

Piedmont Office Realty Trust, Inc.
Form 10-Q
April 30, 2014
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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 March 31, 2014

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)

11695 Johns Creek Parkway
Ste. 350
Johns Creek, Georgia 30097
(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)
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 No
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes No

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

Large Accelerated filer <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-Accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input type="checkbox"/>

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Number of shares outstanding of the Registrant's
common stock, as of April 29, 2014:

154,270,549 shares

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this Form 10-Q and other written or oral statements made by or on behalf of Piedmont Office Realty Trust, Inc. (“Piedmont”) may constitute forward-looking statements within the meaning of the federal securities laws. In addition, Piedmont, or its executive officers on Piedmont’s behalf, may from time to time make forward-looking statements in reports and other documents Piedmont files with the Securities and Exchange Commission or in connection with oral statements made to the press, potential investors, or others. Statements regarding future events and developments and Piedmont’s future performance, as well as management’s expectations, beliefs, plans, estimates, or projections relating to the future, are forward-looking statements within the meaning of these laws. 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 report include descriptions of our real estate, financing, and operating objectives; discussions regarding future dividends and stock repurchases; and discussions regarding the potential impact of economic conditions on our portfolio.

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

- Market and economic conditions remain challenging in some markets we operate in and the demand for office space, rental rates and property values may continue to lag the general economic recovery causing our business, results of operations, cash flows, financial condition and access to capital to be adversely affected or otherwise impact performance, including the potential recognition of impairment charges;
- The success of our real estate strategies and investment objectives, including our ability to identify and consummate suitable acquisitions;
- Acquisitions of properties may have unknown risks and other liabilities at the time of acquisition;
- Lease terminations or lease defaults, particularly by one of our large lead tenants;
- The impact of competition on our efforts to renew existing leases or re-let space on terms similar to existing leases;
- Changes in the economies and other conditions of the office market in general and of the specific markets in which we operate;
- Economic and regulatory changes, including accounting standards, that impact the real estate market generally;
- Additional risks and costs associated with directly managing properties occupied by government tenants;
- Adverse market and economic conditions may continue to negatively affect us and could cause us to recognize impairment charges or otherwise impact our performance;
- Availability of financing and our lending banks’ ability to honor existing line of credit commitments;
- Costs of complying with governmental laws and regulations;
- Uncertainties associated with environmental and other regulatory matters;
- Potential changes in political environment and reduction in federal and/or state funding of our governmental tenants;
- We may be subject to litigation, which could have a material adverse effect on our financial condition;
- Changes in tax laws impacting REITs and real estate in general, as well as Piedmont’s ability to continue to qualify as a REIT under the Internal Revenue Code (the “Code”); and
- Other factors, including the risk factors discussed under Item 1A. of Piedmont’s Annual Report on Form 10-K for the year ended December 31, 2013.

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.

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PART I. FINANCIAL STATEMENTS

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 U.S. generally accepted accounting principles.

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, 2013. Piedmont's results of operations for the three months ended March 31, 2014 are not necessarily indicative of the operating results expected for the full year.

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PIEDMONT OFFICE REALTY TRUST, INC.

CONSOLIDATED BALANCE SHEETS

(in thousands, except for share and per share amounts)

	(Unaudited) March 31, 2014	December 31, 2013
Assets:		
Real estate assets, at cost:		
Land	\$682,429	\$686,359
Buildings and improvements, less accumulated depreciation of \$997,350 and \$972,531 as of March 31, 2014 and December 31, 2013, respectively	3,129,993	3,154,001
Intangible lease assets, less accumulated amortization of \$69,997 and \$71,588 as of March 31, 2014 and December 31, 2013, respectively	69,144	73,359
Construction in progress	28,847	24,269
Real estate assets held for sale, net	13,939	13,995
Total real estate assets	3,924,352	3,951,983
Investments in and amounts due from unconsolidated joint ventures	13,855	14,388
Cash and cash equivalents	9,271	6,973
Tenant receivables, net of allowance for doubtful accounts of \$273 and \$346 as of March 31, 2014 and December 31, 2013, respectively	22,196	31,145
Straight-line rent receivables	147,360	138,293
Restricted cash and escrows	751	394
Prepaid expenses and other assets	28,154	24,771
Goodwill	180,097	180,097
Interest rate swaps	464	24,176
Deferred financing costs, less accumulated amortization of \$4,506 and \$13,041 as of March 31, 2014 and December 31, 2013, respectively	8,545	8,759
Deferred lease costs, less accumulated amortization of \$123,582 and \$125,882 as of March 31, 2014 and December 31, 2013, respectively	273,709	281,790
Other assets held for sale, net	3,191	3,319
Total assets	\$4,611,945	\$4,666,088
Liabilities:		
Unsecured debt, net of discount of \$4,703 and \$1,320 as of March 31, 2014 and December 31, 2013, respectively	\$1,617,297	\$1,014,680
Secured debt	412,525	987,525
Accounts payable, accrued expenses, and accrued capital expenditures	130,530	128,818
Deferred income	23,042	22,267
Intangible lease liabilities, less accumulated amortization of \$44,462 and \$44,256 as of March 31, 2014 and December 31, 2013, respectively	45,227	47,113
Interest rate swaps	4,366	4,526
Total liabilities	2,232,987	2,204,929
Commitments and Contingencies	—	—
Stockholders' Equity:		
Shares-in-trust, 150,000,000 shares authorized; none outstanding as of March 31, 2014 or December 31, 2013	—	—
Preferred stock, no par value, 100,000,000 shares authorized; none outstanding as of March 31, 2014 or December 31, 2013	—	—
Common stock, \$.01 par value, 750,000,000 shares authorized; 154,277,930 and 157,460,903 shares issued and outstanding as of March 31, 2014 and December 31,	1,543	1,575

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2013, respectively		
Additional paid-in capital	3,669,561	3,668,906
Cumulative distributions in excess of earnings	(1,305,321)	(1,231,209)
Other comprehensive income	11,562	20,278
Piedmont stockholders' equity	2,377,345	2,459,550
Noncontrolling interest	1,613	1,609
Total stockholders' equity	2,378,958	2,461,159
Total liabilities and stockholders' equity		