UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT of 1934**

For the Quarterly Period Ended June 30, 2019

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT of 1934**

For the Transition Period From __________ To __________

Commission file number 001-34626

Piedmont Office Realty Trust, Inc.
(Exact name of registrant as specified in its charter)

Maryland	**58-2328421**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**

5565 Glenridge Connector Ste. 450
Atlanta, Georgia 30342
(Address of principal executive offices) (Zip Code)

(770) 418-8800
(Registrant's telephone number, including area code)

N/A
(Former name, former address, and former fiscal year, if changed since last report)

Title of each class	Trading Symbol(s)	Name of exchange on which registered
Common stock	**PDM**	**NYSE**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	x	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No x

Number of shares outstanding of the Registrant's
common stock, as of July 30, 2019:
125,783,408 shares

FORM 10-Q

PIEDMONT OFFICE REALTY TRUST, INC.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this Form 10-Q may constitute forward-looking statements within the meaning of the federal securities laws. In addition, Piedmont Office Realty Trust, Inc. ("Piedmont," "we," "our," or "us"), or its executive officers on Piedmont’s behalf, may from time to time make forward-looking statements in reports and other documents Piedmont files with the Securities and Exchange Commission or in connection with other written or oral statements made to the press, potential investors, or others. Statements regarding future events and developments and Piedmont’s future performance, as well as management’s expectations, beliefs, plans, estimates, or projections relating to the future, are forward-looking statements. Forward-looking statements include statements preceded by, followed by, or that include the words “may,” “will,” “expect,” “intend,” “anticipate,” “estimate,” “believe,” “continue,” or other similar words. Examples of such statements in this report include descriptions of our real estate, financings, and operating objectives; discussions regarding future dividends and share repurchases; and discussions regarding the potential impact of economic conditions on our real estate and lease portfolio.

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. Important assumptions relating to the forward-looking statements include, among others, assumptions regarding the demand for office space in the markets in which Piedmont operates, competitive conditions, and general economic conditions. These assumptions could prove inaccurate. The forward-looking statements also involve risks and uncertainties, which could cause actual results to differ materially from those contained in any forward-looking statement. Many of these factors are beyond Piedmont’s ability to control or predict. Such factors include, but are not limited to, the following:

- 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 eight markets in which we primarily operate where we have high concentrations of our Annualized Lease Revenue (see definition below);
- Lease terminations, lease defaults, 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 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, 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 the method pursuant to which the LIBOR rates are determined and the potential phasing out of LIBOR after 2021;
- The effect of future offerings of debt or equity securities or changes in market interest rates 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;
- Changes in the financial condition of our tenants directly or indirectly resulting from geopolitical developments that could negatively affect international trade, including the United Kingdom's referendum to withdraw from the European Union, 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;

- Changes in tax laws impacting real estate investment trusts ("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") or otherwise adversely affect our stockholders;
- The future effectiveness of our internal controls and procedures; and
- Other factors, including the risk factors discussed under Item 1A. of our Annual Report on Form 10-K for the year ended December 31, 2018.

Management believes these forward-looking statements are reasonable; however, undue reliance should not be placed on any forward-looking statements, which are based on current expectations. Further, forward-looking statements speak only as of the date they are made, and management undertakes no obligation to update publicly any of them in light of new information or future events.

Information Regarding Disclosures Presented

Annualized Lease Revenue ("ALR"), a non-GAAP measure, is calculated by multiplying (i) rental payments (defined as base rent plus operating expense reimbursements, if payable by the tenant on a monthly basis under the terms of a lease that has been executed, but excluding (a) rental abatements and (b) rental payments related to executed but not commenced leases for space that is currently covered by an existing lease), by (ii) 12. In instances in which contractual rents or operating expense reimbursements are collected on an annual, semi-annual, or quarterly basis, such amounts are multiplied by a factor of 1, 2, or 4, respectively, to calculate the annualized figure. For leases that have been executed but not commenced relating to un-leased space, ALR is calculated by multiplying (i) the monthly base rental payment (excluding abatements) plus any operating expense reimbursements for the initial month of the lease term, by (ii) 12. Unless stated otherwise, this measure excludes revenues associated with development/re-development properties, if any.

PART I. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS.

The information presented in the accompanying consolidated balance sheets and related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows reflects all adjustments that are, in management's opinion, necessary for a fair and consistent presentation of financial position, results of operations, and cash flows in accordance with GAAP.

The accompanying financial statements should be read in conjunction with the notes to Piedmont's financial statements and Management's Discussion and Analysis of Financial Condition and Results of Operations included in this report on Form 10-Q and with Piedmont's Annual Report on Form 10-K for the year ended December 31, 2018. Piedmont's results of operations for the six months ended June 30, 2019 are not necessarily indicative of the operating results expected for the full year.

PIEDMONT OFFICE REALTY TRUST, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except for share and per share amounts)

	(Unaudited) June 30, 2019	December 31, 2018
Assets:		
Real estate assets, at cost:		
Land	**$ 517,479**	$ 507,422
Buildings and improvements, less accumulated depreciation of $812,664 and $772,093 as of June 30, 2019 and December 31, 2018, respectively	**2,342,028**	2,305,096
Intangible lease assets, less accumulated amortization of $92,881 and $87,391 as of June 30, 2019 and December 31, 2018, respectively	**79,331**	77,676
Construction in progress	**13,252**	15,848
Real estate assets held for sale, net	**—**	110,552
Total real estate assets	**2,952,090**	3,016,594
Cash and cash equivalents	**7,748**	4,571
Tenant receivables	**10,494**	10,800
Straight-line rent receivables	**171,422**	162,589
Restricted cash and escrows	**1,480**	1,463
Prepaid expenses and other assets	**33,086**	25,356
Goodwill	**98,918**	98,918
Interest rate swaps	**10**	1,199
Deferred lease costs, less accumulated amortization of $196,339 and $183,611 as of June 30, 2019 and December 31, 2018, respectively	**250,119**	250,148
Other assets held for sale, net	**—**	20,791
Total assets	**$ 3,525,367**	$ 3,592,429
Liabilities:		
Unsecured debt, net of discount and unamortized debt issuance costs of $8,806 and $9,879 as of June 30, 2019 and December 31, 2018, respectively	**$ 1,472,194**	$ 1,495,121
Secured debt, net of premiums and unamortized debt issuance costs of $494 and $645 as of June 30, 2019 and December 31, 2018, respectively	**189,782**	190,351
Accounts payable, accrued expenses and accrued capital expenditures	**97,502**	102,519
Dividends payable	**—**	26,972
Deferred income	**24,641**	28,779
Intangible lease liabilities, less accumulated amortization of $63,491 and $59,144 as of June 30, 2019 and December 31, 2018, respectively	**32,724**	35,708
Interest rate swaps	**5,549**	839
Total liabilities	**1,822,392**	1,880,289
Commitments and Contingencies (Note 7)	**—**	—
Stockholders' Equity:		
Shares-in-trust, 150,000,000 shares authorized; none outstanding as of June 30, 2019 or December 31, 2018	**—**	—
Preferred stock, no par value, 100,000,000 shares authorized; none outstanding as of June 30, 2019 or December 31, 2018	**—**	—
Common stock, $.01 par value, 750,000,000 shares authorized; 125,783,408 and 126,218,554 shares issued and outstanding as of June 30, 2019 and December 31, 2018, respectively	**1,258**	1,262
Additional paid-in capital	**3,687,881**	3,683,186
Cumulative distributions in excess of earnings	**(1,989,446)**	(1,982,542)
Other comprehensive income	**1,530**	8,462
Piedmont stockholders' equity	**1,701,223**	1,710,368
Noncontrolling interest	**1,752**	1,772
Total stockholders' equity	**1,702,975**	1,712,140
Total liabilities and stockholders' equity	**$ 3,525,367**	$ 3,592,429

See accompanying notes

PIEDMONT OFFICE REALTY TRUST, INC.
CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except for share and per share amounts)

	(Unaudited) Three Months Ended June 30, 2019	(Unaudited) Three Months Ended June 30, 2018	(Unaudited) Six Months Ended June 30, 2019	(Unaudited) Six Months Ended June 30, 2018
Revenues:				
Rental and tenant reimbursement revenue	**$ 125,468**	$ 123,525	**$ 251,634**	$ 247,973
Property management fee revenue	**422**	382	**2,414**	691
Other property related income	**4,778**	5,267	**9,556**	10,410
	130,668	129,174	**263,604**	259,074
Expenses:				
Property operating costs	**52,380**	52,637	**104,185**	104,496
Depreciation	**26,348**	27,115	**52,873**	54,260
Amortization	**18,461**	15,245	**36,161**	31,978
General and administrative	**12,418**	8,258	**21,786**	14,810
	109,607	103,255	**215,005**	205,544
Other income (expense):				
Interest expense	**(15,112)**	(15,687)	**(30,605)**	(29,445)
Other income	**752**	731	**1,029**	1,177
Loss on extinguishment of debt	**—**	—	**—**	(1,680)
Gain/(loss) on sale of real estate assets	**1,451**	(23)	**39,338**	45,186
Net income	**8,152**	10,940	**58,361**	68,768
Net loss applicable to noncontrolling interest	**1**	2	**—**	4
Net income applicable to Piedmont	**$ 8,153**	$ 10,942	**$ 58,361**	$ 68,772
Per share information – basic and diluted:				
Net income applicable to common stockholders	**$ 0.06**	$ 0.09	**$ 0.46**	$ 0.52
Weighted-average common shares outstanding – basic	**125,693,365**	128,346,433	**125,633,777**	132,090,741
Weighted-average common shares outstanding – diluted	**126,490,507**	128,700,743	**126,404,294**	132,431,642

See accompanying notes

PIEDMONT OFFICE REALTY TRUST, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands)

	(Unaudited) Three Months Ended June 30, 2019	(Unaudited) Three Months Ended June 30, 2018	(Unaudited) Six Months Ended June 30, 2019	(Unaudited) Six Months Ended June 30, 2018
Net income applicable to Piedmont	**$ 8,153**	$ 10,942	**$ 58,361**	$ 68,772
Other comprehensive income/(loss):				
Effective portion of gain/(loss) on derivative instruments that are designated and qualify as cash flow hedges (See Note 5)	**(3,465)**	1,747	**(5,489)**	3,264
Plus: Reclassification of net (gain)/loss included in net income (See Note 5)	**(672)**	(245)	**(1,443)**	807
Other comprehensive income/(loss)	**(4,137)**	1,502	**(6,932)**	4,071
Comprehensive income applicable to Piedmont	**$ 4,016**	$ 12,444	**$ 51,429**	$ 72,843

See accompanying notes

PIEDMONT OFFICE REALTY TRUST, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2019 (UNAUDITED)
(in thousands, except per share amounts)

	Common Stock		Additional Paid-In Capital	Cumulative Distributions in Excess of Earnings	Other Comprehensive Income/(Loss)	Non-controlling Interest	Total Stockholders' Equity
	Shares	Amount					
Balance, December 31, 2018	126,219	$ 1,262	$ 3,683,186	$ (1,982,542)	$ 8,462	$ 1,772	$ 1,712,140
Share repurchases as part of an announced plan	(728)	(7)	—	(12,475)	—	—	(12,482)
Dividends to common stockholders ($0.21 per share), stockholders of subsidiaries, and dividends reinvested	—	—	(48)	(26,375)	—	(7)	(26,430)
Shares issued and amortized under the 2007 Omnibus Incentive Plan, net of tax	106	1	2,879	—	—	—	2,880
Net income applicable to noncontrolling interest	—	—	—	—	—	1	1
Net income applicable to Piedmont	—	—	—	50,208	—	—	50,208
Other comprehensive loss	—	—	—	—	(2,795)	—	(2,795)
Balance, March 31, 2019	125,597	$ 1,256	$ 3,686,017	$ (1,971,184)	$ 5,667	$ 1,766	$ 1,723,522
Dividends to common stockholders ($0.21 per share), stockholders of subsidiaries, and dividends reinvested	—	—	(94)	(26,415)	—	(13)	(26,522)
Shares issued and amortized under the 2007 Omnibus Incentive Plan, net of tax	186	2	1,958	—	—	—	1,960
Net loss applicable to noncontrolling interest	—	—	—	—	—	(1)	(1)
Net income applicable to Piedmont	—	—	—	8,153	—	—	8,153
Other comprehensive income	—	—	—	—	(4,137)	—	(4,137)
Balance, June 30, 2019	125,783	$ 1,258	$ 3,687,881	$ (1,989,446)	$ 1,530	$ 1,752	$ 1,702,975

PIEDMONT OFFICE REALTY TRUST, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2018 (UNAUDITED)
(in thousands, except per share amounts)

	Common Stock		Additional Paid-In Capital	Cumulative Distributions in Excess of Earnings	Other Comprehensive Income/(Loss)	Non-controlling Interest	Total Stockholders' Equity
	Shares	Amount					
Balance, December 31, 2017	142,359	$ 1,424	$ 3,677,360	$ (1,702,281)	$ 8,164	$ 1,822	$ 1,986,489
Cumulative effect of accounting change (adoption of ASU 2016-01)	—	—	—	94	(94)	—	—
Share repurchases as part of an announced plan	(12,482)	(125)	—	(231,763)	—	—	(231,888)
Dividends to common stockholders ($0.21 per share), stockholders of subsidiaries, and dividends reinvested	—	—	(19)	(28,284)	—	(8)	(28,311)
Shares issued and amortized under the 2007 Omnibus Incentive Plan, net of tax	148	1	2,900	—	—	—	2,901
Net loss applicable to noncontrolling interest	—	—	—	—	—	(2)	(2)
Net income applicable to Piedmont	—	—	—	57,830	—	—	57,830
Other comprehensive income	—	—	—	—	2,569	—	2,569
Balance, March 31, 2018	130,025	$ 1,300	$ 3,680,241	$ (1,904,404)	$ 10,639	$ 1,812	$ 1,789,588
Share repurchases as part of an announced plan	(1,861)	(18)	—	(32,879)	—	—	(32,897)
Dividends to common stockholders ($0.21 per share), stockholders of subsidiaries, and dividends reinvested	—	—	(32)	(26,950)	—	(15)	(26,997)
Shares issued and amortized under the 2007 Omnibus Incentive Plan, net of tax	207	2	918	—	—	—	920
Net loss applicable to noncontrolling interest	—	—	—	—	—	(2)	(2)
Net income applicable to Piedmont	—	—	—	10,942	—	—	10,942
Other comprehensive income	—	—	—	—	1,502	—	1,502
Balance, June 30, 2018	128,371	$ 1,284	$ 3,681,127	$ (1,953,291)	$ 12,141	$ 1,795	$ 1,743,056

See accompanying notes

PIEDMONT OFFICE REALTY TRUST, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	(Unaudited) Six Months Ended June 30, 2019	2018
Cash Flows from Operating Activities:		
Net income	**$ 58,361**	$ 68,768
Operating distributions received from unconsolidated joint ventures	**—**	10
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	**52,873**	54,260
Amortization of debt issuance costs net of favorable settlement of interest rate swaps	**261**	(207)
Other amortization	**33,650**	29,061
Loss on extinguishment of debt	**—**	1,665
Stock compensation expense	**9,831**	5,004
Gain on sale of real estate assets	**(39,338)**	(45,186)
Changes in assets and liabilities:		
Increase in tenant and straight-line rent receivables	**(8,683)**	(6,974)
Increase in prepaid expenses and other assets	**(7,644)**	(6,452)
Cash received upon settlement of interest rate swaps	**—**	807
Decrease in accounts payable and accrued expenses	**(5,255)**	(13,672)
Decrease in deferred income	**(2,117)**	(3,839)
Net cash provided by operating activities	**91,939**	83,245
Cash Flows from Investing Activities:		
Acquisition of real estate assets and intangibles	**(94,581)**	(28,176)
Capitalized expenditures	**(32,279)**	(26,476)
Net sales proceeds from wholly-owned properties	**168,342**	419,557
Note receivable issuance	**—**	(3,200)
Deferred lease costs paid	**(5,358)**	(10,219)
Net cash provided by investing activities	**36,124**	351,486
Cash Flows from Financing Activities:		
Debt issuance and other costs paid	**(88)**	(248)
Proceeds from debt	**253,000**	773,225
Repayments of debt	**(277,663)**	(780,721)
Value of shares withheld for payment of taxes related to employee stock compensation	**(3,295)**	(2,213)
Repurchases of common stock as part of announced plan	**(16,899)**	(266,062)
Dividends paid and discount on dividend reinvestments	**(79,924)**	(157,108)
Net cash used in financing activities	**(124,869)**	(433,127)
Net increase in cash, cash equivalents, and restricted cash and escrows	**3,194**	1,604
Cash, cash equivalents, and restricted cash and escrows, beginning of period	**6,034**	8,755
Cash, cash equivalents, and restricted cash and escrows, end of period	**$ 9,228**	$ 10,359

See accompanying notes

PIEDMONT OFFICE REALTY TRUST, INC.
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2019
(unaudited)

1. Organization

Piedmont Office Realty Trust, Inc. ("Piedmont") (NYSE: PDM) is a Maryland corporation that operates in a manner so as to qualify as a real estate investment trust ("REIT") for federal income tax purposes and engages in the acquisition, development, redevelopment, management, and ownership of commercial real estate properties located primarily in eight major office markets in the Eastern-half of the United States, including properties that are under construction, are newly constructed, or have operating histories. Piedmont was incorporated in 1997 and commenced operations in 1998. Piedmont conducts business primarily through Piedmont Operating Partnership, L.P. ("Piedmont OP"), a Delaware limited partnership, as well as performing the management of its buildings through two wholly-owned subsidiaries, Piedmont Government Services, LLC and Piedmont Office Management, LLC. Piedmont owns 99.9% of, and is the sole general partner of, Piedmont OP and as such, possesses full legal control and authority over the operations of Piedmont OP. The remaining 0.1% ownership interest of Piedmont OP is held indirectly by Piedmont through its wholly-owned, taxable REIT subsidiary, Piedmont Office Holdings, Inc. ("POH"), the sole limited partner of Piedmont OP. Piedmont OP owns properties directly, through wholly-owned subsidiaries, and through various joint ventures which it controls. References to Piedmont herein shall include Piedmont and all of its subsidiaries, including Piedmont OP and its subsidiaries and joint ventures.

As of June 30, 2019, Piedmont owned 54 in-service office properties and one 487,000-square foot redevelopment asset. As of June 30, 2019, Piedmont's 54 in-service office properties comprised approximately 16.3 million square feet of primarily Class A commercial office space and were 92.6% leased. As of June 30, 2019, approximately 93% of Piedmont's Annualized Lease Revenue was generated primarily from select sub-markets located within eight major office markets: Atlanta, Boston, Chicago, Dallas, Minneapolis, New York, Orlando, and Washington, D.C.

Piedmont internally evaluates all of its real estate assets as one operating segment, and accordingly does not report segment information.

2. Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

The consolidated financial statements of Piedmont have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission (the "SEC"), including the instructions to Form 10-Q and Article 10 of Regulation S-X, and do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, the statements for the unaudited interim periods presented include all adjustments, which are of a normal and recurring nature, necessary for a fair presentation of the results for such periods. Results for these interim periods are not necessarily indicative of a full year's results.

Piedmont's consolidated financial statements include the accounts of Piedmont, Piedmont's wholly-owned subsidiaries, any variable interest entity ("VIE") for which Piedmont or any of its wholly-owned subsidiaries is considered to have the power to direct the activities of the entity and the obligation to absorb losses/right to receive benefits, or any entity in which Piedmont or any of its wholly-owned subsidiaries owns a controlling interest. In determining whether Piedmont or Piedmont OP has a controlling interest, the following factors, among others, are considered: equity ownership, voting rights, protective rights of investors, and participatory rights of investors. For further information, refer to the financial statements and footnotes included in Piedmont's Annual Report on Form 10-K for the year ended December 31, 2018.

All intercompany balances and transactions have been eliminated upon consolidation.

Further, Piedmont has formed special purpose entities to acquire and hold real estate. Each special purpose entity is a separate legal entity. Consequently, the assets of these special purpose entities are not available to all creditors of Piedmont. The assets owned by these special purpose entities are being reported on a consolidated basis with Piedmont's assets for financial reporting purposes only.

Use of Estimates

The preparation of the accompanying consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the accompanying consolidated financial statements and notes. Actual results could differ from those estimates.

Income Taxes

Piedmont has elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended, and has operated as such, beginning with its taxable year ended December 31, 1998. To qualify as a REIT, Piedmont must meet certain organizational and operational requirements, including a requirement to distribute at least 90% of its annual REIT taxable income. As a REIT, Piedmont is generally not subject to federal income taxes, subject to fulfilling, among other things, its taxable income distribution requirement. Piedmont is subject to certain taxes related to the operations of properties in certain locations, as well as operations conducted by its taxable REIT subsidiary, POH, which have been provided for in the financial statements.

Accounting Pronouncements Adopted during the Six Months Ended June 30, 2019

Leases

Piedmont has adopted Accounting Standards Update ("ASU") No. 2016-02, *Leases (Topic 842)*, as well as various associated updates and amendments, which together comprise the requirements for lease accounting under Accounting Standards Codification 842 ("ASC 842"). ASC 842 fundamentally changes the definition of a lease, as well as the accounting for operating leases, by requiring lessees to recognize a liability to make lease payments and a right-of-use asset representing the right to use the leased asset over the term of the lease. ASC 842 also prohibits the capitalization of internal direct payroll costs associated with negotiating and executing leases. Accounting for leases by lessors is substantially unchanged from prior practice as lessors will continue to recognize lease revenue on a straight-line basis.

In conjunction with adopting ASC 842, Piedmont has adopted the following optional practical expedients, transition amendments, or made accounting policy elections as follows:

- a package of optional practical expedients which: (1) does not require the reassessment of any expired or existing contracts to determine if they contain a lease or to determine lease classification; and (2) does not require the write-off of any unamortized, previously capitalized, initial direct costs for any existing leases;
- an optional practical transition expedient provided by ASU No. 2018-01 which allows Piedmont to exclude certain land easements in place as of January 1, 2019 from the new guidance;
- an optional practical expedient provided by ASU No. 2018-11 which allows certain non-lease operating expense reimbursements which are included in the underlying stated lease rate to be accounted for as part of an operating lease where Piedmont is the lessor;
- a transitional amendment which allows for the presentation of comparative periods in the year of adoption under ASC 840 (the former leasing guidance), effectively allowing for an initial adoption of ASC 842 (the new leasing guidance) on January 1, 2019 (the "Comparatives Under ASC 840 Option");
- an accounting policy election allowed by ASC 842 related to a recognition and measurement exception for short-term leases (defined as leases which are 12 months or less in duration) where Piedmont is the lessee. Piedmont's short-term lease expense reasonably reflects its lease commitments under such leases; and
- an accounting policy election allowed by ASU No. 2018-20 which permits Piedmont to exclude sales and other similar taxes from analysis to ascertain whether they are Piedmont's primary obligation (as lessor), and instead exclude such costs from revenue and account for them as costs of the lessee.

The nature of Piedmont's change in accounting principle relates primarily to its accounting for operating leases where Piedmont is a lessee for office space, as prescribed by ASC 842. Due to the adoption of the practical expedients outlined above, Piedmont has not adjusted prior-period information retrospectively, and there is a negligible decrease in net income attributable to Piedmont as a result of accounting for leases where Piedmont is the lessee under ASC 842 as compared to prior operating lease accounting.

Operating leases where Piedmont is the lessee relate primarily to office space in buildings owned by a third party. Piedmont recorded a right to use asset and corresponding lease liability of approximately $0.2 million using Piedmont's incremental borrowing rate as the lease discount rate. For the three and six months ended June 30, 2019, Piedmont recognized approximately $18,400 and $36,900 of operating lease costs, respectively. As of June 30, 2019, the weighted-average lease term of Piedmont's right of use assets is two years, and the weighted-average discount rate is 3.35%.

Piedmont evaluates contracts at commencement to determine if the contract contains a lease. If a contract is determined to contain a lease, the lease is evaluated to determine whether it is an operating or a financing lease. All of Piedmont's leases where Piedmont is the lessor are for the lessee's use of space in Piedmont's commercial office properties and are classified as operating leases. Lease payments are typically comprised of both fixed base rental payments and separately billed variable lease payments for reimbursement of services performed by Piedmont for the tenant as prescribed by the lease. Fixed base rental payments, as well as any fixed portion of reimbursement income, are recognized on a straight-line basis over the lease term. Tenant reimbursements are recognized as revenue in the period that the related operating cost is incurred. The option to extend or terminate our leases is specific to each underlying tenant agreement; however, generally Piedmont's leases contain penalties for early terminations. None of Piedmont's leases convey the right for the lessee to purchase the underlying property; however, certain leases convey the right of first offer or first refusal on the potential sale of the underlying real estate to the lessee.

Piedmont's future minimum lease payments from lessees under non-cancelable operating leases where Piedmont is the lessor as of June 30, 2019 is presented below (in thousands):

Years ending December 31:		
2019 [1]	$	186,581
2020		360,273
2021		348,129
2022		336,398
2023		302,958
Thereafter		1,306,536
Total	$	2,840,875

[1] Reflects rental payments for the fiscal period July 1, 2019 through December 31, 2019.

As required under the Comparatives Under ASC 840 Option described above, Piedmont's future minimum rental income from lessees under non-cancelable operating leases where Piedmont is the lessor as of December 31, 2018 is also presented below (in thousands):

Years ending December 31:		
2019	$	370,495
2020		352,541
2021		337,951
2022		324,960
2023		291,603
Thereafter		1,247,649
Total	$	2,925,199

Piedmont recognized the following fixed and variable lease payments, which together comprised rental and tenant reimbursement revenue in the accompanying consolidated statements of income for the three and six months ended June 30, 2019, respectively, as follows (in thousands):

	Three Months Ended June 30, 2019	Six Months Ended June 30, 2019
Fixed payments	$ 102,637	$ 206,296
Variable payments	22,831	45,338
Total Rental and Tenant Reimbursement Revenue	$ 125,468	$ 251,634

Additionally, ASU No. 2018-19 clarifies that operating lease receivables are within the scope of ASC 842; therefore, in accordance with ASC 842, effective January 1, 2019, Piedmont elected to evaluate the collectibility of its operating lease receivables on a tenant/lease-specific basis and began recognizing changes in the collectibility assessment of its operating lease receivables as a reduction of rental and tenant reimbursement revenue, rather than as a bad debt expense, a component of property operating costs. Consequently, during the three and six months ended June 30, 2019, Piedmont recognized approximately $51,000 and $42,000 of previously uncollectible operating lease receivables as an increase in rental and reimbursement revenue, respectively, and during the three and six months ended ended June 30, 2018, Piedmont recognized approximately $142,000 and $82,000 of expense related to uncollectible operating lease receivables as additional property operating costs, respectively.

Stock Compensation to Non-employees

During the six months ended June 30, 2019, Piedmont adopted ASU No. 2018-07, *Stock Compensation (Topic 718)*, Improvements to Non-employee Share-Based Payment Accounting ("ASU 2018-07"). The provisions of ASU 2018-07 align accounting for stock based compensation for non-employees for goods and services with existing accounting for similar compensation for employees. ASU 2018-07 requires an entity to remeasure liability-classified awards that have not been settled by the date of adoption and equity-classified awards for which a measurement date has not been established through a cumulative-effect adjustment to retained earnings as of January 1, 2019. Piedmont's only awards affected by ASU 2018-07 are equity-classified award grants to its independent board of directors, which have been historically recognized in the same manner prescribed by the newly adopted standard. As such, there was no cumulative effect adjustment recognized upon adoption.

Reclassifications

Although Piedmont has adopted the transitional amendment under ASC 842 described above, Piedmont has combined the presentation of rental income and tenant reimbursements in the accompanying consolidated statements of income for the prior periods to conform to the current period financial presentation under presentation guidance detailed in Accounting Standards Codification 205 *Presentation of Financial Statements*. These amounts included the presentation of approximately $101.5 million of rental income, and $22.0 million of tenant reimbursements for the three months ended June 30, 2018 as rental and tenant reimbursement revenue of $123.5 million. For the six months ended June 30, 2018, these amounts included the presentation of approximately $202.9 million of rental income, and $45.1 million of tenant reimbursements as rental and tenant reimbursement revenue of $248.0 million. Further, we intend to make a similar reclassification for the years ended December 31, 2018 and 2017 in our Form 10-K for the year ending December 31, 2019. We will present approximately $411.7 million of rental income and $92.7 million of tenant reimbursements for the year ended December 31, 2018 as rental and tenant reimbursement revenue of $504.4 million. We will present approximately $455.1 million of rental income and $98.2 million million of tenant reimbursements for the year ended December 31, 2017 as rental and tenant reimbursement revenue of $553.3 million. Finally, the subtotal of Revenues less Expenses was removed within the accompanying consolidated statements of income for the three and six months ended June 30, 2018 to correct the prior period presentation, and will also be removed from prior annual periods in subsequent filings.

Other Recent Accounting Pronouncements

The FASB has issued ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments*, as well as ASU No. 2019-04, *Codification Improvements to Topic 326, Financial Instruments - Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments*, and ASU No. 2019-05, *Financial Instruments- Credit Losses: Targeted Transition Relief* (collectively the "Credit Loss Amendments"). The provisions of the Credit Loss Amendments replace the "incurred loss" approach with an "expected loss" model for impairing trade and other receivables, held-to-maturity debt securities, net investment in leases, and off-balance-sheet credit exposures, which will generally result in earlier recognition of allowances for credit losses. Additionally, the provisions change the classification of credit losses related to available-for-sale securities to an allowance, rather than a direct reduction of the amortized cost of the securities. Further, the FASB has issued ASU No. 2018-19 *Codification Improvements to Topic 326, Financial Instruments - Credit Losses*, which is effective concurrent with the Credit Loss Amendments, and excludes receivables arising from operating leases from the scope of the Credit Loss Amendments. Both ASU 2018-19 and the Credit Loss Amendments are effective in the first quarter of 2020, with early adoption permitted as of January 1, 2019. Piedmont is currently evaluating the potential impact of adoption; however, substantially all of Piedmont's receivables are operating lease receivables and as such, Piedmont does not anticipate any material impact to its consolidated financial statements as a result of adoption of the Credit Loss Amendments and ASU 2018-19.

3. Acquisitions

During the six months ended June 30, 2019, Piedmont acquired one property using cash on hand, as noted below:

Property	Metropolitan Statistical Area	Date of Acquisition	Ownership Percentage Acquired	Rentable Square Feet	Percentage Leased as of Acquisition	Net Contractual Purchase Price[1](in millions)
Galleria 100	Atlanta, Georgia	May 6, 2019	100 %	414,293	91 %	$ 95.1

[1] Price includes the purchase of an adjacent parcel of developable land.

4. Debt

The following table summarizes the terms of Piedmont's indebtedness outstanding as of June 30, 2019 and December 31, 2018 (in thousands):

Facility [1]	Stated Rate	Effective Rate [2]	Maturity	Amount Outstanding as of June 30, 2019	Amount Outstanding as of December 31, 2018
Secured (Fixed)					
$35 Million Fixed-Rate Loan [3]	5.55 %	3.75 %	9/1/2021	**$ 29,288**	$ 29,706
$160 Million Fixed-Rate Loan [4]	3.48 %	3.58 %	7/5/2022	**160,000**	160,000
Net premium and unamortized debt issuance costs				**494**	645
Subtotal/Weighted Average [5]	3.80 %			**189,782**	190,351
Unsecured (Variable and Fixed)					
Amended and Restated $300 Million Unsecured 2011 Term Loan	LIBOR + 1.00%	3.20 % [7]	11/30/2021	**300,000**	300,000
$500 Million Unsecured 2018 Line of Credit [6]	LIBOR + 0.90%	3.31 %	9/30/2022 [8]	**181,000**	205,000
$350 Million Unsecured Senior Notes	3.40 %	3.43 %	6/01/2023	**350,000**	350,000
$400 Million Unsecured Senior Notes	4.45 %	4.10 %	3/15/2024	**400,000**	400,000
$250 Million Unsecured 2018 Term Loan	LIBOR + 1.60%	4.07 % [9]	3/31/2025	**250,000**	250,000
Discounts and unamortized debt issuance costs				**(8,806)**	(9,879)
Subtotal/Weighted Average [5]	3.75 %			**1,472,194**	1,495,121
Total/Weighted Average [5]	3.75 %			**$ 1,661,976**	$ 1,685,472

(1) Other than the $35 Million Fixed-Rate Loan, all of Piedmont's outstanding debt as of June 30, 2019 and December 31, 2018 is interest-only.

(2) Effective rate after consideration of settled or in-place interest rate swap agreements, issuance premiums/discounts, and/or fair market value adjustments upon assumption of debt.

(3) Collateralized by the 5 Wall Street building in Burlington, Massachusetts.

(4) Collateralized by the 1901 Market Street building in Philadelphia, Pennsylvania.

(5) Weighted average is based on contractual balance of outstanding debt and the stated or effectively fixed interest rates as of June 30, 2019.

(6) On a periodic basis, Piedmont may select from multiple interest rate options, including the prime rate and various-length LIBOR locks on all or a portion of the principal. All LIBOR selections are subject to an additional spread over the selected rate based on Piedmont's current credit rating.

(7) The facility has a stated variable rate; however, Piedmont has entered into interest rate swap agreements which effectively fix, exclusive of changes in Piedmont's credit rating, the rate to that shown as the effective rate through the maturity date of the interest rate swap agreements (see Note 5 for more detail).

(8) Piedmont may extend the term for up to one additional year (through two available six month extensions to a final extended maturity date of September 29, 2023) provided Piedmont is not then in default and upon payment of extension fees.

(9) The facility has a stated variable rate; however, Piedmont has entered into interest rate swap agreements which effectively fix, exclusive of changes to Piedmont's credit rating, $150 million of the principal balance to 4.11% through March 29, 2020, and $100 million of the principal balance to 4.21% from March 30, 2020 through the maturity date of the loan. For the remaining variable portion of the loan, Piedmont may periodically select from multiple interest rate options, including the prime rate and various-length LIBOR locks on all or a portion of the principal. All LIBOR selections are subject to an additional spread over the selected rate based on Piedmont's current credit rating. The rate presented is the weighted-average rate for the effectively fixed and variable portions of the debt outstanding as of June 30, 2019.

Piedmont made interest payments on all debt facilities, including interest rate swap cash settlements, of approximately $14.3 million and $14.8 million for the three months ended June 30, 2019 and 2018, respectively, and approximately $31.9 million and $30.7 million for the six months ended June 30, 2019 and 2018, respectively. Also, Piedmont capitalized interest of approximately $0.6 million and $0.3 million for the three months ended June 30, 2019 and 2018, respectively, and approximately $1.1 million and $0.5 million for the six months ended June 30, 2019 and 2018, respectively. As of June 30, 2019, Piedmont believes it was in compliance with all financial covenants associated with its debt instruments. See Note 6 for a description of Piedmont's estimated fair value of debt as of June 30, 2019.

5. Derivative Instruments

Risk Management Objective of Using Derivatives

In addition to operational risks which arise in the normal course of business, Piedmont is exposed to economic risks such as interest rate, liquidity, and credit risk. In certain situations, Piedmont has entered into derivative financial instruments such as interest rate swap agreements and other similar agreements to manage interest rate risk exposure arising from current or future variable rate debt transactions. Interest rate swap agreements involve the receipt or payment of future known and uncertain cash amounts, the value of which are determined by interest rates. Piedmont's objective in using interest rate derivatives is to add stability to interest expense and to manage its exposure to interest rate movements.

Cash Flow Hedges of Interest Rate Risk

Interest rate swaps designated as cash flow hedges involve the receipt of variable-rate amounts from a counterparty in exchange for Piedmont making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount.

As of June 30, 2019, Piedmont was party to interest rate swap agreements, all of which are designated as effective cash flow hedges and fully hedge the variable cash flows covering the entire outstanding balance of the Amended and Restated $300 Million Unsecured 2011 Term Loan, and $150 million of the $250 Million Unsecured 2018 Term Loan. The maximum length of time over which Piedmont is hedging its exposure to the variability in future cash flows for forecasted transactions is 69 months.

A detail of Piedmont's interest rate derivatives outstanding as of June 30, 2019 is as follows:

Interest Rate Derivatives:	Number of Swap Agreements	Associated Debt Instrument	Total Notional Amount (in millions)	Effective Date	Maturity Date
Interest rate swaps	3	Amended and Restated $300 Million Unsecured 2011 Term Loan	$ 300	11/22/2016	1/15/2020
Interest rate swaps	2	$250 Million Unsecured 2018 Term Loan	$ 100	3/29/2018	3/31/2025
Interest rate swaps	1	$250 Million Unsecured 2018 Term Loan	$ 50	3/29/2018	3/29/2020
Total			$ 450		

Piedmont presents its interest rate derivatives on its consolidated balance sheets on a gross basis as interest rate swap assets and interest rate swap liabilities. A detail of Piedmont's interest rate derivatives on a gross and net basis as of June 30, 2019 and December 31, 2018, respectively, is as follows (in thousands):

Interest rate swaps classified as:	June 30, 2019	December 31, 2018
Gross derivative assets	**$ 10**	$ 1,199
Gross derivative liabilities	**(5,549)**	(839)
Net derivative asset/(liability)	**$ (5,539)**	$ 360

The gain/(loss) on Piedmont's interest rate derivatives, including previously settled forward swaps, that was recorded in other comprehensive income ("OCI") and the accompanying consolidated statements of income as a component of interest expense for the three and six months ended June 30, 2019 and 2018, respectively, was as follows (in thousands):

Interest Rate Swaps in Cash Flow Hedging Relationships	Three Months Ended		Six Months Ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Amount of gain/(loss) recognized in OCI	**$ (3,465)**	$ 1,747	**$ (5,489)**	$ 3,264
Amount of previously recorded gain reclassified from OCI into Interest Expense	**$ 672**	$ 245	**$ 1,443**	$ 451
Amount of loss recognized on derivatives reclassified from OCI into Loss on Extinguishment of Debt	**$ —**	$ —	**$ —**	$ (1,258)
Total amount of Interest Expense presented in the consolidated statements of income	**$ (15,112)**	$ (15,687)	**$ (30,605)**	$ (29,445)
Total amount of Loss on Extinguishment of Debt presented in the consolidated statements of income [(1)]	**$ —**	$ —	**$ —**	$ (1,680)

[(1)] Includes the write-off of approximately $0.4 million of discounts and unamortized debt issuance costs associated with the repayment of debt.

Piedmont estimates that approximately $0.5 million will be reclassified from OCI as a reduction of interest expense over the next twelve months. Piedmont recognized no hedge ineffectiveness on its cash flow hedges during the three and six months ended June 30, 2019 and 2018, respectively.

Additionally, see Note 6 for fair value disclosures of Piedmont's derivative instruments.

Credit-risk-related Contingent Features

Piedmont has agreements with its derivative counterparties that contain a provision whereby if Piedmont defaults on any of its indebtedness, including default where repayment of the indebtedness has not been accelerated by the lender, then Piedmont could also be declared in default on its derivative obligations. If Piedmont were to breach any of the contractual provisions of the derivative contracts, it could be required to settle its liability obligations under the agreements at their termination value of the estimated fair values plus accrued interest, or approximately $5.7 million as of June 30, 2019. Additionally, Piedmont has rights of set-off under certain of its derivative agreements related to potential termination fees and amounts payable under the agreements, if a termination were to occur.

6. Fair Value Measurement of Financial Instruments

Piedmont considers its cash and cash equivalents, tenant receivables, notes receivable, restricted cash and escrows, accounts payable and accrued expenses, interest rate swap agreements, and debt to meet the definition of financial instruments. The following table sets forth the carrying and estimated fair value for each of Piedmont's financial instruments, as well as its level within the GAAP fair value hierarchy, as of June 30, 2019 and December 31, 2018, respectively (in thousands):

Financial Instrument	June 30, 2019			December 31, 2018		
	Carrying Value	Estimated Fair Value	Level Within Fair Value Hierarchy	Carrying Value	Estimated Fair Value	Level Within Fair Value Hierarchy
Assets:						
Cash and cash equivalents[(1)]	**$ 7,748**	**$ 7,748**	**Level 1**	$ 4,571	$ 4,571	Level 1
Tenant receivables[(1)]	**$ 10,494**	**$ 10,494**	**Level 1**	$ 10,800	$ 10,800	Level 1
Restricted cash and escrows[(1)]	**$ 1,480**	**$ 1,480**	**Level 1**	$ 1,463	$ 1,463	Level 1
Interest rate swaps	**$ 10**	**$ 10**	**Level 2**	$ 1,199	$ 1,199	Level 2
Liabilities:						
Accounts payable and accrued expenses[(1)]	**$ 10,708**	**$ 10,708**	**Level 1**	$ 47,328	$ 47,328	Level 1
Interest rate swaps	**$ 5,549**	**$ 5,549**	**Level 2**	$ 839	$ 839	Level 2
Debt, net	**$ 1,661,976**	**$ 1,695,546**	**Level 2**	$ 1,685,472	$ 1,698,213	Level 2

(1) For the periods presented, the carrying value of these financial instruments approximates estimated fair value due to their short-term maturity.

Piedmont's debt was carried at book value as of June 30, 2019 and December 31, 2018; however, to estimate its fair value as disclosed in the table above, Piedmont used widely accepted valuation techniques including discounted cash flow analysis based on the contractual terms of the debt facilities, including the period to maturity of each instrument, and observable market-based inputs for similar debt facilities which have transacted recently in the market. Therefore, the estimated fair values determined are considered to be based on significant other observable inputs (Level 2). Scaling adjustments are made to these inputs to make them applicable to the remaining life of Piedmont's outstanding debt. Piedmont has not changed its valuation technique for estimating the fair value of its debt.

Piedmont’s interest rate swap agreements presented above (further discussed in Note 5) are classified as “Interest rate swap” assets and liabilities in the accompanying consolidated balance sheets and were carried at estimated fair value as of June 30, 2019 and December 31, 2018. The estimated fair value of these derivative instruments was determined using widely accepted valuation techniques such as discounted cash flow analysis based on the contractual terms of the derivatives including the period to maturity of each instrument. Observable market-based inputs, including interest rate curves and implied volatilities, were also used. Therefore, the estimated fair values determined are considered to be based on significant other observable inputs (Level 2). In addition, Piedmont considered both its own and the respective counterparties’ risk of nonperformance in determining the estimated fair value of its derivative financial instruments by estimating the current and potential future exposure under the derivative financial instruments for both Piedmont and the counterparties that were at risk as of the valuation date. The credit risks of both Piedmont and its counterparties were factored into the calculation of the estimated fair value of the interest rate swaps; however, as of June 30, 2019 and December 31, 2018, this credit valuation adjustment did not comprise a material portion of the estimated fair value. Therefore, Piedmont believes that any unobservable inputs used to determine the estimated fair values of its derivative financial instruments are not significant to the fair value measurements in their entirety, and does not consider any of its derivative financial instruments to be Level 3 assets or liabilities.

7. Commitments and Contingencies

Commitments Under Existing Lease Agreements

As a recurring part of its business, Piedmont is typically required under its executed lease agreements to fund tenant improvements, leasing commissions, and building improvements. In addition, certain agreements contain provisions that require Piedmont to issue corporate or property guarantees to provide funding for capital improvements or other financial obligations. As of June 30, 2019, Piedmont had one individually significant unrecorded tenant allowance commitment of approximately $25.5 million for the 17 year, full-building lease with Transocean at its Enclave Place property (301,000 square feet). These commitments will be accrued and capitalized as the related expenditures are incurred.

Contingencies Related to Tenant Audits/Disputes

Certain lease agreements include provisions that grant tenants the right to engage independent auditors to audit their annual operating expense reconciliations. Such audits may result in different interpretations of language in the lease agreements from that made by Piedmont, which could result in requests for refunds of previously recognized tenant reimbursement revenues, resulting in financial loss to Piedmont. Piedmont recorded no such reductions in rental and reimbursement revenues related to such tenant audits/disputes during the three and six months ended June 30, 2019 and approximately $0 and $0.4 million of such reductions in rental and reimbursement revenues related to such tenant audits/disputes during the three and six months ended June 30, 2018, respectively.

8. Related Party Transactions

During the six months ended June 30, 2019, Piedmont entered into employment or retirement agreements with certain of its current and former executive officers as more fully described in its Definitive Proxy Statement and Current Report on Form 8-K filed on March 19, 2019. There were no other related-party transactions during the six months ended June 30, 2019.

9. Assets Held for Sale

As of June 30, 2019, no properties met the criteria for held for sale classification; however, as of December 31, 2018, the One Independence Square building in Washington, D.C. met the criteria for held for sale classification. Consequently its assets as of December 31, 2018 are presented as held for sale in the accompanying consolidated balance sheets. The One Independence Square building was sold on February 28, 2019. In conjunction with the sale of One Independence Square, Piedmont recognized a gain on real estate assets of approximately $33.1 million, and net sales proceeds of approximately $163.6 million. Details of assets held for sale as of June 30, 2019 and December 31, 2018 are presented below (in thousands):

	June 30, 2019	December 31, 2018
Real estate assets held for sale, net:		
Land	$ —	$ 30,562
Building and improvements, less accumulated depreciation of $0 and $48,453 as of June 30, 2019 and December 31, 2018, respectively	—	77,936
Construction in progress	—	2,054
Total real estate assets held for sale, net	$ —	$ 110,552
Other assets held for sale, net:		
Straight-line rent receivables	$ —	$ 10,756
Prepaid expenses and other assets	—	430
Deferred lease costs, less accumulated amortization of $0 and $2,446 as of June 30, 2019 and December 31, 2018, respectively	—	9,605
Total other assets held for sale, net	$ —	$ 20,791

10. Stock Based Compensation

The Compensation Committee of Piedmont's Board of Directors has periodically granted deferred stock award units to all of Piedmont's employees and independent directors. Employee awards typically vest ratably over a multi-year period and independent director awards vest over one year. Certain management employees' long-term equity incentive program is split equally between the time-vested award units described above and a multi-year performance share program whereby the actual awards are contingent upon Piedmont's total stockholder return ("TSR") relative to a peer group of office REITs' TSR. The long-term equity incentives for these certain employees, as well as the peer group, is predetermined by the Board of Directors, advised by an outside compensation consultant. Any shares earned are awarded at the end of the multi-year performance period and vest upon award. The fair values of the multi-year performance share awards are estimated using a Monte Carlo valuation method.

A rollforward of Piedmont's equity based award activity for the six months ended June 30, 2019 is as follows:

	Shares	Weighted-Average Grant Date Fair Value
Unvested and Potential Stock Awards as of December 31, 2018	1,227,483	$ 23.14
Deferred Stock Awards Granted	354,057	$ 21.02
Increase in Estimated Potential Share Award	420,894	$ 29.52
Performance Stock Awards Vested	(139,127)	$ 23.02
Deferred Stock Awards Vested	(440,450)	$ 19.66
Deferred Stock Awards Forfeited	(11,554)	$ 18.96
Unvested and Potential Stock Awards as of June 30, 2019	1,411,303	$ 25.64

The following table provides additional information regarding stock award activity during the three and six months ended June 30, 2019 and 2018, respectively (in thousands, except per share amounts):

	Three Months Ended		Six Months Ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Weighted-Average Grant Date Fair Value of Deferred Stock Granted During the Period	**$ 21.02**	$ 17.84	**$ 21.02**	$ 17.84
Total Grant Date Fair Value of Deferred Stock Vested During the Period	**$ 8,318**	$ 5,639	**$ 8,658**	$ 6,363
Share-based Liability Awards Paid During the Period[(1)]	**$ —**	$ —	**$ 3,239**	$ 2,947

[(1)] Amounts reflect the issuance of performance share awards related to the 2016-18 and 2015-17 Performance Share Plans during the six months ended June 30, 2019 and 2018, respectively.

A detail of Piedmont's outstanding stock awards as of June 30, 2019 is as follows:

Date of grant	Type of Award	Net Shares Granted [(1)]	Grant Date Fair Value	Vesting Schedule	Unvested Shares
May 18, 2017	Deferred Stock Award	196,036	$ 21.38	Of the shares granted, 25% vested on the date of grant, and 25% vested or will vest on May 18, 2018, 2019, and 2020, respectively.	41,341
May 18, 2017	Fiscal Year 2017-2019 Performance Share Program	—	$ 30.45	Shares awarded, if any, will vest immediately upon determination of award in 2020.	286,670 [(2)]
May 17, 2018	Deferred Stock Award	271,169	$ 17.84	Of the shares granted, 25% vested on the date of grant, and 25% vested or will vest on May 17, 2019, 2020, and 2021, respectively.	109,306
May 17, 2018	Fiscal Year 2018-2020 Performance Share Program	—	$ 23.52	Shares awarded, if any, will vest immediately upon determination of award in 2021.	366,032 [(2)]
May 15, 2019	Deferred Stock Award-Board of Directors	25,974	$ 20.79	Of the shares granted, 100% will vest by May 15, 2020.	25,974
May 3, 2019	Deferred Stock Award	300,825	$ 21.04	Of the shares granted, 25% vested on the date of grant, and 25% vested or will vest on May 3, 2020, 2021, and 2022, respectively.	196,633
May 3, 2019	Fiscal Year 2019-2021 Performance Share Program	—	$ 29.43	Shares awarded, if any, will vest immediately upon determination of award in 2022.	385,347 [(2)]
Total					1,411,303

(1) Amounts reflect the total original grant to employees and independent directors, net of shares surrendered upon vesting to satisfy required minimum tax withholding obligations through June 30, 2019.

(2) Estimated based on Piedmont's cumulative TSR for the respective performance period through June 30, 2019. Share estimates are subject to change in future periods based upon Piedmont's relative performance compared to its peer group of office REITs' TSR.

During the three months ended June 30, 2019 and 2018, Piedmont recognized approximately $4.4 million and $4.0 million of compensation expense related to stock awards of which $2.9 million and $2.6 million is related to the amortization of unvested shares, respectively. During the six months ended June 30, 2019 and 2018, Piedmont recognized approximately $5.9 million and $5.0 million of compensation expense related to stock awards of which $4.4 million and $3.9 million is related to the amortization of unvested shares, respectively. During the six months ended June 30, 2019, a net total of 292,675 shares were issued to employees. As of June 30, 2019, approximately $5.5 million of unrecognized compensation cost related to unvested deferred stock awards remained, which Piedmont will record in its consolidated statements of income over a weighted-average vesting period of approximately two years.

11. Supplemental Disclosures for the Statement of Consolidated Cash Flows

Certain non cash investing and financing activities for the six months ended June 30, 2019 and 2018, (in thousands) are outlined below:

	Six Months Ended	
	June 30, 2019	June 30, 2018
Accrued capital expenditures and deferred lease costs	**$ 11,989**	$ 8,920
Change in accrued dividends and discount on dividend reinvestments	**$ (26,972)**	$ (101,800)
Change in accrued share repurchases as part of an announced plan	**$ (4,417)**	$ (1,277)
Accrued deferred financing costs	**$ 37**	$ —

The following table provides a reconciliation of cash, cash equivalents, and restricted cash and escrows as reported, or previously reported, within the consolidated balance sheet to the consolidated statement of cash flows as of the six months ended June 30, 2019 and 2018, respectively (in thousands).

	Six Months Ended	
	June 30, 2019	June 30, 2018
Cash and cash equivalents, beginning of period	**$ 4,571**	$ 7,382
Restricted cash and escrows, beginning of period	**1,463**	1,373
Total cash, cash equivalents, and restricted cash and escrows shown in the consolidated statement of cash flows, beginning of period	**$ 6,034**	$ 8,755
Cash and cash equivalents, end of period	**$ 7,748**	$ 8,944
Restricted cash and escrows, end of period	**1,480**	1,415
Total cash, cash equivalents, and restricted cash and escrows shown in the consolidated statement of cash flows, end of period	**$ 9,228**	$ 10,359

Amounts in restricted cash and escrows typically represent escrow accounts for the payment of real estate taxes which are required under certain of Piedmont's debt agreements; earnest money deposited by a buyer to secure the purchase of one of our properties; or security or utility deposits held for tenants as a condition of their lease agreement.

12. Earnings Per Share

There are no adjustments to “Net income applicable to Piedmont” for the diluted earnings per share computations.

Net income per share-basic is calculated as net income available to common stockholders divided by the weighted average number of common shares outstanding during the period. Net income per share-diluted is calculated as net income available to common stockholders divided by the diluted weighted average number of common shares outstanding during the period, including unvested deferred stock awards. Diluted weighted average number of common shares reflects the potential dilution under the treasury stock method that would occur if the remaining unvested deferred stock awards vested and resulted in additional common shares outstanding. Unvested deferred stock awards which are determined to be anti-dilutive are not included in the calculation of diluted weighted average common shares. For the three months ended June 30, 2019 and 2018, Piedmont calculated and excluded anti-dilutive shares of 104,439 and 155,529, respectively, and for the six months ended June 30, 2019 and 2018, Piedmont calculated and excluded anti-dilutive shares of 200,111 and 223,233, respectively.

The following table reconciles the denominator for the basic and diluted earnings per share computations shown on the consolidated statements of income for the three and six months ended June 30, 2019 and 2018, respectively (in thousands):

	Three Months Ended		Six Months Ended	
	June 30, 2019	**June 30, 2018**	**June 30, 2019**	**June 30, 2018**
Weighted-average common shares – basic	**125,693**	128,346	**125,634**	132,091
Plus: Incremental weighted-average shares from time-vested deferred and performance stock awards	**798**	355	**770**	341
Weighted-average common shares – diluted	**126,491**	128,701	**126,404**	132,432

13. Guarantor and Non-Guarantor Financial Information

The following condensed consolidating financial information for Piedmont (the "Parent", "Guarantor", and/or "Consolidated"), Piedmont OP (the "Issuer"), and the other directly and indirectly owned subsidiaries of Piedmont as the Guarantor (the "Non-Guarantors") is provided pursuant to the requirements of Rule 3-10 of Regulation S-X regarding financial statements of guarantors and issuers of guaranteed registered securities. The Issuer is a wholly-owned subsidiary of the Guarantor, and all guarantees by the Guarantor of securities issued by the Issuer are full and unconditional. The principal elimination entries relate to investments in subsidiaries and intercompany balances and transactions, including transactions with the Non-Guarantor Subsidiaries.

Condensed Consolidating Balance Sheets
As of June 30, 2019

(in thousands)	Piedmont (Parent) (Guarantor)	Piedmont OP (the Issuer)	Non-Guarantors	Eliminations	Consolidated
Assets:					
Real estate assets, at cost:					
Land	$ —	$ 36,094	$ 481,385	$ —	$ 517,479
Buildings and improvements, less accumulated depreciation	—	186,061	2,156,267	(300)	2,342,028
Intangible lease assets, less accumulated amortization	—	—	79,331	—	79,331
Construction in progress	—	785	12,467	—	13,252
Total real estate assets	—	222,940	2,729,450	(300)	2,952,090
Cash and cash equivalents	150	3,484	4,114	—	7,748
Tenant and straight-line rent receivables	—	16,744	165,172	—	181,916
Investment in subsidiaries	1,703,277	2,839,828	164	(4,543,269)	—
Notes receivable	—	810	144,500	(145,310)	—
Prepaid expenses, restricted cash, escrows, interest rate swaps, and other assets	71	5,868	28,689	(52)	34,576
Goodwill	—	98,918	—	—	98,918
Deferred lease costs, net	—	14,369	235,750	—	250,119
Total assets	$ 1,703,498	$ 3,202,961	$ 3,307,839	$ (4,688,931)	$ 3,525,367
Liabilities:					
Debt, net	$ —	$ 1,472,146	$ 335,140	$ (145,310)	$ 1,661,976
Accounts payable, accrued expenses, and accrued capital expenditures	523	13,085	83,946	(52)	97,502
Deferred income	—	2,210	22,431	—	24,641
Intangible lease liabilities, net	—	—	32,724	—	32,724
Interest rate swaps	—	5,549	—	—	5,549
Total liabilities	523	1,492,990	474,241	(145,362)	1,822,392
Equity:					
Total stockholders’ equity	1,702,975	1,709,971	2,833,598	(4,543,569)	1,702,975
Total liabilities and stockholders’ equity	$ 1,703,498	$ 3,202,961	$ 3,307,839	$ (4,688,931)	$ 3,525,367

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Condensed Consolidating Balance Sheets
As of December 31, 2018

(in thousands)	Piedmont (Parent) (Guarantor)	Piedmont OP (the Issuer)	Non-Guarantors	Eliminations	Consolidated
Assets:					
Real estate assets, at cost:					
Land	$ —	$ 36,094	$ 471,328	$ —	$ 507,422
Buildings and improvements, less accumulated depreciation	—	176,927	2,128,469	(300)	2,305,096
Intangible lease assets, less accumulated amortization	—	—	77,676	—	77,676
Construction in progress	—	5,708	10,140	—	15,848
Real estate assets held for sale, net	—	—	110,552	—	110,552
Total real estate assets	—	218,729	2,798,165	(300)	3,016,594
Cash and cash equivalents	150	—	4,939	(518)	4,571
Tenant and straight-line rent receivables	—	16,143	157,246	—	173,389
Investment in subsidiaries	1,744,122	2,704,337	166	(4,448,625)	—
Notes receivable	—	810	144,500	(145,310)	—
Prepaid expenses, restricted cash, escrows, interest rate swaps, and other assets	42	5,682	22,318	(24)	28,018
Goodwill	—	98,918	—	—	98,918
Deferred lease costs, net	—	15,158	234,990	—	250,148
Other assets held for sale, net	—	—	20,791	—	20,791
Total assets	$ 1,744,314	$ 3,059,777	$ 3,383,115	$ (4,594,777)	$ 3,592,429
Liabilities:					
Debt, net	$ —	$ 1,495,065	$ 335,717	$ (145,310)	$ 1,685,472
Accounts payable, accrued expenses, dividends payable, interest rate swaps and accrued capital expenditures	32,174	15,382	83,316	(542)	130,330
Deferred income	—	2,274	26,505	—	28,779
Intangible lease liabilities, net	—	—	35,708	—	35,708
Total liabilities	32,174	1,512,721	481,246	(145,852)	1,880,289
Equity:					
Total stockholders’ equity	1,712,140	1,547,056	2,901,869	(4,448,925)	1,712,140
Total liabilities and stockholders’ equity	$ 1,744,314	$ 3,059,777	$ 3,383,115	$ (4,594,777)	$ 3,592,429

Consolidating Statements of Income
For the three months ended June 30, 2019

(in thousands)	Piedmont (Parent) (Guarantor)	Piedmont OP (the Issuer)	Non-Guarantors	Eliminations	Consolidated
Revenues:					
Rental and tenant reimbursement revenue	$ —	$ 11,271	$ 114,906	$ (709)	$ 125,468
Property management fee revenue	—	—	4,331	(3,909)	422
Other property related income	—	40	4,738	—	4,778
	—	11,311	123,975	(4,618)	130,668
Expenses:					
Property operating costs	—	5,255	51,743	(4,618)	52,380
Depreciation	—	3,009	23,339	—	26,348
Amortization	—	469	17,992	—	18,461
General and administrative	94	1,567	10,757	—	12,418
	94	10,300	103,831	(4,618)	109,607
Other income (expense):					
Interest expense	—	(13,392)	(3,600)	1,880	(15,112)
Other income/(expense)	—	38	2,594	(1,880)	752
Gain on sale of real estate assets	—	—	1,451	—	1,451
Income/(loss) before consolidated subsidiaries	(94)	(12,343)	20,589	—	8,152
Income from subsidiaries	8,247	24,118	—	(32,365)	—
Net income	8,153	11,775	20,589	(32,365)	8,152
Plus: Net loss applicable to noncontrolling interest	—	—	1	—	1
Net income applicable to Piedmont	$ 8,153	$ 11,775	$ 20,590	$ (32,365)	$ 8,153

Consolidating Statements of Income

For the three months ended June 30, 2018

(in thousands)	Piedmont (Parent) (Guarantor)	Piedmont OP (the Issuer)	Non-Guarantors	Eliminations	Consolidated
Revenues:					
Rental and tenant reimbursement revenue	$ —	$ 11,433	$ 112,684	$ (592)	$ 123,525
Property management fee revenue	—	—	4,147	(3,765)	382
Other property related income	—	29	5,238	—	5,267
	—	11,462	122,069	(4,357)	129,174
Expenses:					
Property operating costs	—	4,927	52,067	(4,357)	52,637
Depreciation	—	2,846	24,269	—	27,115
Amortization	—	463	14,782	—	15,245
General and administrative	86	1,539	6,633	—	8,258
	86	9,775	97,751	(4,357)	103,255
Other income (expense):					
Interest expense	—	(13,953)	(3,614)	1,880	(15,687)
Other income/(expense)	—	36	2,575	(1,880)	731
Loss on sale of real estate assets, net	—	(13)	(10)	—	(23)
	—	(13,930)	(1,049)	—	(14,979)
Income/(loss) before consolidated subsidiaries	(86)	(12,243)	23,269	—	10,940
Income from subsidiaries	11,028	24,557	—	(35,585)	—
Net income	10,942	12,314	23,269	(35,585)	10,940
Plus: Net loss applicable to noncontrolling interest	—	—	2	—	2
Net income applicable to Piedmont	$ 10,942	$ 12,314	$ 23,271	$ (35,585)	$ 10,942

Consolidating Statements of Income
For the six months ended June 30, 2019

(in thousands)	Piedmont (Parent) (Guarantor)	Piedmont OP (the Issuer)	Non-Guarantors	Eliminations	Consolidated
Revenues:					
Rental and tenant reimbursement revenue	$ —	$ 22,536	$ 230,502	$ (1,404)	$ 251,634
Property management fee revenue	—	—	10,339	(7,925)	2,414
Other property related income	—	77	9,479	—	9,556
	—	22,613	250,320	(9,329)	263,604
Expenses:					
Property operating costs	—	10,341	103,173	(9,329)	104,185
Depreciation	—	5,979	46,894	—	52,873
Amortization	—	949	35,212	—	36,161
General and administrative	195	3,327	18,264	—	21,786
	195	20,596	203,543	(9,329)	215,005
Other income (expense):					
Interest expense	—	(27,162)	(7,190)	3,747	(30,605)
Other income/(expense)	—	110	4,666	(3,747)	1,029
Gain on sale of real estate assets	—	128	39,210	—	39,338
	—	(26,924)	36,686	—	9,762
Income/(loss) before consolidated subsidiaries	(195)	(24,907)	83,463	—	58,361
Income from subsidiaries	58,556	49,083	—	(107,639)	—
Net income	58,361	24,176	83,463	(107,639)	58,361
Plus: Net loss applicable to noncontrolling interest	—	—	—	—	—
Net income applicable to Piedmont	$ 58,361	$ 24,176	$ 83,463	$ (107,639)	$ 58,361

Consolidating Statements of Income
For the six months ended June 30, 2018

(in thousands)	Piedmont (Parent) (Guarantor)	Piedmont OP (the Issuer)	Non-Guarantors	Eliminations	Consolidated
Revenues:					
Rental and tenant reimbursement revenue	$ —	$ 22,892	$ 226,189	$ (1,108)	$ 247,973
Property management fee revenue	—	—	8,328	(7,637)	691
Other property related income	—	57	10,353	—	10,410
	—	22,949	244,870	(8,745)	259,074
Expenses:					
Property operating costs	—	9,641	103,600	(8,745)	104,496
Depreciation	—	5,710	48,550	—	54,260
Amortization	—	1,074	30,904	—	31,978
General and administrative	186	3,425	11,199	—	14,810
	186	19,850	194,253	(8,745)	205,544
Other income (expense):					
Interest expense	—	(25,975)	(7,312)	3,842	(29,445)
Other income/(expense)	—	160	4,859	(3,842)	1,177
Loss on extinguishment of debt	—	(1,680)	—	—	(1,680)
Gain on sale of real estate assets, net	—	1,417	43,769	—	45,186
	—	(26,078)	41,316	—	15,238
Income/(loss) before consolidated subsidiaries	(186)	(22,979)	91,933	—	68,768
Income from subsidiaries	68,958	92,226	—	(161,184)	$ —
Net income	68,772	69,247	91,933	(161,184)	68,768
Plus: Net loss applicable to noncontrolling interest	—	—	4	—	4
Net income applicable to Piedmont	$ 68,772	$ 69,247	$ 91,937	$ (161,184)	$ 68,772

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Consolidating Statements of Comprehensive Income
For the Three Months Ended June 30, 2019

(in thousands)	Piedmont (Parent) (Guarantor)	Piedmont OP (the Issuer)	Non-Guarantors	Eliminations	Consolidated
Net income	$ 8,153	$ 11,775	$ 20,590	$ (32,365)	$ 8,153
Other comprehensive loss:					
Effective portion of loss on derivative instruments that are designated and qualify as cash flow hedges	(3,465)	(3,465)	—	3,465	(3,465)
Less: Reclassification of net gain included in net income	(672)	(672)	—	672	(672)
Other comprehensive loss	(4,137)	(4,137)	—	4,137	(4,137)
Comprehensive income	$ 4,016	$ 7,638	$ 20,590	$ (28,228)	$ 4,016

Consolidating Statements of Comprehensive Income
For the Three Months Ended June 30, 2018

(in thousands)	Piedmont (Parent) (Guarantor)	Piedmont OP (the Issuer)	Non-Guarantors	Eliminations	Consolidated
Net income	$ 10,942	$ 12,314	$ 23,271	$ (35,585)	$ 10,942
Other comprehensive income:					
Effective portion of gain on derivative instruments that are designated and qualify as cash flow hedges	1,747	1,747	—	(1,747)	1,747
Less: Reclassification of net gain included in net income	(245)	(245)	—	245	(245)
Other comprehensive income	1,502	1,502	—	(1,502)	1,502
Comprehensive income	$ 12,444	$ 13,816	$ 23,271	$ (37,087)	$ 12,444

Consolidating Statements of Comprehensive Income
For the Six Months Ended June 30, 2019

(in thousands)	Piedmont (Parent) (Guarantor)	Piedmont OP (the Issuer)	Non-Guarantors	Eliminations	Consolidated
Net income	$ 58,361	$ 24,176	$ 83,463	$ (107,639)	$ 58,361
Other comprehensive loss:					
Effective portion of loss on derivative instruments that are designated and qualify as cash flow hedges	(5,489)	(5,489)	—	5,489	(5,489)
Less: Reclassification of net gain included in net income	(1,443)	(1,443)	—	1,443	(1,443)
Other comprehensive loss	(6,932)	(6,932)	—	6,932	(6,932)
Comprehensive income	$ 51,429	$ 17,244	$ 83,463	$ (100,707)	$ 51,429

Consolidating Statements of Comprehensive Income
For the Six Months Ended June 30, 2018

(in thousands)	Piedmont (Parent) (Guarantor)	Piedmont OP (the Issuer)	Non-Guarantors	Eliminations	Consolidated
Net income	$ 68,772	$ 69,247	$ 91,937	$ (161,184)	$ 68,772
Other comprehensive income:					
Effective portion of gain on derivative instruments that are designated and qualify as cash flow hedges	3,264	3,264	—	(3,264)	3,264
Plus: Reclassification of net loss included in net income	807	807	—	(807)	807
Other comprehensive income	4,071	4,071	—	(4,071)	4,071
Comprehensive income	$ 72,843	$ 73,318	$ 91,937	$ (165,255)	$ 72,843

Condensed Consolidating Statements of Cash Flows

For the six months ended June 30, 2019

(in thousands)	Piedmont (Parent) (Guarantor)	Piedmont OP (the Issuer)	Non-Guarantors	Eliminations	Consolidated
Net Cash Provided by Operating Activities	$ 63,408	$ 28,208	$ 107,444	$ (107,121)	$ 91,939
Cash Flows from Investing Activities:					
Investment in real estate assets and intangibles	—	(10,616)	(116,244)	—	(126,860)
Net sales proceeds from wholly-owned properties	—	128	168,214	—	168,342
Deferred lease costs paid	—	(327)	(5,031)	—	(5,358)
Distributions from subsidiaries	36,690	199,035	—	(235,725)	—
Net cash provided by investing activities	36,690	188,220	46,939	(235,725)	36,124
Cash Flows from Financing Activities:					
Debt issuance and other costs paid	—	(88)	—	—	(88)
Proceeds from debt	—	253,000	—	—	253,000
Repayments of debt	—	(277,000)	(663)	—	(277,663)
Value of shares withheld to pay tax obligations related to employee stock compensation	(3,295)	—	—	—	(3,295)
Repurchases of common stock as part of announced plan	(16,899)	—	—	—	(16,899)
Distributions	(79,904)	(188,856)	(154,528)	343,364	(79,924)
Net cash used in financing activities	(100,098)	(212,944)	(155,191)	343,364	(124,869)
Net increase/(decrease) in cash, cash equivalents, and restricted cash and escrows	—	3,484	(808)	518	3,194
Cash, cash equivalents, and restricted cash and escrows, beginning of period	150	32	6,370	(518)	6,034
Cash, cash equivalents, and restricted cash and escrows, end of period	$ 150	$ 3,516	$ 5,562	$ —	$ 9,228

Condensed Consolidating Statements of Cash Flows
For the six months ended June 30, 2018

(in thousands)	Piedmont (Parent) (Guarantor)	Piedmont OP (the Issuer)	Non-Guarantors	Eliminations	Consolidated
Net Cash Provided by Operating Activities	$ 71,842	$ 73,022	$ 99,557	$ (161,176)	$ 83,245
Cash Flows from Investing Activities:					
Investment in real estate assets and intangibles	—	(3,159)	(51,493)	—	(54,652)
Intercompany note receivable	—	88,000	—	(88,000)	—
Net sales proceeds from wholly-owned properties	—	36,572	382,985	—	419,557
Note receivable issuance	—	—	(3,200)	—	(3,200)
Deferred lease costs paid	—	(20)	(10,199)	—	(10,219)
Distributions from subsidiaries	353,518	64,863	—	(418,381)	—
Net cash provided by investing activities	353,518	186,256	318,093	(506,381)	351,486
Cash Flows from Financing Activities:					
Debt issuance costs paid	—	(248)	—	—	(248)
Proceeds from debt	—	773,225	—	—	773,225
Repayments of debt	—	(780,000)	(721)	—	(780,721)
Intercompany note payable	—	—	(88,000)	88,000	—
Value of shares withheld to pay tax obligations related to employee stock compensation	(2,213)	—	—	—	(2,213)
Repurchases of common stock as part of announced plan	(266,062)	—	—	—	(266,062)
Distributions	(157,085)	(250,818)	(328,762)	579,557	(157,108)
Net cash used in financing activities	(425,360)	(257,841)	(417,483)	667,557	(433,127)
Net increase in cash, cash equivalents, and restricted cash and escrows	—	1,437	167	—	1,604
Cash, cash equivalents, and restricted cash and escrows, beginning of period	150	3,906	4,699	—	8,755
Cash, cash equivalents, and restricted cash and escrows, end of period	$ 150	$ 5,343	$ 4,866	$ —	$ 10,359

14. Subsequent Events

Third Quarter Dividend Declaration

On July 31, 2019, the Board of Directors of Piedmont declared dividends for the third quarter 2019 in the amount of $0.21 per common share outstanding to stockholders of record as of the close of business on August 30, 2019. Such dividends are to be paid on September 20, 2019.

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the accompanying consolidated financial statements and notes thereto of Piedmont Office Realty Trust, Inc. (“Piedmont,” "we," "our," or "us"). See also “Cautionary Note Regarding Forward-Looking Statements” preceding Part I, as well as the consolidated financial statements and accompanying notes thereto and Management’s Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2018.

Liquidity and Capital Resources

We intend to use cash flows generated from the operation of our properties, proceeds from selective property dispositions, and proceeds from our $500 Million Unsecured 2018 Line of Credit as our primary sources of immediate liquidity. As of the filing date, we have $313 million of unused capacity under our line of credit. When necessary, we may seek secured or unsecured borrowings from third party lenders or issue securities as additional sources of capital. The availability and attractiveness of terms for these additional sources of capital will be highly dependent on market conditions at the time.

Our most consistent use of capital has historically been, and we believe will continue to be, to fund capital expenditures for our existing portfolio of properties. During the six months ended June 30, 2019 and 2018 we incurred the following types of capital expenditures (in thousands):

	Six Months Ended	
	June 30, 2019	**June 30, 2018**
Capital expenditures for redevelopment/renovations	**$ 6,671**	$ 4,179
Other capital expenditures, including building and tenant improvements	**25,608**	22,297
Total capital expenditures[(1)]	**$ 32,279**	$ 26,476

(1) Of the total amounts paid, approximately $1.3 million and $0.8 million relates to soft costs such as capitalized interest, payroll, and other general and administrative expenses for the six months ended June 30, 2019 and 2018, respectively.

"Capital expenditures for redevelopment/renovations" during the six months ended June 30, 2019 primarily related to a redevelopment project to upgrade amenities at our US Bancorp building in Minneapolis, Minnesota. Expenditures during the six months ended June 30, 2018 related to a now-complete redevelopment project that converted our 3100 Clarendon Boulevard building in Arlington, Virginia from single-tenant/governmental use into Class A, private sector, multi-tenant, office space, as well as a redevelopment project to upgrade common areas, amenities, and parking, at our Two Pierce Place building in Itasca, Illinois.

"Other capital expenditures, including building and tenant improvements" include all other capital expenditures during the period and are typically comprised of tenant and building improvements necessary to lease, maintain, or provide enhancements to our existing portfolio of office properties.

Given that our operating model frequently results in leases for large blocks of space to credit-worthy tenants, our leasing success can result in capital outlays which vary from one reporting period to another based upon the specific leases executed. For example, for leases executed during the six months ended June 30, 2019, we committed to spend approximately $5.12 per square foot per year of lease term for tenant improvement allowances and lease commissions (net of expiring lease commitments) as compared to $4.48 (net of expired lease commitments) for the six months ended June 30, 2018. As of June 30, 2019, we have one individually significant tenant improvement commitment of approximately $25.5 million for the 17 year, full-building lease with Transocean at our Enclave Place property (301,000 square feet), which we executed in September of 2018 and expect to fund by the end of 2019. In addition to the amounts that we have already committed to as a part of executed leases, we also anticipate continuing to incur similar market-based tenant improvement allowances and leasing commissions in conjunction with procuring future leases for our existing portfolio of properties. Both the timing and magnitude of expenditures related to future leasing activity are highly dependent on the competitive market conditions at the time of lease negotiations of the particular office market within which a given lease is signed. In particular, we are currently in the advanced stages of negotiating an 18-20 year renewal of the lease with our largest tenant, State of New York, and anticipate expending significant capital for market-based tenant improvement allowances and leasing commissions over the next 3-4 years associated with the renewal.

There are other uses of capital that may arise as part of our typical operations. Subject to the identification and availability of attractive investment opportunities and our ability to consummate such acquisitions on satisfactory terms, acquiring new assets compatible with our investment strategy could also be a significant use of capital. We may also use capital resources to repurchase additional shares of our common stock under our stock repurchase program when we believe the stock is trading at a significant discount to net asset value. As of June 30, 2019, we had approximately $74.1 million of board-authorized capacity remaining for future stock repurchases. Finally, although we currently have no scheduled debt maturities until the third quarter of 2021, on a longer term basis we expect to use capital to repay debt obligations when they become due.

The amount and form of payment (cash or stock issuance) of future dividends to be paid to our stockholders will continue to be largely dependent upon (i) the amount of cash generated from our operating activities; (ii) our expectations of future cash flows; (iii) our determination of near-term cash needs for debt repayments, development projects, and selective acquisitions of new properties; (iv) the timing of significant expenditures for tenant improvements, building redevelopment projects, and general property capital improvements; (v) long-term dividend payout ratios for comparable companies; (vi) our ability to continue to access additional sources of capital, including potential sales of our properties; and (vii) the amount required to be distributed to maintain our status as a REIT. With the fluctuating nature of cash flows and expenditures, we may periodically borrow funds on a short-term basis to cover timing differences in cash receipts and cash disbursements.

Results of Operations

Overview

Net income applicable to common stockholders for the three months ended June 30, 2019 was $8.2 million, or $0.06 per diluted share, as compared with net income applicable to common stockholders of $10.9 million, or $0.09 per diluted share, for the three months ended June 30, 2018. The decrease is mainly due to a charge to general and administrative expense for retirement and separation expenses associated with the transition of our senior executive management team.

Comparison of the three months ended June 30, 2019 versus the three months ended June 30, 2018

Income from Continuing Operations

The following table sets forth selected data from our consolidated statements of income for the three months ended June 30, 2019 and 2018, respectively, as well as each balance as a percentage of total revenues for the same periods presented (dollars in millions):

	June 30, 2019	% of Revenues	June 30, 2018	% of Revenues	Variance
Revenue:					
Rental and tenant reimbursement revenue	**$ 125.5**		$ 123.5		$ 2.0
Property management fee revenue	**0.4**		0.4		—
Other property related income	**4.8**		5.3		(0.5)
Total revenues	**130.7**	100 %	129.2	100 %	1.5
Expense:					
Property operating costs	**52.4**	40 %	52.6	41 %	(0.2)
Depreciation	**26.3**	20 %	27.1	21 %	(0.8)
Amortization	**18.5**	14 %	15.3	12 %	3.2
General and administrative	**12.4**	10 %	8.3	7 %	4.1
	109.6		103.3		6.3
Other income (expense):					
Interest expense	**(15.1)**	12 %	(15.7)	12 %	0.6
Other income	**0.8**	1 %	0.7	1 %	0.1
Gain on sale of real estate assets	**1.4**	1 %	—	— %	1.4
Net income	**$ 8.2**	6 %	$ 10.9	8 %	$ (2.7)

Revenue

Rental and tenant reimbursement revenue increased approximately $2.0 million for the three months ended June 30, 2019, as compared to the same period in the prior year. The variance is primarily due to increased occupancy from new leases commencing during 2018 and 2019 across our portfolio.

Expense

Property operating costs decreased approximately $0.2 million for the three months ended June 30, 2019, as compared to the same period in the prior year. Approximately $1.5 million of the decrease was due to net disposition activity subsequent to June 30, 2018. This decrease was largely offset by an increase in recoverable property tax expense and repairs and maintenance costs of approximately $1.1 million across our existing portfolio of properties.

Depreciation expense decreased approximately $0.8 million for the three months ended June 30, 2019 as compared to the same period in the prior year. Approximately $1.6 million of the decrease was attributable to net disposition activity subsequent to June 30, 2018; however, this decrease was partially offset by depreciation on additional building and tenant improvements placed in service subsequent to April 1, 2018 across our existing portfolio of properties.

Amortization expense increased approximately $3.2 million for the three months ended June 30, 2019 as compared to the same period in the prior year. Approximately $4.4 million of the variance was due to an increase in the amortization of lease intangible assets associated with properties acquired subsequent to June 30, 2018. This increase was partially offset by approximately $1.3 million of lease intangible assets or other deferred costs at our existing properties becoming fully amortized either as a result of the expiration or early termination of leases subsequent to April 1, 2018.

General and administrative expense increased approximately $4.1 million for the three months ended June 30, 2019 as compared to the same period in the prior year primarily due to approximately $3.2 million of retirement and separation expenses associated with senior management transition that occurred during the three months ended June 30, 2019. The remainder of the increase is primarily due to increased accruals for expenses associated with potential performance-based equity compensation, as well as lower state and local tax expense in the prior period associated with a reduction in property-related deferred tax liabilities.

Other Income (Expense)

Interest expense decreased approximately $0.6 million for the three months ended June 30, 2019 as compared to the same period in the prior year. The decrease is primarily attributable to a lower average balance on our $500 Million Unsecured 2018 Line of Credit as well as higher capitalized interest expense in the current period as part of the redevelopment project to upgrade amenities and parking at our Two Pierce Place building.

Gain on sale of real estate assets during the three months ended June 30, 2019 reflected an adjustment of the gain on the sale of the Two Independence Square building located in Washington, D.C. related to the reimbursement of certain previously disputed tenant improvement overages.

Comparison of the accompanying consolidated statements of income for the six months ended June 30, 2019 versus the six months ended June 30, 2018

Income from Continuing Operations

The following table sets forth selected data from our consolidated statements of income for the six months ended June 30, 2019 and 2018, respectively, as well as each balance as a percentage of total revenues for the same period presented (dollars in millions):

	June 30, 2019	% of Revenues	June 30, 2018	% of Revenues	Variance
Revenue:					
Rental and tenant reimbursement revenue	$ **251.6**		$ 248.0		$ 3.6
Property management fee revenue	**2.4**		0.7		1.7
Other property related income	**9.6**		10.4		(0.8)
Total revenues	**263.6**	100 %	259.1	100 %	4.5
Expense:					
Property operating costs	**104.2**	39 %	104.5	40 %	(0.3)
Depreciation	**52.8**	20 %	54.3	21 %	(1.5)
Amortization	**36.1**	14 %	32.0	12 %	4.1
General and administrative	**21.8**	8 %	14.8	6 %	7.0
	214.9		205.6		9.3
Other income (expense):					
Interest expense	**(30.6)**	12 %	(29.4)	11 %	(1.2)
Other income	**1.0**	— %	1.2	— %	(0.2)
Loss on extinguishment of debt	**—**	— %	(1.7)	— %	1.7
Gain on sale of real estate assets	**39.3**	15 %	45.2	17 %	(5.9)
Net income	$ **58.4**	22 %	$ 68.8	27 %	$ (10.4)

Revenue

Rental and tenant reimbursement revenue increased approximately $3.6 million for the six months ended June 30, 2019 as compared to the same period in the prior year. The variance was primarily due to increased overall occupancy in the portfolio from new leases commencing during 2018 and 2019 across our portfolio.

Property management fee revenue increased approximately $1.7 million for the six months ended June 30, 2019 as compared to the same period in the prior year. The increase was primarily due to construction management fees received from one of our former Independence Square properties during the six months ended June 30, 2019, with such fees varying from period-to-period due to the variability of construction activity.

Expense

Property operating costs decreased approximately $0.3 million for the six months ended June 30, 2019 as compared to the same period in the prior year. Approximately $2.6 million of the decrease was due to lower overall expenses resulting from net disposition activity subsequent to January 1, 2018; however, this variance was substantially offset by higher overall occupancy costs, particularly higher recoverable property tax expense and repairs and maintenance costs at certain of our existing properties.

Depreciation expense decreased approximately $1.5 million for the six months ended June 30, 2019 as compared to the same period in the prior year. Approximately $3.4 million of the decrease was attributable to net disposition activity subsequent to January 1, 2018; however, this decrease was offset by depreciation on additional building and tenant improvements placed in service subsequent to January 1, 2018.

Amortization expense increased approximately $4.1 million for the six months ended June 30, 2019 as compared to the same period in the prior year. Approximately $7.9 million of the increase was due to the amortization of lease intangible assets associated with properties acquired subsequent to January 1, 2018. The increase was substantially offset by certain lease intangible assets or other deferred costs at our existing properties becoming fully amortized either as a result of the expiration or early termination of leases subsequent to January 1, 2018.

General and administrative expenses increased approximately $7.0 million for the six months ended June 30, 2019 as compared to the same period in the prior year due primarily to $3.2 million of retirement and separation expenses associated with the senior management transition that occurred during the six months ended June 30, 2019. The remainder of the increase is due primarily to increased accruals of expense associated with potential performance-based equity compensation.

Other Income (Expense)

Interest expense increased approximately $1.2 million for the six months ended June 30, 2019 as compared to the same period in the prior year primarily as a result of higher average balances outstanding during the current year and higher variable interest rates. The variance was partially offset by an increase in capitalized interest in the current year, as compared to the same period in the prior year, of approximately $0.6 million.

The loss on extinguishment of debt for the six months ended June 30, 2018 was associated with the early repayment of our $170 Million Unsecured 2015 Term Loan and our $300 Million Unsecured 2013 Term Loan. The loss included the write-off of unamortized debt issuance costs, discounts, and costs related to the termination of interest rate swap agreements associated with the debt.

Gain on sale of real estate assets during the six months ended June 30, 2019 reflected an approximate $33.1 million gain recognized on the sale of the One Independence Square building in Washington, D.C. that closed in February 2019, as well as an approximate $6.1 million adjustment of the gain on sale for the Two Independence Square building related to the reimbursement of certain previously disputed tenant improvement overages. Gain on sale of real estate assets during the six months ended June 30, 2018 reflected the gain recognized on the sale of the 2017 Disposition Portfolio comprised of 14 properties in various markets that closed in January 2018.

Funds From Operations ("FFO"), Core Funds From Operations ("Core FFO"), and Adjusted Funds From Operations (“AFFO”)

Net income calculated in accordance with GAAP is the starting point for calculating FFO, Core FFO, and AFFO. These metrics are non-GAAP financial measures and should not be viewed as an alternative measurement of our operating performance to net income. Management believes that accounting for real estate assets in accordance with GAAP implicitly assumes that the value of real estate assets diminishes predictably over time. Since real estate values have historically risen or fallen with market conditions, many industry investors and analysts have considered the presentation of operating results for real estate companies that use historical cost accounting to be insufficient by themselves. As a result, we believe that the additive use of FFO, Core FFO, and AFFO, together with the required GAAP presentation, provides a more complete understanding of our performance relative to our competitors and a more informed and appropriate basis on which to make decisions involving operating, financing, and investing activities.

We calculate FFO in accordance with the current National Association of Real Estate Investment Trusts ("NAREIT") definition. NAREIT currently defines FFO as follows: Net income (computed in accordance with GAAP), excluding gains or losses from sales of depreciable real estate and impairment charges, plus the add back of depreciation and amortization on real estate assets. Other REITs may not define FFO in accordance with the NAREIT definition, or may interpret the current NAREIT definition differently than we do; therefore, our computation of FFO may not be comparable to such other REITs.

We calculate Core FFO by starting with FFO, as defined by NAREIT, and adjusting for gains or losses on the extinguishment of swaps and/or debt and any significant non-recurring or infrequent items. Core FFO is a non-GAAP financial measure and should not be viewed as an alternative to net income calculated in accordance with GAAP as a measurement of our operating performance. We believe that Core FFO is helpful to investors as a supplemental performance measure because it excludes the effects of certain infrequent or non-recurring items which can create significant earnings volatility, but which do not directly relate to our core recurring business operations. As a result, we believe that Core FFO can help facilitate comparisons of operating performance between periods and provides a more meaningful predictor of future earnings potential. Other REITs may not define Core FFO in the same manner as us; therefore, our computation of Core FFO may not be comparable to that of other REITs.

We calculate AFFO by starting with Core FFO and adjusting for non-incremental capital expenditures and then adding back non-cash items including: non-real estate depreciation, straight-line rent adjustments and fair value lease adjustments, non-cash components of interest expense and compensation expense. AFFO is a non-GAAP financial measure and should not be viewed as an alternative to net income calculated in accordance with GAAP as a measurement of our operating performance. We believe that AFFO is helpful to investors as a meaningful supplemental comparative performance measure of our ability to make incremental capital investments. Other REITs may not define AFFO in the same manner as us; therefore, our computation of AFFO may not be comparable to that of other REITs.

Reconciliations of net income to FFO, Core FFO, and AFFO are presented below (in thousands except per share amounts):

	Three Months Ended				Six Months Ended			
	June 30, 2019	**Per Share[1]**	**June 30, 2018**	**Per Share[1]**	**June 30, 2019**	**Per Share[1]**	**June 30, 2018**	**Per Share[1]**
GAAP net income applicable to common stock	**$ 8,153**	**$ 0.06**	$ 10,942	$ 0.09	**$ 58,361**	**$ 0.46**	$ 68,772	$ 0.52
Depreciation of real estate assets	**26,128**	**0.21**	26,894	0.21	**52,437**	**$ 0.41**	53,863	0.41
Amortization of lease-related costs	**18,446**	**0.15**	15,229	0.11	**36,131**	**$ 0.29**	31,945	0.24
(Gain)/loss on sale of real estate assets	**(1,451)**	**(0.01)**	23	—	**(39,338)**	**$ (0.31)**	(45,186)	(0.34)
NAREIT Funds From Operations applicable to common stock	**$ 51,276**	**$ 0.41**	$ 53,088	$ 0.41	**$ 107,591**	**$ 0.85**	$ 109,394	$ 0.83
Adjustments:								
Retirement and separation expenses associated with senior management transition	$ 3,175	$ 0.02	$ —	$ —	$ 3,175	$ 0.03	$ —	$ —
Loss on extinguishment of debt	**—**	**—**	—	—	**—**	**$ —**	1,680	0.01
Core Funds From Operations applicable to common stock	**$ 54,451**	**$ 0.43**	$ 53,088	$ 0.41	**$ 110,766**	**$ 0.88**	$ 111,074	$ 0.84
Adjustments:								
Amortization of debt issuance costs, fair market value adjustments on notes payable, and discounts on debt	**525**		545		**1,048**		1,011	
Depreciation of non real estate assets	**212**		213		**420**		382	
Straight-line effects of lease revenue	**(3,223)**		(4,806)		**(5,906)**		(8,279)	
Stock-based and other non-cash compensation	**2,184**		2,513		**4,964**		2,801	
Net effect of amortization of above and below-market in-place lease intangibles	**(2,088)**		(1,987)		**(4,086)**		(3,630)	
Non-incremental capital expenditures [2]	**(9,691)**		(10,178)		**(13,058)**		(18,131)	
Adjusted Funds From Operations applicable to common stock	**$ 42,370**		$ 39,388		**$ 94,148**		$ 85,228	
Weighted-average shares outstanding – diluted	**126,491**		128,701		**126,404**		132,432	

[1] Based on weighted average shares outstanding – diluted.

[2] We define non-incremental capital expenditures as capital expenditures of a recurring nature related to tenant improvements, leasing commissions, and building capital that do not incrementally enhance the underlying assets' income generating capacity. Tenant improvements, leasing commissions, building capital and deferred lease incentives incurred to lease space that was vacant at acquisition, leasing costs for spaces vacant for greater than one year, leasing costs for spaces at newly acquired properties for which in-place leases expire shortly after acquisition, improvements associated with the expansion of a building, and renovations that either enhance the rental rates of a building or change the property's underlying classification, such as from a Class B to a Class A property, are excluded from this measure.

Property and Same Store Net Operating Income

Property Net Operating Income ("Property NOI") is a non-GAAP measure which we use to assess our operating results. We calculate Property NOI beginning with Net income (computed in accordance with GAAP) before interest, taxes, depreciation and amortization and removing any impairment losses, gains or losses from sales of any property and other significant infrequent items that create volatility within our earnings and make it difficult to determine the earnings generated by our core ongoing business. Furthermore, we remove general and administrative expenses, income associated with property management performed by us for other organizations, and other income or expense items such as interest income from loan investments or costs from the pursuit of non-consummated transactions. For Property NOI (cash basis), the effects of straight-lined rents and fair value lease revenue are also eliminated; while such effects are not adjusted in calculating Property NOI (accrual basis). Property NOI is a non-GAAP financial measure and should not be viewed as an alternative to net income calculated in accordance with GAAP as a measurement of our operating performance. We believe that Property NOI, on either a cash or accrual basis, is helpful to investors as a supplemental comparative performance measure of income generated by our properties alone without our administrative overhead. Other REITs may not define Property NOI in the same manner as we do; therefore, our computation of Property NOI may not be comparable to that of other REITs.

We calculate Same Store Net Operating Income ("Same Store NOI") as Property NOI applicable to the properties owned or placed in service during the entire span of the current and prior year reporting periods. Same Store NOI is a non-GAAP financial measure and should not be viewed as an alternative to net income calculated in accordance with GAAP as a measurement of our operating performance. We believe that Same Store NOI, on either a cash or accrual basis is helpful to investors as a supplemental comparative performance measure of the income generated from the same group of properties from one period to the next. Other REITs may not define Same Store NOI in the same manner as we do; therefore, our computation of Same Store NOI may not be comparable to that of other REITs.

The following table sets forth a reconciliation from net income calculated in accordance with GAAP to Property NOI, on both a cash and accrual basis, and Same Store NOI, on both a cash and accrual basis, for the three months ended June 30, 2019 and 2018, respectively (in thousands):

	Cash Basis		Accrual Basis	
	Three Months Ended		Three Months Ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Net income applicable to Piedmont (GAAP basis)	**$ 8,153**	$ 10,942	**$ 8,153**	$ 10,942
Net loss applicable to noncontrolling interest	**(1)**	(2)	**(1)**	(2)
Interest expense	**15,112**	15,687	**15,112**	15,687
Depreciation	**26,340**	27,107	**26,340**	27,107
Amortization	**18,446**	15,229	**18,446**	15,229
(Gain)/loss on sale of real estate assets	**(1,451)**	23	**(1,451)**	23
Retirement and separation expenses associated with senior management transition	**3,175**	—	**3,175**	—
General & administrative expenses	**9,244**	8,258	**9,244**	8,258
Management fee revenue [1]	**(201)**	(200)	**(201)**	(200)
Other income	**(56)**	(157)	**(56)**	(157)
Straight-line rent effects of lease revenue	**(3,223)**	(4,806)		
Amortization of lease-related intangibles	**(2,088)**	(1,987)		
Property NOI	**$ 73,450**	$ 70,094	**$ 78,761**	$ 76,887
Net operating income from:				
Acquisitions [2]	**(3,964)**	(432)	**(4,621)**	(696)
Dispositions [3]	**(895)**	(4,746)	**(895)**	(4,240)
Other investments [4]	**(246)**	(333)	**(219)**	(298)
Same Store NOI	**$ 68,345**	$ 64,583	**$ 73,026**	$ 71,653
Change period over period in Same Store NOI	***5.8 %***	*N/A*	***1.9 %***	*N/A*

(1) Presented net of related operating expenses incurred to earn such management fee revenue.

(2) Acquisitions consist of 501 West Church Street in Orlando, Florida, purchased on February 23, 2018; 9320 Excelsior Boulevard in Hopkins, Minnesota, purchased on October 25, 2018; 25 Burlington Mall Road in Burlington, Massachusetts, purchased on December 12, 2018; and Galleria 100 and land in Atlanta, Georgia, purchased on May 6, 2019.

(3) Dispositions consist of a 14-property portfolio sold on January 4, 2018 (comprised of 2300 Cabot Drive in Lisle, Illinois; Windy Point I and II in Schaumburg, Illinois; Suwanee Gateway One and land in Suwanee, Georgia; 1200 Crown Colony Drive in Quincy, Massachusetts; Piedmont Pointe I and II in Bethesda, Maryland; 1075 West Entrance Drive and Auburn Hills Corporate Center in Auburn Hills, Michigan; 5601 Hiatus Road in Tamarac, Florida; 2001 NW 64th Street in Ft. Lauderdale, Florida; Desert Canyon 300 in Phoenix, Arizona; 5301 Maryland Way in Brentwood, Tennessee; and 2120 West End Avenue in Nashville, Tennessee); 800 North Brand Boulevard in Glendale, California, sold on November 29, 2018; and One Independence Square in Washington, D.C., sold on February 28, 2019.

(4) Other investments consist of active redevelopment and development projects, land, and recently completed redevelopment and development projects for which some portion of operating expenses were capitalized during the current and/or prior year reporting periods. The operating results from Two Pierce Place in Itasca, Illinois, are included in this line item.

The following table sets forth a reconciliation from net income calculated in accordance with GAAP to Property NOI, on both a cash and accrual basis, and Same Store NOI, on both a cash and accrual basis, for the six months ended June 30, 2019 and 2018, respectively (in thousands):

	Cash Basis		Accrual Basis	
	Six Months Ended		Six Months Ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Net income applicable to Piedmont (GAAP basis)	**$ 58,361**	$ 68,772	**$ 58,361**	$ 68,772
Net loss applicable to noncontrolling interest	**—**	(4)	**—**	(4)
Interest expense	**30,605**	29,445	**30,605**	29,445
Loss on extinguishment of debt	**—**	1,680	**—**	1,680
Depreciation	**52,858**	54,246	**52,858**	54,246
Amortization	**36,131**	31,945	**36,131**	31,945
Gain on sale of real estate assets	**(39,338)**	(45,186)	**(39,338)**	(45,186)
Retirement and separation expenses associated with senior management transition	**3,175**	—	**3,175**	—
General & administrative expenses	**18,611**	14,810	**18,611**	14,810
Management fee revenue [1]	**(2,023)**	(349)	**(2,023)**	(349)
Other income	**(118)**	(388)	**(118)**	(388)
Straight-line rent effects of lease revenue	**(5,906)**	(8,279)		
Amortization of lease-related intangibles	**(4,086)**	(3,630)		
Property NOI	**$ 148,270**	$ 143,062	**$ 158,262**	$ 154,971
Net operating income from:				
Acquisitions [2]	**(7,064)**	(607)	**(8,098)**	(959)
Dispositions [3]	**(3,747)**	(10,173)	**(2,510)**	(9,086)
Other investments [4]	**(285)**	(1,325)	**(270)**	(1,152)
Same Store NOI	**$ 137,174**	$ 130,957	**$ 147,384**	$ 143,774
Change period over period in Same Store NOI	***4.7 %***	*N/A*	***2.5 %***	*N/A*

[1] Presented net of related operating expenses incurred to earn such management fee revenue.

[2] Acquisitions consist of 501 West Church Street in Orlando, Florida, purchased on February 23, 2018; 9320 Excelsior Boulevard in Hopkins, Minnesota, purchased on October 25, 2018; 25 Burlington Mall Road in Burlington, Massachusetts, purchased on December 12, 2018; and Galleria 100 and land in Atlanta, Georgia, purchased on May 6, 2019.

[3] Dispositions consist of a 14-property portfolio sold on January 4, 2018 (comprised of 2300 Cabot Drive in Lisle, Illinois; Windy Point I and II in Schaumburg, Illinois; Suwanee Gateway One and land in Suwanee, Georgia; 1200 Crown Colony Drive in Quincy, Massachusetts; Piedmont Pointe I and II in Bethesda, Maryland; 1075 West Entrance Drive and Auburn Hills Corporate Center in Auburn Hills, Michigan; 5601 Hiatus Road in Tamarac, Florida; 2001 NW 64th Street in Ft. Lauderdale, Florida; Desert Canyon 300 in Phoenix, Arizona; 5301 Maryland Way in Brentwood, Tennessee; and 2120 West End Avenue in Nashville, Tennessee); 800 North Brand Boulevard in Glendale, California, sold on November 29, 2018; and One Independence Square in Washington, D.C., sold on February 28, 2019.

[4] Other investments consist of active or recently completed redevelopment and development projects for which some portion of operating expenses were capitalized during the current and/or prior year reporting periods and land. The operating results from Two Pierce Place in Itasca, Illinois, are included in this line item.

Overview

Our portfolio is a geographically diverse group of properties primarily located in select sub-markets within eight major office markets in the Eastern-half of the United States. We typically lease space to large, credit-worthy corporate or governmental tenants on a long-term basis. As of June 30, 2019, our average lease is approximately 20,000 square feet with over six years of lease term remaining. Consequently, leased percentage, as well as rent roll ups and roll downs, which we experience as a result of re-leasing, can fluctuate widely between buildings and between tenants, depending on when a particular lease is scheduled to commence or expire.

Leased Percentage

Our current in-service portfolio of 54 office properties was 92.6% leased as of June 30, 2019 and 90.6% as of June 30, 2018. Scheduled lease expirations for the portfolio as a whole for the remainder of 2019 are 9.5% of our ALR. Approximately half of our remaining 2019 expirations relates to one 480,000 square foot lease with our largest tenant, State of New York and we are currently in the advanced stage of lease renewal discussions for a substantial majority of the space. To the extent new leases for currently vacant space outweigh or fall short of scheduled expirations, such leases would increase or decrease our leased percentage, respectively. Our leased percentage may also fluctuate from the impact of occupancy levels associated with our net acquisition and disposition activity.

Impact of Downtime, Abatement Periods, and Rental Rate Changes

Commencement of new leases typically occurs 6-18 months after the lease execution date, after refurbishment of the space is completed. The downtime between a lease expiration and the new lease's commencement can negatively impact Property NOI and Same Store NOI comparisons (both accrual and cash basis). In addition, office leases, both new and lease renewals, often contain upfront rental and/or operating expense abatement periods which delay the cash flow benefits of the lease even after the new lease or renewal has commenced and will continue to negatively impact Property NOI and Same Store NOI on a cash basis until such abatements expire. As of June 30, 2019, we had approximately 489,000 square feet of executed leases related to currently vacant space that had not yet commenced (301,000 square feet of which relates to a new, full-building lease at our Enclave Place building in Houston, Texas) and approximately 711,000 square feet of commenced leases that were in some form of rental and/or operating expense abatement.

If we are unable to replace expiring leases with new or renewal leases at rental rates equal to or greater than the expiring rates, rental rate roll downs could occur and negatively impact Property NOI and Same Store NOI comparisons. As mentioned above, our geographically diverse portfolio and the magnitude of some of our tenant's leased space can result in rent roll ups and roll downs that can fluctuate widely on a building-by-building and a quarter-to-quarter basis.

Same Store NOI increased 4.7% and 2.5% on a cash and accrual basis, respectively for the six months ended June 30, 2019 as compared with the six months ended June 30, 2018. In addition to improved occupancy as compared to prior year, Same Store NOI (cash basis) was favorably impacted by the expiration of several large lease abatements at certain properties and $1.2 million more of net termination fee income received during the six months ended June 30, 2019 as compared to the same period in the prior year. Same Store NOI (accrual basis) was additionally favorably impacted by the commencement of several large leases throughout the portfolio. Property NOI and Same Store NOI comparisons for any given period may still fluctuate as a result of the mix of net leasing activity in individual properties during the respective period.

Election as a REIT

We have elected to be taxed as a REIT under the Code and have operated as such beginning with our taxable year ended December 31, 1998. To qualify as a REIT, we must meet certain organizational and operational requirements, including a requirement to distribute at least 90% of our adjusted REIT taxable income, computed without regard to the dividends-paid deduction and by excluding net capital gains attributable to our stockholders, as defined by the Code. As a REIT, we generally will not be subject to federal income tax on income that we distribute to our stockholders. If we fail to qualify as a REIT in any taxable year, we may be subject to federal income taxes on our taxable income for that year and for the four years following the year during which qualification is lost and/or penalties, unless the IRS grants us relief under certain statutory provisions. Such an event could materially adversely affect our net income and net cash available for distribution to our stockholders. However, we believe that we are organized and operate in such a manner as to qualify for treatment as a REIT and intend to continue to operate in the foreseeable future in such a manner that we will remain qualified as a REIT for federal income tax purposes. We have elected to treat POH, a wholly-owned subsidiary of Piedmont, as a taxable REIT subsidiary. POH performs non-customary services for tenants of buildings that we own, including solar power generation, real estate and non-real estate related-services; however, any earnings related to such services performed by our taxable REIT subsidiary are subject to federal and state income taxes. In addition, for us to continue to qualify as a REIT, our investments in taxable REIT subsidiaries cannot exceed 20% of the value of our total assets.

Inflation

We are exposed to inflation risk, as income from long-term leases is the primary source of our cash flows from operations. There are provisions in the majority of our tenant leases that are intended to protect us from, and mitigate the risk of, the impact of inflation. These provisions include rent steps, reimbursement billings for operating expense pass-through charges, real estate tax, and insurance reimbursements on a per square-foot basis, or in some cases, annual reimbursement of operating expenses above certain per square-foot allowances. However, due to the long-term nature of the leases, the leases may not readjust their reimbursement rates frequently enough to fully cover inflation.

Off-Balance Sheet Arrangements

We are not dependent on off-balance sheet financing arrangements for liquidity. As of June 30, 2019, we had no off-balance sheet arrangements. For further information regarding our commitments under our debt obligations, see the Contractual Obligations table included in Item 7. of our Annual Report on Form 10-K for the year ended December 31, 2018.

Application of Critical Accounting Policies

Our accounting policies have been established to conform with GAAP. The preparation of financial statements in conformity with GAAP requires management to use judgment in the application of accounting policies, including making estimates and assumptions. These judgments affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. If our judgment or interpretation of the facts and circumstances relating to various transactions had been different, it is possible that different accounting policies would have been applied, thus, resulting in a different presentation of the financial statements. Additionally, other companies may utilize different estimates that may impact comparability of our results of operations to those of companies in similar businesses. Refer to our Annual Report on Form 10-K for the year ended December 31, 2018 for a discussion of our critical accounting policies. There have been no material changes to these policies during the six months ended June 30, 2019.

Accounting Pronouncements Adopted during the Six Months Ended June 30, 2019

Leases

We have adopted ASU No. 2016-02, *Leases (Topic 842)*, as well as various associated updates and amendments, which together comprise the requirements for lease accounting under Accounting Standards Codification 842 ("ASC 842"). ASC 842 fundamentally changes the definition of a lease, as well as the accounting for operating leases, by requiring lessees to recognize a liability to make lease payments and a right-of-use asset representing the right to use the leased asset over the term of the lease. ASC 842 also prohibits the capitalization of internal direct payroll costs associated with negotiating and executing leases. Accounting for leases by lessors is substantially unchanged from prior practice as lessors will continue to recognize lease revenue on a straight-line basis. Substantially all of our leases are with tenants (as lessees) in buildings owned and operated by us (as lessor). Operating leases where we are the lessee consist primarily of office space in buildings owned by a third party. The accounting for these leases resulted in recording immaterial right-of-use assets and lease liabilities.

In conjunction with adopting ASC 842, we adopted certain optional practical expedients, transition amendments, or made accounting policy elections as further detailed in Note 2 to our accompanying consolidated financial statements.

Stock Compensation to Nonemployees

During the six months ended June 30, 2019, we adopted ASU No. 2018-07, *Stock Compensation (Topic 718),* Improvements to Nonemployee Share-Based Payment Accounting ("ASU 2018-07"). The provisions of ASU 2018-07 align accounting for stock based compensation for non-employees for goods and services with existing accounting for similar compensation for employees. ASU 2018-07 requires an entity to remeasure liability-classified awards that have not been settled by the date of adoption and equity-classified awards for which a measurement date has not been established through a cumulative-effect adjustment to retained earnings as of January 1, 2019. Our only awards affected by ASU 2018-07 are equity-classified award grants to our independent board of directors, which have been historically recognized in the same manner prescribed by the newly adopted standard. As such, there was no cumulative effect adjustment recognized upon adoption.

Other Recent Accounting Pronouncements

The FASB has issued ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments*, as well as ASU No. 2019-04, *Codification Improvements to Topic 326, Financial Instruments - Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments,* and ASU No. 2019-05, *Financial Instruments- Credit Losses: Targeted Transition Relief* (collectively the "Credit Loss Amendments"). The provisions of the Credit Loss Amendments replace the "incurred loss" approach with an "expected loss" model for impairing trade and other receivables, held-to-maturity debt securities, net investment in leases, and off-balance-sheet credit exposures, which will generally result in earlier recognition of allowances for credit losses. Additionally, the provisions change the classification of credit losses related to available-for-sale securities to an allowance, rather than a direct reduction of the amortized cost of the securities. Further, the FASB has issued ASU No. 2018-19 *Codification Improvements to Topic 326, Financial Instruments - Credit Losses*, which is effective concurrent with the Credit Loss Amendments, and excludes receivables arising from operating leases from the scope of the Credit Loss Amendments. Both ASU 2018-19 and the Credit Loss Amendments are effective in the first quarter of 2020, with early adoption permitted as of January 1, 2019. We are currently evaluating the potential impact of adoption; however, substantially all of our receivables are operating lease receivables and as such, we do not anticipate any material impact to our consolidated financial statements as a result of adoption of the Credit Loss Amendments and ASU 2018-19.

Related-Party Transactions and Agreements

During the six months ended June 30, 2019, we entered into employment or retirement agreements with certain of our current and former executive officers as more fully described in our Definitive Proxy Statement and Current Report on Form 8-K filed on March 19, 2019. There were no other related-party transactions during the six months ended June 30, 2019.

Contractual Obligations

There were no material changes in our contractual obligations during the three and six months ended June 30, 2019. For further information, see our annual disclosures related to contractual obligations in Item 7. of our Annual Report on Form 10-K for the year ended December 31, 2018.

Commitments and Contingencies

We are subject to certain commitments and contingencies with regard to certain transactions. Refer to Note 7 of our consolidated financial statements for further explanation. Examples of such commitments and contingencies include:

- Commitments Under Existing Lease Agreements; and
- Contingencies Related to Tenant Audits/Disputes.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our future income, cash flows, and estimated fair values of our financial instruments depend in part upon prevailing market interest rates. Market risk is the exposure to loss resulting from changes in interest rates, foreign currency, exchange rates, commodity prices, and equity prices. Our potential for exposure to market risk includes interest rate fluctuations in connection with borrowings under our $500 Million Unsecured 2018 Line of Credit, our Amended and Restated $300 Million Unsecured 2011 Term Loan, and the $250 Million Unsecured 2018 Term Loan. As a result, the primary market risk to which we believe we are exposed is interest rate risk. Many factors, including governmental monetary and tax policies, domestic and international economic and political considerations, and other factors that are beyond our control contribute to interest rate risk, including changes in the method pursuant to which the LIBOR rates are determined and the potential phasing out of LIBOR after 2021. Our interest rate risk management objectives are to limit the impact of interest rate changes on earnings and cash flow primarily through a low-to-moderate level of overall borrowings, as well as managing the variability in rate fluctuations on our outstanding debt. As such, all of our debt other than the $500 Million Unsecured 2018 Line of Credit and $100 million of our $250 Million Unsecured 2018 Term Loan is currently based on fixed or effectively-fixed interest rates to hedge against volatility in the credit markets. We do not enter into derivative or interest rate transactions for speculative purposes, as such all of our debt and derivative instruments were entered into for other than trading purposes.

The estimated fair value of our debt was approximately $1.7 billion as of June 30, 2019 and December 31, 2018. Our interest rate swap agreements in place as of both June 30, 2019 and December 31, 2018 carried a notional amount totaling $450 million with a weighted-average fixed interest rate (not including the corporate credit spread) of 2.30%.

As of June 30, 2019, our total outstanding debt subject to fixed, or effectively fixed, interest rates totaling approximately $1.4 billion has an average effective interest rate of approximately 3.79% per annum with expirations ranging from 2021 to 2025. A change in the market interest rate impacts the net financial instrument position of our fixed-rate debt portfolio but has no impact on interest incurred or cash flows for that portfolio.

As of June 30, 2019, we had $181 million outstanding on our $500 Million Unsecured 2018 Line of Credit. Our $500 Million Unsecured 2018 Line of Credit currently has a stated rate of LIBOR plus 0.90% per annum (based on our current corporate credit rating), resulting in an total interest rate of 3.31%. The current stated interest rate spread on $100 million of the $250 Million Unsecured 2018 Term Loan that is not effectively fixed through interest rate swaps is LIBOR plus 1.60% (based on our current corporate credit rating), which, as of June 30, 2019, resulted in an interest rate of 4.00%. To the extent that we borrow additional funds in the future under the $500 Million Unsecured 2018 Line of Credit or potential future variable-rate lines of credit, we would have exposure to increases in interest rates, which would potentially increase our cost of debt. Additionally, a 1.0% increase in variable interest rates on our existing outstanding borrowings as of June 30, 2019 would increase interest expense approximately $2.8 million on a per annum basis.

ITEM 4. CONTROLS AND PROCEDURES

Management's Conclusions Regarding the Effectiveness of Disclosure Controls and Procedures

We carried out an evaluation, under the supervision and with the participation of management, including the Principal Executive Officer and the Principal Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rule 15d-15(e) of the Securities Exchange Act of 1934 (the "Exchange Act") as of the end of the quarterly period covered by this report. Based upon that evaluation, the Principal Executive Officer and the Principal Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this quarterly report in providing a reasonable level of assurance that information we are required to disclose in the reports we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in applicable SEC rules and forms, including providing a reasonable level of assurance that information required to be disclosed by us in the reports we file under the Exchange Act is accumulated and communicated to our management, including the Principal Executive Officer and the Principal Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended June 30, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are not subject to any material pending legal proceedings. However, we are subject to routine litigation arising in the ordinary course of owning and operating real estate assets. Our management expects that these ordinary routine legal proceedings will be covered by insurance and does not expect these legal proceedings to have a material adverse effect on our financial condition, results of operations, or liquidity. Additionally, management is not aware of any legal proceedings against Piedmont contemplated by governmental authorities.

ITEM 1A. RISK FACTORS

There have been no known material changes from the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2018.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

a. There were no unregistered sales of equity securities during the second quarter of 2019.

b. Not applicable.

c. During the three months ended June 30, 2019, we repurchased shares of our common stock in the open market solely in order to reissue such shares under our dividend reinvestment plan (the "DRP"). Such stock repurchases for the quarter ended June 30, 2019 are as follows:

Period	Total Number of Shares Purchased (in thousands)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan (in thousands) [(1)]	Maximum Approximate Dollar Value of Shares Available That May Yet Be Purchased Under the Plan (in thousands)
April 1, 2019 to April 30, 2019	—	$ —	—	$ 74,089
May 1, 2019 to May 31, 2019	—	$ —	—	$ 74,089
June 1, 2019 to June 30, 2019	228	$ 20.27	—	$ 74,089 [(1)]
Total	228	$ 20.27	—	

[(1)] Amounts available for purchase relate only to our Board-authorized stock repurchase plan under our current authorization to repurchase shares of our common stock through February 21, 2020.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit Number	Description of Document
3.1	Third Articles of Amendment and Restatement of Piedmont Office Realty Trust, Inc. (the “Company”) (incorporated by reference to Exhibit 3.1 to the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2009, filed on March 16, 2010)
3.2	Articles of Amendment of the Company effective June 30, 2011 (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed on July 6, 2011)
3.3	Articles Supplementary of the Company effective June 30, 2011 (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on July 6, 2011)
3.4	Articles Supplementary to the Third Articles of Amendment and Restatement of the Company, as supplemented and amended (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed on November 14, 2016)
3.5	Articles of Amendment to the Third Articles of Amendment and Restatement of the Company, as supplemented and amended (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on May 23, 2018)
3.6	Amended and Restated Bylaws of the Company (incorporated by reference to Exhibit 3.1 to the Company’s Current Report on Form 8-K, filed on March 19, 2019)
10.1	Form of Director Deferred Stock Award Agreement for Amended and Restated 2007 Omnibus Incenive Plan of Piedmont Office Realty Trust, Inc. effective May 15, 2019
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PIEDMONT OFFICE REALTY TRUST, INC.
(Registrant)

Dated: July 31, 2019

By: /s/ Robert E. Bowers

Robert E. Bowers
Chief Financial Officer and Executive Vice President
(Principal Financial Officer and Duly Authorized Officer)

Exhibit 10.1

PIEDMONT OFFICE REALTY TRUST, INC. (the "Company")
AMENDED AND RESTATED 2007 OMNIBUS INCENTIVE PLAN
DIRECTOR DEFERRED STOCK AWARD AGREEMENT

This Director Deferred Stock Award Agreement (this “Agreement”) evidences a Deferred Stock Award made pursuant to the Piedmont Office Realty Trust Amended and Restated 2007 Omnibus Incentive Plan (the "Plan") to the service provider named above, who shall be referred to as "Director," with respect to the number of phantom stock units (“Units”) indicated above, each Unit corresponding to one share of common stock of Piedmont Office Realty Trust ("Stock"). This Deferred Stock Award is made effective as of the Award Date set forth above, which shall be referred to as the "Award Date."

PIEDMONT OFFICE REALTY TRUST

By:

Date:

TERMS AND CONDITIONS

§ 1. <u>Plan and Deferred Stock Award Agreement</u>. Director’s right to receive any or all of the shares of Stock subject to this Deferred Stock Award is subject to all of the terms and conditions set forth in this Agreement and in the Plan. If a determination is made that any term or condition set forth in this Agreement is inconsistent with the Plan, the Plan shall control. All of the capitalized terms not otherwise defined in this Agreement shall have the same meaning in this Agreement as in the Plan. A copy of the Plan will be made available to Director upon written request to the Chief Financial Officer of the Company.

§ 2. <u>Stockholder Rights</u>. During the deferral period, Director shall have no rights as a stockholder with respect to any shares of Stock subject to this Deferred Stock Award. Director's rights as a stockholder shall only arise when Director’s Units have become vested and nonforfeitable under § 3 and such shares of Stock have been transferred on the Company's books and records to Director under § 4.

§ 3. V<u>esting and Forfeiture</u>. Director’s Units shall become 100% vested on the earliest of the following to occur (the “Vesting Date”) provided Director continuously remains a member of the Company’s Board of Directors (the “Board”) from the Award Date through such Vesting Date.

(i) the first anniversary of the Award Date,

(ii) the first annual shareholders meeting that occurs after the Award Date, or

(iii) the termination of Director's service on the Board because of (a) Director's resignation at the request of the nominating committee of the Board, (b) a Change in Control Event, or (c) Director's death or Disability. For purposes of this Agreement, "Disability" shall mean a physical or mental incapacity which renders Director unable, with or without reasonable accommodation, unable to perform the essential functions of Director's duties, as determined in good faith by a majority of the Board.

If Director's service as a member of the Board terminates prior to the Vesting Date for a reason other than as described above, Director will immediately forfeit all unvested Units, together with any dividends equivalents that have accrued with respect to such Units.

§ 4. __Transfer of Shares of Stock; Tax Liability__. Director shall have the right (subject to applicable tax withholdings effected in accordance with Section 13 of the Plan) to receive shares of Stock subject to this Deferred Stock Award on the date his or her Units vest and become nonforfeitable under § 3. Director's tax liability for such shares of Stock shall be determined as of such date. Director may (in accordance with Section 13 of the Plan) choose to make payment of the applicable tax withholdings by 1) a cash payment and thereby receive the total number of shares Director has the right to receive, or 2) a reduction in Stock pursuant to Section 13 (b) of the Plan.

The Company shall cause any shares of Stock which Director has a right to receive under § 3 (subject to applicable tax withholdings) to be transferred to Director on the Company's books and records and delivered to Director within sixty (60) days after the date on which he or she has the right to receive such shares, the specific date of such transfer to be determined by the Committee.

Shares received by Director under this Agreement, as well as any other Company shares owned by Director, will be subject to certain trading "blackout" periods (which prohibit the sale or purchase of Company shares). Blackout periods can relate to the announcement of Company earnings or any other material, non-public information. Additionally, shares held by Director may be subject to 'lock-up' agreements (which will prohibit the sale by Directors of Company stock for specified periods) as part of offerings of new Company shares on a public exchange.

Anything to the contrary notwithstanding, instead of distributing shares of Stock subject to this Deferred Stock Award, Company may, in its sole discretion, elect to make a lump sum cash payment to Director equal to the number of shares of Stock to which Director would otherwise be entitled to receive under this Agreement, multiplied by the Fair Market Value of a share of Stock determined on the date Director's Units vest and become nonforfeitable under § 3. Subject to applicable tax withholdings, such lump sum cash payment will be paid to Director within sixty (60) days after the Director's Units vest and become nonforfeitable under § 3.

§ 5. __Dividend Equivalents__. Each Unit granted hereunder is granted in tandem with a corresponding right to receive an amount equal to each dividend that is made by the Company in respect of a share of Stock corresponding to such Unit (a "Dividend Equivalent"). Any such amounts shall be accrued, and shall be paid in a single lump sum not later than thirty (30) days following the date that the vested Unit to which such Dividend Equivalent relates is paid in accordance with § 4. Any such Dividend Equivalent shall terminate upon the forfeiture of, or the payment with respect to such Unit, as applicable. Any Dividend Equivalents will be treated as separate payments from the underlying Units for purposes of Section 409A.

§ 6. Nontransferable. No rights under this Agreement shall be transferable by Director, except as provided in Section 13 of the Plan.

§ 7. Other Laws. The Company shall have the right to refuse to transfer shares of Stock subject to this Deferred Stock Award to Director if the Company acting in its absolute discretion determines that the transfer of such shares is (in the opinion of the Company's legal counsel) likely to violate any applicable law or regulation.

§ 8. No Right to Continue Board Service. Neither the Plan , this Agreement, nor any related material shall give Director the right to continue as a member of the Company's Board.

§ 9. Governing Law. The Plan and this Agreement shall be governed by the laws of the State of Maryland, applied without regard to conflicts of law principles.

§ 10. Binding Effect. This Agreement shall be binding upon the Company and Director and their respective heirs, executors, administrators and successors.

§ 11. Headings and Sections. The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. All references to sections (§) in this Agreement shall be to sections (§) of this Agreement, unless reference to a section of the Plan is specifically made.

§ 12. 409A Compliance. The parties intend that payments under this Agreement comply with or be exempt from Section 409A of the Code and the regulations and guidance promulgated thereunder (collectively "Code Section 409A") and the Company shall have complete discretion to interpret and construe this Agreement and any associated documents in any manner that establishes an exemption from (or compliance with) the requirements of Code Section 409A. If for any reason, such as imprecision in drafting, any provision of this Agreement does not accurately reflect its intended establishment of an exemption from (or compliance with) Code Section 409A, as demonstrated by consistent interpretations or other evidence of intent, such provision shall be considered ambiguous as to its exemption from (or compliance with) Code Section 409A and shall be interpreted by the Company in a manner consistent with such intent, as determined in the discretion of the Company. Any provision of this Agreement to the contrary notwithstanding, if at the time of Director's separation from service, the Company determines that Director is a "specified employee," within the meaning of Code Section 409A, then to the extent any payment that Director is entitled to under this Agreement on account of Director's separation from service would be considered nonqualified deferred compensation under Code Section 409A, such payment shall be paid at the date which is the earlier of (i) six (6) months and one day after Director's separation from service and (ii) the date of Director's death (the "Delay Period"). Upon the expiration of the Delay Period, all payments delayed pursuant to this Section 12 shall be paid to Director in a lump-sum. The Company makes no representation or warranty and shall have no liability to Director or any other person if any provisions of this Agreement are determined to constitute deferred compensation subject to Code Section 409A, but do not satisfy an exemption from, or the conditions of, Code Section 409A.

Director has signed this Agreement to evidence his or her acceptance of this Deferred Stock Award and all of the terms and conditions of such Award.

____
Director's Signature

____
Date

EXHIBIT 31.1
PRINCIPAL EXECUTIVE OFFICER CERTIFICATION
PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, C. Brent Smith, certify that:

1. I have reviewed this Form 10-Q for the quarter ended June 30, 2019 of Piedmont Office Realty Trust, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: July 31, 2019

By: /s/ C. Brent Smith
C. Brent Smith
Principal Executive Officer

EXHIBIT 31.2
PRINCIPAL FINANCIAL OFFICER CERTIFICATION
PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Robert E. Bowers, certify that:

1. I have reviewed this Form 10-Q for the quarter ended June 30, 2019 of Piedmont Office Realty Trust, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: July 31, 2019

By: /s/ Robert E. Bowers

Robert E. Bowers
Principal Financial Officer

EXHIBIT 32.1
CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 (18 U.S.C. 1350)

In connection with the Report of Piedmont Office Realty Trust, Inc. (the “Registrant”) on Form 10-Q for the quarter ended June 30, 2019, as filed with the Securities and Exchange Commission (the “Report”), the undersigned, C. Brent Smith, Chief Executive Officer of the Registrant, hereby certifies, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge and belief:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

By: /s/ C. Brent Smith

C. Brent Smith
Chief Executive Officer
July 31, 2019

EXHIBIT 32.2
CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 (18 U.S.C. 1350)

In connection with the Report of Piedmont Office Realty Trust, Inc. (the “Registrant”) on Form 10-Q for the quarter ended June 30, 2019, as filed with the Securities and Exchange Commission (the “Report”), the undersigned, Robert E. Bowers, Chief Financial Officer of the Registrant, hereby certifies, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge and belief:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

By: /s/ Robert E. Bowers

Robert E. Bowers
Chief Financial Officer
July 31, 2019