

July 31, 2017

Gladstone Commercial Corporation Reports Results for the Second Quarter Ended June 30, 2017

Please note that the limited information that follows in this press release is not adequate to make an informed investment judgment.

MCLEAN, Va., July 31, 2017 (GLOBE NEWSWIRE) -- Gladstone Commercial Corporation (NASDAQ:GOOD) ("Gladstone Commercial") today reported financial results for the second quarter ended June 30, 2017. A description of funds from operations, or FFO, and Core FFO, both non-GAAP (generally accepted accounting principles in the United States) financial measures, are located at the end of this press release. All per share references are to fully-diluted weighted average shares of common stock, unless otherwise noted. For further detail, please also refer to Gladstone Commercial's quarterly financial supplement and Quarterly Report on Form 10-Q, each of which can be retrieved at www.GladstoneCommercial.com.

Summary Information (dollars in thousands, except share and per share data):

	As of and for the three months ended			
	June 30, 2017	March 31, 2017	\$ Change	% Change
Operating Data:				
Total operating revenue	\$ 22,867	\$ 22,314	\$ 553	2.5%
Total operating expenses	(14,357) (1)	(17,708) (3)	3,351	(18.9)%
Other expense, net	(7,849) (2)	(250) (4)	(7,599)	3,039.6%
Net income available	\$ 661	\$ 4,356	\$ (3,695)	(84.8)%
Less: Dividends attributable to preferred stock	(2,437)	(2,373)	(64)	2.7%
Less: Dividends attributable to senior common stock	(249)	(248)	(1)	0.4%
Net (loss) income (attributable) available to common stockholders	\$ (2,025)	\$ 1,735	\$ (3,760)	(216.7)%
Add: Real estate depreciation and amortization	9,926	9,921	5	0.1%
Add: Impairment charge	253	3,746	(3,493)	(93.2)%
Add: Loss on sale of real estate	1,914	—	1,914	100.0%
Less: Gain on sale of real estate	—	(5,906)	5,906	(100.0)%
Funds from operations available to common stockholders - basic	\$ 10,068	\$ 9,496	\$ 572	6.0%
Add: Convertible senior common distributions	249	248	1	0.4%
Funds from operations available to common stockholders - diluted	\$ 10,317	\$ 9,744	\$ 573	5.9%
Funds from operations available to common stockholders - basic	10,068	9,496	572	6.0%
Less: Lease termination fee	(550)	—	(550)	100.0%
Core funds from operations available to common stockholders - basic	\$ 9,518	\$ 9,496	\$ 22	0.2%
Add: Convertible senior common distributions	249	248	1	0.4%
Core funds from operations available to common stockholders - diluted	\$ 9,767	\$ 9,744	\$ 23	0.2%
Share and Per Share Data:				
Net (loss) income (attributable) available to common stockholders - basic and diluted	(0.08)	0.07	(0.15)	(214.3)%
FFO available to common stockholders - basic	0.40	0.38	0.02	5.3%
FFO available to common stockholders - diluted	0.40	0.38	0.02	5.3%
Core FFO available to common stockholders - basic	0.38	0.38	—	—%
Core FFO available to common stockholders - diluted	0.37	0.38	(0.01)	(2.6)%
Weighted average shares of common stock outstanding - basic	25,276,824	24,963,926	312,898	1.3%
Weighted average shares of common stock outstanding - diluted	26,060,060	25,762,314	297,746	1.2%
Cash dividends declared per common share	\$ 0.375	\$ 0.375	\$ —	—%
Financial Position				
Real estate, before accumulated depreciation	\$ 825,651 (5)	\$ 825,027 (6)	\$ 624	0.1%
Total assets	\$ 831,573	\$ 832,977	\$ (1,404)	(0.2)%

Mortgage notes payable, net, borrowings under revolver, net & borrowings under term loan, net	\$ 484,781		\$ 496,268		\$ (11,487)	(2.3)%
Total stockholders' and mezzanine equity	\$ 316,416		\$ 307,569		\$ 8,847	2.9%
Properties owned	94	(5)	95	(6)	(1)	(1.1)%
Square feet owned	10,651,899	(5)	10,916,338	(6)	(264,439)	(2.4)%
Square feet leased	96.9 %		97.9 %		(1.0)%	(1.0)%

(1) Includes a \$0.3 million impairment charge recognized on one property held for sale.

(2) Includes a \$1.9 million loss on sale of real estate from two property sales.

(3) Includes a \$3.7 million impairment charge on two properties.

(4) Includes a \$5.9 million gain on sale of real estate from one property sale.

(5) Includes one property classified as held for sale of \$6.6 million and 86,308 square feet.

(6) Includes one property classified as held for sale of \$3.1 million and 51,155 square feet.

Second Quarter Activity:

- **Acquired property:** Acquired a \$15.5 million office property located in Conshohocken, Pennsylvania, which is 100% leased to one tenant for the next 8.5 years;
- **Sold properties:** Sold two properties located in Concord Township, Ohio and Hazelwood, Missouri, for gross proceeds of \$13.6 million, including a lease termination fee of \$550,000;
- **Expanded property:** Completed construction of a 75,000 square foot expansion at our Vance, Alabama property;
- **Renewed lease:** Executed an 5 year, 10-month lease extension through September 2028 with the anchor tenant at our Allen, Texas office center, which occupies approximately 73% of the property;
- **Issued new debt:** Issued \$6.7 million in new variable rate mortgage debt collateralized by two properties at an interest rate of one month LIBOR plus a spread of 2.75% and executed an interest rate cap on one month LIBOR;
- **Assumed debt:** Assumed \$11.2 million in mortgage debt, in connection with the Conshohocken, Pennsylvania acquisition, with a 3.55% fixed interest rate;
- **Issued Stock under ATM programs:** Issued 735,882 shares of common stock for net proceeds of \$15.6 million, and 185,359 shares of our Series D Preferred Stock for net proceeds of \$4.7 million; and
- **Paid distributions:** Paid monthly cash distributions for the quarter totaling \$0.375 per share on our common stock, \$0.4843749 per share on our Series A Preferred Stock, \$0.4688 per share on our Series B Preferred Stock, \$0.4375 per share on our Series D Preferred Stock, and \$0.2625 per share on our senior common stock.

Second Quarter 2017 Results: Core FFO available to common shareholders for the three months ended June 30, 2017, was \$9.8 million, or \$0.37 per share, a 0.2% increase when compared to the three months ended March 31, 2017. Core FFO increased primarily due to an increase in rental income from our June 2017 acquisition and decreased interest expense from reducing the balance outstanding on our revolving credit facility.

Net loss attributable to common stockholders for the three months ended June 30, 2017, was \$2.0 million, or \$0.08 per share, compared to net income available to common stockholders for the three months ended March 31, 2017, of \$1.7 million, or \$0.07 per share. A reconciliation of Core FFO to net (loss) income for the three months ended June 30, 2017 and March 31, 2017, which we believe is the most directly comparable GAAP measure to Core FFO, and a computation of basic and diluted Core FFO per weighted average share of common stock and basic and diluted net (loss) income per weighted average share of common stock is set forth in the Summary Information table above.

Subsequent to the end of the quarter:

- **Acquired properties:** Acquired a \$26.4 million industrial property located in Philadelphia, Pennsylvania, which is 100% leased to one tenant for the next 15.4 years, and acquired a \$51.4 million, three building office complex in Orlando, Florida which is 100% leased to six tenants with a weighted average lease term of 8.7 years;
- **Renewed lease:** Executed a 10 year lease extension through July 2031 with the tenant at our 223,275 square foot Pocono, Pennsylvania industrial facility, which maintains the property's 100% occupancy;
- **Issued common stock from overnight offering:** Issued 1,322,500 shares of common stock through an overnight offering and subsequent underwriters' exercise of the overallotment option, raising net proceeds of \$26.1 million;
- **Issued Stock under ATM programs:** Issued 561,351 shares of common stock for net proceeds of \$11.9 million and 64,236 shares of our Series D Preferred Stock for net proceeds of \$1.6 million; and
- **Declared distributions:** Declared monthly cash distributions for July, August and September 2017 totaling \$0.375 per share on our common stock, \$0.4843749 per share on our Series A Preferred Stock, \$0.46875 per share on our Series B Preferred Stock, \$0.4375 per share on our Series D Preferred Stock, and \$0.2625 per share on our senior common stock. Previously on July 11, 2017, Gladstone Commercial announced an ex-dividend date of September 18, 2017 for the September 2017 distribution and dividends. As an update to Gladstone Commercial's previous announcement, Gladstone Commercial notes that the ex-dividend date for the September 2017 distribution and dividends is September 19, 2017.

Comments from Gladstone Commercial's President, Bob Cutlip: "Our financial results reflect consistent performance and stabilized revenues from our highly occupied same store properties and the real estate investments made during 2016

and 2017, our ability to lease previously vacant space, and our deleveraging and capital recycling programs. We have continued our capital recycling program, whereby we have sold non-core assets located outside of our target growth markets and used the proceeds to de-lever our portfolio as well as acquire properties in our target growth markets. We have successfully exited three non-core assets so far during 2017, recognizing a net capital gain of \$4.0 million, and we will continue to opportunistically sell non-core assets and redeploy the proceeds into stronger target growth markets. Year to date, we have invested \$93.3 million into the strong markets of Philadelphia and Orlando, and will continue to invest in our target growth markets. We are extremely pleased with our solid performance over the last several years, and we believe our same store rents should be stable and growing through year end 2019, and we will be focused on investing in new properties as we only have 3.8% of forecasted rental income expiring during that entire time-frame. We are looking forward to continued growth and success for our shareholders."

Conference Call: Gladstone Commercial will hold a conference call on Tuesday August 1, 2017, at 8:30 a.m. EDT to discuss its earnings results. Please call (888) 734-0328 to enter the conference call. An operator will monitor the call and set a queue for questions. A conference call replay will be available beginning one hour after the call and will be accessible through September 1, 2017. To hear the replay, please dial (855) 859-2056 and use playback conference number 54350076. The live audio broadcast of the company's quarterly conference call will also be available on our website, www.GladstoneCommercial.com, and will also be archived and available for replay through October 1, 2017.

About Gladstone Commercial: Gladstone Commercial Corporation is a real estate investment trust that invests in net leased industrial, office and medical real property and selectively makes long-term industrial and commercial mortgage loans. Including payments through July 2017, Gladstone Commercial has paid 150 consecutive monthly cash distributions on its common stock. Prior to paying distributions on a monthly basis, Gladstone Commercial paid 5 consecutive quarterly cash distributions. The company has also paid 138 consecutive monthly cash distributions on its Series A Preferred Stock, 129 consecutive monthly cash distributions on its Series B Preferred Stock and 14 consecutive monthly cash distributions on its Series D Preferred Stock. Gladstone Commercial has never skipped, reduced or deferred a distribution since its inception in 2003. Further information can be found at www.GladstoneCommercial.com.

About the Gladstone Companies: Information on the business activities of all the Gladstone family of funds can be found at www.gladstonecompanies.com.

Investor Relations: For Investor Relations inquiries related to any of the monthly distribution-paying Gladstone family of funds, please visit www.gladstone.com.

Non-GAAP Financial Measures:

FFO: The National Association of Real Estate Investment Trusts ("NAREIT") developed FFO as a relative non-GAAP supplemental measure of operating performance of an equity REIT in order to recognize that income-producing real estate historically has not depreciated on the basis determined under GAAP. FFO, as defined by NAREIT, is 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, and after adjustments for unconsolidated partnerships and joint ventures. FFO does not represent cash flows from operating activities determined in accordance with GAAP and should not be considered an alternative to net income as an indication of its performance or to cash flow from operations as a measure of liquidity or ability to make distributions. Gladstone Commercial believes that FFO per share provides investors with an additional context for evaluating its financial performance and as a supplemental measure to compare it to other REITs; however, comparisons of its FFO to the FFO of other REITs may not necessarily be meaningful due to potential differences in the application of the NAREIT definition used by such other REITs.

Core FFO: Core FFO is FFO adjusted for certain items that are not indicative of the results provided by Gladstone Commercial's operating portfolio and affect the comparability of the company's period-over-period performance. These items include the adjustment for gains or losses from early extinguishment of debt and any other non-recurring expense adjustments. Although Gladstone Commercial's calculation of Core FFO differs from NAREIT's definition of FFO and may not be comparable to that of other REITs, the company believes it is a meaningful supplemental measure of its operating performance. Accordingly, Core FFO should be considered a supplement to net income computed in accordance with GAAP as a measure of our performance.

Gladstone Commercial's presentation of FFO, as defined by NAREIT, or presentation of Core FFO, does not represent cash flows from operating activities determined in accordance with GAAP and should not be considered an alternative to net income as an indication of its performance or to cash flow from operations as a measure of liquidity or ability to make distributions.

The statements in this press release regarding the forecasted stability of Gladstone Commercial's income, its ability, plans or prospects to re-lease its unoccupied properties, and grow its portfolio are "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. These forward-looking statements inherently involve certain risks and uncertainties, although they are based on Gladstone Commercial's current plans that are believed to be reasonable as of the date of this press release.

Factors that may cause actual results to differ materially from these forward-looking statements include, but are not limited to, Gladstone Commercial's ability to raise additional capital; availability and terms of capital and financing, both to fund its operations and to refinance its indebtedness as it matures; downturns in the current economic environment; the performance of its tenants; the impact of competition on its efforts to renew existing leases or re-lease space; and significant changes in interest rates. Additional factors that could cause actual results to differ materially from those stated or implied by its forward-looking statements are disclosed under the caption "Risk Factors" of its Form 10-K for the fiscal year ended December 31, 2016, as filed with the SEC on February 15, 2017. Gladstone Commercial cautions readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made. Gladstone Commercial undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

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