

Edgar Filing: Piedmont Office Realty Trust, Inc. - Form 10-Q

Piedmont Office Realty Trust, Inc.

Form 10-Q

May 01, 2019

false--12-31Q120190001042776falseLarge Accelerated

Filerfalse484530000244600005914400061382000P6MP1Y1500000001500000000000.210.210.010.01750000000750000000

0001042776 2019-01-01 2019-03-31 0001042776 2019-04-30 0001042776 2019-03-31 0001042776 2018-12-31

0001042776 us-gaap:BuildingAndBuildingImprovementsMember 2018-12-31 0001042776

us-gaap:SecuredDebtMember 2019-03-31 0001042776 us-gaap:UnsecuredDebtMember 2019-03-31 0001042776

us-gaap:UnsecuredDebtMember 2018-12-31 0001042776 us-gaap:BuildingAndBuildingImprovementsMember

2019-03-31 0001042776 us-gaap:SecuredDebtMember 2018-12-31 0001042776 2018-01-01 2018-03-31 0001042776

us-gaap:RealEstateOtherMember 2018-01-01 2018-03-31 0001042776 us-gaap:ManagementServiceMember

2019-01-01 2019-03-31 0001042776 us-gaap:ManagementServiceMember 2018-01-01 2018-03-31 0001042776

us-gaap:RealEstateOtherMember 2019-01-01 2019-03-31 0001042776

us-gaap:AccumulatedOtherComprehensiveIncomeMember 2018-12-31 0001042776

us-gaap:NoncontrollingInterestMember 2018-01-01 2018-03-31 0001042776

us-gaap:AdditionalPaidInCapitalMember 2018-12-31 0001042776 us-gaap:CommonStockMember 2018-03-31

0001042776 us-gaap:CommonStockMember 2019-01-01 2019-03-31 0001042776

us-gaap:NoncontrollingInterestMember 2019-03-31 0001042776 us-gaap:NoncontrollingInterestMember 2017-12-31

0001042776 us-gaap:RetainedEarningsMember 2019-03-31 0001042776 us-gaap:AdditionalPaidInCapitalMember

2019-01-01 2019-03-31 0001042776 us-gaap:CommonStockMember 2018-12-31 0001042776

us-gaap:CommonStockMember 2019-03-31 0001042776 us-gaap:NoncontrollingInterestMember 2019-01-01

2019-03-31 0001042776 us-gaap:CommonStockMember 2018-01-01 2018-03-31 0001042776

us-gaap:RetainedEarningsMember 2019-01-01 2019-03-31 0001042776 us-gaap:RetainedEarningsMember

2018-01-01 2018-03-31 0001042776 us-gaap:RetainedEarningsMember 2018-12-31 0001042776

us-gaap:NoncontrollingInterestMember 2018-03-31 0001042776 us-gaap:CommonStockMember 2017-12-31

0001042776 us-gaap:AdditionalPaidInCapitalMember 2019-03-31 0001042776

us-gaap:AdditionalPaidInCapitalMember 2018-03-31 0001042776 us-gaap:RetainedEarningsMember 2018-03-31

0001042776 us-gaap:AccumulatedOtherComprehensiveIncomeMember 2018-03-31 0001042776

us-gaap:AccumulatedOtherComprehensiveIncomeMember 2018-01-01 0001042776

us-gaap:AccumulatedOtherComprehensiveIncomeMember 2019-01-01 2019-03-31 0001042776

us-gaap:AdditionalPaidInCapitalMember 2017-12-31 0001042776

us-gaap:AccumulatedOtherComprehensiveIncomeMember 2018-01-01 2018-03-31 0001042776 2017-12-31

0001042776 us-gaap:RetainedEarningsMember 2018-01-01 0001042776 us-gaap:NoncontrollingInterestMember

2018-12-31 0001042776 2018-03-31 0001042776 us-gaap:AdditionalPaidInCapitalMember 2018-01-01 2018-03-31

0001042776 us-gaap:RetainedEarningsMember 2017-12-31 0001042776

us-gaap:AccumulatedOtherComprehensiveIncomeMember 2019-03-31 0001042776

us-gaap:AccumulatedOtherComprehensiveIncomeMember 2017-12-31 0001042776 2018-01-01 0001042776

pdm:InServiceOfficePropertiesMember 2019-03-31 0001042776 pdm:RedevelopmentAssetMember 2019-03-31

0001042776 country:US 2019-03-31 0001042776 us-gaap:AccountingStandardsUpdate201602Member

pdm:OperatingLeaseLeaseIncomeMember 2019-01-01 2019-03-31 0001042776

us-gaap:AccountingStandardsUpdate201602Member 2019-01-01 2019-03-31 0001042776

srt:RestatementAdjustmentMember us-gaap:AccountingStandardsUpdate201602Member 2018-01-01 2018-03-31

0001042776 us-gaap:AccountingStandardsUpdate201602Member 2019-01-01 0001042776

us-gaap:AccountingStandardsUpdate201602Member pdm:CostOfOtherPropertyOperatingExpensesMember

2018-01-01 2018-03-31 0001042776 pdm:Secured35MillionMortgageLoanMember us-gaap:SecuredDebtMember

2019-03-31 0001042776 us-gaap:LineOfCreditMember pdm:Unsecured500Million2018LineOfCreditMember

us-gaap:UnsecuredDebtMember 2019-01-01 2019-03-31 0001042776 pdm:ThroughMarch292020Member

pdm:A250Million2018UnsecuredTermLoanMaturing2025Member us-gaap:UnsecuredDebtMember 2019-03-31

0001042776 pdm:A250Million2018UnsecuredTermLoanMaturing2025Member us-gaap:UnsecuredDebtMember

2019-03-31 0001042776 pdm:SevenYearInterestRateSwapAgreementMember us-gaap:InterestRateSwapMember

2019-03-31 0001042776 pdm:FromMarch302020ThroughMarch312025Member

Edgar Filing: Piedmont Office Realty Trust, Inc. - Form 10-Q

pdm:A250Million2018UnsecuredTermLoanMaturing2025Member us-gaap:UnsecuredDebtMember 2019-03-31
0001042776 us-gaap:LineOfCreditMember pdm:Unsecured500Million2018LineOfCreditMember
us-gaap:UnsecuredDebtMember 2019-03-31 0001042776 pdm:UnsecuredSenior400MillionNotesMember
us-gaap:UnsecuredDebtMember 2018-12-31 0001042776
pdm:A300Million2011UnsecuredTermLoanMaturing2020Member us-gaap:UnsecuredDebtMember 2018-12-31
0001042776 pdm:UnsecuredSenior350MillionNotesMember us-gaap:UnsecuredDebtMember 2019-03-31
0001042776 pdm:Secured35MillionMortgageLoanMember us-gaap:SecuredDebtMember 2018-12-31 0001042776
pdm:A250Million2018UnsecuredTermLoanMaturing2025Member us-gaap:UnsecuredDebtMember 2018-12-31
0001042776 pdm:FixedRate160MillionLoanMember us-gaap:SecuredDebtMember 2019-03-31 0001042776
pdm:FixedRate160MillionLoanMember us-gaap:SecuredDebtMember 2018-12-31 0001042776
us-gaap:LineOfCreditMember pdm:Unsecured500Million2018LineOfCreditMember us-gaap:UnsecuredDebtMember
2018-12-31 0001042776 pdm:A300Million2011UnsecuredTermLoanMaturing2020Member
us-gaap:UnsecuredDebtMember 2019-03-31 0001042776
pdm:A300Million2011UnsecuredTermLoanMaturing2020Member us-gaap:InterestRateSwapMember
us-gaap:UnsecuredDebtMember 2019-03-31 0001042776 pdm:UnsecuredSenior400MillionNotesMember
us-gaap:UnsecuredDebtMember 2019-03-31 0001042776 pdm:UnsecuredSenior350MillionNotesMember
us-gaap:UnsecuredDebtMember 2018-12-31 0001042776
pdm:A300Million2011UnsecuredTermLoanMaturing2020Member us-gaap:UnsecuredDebtMember
us-gaap:LondonInterbankOfferedRateLIBORMember 2019-01-01 2019-03-31 0001042776
pdm:Unsecured500Million2018LineOfCreditMember us-gaap:UnsecuredDebtMember
us-gaap:LondonInterbankOfferedRateLIBORMember 2019-01-01 2019-03-31 0001042776
pdm:Unsecured500Million2018LineOfCreditMember us-gaap:UnsecuredDebtMember 2019-03-31 0001042776
pdm:A250Million2018UnsecuredTermLoanMaturing2025Member us-gaap:UnsecuredDebtMember
us-gaap:LondonInterbankOfferedRateLIBORMember 2019-01-01 2019-03-31 0001042776
us-gaap:CreditRiskContractMember 2019-03-31 0001042776 us-gaap:InterestRateSwapMember 2019-01-01
2019-03-31 0001042776 us-gaap:InterestRateSwapMember us-gaap:InterestExpenseMember 2019-01-01 2019-03-31
0001042776 us-gaap:InterestRateSwapMember pdm:GainLossOnExtinguishmentOfDebtMember 2018-01-01
2018-03-31 0001042776 us-gaap:InterestRateSwapMember us-gaap:InterestExpenseMember 2018-01-01 2018-03-31
0001042776 us-gaap:InterestRateSwapMember 2018-01-01 2018-03-31 0001042776
us-gaap:InterestRateSwapMember pdm:GainLossOnExtinguishmentOfDebtMember 2019-01-01 2019-03-31
0001042776 pdm:A250Million2018UnsecuredTermLoanMaturing2025Member
pdm:InterestRateSwap4through5Member us-gaap:UnsecuredDebtMember 2019-03-31 0001042776
pdm:A300Million2011UnsecuredTermLoanMaturing2020Member pdm:InterestRateSwap1through3Member
us-gaap:UnsecuredDebtMember 2019-03-31 0001042776
pdm:A250Million2018UnsecuredTermLoanMaturing2020Member pdm:InterestRateSwap6Member
us-gaap:UnsecuredDebtMember 2019-03-31 0001042776 us-gaap:InterestRateSwapMember 2019-03-31 0001042776
us-gaap:FairValueInputsLevel2Member us-gaap:EstimateOfFairValueFairValueDisclosureMember
us-gaap:InterestRateSwapMember 2019-03-31 0001042776
us-gaap:CarryingReportedAmountFairValueDisclosureMember 2019-03-31 0001042776
us-gaap:CarryingReportedAmountFairValueDisclosureMember us-gaap:InterestRateSwapMember 2018-12-31
0001042776 us-gaap:FairValueInputsLevel1Member us-gaap:EstimateOfFairValueFairValueDisclosureMember
2019-03-31 0001042776 us-gaap:TradeAccountsReceivableMember
us-gaap:CarryingReportedAmountFairValueDisclosureMember 2019-03-31 0001042776
us-gaap:FairValueInputsLevel2Member us-gaap:EstimateOfFairValueFairValueDisclosureMember
us-gaap:InterestRateSwapMember 2018-12-31 0001042776 us-gaap:TradeAccountsReceivableMember
us-gaap:FairValueInputsLevel1Member us-gaap:EstimateOfFairValueFairValueDisclosureMember 2019-03-31
0001042776 us-gaap:CarryingReportedAmountFairValueDisclosureMember 2018-12-31 0001042776
us-gaap:TradeAccountsReceivableMember us-gaap:FairValueInputsLevel1Member
us-gaap:EstimateOfFairValueFairValueDisclosureMember 2018-12-31 0001042776
us-gaap:FairValueInputsLevel1Member us-gaap:EstimateOfFairValueFairValueDisclosureMember 2018-12-31
0001042776 us-gaap:CarryingReportedAmountFairValueDisclosureMember us-gaap:InterestRateSwapMember

Edgar Filing: Piedmont Office Realty Trust, Inc. - Form 10-Q

2019-03-31 0001042776 us-gaap:FairValueInputsLevel2Member
us-gaap:EstimateOfFairValueFairValueDisclosureMember 2018-12-31 0001042776
us-gaap:TradeAccountsReceivableMember us-gaap:CarryingReportedAmountFairValueDisclosureMember
2018-12-31 0001042776 us-gaap:FairValueInputsLevel2Member
us-gaap:EstimateOfFairValueFairValueDisclosureMember 2019-03-31 0001042776
pdm:NonincrementalCapitalExpendituresMember 2019-03-31 0001042776
pdm:CollectibilityOfTenantReimbursementsMember 2019-01-01 2019-03-31 0001042776
pdm:CollectibilityOfTenantReimbursementsMember 2018-01-01 2018-03-31 0001042776
pdm:IncrementalCapitalExpendituresMember 2019-03-31 0001042776
pdm:NonincrementalCapitalExpendituresMember 2019-01-01 2019-03-31 0001042776 srt:MaximumMember
pdm:NonincrementalCapitalExpendituresMember 2019-01-01 2019-03-31 0001042776 2019-02-28 2019-02-28
0001042776 us-gaap:DisposalGroupHeldforsaleNotDiscontinuedOperationsMember us-gaap:LandMember
2019-03-31 0001042776 us-gaap:DisposalGroupHeldforsaleNotDiscontinuedOperationsMember 2019-03-31
0001042776 us-gaap:DisposalGroupHeldforsaleNotDiscontinuedOperationsMember
us-gaap:BuildingAndBuildingImprovementsMember 2019-03-31 0001042776
us-gaap:DisposalGroupHeldforsaleNotDiscontinuedOperationsMember us-gaap:ConstructionInProgressMember
2018-12-31 0001042776 us-gaap:DisposalGroupHeldforsaleNotDiscontinuedOperationsMember 2018-12-31
0001042776 us-gaap:DisposalGroupHeldforsaleNotDiscontinuedOperationsMember
us-gaap:ConstructionInProgressMember 2019-03-31 0001042776
us-gaap:DisposalGroupHeldforsaleNotDiscontinuedOperationsMember us-gaap:LandMember 2018-12-31
0001042776 us-gaap:DisposalGroupHeldforsaleNotDiscontinuedOperationsMember
us-gaap:BuildingAndBuildingImprovementsMember 2018-12-31 0001042776 pdm:StockAwardsMember 2019-03-31
0001042776 pdm:DeferredStockAwardMember 2019-01-01 2019-03-31 0001042776 pdm:StockAwardsMember
2018-12-31 0001042776 us-gaap:PerformanceSharesMember 2019-01-01 2019-03-31 0001042776
us-gaap:PerformanceSharesMember 2018-01-01 2018-03-31 0001042776 pdm:DeferredStockAwardMember
2018-01-01 2018-03-31 0001042776 pdm:PerformanceShareProgramAwardGrantedMay182017Member
us-gaap:PerformanceSharesMember 2017-05-18 0001042776 pdm:DeferredStockAwardGrantedMay242016Member
pdm:DeferredStockAwardMember 2016-05-24 0001042776 pdm:DeferredStockAwardGrantedMay242016Member
pdm:DeferredStockAwardMember 2019-03-31 0001042776 pdm:DeferredStockAwardGrantedMay182017Member
pdm:DeferredStockAwardMember 2017-05-18 0001042776
pdm:DeferredStockAwardGrantedMay172018DeferredStockAwardIndependentDirectorsMember
pdm:DeferredStockAwardMember us-gaap:DirectorMember 2019-03-31 0001042776
pdm:PerformanceShareProgramAwardGrantedMay172018Member us-gaap:PerformanceSharesMember 2019-03-31
0001042776 pdm:DeferredStockAwardGrantedMay172018DeferredStockAwardIndependentDirectorsMember
pdm:DeferredStockAwardMember us-gaap:DirectorMember 2018-05-17 0001042776
pdm:PerformanceShareProgramAwardGrantedMay172018Member us-gaap:PerformanceSharesMember 2018-05-17
0001042776 pdm:DeferredStockAwardGrantedMay172018Member pdm:DeferredStockAwardMember 2019-03-31
0001042776 pdm:DeferredStockAwardGrantedMay172018Member pdm:DeferredStockAwardMember 2018-05-17
0001042776 pdm:DeferredStockAwardGrantedMay182017Member pdm:DeferredStockAwardMember 2019-03-31
0001042776 pdm:PerformanceShareProgramAwardGrantedMay182017Member us-gaap:PerformanceSharesMember
2019-03-31 0001042776 pdm:DeferredStockAwardGrantedMay182017Member pdm:DeferredStockAwardMember
us-gaap:ShareBasedCompensationAwardTrancheTwoMember 2017-05-18 2017-05-18 0001042776
pdm:DeferredStockAwardGrantedMay172018Member pdm:DeferredStockAwardMember
us-gaap:ShareBasedCompensationAwardTrancheOneMember 2018-05-17 2018-05-17 0001042776
pdm:DeferredStockAwardGrantedMay182017Member pdm:DeferredStockAwardMember
us-gaap:ShareBasedCompensationAwardTrancheThreeMember 2017-05-18 2017-05-18 0001042776
pdm:StockAwardsMember us-gaap:DirectorMember 2019-01-01 2019-03-31 0001042776
srt:WeightedAverageMember 2019-01-01 2019-03-31 0001042776
pdm:DeferredStockAwardGrantedMay172018Member pdm:DeferredStockAwardMember
pdm:SharebasedCompensationAwardTrancheFourMember 2018-05-17 2018-05-17 0001042776
pdm:DeferredStockAwardGrantedMay182017Member pdm:DeferredStockAwardMember

Edgar Filing: Piedmont Office Realty Trust, Inc. - Form 10-Q

pdm:SharebasedCompensationAwardTrancheFourMember 2017-05-18 2017-05-18 0001042776
pdm:DeferredStockAwardGrantedMay242016Member pdm:DeferredStockAwardMember
us-gaap:ShareBasedCompensationAwardTrancheOneMember 2016-05-24 2016-05-24 0001042776
pdm:DeferredStockAwardGrantedMay242016Member pdm:DeferredStockAwardMember
us-gaap:ShareBasedCompensationAwardTrancheThreeMember 2016-05-24 2016-05-24 0001042776
pdm:DeferredStockAwardGrantedMay172018Member pdm:DeferredStockAwardMember
us-gaap:ShareBasedCompensationAwardTrancheTwoMember 2018-05-17 2018-05-17 0001042776
pdm:DeferredStockAwardGrantedMay172018Member pdm:DeferredStockAwardMember
us-gaap:ShareBasedCompensationAwardTrancheThreeMember 2018-05-17 2018-05-17 0001042776
pdm:DeferredStockAwardGrantedMay242016Member pdm:DeferredStockAwardMember
us-gaap:ShareBasedCompensationAwardTrancheTwoMember 2016-05-24 2016-05-24 0001042776
pdm:DeferredStockAwardGrantedMay172018DeferredStockAwardIndependentDirectorsMember
pdm:DeferredStockAwardMember us-gaap:DirectorMember
us-gaap:ShareBasedCompensationAwardTrancheOneMember 2018-05-17 2018-05-17 0001042776
pdm:DeferredStockAwardGrantedMay182017Member pdm:DeferredStockAwardMember
us-gaap:ShareBasedCompensationAwardTrancheOneMember 2017-05-18 2017-05-18 0001042776
pdm:DeferredStockAwardGrantedMay242016Member pdm:DeferredStockAwardMember
pdm:SharebasedCompensationAwardTrancheFourMember 2016-05-24 2016-05-24 0001042776 2018-09-30
0001042776 srt:ConsolidationEliminationsMember 2018-12-31 0001042776 srt:NonGuarantorSubsidiariesMember
srt:ReportableLegalEntitiesMember 2018-12-31 0001042776 srt:SubsidiaryIssuerMember
srt:ReportableLegalEntitiesMember 2018-12-31 0001042776 srt:ParentCompanyMember
srt:ReportableLegalEntitiesMember 2018-12-31 0001042776 srt:ParentCompanyMember
srt:ReportableLegalEntitiesMember 2019-03-31 0001042776 srt:SubsidiaryIssuerMember
srt:ReportableLegalEntitiesMember 2019-03-31 0001042776 srt:ConsolidationEliminationsMember 2019-03-31
0001042776 srt:NonGuarantorSubsidiariesMember srt:ReportableLegalEntitiesMember 2019-03-31 0001042776
srt:ParentCompanyMember srt:ReportableLegalEntitiesMember us-gaap:RealEstateOtherMember 2019-01-01
2019-03-31 0001042776 srt:SubsidiaryIssuerMember srt:ReportableLegalEntitiesMember 2019-01-01 2019-03-31
0001042776 srt:ConsolidationEliminationsMember 2019-01-01 2019-03-31 0001042776
srt:NonGuarantorSubsidiariesMember srt:ReportableLegalEntitiesMember 2019-01-01 2019-03-31 0001042776
srt:ConsolidationEliminationsMember us-gaap:RealEstateOtherMember 2019-01-01 2019-03-31 0001042776
srt:ParentCompanyMember srt:ReportableLegalEntitiesMember 2019-01-01 2019-03-31 0001042776
srt:SubsidiaryIssuerMember srt:ReportableLegalEntitiesMember us-gaap:ManagementServiceMember 2019-01-01
2019-03-31 0001042776 srt:NonGuarantorSubsidiariesMember srt:ReportableLegalEntitiesMember
us-gaap:RealEstateOtherMember 2019-01-01 2019-03-31 0001042776 srt:ConsolidationEliminationsMember
us-gaap:ManagementServiceMember 2019-01-01 2019-03-31 0001042776 srt:NonGuarantorSubsidiariesMember
srt:ReportableLegalEntitiesMember us-gaap:ManagementServiceMember 2019-01-01 2019-03-31 0001042776
srt:SubsidiaryIssuerMember srt:ReportableLegalEntitiesMember us-gaap:RealEstateOtherMember 2019-01-01
2019-03-31 0001042776 srt:ParentCompanyMember srt:ReportableLegalEntitiesMember
us-gaap:ManagementServiceMember 2019-01-01 2019-03-31 0001042776 srt:SubsidiaryIssuerMember
srt:ReportableLegalEntitiesMember 2018-01-01 2018-03-31 0001042776 srt:NonGuarantorSubsidiariesMember
srt:ReportableLegalEntitiesMember 2018-01-01 2018-03-31 0001042776 srt:ConsolidationEliminationsMember
2018-01-01 2018-03-31 0001042776 srt:ParentCompanyMember srt:ReportableLegalEntitiesMember 2018-01-01
2018-03-31 0001042776 srt:ConsolidationEliminationsMember us-gaap:RealEstateOtherMember 2018-01-01
2018-03-31 0001042776 srt:ParentCompanyMember srt:ReportableLegalEntitiesMember
us-gaap:ManagementServiceMember 2018-01-01 2018-03-31 0001042776 srt:ConsolidationEliminationsMember
us-gaap:ManagementServiceMember 2018-01-01 2018-03-31 0001042776 srt:ParentCompanyMember
srt:ReportableLegalEntitiesMember us-gaap:RealEstateOtherMember 2018-01-01 2018-03-31 0001042776
srt:SubsidiaryIssuerMember srt:ReportableLegalEntitiesMember us-gaap:ManagementServiceMember 2018-01-01
2018-03-31 0001042776 srt:NonGuarantorSubsidiariesMember srt:ReportableLegalEntitiesMember
us-gaap:ManagementServiceMember 2018-01-01 2018-03-31 0001042776 srt:NonGuarantorSubsidiariesMember
srt:ReportableLegalEntitiesMember us-gaap:RealEstateOtherMember 2018-01-01 2018-03-31 0001042776

srt:SubsidiaryIssuerMember srt:ReportableLegalEntitiesMember us-gaap:RealEstateOtherMember 2018-01-01
2018-03-31 0001042776 srt:NonGuarantorSubsidiariesMember srt:ReportableLegalEntitiesMember 2018-03-31
0001042776 srt:SubsidiaryIssuerMember srt:ReportableLegalEntitiesMember 2018-03-31 0001042776
srt:ParentCompanyMember srt:ReportableLegalEntitiesMember 2017-12-31 0001042776
srt:ConsolidationEliminationsMember 2017-12-31 0001042776 srt:ParentCompanyMember
srt:ReportableLegalEntitiesMember 2018-03-31 0001042776 srt:SubsidiaryIssuerMember
srt:ReportableLegalEntitiesMember 2017-12-31 0001042776 srt:ConsolidationEliminationsMember 2018-03-31
0001042776 srt:NonGuarantorSubsidiariesMember srt:ReportableLegalEntitiesMember 2017-12-31 0001042776
us-gaap:SubsequentEventMember 2019-05-01 2019-05-01 0001042776 srt:OfficeBuildingMember
us-gaap:SubsequentEventMember 2019-04-25 pdm:segment iso4217:USD xbrli:shares pdm:subsidiary pdm:property
xbrli:pure iso4217:USD pdm:asset xbrli:shares pdm:category pdm:contract pdm:extension pdm:market utreg:sqft
[Table of Contents](#)

**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, 2019

OR

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

For the Transition Period From _____ To _____

Commission file number 001-34626

Piedmont Office Realty Trust, Inc.

(Exact name of registrant as specified in its charter)

Maryland

(State or other jurisdiction of incorporation or organization)

58-2328421

(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)

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 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 No

Edgar Filing: Piedmont Office Realty Trust, Inc. - Form 10-Q

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

Accelerated filer

Non-Accelerated filer (Do not check if a smaller reporting company)

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.

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 30, 2019:**

125,597,374 shares

Table of Contents

FORM 10-Q
PIEDMONT OFFICE REALTY TRUST, INC.
TABLE OF CONTENTS

	Page No.
PART I. Financial Statements	
Item 1. <u>Consolidated Financial Statements</u>	<u>5</u>
<u>Consolidated Balance Sheets—March 31, 2019 (unaudited) and December 31, 2018</u>	<u>6</u>
<u>Consolidated Statements of Income for the Three Months Ended March 31, 2019 (unaudited) and 2018 (unaudited)</u>	<u>7</u>
<u>Consolidated Statements of Comprehensive Income for the Three Months Ended March 31, 2019 (unaudited) and 2018 (unaudited)</u>	<u>8</u>
<u>Consolidated Statements of Stockholders' Equity for the Three Months Ended March 31, 2019 (unaudited) and 2018 (unaudited)</u>	<u>9</u>
<u>Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2019 (unaudited) and 2018 (unaudited)</u>	<u>10</u>
<u>Condensed Notes to Consolidated Financial Statements (unaudited)</u>	<u>11</u>
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>30</u>
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>39</u>
Item 4. <u>Controls and Procedures</u>	<u>40</u>
PART II. Other Information	
Item 1. <u>Legal Proceedings</u>	<u>41</u>
Item 1A. <u>Risk Factors</u>	<u>41</u>
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>41</u>
Item 3. <u>Defaults Upon Senior Securities</u>	<u>41</u>
Item 4. <u>Mine Safety Disclosures</u>	<u>41</u>
Item 5. <u>Other Information</u>	<u>42</u>
Item 6. <u>Exhibits</u>	<u>42</u>

Table of Contents

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

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

- Economic, regulatory, socio-economic changes, and/or technology changes (including accounting standards) that impact the real estate market generally, or that could affect patterns of use of commercial office space;
- The impact of competition on our efforts to renew existing leases or re-let space on terms similar to existing leases; Changes in the economies and other conditions affecting the office sector in general and specifically the eight markets in which we primarily operate where we have high concentrations of our Annualized Lease Revenue (see definition below);
- Lease terminations, lease defaults, or changes in the financial condition of our tenants, particularly by one of our large lead tenants;
- Adverse market and economic conditions, including any resulting impairment charges on both our long-lived assets or goodwill resulting therefrom;
- The success of our real estate strategies and investment objectives, including our ability to identify and consummate suitable acquisitions and divestitures;
- The illiquidity of real estate investments, including regulatory restrictions to which REITs are subject and the resulting impediment on our ability to quickly respond to adverse changes in the performance of our properties;
- The risks and uncertainties associated with our acquisition and disposition of properties, many of which risks and uncertainties may not be known at the time of acquisition or disposition;
- Development and construction delays and resultant increased costs and risks;
- Our real estate development strategies may not be successful;
- Future acts of terrorism in any of the major metropolitan areas in which we own properties, or future cybersecurity attacks against us or any of our tenants;
- Costs of complying with governmental laws and regulations;
- Additional risks and costs associated with directly managing properties occupied by government tenants, including an increased risk of default by government tenants during periods in which state or federal governments are shut down or on furlough;
- Significant price and volume fluctuations in the public markets, including on the exchange which we listed our common stock;
- Changes in the method pursuant to which the LIBOR rates are determined and the potential phasing out of LIBOR after 2021;

• The effect of future offerings of debt or equity securities or changes in market interest rates on the value of our common stock;

• Uncertainties associated with environmental and other regulatory matters;

• Potential changes in political environment and reduction in federal and/or state funding of our governmental tenants;

• Changes in the financial condition of our tenants directly or indirectly resulting from geopolitical developments that could negatively affect international trade, including the United Kingdom's referendum to withdraw from the

• European Union, the termination or threatened termination of existing international trade agreements, or the

• implementation of tariffs or retaliatory tariffs on imported or exported goods;

• The effect of any litigation to which we are, or may become, subject;

Table of Contents

Changes in tax laws impacting real estate investment trusts ("REITs") and real estate in general, as well as our ability to continue to qualify as a REIT under the Internal Revenue Code of 1986 (the "Code") or otherwise adversely affect our stockholders;

• The future effectiveness of our internal controls and procedures; and

• Other factors, including the risk factors discussed under Item 1A. of our Annual Report on Form 10-K for the year ended December 31, 2018.

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

Information Regarding Disclosures Presented

Annualized Lease Revenue ("ALR"), a non-GAAP measure, is calculated by multiplying (i) rental payments (defined as base rent plus operating expense reimbursements, if payable by the tenant on a monthly basis under the terms of a lease that has been executed, but excluding (a) rental abatements and (b) rental payments related to executed but not commenced leases for space that 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 un-leased space, ALR is calculated by multiplying (i) the monthly base rental payment (excluding abatements) plus any operating expense reimbursements for the initial month of the lease term, by (ii) 12. Unless stated otherwise, this measure excludes revenues associated with development/re-development properties, if any.

Table of Contents

PART I. FINANCIAL STATEMENTS

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

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

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

Table of Contents**PIEDMONT OFFICE REALTY TRUST, INC.
CONSOLIDATED BALANCE SHEETS**

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

	(Unaudited) March 31, 2019	December 31, 2018
Assets:		
Real estate assets, at cost:		
Land	\$507,369	\$507,422
Buildings and improvements, less accumulated depreciation of \$797,112 and \$772,093 as of March 31, 2019 and December 31, 2018, respectively	2,293,629	2,305,096
Intangible lease assets, less accumulated amortization of \$91,235 and \$87,391 as of March 31, 2019 and December 31, 2018, respectively	71,274	77,676
Construction in progress	13,225	15,848
Real estate assets held for sale, net	—	110,552
Total real estate assets	2,885,497	3,016,594
Cash and cash equivalents	4,625	4,571
Tenant receivables	11,693	10,800
Straight-line rent receivables	167,346	162,589
Restricted cash and escrows	1,433	1,463
Prepaid expenses and other assets	23,529	25,356
Goodwill	98,918	98,918
Interest rate swaps	554	1,199
Deferred lease costs, less accumulated amortization of \$192,949 and \$183,611 as of March 31, 2019 and December 31, 2018, respectively	239,847	250,148
Other assets held for sale, net	—	20,791
Total assets	\$3,433,442	\$3,592,429
Liabilities:		
Unsecured debt, net of discount and unamortized debt issuance costs of \$9,354 and \$9,879 as of March 31, 2019 and December 31, 2018, respectively	\$1,375,646	\$1,495,121
Secured debt, net of premiums and unamortized debt issuance costs of \$569 and \$645 as of March 31, 2019 and December 31, 2018, respectively	190,109	190,351
Accounts payable, accrued expenses and accrued capital expenditures	81,309	102,519
Dividends payable	—	26,972
Deferred income	27,053	28,779
Intangible lease liabilities, less accumulated amortization of \$61,382 and \$59,144 as of March 31, 2019 and December 31, 2018, respectively	33,360	35,708
Interest rate swaps	2,443	839
Total liabilities	1,709,920	1,880,289
Commitments and Contingencies (Note 6)	—	—
Stockholders' Equity:		
Shares-in-trust, 150,000,000 shares authorized; none outstanding as of March 31, 2019 or December 31, 2018	—	—
Preferred stock, no par value, 100,000,000 shares authorized; none outstanding as of March 31, 2019 or December 31, 2018	—	—
Common stock, \$.01 par value, 750,000,000 shares authorized; 125,597,374 and 126,218,554 shares issued and outstanding as of March 31, 2019 and December 31, 2018, respectively	1,256	1,262
Additional paid-in capital	3,686,017	3,683,186
Cumulative distributions in excess of earnings	(1,971,184)	(1,982,542)

Edgar Filing: Piedmont Office Realty Trust, Inc. - Form 10-Q

Other comprehensive income	5,667	8,462
Piedmont stockholders' equity	1,721,756	1,710,368
Noncontrolling interest	1,766	1,772
Total stockholders' equity	1,723,522	1,712,140
Total liabilities and stockholders' equity	\$3,433,442	\$3,592,429
<i>See accompanying notes</i>		

6

Table of Contents

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

	(Unaudited)	
	Three Months Ended	
	March 31,	
	2019	2018
Revenues:		
Rental and tenant reimbursement revenue	\$126,166	\$ 124,448
Property management fee revenue	1,992	309
Other property related income	4,778	5,143
	132,936	129,900
Expenses:		
Property operating costs	51,805	51,859
Depreciation	26,525	27,145
Amortization	17,700	16,733
General and administrative	9,368	6,552
	105,398	102,289
Other income (expense):		
Interest expense	(15,493)	(13,758)
Other income	277	446
Loss on extinguishment of debt	—	(1,680)
Gain on sale of real estate assets	37,887	45,209
Net income	50,209	57,828
Net (income)/loss applicable to noncontrolling interest	(1)	2
Net income applicable to Piedmont	\$50,208	\$ 57,830
Per share information – basic:		
Net income applicable to common stockholders	\$0.40	\$ 0.43
Per share information – diluted:		
Net income applicable to common stockholders	\$0.40	\$ 0.42
Weighted-average common shares outstanding – basic	125,573,528	35,876,652
Weighted-average common shares outstanding – diluted	126,180,558	36,182,728

See accompanying notes

Table of Contents**PIEDMONT OFFICE REALTY TRUST, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(in thousands)

	(Unaudited)	
	Three Months Ended	
	March 31, 2019	2018
Net income applicable to Piedmont	\$50,208	\$57,830
Other comprehensive income:		
Effective portion of gain/(loss) on derivative instruments that are designated and qualify as cash flow hedges (See <u>Note 4</u>)	(2,024)	1,517
Plus: Reclassification of net (gain)/loss included in net income (See <u>Note 4</u>)	(771)	1,052
Other comprehensive income	(2,795)	2,569
Comprehensive income applicable to Piedmont	\$47,413	\$60,399

See accompanying notes

Table of Contents

PIEDMONT OFFICE REALTY TRUST, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE THREE MONTHS ENDED
MARCH 31, 2018 (UNAUDITED) AND MARCH 31, 2019 (UNAUDITED)
(in thousands, except per share amounts)

	Common Shares	Stock Amount	Additional Paid-In Capital	Cumulative Distributions in Excess of Earnings	Other Comprehensive Income/(Loss)	Non- controlling Interest	Total Stockholders' Equity
Balance, December 31, 2017	142,359	\$ 1,424	\$ 3,677,360	\$ (1,702,281)	\$ 8,164	\$ 1,822	\$ 1,986,489
Cumulative effect of accounting change (adoption of ASU 2016-01)	—	—	—	94	(94)	—	—
Share repurchases as part of an announced plan	(12,482)	(125)	—	(231,763)	—	—	(231,888)
Dividends to common stockholders (\$0.21 per share), stockholders of subsidiaries, and dividends reinvested	—	—	(19)	(28,284)	—	(8)	(28,311)
Shares issued and amortized under the 2007 Omnibus Incentive Plan, net of tax	148	1	2,900	—	—	—	2,901
Net loss applicable to noncontrolling interest	—	—	—	—	—	(2)	(2)
Net income applicable to Piedmont	—	—	—	57,830	—	—	57,830
Other comprehensive income	—	—	—	—	2,569	—	2,569
Balance, March 31, 2018	130,025	\$ 1,300	\$ 3,680,241	\$ (1,904,404)	\$ 10,639	\$ 1,812	\$ 1,789,588
Balance, December 31, 2018	126,219	\$ 1,262	\$ 3,683,186	\$ (1,982,542)	\$ 8,462	\$ 1,772	\$ 1,712,140
Share repurchases as part of an announced plan	(728)	(7)	—	(12,475)	—	—	(12,482)
Dividends to common stockholders (\$0.21 per share), stockholders of subsidiaries, and dividends reinvested	—	—	(48)	(26,375)	—	(7)	(26,430)
Shares issued and amortized under the 2007 Omnibus Incentive Plan, net of tax	106	1	2,879	—	—	—	2,880
Net income applicable to noncontrolling interest	—	—	—	—	—	1	1
Net income applicable to Piedmont	—	—	—	50,208	—	—	50,208
Other comprehensive loss	—	—	—	—	(2,795)	—	(2,795)
Balance, March 31, 2019	125,597	\$ 1,256	\$ 3,686,017	\$ (1,971,184)	\$ 5,667	\$ 1,766	\$ 1,723,522

See accompanying notes

Table of Contents

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

	(Unaudited)	
	Three Months Ended	
	March 31,	
	2019	2018
Cash Flows from Operating Activities:		
Net income	\$ 50,209	\$ 57,828
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	26,525	27,145
Amortization of debt issuance costs net of favorable settlement of interest rate swaps	100	(201)
Other amortization	16,427	15,984
Loss on extinguishment of debt	—	1,665
Stock compensation expense	3,835	1,025
Gain on sale of real estate assets	(37,887)	(45,209)
Changes in assets and liabilities:		
Increase in tenant and straight-line rent receivables	(4,333)	(5,048)
Decrease in prepaid expenses and other assets	1,570	1,975
Cash received upon settlement of interest rate swaps	—	807
Decrease in accounts payable and accrued expenses	(14,440)	(22,716)
(Decrease)/increase in deferred income	(1,762)	55
Net cash provided by operating activities	40,244	33,310
Cash Flows from Investing Activities:		
Return of escrowed purchase price/(acquisition of real estate assets and intangibles)	700	(28,147)
Capitalized expenditures	(15,435)	(12,760)
Net sales proceeds from wholly-owned properties	168,341	415,078
Note receivable issuance	—	(3,200)
Deferred lease costs paid	(2,145)	(2,596)
Net cash provided by investing activities	151,461	368,375
Cash Flows from Financing Activities:		
Debt issuance and other costs paid	(36)	(101)
Proceeds from debt	115,000	716,225
Repayments of debt	(235,289)	(754,359)
Value of shares withheld for payment of taxes related to employee stock compensation	(1,055)	(737)
Repurchases of common stock as part of announced plan	(16,899)	(233,164)
Dividends paid and discount on dividend reinvestments	(53,402)	(130,111)
Net cash used in financing activities	(191,681)	(402,247)
Net increase/(decrease) in cash, cash equivalents, and restricted cash and escrows	24	(562)
Cash, cash equivalents, and restricted cash and escrows, beginning of period	6,034	8,755
Cash, cash equivalents, and restricted cash and escrows, end of period	\$ 6,058	\$ 8,193

See accompanying notes

Table of Contents

PIEDMONT OFFICE REALTY TRUST, INC.
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2019
(unaudited)

1. Organization

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

As of March 31, 2019, Piedmont owned 53 in-service office properties and one 487,000-square foot redevelopment asset. As of March 31, 2019, Piedmont's 53 in-service office properties comprised approximately 15.9 million square feet of primarily Class A commercial office space and were approximately 93.3% leased. As of March 31, 2019, 93% of Piedmont's Annualized Lease Revenue was generated from select sub-markets located within eight major office markets: Atlanta, Boston, Chicago, Dallas, Minneapolis, New York, Orlando, and Washington, D.C.

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

2. Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

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

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

All intercompany balances and transactions have been eliminated upon consolidation.

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

Table of Contents

Use of Estimates

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

Income Taxes

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

Accounting Pronouncements Adopted during the Three Months Ended March 31, 2019

Leases

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

a package of optional practical expedients which: (1) does not require the reassessment of any expired or existing contracts to determine if they contain a lease or to determine lease classification; and (2) does not require the write-off of any unamortized, previously capitalized, initial direct costs for any existing leases;

- an optional practical transition expedient provided by ASU No. 2018-01 which allows Piedmont to exclude certain land easements in place as of January 1, 2019 from the new guidance;

an optional practical expedient provided by ASU No. 2018-11 which allows certain non-lease operating expense reimbursements which are included in the underlying stated lease rate to be accounted for as part of an operating lease where Piedmont is the lessor;

a transitional amendment which allows for the presentation of comparative periods in the year of adoption under ASC 840 (the former leasing guidance), effectively allowing for an initial adoption of ASC 842 (the new leasing guidance) on January 1, 2019 (the "Comparatives Under ASC 840 Option");

an accounting policy election allowed by ASC 842 related to a recognition and measurement exception for short-term leases (defined as leases which are 12 months or less in duration) where Piedmont is the lessee. Piedmont's short-term lease expense reasonably reflects its lease commitments under such leases; and

an accounting policy election allowed by ASU No. 2018-20 which permits Piedmont to exclude sales and other similar taxes from analysis to ascertain whether they are Piedmont's primary obligation (as lessor), and instead exclude such costs from revenue and account for them as costs of the lessee.

The nature of Piedmont's change in accounting principle relates primarily to its accounting for operating leases where Piedmont is a lessee for office space, as prescribed by ASC 842. This change in accounting principle is preferable because it increases transparency and comparability among companies by recognizing lease assets and lease liabilities

on the balance sheet and disclosing key information about leasing arrangements. Due to the adoption of the practical expedients outlined above, Piedmont has not adjusted prior-period information retrospectively, and there is a negligible decrease in net income attributable to Piedmont as a result of accounting for leases where Piedmont is the lessee under ASC 842 as compared to prior operating lease accounting.

Operating leases where Piedmont is the lessee relate primarily to office space in buildings owned by a third party.
Piedmont

12

Table of Contents

recorded a right to use asset and corresponding lease liability of approximately \$0.2 million using Piedmont's incremental borrowing rate as the lease discount rate. For the three months ended March 31, 2019, Piedmont recognized approximately \$20,000 of operating lease costs. The weighted-average lease term of Piedmont's right of use assets is 3 years, and the weighted-average discount rate is 3.35%.

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

Piedmont's future minimum lease payments from lessees under non-cancelable operating leases where Piedmont is the lessor as of March 31, 2019 is presented below (in thousands):

Years ending December 31:	
2019 ⁽¹⁾	\$275,641
2020	344,320
2021	330,010
2022	317,605
2023	284,073
Thereafter	1,188,029
Total	\$2,739,678

⁽¹⁾ Reflects rental payments for the fiscal period April 1, 2019 through December 31, 2019.

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

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

Table of Contents

Piedmont recognized the following fixed and variable lease payments, which together comprised rental and tenant reimbursement revenue in the accompanying consolidated statements of income for the three months ended March 31, 2019 as follows (in thousands):

	Three Months Ended March 31, 2019
Fixed payments	\$ 103,659
Variable payments	22,507
Total Rental and Tenant Reimbursement Revenue	\$ 126,166

Additionally, ASU No. 2018-19 clarifies that operating lease receivables are within the scope of ASC 842; therefore, in accordance with ASC 842, effective January 1, 2019, Piedmont began recognizing changes in the collectability assessment of its operating lease receivables as a reduction of rental and tenant reimbursement revenue, rather than as a property operating cost. Consequently, during the three months ended March 31, 2019, Piedmont recognized \$9,000 of uncollectible operating lease receivables as a reduction of rental and reimbursement revenue, and during the three months ended March 31, 2018, Piedmont recognized \$61,000 of recoveries of uncollectible operating lease receivables as a reduction of property operating costs.

Stock Compensation to Non-employees

During the three months ended March 31, 2019, Piedmont adopted ASU No. 2018-07, *Stock Compensation (Topic 718)*, Improvements to Non-employee Share-Based Payment Accounting ("ASU 2018-07"). The provisions of ASU 2018-07 align accounting for stock based compensation for non-employees for goods and services with existing accounting for similar compensation for employees. ASU 2018-07 requires an entity to remeasure liability-classified awards that have not been settled by the date of adoption and equity-classified awards for which a measurement date has not been established through a cumulative-effect adjustment to retained earnings as of January 1, 2019. Piedmont's only awards affected by ASU 2018-07 are equity-classified award grants to its independent board of directors, which have been historically recognized in the same manner prescribed by the newly adopted standard. As such, there were no cumulative effect adjustments recognized in cumulative distributions in excess of earnings upon adoption.

Reclassifications

These amounts included the presentation of approximately \$101.4 million of rental income and \$23.0 million of tenant reimbursements for the three months ended March 31, 2018, respectively, as rental and tenant reimbursement revenue of \$124.4 million. Further, certain subtotals within the accompanying consolidated statements of income for the three months ended March 31, 2018 were removed to conform to the current period presentation.

Other Recent Accounting Pronouncements

The FASB has issued ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326)*, *Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"). The provisions of ASU 2016-13 replace the "incurred loss"

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

Table of Contents**3. Debt**

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

Facility ⁽¹⁾	Stated Rate	Effective Rate ⁽²⁾	Maturity	Amount Outstanding as of March 31, 2019	December 31, 2018
<i>Secured (Fixed)</i>					
\$35 Million Fixed-Rate Loan ⁽³⁾	5.55	% 3.75%	9/1/2021	\$29,540	\$29,706
\$160 Million Fixed-Rate Loan ⁽⁴⁾	3.48	% 3.58%	7/5/2022	160,000	160,000
Net premium and unamortized debt issuance costs				569	645
Subtotal/Weighted Average ⁽⁵⁾	3.80	%		190,109	190,351
<i>Unsecured (Variable and Fixed)</i>					
Amended and Restated \$300 Million Unsecured 2011 Term Loan	LIBOR + 1.00%	3.20% ⁽⁷⁾	11/30/2021	300,000	300,000
\$500 Million Unsecured 2018 Line of Credit ⁽⁶⁾	LIBOR + 0.90%	3.40%	9/30/2022 ⁽⁸⁾	85,000	205,000
\$350 Million Unsecured Senior Notes	3.40	% 3.43%	6/01/2023	350,000	350,000
\$400 Million Unsecured Senior Notes	4.45	% 4.10%	3/15/2024	400,000	400,000
\$250 Million Unsecured 2018 Term Loan	LIBOR + 1.60%	4.11% ⁽⁹⁾	3/31/2025	250,000	250,000
Discounts and unamortized debt issuance costs				(9,354)	(9,879)
Subtotal/Weighted Average ⁽⁵⁾	3.79	%		1,375,646	1,495,121
Total/Weighted Average ⁽⁵⁾	3.79	%		\$1,565,755	\$1,685,472

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

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

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

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

⁽⁵⁾ Weighted average is based on contractual balance of outstanding debt and the stated or effectively fixed interest rates as of March 31, 2019.

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

⁽⁷⁾ The facility has a stated variable rate; however, Piedmont has entered into interest rate swap agreements which effectively fix, exclusive of changes in Piedmont's credit rating, the rate to that shown as the effective rate through the maturity date of the interest rate swap agreements (see [Note 4](#) for more detail).

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

⁽⁹⁾ The facility has a stated variable rate; however, Piedmont has entered into interest rate swap agreements which effectively fix, exclusive of changes to Piedmont's credit rating, \$150 million of the principal balance to 4.11% through March 29, 2020, and \$100 million of the principal balance to 4.21% from March 30, 2020 through the maturity date of the loan. For the remaining variable portion of the loan, Piedmont may periodically select from multiple interest rate options, including the prime rate and various-length LIBOR locks on all or a portion of the principal. All LIBOR selections are subject to an additional spread over the selected rate based on Piedmont's current credit rating. The rate presented is the weighted-average rate for the effectively fixed and variable portions of the debt outstanding as of March 31, 2019.

Piedmont made interest payments on all debt facilities, including interest rate swap cash settlements, of approximately \$17.6 million and \$15.9 million for the three months ended March 31, 2019 and 2018, respectively. Also, Piedmont capitalized interest of approximately \$0.5 million and \$0.1 million for the three months ended March 31, 2019 and 2018, respectively. As of March 31, 2019, 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 March 31, 2019.

Table of Contents**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 such as interest rate swap agreements and other similar agreements to manage interest rate risk exposure arising from current or future variable rate debt transactions. Interest rate swap agreements involve the receipt or payment of future known and uncertain cash amounts, the value of which are determined by interest rates. Piedmont's objective in using interest rate derivatives is to add stability to interest expense and to manage its exposure to interest rate movements.

Cash Flow Hedges of Interest Rate Risk

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

As of March 31, 2019, Piedmont was party to interest rate swap agreements, all of which are designated as effective cash flow hedges and fully hedge the variable cash flows covering the entire outstanding balance of the Amended and Restated \$300 Million Unsecured 2011 Term Loan, and \$150 million of the \$250 Million Unsecured 2018 Term Loan. The maximum length of time over which Piedmont is hedging its exposure to the variability in future cash flows for forecasted transactions is 72 months.

A detail of Piedmont's interest rate derivatives outstanding as of March 31, 2019 is as follows:

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

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

<u>Interest rate swaps classified as:</u>	March 31, 2019	December 31, 2018
Gross derivative assets	\$554	\$ 1,199
Gross derivative liabilities	(2,443)	(839)
Net derivative asset/(liability)	\$(1,889)	\$ 360

The gain/(loss) on Piedmont's interest rate derivatives, including previously settled forward swaps, that was recorded in other comprehensive income ("OCI") and the accompanying consolidated statements of income as a component of interest expense for the three months ended March 31, 2019 and 2018, respectively, was as follows (in thousands):

Table of Contents

	Three Months Ended	
	March 31, 2019	March 31, 2018
Interest Rate Swaps in Cash Flow Hedging Relationships		
Amount of gain/(loss) recognized in OCI	\$(2,024)	\$1,517
Amount of previously recorded gain reclassified from OCI into Interest Expense	\$771	\$206
Amount of loss recognized on derivatives reclassified from OCI into Loss on Extinguishment of Debt	\$—	\$(1,258)
Total amount of Interest Expense presented in the consolidated statements of income	\$(15,493)	\$(13,758)
Total amount of Loss on Extinguishment of Debt presented in the consolidated statements of income ⁽¹⁾	\$—	\$(1,680)

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

Piedmont estimates that approximately \$2.2 million will be reclassified from OCI as a reduction of interest expense over the next twelve months. Piedmont recognized no hedge ineffectiveness on its cash flow hedges during the three months ended March 31, 2019 and 2018, respectively.

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, or approximately \$2.1 million as of March 31, 2019. Additionally, Piedmont has rights of set-off under certain of its derivative agreements related to potential termination fees and amounts payable under the agreements, if a termination were to occur.

5. Fair Value Measurement of Financial Instruments

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

<u>Financial Instrument</u>	March 31, 2019			December 31, 2018		
	Carrying Value	Estimated Fair Value	Level Within Fair Value Hierarchy	Carrying Value	Estimated Fair Value	Level Within Fair Value Hierarchy
Assets:						
Cash and cash equivalents ⁽¹⁾	\$4,625	\$4,625	Level 1	\$4,571	\$4,571	Level 1
Tenant receivables ⁽¹⁾	\$11,693	\$11,693	Level 1	\$10,800	\$10,800	Level 1
Restricted cash and escrows ⁽¹⁾	\$1,433	\$1,433	Level 1	\$1,463	\$1,463	Level 1
Interest rate swaps	\$554	\$554	Level 2	\$1,199	\$1,199	Level 2
Liabilities:						
Accounts payable and accrued expenses ⁽¹⁾	\$10,238	\$10,238	Level 1	\$47,328	\$47,328	Level 1

Edgar Filing: Piedmont Office Realty Trust, Inc. - Form 10-Q

Interest rate swaps	\$2,443	\$2,443	Level 2	\$839	\$839	Level 2
Debt, net	\$1,565,755	\$1,586,900	Level 2	\$1,685,472	\$1,698,213	Level 2

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

Table of Contents

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

Piedmont's interest rate swap agreements presented above (further discussed in Note 4) are classified as "Interest rate swap" assets and liabilities in the accompanying consolidated balance sheets and were carried at estimated fair value as of March 31, 2019 and December 31, 2018. The estimated fair value of these derivative instruments was determined using widely accepted valuation techniques such as discounted cash flow analysis based on the contractual terms of the derivatives including the period to maturity of each instrument. Observable market-based inputs, including interest rate curves and implied volatilities, were also used. Therefore, the estimated fair values determined are considered to be based on significant other observable inputs (Level 2). In addition, Piedmont considered both its own and the respective counterparties' risk of nonperformance in determining the estimated fair value of its derivative financial instruments by estimating the current and potential future exposure under the derivative financial instruments for both Piedmont and the counterparties that were at risk as of the valuation date. The credit risks of both Piedmont and its counterparties were factored into the calculation of the estimated fair value of the interest rate swaps; however, as of March 31, 2019 and December 31, 2018, this credit valuation adjustment did not comprise a material portion of the estimated fair value. Therefore, Piedmont believes that any unobservable inputs used to determine the estimated fair values of its derivative financial instruments are not significant to the fair value measurements in their entirety, and does not consider any of its derivative financial instruments to be Level 3 assets or liabilities.

6. Commitments and Contingencies

Commitments Under Existing Lease Agreements

Under its existing lease agreements, Piedmont may be required to fund significant 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. Piedmont classifies its capital improvements into two categories: (i) improvements which maintain the building's existing asset value and its revenue generating capacity ("non-incremental capital expenditures") and (ii) improvements which incrementally enhance the building's asset value by expanding its revenue generating capacity ("incremental capital expenditures"). As of March 31, 2019, commitments related to Piedmont's existing lease portfolio to fund potential non-incremental capital expenditures over the next five years for tenant improvements totaled approximately \$48.9 million, the majority of which Piedmont estimates may be required to be funded over the next three years based on when the underlying leases commence. For most of Piedmont's leases, the timing of the actual funding of these tenant improvements is largely dependent upon tenant requests for reimbursement. In some cases, these obligations may expire with the leases without further recourse to Piedmont. As of March 31, 2019, commitments for incremental capital expenditures for tenant improvements associated with executed leases totaled approximately \$32.6 million.

Contingencies Related to Tenant Audits/Disputes

Certain lease agreements include provisions that grant tenants the right to engage independent auditors to audit their annual operating expense reconciliations. Such audits may result in different interpretations of language in the lease agreements from that made by Piedmont, which could result in requests for refunds of previously recognized tenant reimbursement revenues, resulting in financial loss to Piedmont. Piedmont recorded reductions in reimbursement revenues related to such tenant audits/disputes of approximately of \$0 and \$0.4 million of during the three months

ended March 31, 2019 and 2018, respectively.

7.Assets Held for Sale

As of March 31, 2019, no properties met the criteria for held for sale classification; however, as of December 31, 2018, the One Independence Square building in Washington, D.C. met the criteria for held for sale classification. Consequently its assets and liabilities as of December 31, 2018 were presented as held for sale in the accompanying consolidated balance sheets. The One Independence Square building was sold on February 28, 2019. In conjunction with the sale of One Independence Square, Piedmont recognized a gain on real estate assets of approximately \$33.2 million, and net sales proceeds of approximately \$163.6 million. Details of assets held for sale as of March 31, 2019 and December 31, 2018 are presented below (in thousands):

18

Table of Contents

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

Table of Contents**8. Stock Based Compensation**

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

A rollforward of Piedmont's equity based award activity for the three months ended March 31, 2019 is as follows:

	Shares	Weighted-Average Grant Date Fair Value
Unvested and Potential Stock Awards as of December 31, 2018	1,227,483	\$ 23.14
Performance Stock Awards Vested	(139,127)	\$ 23.02
Deferred Stock Awards Vested	(20,032)	\$ 16.95
Deferred Stock Awards Forfeited	(4,484)	\$ 17.84
Unvested and Potential Stock Awards as of March 31, 2019	1,063,840	\$ 23.29

The following table provides additional information regarding stock award activity during the three months ended March 31, 2019 and 2018, respectively (in thousands, except per share amounts):

	Three Months Ended March 31, March 31, 2019 2018	
Total Grant Date Fair Value of Deferred Stock Vested During the Period	\$340	\$ 723
Share-based Liability Awards Paid During the Period ⁽¹⁾	\$3,239	\$ 2,947

⁽¹⁾ Amounts reflect the issuance of performance share awards related to the 2016-18 and 2015-17 Performance Share Plans during the three months ended March 31, 2019 and 2018, respectively.

Table of Contents

A detail of Piedmont's outstanding stock awards as of March 31, 2019 is as follows:

Date of grant	Type of Award	Net Shares Granted ⁽¹⁾	Grant Date Fair Value	Vesting Schedule	Unvested Shares
May 24, 2016	Deferred Stock Award	207,753	\$ 19.91	Of the shares granted, 25% vested on the date of grant, and 25% vested or will vest on May 24, 2017, 2018, and 2019, respectively.	59,781
May 18, 2017	Deferred Stock Award	219,512	\$ 21.38	Of the shares granted, 25% vested on the date of grant, and 25% vested or will vest on May 18, 2018, 2019, and 2020, respectively.	122,336
May 18, 2017	Fiscal Year 2017-2019 Performance Share Program	—	\$ 30.45	Shares awarded, if any, will vest immediately upon determination of award in 2020.	251,123 ⁽²⁾
May 17, 2018	Deferred Stock Award-Board of Directors	26,904	\$ 17.84	Of the shares granted, 100% will vest by May 17, 2019.	26,904
May 17, 2018	Deferred Stock Award	302,042	\$ 17.84	Of the shares granted, 25% vested on the date of grant, and 25% vested or will vest on May 17, 2019, 2020, and 2021, respectively.	237,664
May 17, 2018	Fiscal Year 2018-2020 Performance Share Program	—	\$ 23.52	Shares awarded, if any, will vest immediately upon determination of award in 2021.	366,032 ⁽²⁾
Total					1,063,840

(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 March 31, 2019.

(2) Estimated based on Piedmont's cumulative TSR for the respective performance period through March 31, 2019. Share estimates are subject to change in future periods based upon Piedmont's relative performance compared to its peer group of office REITs' TSR.

During the three months ended March 31, 2019 and 2018, Piedmont recognized approximately \$3.8 million and \$1.0 million of compensation expense related to stock awards all of which is related to the amortization of unvested shares. During the three months ended March 31, 2019, a net total of 106,641 shares were issued to employees. As of March 31, 2019, approximately \$2.7 million of unrecognized compensation cost related to unvested deferred stock awards remained, which Piedmont will record in its consolidated statements of income over a weighted-average vesting period of approximately one year.

9. Supplemental Disclosures for the Statement of Consolidated Cash Flows

Certain non cash investing and financing activities for the three months ended March 31, 2019 and 2018, (in thousands) are outlined below:

	Three Months Ended	
	March 31, 2019	March 31, 2018
Accrued capital expenditures and deferred lease costs	\$7,055	\$6,222
Change in accrued dividends and discount on dividend reinvestments	\$(26,972)	\$(101,800)
Change in accrued share repurchases as part of an announced plan	\$(4,417)	\$(1,276)
Accrued deferred financing costs	\$37	\$44

Table of Contents

The following table provides a reconciliation of cash, cash equivalents, and restricted cash and escrows as reported, or previously reported, within the consolidated balance sheet to the consolidated statement of cash flows as of the three months ended March 31, 2019 and 2018, respectively (in thousands).

	Three Months Ended	
	March 31, 2019	March 31, 2018
Cash and cash equivalents, beginning of period	\$4,571	\$7,382
Restricted cash and escrows, beginning of period	1,463	1,373
Total cash, cash equivalents, and restricted cash and escrows shown in the consolidated statement of cash flows, beginning of period	\$6,034	\$8,755
Cash and cash equivalents, end of period	\$4,625	\$6,729
Restricted cash and escrows, end of period	1,433	1,464
Total cash, cash equivalents, and restricted cash and escrows shown in the consolidated statement of cash flows, end of period	\$6,058	\$8,193

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

10. Earnings Per Share

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

Net income per share-basic is calculated as net income available to common stockholders divided by the weighted average number of common shares outstanding during the period. Net income per share-diluted is calculated as net income available to common stockholders divided by the diluted weighted average number of common shares outstanding during the period, including unvested deferred stock awards. Diluted weighted average number of common shares reflects the potential dilution under the treasury stock method that would occur if the remaining unvested deferred stock awards vested and resulted in additional common shares outstanding. Unvested deferred stock awards which are determined to be anti-dilutive are not included in the calculation of diluted weighted average common shares. For both the three months ended March 31, 2019 and 2018, Piedmont calculated no anti-dilutive shares to exclude.

The following table reconciles the denominator for the basic and diluted earnings per share computations shown on the consolidated statements of income for the three months ended March 31, 2019 and 2018, respectively (in thousands):

	Three Months Ended	
	March 31, 2019	March 31, 2018
Weighted-average common shares – basic	125,574	135,877
Plus: Incremental weighted-average shares from time-vested deferred and performance stock awards	607	306
Weighted-average common shares – diluted	126,181	136,183
Common stock issued and outstanding as of period end	125,597	130,025

Table of Contents**11. Guarantor and Non-Guarantor Financial Information**

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

**Condensed Consolidating Balance Sheets
As of March 31, 2019**

<i>(in thousands)</i>	Piedmont (Parent) (Guarantor)	Piedmont OP (the Issuer)	Non-Guarantors	Eliminations	Consolidated
Assets:					
Real estate assets, at cost:					
Land	\$—	\$36,094	\$471,275	\$—	\$507,369
Buildings and improvements, less accumulated depreciation	—	182,302	2,111,627	(300)	2,293,629
Intangible lease assets, less accumulated amortization	—	—	71,274	—	71,274
Construction in progress	—	251	12,974	—	13,225
Total real estate assets	—	218,647	2,667,150	(300)	2,885,497
Cash and cash equivalents	150	1,411	3,064	—	4,625
Tenant and straight-line rent receivables	—	16,638	162,401	—	179,039
Investment in subsidiaries	1,724,045	2,692,100	164	(4,416,309)	—
Notes receivable	—	810	144,500	(145,310)	—
Prepaid expenses, restricted cash, escrows, interest rate swaps, and other assets	146	5,025	20,383	(38)	25,516
Goodwill	—	98,918	—	—	98,918
Deferred lease costs, net	—	14,913	224,934	—	239,847
Total assets	\$1,724,341	\$3,048,462	\$3,222,596	\$(4,561,957)	\$3,433,442
Liabilities:					
Debt, net	\$—	\$1,375,594	\$335,471	\$(145,310)	\$1,565,755
Accounts payable, accrued expenses, interest rate swaps and accrued capital expenditures	819	12,110	68,418	(38)	81,309
Deferred income	—	2,756	24,297	—	27,053
Intangible lease liabilities, net	—	—	33,360	—	33,360
Interest rate swaps	—	2,443	—	—	2,443
Total liabilities	819	1,392,903	461,546	(145,348)	1,709,920
Equity:					
Total stockholders' equity	1,723,522	1,655,559	2,761,050	(4,416,609)	1,723,522
Total liabilities and stockholders' equity	\$1,724,341	\$3,048,462	\$3,222,596	\$(4,561,957)	\$3,433,442

Table of Contents**Condensed Consolidating Balance Sheets
As of December 31, 2018***(in thousands)*

	Piedmont (Parent) (Guarantor)	Piedmont OP (the Issuer)	Non-Guarantors	Eliminations	Consolidated
Assets:					
Real estate assets, at cost:					
Land	\$	—\$36,094	\$ 471,328	\$ —	\$ 507,422
Buildings and improvements, less accumulated depreciation	—	176,927	2,128,469	(300)	2,305,096
Intangible lease assets, less accumulated amortization	—	—	77,676	—	