



Piedmont Office Realty Trust Reports Fourth Quarter and Annual 2015 Results and 2016 Guidance

February 4, 2016



ATLANTA, February 4, 2016 --Piedmont Office Realty Trust, Inc. ("Piedmont" or the "Company") (NYSE:PDM), an owner of primarily Class A office properties located in select sub-markets of major U.S. cities, today announced its results for the quarter and year ended December 31, 2015.

Highlights for the Three Months and Year Ended December 31, 2015:

- Achieved Core Funds From Operations ("Core FFO") of \$0.41 and \$1.60 per diluted share for the quarter and year ended December 31, 2015, respectively;
- Reported Adjusted Funds from Operations ("AFFO") of \$0.29 and \$1.23 per diluted share for the quarter and year ended December 31, 2015, respectively;
- Achieved approximately 9% growth in cash-basis Same Store Net Operating Income ("SSNOI") for both the three and twelve months ended December 31, 2015, as compared to the same periods in the prior year;
- Completed over 800,000 square feet of leasing during the fourth quarter, bringing total leasing for the year to 3.1 million square feet and resulting in a year-end leased percentage of 91.5%;
- Disposed of nine assets during the year ended December 31, 2015, including two in the fourth quarter, resulting in approximately \$848.2 million in net sales proceeds and a \$168.2 million gain which is included in the Company's results of operations for the year ended December 31, 2015;
- Using proceeds from the dispositions mentioned above, repurchased approximately nine million shares of its common stock at an average price of \$17.68 per share, purchased five assets in the Company's strategic markets, including three in the fourth quarter, and reduced debt by approximately \$240 million on a year-over-year basis.

Donald A. Miller, CFA, President and Chief Executive Officer, said, "We are very pleased with our 2015 accomplishments. We were able to take advantage of the strong sellers' market during the year and move a number of non-core assets out of the portfolio, as well as decrease our Chicago concentration significantly with the sale of Aon Center. Thanks to strong leasing results, an opportunistic equity market, and a few well-timed, strategic acquisitions, we were able to significantly improve our leased percentage and the overall quality of the portfolio without dilution for our stockholders. As a result, we feel the Company as a whole, its portfolio of assets, and its balance sheet are exceedingly well-positioned headed into 2016."

Results for the Quarter ended December 31, 2015

Piedmont recognized net income available to common stockholders for the three months ended December 31, 2015 of \$125.6 million, or \$0.84 per diluted share, as compared with \$12.5 million, or \$0.08 per diluted share, for the three months ended December 31, 2014. The fourth quarter of 2015 included a \$114.3 million, or \$0.78 per diluted share, gain on sale of real estate asset during the period associated with the sale of Aon Center located in downtown Chicago, IL.

Revenues for the three months ended December 31, 2015 decreased to \$139.5 million, compared to \$146.7 million for the same period a year ago, due to the sale of our largest asset during the fourth quarter of 2015. Results for the three months ended December 31, 2015 also reflect a \$1.3 million increase in general and administrative expense, primarily as a result of accruing for potential performance-based compensation driven by improved operating results during the quarter ended December 31, 2015, including \$0.4 million of expense related to increasing accruals related to previous years under the Company's three-year relative stock performance plans. The fourth quarter of 2015 also reflects an approximate \$2.8 million decrease in net insurance recoveries from casualty events as compared to the fourth quarter of 2014.

Funds From Operations ("FFO") was \$0.41 per diluted share for the three months ended December 31, 2015 as compared to \$0.40 for the three months ended December 31, 2014 with the increase primarily reflecting the commencement of several significant leases, the expiration of various operating expense abatement periods, and the acquisition of five properties during 2015. Those increases were partially offset by the sale of nine properties during 2015 as well as the increase in general and administrative expense and the decrease in insurance recoveries from casualty losses noted above.

Core FFO, which excludes insurance recoveries, gain on extinguishment of swaps, and acquisition costs was \$0.41 per diluted share for the current quarter, as compared to \$0.39 per diluted share in the fourth quarter of the prior year. This increase was driven primarily by the same factors affecting

our FFO over the period, with the exception of the decrease in insurance recoveries.

AFFO for the fourth quarter of 2015 totaled \$42.4 million, or \$0.29 per diluted share, compared to \$41.2 million, or \$0.27 per diluted share, in the fourth quarter of 2014, driven primarily by the same factors affecting our FFO over the period.

In addition, net income available to common stockholders per share, FFO per diluted share, Core FFO per diluted share and AFFO per diluted share for the current quarter were all favorably impacted by the repurchase of approximately nine million shares during the year.

Results for the Year ended December 31, 2015

Piedmont recognized net income available to common stockholders for the year ended December 31, 2015 of \$173.0 million, or \$1.15 per diluted share, as compared to \$43.3 million, or \$0.28 per diluted share, for the year ended December 31, 2014. The 2015 results included \$168.2 million, or \$1.12 per diluted share, in gain on sales of real estate assets as compared to \$2.3 million, or \$0.02 per diluted share, of such gains in 2014. In addition, the results for the year ended December 31, 2015 included a \$40.2 million, or \$0.27 per diluted share, impairment loss associated with the Company's exit from the Cleveland, OH and Parsippany, NJ markets during the year. Excluding the \$40.2 million impairment loss, the Company's real estate operating income for the year ended December 31, 2015 was \$117.0 million, as compared to \$107.8 million for the year ended December 31, 2014, with the \$9.2 million increase being attributable to the commencement of certain significant leases, the expiration of various operating expense abatement periods, and the acquisition of five properties during 2015. These increases were partially offset by the sale of nine properties, a \$6.5 million increase in general and administrative expense primarily as a result of the recognition of increased performance-based compensation expense. Net income available to common stockholders for the year ended December 31, 2015 was further impacted by a \$7.3 million decrease in non-recurring insurance recoveries as compared to the year ended December 31, 2014.

Revenues for the year ended December 31, 2015 were \$584.8 million, as compared with \$566.3 million for the year ended December 31, 2014, with the \$18.5 million increase attributable to new leases commencing and operating expense abatement periods expiring. Property operating costs were \$242.0 million for the year ended December 31, 2015, an increase of \$2.5 million compared to \$239.5 million the prior year. The increase was primarily due to increased occupancy at certain of our assets, as well as increased property tax expense at certain of our properties as a result of higher valuations, partially offset by net disposition activity during the year. General and administrative expenses were \$30.4 million for the year ended December 31, 2015, as compared to \$23.8 million for the year ended December 31, 2014, primarily as a result of accruing for potential performance-based compensation driven by improved operating results during the year ended December 31, 2015, including \$1.5 million of expense related to increasing accruals related to previous years under the Company's three-year relative stock performance plans.

FFO was \$1.59 per diluted share for the year ended December 31, 2015, as compared to \$1.53 for the year ended December 31, 2014, with the increase reflecting the commencement of several significant leases, the expiration of various operating expense abatement periods, and the impact of acquisition activity during 2015 and 2014, partially offset by the sale of nine assets, the increase in general and administrative expense, and the decrease in insurance recoveries noted above.

Core FFO, which excludes insurance recoveries as well as loss on extinguishment of swaps, and acquisition costs, was \$1.60 per diluted share for the year ended December 31, 2015, as compared to \$1.49 per diluted share for the year ended December 31, 2014. The increase was driven primarily by the same factors affecting FFO over the period, with the exception of the decrease in casualty recoveries.

AFFO for the year ended December 31, 2015 was \$1.23 per diluted share compared to \$0.76 per diluted share for the year ended December 31, 2014, primarily due to the same factors impacting Core FFO above, as well as a \$40.5 million decrease in non-incremental capital expenditures and a \$13.4 million reduction in straight-line rent adjustments as certain large tenant build outs were completed and significant rental abatements expired during 2015.

In addition, net income available to common stockholders per share, FFO per diluted share, Core FFO per diluted share and AFFO per diluted share for the year ended December 31, 2015 were all favorably impacted by the repurchase of approximately nine million shares during the year.

Leasing Update

The Company's leasing volume for the three months ended December 31, 2015 totaled 812,000 square feet, bringing the total for the year to 3.1 million square feet, of which approximately half of the annual leasing related to new tenant leasing. The fourth quarter activity included approximately 267,000 square feet, or 33%, of new tenant leasing and 545,000, or 67% of renewal leasing. New leasing for the quarter primarily centered on the Company's Washington, D.C. portfolio and included: an approximately 100,000 square foot, 12-year lease with the District of Columbia at One Independence Square; an approximate 35,000 square foot, 15-year lease with the Federal Mediation and Conciliation Service, also at One Independence Square; and an approximately 40,000 square foot, 12-year lease with MakeOffices at 3100 Clarendon Boulevard in Arlington, VA. Significant renewals during the quarter included First Data Corporation's extension of approximately 195,000 square feet at our Glenridge Highlands Two asset in Atlanta, GA; approximately 135,000 square foot renewal and contraction of Comdata's space at our 5301 Maryland Way asset in Nashville, TN; BSH Home Appliances' approximately 67,000 square feet at 1901 Main Street in Irvine, CA; and Microsoft Mobile, Inc's approximately 55,000 square feet at 5 Wayside Road in Burlington, MA.

The Company's overall portfolio was approximately 91.5% leased as of December 31, 2015, up 380 basis points from 87.7% a year ago. Weighted average lease term remaining was approximately 6.7 years as of December 31, 2015, down from the prior quarter due to the sale of Aon Center. Cash basis SSNOI was \$67.8 million and \$271.2 million for the three and twelve months ended December 31, 2015, respectively, representing a 9% increase over both of the same periods in the prior year, as certain significant leases commenced and abatement periods continued to expire. As of December 31, 2015, the Company had approximately 1.4 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. Details outlining Piedmont's significant upcoming lease expirations, the status of current leasing activity, and a schedule of significant near-term abatement periods can be found in the Company's quarterly supplemental information package available at www.piedmontreit.com.

Transactional Activity

As previously announced, during the fourth quarter the Company sold Aon Center, a 2.7 million square foot office tower located at 200 East Randolph Street in downtown Chicago and 87% leased to multiple tenants, for a gross sales price of \$712 million (approximately \$260 per square foot). The transaction resulted in net sales proceeds of approximately \$646.2 million (after deducting closing costs, buyer-assumed lease abatements, and

contractual tenant capital improvements and leasing commissions) and a \$114.3 million gain that is included in the Company's operational results for the three months ended December 31, 2015.

In addition during the fourth quarter of 2015, Piedmont sold 2 Gatehall Drive, an approximately 400,000 square foot office building located in Parsippany, NJ and 100% leased to two tenants, for \$51.0 million (\$126 per square foot).

As previously announced, Piedmont used proceeds from the sales to pay down debt, to repurchase shares, and to acquire the following assets located in the Company's target markets:

- Galleria 300, an approximately 430,000 square foot Class A office building prominently located within the master-planned "Galleria" development in Atlanta's Cumberland/Galleria office submarket. In addition to extraordinary visibility and accessibility, Galleria 300 is surrounded by extensive walkable amenities including, among others, Cobb Galleria Centre and SunTrust Park, the new Atlanta Braves ballpark currently scheduled to be completed in 2017. Galleria 300 is currently 89% leased to 22 high-quality tenants, including anchor tenant Travelport.
- SunTrust Center, a two-building, approximately 650,000 square foot Class A trophy office landmark located in the center of Orlando's central business district. SunTrust Center is currently 89% leased to a host of tenants, including anchor tenant SunTrust Bank, as well as some of the nations most prestigious law firms. The purchase also includes an adjoining 1,292-space parking garage.
- Glenridge Highlands One, located on the Glenridge Connector in Atlanta, GA, for \$63.6 million. The acquisition completes Piedmont's ownership of the entire Glenridge Highlands office complex. Glenridge Highlands One is an approximately 288,000 square foot, 90% leased, Class A office building located adjacent to Piedmont's Glenridge Highlands Two Building and a developmental land parcel also owned by Piedmont.
- A five acre land parcel for \$1.4 million, located adjacent to Piedmont's Suwanee Gateway One asset. A portion of the land is expected to be used for expanded parking for Suwanee Gateway One.

Other Events

First Quarter Dividend Declaration

On February 4, 2016, the board of directors of Piedmont declared dividends for the first quarter of 2016 in the amount of \$0.21 per share on its common stock to stockholders of record as of the close of business on February 26, 2016, payable on March 18, 2016.

Guidance for 2016

Based on management's expectations, the Company is introducing guidance for full-year 2016 as follows:

<i>(in millions, except per share data)</i>	<u>Low</u>	<u>High</u>
Net Income	\$137	\$156
Add: Depreciation, Amortization, and Other	169	-176
Less: Gain on Sale of Real Estate Assets	(75)	-(90)
Core FFO	\$231	\$242
Core FFO per diluted share	\$1.58	\$1.66

These estimates reflect management's view of current market conditions and incorporate certain economic and operational assumptions and projections. Actual results could differ materially from these estimates based on a variety of factors, including those 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, 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, Core FFO, AFFO, Same Store NOI, Property NOI, 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 Friday, February 5, 2016 at 10:00 A.M. Eastern standard 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 February 19, 2016, 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 13627957. 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 fourth quarter and annual 2015 performance, discuss recent events, and conduct a question-and-answer period.

Supplemental Information

Quarterly supplemental information as of and for the period ended December 31, 2015 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, and operator of high-quality, Class A office properties located in select sub-markets of major U.S. cities. Its geographically-diversified, over \$5 billion portfolio is comprised of approximately 20 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, but are not limited to, whether the Company as a whole, its portfolio of assets, and its balance sheet are exceedingly well-positioned headed into 2016 and 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, 2016.

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 and socio-economic changes (including accounting standards) that impact the real estate market generally or that could affect the patterns of use of commercial office space, may cause our operating results to suffer and decrease the value of our real estate properties; the success of our real estate strategies and investment objectives, including our ability to identify and consummate suitable acquisitions and divestitures; lease terminations or lease defaults, particularly by one of our large lead tenants; 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 market in general and of the specific markets in which we operate, particularly in Chicago, Washington, D.C., and the New York metropolitan area, where we have high concentrations of office properties; the illiquidity of real estate investments could significantly impede our ability to respond to adverse changes in the performance of our properties; acquisitions of properties may have unknown risks and other liabilities at the time of acquisition; development and construction delays and resultant increased costs and risks may negatively impact our operating results; our real estate development strategies may not be successful; future terrorist attacks in the major metropolitan areas in which we own properties could significantly impact the demand for, and value of, our properties; additional risks and costs associated with directly managing properties occupied by government tenants; adverse market and economic conditions may negatively affect us and could cause us to recognize impairment charges on both our long-lived assets or goodwill or otherwise impact our performance; availability of financing and our lending banks' ability to honor existing line of credit commitments; costs of complying with governmental laws and regulations; future offerings of debt or equity securities may adversely affect the market price of our common stock; changes in market interest rates may have an effect on the value of our common stock; 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; we may be subject to litigation, which could have a material adverse effect on our financial condition; 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; and other factors detailed in the Company's most recent Annual Report on Form 10-K for the period ended December 31, 2014, 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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[PDM Q4 2015 Financials](#)

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