



## Piedmont Office Realty Trust Reports Third Quarter 2014 Results

October 29, 2014



ATLANTA, October 29, 2014 --Piedmont Office Realty Trust, Inc. ("Piedmont" or the "Company") (NYSE:PDM), an owner of primarily Class A office properties located predominantly in nine of the largest U.S. office markets, today announced its results for the quarter ended September 30, 2014.

### **Highlights for the Three Months Ended September 30, 2014:**

- Achieved Core Funds From Operations ("CFFO") of \$0.38 per diluted share for the quarter ended September 30, 2014;
- Completed approximately 684,000 square feet of leasing during the third quarter with approximately 389,000 square feet of the activity related to new tenants;
- Acquired 1155 Perimeter Center West, a Class-A office building located in the Central Perimeter submarket of Atlanta, GA, furthering the Company's strategy of aggregating assets in select sub-markets; and
- Further expanded its regional teams with the addition of Thomas R. Prescott as Executive Vice President of the Midwest region.

Donald A. Miller, CFA, President and Chief Executive Officer said, "Third quarter was a solid quarter for us from both a financial and leasing perspective. In particular, I am pleased that the majority of our leasing activity during the third quarter related to new leases, as the leasing of currently vacant space remains our top priority."

### **Results for the Third Quarter ended September 30, 2014**

Piedmont's net income available to common stockholders for the third quarter of 2014 was \$9.2 million, or \$0.06 per diluted share, as compared with \$19.1 million, or \$0.12 per diluted share, for the third quarter of 2013. The prior quarter's results included \$0.02 per diluted share in non-recurring insurance recoveries whereas the current quarter's results reflect \$0.03 per diluted share of additional depreciation expense resulting from properties acquired as well as several large tenant build outs over the last twelve months.

Revenues for the quarter ended September 30, 2014 were \$144.6 million, as compared with \$143.4 million for the same period a year ago, primarily attributable to increased reimbursement revenue as a result of the expiration of lease abatements for operating expenses on certain recently commenced leases.

Property operating costs were \$62.0 million for the quarter ended September 30, 2014, as compared to the prior period of \$58.1 million, primarily as a result of additional expenses associated with properties acquired since the third quarter of 2013, as well as increased occupancy at certain assets. General and administrative expenses were \$5.8 million for the third quarter of both the current and prior year.

Funds From Operations ("FFO") for the current quarter totaled \$58.7 million, or \$0.38 per diluted share, compared to \$65.0 million, or \$0.39 per diluted share, for the quarter ended September 30, 2013. The prior quarter FFO results include \$0.02 per diluted share in net insurance recoveries related to Hurricane Sandy casualty losses.

Core FFO, which excludes acquisition costs and the insurance recoveries mentioned above, totaled \$58.8 million, or \$0.38 per diluted share, for the current quarter, as compared to \$61.1 million, or \$0.37 per diluted share, for the quarter ended September 30, 2013. Per share results reflect a reduction in weighted average shares outstanding as a result of shares repurchased pursuant to the Company's stock repurchase plan.

Adjusted FFO ("AFFO") for the third quarter of 2014 totaled \$21.8 million, or \$0.14 per diluted share, compared to \$34.0 million, or \$0.21 per diluted share, in the third quarter of 2013 primarily due to increased capital expenditures associated with large tenant build outs at Aon Center in Chicago, IL and 1901 Market Street in Philadelphia, PA, among others.

### **Leasing Update**

During the third quarter of 2014, the Company executed approximately 684,000 square feet of leasing throughout its markets with

approximately 389,000 square feet of the activity related to new tenants.

As of September 30, 2014, the Company had approximately 1.7 million square feet of commenced leases that were in some form of abatement, as well as approximately 0.6 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 \$68.2 million, a 2% increase over the second quarter of 2014, but a 2.5% decrease from the third quarter of the prior year, reflecting the large number of leases currently in abatement, as well as the non-recurrence of certain rental income recognized in the third quarter of 2013 related to a lease restructuring transaction.

The Company's overall portfolio was 87.5% leased as of September 30, 2014, up from 87.0% as of the end of second quarter of 2014 and up from 86.7% a year ago. Further, the stabilized portfolio was 89.0% leased as of September 30, 2014. The weighted average lease term remaining was approximately 7.3 years as of quarter end, also up slightly compared to second quarter of 2014. 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](http://www.piedmontreit.com).

### Capital Markets and Other Activities

During the three months ended September 30, 2014, Piedmont acquired 1155 Perimeter Center West, a Class-A property located in the Central Perimeter submarket of Atlanta, Georgia. The 376,694 square foot property includes a 12-story office building, and an adjoining trading floor and data center, as well as an 8-level parking structure. Piedmont purchased the property for \$80.75 million or \$214 per square foot. The building serves as the corporate headquarters for its three tenants. This transaction, together with the Company's existing assets, brings the Atlanta area portfolio to approximately 1.5 million square feet and furthers the Company's strategy of expanding its presence in desirable sub-markets within specifically identified office markets.

Also during the quarter, Thomas R. Prescott joined the Company as its Executive Vice President for the Midwest Region. Prescott, who will report to Donald A. Miller, CFA, President & CEO of Piedmont, will be responsible for all of the Midwest Region's leasing, asset management, acquisitions, dispositions, and development projects. Piedmont's Midwest Region is currently comprised of approximately 6.5 million square feet of office space, located in metropolitan Chicago and Minneapolis.

### Subsequent to Quarter End

#### *Fourth Quarter Dividend Declaration*

On October 29, 2014, the board of directors of Piedmont declared dividends for the fourth quarter 2014 in the amount of \$0.21 per share on its common stock to stockholders of record as of the close of business on November 28, 2014, payable on December 19, 2014.

#### *Land Acquisition*

On October 28, 2014, Piedmont entered into a binding agreement to purchase approximately 25.2 acres of land adjacent to its 400 TownPark property in Lake Mary, FL. The land is located within a mixed-use development consisting of office, retail, residential and a hotel. If consummated, the acquisition would add to Piedmont's developable land holdings and allow Piedmont to control a site that is complementary to the 400 TownPark building.

### Guidance for 2014

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

<i>(in millions, except per share data)</i>	<u>Low</u>	<u>High</u>
Net Income	\$35	-\$37
Add: Depreciation, Amortization, and Other	195	-198
Less: Gain on Sale of Real Estate Assets	(2)	-(2)
Core FFO	\$228	-\$233
Core FFO per diluted share	\$1.48	-\$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, October 30, 2014 at 10:00 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](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 12, 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 13591744. 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 2014 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, 2014 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 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 nine of the largest U.S. office markets, including Atlanta, Boston, Chicago, Dallas, Houston, Los Angeles, Minneapolis, New York and Washington, D.C. Approximately 73% of Annualized Lease Revenue is from tenants that are investment grade-rated or governmental tenants, or large, nationally-recognized companies not requiring investment ratings. 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](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 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, 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.

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 2014 Financials](#)

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