



## Piedmont Office Realty Trust Reports Fourth Quarter and Annual 2014 Results and 2015 Guidance

February 5, 2015



ATLANTA, February 5, 2015 --Piedmont Office Realty Trust, Inc. ("Piedmont" or the "Company") (NYSE:PDM), an owner of primarily Class A office properties located in select sub-markets of major U.S. cities, today announced its results for the quarter and year ended December 31, 2014.

### **Highlights for the Three Months and Year Ended December 31, 2014:**

- Achieved Core Funds From Operations ("CFFO") of \$0.39 per diluted share and \$1.49 per diluted share for the quarter and year ended December 31, 2014, respectively;
- Completed approximately 2.2 million square feet of leasing, or 10% of the portfolio, for the year ended December 31, 2014, including leasing approximately 321,000 square feet during the fourth quarter;
- Leased up two value-add properties to 88% and 98%, respectively, during the year; and
- Purchased 25.2 acres of land adjacent to its 400 TownPark building in Lake Mary, Florida during the fourth quarter.

Donald A. Miller, CFA, President and Chief Executive Officer said, "2014 was a pivotal year for Piedmont as we began to see our leasing efforts over the last several years start to pay off in the form of improving cash NOI and increasing occupancy during the year. Further, we were very pleased to lease over two million square feet in '14 given that over half of that square footage was attributable to new tenants, particularly at some of our value-add properties."

### **Results for the Quarter ended December 31, 2014**

Piedmont's net income available to common stockholders for the fourth quarter of 2014 was \$12.5 million, or \$0.08 per diluted share, as compared with \$29.6 million, or \$0.18 per diluted share, for the fourth quarter of 2013. The prior quarter's results included \$0.09 per diluted shares in gains related to properties sold during the fourth quarter of 2013 whereas the current quarter's results reflect \$0.04 per diluted share of additional depreciation and amortization expense resulting from properties acquired as well as several large tenant build outs over the last twelve months. Per share results were favorably impacted by the reduction in weighted average shares outstanding as a result of shares repurchased pursuant to the Company's stock repurchase plan.

Revenues for the quarter ended December 31, 2014 were \$146.7 million, as compared with \$141.5 million for the same period a year ago, primarily attributable to increased reimbursement revenue as a result of the expiration of lease abatements for operating expenses on certain recently commenced leases and increased rental income from the net increase in occupancy over the last year.

Property operating costs increased to \$62.0 million for the quarter ended December 31, 2014, as compared to the prior period of \$58.3 million, primarily as a result of additional expenses associated with properties acquired since the fourth quarter of 2013, as well as increased occupancy at certain assets. General and administrative expenses were \$6.3 million for the quarter ended December 31, 2014 as compared to \$5.2 million for the quarter ended December 31, 2013 primarily due to increased compensation costs driven by stronger stock performance during the current year.

Funds From Operations ("FFO") for the current quarter totaled \$62.1 million, or \$0.40 per diluted share, comparable to \$64.0 million, or \$0.40 per diluted share for the quarter ended December 31, 2013, reflecting a \$2.0 million decrease in insurance proceeds received. Per share results were favorably impacted by decreased average shares outstanding as a result of stock buybacks pursuant to the Company's stock repurchase program.

Core FFO, which excludes acquisition costs and the above-mentioned insurance recoveries, totaled \$59.6 million, or \$0.39 per diluted share, comparable to \$59.9 million, or \$0.37 per diluted share, for the quarter ended December 31, 2013 with the per share results reflecting decreased average shares outstanding as a result of stock buybacks pursuant to the Company's stock repurchase program.

Adjusted FFO ("AFFO") for the fourth quarter of 2014 totaled \$41.2 million, or \$0.27 per diluted share, compared to \$12.8 million, or \$0.08 per diluted share, in the fourth quarter of 2013 primarily due to decreased non-incremental capital expenditures as a result of the completion of certain large tenant build outs during the current year.

### **Results for the Year Ended December 31, 2014**

Piedmont's net income available to common stockholders for the year ended 2014 was \$43.3 million million, or \$0.28 per diluted share as compared

with \$98.7 million, or \$0.60 per diluted share for the prior year. The prior year includes \$26.5 million, or \$0.16 per diluted share, in operations related to real estate assets sold over the previous twelve months, whereas the current year includes \$3.3 million, or \$0.02 per diluted share of such items. In addition, the current year includes \$29.1 million, or \$0.19 per diluted share in additional depreciation and amortization expense resulting from properties acquired as well as the completion of several large tenant build outs over the last two years. Per share results were also favorably impacted by the reduction in weighted average shares outstanding as a result of shares repurchased pursuant to the Company's stock repurchase plan.

Revenues for the year ended December 31, 2014 were \$566.3 million as compared with \$549.6 million for the prior year, primarily reflecting increased revenues associated with properties acquired during 2013 and 2014, the commencement of several significant leases, and the expiration of operating expense abatements for several significant tenants, offset by the loss of revenue associated with the expiration of a large governmental lease in the Company's Washington, D.C. portfolio as of December 31, 2013.

Property operating expenses were \$239.4 million for the year ended December 31, 2014 as compared to \$220.8 million for the prior year, primarily reflecting additional expenses associated with properties acquired during 2013 and 2014 and increases in occupancy at certain properties. General and administrative expense was \$23.8 million for the year ended December 31, 2014 as compared to \$21.9 million for the year ended December 31, 2013, primarily due to higher compensation costs driven by stronger stock performance in the current year.

FFO for the current year totaled \$236.5 million, or \$1.53 per diluted share, as compared with \$250.5 million, or \$1.52 per diluted share, for the year ended December 31, 2013, primarily reflecting a \$4.8 million, or \$0.03 per diluted share, reduction in insurance recoveries in the current year. Per share results were favorably impacted by the reduction in weighted average shares outstanding as a result of shares repurchased pursuant to the Company's stock repurchase plan.

Core FFO, which excludes the casualty and litigation related expenses and recoveries mentioned above, as well as transaction costs associated with acquisitions during the year, totaled \$230.1 million, or \$1.49 per diluted share, for the current year, as compared to \$240.5 million, or \$1.46 per diluted share, for the year ended December 31, 2013, primarily reflecting the expiration and reduction in weighted average shares outstanding discussed above.

AFFO for the year ended December 31, 2014 totaled \$118.2 million, or \$0.76 per diluted share, as compared to \$117.0 million, or \$0.71 per diluted share, for the year ended December 31, 2013, reflecting the impact of the above items as well as decreased non-incremental capital expenditures as a result of the completion of certain large tenant build outs during the current year.

## **Leasing Update**

The Company's total leasing volume for the year was 2.2 million square feet, approximately 321,000 square feet of which was executed during the fourth quarter of 2014. Just over half of both the annual and quarterly activity related to new tenants, with the remainder representing renewals. Further, of the 1.2 million square feet of new leasing executed during the year, 310,000 square feet, or 26%, was related to the Company's value-add portfolio.

The Company's overall portfolio was 88% leased as of December 31, 2014, up from 87% a year ago. Further, the stabilized portfolio was 89% leased and the weighted average lease term remaining was approximately 7.1 years as of December 31, 2014. Cash basis net operating income for the quarter was \$78.4 million, up from \$75.4 million in third quarter 2014, primarily reflecting continued improvement in the Company's economic occupancy as abatements periods for certain significant tenants continue to expire. As of December 31, 2014, the Company had approximately 1.3 million square feet of commenced leases that were in some form of abatement, as well as approximately 0.4 million square feet of executed leases for currently vacant space yet to commence. Details outlining Piedmont's significant upcoming lease expirations, the status of current leasing activity, and a schedule of remaining significant abatement expirations can be found in the Company's quarterly supplemental information package available at [www.piedmontreit.com](http://www.piedmontreit.com).

## **Capital Markets and Financing Activity**

### *Acquisition and Disposition Activity*

During the three months ended December 31, 2014, Piedmont purchased approximately 25.2 acres of land adjacent to its 400 TownPark building in Lake Mary, Florida. The land is located within the amenity-rich Town Park mixed-use development consisting of office, retail, residential and a hotel. The acquisition adds to Piedmont's developable land holdings and allows Piedmont to control a site that is complementary to the 400 TownPark building.

Additionally, subsequent to quarter end, the Company entered into the following acquisition and disposition transactions:

- January 16, 2015, acquired Park Place on Turtle Creek, an approximately 177,000 square foot, 14-story Class A office building located in Dallas, TX for \$46.6 million. The building is situated on 1.24 acres of land in the prestigious submarket of Uptown/Turtle Creek and complements another of Piedmont's recent acquisitions, One Lincoln Park, and is in close proximity to a host of sought-after amenities including many upscale shops and restaurants as well as the Katy Trail. The building is currently 88% leased to a diverse group of tenants; and
- January 30, 2015, disposed of 3900 Dallas Parkway in Plano, TX, a 120,000 square foot, 5-story building that was leased to Cinemark for a sales price of \$26.2 million.

## **Other Events**

### *Director Transition*

As previously announced, W. Wayne Woody, the Company's Chairman, passed away suddenly in January. Effective January 2, 2015, Barbara B. Lang joined the Company's Board of Directors as an Independent Director. Ms. Lang served as President and CEO of the Washington, D.C. Chamber of Commerce for over ten years before founding her own business consulting firm, Lang Strategies, LLC, where she currently serves as Managing Principal & CEO.

Donald S. Moss, who recently retired from the Company's Board, has returned to serve the remainder of Mr. Woody's term. Frank C. McDowell, Vice-Chairman of the Board, will carry out the duties of Chairman until a successor is appointed.

#### *First Quarter Dividend Declaration*

On February 5, 2015, the board of directors of Piedmont declared dividends for the first quarter 2015 in the amount of \$0.21 per share on its common stock to stockholders of record as of the close of business on February 27, 2015, payable on March 20, 2015.

#### **Guidance for 2015**

Based on management's expectations, the Company is introducing guidance for full-year 2015 as follows:

<i>(in millions, except per share data)</i>	<u>Low</u>	<u>High</u>
Net Income	\$110	-\$126
Add: Depreciation, Amortization, and Other	198	-208
Less: Gain on Sale of Real Estate Assets	(70)	-(80)
Core FFO	\$238	-\$254
Core FFO per diluted share	\$1.54	-\$1.64

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. Note that individual quarters may fluctuate on both a cash basis and an accrual basis due to lease commencements and expirations, the timing of repairs and maintenance, capital expenditures, capital markets activities 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**

This release contains certain supplemental non-GAAP financial measures such as FFO, AFFO, Core FFO, Same store net operating income, and Core EBITDA. See below for definitions and reconciliations of these metrics to their most comparable GAAP metric.

#### **Conference Call Information**

Piedmont has scheduled a conference call and an audio web cast for Friday, February 6, 2015 at 10:00 A.M. Eastern standard 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 February 20, 2015, and may be accessed by dialing (877)660-6853 for participants in the United States and Canada and (201)612-7415 for international participants, followed by conference identification code 13598195. 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 2014 performance, 2015 guidance, discuss recent events, and conduct a question-and-answer period.

#### **Supplemental Information**

Quarterly Supplemental Information as of and for the period ended December 31, 2014 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 and operator of high-quality, Class A office properties located in select sub-markets of major U.S. cities. Its geographically-diversified, over \$5 billion portfolio is comprised of more than 21 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 and Other, Gain on Sale of Real Estate Assets, Core FFO and Core FFO per diluted share for the year ending December 31, 2015.

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: market and economic conditions remain challenging and the demand for office space, rental rates and property values may continue to lag the general economic recovery causing the Company's business, results of operations, cash flows, financial condition and access to capital to be adversely affected or otherwise impact performance, including the potential recognition of impairment charges; the success of the Company's real estate strategies and investment objectives, including the Company's ability to identify and consummate suitable acquisitions; lease terminations or lease defaults, particularly by one of the Company's large lead tenants; the impact of competition on the Company's efforts to renew existing leases or re-let space on terms similar to existing leases; changes in the economies and other conditions of the office market in general and of the specific markets in which the Company operates, particularly in Chicago, Washington, D.C., and the New York metropolitan area; economic and regulatory changes, including accounting standards, that impact the real estate market generally; additional risks and costs associated with directly managing properties occupied by government tenants; adverse market and economic conditions may continue to adversely affect the

Company and could cause the Company to recognize impairment charges or otherwise impact the Company's performance; availability of financing and the Company's lending banks' ability to honor existing line of credit commitments; costs of complying with governmental laws and regulations; uncertainties associated with environmental and other regulatory matters; potential changes in political environment and reduction in federal and/or state funding of the Company's governmental tenants; the Company may be subject to litigation, which could have a material adverse effect on the Company's financial condition; the Company's ability to continue to qualify as a real estate investment trust under the Internal Revenue Code; and other factors detailed in the Company's most recent Annual Report on Form 10-K for the period ended December 31, 2013, and other documents the Company files with the Securities and Exchange Commission.

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 Q4 2014 Financials](#)

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