



GLADSTONE COMMERCIAL

Investor Presentation August 2022

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Gladstone Commercial Corporation



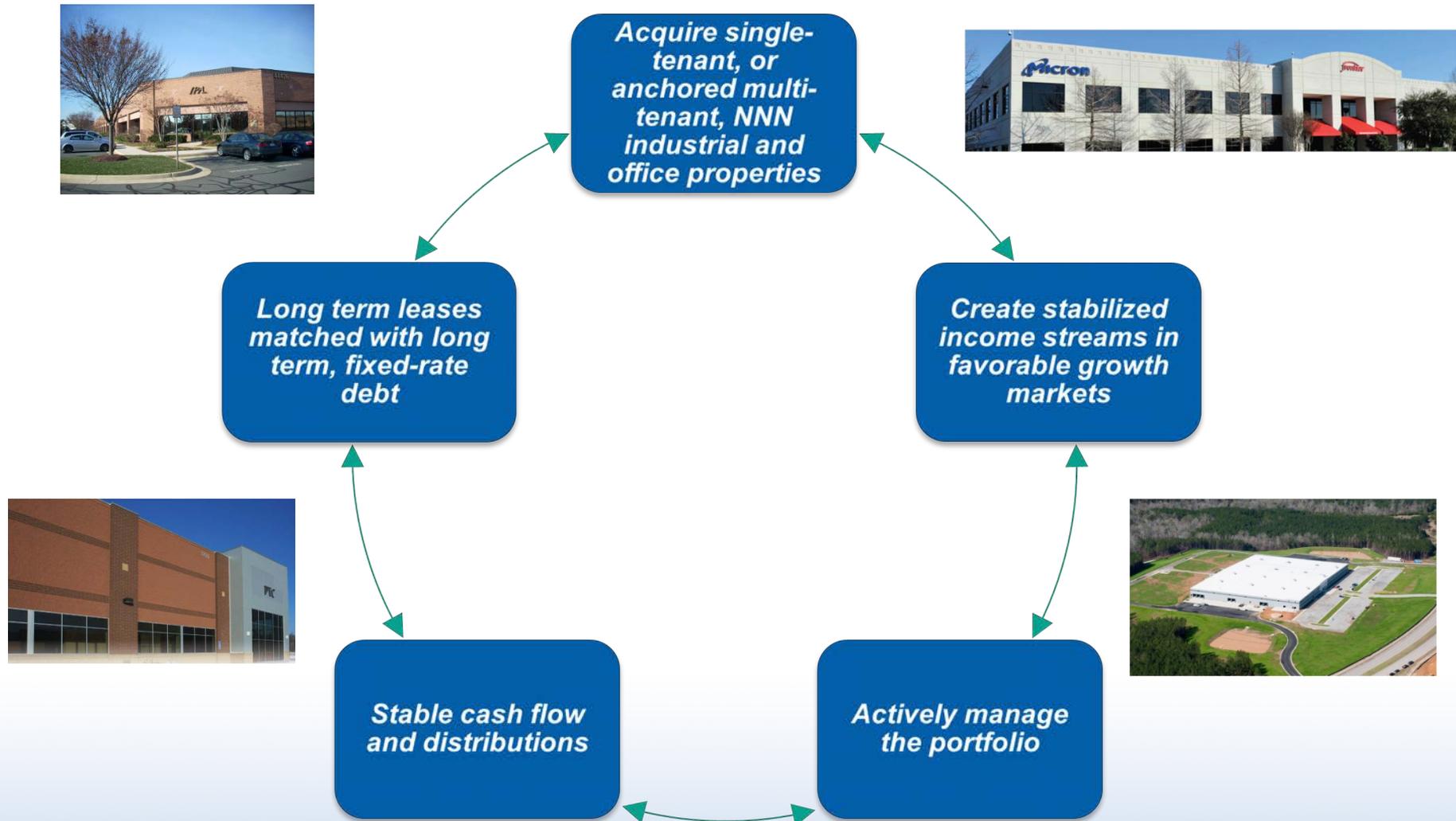
Company Overview

- 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 17.0 million square feet of predominantly industrial and office real estate nationwide
- Diversified portfolio of 136 properties in 27 states leased to 112 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 6/30/2022



Gladstone Commercial's Investment Philosophy



Gladstone Commercial Overview

- IPO in 2003 (Nasdaq: GOOD)
- Market Capitalization: **\$744mm**¹
- Enterprise Value: **\$1,657mm**¹
- Common stock annual distribution per share: **\$1.5048**
 - Monthly distributions
 - No missed or reduced cash distributions since inception

Portfolio summary (6/30/2022)

# of Properties	136
Square feet (mm)	17.0
Occupancy	97.3%
States	27
Tenants	112
Industries	19
Annual lease revenue (LTM) (\$mm)	\$141.6
Diluted FFO per Common Share (LTM)	\$1.62
Diluted FFO per Common Share, as adjusted for comparability (LTM)	\$1.62
Diluted Core FFO per Common Share (LTM)	\$1.58
Average Remaining Lease Term	7.1 years



¹ Common Equity is based on the closing common stock price per share as of June 30, 2022 of \$18.84 and includes effect of convertible securities.

Overview

**Gladstone
Commercial**

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Significant Growth & Diversification Since 2010

GOOD Portfolio

		12/31/10	6/30/2022	Variance
Grew a diverse portfolio	Total assets (\$mm)	\$ 410.6	\$ 1,193.4	\$ 782.8
	Properties	65	136	71
	Tenants	52	112	60
	Square feet (mm)	6.8	17.0	10.2
	Occupancy (%)	97.2 %	97.3 %	0.1 %
	Lease Revenue From Top 5 tenants (\$mm) ¹	\$ 10.0	\$ 22.7	\$ 12.7
	% of Total Lease Revenue	24.2 %	16.0 %	(8.2)%
Revenue and cash flow growth	Lease Revenues (LTM) (\$mm)	\$ 41.9	\$ 141.6	\$ 99.7
	Diluted FFO (LTM) (\$mm)	\$ 14.1	\$ 61.8	\$ 47.7
	Diluted FFO, as adjusted for comparability (LTM) (\$mm)	\$ 14.1	\$ 61.8	\$ 47.7
	Diluted Core FFO (LTM) (\$mm)	\$ 14.5	\$ 60.3	\$ 45.8
Improved capital structure	Net Total Debt / Enterprise Value	58.9 %	43.6 %	(15.3)%
	Net Total Debt + Preferred / Enterprise Value	70.0 %	55.1 %	(14.9)%
	Net Total Debt / Gross Assets ²	62.7 %	44.9 %	(17.8)%

¹Annualized

²Gross Assets equal total assets before depreciation and amortization

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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

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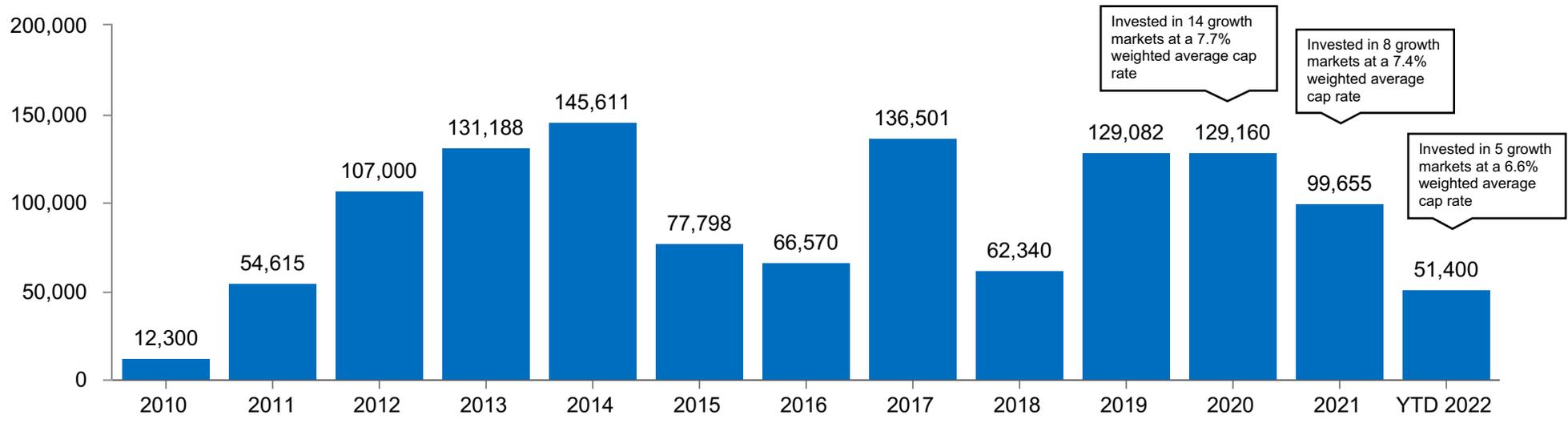
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Gladstone Has Achieved Consistent and Disciplined Growth

Historical Investment Volume (\$000)



Donaldson - Industrial

- 219K SF
- Detroit, MI
- Acquired 10/18
- GAAP cap rate: 8.0%



Orgill - Industrial Distribution

- 676K SF
- Tifton, GA
- Acquired 6/19
- GAAP cap rate: 8.8%



Morgan Stanley - Office

- 102K SF
- Salt Lake City, UT
- Acquired 12/17
- GAAP cap rate: 9.3%



Iron Mountain - Industrial Portfolio

- 509K SF
- TX, LA, AZ, NM
- Acquired 12/19
- GAAP cap rate: 7.2%



Portfolio Overview



Portfolio Overview

Geographic diversity

- **136** properties across the U.S., located in **27** states
- Focus on secondary growth markets allowing for 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 **97.3%**
- **3.0%** of annualized straight line rents expiring through the end of 2022
- Of 100+ assets with over \$1 billion invested since inception, only two tenant defaults



Periodic capital recycling

- Sell non-core assets
- Exited 23 properties in non-core markets since mid-2016
- Re-deploy proceeds in growth markets



Note: As of 6/30/2022

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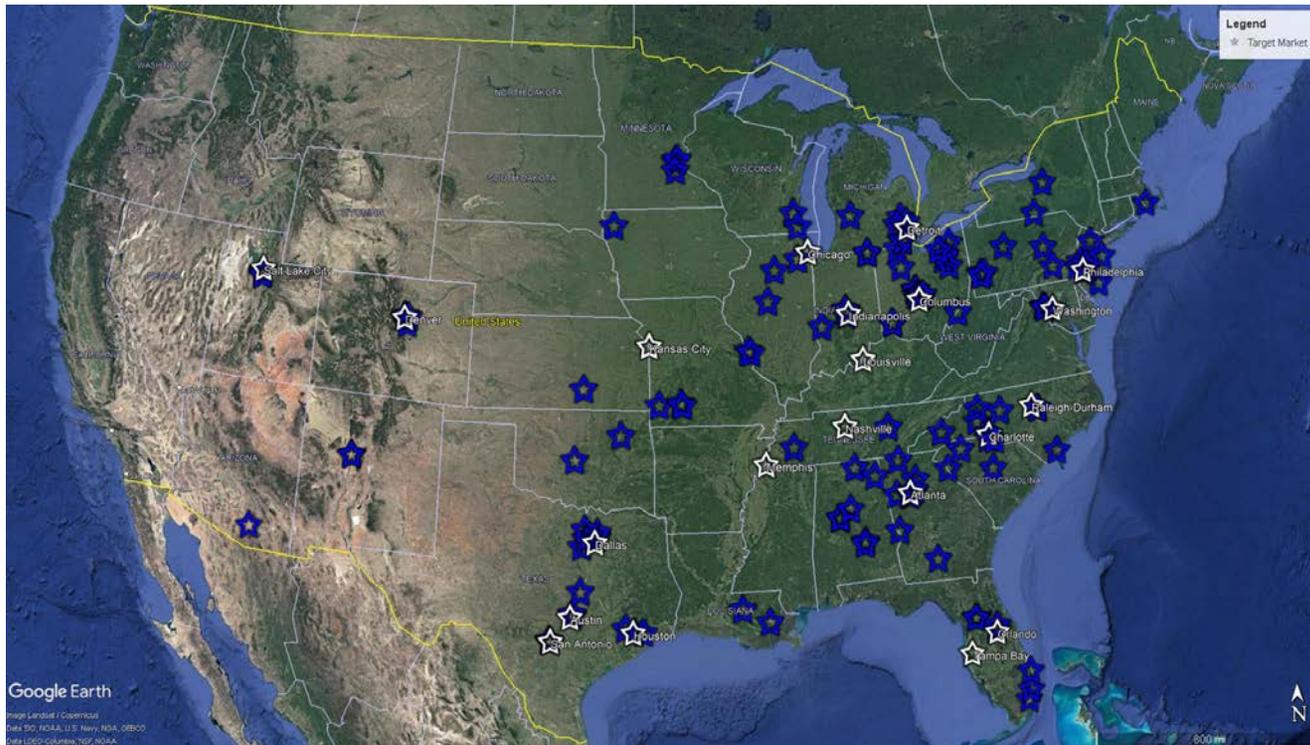
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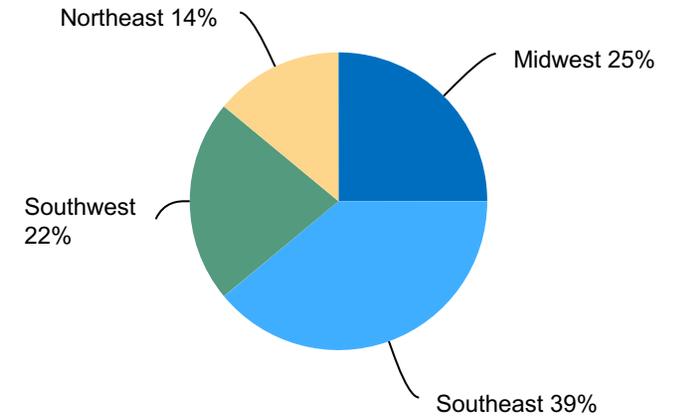
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Diversified Portfolio

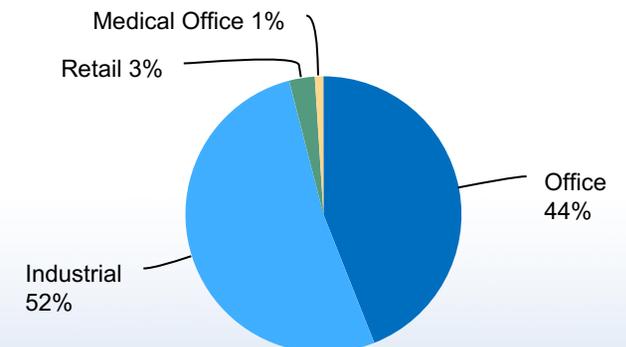
136 properties spread across 27 states



Geographic diversification
(by annualized straight line rent)



Property type diversification
(by annualized straight line rent)

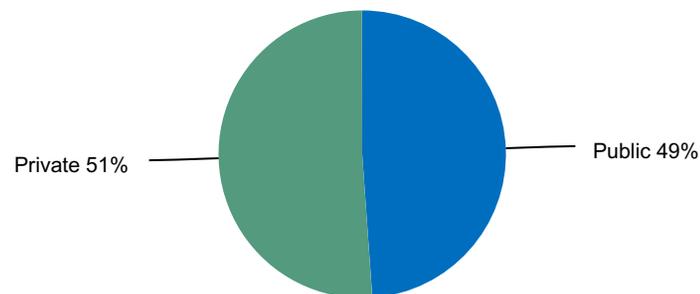


Note: As of 6/30/2022

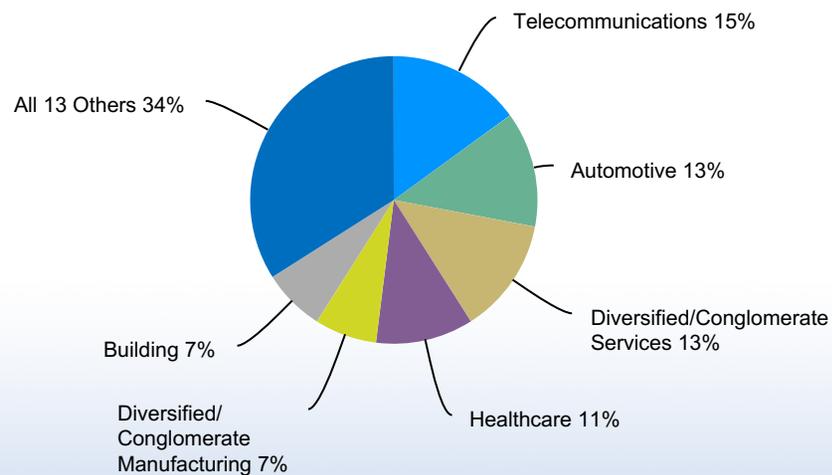
High Quality, Diversified Portfolio

Top tenants	% of annualized straight line rent	% of SF
TOWERS WATSON 	4 %	1 %
	4 %	1 %
	3 %	1 %
	3 %	6 %
	3 %	1 %
All other tenants	83 %	90 %

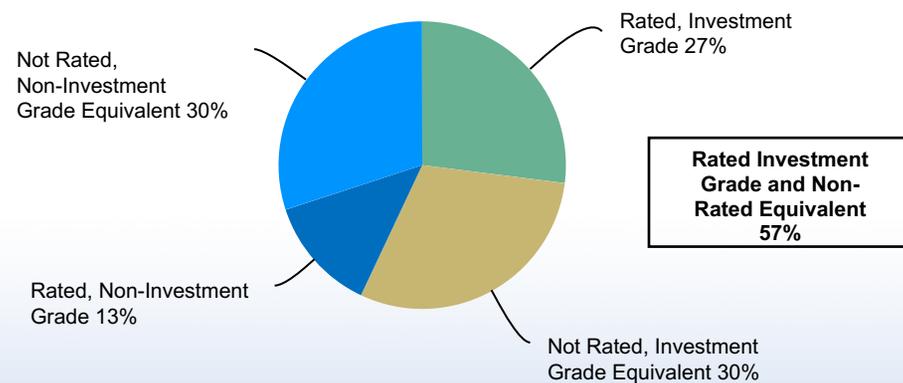
Publicly-traded vs. privately-held tenants (as % of annualized straight line rent)



Industry diversification (based on annualized straight line rent)



Tenant credit ratings (as % annualized straight line rent)



Note: As of 6/30/2022

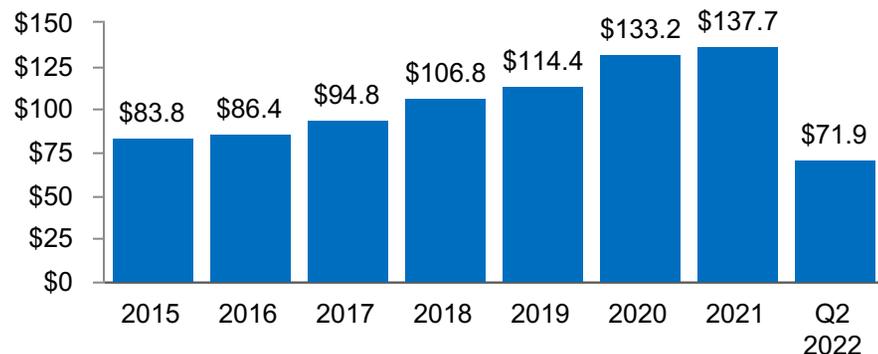


Financial Performance

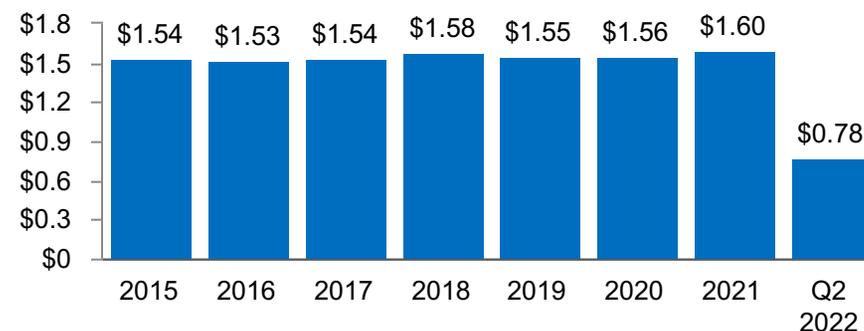


Summary Historical Performance

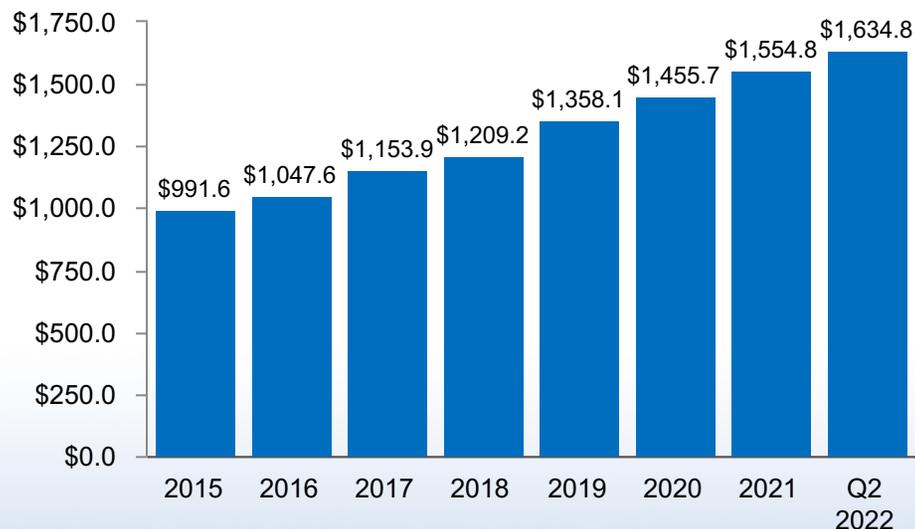
Total Revenue (\$ in millions)



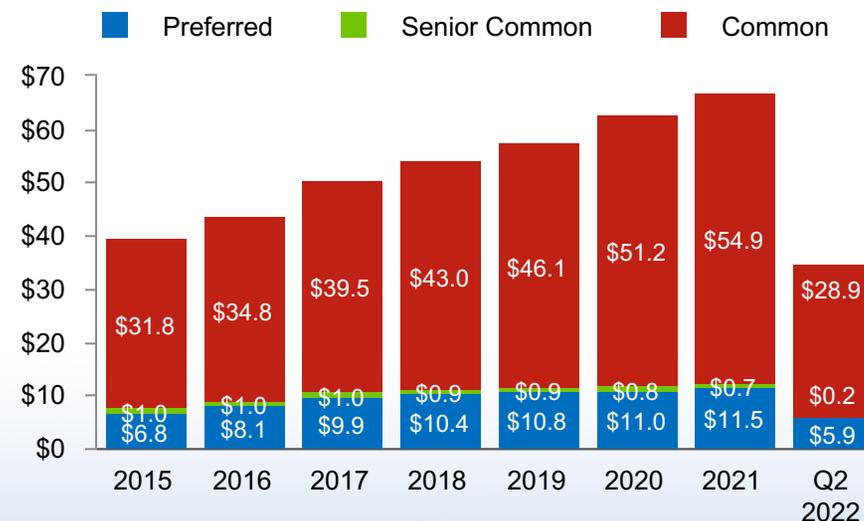
Funds from Operations, as adjusted for comparability (Per Share)



Total Gross Assets (\$ in millions)



Total Distributions (\$ in millions)



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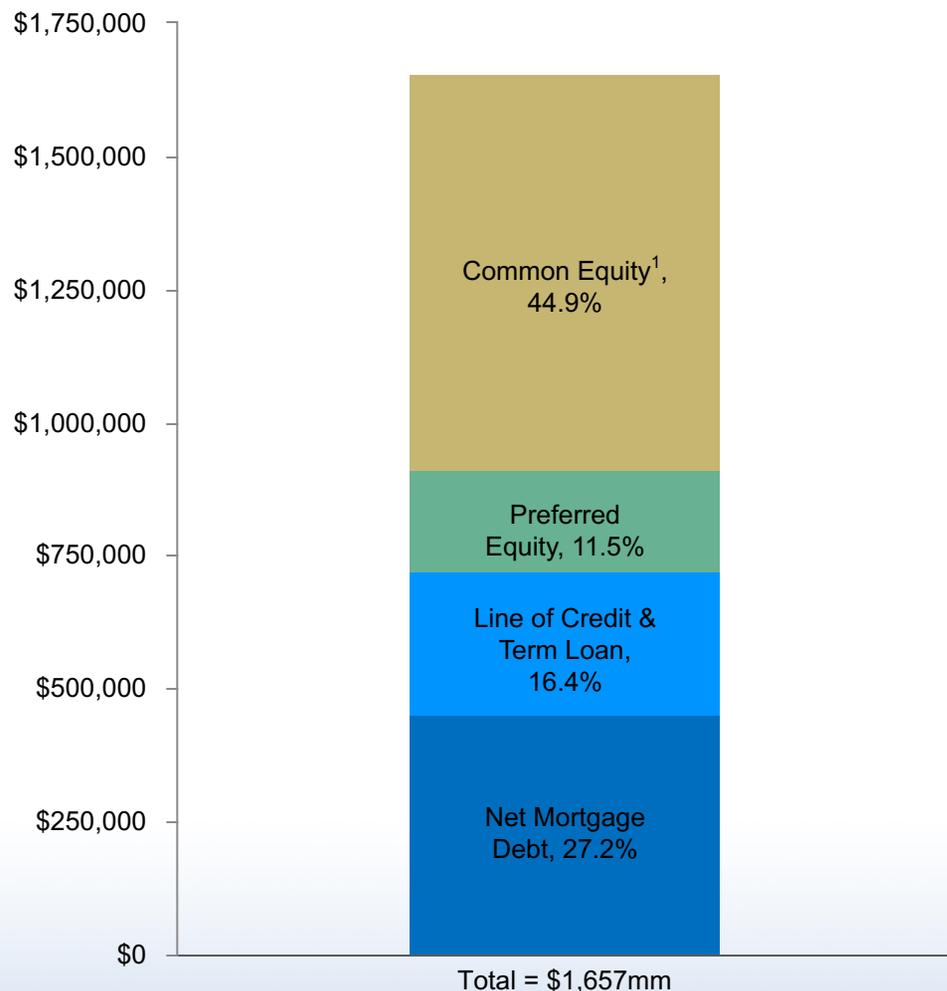
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Capital Structure Overview

Current Capital Structure as of 6/30/2022 (\$000s)



¹ Common Equity is based on the closing common stock price per share as of June 30, 2022 of \$18.84 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	6/30/2022
Mortgage Notes Payable, Net	4.18%	\$ 462,832
Less: Cash & Cash Equivalents		(10,741)
Net Mortgage Debt		\$ 452,091
Line of Credit	L+1.90%	\$ 46,950
Term Note	L+1.85%, L+2.00%	224,194
Line of Credit and Term Loan		\$ 271,144
Total Debt, Net		\$ 723,235
Series E - Preferred	6.625%	\$ 76,536
Series F - Preferred	6.00%	13,871
Series G - Preferred	6.00%	100,000
Total Preferred Equity		\$ 190,407
Diluted Common Shares Outstanding		39,499,719
Stock Price		\$ 18.84
Implied Common Equity¹ Market Capitalization		\$ 744,175
Enterprise Value		\$ 1,657,817

Institutional Stock Ownership ²



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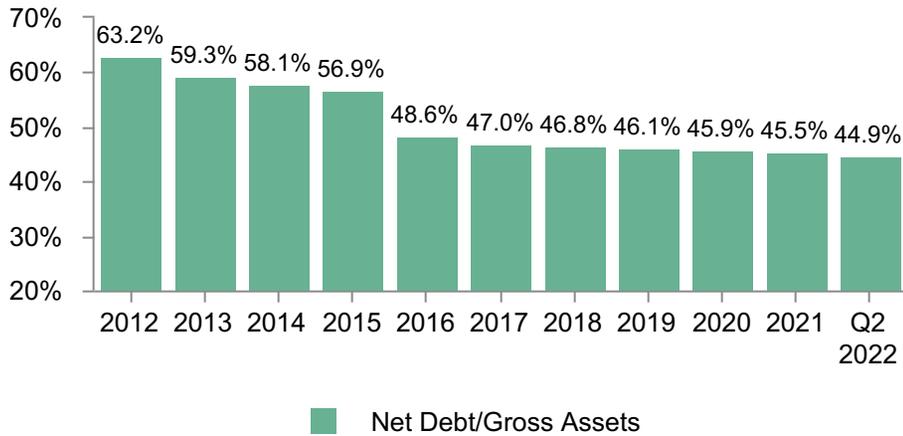
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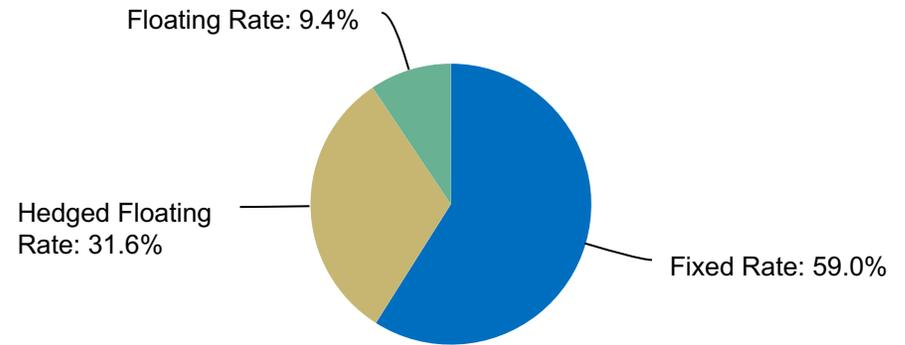
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Liquidity and Debt Overview

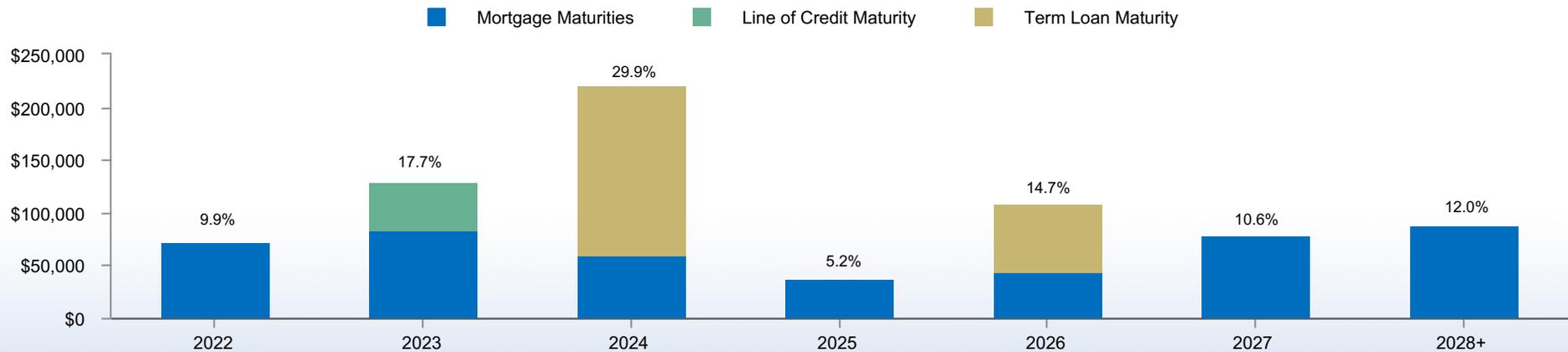
Reducing Leverage



Fixed vs. Floating Debt



Scheduled Debt Maturity (\$000s)



Note: As of 6/30/2022

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Management



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

8+ 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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Summary Highlights

- ***Diversified asset base with a 15% annual compound growth rate since 2012***
- ***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 44.9%***
- ***Focused on growth with limited lease expirations through 2022, and with an emphasis on increasing the industrial allocation***

Note: As of 6/30/2022



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)			For the six months ended (unaudited)	
	6/30/2022	3/31/2022	6/30/2021	6/30/2022	6/30/2021
Operating revenues					
Lease revenue	\$ 36,399	\$ 35,531	\$ 33,371	\$ 71,930	\$ 68,047
Total operating revenues	\$ 36,399	\$ 35,531	\$ 33,371	\$ 71,930	\$ 68,047
Operating expenses					
Depreciation and amortization	\$ 15,219	\$ 14,689	\$ 14,191	\$ 29,907	\$ 30,901
Property operating expenses	6,959	6,623	6,910	13,582	13,471
Base management fee	1,577	1,547	1,452	3,124	2,896
Incentive fee	1,339	1,340	1,039	2,679	2,274
Administration fee	399	462	338	861	634
General and administrative	958	997	1,073	1,955	1,729
Impairment charge	1,374	—	—	1,374	—
Total operating expense before incentive fee waiver	\$ 27,825	\$ 25,658	\$ 25,003	\$ 53,482	\$ 51,905
Incentive fee waiver	—	—	(16)	—	(16)
Total operating expenses	\$ 27,825	\$ 25,658	\$ 24,987	\$ 53,482	\$ 51,889
Other (expense) income					
Interest expense	\$ (7,121)	\$ (6,586)	\$ (6,486)	\$ (13,706)	\$ (13,650)
Loss on sale of real estate, net	—	—	—	—	(882)
Other income	119	104	223	223	534
Total other expense, net	\$ (7,002)	\$ (6,482)	\$ (6,263)	\$ (13,483)	\$ (13,998)
Net income	\$ 1,572	\$ 3,391	\$ 2,121	\$ 4,965	\$ 2,160
Net loss (income) attributable (available) to non-controlling interests	10	(2)	21	8	63
Net income attributable to the company	\$ 1,582	\$ 3,389	\$ 2,142	\$ 4,973	\$ 2,223
Distributions attributable to Series D, E, F, and G preferred stock	(2,967)	(2,946)	(2,856)	(5,913)	(5,703)
Series D preferred stock offering costs write off	—	—	(2,141)	—	(2,141)
Distributions attributable to senior common stock	(114)	(116)	(177)	(230)	(364)
Loss on extinguishment of Series F preferred stock	—	(5)	—	(5)	—
Net (loss) income (attributable) available to common stockholders	\$ (1,499)	\$ 322	\$ (3,032)	\$ (1,175)	\$ (5,985)

Note: We redeemed all outstanding shares of our Series D Preferred Stock on June 30, 2021.

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)	
	6/30/2022	3/31/2022	6/30/2021	6/30/2022	6/30/2021
Net income	\$ 1,572	\$ 3,391	\$ 2,121	\$ 4,965	\$ 2,160
Less: Distributions attributable to preferred and senior common stock	(3,081)	(3,062)	(3,033)	(6,143)	(6,067)
Less: Series D preferred stock offering costs write off	—	—	(2,141)	—	(2,141)
Less: Loss on extinguishment of Series F preferred stock	—	(5)	—	(5)	—
Net (loss) income (attributable) available to common stockholders and Non-controlling OP Unitholders	\$ (1,509)	\$ 324	\$ (3,053)	\$ (1,183)	\$ (6,048)
Adjustments:					
Add: Real estate depreciation and amortization	\$ 15,219	\$ 14,689	\$ 14,191	\$ 29,907	\$ 30,901
Add: Impairment charge	1,374	—	—	1,374	—
Add: Loss on sale of real estate, net	—	—	—	—	882
FFO available to common stockholders and Non-controlling OP Unitholders - basic	\$ 15,084	\$ 15,013	\$ 11,138	\$ 30,098	\$ 25,735
Add: Convertible senior common distributions	114	116	177	230	364
FFO available to common stockholders and Non-controlling OP Unitholders - diluted	\$ 15,198	\$ 15,129	\$ 11,315	\$ 30,328	\$ 26,099
Add: Series D preferred stock offering costs write off	—	—	2,141	—	2,141
FFO available to common stockholders and Non-controlling OP Unitholders - diluted, as adjusted for comparability	\$ 15,198	\$ 15,129	\$ 13,456	\$ 30,328	\$ 28,240
FFO available to common stockholders and Non-controlling OP Unitholders - basic	\$ 15,084	\$ 15,013	\$ 11,138	\$ 30,098	\$ 25,735
Add (Less): Acquisition related expenses	—	—	63	—	(60)
Add: PACE financing amortization, net	—	—	41	—	33
Add: Write off shelf registration statement costs and prepaid ATM costs	46	131	—	177	—
Add: Asset retirement obligation expense	23	22	29	45	59
Add: Loan defeasance costs	—	—	—	—	669
Add: Write off prepaid offering costs	—	—	2,141	—	2,141
Core FFO available to common stockholders and Non-controlling OP Unitholders - basic	\$ 15,153	\$ 15,166	\$ 13,412	\$ 30,320	\$ 28,577
Add: Convertible senior common distributions	114	116	177	230	364
Core FFO available to common stockholders and Non-controlling OP Unitholders - diluted	\$ 15,267	\$ 15,282	\$ 13,589	\$ 30,550	\$ 28,941
Weighted average common shares outstanding and Non-controlling OP Units - basic	39,002,745	38,159,647	36,651,761	38,583,525	36,434,292
Weighted average common shares outstanding and Non-controlling OP Units - diluted	39,365,991	38,533,770	37,209,799	38,946,771	36,992,330
FFO per weighted average share of common stock and Non-controlling OP Unit - basic	\$ 0.39	\$ 0.39	\$ 0.30	\$ 0.78	\$ 0.71
FFO per weighted average share of common stock and Non-controlling OP Unit - diluted	\$ 0.39	\$ 0.39	\$ 0.30	\$ 0.78	\$ 0.71
FFO per weighted average share of common stock and Non-controlling OP Unit - diluted, as adjusted for comparability	\$ 0.39	\$ 0.39	\$ 0.36	\$ 0.78	\$ 0.76
Core FFO per weighted average share of common stock and Non-controlling OP Unit - basic	\$ 0.39	\$ 0.40	\$ 0.37	\$ 0.79	\$ 0.78
Core FFO per weighted average share of common stock and Non-controlling OP Unit - diluted	\$ 0.39	\$ 0.40	\$ 0.37	\$ 0.78	\$ 0.78
Distributions declared per share of common stock and Non-controlling OP Unit	\$ 0.376200	\$ 0.376200	\$ 0.375450	\$ 0.752400	\$ 0.750900

Note: We redeemed all outstanding shares of our Series D Preferred Stock on June 30, 2021.

Condensed Consolidated Balance Sheets

(\$ in thousands)	6/30/2022 (unaudited)	12/31/2021
ASSETS		
Real estate, at cost	\$ 1,260,422	\$ 1,225,258
Less: accumulated depreciation	279,331	266,672
Total real estate, net	981,091	958,586
Lease intangibles, net	111,703	114,494
Real estate and related assets held for sale, net	18,403	—
Cash and cash equivalents	10,741	7,956
Restricted cash	4,463	5,222
Funds held in escrow	10,008	7,304
Right-of-use assets from operating leases	5,247	5,361
Deferred rent receivable, net	38,427	39,066
Other assets	13,306	5,363
TOTAL ASSETS	\$ 1,193,389	\$ 1,143,352
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Mortgage notes payable, net	\$ 462,832	\$ 449,944
Borrowings under revolver and term loan, net	271,144	257,582
Deferred rent liability, asset retirement obligation and other liabilities, net	75,257	63,003
TOTAL LIABILITIES	\$ 809,233	\$ 770,529
MEZZANINE EQUITY		
Series E and F redeemable preferred stock, net	\$ 170,261	\$ 170,261
TOTAL MEZZANINE EQUITY	\$ 170,261	\$ 170,261
STOCKHOLDERS' EQUITY		
Senior common stock	\$ 1	\$ 1
Common stock	39	37
Series F redeemable preferred stock	1	—
Additional paid in capital	705,629	671,134
Accumulated other comprehensive income	5,524	(1,346)
Distributions in excess of accumulated earnings	(498,574)	(468,523)
TOTAL STOCKHOLDERS' EQUITY	\$ 212,620	\$ 201,303
OP Units held by Non-controlling OP Unitholders	1,275	1,259
TOTAL EQUITY	\$ 213,895	\$ 202,562
TOTAL LIABILITIES, MEZZANINE EQUITY AND EQUITY	\$ 1,193,389	\$ 1,143,352

Debt Summary

Principal Maturity Date	Weighted Average Interest Rate as of 6/30/2022	(\$ in thousands)	
		Principal Balance Outstanding as of 6/30/2022	
2022	4.59%		67,473
2023	4.53%		74,426
2024	4.02%		53,344
2025	4.03%		31,641
2026	4.44%		45,015
2027	4.28%		90,778
2028	3.55%		30,318
2029	4.74%		11,109
2030	3.23%		40,452
2031	3.24%		5,293
2032	3.40%		9,964
2037	4.63%		6,014
Contractual Mortgage Notes Payable:	4.18%	\$	<u>465,827</u>
Premiums (Discounts), net:			<u>(106)</u>
Total Mortgage Notes Payable:		\$	<u><u>465,721</u></u>
Variable-Rate Line of Credit:			
2023	LIBOR +1.90%	\$	<u><u>46,950</u></u>
Variable-Rate Term Loan Facility:			
2024	LIBOR +1.85%	\$	160,000
2026	LIBOR +2.00%		<u>65,000</u>
Total Mortgage Notes Payable and Line of Credit	4.00%	\$	<u><u>737,671</u></u>

External Management Structure Qualities

- **President, CIO, CFO, Acquisitions, Asset Management and Accounting staff exclusively dedicated to Gladstone Commercial**
 - **Benefit: Aligned with shareholder interests**
- **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**
- **Legal, Compliance, Human Resources, and IT shared among four funds**
 - **Benefit: Reduced costs to shareholders**

The results of organizational structure benefits:

- **Occupancy never below 95% since IPO in 2003**
- **Distributions never lowered nor missed since IPO in 2003**
- **Cost structure aligned with self-managed REITs with the added benefit of access to proven credit underwriting capability and evidenced by consistent high occupancy**



GLADSTONE