TO OUR STOCKHOLDERS:

2017 was another great year of strong growth for Gladstone Land. We continued to add high-quality farmland, increased our earnings (measured by AFFO), and increased our cash distributions to stockholders. We are extremely pleased with our results from 2017, and we believe 2018 will be even better.

ACTIVITY:

During 2017, we used approximately $128.7 million to buy 16 new farms, adding 12,641 acres of farmland across 6 different states. The initial weighted-average net yield on these new farms was 5.3%, providing for approximately $6.9 million of initial annualized rental income. In addition, all of the leases on these new farms contain certain provisions (such as annual escalations or participation rights in the gross revenues earned on certain of the farms) that are expected to further increase the overall yield on our 2017 acquisitions.

During 2017, we increased the diversification within our farmland holdings by acquiring farms in two new states, expanding further into farms growing permanent crops, such as nut orchards and grape vineyards, and increasing the number of different tenants on our farms. At December 31, 2017, we owned 73 farms comprised of 63,014 total acres, valued at approximately $533 million (compared to a net cost basis of approximately $452 million). Our farms are spread across 19 distinct growing regions that grow over 39 different crop types, and they're leased to 53 different growers, all but one of whom are unrelated to us. We continue to believe diversification within our farmland portfolio is key to providing greater protection for our investors.

The majority of our farms are leased on a triple-net lease basis, an arrangement under which the tenant maintains the property while paying the property taxes, maintenance expenses, and insurance costs, as well as rent to us. As of December 31, 2017, all of our tenants were paying as agreed, and the farms continued to be 100% leased.

OPERATING RESULTS and FINANCIAL STRENGTH:

Earnings, which are primarily measured in the form of adjusted funds from operations, or AFFO[1], grew by 28% over that of 2016, up to $0.56 per diluted share. Our AFFO has fully covered our distributions to common stockholders and OP Unitholders for each of the past two fiscal years, and we expect this to continue to be the case in the future.

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[1] We present AFFO as an additional non-GAAP financial measure of our operational performance, as we believe AFFO improves comparability on a period-over-period basis and is a more useful supplemental metric for investors. Please see our periodic reports filed with the SEC for a reconciliation of AFFO to the most directly-comparable GAAP measure, net income.

We generally try to match up long-term leases with long-term, fixed-rate borrowings. By doing this, we are able to lock in a spread to us, providing additional security to the distributions paid to our stockholders. As of December 31, 2017, the weighted-average remaining lease term (excluding tenant renewal options) on all of our farms was approximately 6.3 years, and the weighted-average maturity on all borrowings was approximately 9.1 years. In addition, as of December 31, 2017, approximately 97% of our total borrowings bore interest at fixed rates, and, on a weighted-average basis, these rates are fixed for the next 6.6 years, which should provide protection against future interest rate increases. Furthermore, excluding three maturities that we expect to refinance with the existing lender, only approximately 2.4% of our aggregate debt payments come due during 2018. On a fair value basis, leverage on our portfolio at year-end was slightly under 61%. Given what we view as the relative low risk of U.S. farmland as an overall asset class (including a near-zero vacancy rate) and the limited exposure to floating interest rates on the debt side, we believe our balance sheet remains strong.

ASSET VALUE

Real estate companies are required to record real estate using the net historical cost basis, and, as a result, the carrying value of the real estate does not change as the fair value of the assets changes. Management believes determining the fair value of real estate assets is useful to investors and, therefore, provides this information to stockholders each quarter. At December 31, 2017, net asset value per share was estimated to be $13.96.

CAPITAL MARKETS AND FINANCINGS:

During 2017, through two overnight public offerings and sales under our “at-the-market” program, we raised net proceeds of approximately $39.9 million from sales of our common stock. These common stock issuances allowed us to continue to grow our farmland portfolio by investing in new farms that we believe will increase both AFFO and net asset value.

We were also active in the credit markets, as we obtained approximately $108.7 million of new, long-term borrowings. On a weighted-average basis, these new borrowings carry an effective interest rate of 3.62% and are fixed for the next 7-plus years. Through these new borrowings, we formed relationships with four new lenders, extending our lending base to a total of eight different lenders.

DISTRIBUTIONS:

Our board of directors voted to increase distributions to common stockholders four times during 2017, resulting in an increase in distributions paid per share of 5.8% over that of 2016. Furthermore, since January 2015, our board has increased distributions nine times, resulting in an overall increase of 47.5% in the monthly distribution rate to common stockholders. As of March 31, 2018, we have paid 62 consecutive monthly cash distributions to common stockholders, and the current per-share distribution rate is $0.04425 per month, or $0.531 per year. Continuation of monthly distributions to stockholders is paramount to our business objectives, and we hope the additional revenues expected to be generated from both recent and projected acquisitions will allow our board of directors to continue to frequently increase the distributions to common stockholders.

OUTLOOK:

Demand for prime farmland in our specific growing regions remains high, and farmland values in these areas continue to be strong. Most of the regions where our farms are located continue to experience steady appreciation in both the underlying land values and the rents charged.

We finished 2017 with a lot of momentum, and we expect to continue to grow and further diversify our farmland portfolio during 2018. We hope this growth allows us to pass on further earnings to our stockholders, while offering additional protection through increased diversification. Please eat lots of healthy fruits, vegetables, and nuts.

David Gladstone	Terry L. Brubaker
Chairman, CEO and President	Vice Chairman and Chief Operating Officer