



GLADSTONE COMMERCIAL

Investor Presentation May 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 111 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 3/31/2023

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Gladstone
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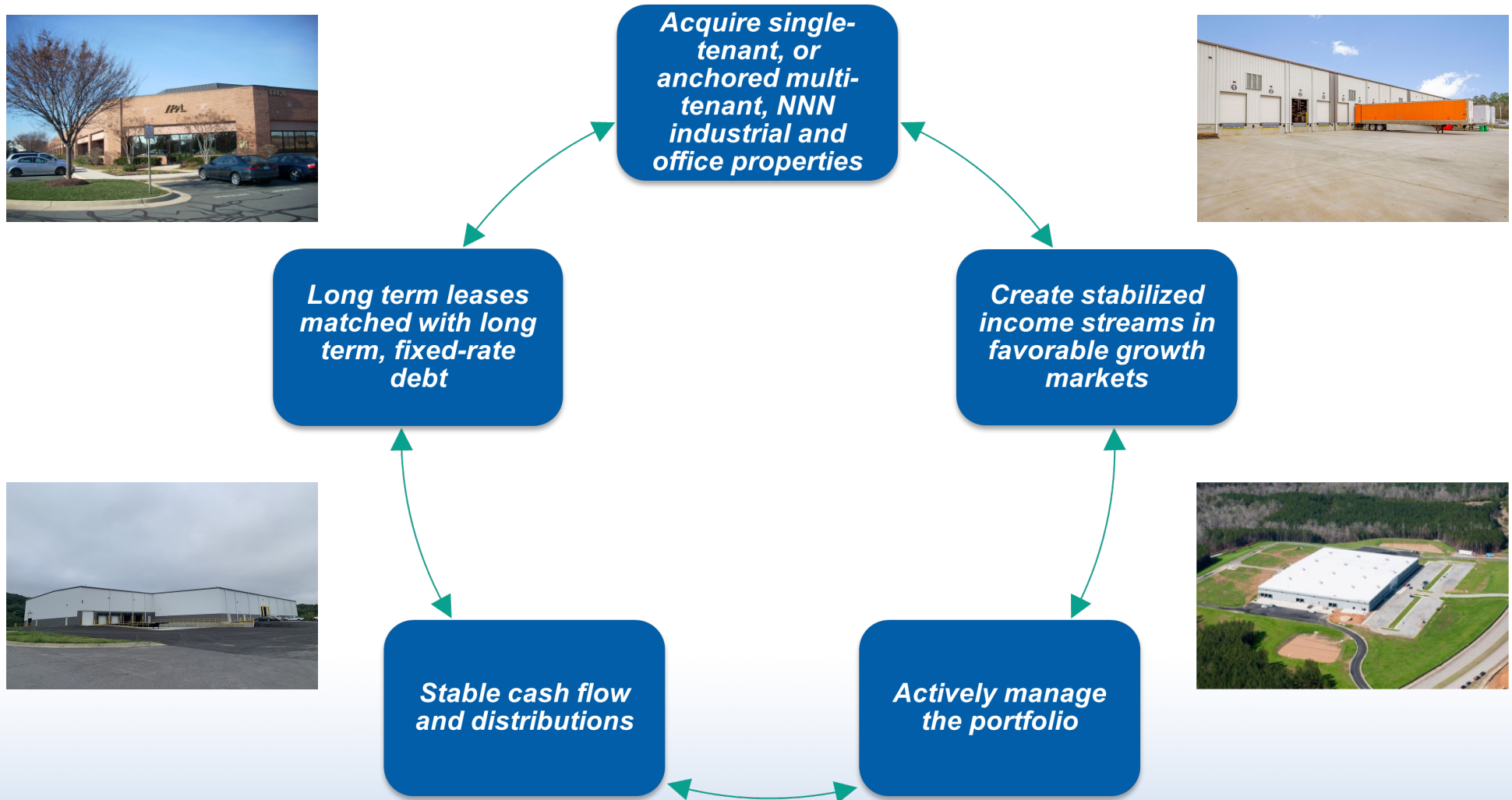
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Gladstone Commercial's Investment Philosophy



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Gladstone Commercial Overview

- IPO in 2003 (Nasdaq: GOOD)
- Market Capitalization: **\$510mm**¹
- Enterprise Value: **\$1,438mm**¹
- Common stock annual distribution per share: **\$1.20**²
 - Monthly distributions

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 convertible securities.

²As of January 10, 2023.

Portfolio summary (3/31/2023)

# of Properties	137
Square feet (mm)	17.2
Occupancy	95.9%
States	27
Tenants	111
Industries	19
Annual lease revenue (LTM) (\$mm)	\$150.0
Diluted FFO per Common Share (LTM)	\$1.53
Diluted FFO per Common Share, as adjusted for comparability (LTM)	\$1.53
Diluted Core FFO per Common Share (LTM)	\$1.54
Average Remaining Lease Term	6.9 years



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Significant Growth & Diversification Since 2010

GOOD Portfolio

		12/31/2010	3/31/2023	Variance
Grew a diverse portfolio	Total assets (\$mm)	\$ 410.6	\$ 1,186.6	\$ 776.0
	Properties	65	137	72
	Tenants	52	111	59
	Square feet (mm)	6.8	17.2	10.4
	Occupancy (%)	97.2 %	95.9 %	(1.3)%
	Lease Revenue From Top 5 tenants (\$mm)	\$ 10.0	\$ 22.3	\$ 12.3
	% of Total Lease Revenue	24.2 %	14.9 %	(9.3)%
Revenue and cash flow growth	Lease Revenues (LTM) (\$mm)	\$ 41.9	\$ 150.0	\$ 108.1
	Diluted FFO (LTM) (\$mm)	\$ 14.1	\$ 60.8	\$ 46.7
	Diluted FFO, as adjusted for comparability (LTM) (\$mm)	\$ 14.1	\$ 60.8	\$ 46.7
	Diluted Core FFO (LTM) (\$mm)	\$ 14.5	\$ 61.5	\$ 47.0
Improved capital structure	Net Total Debt / Enterprise Value	58.9 %	51.0 %	(7.9)%
	Net Total Debt + Preferred / Enterprise Value	70.0 %	64.5 %	(5.5)%
	Net Total Debt / Gross Assets ¹	62.7 %	45.2 %	(17.5)%

¹ Gross Assets equal total assets before depreciation and amortization

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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 quarter ended March 31, 2023
 - **95.9%** portfolio occupancy as of March 31, 2023
 - **6.9 years** remaining average lease term
- Strong balance sheet supporting near-term acquisitions:
 - **97%** of debt fixed or hedged
 - **\$82.5 million** of availability in cash and under the revolving credit facility as of May 3, 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

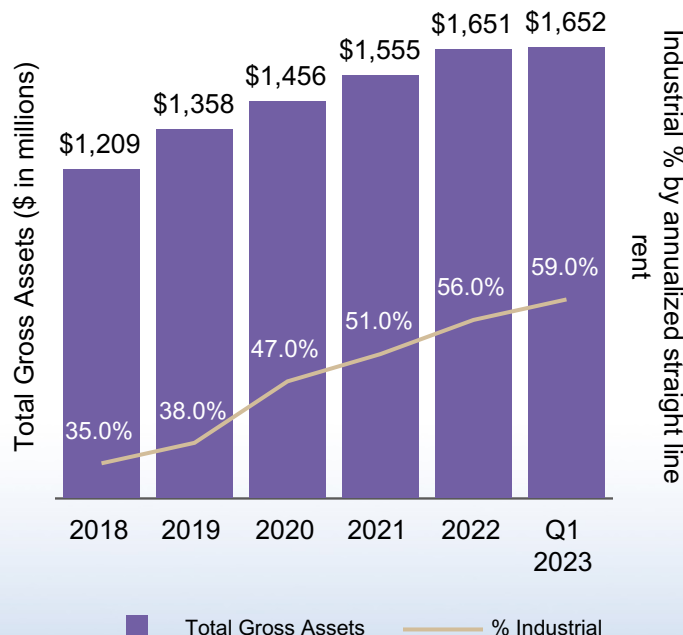
Transaction focus

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

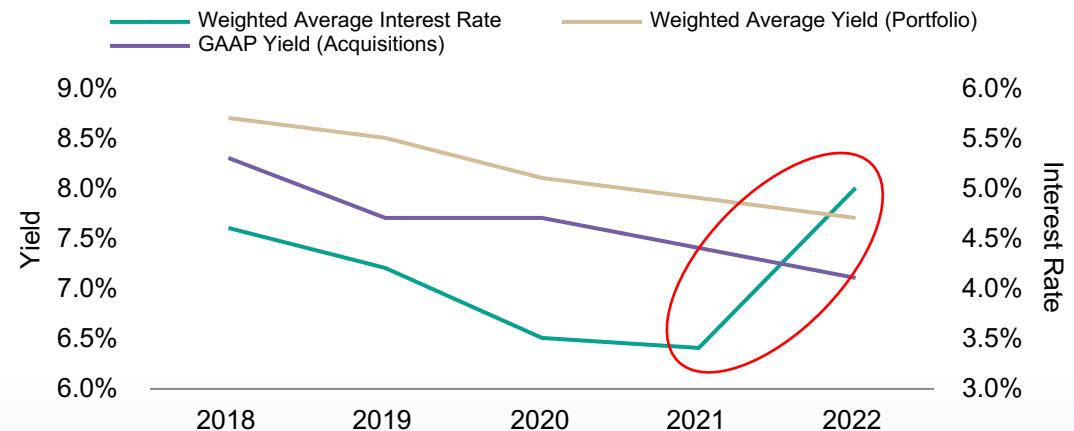
Continue Transition to Industrial-Focused Net Lease REIT

- 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 59% of annualized straight line rent as of Q1 2023
- 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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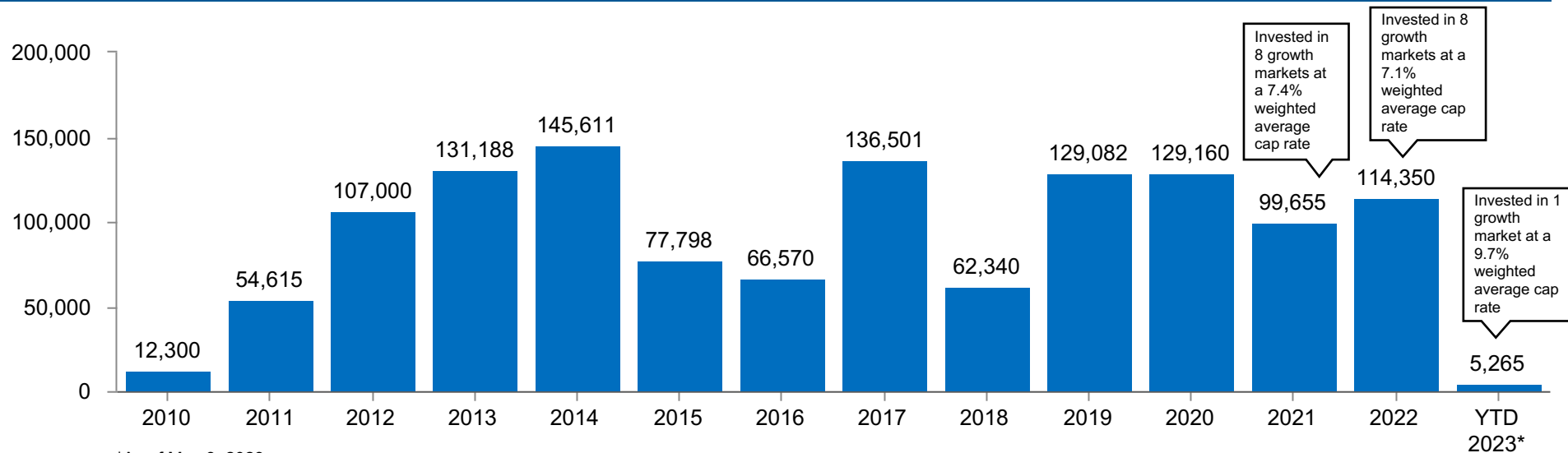
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Gladstone Has Achieved Consistent and Disciplined Growth

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%

Iron Mountain - Industrial Portfolio



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

Garden State Bulb - Industrial



- 216K SF
- Vineland, NJ
- Acquired 8/2022
- 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)



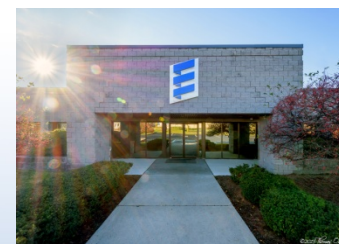
High occupancy

- Occupancy has never fallen below 95%
- Current occupancy 95.9%
- 2.7% 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 3/31/2023

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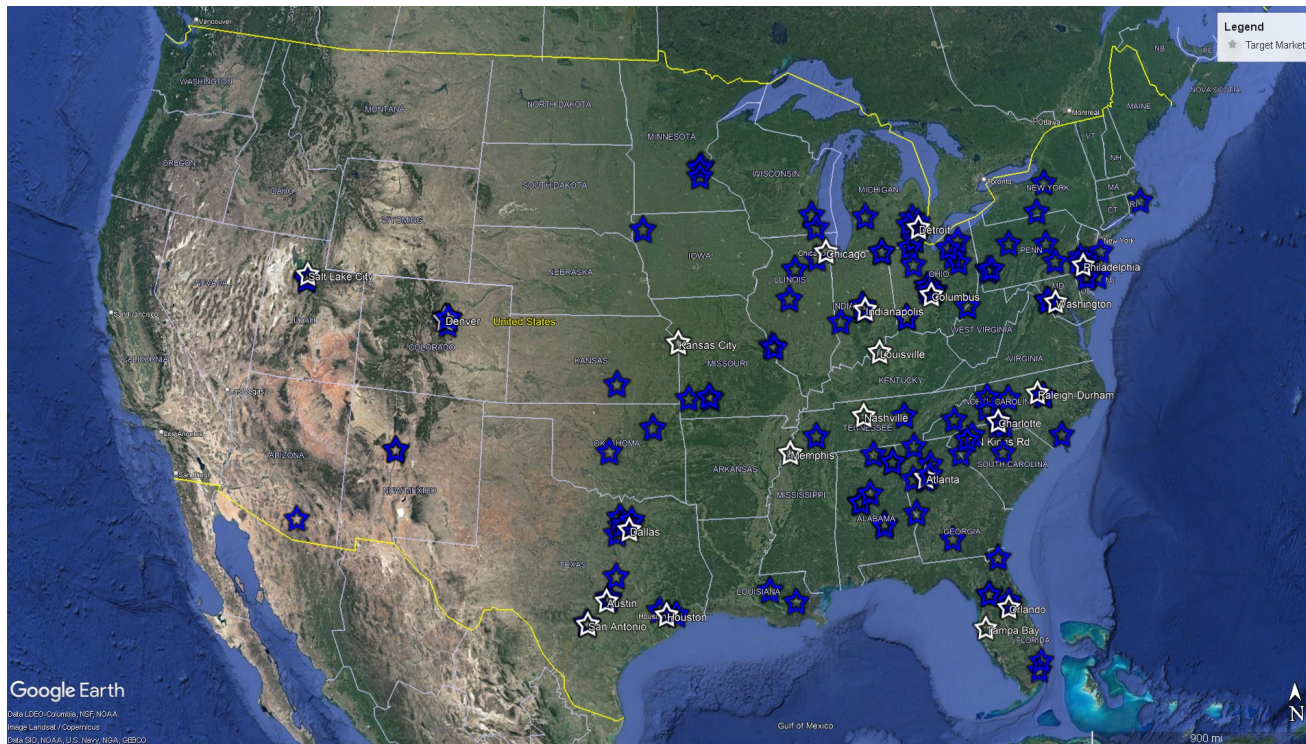
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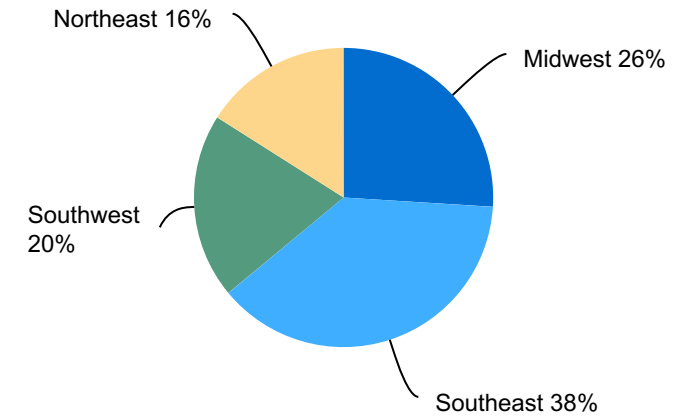
Diversified Portfolio

137 properties spread across 27 states

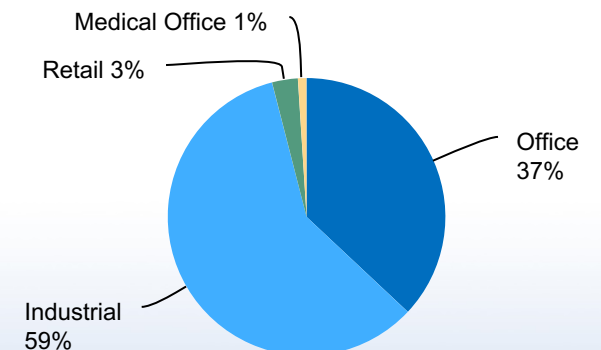


Note: As of 3/31/2023





Geographic diversification (by annualized straight line rent)



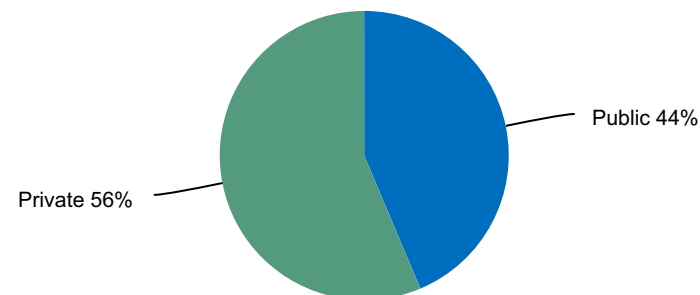
Property type diversification (by annualized straight line rent)



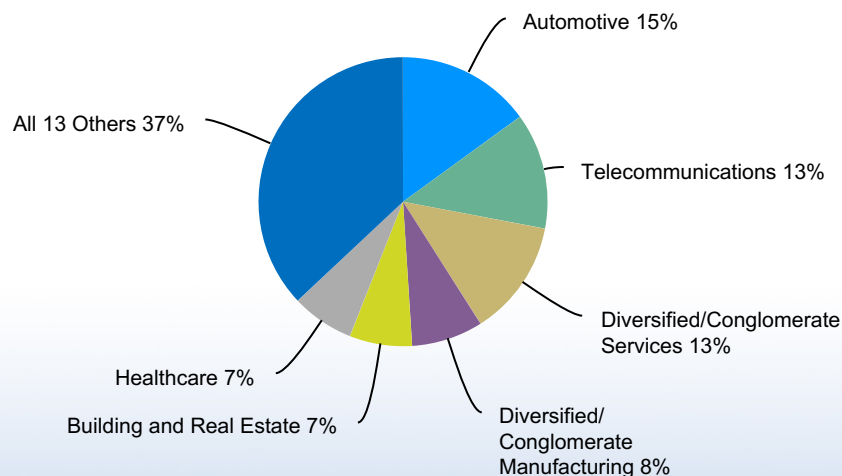
High Quality, Diversified Portfolio

Top tenants	% of annualized straight line rent	% of SF
 gm	4 %	1 %
 kane <small>isable, Inc.</small>	3 %	6 %
 ADP	3 %	1 %
Morgan Stanley	2 %	1 %
 CENTRAL SQUARE	2 %	1 %
All other tenants	86 %	90 %

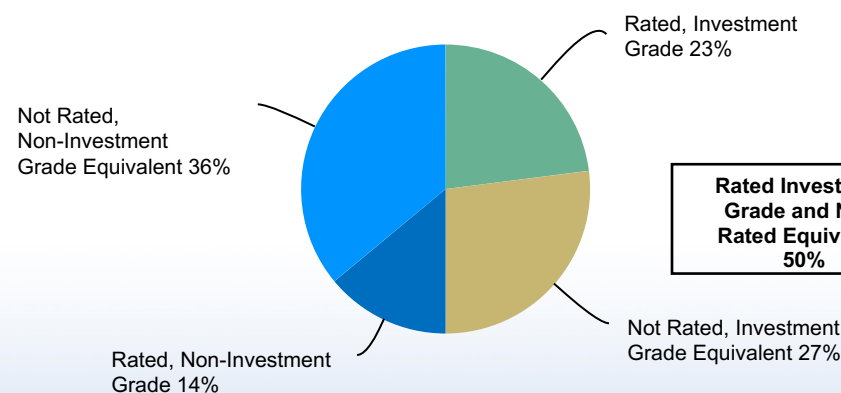
Publicly-traded vs. privately-held tenants (as % of annualized straight line rent)



Industry diversification (based on annualized straight line rent)



Tenant credit ratings (as % annualized straight line rent)



Rated Investment Grade and Non-Rated Equivalent 50%

Note: As of 3/31/2023

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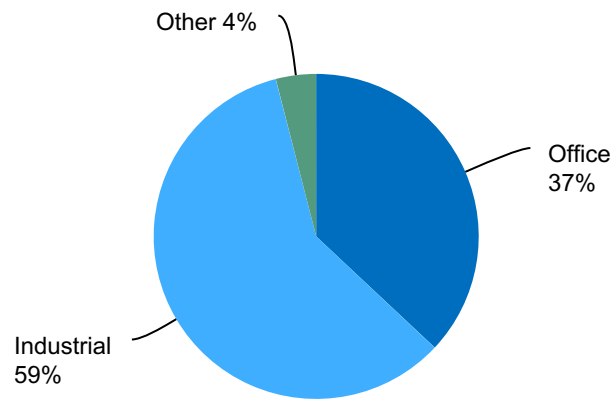
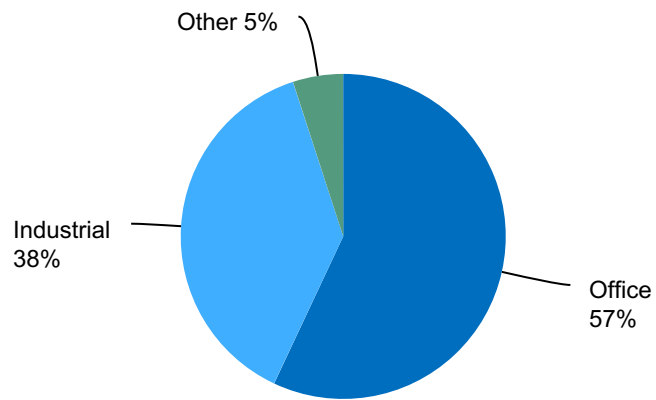


High Quality, Diversified Portfolio

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

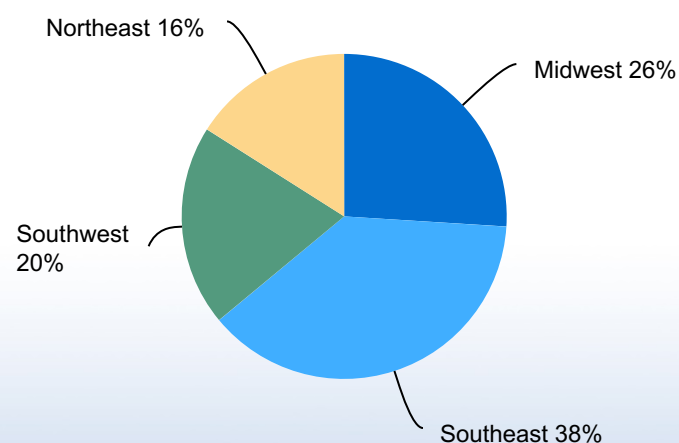
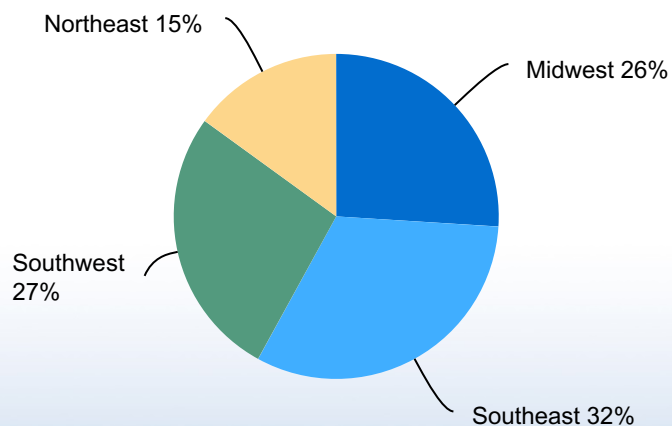
Portfolio as of March 31, 2023
(as % of annualized straight line rent)

By Property Type



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

By Geography



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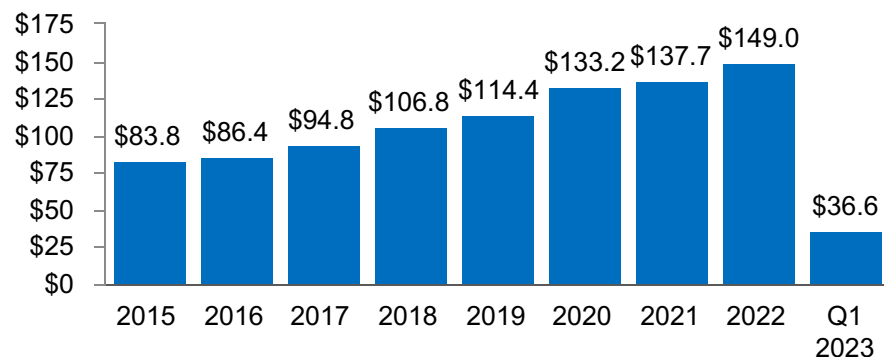


Financial Performance

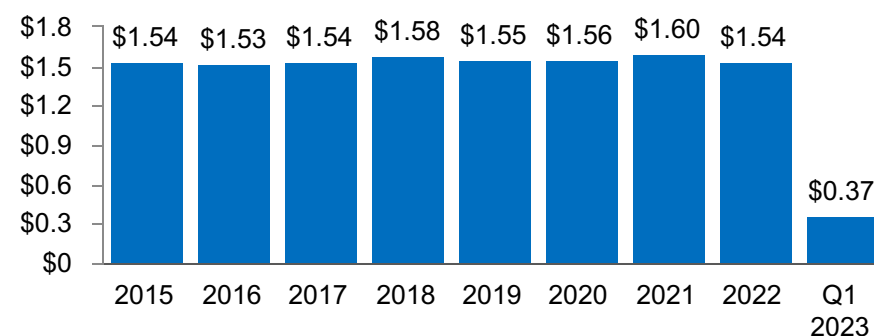


Summary Historical Performance

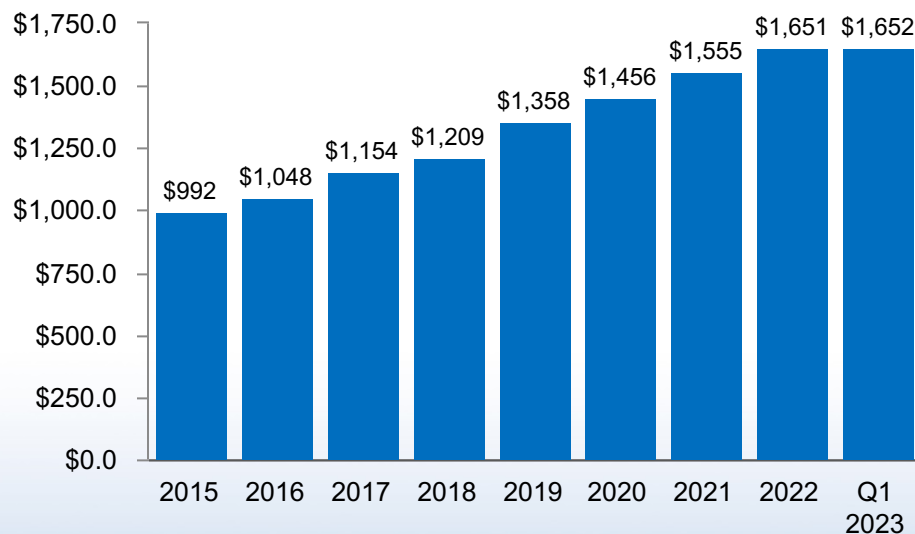
Total Revenue (\$ in millions)



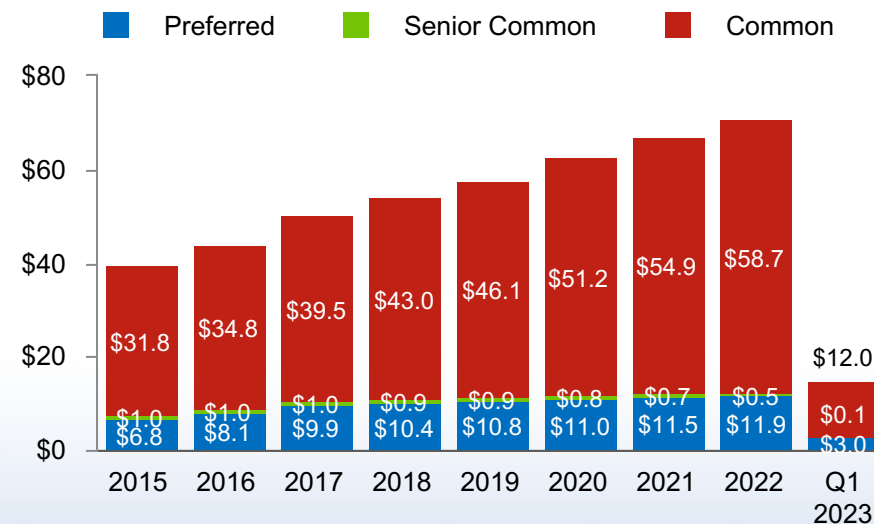
Funds from Operations, as adjusted for comparability (Per Share)



Total Gross Assets (\$ in millions)



Total Distributions (\$ in millions)



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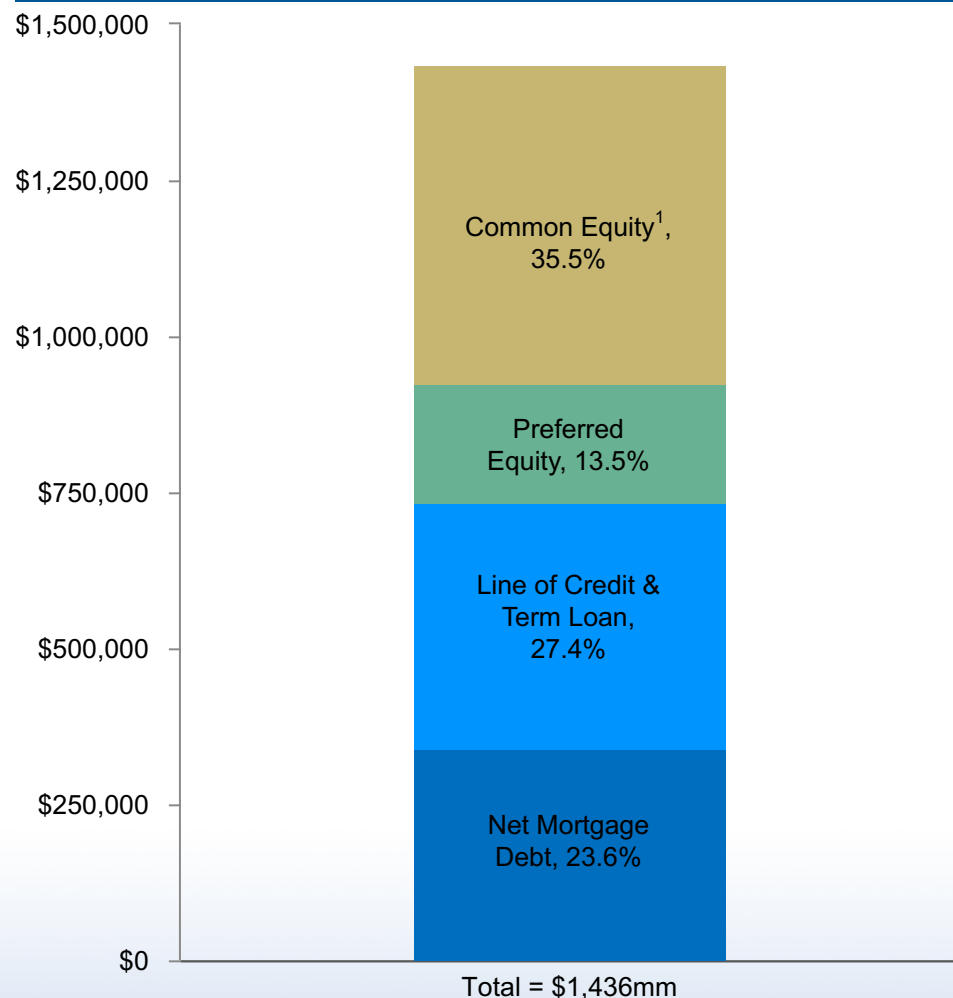
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Capital Structure Overview

Current Capital Structure as of 3/31/2023 (\$000s)



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.

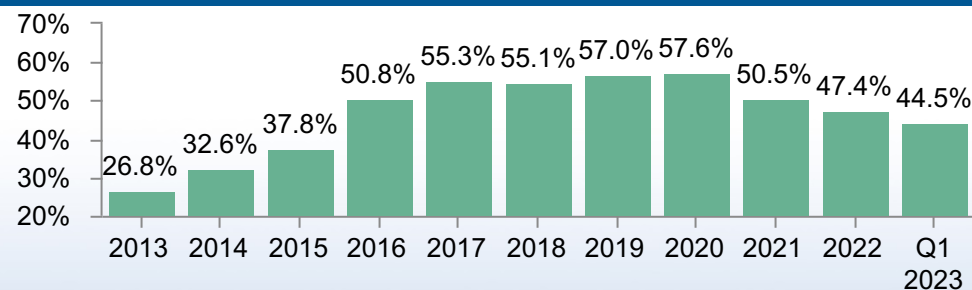
² Source: Nasdaq Online

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 Ownership ²



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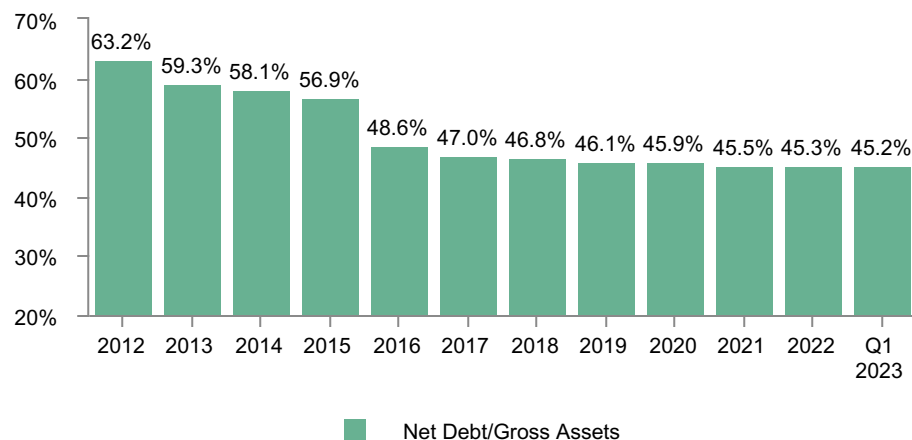
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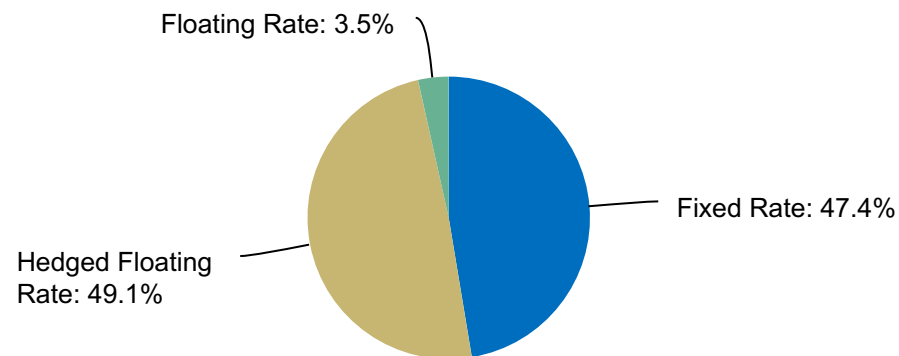
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Liquidity and Debt Overview

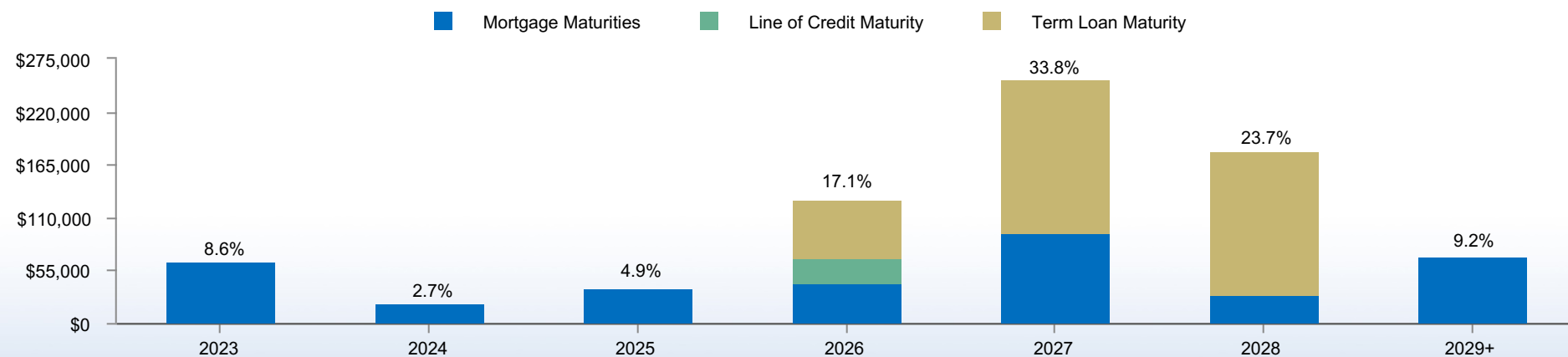
Reducing Leverage



Fixed vs. Floating Debt



Scheduled Debt Maturity (\$000s)



Note: As of 3/31/2023

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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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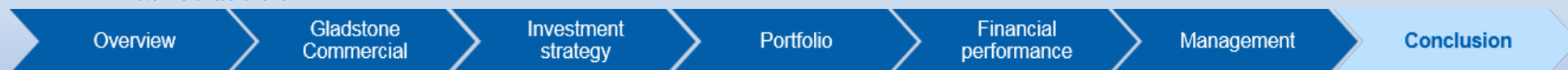


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Summary Highlights

- ***Growing industrial base comprising 59% of annualized straight line rent as of March 31, 2023, 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 45.2%***
- ***Focused on growth with limited lease expirations through 2024, and with an emphasis on increasing the industrial allocation***

Note: As of 3/31/2023



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)		
	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

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

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