



GLADSTONE COMMERCIAL

Investor Presentation March 2023

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Gladstone Commercial Corporation



Company Overview

- Gladstone Commercial Corporation (“Gladstone” or the “Company”) is a publicly owned Real Estate Investment Trust (“REIT”) that completed its IPO in 2003 and is listed on Nasdaq (Ticker: GOOD)
- The Company invests in single tenant and anchored multi-tenant net leased assets, with an industrial product emphasis
- The Company owns approximately 17.2 million square feet of predominantly industrial and office real estate nationwide
- Diversified portfolio of 137 properties in 27 states leased to 112 different tenants in 19 industries
- The Company is led by a highly-experienced leadership team
- Investment activities are credit-focused with a growth market emphasis, seeking mission critical facilities of middle market and investment grade companies

Note: As of 12/31/2022

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Gladstone
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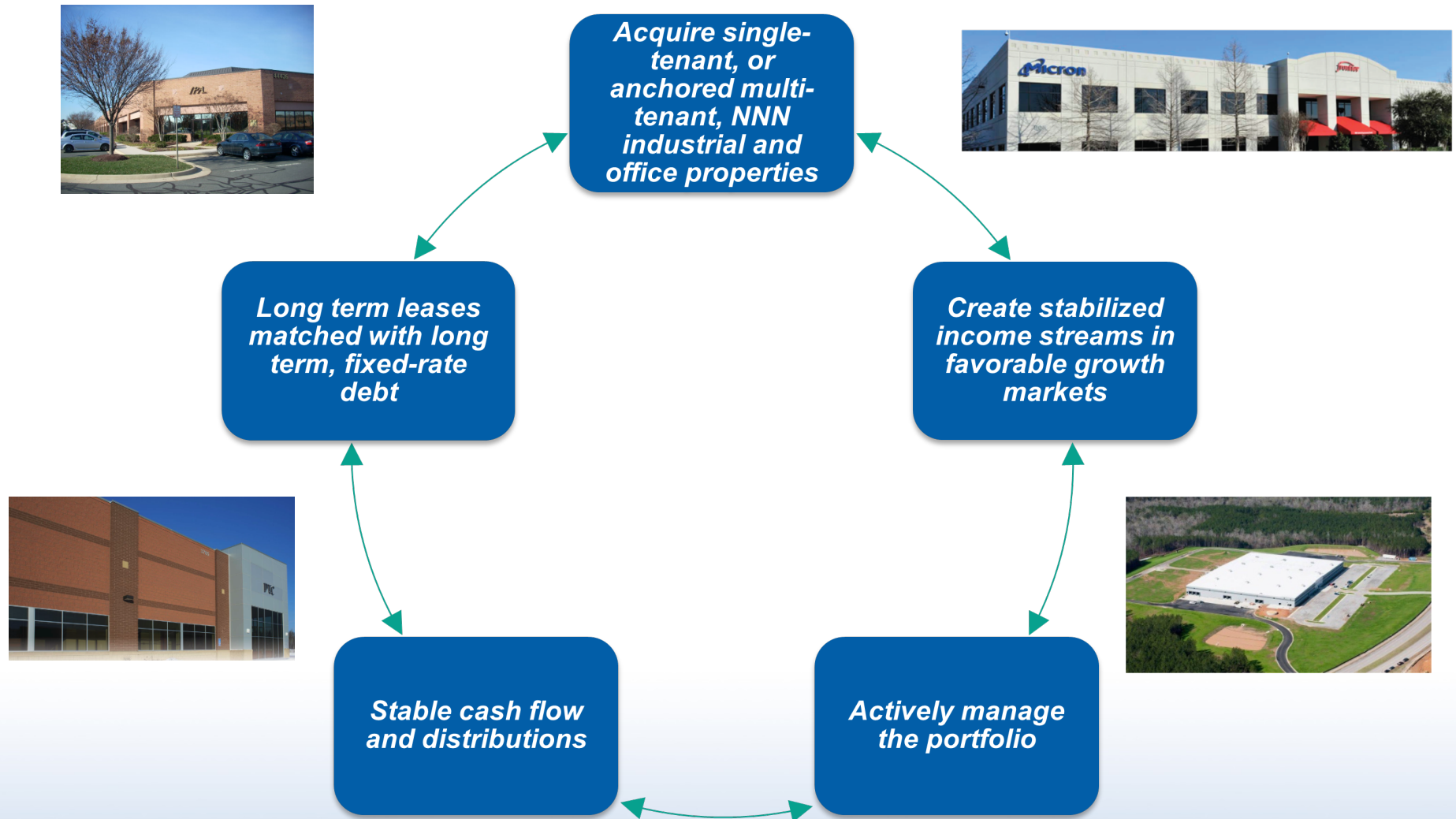
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Gladstone Commercial's Investment Philosophy



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Gladstone Commercial Overview

- IPO in 2003 (Nasdaq: GOOD)
- Market Capitalization: **\$742mm**¹
- Enterprise Value: **\$1,672mm**¹
- Common stock annual distribution per share: **\$1.20**²
 - Monthly distributions

Portfolio summary (12/31/2022)

# of Properties	137
Square feet (mm)	17.2
Occupancy	96.8%
States	27
Tenants	112
Industries	19
Annual lease revenue (LTM) (\$mm)	\$149.0
Diluted FFO per Common Share (LTM)	\$1.54
Diluted FFO per Common Share, as adjusted for comparability (LTM)	\$1.54
Diluted Core FFO per Common Share (LTM)	\$1.56
Average Remaining Lease Term	7.0 years



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 convertible securities.

²As of January 10, 2023.

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Significant Growth & Diversification Since 2010

GOOD Portfolio

		12/31/2010	12/31/2022	Variance
Grew a diverse portfolio	Total assets (\$mm)	\$ 410.6	\$ 1,201.5	\$ 790.9
	Properties	65	137	72
	Tenants	52	112	60
	Square feet (mm)	6.8	17.2	10.4
	Occupancy (%)	97.2 %	96.8 %	(0.4)%
	Lease Revenue From Top 5 tenants (\$mm)	\$ 10.0	\$ 22.4	\$ 12.4
	% of Total Lease Revenue	24.2 %	15.0 %	(9.2)%
Revenue and cash flow growth	Lease Revenues (LTM) (\$mm)	\$ 41.9	\$ 149.0	\$ 107.1
	Diluted FFO (LTM) (\$mm)	\$ 14.1	\$ 61.1	\$ 47.0
	Diluted FFO, as adjusted for comparability (LTM) (\$mm)	\$ 14.1	\$ 61.1	\$ 47.0
	Diluted Core FFO (LTM) (\$mm)	\$ 14.5	\$ 61.8	\$ 47.3
Improved capital structure	Net Total Debt / Enterprise Value	58.9 %	44.1 %	(14.8)%
	Net Total Debt + Preferred / Enterprise Value	70.0 %	55.7 %	(14.3)%
	Net Total Debt / Gross Assets ¹	62.7 %	45.3 %	(17.4)%

¹ Gross Assets equal total assets before depreciation and amortization

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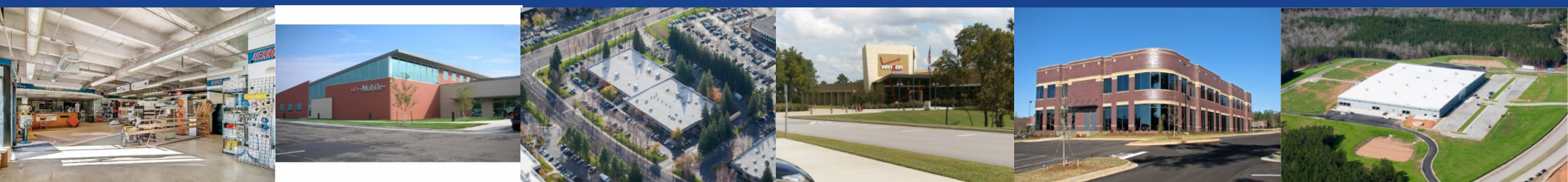
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Current Balance Sheet and Portfolio Supports Future Accretive Acquisitions

- Stable portfolio of assets in strong locations backed by credit-worthy tenants:
 - **100%** base rent collection for the year ended December 31, 2022
 - **96.8%** portfolio occupancy as of December 31, 2022
 - **7.0 years** remaining average lease term
- Strong balance sheet supporting near-term acquisitions:
 - **97%** of debt fixed or hedged
 - **\$91.2 million** of availability in cash and under the revolving credit facility as of February 22, 2023



Investment Strategy



Proven Strategy of Underwriting Real Estate and Tenant Strength

Tenant strength

- Tenants operate in a diverse array of industries
- Each tenant's credit underwritten to Gladstone standards, developed over decades of middle market corporate lending, investing and buyouts through affiliated funds
- Emphasis on tenant's ability to weather economic downturns

Real estate markets positioned for growth

- Target growth markets across the U.S.
- Accumulate assets in specific markets to create valuable portfolios
- Target submarket emphasis in the "path of growth"

Real estate asset quality

- Superior quality assets with flexible configurations, and an industrial emphasis
- Properties that are critical to tenant's business
- Single tenant and anchored multi-tenant industrial and office facilities
- Target net leases with **7+** years remaining at acquisition

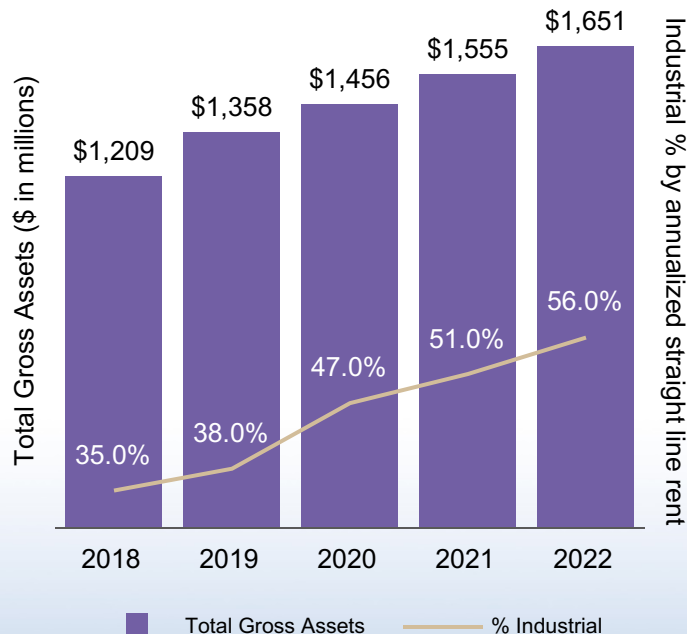
Transaction focus

- Target transactions of **\$7mm – \$50mm**
- Type: 3rd party acquisition, sale-leaseback, build-to-suit JV and build-to-suit forward purchase

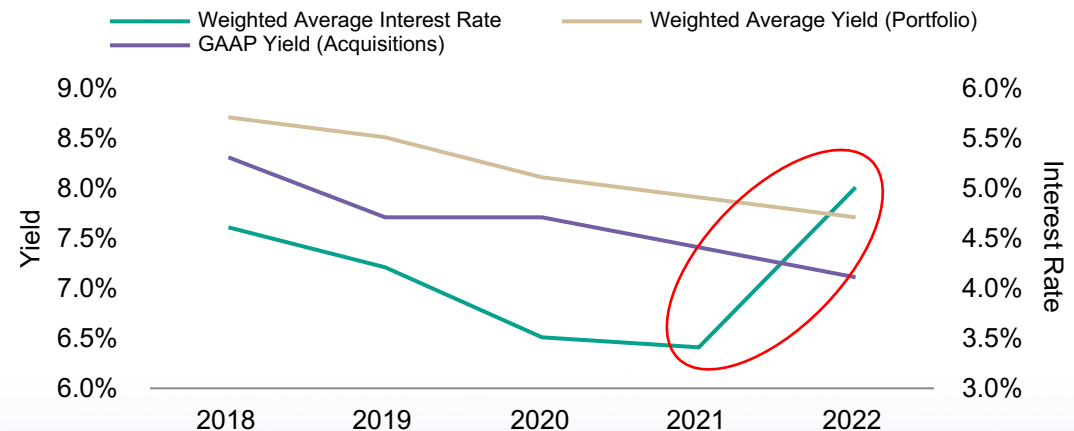
Continue Transition to Industrial-Focused Net Lease REIT

- The Company continues to focus on acquiring industrial assets in attractive growth markets with long-term net leases to credit tenants
- The Company began a focused transition to industrial assets in 2018 (before COVID-19), and we have successfully increased portfolio industrial exposure to 56% of annualized straight line rent as of year-end 2022
- The recent run rate dividend reduction will free up additional capital to further shift portfolio exposure in favor of industrial assets as industry-wide yields increase from record lows

Portfolio Industrial Growth



Yields Move in Line with Interest Rates



While our weighted average (portfolio) and GAAP (acquisitions) yields have declined in line with weighted average interest rate since 2018, we believe further investment in new industrial assets will increase our yields (weighted average & GAAP, noted above).

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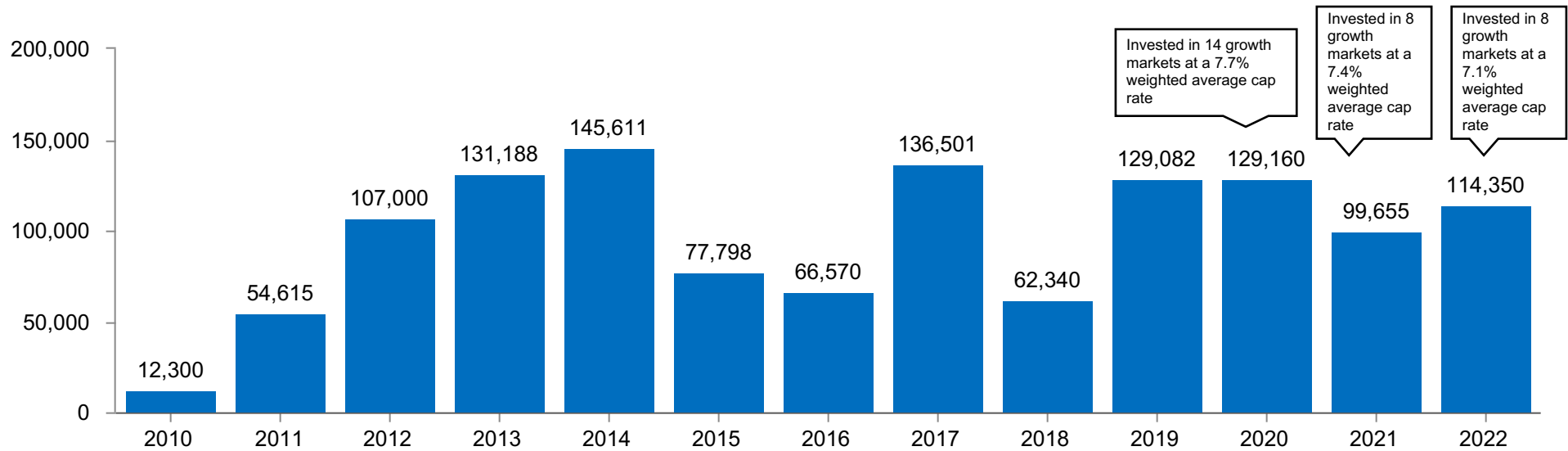
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Gladstone Has Achieved Consistent and Disciplined Growth

Historical Investment Volume (\$000)



Donaldson - Industrial



- 219K SF
- Detroit, MI
- Acquired 10/2018
- GAAP cap rate: 8.0%

Orgill - Industrial Distribution



- 676K SF
- Tifton, GA
- Acquired 6/2019
- GAAP cap rate: 8.8%

Morgan Stanley - Office



- 102K SF
- Salt Lake City, UT
- Acquired 12/2017
- GAAP cap rate: 9.3%

Iron Mountain - Industrial Portfolio



- 509K SF
- TX, LA, AZ, NM
- Acquired 12/2019
- GAAP cap rate: 7.2%

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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)



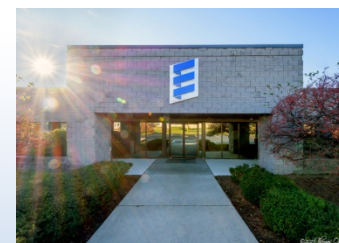
High occupancy

- Occupancy has never fallen below 95%
- Current occupancy 96.8%
- 7.1% of annualized straight line rents expiring through the end of 2023



Periodic capital recycling

- Sell non-core assets
- Exited 28 properties in non-core markets since mid-2016
- Re-deploy proceeds into industrial assets within growth markets



Note: As of 12/31/2022

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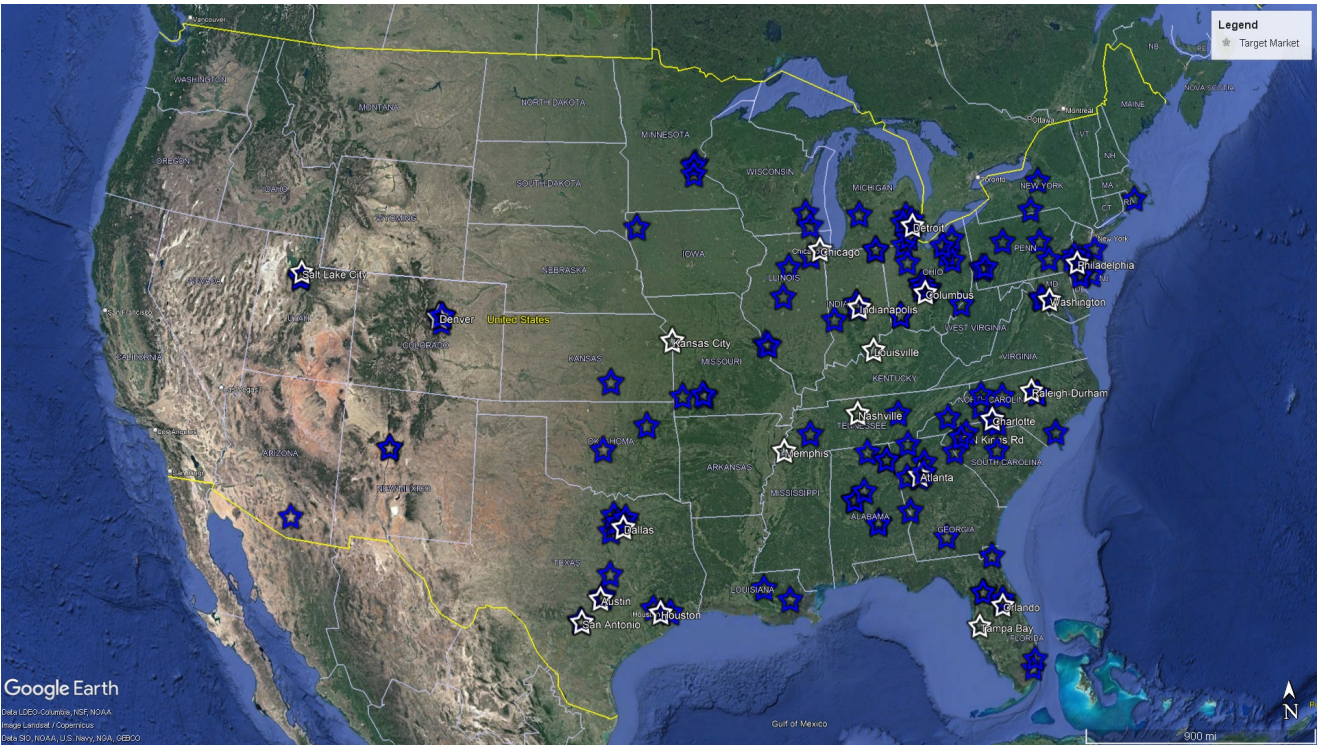
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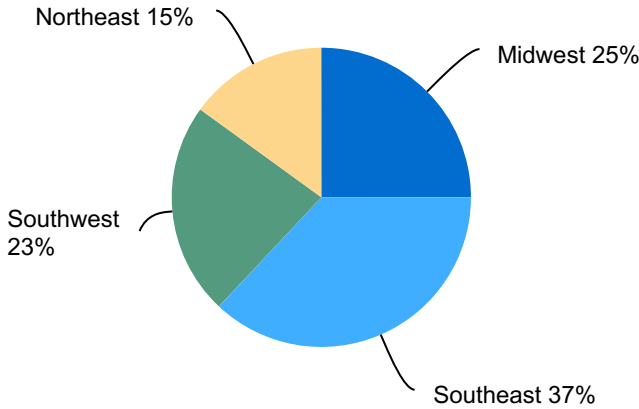


Diversified Portfolio

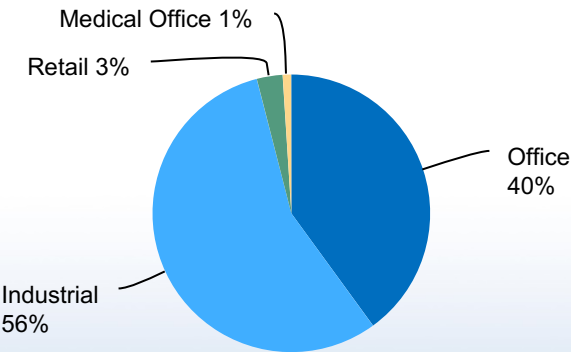
137 properties spread across 27 states



Geographic diversification
(by annualized straight line rent)








Property type diversification
(by annualized straight line rent)

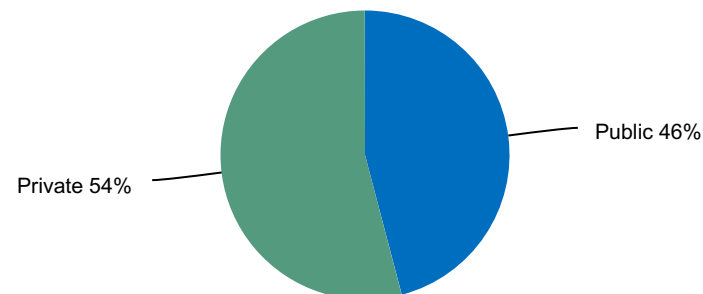


Note: As of 12/31/2022

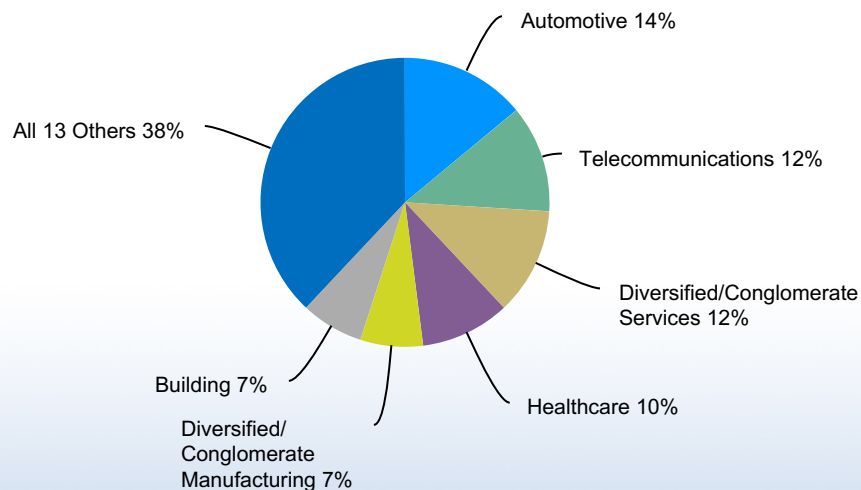
High Quality, Diversified Portfolio

Top 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 %

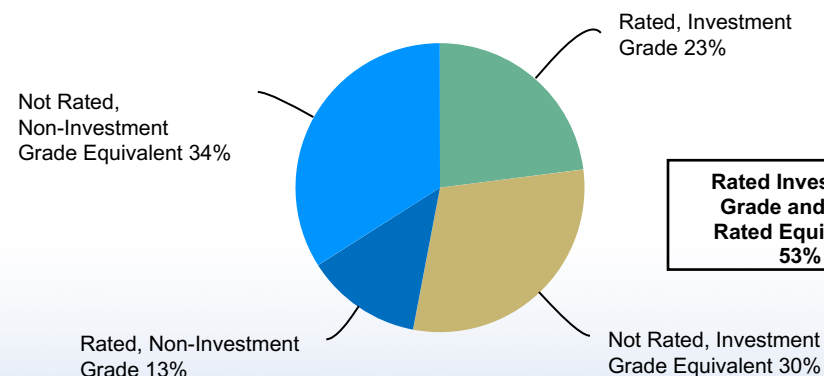
Publicly-traded vs. privately-held tenants (as % of annualized straight line rent)



Industry diversification (based on annualized straight line rent)



Tenant credit ratings (as % annualized straight line rent)



Rated Investment Grade and Non-Rated Equivalent 53%

Note: As of 12/31/2022

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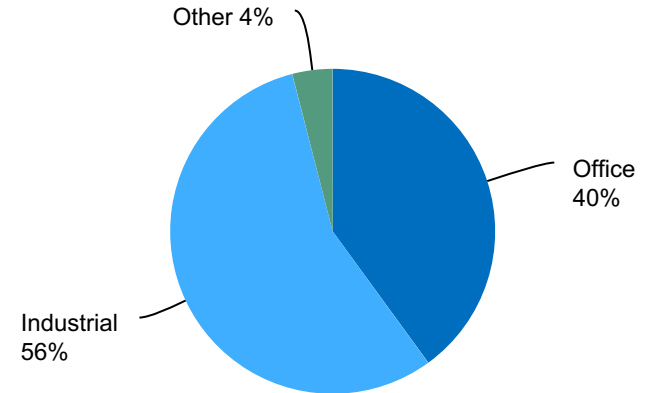
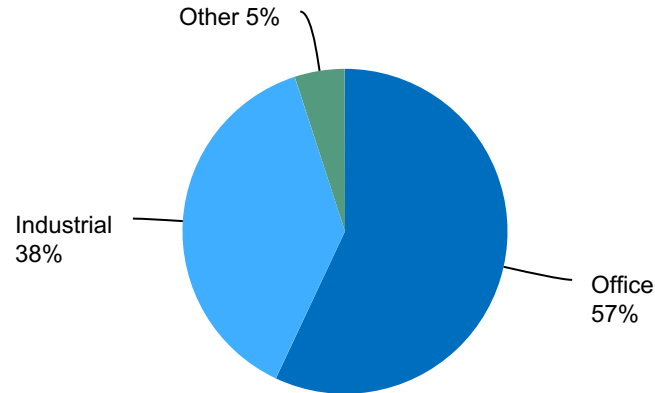


High Quality, Diversified Portfolio

Portfolio as of December 31, 2019
(as % of annualized straight line rent)

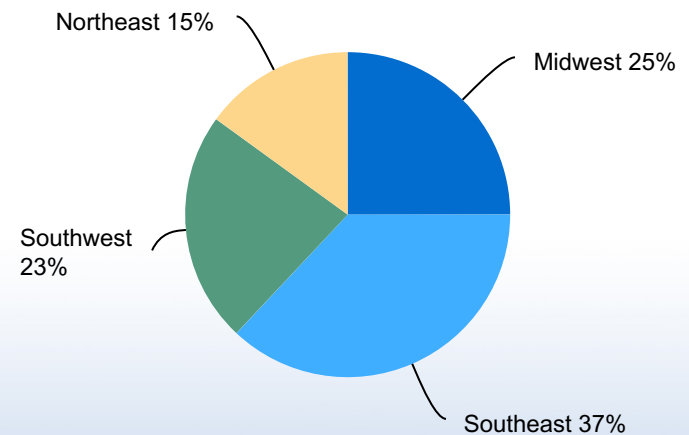
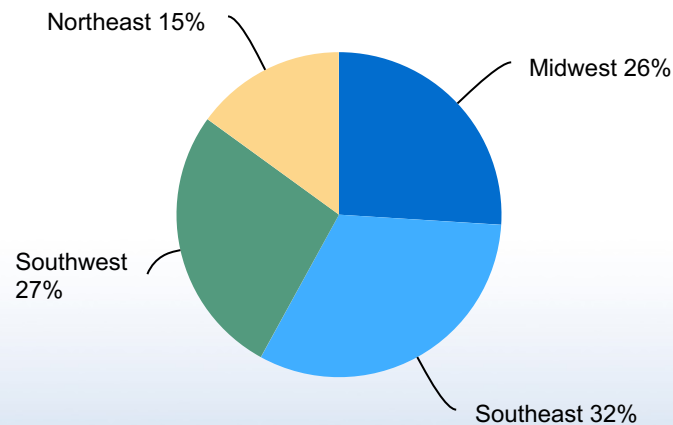
Portfolio as of December 31, 2022
(as % of annualized straight line rent)

By Property Type



2020-2022
acquisitions and
divestitures
focused on
reweighting
portfolio towards
industrial assets
in growth markets

By Geography



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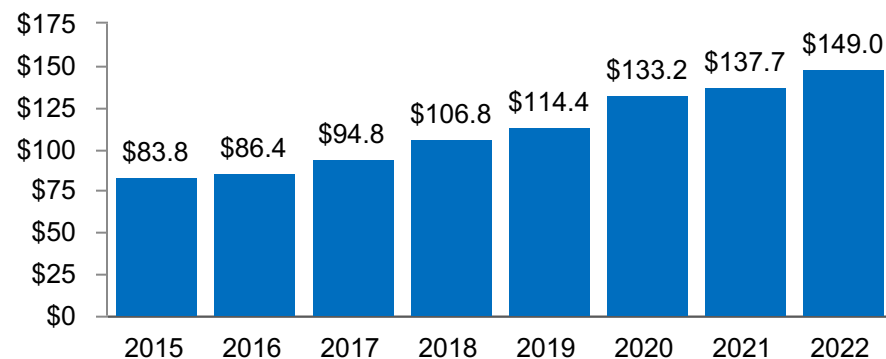


Financial Performance

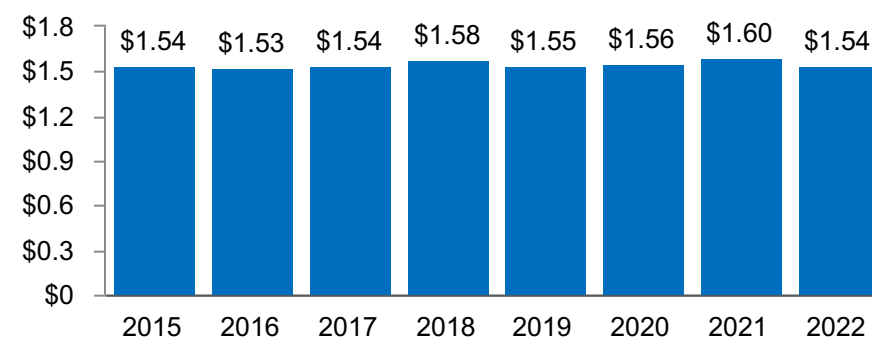


Summary Historical Performance

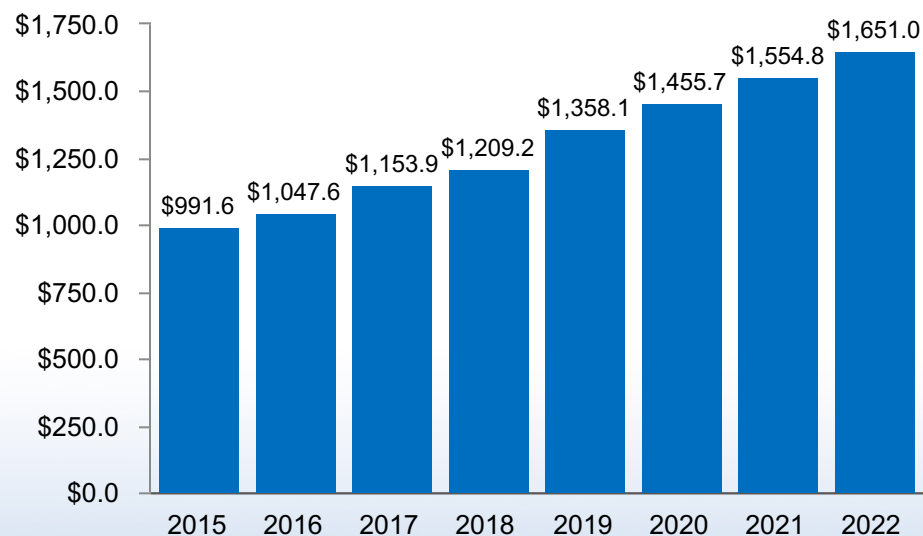
Total Revenue (\$ in millions)



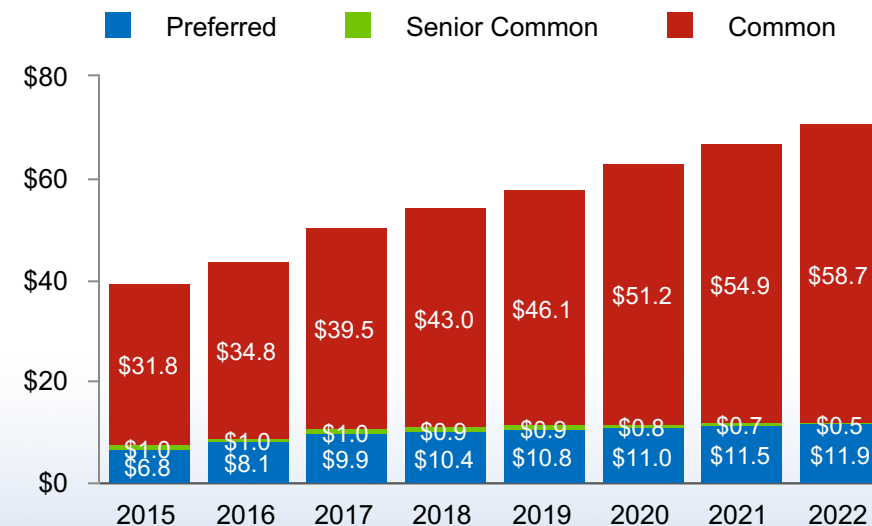
Funds from Operations, as adjusted for comparability (Per Share)



Total Gross Assets (\$ in millions)



Total Distributions (\$ in millions)



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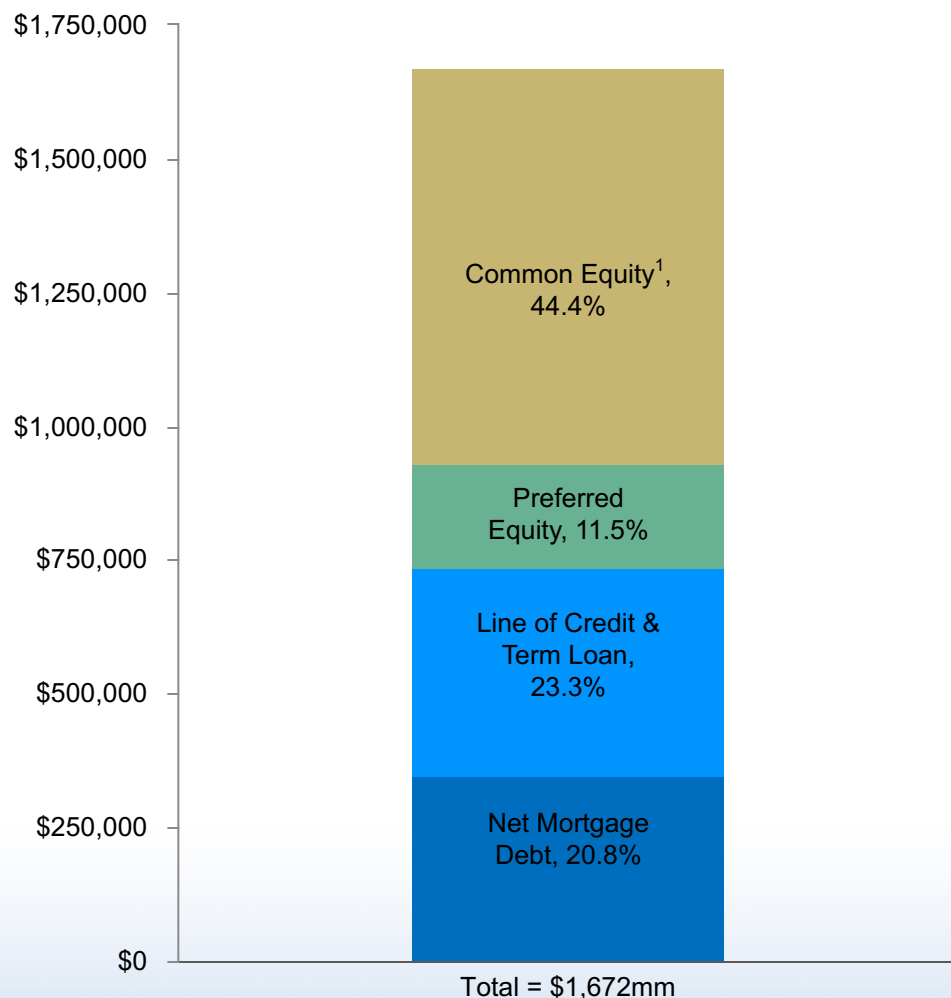
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Capital Structure Overview

Current Capital Structure as of 12/31/2022 (\$000s)



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.

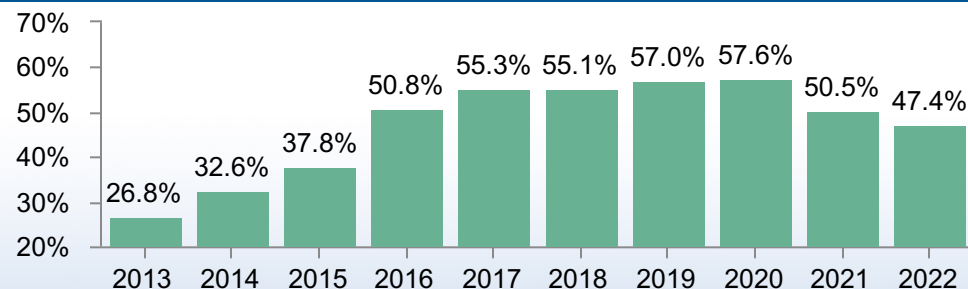
² Source: Nasdaq Online

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 Ownership ²



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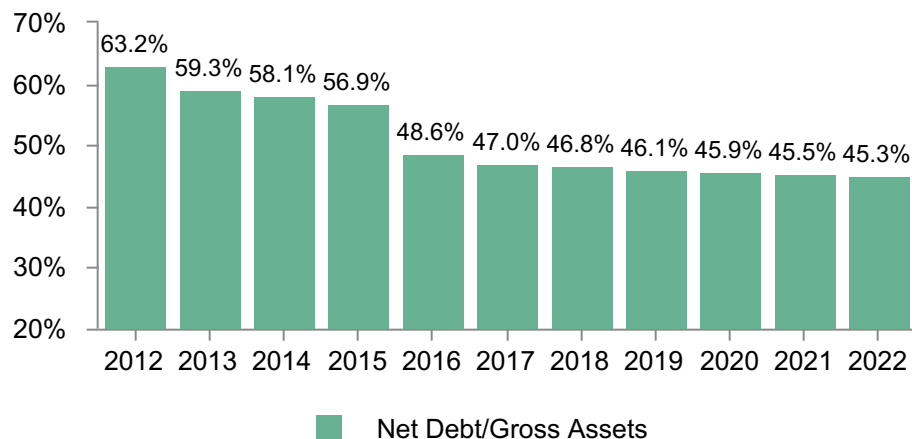
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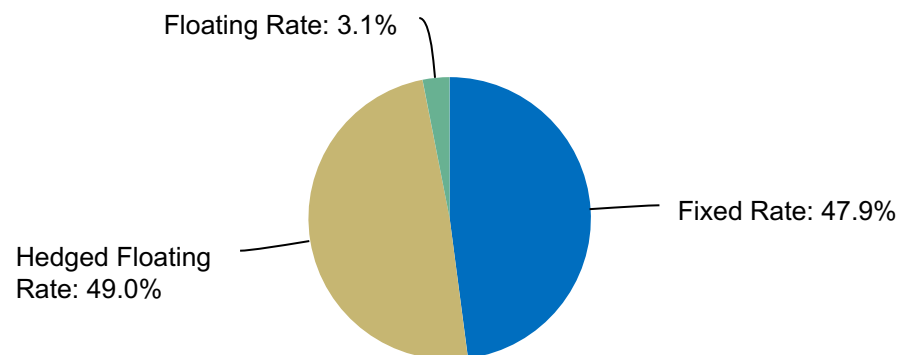


Liquidity and Debt Overview

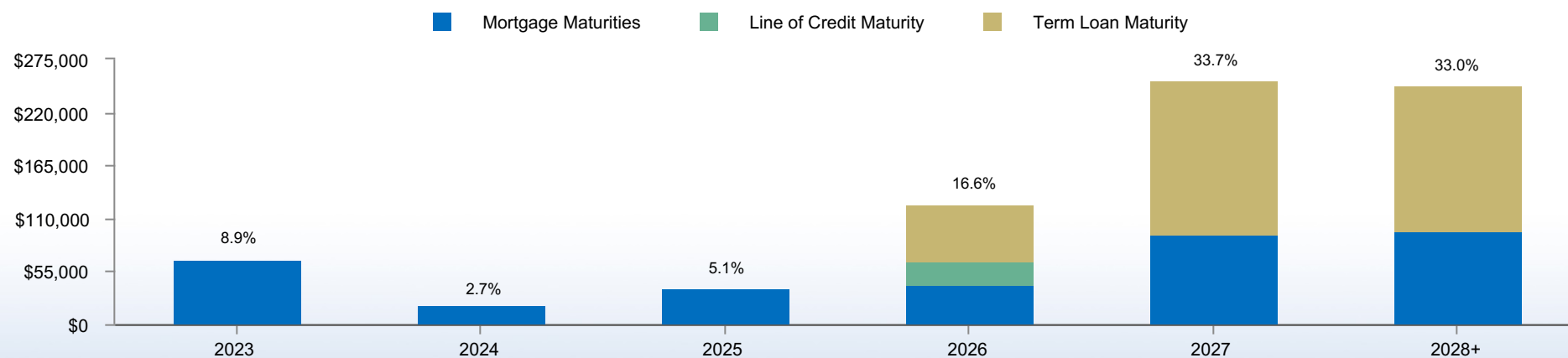
Reducing Leverage



Fixed vs. Floating Debt



Scheduled Debt Maturity (\$000s)



Note: As of 12/31/2022

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Experienced Leadership Team



**David Gladstone,
Chairman and CEO**

25+ years of experience

- Current Chairman and CEO of all four Gladstone funds, public companies #7, #8, #9 and #10 in his career
- Former Chairman of Allied Capital Commercial (REIT), Allied Capital and American Capital
- Former board member of Capital Automotive REIT
- MBA from Harvard Business School, MA from American University, BA from University of Virginia



**Buzz Cooper,
President**

25+ years of experience

- Current President of the Company; 20+ years with Gladstone
- Former Principal of Allied Commercial Corporation REIT, where his responsibilities ranged from buying loans from RTC and banks to making real estate backed loans
- BA from Washington and Lee University



**Gary Gerson,
CFO and Assistant
Treasurer**

25+ years of experience

- Current CFO and Assistant Treasurer of the Company
- Former CFO of Spotted Hawk Development, LLC, an Apollo Investment Corporation portfolio company
- Former Treasurer of the Gladstone Companies
- Former AVP of Finance at The Bozzuto Group
- Former Director of Finance at PG&E National Energy Group
- MBA from Yale School of Management, BSME from the US Naval Academy
- CPA in the Commonwealth of Virginia, CFA Charterholder



**Jay Beckhorn,
Treasurer**

25+ years of experience

- Current Treasurer of the Company and Gladstone Land, Assistant Treasurer of Gladstone Capital and Gladstone Investment
- Former Regional Managing Director of Heavenrich & Co.
- Former Senior Vice President of Sunrise Senior Living
- Former Managing Director of Riggs Bank
- MBA from Duke University, BA from Colgate University

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Experienced Leadership Team (cont'd)



EJ Wislar, Chief Investment Officer, Head of Northeast and Southeast Region

10 years of experience

- Manages regional acquisition and asset management activities
- Former Vice President with United Bankshares and Senior Investment Associate with Prudential Global Investment Management Real Estate Finance
- BS from Washington and Lee University



Ryan Carter, Executive Vice President, West and Midwest Region

20+ years of experience

- Manages regional acquisition and asset management activities
- Former founding partner of Porthaven Partners, LLC
- Former Director with Stan Johnson Company
- MBA from Oklahoma State University, BSBA from the University of Tulsa

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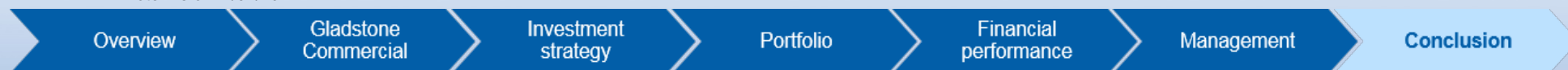


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Summary Highlights

- ***Growing industrial base comprising 56% of annualized straight line rent as of December 31, 2022, up from 38% as of December 31, 2019***
- ***Proven credit and real estate investment strategy has maintained high occupancy (>95%) since 2003***
- ***Strengthened credit profile with net total debt to gross assets down to 45.3%***
- ***Focused on growth with limited lease expirations through 2024, and with an emphasis on increasing the industrial allocation***

Note: As of 12/31/2022



Appendix

- 1. Condensed Consolidated Statements of Operations**
- 2. Funds From Operations (FFO) and Core FFO**
- 3. Condensed Consolidated Balance Sheets**
- 4. Debt Summary**
- 5. External Management Structure Qualities**

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

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

External Management Structure Qualities

- President, CIO, CFO, Acquisitions, Asset Management and Accounting staff exclusively dedicated to Gladstone Commercial
 - Benefit: Aligned with shareholder interests
- Legal, Compliance, Human Resources, and IT shared among four funds
 - Benefit: Reduced costs to shareholders
- The 2015 revision to the fee structure places overhead costs generally in line with the overall average for internally managed REITs of this size. The 2020 revision to the fee structure is economically consistent with the prior revision.
 - Benefit: G&A costs comparable with the public REIT industry
- The external structure provides access to internal credit underwriters across numerous industries
 - Benefit: Can quickly assess tenant's creditworthiness and ability to weather economic downturns

The results of organizational structure benefits:

- Occupancy never below 95% since IPO in 2003
- Cost structure aligned with internally-managed REITs with the added benefit of access to proven credit underwriting capability and evidenced by consistent high occupancy



GLADSTONE