



**GLADSTONE COMMERCIAL**

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

# Legal disclaimer

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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

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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 December 31, 2023, we owned approximately 17.1 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 December 31, 2023, total assets were approximately \$1.1 billion, representing investments in 135 properties. Our properties are leased to 110 tenants who represent 19 diversified industries across 27 states.

At December 31, 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 data<sup>1</sup>

Total assets (\$mm)	\$	1,133
Properties		135
Tenants		110
Industries		19
States		27
Average remaining lease term (years)		6.8
Occupancy		96.8 %
Square footage owned (mm)		17.1

## Capitalization (\$mm)<sup>1</sup>

Common equity market capitalization <sup>2</sup>	\$	534
Preferred equity		199
Net total debt		739
<b>Total capitalization</b>	<b>\$</b>	<b>1,472</b>
Less: Cash and cash equivalents		(12)
<b>Total enterprise value</b>	<b>\$</b>	<b>1,460</b>
Net total debt / enterprise value		49.8%
Net total debt + preferred / enterprise value		63.4%
Net total debt / gross assets		46.1%

Top 5 tenants <sup>1</sup>	% of annualized straight line rent	% of SF
	4%	1%
	3%	6%
	3%	1%
Morgan Stanley	2%	1%
	2%	1%
<b>Top 5 Tenants total</b>	<b>14%</b>	<b>10%</b>
<b>Top 5 Tenants average remaining lease term</b>		<b>4.4 years</b>
<b>Portfolio average remaining lease term</b>		<b>6.8 years</b>

## Corporate liquidity (\$mm)<sup>1</sup>

Cash and Cash Equivalents	\$	12.0
Availability Under Revolving Credit Facility <sup>3</sup>		44.5
<b>Total</b>	<b>\$</b>	<b>56.5</b>

<sup>1</sup> As of December 31, 2023.

<sup>2</sup> Based on the closing common stock price per share on December 29, 2023 of \$13.24. Includes OP units and senior common shares convertible into shares of common stock.

<sup>3</sup> As of February 21, 2024, approximately \$51.5 million is available under the Company's revolving credit facility.

# Q4 2023 highlights (unaudited)

## **FFO<sup>1</sup> and Core FFO<sup>2</sup>:**

Generated FFO and Core FFO of \$14.6 million, or \$0.36 per diluted share.

## **Acquisitions<sup>3</sup>:**

Purchased a 69,920 square foot property in Allentown, Pennsylvania for \$7.8 million, with a 20.1 year remaining lease term. Purchased a 67,709 square foot property in Indianapolis, Indiana for \$4.5 million, with a 20.1 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 common equity through our ATM programs for net proceeds of \$0.02 million and issued Series F preferred equity for net proceeds of \$0.4 million.

## **Debt Activity:**

Repaid \$12.3 million in fixed rate mortgage debt with a weighted average interest rate of 4.37%, collateralized by two properties.

## **Select Expenditure Activity:**

Paid \$0.2 million related to capital expenditures and \$1.0 million related to leasing commissions.

<sup>1</sup> 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.

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

<sup>3</sup>Purchase 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 twelve months ended	
	12/31/2023	9/30/2023	12/31/2022	12/31/2023	12/31/2022
Operating revenues					
Lease revenue	\$ 35,908	\$ 36,464	\$ 37,217	\$ 147,584	\$ 148,981
Total operating revenues	\$ 35,908	\$ 36,464	\$ 37,217	\$ 147,584	\$ 148,981
Operating expenses					
Depreciation and amortization	\$ 13,731	\$ 12,485	\$ 14,875	\$ 57,856	\$ 60,154
Property operating expenses	5,572	6,821	6,714	25,858	26,832
Base management fee	1,573	1,597	1,604	6,380	6,331
Incentive fee	—	—	1,078	—	5,270
Administration fee	615	624	522	2,350	1,864
General and administrative	926	1,306	917	4,363	3,705
Impairment charge	5,719	6,754	—	19,296	12,092
Total operating expenses	\$ 28,136	\$ 29,587	\$ 25,710	\$ 116,103	\$ 116,248
Other (expense) income					
Interest expense	\$ (9,485)	\$ (9,936)	\$ (9,643)	\$ (37,330)	\$ (32,457)
Gain on sale of real estate, net	3,492	4,696	1,150	7,737	10,052
Gain on debt extinguishment	2,830	—	—	2,830	—
Other income	(58)	155	(85)	204	454
Total other expense, net	\$ (3,221)	\$ (5,085)	\$ (8,578)	\$ (26,559)	\$ (21,951)
Net income	\$ 4,551	\$ 1,792	\$ 2,929	\$ 4,922	\$ 10,782
Net (income) loss (available) attributable to non-controlling interests	(14)	(3)	11	63	23
Net income available to the company	\$ 4,537	\$ 1,789	\$ 2,940	\$ 4,985	\$ 10,805
Distributions attributable to Series E, F, and G preferred stock	(3,106)	(3,099)	(3,003)	(12,285)	(11,903)
Distributions attributable to senior common stock	(107)	(108)	(114)	(430)	(458)
Gain (loss) on extinguishment of Series F preferred stock	1	(1)	(5)	(11)	(10)
Gain on repurchase of Series G preferred stock	—	—	37	3	37
Net income (loss) available (attributable) to common stockholders	\$ 1,325	\$ (1,419)	\$ (145)	\$ (7,738)	\$ (1,529)



# Funds from Operations (FFO) and core FFO

(\$ in thousands, except per share amounts)

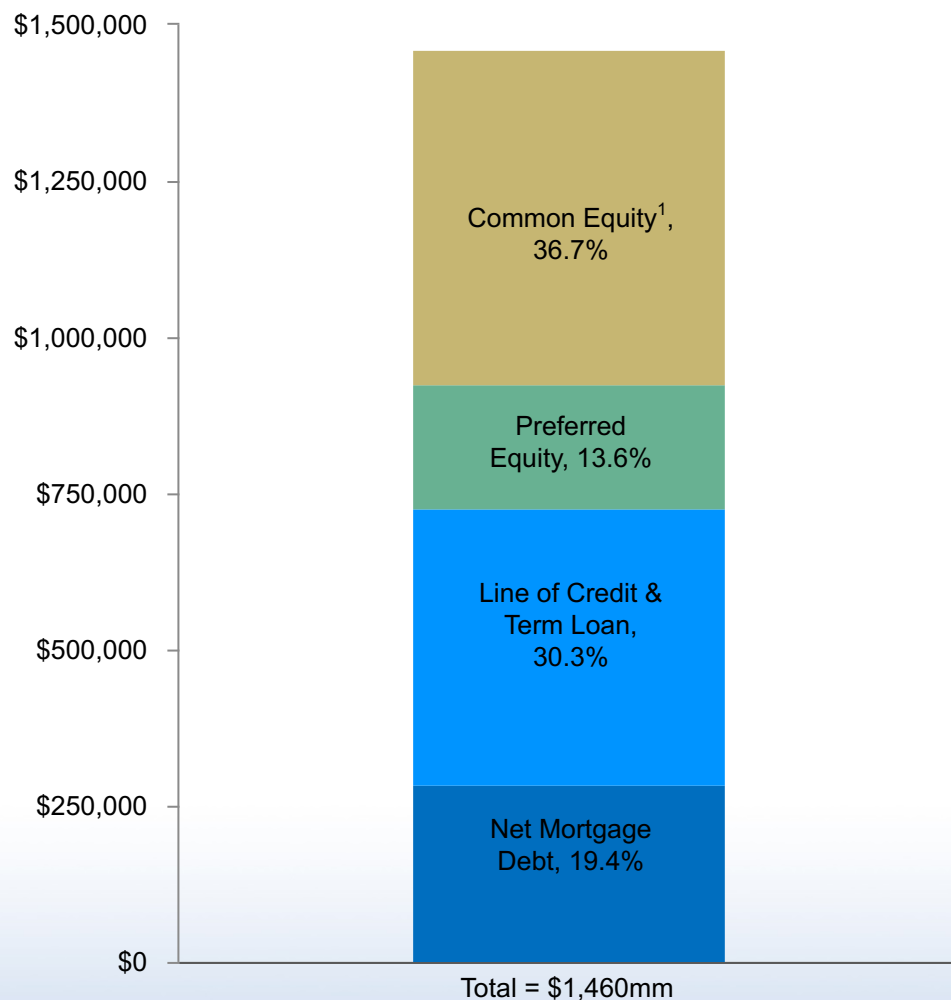
	For the three months ended (unaudited)			For the twelve months ended	
	12/31/2023	9/30/2023	12/31/2022	12/31/2023	12/31/2022
Net income	\$ 4,551	\$ 1,792	\$ 2,929	\$ 4,922	\$ 10,782
Less: Distributions attributable to preferred and senior common stock	(3,213)	(3,207)	(3,117)	(12,715)	(12,361)
Add/Less: Gain (loss) on extinguishment of Series F preferred stock	1	(1)	(5)	(11)	(10)
Add: Gain on repurchase of Series G preferred stock	—	—	37	3	37
Net income (loss) available (attributable) to common stockholders and Non-controlling OP Unitholders	\$ 1,339	\$ (1,416)	\$ (156)	\$ (7,801)	\$ (1,552)
Adjustments:					
Add: Real estate depreciation and amortization	\$ 13,731	\$ 12,485	\$ 14,875	\$ 57,856	\$ 60,154
Add: Impairment charge	5,719	6,754	—	19,296	12,092
Less: Gain on sale of real estate, net	(3,492)	(4,696)	(1,150)	(7,737)	(10,052)
Less: Gain on debt extinguishment	(2,830)	—	—	(2,830)	—
FFO available to common stockholders and Non-controlling OP Unitholders - basic	\$ 14,467	\$ 13,127	\$ 13,569	\$ 58,784	\$ 60,642
Add: Convertible senior common distributions	107	108	114	430	458
FFO available to common stockholders and Non-controlling OP Unitholders - diluted	\$ 14,574	\$ 13,235	\$ 13,683	\$ 59,214	\$ 61,100
FFO available to common stockholders and Non-controlling OP Unitholders - basic	\$ 14,467	\$ 13,127	\$ 13,569	\$ 58,784	\$ 60,642
Add: Write off of deferred financing fees	—	—	—	—	434
Add: Write off shelf registration statement costs and prepaid ATM costs	—	—	—	110	177
Add: Asset retirement obligation expense	32	31	30	126	100
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	\$ 14,499	\$ 13,614	\$ 13,599	\$ 59,476	\$ 61,353
Add: Convertible senior common distributions	107	108	114	430	458
Core FFO available to common stockholders and Non-controlling OP Unitholders - diluted	\$ 14,606	\$ 13,722	\$ 13,713	\$ 59,906	\$ 61,811
Weighted average common shares outstanding and Non-controlling OP Units - basic	40,309,714	40,309,463	40,016,430	40,325,730	39,245,675
Weighted average common shares outstanding and Non-controlling OP Units - diluted	40,654,846	40,654,595	40,379,676	40,670,862	39,608,921
FFO per weighted average share of common stock and Non-controlling OP Unit - basic	\$ 0.36	\$ 0.33	\$ 0.34	\$ 1.46	\$ 1.55
FFO per weighted average share of common stock and Non-controlling OP Unit - diluted	\$ 0.36	\$ 0.33	\$ 0.34	\$ 1.46	\$ 1.54
Core FFO per weighted average share of common stock and Non-controlling OP Unit - basic	\$ 0.36	\$ 0.34	\$ 0.34	\$ 1.47	\$ 1.56
Core FFO per weighted average share of common stock and Non-controlling OP Unit - diluted	\$ 0.36	\$ 0.34	\$ 0.34	\$ 1.47	\$ 1.56
Distributions declared per share of common stock and Non-controlling OP Unit	\$ 0.3000	\$ 0.3000	\$ 0.3762	\$ 1.2000	\$ 1.5048

# Condensed consolidated balance sheets

(\$ in thousands)	12/31/2023	12/31/2022
<b>ASSETS</b>		
Real estate, at cost	\$ 1,221,364	\$ 1,287,297
Less: accumulated depreciation	299,662	286,150
Total real estate, net	921,702	1,001,147
Lease intangibles, net	101,048	111,622
Real estate and related assets held for sale, net	28,787	3,293
Cash and cash equivalents	11,985	11,653
Restricted cash	4,150	4,339
Funds held in escrow	7,515	8,818
Right-of-use assets from operating leases	4,889	5,131
Deferred rent receivable, net	41,006	38,884
Other assets	12,389	17,746
<b>TOTAL ASSETS</b>	<b>\$ 1,133,471</b>	<b>\$ 1,202,633</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>LIABILITIES</b>		
Mortgage notes payable, net	\$ 295,853	\$ 359,389
Borrowings under revolver and term loan, net	443,008	389,817
Deferred rent liability, asset retirement obligation and other liabilities, net	70,303	77,677
<b>TOTAL LIABILITIES</b>	<b>\$ 809,164</b>	<b>\$ 826,883</b>
<b>MEZZANINE EQUITY</b>		
Series E and G redeemable preferred stock, net	\$ 170,041	\$ 170,056
<b>TOTAL MEZZANINE EQUITY</b>	<b>\$ 170,041</b>	<b>\$ 170,056</b>
<b>STOCKHOLDERS' EQUITY</b>		
Senior common stock	\$ 1	\$ 1
Common stock	40	39
Series F redeemable preferred stock	1	1
Additional paid in capital	730,256	721,327
Accumulated other comprehensive income	7,758	11,640
Distributions in excess of accumulated earnings	(584,776)	(529,104)
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>\$ 153,280</b>	<b>\$ 203,904</b>
OP Units held by Non-controlling OP Unitholders	986	1,790
<b>TOTAL EQUITY</b>	<b>\$ 154,266</b>	<b>\$ 205,694</b>
<b>TOTAL LIABILITIES, MEZZANINE EQUITY AND EQUITY</b>	<b>\$ 1,133,471</b>	<b>\$ 1,202,633</b>

# Capital structure

## Current capital structure as of 12/31/2023 (\$000)

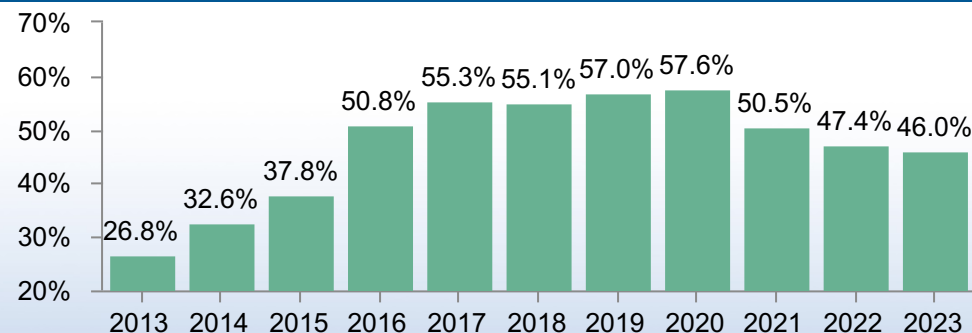


## Capital Structure Details

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

	Wtd. Average Rate	12/31/2023
Mortgage Notes Payable, Net	4.19%	\$ 295,853
Less: Cash & Cash Equivalents		(11,985)
<b>Net Mortgage Debt</b>		<b>\$ 283,868</b>
Line of Credit	SOFR+1.50%	\$ 75,750
Term Note	SOFR+1.45%	367,258
<b>Line of Credit and Term Loan</b>		<b>\$ 443,008</b>
<b>Total Debt, Net</b>		<b>\$ 726,876</b>
Series E - Preferred	6.625%	\$ 76,536
Series F - Preferred	6.00%	22,965
Series G - Preferred	6.00%	99,772
<b>Total Preferred Equity</b>		<b>\$ 199,273</b>
Diluted Common Shares Outstanding		40,345,728
Stock Price		\$ 13.24
<b>Implied Common Equity<sup>1</sup> Market Capitalization</b>		<b>\$ 534,177</b>
<b>Enterprise Value</b>		<b>\$ 1,460,326</b>

## Institutional Stock Ownership<sup>2</sup>

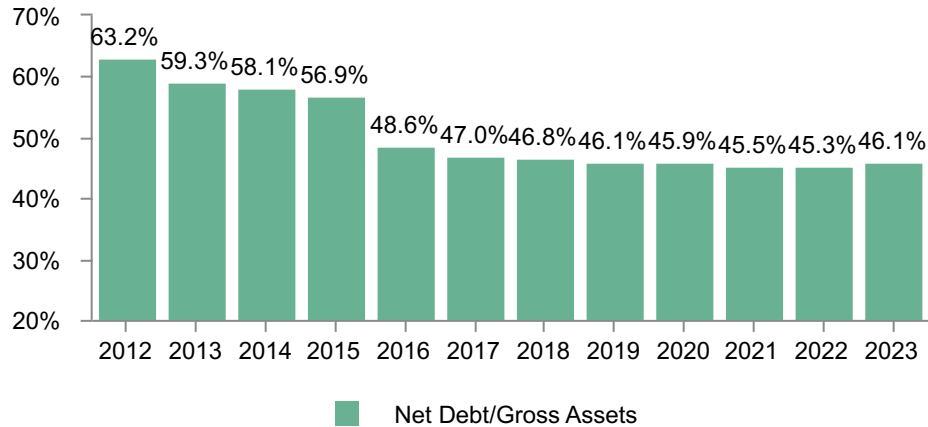


<sup>1</sup> Common Equity is based on the closing common stock price per share as of December 29, 2023 of \$13.24 and includes effect of OP units and convertible senior common stock.

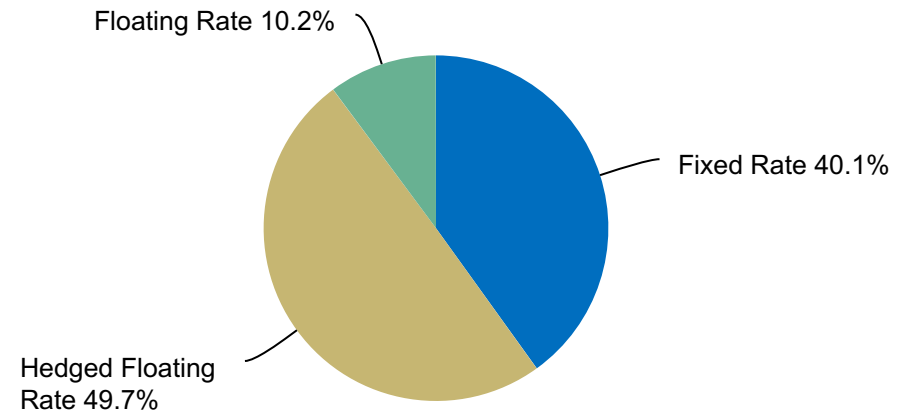
<sup>2</sup> Source: Nasdaq Online.

# Liquidity and debt overview

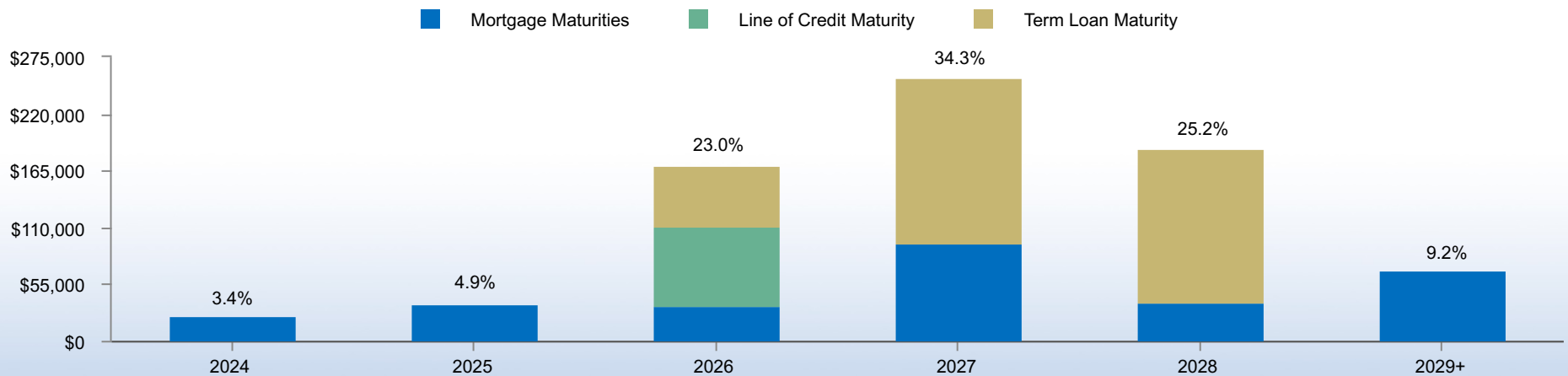
## Reducing Leverage<sup>1</sup>



## Fixed vs. Floating Debt<sup>1</sup>



## Scheduled debt maturity<sup>1</sup> (\$'000)



<sup>1</sup> As of 12/31/2023.



# Debt summary

(\$ in thousands)		
Principal Maturity Date	Weighted Average Interest Rate as of 12/31/2023	Principal Balance Outstanding as of 12/31/2023
2024	4.94%	15,553
2025	4.04%	28,202
2026	4.20%	31,640
2027	4.37%	103,045
2028	4.14%	38,354
2029	5.22%	21,623
2030	3.23%	39,085
2031	3.24%	5,065
2032	3.40%	9,964
2037	4.63%	5,591
Contractual Mortgage Notes Payable:	4.19%	\$ 298,122
Premiums (Discounts), net:		(42)
Total Mortgage Notes Payable:		\$ 298,080
Variable-Rate Line of Credit:		
2026	SOFR +1.50%	\$ 75,750
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	5.78%	\$ 743,830

# Select corporate covenants

Description	(\$ in thousands)	
	Threshold	December 31, 2023
Consolidated Tangible Net Worth	> \$643,124	\$852,459
Leverage Ratio	< 60%	47%
Fixed Charge Coverage Ratio	> 1.50	1.80
Maximum Dividend Payout (FFO based)	< 96%	79.5%
Secured Indebtedness	< 40%	19%

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)



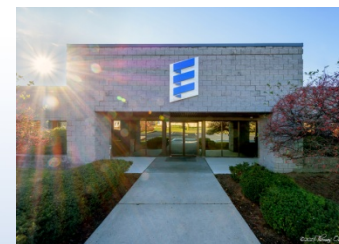
## High occupancy

- Occupancy has never fallen below 95%
- Current occupancy 96.8%
- 5.2% of annualized straight line rents expiring through the end of 2024
- 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 35 properties in non-core markets since mid-2016
- Re-deploy proceeds in growth markets

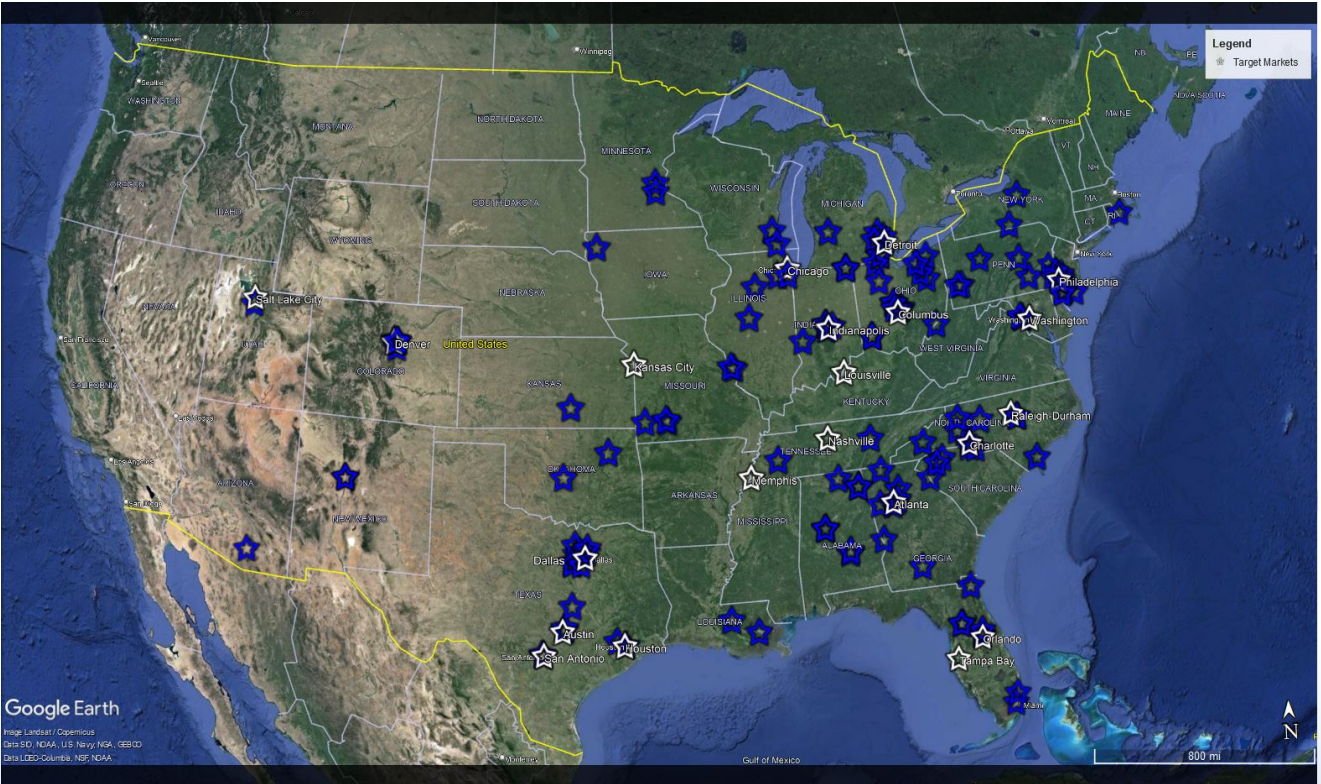


Note: As of 12/31/2023.

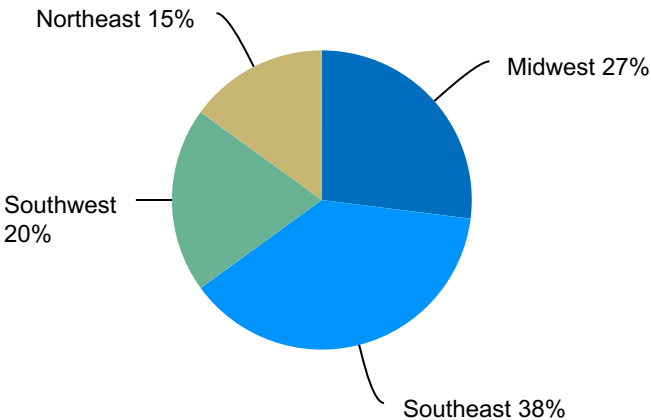


# Diversified portfolio

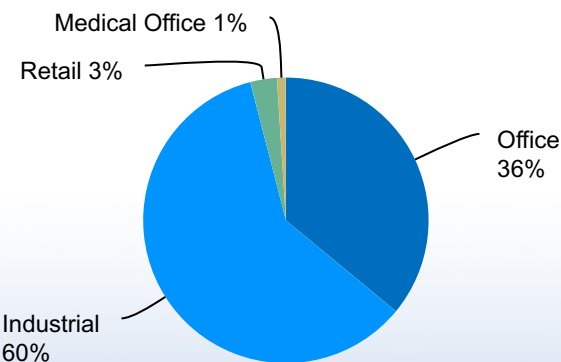
135 properties spread across 27 states



Geographic diversification  
(by annualized straight line rent)







Property type diversification  
(by annualized straight line rent)

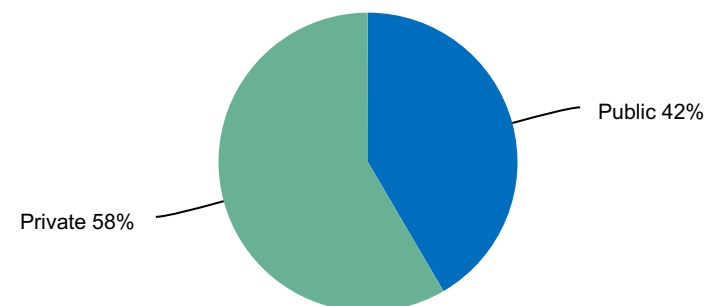


Note: As of 12/31/2023.

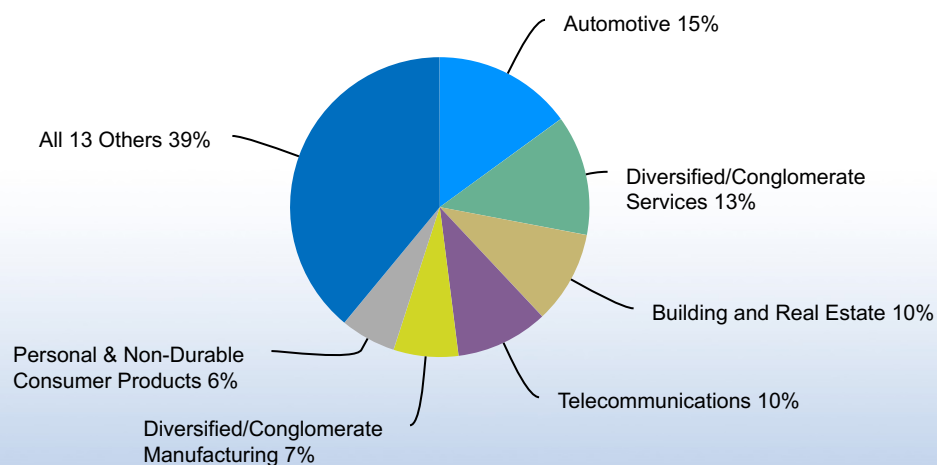
# High quality, diversified portfolio

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)

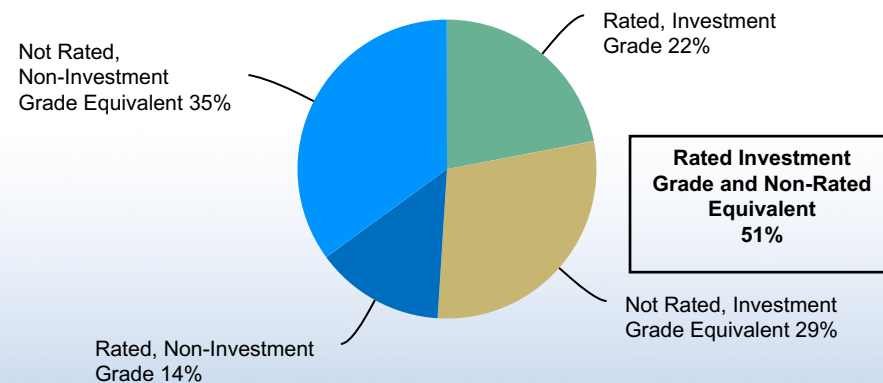


## Industry diversification (based on annualized straight line rent)



Note: As of 12/31/2023.

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

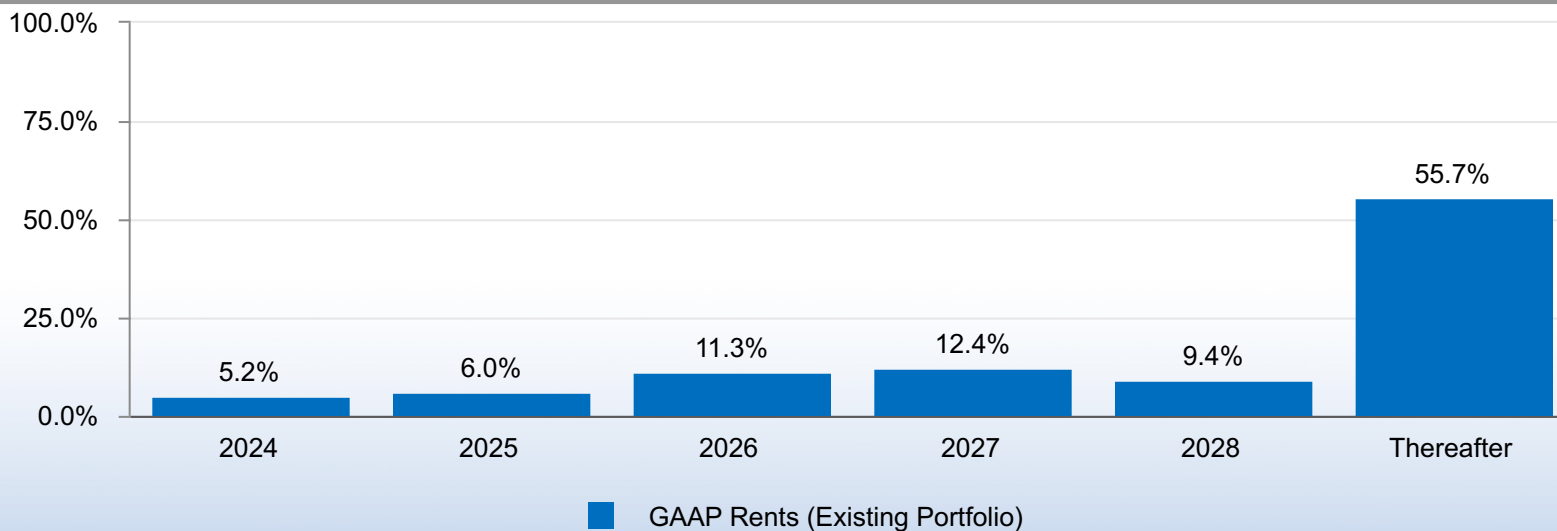


# Smooth lease rollover

## 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
2024	1,794,776	4	\$ 6,290	5.2 %
2025	442,630	9	7,237	6.0 %
2026	1,781,100	12	13,566	11.3 %
2027	1,081,647	12	14,867	12.4 %
2028	2,276,338	15	11,316	9.4 %
Thereafter	9,135,521	85	67,057	55.7 %
<b>Total</b>	<b>16,512,012</b>	<b>137</b>	<b>\$ 120,333</b>	<b>100.0 %</b>

## Rent expiring



Note: As of 12/31/2023.





**GLADSTONE**