |           |           |           |           |
| Basic                                  | 8,565,264 | 7,762,503 | 8,565,264 | 7,717,501 |
|  | =====     | =====     | =====     | =====     |
| Diluted                                | 8,565,264 | 7,911,871 | 8,565,264 | 7,858,146 |
|  | =====     | =====     | =====     | =====     |

Gladstone Commercial Corporation  
Consolidated Statements of Cash Flows  
(Unaudited)

|   |                                   |             |
|---|-----------------------------------|-------------|
|   | For the six months ended June 30, |             |
|   | -----                             | -----       |
|   | 2007                              | 2006        |
|   | -----                             | -----       |
| Cash flows from operating<br>activities:  |                                   |             |
| Net income  | \$3,086,654                       | \$1,699,565 |
| Adjustments to reconcile net income<br>to net cash provided by operating<br>activities: |                                   |             |
| Depreciation and amortization,<br>including discontinued<br>operations                  | 5,053,966                         | 3,915,819   |
| Amortization of deferred<br>financing costs, including<br>discontinued operations       | 333,174                           | 289,300     |
| Amortization of deferred rent<br>asset  | 126,748                           | 126,748     |
| Amortization of deferred rent<br>liability  | (392,782)                         | (303,478)   |
| Asset retirement obligation<br>expense, including discontinued<br>operations            | 57,102                            | 81,573      |
| Increase in deferred rent<br>receivable   | (796,530)                         | (720,712)   |
| Stock compensation  | -                                 | 79,818      |
| Increase in mortgage notes<br>payable due to change in value<br>of foreign currency     | -                                 | 199,323     |
| (Increase) decrease in mortgage<br>interest receivable                                  | (83,333)                          | 3,609       |
| Increase in employee interest<br>receivable   | (9,019)                           | (28,589)    |
| (Increase) decrease in prepaid<br>expenses and other assets                             | (143,564)                         | 297,354     |
| Increase in accounts payable,<br>accrued expenses, and amount<br>due adviser            | 414,610                           | 65,606      |
| Increase in rent received in<br>advance   | 90,057                            | 163,407     |
|   | -----                             | -----       |
| Net cash provided by<br>operating activities  | 7,737,083                         | 5,869,343   |
|   | -----                             | -----       |



Cash flows from investing  
activities:

|  |              |              |
|--|--------------|--------------|
| Real estate investments                                | (53,035,069) | (40,506,626) |
| Principal repayments on mortgage<br>notes receivable   | -            | 44,742       |
| Principal repayments on employee<br>loans              | 400,142      | -            |
| Net payments to lenders for<br>reserves held in escrow | (868,679)    | (1,899,416)  |
| Increase in restricted cash                            | (244,588)    | (412,074)    |
| Deposits on future acquisitions                        | (810,000)    | (500,000)    |
| Deposits applied against real<br>estate investments    | 810,000      | 1,100,000    |

|  |              |              |
|--|--------------|--------------|
| Net cash used in<br>investing activities | (53,748,194) | (42,173,374) |
|--|--------------|--------------|

Cash flows from financing  
activities:

|   |             |              |
|---|-------------|--------------|
| Proceeds from share issuance                      | -           | 25,485,010   |
| Offering costs                                    | -           | (1,302,004)  |
| Borrowings under mortgage notes<br>payable        | 28,015,000  | 31,900,000   |
| Principal repayments on mortgage<br>notes payable | (385,070)   | (302,410)    |
| Borrowings from line of credit                    | 4,200,000   | 60,000,400   |
| Repayments on line of credit                      | (4,200,000) | (73,900,400) |
| Increase in reserves from tenants                 | 818,745     | 1,093,252    |
| Increase in security deposits                     | 140,525     | 562,500      |
| Payments for deferred financing<br>costs          | (688,025)   | (1,650,237)  |
| Dividends paid for common and<br>preferred        | (8,213,865) | (6,390,679)  |

|  |            |            |
|--|------------|------------|
| Net cash provided by<br>financing activities | 19,687,310 | 35,495,432 |
|--|------------|------------|

|  |              |           |
|--|--------------|-----------|
| Net decrease in cash and cash<br>equivalents | (26,323,801) | (808,599) |
|--|--------------|-----------|

|   |            |           |
|---|------------|-----------|
| Cash and cash equivalents, beginning<br>of period | 36,005,686 | 1,740,159 |
|---|------------|-----------|

|   |             |           |
|---|-------------|-----------|
| Cash and cash equivalents, end of<br>period | \$9,681,885 | \$931,560 |
|---|-------------|-----------|

NON-CASH INVESTING ACTIVITIES

|  |           |             |
|--|-----------|-------------|
| Increase in asset retirement<br>obligation | \$121,084 | \$1,510,330 |
|--|-----------|-------------|

NON-CASH FINANCING ACTIVITIES

|  |     |              |
|--|-----|--------------|
| Fixed rate debt assumed in<br>connection with acquisitions | \$- | \$30,129,654 |
|--|-----|--------------|

Notes receivable issued in exchange  
for common stock associated with  
the exercise of employee stock  
options

\$-                      \$1,826,754

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Source: Gladstone Commercial Corp.