



GLADSTONE COMMERCIAL

*Supplemental Financial & Operating Information
for the Quarter Ended June 30, 2023*

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Corporate overview



Industrial building located in Huntsville, Alabama

Corporate Headquarters

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Suite 100
McLean, VA 22102
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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 June 30, 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 June 30, 2023, total assets were approximately \$1.2 billion, representing investments in 136 properties. Our properties are leased to 110 tenants who represent 19 diversified industries across 27 states.

At June 30, 2023, our leases had an average remaining term of 6.8 years. In addition, approximately 51% of our tenants have an investment grade or investment grade equivalent credit rating.





Portfolio and financial overview

Portfolio data¹

Total assets (\$mm)	\$ 1,182
Properties	136
Tenants	110
Industries	19
States	27
Average remaining lease term (years)	6.8
Occupancy	96.0 %
Square footage owned (mm)	17.2

Capitalization (\$mm)¹

Common equity market capitalization ²	\$ 498
Preferred equity	198
Net total debt	754
Total capitalization	\$ 1,450
Less: Cash and cash equivalents	(16)
Total enterprise value	\$ 1,434
Net total debt / enterprise value	51.4%
Net total debt + preferred / enterprise value	65.2%
Net total debt / gross assets	45.4%

Top 5 tenants ¹	% of annualized straight line rent	% of SF
	4%	1%
	3%	6%
	3%	1%
Morgan Stanley	2%	1%
	2%	1%
Top 5 Tenants total	14%	10%
Top 5 Tenants average remaining lease term		4.9 years
Portfolio average remaining lease term		6.8 years

Corporate liquidity (\$mm)¹

Cash and Cash Equivalents	\$ 16.5
Availability Under Revolving Credit Facility ³	70.3
Total	\$ 86.8

¹ As of June 30, 2023.

² Based on the closing common stock price per share on June 30, 2023 of \$12.37. Includes OP units and senior common shares convertible into shares of common stock.

³ As of August 8, 2023, approximately \$36.5 million is available under the Company's revolving credit facility.

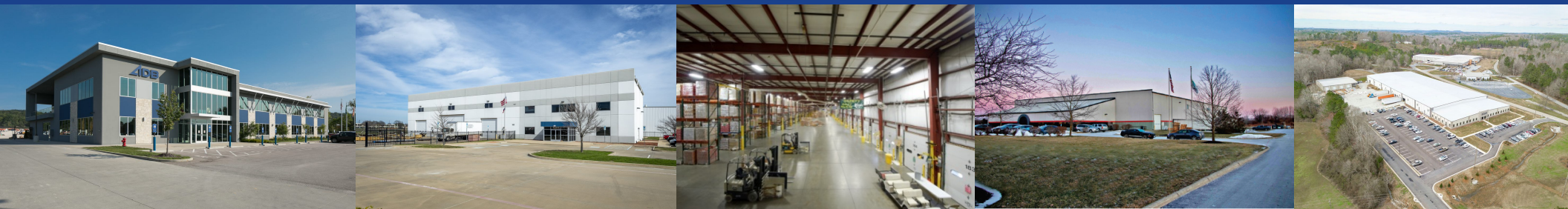
Q2 2023 highlights (unaudited)

FFO¹ and Core FFO²:	Generated FFO and Core FFO of \$16.6 million, or \$0.41 per diluted share.
Acquisitions³:	Purchased a 76,089 square foot property in Riverdale, Illinois for \$5.3 million, with a 20.0 year remaining lease term.
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 Series F preferred equity for net proceeds of \$3.8 million.
Equity Repurchases:	Repurchased \$1.0 million of common shares through our common stock repurchase program.
Debt Activity:	Repaid \$2.7 million in fixed rate mortgage debt with an interest rate of 4.16%, collateralized by one property. Extended the maturity date of \$8.8 million in fixed rate mortgage debt with an interest rate of 6.50% for an additional year, collateralized by one property.
Select Expenditure Activity:	Paid \$6.0 million related to capital expenditures and \$1.3 million related to leasing commissions.

¹ FFO is calculated as net income (computed in accordance with GAAP), excluding gains or losses from sales of property and impairment losses on property, plus depreciation and amortization of real estate assets, which we believe to be consistent with the NAREIT definition. FFO does not represent cash flows from operating activities in accordance with GAAP. FFO should not be considered an alternative to net income as an indication of our performance or to cash flows from operations as a measure of liquidity or ability to make distributions.

²Core FFO is FFO adjusted for gains from early extinguishment of debt and any other non-routine revenue or expense adjustments.

³Purchase prices do not include acquisition costs capitalized for GAAP purposes under ASU 2017-01, "Clarifying the Definition of a Business"



Financial Overview



Condensed consolidated statements of operations

(\$ in thousands, except per share amounts)

	For the three months ended (unaudited)			For the six months ended (unaudited)	
	6/30/2023	3/31/2023	6/30/2022	6/30/2023	6/30/2022
Operating revenues					
Lease revenue	\$ 38,658	\$ 36,554	\$ 36,399	\$ 75,212	\$ 71,930
Total operating revenues	\$ 38,658	\$ 36,554	\$ 36,399	\$ 75,212	\$ 71,930
Operating expenses					
Depreciation and amortization	\$ 16,936	\$ 14,704	\$ 15,167	\$ 31,640	\$ 29,804
Property operating expenses	6,738	6,727	6,959	13,465	13,582
Base management fee	1,605	1,605	1,577	3,210	3,124
Incentive fee	—	—	1,339	—	2,679
Administration fee	546	565	399	1,110	861
General and administrative	1,068	1,063	958	2,131	1,955
Impairment charge	6,823	—	1,374	6,823	1,374
Total operating expenses	\$ 33,716	\$ 24,664	\$ 27,773	\$ 58,379	\$ 53,379
Other (expense) income					
Interest expense	\$ (9,081)	\$ (8,828)	\$ (7,121)	\$ (17,909)	\$ (13,706)
Gain on sale of real estate, net	(451)	—	—	(451)	—
Other income	2	105	119	107	223
Total other expense, net	\$ (9,530)	\$ (8,723)	\$ (7,002)	\$ (18,253)	\$ (13,483)
Net (loss) income	\$ (4,588)	\$ 3,167	\$ 1,624	\$ (1,420)	\$ 5,068
Net loss attributable to non-controlling interests	73	7	10	81	8
Net (loss) income (attributable) available to the company	\$ (4,515)	\$ 3,174	\$ 1,634	\$ (1,339)	\$ 5,076
Distributions attributable to Series E, F, and G preferred stock	(3,058)	(3,022)	(2,967)	(6,080)	(5,913)
Distributions attributable to senior common stock	(106)	(109)	(114)	(215)	(230)
Loss on extinguishment of Series F preferred stock	(6)	(5)	—	(11)	(5)
Gain on repurchase of Series G preferred stock	—	3	—	3	—
Net (loss) income (attributable) available to common stockholders	\$ (7,685)	\$ 41	\$ (1,447)	\$ (7,642)	\$ (1,072)

Funds from Operations (FFO) and core FFO

(\$ in thousands, except per share amounts)

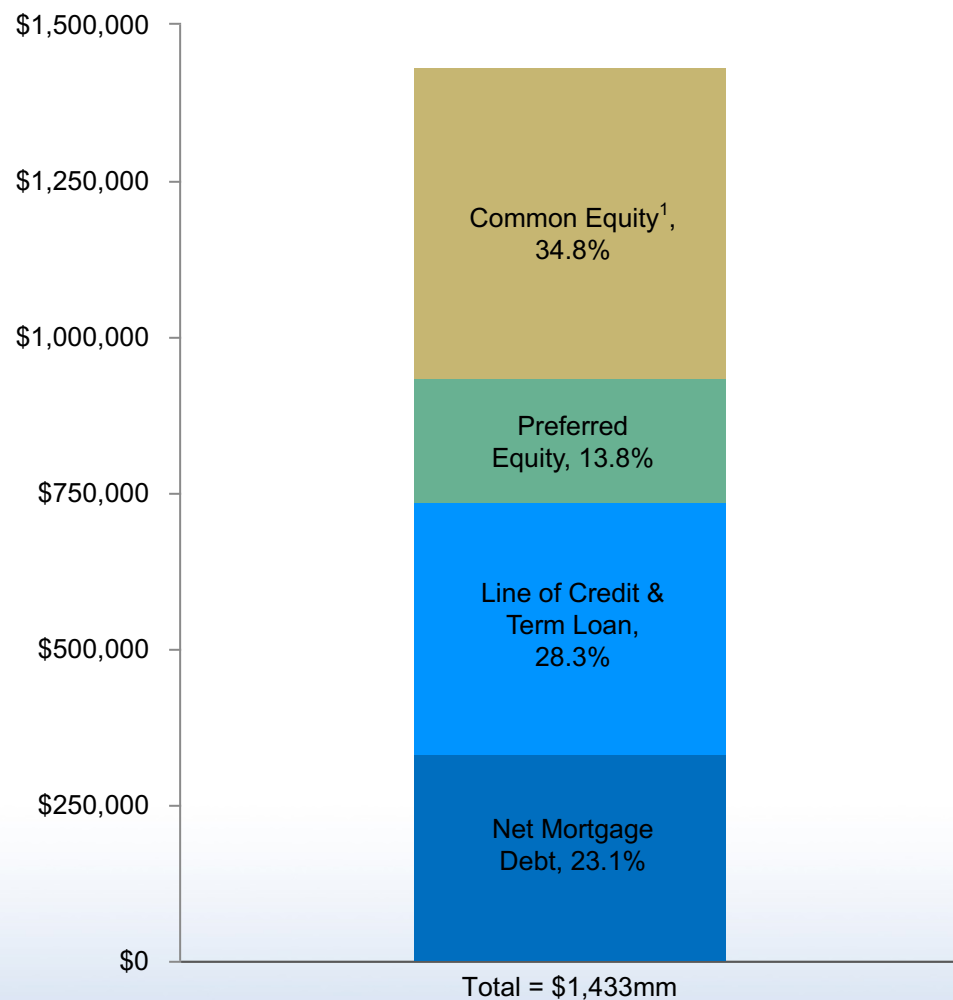
	For the three months ended (unaudited)			For the six months ended (unaudited)	
	6/30/2023	3/31/2023	6/30/2022	6/30/2023	6/30/2022
Net (loss) income	\$ (4,588)	\$ 3,167	\$ 1,624	\$ (1,420)	\$ 5,068
Less: Distributions attributable to preferred and senior common stock	(3,164)	(3,131)	(3,081)	(6,295)	(6,143)
Less: Loss on extinguishment of Series F preferred stock	(6)	(5)	—	(11)	(5)
Add: Gain on repurchase of Series G preferred stock	—	3	—	3	—
Net (loss) income (attributable) to common stockholders and Non-controlling OP Unitholders	\$ (7,758)	\$ 34	\$ (1,457)	\$ (7,723)	\$ (1,080)
Adjustments:					
Add: Real estate depreciation and amortization	\$ 16,936	\$ 14,704	\$ 15,167	\$ 31,640	\$ 29,804
Add: Impairment charge	6,823	—	1,374	6,823	1,374
Add: Loss on sale of real estate, net	451	—	—	451	—
FFO available to common stockholders and Non-controlling OP Unitholders - basic	\$ 16,452	\$ 14,738	\$ 15,084	\$ 31,191	\$ 30,098
Add: Convertible senior common distributions	106	109	114	215	230
FFO available to common stockholders and Non-controlling OP Unitholders - diluted	\$ 16,558	\$ 14,847	\$ 15,198	\$ 31,406	\$ 30,328
FFO available to common stockholders and Non-controlling OP Unitholders - basic	\$ 16,452	\$ 14,738	\$ 15,084	\$ 31,191	\$ 30,098
Add: Write off shelf registration statement costs and prepaid ATM costs	—	110	46	110	177
Add: Asset retirement obligation expense	32	31	23	63	45
Core FFO available to common stockholders and Non-controlling OP Unitholders - basic	\$ 16,484	\$ 14,879	\$ 15,153	\$ 31,364	\$ 30,320
Add: Convertible senior common distributions	106	109	114	215	230
Core FFO available to common stockholders and Non-controlling OP Unitholders - diluted	\$ 16,590	\$ 14,988	\$ 15,267	\$ 31,579	\$ 30,550
Weighted average common shares outstanding and Non-controlling OP Units - basic	40,370,142	40,313,827	39,002,745	40,342,140	38,583,525
Weighted average common shares outstanding and Non-controlling OP Units - diluted	40,715,274	40,659,514	39,365,991	40,687,272	38,946,771
FFO per weighted average share of common stock and Non-controlling OP Unit - basic	\$ 0.41	\$ 0.37	\$ 0.39	\$ 0.77	\$ 0.78
FFO per weighted average share of common stock and Non-controlling OP Unit - diluted	\$ 0.41	\$ 0.37	\$ 0.39	\$ 0.77	\$ 0.78
Core FFO per weighted average share of common stock and Non-controlling OP Unit - basic	\$ 0.41	\$ 0.37	\$ 0.39	\$ 0.78	\$ 0.79
Core FFO per weighted average share of common stock and Non-controlling OP Unit - diluted	\$ 0.41	\$ 0.37	\$ 0.39	\$ 0.78	\$ 0.78
Distributions declared per share of common stock and Non-controlling OP Unit	\$ 0.3000	\$ 0.3000	\$ 0.3762	\$ 0.6000	\$ 0.7524

Condensed consolidated balance sheets

(\$ in thousands)	6/30/2023 (unaudited)	12/31/2022
ASSETS		
Real estate, at cost	\$ 1,232,860	\$ 1,287,297
Less: accumulated depreciation	286,911	286,150
Total real estate, net	945,949	1,001,147
Lease intangibles, net	104,439	111,622
Real estate and related assets held for sale, net	36,766	3,293
Cash and cash equivalents	16,487	11,653
Restricted cash	4,076	4,339
Funds held in escrow	8,459	8,818
Right-of-use assets from operating leases	5,011	5,131
Deferred rent receivable, net	40,035	38,884
Other assets	20,713	17,746
TOTAL ASSETS	\$ 1,181,935	\$ 1,202,633
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Mortgage notes payable, net	\$ 348,371	\$ 359,389
Borrowings under revolver and term loan, net	405,363	389,817
Deferred rent liability, asset retirement obligation and other liabilities, net	74,437	77,677
TOTAL LIABILITIES	\$ 828,171	\$ 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	39	39
Series F redeemable preferred stock	1	1
Additional paid in capital	728,580	721,327
Accumulated other comprehensive income	14,297	11,640
Distributions in excess of accumulated earnings	(560,719)	(529,104)
TOTAL STOCKHOLDERS' EQUITY	\$ 182,199	\$ 203,904
OP Units held by Non-controlling OP Unitholders	1,524	1,790
TOTAL EQUITY	\$ 183,723	\$ 205,694
TOTAL LIABILITIES, MEZZANINE EQUITY AND EQUITY	\$ 1,181,935	\$ 1,202,633

Capital structure

Current capital structure as of 6/30/2023 (\$000)

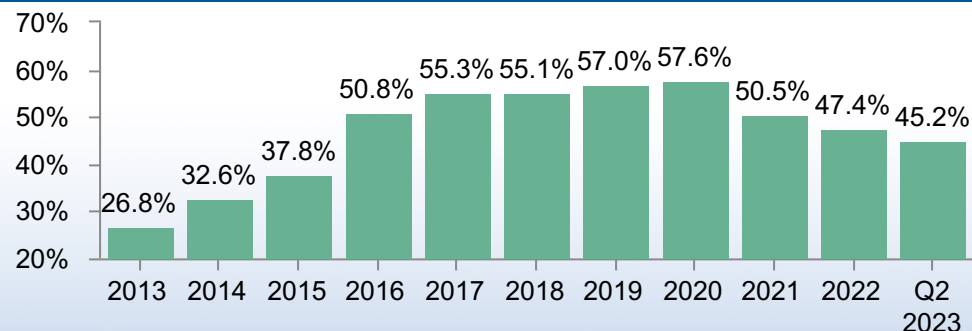


Capital Structure Details

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

	Wtd. Average Rate	6/30/2023
Mortgage Notes Payable, Net	4.23%	\$ 348,371
Less: Cash & Cash Equivalents		(16,487)
Net Mortgage Debt		\$ 331,884
Line of Credit	SOFR+1.50%	\$ 38,450
Term Note	SOFR+1.45%	366,913
Line of Credit and Term Loan		\$ 405,363
Total Debt, Net		\$ 737,247
Series E - Preferred	6.625%	\$ 76,536
Series F - Preferred	6.00%	21,517
Series G - Preferred	6.00%	99,772
Total Preferred Equity		\$ 197,825
Diluted Common Shares Outstanding		40,263,127
Stock Price		\$ 12.37
Implied Common Equity¹ Market Capitalization		\$ 498,055
Enterprise Value		\$ 1,433,127

Institutional Stock Ownership²

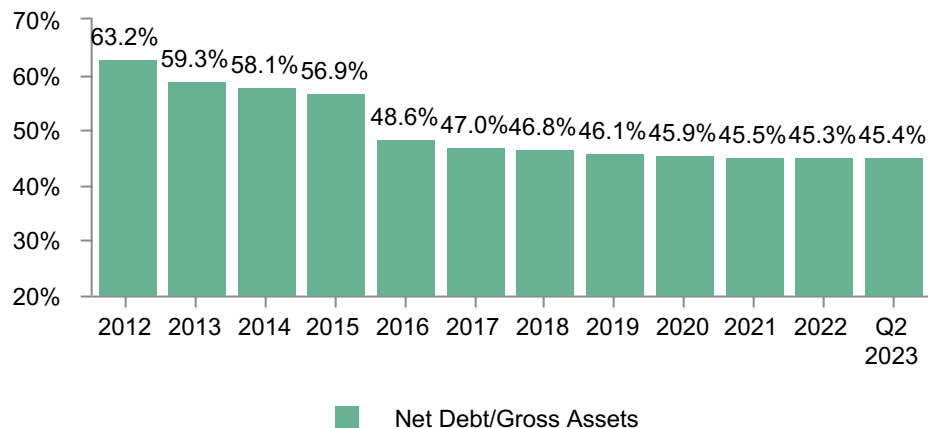


¹ Common Equity is based on the closing common stock price per share as of June 30, 2023 of \$12.37 and includes effect of OP units and convertible senior common stock.

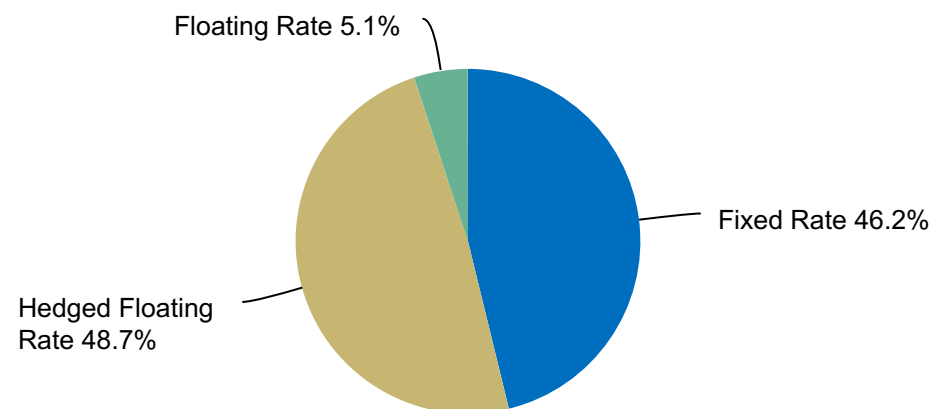
² Source: Nasdaq Online.

Liquidity and debt overview

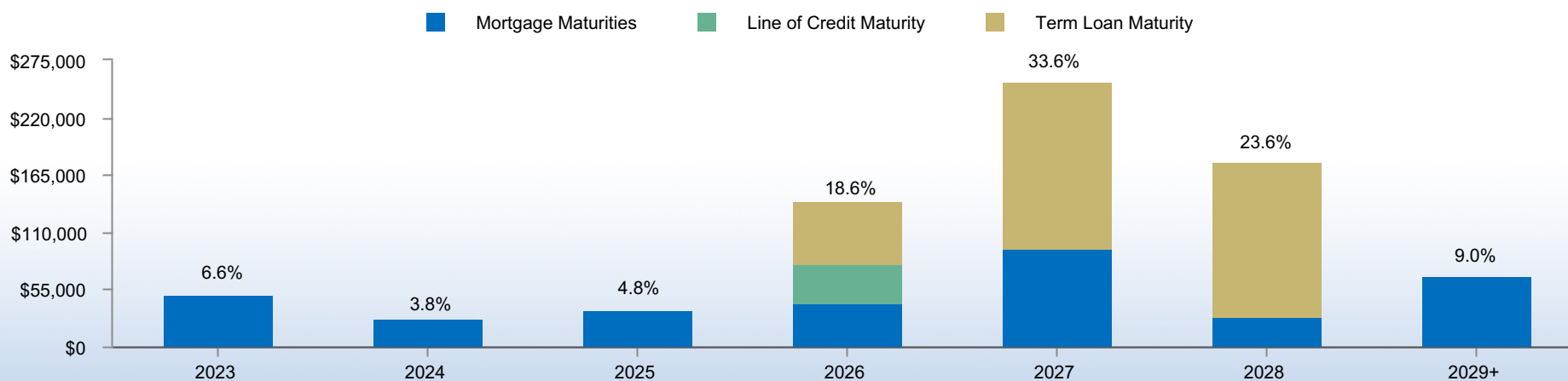
Reducing Leverage¹



Fixed vs. Floating Debt¹



Scheduled debt maturity¹ (\$'000)



¹ As of 6/30/2023.

Debt summary

		(\$ in thousands)	
Principal Maturity Date	Weighted Average Interest Rate as of 6/30/2023	Principal Balance Outstanding as of 6/30/2023	
2023	4.68%	\$	44,762
2024	5.02%		19,818
2025	4.04%		28,678
2026	4.32%		40,810
2027	4.38%		104,710
2028	3.54%		29,756
2029	5.22%		21,790
2030	3.23%		39,568
2031	3.24%		5,142
2032	3.40%		9,964
2037	4.63%		5,734
Contractual Mortgage Notes Payable:		4.23%	\$ 350,732
Premiums (Discounts), net:			(62)
Total Mortgage Notes Payable:			<u>\$ 350,670</u>
Variable-Rate Line of Credit:			
2026	SOFR +1.50%	\$	<u>38,450</u>
Variable-Rate Term Loan Facility:			
2027	SOFR +1.45%	\$	160,000
2026	SOFR +1.45%		60,000
2028	SOFR +1.45%		<u>150,000</u>
Total Mortgage Notes Payable and Line of Credit		5.48%	<u>\$ 759,120</u>

Select corporate covenants

Description	(\$ in thousands)	
	Threshold	June 30, 2023
Consolidated Tangible Net Worth	> \$643,124	\$835,680
Leverage Ratio	< 60%	48%
Fixed Charge Coverage Ratio	> 1.50	1.83
Maximum Dividend Payout (FFO based)	< 96%	84.3%
Secured Indebtedness	< 40%	22%

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



Portfolio Overview



Portfolio overview

Geographic diversity

- 136 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)



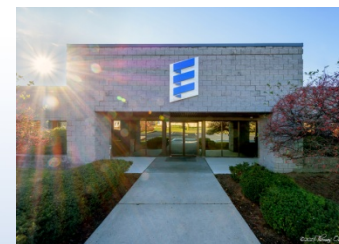
High occupancy

- Occupancy has never fallen below 95%
- Current occupancy 96.0%
- 1.6% 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

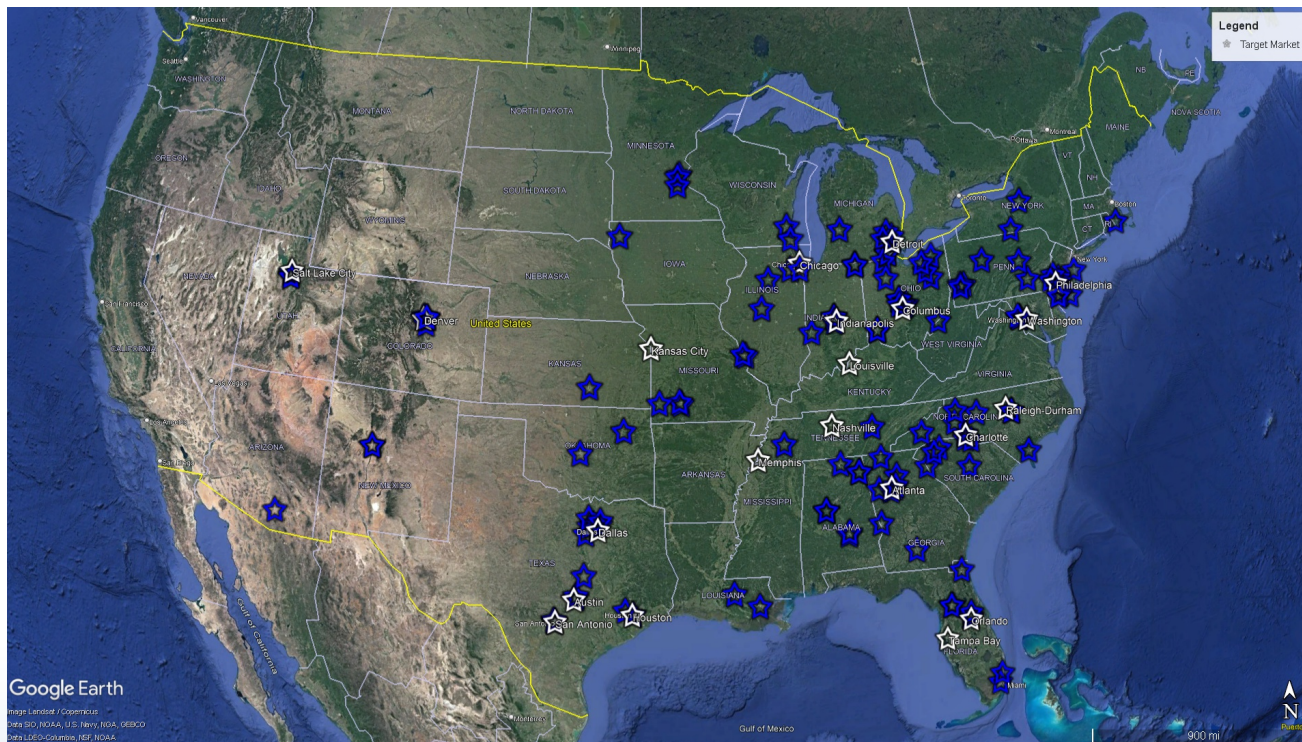
- Sell non-core assets in non-core markets
- Sold 30 properties in non-core markets since mid-2016
- Re-deploy proceeds in growth markets



Note: As of 6/30/2023.

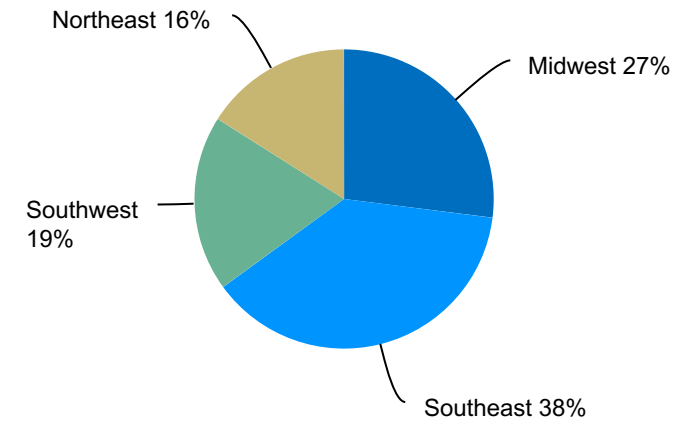
Diversified portfolio

136 properties spread across 27 states

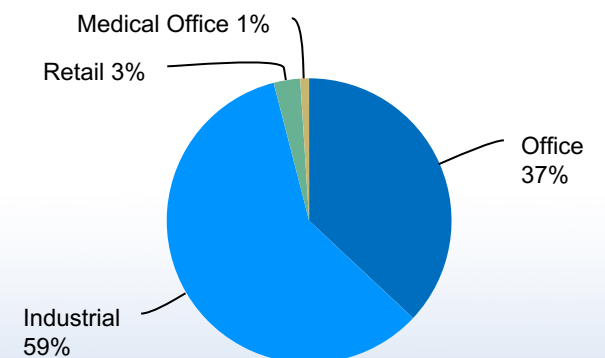


Note: As of 6/30/2023.





Geographic diversification
(by annualized straight line rent)



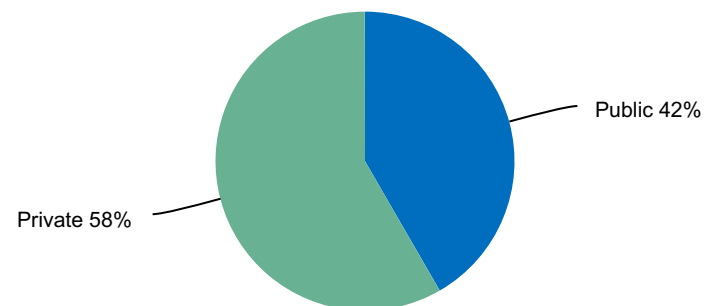
Property type diversification
(by annualized straight line rent)



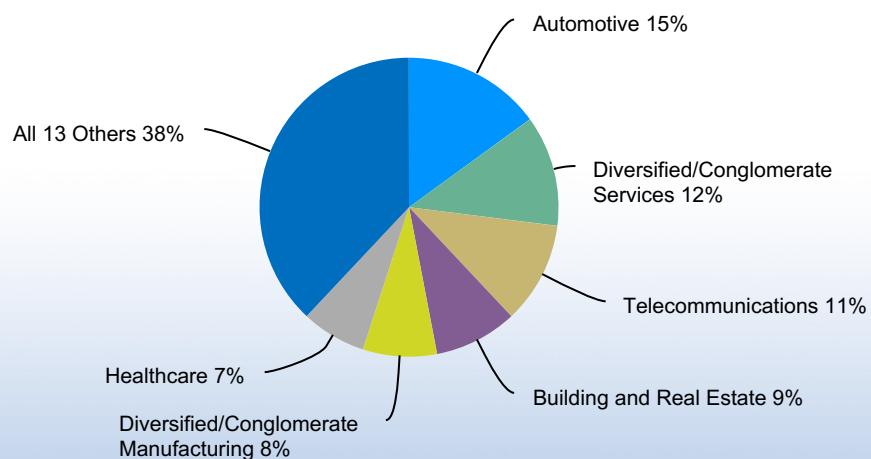
High quality, diversified portfolio

Top 5 tenants	% of annualized straight line rent	% of SF
	4 %	1 %
	3 %	6 %
	3 %	1 %
Morgan Stanley	2 %	1 %
	2 %	1 %
All other tenants	86 %	90 %

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

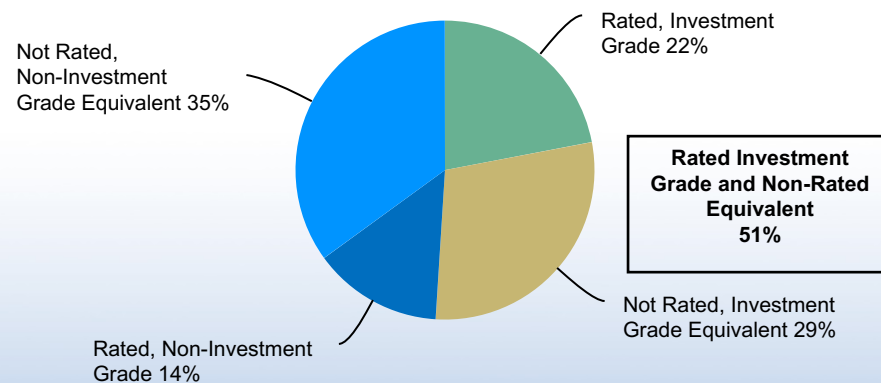


Industry diversification (based on annualized straight line rent)



Note: As of 6/30/2023

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

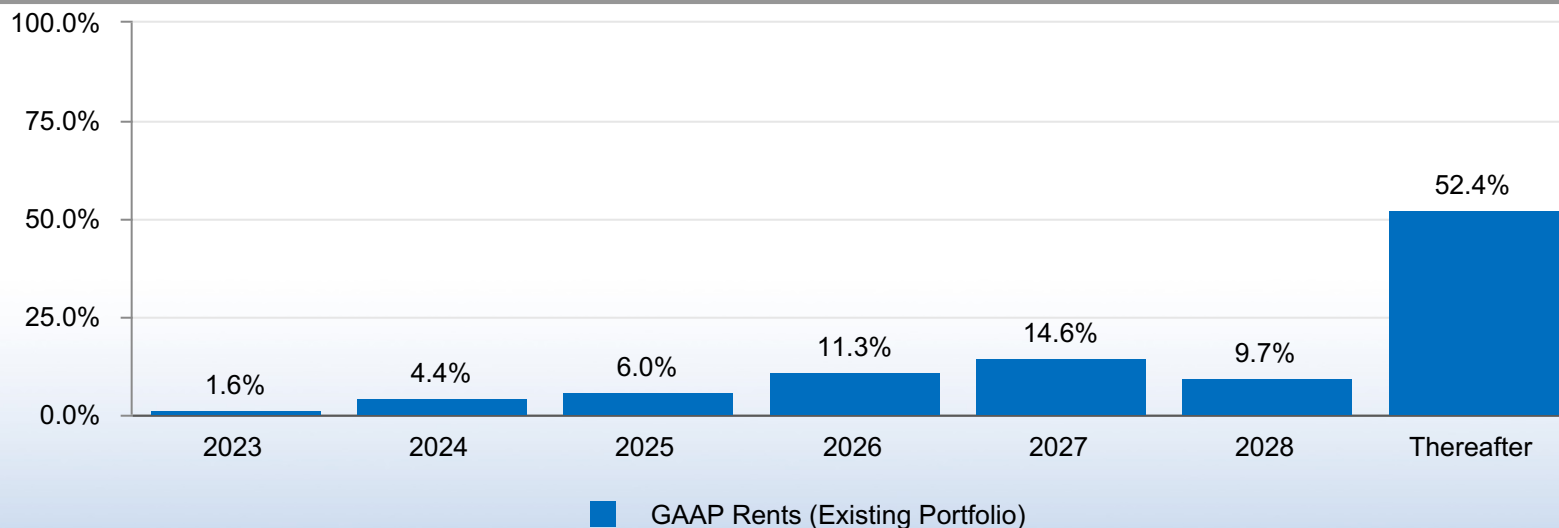


Smooth lease rollover

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	146,786	2	1,868	1.6 %
2024	1,229,380	7	5,260	4.4 %
2025	442,630	9	7,237	6.0 %
2026	1,781,100	12	13,566	11.3 %
2027	1,833,683	14	17,587	14.6 %
2028	2,339,020	16	11,718	9.7 %
Thereafter	8,749,350	77	63,072	52.4 %
Total	16,521,949	137	\$ 120,308	100.0 %

Rent expiring



Note: As of 6/30/2023.



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