COLUMBIA PROPERTY TRUST, INC.
Form 10-Q
August 07, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)
x Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
for the quarterly period ended June 30, 2014
OR
o 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 000-51262
COLUMBIA PROPERTY TRUST, INC.
(Exact name of registrant as specified in its charter)

Maryland	20-0068852
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

One Glenlake Parkway, Suite 1200
Atlanta, GA 30328
(Address of principal executive offices)
(Zip Code)
(404) 465-2200
(Registrant's telephone number, including area code)

(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 x No o
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 x No o
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 definitions of "large accelerated filer", "accelerated filer", and "smaller reporting company" in Rule 12b-2 of the Exchange Act (check one).

Large accelerated filer	o	Accelerated filer	o
Non-accelerated filer	x (Do not check if a smaller reporting company)	Smaller reporting company	o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes o No x

Number of shares outstanding of the registrant's
only class of common stock, as of July 31, 2014: 124,969,182 shares

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this Quarterly Report on Form 10-Q of Columbia Property Trust, Inc. ("Columbia Property Trust," "the Company," "we," "our," or "us") other than historical facts may be considered forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. We intend for all such forward-looking statements to be covered by the applicable safe harbor provisions for forward-looking statements contained in those acts. Such statements include, in particular, statements about our plans, strategies, and prospects and are subject to certain risks and uncertainties, including known and unknown risks, which could cause actual results to differ materially from those projected or anticipated. Therefore, such statements are not intended to be a guarantee of our performance in future periods. Such forward-looking statements can generally be identified by our use of forward-looking terminology such as "may," "will," "expect," "intend," "anticipate," "estimate," "believe," "continue," or other similar words. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date this report is filed with the U.S. Securities and Exchange Commission ("SEC"). We make no representations or warranties (express or implied) about the accuracy of any such forward-looking statements contained in this Form 10-Q, and we do not intend to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. Any such forward-looking statements are subject to risks, uncertainties, and other factors and are based on a number of assumptions involving judgments with respect to, among other things, future economic, competitive, and market conditions, all of which are difficult or impossible to predict accurately. To the extent that our assumptions differ from actual conditions, our ability to accurately anticipate results expressed in such forward-looking statements, including our ability to generate positive cash flow from operations, make distributions to stockholders, and maintain the value of our real estate properties, may be significantly hindered. See Item 1A in Columbia Property Trust's Annual Report on Form 10-K for the year ended December 31, 2013 for a discussion of some of the risks and uncertainties that could cause actual results to differ materially from those presented in our forward-looking statements. The risk factors described in our Annual Report are not the only ones we face, but do represent those risks and uncertainties that we believe are material to us. Additional risks and uncertainties not currently known to us or that we currently deem immaterial may also harm our business.

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PART I. FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The information furnished in the accompanying consolidated balance sheets, and related consolidated statements of operations, comprehensive income, equity, and cash flows, reflects all normal and recurring adjustments that are, in management's opinion, necessary for a fair and consistent presentation of the aforementioned financial statements. The accompanying consolidated financial statements should be read in conjunction with the condensed notes to Columbia Property Trust's financial statements and Management's Discussion and Analysis of Financial Condition and Results of Operations included in this Quarterly Report on Form 10-Q, and with Columbia Property Trust's Annual Report on Form 10-K filed for the year ended December 31, 2013. Columbia Property Trust's results of operations for the three and six months ended June 30, 2014 are not necessarily indicative of the operating results expected for the full year.

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COLUMBIA PROPERTY TRUST, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per-share amounts)

	(Unaudited) June 30, 2014	December 31, 2013
Assets:		
Real estate assets, at cost:		
Land	$749,068	$706,938
Buildings and improvements, less accumulated depreciation of $641,687 and $604,497, as of June 30, 2014 and December 31, 2013, respectively	3,020,793	2,976,287
Intangible lease assets, less accumulated amortization of $308,341 and $298,975, as of June 30, 2014 and December 31, 2013, respectively	269,821	281,220
Construction in progress	18,943	7,949
Real estate assets held for sale, less accumulated depreciation and amortization of $14,527, as of June 30, 2014	49,809	—
Total real estate assets	4,108,434	3,972,394
Cash and cash equivalents	49,334	99,855
Tenant receivables, net of allowance for doubtful accounts of $10 and $52 as of June 30, 2014 and December 31, 2013, respectively	7,154	7,414
Straight line rent receivable	117,991	113,592
Prepaid expenses and other assets	27,974	32,423
Deferred financing costs, less accumulated amortization of $13,444 and $11,938, as of June 30, 2014 and December 31, 2013, respectively	9,527	10,388
Intangible lease origination costs, less accumulated amortization of $221,615 and $216,598, as of June 30, 2014 and December 31, 2013, respectively	133,778	148,889
Deferred lease costs, less accumulated amortization of $33,096 and $27,375, as of June 30, 2014 and December 31, 2013, respectively	105,640	87,527
Investment in development authority bonds	120,000	120,000
Other assets held for sale, less accumulated amortization of $4,296, as of June 30, 2014	1,539	—
Total assets	$4,681,371	$4,592,482
Liabilities:		
Line of credit and notes payable	$1,386,644	$1,240,249
Bonds payable, net of discount of $944 and $1,070, as of June 30, 2014 and December 31, 2013, respectively	249,056	248,930
Accounts payable, accrued expenses, and accrued capital expenditures	98,737	99,678
Deferred income	24,353	21,938
Intangible lease liabilities, less accumulated amortization of $78,945 and $76,500, as of June 30, 2014 and December 31, 2013, respectively	76,069	73,864
Obligations under capital leases	120,000	120,000
Liabilities held for sale, less accumulated amortization of $3,719, as of June 30, 2014	1,327	—
Total liabilities	1,956,186	1,804,659

Commitments and Contingencies (Note 6)	—	—
Equity:		
Common stock, $0.01 par value, 900,000,000 shares authorized, 124,966,166 and 124,830,122 shares issued and outstanding as of June 30, 2014 and December 31, 2013, respectively	1,249	1,248
Additional paid-in capital	4,600,874	4,600,166
Cumulative distributions in excess of earnings	(1,873,842)	(1,810,284)
Other comprehensive loss	(3,096)	(3,307)
Total equity	2,725,185	2,787,823
Total liabilities and equity	$4,681,371	$4,592,482

See accompanying notes.

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COLUMBIA PROPERTY TRUST, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per-share amounts)

	(Unaudited) Three months ended June 30, 2014	2013	(Unaudited) Six months ended June 30, 2014	2013
Revenues:				
Rental income	$103,821	$103,103	$204,388	$204,409
Tenant reimbursements	22,934	21,266	46,667	43,510
Hotel income	6,505	6,562	10,566	11,516
Other property income	3,497	966	4,304	1,254
	136,757	131,897	265,925	260,689
Expenses:				
Property operating costs	38,832	37,069	77,812	74,653
Hotel operating costs	4,689	4,820	8,830	9,081
Asset and property management fees:				
Related-party	—	—	—	4,693
Other	675	530	964	1,143
Depreciation	30,169	26,955	57,473	53,665
Amortization	20,221	19,982	38,742	39,884
Impairment loss on real estate assets	1,432	—	14,982	—
General and administrative	8,412	8,957	15,358	45,776
Acquisition expenses	6,102	—	6,102	—
	110,532	98,313	220,263	228,895
Real estate operating income	26,225	33,584	45,662	31,794
Other income (expense):				
Interest expense	(18,860)	(26,049)	(36,770)	(52,183)
Interest and other income	1,802	9,113	3,612	18,224
Gain (loss) on interest rate swaps	(105)	164	(335)	221
	(17,163)	(16,772)	(33,493)	(33,738)
Income (loss) before income tax expense	9,062	16,812	12,169	(1,944)
Income tax expense	(351)	(323)	(7)	(222)
Income (loss) from continuing operations	8,711	16,489	12,162	(2,166)
Discontinued operations:				
Operating income (loss) from discontinued operations	(40)	4,112	237	(9,855)
Gain (loss) on disposition of discontinued operations	(650)	—	(978)	10,014
Income (loss) from discontinued operations	(690)	4,112	(741)	159
Net income (loss)	$8,021	$20,601	$11,421	$(2,007)
Per-share information – basic:				
Income (loss) from continuing operations	$0.07	$0.12	$0.10	$(0.02)
Income (loss) from discontinued operations	$(0.01)	$0.03	$(0.01)	$0.00
Net income (loss)	$0.06	$0.15	$0.09	$(0.01)
Weighted-average common shares outstanding – basic	124,860	135,816	124,855	136,166
Per-share information – diluted:				
Income (loss) from continuing operations	$0.07	$0.12	$0.10	$(0.02)
Income (loss) from discontinued operations	$(0.01)	$0.03	$(0.01)	$0.00
Net income (loss)	$0.06	$0.15	$0.09	$(0.01)

Weighted-average common shares outstanding – diluted	124,919	135,816	124,901	136,166
Dividends per share	$0.300	$0.380	$0.600	$0.760

See accompanying notes.

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COLUMBIA PROPERTY TRUST, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands)

	(Unaudited) Three months ended June 30,		(Unaudited) Six months ended June 30,	
	2014	2013	2014	2013
Net income (loss)	$8,021	$20,601	$11,421	$(2,007)
Foreign currency translation adjustment realized in discontinued operations	—	—	—	(83)
Market value adjustment to interest rate swap	(43)	2,168	211	2,717
Comprehensive income	$7,978	$22,769	$11,632	$627

See accompanying notes.

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COLUMBIA PROPERTY TRUST, INC.
CONSOLIDATED STATEMENTS OF EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2014 AND 2013 (UNAUDITED)
(in thousands, except per-share amounts)

	Stockholders' Equity Common Stock Shares	Amount	Additional Paid-In Capital	Cumulative Distributions in Excess of Earnings	Other Comprehensive Income (Loss)	Total Equity
Balance, December 31, 2013	124,830	$1,248	$4,600,166	$(1,810,284)	$ (3,307)	$2,787,823
Common stock issued to employees and directors, and amortized (net of amounts withheld for income taxes)	136	1	708	—	—	709
Distributions to common stockholders ($0.60 per share)	—	—	—	(74,979)	—	(74,979)
Net income	—	—	—	11,421	—	11,421
Market value adjustment to interest rate swap	—	—	—	—	211	211
Balance, June 30, 2014	124,966	$1,249	$4,600,874	$(1,873,842)	$ (3,096)	$2,725,185

	Stockholders' Equity Common Stock Shares[1]	Amount[1]	Additional Paid-In Capital[1]	Cumulative Distributions in Excess of Earnings	Redeemable Common Stock	Other Comprehensive Income (Loss)	Total Equity
Balance, December 31, 2012	136,901	$1,369	$4,901,889	$(1,634,531)	$(99,526)	$ (5,221)	$3,163,980
Issuance of common stock	1,657	17	46,385	—	—	—	46,402
Redemptions of common stock	(2,986)	(30)	(77,003)	—	—	—	(77,033)
Increase in redeemable common stock	—	—	—	—	(22,226)	—	(22,226)
Distributions to common stockholders ($0.76 per share)	—	—	—	(103,030)	—	—	(103,030)
Offering costs	—	—	(127)	—	—	—	(127)
Net loss	—	—	—	(2,007)	—	—	(2,007)
Foreign currency translation adjustment	—	—	—	—	—	(83)	(83)
Market value adjustment to interest rate swap	—	—	—	—	—	2,717	2,717
Balance, June 30, 2013	135,572	$1,356	$4,871,144	$(1,739,568)	$(121,752)	$ (2,587)	$3,008,593

(1) All share amounts and computations using such amounts have been retroactively adjusted to reflect the August 14, 2013 four-for-one reverse stock split (see Note 7, Equity).

See accompanying notes.

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COLUMBIA PROPERTY TRUST, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	(Unaudited) Six months ended June 30, 2014	2013
Cash Flows from Operating Activities:		
Net income (loss)	$11,421	$(2,007)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Straight-line rental income	(4,623)	(13,121)
Depreciation	57,473	61,235
Amortization	37,542	43,100
Impairment losses on real estate assets	14,982	16,867
Noncash interest expense	1,512	1,720
Gain on interest rate swaps	(2,324)	(3,461)
Loss (gain) on sale of real estate	978	(10,014)
Stock-based compensation expense	1,023	—
Changes in assets and liabilities, net of acquisitions:		
Decrease (increase) in tenant receivables, net	(455)	5,872
Decrease (increase) in prepaid expenses and other assets	650	(3,989)
Decrease in accounts payable and accrued expenses	(7,957)	(4,422)
Increase in due to affiliates	—	16,205
Increase (decrease) in deferred income	2,761	(5,664)
Net cash provided by operating activities	112,983	102,321
Cash Flows from Investing Activities:		
Net proceeds from the sale of real estate	27,131	65,928
Real estate acquisitions	(155,203)	—
Capital improvements	(18,868)	(22,495)
Deferred lease costs paid	(14,487)	(9,816)
Net cash provided by (used in) investing activities	(161,427)	33,617
Cash Flows from Financing Activities:		
Financing costs paid	(798)	(240)
Proceeds from lines of credit and notes payable	130,000	120,000
Repayments of lines of credit and notes payable	(56,300)	(112,227)
Issuance of common stock	—	46,402
Redemptions of common stock	—	(78,609)
Distributions paid to stockholders	(74,979)	(56,628)
Distributions paid to stockholders and reinvested in shares of our common stock	—	(46,402)
Tender offer and offering costs paid	—	(121)
Net cash used in financing activities	(2,077)	(127,825)
Net increase (decrease) in cash and cash equivalents	(50,521)	8,113
Effect of foreign exchange rate on cash and cash equivalents	—	(103)
Cash and cash equivalents, beginning of period	99,855	53,657
Cash and cash equivalents, end of period	$49,334	$61,667

See accompanying notes.

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COLUMBIA PROPERTY TRUST, INC.
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2014
(unaudited)

1. Organization

Columbia Property Trust, Inc. ("Columbia Property Trust") (NYSE: CXP) is a Maryland corporation that operates as a real estate investment trust ("REIT") for federal income tax purposes and owns and operates commercial real estate properties. Columbia Property Trust was incorporated in 2003, commenced operations in 2004, and conducts business primarily through Columbia Property Trust Operating Partnership, L.P. ("Columbia Property Trust OP"), a Delaware limited partnership. Columbia Property Trust is the general partner and sole owner of Columbia Property Trust OP and possesses full legal control and authority over its operations. Columbia Property Trust OP acquires, develops, owns, leases, and operates real properties directly, through wholly owned subsidiaries, or through joint ventures. References to Columbia Property Trust, "we," "us," or "our" herein shall include Columbia Property Trust and all subsidiaries of Columbia Property Trust, direct and indirect, and consolidated joint ventures.

Columbia Property Trust typically invests in high-quality, income-generating office properties. As of June 30, 2014, Columbia Property Trust owned 37 office properties and one hotel, which includes 58 operational buildings. These properties are comprised of approximately 16.8 million square feet of commercial space and are located in 12 states and the District of Columbia. As of June 30, 2014, 36 of the office properties were wholly owned and the remaining property was owned through a consolidated subsidiary; the office properties were approximately 93.5% leased.

2. Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements of Columbia Property Trust have been prepared in accordance with the rules and regulations of the U.S. Securities and Exchange Commission ("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 U.S. generally accepted accounting principles ("GAAP") for complete financial statements. In the opinion of management, the statements for these unaudited interim periods presented include all adjustments, which are of a normal and recurring nature, necessary for a fair and consistent presentation of the results for such periods. Results for these interim periods are not necessarily indicative of a full year's results. Columbia Property Trust's consolidated financial statements include the accounts of Columbia Property Trust, Columbia Property Trust OP, and any variable interest entity in which Columbia Property Trust or Columbia Property Trust OP was deemed the primary beneficiary. With respect to entities that are not variable interest entities, Columbia Property Trust's consolidated financial statements also include the accounts of any entity in which Columbia Property Trust, Columbia Property Trust OP, or their subsidiaries own a controlling financial interest and any limited partnership in which Columbia Property Trust, Columbia Property Trust OP, or its subsidiaries own a controlling general partnership interest. All intercompany balances and transactions have been eliminated in consolidation. For further information, refer to the financial statements and footnotes included in Columbia Property Trust's Annual Report on Form 10-K for the year ended December 31, 2013 (the "2013 Form 10-K").

Fair Value Measurements

Columbia Property Trust estimates the fair value of its assets and liabilities (where currently required under GAAP) consistent with the provisions of Accounting Standard Codification ("ASC") 820, Fair Value Measurements ("ASC 820"). Under this standard, fair value is defined as the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date. While various techniques and assumptions can be used to estimate fair value depending on the nature of the asset or liability, the accounting standard for fair value measurements and disclosures provides the following fair value technique parameters and hierarchy, depending upon availability:

Level 1 – Assets or liabilities for which the identical term is traded on an active exchange, such as publicly traded instruments or futures contracts.

Level 2 – Assets and liabilities valued based on observable market data for similar instruments.

Level 3 – Assets or liabilities for which significant valuation assumptions are not readily observable in the market. Such assets or liabilities are valued based on the best available data, some of which may be internally developed. Significant assumptions may include risk premiums that a market participant would consider.

Real Estate Assets

Columbia Property Trust is required to make subjective assessments as to the useful lives of its depreciable assets. Columbia Property Trust considers the period of future benefit of the asset to determine the appropriate useful lives. These assessments have a direct impact on net income. The estimated useful lives of its assets by class are as follows:

Buildings	40 years
Building improvements	5-25 years
Site improvements	15 years
Tenant improvements	Shorter of economic life or lease term
Intangible lease assets	Lease term

Evaluating the Recoverability of Real Estate Assets

Columbia Property Trust continually monitors events and changes in circumstances that could indicate that the carrying amounts of its real estate and related intangible assets, of both operating properties and properties under construction, in which Columbia Property Trust has an ownership interest, either directly or through investments in joint ventures, may not be recoverable. When indicators of potential impairment are present that suggest that the carrying amounts of real estate assets and related intangible assets (liabilities) may not be recoverable, Columbia Property Trust assesses the recoverability of these assets by determining whether the respective carrying values will be recovered through the estimated undiscounted future operating cash flows expected from the use of the assets and their eventual disposition. In the event that such expected undiscounted future cash flows do not exceed the carrying values, Columbia Property Trust adjusts the carrying value of the real estate assets and related intangible assets to the estimated fair values, pursuant to the property, plant, and equipment accounting standard for the impairment or disposal of long-lived assets, and recognizes an impairment loss. Estimated fair values are calculated based on the following information, in order of preference, depending upon availability: (i) recently quoted market prices, (ii) market prices for comparable properties, or (iii) the present value of future cash flows, including estimated salvage value. Certain of Columbia Property Trust's assets may be carried at more than an amount that could be realized in a current disposition transaction.

Projections of expected future operating cash flows require that Columbia Property Trust estimate future market rental income amounts subsequent to the expiration of current lease agreements, property operating expenses, the number of months it takes to re-lease the property, and the number of years the property is held for investment, among other factors. The subjectivity of assumptions used in the future cash flow analysis, including discount rates, could result in an incorrect assessment of the property's fair value and could result in the misstatement of the carrying value of Columbia Property Trust's real estate assets and related intangible assets and net income (loss).

In connection with furthering its portfolio repositioning efforts, in the first quarter of 2013, Columbia Property Trust initiated a process to market 18 properties for sale (the "18 Property Sale"). Pursuant to the accounting policy outlined above, Columbia Property Trust evaluated the recoverability of the carrying values of each of these properties and determined that the 120 Eagle Rock property in East Hanover, New Jersey, and the 333 & 777 Republic Drive property in Allen Park, Michigan, were no longer recoverable due to shortening the respective expected property holding periods in connection with these repositioning efforts. As a result, Columbia Property Trust reduced the carrying value of the 120 Eagle Rock property and the 333 & 777 Republic Drive property to reflect their respective fair values, estimated based on projected discounted future cash flows and recorded corresponding property impairment losses, of $11.7 million and $5.2 million, respectively, in the first quarter of 2013, which are included in operating income (loss) from discontinued operations in the accompanying statement of operations. In connection with finalizing the terms of the 18 Property Sale agreement in the fourth quarter of 2013, Columbia Property Trust reduced the aggregate carrying value of the assets included therein to fair value, as estimated based on the approximate net contract price (Level 2) of $500 million, by recognizing an additional impairment loss of $12.9 million in the third quarter of 2013.

In the first quarter of 2014, Columbia Property Trust revised its investment strategy for the 180 Park Avenue, #103 Building in Florham Park, New Jersey, to sell the property to a user in the near term. As a result, management reduced its intended holding period for the building and reevaluated the property's carrying value as of March 31, 2014, pursuant to the accounting policy outlined above. Columbia Property Trust concluded that the 180 Park Avenue, #103 Building was not recoverable and reduced its carrying value to reflect its fair value, estimated based on recently quoted market prices (Level 2), by recording an impairment loss of approximately $13.6 million in the first quarter of 2014. The sale of the180 Park Avenue, #103 Building closed on June 4, 2014 for $10.2 million, exclusive of transaction costs.

In the second quarter of 2014, Columbia Property Trust decided to pursue a near-term sale of the 200 South Orange Building (formerly known as the SunTrust Building) in Orlando, Florida in connection with exiting this market. As a result, management

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reduced its intended holding period for the building and reevaluated the property's carrying value in the second quarter of 2014. In connection with negotiating the terms of the sale, Columbia Property Trust reduced the carrying value of the 200 South Orange Building to reflect fair value, estimated based on an approximate net contract price of $18.4 million (Level 1), by recording an impairment loss of $1.4 million in the second quarter. The sale of the 200 South Orange Building closed on June 30, 2014 for $18.4 million, net of transaction costs.

The fair value measurements used in the evaluation of the 120 Eagle Rock property and the 333 & 777 Republic Drive property are considered to be Level 3 valuations within the fair value hierarchy outlined above, as there are significant unobservable inputs. Examples of inputs that were utilized in the fair value calculations include estimated holding periods, discount rates, market capitalization rates, expected lease rental rates, and potential sales prices. The table below represents the detail of the adjustments recognized using Level 3 inputs.

For the three and six months ended June 30, 2013 (in thousands):

Property	Net Book Value	Impairment Loss Recognized	Fair Value
120 Eagle Rock	$23,808	$(11,708)	$12,100
333 & 777 Republic Drive	$13,359	$(5,159)	$8,200

Assets Held for Sale

Columbia Property Trust classifies assets as held for sale according to ASC 360, Accounting for the Impairment or Disposal of Long-Lived Assets ("ASC 360"). According to ASC 360, assets are considered held for sale when the following criteria are met:

- Management, having the authority to approve the action, commits to a plan to sell the property.
- The property is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such property.
- An active program to locate a buyer and other actions required to complete the plan to sell the property have been initiated.
- The sale of the property is probable, and transfer of the property is expected to qualify for recognition as a completed sale, within one year.
- The property is being actively marketed for sale at a price that is reasonable in relation to its current fair value.
- Actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

At such time that a property is determined to be held for sale, its carrying amount is reduced to the lower of its depreciated book value or its estimated fair value, less costs to sell, and depreciation is no longer recognized. As of June 30, 2014, the 7031 Columbia Gateway Drive Building met the criteria to be classified as held for sale in the accompanying balance sheet. See Note 3, Real Estate and Other Transactions, for discussion of this disposition.

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Intangible Assets and Liabilities Arising from In-Place Leases where Columbia Property Trust is the Lessor

Upon the acquisition of real properties, Columbia Property Trust allocates the purchase price of properties to tangible assets, consisting of land, building, site improvements, and identified intangible assets and liabilities, including the value of in-place leases, based in each case on Columbia Property Trust's estimate of their fair values in accordance with ASC 820 (see Fair Value Measurements section above for additional detail). As of June 30, 2014 and December 31, 2013, Columbia Property Trust had the following gross intangible in-place lease assets and liabilities (in thousands):

		Intangible Lease Assets		Intangible Lease Origination Costs	Intangible Below-Market In-Place Lease Liabilities
		Above-Market In-Place Lease Assets	Absorption Period Costs		
June 30, 2014	Gross	$79,982	$395,819	$360,660	$159,629
	Accumulated Amortization	(59,032)	(241,922)	(225,859)	(82,664)
	Net	$20,950	$153,897	$134,801	$76,965
December 31, 2013	Gross	$80,836	$388,686	$365,487	$150,364
	Accumulated Amortization	(56,859)	(229,065)	(216,598)	(76,500)
	Net	$23,977	$159,621	$148,889	$73,864

Columbia Property Trust recognized the following amortization of intangible lease assets and liabilities (in thousands):

	Intangible Lease Assets		Intangible Lease Origination Costs	Intangible Below-Market In-Place Lease Liabilities
	Above-Market In-Place Lease Assets	Absorption Period Costs		
For the three months ended June 30, 2014	$1,350	$9,178	$8,440	$3,778
For the three months ended June 30, 2013	$1,453	$9,919	$10,017	$3,705
For the six months ended June 30, 2014	$2,706	$17,251	$16,873	$6,859
For the six months ended June 30, 2013	$3,138	$20,054	$19,941	$7,431

The remaining net intangible assets and liabilities as of June 30, 2014, will be amortized as follows (in thousands):

	Intangible Lease Assets		Intangible Lease Origination Costs	Intangible Below-Market In-Place Lease Liabilities
	Above-Market In-Place Lease Assets	Absorption Period Costs		
For the six months ended December 31, 2014	$2,665	$18,353	$16,645	$7,870
For the years ending December 31:				
2015	4,492	31,302	29,937	13,302
2016	3,760	23,430	22,897	10,091
2017	1,891	17,208	16,342	7,684
2018	1,087	13,297	11,834	6,730
2019	1,047	12,261	10,681	6,074
Thereafter	6,008	38,046	26,465	25,214
	$20,950	$153,897	$134,801	$76,965

Intangible Assets and Liabilities Arising from In-Place Leases where Columbia Property Trust is the Lessee

In-place ground leases where Columbia Property Trust is the lessee may have value associated with effective contractual rental rates that are above or below market rates at the time of execution or assumption. Such values are calculated based on the present value (using a discount rate that reflects the risks associated with the leases acquired) of the difference between (i) the contractual amounts to be paid pursuant to the in-place lease and (ii) management's estimate of fair market lease rates for the corresponding in-place lease at the time of execution or assumption, measured over a period equal to the remaining terms of the leases. The

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capitalized above-market and below-market in-place lease values are recorded as intangible lease liabilities and assets, respectively, and are amortized as an adjustment to property operating cost over the remaining term of the respective leases. Columbia Property Trust had gross below-market lease assets of approximately $110.7 million as of June 30, 2014 and December 31, 2013, and recognized amortization of these assets of approximately $0.5 million for the three months ended June 30, 2014 and 2013, and $1.0 million for the six months ended June 30, 2014 and 2013.

As of June 30, 2014, the remaining net below-market lease asset will be amortized as follows (in thousands):

For the six months ended December 31, 2014	$1,036
For the years ending December 31:	
2015	2,069
2016	2,069
2017	2,069
2018	2,069
2019	2,069
Thereafter	85,207
	$96,588

Prepaid Expenses and Other Assets

Prepaid expenses and other assets primarily are comprised of escrow accounts held by lenders to pay future real estate taxes, insurance and tenant improvements, notes receivable, nontenant receivables, prepaid taxes, insurance and operating costs, certain corporate assets, hotel inventory, and deferred tax assets. Prepaid expenses and other assets will be expensed as incurred or reclassified to other asset accounts upon being put into service in future periods.

Interest Rate Swap Agreements

Columbia Property Trust enters into interest rate swap contracts to mitigate its interest rate risk on the related financial instruments. Columbia Property Trust does not enter into derivative or interest rate swap transactions for speculative purposes; however, certain of its derivatives may not qualify for hedge accounting treatment. Columbia Property Trust records the fair value of its interest rate swaps either as prepaid expenses and other assets or as accounts payable, accrued expenses, and accrued capital expenditures. Changes in the fair value of the effective portion of interest rate swaps that are designated as cash flow hedges are recorded as other comprehensive income, while changes in the fair value of the ineffective portion of a hedge, if any, is recognized currently in earnings. Changes in the fair value of interest rate swaps that do not qualify for hedge accounting treatment are recorded as gain (loss) on interest rate swaps. Amounts received or paid under interest rate swap agreements are recorded as interest expense for contracts that qualify for hedge accounting treatment and as gain (loss) on interest rate swaps for contracts that do not qualify for hedge accounting treatment.

The following tables provide additional information related to Columbia Property Trust's interest rate swaps (in thousands):

Instrument Type	Balance Sheet Classification	Estimated Fair Value as of June 30, 2014	Estimated Fair Value as of December 31, 2013
Derivatives designated as hedging instruments:			
Interest rate contracts	Accounts payable	$(3,096)	$(3,307)
Derivatives not designated as hedging instruments:			
Interest rate contracts	Accounts payable	$(5,255)	$(7,579)

Columbia Property Trust applied the provisions of ASC 820 in recording its interest rate swaps at fair value. The fair values of the interest rate swaps, classified under Level 2, were determined using a third-party proprietary model that is based on prevailing market data for contracts with matching durations, current and anticipated London Interbank Offered Rate ("LIBOR") information, and reasonable estimates about relevant future market conditions. Columbia Property Trust has determined that the fair value, as determined by the third party, is reasonable. The fair value of Columbia Property Trust's interest rate swaps were $(8.4) million and $(10.9) million at June 30, 2014 and

December 31, 2013, respectively.

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	Six months ended June 30,	
	2014	2013
Market value adjustment to interest rate swaps designated as hedging instruments and included in other comprehensive income	$211	$2,717
Gain (loss) on interest rate swap recognized through earnings	$(335)	$221

During the periods presented, there was no hedge ineffectiveness required to be recognized into earnings on the interest rate swaps that qualified for hedge accounting treatment.

Income Taxes

Columbia Property Trust has elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended (the "Code"), and has operated as such beginning with its taxable year ended December 31, 2003. To qualify as a REIT, Columbia Property Trust must meet certain organizational and operational requirements, including a requirement to distribute at least 90% of its REIT taxable income, as defined by the Code, to its stockholders. As a REIT, Columbia Property Trust generally is not subject to income tax on income it distributes to stockholders. Columbia Property Trust's stockholder distributions typically exceed its taxable income due to the inclusion of noncash expenses, such as depreciation, in taxable income. As a result, Columbia Property Trust typically does not incur federal income taxes other than as described in the following paragraph. Columbia Property Trust is, however, subject to certain state and local taxes related to the operations of properties in certain locations, which have been provided for in the accompanying consolidated financial statements.

Columbia Property Trust TRS, LLC ("Columbia Property Trust TRS"), Columbia KCP TRS, LLC ("Columbia KCP TRS"), and Columbia Energy TRS, LLC ("Columbia Energy TRS") (collectively, the "TRS Entities") are wholly owned subsidiaries of Columbia Property Trust, are organized as Delaware limited liability companies, and operate, among other things, a full-service hotel. Columbia Property Trust has elected to treat the TRS Entities as taxable REIT subsidiaries. Columbia Property Trust may perform certain additional, noncustomary services for tenants of its buildings through the TRS Entities; however, any earnings related to such services are subject to federal and state income taxes. In addition, for Columbia Property Trust to continue to qualify as a REIT, Columbia Property Trust must limit its investments in taxable REIT subsidiaries to 25% of the value of the total assets. The TRS Entities' deferred tax assets and liabilities represent temporary differences between the financial reporting basis and the tax basis of assets and liabilities based on the enacted rates expected to be in effect when the temporary differences reverse. If applicable, Columbia Property Trust records interest and penalties related to uncertain tax positions as general and administrative expense in the accompanying consolidated statements of operations.

Reclassification

Certain prior period amounts have been reclassified to provide additional detail, or to conform with the current-period financial statement presentation, including 2013 discontinued operations (see Note 10, Held for Sale and Discontinued Operations) and historical share and per-share data impacted by the Reverse Stock Split (see Note 7, Equity).

Recent Accounting Pronouncements

In April 2014, FASB issued ASU 2014-08, which raises the threshold used to determine whether revenues and expenses associated with dispositions are reclassified to discontinued operations in the statement of operations. Under the new standard, typical assets sales will remain in continuing operations; whereas, assets sales that represents a strategic shift in operations (for example, exiting a major geographical area) would be reclassified to discontinued operations. ASU 2014-08 is required beginning with the first quarter of 2015; however, Columbia Property Trust elected to adopt the new standard effective April 1, 2014.

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3. Real Estate and Other Transactions
Acquisitions
During the six months ended June 30, 2014, Columbia Property Trust acquired the following property (in thousands):

Property Name	City	State	Date Acquired	Land	Buildings and Improvements	Intangible Lease Assets	Intangible Lease Origination Costs	Intangible Below-Market Lease Liability	Total Purchase Price	Lease Details
221 Main Street Building	San Francisco	CA	April 22, 2014	$60,509	$ 161,853	$12,776	$ 3,475	$(10,323)	$228,290	(1)

(1) As of the acquisition date, the 221 Main Street Building was 82.8% leased to 40 tenants, including DocuSign, Inc. (15.7%). No other tenants lease more than 10% of the building, based on annualized lease revenue.

The purchase price for the acquisition includes allocations based upon preliminary estimates of the fair value of the assets and liabilities acquired. These allocations may be adjusted in the future upon finalization of these preliminary estimates. Note 2, Summary of Significant Accounting Policies, provides a discussion of the estimated useful life for each asset class.

On April 22, 2014, Columbia Property Trust acquired the 221 Main Street Building, a 388,000 square foot office building in San Francisco, California, for $228.8 million, exclusive of closing costs. The acquisition was funded with a $73.0 million assumed mortgage note, $116.0 million of borrowings on the JPMorgan Credit Facility and cash on hand. Columbia Property Trust recognized revenues of $3.4 million and a net loss of $7.5 million from the 221 Main Street Building acquisition for the period from April 22, 2014 to June 30, 2014. The net loss includes acquisition-related expenses of $6.1 million.

The following unaudited pro forma statements of operations presented for the three and six months ended June 30, 2014, have been prepared for Columbia Property Trust to give effect to the acquisition of the 221 Main Building as if the acquisition occurred on January 1, 2013. The following unaudited pro forma financial results for Columbia Property Trust have been 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 221 Main Street Building been consummated as of January 1, 2013 (in thousands).

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Revenues	$137,482	$134,708	$269,863	$266,414
Net income (loss)	$14,241	$20,113	$18,014	$(8,904)
Net income (loss) per share - basic	$0.11	$0.15	$0.14	$(0.07)
Net income (loss) per share - diluted	$0.11	$0.15	$0.14	$(0.07)

Dispositions
As a result of adopting ASU 2014-08 effective April 1, 2014 (see Note 2, Significant Accounting Policies), for all periods presented in the statements of operations, the revenues and expenses associated with the June and July 2014 property sales described below are included in continuing operations, while the revenues and expenses associated with sales executed before April 1, 2014, are classified as discontinued operations.

180 Park Avenue, #103 Building
On June 4, 2014, Columbia Property Trust closed on the sale of the 180 Park Avenue, #103 Building in Florham Park, New Jersey, for $10.2 million, exclusive of transaction costs. Columbia Property Trust recognized an impairment loss of $13.6 million related to this building in the first quarter of 2014, as further described in Note 2, Significant Accounting Policies.

200 South Orange Building

On June 30, 2014, Columbia Property Trust closed on the sale of the 200 South Orange Building in Orlando, Florida, for $18.4 million, net of transaction costs. This transaction resulted in a $1.4 million impairment loss (see Note 2, Summary of Significant Accounting Policies, for additional details).

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7031 Columbia Gateway Drive Building

On July 1, 2014, Columbia Property Trust closed on the sale of the 7031 Columbia Gateway Drive Building in Columbia, Maryland, for approximately $59.5 million, exclusive of transaction costs. This transaction yielded a gain of approximately $7.8 million, which will be reflected in the third quarter and may be adjusted in future periods as additional information regarding estimated transaction costs becomes available. As of June 30, 2014, the assets and liabilities of the 7031 Columbia Gateway Drive Building are classified as held for sale in the accompanying balance sheet.

Dvintsev Business Center - Tower B Building

On March 21, 2013, Columbia Property Trust closed on the sale of the Dvintsev Business Center - Tower B Building in Moscow, Russia, and its holding entity, Landlink Ltd., which was 100% owned by Columbia Property Trust, for $67.5 million, exclusive of transaction costs, resulting in a gain on disposition of discontinued operations in the accompanying consolidated statement of operations of $10.0 million.

Other Transactions

As described in Note 9, Related-Party Transactions and Agreements, Columbia Property Trust acquired Columbia Property Trust Advisory Services, LLC ("Columbia Property Trust Advisory Services") and Columbia Property Trust Services, LLC ("Columbia Property Trust Services") on February 28, 2013. The following unaudited pro forma statements of operations presented for the six months ended June 30, 2013, have been prepared for Columbia Property Trust to give effect to the acquisitions of Columbia Property Trust Advisory Services and Columbia Property Trust Services as if the acquisitions occurred on January 1, 2013. The following unaudited pro forma financial results for Columbia Property Trust have been prepared for informational purposes only and are not necessarily indicative of future results or of actual results that would have been achieved had the acquisitions of Columbia Property Trust Advisory Services and Columbia Property Trust Services been consummated as of January 1, 2013 (in thousands).

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Revenues	*	*	*	$261,848
Net income	*	*	*	$31,770

* Columbia Property Trust owned Columbia Property Trust Advisory Services and Columbia Property Trust Services for all of the three months ended June 30, 2014 and 2013, and the six months ended June 30, 2014.

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4. Line of Credit and Notes Payable

As of June 30, 2014 and December 31, 2013, Columbia Property Trust had the following line of credit and notes payable indebtedness (excluding bonds payable; see Note 5, Bonds Payable) in thousands:

Facility	June 30, 2014	December 31, 2013
$450 Million Term Loan	$450,000	$450,000
Market Square Buildings mortgage note	325,000	325,000
333 Market Street Building mortgage note	207,187	207,559
100 East Pratt Street Building mortgage note	105,000	105,000
JPMorgan Chase Credit Facility	75,000	—
221 Main Street Building mortgage note	73,000	—
263 Shuman Boulevard Building mortgage note	49,000	49,000
SanTan Corporate Center mortgage notes	39,000	39,000
One Glenlake Building mortgage note	33,413	34,713
215 Diehl Road Building mortgage note	21,000	21,000
544 Lakeview Building mortgage note	9,044	8,977
Total indebtedness	$1,386,644	$1,240,249

221 Main Street Building Mortgage Note

In April 2014, in connection with acquiring the 221 Main Street Building in San Francisco, California, Columbia Property Trust assumed a $73.0 million mortgage note payable (the "221 Main Street Building Mortgage Note"), which is secured by this property. At the time of acquisition, Columbia Property Trust evaluated the 221 Main Street Building Mortgage Note and determined that the face value of the note approximates its fair value. The fair value of the 221 Main Street Building mortgage note was estimated by obtaining estimates for similar facilities from multiple market participants as of the respective reporting dates (Level 2). The 221 Main Street Building Mortgage Note is due on May 10, 2017, and requires monthly interest-only payments at an interest rate of 3.95% per annum.

Fair Value of Debt

The estimated fair value of Columbia Property Trust's line of credit and notes payable as of June 30, 2014 and December 31, 2013, was approximately $1,406.5 million and $1,245.3 million, respectively. Columbia Property Trust estimated the fair value of its JPMorgan Chase Credit Facility (the "JPMorgan Chase Credit Facility") by obtaining estimates for similar facilities from multiple market participants as of the respective reporting dates. Therefore, the fair values determined are considered to be based on observable market data for similar instruments (Level 2). The fair values of all other debt instruments were estimated based on discounted cash flow analyses using the current incremental borrowing rates for similar types of borrowing arrangements as of the respective reporting dates. The discounted cash flow method of assessing fair value results in a general approximation of value, and such value may never actually be realized.

Interest Paid and Debt Covenants

During the six months ended June 30, 2014 and 2013, Columbia Property Trust made interest payments of approximately $27.2 million and $30.4 million, respectively. There was no interest capitalized in either period. As of June 30, 2014, Columbia Property Trust believes it was in compliance with the restrictive covenants on its $450 Million Term Loan (the "$450 Million Term Loan"), JPMorgan Chase Credit Facility, and notes payable obligations.

5. Bonds Payable

In 2011, Columbia Property Trust OP issued $250.0 million of seven-year, unsecured 5.875% senior notes at 99.295% of their face value (the "2018 Bonds Payable"), which are guaranteed by Columbia Property Trust. Columbia Property Trust OP received proceeds from the 2018 Bonds Payable, net of fees, of $246.7 million. The 2018 Bonds Payable require semi-annual interest payments in April and October based on a contractual annual interest rate of 5.875%, which is subject to adjustment in certain circumstances. In the accompanying consolidated balance sheets, the 2018 Bonds Payable are shown net of the initial issuance discount of approximately $1.8 million, which is amortized to interest expense over the term of the 2018 Bonds Payable using the effective interest method. The principal amount of the 2018 Bonds Payable is due and payable on the maturity date, April 1, 2018.

Interest payments of $7.3 million were made on the 2018 Bonds Payable during the six months ended June 30, 2014 and 2013. As of June 30, 2014, Columbia Property Trust believes it was in compliance with the restrictive covenants on the 2018 Bonds Payable.

The estimated fair value of the 2018 Bonds Payable as of June 30, 2014, and December 31, 2013, was approximately $250.8 million. The fair value of the 2018 Bonds Payable was estimated based on discounted cash flow analyses using the current incremental borrowing rates for similar types of borrowing as the 2018 Bonds Payable arrangements as of the respective reporting dates (Level 2). The discounted cash flow method of assessing fair value results in a general approximation of value, and such value may never actually be realized.

6. Commitments and Contingencies

Commitments Under Existing Lease Agreements

Certain lease agreements include provisions that, at the option of the tenant, may obligate Columbia Property Trust to expend capital to expand an existing property or provide other expenditures for the benefit of the tenant. As of June 30, 2014, no such options have been exercised that have not been materially satisfied.

Litigation

Columbia Property Trust is subject to various legal proceedings, claims, and administrative proceedings arising in the ordinary course of business, some of which are expected to be covered by liability insurance. Management makes assumptions and estimates concerning the likelihood and amount of any reasonably possible loss relating to these matters using the latest information available. Columbia Property Trust records a liability for litigation if an unfavorable outcome is probable and the amount of loss or range of loss can be reasonably estimated. If an unfavorable outcome is probable and a reasonable estimate of the loss is a range, Columbia Property Trust accrues the best estimate within the range. If no amount within the range is a better estimate than any other amount, Columbia Property Trust accrues the minimum amount within the range. If an unfavorable outcome is probable but the amount of the loss cannot be reasonably estimated, Columbia Property Trust discloses the nature of the litigation and indicates that an estimate of the loss or range of loss cannot be made. If an unfavorable outcome is reasonably possible and the estimated loss is material, Columbia Property Trust discloses the nature and estimate of the possible loss of the litigation. Columbia Property Trust does not disclose information with respect to litigation where the possibility of an unfavorable outcome is considered to be remote. Based on current expectations, such matters, both individually and in the aggregate, are not expected to have a material adverse effect on the liquidity, results of operations, business, or financial condition of Columbia Property Trust. Columbia Property Trust is not currently involved in any legal proceedings of which management would consider the outcome to be reasonably likely to have a material adverse effect on the results of operations, liquidity, or financial condition of Columbia Property Trust.

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7. Stockholders' Equity

2013 Long-Term Incentive Plan

Columbia Property Trust maintains a long-term incentive plan that provides for grants of stock to be made to certain employees and independent directors of Columbia Property Trust (the "2013 Long-Term Incentive Plan"). The 2013 Long-Term Incentive Plan was approved by Columbia Property Trust's shareholders in July 2013. A total of 2,000,000 shares are authorized and reserved for issuance under the 2013 Long-Term Incentive Plan.

On January 21, 2014, Columbia Property Trust granted 143,740 shares of common stock to employees, net of 12,752 shares withheld to settle the related tax liability, under the 2013 Long-Term Incentive Plan (the "2013 LTIP Employee Grant"), of which 25% vested upon grant, and the remaining shares will vest ratably, with the passage of time, on January 31, 2015, 2016, and 2017. Employees will receive quarterly dividends related to their entire grant, including the unvested shares, on each dividend payment date. A summary of the activity for the employee stock grants under the 2013 Long-Term Incentive Plan for the six months ended June 30, 2014, follows:

	Shares (in thousands)	Weighted-Average, Grant-Date Fair Value[1]
Unvested shares as of January 1, 2014	—	$—
Granted	144	$24.82
Vested	(36)	$24.82
Forfeited	(1)	$24.82
Unvested shares as of June 30, 2014	107 [2]	$24.82

(1) Columbia Property Trust determined the weighted-average, grant-date fair value using the market closing price on the date of the grant.

(2) As of June 30, 2014, we expect approximately 101,000 of the 107,000 unvested shares to ultimately vest, assuming a forfeiture rate of 5.0%, which was determined based on peer company data, adjusted for the specifics of the 2013 Long-Term Incentive Plan.

In January, April, and July 2014, Columbia Property Trust paid quarterly installments of the independent directors' annual equity retainers by granting shares to the independent directors, which vested at the time of grant. A summary of these grants, which were made under the 2013 Long-Term Incentive Plan follows:

	Date of Grant	Shares	Weighted Average Grant-Date Fair Value
Q1 2014 Director Grant	January 21, 2014	3,344	$24.82
Q2 2014 Director Grant	April 1, 2014	2,968	$27.22
Q3 2014 Director Grant	July 1, 2014	3,016	$25.78

For the three and six months ended June 30, 2014, Columbia Property Trust incurred $0.5 million and $1.0 million, respectively, in stock-based compensation expense, of which $0.1 million and $0.2 million, respectively, related to the issuance of shares to independent directors as described above, $0.2 million and $0.4 million, respectively, related to the amortization of unvested awards under the 2013 LTIP Employee Grant, and $0.2 million and $0.4 million, respectively, related to future employee awards to be granted for service during this period. These future awards have been authorized and employee service related to these awards began on January 1, 2014. Columbia Property Trust anticipates granting these awards in January 2015, with 25% of the grant vesting on the grant date and the remaining shares vesting ratably on January 31, 2016, 2017, and 2018 (the "2014 LTIP Employee Grant"). These expenses are included in general and administrative expenses in the accompanying consolidated statement of operations. As of June 30, 2014, there was $2.1 million of unrecognized compensation costs related to unvested awards under the 2013 LTIP Employee Grant. This amount will be amortized over the respective vesting period, ranging from one to three years at the time of grant.

Reverse Stock Split

On August 6, 2013, Columbia Property Trust's board of directors approved a four-for-one reverse stock split (the "Reverse Stock Split"). The Reverse Stock Split became effective on August 14, 2013 (the "Effective Date"), causing every four shares of common stock that were issued and outstanding as of the Effective Date to be automatically combined into one issued and outstanding share of common stock. The share combination affected all shareholders uniformly and did not affect any shareholder's percentage ownership interest or any shareholder rights. In addition, the par value and number of authorized shares of common stock remained unchanged. The Reverse Stock Split requires retroactive adjustment; therefore, all share and per-share data for prior periods has been adjusted to reflect the Reverse Stock Split.

On July 1, 2014, Columbia Property Trust reduced the number of common shares authorized from 900,000,000 to 225,000,000, which is proportionally equal to the reduction in shares outstanding as a result of the Reverse Stock Split.

8. Supplemental Disclosures of Noncash Investing and Financing Activities

Outlined below are significant noncash investing and financing activities for the six months ended June 30, 2014 and 2013 (in thousands):

	Six months ended June 30,	
	2014	2013
Investment in real estate funded with other assets	$3,807	$—
Other assets assumed at acquisition	$501	$741
Other liabilities assumed at acquisition	$589	$741
Other liabilities settled at disposition	$—	$872
Note payable assumed at acquisition	$73,000	$—
Interest accruing to notes payable	$—	$159
Amortization of premiums (discounts) on debt	$178	$304
Market value adjustment to interest rate swaps that qualify for hedge accounting treatment	$211	$2,717
Accrued capital expenditures and deferred lease costs	$18,431	$13,408
Accrued deferred financing costs	$31	$—
Accrued redemptions of common stock	$—	$2,079
Common stock issued to employees and directors, and amortized (net of amounts withheld for income taxes)	$708	$—
Increase in redeemable common stock	$—	$22,226

9. Related-Party Transactions and Agreements

During 2013, Columbia Property Trust was party to agreements with various entities of Wells Real Estate Funds ("WREF"), which served as our Advisor (the "Advisor"). Since January 1, 2014, Columbia Property Trust has had no contractual relationship with WREF.

- Transition Services Agreement - Columbia Property Trust exercised the option to acquire Columbia Property Trust Advisory Services and Columbia Property Trust Services from WREF (the "Assignment Options") on February 13, 2014, as provided for in the Transition Services Agreement, as amended (the "Transition Services Agreement"). No payment was associated with the Assignment Options; however, Columbia Property Trust was required to pay WREF a total of $8.8 million, for the work required to transfer sufficient employees, proprietary systems and processes, and assets to Columbia Property Trust Advisory Services and Columbia Property Trust Services.
- Consulting Services Agreement - Under the Consulting Services Agreement, WREF provided consulting services with respect to the same matters that were provided under the Advisory Agreement, described below (the "Consulting Services Agreement"). The Consulting Services Agreement terminated on December 31, 2013. The fees incurred under the Consulting Services Agreement are included in general and administrative expense in the accompanying consolidated statement of operations.
- Advisory Agreement - Under the terms of the advisory agreement in place from January 1, 2013 to February 27, 2013 (the "Advisory Agreement"), Columbia Property Trust incurred fees and reimbursements payable to the Advisor for asset management and administrative services.

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Related-Party Costs

Pursuant to the terms of the agreements described above, Columbia Property Trust incurred the following related-party costs for the three and six months ended June 30, 2014 and 2013, respectively (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Investor services	$—	$278	$—	$369
Administrative reimbursements, net(1)	—	70	—	1,891
Other	—	20	—	69
Consulting fees(2)	—	—	—	25,417
Transition services(3)	—	—	—	5,750
Asset management fees	—	—	—	5,083
Property management fees	—	—	—	523
Construction fees(4)	—	—	—	139
Total	$—	$368	$—	$39,241

(1) Administrative reimbursements are presented net of reimbursements from tenants of approximately $0.7 million for the six months ended June 30, 2013.

(2) $10.2 million of the $25.4 million of consulting fees incurred were paid during the six months ended June 30, 2013. The remaining $15.2 million was paid ratably over the remainder of 2013.

(3) $3.0 million of the $5.8 million of transition services fees incurred were paid during the six months ended June 30, 2013; $1.5 million was paid in the third quarter of 2013; and the remaining $1.3 million was paid in the fourth quarter of 2013.

(4) Construction fees are capitalized to real estate assets as incurred.

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10. Held for Sale and Discontinued Operations

Held for Sale

In accordance with GAAP, assets and liabilities that meet certain criteria for disposal are required to be classified as held for sale. As of June 30, 2014, the 7031 Columbia Gateway Drive Building was subject to a firm sale contract and, thus, classified as held for sale in the accompanying consolidated balance sheet. This transaction closed on July 1, 2014, and will be reflected in the third quarter of 2014 (see Note 3, Real Estate and Other Transactions).

The major classes of assets and liabilities classified as held for sale as of June 30, 2014, is provided below (in thousands):

	June 30, 2014
Real estate assets held for sale:	
Real estate assets, at cost:	
Land	$10,232
Buildings and improvements, less accumulated depreciation of $7,829	37,963
Intangible lease assets, less accumulated amortization of $6,698	1,614
Total real estate assets held for sale, net	$49,809
Other assets held for sale:	
Tenant receivables	$403
Prepaid expenses and other assets	26
Intangible lease origination costs, less accumulated amortization of $4,244	1,023
Deferred lease costs, less accumulated amortization of $52	87
Total other assets held for sale, net	$1,539