



GLADSTONE COMMERCIAL

*Supplemental Financial & Operating Information
for the Quarter Ended March 31, 2022*

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Corporate overview



Part of a two office building portfolio located in an Orlando, Florida submarket

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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 March 31, 2022, we owned approximately 16.4 million square feet of primarily office and industrial 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 March 31, 2022, total assets were approximately \$1.2 billion, representing investments in 131 properties. Our properties are leased to 110 tenants who represent 19 diversified industries across 27 states.

At March 31, 2022, our leases had an average remaining term of 7.1 years. In addition, approximately 57% of our tenants have an investment grade or investment grade equivalent credit rating.

Portfolio and financial overview






Portfolio data¹

Total assets (\$mm)	\$	1,154
Properties		131
Tenants		110
Industries		19
States		27
Average remaining lease term (years)		7.1
Occupancy		97.0 %
Square footage owned (mm)		16.4

Capitalization (\$mm)¹

Common equity market capitalization ²	\$	857
Preferred equity		189
Net total debt		705
Total capitalization	\$	1,751
Less: Cash and cash equivalents		(10)
Total enterprise value	\$	1,741
Net total debt / enterprise value		40.0%
Net total debt + preferred / enterprise value		50.8%
Net total debt / gross assets		44.6%

Top 5 tenants¹

	% of annualized straight line rent	% of SF
 TOWERS WATSON	4%	1%
 gm	4%	1%
 verizon wireless	3%	1%
 kane is able, Inc.	3%	6%
 ADP	3%	1%
Top 5 Tenants total	17%	10%
Top 5 Tenants average remaining lease term		2.8 years
Portfolio average remaining lease term		7.1 years

Corporate liquidity (\$mm)¹

Cash and Cash Equivalents	\$	9.6
Availability Under Revolving Credit Facility ³		25.6
Total	\$	35.2

¹ As of 3/31/2022.

² Based on the closing common stock price per share on March 31, 2022 of \$22.02. Includes OP units and senior common shares convertible into shares of common stock.

³ As of May 4, 2022, approximately \$21.7 million is available under the Company's revolving credit facility.

Q1 2022 highlights (unaudited)

FFO¹ and Core FFO²:	Generated FFO and core FFO of \$15.1 million and \$15.3 million or \$0.39 and \$0.40 per diluted share, respectively.
Acquisitions³:	Purchased an 80,000 square foot property in Wilkesboro, North Carolina for \$7.4 million, with a 12.7 year remaining lease term. Purchased a 56,000 square foot property in Oklahoma City, Oklahoma for \$5.9 million, with a 7.0 year remaining lease term.
Dividends:	Paid monthly common stock dividends totaling \$0.3762 per common share, or an annualized \$1.5048 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 for net proceeds of \$20.3 million through our ATM program and issued Series F preferred equity for net proceeds of \$1.4 million.
Select Expenditure Activity:	Paid \$0.3 million related to capital expenditures and \$1.0 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)		
	3/31/2022	12/31/2021	3/31/2021
Operating revenues			
Lease revenue	\$ 35,531	\$ 35,306	\$ 34,677
Total operating revenues	\$ 35,531	\$ 35,306	\$ 34,677
Operating expenses			
Depreciation and amortization	\$ 14,689	\$ 14,650	\$ 16,710
Property operating expenses	6,623	6,820	6,561
Base management fee	1,547	1,514	1,444
Incentive fee	1,340	1,318	1,236
Administration fee	462	431	297
General and administrative	997	678	656
Total operating expenses	\$ 25,658	\$ 25,411	\$ 26,904
Other (expense) income			
Interest expense	\$ (6,586)	\$ (6,549)	\$ (7,164)
Loss on sale of real estate, net	—	(266)	(882)
Other income	104	(4)	311
Total other expense, net	\$ (6,482)	\$ (6,819)	\$ (7,735)
Net income	\$ 3,391	\$ 3,076	\$ 38
Net (income) loss (available) attributable to non-controlling interests	(2)	(1)	41
Net income attributable to the company	\$ 3,389	\$ 3,075	\$ 79
Distributions attributable to Series D, E, F, and G preferred stock	(2,946)	(2,917)	(2,847)
Distributions attributable to senior common stock	(116)	(164)	(187)
Loss on extinguishment of Series F preferred stock	(5)	—	—
Net income (loss) available (attributable) to common stockholders	\$ 322	\$ (6)	\$ (2,955)
Weighted average common shares outstanding and Non-controlling OP Units			
Basic and diluted	38,159,647	37,509,121	36,214,406

Funds from Operations (FFO) and core FFO

(\$ in thousands, except per share amounts)

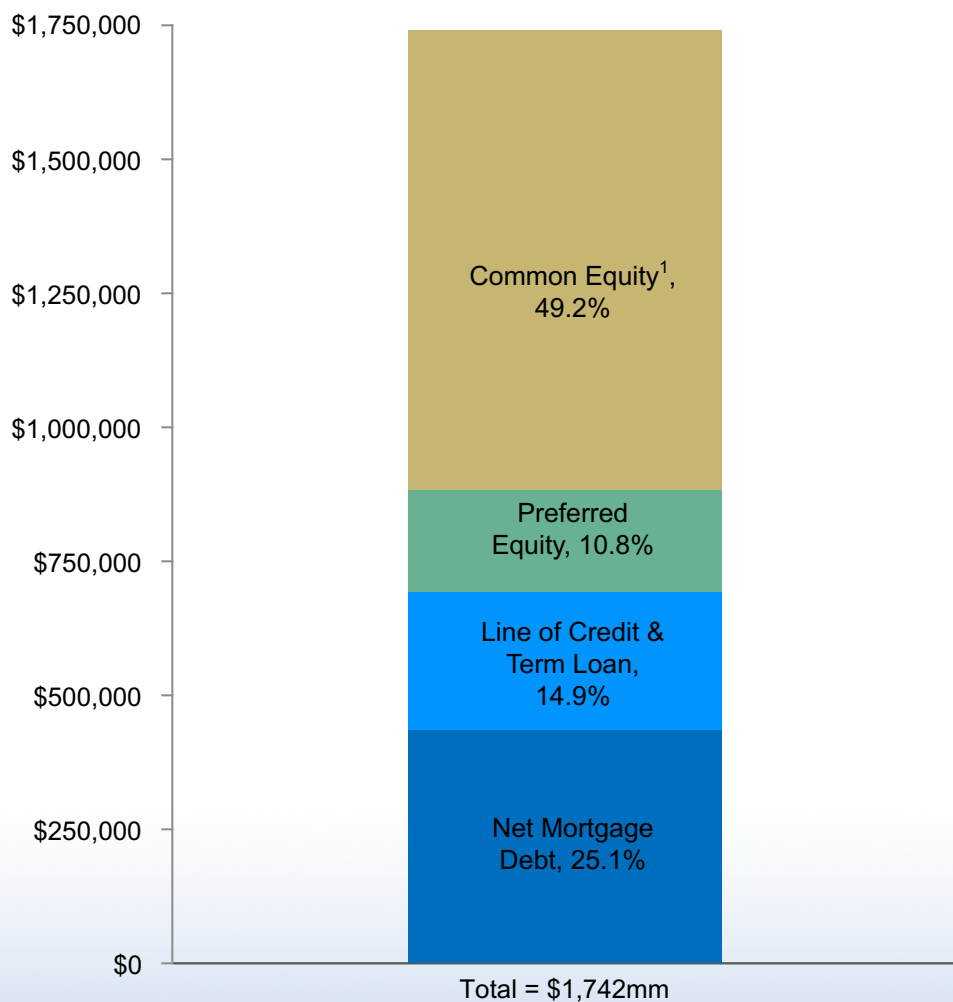
	For the three months ended (unaudited)		
	3/31/2022	12/31/2021	3/31/2021
Net income	\$ 3,391	\$ 3,076	\$ 38
Less: Distributions attributable to preferred and senior common stock	(3,062)	(3,081)	(3,034)
Less: Loss on extinguishment of Series F preferred stock	(5)	—	—
Net income (loss) available (attributable) to common stockholders and Non-controlling OP Unitholders	\$ 324	\$ (5)	\$ (2,996)
Adjustments:			
Add: Real estate depreciation and amortization	\$ 14,689	\$ 14,650	\$ 16,710
Add: Loss on sale of real estate, net	—	266	882
FFO available to common stockholders and Non-controlling OP Unitholders - basic	\$ 15,013	\$ 14,911	\$ 14,596
Add: Convertible senior common distributions	116	164	187
FFO available to common stockholders and Non-controlling OP Unitholders - diluted	\$ 15,129	\$ 15,075	\$ 14,783
FFO available to common stockholders and Non-controlling OP Unitholders - basic	\$ 15,013	\$ 14,911	\$ 14,596
Add: Write off shelf registration statement costs and prepaid ATM costs	131	—	—
Add: Asset retirement obligation expense	22	19	30
Add: Loan defeasance costs	—	—	669
Less: PACE financing amortization, net	—	—	(8)
Less: Acquisition related expenses	—	(3)	(122)
Core FFO available to common stockholders and Non-controlling OP Unitholders - basic	\$ 15,166	\$ 14,927	\$ 15,165
Add: Convertible senior common distributions	116	164	187
Core FFO available to common stockholders and Non-controlling OP Unitholders - diluted	\$ 15,282	\$ 15,091	\$ 15,352
Weighted average common shares outstanding and Non-controlling OP Units - basic	38,159,647	37,509,121	36,214,406
Weighted average common shares outstanding and Non-controlling OP Units - diluted	38,533,770	38,013,083	36,806,562
FFO per weighted average share of common stock and Non-controlling OP Unit - basic	\$ 0.39	\$ 0.40	\$ 0.40
FFO per weighted average share of common stock and Non-controlling OP Unit - diluted	\$ 0.39	\$ 0.40	\$ 0.40
Core FFO per weighted average share of common stock and Non-controlling OP Unit - basic	\$ 0.40	\$ 0.40	\$ 0.42
Core FFO per weighted average share of common stock and Non-controlling OP Unit - diluted	\$ 0.40	\$ 0.40	\$ 0.42
Distributions declared per share of common stock and Non-controlling OP Unit	\$ 0.376200	\$ 0.375825	\$ 0.375450

Condensed consolidated balance sheets

(\$ in thousands)	3/31/2022 (unaudited)	12/31/2021
ASSETS		
Real estate, at cost	\$ 1,240,928	\$ 1,225,258
Less: accumulated depreciation	276,612	266,672
Total real estate, net	964,316	958,586
Lease intangibles, net	112,655	114,494
Cash and cash equivalents	9,585	7,956
Restricted cash	5,075	5,222
Funds held in escrow	9,820	7,304
Right-of-use assets from operating leases	5,305	5,361
Deferred rent receivable, net	37,991	39,066
Other assets	9,662	5,363
TOTAL ASSETS	\$ 1,154,409	\$ 1,143,352
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Mortgage notes payable, net	\$ 446,720	\$ 449,944
Borrowings under revolver and term loan, net	258,663	257,582
Deferred rent liability, asset retirement obligation and other liabilities, net	64,195	63,003
TOTAL LIABILITIES	\$ 769,578	\$ 770,529
MEZZANINE EQUITY		
Series D, 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	38	37
Series F redeemable preferred stock	—	—
Additional paid in capital	692,795	671,134
Accumulated other comprehensive income	2,921	(1,346)
Distributions in excess of accumulated earnings	(482,493)	(468,523)
TOTAL STOCKHOLDERS' EQUITY	\$ 213,262	\$ 201,303
OP Units held by Non-controlling OP Unitholders	1,308	1,259
TOTAL EQUITY	\$ 214,570	\$ 202,562
TOTAL LIABILITIES, MEZZANINE EQUITY AND EQUITY	\$ 1,154,409	\$ 1,143,352

Capital structure

Current capital structure as of 3/31/2022 (\$000)

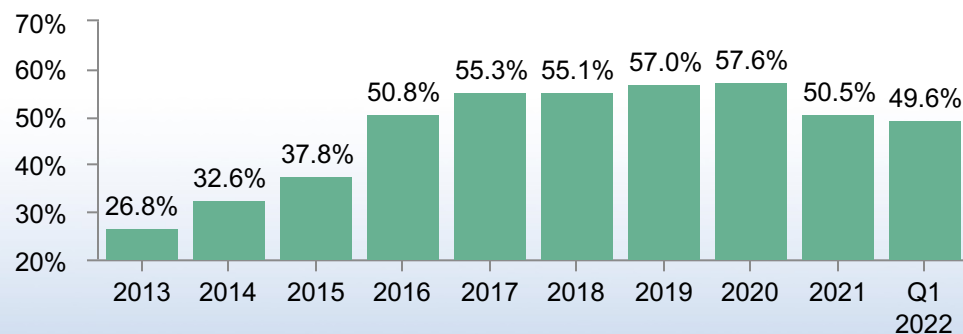


Capital Structure Details

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

	Wtd. Average Rate	3/31/2022
Mortgage Notes Payable, Net	4.19%	\$ 446,720
Less: Cash & Cash Equivalents		(9,585)
Net Mortgage Debt		\$ 437,135
Line of Credit	L+1.90%	\$ 34,550
Term Note	L+1.85%, L+2.00%	224,113
Line of Credit and Term Loan		\$ 258,663
Total Debt, Net		\$ 695,798
Series E - Preferred	6.625%	\$ 76,536
Series F - Preferred	6.00%	12,187
Series G - Preferred	6.00%	100,000
Total Preferred Equity		\$ 188,723
Diluted Common Shares Outstanding		38,923,115
Stock Price		\$ 22.02
Implied Common Equity¹ Market Capitalization		\$ 857,087
Enterprise Value		\$ 1,741,608

Institutional Stock Ownership²

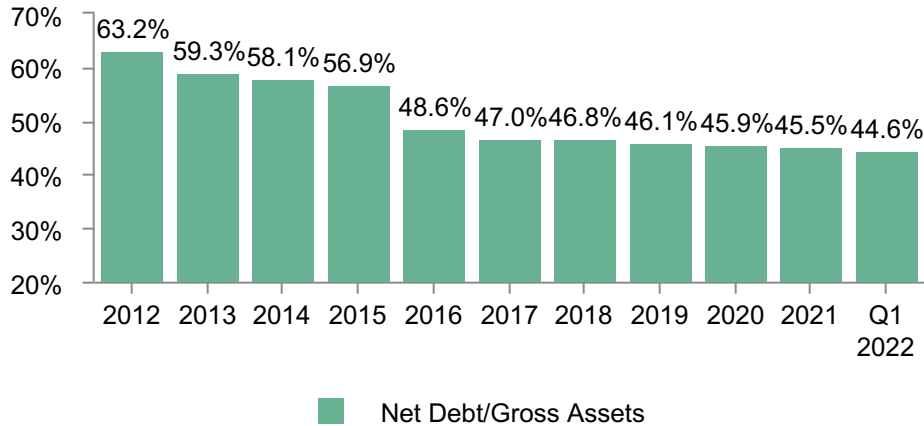


¹ Common Equity is based on the closing common stock price per share as of March 31, 2022 of \$22.02 and includes effect of OP units and convertible senior common stock.

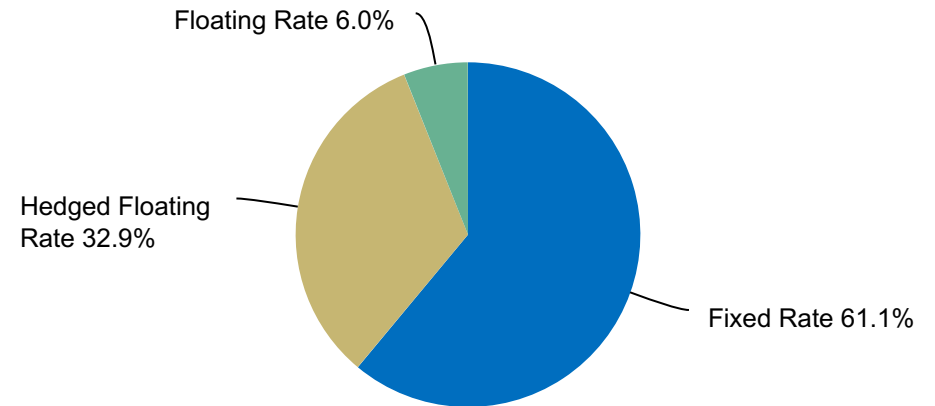
² Source: Nasdaq Online.

Liquidity and debt overview

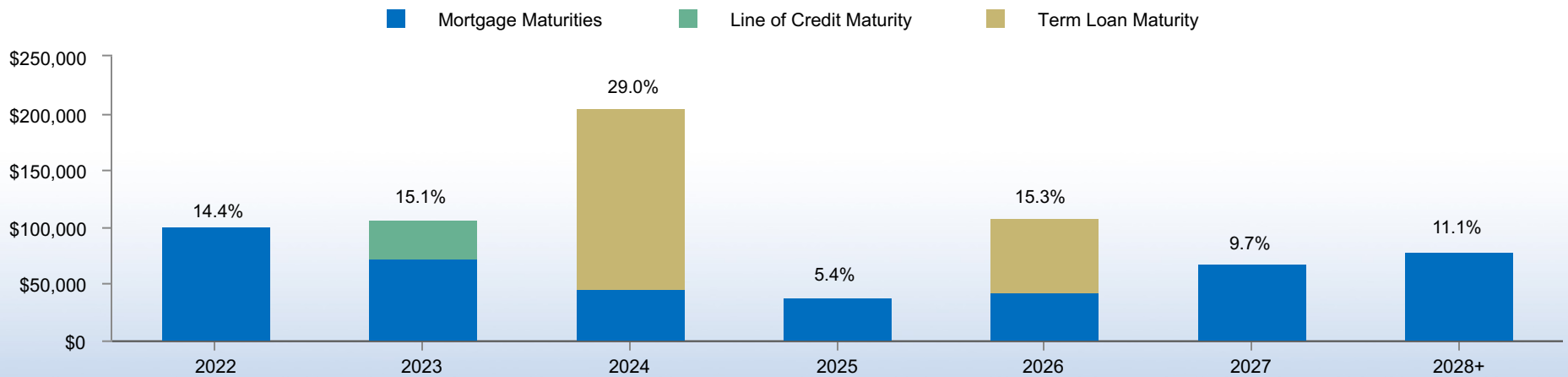
Reducing Leverage¹



Fixed vs. Floating Debt¹



Scheduled debt maturity¹ (\$000)



¹ As of 3/31/2022.

Debt summary

			(\$ in thousands)	
Principal Maturity Date	Weighted Average Interest Rate as of 3/31/2022		Principal Balance Outstanding as of 3/31/2022	
2022	4.68%	\$	94,190	
2023	4.31%		64,258	
2024	3.92%		38,514	
2025	4.03%		31,844	
2026	4.36%		45,546	
2027	4.32%		81,387	
2028	3.55%		30,417	
2029	4.74%		11,187	
2030	3.23%		40,650	
2031	3.24%		5,331	
2037	4.63%		6,082	
Contractual Mortgage Notes Payable:		4.19%	\$	449,406
Premiums (Discounts), net:				(117)
Total Mortgage Notes Payable:			\$	449,289
Variable-Rate Line of Credit:				
2023	LIBOR +1.90%	\$	34,550	
Variable-Rate Term Loan Facility:				
2024	LIBOR +1.85%	\$	160,000	
2026	LIBOR +2.00%		65,000	
Total Mortgage Notes Payable and Line of Credit		3.52%	\$	708,839

Select corporate covenants

Description	(\$ in thousands)	
	Threshold	March 31, 2022
Consolidated Tangible Net Worth	> \$547,190	\$685,735
Leverage Ratio	< 60%	52%
Fixed Charge Coverage Ratio	> 1.50	1.88
Maximum Dividend Payout (FFO based)	< 96%	95.1%
Secured Indebtedness	< 40%	32%

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



Portfolio Overview



Portfolio overview

Geographic diversity

- **131** 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 **97.0%**
- **4.2%** 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

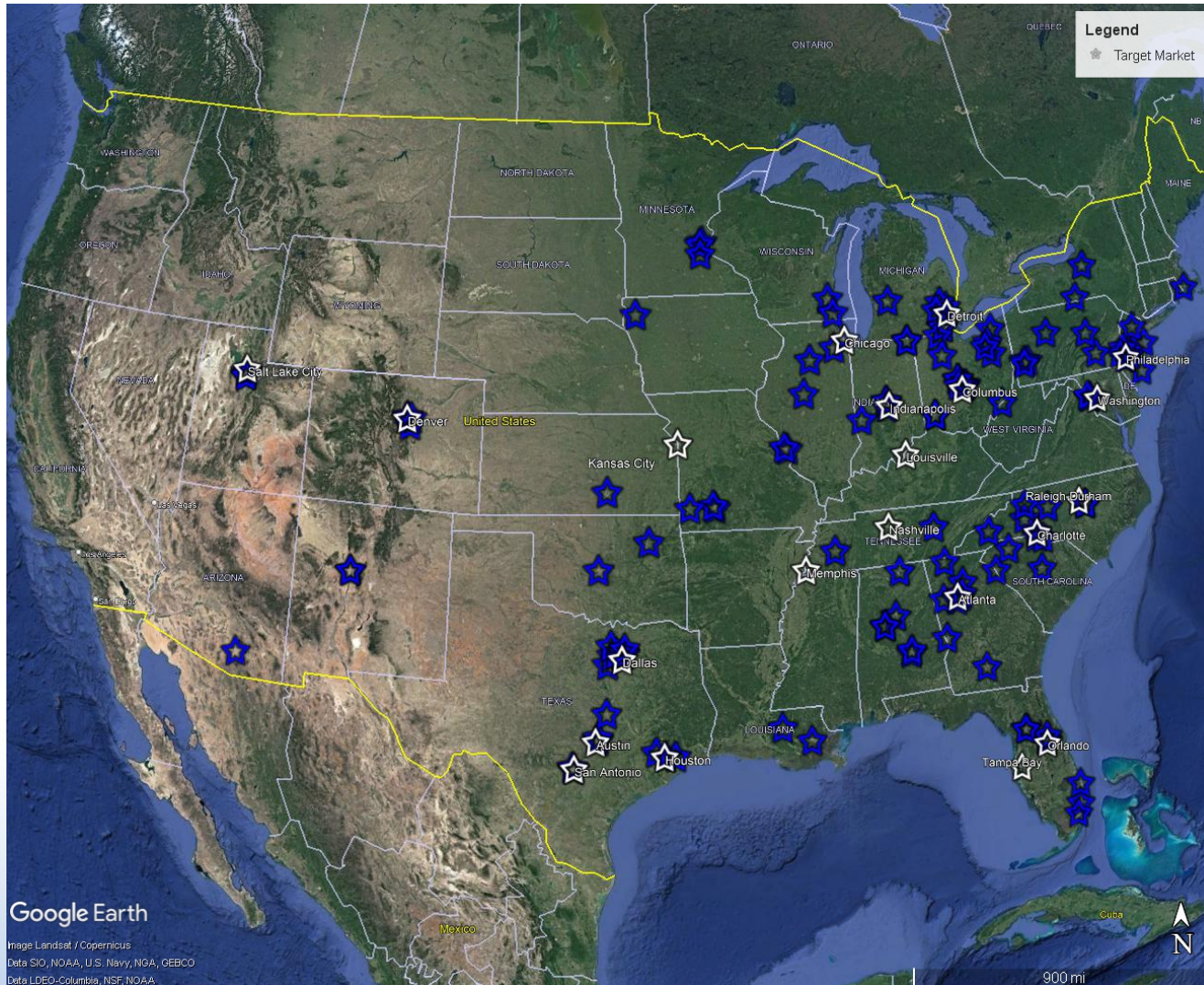
- Sell non-core assets
- Sold 23 properties in non-core markets since mid-2016
- Re-deploy proceeds in growth markets



Note: As of 3/31/2022.

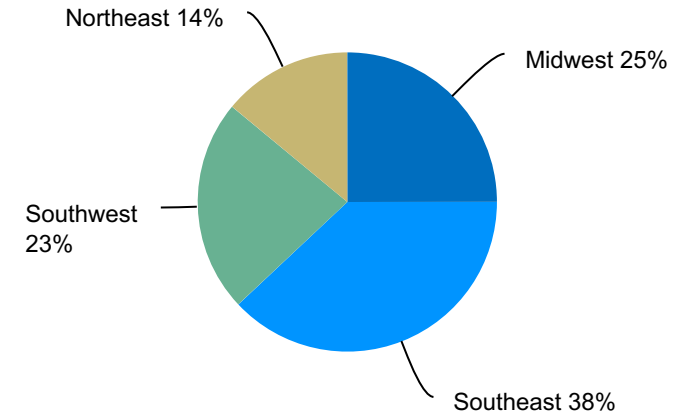
Diversified portfolio

131 properties spread across 27 states

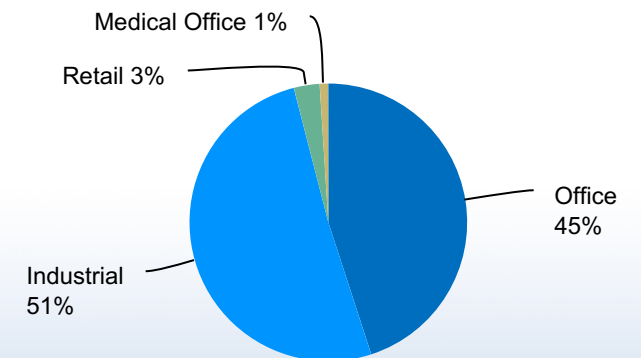


Note: As of 3/31/2022.






Geographic diversification
(by annualized straight line rent)



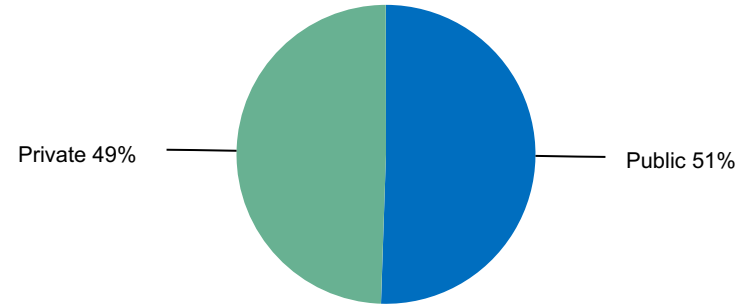
Property type diversification
(by annualized straight line rent)



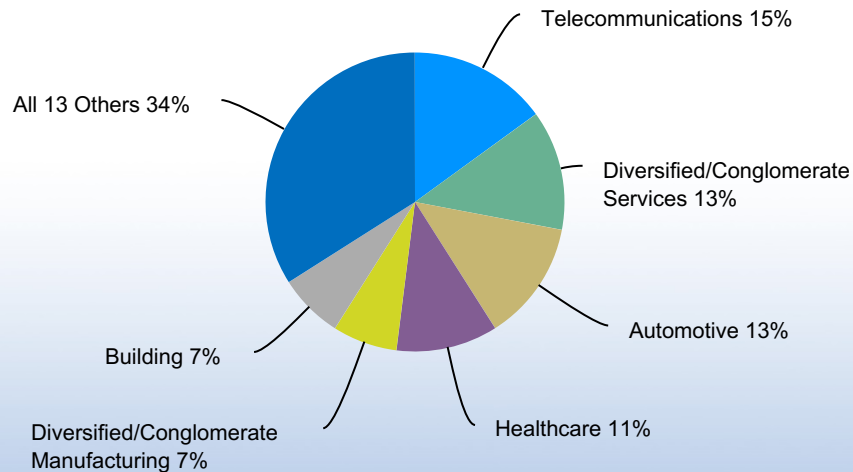
High quality, diversified portfolio

Top 5 tenants	% of annualized straight line rent	% of SF
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)

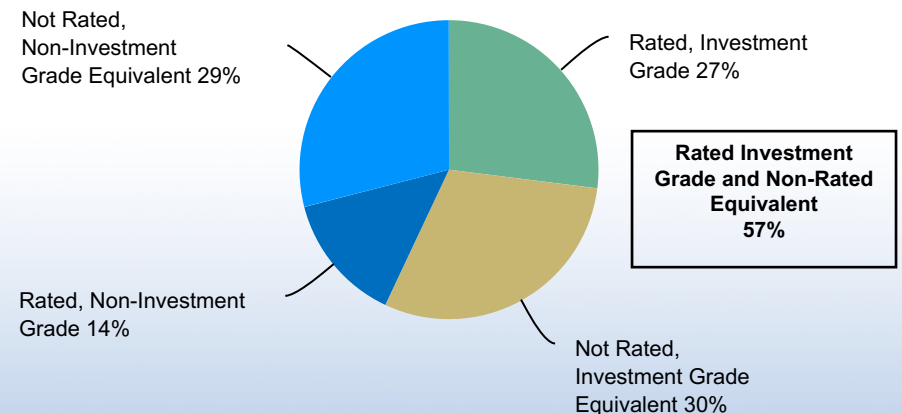


Industry diversification (based on annualized straight line rent)



Note: As of 3/31/2022.

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

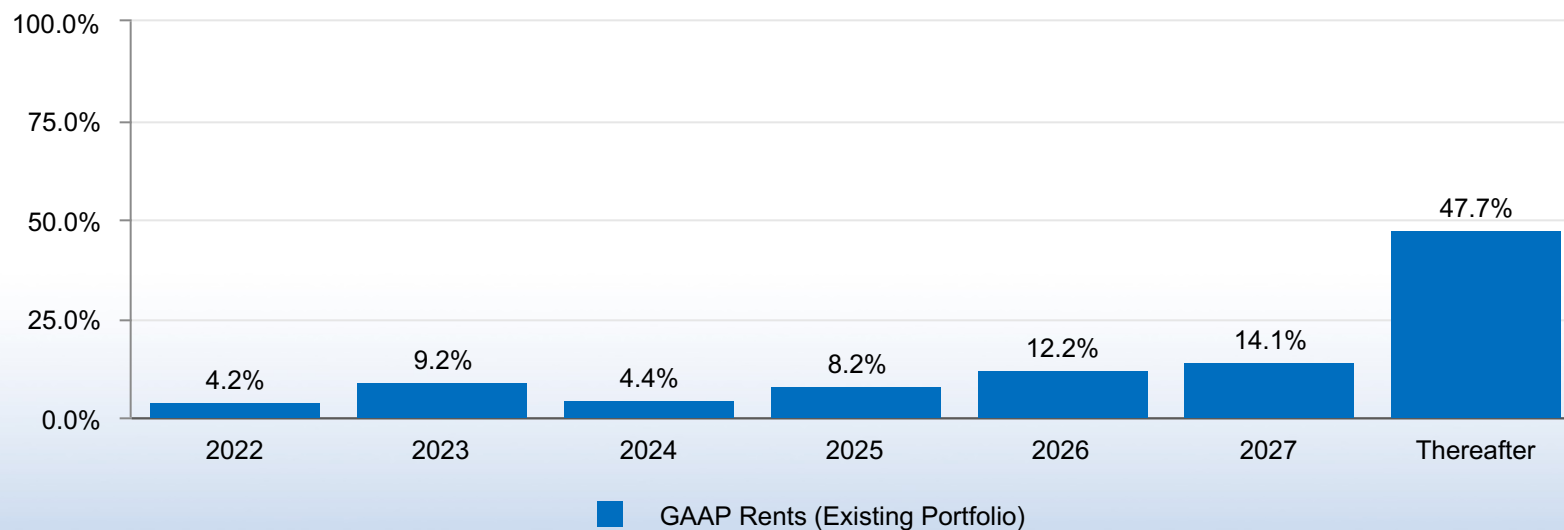


Smooth lease rollover

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
2022	284,838	3	\$ 5,169	4.2 %
2023	1,138,826	12	11,290	9.2 %
2024	1,251,411	8	5,484	4.4 %
2025	653,896	10	10,169	8.2 %
2026	1,855,130	14	15,041	12.2 %
2027	1,804,178	13	17,366	14.1 %
Thereafter	8,885,723	72	58,784	47.7 %
Total	15,874,002	132	\$ 123,303	100.0 %

Rent expiring



Note: As of 3/31/2022.



GLADSTONE