



## Piedmont Office Realty Trust Reports Third Quarter 2015 Results

November 9, 2015



ATLANTA, November 9, 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 ended September 30, 2015.

### **Highlights for the Three Months Ended September 30, 2015:**

- Reported Core Funds From Operations ("Core FFO") of \$0.41 per diluted share and Adjusted Funds from Operations ("AFFO") of \$0.35 per diluted share;
- Achieved 11% and 12% growth in cash-basis Property Net Operating Income ("NOI") and Same Store NOI, respectively, as compared to third quarter of the prior year;
- Completed over 900,000 square feet of leasing, two-thirds of which related to new tenant leasing, including approximately 114,000 and 354,000 square feet in D.C. and Chicago, respectively;
- Sold three non-core assets totaling approximately \$66.5 million resulting in a \$17.1 million gain and purchased one asset in metropolitan Boston;
- Entered into binding contracts to sell its largest asset, Aon Center, in downtown Chicago for \$712 million;
- Repurchased 6.2 million shares of its common stock at an average price of \$17.76 per share.
- With the intent of utilizing some of the Aon sales proceeds, entered into a binding contract to purchase a two asset portfolio comprised of two Class A assets - Galleria 300 in Atlanta, GA and SunTrust Center in Orlando, FL; and
- Achieved year-end target leased percentage of over 90%.

Commenting on third quarter and recent activity, Donald A. Miller, CFA, President and Chief Executive Officer, said, "The sale of Aon Center was a watershed event for us, and we are pleased with both the execution of the sale and the fact that we were able to redeploy a portion of the sales proceeds into two premier assets within two of our targeted Sunbelt markets in such short order. In addition, the displacement in the broader equity market during the third quarter was providential, as it allowed us to opportunistically repurchase a significant number of our shares in anticipation of the receipt of the Aon proceeds. The seamless execution of all of those transactions, combined with several other sales of non-core assets and solid leasing and financial results, made for a noteworthy quarter for Piedmont."

### **Results for the Quarter ended September 30, 2015**

Piedmont recognized a net loss available to common stockholders for the third quarter of 2015 of \$1.9 million, or \$0.01 per diluted share, as a result of recording a \$34.8 million, or \$0.23 per diluted share, loss on impairment associated with the decision to sell 2 Gatehall Drive in Parsippany, NJ. The current quarter's results also reflect approximately \$17.1 million, or \$0.11 per diluted share, in gain related to the sales of three assets during the quarter and increased revenue due to properties acquired since the third quarter of the prior year. These increases were partially offset by increased general and administrative expense during the current quarter as a result of accruing for potential performance-based compensation driven by improved operating results and stock performance.

Revenues for the quarter ended September 30, 2015 were \$148.8 million, as compared with \$144.6 million for the same period a year ago, primarily attributable to new leases commencing since the third quarter of the prior year. Property operating costs were \$61.7 million for the quarter ended September 30, 2015, comparable to \$62.0 million in the third quarter of the prior year.

Both Funds From Operations ("FFO") and Core FFO, which exclude the loss on impairment and gain on sales mentioned above as well as depreciation and amortization expense, were \$0.41 per diluted share for the current quarter, an increase of \$0.03 per diluted share over the same metrics in the third quarter of the prior year. This increase was the result of the commencement of several significant leases and the expiration of various operating expense abatement periods since the third quarter of the prior year, partially offset by increased general and administrative expense during the current quarter as a result of accruing for potential performance-based compensation driven by improved operating results and stock performance.

AFFO for the third quarter of 2015 totaled \$52.4 million, or \$0.35 per diluted share, compared to \$21.8 million, or \$0.14 per diluted share, in the third quarter of 2014, primarily due to the same factors mentioned above, as well as decreased non-incremental capital expenditures as a result of the

completion of certain large tenant build-outs and the effect of straight-line rent adjustments related to the expiration of rental abatement periods since the third quarter of 2014.

All per share results were favorably impacted by the repurchase of approximately 9 million shares since the third quarter of the prior year, including 6.2 million shares repurchased during the three months ended September 30, 2015.

### **Leasing Update**

The Company's leasing volume for the three months ended September 30, 2015 totaled over 900,000 square feet, including approximately 600,000 square feet, or 67%, of new tenant leasing. Highlights of new leasing for the quarter included a previously announced, approximately 170,000 square foot, 12+ year lease with Kraft-Heinz Food Company at Aon Center in downtown Chicago; a 150,000 square foot, 12-year lease with Motorola Solutions, Inc. at 500 West Monroe, also in downtown Chicago; and a 100,000 square foot, 11+ year lease with the International Food Policy Research Institute at 1201 Eye Street in Washington, D.C.

The Company's overall portfolio was approximately 90.6% leased as of September 30, 2015, up over 300 basis points from 87.5% a year ago, and the weighted average lease term remaining was approximately 7.1 years as of September 30, 2015. Cash basis Property NOI for the quarter was \$83.4 million, a 10.7% increase from \$75.4 million in the third quarter of 2014, primarily reflecting continued improvement in the Company's economic occupancy as certain significant leases commenced and abatement periods continued to expire, as well as the contribution from acquisitions over the last twelve months. As of September 30, 2015, the Company had approximately 1.1 million square feet of commenced leases that were in some form of abatement, as well as approximately 0.7 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 significant near-term abatement periods can be found in the Company's quarterly supplemental information package available at [www.piedmontreit.com](http://www.piedmontreit.com).

### **Transactional Activity**

During the three months ended September 30, 2015, Piedmont acquired 80 Central Street, an approximately 150,000 square foot, Class A, office building located in the Interstate 495/Route 2 sub-market of Boxborough, MA. 80 Central Street is adjacent to and shares certain infrastructure with the Company's existing 90 Central Street asset. The building, which is currently 93% leased to seven tenants, was acquired for \$13.5 million (\$90 per square foot).

Additionally, during the quarter ended September 30, 2015, the Company disposed of:

- Eastpoint I & II, sister buildings totaling approximately 171,000 square feet, in Mayfield Heights, OH for \$18.5 million (\$108 per square foot). The sale of these two assets concludes the Company's exit from the Cleveland, OH market;
- 3750 Brookside Pkwy, an approximate 105,000 square foot, 92% leased building located in Alpharetta, GA, for approximately \$14.1 million (\$134 per square foot); and
- Chandler Forum, a 150,000 square foot, single-tenant building located in Phoenix, AZ for \$33.9 million (\$226 per square foot).

The sales of the above assets resulted in a \$17.1 million gain that is included in the Company's operational results for the three months ended September 30, 2015.

As previously announced, during the third quarter the Company entered into a binding contract to sell Aon Center, a 2.7 million square foot office tower located at 200 East Randolph Street in downtown Chicago and 87% leased to multiple tenants for a gross sales price of \$712 million (approximately \$260 per square foot). The transaction closed subsequent to quarter end and resulted in net sales proceeds of approximately \$646.1 million after deducting closing costs, buyer-assumed lease abatements, and contractual tenant capital improvements and leasing commissions. During the third quarter, Piedmont used approximately \$110 million of its \$500 million credit facility in anticipation of receiving proceeds from the Aon transaction to repurchase approximately 6.2 million shares of its common stock at an average price of \$17.76 per share. As of September 30, 2015, the Company had approximately \$80 million of remaining authorized capacity available for future purchases under the stock repurchase program. Subsequent to quarter end, an additional \$259.1 million of the anticipated Aon proceeds was used to acquire two assets located in the Company's target markets as follows:

- Galleria 300, an approximately 430,000 square foot Class A office building prominently located within the master-planned "Galleria" development in Atlanta's Cumberland/Galleria office submarket. In addition to extraordinary visibility and accessibility, Galleria 300 is surrounded by extensive walkable amenities including, among others, Cobb Galleria Centre and SunTrust Park, the new Atlanta Braves stadium currently scheduled to be completed in 2017. Galleria 300 is currently 89% leased to 22 high-quality tenants, including anchor tenant Travelport.
- SunTrust Center, a two-building, approximately 650,000 square foot Class A trophy office complex located at the epicenter of Orlando's central business district. Widely considered to be one of the premiere office assets in Florida, SunTrust Center is currently 89% leased to a host of tenants, including anchor tenant SunTrust Bank, as well as some of the nation's most prestigious law firms. The purchase also includes an adjoining 1,292 space parking garage.

Additionally, subsequent to quarter end Piedmont entered into a binding contract to sell 2 Gatehall Drive, an approximately 400,000 square foot office building located in Parsippany, NJ and 100% leased to two tenants, for \$51.0 million (\$126 per square foot). As previously mentioned, Piedmont recorded a \$34.8 million impairment loss related to this asset in the Company's statement of operations for the three months ended September 30, 2015.

### **Other Events**

*Fourth Quarter Dividend Declaration*

On November 9, 2015, the board of directors of Piedmont declared dividends for the fourth 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 November 27, 2015, payable on December 18, 2015.

### Guidance for 2015

Based on management's expectations of operational results for the remainder of 2015 and including the effects of the capital transaction activity mentioned above, the Company affirms its previous guidance for full-year 2015 as follows:

<i>(in millions, except per share data)</i>	<u>Low</u>	<u>High</u>
Net Income	\$171	\$175
Add: Depreciation, Amortization, and Other	234	-238
Less: Gain on Sale of Real Estate Assets	(165)	-(169)
Core FFO	\$240	\$244
Core FFO per diluted share	\$1.59	\$1.62

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, including those 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, 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 NOI, Property NOI, 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 Tuesday, November 10, 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 November 24, 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 13621873. 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 third quarter 2015 performance, discuss recent events, and conduct a question-and-answer period.

### Supplemental Information

Quarterly supplemental information as of and for the period ended September 30, 2015 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 located in select sub-markets of major U.S. cities. Its geographically-diversified, over \$5 billion portfolio is comprised of more than 19 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, but are not limited to 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 and divestitures; 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 affecting the office market in general and 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, 2014, 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.

Research Analysts/ Institutional Investors Contact:

Eddie Guilbert

770-418-8592

[research\\_analysts@piedmontreit.com](mailto:research_analysts@piedmontreit.com)

Shareholder Services/Transfer Agent Services Contact:

Computershare, Inc.

866-354-3485

[investor\\_services@piedmontreit.com](mailto:investor_services@piedmontreit.com)

[PDM Q3 2015 Financials](#)

HUG#1965648