

Piedmont Office Realty Trust, Inc.

Form 10-Q

May 05, 2011

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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, 2011

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)

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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

Accelerated filer

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

Smaller reporting company

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

classes of common stock, as of May 4, 2011:

Class A Common Stock 172,749,781 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 similar words. Examples of such statements in this report include descriptions of our real estate, financing, and operating objectives; discussions regarding future dividends; 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:

The success of our real estate strategies and investment objectives, including our ability to identify and consummate suitable acquisitions;

If current market and economic conditions do not improve, our business, results of operations, cash flows, financial condition, real estate and other asset values, and access to capital may be adversely affected or otherwise impact performance, including the potential recognition of impairment charges;

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, particularly in Chicago, Washington, D.C., and the New York metropolitan area;

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 adversely 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;

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Costs of complying with governmental laws and regulations;

Uncertainties associated with environmental and other regulatory matters;

Piedmont's ability to continue to qualify as a real estate investment trust under the Internal Revenue Code of 1986, as amended; 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, 2010.

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 furnished in the accompanying consolidated balance sheets and related consolidated statements of operations, 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, 2010. Piedmont's results of operations for the three months ended March 31, 2011 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, 2011	December 31, 2010
Assets:		
Real estate assets, at cost:		
Land	\$ 688,103	\$ 647,653
Buildings and improvements, less accumulated depreciation of \$770,147 and \$744,756 as of March 31, 2011 and December 31, 2010, respectively	3,095,092	2,943,995
Intangible lease assets, less accumulated amortization of \$142,754 and \$145,742 as of March 31, 2011 and December 31, 2010, respectively	95,750	74,028
Construction in progress	13,142	11,152
Total real estate assets	3,892,087	3,676,828
Investments in unconsolidated joint ventures	41,759	42,018
Cash and cash equivalents	42,151	56,718
Tenant receivables, net of allowance for doubtful accounts of \$913 and \$1,298 as of March 31, 2011 and December 31, 2010, respectively	133,580	134,006
Notes receivable		61,144
Due from unconsolidated joint ventures	594	1,158
Restricted cash and escrows	30,771	12,475
Prepaid expenses and other assets	11,967	11,249
Goodwill	180,097	180,097
Deferred financing costs, less accumulated amortization of \$12,500 and \$11,893 as of March 31, 2011 and December 31, 2010, respectively	5,374	5,306
Deferred lease costs, less accumulated amortization of \$138,511 and \$137,726 as of March 31, 2011 and December 31, 2010, respectively	224,892	192,481
Total assets	\$ 4,563,272	\$ 4,373,480
Liabilities:		
Line of credit and notes payable	\$ 1,601,112	\$ 1,402,525
Accounts payable, accrued expenses, and accrued capital expenditures	122,769	112,648
Deferred income	38,990	35,203
Intangible lease liabilities, less accumulated amortization of \$86,451 and \$84,308 as of March 31, 2011 and December 31, 2010, respectively	46,517	48,959
Interest rate swap	367	691
Total liabilities	1,809,755	1,600,026
Commitments and Contingencies		
Stockholders' Equity:		
Shares-in-trust, 150,000,000 shares authorized, none outstanding as of March 31, 2011 or December 31, 2010		
Preferred stock, no par value, 100,000,000 shares authorized, none outstanding as of March 31, 2011 or December 31, 2010		
Class A common stock, \$.01 par value; 600,000,000 shares authorized; 172,658,488 shares issued and outstanding as of March 31, 2011; and 132,956,299 shares issued and outstanding at December 31, 2010	1,727	1,330
Class B-1 common stock, \$.01 par value; 50,000,000 shares authorized; none outstanding as of March 31, 2011 or December 31, 2010		
Class B-2 common stock, \$.01 par value; 50,000,000 shares authorized; none outstanding as of March 31, 2011 or December 31, 2010		
Class B-3 common stock, \$.01 par value; 50,000,000 shares authorized; none outstanding as of March 31, 2011; and 39,702,190 shares issued and outstanding at December 31, 2010		397
Additional paid-in capital	3,661,570	3,661,308
Cumulative distributions in excess of earnings	(915,543)	(895,122)
Other comprehensive loss	(465)	(691)

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Piedmont stockholders' equity	2,747,289	2,767,222
Noncontrolling interest	6,228	6,232
Total stockholders' equity	2,753,517	2,773,454
Total liabilities and stockholders' equity	\$ 4,563,272	\$ 4,373,480

See accompanying notes

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

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

	(Unaudited) Three Months Ended March 31,	
	2011	2010
Revenues:		
Rental income	\$ 109,830	\$ 110,512
Tenant reimbursements	32,490	35,083
Property management fee revenue	830	753
Other rental income	3,404	496
	146,554	146,844
Expenses:		
Property operating costs	54,957	55,361
Depreciation	27,022	25,691
Amortization	12,076	11,387
General and administrative	6,824	6,620
	100,879	99,059
Real estate operating income	45,675	47,785
Other income (expense):		
Interest expense	(17,174)	(19,091)
Interest and other income	3,460	969
Equity in income of unconsolidated joint ventures	209	737
Gain on consolidation of variable interest entity	1,920	
	(11,585)	(17,385)
Income from continuing operations	34,090	30,400
Discontinued operations:		
Operating income		1,185
Income from discontinued operations		1,185
Net income	34,090	31,585
Less: Net income attributable to noncontrolling interest	(123)	(125)
Net income attributable to Piedmont	\$ 33,967	\$ 31,460
Per share information basic and diluted:		
Income from continuing operations	\$ 0.20	\$ 0.18
Income from discontinued operations	\$ 0.00	\$ 0.01
Income attributable to noncontrolling interest	\$ 0.00	\$ 0.00
Net income available to common stockholders	\$ 0.20	\$ 0.19
Weighted-average common shares outstanding basic	172,658,488	164,992,477

Weighted-average common shares outstanding	diluted	172,954,754	165,200,184
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See accompanying notes.

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PIEDMONT OFFICE REALTY TRUST, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2010
AND FOR THE THREE MONTHS ENDED MARCH 31, 2011 (UNAUDITED)

(in thousands, except per share amounts)

	Class A Common Stock		Class B Common Stock		Additional Paid-In Capital	Cumulative Distributions in Excess of Earnings	Redeemable Common Stock	Other Comprehensive Loss	Non- controlling Interest	Total Stockholders Equity
	Shares	Amount	Shares	Amount						
Balance, December 31, 2009	39,729	\$ 397	119,188	\$ 1,192	\$ 3,477,168	\$ (798,561)	\$ (75,164)			