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, 2023

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)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of exchange on which registered
Common Stock, $0.01 par value	**PDM**	**New York Stock Exchange**

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 ☐

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 17, 2023:
123,696,475 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 our executive officers on our behalf, may from time to time make forward-looking statements in reports and other documents we file 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 our 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 potential acquisition and disposition activity and the potential impact of economic conditions on our real estate and lease portfolio, among others.

These statements are based on beliefs and assumptions of our 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 we operate, competitive conditions, and general economic conditions. These assumptions could prove inaccurate. The forward-looking statements also involve certain known and unknown 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 our ability to control or predict. Such factors include, but are not limited to, the following:

- Economic, regulatory, socio-economic (including work from home), technological (e.g. Metaverse, Zoom, etc), and other changes that impact the real estate market generally, the office sector or the patterns of use of commercial office space in general, or the markets where we primarily operate or have high concentrations of Annualized Lease Revenue (“ALR”) (see definition below);
- The impact of competition on our efforts to renew existing leases or re-let space on terms similar to existing leases;
- Lease terminations, lease defaults, lease contractions, or changes in the financial condition of our tenants, particularly by one of our large lead tenants;
- Impairment charges on our long-lived assets or goodwill resulting therefrom;
- The success of our real estate strategies and investment objectives, including our ability to implement successful redevelopment and development strategies or identify and consummate suitable acquisitions and divestitures;
- The illiquidity of real estate investments, including economic changes, such as rising interest rates, which could impact the number of buyers/sellers of our target properties, and regulatory restrictions to which real estate investment trusts ("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, including the potential of supply chain disruptions, and resultant increased costs and risks;
- Future acts of terrorism, civil unrest, or armed hostilities in any of the major metropolitan areas in which we own properties, or future cybersecurity attacks against any of our properties or our tenants;
- Risks related to the occurrence of cyber incidents, or a deficiency in our cybersecurity, which could negatively impact our business by causing a disruption to our operations, a compromise or corruption of our confidential information, and/or damage to our business relationships;
- Costs of complying with governmental laws and regulations, including environmental standards imposed on office building owners;
- Uninsured losses or losses in excess of our insurance coverage, and our inability to obtain adequate insurance coverage at a reasonable cost;
- Additional risks and costs associated with directly managing properties occupied by government tenants, such as potential changes in the political environment, a reduction in federal or state funding of our governmental tenants, or 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;
- Risks associated with incurring mortgage and other indebtedness, including changing capital reserve requirements on our lenders and rapidly rising interest rates in the public bond markets, could impact our ability to finance properties or refinance existing debt or significantly increase operating/financing costs;
- A downgrade in our credit rating could materially adversely affect our business and financial condition;
- The effect of future offerings of debt or equity securities on the value of our common stock;

- Additional risks and costs associated with inflation and continuing increases in the rate of inflation, including the possibility of a recession that could negatively impact our operations and the operations of our tenants and their ability to pay rent;
- Uncertainties associated with environmental and regulatory matters;
- Changes in the financial condition of our tenants directly or indirectly resulting from geopolitical developments that could negatively affect important supply chains and international trade, 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;
- Additional risks and costs associated with owning properties occupied by tenants in particular industries, such as oil and gas, hospitality, travel, co-working, etc., including risks of default during start-up and during economic downturns;
- 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, as amended (the “Code”), or other tax law changes which may adversely affect our stockholders;
- The future effectiveness of our internal controls and procedures;
- Actual or threatened public health epidemics or outbreaks, such as the COVID-19 pandemic, as well as governmental and private measures taken to combat such health crises, could have a material adverse effect on our business operations and financial results;
- The adequacy of our general reserve related to tenant lease-related assets or the establishment of any other reserve in the future; and
- Other factors, including the risk factor described in Item 1A. Risk Factors of this Quarterly Report on Form 10-Q, as well as the risk factors discussed under Item 1A. of our Annual Report on Form 10-K for the year ended December 31, 2022.

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

ALR is calculated by multiplying (i) current 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 was 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 unleased 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 properties and properties taken out of service for redevelopment, 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 operations, 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 generally accepted accounting principles ("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, 2022. Piedmont's results of operations for the six months ended June 30, 2023 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, 2023	December 31, 2022
Assets:		
Real estate assets, at cost:		
Land	**$ 567,244**	$ 567,244
Buildings and improvements, less accumulated depreciation of $981,052 and $915,010 as of June 30, 2023 and December 31, 2022, respectively	**2,787,404**	2,766,990
Intangible lease assets, less accumulated amortization of $83,763 and $90,694 as of June 30, 2023 and December 31, 2022, respectively	**98,364**	114,380
Construction in progress	**59,116**	52,010
Total real estate assets	**3,512,128**	3,500,624
Cash and cash equivalents	**5,167**	16,536
Tenant receivables, net of allowance for doubtful accounts of $600 and $1,000 as of June 30, 2023 and December 31, 2022, respectively	**5,387**	4,762
Straight-line rent receivables	**180,339**	172,019
Restricted cash and escrows	**5,055**	3,064
Prepaid expenses and other assets	**23,566**	17,152
Goodwill	**82,937**	82,937
Interest rate swaps	**5,693**	4,183
Deferred lease costs, less accumulated amortization of $208,072 and $221,731 as of June 30, 2023 and December 31, 2022, respectively	**274,077**	284,248
Total assets	**$ 4,094,349**	$ 4,085,525
Liabilities:		
Unsecured debt, net of discount and unamortized debt issuance costs of $12,764 and $13,319 as of June 30, 2023 and December 31, 2022, respectively	**$ 1,852,236**	$ 1,786,681
Secured debt	**197,000**	197,000
Accounts payable, accrued expenses and accrued capital expenditures	**107,629**	110,306
Dividends payable	**—**	25,357
Deferred income	**89,815**	59,977
Intangible lease liabilities, less accumulated amortization of $33,033 and $36,423 as of June 30, 2023 and December 31, 2022, respectively	**50,335**	56,949
Total liabilities	**2,297,015**	2,236,270
Commitments and Contingencies (Note 6)	**—**	—
Stockholders' Equity:		
Shares-in-trust, 150,000,000 shares authorized; none outstanding as of June 30, 2023 or December 31, 2022	**—**	—
Preferred stock, no par value, 100,000,000 shares authorized; none outstanding as of June 30, 2023 or December 31, 2022	**—**	—
Common stock, $0.01 par value, 750,000,000 shares authorized; 123,691,542 and 123,439,558 shares issued and outstanding as of June 30, 2023 and December 31, 2022, respectively	**1,237**	1,234
Additional paid-in capital	**3,712,688**	3,711,005
Cumulative distributions in excess of earnings	**(1,911,188)**	(1,855,893)
Accumulated other comprehensive loss	**(6,977)**	(8,679)
Piedmont stockholders' equity	**1,795,760**	1,847,667
Noncontrolling interest	**1,574**	1,588
Total stockholders' equity	**1,797,334**	1,849,255
Total liabilities and stockholders' equity	**$ 4,094,349**	$ 4,085,525

See accompanying notes

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

	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Revenues:				
Rental and tenant reimbursement revenue	**$ 137,503**	$ 132,151	**$ 274,332**	$ 264,063
Property management fee revenue	**437**	326	**944**	977
Other property related income	**5,132**	3,832	**10,163**	7,418
	143,072	136,309	**285,439**	272,458
Expenses:				
Property operating costs	**58,368**	53,634	**116,159**	107,256
Depreciation	**36,475**	32,372	**72,272**	63,887
Amortization	**21,333**	21,480	**43,364**	43,732
General and administrative	**7,279**	7,027	**14,970**	14,622
	123,455	114,513	**246,765**	229,497
Other income (expense):				
Interest expense	**(23,389)**	(13,775)	**(45,466)**	(27,673)
Other income	**1,787**	(57)	**3,443**	1,967
Gain on sale of real estate assets	**—**	1	**—**	50,674
	(21,602)	(13,831)	**(42,023)**	24,968
Net income/(loss)	**(1,985)**	7,965	**(3,349)**	67,929
Net loss/(income) applicable to noncontrolling interest	**(3)**	1	**(6)**	1
Net income/(loss) applicable to Piedmont	**$ (1,988)**	$ 7,966	**$ (3,355)**	$ 67,930
Per share information – basic and diluted:				
Net income/(loss) applicable to common stockholders	**$ (0.02)**	$ 0.06	**$ (0.03)**	$ 0.55
Weighted-average common shares outstanding – basic	**123,671,261**	123,366,482	**123,610,989**	123,296,204
Weighted-average common shares outstanding – diluted	**123,671,261**	123,678,553	**123,610,989**	123,617,272

See accompanying notes

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

	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Net income/(loss) applicable to Piedmont	**$ (1,988)**	$ 7,966	**$ (3,355)**	$ 67,930
Other comprehensive income:				
Effective portion of gain on derivative instruments that are designated and qualify as cash flow hedges (See Note 4)	**4,107**	969	**3,022**	4,845
Plus: Reclassification of net loss/(gain) included in net income (See Note 4)	**(818)**	554	**(1,320)**	1,259
Other comprehensive income	**3,289**	1,523	**1,702**	6,104
Comprehensive income/(loss) applicable to Piedmont	**$ 1,301**	$ 9,489	**$ (1,653)**	$ 74,034

See accompanying notes

PIEDMONT OFFICE REALTY TRUST, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED)
FOR THE THREE MONTHS ENDED JUNE 30, 2023 AND 2022
(in thousands, except per share amounts)

	Common Stock						
	Shares	**Amount**	**Additional Paid-In Capital**	**Cumulative Distributions in Excess of Earnings**	**Accumulated Other Comprehensive Income/(Loss)**	**Non-controlling Interest**	**Total Stockholders' Equity**
Balance, March 31, 2023	**123,643**	**$ 1,236**	**$ 3,710,767**	**$ (1,883,225)**	**$ (10,266)**	**$ 1,585**	**$ 1,820,097**
Dividends to common stockholders ($0.21 per share) and stockholders of subsidiaries	**—**	**—**	**—**	**(25,975)**	**—**	**(14)**	**(25,989)**
Shares issued and amortized under the 2007 Omnibus Incentive Plan, net of tax	**49**	**1**	**1,921**	**—**	**—**	**—**	**1,922**
Net income applicable to noncontrolling interest	**—**	**—**	**—**	**—**	**—**	**3**	**3**
Net loss applicable to Piedmont	**—**	**—**	**—**	**(1,988)**	**—**	**—**	**(1,988)**
Other comprehensive income	**—**	**—**	**—**	**—**	**3,289**	**—**	**3,289**
Balance, June 30, 2023	**123,692**	**$ 1,237**	**$ 3,712,688**	**$ (1,911,188)**	**$ (6,977)**	**$ 1,574**	**$ 1,797,334**

	Common Stock						
	Shares	**Amount**	**Additional Paid-In Capital**	**Cumulative Distributions in Excess of Earnings**	**Accumulated Other Comprehensive Income/(Loss)**	**Non-controlling Interest**	**Total Stockholders' Equity**
Balance, March 31, 2022	123,331	$ 1,233	$ 3,706,207	$ (1,865,016)	$ (13,573)	$ 1,623	$ 1,830,474
Dividends to common stockholders ($0.21 per share) and stockholders of subsidiaries	—	—	—	(25,912)	—	(14)	(25,926)
Shares issued and amortized under the 2007 Omnibus Incentive Plan, net of tax	59	1	1,626	—	—	—	1,627
Net loss applicable to noncontrolling interest	—	—	—	—	—	(1)	(1)
Net income applicable to Piedmont	—	—	—	7,966	—	—	7,966
Other comprehensive income	—	—	—	—	1,523	—	1,523
Balance, June 30, 2022	123,390	$ 1,234	$ 3,707,833	$ (1,882,962)	$ (12,050)	$ 1,608	$ 1,815,663

See accompanying notes

PIEDMONT OFFICE REALTY TRUST, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2023 AND 2022
(in thousands, except per share amounts)

	Common Stock		Additional Paid-In Capital	Cumulative Distributions in Excess of Earnings	Accumulated Other Comprehensive Income/(Loss)	Non-controlling Interest	Total Stockholders' Equity
	Shares	Amount					
Balance, December 31, 2022	**123,440**	**$ 1,234**	**$ 3,711,005**	**$ (1,855,893)**	**$ (8,679)**	**$ 1,588**	**$ 1,849,255**
Dividends to common stockholders ($0.42 per share) and stockholders of subsidiaries	**—**	**—**	**—**	**(51,940)**	**—**	**(20)**	**(51,960)**
Shares issued and amortized under the 2007 Omnibus Incentive Plan, net of tax	**252**	**3**	**1,683**	**—**	**—**	**—**	**1,686**
Net income applicable to noncontrolling interest	**—**	**—**	**—**	**—**	**—**	**6**	**6**
Net loss applicable to Piedmont	**—**	**—**	**—**	**(3,355)**	**—**	**—**	**(3,355)**
Other comprehensive income	**—**	**—**	**—**	**—**	**1,702**	**—**	**1,702**
Balance, June 30, 2023	**123,692**	**$ 1,237**	**$ 3,712,688**	**$ (1,911,188)**	**$ (6,977)**	**$ 1,574**	**$ 1,797,334**

	Common Stock		Additional Paid-In Capital	Cumulative Distributions in Excess of Earnings	Accumulated Other Comprehensive Income/(Loss)	Non-controlling Interest	Total Stockholders' Equity
	Shares	Amount					
Balance, December 31, 2021	123,077	$ 1,231	$ 3,701,798	$ (1,899,081)	$ (18,154)	$ 1,629	$ 1,787,423
Dividends to common stockholders ($0.42 per share) and stockholders of subsidiaries	—	—	—	(51,811)	—	(20)	(51,831)
Shares issued and amortized under the 2007 Omnibus Incentive Plan, net of tax	313	3	6,035	—	—	—	6,038
Net loss applicable to noncontrolling interest	—	—	—	—	—	(1)	(1)
Net income applicable to Piedmont	—	—	—	67,930	—	—	67,930
Other comprehensive income	—	—	—	—	6,104	—	6,104
Balance, June 30, 2022	123,390	$ 1,234	$ 3,707,833	$ (1,882,962)	$ (12,050)	$ 1,608	$ 1,815,663

See accompanying notes

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

	Six Months Ended June 30,	
	2023	**2022**
Cash Flows from Operating Activities:		
Net income/(loss)	**$ (3,349)**	$ 67,929
Adjustments to reconcile net income/(loss) to net cash provided by operating activities:		
Depreciation	**72,272**	63,887
Amortization of debt issuance costs inclusive of settled interest rate swaps	**2,744**	1,724
Other amortization	**39,135**	39,633
Reversal of general reserve for uncollectible accounts	**(400)**	(1,000)
Stock compensation expense	**3,925**	4,868
Gain on sale of real estate assets	**—**	(50,674)
Changes in assets and liabilities:		
Increase in tenant and straight-line rent receivables	**(8,692)**	(8,803)
Increase in prepaid expenses and other assets	**(6,040)**	(3,939)
Decrease in accounts payable and accrued expenses	**(4,641)**	(11,184)
Increase/(decrease) in deferred income	**264**	(10,663)
Net cash provided by operating activities	**95,218**	91,778
Cash Flows from Investing Activities:		
Capitalized expenditures	**(71,650)**	(59,122)
Net sales proceeds from wholly-owned properties	**—**	143,596
Proceeds from notes receivable	**—**	118,500
Deferred lease costs paid	**(16,940)**	(9,679)
Net cash (used in)/provided by investing activities	**(88,590)**	193,295
Cash Flows from Financing Activities:		
Debt issuance and other costs paid	**(643)**	(80)
Proceeds from debt	**499,603**	217,585
Repayments of debt	**(436,000)**	(422,000)
Value of shares withheld for payment of taxes related to employee stock compensation	**(1,648)**	(3,703)
Dividends paid	**(77,318)**	(77,879)
Net cash used in financing activities	**(16,006)**	(286,077)
Net decrease in cash, cash equivalents, and restricted cash and escrows	**(9,378)**	(1,004)
Cash, cash equivalents, and restricted cash and escrows, beginning of period	**19,600**	8,860
Cash, cash equivalents, and restricted cash and escrows, end of period	**$ 10,222**	$ 7,856

See accompanying notes

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

JUNE 30, 2023
(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 ownership, management, development, redevelopment, and operation of high-quality, Class A office properties located primarily in major U.S. Sunbelt markets. Piedmont was incorporated in 1997 and commenced operations in 1998. Piedmont conducts business through its wholly-owned subsidiary, Piedmont Operating Partnership, L.P. (“Piedmont OP”), a Delaware limited partnership. 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, 2023, Piedmont owned 51 in-service office properties and one redevelopment asset, primarily located in major U.S. Sunbelt office markets. As of June 30, 2023, the in-service office properties comprised approximately 16.7 million square feet (unaudited) and were 86.2% leased.

2. Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

The consolidated financial statements of Piedmont are 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") of 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, 2022.

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. The most significant of these estimates include the underlying cash flows and holding periods used in assessing impairment, judgements regarding the recoverability of goodwill, and the assessment of the collectability of receivables. While Piedmont has made, what it believes to be, appropriate accounting estimates based on the facts and circumstances available as of the reporting date, actual results could materially 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 which have been provided for in the financial statements.

Operating Leases

Piedmont recognized the following fixed and variable lease payments, which together comprised rental and tenant reimbursement revenue in the accompanying consolidated statements of operations for the three and six months ended June 30, 2023 and 2022, respectively, as follows (in thousands):

	Three Months Ended		Six Months Ended	
	June 30, 2023	**June 30, 2022**	**June 30, 2023**	**June 30, 2022**
Fixed payments	**$ 112,238**	$ 110,244	**$ 224,798**	$ 219,976
Variable payments	**25,265**	21,907	**49,534**	44,087
Total Rental and Tenant Reimbursement Revenue	**$ 137,503**	$ 132,151	**$ 274,332**	$ 264,063

Operating leases where Piedmont is the lessee relate primarily to office space in buildings owned by third parties. Piedmont's right of use asset and corresponding lease liability was approximately $0.1 million and $0.2 million as of June 30, 2023 and December 31, 2022, respectively. The right of use asset is recorded as a component of prepaid expenses and other assets, whereas the corresponding liability is presented as a component of accounts payable, accrued expenses, and accrued capital expenditures in the accompanying consolidated balance sheets. For both the three and six months ended June 30, 2023 and 2022, Piedmont recognized approximately $20,000 and $40,000, respectively, of operating lease costs related to these office space leases. As of June 30, 2023, the remaining lease term of Piedmont's right of use asset is approximately 1 year, and the discount rate is 3.86%.

3. Debt

During the six months ended June 30, 2023, Piedmont fully repaid the $350 Million Unsecured Senior Notes, using cash on hand and draws under the $600 Million Unsecured 2022 Line of Credit.

Additionally, during the six months ended June 30, 2023, Piedmont entered into a new $215 million, floating-rate, unsecured term loan facility (the “$215 Million Unsecured 2023 Term Loan”). The term of the $215 Million Unsecured 2023 Term Loan is one year, with an option to extend for an additional one year for a final maturity date of January 31, 2025. Piedmont may prepay the loan in whole or in part, at any time without premium or penalty. The stated interest rate spread over Adjusted SOFR can vary from 0.85% to 1.70% based upon the then current credit rating of Piedmont. As of June 30, 2023, the applicable interest rate spread on the loan was 1.05%, and the effective rate was 6.20%.

The $215 Million Unsecured 2023 Term Loan has certain financial covenants that require, among other things, the maintenance of an unencumbered interest rate coverage ratio of at least 1.75, an unencumbered leverage ratio of at least 1.60, a fixed charge coverage ratio of at least 1.50, a leverage ratio of no more than 0.60, and a secured debt ratio of no more than 0.40.

Finally, during the six months ended June 30, 2023, Piedmont amended its $250 million, floating-rate, unsecured term loan facility (the "$250 Million Unsecured 2018 Term Loan") to convert the reference interest rate from LIBOR to SOFR, along with the various other related amendments necessary to affect this conversion.

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The following table summarizes the terms of Piedmont's indebtedness outstanding as of June 30, 2023 and December 31, 2022 (in thousands):

Facility [1]	Stated Rate	Effective Rate [2]	Maturity	Amount Outstanding as of June 30, 2023	Amount Outstanding as of December 31, 2022
Secured (Fixed)					
$197 Million Fixed Rate Mortgage	4.10 %		10/1/2028	**$ 197,000**	$ 197,000
Subtotal				**197,000**	197,000
Unsecured (Variable and Fixed)					
$350 Million Unsecured Senior Notes due 2023	3.40 %	3.43 %	6/01/2023	**—**	350,000
$215 Million Unsecured 2023 Term Loan	SOFR + 1.05%	6.20 % [3]	1/31/2024 [4]	**215,000**	—
$400 Million Unsecured Senior Notes due 2024	4.45 %	4.10 %	3/15/2024 [5]	**400,000**	400,000
$200 Million Unsecured 2022 Term Loan Facility	SOFR + 1.00%	6.20 % [3]	12/16/2024 [6]	**200,000**	200,000
$250 Million Unsecured 2018 Term Loan	SOFR + 0.95%	4.54 %	3/31/2025	**250,000**	250,000
$600 Million Unsecured 2022 Line of Credit	SOFR + 0.85%	6.00 % [3]	6/30/2026 [7]	**200,000**	—
$300 Million Unsecured Senior Notes due 2030	3.15 %	3.90 %	8/15/2030	**300,000**	300,000
$300 Million Unsecured Senior Notes due 2032	2.75 %	2.78 %	4/1/2032	**300,000**	300,000
Discounts and unamortized debt issuance costs				**(12,764)**	(13,319)
Subtotal/Weighted Average [8]	4.54 %			**$ 1,852,236**	$ 1,786,681
Total/Weighted Average [8]	4.49 %			**$ 2,049,236**	$ 1,983,681

(1) All of Piedmont's outstanding debt as of June 30, 2023 is unsecured and interest-only until maturity, except for the $197 Million Fixed Rate Mortgage, secured by 1180 Peachtree Street, which will begin amortizing principal in October 2023.

(2) Effective rate after consideration of settled or in-place interest rate swap agreements and issuance discounts.

(3) On a periodic basis, Piedmont may select from multiple interest rate options, including the prime rate and various-length SOFR locks on all or a portion of the principal. The all-in interest rate associated with each SOFR interest period selection is comprised of the relevant adjusted SOFR rate (comprised of the relevant base SOFR interest rate plus a fixed adjustment of 0.10%) and are subject to an additional spread over the selected rate based on Piedmont's current credit rating.

(4) Piedmont may extend the term for an additional year to a final extended maturity date of January 31, 2025 provided Piedmont is not then in default and upon payment of extension fees.

(5) Piedmont currently intends to repay the $400 million Unsecured Senior Notes due 2024 through debt refinancing, selective property dispositions, cash on hand from operations, and/or draws under its existing $600 million Unsecured 2022 Line of Credit.

(6) Piedmont may extend the term for six additional months to a final extended maturity date of June 18, 2025, provided Piedmont is not then in default and all representations and warranties are true and correct in all material respects and upon payment of extension fees.

(7) Piedmont may extend the term for up to one additional year (through two available six month extensions to a final extended maturity date of June 30, 2027) provided Piedmont is not then in default and upon payment of extension fees.

(8) Weighted average is based on contractual balance of outstanding debt and the stated or effectively fixed interest rates as of June 30, 2023.

Piedmont made interest payments on all debt facilities, including interest rate swap cash settlements, of approximately $21.6 million and $12.8 million for the three months ended June 30, 2023 and 2022, respectively, and approximately $45.1 million and $28.6 million for the six months ended June 30, 2023 and 2022, respectively. Also, Piedmont capitalized interest of approximately $1.4 million and $1.1 million for the three months ended June 30, 2023 and 2022, respectively, and approximately $2.6 million and $2.1 million for the six months ended June 30, 2023 and 2022, respectively. As of June 30, 2023, Piedmont believes it was in compliance with all financial covenants associated with its debt instruments.

See Note 5 for a description of Piedmont's estimated fair value of debt as of June 30, 2023.

4. 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, specifically interest rate swap 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.

During the six months ended June 30, 2023, Piedmont amended the two remaining LIBOR-designated interest rate swap agreements to change the reference rate from LIBOR to SOFR, in order to match the amended underlying debt terms (see Note 3 above). All of Piedmont's interest rate swap agreements are designated as effective cash flow hedges and are now designated using SOFR. The maximum length of time over which Piedmont is hedging its exposure to the variability in future cash flows for forecasted transactions is 21 months.

A detail of Piedmont's interest rate derivatives outstanding as of June 30, 2023 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	2	$250 Million Unsecured 2018 Term Loan	$ 100	3/29/2018	3/31/2025
Interest rate swaps	3	$250 Million Unsecured 2018 Term Loan	75	12/2/2022	3/31/2025
Interest rate swaps	3	$250 Million Unsecured 2018 Term Loan	75	12/12/2022	3/31/2025
Total			$ 250		

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, 2023 and December 31, 2022, respectively, is as follows (in thousands):

Interest rate swaps classified as:	**June 30, 2023**	**December 31, 2022**
Gross derivative assets	**$ 5,693**	$ 4,183
Gross derivative liabilities	**—**	—
Net derivative asset	**$ 5,693**	$ 4,183

The gain/(loss) on Piedmont's interest rate derivatives, including previously settled forward swaps, that was recorded in OCI and the accompanying consolidated statements of operations as a component of interest expense for the three and six months ended June 30, 2023 and 2022, respectively, is as follows (in thousands):

	Three Months Ended		Six Months Ended	
Interest Rate Swaps in Cash Flow Hedging Relationships	**June 30, 2023**	**June 30, 2022**	**June 30, 2023**	**June 30, 2022**
Amount of gain recognized in OCI	**$ 4,107**	$ 969	**$ 3,022**	$ 4,845
Amount of previously recorded gain/(loss) reclassified from OCI into interest expense	**$ 818**	$ (554)	**$ 1,320**	$ (1,259)
Total amount of interest expense presented in the consolidated statements of operations	**$ (23,389)**	$ (13,775)	**$ (45,466)**	$ (27,673)

Piedmont estimates that approximately $3.3 million will be reclassified from OCI as a decrease in interest expense over the next twelve months. Additionally, see Note 5 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. However, as of June 30, 2023, all of Piedmont's interest rate swap agreements are in an asset position. 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.

5. Fair Value Measurement of Financial Instruments

Piedmont considers its cash and cash equivalents, tenant receivables, 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, 2023 and December 31, 2022, respectively (in thousands):

	June 30, 2023			December 31, 2022		
Financial Instrument	**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)]	**$ 5,167**	**$ 5,167**	**Level 1**	$ 16,536	$ 16,536	Level 1
Tenant receivables, net [(1)]	**$ 5,387**	**$ 5,387**	**Level 1**	$ 4,762	$ 4,762	Level 1
Restricted cash and escrows [(1)]	**$ 5,055**	**$ 5,055**	**Level 1**	$ 3,064	$ 3,064	Level 1
Interest rate swaps	**$ 5,693**	**$ 5,693**	**Level 2**	$ 4,183	$ 4,183	Level 2
Liabilities:						
Accounts payable and accrued expenses [(1)]	**$ 14,116**	**$ 14,116**	**Level 1**	$ 63,225	$ 63,225	Level 1
Debt, net	**$ 2,049,236**	**$ 1,868,492**	**Level 2**	$ 1,983,681	$ 1,825,723	Level 2

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

Piedmont's debt was carried at book value as of June 30, 2023 and December 31, 2022; however, Piedmont's estimate of its fair value is disclosed in the table above. Piedmont uses 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 uses 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, and as further discussed in Note 4, are classified as “Interest rate swaps” in the accompanying consolidated balance sheets and were carried at estimated fair value as of June 30, 2023 and December 31, 2022. The valuation of these derivative instruments was determined using widely accepted valuation techniques including discounted cash flow analysis based on the contractual terms of the derivatives, including the period to maturity of each instrument, and uses observable market-based inputs, including interest rate curves and implied volatilities. 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 as of the valuation date. The credit risk of Piedmont and its counterparties was factored into the calculation of the estimated fair value of the interest rate swaps; however, as of June 30, 2023 and December 31, 2022, 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 derivatives to be Level 3 financial instruments.

6. 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. Such commitments are accrued and capitalized as the related expenditures are incurred. In addition to the amounts that Piedmont has already committed to as a part of executed leases, Piedmont also anticipates continuing to incur similar market-based tenant improvement allowances and leasing commissions in conjunction with procuring future leases for its existing portfolio of properties. Both the timing and magnitude of expenditures related to future leasing activity can vary due to a number of factors and are highly dependent on the size of the leased square footage and the competitive market conditions of the particular office market at the time a lease is being negotiated.

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. There were no reductions in rental and reimbursement revenues related to such tenant audits/disputes during the three and six months ended June 30, 2023 or 2022.

7. Stock Based Compensation

Annually, the Compensation Committee of Piedmont's Board of Directors has granted deferred stock award units to certain employees at its discretion. Employee awards typically vest ratably over three or four years. In addition, Piedmont's independent directors receive an annual grant of deferred stock award units for services rendered and such awards vest over a one year service period.

Certain management employees' long-term equity incentive program is split between the deferred stock award units described above and a multi-year performance share program whereby actual awards are contingent upon Piedmont's total stockholder return ("TSR") performance relative to the TSR of a peer group of office REITs. The target incentives for these certain employees, as well as the peer group to be used for comparative purposes, are predetermined by the board of directors, advised by an outside compensation consultant. The number of shares earned, if any, are determined at the end of the multi-year performance period (or upon termination) and vest immediately. In the event that a participant's employment is terminated prior to the end of the multi-year period, in certain circumstances the participant may be entitled to a pro-rated award based on Piedmont's TSR relative performance as of the termination date. The grant date fair value of the multi-year performance share awards is estimated using the Monte Carlo valuation method and is recognized ratably over the performance period.

A rollforward of Piedmont's equity based award activity for the six months ended June 30, 2023 is as follows:

	Shares	Weighted-Average Grant Date Fair Value
Unvested and Potential Stock Awards as of December 31, 2022	729,424	$ 19.21
Deferred Stock Awards Granted	987,094	$ 9.60
Performance Stock Awards Granted	424,922	$ 12.37
Change in Estimated Potential Share Awards based on TSR Performance	121,141	$ 16.30
Performance Stock Awards Vested	(90,064)	$ 25.83
Deferred Stock Awards Vested	(324,514)	$ 15.00
Deferred Stock Awards Forfeited	(196)	$ 17.15
Unvested and Potential Stock Awards as of June 30, 2023	1,847,807	$ 12.70

The following table provides additional information regarding stock award activity during the three and six months ended June 30, 2023 and 2022, respectively (in thousands, except per share amounts):

	Three Months Ended		Six Months Ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Weighted-Average Grant Date Fair Value per share of Deferred Stock Granted During the Period	**$ 6.57**	$ 14.62	**$ 9.60**	$ 16.54
Total Grant Date Fair Value of Deferred Stock Vested During the Period	**$ 793**	$ 1,587	**$ 4,866**	$ 4,906
Share-based Liability Awards Paid During the Period (1)	**$ —**	$ —	**$ —**	$ 5,481

(1) Reflects the value of stock earned pursuant to the 2019-21 Performance Share Plan paid out during the six months ended June 30, 2022.

A detail of Piedmont’s outstanding stock awards and programs as of June 30, 2023 is as follows:

Date of grant	Type of Award	Net Shares Granted [(1)]	Grant Date Fair Value	Vesting Schedule	Unvested Shares
May 3, 2019	Deferred Stock Award	30,958 [(2)]	$ 21.04	Of the shares granted, 20% vested or will vest on July 1, 2020, 2021, 2022, 2023 and 2024 respectively.	19,011
February 17, 2021	Deferred Stock Award	212,739	$ 17.15	Of the shares granted, 25% vested on the date of grant, and 25% vested or will vest on February 17, 2022, 2023, and 2024, respectively.	58,052
February 18, 2021	2021-2023 Performance Share Program	—	$ 23.04	Shares awarded, if any, will vest immediately upon determination of award in 2024.	116,098 [(3)]
February 10, 2022	Deferred Stock Award	172,523	$ 16.85	Of the shares granted, 25% vested on the date of grant, and 25% vested or will vest on February 10, 2023, 2024, and 2025, respectively.	113,741
February 17, 2022	2022-2024 Performance Share Program	—	$ 17.77	Shares awarded, if any, will vest immediately upon determination of award in 2025.	174,167 [(3)]
February 13, 2023	Deferred Stock Award	398,024	$ 10.55	Of the shares granted, 25% vested on the date of grant, and 25% vested or will vest on February 13, 2024, 2025, and 2026, respectively.	331,939
February 23, 2023	2023-2025 Performance Share Program	—	$ 12.37	Shares awarded, if any, will vest immediately upon determination of award in 2026.	495,741 [(3)]
February 23, 2023	Deferred Stock Award	418,725	$ 9.47	Of the shares granted, 25% will vest on February 23, 2024, 2025, 2026, and 2027 respectively.	417,298
May 10, 2023	Deferred Stock Award-Board of Directors	121,760	$ 6.57	Of the shares granted, 100% will vest on the earlier of the 2024 Annual Meeting or May 10, 2024.	121,760
Total					1,847,807

(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, 2023.

(2) Reflects a special, one-time deferred stock award to Piedmont's Chief Executive Officer effective on July 1, 2019, the date of his promotion to the position, which vests in ratable installments over a five year period beginning July 1, 2020.

(3) Estimated based on Piedmont's cumulative TSR for the respective performance period through June 30, 2023. Share estimates are subject to change in future periods based upon Piedmont's relative TSR performance compared to its peer group of office REITs.

During the three months ended June 30, 2023 and 2022, Piedmont recognized approximately $2.2 million and $2.1 million, respectively, of compensation expense related to stock awards, all of which related to the amortization of unvested and potential stock awards and fair value adjustment for liability awards. During the six months ended June 30, 2023 and 2022, Piedmont recognized approximately $3.9 million and $4.9 million, respectively, of compensation expense related to stock awards, of which $3.9 million and $3.8 million, respectively, is related to the amortization of unvested and potential stock awards and fair value adjustment for liability awards. During the six months ended June 30, 2023, 251,984 shares (net of shares surrendered upon vesting to satisfy required minimum tax withholding obligations) were issued to employees and independent directors. As of June 30, 2023, approximately $16.3 million of unrecognized compensation cost related to unvested and potential stock awards remained, which Piedmont will record in its consolidated statements of operations over a weighted-average vesting period of approximately two years.

8. Supplemental Disclosures for the Statement of Consolidated Cash Flows

Certain non-cash investing and financing activities for the six months ended June 30, 2023 and 2022 (in thousands) are outlined below:

	Six Months Ended	
	June 30, 2023	June 30, 2022
Accrued capital expenditures and deferred lease costs	**$ 24,655**	$ 23,809
Change in accrued dividends	**$ (25,358)**	$ (26,048)
Change in accrued deferred financing costs	**$ (44)**	$ 59

The following table provides a reconciliation of cash, cash equivalents, and restricted cash and escrows as presented in the accompanying consolidated statements of cash flows for the six months ended June 30, 2023 and 2022, to the consolidated balance sheets for the respective period (in thousands):

	2023	2022
Cash and cash equivalents, beginning of period	**$ 16,536**	$ 7,419
Restricted cash and escrows, beginning of period	**3,064**	1,441
Total cash, cash equivalents, and restricted cash and escrows as presented in the accompanying consolidated statement of cash flows, beginning of period	**$ 19,600**	$ 8,860
Cash and cash equivalents, end of period	**$ 5,167**	$ 6,397
Restricted cash and escrows, end of period	**5,055**	1,459
Total cash, cash equivalents, and restricted cash and escrows as presented in the accompanying consolidated statement of cash flows, end of period	**$ 10,222**	$ 7,856

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

9. Earnings Per Share

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

Net income/(loss) per share-basic is calculated as net income/(loss) available to common stockholders divided by the weighted average number of common shares outstanding during the period. Net income/(loss) per share-diluted is calculated as net income/(loss) 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 and potential stock awards vested and resulted in additional common shares outstanding. Unvested and potential 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, 2023 and 2022, Piedmont calculated and excluded weighted average outstanding anti-dilutive shares of approximately 1,830,910 and 156,251, respectively, and for the six months ended June 30, 2023 and 2022, Piedmont calculated and excluded weighted average outstanding anti-dilutive shares of 1,489,358 and 294,348, respectively.

The following table reconciles the denominator for the basic and diluted earnings per share computations shown on the consolidated statements of operations for the three and six months ended June 30, 2023 and 2022, respectively (in thousands):

	Three Months Ended		Six Months Ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Weighted-average common shares – basic	**123,671**	123,366	**123,611**	123,296
Plus: Incremental weighted-average shares from time-vested deferred and performance stock awards	**—**	313	**—**	321
Weighted-average common shares – diluted	**123,671**	123,679	**123,611**	123,617

10. Segment Information

Piedmont's President and Chief Executive Officer has been identified as Piedmont's chief operating decision maker ("CODM"), as defined by GAAP. The CODM evaluates Piedmont's portfolio and assesses the ongoing operations and performance of its properties utilizing the following geographic segments: Atlanta, Dallas, Orlando, Washington, D.C./Northern Virginia, Minneapolis, New York, and Boston. These operating segments are also Piedmont's reportable segments. As of June 30, 2023, Piedmont also owned two properties in Houston that do not meet the definition of an operating or reportable segment as the CODM does not regularly review these properties for purposes of allocating resources or assessing performance. Further, Piedmont does not maintain a significant presence or anticipate further investment in this market. These two properties are the primary contributors to accrual-based net operating income ("NOI") included in "Other" below. During the periods presented, there have been no material inter segment transactions. The accounting policies of the reportable segments are the same as Piedmont's accounting policies.

Accrual-based net operating income ("NOI") by geographic segment is the primary performance measure reviewed by Piedmont's CODM to assess operating performance and consists only of revenues and expenses directly related to real estate rental operations. NOI is calculated by deducting property operating costs from lease revenues and other property related income. NOI reflects property acquisitions and dispositions, occupancy levels, rental rate increases or decreases, and the

recoverability of operating expenses. Piedmont's calculation of NOI may not be directly comparable to similarly titled measures calculated by other REITs.

Asset value information and capital expenditures by segment are not reported because the CODM does not use these measures to assess performance.

The following table presents accrual-based lease revenue and other property related income included in NOI by geographic reportable segment (in thousands):

	Three Months Ended		Six Months Ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Atlanta	**$ 40,210**	$ 29,264	**$ 79,427**	$ 58,532
Dallas	**27,779**	26,417	**56,061**	53,502
Orlando	**15,464**	14,476	**30,877**	28,382
Washington, D.C./Northern Virginia	**14,880**	15,766	**29,779**	31,372
Minneapolis	**15,463**	15,408	**30,425**	30,518
New York	**13,249**	14,061	**26,734**	27,936
Boston	**10,516**	14,696	**20,766**	30,061
Total reportable segments	**137,561**	130,088	**274,069**	260,303
Other	**5,511**	6,221	**11,370**	12,155
Total Revenues	**$ 143,072**	$ 136,309	**$ 285,439**	$ 272,458

The following table presents NOI by geographic reportable segment (in thousands):

	Three Months Ended		Six Months Ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Atlanta	**$ 26,096**	$ 18,172	**$ 51,282**	$ 36,727
Dallas	**15,203**	15,764	**30,978**	31,863
Orlando	**9,286**	8,842	**18,551**	17,341
Washington, D.C./Northern Virginia	**8,993**	10,092	**17,973**	20,139
Minneapolis	**8,233**	7,964	**16,456**	15,878
New York	**7,351**	8,187	**14,722**	15,943
Boston	**6,458**	9,803	**12,791**	20,275
Total reportable segments	**81,620**	78,824	**162,753**	158,166
Other	**3,046**	3,864	**6,412**	6,902
Total NOI	**$ 84,666**	$ 82,688	**$ 169,165**	$ 165,068

A reconciliation of Net income/(loss) applicable to Piedmont to NOI is presented below (in thousands):

	Three Months Ended		Six Months Ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Net income/(loss) applicable to Piedmont	**$ (1,988)**	$ 7,966	**$ (3,355)**	$ 67,930
Management fee revenue [1]	**(254)**	(203)	**(546)**	(565)
Depreciation and amortization	**57,808**	53,852	**115,636**	107,619
General and administrative expenses	**7,279**	7,027	**14,970**	14,622
Interest expense	**23,389**	13,775	**45,466**	27,673
Other income	**(1,571)**	273	**(3,012)**	(1,536)
Gain on sale of real estate assets	**—**	(1)	**—**	(50,674)
Net income/(loss) applicable to noncontrolling interest	**3**	(1)	**6**	(1)
NOI	**$ 84,666**	$ 82,688	**$ 169,165**	$ 165,068

(1) Presented net of related operating expenses incurred to earn such management fee revenue. Such operating expenses are a component of property operating costs in the accompanying consolidated statements of operations.

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, 2022.

Liquidity and Capital Resources

We intend to use cash on hand, cash flows generated from the operation of our properties, net proceeds from the potential disposition of select properties, and borrowings under our $600 Million Unsecured 2022 Line of Credit as our primary sources of immediate liquidity. During the quarter ended June 30, 2023, we repaid the $350 Million Unsecured Senior Notes due 2023. Our next scheduled debt maturity is our $215 Million Unsecured 2023 Term Loan that was put in place during first quarter of 2023; however, we have the ability to extend that facility for an additional year to a final extended maturity date of January 2025 (see Note 3 to our accompanying consolidated financial statements). Our only other debt maturity over the next twelve months is the $400 Million Unsecured Senior Notes due 2024, maturing in March 2024, which we currently anticipate refinancing using any, or a combination of, the following: accessing the public debt markets; issuing new unsecured or secured borrowings from third-party lenders; disposing of select properties; borrowing through draws under our existing $600 Million Unsecured 2022 Line of Credit. The nature and timing of these additional sources of capital will be highly dependent on market conditions. We believe that we have sufficient liquidity to meet our obligations for the foreseeable future.

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, 2023 and 2022 we incurred the following types of capital expenditures (in thousands):

	Six Months Ended	
	June 30, 2023	**June 30, 2022**
Capital expenditures for redevelopment/renovations	**$ 21,198**	$ 28,105
Other capital expenditures, including building and tenant improvements	**50,452**	31,017
Total capital expenditures [(1)]	**$ 71,650**	$ 59,122

(1) Of the total amounts paid, approximately $4.2 million and $3.4 million relates to soft costs such as capitalized interest, payroll, and other property operating costs for the six months ended June 30, 2023 and 2022, respectively.

"Capital expenditures for redevelopment/renovations" during both the six months ended June 30, 2023 and 2022 related to building upgrades, primarily to the lobbies and the addition of tenant amenities at our 60 Broad Street building in New York City; our Galleria Tower buildings in Dallas, Texas; as well as our Galleria buildings and 999 Peachtree Street in Atlanta, Georgia, among others.

"Other capital expenditures, including building and tenant improvements" includes all other capital expenditures during the period and is typically comprised of tenant and building improvements necessary to lease, maintain, or provide enhancements, including energy efficient equipment, to our existing portfolio of office properties. We currently do not anticipate incurring any unusually large or material capital expenditures within any given year in order to meet recognized sustainable development standards, and achieve our environmental impact goals.

Given that our operating model frequently results in leases for multiple 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 leases executed during the six months ended June 30, 2023, we committed to spend approximately $6.29 per square foot per year of lease term for tenant improvement allowances and lease commissions (net of expired lease commitments) as compared to $5.19 (net of expired lease commitments) for the six months ended June 30, 2022.

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 can vary due to a number of factors and are highly dependent on the size of the leased square footage and the competitive market conditions of the particular office market at the time a lease is being negotiated.

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 consistent with our investment strategy could also be a significant use of capital. On a longer term basis, we may also use capital to repay obligations as they become due. Finally, although repayment of debt is currently our primary focus, we have approximately $150.5 million of board-authorized share repurchase capacity remaining under our share repurchase program which could be used for share repurchases through February 2024.

We may also use capital resources to pay dividends to our stockholders. 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, leasing commissions, 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 loss applicable to common stockholders for the three months ended June 30, 2023 was approximately $2.0 million, or $0.02 per diluted share, as compared with net income applicable to common stockholders of $8.0 million, or $0.06 per diluted share, for the three months ended June 30, 2022. The decrease in net income reflects (i) a $9.7 million increase in interest expense driven by increased interest rates on our variable rate debt during the second quarter of 2023 as compared to 2022; and (ii) a $4.0 million increase in depreciation primarily resulting from acquisition activity during the latter half of 2022. These decreases were partially offset by continued growth in Property Net Operating Income as compared to the second quarter of 2022.

Comparison of the three months ended June 30, 2023 versus the three months ended June 30, 2022

Income from Continuing Operations

The following table sets forth selected data from our consolidated statements of operations for the three months ended June 30, 2023 and 2022, respectively, as well as each balance as a percentage of total revenues for the same periods presented (dollars in millions):

	June 30, 2023	% of Revenues	June 30, 2022	% of Revenues	Variance
Revenue:					
Rental and tenant reimbursement revenue	**$ 137.5**		$ 132.2		$ 5.3
Property management fee revenue	**0.4**		0.3		0.1
Other property related income	**5.1**		3.8		1.3
Total revenues	**143.0**	100 %	136.3	100 %	6.7
Expense:					
Property operating costs	**58.4**	41 %	53.6	39 %	4.8
Depreciation	**36.4**	25 %	32.4	24 %	4.0
Amortization	**21.3**	15 %	21.5	16 %	(0.2)
General and administrative	**7.3**	4 %	7.0	5 %	0.3
	123.4		114.5		8.9
Other income (expense):					
Interest expense	**(23.4)**	16 %	(13.7)	10 %	(9.7)
Other income/(expense)	**1.8**	1 %	(0.1)	— %	1.9
Net income/(loss)	**$ (2.0)**	— %	$ 8.0	6 %	$ (10.0)

Revenue

Rental and tenant reimbursement revenue increased approximately $5.3 million for the three months ended June 30, 2023, as compared to the same period in the prior year. The increase was primarily due to capital recycling activity completed during 2022 and higher tenant reimbursements as a result of higher recoverable operating expenses during the current period as tenant utilization of our buildings continued to increase during 2023 as compared to the prior period.

Other property related income increased approximately $1.3 million for the three months ended June 30, 2023 as compared to the same period in the prior year primarily due to higher transient parking at our buildings during the current period, as compared to the prior period. Additionally, parking revenue associated with the acquisition of 1180 Peachtree Street during the third quarter of 2022 also contributed to the increase.

Expense

Property operating costs increased approximately $4.8 million for the three months ended June 30, 2023, as compared to the same period in the prior year. The variance was primarily due to higher recoverable operating expenses such as janitorial, security, and utilities resulting from higher tenant utilization during the current period, and capital recycling activity completed during 2022. Higher real estate taxes in certain jurisdictions also contributed to the increase.

Depreciation expense increased approximately $4.0 million for the three months ended June 30, 2023 as compared to the same period in the prior year. The increase was primarily due to additional building and tenant improvements acquired and/or placed in service during the twelve months ended June 30, 2023, as well as the acquisition of 1180 Peachtree Street mentioned above.

Amortization expense decreased approximately $0.2 million for the three months ended June 30, 2023 as compared to the same period in the prior year. The decrease in amortization expense associated with certain lease intangible assets at our existing properties becoming fully amortized during the twelve months ended June 30, 2023 was almost entirely offset by additional amortization associated with the acquisition of 1180 Peachtree Street mentioned above.

Other Income (Expense)

Interest expense increased approximately $9.7 million for the three months ended June 30, 2023 as compared to the same period in the prior year primarily driven by increased interest rates on our variable rate debt as well as a higher average debt balance outstanding during the quarter. This increase was partially offset by a $0.3 million increase in capitalized interest associated with various redevelopment projects in progress during the three months ended June 30, 2023.

Other income/(expense) increased approximately $1.9 million for the three months ended June 30, 2023 as compared to the same period in the prior year due to interest income earned on cash invested prior to the repayment of the $350 Million Unsecured Senior Notes in June 2023; consequently, we do not expect such interest income to recur in future periods.

Comparison of the six months ended June 30, 2023 versus the six months ended June 30, 2022

The following table sets forth selected data from our consolidated statements of operations for the six months ended June 30, 2023 and 2022, respectively, as well as each balance as a percentage of total revenues for the same period presented (dollars in millions):

	June 30, 2023	% of Revenues	June 30, 2022	% of Revenues	Variance
Revenue:					
Rental and tenant reimbursement revenue	**$ 274.3**		$ 264.1		$ 10.2
Property management fee revenue	**0.9**		1.0		(0.1)
Other property related income	**10.2**		7.4		2.8
Total revenues	**285.4**	100 %	272.5	100 %	12.9
Expense:					
Property operating costs	**116.1**	41 %	107.3	39 %	8.8
Depreciation	**72.3**	24 %	63.9	23 %	8.4
Amortization	**43.3**	15 %	43.7	16 %	(0.4)
General and administrative	**15.0**	5 %	14.6	6 %	0.4
	246.7		229.5		17.2
Other income (expense):					
Interest expense	**(45.5)**	15 %	(27.7)	10 %	(17.8)
Other income	**3.4**	— %	1.9	— %	1.5
Gain on sale of real estate assets	**—**	— %	50.7	19 %	(50.7)
Net income/(loss)	**$ (3.4)**	— %	$ 67.9	25 %	$ (71.3)

Revenue

Rental and tenant reimbursement revenue increased approximately $10.2 million for the six months ended June 30, 2023 as compared to the same period in the prior year. The increase was primarily due to capital recycling activity completed during 2022 and higher tenant reimbursements as a result of higher recoverable operating expenses during the current period as tenant utilization of our buildings continued to increase during 2023 as compared to the prior period.

Other property related income increased approximately $2.8 million for the six months ended June 30, 2023 as compared to the same period in the prior year primarily due to higher transient parking at our buildings during the current period, as compared to the prior period. Additionally, parking revenue associated with the 1180 Peachtree Street building acquired during the third quarter of 2022 also contributed to the increase.

Expense

Property operating costs increased approximately $8.8 million for the six months ended June 30, 2023 as compared to the same period in the prior year. The variance was primarily due to higher recoverable operating expenses such as janitorial, security, and utilities resulting from higher tenant utilization during the current period, and capital recycling activity completed during 2022.

Depreciation expense increased approximately $8.4 million for the six months ended June 30, 2023 as compared to the same period in the prior year. The increase was primarily due to additional building and tenant improvements acquired and/or placed in service subsequent to January 1, 2022, as well as the acquisition of 1180 Peachtree Street mentioned above.

Amortization expense decreased approximately $0.4 million for the six months ended June 30, 2023 as compared to the same period in the prior year. The decrease in amortization expense associated with certain lease intangible assets at our existing properties becoming fully amortized subsequent to January 1, 2022 was significantly offset by additional amortization associated with the acquisition of 1180 Peachtree Street mentioned above.

Other Income (Expense)

Interest expense increased approximately $17.8 million for the six months ended June 30, 2023 as compared to the same period in the prior year primarily driven by increased interest rates on our variable rate debt, as well as a higher average debt balance outstanding during the current period. This increase was partially offset by a $0.5 million increase in capitalized interest associated with various redevelopment projects in progress during the six months ended June 30, 2023.

Other income/(expense) increased approximately $1.5 million for the six months ended June 30, 2023 as compared to the same period in the prior year due to interest income earned on cash invested prior to the repayment of the $350 Million Unsecured Senior Notes in June 2023; consequently, we do not expect such interest income to recur in future periods.

Gain on sale of real estate assets during the six months ended June 30, 2022 primarily consisted of the gain recognized on the sale of the 225 & 235 Presidential Way buildings, which closed in January of 2022.

Issuer and Guarantor Financial Information

Piedmont, through its wholly-owned subsidiary Piedmont OP (the "Issuer"), has issued senior unsecured notes payable of $400 million that mature in 2024, and two separate issuances of $300 million, that mature in 2030 and 2032 respectively, (collectively, the "Notes"). The $350 Million Unsecured Senior Notes, which Piedmont issued in 2013, were fully repaid in June 2023. The Notes are senior unsecured obligations of Piedmont OP, rank equally in right of payment with all of Piedmont OP's other existing and future senior unsecured indebtedness, and would be effectively subordinated in right of payment to any of Piedmont OP’s future mortgage or other secured indebtedness (to the extent of the value of the collateral securing such indebtedness) and to all existing and future indebtedness and other liabilities of Piedmont OP’s subsidiaries, whether secured or unsecured.

The Notes are fully and unconditionally guaranteed by Piedmont Office Realty Trust, Inc. (the "Guarantor"), the parent entity that consolidates Piedmont OP and all other subsidiaries. In particular, the Guarantor guarantees to each holder of the Notes that the principal and interest on the Notes will be paid in full when due, whether at the maturity dates of the respective loans, or upon acceleration, upon redemption, or otherwise; interest on overdue principal and interest on any overdue interest, if any, on the Notes will also be paid in full when due; and all other obligations of the Issuer to the holders of the Notes will be promptly paid in full. The Guarantor's guarantee of the Notes is its senior unsecured obligation and ranks equally in right of payment with all of the Guarantor's other existing and future senior unsecured indebtedness and guarantees. The Guarantor’s guarantee of the Notes is effectively subordinated in right of payment to any future mortgage or other secured indebtedness or secured guarantees of the Guarantor (to the extent of the value of the collateral securing such indebtedness and guarantees); and all existing and future indebtedness and other liabilities, whether secured or unsecured, of the Guarantor’s subsidiaries.

In the event of the bankruptcy, liquidation, reorganization or other winding up of Piedmont OP or the Guarantor, assets that secure any of their respective secured indebtedness and other secured obligations will be available to pay their respective obligations under the Notes or the guarantee, as applicable, and their other respective unsecured indebtedness and other unsecured obligations only after all of their respective indebtedness and other obligations secured by those assets have been repaid in full.

All non-Guarantor subsidiaries are separate and distinct legal entities and have no obligation, contingent or otherwise, to pay any amounts due pursuant to the Notes, or to make any funds available therefore, whether by dividends, loans, distributions or other payments.

Pursuant to Rule 13-01 of Regulation S-X, *Guarantors and Issuers of Guaranteed Securities Registered or Being Registered*, the following tables present summarized financial information for Piedmont OP as Issuer and Piedmont Office Realty Trust, Inc. as Guarantor on a combined basis after elimination of (i) intercompany transactions and balances among the Issuer and the Guarantor and (ii) equity in earnings from and investments in any subsidiary that is a non-Guarantor (in thousands):

Combined Balances of Piedmont OP and Piedmont Office Realty Trust, Inc. as Issuer and Guarantor, respectively	**As of June 30, 2023**	**As of December 31, 2022**
Due from non-guarantor subsidiary	**$ 900**	$ 900
Total assets	**$ 320,556**	$ 325,884
Total liabilities	**$ 1,882,460**	$ 1,845,551
		For the Six Months Ended June 30, 2023
Total revenues		**$ 23,359**
Net loss		**$ (37,136)**

Net Operating Income by Geographic Segment

Our chief operating decision maker ("CODM"), who is our President and Chief Executive Officer, evaluates our portfolio and assesses the ongoing operations and performance of our properties utilizing the following geographic segments: Atlanta, Dallas, Orlando, Washington, D.C./Northern Virginia, Minneapolis, New York, and Boston. These operating segments are also our reportable segments. Additionally, as of June 30, 2023, we owned two properties in Houston that did not meet the definition of an operating or reportable segment as the CODM does not regularly review these properties for purposes of allocating resources or assessing performance, and Piedmont does not maintain a significant presence or anticipate further investment in these markets. These two properties are included in "Other" below. See Note 10 to the accompanying consolidated financial statements for additional information and a reconciliation of Net income/(loss) applicable to Piedmont to accrual-based net operating income ("NOI").

The following table presents accrual-basis NOI by geographic segment (in thousands):

	Three Months Ended		Six Months Ended	
	June 30, 2023	**June 30, 2022**	**June 30, 2023**	**June 30, 2022**
Atlanta	**$ 26,096**	$ 18,172	**$ 51,282**	$ 36,727
Dallas	**15,203**	15,764	**30,978**	31,863
Orlando	**9,286**	8,842	**18,551**	17,341
Washington, D.C./Northern Virginia	**8,993**	10,092	**17,973**	20,139
Minneapolis	**8,233**	7,964	**16,456**	15,878
New York	**7,351**	8,187	**14,722**	15,943
Boston	**6,458**	9,803	**12,791**	20,275
Total reportable segments	**81,620**	78,824	**162,753**	158,166
Other	**3,046**	3,864	**6,412**	6,902
Total NOI	**$ 84,666**	$ 82,688	**$ 169,165**	$ 165,068

Comparison of the Six Months Ended June 30, 2023 Versus the Six Months Ended June 30, 2022

Atlanta

NOI increased primarily due to the acquisition of 1180 Peachtree Street during the third quarter of 2022.

Washington, D.C.

NOI decreased due to the early termination of certain leases at Arlington Gateway in late 2022.

Boston

NOI decreased primarily due to the disposition of the 225 and 235 Presidential Way assets in January 2022 and the disposition of the One Brattle Square and 1414 Massachusetts assets (the Cambridge Portfolio) in December 2022.

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

Net income/(loss) 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/(loss). 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 alone to be insufficient. 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 Net income/(loss) (calculated in accordance with GAAP), excluding depreciation and amortization related to real estate, gains and losses from the sale of certain real estate assets, gains and losses from change in control, and impairment write-downs of certain real estate assets and investment in entities when the impairment is directly attributable to decreases in the value of depreciable real estate held by the entity, along with appropriate adjustments to those reconciling items for joint ventures, if any. 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 the computation made by 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/(loss) 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 the computation made by 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-lined rents and fair value lease adjustments, non-cash components of interest expense and compensation expense, and by making similar adjustments for joint ventures, if any. AFFO is a non-GAAP financial measure and should not be viewed as an alternative to net income/(loss) 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 in new properties or enhancements to existing properties that improve revenue growth potential. Other REITs may not define AFFO in the same manner as us; therefore, our computation of AFFO may not be comparable to the computation of other REITs.

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

	Three Months Ended				Six Months Ended			
	June 30, 2023	**Per Share[1]**	**June 30, 2022**	**Per Share[1]**	**June 30, 2023**	**Per Share[1]**	**June 30, 2022**	**Per Share[1]**
GAAP net income/(loss) applicable to common stock	**$ (1,988)**	**$ (0.02)**	$ 7,966	$ 0.06	**$ (3,355)**	**$ (0.03)**	$ 67,930	$ 0.55
Depreciation of real estate assets	**36,200**	**0.29**	32,187	0.26	**71,890**	**0.58**	63,519	0.51
Amortization of lease-related costs	**21,323**	**0.18**	21,468	0.18	**43,344**	**0.35**	43,708	0.36
Gain on sale of real estate assets	**—**	**—**	(1)	—	**—**	**—**	(50,674)	(0.41)
NAREIT Funds From Operations and Core Funds From Operations applicable to common stock	**55,535**	**$ 0.45**	61,620	$ 0.50	**111,879**	**$ 0.90**	124,483	$ 1.01
Adjustments:								
Amortization of debt issuance costs and discounts on debt	**1,312**		763		**2,551**		1,541	
Depreciation of non real estate assets	**264**		175		**361**		348	
Straight-line effects of lease revenue	**(2,755)**		(3,029)		**(5,942)**		(5,606)	
Stock-based compensation adjustments	**2,095**		1,718		**2,278**		1,166	
Amortization of lease-related intangibles	**(3,119)**		(3,009)		**(6,531)**		(6,171)	
Non-incremental capital expenditures [2]	**(8,888)**		(9,338)		**(23,360)**		(28,285)	
Adjusted Funds From Operations applicable to common stock	**$ 44,444**		$ 48,900		**$ 81,236**		$ 87,476	
Weighted-average shares outstanding – diluted	**123,749**	[3]	123,679		**123,696**	[3]	123,617	

(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.

(3) Includes potential dilution under the treasury stock method that would occur if our remaining unvested and potential stock awards vested and resulted in additional common shares outstanding. Such shares are not included when calculating net loss per diluted share applicable to Piedmont for the three and six months ended June 30, 2023 as they would reduce the loss per share presented.

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/(loss) (calculated in accordance with GAAP) before adjusting for interest, depreciation and amortization and removing any impairments and gains or losses from sales of 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. For Property NOI (cash basis), the effects of non-cash general reserve for uncollectible accounts, 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/(loss) 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 attributable to the properties (excluding undeveloped land parcels) that were (i) owned by us during the entire span of the current and prior year reporting periods; and (ii) that were not out of service for development or redevelopment during those periods. Same Store NOI, on either a cash or accrual basis, is a non-GAAP financial measure and should not be viewed as an alternative to net income/(loss) calculated in accordance with GAAP as a measurement of our operating performance. We believe that Same Store NOI 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 EBITDAre, Core EBITDA, Property NOI, and Same Store NOI, on both a cash and accrual basis, for the three months ended June 30, 2023 and 2022, respectively (in thousands):

	Cash Basis		Accrual Basis	
	Three Months Ended		Three Months Ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Net income/(loss) applicable to Piedmont (GAAP basis)	**$ (1,988)**	$ 7,966	**$ (1,988)**	$ 7,966
Net income/(loss) applicable to noncontrolling interest	**3**	(1)	**3**	(1)
Interest expense	**23,389**	13,775	**23,389**	13,775
Depreciation	**36,464**	32,362	**36,464**	32,362
Amortization	**21,323**	21,468	**21,323**	21,468
Depreciation and amortization attributable to noncontrolling interests	**21**	22	**21**	22
Gain on sale of real estate assets	**—**	(1)	**—**	(1)
EBITDAre[1] and Core EBITDA[2]	**79,212**	75,591	**79,212**	75,591
General & administrative expenses	**7,279**	7,027	**7,279**	7,027
Management fee revenue [3]	**(254)**	(203)	**(254)**	(203)
Other income	**(1,571)**	273	**(1,571)**	273
Reversal of non-cash general reserve for uncollectible accounts	**—**	(1,000)		
Straight-line rent effects of lease revenue	**(2,755)**	(3,029)		
Straight line effects of lease revenue attributable to noncontrolling interests	**(1)**	(1)		
Amortization of lease-related intangibles	**(3,119)**	(3,009)		
Property NOI	**78,791**	75,649	**84,666**	82,688
Net operating income from:				
Acquisitions [4]	**(5,770)**	—	**(7,612)**	—
Dispositions [5]	**48**	(2,704)	**49**	(2,697)
Other investments [6]	**173**	138	**70**	130
Same Store NOI	**$ 73,242**	$ 73,083	**$ 77,173**	$ 80,121
Change period over period in Same Store NOI	***0.2 %***	*N/A*	***(3.7)%***	*N/A*

(1) We calculate Earnings Before Interest, Taxes, Depreciation, and Amortization- Real Estate ("EBITDAre") in accordance with the current NAREIT definition. NAREIT currently defines EBITDAre as net income (computed in accordance with GAAP) adjusted for gains or losses from sales of property, impairment losses, depreciation on real estate assets, amortization on real estate assets,

interest expense and taxes, along with the same adjustments for joint ventures. Some of the adjustments mentioned can vary among owners of identical assets in similar conditions based on historical cost accounting and useful-life estimates. EBITDAre 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 EBITDAre is helpful to investors as a supplemental performance measure because it provides a metric for understanding our results from ongoing operations without taking into account the effects of non-cash expenses (such as depreciation and amortization) and capitalization and capital structure expenses (such as interest expense and taxes). We also believe that EBITDAre can help facilitate comparisons of operating performance between periods and with other REITs. However, other REITs may not define EBITDAre in accordance with the NAREIT definition, or may interpret the current NAREIT definition differently than us; therefore, our computation of EBITDAre may not be comparable to that of such other REITs.

(2) We calculate Core Earnings Before Interest, Taxes, Depreciation, and Amortization ("Core EBITDA") as net income (computed in accordance with GAAP) before interest, taxes, depreciation and amortization and incrementally removing any impairment losses, gains or losses from sales of 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. Core EBITDA 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 EBITDA is helpful to investors as a supplemental performance measure because it provides a metric for understanding the performance of our results from ongoing operations without taking into account the effects of non-cash expenses (such as depreciation and amortization), as well as items that are not part of normal day-to-day operations of our business. Other REITs may not define Core EBITDA in the same manner as us; therefore, our computation of Core EBITDA may not be comparable to that of other REITs.

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

(4) Acquisitions include 1180 Peachtree Street in Atlanta, Georgia purchased during the third quarter of 2022.

(5) Dispositions include One Brattle Square and 1414 Massachusetts Avenue in Cambridge, Massachusetts, sold in the fourth quarter of 2022.

(6) Other investments include active out-of-service redevelopment and development projects, land, and recently completed redevelopment and development projects. The operating results from 222 South Orange Avenue in Orlando, Florida, are included in this line item.

The following table sets forth a reconciliation of net income/(loss) calculated in accordance with GAAP to EBITDAre, Core EBITDA, Property NOI, and Same Store NOI, on both a cash and accrual basis, for the six months ended June 30, 2023 and 2022 (in thousands):

	Cash Basis		Accrual Basis	
	Six Months Ended		Six Months Ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Net income/(loss) applicable to Piedmont (GAAP)	**$ (3,355)**	$ 67,930	**$ (3,355)**	$ 67,930
Net income/(loss) applicable to noncontrolling interest	**6**	(1)	**6**	(1)
Interest expense	**45,466**	27,673	**45,466**	27,673
Depreciation	**72,251**	63,867	**72,251**	63,867
Amortization	**43,344**	43,708	**43,344**	43,708
Depreciation and amortization attributable to noncontrolling interests	**41**	44	**41**	44
Gain on sale of real estate assets	**—**	(50,674)	**—**	(50,674)
EDITDAre[1] and Core EBITDA[2]	**157,753**	152,547	**157,753**	152,547
General & administrative expenses	**14,970**	14,622	**14,970**	14,622
Management fee revenue [3]	**(546)**	(565)	**(546)**	(565)
Other income	**(3,012)**	(1,536)	**(3,012)**	(1,536)
Reversal of non-cash general reserve for uncollectible accounts	**(400)**	(1,000)		
Straight-line effects of lease revenue	**(5,942)**	(5,606)		
Straight line effects of lease revenue attributable to noncontrolling interests	**(6)**	(1)		
Amortization of lease-related intangibles	**(6,531)**	(6,171)		
Property NOI	**156,286**	152,290	**169,165**	165,068
Net operating (income)/loss from:				
Acquisitions [4]	**(10,843)**	—	**(14,980)**	—
Dispositions [5]	**74**	(5,785)	**74**	(5,857)
Other investments [6]	**337**	328	**132**	377
Same Store NOI	**$ 145,854**	$ 146,833	**$ 154,391**	$ 159,588
Change period over period in Same Store NOI	***(0.7)%***	*N/A*	***(3.3)%***	*N/A*

(1) We calculate Earnings Before Interest, Taxes, Depreciation, and Amortization- Real Estate ("EBITDAre") in accordance with the current NAREIT definition. NAREIT currently defines EBITDAre as net income/(loss) (computed in accordance with GAAP) adjusted for gains or losses from sales of property, impairment losses, depreciation on real estate assets, amortization on real estate assets, interest expense and taxes, along with the same adjustments for joint ventures. Some of the adjustments mentioned can vary among owners of identical assets in similar conditions based on historical cost accounting and useful-life estimates. EBITDAre 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 EBITDAre is helpful to investors as a supplemental performance measure because it provides a metric for understanding our results from ongoing operations without taking into account the effects of non-cash expenses (such as depreciation and amortization) and capitalization and capital structure expenses (such as interest expense and taxes). We also believe that EBITDAre can help facilitate comparisons of operating performance between periods and with other REITs. However, other REITs may not define EBITDAre in accordance with the NAREIT definition, or may interpret the current NAREIT definition differently than us; therefore, our computation of EBITDAre may not be comparable to that of such other REITs.

(2) We calculate Core Earnings Before Interest, Taxes, Depreciation, and Amortization ("Core EBITDA") as net income/(loss) (computed in accordance with GAAP) before interest, taxes, depreciation and amortization and removing any impairment losses, gains or losses from sales of 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. Core EBITDA 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 EBITDA is helpful to investors as a supplemental performance measure because it provides a metric for understanding the performance of our results from ongoing operations without taking into account the effects of non-cash expenses (such as depreciation and amortization), as well as items that are not part of normal day-to-day operations of our business. Other REITs may not define Core EBITDA in the same manner as us; therefore, our computation of Core EBITDA may not be comparable to that of other REITs.

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

(4) Acquisitions include 1180 Peachtree Street in Atlanta, Georgia purchased during the third quarter of 2022.

(5) Dispositions include Two Pierce Place in Itasca, Illinois and 225 and 235 Presidential Way in Woburn, Massachusetts, sold during the first quarter of 2022, and One Brattle Square and 1414 Massachusetts Avenue in Cambridge, Massachusetts, sold in the fourth quarter of 2022.

(6) Other investments include properties out of service for redevelopment or 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 222 South Orange Avenue in Orlando, Florida, are included in this line item.

Overview

Our portfolio consists of office properties located within identified growth submarkets in large metropolitan cities concentrated primarily in the Sunbelt. We typically lease space to creditworthy corporate or governmental tenants on a long-term basis. As of June 30, 2023, our average lease was approximately 15,000 square feet with approximately six years of lease term remaining. 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 portfolio was 86.2% leased as of June 30, 2023, a slight increase as compared to 86.1% leased as of March 31, 2023. During the three months ended June 30, 2023, we completed approximately 581,000 square feet of leasing, including approximately 236,000 of new tenant leases which increased our leased percentage. Additionally, scheduled lease expirations for the portfolio as a whole for the rest of 2023 represent less than 3% of our ALR, some portion of which may renew. To the extent the square footage from new leases for currently vacant space exceeds or falls short of the square footage associated with non-renewing expirations, such leases would increase or decrease our overall leased percentage, respectively.

Impact of Downtime, Abatement Periods, and Rental Rate Changes

Commencement of a lease associated with a new tenant in the property 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 for both new and renewing tenants often contain upfront rental and/or operating expense abatement periods which delay the cash flow benefits of the lease even after the new or renewed lease has commenced, negatively impacting Property NOI and Same Store NOI on a cash basis until such abatements expire. As of June 30, 2023, we had approximately 1.3 million square feet of executed leases for vacant space yet to commence or under rental abatement, representing approximately $37 million of additional annual cash revenue.

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 diverse portfolio and the magnitude of some of our tenants' leased spaces can result in rent roll ups and roll downs that can fluctuate widely on a building-by-building and a quarter-to-quarter basis. During the three months ended June 30, 2023, we experienced a 14.3% and 19.6% roll up in cash and accrual rents, respectively, on executed leases related to space vacant one year or less. During the six months ended June 30, 2023, we experienced a 9.4% and 14.1% roll up in cash and accrual rents, respectively, on executed leases related to space vacant one year or less.

During the three months ended June 30, 2023, Property NOI increased by 4.2% and 2.4% on a cash and accrual basis, respectively, as compared to the same period in the prior year primarily due to rental rate roll-ups and capital recycling activity completed during 2022. Same Store NOI on a cash basis increased slightly by 0.2% during the three months ended June 30, 2023 as new leases commencing or leases with expiring rental or operating expense abatements began to outweigh leases that expired during the first six months of 2023. Same Store NOI on an accrual basis decreased 3.7% during the three months ended June 30, 2023 as compared to the same period in the prior year. The decrease was attributable to a combination of a decline in our overall leased percentage during the current period as compared to the prior period; an increase in leases under some form of rental and/or operating expense abatement due to recent leasing activity; and an increase in leases which are executed but not yet commenced. Property NOI and Same Store NOI comparisons for any given period 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/(loss) 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 one of our wholly owned subsidiaries as a taxable REIT subsidiary ("TRS"). Our TRS performs non-customary services for tenants of buildings that we own, including real estate and non-real estate related-services. Any earnings related to such services performed by our TRS are subject to federal and state income taxes. In addition, for us to continue to qualify as a REIT, our investments in TRS 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 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.

Application of Critical Accounting Estimates

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, 2022 for a discussion of our critical accounting policies and estimates. There have been no material changes to these policies during the six months ended June 30, 2023.

Commitments and Contingencies

We are subject to certain commitments and contingencies with regard to certain transactions. Refer to Note 6 to our consolidated financial statements for further explanation.

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. As of June 30, 2023, our potential for exposure to market risk includes interest rate fluctuations in connection with borrowings under our $600 Million Unsecured 2022 Line of Credit, the $200 Million 2022 Unsecured Term Loan Facility, and the $215 Million Unsecured 2023 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 SOFR rates are determined.

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 as of June 30, 2023, other than the $600 Million Unsecured 2022 Line of Credit, the $200 Million Unsecured 2022 Term Loan Facility, and the $215 Million Unsecured 2023 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 purposes other than trading purposes.

The estimated fair value of our debt was approximately $1.9 billion and $1.8 billion as of June 30, 2023 and December 31, 2022, respectively. Our interest rate swap agreements in place as of June 30, 2023 and December 31, 2022 carried a notional amount totaling $250 million with a weighted-average fixed interest rate of 4.54%.

As of June 30, 2023, 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 3.80% per annum with expirations ranging from 2024 to 2032. 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, 2023, we had $200 million outstanding on our $600 Million Unsecured 2022 Line of Credit. Our $600 Million Unsecured 2022 Line of Credit currently has a stated rate of Adjusted SOFR plus 0.85% per annum (based on our current corporate credit rating), resulting in a total interest rate of 6.00%. Our $200 Million Unsecured 2022 Term Loan Facility has a stated rate of Adjusted SOFR plus 1.00% per annum (based on our current corporate credit rating), resulting in a total interest rate of 6.20%. Our $215 Million Unsecured 2023 Term Loan has a stated rate of Adjusted SOFR plus 1.05% per annum (based on our current corporate credit rating), resulting in a total interest rate of 6.20%. To the extent that we borrow additional funds in the future under the $600 Million Unsecured 2022 Line of Credit or potential future variable-rate debt facilities, 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, 2023 would increase interest expense approximately $6.2 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 Rules 13a-15(e) and 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, 2023 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

The failure of any bank in which we deposit our funds could reduce the amount of cash we have available to pay distributions and make additional investments.

The Federal Deposit Insurance Corporation only insures amounts up to $250,000 per depositor. We have cash and cash equivalents and restricted cash deposited in certain financial institutions in excess of federally insured levels. Recently, we have seen the abrupt failure of more than one regional bank. Although we hold cash primarily in the top ten banks in the United States and we did not experience any loss related to the recent bank failures, if any of the banking institutions in which we deposit funds ultimately fails, we may lose amounts of our deposits over federally insured levels. The loss of our deposits could reduce the amount of cash we have available to distribute, to pay down maturing debt, or to invest, and could result in a decline in the value of our stockholders' investment.

There have been no other known material changes, other than as described above, from the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2022.

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 2023.

(b) Not applicable.

(c) There were no repurchases of shares of our common stock during the second quarter of 2023. As of June 30, 2023, approximately $150.5 million remains available under our stock repurchase program to make share repurchases through February 2024, at the discretion of management.

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).
22.1	Subsidiary Issuer of Guaranteed Securities (incorporated by reference to Exhibit 22.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 2021, filed on February 17, 2022)
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.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

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 18, 2023

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

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, 2023 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 18, 2023

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, 2023 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 18, 2023

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, 2023, 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 18, 2023

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, 2023, 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 18, 2023