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Transcript of Piedmont Office Realty Trust, Inc.
Second Quarter 2019 Earnings Call
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Participants

Robert Bowers - Chief Financial and Administrative Officer, Executive Vice President
Brent Smith - President, Chief Executive Officer and Director

Analysts

Dave Rodgers - Robert W. Baird
John Guinee - Stifel
Daniel Ismail - Green Street Advisors

Presentation

Operator
Greetings, and welcome to the Piedmont Office Realty Trust Second Quarter 2019 Earnings Conference Call. At this time, all participants are in a listen-only mode. A brief question-and-answer session will follow the formal presentation. [Operator instructions]. As a reminder, this conference is being recorded.

I'd now like to turn the conference over to your host, Robert Bowers, Chief Financial Officer. Thank you. You may begin.

Robert Bowers - Chief Financial and Administrative Officer, Executive Vice President
Thank you, operator. Good morning, and thank you for joining us for Piedmont's second quarter 2019 conference call. Last night, we published our form 10-Q, and we filed an 8-K containing our quarterly earnings release and along with its supplemental information. These items are available on our website under the Investor Relations section for your review.

On today's call, the company's prepared remarks and answers to your questions will contain forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements address matters which are subject to risks and uncertainties that may cause actual results to differ from those we anticipate and discuss today. Examples of forward-looking statements include those related to Piedmont Office Realty Trust's future revenues, operating income, dividends and financial guidance, as well as future leasing and investment activity. You should not place any undue reliance on any of these forward-looking statements, and these statements speak only as of the date they are made. We encourage all of our listeners to review the more detailed discussion related to risks associated with forward-looking statements contained in the company's filings with the SEC.

In addition, during this call, we'll refer to certain non-GAAP financial measures such as FFO, core FFO, AFFO and same-store NOI. The definitions and reconciliations of these non-GAAP measures are contained in the supplemental financial information available on the company's website. After our prepared comments are made, our senior management team will be available to address any questions that you may have.

At this time, our Chief Executive Officer Brent Smith will provide some opening comments and discuss our second quarter results and accomplishments. Brent?

Brent Smith - President, Chief Executive Officer and Director

Thank you, Bobby. Good morning, everyone, and welcome to today's call. Before starting my prepared remarks, I would like to take a moment and thank my predecessor Don Miller, as well as the entire Piedmont team for their unwavering efforts over the last ten years to transform, improve and focus the portfolio into strategic submarkets that leveraged our platform and our repositioning expertise.

And on my first earnings call as CEO for the company, let me add that I'm honored to have the opportunity to lead such a fine organization of talented real estate professionals. I take great comfort knowing I'm supported by such a hard working team, proficient managers, veteran executives, and a phenomenal board of directors. And you have the entire company's ongoing commitment to provide unmatched service to our tenants, stockholders and professional constituents.

On today's call, I would like to review the company's strategy followed by a summary of our leasing and capital markets achievements for the second quarter. Finally, Bobby Bowers, our Chief Financial Officer, will provide an overview of our quarterly financial performance and review our 2019 guidance.

Since the announcement of Piedmont's CEO transition, I've been asked several times what I will do differently than my predecessor. While I regretfully admit to having a severely diminished golf game by comparison, I'm pleased to note that nothing material will change in our corporate strategy. As many of you know, I've been deeply involved in the evolution of Piedmont, from focusing our operating footprint from 16 markets to the 8 core cities we operate in today, to the approach to broaden our regional platform, placing boots on the ground in all our markets enabling us to build meaningful scale in our targeted submarkets.

What I will endeavor to accomplish over the next 12 to 24 months is to accelerate the pace at which we recycle non-core and fully valued assets into value-enhancing acquisitions that continue to build significant market share, and we continue to see a promising pipeline of strategic bolt-on acquisition opportunities with which to redeploy those proceeds.

Let me reiterate our strategic objectives and some of our ongoing initiatives. First, we look to own and develop, operate a portfolio of Class A office properties in our core markets, concentrated around mixed use environments that offer premium amenity packages and are close proximity to major transportation hubs. We're going to grow the business by recycling capital out of fully valued and non-core assets into financially compelling strategic investments in our core markets.

For example, our Southwest DC disposition in the first quarter transacted at a mid-5 accrual cap rate, and was redeployed into a strategic acquisition in the Northwest submarket of Atlanta at approximately an 8% accrual cap rate. We now have over 1.2 billion square feet in this strategic submarket, giving us meaningful market share in a rapidly densifying environment.

Third, we'll capture redevelopment and development opportunities across our portfolio to enhance cash flow and capital appreciation. We believe we can deliver incremental rental rates in revenue by enhancing and amenitizing [ph] our well-located assets, particularly where we had scale such as in 200 South Orange in Downtown Orlando, U.S. Bank Plaza in Downtown Minneapolis, and Glenridge Highlands in the Central Perimeter of Atlanta, all large-scale projects that will drive occupancy and rent growth.

Last, we will increase our focus on the company's environmental, social and governance programs, including our inaugural sustainability report to be released this fall, providing portfolio-wide benchmark data, as well as outlining our sustainability policy, annual performance, track record and progress toward establishing long-term goals for electrical, water, and other utility consumption.

Overall, I couldn't be more excited about the opportunities ahead on all fronts, leasing, capital investing, development or redevelopment. And my colleagues and I are committed to provide our tenants with best-in-class amenitized office environments, and to provide our investors with consistent growth and financial outperformance. I encourage our stockholders, analysts and professional colleagues on the line today to reach out with any questions regarding Piedmont's strategic objectives.

Now, turning to Piedmont's second quarter. I'm pleased to report, it was characterized by strong portfolio performance, continued operating and leasing success, along with solid capital markets execution from the amount and quality of the leases executed to the accretive complementary and strategic acquisition of adjacent property in Atlanta's Galleria. And as we look beyond the second quarter and the back half of the year, we're confident that the momentum in all areas of the business can continue.

Looking more closely to leasing accomplished during the quarter, we completed approximately 517,000 square feet of total leasing, with just under half of that volume related to new tenants. Our largest lease executed during the quarter was a renewal and expansion with VMware, an industry-leading technology company headquartered in Palo Alto. The lease at our 1155 Perimeter Center West building in Atlanta totaled 215,000 square feet for eight years through 2027. You may notice that this lease expands VMware's presence at the building with a 50,000 square foot expansion, and in fact, fills a portion that soon to be vacated Arby's/Wendy's space with virtually no downtime and a meaningful cash and accrual rent rollup.

Furthermore, we're excited to share that several additional prospects are buying for the remaining available space in the building. The asset's popularity is driven by superior access to highway and rail transportation, neighboring dense walkable mixed use environment and unique onsite amenities, resulting in the property achieving some of the highest rates in the submarket.

During the quarter, we also entered into two leases with WeWork, our first leases with this leading global co-working provider. One of the leases is in Orlando and marks WeWork's entry in the Central Florida market. We believe this location should perform exceptionally well, particularly given Orlando leads the country in job growth. This lease for over 15 years will be backfilling approximately 71,000 square feet of former SunTrust space in the lower floors of our Orlando Landmark building located in the Central Business District at 200 South Orange Avenue.

In conjunction with this lease, which commences in April 2020, we are kicking off a substantial enhancement of the asset, encompassing Downtown Orlando's first food hall, dramatic lobby renovations and several unique tenant collaboration spaces, including an outdoor communal terrace and expansion and activation of a large outdoor pedestrian park adjacent to the building. Once complete, the asset will boast one of the best amenity packages in Orlando.

The second lease is for 29,000 square feet for 17 years at Arlington Gateway, one of our properties in the Rosslyn-Ballston Corridor submarket DC.

As we've discussed previously with many of you, we believe co-working is an alternative to traditional leasing that our tenants are demanding for some portion of their overall space needs. Since our average tenant size is just under 20,000 square feet, partnering with co-working operators in certain locations to attract and serve smaller tenants expands our target tenant base and allows us to leverage the operator's scale in the services market. As we've said before, our business model finds strength in diversification, and accordingly we currently intend to limit our corporate-wide exposure to the co-working industry segment to 3% to 4% of our revenue. We also intend to limit our exposure within any single building, market and operator.

Lastly, another major new lease completed during the second quarter was with SAI Labs for approximately 30,000 square feet for more than 10 years at CNL Center I, also located in Orlando CBD submarket, again, an area where we control over 1.3 million square feet and 3 of the 4 top Class AA office buildings.

Looking at our leasing activity for the quarter, there were three positive indicators to take note of. First, activity was extremely good in all of our select submarkets, with Downtown Washington DC perhaps being an exception and remaining the most challenging. Second, for leasing of space that had been vacant for less than a year, we saw a strong rollup of 14.4% in beginning cash rents, and a 17.9% increase in straight-line accrual rents. And third, while tenant improvement costs remained steady, we are seeing a decrease in abatement concessions in most markets. In summary, market conditions continue to feel healthy.

I'd also like to take a minute to update you on two sizable lease expirations coming up over the next 18 months, those being the 480,000 square foot lease in New York State, and a 313,000 square foot lease in the City of New York, both of which are at our 60 Broad building in Downtown New York. We continue to work closely with the State and hope to finalize their lease renewal for the majority of their space by our next earnings call.

The conclusion of the State's lease renewal has been delayed for the new State tenant, a new department in effect, has been added to the lease and will eventually be a new occupant in the building. The addition of an additional user group by the State late in the process has unfortunately linked in the renewal timeline beyond our earlier expectations. But on a positive note, we believe this will result in us leasing more space than initially negotiated. While this lengthy process has had a negative impact of delaying an anticipated increase in accrual based straight-line rents, we have enjoyed slightly higher cash rents the last few months than originally budgeted.

We are also actively engaged in advanced discussions in space design with the City as their lease is scheduled to expire during the second quarter of next year. Both the State the City leases are expected to be 18 to 20 years in term, and again, we estimate a significant rollup in accrual rents from each of these leases, if executed, and a large rollup in cash rents on the City lease.

Turning now to acquisition and disposition activities. We did close one transaction during the second quarter. The Galleria 100 building, and an adjacent 1.5 acre developable land site closed in May for a total purchase price of $95.1 million. We are pleased to control the majority of the office product and mini-rich [ph] project, which now enables us to have among the largest Class A market shares in the submarket.

This Northwest submarket is among the fastest growing in the Atlanta area. With this acquisition, our headquarters in hometown of Atlanta now represents our largest market with 2.7 million square feet, and nearly half of which is in the Galleria, a vibrant growing mixed use walkable community, an area that is wrapping up a nearly 1 billion large scale mixed use development with retail, hotel, residential and entertainment amenities, including the direct access to the Battery and SunTrust Park, home of the Atlanta Braves, as well as the Coca-Cola Roxy theater.

Looking forward, you should expect Piedmont to continue to focus on recycling mature and non-strategic assets accretively and the Class A office products in our targeted submarkets. Each of these submarkets are mini-rich, have an easily accessible transportation node, and possess positive long-term job and rental rate growth outlooks. Our most likely larger near-term disposition candidates include our 500 West Monroe asset in Chicago, 1901 Market Street in Philadelphia, and our two Enclave assets in Houston. Our acquisition and development pipeline resides primarily in the markets of Atlanta, Dallas, Boston and Orlando, and we're actively evaluating numerous of these potential transactions.

At this point, I'll turn the call over to Bobby to walk you through some of the financial highlights for the quarter, and our guidance for the rest of the year. Bobby?

Robert Bowers - Chief Financial and Administrative Officer, Executive Vice President
Thanks, Brent. As always, while I'll discuss some of our financial highlights for the quarter, I encourage you to please review the earnings release and supplemental financial information, which were filed last night for more complete details.

For the second quarter of 2019, we reported $0.43 per diluted share of core FFO, after adding back approximately $3.2 million related primarily to one-time retirement and separation expenses associated with senior management changes that took place during the quarter. The $0.43 is up $0.02 per share as compared to the same period a year ago with the increase primarily attributable to rental rate growth and higher occupancy across the portfolio. We would have reported $0.01 higher core FFO results except for a $1.2 million increase in expenses related to higher accruals for our equity-based compensation plans as a result of our stock's relative outperformance during the first half of the year.

Looking forward, with the organizational restructuring, we anticipate lower recurring G&A expenses in the second half of the year, with approximately $6 million to $6.5 million of G&A costs per quarter. FFO was approximately $42 million for the second quarter, well in excess of our current $26 million quarterly dividend level.

Now, despite known downtimes between certain expiring leases and the related commencement of new replacement leases, and the delay in the New York State lease renewal that Brent discussed, we're pleased that the same store NOI was up approximately 5.8% on a cash basis, and 1.9% on an accrual basis for the second quarter. Our annual guidance in 2019 for same-store cash NOI growth is being revised upwards to between 2.5% to 4.5%.

And looking ahead, with already executed replacement and expansion leases begin later this year and in 2020 such as the Transocean lease in Houston, the Gartner expansion in Dallas, WeWork in Orlando, and VMware in Atlanta, and hopefully, soon the completion of the State of New York renewal, we anticipate stronger same-store accrual results in 2020. While we aren't providing guidance yet for 2020, we also expect stronger overall FFO growth in 2020, followed afterwards by stronger same-store cash NOI growth in 2021.

Turning to the balance sheet. Our average net debt to core EBITDA ratio for the second quarter of 2019 remained at 5.8 times, and our debt to gross asset ratio was approximately 36% at the end of the quarter. With no debt maturities until late 2021 and over $300 million of capacity available on our $500 million line of credit as of June 30th, any near-term cash, operating surplus and disposition proceeds will be used to fund acquisitions, capital expenditures and pay down our line.

At this time, I'd like to narrow our annual guidance range for core FFO per diluted share in 2019 to between $1.75 and $1.79. As a reminder, no speculative capital markets activity is embedded within this guidance. We'll keep you informed of all capital market transactions as they become certain and the affected timing of the transactions along with what we believe the impacts that such activities will have on the current year and future projections.

With that, I'll now ask our operator to provide our listeners with instructions on how they can submit their questions. We will attempt to answer all of your questions now, or make appropriate later public disclosure, if necessary. Operator?

Operator

Great. Thank you. At this time, we'll be conducting a question-and-answer session. [Operator instructions]. Our first question here is from Dave Rodgers from Robert W. Baird. Please go ahead.

Q: Good morning, guys. Brent, I'll just start with development, if we could. It sounds like your take on kind of development and the land parcels you have might be to be a little bit more aggressive on that front. So I was wondering kind of how far along the path you might be to kind of developing some relationships in that area, since that's not been historically something you do, and how quickly you think you could move on that and how you think about pre-leasing, etc.

Brent Smith - President, Chief Executive Officer and Director
Hi, Dave. Thanks for joining the call today. Really appreciate you taking the time with us. On the development front, I think we continue to take a pragmatic approach to both what I think are more near-term opportunities in both our Atlanta and Atlanta markets. We would generally consider having the asset at least 60% plus pre-leased before putting a shovel into the ground. So we do take probably a more conservative approach in that regard.

I would say though that we do continue to see good activity, again, both in Atlanta and Orlando. But as construction pricing has crept up, I think that has provided a little bit of a headwind overall to all the markets that we operate in. We'll continue to evaluate the economics of those opportunities, as well as the inflow of tenancy that we see. a lot in Orlando is from tenants that are both in the market and looking to come and add, and expand within Orlando given its high quality airport, its educated workforce, and really a great environment for business.

In Atlanta, you could probably echo a lot of the same reasons why we continue to see good traction on our GH 3, our Glenridge Highlands III, parcel here in just north part of Buckhead in the Central Perimeter.

Q: Thanks for that color. Second question from me. On the asset sale plan, I think you had very early in your comments said you plan to accelerate that activity. I think you had 500 West Monroe in the market. Can you give us an update on that and kind of what accelerate means in your mind in terms of 1901 and Enclave?

Robert Bowers - Chief Financial and Administrative Officer, Executive Vice President
Yes. Sorry. One thing I did fail to mention on the development, in terms of yield, and I think that would be important to lay out. We would expect getting development yields north of a 7.5%, 8% level.

In regards to asset sales, we continue to evaluate a number of assets, as we've noted that are both mature and non-core in nature. 500 West Monroe is one of those assets. It's currently being marketed as we've discussed before. Given that it is in that process, I don't want to go into too much detail. We generally don't give protracted information around that. But it has been a process where we have an opportunity, where one of the significant tenants in the building has come to us with a potential to restructure their lease. We think that probably enhances the credit worthiness of the building and probably improves the debt execution for a potential buyer.

And so that has probably delayed, if you will, or protracted what we will hope to be ultimately consummated in a sale of the asset. So we still think that is a possibility this year. As well as you noted, our 1901 Market asset in Philly, we think would be very well received in the capital markets given its over 14-year lease, CBD nature and single-tenant structure on the lease. So our hope is that we would be able to monetize that asset as well within call it say the next 12 months.

That really is somewhat impacted on the amount of deal flow we see on the acquisition side. I think the good news is we continue to see very strategic accretive acquisitions. So we think that we can continue to recycle the capital in both those assets, as well as a few other that we deemed non-core. And of course we always evaluate for mature assets that have high occupancy and long-weighted average lease term for monetization. And so that gives us probably the hope or the objective over the next 12 to 24 months to really refine the portfolio and focus in on those nodes where you're already seeing us to gain significant market share, and to continue to do so. We are very enthused by the traction that we're seeing on that strategy, and we'll continue to implement it, and try to do it more rapid fashion to continue to concentrate in those areas.

Q: Lastly for Brent, with you in the captain's chair, do you have a different view maybe, or maybe give us your view please on how you view leverage in the company and the portfolio?

Brent Smith - President, Chief Executive Officer and Director
Yes, Dave. I think we operate generally on a model that is not as development intensive than some of our peers. So I think we feel pretty comfortable being in the range of, call it 30% to 35% of debt to gross assets. Given we are more focused on redevelopment opportunities that are already generating cash flow, we don't have as much, we feel like, at risk in terms of the overall capitalization of the company. So call it 30% to 35% debt to gross assets, around 6 times debt to EBITDA.

There would be maybe potentially situations where we would trickle up higher than those levels, but that would just be in kind of normal course transactional flow, and we would anticipate dispositions to recycled capital to reduce this back into that 30% to 35% target zone over time.

Q: Great. Thanks a lot, Brent.

Brent Smith - President, Chief Executive Officer and Director
Appreciate it, Dave.

Operator
Our next question here is from John Guinee from Stifel. Please go ahead.

Q: Great. Thanks. Welcome to aboard. So essentially the recycling strategy appears to be by vacancy, by near-term rollover, sell core assets with a longer in-place income stream, so the core buyers can underwrite it more aggressively. Talk about 100 Galleria. You paid $221 a square for that. What sort of value creation opportunities do you have within the lease structure there?

Brent Smith - President, Chief Executive Officer and Director
Well, as you know, we actually have about 90%-ish occupancy at that building. We actually already did an extension of an existing lease with the asset. That deal came in the door after we closed the deal, the transaction for 100 Galleria. That was about a 50,000 square foot lease. So we're already starting to see some of that fruit.

The other components of the opportunity really is the fact that the leases are fairly below market. We continue to have the opportunity to have leases roll off in that $26 to $28 range. And we're seeing activity now in the park, well in excess of $30, $31, depending on the location into the space.

On top of that, we think there is an opportunity as we continue to gain market share within that micro market to be able to leverage that to push rates, frankly. It's a very unique mixed use node within Atlanta, and somewhat under-appreciated. It is next to Vinings and Smyrna, which are some of the fastest growing millennial areas in the city. And so we think the dynamic and the opportunity to really push rate is strong. In our minds, there is no reason why we shouldn't be achieving a similar rent level that we do here at our Central Perimeter assets at $35, $36 a square foot in that location, given its high quality, again, mixed use environment

Q: Okay. And then, Bobby, $3.2 million charge, usually that's accrue. Why is it a one-timer and why is it deducted from FFO to get to core FFO? Can you give us some details on that?

Robert Bowers - Chief Financial and Administrative Officer, Executive Vice President
Sure. Well, why is it deducted, it's the first time that that's happened to us, so certainly, I view it as a fairly infrequent non-recurring item and shouldn't be measured against our normal operations. So that's why it's added back.

But no, you don't accrue all of your stock. It's usually amortized over the period that the stock vests. For retirement purposes and in severance, sometimes there's accelerated expense that vest and move forward. So we had a total of $3.2 million of stock and cash severance that was paid out to various members of the management team that left as a result of the transition that took place at the end of June.

Brent Smith - President, Chief Executive Officer and Director
I would add, Bobby, that going forward, you should expect our G&A run rate to come down pretty significantly, call it at $6 million to $6.5 million a quarter, which I think will also benefit shareholders as well.

Q: Yes. I don't think Cousins and Highwoods did it that way, but okay. Thanks.

Operator
[Operator instructions]. Next question here is from Daniel Ismail from Green Street Advisors. Please go ahead.

Q: Great. Thank you. I was just wondering, with the focus on bolt-on acquisitions and recycling mature assets, where buybacks are in that equation these days.

Brent Smith - President, Chief Executive Officer and Director
Hi, Danny, appreciate you joining the call today. We've always viewed buybacks as never being mutually exclusive from deploying capital into assets. We are mindful of where our implied cap rate trades and what the value creation opportunities are within putting money to work in buildings. So we like to take advantage of both opportunities when we see a chance to create value for shareholders.

And so we'll continue to evaluate purchasing our own stock when the right opportunity exists. Again, that will be at levels that will be meaningful discounts to NAV, and within the context of where our peer set trades relative to NAV where we think the private capital markets are pricing assets, and where the liquidity of the company stands overall. And be mindful of the fact that we wouldn't lever up as well to buy back shares, again funding that as we always have with disposition proceeds.

Having acquired about a little over $800 million of our own stock over the last decade, I think we've proven that you can create value through that method. At the same time, we've purchased over $2.5 billion worth of assets, so we feel like we can do both in an efficient manner and create value for shareholders.

Q: And will any of the dispositions you mentioned will require a 1031 exchange, or are there any tax implications to the sales?

Brent Smith - President, Chief Executive Officer and Director
There's always tax implications when you sell an asset, particularly if you've done well. If you recall on the Chicago deal, we actually purchased a mezz note back in about 2010-2011 time frame and foreclosed on that, thereby getting a very attractive basis in the asset. It was 19% leased effectively at the time and we've leased it back up to over 99% practically at this point. So there is going to be an embedded gain.

Now, you always kind of have to evaluate what are your redeployment options. We do see a good pipeline of assets to redeploy that capital into. So I think we're hopeful that we'll be able to leverage a 1031 structure and do so tax efficiently. If that wasn't the case, if we didn't find the right opportunities that were strategic, then we would need to do a special dividend and that might be required. But of course that has to be evaluated after we sell the building and once again opportunities set before us for redeployment.

Q: Okay. Just last one from me. You gave a number limiting what you want co-working to be as a total portion of your revenue, but also mentioned you would limit the maximum with any specific building. I'm curious if you can share what that number is and then how you arrived at that figure.

Brent Smith - President, Chief Executive Officer and Director
Hi, Danny. Appreciate the question. Yes. Co-working we've continued to take a cautious approach on, but we do believe it's in the business model of corporate real estate today and going to continue to be an important part of the overall business. That 3% to 4% threshold is a level that we felt comfortable with in the portfolio. When it comes to assets, it's a little bit more anecdotal in the marketplace. There are a number of buildings that have been 100% leased to a co-working provider, rather large global co-working provider that have transacted, one in DC in particular. There have been others that were marketed for sale and then not successful.

So I think it's still unproven as to what the market will accept. Given that though we do set not a formal policy, but an expectation that if you were to trip up above 20% threshold for a building that it would potentially impact its ability to either transact or be financed. And so we're mindful to play below that, in most instances well below that threshold in level for a single asset.

I think we also overlay, in our perception as well, given our concentration and continued concentration in specific submarkets, how much co-working is within that submarket, how much co-working is within our portfolio in that submarket as well. Continuing to be very mindful, given the historical nature of this type of product and its propensity to have credit issues, we're very, very conscious of that.

Q: Got it. Thanks, Brent.

Operator
Next question here is from John Guinee from Stifel. Please go ahead.

Q: Were there any leased term fees in the second quarter? I might have just missed it. You started to report them and I can't remember if you did this quarter.

Robert Bowers - Chief Financial and Administrative Officer, Executive Vice President
No. Hi, John. I appreciate that. On an annual basis, we have about $2 million to $3 million of termination fee income. We've had that for the last four, five years, but there was none during the second quarter.

Q: Great. Thank you.

Operator
This concludes the question-and-answer session. I'd like to turn the floor back to Brent Smith for any closing comments.

Brent Smith - President, Chief Executive Officer and Director
Thank you. I want to thank everyone for joining the call today. I would be remiss if I didn't share with you some of the changes that we've made at an executive level. I do want to congratulate George Wells, who will be our new EVP of Operations. George has been with the company for many years and I've had the honor of working with them for now over ten. So we're excited to have him lead the helm across the portfolio, and assist each of the regional EVPs and their execution of the business.

And in conjunction with George's promotion, that left the Southeast region EVP spot vacant, and we're proud to announce that Alex Valente has taken that spot in place of George. So congratulations to both of those individuals. We're excited about where Piedmont is heading and we're excited about the strategy that stands before us.

I want to thank again everyone for joining the call today, and have a good day.