Piedmont Office Realty Trust Reports First Quarter 2022 Results

April 27, 2022

Atlanta, April 27, 2022 (GLOBE NEWSWIRE) -- Piedmont Office Realty Trust, Inc. ("Piedmont" or the "Company") (NYSE:PDM), an owner of Class A office properties located primarily in the Sunbelt, today announced its results for the quarter ended March 31, 2022.

Highlights for the Quarter Ended March 31, 2022:

Financial Results:

- Net income applicable to Piedmont was $60.0 million, or $0.49 per diluted share, for the quarter ended March 31, 2022, as compared to $9.3 million, or $0.08 per diluted share, for the quarter ended March 31, 2021. The results for the first quarter of 2022 include a $50.7 million gain on sale of real estate assets primarily associated with the sale of 225/235 Presidential Way during the first quarter of 2022.
- Core Funds From Operations ("Core FFO") was $0.51 per diluted share for the quarter ended March 31, 2022, a 6% increase compared to $0.48 per diluted share for the quarter ended March 31, 2021.
- Same Store Net Operating Income ("Same Store NOI") increased 5.1% and 2.5% on a cash and accrual basis, respectively, for the quarter ended March 31, 2022 as compared to the quarter ended March 31, 2021.

Leasing:

- The Company completed approximately 552,000 square feet of leasing during the quarter ended March 31, 2022, including approximately 243,000 square feet related to new tenant leasing, which is the largest amount of new tenant leasing that the Company has completed during a quarter since 2018.
- Cash and accrual basis rents on leases executed during the quarter ended March 31, 2022 for space vacant one year or less increased approximately 5% and 13%, respectively.
- The portfolio increased to 87% leased as of March 31, 2022, up from 85.5% as of December 31, 2021.
- The weighted average lease term for the nearly 50 leases executed during the first quarter was approximately 6.6 years.
- The Company had approximately 1,000,000 square feet of executed leases for vacant space yet to commence or under rental abatement as of March 31, 2022.
- The largest lease completed during the quarter was an approximately 164,000 square foot renewal at 750 W. John Carpenter Freeway in Irving, Texas. This renewal addressed Piedmont’s largest 2022 lease expiration with a positive cash roll-up of approximately 10% and leaves only 4.6% of the Company's Annualized Lease Revenue scheduled to expire during the remainder of 2022.

Capital Markets:

- The Company completed the previously announced sale of 225 & 235 Presidential Way in Boston for $129 million and recognized a gain of approximately $49 million which is included in its statement of income for the first quarter of 2022.
- Piedmont also sold Two Pierce Place, the Company's last remaining Chicago-area asset, for $24 million.
- As a result of the above dispositions, approximately 63% of the Company's Annualized Lease Revenue is now generated from its properties located in the Sunbelt.

Balance Sheet:

- In March of 2022, Piedmont received approximately $119 million in proceeds from the payoff of two notes receivable that were outstanding as of December 31, 2021. The proceeds from the notes were used to pay down the Company’s $500 million line of credit to $81 million as of March 31, 2022.

- The Company's net debt-to-Core EBITDA ratio for the first quarter of 2022 was 5.9x on an annualized basis and 5.8x on a trailing twelve month basis.
- The Company has no secured debt and its Debt-to-Gross Assets ratio was 34.6% as of March 31, 2022.

ESG and Operations:

- During the three months ended March 31, 2022, the Company earned the WELL Health-Safety Rating for its entire managed portfolio.

Commenting on first quarter results, Brent Smith, Piedmont's President and Chief Executive Officer, said, "We are extremely encouraged by the continued recovery across our markets contributing to a strong first quarter financial result. Despite companies taking longer than anticipated to return to the workplace, leasing activity was the most robust it's been in three years and marked the third consecutive quarter Piedmont has achieved pre-pandemic new leasing volumes. Furthermore, leasing transactions continued to reflect positive mark-to-market economics, long-term tenant commitments and continued space absorption across our redeveloped properties. During the first quarter, almost 50 leases were executed totaling over half a million square feet, with about half related to new tenant leases, bolstering our expectation for continued space absorption during 2022."

Second Quarter 2022 Dividend Declaration

On April 27, 2022, the board of directors of Piedmont declared a dividend for the second quarter of 2022 in the amount of $0.21 per share on its common stock to stockholders of record as of the close of business on May 27, 2022, payable on June 17, 2022.

Guidance for 2022

Based on leasing activity to date, the current volume of leasing tours and transaction pipeline, adjusting for a higher interest rate forecast, and management's expectations for the remainder of the year, the Company is increasing the midpoint of its previously provided guidance by $0.01 for the year ending December 31, 2022 as follows:

	Revised		Previous	
(in millions, except per share data)	Low	High	Low	High
Net income	$ 80	$ 84	$ 74	$ 81
Add:				
Depreciation	134	138	136	142
Amortization	83	85	82	85
Deduct:				
Gain on sale of real estate assets	(51)	(51)	(48)	(52)
NAREIT FFO and Core FFO applicable to common stock	$ 246	$ 256	$ 244	$ 256
NAREIT FFO and Core FFO per diluted share	$ 1.99	$ 2.07	$ 1.97	$ 2.07

These estimates reflect management's view of current market conditions and incorporate certain economic and operational assumptions and projections, including the impacts of completed transactional activity during the first quarter of 2022. The guidance does not include any significant speculative acquisition or disposition activity for the remainder of the year; however, any acquisition and disposition activity is expected to be leverage neutral by year end 2022. 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 the timing of lease commencements and expirations, abatement periods, repairs and maintenance expenses, capital expenditures, capital markets activities, seasonal general and administrative expenses, accrued potential performance-based compensation expense, 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, 2022 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, April 28, 2022 at 9:00 A.M. Eastern daylight time. The live, listen-only, audio web cast of the call may be accessed on the Company's website at http://investor.piedmontreit.com/news-and-events/events-calendar. Dial-in numbers for analysts who plan to actively participate in the call are (888) 506-0062 for participants in the United States and Canada and (973) 528-0011 for international participants. Participant Access Code is 370843. A replay of the conference call will be available through 9:00 A.M. Eastern daylight time on May 12, 2022, 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 45256. 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 2022 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, 2022 can be accessed on the Company`s website under the Investor Relations section at www.piedmontreit.com.

About Piedmont Office Realty Trust

Piedmont Office Realty Trust, Inc. (NYSE: PDM) is an owner, manager, developer, redeveloper, and operator of high-quality, Class A office properties located primarily in the Sunbelt. Its approximately $5 billion portfolio is currently comprised of approximately 17 million square feet. The Company is a fully integrated, self-managed real estate investment trust (REIT) with local management offices in each of its markets and is investment-grade rated by S&P Global Ratings (BBB) and Moody’s (Baa2). Piedmont is a 2021 ENERGY STAR Partner of the Year. 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," "estimate," "believe," "continue" or similar words or phrases that are predictions of future events or trends and which do not relate solely to historical matters. Examples of such statements in this press release include: whether the Company will experience continued space absorption in the portfolio during 2022; and the Company's estimated range of Net Income, Depreciation, Amortization, NAREIT FFO/Core FFO and NAREIT FFO/Core FFO per diluted share for the year ending December 31, 2022. These statements are based on beliefs and assumptions of Piedmont’s management, which in turn are based on information available at the time the statements are made.

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 changes, 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 specifically the markets in which we primarily operate where we have high concentrations of our annualized lease revenue; lease terminations, lease defaults, lease contractions, or changes in the financial condition of our tenants, 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, including the potential of supply chain disruptions, and resultant increased costs and risks; our real estate redevelopment and development strategies may not be successful; future acts of terrorism, civil unrest, or armed hostilities in any of the major metropolitan areas in which we own properties, or future cybersecurity attacks against any of our properties or our tenants; risks related to the occurrence of cyber incidents, or a deficiency in our cybersecurity, which could negatively impact our business by causing a disruption to our operations, a compromise or corruption of our confidential information, and/or damage to our business relationships; costs of complying with governmental laws and regulations; uninsured losses or losses in excess of our insurance coverage, and our inability to obtain adequate insurance coverage at a reasonable cost; additional risks and costs associated with directly managing properties occupied by government tenants, including an increased risk of default by government tenants during periods in which state or federal governments are shut down or on furlough; significant price and volume fluctuations in the public markets, including on the exchange which we listed our common stock; changes in interest rates and changes in the method pursuant to which the London Interbank Offered Rate (" LIBOR") rates are determined and the planned phasing out of United States dollar ("USD") LIBOR after June 2023; rising interest rates which could affect our return on investments and/or our ability to finance or refinance properties; the effect of future offerings of debt or equity securities or changes in market interest rates on the value of our common stock; additional risks and costs associated with inflation and continuing increases in the rate of inflation; uncertainties associated with environmental and other regulatory matters; potential changes in the political environment and reduction in federal and/or state funding of our governmental tenants; changes in the financial condition of our tenants directly or indirectly resulting from geopolitical developments that could negatively affect important supply chains and international trade, the termination or threatened termination of existing international trade agreements, or the implementation of tariffs or retaliatory tariffs on imported or exported goods; the effect of any litigation to which we are, or may become, subject; additional risks and costs associated with owning properties occupied by tenants in particular industries, such as oil and gas, hospitality, travel, co-working, etc., including risks of default during start-up and during economic downturns; 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, as amended, or other tax law changes which may adversely affect our stockholders; the future effectiveness of our internal controls and procedures; actual or threatened public health epidemics or outbreaks, such as the ongoing COVID-19 pandemic, as well as governmental and private measures taken to combat such health crises, could have a material adverse effect on our business operations and financial results; the adequacy of our general reserve related to tenant lease-related assets or the establishment of any other reserve in the future; 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, 2021 and other documents we file 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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Attachment

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