

GLADSTONE COMMERCIAL CORP
 Form 424B5
 July 21, 2017
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Filed Pursuant to Rule 424(b)(5)
 Registration Statement No. 333-208953

PROSPECTUS SUPPLEMENT

(To Prospectus dated February 1, 2016)

1,150,000 Shares

Common Stock

We are offering 1,150,000 shares of our common stock, \$0.001 par value per share, in this offering. Our common stock is traded on the NASDAQ Global Select Market (NASDAQ) under the symbol GOOD. On July 18, 2017, the closing price for our common stock on NASDAQ was \$21.87 per share.

We have elected to be taxed as a real estate investment trust (REIT) for U.S. federal income tax purposes. To maintain our REIT status, our charter contains certain restrictions relating to the ownership and transfer of our capital stock, including an ownership limit of 9.8% of the aggregate outstanding shares of our capital stock by any person or persons acting as a group. See Certain Provisions of Maryland Law and of Our Charter and Bylaws Restrictions on Ownership and Transfer on page 23 of the accompanying prospectus and The Offering Restrictions on Ownership and Transfer on page S-8 of this prospectus supplement for more information about these restrictions.

Investing in shares of our common stock involves substantial risks that are described in the Risk Factors sections beginning on page S-9 of this prospectus supplement and contained in our most recent Annual Report on Form 10-K, our Quarterly Reports on Form 10-Q and other reports and information that we file from time to time with the Securities and Exchange Commission (the SEC), which are incorporated by reference into this prospectus supplement and the accompanying prospectus.

Neither the SEC nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Share	Total
Public Offering Price	\$ 20.52	\$ 23,598,000
Underwriting discounts and commissions	\$ 0.8208	\$ 943,920
Proceeds to us (before expenses)	\$ 19.6992	\$ 22,654,080

The underwriters expect to deliver the shares of common stock on or about July 25, 2017. We have granted the underwriters an option for a period of 30 days from the date of this prospectus supplement to purchase up to an additional 172,500 shares of common stock at the public offering price, less the underwriting discounts and commissions. If the underwriters exercise this option in full, the total underwriting discounts and commissions payable by us will be approximately \$1.1 million, and the total proceeds to us, before expenses, will be approximately \$26.1 million.

Joint Book-Running Managers

Janney Montgomery Scott

D.A. Davidson & Co.

Nomura

Wunderlich

Co-Managers

Ladenburg Thalmann

J.J.B. Hilliard, W.L. Lyons, LLC

Maxim Group LLC

National Securities Corporation

Wedbush Securities

The date of this prospectus supplement is July 20, 2017

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document is presented in two parts. The first part is comprised of this prospectus supplement, which describes the specific terms of this offering of common stock and certain other matters relating to us. The second part, the accompanying prospectus, contains a description of our capital stock generally and provides more general information, some of which does not apply to this offering, regarding securities that we may offer from time to time.

You should read this prospectus supplement along with the accompanying prospectus, as well as the information incorporated by reference herein and therein, carefully before you invest in our common stock. These documents contain important information that you should consider before making your investment decision. This prospectus supplement and the accompanying prospectus contain the terms of this offering of common stock. The accompanying prospectus contains information about our securities generally, some of which does not apply to the common stock covered by this prospectus supplement. This prospectus supplement may add, update or change information contained in or incorporated by reference in the accompanying prospectus. If the information in this prospectus supplement is inconsistent with any information contained in or incorporated by reference in the accompanying prospectus, the information in this prospectus supplement will apply and will supersede the inconsistent information contained in or incorporated by reference in the accompanying prospectus.

This prospectus supplement is part of a registration statement on Form S-3 (Registration No. 333-208953) that we have filed with the SEC relating to the securities offered hereby. This prospectus supplement does not contain all of the information that we have included in the registration statement and the accompanying exhibits and schedules thereto in accordance with the rules and regulations of the SEC, and we refer you to such omitted information. It is important for you to read and consider all of the information contained in this prospectus supplement and the accompanying prospectus before making your investment decision. You should also read and consider the additional information incorporated by reference in this prospectus supplement and the accompanying prospectus before making your investment decision. See [Incorporation by Reference](#) and [Where You Can Find More Information](#) in this prospectus supplement.

You should rely only on the information contained in or incorporated by reference in this prospectus supplement, the accompanying prospectus or any free writing prospectus to be filed with the SEC. Neither we nor the underwriters have authorized anyone to provide you with additional or different information. If anyone provides you with additional or different information, you should not rely on it. We do not, and the underwriters do not, take any responsibility for, and can provide no assurances as to, the reliability of any information that others may provide to you.

You should not assume that the information in this prospectus supplement, the accompanying prospectus or any free writing prospectus to be filed with the SEC, including any information incorporated by reference, is accurate as of any date other than their respective dates. Our business, financial condition, liquidity, results of operations, funds from operations (FFO) and prospects may have changed since those dates. If any statement in one of these documents is inconsistent with a statement in another document having a later date for example, a document incorporated by reference in this prospectus supplement or the accompanying prospectus the statement in the document having the later date modifies or supersedes the earlier statement.

The distribution of this prospectus supplement and the accompanying prospectus and this offering of common stock may be restricted by law in certain jurisdictions. This prospectus supplement and the accompanying prospectus are not an offer to sell or a solicitation of an offer to buy shares of common stock in any jurisdiction where such offer or any sale would be unlawful. Persons who come into possession of this prospectus supplement and the accompanying prospectus should inform themselves of and observe any such restrictions.

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FORWARD-LOOKING STATEMENTS

This prospectus supplement and the accompanying prospectus, including the documents incorporated by reference herein and therein, contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 and include this statement for purposes of complying with these safe harbor provisions. Also, documents we subsequently file with the SEC and incorporate by reference in this prospectus supplement and the accompanying prospectus may contain forward-looking statements. Forward-looking statements provide our current expectations or forecasts of future events and are not statements of historical fact. These forward-looking statements include information about possible or assumed future events, including, among other things, discussion and analysis of our future financial condition, results of operations and FFO, our strategic plans and objectives, cost management, occupancy and leasing rates and trends, liquidity and ability to refinance our indebtedness as it matures, anticipated capital expenditures (and access to capital) required to complete projects, amounts of anticipated cash distributions to our stockholders in the future and other matters. Words such as anticipates, expects, intends, plans, will, should, believes, seeks, estimates, of these words and similar expressions are intended to identify forward-looking statements, though not all forward-looking statements contain these words. These statements are not guarantees of future performance and are subject to risks, uncertainties and other factors, some of which are beyond our control, are difficult to predict and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements. Statements regarding the following subjects, among others, are forward-looking by their nature:

future re-leasing efforts;

our business and financing strategy;

our ability to continue to implement our business plan;

pending transactions;

our projected operating results and anticipated acquisitions;

our ability to obtain future financing arrangements;

estimates relating to our future distributions;

our understanding of our competition and our ability to compete effectively;

future market and industry trends;

future interest and insurance rates;

estimates of our future operating expenses, including payments to our Adviser (as defined herein) under the terms of our advisory agreement;

the impact of technology on our operations and business, including the risk of cyber-attacks;

projected capital expenditures;

future use of the proceeds of our senior unsecured revolving credit facility (the Revolver) and term loan facility (the Term Loan) with KeyBank National Association (serving as a revolving lender, a letter of credit issuer and an administrative agent), mortgage notes payable, other offerings of securities and other future capital resources, if any, mortgage notes payable, future stock offerings and other future capital resources, if any; and

our ability to raise sufficient proceeds and use the proceeds of this offering as contemplated in the Use of Proceeds section on page S-14 of this prospectus supplement.

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Forward-looking statements involve inherent uncertainty and may ultimately prove to be incorrect or false. You are cautioned to not place undue reliance on forward-looking statements. Except as otherwise may be required by law, we undertake no obligation to update or revise forward-looking statements or update changed assumptions, the occurrence of unanticipated events or actual operating results. Our actual results could differ materially from those contained in these forward-looking statements as a result of various factors, including, but not limited to:

general volatility of the capital markets and the market price of our common and preferred stock;

failure to maintain our qualification as a REIT and in the risk of changing laws that affect REITs;

risks associated with negotiation and consummation of pending and future transactions;

changes in our business strategy;

the adequacy of our cash reserves and working capital;

our failure to successfully integrate and operate acquired properties and operations;

defaults upon or non-renewal of leases by tenants;

decreased rental rates or increased vacancy rates;

the degree and nature of our competition, including with other real estate investment companies;

availability, terms and deployment of capital, including the ability to maintain and borrow under the Revolver and Term Loan, arrange for long-term mortgages on our properties, secure additional long-term lines of credit and raise equity capital;

our Adviser's ability to identify, hire and retain highly-qualified personnel;

changes in our industry or the general economy;

changes in real estate and zoning laws and increases in real property tax rates;

changes in governmental regulations, tax rates and similar matters;

environmental uncertainties and risks related to natural disasters; and

the loss of any of our key officers, such as Mr. David Gladstone, our chairman and chief executive officer, Mr. Terry Lee Brubaker, our vice chairman and chief operating officer, or Mr. Robert Cutlip, our president.

This list of risks and uncertainties, however, is only a summary of some of the most important factors to us and is not intended to be exhaustive. You should carefully review the risks and information contained, or incorporated by reference into, this prospectus supplement and the accompanying prospectus, including, without limitation, the Risk Factors incorporated by reference herein and therein from our Annual Report on Form 10-K for the year ended December 31, 2016, our Quarterly Reports on Form 10-Q and other reports and information that we file with the SEC. New factors may also emerge from time to time that could materially and adversely affect us.

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PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights selected information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus. This summary is not complete and may not contain all of the information that may be important to you in deciding whether to invest in shares of our common stock. To understand this offering fully prior to making an investment decision, you should carefully read this prospectus supplement, including the Risk Factors sections beginning on page S-9 of this prospectus supplement, the accompanying prospectus, our Annual Report on Form 10-K for the year ended December 31, 2016, our Quarterly Reports on Form 10-Q and other reports and information that we file from time to time with the SEC, which are incorporated by reference into this prospectus supplement and the accompanying prospectus, and the documents incorporated by reference herein and therein, including the financial statements and notes to those financial statements.

Unless the context otherwise requires or indicates, each reference in this prospectus supplement and the accompanying prospectus to (i) we, our, us and the Company means Gladstone Commercial Corporation, a Maryland corporation, and its consolidated subsidiaries, (ii) the Operating Partnership means Gladstone Commercial Limited Partnership, a wholly-owned, consolidated subsidiary of the Company and a Delaware limited partnership, (iii) the Adviser means Gladstone Management Corporation, the external adviser of the Company and a Delaware corporation, and (iv) the Administrator means Gladstone Administration, LLC, the external administrator of the Company and a Delaware limited liability company. The term you refers to a prospective investor.

The Company

We are an externally-advised REIT that was incorporated under the General Corporation Law of the State of Maryland on February 14, 2003. We have elected to be taxed as a REIT for federal income tax purposes. We focus on acquiring, owning, and managing primarily office and industrial properties. On a selective basis, we may make long term industrial and commercial mortgage loans; however, we do not have any mortgage loans currently outstanding. Our properties are geographically diversified and our tenants cover a broad cross section of business sectors and range in size from small to very large private and public companies. We actively communicate with buyout funds, real estate brokers and other third parties to locate properties for potential acquisition or to provide mortgage financing in an effort to build our portfolio. We target secondary growth markets that possess favorable economic growth trends, diversified industries, and growing population and employment.

We have historically entered into, and intend in the future to enter into, purchase agreements for real estate having net leases with terms of approximately 7 to 15 years with built-in rental rate increases. Under a net lease, the tenant is required to pay most or all operating, maintenance, repair and insurance costs and real estate taxes with respect to the leased property.

As of March 31, 2017:

we owned 95 properties totaling 10.9 million square feet in 24 states;

our occupancy rate was 97.9%;

the weighted average remaining term of our mortgage debt was 6.7 years and the weighted average interest rate was 4.7%; and

the average remaining lease term of the portfolio was 7.6 years.

We conduct substantially all of our activities, including the ownership of all of our properties, through the Operating Partnership. We control the Operating Partnership through our ownership of GCLP Business Trust II,

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a Massachusetts business trust, which is the general partner of the Operating Partnership, and of GCLP Business Trust I, a Massachusetts business trust, which currently holds all of the limited partnership units of the Operating Partnership. The Operating Partnership may issue limited partnership units from time to time in exchange for industrial and commercial real property; however, no such units have been issued since inception. Limited partners who hold limited partnership units in the Operating Partnership for one year will generally be entitled to cause us to redeem these units for cash or, at our election, shares of our common stock on a one-for-one basis.

Our Adviser is an affiliate of ours and a registered investment adviser under the Investment Advisers Act of 1940. Our Adviser is responsible for managing our business on a daily basis and identifying and making acquisitions and dispositions that it believes satisfy our investment criteria.

As of March 31, 2017, our authorized capital stock consisted of 34,200,000 shares of common stock, 4,450,000 shares of senior common stock, par value \$0.001 per share (the Senior Common Stock), 2,600,000 shares of 7.75% Series A Cumulative Redeemable Preferred Stock, \$0.001 par value per share (the Series A Preferred Stock), 2,750,000 shares of 7.50% Series B Cumulative Redeemable Preferred Stock, \$0.001 par value per share (the Series B Preferred Stock), and 6,000,000 shares of 7.00% Series D Cumulative Redeemable Preferred Stock, par value \$0.001 per share (the Series D Preferred Stock). We refer to the Series A Preferred Stock, Series B Preferred Stock and Series D Preferred Stock collectively herein as the preferred stock. Shares of our common stock, the Series A Preferred Stock, the Series B Preferred Stock and the Series D Preferred Stock trade on NASDAQ under the trading symbols GOOD, GOODP, GOODO and GOODM, respectively. Our Senior Common Stock is not traded on any exchange or automated quotation system.

Our executive offices are located at 1521 Westbranch Drive, Suite 100, McLean, Virginia 22102, and our telephone number is (703) 287-5800. Our website address is <http://www.GladstoneCommercial.com>. However, the information located on, or accessible from, our website is not, and shall not be deemed to be, a part of this prospectus supplement or the accompanying prospectus or incorporated into any other filings that we make with the SEC.

Our Competitive Strengths

We believe that the following strengths differentiate us from our competitors:

Experienced Management Team: Our management team has a successful track record of underwriting office, industrial, and other types of real estate and conducting extensive due diligence on the management teams, cash flows, financial statements and risk ratings of our respective tenants.

Focused Business Model: Our business model seeks to foster investment opportunities that are generated from our strategic relationships with leveraged buyout funds and other real estate intermediaries.

Attractive Market Opportunities: We believe that attractive investment opportunities currently exist that will allow us to capitalize on the lack of buyers of real estate that is leased to mid-sized businesses.

Conservative Dual Underwriting Strategy: When underwriting a tenant's business and the real estate it occupies, we focus on the cash flow of the tenant and the intrinsic value of the property.

Proven Track Record: As of March 31, 2017, we had investments in 95 properties, including one property classified as held for sale, which had a total gross and net carrying value, including intangible assets, of \$995.0 million and \$788.2 million, respectively. All of our tenants are paying as agreed, and the weighted average yield on our portfolio is approximately 8.6%. As of March 31, 2017, our occupancy rate was 97.9%. We are currently seeking tenants for our vacant properties while concurrently researching alternative uses for these properties.

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Distribution Stability: We currently declare quarterly, and pay monthly, distributions to holders of shares of our common stock at the monthly rate of \$0.125 per share. Since inception, we have never reduced the amount of the distribution paid with respect to shares of our common stock.

Recent Developments*Recent Renovations*

On May 19, 2017, we completed a 75,000 square foot expansion of our existing 170,000 square foot light industrial manufacturing facility in Vance, Alabama, at a total project cost of \$6.6 million. Upon the completion of the expansion, the lease term for the entire 245,000 square foot property reset and will now expire in May 2027.

Recent Acquisitions

On June 22, 2017, we acquired a 60,016 square foot, Class-A single-tenant office building located in the Philadelphia, Pennsylvania suburb of Conshohocken for \$15.45 million. The property is 100% leased to a single tenant for next 8.5 years.

On July 7, 2017, we acquired a 300,000 square foot, single-tenant Class A industrial building in Philadelphia, Pennsylvania for \$26.4 million. The property is 100% leased to a single federal government agency until 2032.

Third Quarter 2017 Distributions

On July 11, 2017, our Board of Directors (our Board) authorized and declared the following monthly cash distributions to stockholders:

Record Date	Payment Date	Distribution per Common Share	Distribution per	Distribution per	Distribution per
			Series A Term Preferred Share	Series B Term Preferred Share	Series D Term Preferred Share
July 21, 2017	July 31, 2017	\$ 0.125	\$ 0.1614583	\$ 0.15625	\$ 0.1458333
August 21, 2017	August 31, 2017	0.125	0.1614583	0.15625	0.1458333
September 20, 2017	September 29, 2017	0.125	0.1614583	0.15625	0.1458333
Totals:		\$ 0.375	0.4843749	0.46875	0.4374999

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The offering terms are summarized below solely for your convenience. For a more complete description of the terms of the common stock and the offering, see **Description of Common Stock** in the accompanying prospectus and **Underwriting** in this prospectus supplement.

Issuer	Gladstone Commercial Corporation, a Maryland corporation
Securities Offered	1,150,000 shares of common stock (or 1,322,500 if the underwriters exercise in full their option to purchase additional shares)
Public offering price per Share	\$20.52
Common Stock outstanding prior to this offering	26,164,809 shares of common stock, as of July 14, 2017.
Common Stock outstanding immediately after this offering	27,314,809 shares of common stock (or 27,487,309 if the underwriters exercise in full their option to purchase additional shares)
NASDAQ symbol	GOOD
Use of Proceeds	<p>We intend to use the net proceeds from this offering to fund pending and future acquisitions, through the Operating Partnership, of real property in the ordinary course of our business and in accordance with our investment objectives. We may also use a portion of the proceeds from this offering to pay down debt and for other general corporate purposes.</p> <p>See Use of Proceeds on page S-14 of this prospectus supplement.</p>
Dividends and distributions	<p>We declare quarterly and pay monthly cash distributions to holders of our common stock at the current quarterly rate of \$0.375 per share. Distributions are authorized and paid at the discretion of our Board and are based upon the circumstances at the time of declaration. In order to maintain our qualification as a REIT, we are required to distribute dividends, other than capital gain dividends, to our stockholders in an amount at least equal to (i) the sum of (a) 90% of our real estate investment trust taxable income, computed without regard to the dividends paid deduction and excluding our net capital gain, and (b) 90%</p>

of the net after-tax income, if any, from foreclosure property minus
(ii) the sum of certain items of noncash income.

Investors in this offering will not be entitled to receive the July 31, 2017 cash distribution. See Prospectus Supplement Summary Recent Developments Third Quarter 2017 Distribution on page S-6 of this prospectus supplement.

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Restrictions on Ownership and Transfer	<p>In order to assist our Board in preserving our status as a REIT, among other purposes, our charter contains an ownership limit which prohibits any person or group of persons from acquiring, directly or indirectly, beneficial or constructive ownership of more than 9.8% of our outstanding shares of capital stock. Shares owned by a person or a group of persons in excess of the ownership limit are deemed excess shares. If the transferee-stockholder acquires excess shares, the person is considered to have acted as our agent and holds the excess shares on behalf of the ultimate stockholder. Our charter stipulates that any acquisition of shares that would result in our disqualification as a REIT under the Internal Revenue Code of 1986, as amended (the Code), shall be void ab initio to the fullest extent permitted under applicable law. Our common stock is subject to the general restrictions on ownership and transferability described under Certain Provisions of Maryland Law and of our Charter and Bylaws Restrictions on Ownership and Transfer on page 23 in the accompanying prospectus.</p>
Risk Factors	<p>Investing in our common stock involves various risks. You should read carefully and consider the matters discussed under the caption entitled Risk Factors included in our Annual Report on Form 10-K for the year ended December 31, 2016, under the caption entitled Risk Factors beginning on page S-9 of this prospectus supplement and in the other documents incorporated by reference in the accompanying prospectus before making a decision to invest in our common stock.</p>

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RISK FACTORS

Your investment in shares of our common stock involves a high degree of risk. In consultation with your own financial and legal advisers, you should carefully consider, among other matters, the factors set forth below, in our Annual Report on Form 10-K for the year ended December 31, 2016, our Quarterly Reports on Form 10-Q and other information that we file from time to time with the SEC, which are incorporated by reference into this prospectus supplement and the accompanying prospectus, before deciding whether an investment in shares of our common stock is suitable for you. If any of the risks contained in or incorporated by reference into this prospectus supplement or the accompanying prospectus develop into actual events, our business, financial condition, liquidity, results of operations, FFO, ability to make cash distributions to holders of our common stock and prospects could be materially and adversely affected, the market price of our common stock could decline and you may lose all or part of your investment. In addition, new risks may emerge at any time and we cannot predict such risks or estimate the extent to which they may affect our financial performance. Some statements in this prospectus supplement, including statements in the following risk factors, constitute forward-looking statements. See the Forward-Looking Statements sections in this prospectus supplement and in the accompanying prospectus.

Our management will have broad discretion in the use of the net proceeds from this offering and may allocate the net proceeds from this offering in ways that you and other stockholders may not approve.

Our management will have broad discretion in the use of the net proceeds, including for any of the purposes described in the section entitled Use of Proceeds, and you will not have the opportunity as part of your investment decision to assess whether the net proceeds are being used in ways with which you may not agree with or may not otherwise be considered appropriate. Because of the number and variability of factors that will determine our use of the net proceeds from this offering, their ultimate use may vary substantially from their currently intended use. The failure of our management to use these funds effectively could harm our business. Pending their use, we may invest the net proceeds from this offering in short-term, investment-grade, interest-bearing securities. These investments may not yield a favorable return to our stockholders.

We may be unable to invest a significant portion of the net proceeds of this offering on acceptable terms.

Delays in investing the net proceeds of this offering may impair our performance. We cannot assure you that we will be able to identify properties that meet our investment objectives or that any investment we make will produce a positive return. We may be unable to invest the net proceeds of this offering on acceptable terms within the time period that we anticipate or at all, which could adversely affect our financial condition and operating results.

Shares of our common stock available for future issuance or sale may have adverse effects on the per share trading price of our common stock.

We cannot predict the effect, if any, of future sales of common stock, or the availability of shares for future sales, on the market price of our common stock. Sales of substantial amounts of common stock (including shares of common stock issuable upon the conversion of units of the Operating Partnership that we may issue from time to time, issuable upon conversion of the Senior Common Stock, or issuances made through our Controlled Equity OfferingSM programs or otherwise), or the perception that these sales could occur, may adversely affect prevailing market prices for our common stock

Ownership limitations may restrict or prevent stockholders from engaging in certain transfers of our common stock.

Our charter contains an ownership limit which prohibits any person or group of persons from acquiring, directly or indirectly, beneficial or constructive ownership of more than 9.8% of our outstanding shares of capital stock.

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Shares owned by a person or a group of persons in excess of the ownership limit are deemed excess shares. Shares owned by a person who individually owns of record less than 9.8% of outstanding shares may nevertheless be excess shares if the person is deemed part of a group for purposes of this restriction.

If the transferee-stockholder acquires excess shares, the person is considered to have acted as our agent and holds the excess shares on behalf of the ultimate stockholder. When shares are held in this manner they do not have any voting rights and shall not be considered for purposes of any stockholder vote or determining a quorum for such vote.

Our charter stipulates that any acquisition of shares that would result in our disqualification as a REIT under the Code shall be void ab initio to the fullest extent permitted under applicable law.

The ownership limit does not apply to (i) offerors which, in accordance with applicable federal and state securities laws, make a cash tender offer, where at least 90% of the outstanding shares of our stock (not including shares or subsequently issued securities convertible into common stock which are held by the tender offeror and any affiliates or associates thereof within the meaning of the Exchange Act) are duly tendered and accepted pursuant to the cash tender offer; (ii) an underwriter in a public offering of our shares; (iii) a party initially acquiring shares in a transaction involving the issuance of our shares of capital stock, if our Board determines such party will timely distribute such shares such that, following such distribution, such shares will not be deemed excess shares; and (iv) a person or persons which our Board exempt from the ownership limit upon appropriate assurances that our qualification as a REIT is not jeopardized

Market conditions could adversely affect the market price and trading volume of our securities.

The market price of our common stock may be highly volatile and subject to wide fluctuations, and the trading volume in our common stock may fluctuate and cause significant price variations to occur. We cannot assure investors that the market price of our common stock will not fluctuate or decline further in the future. Some market conditions that could negatively affect our share price or result in fluctuations in the price or trading volume of our common stock include, but are not limited to:

price and volume fluctuations in the stock market from time to time, which are often unrelated to the operating performance of particular companies;

significant volatility in the market price and trading volume of shares of REITs, real estate companies or other companies in our sector, which is not necessarily related to the performance of those companies;

price and volume fluctuations in the stock market as a result of terrorist attacks, or speculation regarding future terrorist attacks, in the United States or abroad;

actual or anticipated variations in our quarterly operating results or distributions to stockholders;

changes in our FFO or earnings estimates or the publication of research reports about us or the real estate industry generally;

actions by institutional stockholders;

speculation in the press or investment community;

changes in regulatory policies or tax guidelines, particularly with respect to REITs; and

investor confidence in the stock market.

Market interest rates may have an effect on the value of our common stock.

One of the factors that will influence the price of our common stock will be the yield on our common stock (as a percentage of the price of our common stock) relative to market interest rates. An increase in market interest

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rates, which currently remain at low levels relative to historical rates, may lead prospective purchasers of our common stock to expect a higher yield and higher interest rates would likely increase our borrowing costs and potentially decrease funds available for distribution. Thus, higher market interest rates could cause the market price of our common stock to decrease.

This offering may be dilutive, and there may be future dilution related to our common stock.

Giving effect to the issuance of shares of common stock in this offering, the receipt of the expected net proceeds and the use of those proceeds, this offering may have a dilutive effect on our earnings per share and FFO per share for the year ending December 31, 2017. The actual amount of dilution, if any, from this offering cannot be determined at this time and will be based upon numerous factors. Additionally, but subject to the 45-day lock-up restrictions described under the caption Underwriting included elsewhere in this prospectus supplement and certain financial covenants under our Revolver and Term Loan, we are not restricted from issuing additional securities, including common stock, Senior Common Stock, preferred stock and securities that are convertible into or exchangeable for, or that represent the right to receive, common stock, Senior Common Stock, preferred stock or any substantially similar securities. The market price of our common stock could decline as a result of issuances or sales of a large number of shares of our common stock in the market after this offering, or the perception that such issuances or sales could occur. Additionally, future issuances or sales of substantial amount of our common stock, including those issued pursuant to our Controlled Equity OfferingSM program, and shares of our Senior Common Stock, may be at prices below the offering price of the common stock offered by this prospectus supplement and may result in further dilution in our earnings per share and FFO per share and adversely impact the market price of our common stock.

Our ability to pay distributions is limited by the requirements of Maryland law.

Our ability to pay distributions on our common stock is limited by the laws of Maryland. Under applicable Maryland law, a Maryland corporation generally may not make a distribution if, after giving effect to the distribution, the corporation would not be able to pay its debts as the debts become due in the usual course of business or the corporation's total assets would be less than the sum of its total liabilities plus, unless the corporation's charter permits otherwise, the amount that would be needed, if the corporation were dissolved at the time of the distribution, to satisfy the preferential rights upon dissolution of stockholders whose preferential rights are superior to those receiving the distribution. Accordingly, we generally may not make a distribution on our common stock if, after giving effect to the distribution, we would not be able to pay our debts as they become due in the usual course of business or our total assets would be less than the sum of our total liabilities plus, unless the terms of such class or series provide otherwise, the amount that would be needed to satisfy the preferential rights upon dissolution of the holders of shares of any class or series of stock then outstanding, if any, with preferences upon dissolution senior to those of our common stock.

Holders of our Senior Common Stock and preferred stock and future holders of any securities ranking senior to our common stock have dividend and/or liquidation rights that are senior to the rights of the holders of our common stock. Additional issuances of securities senior to our common stock may negatively impact the value of our common stock and further restrict the ability of holders of our common stock to receive dividends and/or liquidation rights.

Our capital structure includes Senior Common Stock that was issued from March 28, 2011 through the termination of the offering according to its terms on March 28, 2015. Senior Common Stock is a separate class of our capital stock that has priority over our common stock with respect to the payment of distributions; however, it is junior to our preferred stock with respect to the payment of distributions. Shares of the Senior Common Stock are not listed or traded on a national securities exchange. Holders of shares of the Senior Common Stock will have the right, but not

the obligation, following the fifth anniversary of the issuance of such shares to exchange any or all of such shares of Senior Common Stock for shares of our common stock. Furthermore, in the event of our liquidation, each share of Senior Common Stock will be automatically converted to a number of

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shares of our common stock in accordance with the applicable exchange ratio. Therefore, the Senior Common Stock will rank *pari passu* with our common stock upon our liquidation, dissolution or winding up.

We currently have three classes of preferred stock outstanding Series A Preferred Stock, Series B Preferred Stock and Series D Preferred Stock all of which rank senior to our common stock. We have also entered into a Controlled Equity OfferingSM program for the sale of up to \$40 million of our Series A Preferred Stock and Series B Preferred Stock and for the sale of up to \$50 million of our Series D Preferred Stock. We may also issue additional shares of preferred stock and/or designate a new series of preferred stock pursuant to the terms of our charter. The issuance of additional shares of preferred stock, the designation of a new series of preferred stock or a significant increase of shares of our Series A Preferred Stock, Series B Preferred Stock or Series D Preferred Stock issued under our respective Controlled Equity OfferingSM programs could negatively impact the value of our common stock and further restrict the ability of holders of our common stock to receive dividends and/or liquidation rights.

In the future, we may attempt to increase our capital resources by making additional offerings of equity securities or issue debt securities. Upon liquidation, holders of our preferred stock, holders of our debt securities, if any, and lenders with respect to other borrowings, including our Revolver and Term Loan, would receive a distribution of our available assets in full prior to the holders of our common stock. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Thus, our common stockholders bear the risk of our future offerings reducing the per share trading price of our common stock and diluting their interest in us.

We operate as a holding company dependent upon the assets and operations of our subsidiaries, and because of our structure, we may not be able to generate the funds necessary to make dividend payments on our common stock.

We generally operate as a holding company that conducts its businesses primarily through our Operating Partnership, which in turn is a holding company conducting its business through its subsidiaries. These subsidiaries conduct all of our operations and are our only source of income. Accordingly, we are dependent on cash flows and payments of funds to us by our subsidiaries as dividends, distributions, loans, advances, leases or other payments from our subsidiaries to generate the funds necessary to make dividend payments on our common stock. Our subsidiaries' ability to pay such dividends and/or make such loans, advances, leases or other payments may be restricted by, among other things, applicable laws and regulations, current and future debt agreements and management agreements into which our subsidiaries may enter, which may impair our ability to make cash payments on our common stock or our preferred stock. In addition, such agreements may prohibit or limit the ability of our subsidiaries to transfer any of their property or assets to us, any of our other subsidiaries or to third parties. Our future indebtedness or our subsidiaries' future indebtedness may also include restrictions with similar effects.

In addition, because we are a holding company, stockholders' claims will be structurally subordinated to all existing and future liabilities and obligations (whether or not for borrowed money) of our Operating Partnership and its subsidiaries. Therefore, in the event of our bankruptcy, liquidation or reorganization, claims of our stockholders will be satisfied only after all of our and our Operating Partnership's and its subsidiaries' liabilities and obligations have been paid in full.

Payment of fees to our Adviser and its affiliates, including Gladstone Securities, LLC, one of our affiliates (Gladstone Securities), will reduce the cash available for investment and distribution and will increase the risk that you will not be able to recover the amount of your investment in our shares of our common stock.

Our Adviser and its affiliates, including Gladstone Securities, perform services for us in connection with the distribution of our shares, the selection and acquisition of our investments, and arrangement of mortgage

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financing for properties we own. We pay our Adviser and Gladstone Securities fees for these services, which will reduce the amount of cash available for investments or distributions to our stockholders. Among other things, the proceeds received from the sale of common stock in this offering may be included in the calculation of the Base Management Fee (as defined in the Advisory Agreement) that our Adviser may be entitled to pursuant to the Advisory Agreement and therefore will likely increase the fees payable to our Adviser. Pursuant to our Mortgage Financing Agreement with Gladstone Securities, in the event that we place mortgages on properties in our portfolio, we may engage Gladstone Securities to arrange such mortgages and Gladstone Securities would receive fees for such services pursuant to the agreement. The fees we pay to our Adviser and its affiliates decrease the value of our portfolio and increase the risk that the market value of any shares of common stock may decline and, in the event of our liquidation, dissolution or winding up, that holders of our common stock may receive distributions per share in an amount less than the public offering price per share in this offering.

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USE OF PROCEEDS

We estimate that the net proceeds from the sale of the common stock in this offering will be approximately \$22.6 million (or approximately \$26.0 million if the underwriters exercise their option to purchase additional shares in full), after the payment of underwriting discounts and commission of approximately \$0.9 million (or approximately \$1.1 million if the underwriters exercise their option to purchase additional shares in full) and estimated offering expenses of \$0.1 million payable by us. We intend to use the net proceeds from this offering to fund pending and future acquisitions, through the Operating Partnership, of real property in the ordinary course of our business and in accordance with our investment objectives. We may also use a portion of the proceeds from this offering to pay down our Revolver and for other general corporate purposes.

Our Revolver matures in August 2018 with a one-year extension option through August 2019. The interest rate per annum applicable to the Revolver is equal to the London Interbank Offered Rate plus an applicable margin of up to 2.75%, depending upon our leverage. We also have a \$25.0 million Term Loan, which was fully drawn at closing and matures in October 2020. The Term Loan is subject to the same leverage tiers as the Revolver; however, the interest rate at each leverage tier is five basis points lower. As of March 31, 2017, there was \$89.2 million outstanding under the Revolver and Term Loan at a weighted average interest rate of approximately 3.22% and \$1.0 million outstanding under letters of credit at a weighted average interest rate of 2.25%. As of July 17, 2017, the maximum additional amount we could draw from our Revolver was \$38.8 million.

Pending application of any portion of the net proceeds as described above, we may also invest it in interest-bearing accounts and short-term, interest-bearing securities as is consistent with our intention to maintain our qualification as a REIT for federal income tax purposes. Such investments may include, for example, obligations of the Government National Mortgage Association, other government and governmental agency securities, certificates of deposit and interest-bearing bank deposits.

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The following table sets forth our capitalization as of March 31, 2017 on an actual basis and on an as adjusted basis to reflect (i) the sale of 1,150,000 shares of our common stock offered by us in this offering after the deduction of the underwriting discounts and commissions and other estimated expenses payable by us and (ii) the application of the net proceeds as set forth under Use of Proceeds. The table does not give effect to the issuance of up to 172,500 additional shares of our common stock that may be sold pursuant to the underwriters' option to purchase additional shares. The information set forth in the following table should be read in connection with, and is qualified in its entirety by reference to, the section entitled Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements and notes thereto, included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016 and our Quarterly Report on Form 10-Q for the quarter ended March 31, 2017 and incorporated by reference in this prospectus supplement and the accompanying prospectus.

(\$ in thousands)

	Actual	As Adjusted
Cash and cash equivalents	\$ 4,105	\$ 26,605
Debt:		
Mortgage notes payable, net	\$ 407,574	\$ 407,574
Borrowings under Revolver, net	63,797	63,797
Borrowings under Term Loan, net	24,897	24,897
Total debt	\$ 496,268	