Piedmont Office Realty Trust Reports Fourth Quarter and Annual 2017 Results

February 7, 2018

ATLANTA, February 7, 2018--Piedmont Office Realty Trust, Inc. ("Piedmont" or the "Company") (NYSE:PDM), an owner of Class A office properties in select sub-markets located primarily within eight major Eastern U.S. office markets, today announced its results for the quarter and year ended December 31, 2017.

<u>Highlights for the Three Months and Year Ended December 31, 2017:</u>

· Completed almost 900,000 square feet of leasing during the fourth quarter, resulting in approximately 20% and 25% roll ups in cash and accrual rents, respectively, and bringing total leasing for the year to over two million square feet and year-end leased percentage to approximately 90%;

· Due to the timing of completion of transactional activity undertaken in 2017, reported Net Loss Applicable to Common Stockholders of $(0.21) per diluted share for the quarter and Net Income Applicable to Common Stockholders of $0.92 per diluted share for the year ended December 31, 2017;

· Achieved Core Funds From Operations ("Core FFO") of $0.42 and $1.75 per diluted share for the quarter and year ended December 31, 2017, respectively;

· Reported increases of approximately 4% and 9% in Same Store NOI- Cash Basis for the quarter and year ended December 31, 2017, respectively;

· Acquired Norman Pointe I during the fourth quarter, an approximately 214,000 square foot, 7-story, Class-A, value-add office building located in close proximity to Piedmont's existing Minneapolis, MN assets;

· Sold one joint venture asset and two wholly-owned properties during the year, including Two Independence Square, one of the Company's largest Washington, D.C. assets, for an aggregate of approximately $396 million in gross proceeds;

· Paid down debt using net disposition proceeds from the property sales mentioned above, resulting in decreased leverage levels and substantially improved debt metrics;

· Repurchased 3.1 million shares for a total of $61.8 million under the Company's board-approved stock repurchase program during the year ended December 31, 2017, leaving $188 million in authorized capacity remaining under the program as of December 31, 2017; and,

· Entered into two binding contracts to sell a total of 14 non-strategic properties for approximately $426 million, which closed on January 4, 2018, and thereby exit four office markets.

Commenting on the Company's 2017 results, Donald A. Miller, CFA, President and Chief Executive Officer, said, "We had a strong fourth quarter from both a leasing and transactional perspective, allowing us to finish the year with over two million square feet of leasing and to finalize the sale of 14 assets during the first couple days of January. We were able to successfully address several near term expirations or vacancies in the portfolio through our leasing efforts; our balance sheet is in great shape as a result of paying down debt with proceeds from our sale transactions; and our portfolio is now almost exclusively focused on our eight core markets."

Results for the Quarter ended December 31, 2017

Due to the accounting requirement to recognize losses when known, but defer gains until closing, Piedmont recognized net loss applicable to common stockholders for the three months ended December 31, 2017 of $(31.4) million, or $(0.21) per diluted share, as compared with net income of $30.2 million, or $0.21 per diluted share, for the three months ended December 31, 2016. The fourth quarter included an approximately $46.5 million, or $0.32 per diluted share, impairment loss on certain assets as a result of reclassifying 14 properties to held-for-sale during the quarter. The gains on sale for certain of these assets will not be reported until the first quarter of 2018, when the sales closed. The fourth quarter of the prior year included an approximately $19.7 million, or $0.13 per diluted share, gain on sale of real estate assets.

Funds From Operations ("FFO"), which removes the impact of the gains on sales and impairment losses mentioned above, as well as depreciation and amortization, and Core FFO, which further removes the impact of acquisition expenses and net recoveries from casualty events, were both $0.42 per diluted share for the three months ended December 31, 2017, compared to $0.44 for both for the three months ended December 31, 2016. The decrease in both FFO and Core FFO per share was due to the sale of Two Independence Square in Washington, D.C., one of the Company's largest assets, during the third quarter of 2017.

Revenues and property operating costs were $139.4 million and $55.4 million, respectively, for the three months ended December 31, 2017, compared to $143.9 million and $57.5 million, respectively, for the fourth quarter of 2016. The decrease in both items was primarily a result of the sale of four wholly-owned assets since December 1, 2016, including Two Independence Square, one of the Company's largest assets, during the third quarter of 2017.

General and administrative expense was $7.9 million for the fourth quarter of 2017, compared to $5.7 million for the same period in 2016, primarily as a result of increased accruals for potential stock-based compensation expense as compared to the fourth quarter of 2016.

Gain/ (loss) on sale of real estate assets was a loss of $(77,000) for the fourth quarter of 2017, as compared to a gain of $19.7 million for the three months ended December 31, 2016 reflecting the sale of two wholly-owned assets that occurred during the fourth quarter of 2016.

In addition, net income available to common stockholders per share, FFO per diluted share and Core FFO per diluted share for the three months ended December 31, 2017 were all favorably impacted by an approximately 1.3 million share decrease in our weighted average shares outstanding as a result of the repurchase of approximately 2.9 million shares pursuant to the Company's stock repurchase program during the quarter.

Results for the Year ended December 31, 2017

Piedmont recognized net income available to common stockholders for the year ended December 31, 2017 of $133.6 million, or $0.92 per diluted share, as compared to $99.7 million, or $0.69 per diluted share, for the year ended December 31, 2016. The 2017 results included approximately $119.6 million, or $0.82 per diluted share, in gains on sales of real estate assets, whereas the 2016 results included $93.4 million, or $0.64 per diluted share, in such gains. Additionally, real estate operating income was approximately $10.5 million higher for the year ended 2017 as compared with the year ended 2016, primarily as a result of the commencement of several significant leases, the expiration of various operating expense abatement periods, the impact of net transactional acquisition activity during 2017 and 2016, which was partially offset by increased impairment losses in 2017 as a result of reclassifying the portfolio as held-for-sale during the fourth quarter of 2017.

FFO and Core FFO were both $1.75 per diluted share for the year ended December 31, 2017, as compared to $1.67 for both for the year ended December 31, 2016, with the increase reflecting the commencement of several significant leases, the expiration of various operating expense abatement periods, the impact of net transactional acquisition activity during 2017 and 2016, which was partially offset by an increase in interest expense as a result of lower capitalized interest in the current year due to the completion of several development projects in early 2017.

Revenues for the year ended December 31, 2017 were $574.2 million as compared with $555.7 million for the year ended December 31, 2016, with the increase primarily attributable to the commencement of several significant leases, the expiration of various operating expense abatement periods, and the impact of net transactional acquisition activity during 2017 and 2016.

Property operating costs increased $1.7 million from $218.9 million for the year ended December 31, 2016 to $220.6 million for the year ended December 31, 2017, primarily as a result of the net transactional activity mentioned above.

General and administrative expenses were $31.1 million for the year ended December 31, 2017, as compared to $29.2 million for the year ended December 31, 2016, primarily as a result of increased accruals for potential stock-based compensation expense as compared to the prior year.

Leasing Update

The Company's leasing volume for the quarter ended December 31, 2017 totaled approximately 867,000 square feet, bringing total leasing for the year to approximately 2.1 million square feet. The two largest leasing transactions completed during the fourth quarter were both previously announced and included the renewal of Raytheon Company's approximately 440,000 square foot lease through 2024 in the Boston office market at 225 & 235 Presidential Way, and a new, full building (approximately 152,000 square foot) lease through 2034 with Gartner, Inc. in the Dallas market at 6011 Connection Drive.

Other highlights for the quarter included:

- US Bancorp's approximately 51,000 square foot expansion of its existing space at US Bancorp Center in Minneapolis, MN for 6+ years through 2024;
- Harvard University's expansion of approximately 15,000 square feet and renewal of 5,000 square feet at One Brattle Square in Cambridge, MA to 2030; and
- Consilium Staffing, LLC's renewal of approximately 15,000 square feet and expansion by an additional 4,000 square feet at 161 Corporate Center in Irving, TX to 2021.

The Company's leased percentage was 89.7%, up 50 basis points from the third quarter of 2017, and weighted average lease term remained approximately 6.5 years, each as of December 31, 2017. Same Store NOI increased 4.2% and 2.9% on a cash and accrual basis, respectively, compared to the fourth quarter of the prior year, and 9.3% and 5.8% on a cash and accrual basis, respectively, compared to the year ended December 31, 2016, primarily reflecting the expiration of abatement periods and the commencement of leases over the last twelve months. Details outlining Piedmont's occupancy statistics after the close of the 14-property disposition on January 4, 2018, the largest upcoming lease expirations, the status of certain major leasing activity, and a schedule of the largest lease abatement periods can be found in the Company's quarterly supplemental information package available at www.piedmontreit.com.

Transactional and Financing Activity

During the fourth quarter, Piedmont entered into two binding contracts with two different buyers to sell 14 assets, each of which subsequently closed on January 4, 2018. The total gross sales price for both transactions was approximately $425.9 million. An additional $4.5 million of gross sales proceeds is contingent upon certain leasing activity occurring before July 2, 2018. The Company recorded a non-cash impairment loss of approximately $46.5 million in its results of operations for the fourth quarter of 2017 and anticipates recording a gain on sale of approximately $40 million (before consideration of the $4.5 million of contingent proceeds) during the first quarter of 2018 in conjunction with the closing of the transactions. The 14 assets sold included:

- Desert Canyon 300, Phoenix, AZ
- Windy Point I and II, Schaumburg, IL
- 2300 Cabot Drive, Lisle, IL
- 1075 West Entrance Drive, Auburn Hills, MI
- Auburn Hills Corporate Center, Auburn Hills, MI
- 5301 Maryland Way, Brentwood, TN
- Suwanee Gateway One, Suwanee, GA
- 5601 Hiatus Road, Tamarac, FL
- 2001 NW 64th Street, Fort Lauderdale, FL
- Piedmont Pointe I & II, Bethesda, MD
- 1200 Crown Colony Drive, Quincy, MA
- 2120 West End Avenue, Nashville, TN

The Company's line of credit and, subsequently, the sales proceeds from the above transactions were used to repurchase 2.9 million shares of the Company's common stock and to acquire Norman Pointe I, a $35 million value-add asset located in close proximity to the Company's existing Minneapolis assets during the fourth quarter of 2017, as well as to repay, without penalty, on January 4, 2018, $470 million of bank term loans which were scheduled to mature in 2018 and early 2019.

First Quarter 2018 Dividend Declaration

On February 7, 2018, the board of directors of Piedmont declared dividends for the first quarter of 2018 in the amount of $0.21 per share on its common stock to stockholders of record as of the close of business on February 23, 2018, payable on March 16, 2018.

Guidance for 2018

Based on management's expectations, the Company is introducing guidance for full-year 2018 as follows:

(in millions, except per share data)	Low	High
Net Income	$93	-$98
Add:		
Depreciation	112	-116
Amortization	60	-64
Less: Gain on Sale of Real Estate Assets	(39)	-(42)
NAREIT FFO applicable to Common Stock	$226	-$236
NAREIT FFO per diluted share	$1.64	-$1.71
Less: Loss on Early Extinguishment of Debt / Termination of Interest Rate Swaps	$1	-$1
Core FFO applicable to Common Stock	$227	-$237
Core FFO per diluted share	$1.64	-$1.72

These estimates reflect management's view of current market conditions and incorporate certain economic and operational assumptions and projections. Actual results could differ materially from these estimates based on a variety of factors, particularly the timing of any future acquisitions and dispositions as well as those factors discussed under "Forward Looking Statements" below.

Note that individual quarters may fluctuate on both a cash basis and an accrual basis due to lease commencements and expirations, abatement periods, the timing of repairs and maintenance, capital expenditures, capital markets activities, seasonal general and administrative expenses, accrued potential performance-based compensation expenses, and one-time revenue or expense events. In addition, the Company's guidance is based on information available to management as of the date of this release.

Non-GAAP Financial Measures

To supplement the presentation of the Company's financial results prepared in accordance with U.S. generally accepted accounting principles ("GAAP"), this release and the accompanying quarterly supplemental information as of and for the period ended December 31, 2017 contain certain financial measures that are not prepared in accordance with GAAP, including FFO, Core FFO, AFFO, Same Store NOI (cash basis), Property NOI (cash basis), EBITDAre, and Core EBITDA. Definitions and reconciliations of each of these non-GAAP measures to their most comparable GAAP metrics are included below and in the accompanying quarterly supplemental information.

Each of the non-GAAP measures included in this release and the accompanying quarterly supplemental financial information has limitations as an analytical tool and should not be considered in isolation or as a substitute for an analysis of the Company's results calculated in accordance with GAAP. In addition, because not all companies use identical calculations, the Company's presentation of non-GAAP measures in this release and the accompanying quarterly supplemental information may not be comparable to similarly titled measures disclosed by other companies, including other REITs. The Company may also change the calculation of any of the non-GAAP measures included in this news release and the accompanying supplemental financial information from time to time in light of its then existing operations to include other adjustments that may affect its operations.

Conference Call Information

Piedmont has scheduled a conference call and an audio web cast for Thursday, February 8, 2018 at 10:00 A.M. Eastern time. The live audio web cast of the call may be accessed on the Company's website at www.piedmontreit.com in the Investor Relations section. Dial-in numbers are (877) 407-0778 for participants in the United States and Canada and (201) 689-8565 for international participants. A replay of the conference call will be available through 10 A.M. EST on February 22, 2018, and may be accessed by dialing (877) 481-4010 for participants in the United States and Canada and (919) 882-2331 for international participants, followed by conference identification code 24284. A web cast replay will also be available after the conference call in the Investor Relations section of the Company's website. During the audio web cast and conference call, the Company's management team will review fourth quarter and annual 2017 performance, discuss recent events, and conduct a question-and-answer period.

Supplemental Information

Quarterly supplemental information as of and for the period ended December 31, 2017 can be accessed on the Company`s website under the Investor Relations section at www.piedmontreit.com.

About Piedmont Office Realty Trust

Piedmont Office Realty Trust, Inc. (NYSE: PDM) is an owner, manager, developer, and operator of high-quality, Class A office properties in select submarkets located primarily within eight major U.S. office markets. Its geographically-diversified, almost $5 billion portfolio is currently comprised of 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). For more information, see www.piedmontreit.com.

Forward Looking Statements

Certain statements contained in this press release constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The Company intends for all such forward-looking statements to be covered by the safe-harbor provisions for forward-looking statements contained in Section 27A of the Securities Act and Section 21E of the Exchange Act, as applicable. Such information is subject to certain risks and uncertainties, as well as known and unknown risks, which could cause actual results to differ materially from those projected or anticipated. Therefore, such statements are not intended to be a guarantee of the Company`s performance in future periods. Such forward-looking statements can generally be identified by our use of forward-looking terminology such as "may," "will," "expect," "intend," "anticipate," "believe," "continue" or similar words or phrases that are predictions of future events or trends and which do not relate solely to historical matters. Examples of such statements in this press release include the Company's estimated range of Net Income, Depreciation, Amortization, Gain on Sale of Real Estate Assets, NAREIT FFO/Core FFO and NAREIT FFO/Core FFO per diluted share for the year ending December 31, 2018.

The following are some of the factors that could cause the Company`s actual results and its expectations to differ materially from those described in the Company`s forward-looking statements: Economic, regulatory, and/or socio-economic 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 the specific markets in which we operate, particularly in Washington, D.C., the New York metropolitan area, and Chicago where we have high concentrations of our Annualized Lease Revenue; lease terminations or lease defaults, particularly by one of our large lead tenants; the effect on us of adverse market and economic conditions, including any resulting impairment charges on both our long-lived assets or goodwill; 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 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 of properties, many of which risks and uncertainties may not be known at the time of acquisition; 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; 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; any change in the financial condition of any of our large lead tenants; the effect of any litigation to which we are, or may become, subject; changes in tax laws impacting REITs and real estate in general, as well as our ability to continue to qualify as a REIT under the Internal Revenue Code of 1986 (the "Code"); the future effectiveness of our internal controls and procedures; and other factors, including the risk factors discussed under Item 1A. of Piedmont's Amended Annual Report on Form 10-K/A for the year ended December 31, 2016.

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this press release. The Company cannot guarantee the accuracy of any such forward-looking statements contained in this press release, and the Company does not intend to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

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