



Piedmont Office Realty Trust Reports First Quarter 2019 Results

May 1, 2019

Atlanta, GA, May 01, 2019 (GLOBE NEWSWIRE) -- Piedmont Office Realty Trust, Inc. ("Piedmont" or the "Company") (NYSE:PDM), an owner of Class A office properties in select sub-markets located primarily within eight major Eastern U.S. office markets, today announced its results for the quarter ended March 31, 2019.

Highlights for the Quarter Ended March 31, 2019:

- Reported net income applicable to common stockholders of \$50.2 million, or \$0.40 per diluted share, for the quarter ended March 31, 2019, as compared with \$57.8 million, or \$0.42 per diluted share, for the quarter ended March 31, 2018;
- Achieved Core Funds From Operations ("Core FFO") of \$0.45 per diluted share for the quarter ended March 31, 2019, as compared with \$0.43 per diluted share for the quarter ended March 31, 2018;
- Sold One Independence Square, an approximately 334,000 square foot office building located in the Southwest submarket of Washington, D.C., for approximately \$170 million, or \$508 psf.
- Reported a 3.7% increase in Same Store NOI- Cash Basis as compared to the quarter ended March 31, 2018;
- Completed approximately 322,000 square feet of leasing during the quarter ended March 31, 2019, with approximately 43% related to new leasing and a 9.4% roll up in cash rents;
- Additionally, signed a 4-month extension on approximately 480,000 square feet with the State of New York in anticipation of a longer term, 18-year, renewal;
- Repurchased 728,000 shares of the Company's common stock at an average price of \$17.14 per share; and
- Announced the retirement of Donald A. Miller, CFA as CEO, effective on June 30, 2019, and the promotion of C. Brent Smith to CEO on that date.

Donald A. Miller, CFA, Chief Executive Officer, said, "In light of my announced retirement, which is the culmination of a thoughtful succession planning process, I am proud of what we have achieved over the last 12 years together in transforming our portfolio of office properties into eight strategic markets. I am also blessed to be stepping down while the economy, as well as the Company, is performing at a high level. As a top-quartile performer in terms of total shareholder return in the office REIT sector over the last five years, this quarter's operating results are excellent, with strong leasing activity across all our markets, the orderly disposition of another fully-stabilized, non-strategic asset at a significant gain, and continued growth in rental rates and same-store net operating income."

Results for the Quarter ended March 31, 2019

Piedmont recognized net income applicable to common stockholders for the three months ended March 31, 2019 of \$50.2 million, or \$0.40 per diluted share, as compared with \$57.8 million, or \$0.42 per diluted share, for the three months ended March 31, 2018. The current quarter's results include a \$37.9 million, or \$0.30 per diluted share, gain on sale primarily associated with the sale of One Independence Square in Washington, D.C, whereas the first quarter of 2018 included a \$45.2 million, or \$0.33 per diluted share, gain associated with the sale of certain non-core assets in a 14-property portfolio. Additionally, when compared to the previous year, the current quarter's results per share reflect increased operating income as a result of higher overall occupancy in the portfolio during the three months ended March 31, 2019.

Funds From Operations ("FFO"), which removes the impact of the gains on sales mentioned above (as well as depreciation and amortization), was \$0.45 per diluted share for the three months ended March 31, 2019, as compared with \$0.41 per diluted share for the three months ended March 31, 2018. Core FFO, which further removes the prior year's first quarter \$(1.7) million loss on extinguishment of debt, was \$0.45 per diluted share for the quarter ended March 31, 2019 as compared with \$0.43 per diluted share for the quarter ended March 31, 2018. Despite significant net disposition activity since January 1, 2018, both FFO and Core FFO per diluted share increased due to higher occupancy levels and increased rental rates during the three months ended March 31, 2019.

Net income applicable to common stockholders per share, FFO per share, and Core FFO per share for the quarter ended March 31, 2019 were all additionally favorably impacted by a 10.0 million share decrease in our weighted average shares outstanding as a result of share repurchase activity pursuant to the Company's stock repurchase program since January 1, 2018.

Total revenues and property operating costs were \$132.9 million and \$51.8 million, respectively, for the three months ended March 31, 2019, compared to \$129.9 million and \$51.9 million, respectively, for the first quarter of 2018. Decreases in both revenues and property operating costs as a result of property sales were substantially offset by increases due to properties acquired, higher overall rental rates, and increased occupancy.

General and administrative expense was \$9.4 million for the first quarter of 2019 compared to \$6.6 million for the same period in 2018, with the \$2.8 million increase primarily attributable to increased accruals for potential performance-based compensation as a

result of an increase in the Company's stock price during the current period.

Leasing Update

During the three months ended March 31, 2019, Piedmont entered into a 4-month extension with its largest tenant, New York State, at its 60 Broad Street building in downtown Manhattan prior to the tenant's lease expiring on March 31, 2019. Since the lease renewal negotiations were not anticipated to conclude prior to the original lease expiration date, the lease was extended on a short-term basis to allow for an orderly resolution to the final outstanding items under negotiation. The Company continues to partner with New York State, and expects to enter into, an approximate 18-year lease renewal for a significant majority of the tenant's current approximately 480,000 square feet of space in the building.

Additionally, the Company completed approximately 322,000 square feet of leasing in its other markets during the first quarter, with approximately 43% of that activity related to new tenant leases. Highlights included the following:

- **Atlanta:**IG Design Group executed a renewal and expansion totaling 28,000 sf for 6+ years through 2025 at Glenridge Highlands One. Also in Atlanta, Continental Casualty Company renewed 16,000 sf for 5+ years, and Greensky Trade Credit expanded its current lease through 2022 by approximately 13,000 sf at Glenridge Highlands Two.
- **Boston:** At the Company's 25 Burlington Mall Rd property, Merrill Lynch renewed its 21,000 sf lease for 5 more years through 2025.
- **Washington, D.C.:** Venesco-SaiTech J.V. executed a new, five-year lease to 2024 for 15,000 sf at Piedmont's 400 Virginia Avenue building.
- **Chicago:** At 500 West Monroe Street, Antares Capital, L.P. signed a 14,000 sf new lease for 8+ years through 2027.
- **Dallas:**Uniden America Corporation signed a renewal lease for approximately 14,000 sf for five more years through 2025 at 161 Corporate Center in Las Colinas.
- **Orlando:**Cowen Inc. executed a 12,000 sf new lease for 6+ years through 2025 at the 400 TownPark building in Lake Mary, and in downtown Orlando at 200 Orange Ave., Orlando Health, Inc. renewed its 10,000 sf lease through 2022.

The Company's reported leased percentage remained at approximately 93.3%, consistent with December 31, 2018. Weighted average remaining lease term was 6.4 years as of March 31, 2019, as compared to 6.6 years as of December 31, 2018. Same Store NOI increased 3.7% and 3.1% on a cash and accrual basis, respectively, for the three months ended March 31, 2019 as compared to the three months ended March 31, 2018. With increased overall occupancy, Same Store NOI on a cash basis was favorably impacted by the expiration of lease abatements and \$1.4 million more of net termination fee income received during the three months ended March 31, 2019 as compared to the first quarter of the previous year. Same Store NOI on an accrual basis was additionally favorably impacted by the commencement of leases throughout the portfolio. Details outlining Piedmont's largest upcoming lease expirations, the status of certain major leasing activity, and a schedule of the largest lease abatement periods can be found in the Company's quarterly supplemental information package available at www.piedmontreit.com.

Transactional Update

As previously reported, during the three months ended March 31, 2019, Piedmont completed the \$170 million sale of the 334,000 square foot One Independence Square building located in the Southwest sub-market of Washington, D.C. and recorded a \$33.2 million gain on sale.

Second Quarter 2019 Dividend Declaration

On May 1, 2019, the board of directors of Piedmont declared dividends for the second quarter of 2019 in the amount of \$0.21 per share on its common stock to stockholders of record as of the close of business on May 31, 2019, payable on June 21, 2019.

Subsequent Event

On April 25, 2019, Piedmont entered into a binding contract to acquire Galleria 100, an 18-story, approximately 414,000 square foot, Class A office building located within the Galleria development in Atlanta'sCumberland/Galleria office submarket where Piedmont has two existing assets, Galleria 200 and 300.

Guidance for 2019

Based on management's expectations, the Company affirms its previous guidance for full-year 2019 as follows:

<i>(in millions, except per share data)</i>	<u>Low</u>	<u>High</u>
Net Income	\$ 84	\$ 87
Add:		
Depreciation	110	114
Amortization	62	65

Less: Gain on Sale of Real Estate Assets	(37)- (39)
NAREIT and Core FFO applicable to common stock	\$ 219 - \$ 227
NAREIT and Core FFO per diluted share	<u>\$ 1.74 - \$1.80</u>

These estimates reflect management's view of current market conditions and incorporate certain economic and operational assumptions and projections, including the impacts from the disposition of One Independence Square and acquisition of Galleria 100, discussed above. The guidance ignores the effect of any speculative acquisition or disposition activity. Actual results could differ materially from these estimates based on a variety of factors, particularly the timing of any future acquisitions and dispositions, as well as those factors discussed under "Forward Looking Statements" below.

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

Non-GAAP Financial Measures

To supplement the presentation of the Company's financial results prepared in accordance with U.S. generally accepted accounting principles ("GAAP"), this release and the accompanying quarterly supplemental information as of and for the period ended March 31, 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 Thursday, May 2, 2019 at 11:00 A.M. Eastern daylight time. The live audio web cast of the call may be accessed on the Company's website at www.piedmontreit.com 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 11 A.M. Eastern daylight time on May 16, 2019, 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 46070. A web cast replay will also be available after the conference call in the Investor Relations section of the Company's website. During the audio web cast and conference call, the Company's management team will review first quarter 2019 performance, discuss recent events, and conduct a question-and-answer period.

Supplemental Information

Quarterly supplemental information as of and for the period ended March 31, 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 in select sub-markets located primarily within eight major Eastern U.S. office markets. Its geographically-diversified, almost \$5 billion portfolio is currently comprised of approximately 16 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.

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 expectations regarding the renewal of the lease with the State of New York and the estimated range of Net Income, Depreciation, Amortization, Gain on Sale of Real Estate Assets, NAREIT FFO/Core FFO and NAREIT FFO/Core FFO per diluted share for the year ending December 31, 2019.

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 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 after 2021; 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 the United Kingdom's referendum to withdraw 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 3.31.19 Financial Schedules](#)



Source: Piedmont Office Realty Trust, Inc.