



INVESTOR PRESENTATION

FEBRUARY 2019

Piedmont Office Realty Trust, Inc. (also referred to herein as “Piedmont” or the “Company”) (NYSE: PDM) is an owner, manager, developer and operator of high-quality, Class A office properties in select sub-markets located primarily within eight major eastern U.S. office markets. The Company’s geographically-diversified portfolio is comprised of almost \$5 billion in gross assets and approximately 17 million square feet. The Company is a fully-integrated, self-managed real estate investment trust (REIT) with local management offices in each of its major markets and is investment-grade rated by Standard & Poor’s (BBB) and Moody’s (Baa2).

We use market data and industry forecasts and projections throughout this presentation which have been obtained from publicly available industry publications. These sources are believed to be reliable, but the accuracy and completeness of the information are not guaranteed. Certain statements contained in this presentation constitute forward-looking statements which we intend to be covered by the safe-harbor provisions for forward-looking statements contained in Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, as applicable. Such information is subject to certain risks and uncertainties, as well as known and unknown risks, which could cause actual results to differ materially from those projected or anticipated. Therefore, such statements are not intended to be a guarantee of our performance in future periods. Such forward-looking statements can generally be identified by our use of forward-looking terminology such as “may,” “will,” “expect,” “intend,” “anticipate,” “believe,” “continue” or similar words or phrases that are predictions of future events or trends and which do not relate solely to historical matters. Some examples of risk factors that could cause our actual results and expectations to differ materially from those described in our forward-looking statements are detailed in our most recent Annual Report on Form 10-K and other documents we file with the Securities and Exchange Commission (“SEC”). Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this presentation.

Unless the context indicates otherwise, the term “properties” as used in this document and the statistical information presented in this document regarding our properties include our wholly-owned office properties and our office properties owned through consolidated joint ventures, but exclude one out-of-service property as of December 31, 2018.

The information and non-GAAP financial terms contained in this presentation do not contain all of the information and definitions that may be important to you and should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2018, along with our other filings with the SEC. Other information important to you may also be found in documents that we furnish to the SEC, such as our Quarterly Supplemental Information dated as of December 31, 2018. Such documents are available at www.sec.gov and under the heading Investor Relations on our website at www.piedmontreit.com.

Unless otherwise noted, all financial and statistical information contained in this presentation is as of December 31, 2018.

PRIMARY DISCUSSION TOPICS



Corporate Overview

As of 12/31/2018

Ticker (NYSE)	PDM
Equity Market Cap as of 2/1/2019 (billions)	\$2.5
Three-Year Total Return (1/29/16-2/1/19)	20.8%
Gross Assets (billions)	\$4.7
Ratings (Moody's/S&P)	Baa2/BBB
Debt (billions)	\$1.7
Net Debt to Gross Assets	36.0%
Net Debt to Core EBITDA ¹	5.8x
Dividend / Yield as of 2/1/2019	\$0.84 / 4.3%

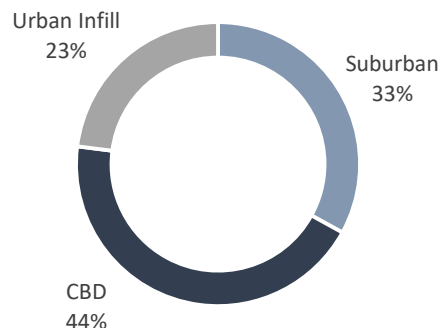
Portfolio Overview ²

As of 12/31/2018

Square Feet (millions)	16.2
Number of In-Service Properties	54
% Leased	93.3%
Weighted Average Lease Term	6.6 years
Annualized Lease Revenue (millions)	\$520.0
% of ALR from Credit Tenants ³	59%
Asset Quality (Green Street Office Sector Update, 12/6/2018)	A-
Median Building Age	19.5 years
% of SF Energy-Star Rated (Includes Out of Service Property)	80%

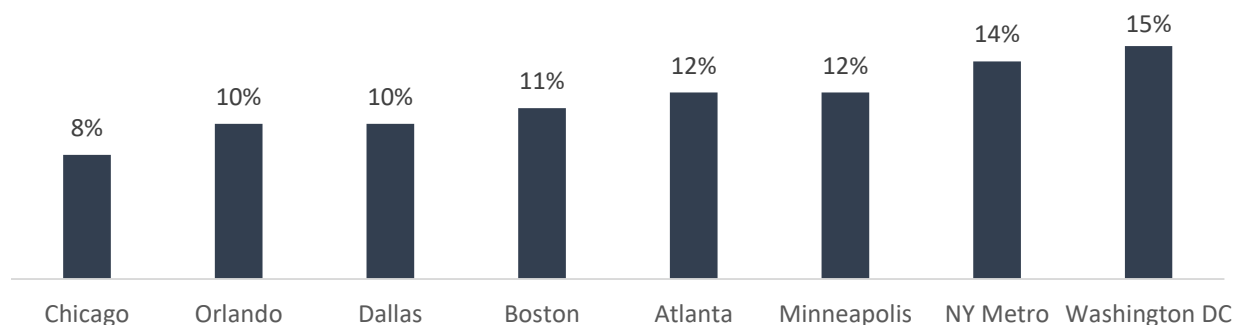
Portfolio Location

(as % of ALR as of 12/31/2018)

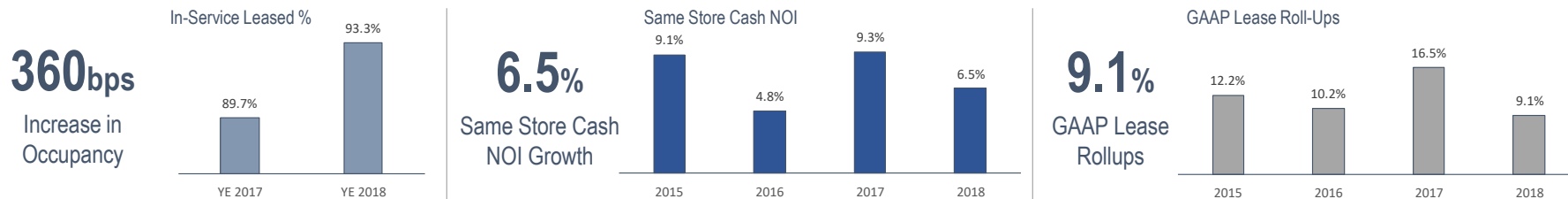


Balanced Core Markets (Over 90% of ALR from Eight Strategic Markets)

(% of ALR as of 12/31/2018)



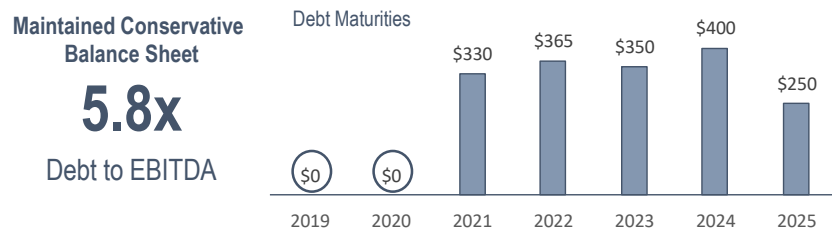
Operational Activity



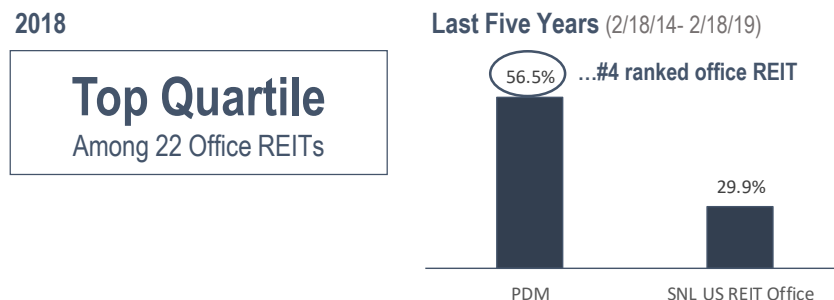
Capital Allocation Activity



Balance Sheet and Liquidity



Total Return Performance⁵



Piedmont is well-positioned in 2019 and will remain focused on key initiatives.

2019 Areas of Focus

Operational

- ⦿ Address remaining sizable expirations in 2019 and 2020
 - Outside of NY State and NY City leases, remaining sizable expirations exist primarily in the healthy markets of Atlanta, Orlando, and Dallas
- ⦿ Realize NOI growth from signed but not-yet-commenced leases and leases currently under abatement
- ⦿ Lease-up remaining portfolio vacancies

Capital Allocation

- ⦿ Redeploy sales proceeds from low-cap rate, non-core assets into our target markets
- ⦿ Evaluate repositioning opportunities in core assets which deliver attractive risk-adjusted returns
- ⦿ Capitalize on strategic land positions with substantively pre-leased development
- ⦿ Monitor share repurchase options if/when sizable discounts persist

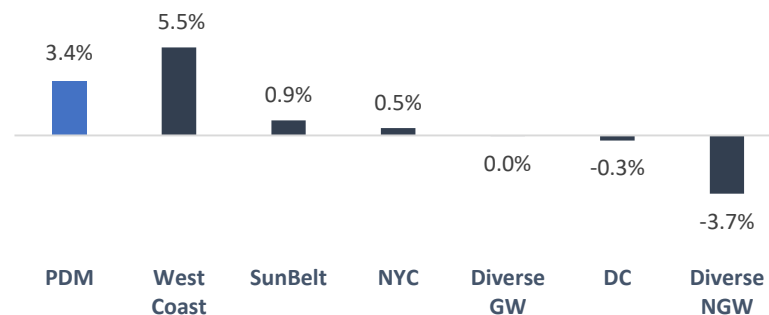
Balance Sheet and Liquidity

- ⦿ Maintain flexibility
- ⦿ Protect conservative leverage levels
- ⦿ Preserve current ratings with S&P and Moody's
- ⦿ Self-funded business plan; do not expect to raise capital in 2019

2019 Sources of Growth

- GAAP and Cash Rollups
- Development/Redevelopment
- Accretive Acquisitions
- Lease Commencement & Abatement Burnoffs

Growth: 2018 Actual to 2019 Consensus FFO Projections (as of 2/22/19)*



West Coast: KRC, DEI, HPP
SunBelt: HIW, CUZ

NYC: VNO, SLG, ESRT
Diverse GW: BXP, PGRE, CXP

DC: OFC, WRE
Diverse NGW: BDN, CLI, FSP

*Source: SNL
Excludes EQC and TIER due to material portfolio transitions in 2018 and/or expected in 2019

PIEDMONT CORPORATE OVERVIEW



WHO IS PIEDMONT?



ARLINGTON GATEWAY
Arlington, VA



ONE BRATTLE SQUARE
Cambridge, MA

DIVERSIFIED PORTFOLIO

PATHS TO GROWTH

DISCIPLINED CAPITAL ALLOCATOR

PROACTIVE OPERATIONAL MANAGEMENT

FINANCIAL STRENGTH AND FLEXIBILITY

SUPERIOR RISK / REWARD PROPOSITION

Portfolio Concentrated within Eight of the Nation's Largest Eastern Markets

Why These Markets and Specific Submarkets:

- Historical and projected rental rate growth
- Barriers to entry
- Heavy amenity base
- Proximity to transportation hubs
- Ideal for large, corporate users
- Ample size and scale for liquidity
- Fragmented / limited REIT ownership
- Favorable business environment / supportive local government

Atlanta
Northwest, Central Perimeter

Washington, DC
District, Rosslyn-Ballston Corridor

Boston
Cambridge, Burlington/Route 128

Minneapolis
CBD, West/SW

Chicago
CBD

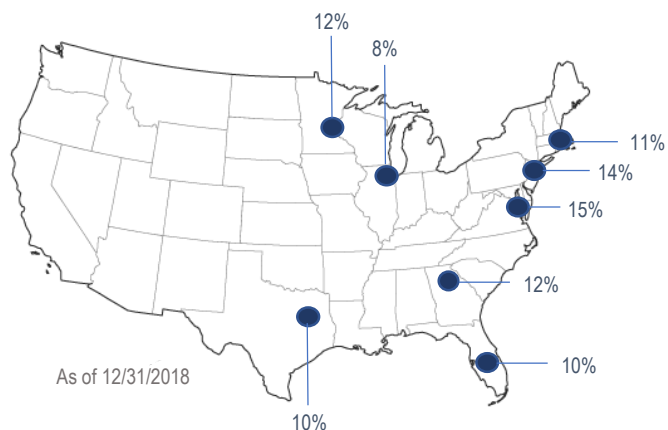
New York
Financial District

Dallas
Las Colinas, Uptown, Preston Center

Orlando
CBD, Lake Mary

ALR by Target Market

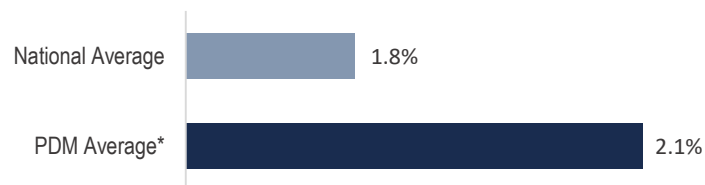
Over 90% of ALR in top 8 Markets



Piedmont's Markets Offer Attractive Fundamentals and Favorable Outlook

LTM Employment Growth

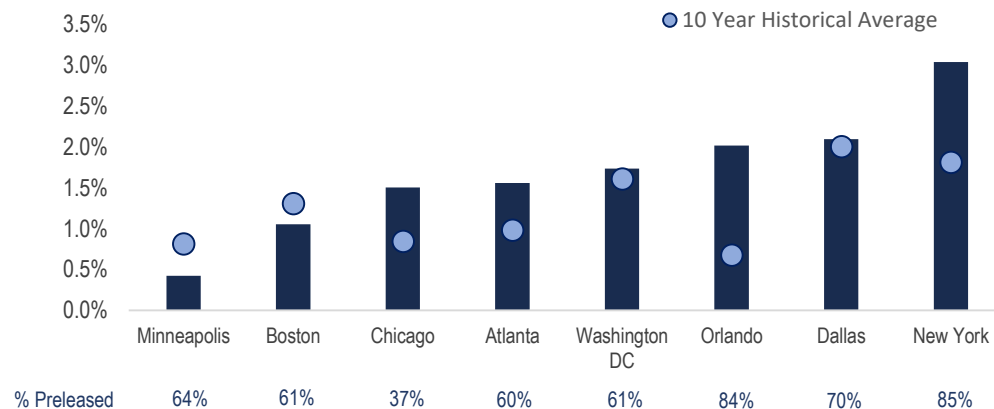
JLL Office Outlook US, Q4 2018



* Based on weighted average of Piedmont's strategic markets

Construction as a % of Total Inventory

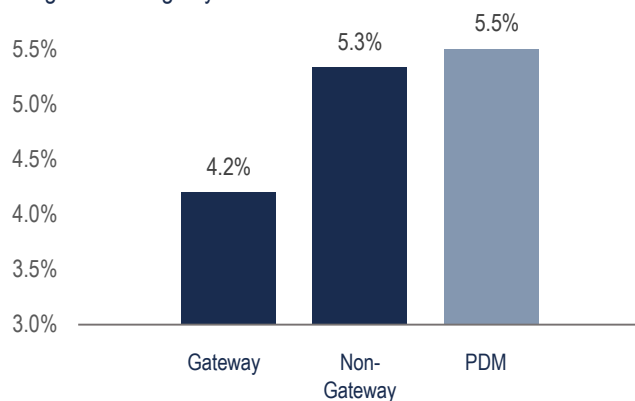
CoStar Office Statistics, Q4 2018



2019-2023 Employment Growth

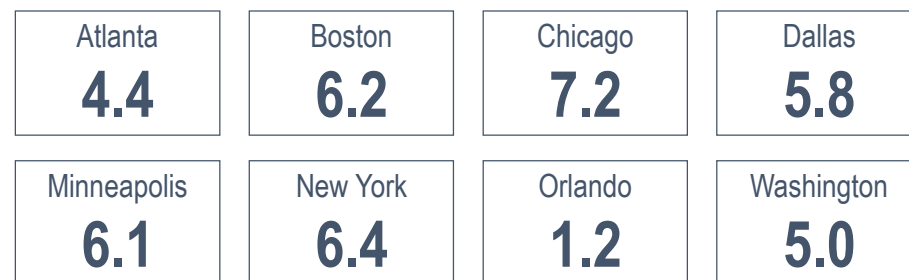
Green Street Advisors, January 2019

Weighted Average by Market ⁶



Number of Fortune 1000 Headquarters per 1 million of Population

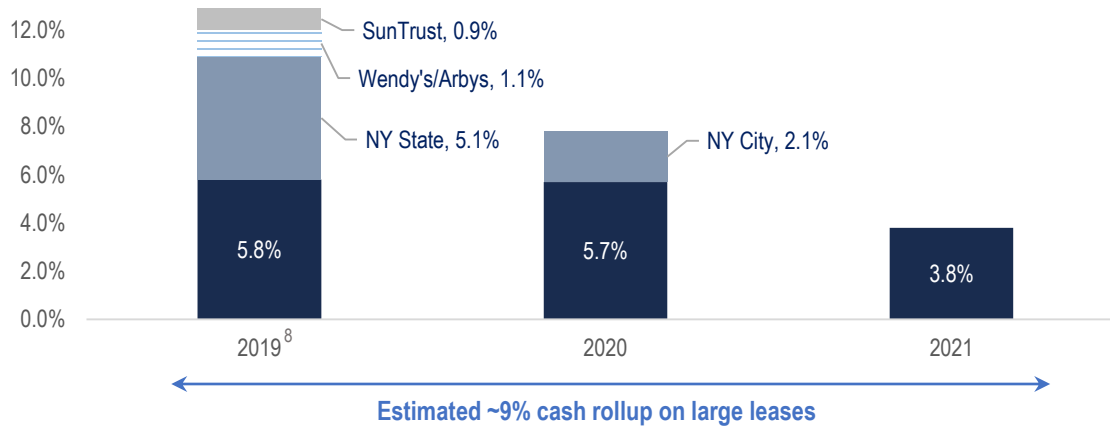
Kaggle 2018 Fortune 1000 Information, US Census Bureau 2017 Population Estimates



Organic NOI Growth Potential

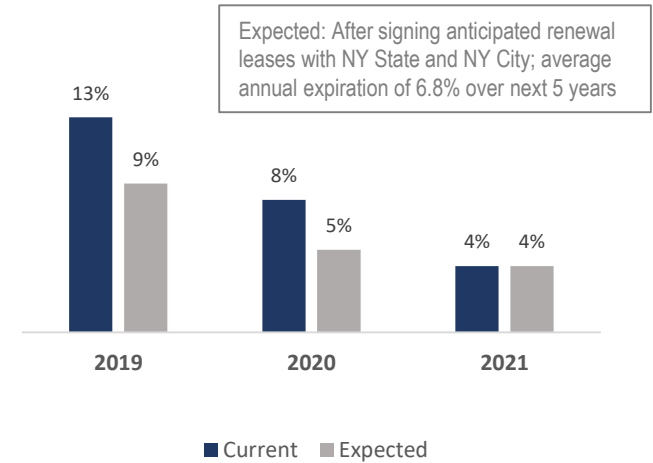
Capitalizing on Future Expirations (% of ALR ⁷)

As of 12/31/2018



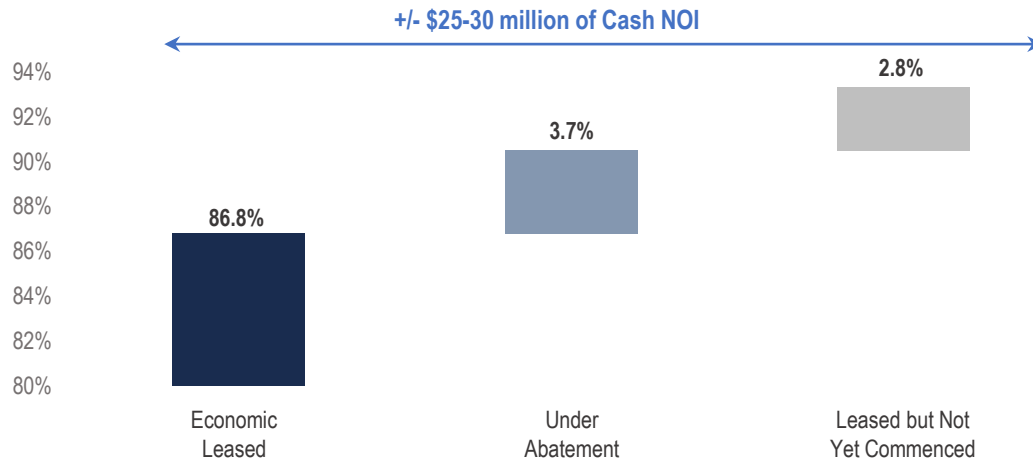
Proforma Lease Expirations (% of ALR ⁷)

As of 12/31/2018



Realizing Contractual Cash Flow

As of 12/31/2018



3100 CLARENDON BOULEVARD
Arlington, VA

Selective Development to Expand Large-scale Positions

as of 12/31/2018

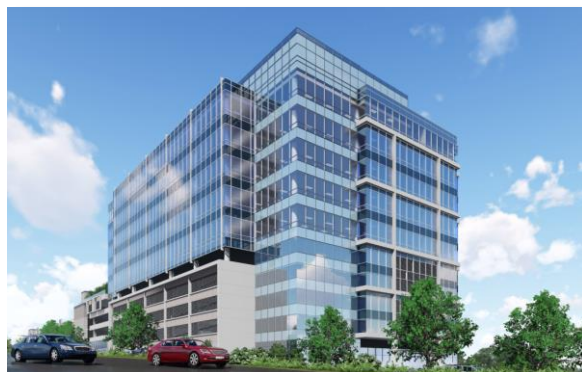
Strategically-Located Land Holdings for Future Development (minimum 70% pre-lease); All Land Holdings are Adjacent to Existing Core Locations



1,000,000 SF

Lake Mary, FL
Adjacent to 400 & 500 TownPark

Land Basis: \$6.3M
Submarket Class A Direct Vacancy: 9.3% (Lake Mary)*



250,000 SF

Atlanta, GA
Adjacent to Glenridge Highlands One & Two

Land Basis: \$2.0M
Submarket Class A Direct Vacancy: 15.4% (Central Perimeter)*



250,000 SF

Atlanta, GA
Adjacent to The Medici

Land Basis: \$2.7M
Submarket Class A Direct Vacancy: 13.3% (West Buckhead)*



500,000 SF

Irving, TX
Adjacent to 6011, 6021 & 6031 Connection Drive

Land Basis: \$2.8M
Submarket Class A Direct Vacancy: 14.3%
(Las Colinas)*



400,000 SF

Irving, TX
Adjacent to 750 West John Carpenter Fwy

Land Basis: \$1.0M
Submarket Class A Direct Vacancy: 14.3%
(Las Colinas)*

Since 2014, Piedmont has recycled \$1 billion of disposition capital into real estate assets at roughly 150 bps higher yield

Acquisition Strategy

- Recycle non-core/mature assets into accretive and value-enhancing acquisitions
- Synergistic with current assets
- Discounted to replacement cost
- Opportunity to create value through operational skill and/or lease-up

Non-Core Dispositions

6.0%

Avg GAAP Yield

83%

Avg Leased %

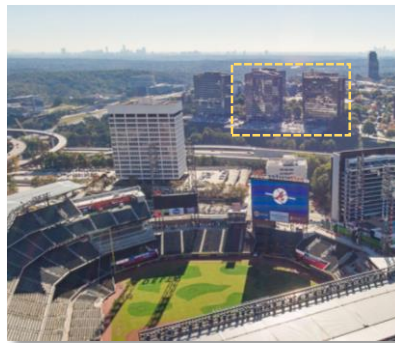
Strategic Acquisitions

7.5%

Avg GAAP Yield

82%

Avg Leased %



POSITION ESTABLISHED

GALLERIA/CUMBERLAND

**BURLINGTON
(SUBURBAN BOSTON)**

ORLANDO CBD

INVESTMENT IN SUBMARKET

~ \$200M

~ \$300M

~ \$400M

DISCOUNT TO REPLACEMENT COST*

> 40%

> 25%

> 30%

Piedmont sits in a unique situation in which its remaining non-core assets are expected to generate low cap rates upon sale; we believe we will continue to reinvest in our core markets at accretive spreads.

'Sell at low cap rates, buy at higher cap rates' is an uncommon thesis.

Recent Acquisitions as Redeployment Evidence

25 Mall Rd., Burlington



Additive to Market Position

- ✓ PDM now owns almost 1.0 million SF in Burlington; controls 40% of the class A market

Stats

7.5%
Year 1 FFO Yield

~40%
Discount to Replacement Cost

What's the Opportunity?

- Lease up vacant space
- Rollup on near term expirations

What PDM Sees

- Historical jewel in Burlington; well-known to market and PDM
- Understanding of anchor tenant and tendencies
- Provides alternative space for smaller tenants in the submarket
- Modest repositioning opportunity

Excelsior Blvd., Minneapolis



- ✓ PDM now owns almost 1.2 million square feet in the West/SW submarkets; leading position in Minneapolis MSA

10.2%
Year 1 FFO Yield

~50%
Discount to Replacement Cost

- Lease restructure and/or re-lease of anchor

- \$27 million of contractual net rent from an A-rated credit tenant through 2023
- Pre-eminent on-site amenity offering in the market
- Proximity to planned Light Rail station connecting the SW suburbs to the CBD (funded and scheduled to operate in 2023)

501 Church St., Orlando



- ✓ PDM now owns 1.5 million square feet in the downtown core; dominant owner in Orlando's CBD

9.9%
Year 1 FFO Yield

~50%
Discount to Replacement Cost

- Tailwinds from ongoing neighborhood revitalization

- Located in the heart of a significant downtown redevelopment district including University of Central Florida's Creative Village
- Distinctive price point and environment allows PDM to diversify tenant demand



Seizing Opportunities - Concentrated Capital Deployment in Atlanta, Boston, Dallas, & Orlando

Dallas Spotlight – Creating Value in a Strategic Market

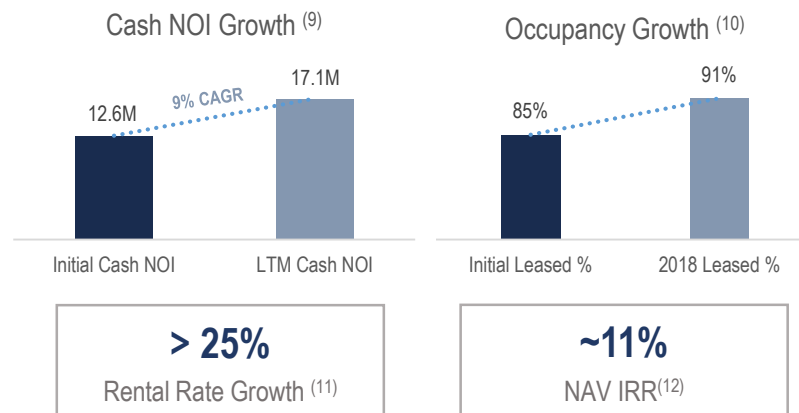
Recognizing the Opportunity

- In 2013, we observed strengthening fundamentals in the Dallas market- job growth outperformance, leasing market improvement, & limited new office development.
- Strong job growth was driving office demand and leading to higher rental rates; however, the pricing of assets did not reflect the market momentum.

Reaction: Acquired Properties with Income Growth Potential

- Completed five acquisitions of Class A Office properties totaling \$215 million in the Dallas market since late 2013, three of which were purchased at the beginning of the period.

Results: Strong NOI Growth and Value Accretion



One Lincoln Park



6565 North MacArthur

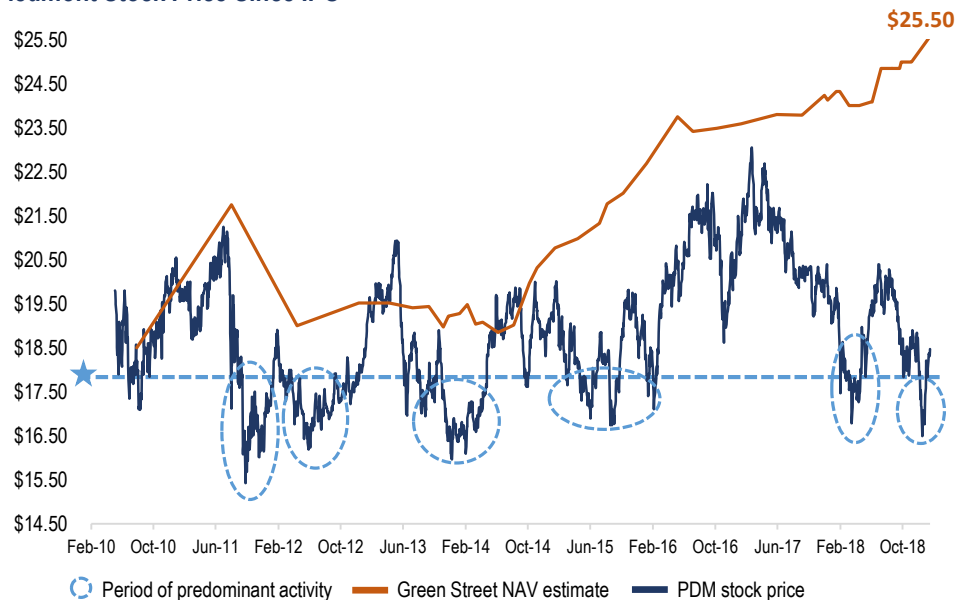


750 W John Carpenter



Piedmont has Created Value through the Opportunistic Acquisition of ~\$850M of its Stock

Piedmont Stock Price Since IPO



★ **Average Stock Buyback Price of \$17.71 per Share**
~48 Million Total Shares Repurchased Since IPO
 As of 12/31/2018

“Management has smartly bought back stock (with sales proceeds) multiple times this cycle...”

GreenStreet Advisors, PDM Company Snapshot May 7, 2018

Measuring the Impact of Recent Capital Allocation

NAV Impact Scenarios: Q4 17 through Q4 18 Activity

Calculated using different assumed starting NAVs per share and otherwise publicly available data

Sample Calculation- Assuming \$25.00 Starting NAV

	9/30/2017	Change in RE ⁽¹³⁾	12/31/2018
Real Estate Value	\$5,416,392	(\$392,538)	\$5,023,854
Less: Debt	(\$1,710,903)		(\$1,694,706)
Plus: Working Capital ⁽¹⁴⁾	(\$73,114)		(\$125,531)
Net Value	\$3,632,375		\$3,203,617
Shares Outstanding	145,295		126,219
Net Asset Value per share	\$25.00		\$25.38
Plus: Special Dividend	\$0.00		\$0.50
Total Net Asset Value per share	\$25.00		\$25.88

Sales:

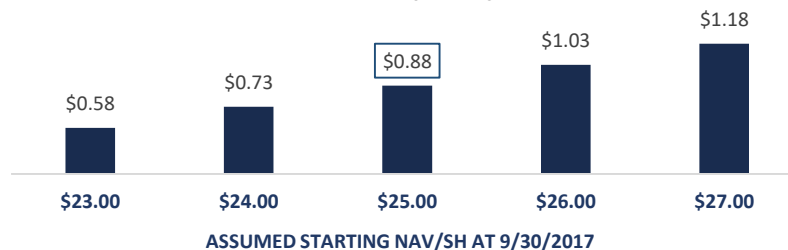
14-Property Portfolio
800 North Brand Blvd

Acquisitions:

Norman Pointe I
501 West Church Street
9320 Excelsior Blvd
25 Burlington Mall Road

\$0.60 to \$1.20 per share
Gain in Value from Buying
Back Stock Below NAV ¹⁵

HYPOTHETICAL Value Accretion at Differing Starting NAV/sh Assumptions



Opportunity: Delivering Unique Environments

US BANCORP CENTER, MINNEAPOLIS



Built 2000, acquired May 2003
Iconic asset in Minneapolis CBD

Expected Scope:

- Convert entire 31st floor (previously housed mechanical systems) to tenant amenity center
- Construct state-of-the-art fitness center, game room, training center, and lounge area
- Install 24-foot windows to provide panoramic views downtown skyline

FYE 2017 reported basis:	\$220/SF
Project investment:	\$10/SF
Est replacement cost:	\$450/SF
Class A CBD gross rents:	Upper \$30's
Discount to replacement cost:	49%
Market yield on projected basis:	8.7%

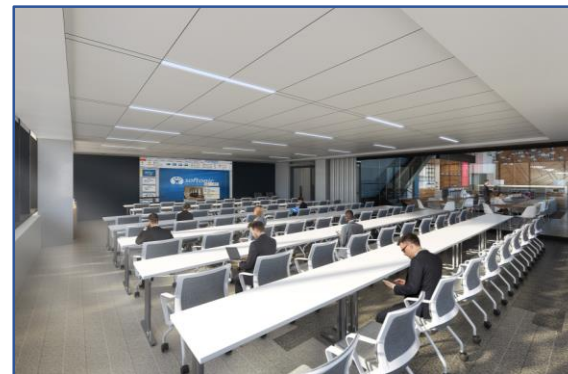
Tenant Lounge Area



Fitness Center Overlooking Downtown



Convertible Conference Space



Opportunity: Delivering Unique Environments

SUNTRUST CENTER, ORLANDO



Built 1988, acquired November 2015
Pin corner location at Orange and Church Street

Expected Scope:

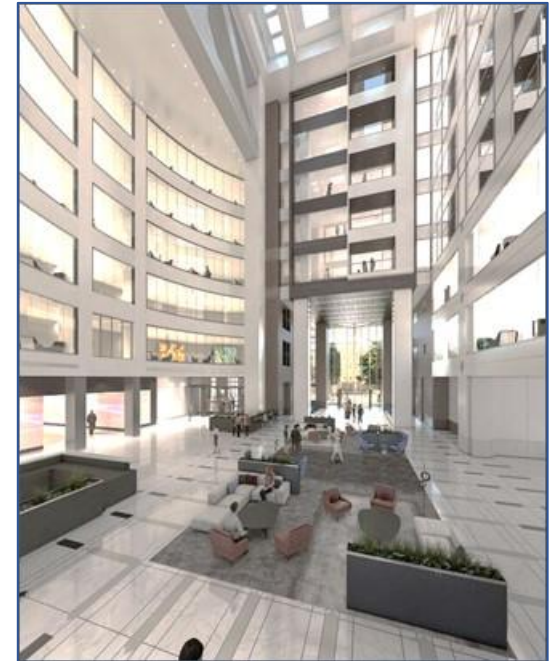
- Planned lobby conversion including the addition of downtown's first food hall and tenant collaboration area
- Construction of outdoor balconies
- Activation of outdoor park area

FYE 2017 reported basis:	\$215/SF
Project investment:	\$19/SF
Est replacement cost:	\$425/SF
Class A CBD gross rents:	Low \$30's
Discount to replacement cost:	45%
Market yield on projected basis:	8.6%

Balcony Overlooking Park



Activated Lobby



Current Park Setting



Activated Park Setting



Opportunity: Delivering Unique Environments

TWO PIERCE PLACE, CHICAGO



Built 1991, acquired November 2006

Second-tallest office building in Chicagoland outside of CBD; strategically located near O'Hare Int'l Airport

Expected Scope:

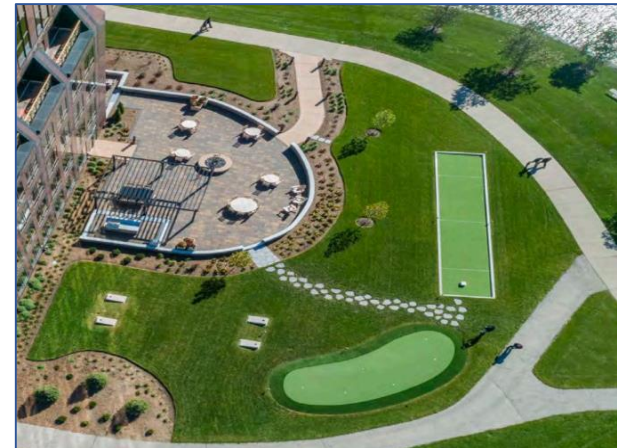
- Complete renovation of lobby, fitness center and café; full elevator modernization; additional parking capacity
- Added tenant amenity center, including leisure space and meeting/training rooms
- Constructed outdoor patio and recreation area

FYE 2017 reported basis (excl. project):	\$102/SF
Project investment:	\$29/SF
Est replacement cost:	\$375/SF
Class A gross rents:	Mid to Upper \$20's
Discount to replacement cost:	65%
Market yield on projected basis:	11.4%

Lobby Renovation



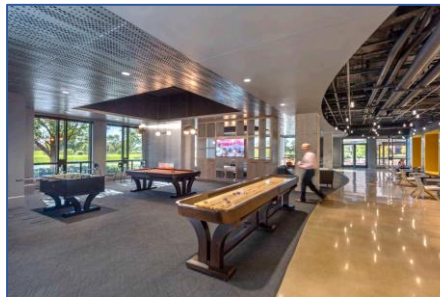
Patio / Recreation Area



Café Dining Area



Tenant Amenity Center



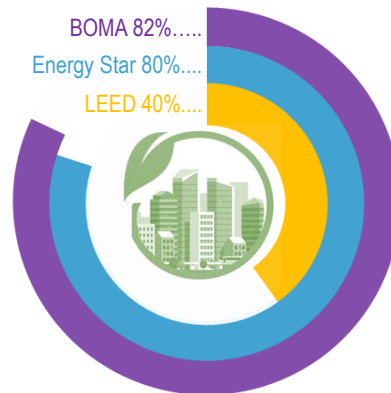
Piedmont maintains five regional offices to ensure local expertise is leveraged and relationships are cultivated within our markets.

Real Estate is a Local Business...



SUSTAINABILITY...Committed to Initiatives

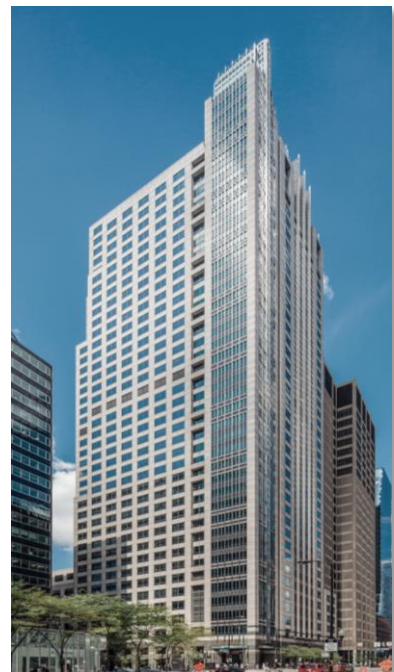
Piedmont leverages industry partnerships including BOMA, ENERGY STAR, and U.S. Green Building Council, to advance the energy and sustainability performance of its assets.



Piedmont values operational excellence and is committed to continual improvement in resource efficiency and sustainability.

In 2017, Piedmont's energy-saving initiatives resulted in savings of over 5.7 million kWh.*



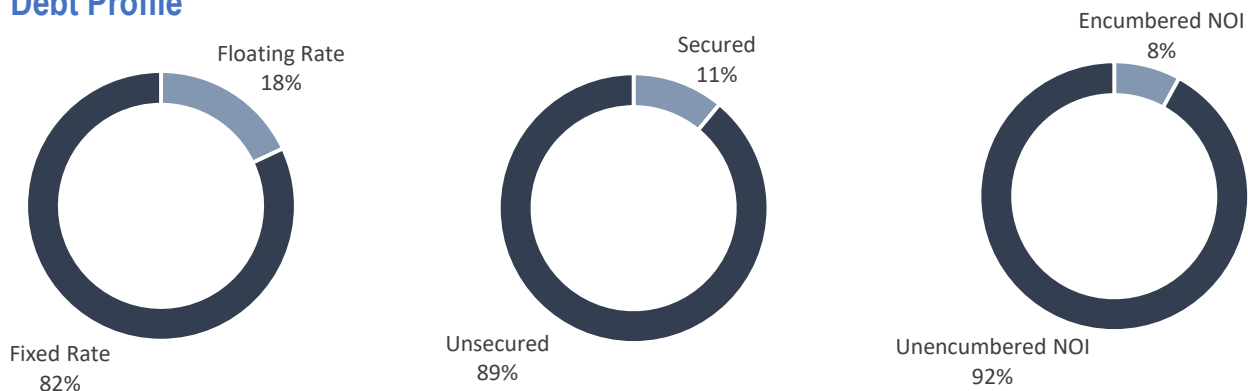


500 WEST MONROE – CHICAGO, IL

Laddered Debt Maturity Schedule



Debt Profile



Debt Metrics

Net Debt /
Gross Assets
36.0%

Net Debt /
Core EBITDA
5.8x

Fixed Charge
Coverage Ratio
4.5x

Weighted Avg.
Interest Rate
3.8%

Credit Ratings

Moody's
Baa2

S&P
BBB

Why You Should Consider Piedmont...

Growing Income

- ~\$25-30 million of cash NOI currently under abatement or not yet commenced
- Average lease term of 6.6 years
- 59% of rents derived from invest. grade or nationally-recognized companies

Risk-Adjusted Returns

- One of the highest Sharpe ratios in the office sector
- Diversified markets- not vulnerable to the macroeconomic conditions of one region

Accretive Capital Redeployment

- Reinvest sale proceeds of low-yielding assets into higher yielding opportunities within our target markets

Balance Sheet

- Simple and flexible debt structure- no debt maturities until late 2021
- BBB (stable), Baa2 (stable)

Dividend

- Currently yielding 4.3% vs office average of 3.8%
- Well-covered at ~64% AFFO payout ratio

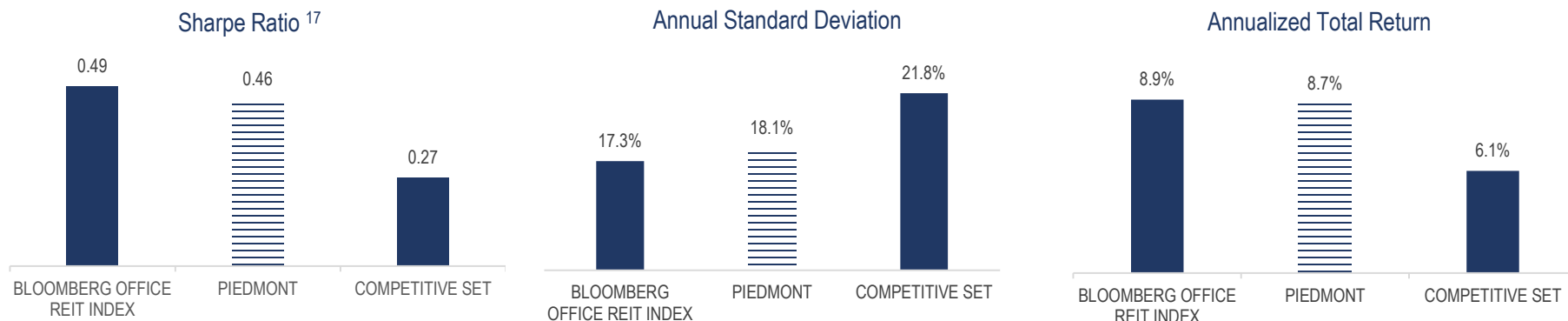
Value Opportunity

- Piedmont currently trades at a 11.3x forward estimated FFO multiple vs the office average of 15.0x
- Currently trading at a discount of ~20% to GreenStreet's NAV of \$25.50/sh



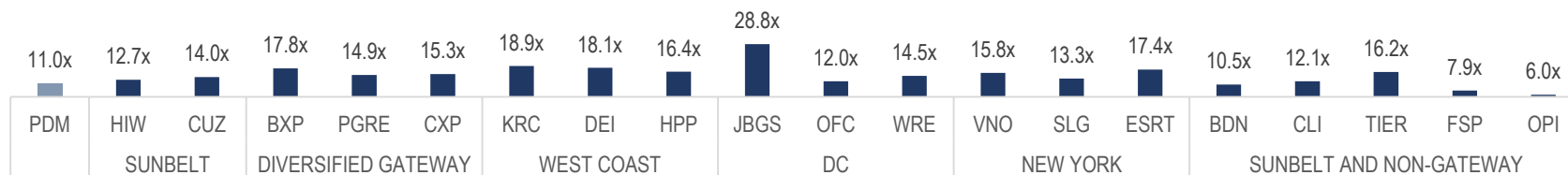
Attractive Risk-Adjusted Returns

Piedmont IPO through January 31, 2019

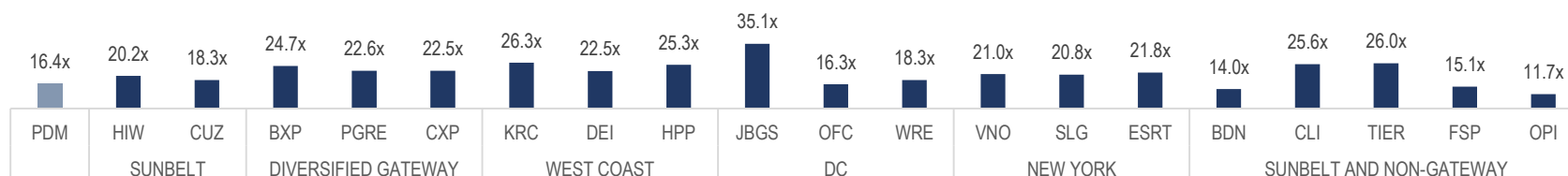


Undervalued within the Office REIT Sector ¹⁸

P/2019 EST FFO Multiple



P/2019 EST AFFO Multiple

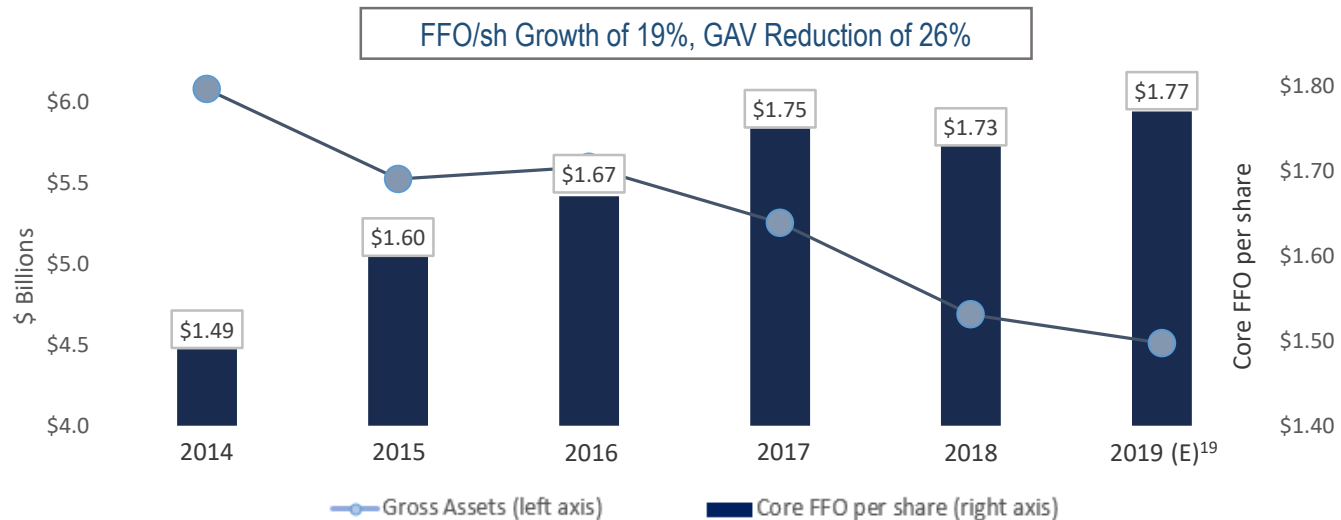


Competitive Set: BDN, CLI, CUZ, HIW, OFC

2019 Guidance

- Anticipated Core FFO of **\$1.74 to \$1.80 per share**
- Despite the sale or anticipated sale of over \$950 million (net) of assets since the beginning of 2017, the mid-point of our guidance range represents an increase of \$0.02 per share over 2017's performance
- Guidance includes the anticipated sale of One Independence Square in Washington, DC

Consistent FFO Growth Despite Capital Base Reduction



Appendix

Appendix – Exhibit 1: Balance Sheet

	December 31, 2018	December 31, 2017
Assets:		
Real estate, at cost:		
Land assets	\$ 507,422	\$ 490,625
Buildings and improvements	3,077,189	2,927,289
Buildings and improvements, accumulated depreciation	(772,093)	(683,770)
Intangible lease asset	165,067	176,950
Intangible lease asset, accumulated amortization	(87,391)	(99,145)
Construction in progress	15,848	11,344
Real estate assets held for sale, gross	159,005	832,001
Real estate assets held for sale, accumulated depreciation & amortization	(48,453)	(270,552)
Total real estate assets	3,016,594	3,384,742
Investments in and amounts due from unconsolidated joint ventures	—	10
Cash and cash equivalents	4,571	7,382
Tenant receivables, net of allowance for doubtful accounts	10,800	12,139
Straight line rent receivable	162,589	144,469
Notes receivable	—	—
Escrow deposits and restricted cash	1,463	1,373
Prepaid expenses and other assets	25,356	20,778
Goodwill	98,918	98,918
Interest rate swap	1,199	688
Deferred lease costs, gross	433,759	425,295
Deferred lease costs, accumulated amortization	(183,611)	(180,120)
Other assets held for sale, gross	23,237	104,462
Other assets held for sale, accumulated amortization	(2,446)	(20,169)
Total assets	\$ 3,592,429	\$ 3,999,967
Liabilities:		
Unsecured debt, net of discount	\$ 1,495,121	\$ 1,535,311
Secured debt	190,351	191,616
Accounts payable, accrued expenses, and accrued capital expenditures	129,491	216,653
Deferred income	28,779	29,582
Intangible lease liabilities, less accumulated amortization	35,708	38,458
Interest rate swaps	839	1,478
Other liabilities held for sale	—	380
Total liabilities	\$ 1,880,289	\$ 2,013,478
Stockholders' equity:		
Common stock	1,262	1,424
Additional paid in capital	3,683,186	3,677,360
Cumulative distributions in excess of earnings	(1,982,542)	(1,702,281)
Other comprehensive loss	8,462	8,164
Piedmont stockholders' equity	1,710,368	1,984,667
Non-controlling interest	1,772	1,822
Total stockholders' equity	1,712,140	1,986,489
Total liabilities, redeemable common stock and stockholders' equity	\$ 3,592,429	\$ 3,999,967
<i>Common stock outstanding at end of period</i>	<i>126,219</i>	<i>142,359</i>

Appendix – Exhibit 2: Income Statement

	Twelve Months Ended			
	12/31/2018	12/31/2017	Change (\$)	Change (%)
Revenues:				
Rental income	\$ 411,667	\$ 455,125	\$ (43,458)	(9.5)%
Tenant reimbursements	92,743	98,139	(5,396)	(5.5)%
Property management fee revenue	1,450	1,735	(285)	(16.4)%
Other property related income	20,107	19,174	933	4.9 %
	<u>525,967</u>	<u>574,173</u>	<u>(48,206)</u>	<u>(8.4)%</u>
Expenses:				
Property operating costs	209,338	222,441	13,103	5.9 %
Depreciation	107,956	119,288	11,332	9.5 %
Amortization	63,295	75,367	12,072	16.0 %
Impairment loss on real estate assets	—	46,461	46,461	100.0 %
General and administrative	29,713	29,319	(394)	(1.3)%
	<u>410,302</u>	<u>492,876</u>	<u>82,574</u>	<u>16.8 %</u>
Real estate operating income	115,665	81,297	34,368	42.3 %
Other income / (expense):				
Interest expense	(61,023)	(68,124)	7,101	10.4 %
Other income / (expense)	1,638	657	981	149.3 %
Equity in income / (loss) of unconsolidated joint ventures	—	3,845	(3,845)	(100.0)%
Gain / (loss) on extinguishment of debt	(1,680)	—	(1,680)	(100.0)%
	<u>(61,065)</u>	<u>(63,622)</u>	<u>2,557</u>	<u>4.0 %</u>
Income from continuing operations	54,600	17,675	36,925	208.9 %
Discontinued operations:				
Operating income, excluding impairment loss	—	—	—	
Gain / (loss) on sale of properties	—	—	—	
Income / (loss) from discontinued operations	—	—	—	
Gain / (loss) on sale of real estate	75,691	115,874	(40,183)	(34.7)%
Net income	130,291	133,549	(3,258)	(2.4)%
Less: Net (income) / loss attributable to noncontrolling interest	5	15	(10)	(66.7)%
Net income attributable to Piedmont	\$ 130,296	\$ 133,564	\$ (3,268)	(2.4)%
<i>Weighted average common shares outstanding - diluted</i>	<i>130,636</i>	<i>145,380</i>		
Net income per share available to common stockholders - diluted	\$ 1.00	\$ 0.92		
<i>Common stock outstanding at end of period</i>	<i>126,219</i>	<i>142,359</i>		

Appendix – Exhibit 3: Funds From Operations

	Twelve Months Ended	
	12/31/2018	12/31/2017
GAAP net income applicable to common stock	\$ 130,296	\$ 133,564
Depreciation	107,113	118,577
Amortization	63,235	75,327
Impairment loss	—	46,461
Loss / (gain) on sale of properties	(75,691)	(119,557)
NAREIT funds from operations applicable to common stock	224,953	254,372
Adjustments:		
Acquisition costs	—	6
Loss / (gain) on extinguishment of debt	1,680	—
Core funds from operations applicable to common stock	226,633	254,378
Adjustments:		
Amortization of debt issuance costs, fair market adjustments on notes payable, and discount on senior notes	2,083	2,496
Depreciation of non real estate assets	813	809
Straight-line effects of lease revenue	(13,980)	(21,492)
Stock-based and other non-cash compensation expense	7,528	6,139
Amortization of lease-related intangibles	(7,615)	(6,575)
Acquisition costs	—	(6)
Non-incremental capital expenditures	(44,004)	(35,437)
Adjusted funds from operations applicable to common stock	\$ 171,458	\$ 200,312
Weighted average common shares outstanding - diluted	130,636	145,380
Funds from operations per share (diluted)	\$ 1.72	\$ 1.75
Core funds from operations per share (diluted)	\$ 1.73	\$ 1.75
Common stock outstanding at end of period	126,219	142,359

Appendix – Exhibit 4: Historical TI & LC Commitments

	Three Months Ended December 31, 2018	Twelve Months Ended December 31, 2018	For the Year Ended					2013 to 2018 (Weighted Average or Total)
			2017	2016	2015	2014	2013	
Renewal Leases								
Number of leases	13	66	64	79	74	56	56	395
Square feet	127,478	735,969	1,198,603	880,289	1,334,398	959,424	2,376,177	7,484,860
Tenant improvements per square foot ⁽¹⁾	\$27.88	\$22.33	\$7.84	\$7.36	\$16.91	\$19.02	\$14.24	\$14.29
Leasing commissions per square foot	\$13.41	\$9.09	\$4.80	\$5.76	\$8.29	\$8.33	\$4.66	\$6.37
Total per square foot	\$41.29	\$31.42	\$12.64	\$13.12	\$25.20	\$27.35	\$18.90	\$20.66
Tenant improvements per square foot per year of lease term	\$4.65	\$4.15	\$1.84	\$1.35	\$2.90	\$2.97	\$1.88	\$2.33
Leasing commissions per square foot per year of lease term	\$2.24	\$1.69	\$1.12	\$1.05	\$1.42	\$1.30	\$0.62	\$1.04
Total per square foot per year of lease term	\$6.89 ⁽²⁾	\$5.84 ⁽³⁾	\$2.96	\$2.40	\$4.32 ⁽⁴⁾	\$4.27 ⁽⁵⁾	\$2.50	\$3.37
New Leases								
Number of leases	14	72	74	93	90	98	87	514
Square feet	100,359	864,113	855,069	1,065,630	1,563,866	1,142,743	1,050,428	6,541,849
Tenant improvements per square foot ⁽¹⁾	\$42.77	\$50.43	\$41.19	\$40.78	\$60.41	\$34.46	\$35.74	\$44.89
Leasing commissions per square foot	\$17.99	\$19.04	\$15.90	\$15.13	\$20.23	\$15.19	\$12.94	\$16.62
Total per square foot	\$60.76	\$69.47	\$57.09	\$55.91	\$80.64	\$49.65	\$48.68	\$61.51
Tenant improvements per square foot per year of lease term	\$4.45	\$4.58	\$4.73	\$5.01	\$5.68	\$3.78	\$4.17	\$4.76
Leasing commissions per square foot per year of lease term	\$1.87	\$1.73	\$1.83	\$1.86	\$1.90	\$1.66	\$1.51	\$1.76
Total per square foot per year of lease term	\$6.32	\$6.31 ⁽³⁾	\$6.56	\$6.87	\$7.58 ⁽⁶⁾	\$5.44	\$5.68	\$6.52
Total								
Number of leases	27	138	138	172	164	154	143	909
Square feet	227,837	1,600,082	2,053,672	1,945,919	2,898,264	2,102,167	3,426,605	14,026,709
Tenant improvements per square foot ⁽¹⁾	\$34.44	\$37.50	\$21.73	\$25.66	\$40.38	\$27.41	\$20.83	\$28.56
Leasing commissions per square foot	\$15.43	\$14.46	\$9.42	\$10.89	\$14.73	\$12.06	\$7.20	\$11.15
Total per square foot	\$49.87	\$51.96	\$31.15	\$36.55	\$55.11	\$39.47	\$28.03	\$39.71
Tenant improvements per square foot per year of lease term	\$4.54	\$4.46	\$3.55	\$3.70	\$4.79	\$3.48	\$2.64	\$3.73
Leasing commissions per square foot per year of lease term	\$2.03	\$1.72	\$1.54	\$1.57	\$1.75	\$1.53	\$0.91	\$1.45
Total per square foot per year of lease term	\$6.57 ⁽²⁾	\$6.18 ⁽⁵⁾	\$5.09	\$5.27	\$6.54 ⁽⁶⁾	\$5.01 ⁽⁵⁾	\$3.55	\$5.18
Less Adjustment for Commitment Expirations ⁽⁷⁾								
Expired tenant improvements (not paid out) per square foot	-\$5.69	-\$4.49	-\$2.73	-\$1.12	-\$2.77	-\$5.60	-\$5.47	-\$3.82
Adjusted total per square foot	\$44.18	\$47.47	\$28.42	\$35.43	\$52.34	\$33.87	\$22.56	\$35.89
Adjusted total per square foot per year of lease term	\$5.82	\$5.64	\$4.65	\$5.11	\$6.21	\$4.30	\$2.86	\$4.68

Appendix – Exhibit 5: Projected Capex as a % of NOI

Inputs/Assumptions		Exhibit/Variable Key
Total Portfolio Square Footage	16,694,710	A
Weighted Average Lease Term (Years)	8	B
Renewal Probability on Currently Occupied Space	70%	C
New Lease Probability on Currently Occupied Space	30%	D
Avg. Total Renewal Leasing Costs PSF/Year of Term (2015-2018)	\$3.63	E
Avg. Total New Leasing Costs PSF/Year of Term (2015-2018)	\$6.15	F
Assumed New Leasing per Year on Currently Vacant Space (SF)	400,000	G
Assumed New Leasing Rental Rate (\$/SF)	\$38.50	H
Assumed Margin on New Leases	80%	I
Dec 2018 NOI - Recurring Cash Annualized	\$ 291,898,465	J
Building Capital as a % of NOI	5.0%	J

	Year 2018 Total	Year 2019E Total	Year 2020E Total	Year 2021E Total	Variable Key/Formulac Proof
Numerator					
Lease Expiration Schedule (% of SF, as of 12/31/2018)		10.6%	8.0%	3.7%	Variable (in a Given Year) = Z
Renewal Leasing Committed Capital Costs (currently occupied space)		\$ 35,926,154	\$ 27,114,079	\$ 12,540,261	=A*B*C*E*Z
New Leasing Committed Capital Costs (currently occupied space)		\$ 26,107,134	\$ 19,703,497	\$ 9,112,868	=A*B*D*F*Z
New Leasing Committed Capital Costs (currently vacant space)		\$ 19,670,400	\$ 19,670,400	\$ 19,670,400	=B*F*G
Total Leasing Committed Capital Costs	\$75,954,523	\$ 81,703,689	\$ 66,487,976	\$ 41,323,529	
Total Leasing Spent Capital Costs		\$ 75,954,523	\$ 81,703,689	\$ 66,487,976	
Denominator					
Dec 2018 NOI - Recurring Cash Annualized	\$ 291,898,465	\$ 291,898,465	\$ 304,218,465	\$ 316,538,465	
Added New Leasing Revenue (400k SF/year at \$38.50/SF at 80% margin)		\$ 12,320,000	\$ 12,320,000	\$ 12,320,000	=G*H*I
Property NOI (Cash)		\$ 304,218,465	\$ 316,538,465	\$ 328,858,465	
Capex/NOI					
Building Capital as a % of NOI		5.0%	5.0%	5.0%	=J
Leasing Capital as a % of NOI		25.0%	25.8%	20.2%	
Adjusted Total Capital Expenditures as a % of NOI		30.0%	30.8%	25.2%	
Projected Capex as a % of NOI Average:				28.7%	

- 1 For the purposes of the calculation, we annualize the quarter's Core EBITDA and use the average daily balance of debt outstanding during the period, less cash and cash equivalents and escrow deposits and restricted cash as of the end of the period.
- 2 Statistical information presented throughout the document regarding the company's portfolio of properties includes all in-service properties and excludes one out-of-service property as of December 31, 2018, unless otherwise noted.
- 3 Includes Annualized Lease Revenue attributable to tenants with an investment grade credit rating and tenants that do not have a credit rating but have well-established businesses, such as Independence Blue Cross, Piper Jaffray, Brother International, and RaceTrac Petroleum.
- 4 Applies Green Street Advisors' implied forward cap rate for share repurchase activity; forward twelve months as of Jan 2019.
- 5 Source: SNL Financial. Includes HIW, CUZ, BXP, PGRE, CXP, KRC, DEI, HPP, JBGS, OFC, WRE, DEA, VNO, SLG, ESRT, BDN, CLI, OPI, TIER, FSP, EQC, & PDM.
- 6 Weighted averages are calculated by applying Green Street Advisor's estimated asset value concentration in each geographic market to the 2019-2023 projected employment growth for each market. Companies included in the Gateway average include BXP, DEI, ESRT, KRC, PGRE, SLG, VNO, and WRE. Companies included in the Non-gateway average include BDN, CLI, CUZ, EQC, HIW, and OFC.
- 7 Annualized rental income associated with newly executed leases for currently occupied space is incorporated herein only at the expiration date for the current lease. Annualized rental income associated with such new leases is removed from the expiry year of the current lease and added to the expiry year of the new lease.
- 8 Includes leases with an expiration date of December 31, 2018, comprised of 78,000 square feet and Annualized Lease Revenue of \$4.2 million.
- 9 Initial Cash NOI represents the aggregated NOI contribution from each asset during the first twelve months of ownership. LTM Cash NOI represents the aggregated NOI contribution from each asset over the twelve month period ending 12/31/18. The displayed NOI growth CAGR represents the weighted average of each asset's NOI growth CAGR.
- 10 Initial Leased % represents the average occupancy for the acquired properties as of their respective acquisition dates and 2018 Lease % represents the average occupancy for those same properties as of 12/31/18.
- 11 Rental rate growth information was sourced from CoStar and represents the growth in market rental rates from mid-year 2013 to mid-year 2018.
- 12 Represents the weighted average of each asset's IRR. In order to calculate the IRR for each property, an assumption is made that each property is sold at 12/31/18 at the Company's estimate of its current value.
- 13 Amount represents deduction of assets sold during the period (less closings costs) plus the addition of assets bought during the period.
- 14 Working Capital is Current Assets less Current Liabilities.
- 15 Depending upon ascribed starting NAV (at 9/30/17).
- 16 The \$500 million unsecured revolving credit facility has an initial maturity date of September 30, 2022; however, there are two, six-month extension options available under the facility providing for a total extension of up to one year to September 29, 2023.
- 17 Sharpe Ratio is the average return earned in excess of the risk-free rate per unit of volatility. The relevant performance period is from February 10, 2010 (Piedmont's IPO) through January 31, 2019.
- 18 Source: SNL, updated 2/1/2019.
- 19 Assumes a Core FFO amount equal to the midpoint of the Company's 2019 Core FFO guidance range; GAV based on the Company's GAV at 12/31/2018 less the gross book value of One Independence Square in Washington, DC as of 12/31/2018.