

COLUMBIA PROPERTY TRUST, INC.
Form 8-K
December 21, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): December 21, 2017

Columbia Property Trust, Inc.
(Exact name of registrant as specified in its charter)

Commission File Number: 001-36113

MD 20-0068852
(State or other jurisdiction of (IRS Employer
incorporation) Identification No.)

1170 Peachtree Street NE, Suite 600
Atlanta, GA 30309
(Address of principal executive offices, including zip code)

(404) 465-2200
(Registrant's telephone number, including area code)

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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.

Item 8.01. Other Events.

Columbia Property Trust, Inc. (the "Parent") is the general partner of Columbia Property Trust Operating Partnership, L.P. (the "Operating Partnership"), owns its assets and conducts its operations through the Operating Partnership and subsidiaries of the Operating Partnership. The Parent, the Operating Partnership and their subsidiaries are collectively referred to in this report as the "Company."

On October 11, 2017, the Company acquired a 55% equity interest in a new joint venture, which simultaneously acquired 1800 M Street, a 10-story, 580,930-square-foot office building in Washington, D.C. (the "1800 M Street Building"). The Company acquired its 55% equity interest for \$231.6 million, exclusive of purchase price adjustments and transaction costs. The purchase price was funded with cash on hand and borrowings under the Company's line of credit.

Item 9.01. Financial Statements and Exhibits.

(a) Financial Statements. The following financial statements of 1800 M Street Building and the Company are submitted at the end of this Form 8-K and are filed herewith and incorporated herein by reference.

(b) Pro Forma Financial Information. See Paragraph (a) above.

	Page
1800 M Street Building	
Independent Auditor's Report	<u>F - 1</u>
Statements of Revenues and Certain Operating Expenses for the nine months ended September 30, 2017 (unaudited) and the year ended December 31, 2016	<u>F - 2</u>
Notes to the Statements of Revenues and Certain Operating Expenses	<u>F - 3</u>
Columbia Property Trust, Inc. - Unaudited Pro Forma Financial Statements	
Summary of Unaudited Pro Forma Financial Statements	<u>F - 5</u>
Pro Forma Balance Sheet as of September 30, 2017 (unaudited)	<u>F - 6</u>
Pro Forma Statement of Operations for the nine months ended September 30, 2017 (unaudited)	<u>F - 8</u>
Pro Forma Statement of Operations for the year ended December 31, 2016 (unaudited)	<u>F - 10</u>

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Columbia Property Trust, Inc.

Dated: December 21, 2017 By: /s/ James A. Fleming

James A. Fleming

Executive Vice President and Chief Financial Officer

INDEPENDENT AUDITOR'S REPORT

To the Stockholders and Board of Directors of
Columbia Property Trust, Inc.

Atlanta, Georgia

We have audited the accompanying statement of revenues and certain operating expenses of 1800 M Street Building for the year ended December 31, 2016, and the related notes to the statement of revenues and certain operating expenses.

Management's Responsibility for the Statement of Revenues and Certain Operating Expenses

Management is responsible for the preparation and fair presentation of the statement of revenues and certain operating expenses in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the statement of revenues and certain operating expenses that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the statement of revenues and certain operating expenses based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of revenues and certain operating expenses is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement of revenues and certain operating expenses. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the statement of revenues and certain operating expenses, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the statement of revenues and certain operating expenses in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the statement of revenues and certain operating expenses.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the statement of revenues and certain operating expenses referred to above presents fairly, in all material respects, the revenues and certain operating expenses described in Note 2 of 1800 M Street Building's statement of revenues and certain operating expenses for the year ended December 31, 2016, in conformity with U.S. generally accepted accounting principles.

Emphasis of Matter

We draw attention to Note 2 to the statement of revenues and certain operating expenses, which describes that the accompanying statement of revenues and certain operating expenses was prepared for the purpose of complying with the rules and regulations under Rule 3-14 of Regulation S-X of the Securities and Exchange Commission (for inclusion in the Form 8-K of Columbia Property Trust, Inc.) and is not intended to be a complete presentation of 1800 M Street Building's revenues and expenses. Our opinion is not modified with respect to this matter.

/s/ Moore, Colson & Co., P.C.

Marietta, Georgia

December 21, 2017

1800 M Street Building
 Statements of Revenues and Certain Operating Expenses
 For the Nine Months Ended September 30, 2017 (unaudited)
 And the Year Ended December 31, 2016

	Nine Months Ended September 30, 2017 (unaudited)	Year Ended December 31, 2016
Revenues:		
Rental revenue	\$21,043,381	\$24,085,668
Reimbursement revenue	956,569	978,667
Other income	1,188,153	1,474,156
Total revenues	23,188,103	26,538,491
Certain Operating Expenses:		
Real estate and other taxes	4,461,551	5,553,324
Utilities	1,254,078	1,472,452
Repairs and maintenance	904,342	1,109,181
Cleaning	708,815	799,266
Security	404,256	567,245
Administrative	370,825	456,663
Management fees	252,070	251,984
Insurance	95,016	125,806
Other	41,995	52,532
Total expenses	8,492,948	10,388,453
Revenues over certain operating expenses	\$14,695,155	\$16,150,038

See accompanying notes to Statements of Revenues and Certain Operating Expenses.

1800 M Street Building

Notes to Statements of Revenues and Certain Operating Expenses

1. Description of Real Estate Property Acquired

On October 11, 2017, a joint venture between Columbia Property Trust, Inc. ("Columbia") and Allianz Real Estate of America LLC (which may be referred to herein as the "the Company," "we," "our" or "us"), purchased a 10-story, 580,930-square-foot building in the Washington, D.C.'s Golden Triangle district (the "1800 M Street Building") for a gross sales price of \$421.0 million. Columbia owns a 55% stake in the Company and as the general partner will oversee the asset and property management of the 1800 M Street Building.

The 1800 M Street Building was originally built in 1975, with a major renovation including lobby and other common areas and the construction of a fitness center and roof deck completed between 2011 and 2013. The 1800 M Street Building was purchased from PGIM, an affiliate of Prudential Financial, which is not affiliated with the Company.

2. Basis of Accounting

The accompanying Statements of Revenues and Certain Operating Expenses are presented in conformity with accounting principles generally accepted in the United States and in accordance with the applicable rules and regulations of the Securities and Exchange Commission for real estate properties acquired. Accordingly, the statements exclude certain historical expenses that are not comparable to the proposed future operations of the property such as certain ancillary income, amortization, depreciation, interest, and corporate expenses. Therefore, the statements will not be comparable to the statements of operations of the 1800 M Street Building after its acquisition by the Company.

3. Significant Accounting Policies

Revenues

Rental revenue is recognized on a straight-line basis over the terms of the related leases. The excess of rental income recognized over the amounts due pursuant to the lease terms is recorded as straight-line rent receivable. The adjustment to straight-line rent receivable increased rental revenue by \$5,582,234 for the nine months ended September 30, 2017 (unaudited), and \$7,983,335 for the year ended December 31, 2016.

Use of Estimates

The preparation of the Statements of Revenues and Certain Operating Expenses in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of revenues and certain operating expenses during the reporting period. Actual results could differ from those estimates.

4. Description of Leasing Arrangements

As of December 31, 2016, the 1800 M Street Building was 86% leased to thirty-two tenants, including the largest, Berkeley Research Group, LLC (approximately 10%). As of September 30, 2017, the 1800 M Street Building was 94% leased to thirty-four tenants.

Berkeley Research Group, LLC is a leading global strategic advisory and expert consulting firm that provides independent advice, data analytics, authoritative studies, expert testimony, investigations, and regulatory and dispute consulting to Fortune 500 corporations, financial institutions, government agencies, major law firms, and regulatory bodies around the world. The firm specializes in economics and finance, data analytics and statistics, and public policy in a variety of sectors including healthcare, banking, information technology, energy, construction, and real estate. Founded in 2010, Berkeley Research Group, LLC has roughly 1,500 employees and more than 40 office locations in 15 different countries. The lease with Berkeley Research Group, LLC expires in June 2025, with an option to extend.

5. Future Minimum Rental Commitments

As of December 31, 2016, future minimum rental commitments are as follows:

For the years ended December 31:

2017	\$21,303,041
2018	26,085,042
2019	29,172,842
2020	30,780,180
2021	31,374,249
Thereafter	165,473,127
	\$304,188,481

Based on the leases that were in place as of December 31, 2016, for the years ended December 31, 2017, 2018, 2019, 2020, 2021, and thereafter, Berkeley Research Group, LLC. contributes 15%, 13%, 12%, 11%, 11%, and 8%, respectively, to future minimum rental commitments.

6. Interim Unaudited Financial Information

The Statement of Revenues and Certain Operating Expenses for the nine months ended September 30, 2017, is unaudited; however, in the opinion of management, all adjustments (consisting solely of normal, recurring adjustments) necessary for the fair presentation of the financial statement for the interim period have been included. The results of the interim period are not necessarily indicative of the results to be obtained for a full fiscal year.

7. Subsequent Events

Subsequent events related to the 1800 M Street Building have been evaluated through December 21, 2017, which is the date the Statements of Revenues and Certain Operating Expenses were available to be issued. All subsequent events, if any, requiring recognition as of September 30, 2017 and December 31, 2016, have been incorporated into the Statements of Revenues and Certain Operating Expenses or disclosed in the notes to the Statements of Revenues and Certain Operating Expenses.

COLUMBIA PROPERTY TRUST, INC.

Summary of Unaudited Pro Forma Financial Statements

This pro forma information should be read in conjunction with the consolidated financial statements and notes thereto of Columbia Property Trust, Inc. ("Columbia Property Trust" or the "Company") included in its annual report filed on Form 10-K for the twelve months ended December 31, 2016, and its quarterly report on Form 10-Q for the nine months ended September 30, 2017. In addition, this pro forma information should be read in conjunction with the financial statements and notes thereto of the acquired property included in this current report on Form 8-K.

On October 11, 2017, Columbia Property Trust acquired a 55% interest in a new joint venture, which simultaneously acquired 1800 M Street, a 10-story, 580,930-square-foot office building in Washington, D.C. (the "1800 M Street Joint Venture"). The Company acquired its 55% equity interest for \$231.6 million, exclusive of purchase price adjustments and transaction costs. The purchase price was funded with cash on hand and borrowings under the Company's line of credit.

Additionally, on October 11, 2017, Columbia Property Trust acquired 245-249 West 17th Street, two interconnected 12- and 6-story buildings totaling 281,294 square feet of office and retail space, and 218 West 18th Street, a 12-story, 165,670-square-foot office building, both in New York (the "New York Acquisitions"). These buildings were acquired for \$514.1 million, exclusive of purchase price adjustments. The purchase price was funded with cash on hand and borrowings under the Company's line of credit.

The following unaudited pro forma balance sheet as of September 30, 2017, has been prepared in conformity with U.S. generally accepted accounting principles to give effect to the acquisition of the Company's 55% equity interest in the 1800 M Street Joint Venture and the New York Acquisitions as if the transactions occurred on September 30, 2017. The following unaudited pro forma statements of operations for the nine months ended September 30, 2017, and for the twelve months ended December 31, 2016, have been prepared to give effect to the acquisition of the Company's 55% equity interest in the 1800 M Street Joint Venture and the New York Acquisitions as if the transactions occurred on January 1, 2016.

These unaudited pro forma financial statements are prepared for informational purposes only and are not necessarily indicative of future results or of actual results that would have been achieved had the acquisition of the Company's 55% equity interest in the 1800 M Street Joint Venture and the New York Acquisitions been consummated as of January 1, 2016, or as of September 30, 2017.

COLUMBIA PROPERTY TRUST, INC.
PRO FORMA BALANCE SHEET
SEPTEMBER 30, 2017
(in thousands, unaudited)

ASSETS

	Columbia Property Trust, Inc. Historical (a)	New York Acquisitions Pro Forma Adjustments	New York Acquisitions Pro Forma Subtotal	1800 M Street Joint Venture 1800 M Street Joint Venture Pro Forma Adjustments	Pro Forma Total
Assets:					
Real estate assets, at cost:					
Land	\$ 609,110	\$ 156,985	(b) \$ 766,095	\$ —	\$ 766,095
Buildings and improvements, less accumulated depreciation	1,704,630	321,067	(b) 2,025,697	—	2,025,697
Intangible lease assets, less accumulated amortization	164,699	39,528	(b) 204,227	—	204,227
Construction in progress	49,255	—	49,255	—	49,255
Total real estate assets	2,527,694	517,580	3,045,274	—	3,045,274
Investment in unconsolidated joint ventures	698,105	—	698,105	240,302	938,467
Cash and cash equivalents	382,730	(355,921)	(c) 26,809	(302)	26,447
Tenant receivables, net of allowance for doubtful accounts	2,814	—	2,814	—	2,814
Straight line rent receivable	80,128	—	80,128	—	80,128
Prepaid expenses and other assets	75,802	(25,000)	(d) 50,802	(15,000)	35,802
Intangible lease origination costs, less accumulated amortization	28,067	—	28,067	—	28,067