



GLADSTONE COMMERCIAL

*Supplemental Financial & Operating Information
for the Quarter Ended March 31, 2023*

Legal disclaimer

Forward-Looking Statements: This presentation may include forward-looking statements within the meaning of the Securities Act of 1933 or the Securities Exchange Act of 1934. Forward-looking statements are typically identified by words such as “estimate,” “may,” “might,” “believe,” “will,” “provided,” “anticipate,” “future,” “could,” “growth,” “plan,” “project,” “intend,” “expect,” “should,” “would,” “if,” “seek,” “possible,” “potential,” “likely” or the negative or variations of such terms or comparable terminology. These forward-looking statements include comments with respect to our objectives and strategies, and the future results of our operations and our business. By their nature, these forward-looking statements involve numerous assumptions, uncertainties and descriptions of opportunities, both general and specific. The risk exists that these statements may not be fulfilled. We caution readers of this presentation not to place undue reliance on these forward-looking statements as a number of factors could cause our future results to differ materially from these statements. Any results or performance implied by forward-looking statements may be influenced by certain factors including, but not limited to, fluctuations in interest rates and stock indices, the effects of competition in the areas in which we operate, the overall impact of public health emergencies, and changes in economic, political, regulatory and technological conditions as well as those factors delineated under the caption “Risk Factors” in our Forms 10-Q and Form 10-K, and other documents we file with the SEC from time to time. Therefore, we caution that the foregoing list is not exhaustive. Investors should not rely on forward-looking statements to make decisions and should carefully consider the aforementioned factors as well as other uncertainties and events. We undertake no obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise. You are advised to consult any additional disclosures that we may make directly to you or through reports that we have filed or in the future may file with the SEC, including subsequent annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K.

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Corporate overview



Industrial building located in Huntsville, Alabama

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 March 31, 2023, we owned approximately 17.2 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, 2023, total assets were approximately \$1.2 billion, representing investments in 137 properties. Our properties are leased to 111 tenants who represent 19 diversified industries across 27 states.

At March 31, 2023, our leases had an average remaining term of 6.9 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)	\$ 1,187
Properties	137
Tenants	111
Industries	19
States	27
Average remaining lease term (years)	6.9
Occupancy	95.9 %
Square footage owned (mm)	17.2

Capitalization (\$mm)¹

Common equity market capitalization ²	\$ 510
Preferred equity	194
Net total debt	748
Total capitalization	\$ 1,452
Less: Cash and cash equivalents	(14)
Total enterprise value	\$ 1,438
Net total debt / enterprise value	51.0%
Net total debt + preferred / enterprise value	64.5%
Net total debt / gross assets	45.2%

Top 5 tenants ¹	% of annualized straight line rent	% of SF
	4%	1%
	3%	6%
	3%	1%
Morgan Stanley	2%	1%
 CENTRALSQUARE	2%	1%
Top 5 Tenants total	14%	10%
Top 5 Tenants average remaining lease term		4.3 years
Portfolio average remaining lease term		6.9 years

Corporate liquidity (\$mm)¹

Cash and Cash Equivalents	\$ 14.3
Availability Under Revolving Credit Facility ³	77.5
Total	\$ 91.8

¹ As of March 31, 2023.

² Based on the closing common stock price per share on March 31, 2023 of \$12.63. Includes OP units and senior common shares convertible into shares of common stock.

³ As of May 3, 2023, approximately \$75.0 million is available under the Company's revolving credit facility.

Q1 2023 highlights (unaudited)

FFO¹ and Core FFO²:

Generated FFO and core FFO of \$14.8 million and \$15.0 million, respectively, or \$0.37 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 common equity for net proceeds of \$4.0 million through our ATM program and issued Series F preferred equity for net proceeds of \$0.5 million.

Select Expenditure Activity:

Paid \$2.0 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.



Financial Overview



Condensed consolidated statements of operations

(\$ in thousands, except per share amounts)

	For the three months ended (unaudited)		
	3/31/2023	12/31/2022	3/31/2022
Operating revenues			
Lease revenue	\$ 36,554	\$ 37,217	\$ 35,531
Total operating revenues	\$ 36,554	\$ 37,217	\$ 35,531
Operating expenses			
Depreciation and amortization	\$ 15,474	\$ 15,992	\$ 14,689
Property operating expenses	6,727	6,714	6,623
Base management fee	1,605	1,604	1,547
Incentive fee	—	1,078	1,340
Administration fee	565	522	462
General and administrative	1,063	917	997
Total operating expenses	\$ 25,434	\$ 26,827	\$ 25,658
Other (expense) income			
Interest expense	\$ (8,828)	\$ (9,643)	\$ (6,586)
Gain (loss) on sale of real estate, net	—	1,150	—
Other income	105	(85)	104
Total other expense, net	\$ (8,723)	\$ (8,578)	\$ (6,482)
Net income	\$ 2,397	\$ 1,812	\$ 3,391
Net loss (income) attributable (available) to non-controlling interests	7	11	(2)
Net income attributable to the company	\$ 2,404	\$ 1,823	\$ 3,389
Distributions attributable to Series E, F, and G preferred stock	(3,022)	(3,003)	(2,946)
Distributions attributable to senior common stock	(109)	(114)	(116)
Loss on extinguishment of Series F preferred stock	(5)	(5)	(5)
Gain on repurchase of Series G preferred stock	3	37	—
Net (loss) income (attributable) available to common stockholders	\$ (729)	\$ (1,262)	\$ 322

Funds from Operations (FFO) and core FFO

(\$ in thousands, except per share amounts)

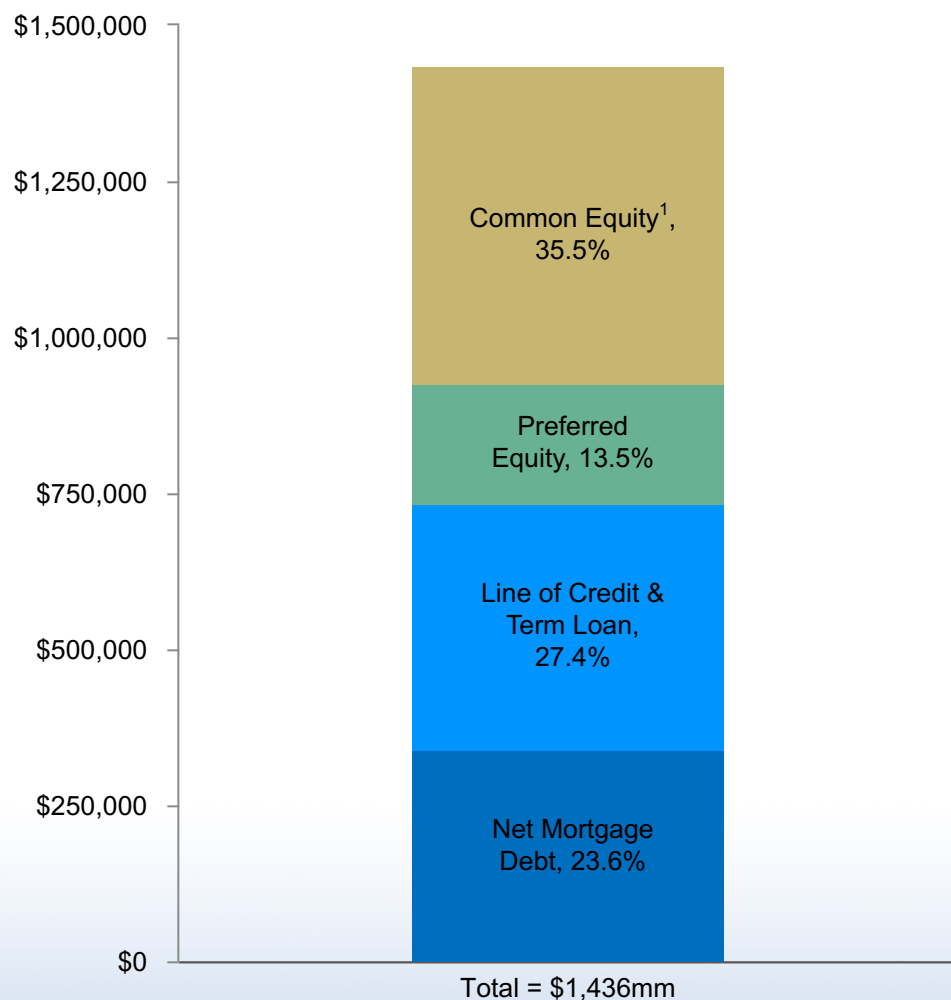
	For the three months ended (unaudited)		
	3/31/2023	12/31/2022	3/31/2022
Net income	\$ 2,397	\$ 1,812	\$ 3,391
Less: Distributions attributable to preferred and senior common stock	(3,131)	(3,117)	(3,062)
Less: Loss on extinguishment of Series F preferred stock	(5)	(5)	(5)
Add: Gain on repurchase of Series G preferred stock	3	37	—
Net (loss) income (attributable) available to common stockholders and Non-controlling OP Unitholders	\$ (736)	\$ (1,273)	\$ 324
Adjustments:			
Add: Real estate depreciation and amortization	\$ 15,474	\$ 15,992	\$ 14,689
Less: Gain on sale of real estate, net	—	(1,150)	—
FFO available to common stockholders and Non-controlling OP Unitholders - basic	\$ 14,738	\$ 13,569	\$ 15,013
Add: Convertible senior common distributions	109	114	116
FFO available to common stockholders and Non-controlling OP Unitholders - diluted	\$ 14,847	\$ 13,683	\$ 15,129
FFO available to common stockholders and Non-controlling OP Unitholders - basic	\$ 14,738	\$ 13,569	\$ 15,013
Add: Write off shelf registration statement costs and prepaid ATM costs	110	—	131
Add: Asset retirement obligation expense	31	30	22
Core FFO available to common stockholders and Non-controlling OP Unitholders - basic	\$ 14,879	\$ 13,599	\$ 15,166
Add: Convertible senior common distributions	109	114	116
Core FFO available to common stockholders and Non-controlling OP Unitholders - diluted	\$ 14,988	\$ 13,713	\$ 15,282
Weighted average common shares outstanding and Non-controlling OP Units - basic	40,313,827	40,016,430	38,159,647
Weighted average common shares outstanding and Non-controlling OP Units - diluted	40,659,514	40,379,676	38,533,770
FFO per weighted average share of common stock and Non-controlling OP Unit - basic	\$ 0.37	\$ 0.34	\$ 0.39
FFO per weighted average share of common stock and Non-controlling OP Unit - diluted	\$ 0.37	\$ 0.34	\$ 0.39
Core FFO per weighted average share of common stock and Non-controlling OP Unit - basic	\$ 0.37	\$ 0.34	\$ 0.40
Core FFO per weighted average share of common stock and Non-controlling OP Unit - diluted	\$ 0.37	\$ 0.34	\$ 0.40
Distributions declared per share of common stock and Non-controlling OP Unit	\$ 0.300000	\$ 0.376200	\$ 0.376200

Condensed consolidated balance sheets

(\$ in thousands)	3/31/2023 (unaudited)	12/31/2022
ASSETS		
Real estate, at cost	\$ 1,285,539	\$ 1,287,297
Less: accumulated depreciation	294,773	286,994
Total real estate, net	990,766	1,000,303
Lease intangibles, net	107,778	111,622
Real estate and related assets held for sale, net	4,722	3,013
Cash and cash equivalents	14,286	11,653
Restricted cash	4,505	4,339
Funds held in escrow	5,925	8,818
Right-of-use assets from operating leases	5,071	5,131
Deferred rent receivable, net	39,663	38,884
Other assets	13,867	17,746
TOTAL ASSETS	\$ 1,186,583	\$ 1,201,509
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Mortgage notes payable, net	\$ 354,556	\$ 359,389
Borrowings under revolver and term loan, net	392,990	389,817
Deferred rent liability, asset retirement obligation and other liabilities, net	78,368	77,677
TOTAL LIABILITIES	\$ 825,914	\$ 826,883
MEZZANINE EQUITY		
Series E and G redeemable preferred stock, net	\$ 170,041	\$ 170,056
TOTAL MEZZANINE EQUITY	\$ 170,041	\$ 170,056
STOCKHOLDERS' EQUITY		
Senior common stock	\$ 1	\$ 1
Common stock	40	39
Series F redeemable preferred stock	1	1
Additional paid in capital	725,874	721,327
Accumulated other comprehensive income	6,008	11,640
Distributions in excess of accumulated earnings	(542,937)	(530,228)
TOTAL STOCKHOLDERS' EQUITY	\$ 188,987	\$ 202,780
OP Units held by Non-controlling OP Unitholders	1,641	1,790
TOTAL EQUITY	\$ 190,628	\$ 204,570
TOTAL LIABILITIES, MEZZANINE EQUITY AND EQUITY	\$ 1,186,583	\$ 1,201,509

Capital structure

Current capital structure as of 3/31/2023 (\$000)

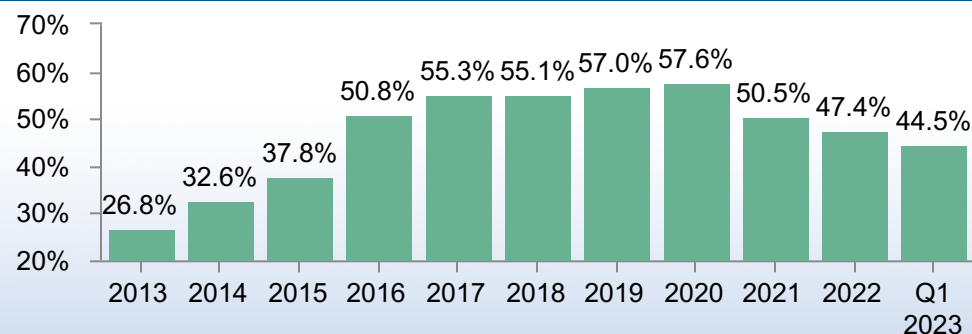


Capital Structure Details

(Dollars in \$000s, except stock price)

	Wtd. Average Rate	3/31/2023
Mortgage Notes Payable, Net	4.24%	\$ 354,556
Less: Cash & Cash Equivalents		(14,286)
Net Mortgage Debt		\$ 340,270
Line of Credit	SOFR+1.50%	\$ 26,250
Term Note	SOFR+1.45%	366,740
Line of Credit and Term Loan		\$ 392,990
Total Debt, Net		\$ 733,260
Series E - Preferred	6.625%	\$ 76,536
Series F - Preferred	6.00%	17,362
Series G - Preferred	6.00%	99,772
Total Preferred Equity		\$ 193,670
Diluted Common Shares Outstanding		40,343,907
Stock Price		\$ 12.63
Implied Common Equity¹ Market Capitalization		\$ 509,544
Enterprise Value		\$ 1,436,474

Institutional Stock Ownership²

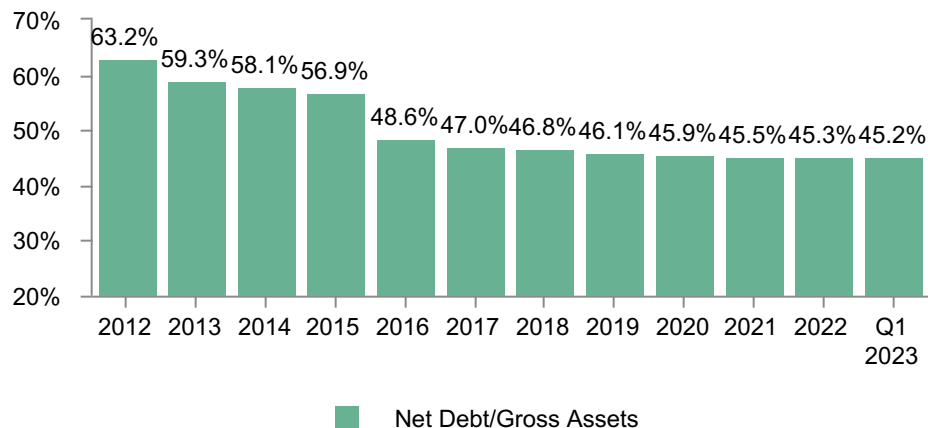


¹ Common Equity is based on the closing common stock price per share as of March 31, 2023 of \$12.63 and includes effect of OP units and convertible senior common stock.

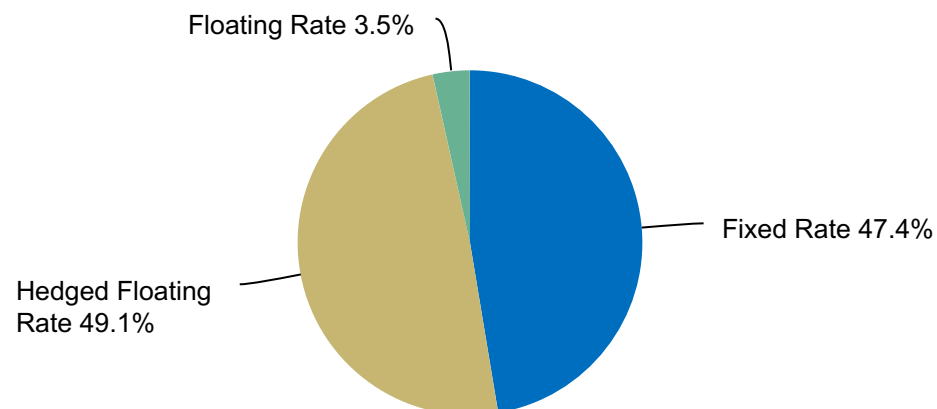
² Source: Nasdaq Online.

Liquidity and debt overview

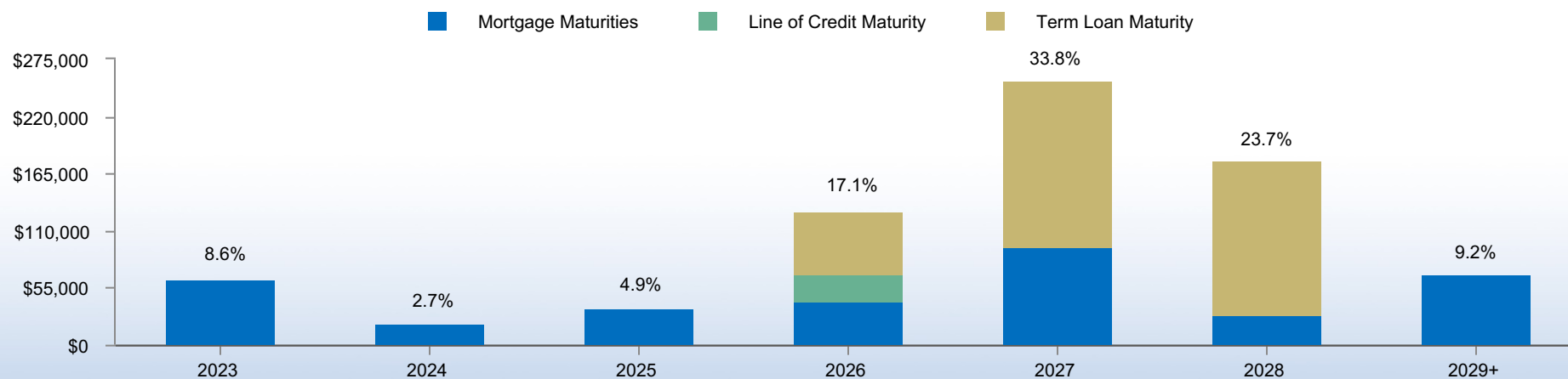
Reducing Leverage¹



Fixed vs. Floating Debt¹



Scheduled debt maturity¹ (\$'000)



¹ As of 3/31/2023.

Debt summary

(\$ in thousands)		
Principal Maturity Date	Weighted Average Interest Rate as of 3/31/2023	Principal Balance Outstanding as of 3/31/2023
2023	4.80%	\$ 57,523
2024	4.63%	11,192
2025	4.04%	28,907
2026	4.33%	41,344
2027	4.38%	105,506
2028	3.54%	29,935
2029	5.22%	21,871
2030	3.23%	39,806
2031	3.24%	5,181
2032	3.40%	9,964
2037	4.63%	5,805
Contractual Mortgage Notes Payable:	4.24%	\$ 357,034
Premiums (Discounts), net:		(72)
Total Mortgage Notes Payable:		\$ 356,962
Variable-Rate Line of Credit:		
2026	SOFR +1.50%	\$ 26,250
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	5.33%	\$ 753,212

Select corporate covenants

Description	(\$ in thousands)	
	Threshold	March 31, 2023
Consolidated Tangible Net Worth	> \$643,124	\$825,670
Leverage Ratio	< 60%	49%
Fixed Charge Coverage Ratio	> 1.50	1.83
Maximum Dividend Payout (FFO based)	< 96%	91.2%
Secured Indebtedness	< 40%	23%

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



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 95.9%
- 2.7% of annualized straight line rents expiring through the end of 2023
- Of 100+ assets with over \$1 billion invested since inception, only two tenant defaults



Periodic capital recycling

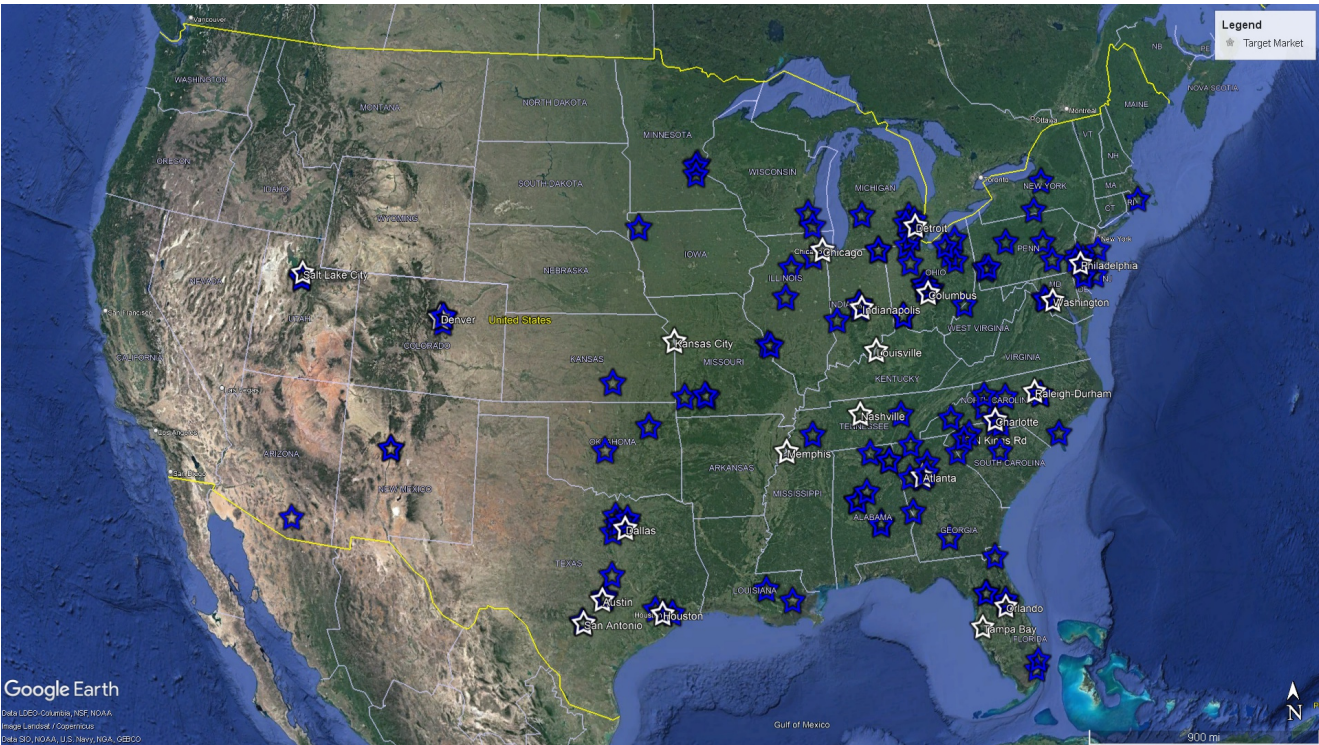
- Sell non-core assets in non-core markets
- Sold 28 properties in non-core markets since mid-2016
- Re-deploy proceeds in growth markets



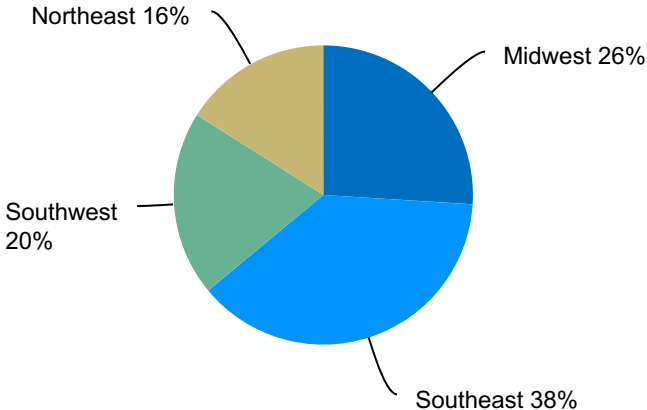
Note: As of 3/31/2023.

Diversified portfolio

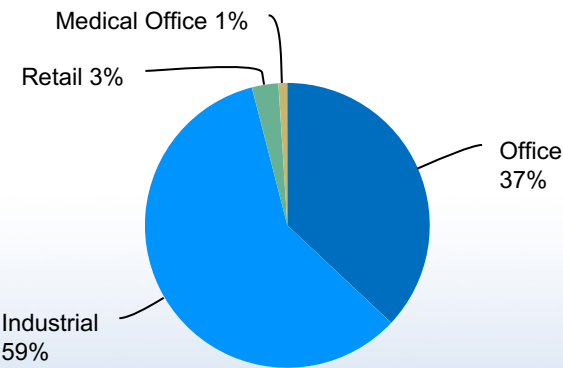
137 properties spread across 27 states



**Geographic diversification
(by annualized straight line rent)**







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

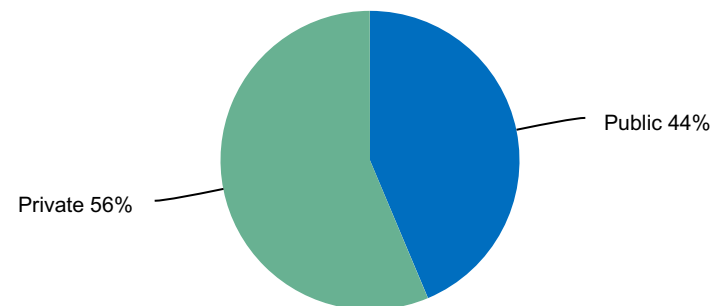


Note: As of 3/31/2023.

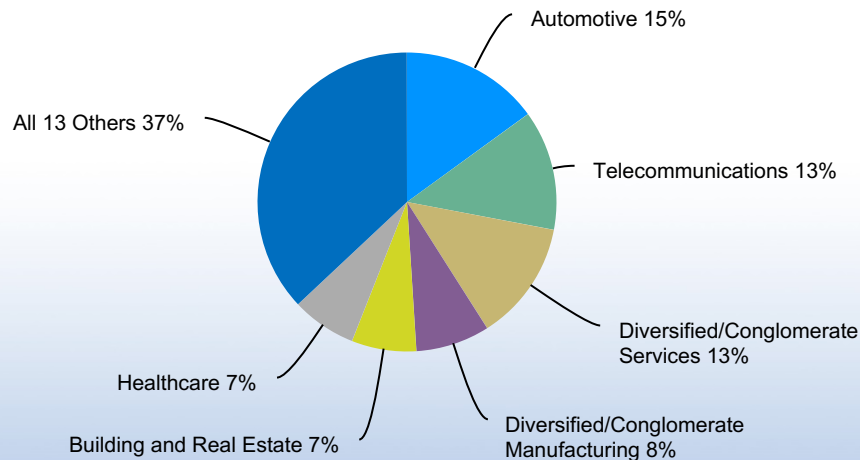
High quality, diversified portfolio

Top 5 tenants	% of annualized straight line rent	% of SF
 gm	4 %	1 %
 kane isable, Inc.	3 %	6 %
 ADP	3 %	1 %
Morgan Stanley	2 %	1 %
 CENTRALSQUARE	2 %	1 %
All other tenants	86 %	90 %

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

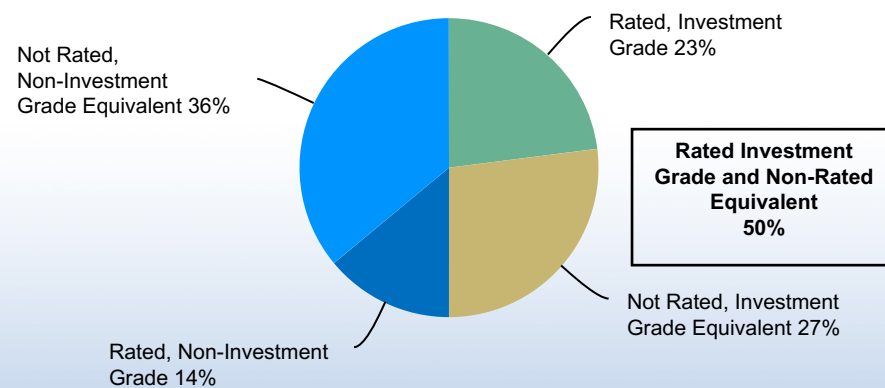


Industry diversification (based on annualized straight line rent)



Note: As of 3/31/2023

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

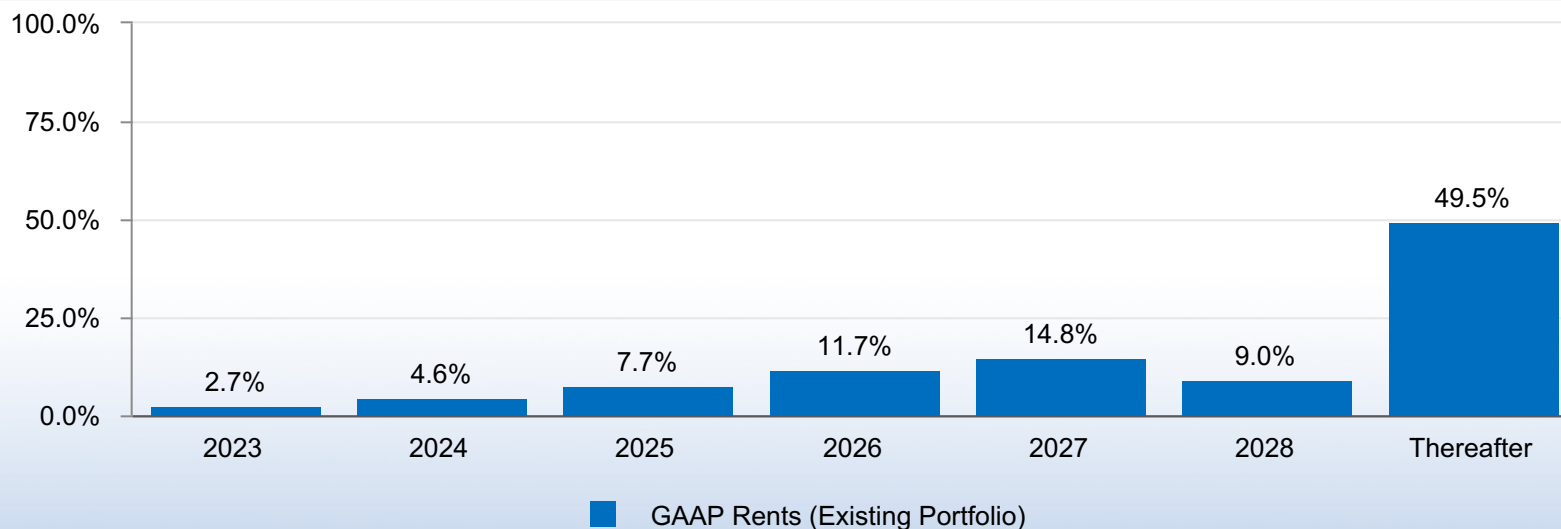


Smooth lease rollover

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
2023	398,136	4	3,265	2.7 %
2024	1,251,411	8	5,484	4.6 %
2025	561,854	10	9,211	7.7 %
2026	1,795,019	13	13,957	11.7 %
2027	1,833,683	14	17,587	14.8 %
2028	2,123,747	16	10,680	9.0 %
Thereafter	8,517,091	72	58,938	49.5 %
Total	16,480,941	137	\$ 119,122	100.0 %

Rent expiring



Note: As of 3/31/2023.



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