



Piedmont Office Realty Trust Reports Fourth Quarter and Annual 2019 Results

February 4, 2020

Atlanta, GA, Feb. 04, 2020 (GLOBE NEWSWIRE) -- Piedmont Office Realty Trust, Inc. ("Piedmont" or the "Company") (NYSE:PDM), an owner of Class A office properties located primarily in select sub-markets within seven major Eastern U.S. office markets, today announced its results for the quarter and year ended December 31, 2019.

Highlights for the Quarter and Year Ended December 31, 2019:

- Reported net income applicable to common stockholders of \$162.5 million, or \$1.29 per diluted share, and \$229.3 million, or \$1.82 per diluted share, for the quarter and year ended December 31, 2019, respectively, as compared with \$45.4 million, or \$0.35 per diluted share, and \$130.3 million, or \$1.00 per diluted share, for the quarter and year ended December 31, 2018, respectively.
- Achieved Core Funds From Operations ("Core FFO") of \$0.46 and \$1.79 per diluted share for the quarter and year ended December 31, 2019, respectively.
- Completed approximately 867,000 square feet of leasing during the quarter ended December 31, 2019, including the 520,000 square foot renewal and expansion of one of the Company's largest tenants, the State of New York at 60 Broad Street in New York City, bringing total leasing for the year to 2.3 million square feet.
- Reported an approximately 7.4% and 23.2% roll up in cash and accrual rents, respectively, on executed leases for space vacant one year or less for the quarter ended December 31, 2019 and a 9.8% and a 21.6% roll up in cash and accrual rents, respectively, on executed leases for space vacant one year or less for the year ended December 31, 2019.
- Reported an 8.2% and 5.2% increase in Same Store NOI-Cash Basis and Same Store NOI - Accrual Basis, respectively, for the quarter ended December 31, 2019, as compared to the quarter ended December 31, 2018 and a 5.7% and 2.5% increase in Same Store NOI-Cash Basis and Same Store NOI - Accrual Basis, respectively, for the year ended December 31, 2019, as compared to the year ended December 31, 2018.
- During the quarter ended December 31, 2019, completed the sale of 500 West Monroe Street, a 46-story, approximately 967,000 square foot, 100% leased, trophy office building located in the West Loop submarket of downtown Chicago, IL for a gross sales price of \$412 million, or \$426 psf, which resulted in the recognition of a gain on sale of real estate assets of approximately \$158 million during the fourth quarter.

Subsequent to December 31, 2019:

- Entered into a binding contract to acquire a 1.4 million square foot project located in Dallas, TX for approximately \$400 million. The transaction is expected to close during the first quarter of 2020. It will be initially funded using the Company's \$500 million line of credit and ultimately is expected to be largely funded through the disposition of 1901 Market Street in Philadelphia, PA.

Commenting on the quarter's results, Brent Smith, President and Chief Executive Officer, said, "2019 was a phenomenal year for Piedmont. We completed several key acquisitions which allowed us to gain control of the entire 2.1 million square foot Atlanta Galleria office development. Those acquisitions were funded by the sale of two of our more mature assets in non-strategic markets, including the sale during the fourth quarter of 500 West Monroe Street in Chicago, and demonstrate our ability to monetize assets which have maximized their growth potential in our portfolio and redeploy the proceeds accretively into our targeted sub-markets. Leasing activity for the year was an impressive 2.3 million square feet and resulted in strong current, and what we believe, will be future rent growth. During the fourth quarter we successfully completed an approximately 20-year renewal of one of our largest tenants, State of New York, for more space and at better economics than we originally anticipated. Further, we are very excited about the start we are seeing for 2020 with a significant acquisition planned in Dallas and continued leasing momentum across the portfolio."

Results for the Quarter ended December 31, 2019

Piedmont recognized net income applicable to common stockholders for the three months ended December 31, 2019 of \$162.5 million, or \$1.29 per diluted share, as compared with \$45.4 million, or \$0.35 per diluted share, for the three months ended December 31, 2018. The increase in the current quarter's results was almost entirely a result of the recognition of approximately \$157.6 million in gain on sale of real estate assets primarily associated with the sale of 500 West Monroe Street in downtown Chicago as compared with a \$30.5 million gain on sale of real estate assets during the three months ended December 31, 2018. The current quarter's results also included a \$7.0 million loss on impairment of real estate assets associated with a change in hold period assumption for a non-strategic building in New Jersey during the quarter.

Funds From Operations ("FFO") and Core FFO, which remove the impact of the gains on sale and impairment loss mentioned above, as well as

depreciation and amortization, were both \$0.46 per diluted share for the three months ended December 31, 2019, as compared with \$0.45 per diluted share for the three months ended December 31, 2018, reflecting the commencement of certain significant leases during the fourth quarter of 2019 as well as net transactional activity since October 1, 2018.

Per share results were also favorably impacted by an approximately 2.5 million share decrease in the Company's weighted average shares outstanding for the three months ended December 31, 2019 as a result of stock repurchase activity occurring primarily in late 2018 and into early 2019.

Total revenues and property operating costs were \$134.2 million and \$52.6 million, respectively, for the three months ended December 31, 2019, compared to \$137.2 million and \$55.2 million, respectively, for the fourth quarter of 2018, with both line items reflecting the commencement of new leases, the expiration of abatements, and net transactional activity during the year ended December 31, 2019. General and administrative expense was \$8.2 million for the fourth quarter of 2019 comparable to the same period in 2018.

Results for the Year ended December 31, 2019

Piedmont recognized net income applicable to common stockholders for the year ended December 31, 2019 of \$229.3 million, or \$1.82 per diluted share, as compared with net income of \$130.3 million, or \$1.00 per diluted share, for the year ended December 31, 2018. The year ended December 31, 2019 included approximately \$188.1 million, or \$1.49 per diluted share, of gains on sales of real estate assets net of impairment losses, whereas the prior year included approximately \$75.7 million, or \$0.58 per diluted share, of gains on sales of real estate assets.

Funds From Operations ("FFO") which removes the impact of the gains on sales of real estate assets and impairment charges mentioned above (as well as depreciation and amortization), was \$1.77 per diluted share for the year ended December 31, 2019, as compared with \$1.72 per diluted share for the year ended December 31, 2018, with the increase driven by higher average occupancy during the year ended December 31, 2019 and net transactional activity during the two years ended December 31, 2019, offset by higher general and administrative expense as described below.

Core FFO, which further removes \$3.2 million of non-recurring expenses associated with the senior management transition that occurred on June 30, 2019 and a \$1.7 million loss on early extinguishment of debt during the year ended December 31, 2018, was \$1.79 for the year ended December 31, 2019, as compared with \$1.73 for the year ended December 31, 2018, with the increase primarily driven by the same items described above.

Per share results were also favorably impacted by an approximately 4.5 million share decrease in the Company's weighted average shares outstanding for the year ended December 31, 2019 as a result of stock repurchase activity occurring primarily during 2018.

Total revenues and property operating costs were \$533.2 million and \$211.4 million, respectively, for the year ended December 31, 2019, compared with \$526.0 million and \$209.3 million, respectively, for the year ended December 31, 2018, with both line items reflecting the commencement of new leases, the expiration of abatements, and net transactional activity during the two years ended December 31, 2019.

Current year results also reflect increased amortization expense related to intangible assets associated with the recent acquisitions of Galleria 100, 400, and 600 and higher general and administrative expense associated with increased accruals for potential performance-based equity compensation as a result of the Company's relative stock performance during the year ended December 31, 2019, as well as non-recurring expenses related to the senior management transition that occurred on June 30, 2019.

Leasing Update

During the three months ended December 31, 2019, Piedmont completed approximately 867,000 square feet of leasing across its portfolio, bringing total year to date leasing to approximately 2.3 million square feet. The fourth quarter's executed leases for recently occupied space reflected a 7.4% roll up in cash rents and 23.2% increase in accrual rents. The largest lease executed during the fourth quarter was the previously announced 20-year renewal and expansion with the State of New York at 60 Broad Street in New York City which totaled approximately 520,000 square feet. Other significant leasing highlights during the quarter include the following:

- **In Orlando:** Orange County Florida renewed approximately 49,000 square feet at 200 South Orange Avenue, and Foundry Commercial, LLC signed a new lease for approximately 24,000 square feet at CNL Center II;
- **In Minneapolis:** Cherne Contracting Corporation signed a new lease for approximately 32,000 square feet at Norman Pointe I;
- **In Washington:** Leidos, Inc renewed approximately 27,000 square feet at 400 Virginia Avenue;
- **In Dallas:** Drees Custom Homes, LP renewed approximately 18,000 square feet at 161 Corporate Center; and,
- **In Atlanta:** Crawford Investment Council, Inc. signed a renewal and expansion totaling approximately 17,000 square feet at Galleria 600, and Southern Communications Services, Inc. renewed approximately 16,000 square feet at Glenridge Highlands One.

As of December 31, 2019, the Company's reported leased percentage and weighted average remaining lease term were approximately 91% and 7.0 years, respectively, with approximately 1.0 million square feet of executed leases for vacant space yet to commence or under rental abatement. Same Store NOI ("SSNOI") increased 8.2% and 5.2% on a cash and accrual basis, respectively, for the three months ended December 31, 2019 as compared to the three months ended December 31, 2018. The increase in cash basis SSNOI was attributable to the expiration of lease abatements while the increase in accrual basis SSNOI was related to the commencement of leases with higher straight-line rents, including a 301,000 square foot lease at Enclave Place in Houston, TX, offset by down times between leases and lower overall occupancy levels. Details outlining Piedmont's largest upcoming lease commencements and expirations, the status of certain major leasing activity and a schedule of the largest lease abatements can be found in the Company's quarterly supplemental information package available at www.piedmontreit.com.

Transactional Update

As previously announced, during the three months ended December 31, 2019, Piedmont sold 500 West Monroe Street, a 46-story, approximately 967,000 square foot, 100% leased, trophy office building located in the West Loop submarket of downtown Chicago, IL for a gross sales price of \$412 million, or \$426 psf. Under the terms of the purchase and sale agreement, Piedmont will continue to manage the building for the buyer for an initial three year term. The transaction resulted in the recognition of an approximately \$158 million gain on sale of real estate which is included in the fourth

quarter's results of operations.

Subsequent to December 31, 2019, Piedmont entered into a binding contract to acquire a 1.4 million square foot project located in Dallas, TX for approximately \$400 million. The transaction is expected to close during the first quarter of 2020. It will be initially funded using the Company's \$500 million line of credit and ultimately is expected to be partially funded through the disposition of 1901 Market Street in Philadelphia, PA.

First Quarter 2020 Dividend Declaration

On February 4, 2020, the board of directors of Piedmont declared a dividend for the first quarter of 2020 in the amount of \$0.21 per share on its common stock to stockholders of record as of the close of business on February 28, 2020, payable on March 20, 2020.

Guidance for 2020

Based on management's expectations, the Company is introducing guidance for the year ending December 31, 2020 as follows:

<i>(in millions, except per share data)</i>	Low	High
Net Income	\$ 43	-\$ 47
Add:		
Depreciation	115	- 120
Amortization	82	- 85
NAREIT FFO and Core FFO applicable to common stock	\$ 240	-\$ 252
NAREIT FFO and Core FFO per diluted share	\$ 1.90	-\$ 2.00

These estimates reflect management's view of current market conditions and incorporate certain economic and operational assumptions and projections, including but not limited to: the acquisition of a 1.4 million square foot project in Dallas, TX and the disposition of 1901 Market Street. This financial guidance does not include the potential effects of any additional acquisition or disposition activity that may be completed during the year, nor does it include estimates for any gains or losses that may be incurred as a result of the potential sale of 1901 Market Street. 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 other 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 expenses, 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 December 31, 2019 contain certain financial measures that are not prepared in accordance with GAAP, including FFO, Core FFO, AFFO, Same Store NOI (cash and accrual basis), Property NOI (cash and accrual 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.

Conference Call Information

Piedmont has scheduled a conference call and an audio web cast for Wednesday, February 5, 2020 at 10:00 A.M. Eastern time. The live audio web cast of the call may be accessed on the Company's website at www.piedmontreit.com in the Investor Relations section. Dial-in numbers are (844) 369-8770 for participants in the United States and Canada and (862) 298-0840 for international participants. A replay of the conference call will be available through 10:00 A.M. Eastern time on February 19, 2020, 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 57174. 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 fourth quarter and annual 2019 performance, discuss recent events, and conduct a question-and-answer period.

Supplemental Information

Quarterly supplemental information as of and for the period ended December 31, 2019 can be accessed on the Company's website under the Investor Relations section at www.piedmontreit.com.

About Piedmont Office Realty Trust

Piedmont Office Realty Trust, Inc. (NYSE: PDM) is an owner, manager, developer, redeveloper, and operator of high-quality, Class A office properties located primarily in select sub-markets within seven major Eastern 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). At the end of the fourth quarter, over 60% of the company's portfolio was ENERGY STAR certified and approximately 35% was LEED certified. For more information, see 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 whether the Company will continue to experience leasing momentum across its various markets; whether the Company's leasing activity for the year ended December 31, 2019 will result in future rent growth; whether the anticipated acquisition of a 1.4 million square foot project in Dallas, TX will close; whether the sale of 1901 Market Street in Philadelphia, PA will occur; and the Company's estimated range of Net Income, Depreciation, Amortization, NAREIT FFO/Core FFO and NAREIT FFO/Core FFO per diluted share for the year ending December 31, 2020.

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; adverse market and economic conditions, including any resulting impairment charges on both our long-lived assets or goodwill resulting therefrom; 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 regulatory restrictions to which REITs are subject and 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 and disposition of properties, many of which risks and uncertainties may not be known at the time of acquisition or disposition; development and construction delays and resultant increased costs and risks; our real estate development strategies may not be successful; future acts of terrorism or armed hostilities 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; changes in the method pursuant to which the LIBOR rates are determined and the potential phasing out of LIBOR; 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, including an increased risk of default by government tenants during periods in which state or federal governments are shut down or on furlough; any change in the financial condition of any of our large lead tenants; changes in the financial condition of our tenants directly or indirectly resulting from uncertainty surrounding the United Kingdom's withdrawal from the European Union; 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, 2018.

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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Attachment

- [PDM Financials Q4 2019](#)



Source: Piedmont Office Realty Trust, Inc.