

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

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**Form 8-K**

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**CURRENT REPORT**

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

Date of Report (Date of earliest event Reported): August 8, 2023

**Gladstone Commercial Corporation**

(Exact Name of Registrant as Specified in Charter)

**Maryland**  
(State or Other Jurisdiction of Incorporation)

**001-33097**  
(Commission File Number)

**02-0681276**  
(I.R.S. Employer Identification Number)

**1521 Westbranch Drive, Suite 100, McLean, Virginia 22102**

(Address of Principal Executive Offices) (Zip Code)

**(703) 287-5800**

(Registrant's telephone number, including area code)

**Not Applicable**

(Former name or former address, if changed since last report)

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))

Securities registered pursuant to Section 12(b) of the Act:

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<b>Title of each class</b>	<b>Trading Symbol(s)</b>	<b>Name of each exchange on which registered</b>
Common Stock, par value \$0.001 per share	GOOD	The Nasdaq Stock Market LLC
6.625% Series E Cumulative Redeemable Preferred Stock, par value \$0.001 per share	GOODN	The Nasdaq Stock Market LLC
6.00% Series G Cumulative Redeemable Preferred Stock, par value \$0.001 per share	GOODO	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant is an emerging growth company as defined in as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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**Item 2.02 Results of Operations and Financial Condition.**

On August 8, 2023, Gladstone Commercial Corporation issued a press release announcing its financial results for the second quarter ended June 30, 2023. The text of the press release is included as Exhibit 99.1 to this Current Report on 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.

<b><u>Exhibit No.</u></b>	<b><u>Description</u></b>
99.1	<a href="#">Press release dated August 8, 2023.</a>
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

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**SIGNATURE**

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**

Date: August 8, 2023

By: /s/ Gary Gerson  
Gary Gerson  
Chief Financial Officer

**Gladstone Commercial Corporation Reports Results for the Second Quarter Ended June 30, 2023**

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

MCLEAN, VA, August 8, 2023 (ACCESSWIRE) -- Gladstone Commercial Corporation (Nasdaq: GOOD) ("Gladstone Commercial" or the "Company") today reported financial results for the second quarter ended June 30, 2023. 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 and Non-controlling OP Units, unless otherwise noted. For further detail, please also refer to both the quarterly financial supplement and the Company's Quarterly Report on Form 10-Q, which can be retrieved from the Investors section of our website at [www.gladstonecommercial.com](http://www.gladstonecommercial.com).

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

	As of and for the three months ended			
	June 30, 2023	March 31, 2023	\$ Change	% Change
<b>Operating Data:</b>				
Total operating revenue	\$ 38,658	\$ 36,554	\$ 2,104	5.8 %
Total operating expenses	(33,716) (1)	(24,664)	(9,052)	36.7 %
Other expense, net	(9,530) (2)	(8,723)	(807)	9.3 %
Net (loss) income	\$ (4,588)	\$ 3,167	\$ (7,755)	(244.9)%
Less: Dividends attributable to preferred stock	(3,058)	(3,022)	(36)	1.2 %
Less: Dividends attributable to senior common stock	(106)	(109)	3	(2.8) %
Less: Loss on extinguishment of Series F preferred stock	(6)	(5)	(1)	20.0 %
Add: Gain on repurchase of Series G preferred stock	—	3	(3)	(100.0) %
Net (loss) gain (attributable) available to common stockholders and Non-controlling OP Unitholders	\$ (7,758)	\$ 34	\$ (7,792)	(22,917.6) %
Add: Real estate depreciation and amortization	16,936	14,704	2,232	15.2 %
Add: Impairment charge	6,823	—	6,823	100.0 %
Add: Loss on sale of real estate, net	451	—	451	100.0 %
<b>Funds from operations available to common stockholders and Non-controlling OP Unitholders - basic</b>	<b>\$ 16,452</b>	<b>\$ 14,738</b>	<b>\$ 1,714</b>	<b>11.6 %</b>
Add: Convertible senior common distributions	106	109	(3)	(2.8) %
<b>Funds from operations available to common stockholders and Non-controlling OP Unitholders - diluted</b>	<b>\$ 16,558</b>	<b>\$ 14,847</b>	<b>\$ 1,711</b>	<b>11.5 %</b>
Funds from operations available to common stockholders and Non-controlling OP Unitholders - basic	\$ 16,452	\$ 14,738	\$ 1,714	11.6 %
Add: Write off shelf registration statement costs and prepaid ATM costs	—	110	(110)	(100.0) %
Add: Asset retirement obligation expense	32	31	1	3.2 %
<b>Core funds from operations available to common stockholders and Non-controlling OP Unitholders - basic</b>	<b>\$ 16,484</b>	<b>\$ 14,879</b>	<b>\$ 1,605</b>	<b>10.8 %</b>
Add: Convertible senior common distributions	106	109	(3)	(2.8) %
<b>Core funds from operations available to common stockholders and Non-controlling OP Unitholders - diluted</b>	<b>\$ 16,590</b>	<b>\$ 14,988</b>	<b>\$ 1,602</b>	<b>10.7 %</b>
<b>Share and Per Share Data:</b>				
Net (loss) gain (attributable) available to common stockholders and Non-controlling OP Unitholders - basic and diluted	\$ (0.19)	\$ —	\$ (0.19)	(100.0) %
FFO available to common stockholders and Non-controlling OP Unitholders - basic	\$ 0.41	\$ 0.37	\$ 0.04	10.8 %

FFO available to common stockholders and Non-controlling OP Unitholders - diluted	\$	0.41	\$	0.37	\$	0.04	10.8 %
Core FFO available to common stockholders and Non-controlling OP Unitholders - basic	\$	0.41	\$	0.37	\$	0.04	10.8 %
Core FFO available to common stockholders and Non-controlling OP Unitholders - diluted	\$	0.41	\$	0.37	\$	0.04	10.8 %
Weighted average shares of common stock and Non-controlling OP Units outstanding - basic		40,370,142		40,313,827		56,315	0.1 %
Weighted average shares of common stock and Non-controlling OP Units outstanding - diluted		40,715,274		40,659,514		55,760	0.1 %
Cash dividends declared per common share and Non-controlling OP Unit	\$	0.30	\$	0.30	\$	—	— %

#### Financial Position

Real estate, before accumulated depreciation	\$	1,296,283	(3)	\$	1,303,039	(4)	\$	(6,756)	(0.5)%
Total assets	\$	1,181,935		\$	1,188,478		\$	(6,543)	(0.6)%
Mortgage notes payable, net, borrowings under revolver, net and borrowings under term loan, net	\$	753,734		\$	747,546		\$	6,188	0.8 %
Total equity and mezzanine equity	\$	353,764		\$	362,564		\$	(8,800)	(2.4)%
Properties owned		136	(3)		137	(4)		(1)	(0.7)%
Square feet owned		17,216,094	(3)		17,179,951	(4)		36,143	0.2 %
Square feet leased		96.0 %			95.9 %			0.1 %	0.1 %

- (1) Includes a \$6.8 million impairment charge recognized across three properties during the three months ended June 30, 2023.
- (2) Includes a \$0.5 million loss on sale, net, from the sale of two properties during the three months ended June 30, 2023.
- (3) Includes six properties classified as held for sale of \$63.4 million and 558,152 square feet, in the aggregate.
- (4) Includes two properties classified as held for sale of \$17.5 million and 158,501 square feet, in the aggregate.

#### Second Quarter Activity:

- **Collected 100% of cash rents:** Collected 100% of cash rents due during April, May, and June;
- **Acquired property:** Purchased one fully-occupied, 76,089 square feet property for \$5.3 million, at a cap rate of 9.71%;
- **Sold property:** Sold two non-core properties as part of our capital recycling program for \$4.7 million;
- **Repaid debt:** Repaid \$2.7 million in fixed rate mortgage debt at an interest rate of 4.16%;
- **Extended mortgage debt maturity date:** Extended the maturity date of an \$8.8 million fixed rate mortgage note from July 2023 to July 2024;
- **Renewed leases:** Renewed 502,362 square feet with remaining lease terms ranging from 5.4 to 14.0 years at six of our properties;
- **Issued Series F Preferred Stock:** Issued 166,663 shares of our Series F Preferred Stock for net proceeds of \$3.8 million;
- **Repurchased Common Stock:** Repurchased \$1.0 million of common stock under our common stock repurchase program; and
- **Paid distributions:** Paid monthly cash distributions for the quarter totaling \$0.30 per share on our common stock and Non-controlling OP Units, \$0.414063 per share on our Series E Preferred Stock, \$0.375 per share on our Series F Preferred Stock, \$0.375 per share on our Series G Preferred Stock, and \$0.2625 per share on our senior common stock.

**Second Quarter 2023 Results:** Core FFO available to common shareholders and Non-controlling OP Unitholders for the three months ended June 30, 2023 was \$16.6 million, a 10.7% increase when compared to the three months ended March 31, 2023, equaling \$0.41 per share. Core FFO increased primarily due to accelerated rent from a lease termination.

Net loss attributable to common stockholders and Non-controlling OP Unitholders for the three months ended June 30, 2023 was \$7.8 million, or \$0.19 per share, compared to net income available to common stockholders and Non-controlling OP Unitholders for the three months ended March 31, 2023 of \$0.03 million, or \$0.00 per share. In the Summary Information table above, we provide a reconciliation of Core FFO to net loss for the three months ended June 30, 2023 and March 31, 2023, which we believe is the most directly comparable GAAP measure to Core FFO, a computation of basic and diluted Core FFO per weighted average share of common stock and Non-controlling OP Unit, as well as basic and diluted net loss per weighted average share of common stock and Non-controlling OP Unit.

#### Subsequent to the end of the quarter:

- **Collected 100% of July cash rent:** Collected 100% of cash rents due in July;
- **Issued Series F Preferred Stock:** Issued 33,198 shares of Series F Preferred Stock for net proceeds of \$0.8 million;
- **Acquired property:** Purchased two industrial properties for \$11.9 million in the aggregate, with approximately 107,714 square feet of total rented space;
- **Sold property:** Sold one non-core property as part of our capital recycling program for \$6.8 million;
- **Repaid debt:** Repaid \$35.7 million, in the aggregate, of fixed rate debt at a weighted average interest rate of 4.85%;
- **Renewed and leased space:** Renewed 397,524 square feet with remaining lease terms ranging from 13.9 to 18.7 years at two of our properties; and
- **Declared distributions:** Declared monthly cash distributions for July, August, and September 2023, totaling \$0.30 per share on our common stock and Non-controlling OP Units, \$0.414063 per share on our Series E Preferred Stock, \$0.375 per share on our Series F Preferred Stock, \$0.375 per share on our Series G Preferred Stock, and \$0.2625 per share on our senior common stock.

**Comments from Gladstone Commercial's President, Buzz Cooper:** "Our financial results reflect consistent performance and stabilized revenues from our tremendous same store property occupancy, rent collection and growth, accretive real estate investments made during 2023, and our ability to renew tenants, as well as our deleveraging and capital recycling programs. During the first half of 2023 and through today, we have invested \$17.2 million in three assets in target markets, and we intend to continue our capital recycling program, whereby we will sell non-core assets and use the proceeds to de-lever our portfolio, as well as acquire properties in our target growth markets. We have successfully exited three assets thus far in 2023, and we have additional non-core assets we anticipate selling in the next one to two years that we believe will result in capital gains. We will continue to opportunistically sell non-core assets and redeploy the proceeds into stronger target growth markets with a focus on industrial investment opportunities. While we expect to face challenges due to the lingering effects of the pandemic and significant inflation with a corresponding increase in interest rates, we feel strongly about the depth of our tenant credit underwriting, which will allow us to acquire accretive assets in this business environment. We have collected 100% of the second quarter's cash rents and 100% of July cash rents. We anticipate our tenants will successfully navigate the current economic climate and will be able to continue operating successfully when economic normalcy returns fully. Despite economic uncertainty, so far during 2023, we renewed or newly leased 1,256,292 square feet with nine tenants. We are actively marketing our remaining vacant space and currently anticipate positive outcomes. In 2022, we amended our credit facility to add a new term loan component, and increased our revolver, which we believe will be a great source of financial flexibility in these uncertain markets. We expect to continue to have access to the debt and equity markets, as necessary, for added liquidity. We believe our same store rents, which have increased by 2% annually in recent years, should continue to rise as we grow, and we will continue to primarily focus on investing in our target markets, with an emphasis on industrial properties and actively managing our portfolio."

**Conference Call:** Gladstone Commercial will hold a conference call on Wednesday, August 9, 2023, at 8:30 a.m. Eastern Time to discuss its earnings results. Please call (877) 407-9045 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 August 16, 2023. To hear the replay, please dial (877) 660-6853 and use playback conference number 13739228. The live audio broadcast of the Company's quarterly conference call will also be available on the investors section of our website, [www.gladstonecommercial.com](http://www.gladstonecommercial.com).

**About Gladstone Commercial:** Gladstone Commercial Corporation is a real estate investment trust focused on acquiring, owning, and operating net leased industrial and office properties across the United States. Further information can be found at [www.gladstonecommercial.com](http://www.gladstonecommercial.com).

**About the Gladstone Companies:** Information on the business activities of the Gladstone family of funds can be found at [www.gladstonecompanies.com](http://www.gladstonecompanies.com).

**Investor Relations:** For Investor Relations inquiries related to any of the monthly distribution-paying Gladstone family of funds, please visit [www.gladstonecompanies.com](http://www.gladstonecompanies.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 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

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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 acquisition related expenses, 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 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, 2022, as filed with the SEC on February 22, 2023, and other reports filed with the SEC. 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.*

**CONTACT:**

Gladstone Commercial Corporation  
(703) 287-5893