

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 OR 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) October 31, 2005

Gladstone Commercial Corporation  
(Exact name of registrant as specified in its chapter)

Maryland (State or other jurisdiction of incorporation)	0-50363 (Commission File Number)	020681276 (IRS Employer Identification No.)
1521 Westbranch Drive, Suite 200 McLean, Virginia (Address of principal executive offices)		22102 (Zip Code)

Registrant's telephone number, including area code: (703) 287-5800

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02 Results of Operations and Financial Condition.

On October 31, 2005, Gladstone Commercial Corporation issued a press release announcing its financial results for the third quarter ended September 30, 2005. The text of the press release is included as an exhibit to this Form 8-K. Pursuant to the rules and regulations of the Securities and Exchange Commission, such exhibit and the information set forth therein and herein are deemed to be furnished and shall not be deemed to be filed.

Item 9.01 Financial Statements and Exhibits.

- (a) Not applicable.
- (b) Not applicable.
- (c) Not applicable.
- (d) Exhibits.

Exhibit No. -----	Description -----
99.1	Press release dated October 31, 2005

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Gladstone Commercial Corporation  
(Registrant)

October 31, 2005

By:/s/ Harry Brill  
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(Harry Brill, Chief Financial Officer)

Gladstone Commercial Corporation Announces Financial Results  
for the Third Quarter Ended September 30, 2005

MCLEAN, Va.--(BUSINESS WIRE)--October 31, 2005--Gladstone  
Commercial Corp. (NASDAQ:GOOD):

- Net income increased to \$867,411 or \$0.11 per diluted common share
- Funds from Operations ("FFO") increased to \$2.0 million or \$0.26 per diluted common share
- The Company completed five acquisitions, consisting of seven properties, for total investment of \$39.5 million

Gladstone Commercial Corp. (NASDAQ:GOOD) (the "Company") today reported financial results for the quarter ended September 30, 2005. Net income for the quarter ended September 30, 2005 was \$867,411, or \$0.11 per basic and diluted weighted average common share, compared to \$685,038, or \$0.09 per basic and diluted weighted average common share for the third quarter one year ago. For the nine months ended September 30, 2005 net income was \$2,552,128 or \$0.33 per basic and diluted weighted average common share, compared to net income for the nine months ended September 30, 2004 of \$624,009, or \$0.08 per basic and diluted weighted average common share.

Funds from Operations ("FFO") for the quarter ended September 30, 2005 was \$2,007,592 or \$0.26 per diluted weighted average common share, compared to \$998,070 or \$0.13 per diluted weighted average common share for the same period one year ago. For the nine months ending September 30, 2005 FFO was \$4,927,040 or \$0.64 per diluted weighted average common share, compared to \$1,143,142 or \$0.15 per diluted weighted average common share for the same period one year ago.

For the three and nine months ended September 30, 2005, \$3,007 and \$5,943, respectively, was recorded as a realized foreign currency loss and, \$221,562 or \$0.03 per basic and diluted share and \$224,562 or \$0.03 per basic and diluted share respectively, was recorded as unrealized depreciation on translation of assets and liabilities. The unrealized depreciation was primarily a result of the valuation of the mortgage notes payable for two Canadian held properties, due to a decrease in the value of the US dollar relative to the Canadian dollar by approximately 5% between the date the notes were issued, July 19, 2005, and September 30, 2005. The unrealized depreciation on translation of assets and liabilities is not deductible for income tax purposes and these amounts must be distributed to stockholders or the Company could be subject to federal corporate income tax on these losses.

In the third quarter of 2005, the Company added seven additional properties with 696,523 square feet for an aggregate purchase price of approximately \$39.5 million. The Company also entered into long-term notes, collateralized by seven of its properties, for a total of approximately \$39.0 million, the proceeds of which were used to pay down the Company's line of credit.

Subsequent to the end of the quarter, the Company acquired two properties; a 70,598 square foot industrial building purchased for \$7.8 million and a 291,142 square foot industrial building purchased for \$5.2 million.

Subsequent to the end of the quarter, on October 3, 2005, the Company filed a shelf registration statement on Form S-3 (the "Registration Statement") with the U.S. Securities and Exchanges Commission (the "SEC") to allow the Company to issue additional equity securities in one or more offerings up to an aggregate dollar amount of \$75 million. The Registration Statement was declared effective by the SEC on October 24, 2005. The registration statement provides for the issuance of both common stock and preferred stock, the terms of which would be determined in the future by the Company's board of directors. The Company has no current plans to conduct an offering under the registration statement. The Company expects to use the net proceeds from any offerings pursuant to the shelf registration statement to make additional investments and fund its continuing operations. To read the Registration Statement in its entirety please visit the SEC filings page on our website at [www.gladstonecommercial.com](http://www.gladstonecommercial.com).

"Our third quarter results were lower than expected due to the loss from foreign currency translations. This loss is a non-cash loss based on the dollar currency conversion from the Canadian dollar and does not impact dividends," said Chip Stelljes, Executive Vice President and Chief Investment Officer. "During the quarter, we were very successful in growing our portfolio with the addition of seven new properties for an aggregate investment of \$39.5 million and we believe that we will continue building upon our portfolio performance. As of the end of the quarter, all tenants were paying as agreed and all portfolio properties were 100% occupied."

The National Association of Real Estate Investment Trusts (NAREIT) developed FFO, as a relative non-GAAP (Generally Accepted Accounting Principles) 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 (loss) (computed in accordance with GAAP), excluding gains (or losses) from sales of 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 in accordance with GAAP (which, unlike FFO, generally reflects all cash effects of transactions and other events in the determination of net income (loss)), and should not be considered an alternative to either net income (loss) as an indication of our performance or to cash flow from operations as a measure of liquidity or ability to make distributions.

A reconciliation of net income, which we believe is the most directly comparable GAAP measure, to FFO is set forth below:

	For the three months ended September 30, 2005	For the three months ended September 30, 2004	For the nine months ended September 30, 2005	For the nine months ended September 30, 2004
Net income	\$867,411	\$685,038	\$2,552,128	\$624,009
Real estate depreciation and amortization	1,140,181	313,032	2,374,912	519,133
Funds from operations	2,007,592	998,070	4,927,040	1,143,142
Weighted average shares outstanding - basic	7,672,000	7,648,250	7,669,619	7,644,099
Weighted average shares outstanding - diluted	7,725,667	7,697,079	7,718,441	7,703,504
Basic net income per weighted average common share	\$0.11	\$0.09	\$0.33	\$0.08
Diluted net income per weighted average common share	\$0.11	\$0.09	\$0.33	\$0.08
Basic funds from operations per weighted average common share	\$0.26	\$0.13	\$0.64	\$0.15
Diluted funds from operations per weighted average common share	\$0.26	\$0.13	\$0.64	\$0.15

To learn more about our FFO please refer to our Quarterly Report on Form 10-Q for the quarter ended September 30, 2005.

The financial statements attached below are without footnotes so readers should obtain and carefully review our Form 10-Q for the quarter ended September 30, 2005, including the footnotes to the financial statements contained therein. We have filed the Form 10-Q today with the SEC and the Form 10-Q can be retrieved from the SEC website at [www.SEC.gov](http://www.SEC.gov) or our website at [www.GladstoneCommercial.com](http://www.GladstoneCommercial.com).

Gladstone Commercial will have a conference call at 9:30 am EST, November 1, 2005. To enter the call please dial (866) 814-1917 and use the confirmation code 795651. An operator will monitor the call and set a queue for questions. To hear the replay of the call please dial (888) 266-2081 and use the confirmation code 795561. The conference call will also be broadcast on the internet through a link on Gladstone Commercial's web site and at [www.InvestorCalendar.com](http://www.InvestorCalendar.com).

Gladstone Commercial Corporation is a publicly traded real estate investment trust that focuses on investing in and owning triple-net leased industrial and commercial real estate properties through sale/leaseback transactions and selectively making long-term mortgage loans. Additional information can be found at

www.GladstoneCommercial.com.

For further information contact our Investor Relations Manager, Kelly Sargent at 703-287-5835.

This press release may include statements that 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, including statements with regard to the future performance of the Company and the closing of any transaction. Words such as "believe," "anticipates," "intends," "expects," "projects" and "future" or similar expressions are intended to identify forward-looking statements. 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 the Company's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements include, among others, those factors listed under the caption "Risk factors" of the Company's Annual Report on Form 10-K/A for the year ended, December 31, 2004, as filed with the Securities and Exchange Commission on October 21, 2005. 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.

Gladstone Commercial Corporation  
Consolidated Balance Sheets  
(Unaudited)

	September 30, 2005	December 31, 2004
-----		
ASSETS		
Real estate, net	\$129,028,346	\$60,466,330
Lease intangibles, net of accumulated amortization of \$826,865 and \$194,047, respectively	11,062,110	3,230,146
Mortgage notes receivable	21,047,274	11,107,717
Cash and cash equivalents	364,282	29,153,987
Funds held in escrow	1,723,782	1,060,977
Replacement reserve	1,088,242	-
Interest receivable - mortgage note	67,511	64,795
Interest receivable - employees	4,681	4,792
Deferred rent receivable	2,460,616	210,846
Deferred financing costs	1,486,841	-
Prepaid expenses	234,108	170,685
Deposits on real estate	200,000	50,000
Other assets	78,338	64,819
-----		
TOTAL ASSETS	\$168,846,131	\$105,585,094
=====		
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Due to Adviser	\$164,189	\$129,231
Accounts payable and accrued expenses	435,962	168,389
Dividends payable	-	920,040
Mortgage notes payable	42,158,247	-
Borrowings under line of credit	23,810,000	-
Rent received in advance, security deposits and funds held in escrow	2,078,037	1,674,741
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Total Liabilities	68,646,435	2,892,401
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STOCKHOLDERS' EQUITY		
Common stock, \$0.001 par value, 20,000,000 shares authorized and 7,672,000 and 7,667,000 shares issued and outstanding, respectively	7,672	7,667
Additional paid in capital	105,502,544	105,427,549
Notes receivable - employees	(432,906)	(375,000)
Distributions in excess of accumulated earnings	(4,877,614)	(2,367,523)
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Total Stockholders' Equity	100,199,696	102,692,693
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TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$168,846,131	\$105,585,094

Gladstone Commercial Corporation  
Consolidated Statements of Operations  
(Unaudited)

	For the three months ended September 30, 2005	For the three months ended September 30, 2004	For the nine months ended September 30, 2005	For the nine months ended September 30, 2004
OPERATING REVENUES				
Rental income	\$3,453,777	\$1,066,076	\$7,536,025	\$1,667,538
Interest income from mortgage notes receivable	553,968	284,659	1,351,197	697,059
Tenant recovery revenue	28,208	-	69,808	-
Total operating revenues	4,035,953	1,350,735	8,957,030	2,364,597
OPERATING EXPENSES				
Depreciation and amortization	1,140,181	313,032	2,374,912	519,133
Management advisory fee	609,171	333,825	1,564,826	843,360
Professional fees	99,799	38,373	447,802	313,804
Taxes and licenses	37,399	973	191,112	13,543
Insurance	70,244	59,579	207,648	188,554
Interest	895,775	-	1,186,798	-
General and administrative	107,059	74,881	337,722	352,145
Total operating expenses	2,959,628	820,663	6,310,820	2,230,539
Income from operations	1,076,325	530,072	2,646,210	134,058
Interest income				
Interest income from temporary investments	10,093	153,716	117,806	488,701
Interest income - employee loans	5,562	1,250	15,483	1,250
Total interest income	15,655	154,966	133,289	489,951
Realized and unrealized loss from foreign currency				
Net realized loss from foreign currency transactions	(3,007)	-	(5,943)	-
Net unrealized appreciation (depreciation) on translation of assets and liabilities in a foreign currency	(221,562)	-	(221,428)	-
Total net realized and unrealized loss from foreign currency	(224,569)	-	(227,371)	-

NET INCOME	\$867,411	\$685,038	\$2,552,128	\$624,009
	=====	=====	=====	=====
Earnings per weighted average common share				
Basic	\$0.11	\$0.09	\$0.33	\$0.08
	=====	=====	=====	=====
Diluted	\$0.11	\$0.09	\$0.33	\$0.08
	=====	=====	=====	=====
Weighted average shares outstanding				
Basic	7,672,000	7,648,250	7,669,619	7,644,099
	=====	=====	=====	=====
Diluted	7,725,667	7,697,079	7,718,441	7,703,504
	=====	=====	=====	=====

Gladstone Commercial Corporation  
Consolidated Statements of Cash Flows  
(Unaudited)

	For the nine months ended September 30, 2005	For the nine months ended September 30, 2004
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Cash flows from operating activities:		
Net income	\$2,552,128	\$624,009
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,374,912	519,133
Changes in assets and liabilities:		
Amortization of deferred financing costs	158,457	-
Amortization of deferred rent asset	114,700	-
Increase in mortgage interest receivable	(2,716)	(61,840)
Decrease (increase) in employee interest receivable	111	(1,250)
Increase in prepaid expenses	(63,423)	(37,293)
Increase in other assets	(13,520)	(25,319)
Increase in deferred rent receivable	(369,624)	(100,110)
Increase in replacement reserve	(1,088,242)	-
Increase in accounts payable and accrued expenses	267,574	11,898
Increase (decrease) in due to Adviser	34,958	(124,656)
(Decrease) increase in rent received in advance and security deposits	(259,509)	475,515
	-----	-----
Net cash provided by operating activities	3,705,806	1,280,087
	-----	-----
Cash flows from investing activities:		
Acquisition of real estate	(80,763,736)	(45,756,858)
Issuance of mortgage note receivable	(10,000,000)	(11,170,000)
Deposit on future acquisition	(200,000)	(200,000)
Principal repayments on mortgage note receivable	60,443	38,950
	-----	-----
Net cash used in investing activities	(90,903,293)	(57,087,908)
	-----	-----
Cash flows from financing activities:		
Offering costs	-	(7,730)
Proceeds from borrowings under mortgage note payable	42,190,283	-
Principal repayments on mortgage note payable	(32,036)	-
Borrowings from line of credit	69,410,000	-
Repayments on the line of credit	(45,600,000)	-
Principal repayments on employee loans	17,094	-
Payments for deferred financing costs	(1,595,299)	-
Dividends paid	(5,982,260)	(1,910,500)
	-----	-----
Net cash provided by (used in) financing activities	58,407,782	(1,918,230)
	-----	-----
Net decrease in cash and cash equivalents	(28,789,705)	(57,726,051)

Cash and cash equivalents, beginning of period	29,153,987	99,075,765
	-----	-----
Cash and cash equivalents, end of period	\$364,282	\$41,349,714
	=====	=====
Cash paid during period for interest	\$1,028,341	\$-
	-----	-----
NON-CASH FINANCING ACTIVITIES		
Notes receivable issued in exchange for common stock associated with the exercise of employee stock options	\$75,000	\$375,000
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CONTACT: Gladstone Commercial Corporation  
Kelly Sargent, 703-287-5835