



Piedmont Office Realty Trust Reports First Quarter 2014 Results

April 30, 2014

ATLANTA, April 30, 2014 --Piedmont Office Realty Trust, Inc. ("Piedmont" or the "Company") (NYSE:PDM), an owner of primarily Class A office properties located predominantly in ten of the largest U.S. office markets, today announced its results for the quarter ended March 31, 2014.

Highlights for the Three Months Ended March 31, 2014:

- Achieved Core Funds From Operations ("CFFO") of \$0.36 per diluted share for the quarter ended March 31, 2014;
- Completed 415,000 square feet of leasing during the first quarter primarily related to new tenants for vacant space;
- Disposed of two non-core assets during the first quarter and entered into a binding contract to sell two others;
- Used proceeds from the sales of non-core assets as its primary funding source to purchase 3.2 million shares of its common stock, at an average price of \$16.54 per share;
- Issued \$400 million in ten-year, unsecured notes and used the majority of the proceeds to repay a \$350 million secured debt facility which was scheduled to mature in 2014; and
- Used proceeds from a recently issued unsecured term loan to pay off \$225.0 million in secured loans.

Donald A. Miller, CFA, President and Chief Executive Officer said, "We are pleased with our results for the first quarter of 2014. They were in-line with our expectations. The majority of our leasing volume was driven by new leases for currently vacant space and we expect this trend to continue over the next few years given our low amount of upcoming lease expirations. We remain optimistic about achieving positive net lease absorption over the next few years."

Results for the First Quarter ended March 31, 2014

Piedmont's net income available to common stockholders for the first quarter of 2014 was \$9.4 million, or \$0.06 per diluted share, as compared with \$14.7 million, or \$0.09 per diluted share, for the first quarter of 2013. The current year's results include increases in income associated with new leases commencing and properties acquired during or after the first quarter of 2013; however, this additional income was more than offset by the expiration of two large governmental tenants in Piedmont's Washington, D.C. portfolio during 2013. Additionally, the prior year's first quarter results included a \$6.4 million impairment charge associated with an asset sold during 2013 and the current quarter's results include \$3.0 million in insurance recoveries associated with previously recognized casualty losses and litigation settlement expense. Finally, the current quarter reflects \$2.5 million, or \$0.02 per diluted share, of additional interest expense primarily associated with higher outstanding debt balances during the current quarter as a result of property acquisitions made by the Company during 2013 and shares repurchased pursuant to the Company's stock repurchase plan.

Revenues for the quarter ended March 31, 2014 were \$136.3 million, as compared with \$132.2 million for the same period a year ago, primarily reflecting increased revenue associated with the acquisition of five properties during 2013.

Property operating costs were \$58.3 million for the quarter ended March 31, 2014, as compared to the prior period of \$52.2 million, primarily as a result of additional expenses associated with properties acquired during 2013 as well as higher recoverable utility and snow removal costs associated with an unusually cold winter. General and administrative expenses were \$4.6 million for the current quarter, comparable to \$4.5 million for the quarter ended March 31, 2013.

Funds From Operations ("FFO") for the current quarter totaled \$58.0 million, or \$0.37 per diluted share, as compared with \$60.2 million, or \$0.36 per diluted share, for the quarter ended March 31, 2013. The current quarter includes \$3.0 million, or approximately \$0.02 per diluted share, in net insurance recoveries related to casualty losses and litigation settlement expense incurred in prior periods. In addition, per share results reflect a reduction in weighted average shares outstanding as a result of shares repurchased over the previous twelve months pursuant to the Company's stock repurchase plan.

Core FFO, which excludes acquisition costs and the insurance recoveries mentioned above, totaled \$55.1 million, or \$0.36 per diluted share, for the current quarter, as compared to \$61.6 million, or \$0.37 per diluted share, for the quarter ended March 31, 2013.

Adjusted FFO ("AFFO") for the first quarter of 2014 totaled \$32.0 million, or \$0.21 per diluted share, comparable to \$36.6 million, or \$0.22 per diluted share, in the first quarter of 2013.

Leasing Update

During the first quarter of 2014, the Company executed approximately 415,000 square feet of leasing throughout its markets. Due to low lease expirations during 2014, the majority of the leasing in the first quarter related to new leases. Of the leases signed

during the quarter, approximately 118,000 square feet, or 28%, was renewal-related and 297,000 square feet, or 72%, was with new tenants.

As of March 31, 2014, the Company had approximately 2.2 million square feet of commenced leases that were in some form of abatement, as well as approximately 0.8 million square feet of executed leases for currently vacant space yet to commence. Same store net operating income (on a cash basis) for the quarter was \$61.9 million, reflecting a decrease from the first quarter of the prior year, primarily as a result of timing differences associated with re-tenanting portions of Aon Center and 6021 Connection Drive following the expiration of two large tenant leases, as well as the restructuring of the Independence Blue Cross lease at the 1901 Market Street building during 2013. In addition, the expiration of a governmental lease at One Independence Square in our Washington, D.C. portfolio during March 2013 also negatively impacted the current quarter's SSNOI.

The Company's overall portfolio was 86.7% leased and the stabilized portfolio was 88.8% leased as of March 31, 2014, with a weighted average lease term remaining of approximately 7.3 years. Details outlining Piedmont's significant upcoming lease expirations and the status of current leasing activity can be found in the Company's quarterly supplemental information package available at www.piedmontreit.com.

Capital Markets, Financing and Other Activities

During the three months ended March 31, 2014, Piedmont sold two non-core assets, 11107 and 11109 Sunset Hills Road in Reston, VA, for \$22.6 million. The sales resulted in a combined loss on sale of real estate assets of \$0.1 million that is included in the Company's results of operations for the three months ended March 31, 2014.

In addition, during the first quarter, the Company entered into a binding contract to sell 4685 Investment Drive and 1441 W. Long Lake Road in Troy, MI for approximately \$19.4 million, or \$104 per square foot. The transaction closed on April 30, 2014.

Further commenting on prospective transactional activity, Mr. Miller stated "While almost 90% of our revenue is now derived from nine markets, we continue to evaluate further acquisitions and to work towards exiting non-strategic markets. However, due to current market pricing we will only make acquisitions that strongly fit strategic concentration goals. We believe the greatest opportunity today remains in acquiring our own stock at a substantial discount to what we estimate to be our net asset value."

As previously announced, the Company also issued \$400 million in ten-year, unsecured notes during the first quarter. The proceeds were used to repay a \$350 million secured loan that opened for prepayment without penalty in March 2014 and for general corporate purposes. In conjunction with the issuance of the notes, Piedmont settled five previously outstanding forward starting swap agreements for a cash gain of approximately \$15.0 million. The effective rate of the notes before consideration of the \$15.0 million swap gain was 4.5%. The gain was recorded as accumulated other comprehensive income and will be amortized as an offset to interest expense over the term of the notes, effectively fixing the interest rate on the notes at 4.1%.

Further, during the first quarter of 2014, the Company used proceeds from a new \$300 million five-year term loan entered into during the fourth quarter of 2013 to repay \$225 million in mortgages, with the remaining \$75 million of proceeds being used to reduce the outstanding balance on the Company's line of credit. \$200 million of the \$300 million term loan has been swapped to a fixed rate of 2.79%, with the rate on the remaining \$100 million floating at LIBOR plus 1.2%. On a combined basis, the repayment of the two secured loans during the current quarter decreased the Company's secured debt position from 49% as of December 31, 2013 to 20% as of March 31, 2014 and frees 85% of the Company's net operating income from real estate assets from mortgage encumbrance.

The Company used proceeds from the sales of non-core assets as its primary funding source to purchase 3.2 million shares of its common stock, at an average price of \$16.54 per share during the three months ended March 31, 2014. As of March 31, 2014, Board-approved capacity remaining for additional repurchases under the plan approximated \$37 million.

Subsequent to Quarter End

On April 30, 2014, the board of directors of Piedmont declared dividends for the second quarter 2014 in the amount of \$0.20 per share on its common stock to stockholders of record as of the close of business on May 30, 2014. Such dividends are to be paid on June 20, 2014.

Guidance for 2014

Based on management's expectations, the Company affirms guidance for full-year 2014 as follows:

<i>(in millions, except per share data)</i>	<u>Low</u>	<u>High</u>
Net Income	\$46	\$59
Add: Depreciation, Amortization, and Other	180	181
Core FFO	\$226	\$240
Core FFO per diluted share	\$1.42	\$1.50

These estimates reflect management's view of current market conditions and incorporate certain economic and operational assumptions and projections. Actual results could differ 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 Thursday, May 1, 2014 at 10:00 A.M. Eastern daylight time ("EDT"). 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 May 15, 2014, 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 13579996. 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 2014 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, 2014 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 a fully-integrated and self-managed real estate investment trust (REIT) specializing in the ownership and management of high-quality Class A office buildings located primarily in ten of the largest U.S. office markets, including Atlanta, Boston, Chicago, Dallas, Houston, Los Angeles, Minneapolis, New York, Central Florida and Washington, D.C. Approximately 60% of its tenants are investment grade-rated or governmental tenants, and many others are blue chip or nationally-recognized companies. The Company is headquartered in Atlanta, GA, with local management offices in each of its major markets. Investment grade-rated by Standard & Poor's (BBB) and Moody's (Baa2), Piedmont has maintained a relatively low leverage strategy throughout its sixteen year operating history. 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 leasing volume over the next several year being driven by new leases for currently vacant space; the Company's expectations regarding achievement of positive net lease absorption over the next few years; the Company's expectations regarding the benefits of acquiring its own stock; and the Company's estimated range of Net Income, Depreciation and Amortization, Insurance Recoveries, Core FFO and Core FFO per diluted share for the year ending December 31, 2014.

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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