

August 3, 2015

Gladstone Commercial Corporation Reports Results for the Second Quarter Ended June 30, 2015

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

MCLEAN, Va., Aug. 3, 2015 (GLOBE NEWSWIRE) -- Gladstone Commercial Corporation (NASDAQ:GOOD), or the Company, today reported financial results for the second quarter ended June 30, 2015. 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. Please read the Company's Quarterly Report on Form 10-Q, filed today with the U.S. Securities and Exchange Commission, or the SEC, which can be retrieved from the SEC's website at www.sec.gov or from the Company's website 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, 2015	As of and for the three months ended March 31, 2015	Change	% Change
Operating Data:				
Total operating revenue	\$ 20,688	\$ 19,880	\$ 808	4.1%
Total operating expenses	(12,595)	(11,757)	(838)	7.1%
Other expense	(7,662)	(7,429)	(233)	3.1%
Net income	\$ 431	\$ 694	\$ (263)	-37.9%
Dividends attributable to preferred stock	(1,023)	(1,023)	--	0.0%
Dividends attributable to senior common stock	(261)	(224)	(37)	16.5%
Net loss attributable to common stockholders	\$ (853)	\$ (553)	\$ (300)	54.2%
Real estate depreciation and amortization	8,947	8,207	740	9.0%
Funds from operations available to common stockholders	\$ 8,094	\$ 7,654	\$ 440	5.7%
Acquisition related expenses	255	196	59	30.1%
Write-off of senior common offering costs	--	107	(107)	NM ⁽¹⁾
Core funds from operations available to common stockholders	\$ 8,349	\$ 7,957	\$ 392	4.9%

Share and Per Share Data:

Net loss attributable to common stockholders - basic & diluted	\$ (0.04)	\$ (0.03)	\$ (0.01)	33.3%
FFO available to common stockholders - basic	\$ 0.39	\$ 0.38	\$ 0.01	2.6%
FFO available to common stockholders - diluted	\$ 0.37	\$ 0.37	\$ --	0.0%
Core FFO available to common stockholders - basic	\$ 0.40	\$ 0.39	\$ 0.01	2.6%
Core FFO available to common stockholders - diluted	\$ 0.39	\$ 0.38	\$ 0.01	2.6%
Weighted average shares outstanding-basic	20,833,787	20,210,975	622,812	3.1%
Weighted average shares outstanding-diluted	21,664,386	20,934,606	729,780	3.5%
Cash dividends declared per common share	\$ 0.375	\$ 0.375	\$ --	0.0%

Financial Position:

Real estate, before accumulated depreciation	\$ 763,831 ⁽²⁾	\$ 740,842 ⁽³⁾	\$ 22,989	3.1%
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Total assets	\$ 830,340	\$ 807,282	\$ 23,058	2.9%
Mortgage notes payable, term preferred stock and borrowings under the line of credit	\$ 571,039	\$ 548,848 ⁽³⁾	\$ 22,191	4.0%
Total stockholders' equity	\$ 230,874	\$ 227,157	\$ 3,717	1.6%
Properties owned	99 ⁽²⁾	97 ⁽³⁾	2	2.1%
Square feet owned	10,946,768 ⁽²⁾	10,781,308 ⁽³⁾	165,460	1.5%
Square feet leased	97.9%	99.5%	-1.6%	-2.0%

(1) NM = Not meaningful

(2) Does not include real estate held for sale as of June 30, 2015.

(3) Does not include real estate held for sale as of March 31, 2015.

Second Quarter Activity:

- **Acquired properties:** Purchased 2 fully-occupied properties consisting of a total of 164,442 square feet for an aggregate purchase price of \$29.9 million at a weighted average cap rate of 8.0%;
- **Issued New Debt:** Issued \$17.5 million in mortgage debt collateralized by two properties acquired this quarter at a weighted average fixed interest rate of 3.93%;
- **Refinanced Mortgages:** Refinanced \$19.1 million in mortgage debt set to mature in 2015 at a variable interest rate equal to LIBOR + 2.25% (with a 3.0% LIBOR cap);
- **Issued common stock:** Issued 685,000 shares of common stock through our ATM Program, resulting in net proceeds of \$12.1 million;
- **Issued Loan:** Issued a \$0.3 million real estate interim financing loan, at an interest rate of 22%;
- **Modified Lease:** Modified lease with an anchor tenant in Columbus, Ohio, which will lease the entire building once the building's other tenant's lease terminates in 2016; 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, \$0.46875 per share on our Series B Preferred Stock, \$0.4453125 per share on our Series C Term Preferred Stock and \$0.2625 per share on our senior common stock.

Second Quarter 2015 Results: Core FFO available to common stockholders for the three months ended June 30, 2015, was \$8.3 million, or \$0.39 per share, a 4.9% increase when compared to the three months ended March 31, 2015. Total Core FFO increased primarily due to the increase in operating revenues derived from the two acquisitions this quarter, coupled with a decrease in general and administrative expenses, partially offset by an increase in property operating expenses from lease expirations during second quarter 2015.

Net loss attributable to common stockholders for the three months ended June 30, 2015, was (\$0.9) million, or (\$0.04) per share, compared to net loss attributable to common stockholders for the three months ended March 31, 2015, of (\$0.6) million, or (\$0.3) per share. A reconciliation of Core FFO to net income for the three months ended June 30, 2015 and March 31, 2015, which the Company believes 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 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 Property:** Purchased a 78,151 square foot building in Atlanta, Georgia for \$13.0 million at an average cap rate of 9.9%;
- **Issued New Debt:** Issued \$7.5 million in mortgage debt collateralized by one property acquired subsequent to the end of the quarter at a weighted average fixed interest rate of 4.53%;
- **Leased Vacant Property:** Executed a 12 year lease at a Raleigh, North Carolina property for 74% of building. The building is now 93% leased;
- **Refinanced Mortgages:** Refinanced \$11.3 million in mortgage debt set to mature in 2015 at a variable interest rate equal to LIBOR + 2.25% (with a 3.0% LIBOR cap); and
- **Declared Distributions:** Declared monthly cash distributions for July, August and September 2015 totaling \$0.375 per share on its common stock, \$0.4843749 per share on our Series A Preferred Stock, \$0.46875 per share on our Series B Preferred Stock, \$0.4453125 per share on our Series C Term Preferred Stock and \$0.2625 per share on our senior common stock.

Comments from the Company's President, Bob Cutlip: "Our results for the quarter reflect an increase in revenues from our real estate investments made during the past two quarters. The weighted average cap rate on our invested capital during the second quarter of 2015 was 8.0% and we financed both of these properties at a very attractive interest rate, resulting in highly accretive investments. We have successfully increased our total assets for 15 consecutive quarters and are extremely pleased

with our activity, high occupancy and consistency over the last several years. We have a very strong pipeline today and expect to close a substantial amount of deals during the remainder of 2015. We also continue to focus on our portfolio, working with our existing tenants to extend leases scheduled to expire in the remainder of 2015 and 2016, and to re-lease our space that remains vacant. We are looking forward to a successful 2015."

Conference Call: The Company will hold a conference call on Tuesday, August 4, 2015, 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 any questions. A conference call replay will be available beginning one hour after the call and will be accessible through September 4, 2015. To hear the replay, please dial (855) 859-2056 and use conference number 17278898. The live audio broadcast of the Company's quarterly conference call will also be available online at the Company's website, www.GladstoneCommercial.com. The event will also be archived and available for replay on the Company's website through October 4, 2015.

About Gladstone Commercial: Gladstone Commercial Corporation is a real estate investment trust that invests in and owns net leased industrial, commercial and retail real property and selectively makes long-term industrial and commercial mortgage loans. Including payments through June 2015, the Company has paid 126 consecutive monthly cash distributions on its common stock. Prior to paying distributions on a monthly basis, the Company paid 5 consecutive quarterly cash distributions. The Company has also paid 114 consecutive monthly cash distributions on its Series A Preferred Stock, 105 consecutive monthly cash distributions on its Series B Preferred Stock and 41 consecutive monthly cash distributions on its Series C Term Preferred Stock. The Company has never skipped, reduced or deferred a distribution since its inception in 2003. Further information on the Company can be found at www.gladstonecommercial.com.

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

Investor Relations: For Investor Relations inquiries related to any of the monthly dividend paying Gladstone 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. The Company 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 the Company's operating portfolio and affect the comparability of the Company's period-over-period performance. These items include the adjustment for property acquisitions costs, gains or losses from early extinguishment of debt and any other non-recurring expense adjustments. Although the Company'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.

The Company'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 Company's ability, plans or prospects to re-lease its unoccupied properties, grow its portfolio, and negotiate to extend leases 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 the Company'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, the Company'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, 2014, as filed with the SEC on February 18, 2015. The Company 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, except as required by law.

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