



Gladstone Commercial Corporation (GOOD)

Updated February 22nd, 2026, by Josh Arnold

Key Metrics

Current Price:	\$12.55	5 Year CAGR Estimate:	11.6%	Market Cap:	\$608 M
Fair Value Price:	\$15.73	5 Year Growth Estimate:	0.0%	Ex-Dividend Date:	03/23/26
% Fair Value:	80%	5 Year Valuation Multiple Estimate:	4.6%	Dividend Payment Date:	03/31/26
Dividend Yield:	9.6%	5 Year Price Target	\$15.73	Years Of Dividend Growth:	0
Dividend Risk Score:	F	Sector:	Real Estate	Rating:	Sell

Overview & Current Events

Gladstone Commercial Corporation is a real estate investment trust, or REIT, that specializes in single-tenant and anchored multi-tenant net leased industrial and office properties across the U.S. The trust targets primary and secondary markets that possess favorable economic growth trends, growing populations, strong employment, and robust growth trends. The trust's stated goal is to pay shareholders monthly distributions, which it has done for many years. Gladstone owns over 100 properties in 24 states that are leased to about 100 unique tenants and has a market capitalization of \$608 million.

Gladstone posted fourth-quarter and full-year earnings on February 19th, 2026, and results were better than expected on both the top and bottom lines. Funds-from-operations per-share came to 37 cents in Q4, which was a penny ahead of estimates. Revenue was \$43.46 million, which was \$2.23 million better than expected. Same-store lease revenue was up 4% in the 12 months ending in December against the same period a year earlier. Operating revenue for the quarter was \$43.5 million, while operating expenses were \$26.4 million.

Net assets increased during the year from \$1.1 billion to \$1.2 billion. Management noted that during 2025 Gladstone acquired \$206 million of industrial assets across 10 facilities totaling 1.6 million square feet. These deals carried a weighted average cap rate of 8.88% and an average lease term of 15.9 years. The company saw 100 collection of cash-based rents, and occupancy of 99.1% across its portfolio, with the average remaining lease being 7.3 years.

We start 2026 with an essentially flat estimate of FFO-per-share at \$1.43.

Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
FFO	\$1.53	\$1.54	\$1.58	\$1.58	\$1.57	\$1.54	\$1.56	\$1.47	\$1.42	\$1.40	\$1.43	\$1.43
DPS	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.20	\$1.20	\$1.20	\$1.20	\$1.20
Shares¹	23.2	26.4	28.8	33.0	35.3	37.8	40.0	40.0	44.2	48.4	51.0	62.0

Gladstone reports funds-from-operations, or FFO, per share rather than earnings-per-share. This is consistent with other REITs, and we'll use FFO as the preferred proxy for underlying earnings power.

Gladstone's FFO-per-share had been between \$1.50 and \$1.60 for years through 2022, as the trust continues to issue new shares and debt to fund acquisitions, but those acquisitions fail to provide an economic gain. In other words, while the trust's new properties provide growth on a dollar basis, when the cost of those acquisitions is factored in, it is essentially no gain on a per-share basis. We don't have any reason to believe this will change moving forward as Gladstone's common shares are quite expensive to issue, yielding 8%+ at most times, and its preferred stock and debt are not significantly cheaper. This means that Gladstone will struggle to produce economic gains with its capital issuances given that the yields on its properties are also in the high single digits. As a result, our long-term growth estimate for Gladstone is 0%. We don't see any cause for pessimism as earnings impairment isn't likely. However, investors should note that any sort of meaningful growth is going to be difficult to generate. We note recent acquisitions with an average cap rate of 8.9% illustrates this.

¹ Share count in millions

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



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The distribution had been flat at \$1.50 for the past decade as the trust has struggled to grow FFO-per-share and thus, has been unable to boost the distribution. For the start of 2023, Gladstone cut its distribution by 20% to a new level of \$1.20 per year, where it remains today.

Valuation Analysis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
Avg. P/E	11.1	13.8	11.9	13.7	11.4	13.9	11.9	9.0	11.4	7.6	8.8	11.0
Avg. Yld.	8.8%	7.1%	8.0%	7.0%	8.4%	7.0%	8.1%	9.1%	7.4%	11.2%	9.6%	7.6%

Today the trust trades for 8.8 times this year's FFO-per-share estimate, which is near its historical lows. The long-term average valuation for Gladstone is just over 11 times FFO-per-share, and we've moved our fair value estimate to 11 times earnings. The stock remains quite attractively priced despite a recent rally.

The current 9.6% yield is quite elevated by historical standards. We see the yield potentially declining over time as the payout remains the same, but earnings and the valuation rise.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	98%	97%	95%	95%	96%	97%	96%	82%	85%	86%	84%	84%

Gladstone doesn't necessarily have a competitive advantage given that it operates in much the same way as any other commercial REIT. However, Gladstone's selection of properties has been outstanding over time as its occupancy has remained high through a variety of economic conditions.

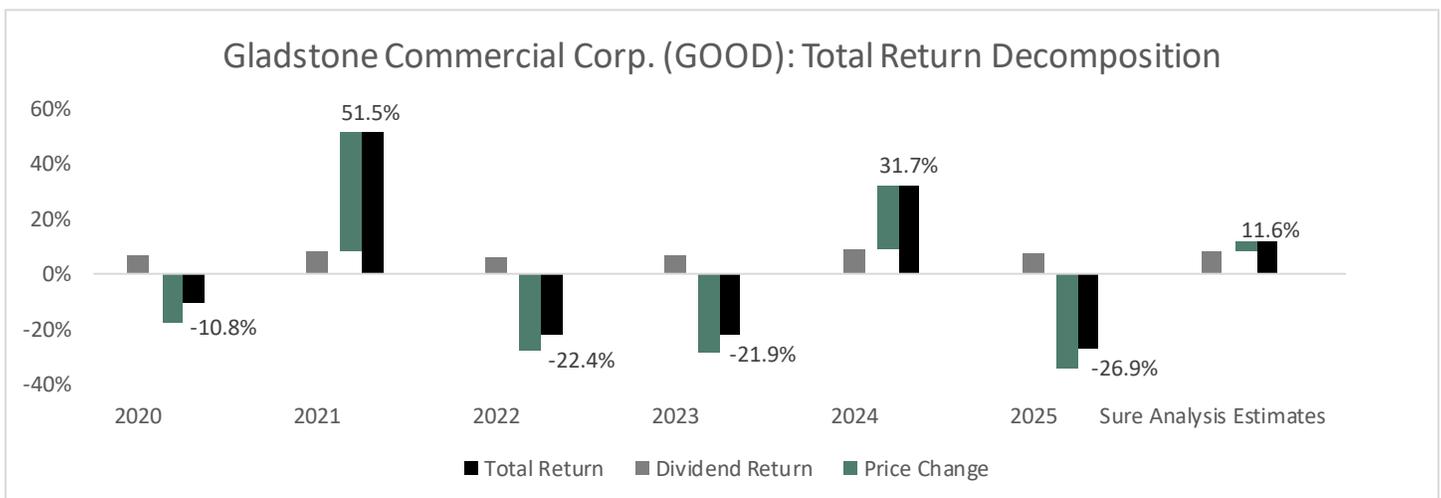
In the case of recession, Gladstone should fare quite well as it has long lease terms, so the impact on the trust's earnings should be minimal, which is consistent with how Gladstone performed during the Great Recession. Last year's challenges have shown that Gladstone can weather a tough environment.

The payout ratio is very high, but we see the trust's FFO-per-share of about \$1.40 annually as enough to maintain the lowered dividend. Investors should not expect a meaningful raise anytime soon due to the factors discussed above.

Final Thoughts & Recommendation

We forecast 11.6% total annual returns for Gladstone Commercial moving forward. We see the yield as attractive at 9.6%, and the stock is well under fair value. We like Gladstone's recession performance and its steady FFO-per-share, but have a sell rating on no recent dividend increases.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue	86	95	107	114	133	138	149	148	149	161
Gross Profit	80	87	95	102	107	111	122	122	118	68
Gross Margin	93.2%	91.9%	89.3%	89.0%	80.5%	80.3%	81.9%	82.4%	78.9%	42.0%
SG&A Exp.	10	11	12	14	15	15	12	13	6	---
D&A Exp.	38	43	48	52	55	60	60	58	56	58
Operating Profit	33	33	36	36	37	35	45	51	51	60
Operating Margin	38.0%	35.1%	33.4%	31.4%	27.7%	25.3%	28.9%	34.5%	34.2%	37.2%
Net Profit	4	6	12	10	15	10	11	5	24	19
Net Margin	4.6%	6.3%	11.5%	8.4%	11.2%	7.1%	6.0%	3.4%	16.1%	11.7%
Free Cash Flow	41	47	56	60	65	70	69	60	57	67

Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Assets	852	928	939	1,040	1,098	1,143	1,202	1,133	1,094	1,247
Cash & Equivalents	5	7	7	7	11	8	12	12	11	22
Goodwill & Int. Ass.	106	119	111	115	117	114	112	101	95	116
Total Liabilities	612	662	684	828	882	941	997	979	923	905
Accounts Payable	6	7	3	6	4	7	10	14	13	---
Long-Term Debt	509	543	566	627	669	708	749	739	693	850
Shareholder's Equity	240	267	250	208	213	201	203	153	171	172
LTD/E Ratio	2.12	2.03	2.27	3.01	3.14	3.51	3.69	4.82	4.05	2.49

Profitability & Per Share Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Return on Assets	0.5%	0.7%	1.3%	1.0%	1.4%	0.9%	0.8%	0.4%	2.2%	1.6%
Return on Equity	1.7%	2.3%	4.8%	4.2%	7.1%	4.7%	4.6%	2.8%	14.7%	5.5%
ROIC	0.5%	0.8%	1.5%	1.2%	1.7%	1.1%	1.0%	0.5%	2.7%	1.7%
Shares Out.	23.2	26.4	28.8	33.0	35.3	37.8	39.0	39.9	41.8	46.9
Revenue/Share	3.58	3.60	3.72	3.73	3.91	3.77	3.82	3.69	3.58	3.44
FCF/Share	1.70	1.78	1.94	1.96	1.92	1.92	1.78	1.51	1.36	1.43

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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