



GLADSTONE COMMERCIAL

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

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Financial overview

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Portfolio Overview

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Corporate overview



Industrial building located in Huntsville, Alabama

Corporate Headquarters

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Suite 100
McLean, VA 22102
703-287-5800

www.gladstonecommercial.com

Investor Relations

703-287-5893

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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 September 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 September 30, 2023, total assets were approximately \$1.2 billion, representing investments in 135 properties. Our properties are leased to 110 tenants who represent 19 diversified industries across 27 states.

At September 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) | \$ 1,167 |
| Properties | 135 |
| Tenants | 110 |
| Industries | 19 |
| States | 27 |
| Average remaining lease term (years) | 6.8 |
| Occupancy | 96.6 % |
| Square footage owned (mm) | 17.2 |

Capitalization (\$mm)¹

| | |
|--|-----------------|
| Common equity market capitalization ² | \$ 490 |
| Preferred equity | 199 |
| Net total debt | 749 |
| Total capitalization | \$ 1,438 |
| Less: Cash and cash equivalents | (18) |
| Total enterprise value | \$ 1,420 |

| | |
|---|-------|
| Net total debt / enterprise value | 51.5% |
| Net total debt + preferred / enterprise value | 65.5% |
| Net total debt / gross assets | 45.5% |

| 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 | | 4.7 years |
| Portfolio average remaining lease term | | 6.8 years |

Corporate liquidity (\$mm)¹

| | |
|---|----------------|
| Cash and Cash Equivalents | \$ 18.3 |
| Availability Under Revolving Credit Facility ³ | 44.9 |
| Total | \$ 63.2 |

¹ As of September 30, 2023.

² Based on the closing common stock price per share on September 30, 2023 of \$12.16. Includes OP units and senior common shares convertible into shares of common stock.

³ As of November 6, 2023, approximately \$43.6 million is available under the Company's revolving credit facility.

Q3 2023 highlights (unaudited)

FFO¹ and Core FFO²:

Generated FFO and Core FFO of \$13.2 million and \$13.7 million, respectively, or \$0.33 and \$0.34 per diluted share, respectively.

Acquisitions³:

Purchased a 7,714 square foot property in Dallas-Fort Worth, Texas for \$2.9 million, with a 9.9 year remaining lease term. Purchased a 100,000 square foot property in Dallas-Fort Worth, Texas for \$9.1 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 \$0.9 million.

Debt Activity:

Repaid \$43.8 million in fixed rate mortgage debt with a weighted average interest rate of 4.82%, collateralized by three properties. Issued \$9.0 million of fixed rate mortgage debt at a weighted average interest rate of 6.10%.

Select Expenditure Activity:

Paid \$0.4 million related to capital expenditures and \$0.01 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 nine months ended (unaudited) | |
|---|--|------------|------------|---------------------------------------|-------------|
| | 9/30/2023 | 6/30/2023 | 9/30/2022 | 9/30/2023 | 9/30/2022 |
| Operating revenues | | | | | |
| Lease revenue | \$ 36,464 | \$ 38,658 | \$ 39,834 | \$ 111,675 | \$ 111,764 |
| Total operating revenues | \$ 36,464 | \$ 38,658 | \$ 39,834 | \$ 111,675 | \$ 111,764 |
| Operating expenses | | | | | |
| Depreciation and amortization | \$ 12,485 | \$ 16,936 | \$ 15,474 | \$ 44,125 | \$ 45,279 |
| Property operating expenses | 6,821 | 6,738 | 6,536 | 20,286 | 20,118 |
| Base management fee | 1,597 | 1,605 | 1,603 | 4,808 | 4,727 |
| Incentive fee | — | — | 1,513 | — | 4,193 |
| Administration fee | 624 | 546 | 481 | 1,734 | 1,342 |
| General and administrative | 1,306 | 1,068 | 833 | 3,437 | 2,788 |
| Impairment charge | 6,754 | 6,823 | 10,718 | 13,577 | 12,092 |
| Total operating expenses | \$ 29,587 | \$ 33,716 | \$ 37,158 | \$ 87,967 | \$ 90,539 |
| Other (expense) income | | | | | |
| Interest expense | \$ (9,936) | \$ (9,081) | \$ (9,107) | \$ (27,845) | \$ (22,813) |
| Gain (loss) on sale of real estate, net | 4,696 | (451) | 8,902 | 4,245 | 8,902 |
| Other income | 155 | 2 | 316 | 262 | 538 |
| Total other expense, net | \$ (5,085) | \$ (9,530) | \$ 111 | \$ (23,338) | \$ (13,373) |
| Net income (loss) | \$ 1,792 | \$ (4,588) | \$ 2,787 | \$ 370 | \$ 7,852 |
| Net (income) loss (available) attributable to non-controlling interests | (3) | 73 | 4 | 78 | 12 |
| Net income (loss) available (attributable) to the company | \$ 1,789 | \$ (4,515) | \$ 2,791 | \$ 448 | \$ 7,864 |
| Distributions attributable to Series E, F, and G preferred stock | (3,099) | (3,058) | (2,987) | (9,179) | (8,900) |
| Distributions attributable to senior common stock | (108) | (106) | (114) | (323) | (344) |
| Loss on extinguishment of Series F preferred stock | (1) | (6) | — | (12) | (5) |
| Gain on repurchase of Series G preferred stock | — | — | — | 3 | — |
| Net loss attributable to common stockholders | \$ (1,419) | \$ (7,685) | \$ (310) | \$ (9,063) | \$ (1,385) |

Funds from Operations (FFO) and core FFO

(\$ in thousands, except per share amounts)

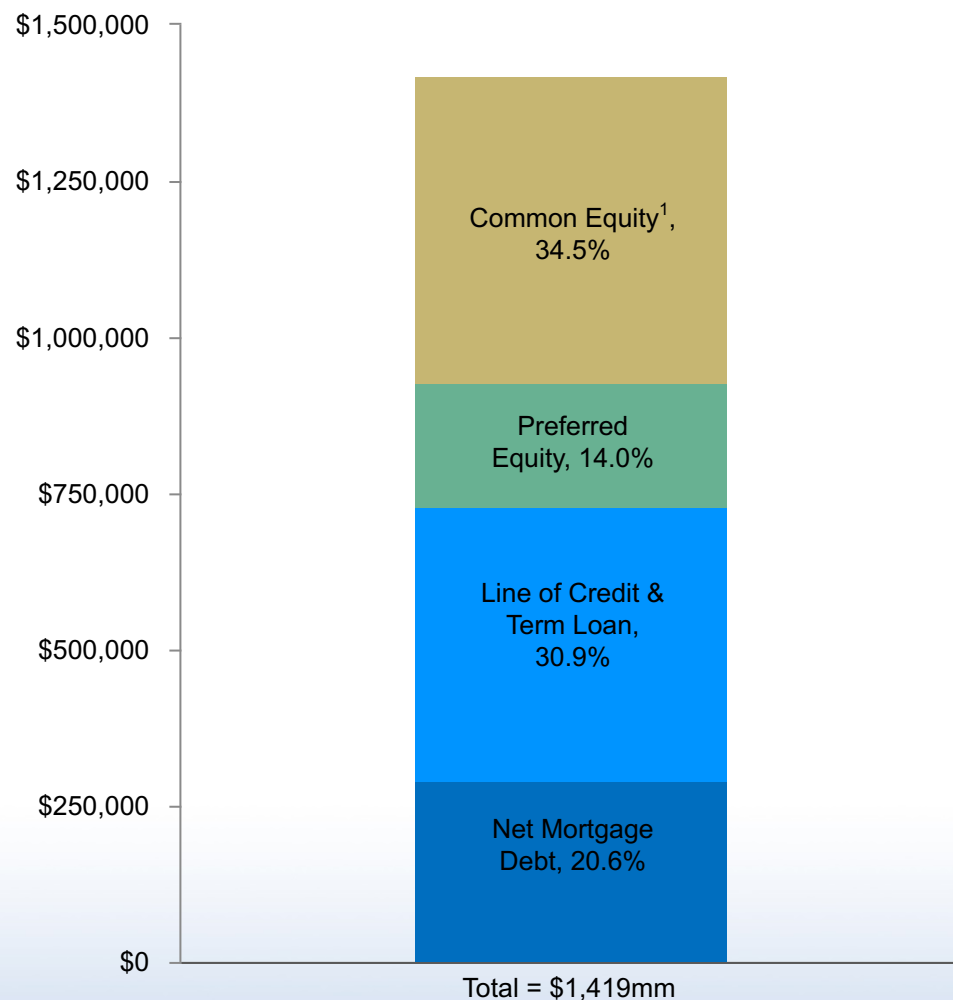
| | For the three months ended (unaudited) | | | For the nine months ended (unaudited) | |
|---|--|------------|------------|---------------------------------------|------------|
| | 9/30/2023 | 6/30/2023 | 9/30/2022 | 9/30/2023 | 9/30/2022 |
| Net income (loss) | \$ 1,792 | \$ (4,588) | \$ 2,787 | \$ 370 | \$ 7,852 |
| Less: Distributions attributable to preferred and senior common stock | (3,207) | (3,164) | (3,101) | (9,502) | (9,244) |
| Less: Loss on extinguishment of Series F preferred stock | (1) | (6) | — | (12) | (5) |
| Add: Gain on repurchase of Series G preferred stock | — | — | — | 3 | — |
| Net loss attributable to common stockholders and Non-controlling OP Unitholders | \$ (1,416) | \$ (7,758) | \$ (314) | \$ (9,141) | \$ (1,397) |
| Adjustments: | | | | | |
| Add: Real estate depreciation and amortization | \$ 12,485 | \$ 16,936 | \$ 15,474 | \$ 44,125 | \$ 45,279 |
| Add: Impairment charge | 6,754 | 6,823 | 10,718 | 13,577 | 12,092 |
| Add: Loss on sale of real estate, net | — | 451 | — | — | — |
| Less: Gain on sale of real estate, net | (4,696) | — | (8,902) | (4,245) | (8,902) |
| FFO available to common stockholders and Non-controlling OP Unitholders - basic | \$ 13,127 | \$ 16,452 | \$ 16,976 | \$ 44,316 | \$ 47,072 |
| Add: Convertible senior common distributions | 108 | 106 | 114 | 323 | 344 |
| FFO available to common stockholders and Non-controlling OP Unitholders - diluted | \$ 13,235 | \$ 16,558 | \$ 17,090 | \$ 44,639 | \$ 47,416 |
| FFO available to common stockholders and Non-controlling OP Unitholders - basic | \$ 13,127 | \$ 16,452 | \$ 16,976 | \$ 44,316 | \$ 47,072 |
| Add: Write off of deferred financing fees | — | — | 434 | — | 434 |
| Add: Write off shelf registration statement costs and prepaid ATM costs | — | — | — | 110 | 177 |
| Add: Asset retirement obligation expense | 31 | 32 | 25 | 94 | 70 |
| Add: Loan defeasance costs | 130 | — | — | 130 | — |
| Add: Realized loss on interest rate hedging instruments | 326 | — | — | 326 | — |
| Core FFO available to common stockholders and Non-controlling OP Unitholders - basic | \$ 13,614 | \$ 16,484 | \$ 17,435 | \$ 44,976 | \$ 47,753 |
| Add: Convertible senior common distributions | 108 | 106 | 114 | 323 | 344 |
| Core FFO available to common stockholders and Non-controlling OP Unitholders - diluted | \$ 13,722 | \$ 16,590 | \$ 17,549 | \$ 45,299 | \$ 48,097 |
| Weighted average common shares outstanding and Non-controlling OP Units - basic | 40,309,463 | 40,370,142 | 39,777,806 | 40,331,128 | 38,985,993 |
| Weighted average common shares outstanding and Non-controlling OP Units - diluted | 40,654,595 | 40,715,271 | 40,141,052 | 40,676,260 | 39,349,239 |
| FFO per weighted average share of common stock and Non-controlling OP Unit - basic | \$ 0.33 | \$ 0.41 | \$ 0.43 | \$ 1.10 | \$ 1.21 |
| FFO per weighted average share of common stock and Non-controlling OP Unit - diluted | \$ 0.33 | \$ 0.41 | \$ 0.43 | \$ 1.10 | \$ 1.21 |
| Core FFO per weighted average share of common stock and Non-controlling OP Unit - basic | \$ 0.34 | \$ 0.41 | \$ 0.44 | \$ 1.12 | \$ 1.22 |
| Core FFO per weighted average share of common stock and Non-controlling OP Unit - diluted | \$ 0.34 | \$ 0.41 | \$ 0.44 | \$ 1.11 | \$ 1.22 |
| Distributions declared per share of common stock and Non-controlling OP Unit | \$ 0.3000 | \$ 0.3000 | \$ 0.3762 | \$ 0.9000 | \$ 1.1286 |

Condensed consolidated balance sheets

| (\$ in thousands) | 9/30/2023 (unaudited) | 12/31/2022 |
|---|--------------------------|---------------------|
| ASSETS | | |
| Real estate, at cost | \$ 1,226,461 | \$ 1,287,297 |
| Less: accumulated depreciation | 291,986 | 286,150 |
| Total real estate, net | 934,475 | 1,001,147 |
| Lease intangibles, net | 102,629 | 111,622 |
| Real estate and related assets held for sale, net | 29,350 | 3,293 |
| Cash and cash equivalents | 18,263 | 11,653 |
| Restricted cash | 3,811 | 4,339 |
| Funds held in escrow | 8,509 | 8,818 |
| Right-of-use assets from operating leases | 4,951 | 5,131 |
| Deferred rent receivable, net | 40,462 | 38,884 |
| Other assets | 24,706 | 17,746 |
| TOTAL ASSETS | \$ 1,167,156 | \$ 1,202,633 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| LIABILITIES | | |
| Mortgage notes payable, net | \$ 310,974 | \$ 359,389 |
| Borrowings under revolver and term loan, net | 438,035 | 389,817 |
| Deferred rent liability, asset retirement obligation and other liabilities, net | 71,520 | 77,677 |
| TOTAL LIABILITIES | \$ 820,529 | \$ 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 | 729,400 | 721,327 |
| Accumulated other comprehensive income | 19,795 | 11,640 |
| Distributions in excess of accumulated earnings | (574,113) | (529,104) |
| TOTAL STOCKHOLDERS' EQUITY | \$ 175,123 | \$ 203,904 |
| OP Units held by Non-controlling OP Unitholders | 1,463 | 1,790 |
| TOTAL EQUITY | \$ 176,586 | \$ 205,694 |
| TOTAL LIABILITIES, MEZZANINE EQUITY AND EQUITY | \$ 1,167,156 | \$ 1,202,633 |

Capital structure

Current capital structure as of 9/30/2023 (\$000)

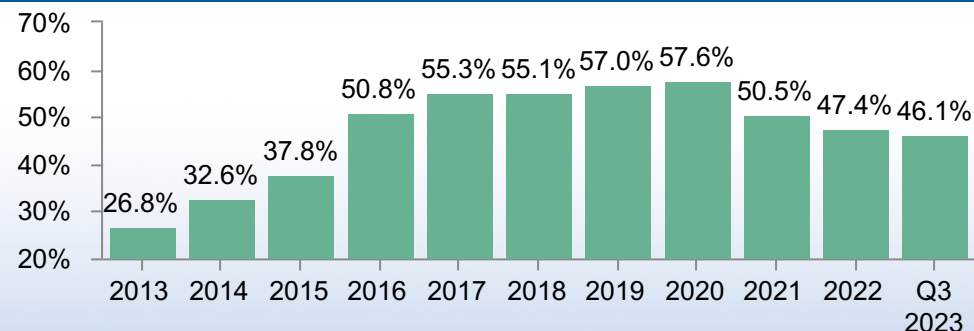


Capital Structure Details

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

| | Wtd. Average Rate | 9/30/2023 |
|--|-------------------|---------------------|
| Mortgage Notes Payable, Net | 4.20% | \$ 310,974 |
| Less: Cash & Cash Equivalents | | (18,263) |
| Net Mortgage Debt | | \$ 292,711 |
| Line of Credit | SOFR+1.50% | \$ 70,950 |
| Term Note | SOFR+1.45% | 367,085 |
| Line of Credit and Term Loan | | \$ 438,035 |
| Total Debt, Net | | \$ 730,746 |
| Series E - Preferred | 6.625% | \$ 76,536 |
| Series F - Preferred | 6.00% | 22,476 |
| Series G - Preferred | 6.00% | 99,772 |
| Total Preferred Equity | | \$ 198,784 |
| Diluted Common Shares Outstanding | | 40,263,127 |
| Stock Price | | \$ 12.16 |
| Implied Common Equity¹ Market Capitalization | | \$ 489,600 |
| Enterprise Value | | \$ 1,419,130 |

Institutional Stock Ownership²

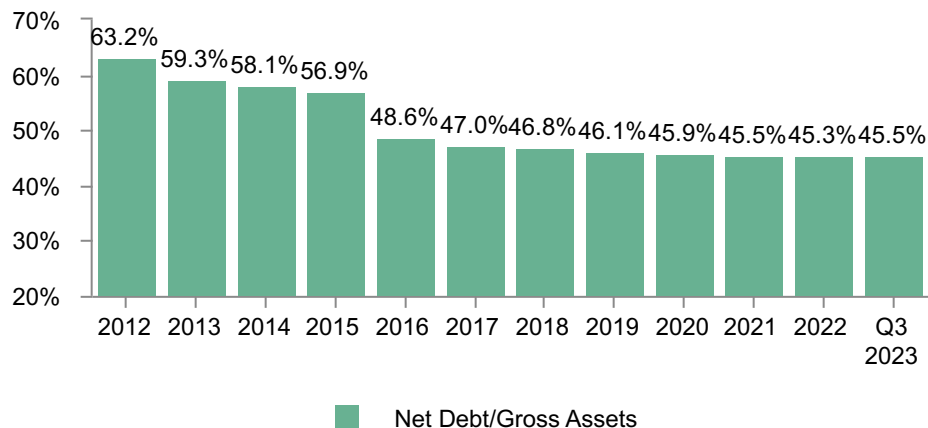


¹ Common Equity is based on the closing common stock price per share as of September 30, 2023 of \$12.16 and includes effect of OP units and convertible senior common stock.

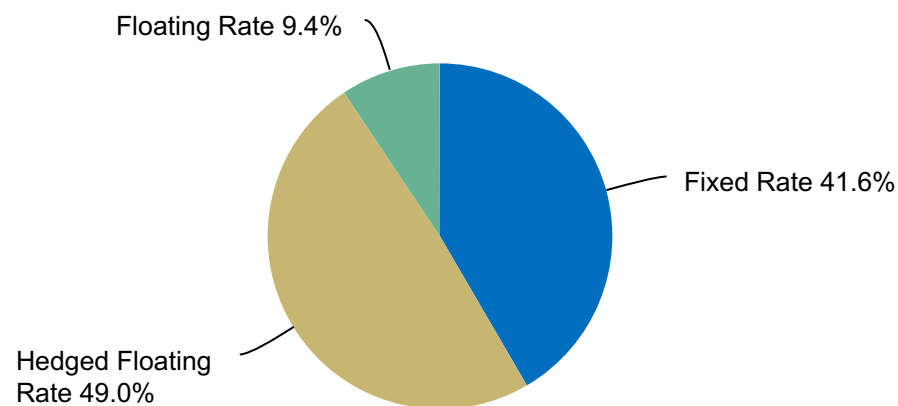
² Source: Nasdaq Online.

Liquidity and debt overview

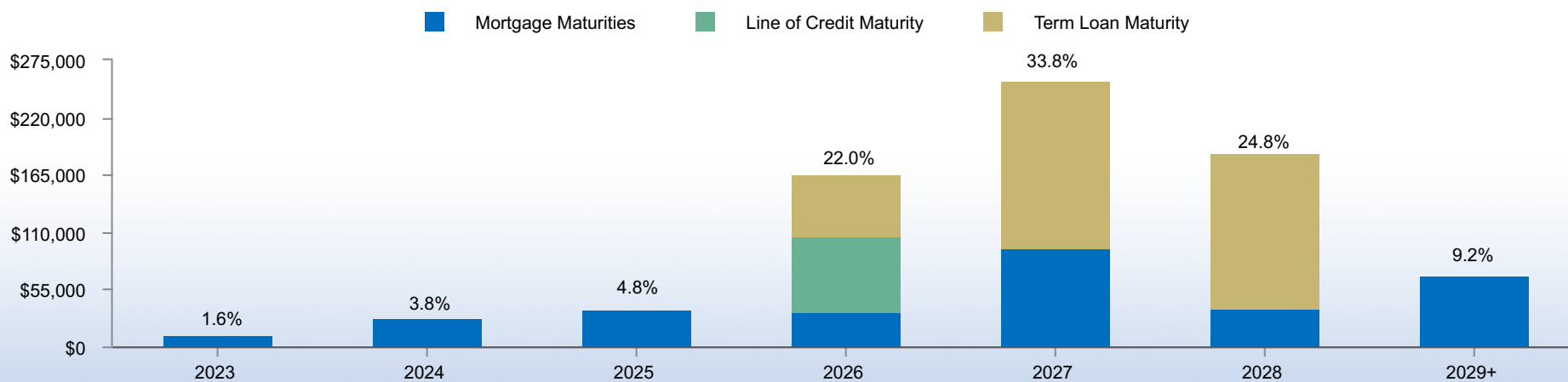
Reducing Leverage¹



Fixed vs. Floating Debt¹



Scheduled debt maturity¹ (\$'000)



¹ As of 9/30/2023.

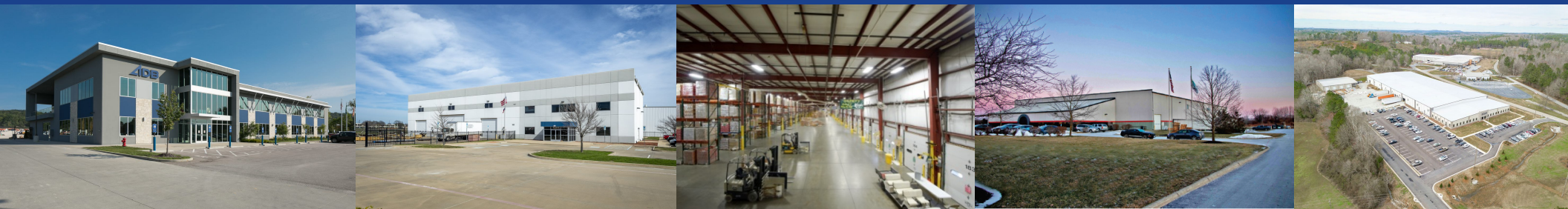
Debt summary

| | | (\$ in thousands) | |
|---|--|---|------------|
| Principal Maturity Date | Weighted Average Interest Rate as of 9/30/2023 | Principal Balance Outstanding as of 9/30/2023 | |
| 2023 | 4.04% | \$ | 9,015 |
| 2024 | 5.02% | | 19,601 |
| 2025 | 4.04% | | 28,442 |
| 2026 | 4.21% | | 32,115 |
| 2027 | 4.38% | | 103,886 |
| 2028 | 4.14% | | 38,577 |
| 2029 | 5.22% | | 21,707 |
| 2030 | 3.23% | | 39,327 |
| 2031 | 3.24% | | 5,104 |
| 2032 | 3.40% | | 9,964 |
| 2037 | 4.63% | | 5,662 |
| Contractual Mortgage Notes Payable: | | 4.20% | \$ 313,400 |
| Premiums (Discounts), net: | | | (52) |
| Total Mortgage Notes Payable: | | \$ | 313,348 |
| Variable-Rate Line of Credit: | | | |
| 2026 | SOFR +1.50% | \$ | 70,950 |
| 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 | | 5.70% | \$ 754,298 |

Select corporate covenants

| Description | (\$ in thousands) | |
|-------------------------------------|-------------------|--------------------|
| | Threshold | September 30, 2023 |
| Consolidated Tangible Net Worth | > \$643,124 | \$822,547 |
| Leverage Ratio | < 60% | 48% |
| Fixed Charge Coverage Ratio | > 1.50 | 1.82 |
| Maximum Dividend Payout (FFO based) | < 96% | 81.3% |
| Secured Indebtedness | < 40% | 20% |

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



Portfolio Overview



Portfolio overview

Geographic diversity

- 135 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)



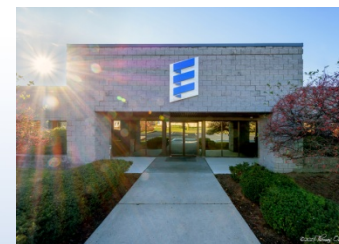
High occupancy

- Occupancy has never fallen below 95%
- Current occupancy 96.6%
- 1.5% 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

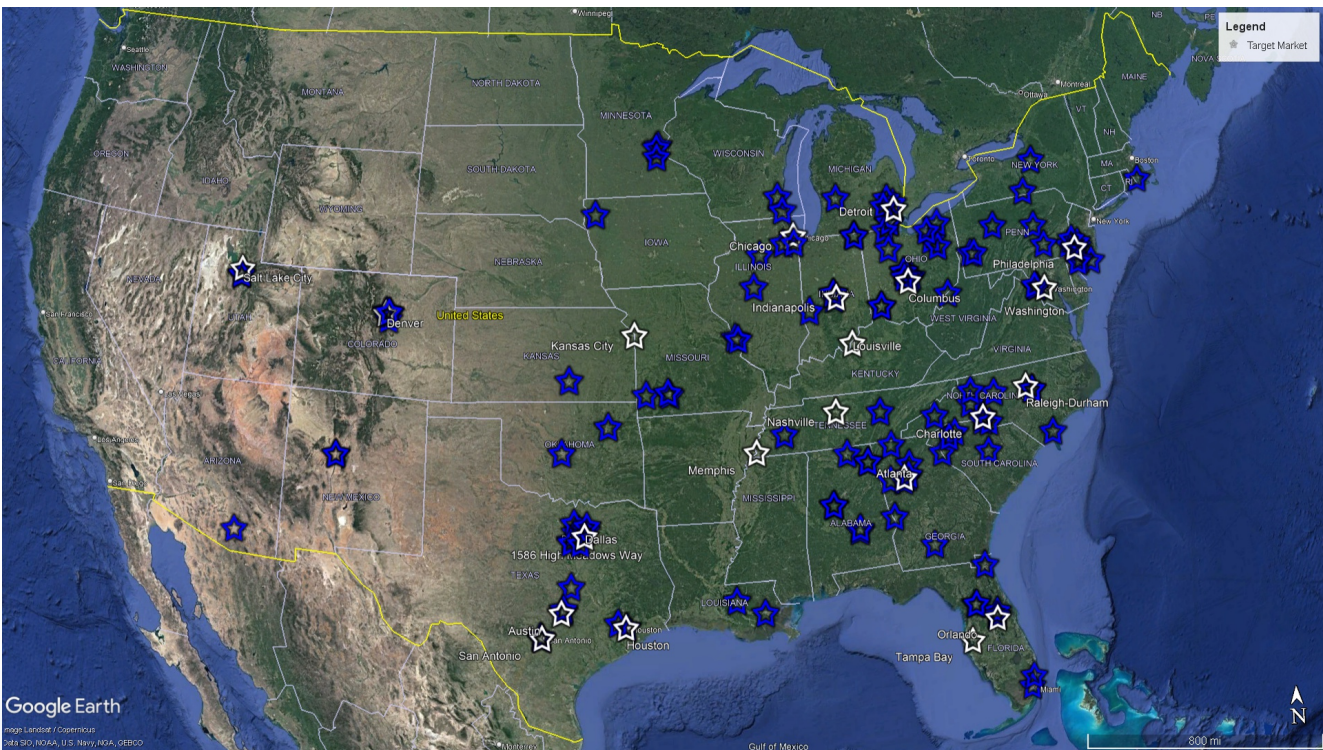
- Sell non-core assets in non-core markets
- Sold 33 properties in non-core markets since mid-2016
- Re-deploy proceeds in growth markets



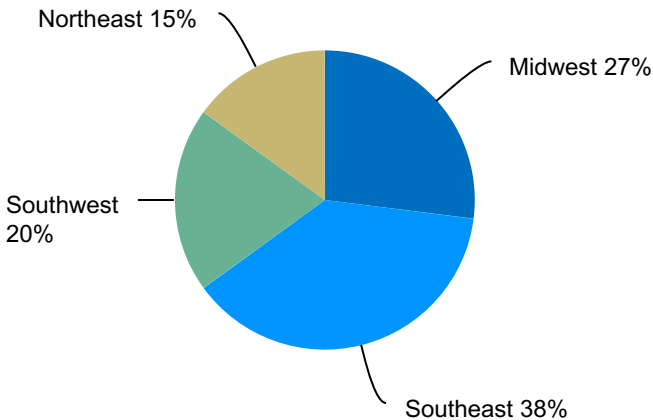
Note: As of 9/30/2023.

Diversified portfolio

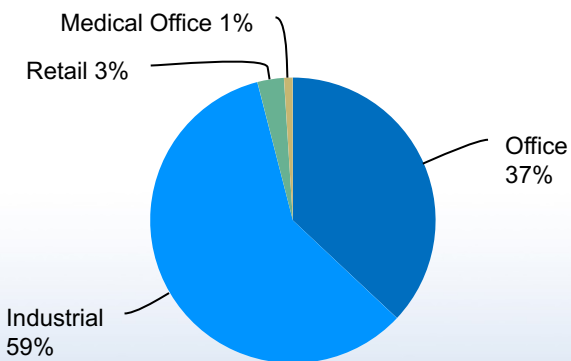
135 properties spread across 27 states



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







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

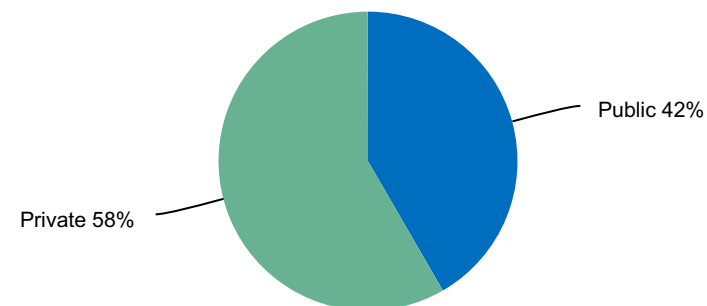


Note: As of 9/30/2023.

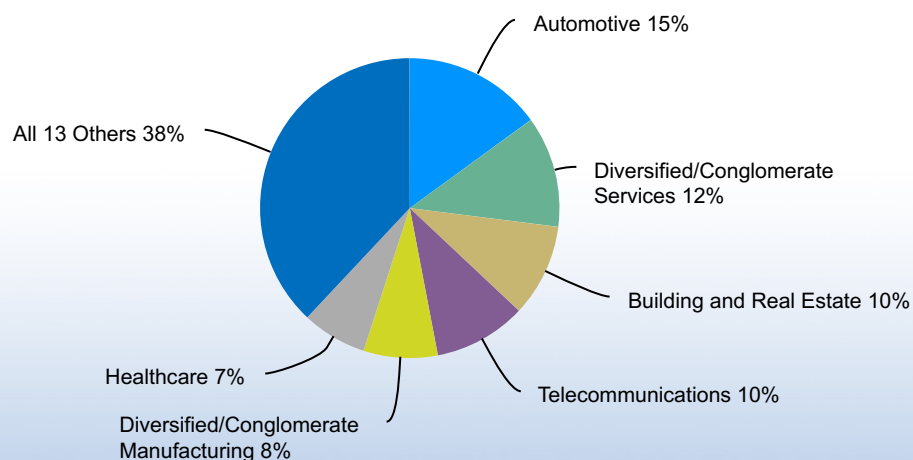
High quality, diversified portfolio

| 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)

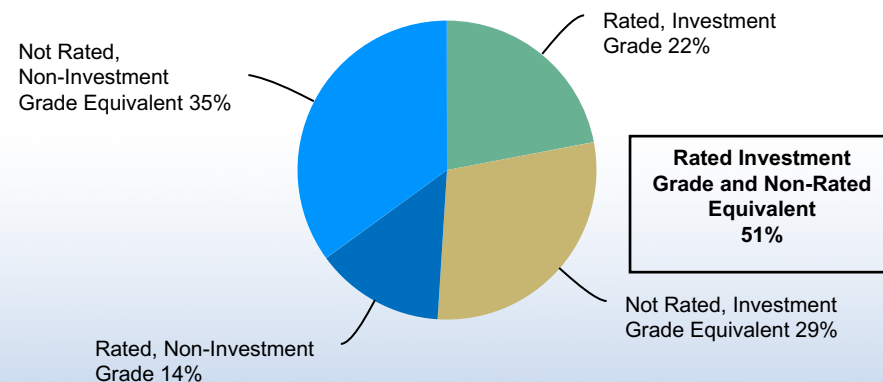


Industry diversification (based on annualized straight line rent)



Note: As of 9/30/2023

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

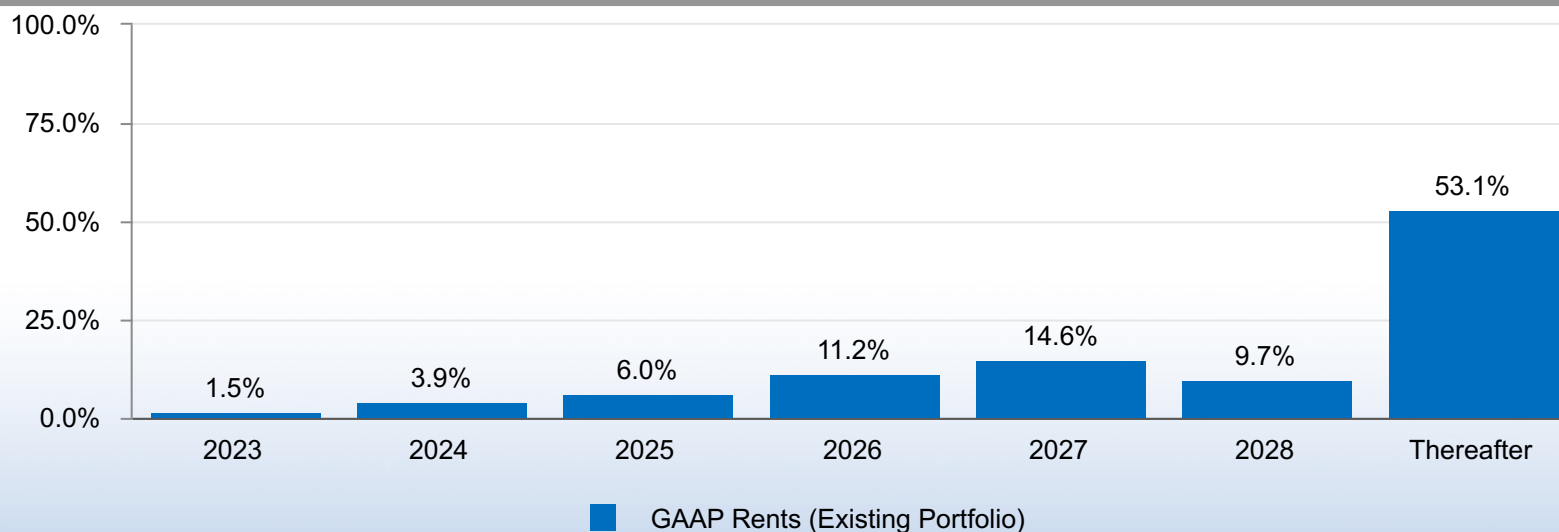


Smooth lease rollover

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 | 1.5 % |
| 2024 | 1,199,112 | 6 | 4,723 | 3.9 % |
| 2025 | 442,630 | 9 | 7,237 | 6.0 % |
| 2026 | 1,781,100 | 12 | 13,566 | 11.2 % |
| 2027 | 1,833,683 | 14 | 17,587 | 14.6 % |
| 2028 | 2,339,020 | 16 | 11,710 | 9.7 % |
| Thereafter | 8,830,984 | 78 | 63,900 | 53.1 % |
| Total | 16,573,315 | 137 | \$ 120,591 | 100.0 % |

Rent expiring



Note: As of 9/30/2023.



GLADSTONE