

# Gladstone Commercial Corporation Provides Corporate Update

MCLEAN, Va., March 24, 2020 (GLOBE NEWSWIRE) -- [Gladstone Commercial Corporation](#) (Nasdaq: GOOD) ("Gladstone Commercial") announced today that its Executive Leadership has issued the following Letter to Shareholders.

To Our Shareholders,

We wanted to provide you with a corporate update surrounding the COVID-19 pandemic, which has weighed on global financial markets and heavily impacted businesses.

**Our investment process has yielded a high-quality, diversified portfolio of properties.**

As of today, Gladstone Commercial's investment portfolio consists of 122 properties leased to 108 different tenants in 19 different industries. Our investment teams have invested over \$1 billion of capital utilizing a credit-based approach that has resulted in a current occupancy of 98%. Since our IPO in 2003, our occupancy has never been below 96%. Over 84% of our annual rental revenue is derived from tenants that each represent on average less than 1% of our revenue. The remaining 16% of our annual rental revenue is derived from investment grade or investment grade equivalent tenants, or subsidiaries of investment grade companies. Our tenants in the Hospitality, Airlines and Oil & Gas industries comprise approximately 2.6% of our annual rental revenue. Gladstone Commercial has had only one tenant default in our history, an average annual default rate of less than 0.02% inclusive of the Great Financial Crisis of 2008-2010. As a result, we have never reduced our dividend to shareholders. We have now paid Common Stock dividends for 182 consecutive months. Prior to paying dividends on a monthly basis, we paid Common Stock dividends for five consecutive quarters. We have also routinely paid all our Preferred Stock dividends without reduction.

While no one can predict the outcome of the COVID-19 outbreak, we own and manage a stable and diversified portfolio of properties. As of today, we have received calls from two tenants representing approximately 2% of annual rental revenue stating that the COVID-19 pandemic may have a potential impact on their ability to meet their contractual obligations to us. We will continue to update our investors as events warrant.

**Our balance sheet has been structured conservatively.** Gladstone has de-levered its balance sheet while maintaining substantial liquidity. From 2012 through 2019 we reduced our book leverage from 63% to 46% and currently have approximately \$25 million of liquidity undrawn on our credit facility. Gladstone concluded 2019 with approximately \$30 million in cash and an unused capacity on our committed line of credit. Our capital structure has minimal near-term debt exposure. In 2019 we proactively amended, extended and upsized our credit facility by increasing our term loan from \$75 million to \$160 million, inclusive of a delayed draw component, and increased our revolver from \$85 million to \$100 million, while extending the maturity date of our term loan for five years and extending the maturity date of our revolver for four years. We also added tier one banks such as Goldman Sachs and Wells

Fargo to the Company's credit facility. This execution provided incremental likelihood of our ability to fund our business through recessionary uncertainty without significant disruption. Further, we extended the maturity date on \$13 million of variable rate mortgage debt for a weighted average 2.4 years. Near term loan maturities are minimal with only \$20 million and \$27 million maturing in 2020 and 2021, respectively.

**Our recent Equity Capital Markets initiatives have reduced our recessionary liquidity risk.** In 2019, we issued \$69 million of Series E Perpetual Preferred Stock at a 6 5/8% coupon rate, which was used to fully redeem the previously outstanding Series A and B Perpetual Preferred Stock with coupon rates of 7.75% and 7.50%, respectively. With a coupon arbitrage of approximately 1%, these executions created significant annual dividend savings and will benefit core FFO performance. We also executed a refresh of our GOOD Common Stock and Series E Perpetual Preferred Stock's At-The-Market ("ATM") program with Goldman Sachs, Stifel and Baird as new active co-agents. In advance of the economic downturn, we raised \$52 million in net proceeds via the GOOD Common Stock ATM program commencing in Q4 2019 through Q1 2020 to fund the equity component of acquisitions in tandem with previously raised equity and to maintain liquidity.

**We are positioned for growth, even contemplating current conditions.** Our acquisition guidance for 2020 has been \$125-\$150 million, net of expected asset sales. While we anticipate limiting our investment activity in the short term, Q1 2020 acquisition volume was robust through March 9, 2020 having acquired \$70 million of new investments at a 7.3% GAAP cap rate. The past four months acquisition volume through mid-March 2020 is \$133 million at a 7.3% GAAP cap rate inclusive of \$63 million of new investments from November 14<sup>th</sup> through December 31<sup>st</sup>, 2019 at a 7.4% GAAP cap rate. All our acquisitions in 2019-2020 are industrial properties. Acquisitions were concentrated at year end, having limited contribution to 2019 performance, but representing an excellent start to 2020.

We at Gladstone have been closely monitoring the evolving situation of COVID-19 and are actively responding to the current conditions. Our Team is focused on staying connected to our clients and business partners as we collectively address the challenges before us with an expectation of succeeding together.

Bob Cutlip  
President

Mike Sodo  
CFO

David Gladstone  
CEO

### **About Gladstone Commercial (Nasdaq: GOOD)**

Gladstone Commercial is a real estate investment trust focused on acquiring, owning and operating net leased industrial and office properties across the United States. As of December 31, 2019, Gladstone Commercial's real estate portfolio consisted of 118 properties located in 28 states, totaling approximately 14.2 million square feet. For additional information please visit [www.gladstonecommercial.com](http://www.gladstonecommercial.com)

**For Broker Submittals:**

**South Central:**

**Buzz Cooper**

Senior Managing Director

(703) 287-5815

[Buzz.Cooper@gladstonecompanies.com](mailto:Buzz.Cooper@gladstonecompanies.com)

**Midwest/Northeast:**

**Matt Tucker**

Senior Managing Director

(703) 287-5830

[Matt.Tucker@gladstonecompanies.com](mailto:Matt.Tucker@gladstonecompanies.com)

**Southeast / Mountain West:**

**Brandon Flickinger**

Managing Director

(703) 287-5819

[Brandon.Flickinger@gladstonecompanies.com](mailto:Brandon.Flickinger@gladstonecompanies.com)

## **Investor or Media Inquiries:**

**Bob Cutlip**

President – Gladstone Commercial Corporation

(703) 287-5878

[Bob.Cutlip@gladstonecompanies.com](mailto:Bob.Cutlip@gladstonecompanies.com)

*All statements contained in this press release, other than historical facts, may constitute “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Words such as “anticipates,” “expects,” “intends,” “plans,” “believes,” “seeks,” “estimates” and variations of these words and similar expressions are intended to identify forward-looking statements. Readers should not rely upon forward-looking statements because the matters they describe are subject to known and unknown risks and uncertainties that could cause the Gladstone Commercial’s business, financial condition, liquidity, results of operations, funds from operations or prospects to differ materially from those expressed in or implied by such statements. Such risks and uncertainties are disclosed under the caption “Risk Factors” of the company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2019, as filed with the SEC on February 12, 2020 and certain other filings we make with the SEC. Gladstone Commercial cautions readers not to place undue reliance on any such forward-looking statements which speak only as of the date made. The company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.*

For Investor Relations inquiries related to any of the monthly dividend paying Gladstone funds, please visit [www.gladstone.com](http://www.gladstone.com).

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