



## Piedmont Office Realty Trust Reports First Quarter 2018 Results and Raises 2018 Guidance

May 1, 2018

**ATLANTA, May 1, 2018**--Piedmont Office Realty Trust, Inc. ("Piedmont" or the "Company") (NYSE:PDM), an owner of Class A office properties in select sub-markets located primarily within eight major Eastern U.S. office markets, today announced its results for the quarter ended March 31, 2018.

### **Highlights for the Three Months Ended March 31, 2018:**

- Reported Net Income Applicable to Common Stockholders of \$0.42 per diluted share for the quarter;
- Achieved Core Funds From Operations ("Core FFO") of \$0.43 per diluted share for the quarter ended March 31, 2018;
- Completed 341,000 square feet of leasing during the first quarter at properties that were owned as of the end of the quarter, almost half of which related to new tenant leasing;
- As previously announced, completed the disposition of 14 non-strategic properties for a total sales price of approximately \$430 million, thereby exiting four non-strategic office markets;
- Used proceeds from the above dispositions to:
  - Acquire 501 West Church Street, a value-add asset located in Orlando, Florida in close proximity to the Company's existing downtown Orlando assets;
  - Replace two unsecured, near-term-maturity, term loans totaling \$470 million with a new, 7-year, \$250 million term loan, thereby increasing the Company's weighted average remaining maturity to almost 5 years; and
  - Repurchase 12.5 million shares of the Company's common stock, at an average price of \$18.56 per share under the Company's board-approved stock repurchase program.

Commenting on the Company's first quarter 2018 results, Donald A. Miller, CFA, President and Chief Executive Officer, said, "We are extremely pleased with our first quarter capital transaction activity and with our executed leasing results and the related roll up of cash and GAAP rental rates. In addition to the 341,000 square feet of reported leasing, we were also able to successfully complete 150,000 square feet of leasing at properties that we sold early in the quarter, resulting in \$4.5 million in added proceeds and gain for our stockholders. Utilizing the quarter's disposition proceeds, we were able to greatly improve our debt maturity profile and to opportunistically invest accretively in our own stock at a substantial discount to what we believe is our own net asset value."

### **Results for the Quarter ended March 31, 2018**

Piedmont recognized net income applicable to common stockholders for the three months ended March 31, 2018 of \$57.8 million, or \$0.42 per diluted share, as compared with net income of \$15.1 million, or \$0.10 per diluted share, for the three months ended March 31, 2017. The three months ended March 31, 2018 included an approximately \$45.2 million, or \$0.33 per diluted share, gain on sale whereas there was only de minimus gain/loss activity in the first quarter of the prior year.

Funds From Operations ("FFO"), which removes the impact of the gains and losses on sales of assets mentioned above (as well as depreciation and amortization), and Core FFO, which further removes the impact of a non-cash loss on extinguishment of debt that occurred during the first quarter of 2018, were \$0.41 and \$0.43 per diluted share, respectively, for the three months ended March 31, 2018. Both of these metrics were \$0.45 for the three months ended March 31, 2017. The year-over-year decrease is primarily attributable to the sale of sixteen wholly-owned assets and one unconsolidated joint venture since June of 2017.

Revenues and property operating costs were \$129.9 million and \$51.9 million, respectively, for the three months ended March 31, 2018, compared to \$148.5 million and \$55.8 million, respectively, for the first quarter of 2017. The decrease in both items was primarily a result of the sale of the sixteen wholly-owned assets mentioned above.

General and administrative expense was \$6.6 million for the first quarter of 2018, compared to \$8.2 million for the same period in 2017, primarily as a result of decreased accruals for potential performance-based stock compensation as compared to the first quarter of 2017.

Gain on sale of real estate assets was \$45.2 million for the first quarter of 2018, as compared to a loss of \$53,000 for the three months ended March 31, 2017, with the current quarter reflecting the sale of fourteen wholly-owned assets that closed in January of 2018.

In addition, net income available to common stockholders per share, FFO per diluted share and Core FFO per diluted share for the three months ended March 31, 2018 were all favorably impacted by an approximately 9.7 million share decrease in our weighted average shares outstanding as a result of the repurchase of approximately 15.6 million shares pursuant to the Company's stock repurchase program during the twelve months ended March 31, 2018, the majority of which occurred during the first quarter of 2018.

### **Leasing Update**

The Company's leasing volume at properties owned as of the end of the first quarter totaled 341,000 square feet, approximately half of which related to new leasing. In addition to the leasing completed throughout its current portfolio, approximately 150,000 of square feet of further leasing was executed at the properties included in the 14 property portfolio sale which resulted in the realization of \$4.5 million of incremental sale proceeds and gains on sale, bringing the total proceeds from the portfolio sale to over \$430 million. Some of the larger leasing activity completed at properties owned at the end of the quarter included:

- **In Orlando, FL** - Holland & Knight LLP executed a renewal of its approximately 51,000 square feet at SunTrust Center in CBD Orlando through 2024; and Robinhood Markets, Inc.

- signed an 8-year renewal and expansion for a total of 28,000 square feet at 500 TownPark in the Lake Mary submarket through 2026;
- **In Metro New York** - Amneal Pharmaceuticals, LLC completed a lease expansion of approximately 40,000 square feet at 400 Bridgewater Crossing in the Bridgewater, NJ submarket for through 2024;
  - **In Boston** - Smithsonian Institution executed a new, 10-year lease of approximately 33,000 square feet at 5 & 15 Wayside Road through 2028; and,
  - **In Atlanta** - Rule, Joy, Trammell + Rubio, LLC renewed approximately 23,000 square feet at Galleria 300 through 2030.

The Company's leased percentage was 91.3% as of March 31, 2018, up from 89.7% at December 31, 2017, primarily as a result of the 14-property disposition and the reclassification of one property to redevelopment status during the three months ended March 31, 2018. Cash and GAAP rental rates for leases executed during the quarter increased 9.6% and 22.6%, respectively. Weighted average lease term was approximately 6.7 years as of March 31, 2018. Same Store NOI increased 4.2% on a cash basis compared to the prior year as several large lease abatements expired, and this same metric decreased 0.2% on an accrual basis for the three months ended March 31, 2018 as compared to the first quarter of 2017. Details outlining Piedmont's largest upcoming lease expirations, the status of certain major leasing activity, and a schedule of the largest lease abatement periods can be found in the Company's quarterly supplemental information package available at [www.piedmontreit.com](http://www.piedmontreit.com).

### Transaction and Financing Activity

As previously announced, during the first quarter, Piedmont sold 14 non-strategic assets for a total gross sales price of approximately \$430.4 million, resulting in a gain on sale of approximately \$45.2 million during the first quarter of 2018. These sales proceeds were used primarily to repurchase \$232 million, or 12.5 million shares, of Company stock during the quarter and to acquire 501 West Church Street. This property is an approximately 182,000 square foot, value add, five-story office property located in downtown Orlando adjacent to the Amway Center and the proposed downtown Sports Entertainment District as well as Piedmont's existing assets, CNL Center I and II and SunTrust Center and was acquired for approximately \$28 million. Also during the quarter the Company used a new \$250 million, seven-year, term loan and the Company's line of credit to payoff \$470 million of existing debt scheduled to mature in 2018 and 2019. The Company has no other debt maturities until 2020.

### Second Quarter 2018 Dividend Declaration

On May 1, 2018, the board of directors of Piedmont declared dividends for the second quarter of 2018 in the amount of \$0.21 per share on its common stock to stockholders of record as of the close of business on May 23, 2018, payable on June 15, 2018.

### Guidance for 2018

Based on the stock repurchase activity to date and management's current operating expectations, the Company's guidance for full-year 2018 has been raised and the range narrowed as follows:

<i>(in millions, except per share data)</i>	Low	High
Net Income	\$93	-\$97
Add:		
Depreciation	108	- 111
Amortization	61	- 63
Less: Gain on Sale of Real Estate Assets	(45)	- (46)
NAREIT FFO applicable to Common Stock	\$ 217	-\$225
NAREIT FFO per diluted share	<u>\$1.66</u>	<u>-\$1.72</u>
Less: Loss on Extinguishment of Debt	\$2	-\$2
Core FFO applicable to Common Stock	\$ 219	-\$227
Core FFO per diluted share	<u>\$1.68</u>	<u>-\$1.74</u>

These estimates reflect management's view of current market conditions and incorporate certain economic and operational assumptions and projections. Actual results could differ materially from these estimates based on a variety of factors, particularly the timing of any future acquisitions and dispositions as well as those factors discussed under "Forward Looking Statements" below.

Note that individual quarters may fluctuate on both a cash basis and an accrual basis due to lease commencements and expirations, abatement periods, the timing of repairs and maintenance, capital expenditures, capital markets activities, seasonal general and administrative expenses, accrued potential performance-based compensation expenses, and one-time revenue or expense events. In addition, the Company's guidance is based on information available to management as of the date of this release.

### Non-GAAP Financial Measures

To supplement the presentation of the Company's financial results prepared in accordance with U.S. generally accepted accounting principles ("GAAP"), this release and the accompanying quarterly supplemental information as of and for the period ended March 31, 2018 contain certain financial measures that are not prepared in accordance with GAAP, including FFO, Core FFO, AFFO, Same Store NOI (cash basis), Property NOI (cash basis), EBITDAre, and Core EBITDA. Definitions and reconciliations of each of these non-GAAP measures to their most comparable GAAP metrics are included below and in the accompanying quarterly supplemental information.

Each of the non-GAAP measures included in this release and the accompanying quarterly supplemental financial information has limitations as an analytical tool and should not be considered in isolation or as a substitute for an analysis of the Company's results calculated in accordance with GAAP. In addition, because not all companies use identical calculations, the Company's presentation of non-GAAP measures in this release and the accompanying quarterly supplemental information may not be comparable to similarly titled measures disclosed by other companies, including other REITs. The Company may also change the calculation of any of the non-GAAP measures included in this news release and the accompanying supplemental financial information from time to time in light of its then existing operations to include other adjustments that may affect its operations.

### Conference Call Information

Piedmont has scheduled a conference call and an audio web cast for Wednesday, May 2, 2018 at 10:00 A.M. Eastern daylight time. The live audio web cast of the call may be accessed on the Company's website at [www.piedmontreit.com](http://www.piedmontreit.com) in the Investor Relations section. Dial-in numbers are (877) 407-0778 for participants in the United States and Canada and (201) 689-8565 for international participants. A replay of the conference call will be available through 10 A.M. EST on May 16, 2018, and may be accessed by dialing (877) 481-4010 for participants in the United States and Canada and (919) 882-2331 for international participants, followed by conference identification code 28325. A web cast replay will also be available after the conference call in the Investor Relations section of the Company's website. During the audio web cast and conference call, the Company's management team will review first quarter 2018 performance, discuss recent events, and conduct a question-and-answer period.

#### **Supplemental Information**

Quarterly supplemental information as of and for the period ended March 31, 2018 can be accessed on the Company's website under the Investor Relations section at [www.piedmontreit.com](http://www.piedmontreit.com).

#### **About Piedmont Office Realty Trust**

Piedmont Office Realty Trust, Inc. (NYSE: PDM) is an owner, manager, developer, and operator of high-quality, Class A office properties in select sub-markets located primarily within eight major U.S. office markets. Its geographically-diversified, almost \$5 billion portfolio is currently comprised of approximately 17 million square feet. The Company is a fully-integrated, self-managed real estate investment trust (REIT) with local management offices in each of its major markets and is investment-grade rated by Standard & Poor's (BBB) and Moody's (Baa2). For more information, see [www.piedmontreit.com](http://www.piedmontreit.com).

#### **Forward Looking Statements**

Certain statements contained in this press release constitute 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"). The Company intends for all such forward-looking statements to be covered by the safe-harbor provisions for forward-looking statements contained in Section 27A of the Securities Act and Section 21E of the Exchange Act, as applicable. Such information is subject to certain risks and uncertainties, as well as known and unknown risks, which could cause actual results to differ materially from those projected or anticipated. Therefore, such statements are not intended to be a guarantee of the Company's performance in future periods. Such forward-looking statements can generally be identified by our use of forward-looking terminology such as "may," "will," "expect," "intend," "anticipate," "believe," "continue" or similar words or phrases that are predictions of future events or trends and which do not relate solely to historical matters. Examples of such statements in this press release include the Company's estimated range of Net Income, Depreciation, Amortization, Gain on Sale of Real Estate Assets, NAREIT FFO/Core FFO and NAREIT FFO/Core FFO per diluted share for the year ending December 31, 2018.

The following are some of the factors that could cause the Company's actual results and its expectations to differ materially from those described in the Company's forward-looking statements: Economic, regulatory, socio-economic and/or technology changes (including accounting standards) that impact the real estate market generally, or that could affect patterns of use of commercial office space; the impact of competition on our efforts to renew existing leases or re-let space on terms similar to existing leases; changes in the economies and other conditions affecting the office sector in general and the specific markets in which we operate; lease terminations or lease defaults, particularly by one of our large lead tenants; the effect on us of adverse market and economic conditions, including any resulting impairment charges on both our long-lived assets or goodwill; the success of our real estate strategies and investment objectives, including our ability to identify and consummate suitable acquisitions and divestitures; the illiquidity of real estate investments, including the resulting impediment on our ability to quickly respond to adverse changes in the performance of our properties; the risks and uncertainties associated with our acquisition of properties, many of which risks and uncertainties may not be known at the time of acquisition; development and construction delays and resultant increased costs and risks; our real estate development strategies may not be successful; future acts of terrorism in any of the major metropolitan areas in which we own properties, or future cybersecurity attacks against us or any of our tenants; costs of complying with governmental laws and regulations; additional risks and costs associated with directly managing properties occupied by government tenants; significant price and volume fluctuations in the public markets, including on the exchange which we listed our common stock; the effect of future offerings of debt or equity securities or changes in market interest rates on the value of our common stock; uncertainties associated with environmental and other regulatory matters; potential changes in political environment and reduction in federal and/or state funding of our governmental tenants; any change in the financial condition of any of our large lead tenants; the effect of any litigation to which we are, or may become, subject; changes in tax laws impacting REITs and real estate in general, as well as our ability to continue to qualify as a REIT under the Internal Revenue Code of 1986 (the "Code"); the future effectiveness of our internal controls and procedures; and other factors, including the risk factors discussed under Item 1A. of Piedmont's Annual Report on Form 10-K for the year ended December 31, 2017.

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this press release. The Company cannot guarantee the accuracy of any such forward-looking statements contained in this press release, and the Company does not intend to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

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#### **[PDM Q1 2018 Financials](#)**

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