

COUSINS PROPERTIES INC
Form 10-Q
October 25, 2017
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2017

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: 001-11312

COUSINS PROPERTIES INCORPORATED
(Exact name of registrant as specified in its charter)

58-0869052
(I.R.S.
Employer
Identification
No.)

GEORGIA
(State or other jurisdiction of
incorporation or organization)

3344 Peachtree Road NE, Suite 1800, Atlanta, Georgia
(Address of principal executive offices)

30326-4802
(Zip Code)

(404) 407-1000
(Registrant's telephone number, including area code)

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 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, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

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| Class | Outstanding at October 20, 2017 |
|---------------------------------------|---------------------------------|
| Common Stock, \$1 par value per share | 420,020,538 shares |

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FORWARD-LOOKING STATEMENTS

Certain matters contained in this report are “forward-looking statements” within the meaning of the federal securities laws and are subject to uncertainties and risks, as itemized in Item 1A included in the Annual Report on Form 10-K for the year ended December 31, 2016 and as itemized herein. These forward-looking statements include information about possible or assumed future results of the business and our financial condition, liquidity, results of operations, plans, and objectives. They also include, among other things, statements regarding subjects that are forward-looking by their nature, such as:

- our business and financial strategy;
- our ability to obtain future financing;
- future acquisitions and dispositions of operating assets;
- future acquisitions of land;
- future development and redevelopment opportunities;
- future dispositions of land and other non-core assets;
- projected operating results;
- market and industry trends;
- future distributions;
- projected capital expenditures;
- interest rates;

the impact of the transaction involving us, Parkway Properties, Inc. ("Parkway"), and Parkway, Inc. ("New Parkway"), including future financial and operating results, plans, objectives, expectations, and intentions;

all statements that address operating performance, events, or developments that we expect or anticipate will occur in the future — including statements relating to creating value for stockholders;

impact of the transactions with Parkway and New Parkway on tenants, employees, stockholders, and other constituents of the combined companies; and

integrating Parkway with us.

Any forward-looking statements are based upon management's beliefs, assumptions, and expectations of our future performance, taking into account information currently available. These beliefs, assumptions, and expectations may change as a result of possible events or factors, not all of which are known. If a change occurs, our business, financial condition, liquidity, and results of operations may vary materially from those expressed in forward-looking statements. Actual results may vary from forward-looking statements due to, but not limited to, the following:

- the availability and terms of capital;
- the ability to refinance or repay indebtedness as it matures;
- the failure of purchase, sale, or other contracts to ultimately close;
- the failure to achieve anticipated benefits from acquisitions, investments, or dispositions;
- the potential dilutive effect of common stock or operating partnership unit issuances;
- the availability of buyers and pricing with respect to the disposition of assets;
- risks and uncertainties related to national and local economic conditions, the real estate industry, and the commercial real estate markets in which we operate, particularly in Atlanta, Charlotte, Austin, and Phoenix where we have high concentrations of our annualized lease revenue;
- changes to our strategy with regard to land and other non-core holdings that may require impairment losses to be recognized;
- leasing risks, including the ability to obtain new tenants or renew expiring tenants, the ability to lease newly developed and/or recently acquired space, and the risk of declining leasing rates;
- the adverse change in the financial condition of one or more of our major tenants;
- volatility in interest rates and insurance rates;
- competition from other developers or investors;
-

the risks associated with real estate developments (such as zoning approval, receipt of required permits, construction delays, cost overruns, and leasing risk);

the loss of key personnel;

the potential liability for uninsured losses, condemnation, or environmental issues;

the potential liability for a failure to meet regulatory requirements;

the financial condition and liquidity of, or disputes with, joint venture partners;

any failure to comply with debt covenants under credit agreements;

any failure to continue to qualify for taxation as a real estate investment trust and to meet regulatory requirements;

risks associated with litigation resulting from the transactions with Parkway and from liabilities or contingent liabilities assumed in the transactions with Parkway;

risks associated with any errors or omissions in financial or other information of Parkway that has been previously provided to the public;

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the ability to successfully integrate our operations and employees in connection with the transactions with Parkway and New Parkway;

the ability to realize anticipated benefits and synergies of the transactions with Parkway and New Parkway;

potential changes to state, local, or federal regulations applicable to our business;

material changes in the dividend rates on securities or the ability to pay dividends on common shares or other securities;

potential changes to the tax laws impacting REITs and real estate in general;

significant costs related to uninsured losses, condemnation, or environmental issues; and

those additional risks and factors discussed in reports filed with the Securities and Exchange Commission by the Company.

The words “believes,” “expects,” “anticipates,” “estimates,” “plans,” “may,” “intend,” “will,” or similar expressions are intended to identify forward-looking statements. Although we believe that our plans, intentions, and expectations reflected in any forward-looking statements are reasonable, we can give no assurance that such plans, intentions, or expectations will be achieved. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of future events, new information, or otherwise, except as required under U.S. federal securities laws.

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PART I — FINANCIAL INFORMATION

Item 1. Financial Statements.

COUSINS PROPERTIES INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share amounts)

| | September 30, 2017 (unaudited) | December 31, 2016 |
|--------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|----------------------|
| Assets: | | |
| Real estate assets: | | |
| Operating properties, net of accumulated depreciation of \$253,362 and \$215,856 in 2017 and 2016, respectively | \$ 3,490,181 | \$ 3,432,522 |
| Projects under development | 248,242 | 162,387 |
| Land | 4,221 | 4,221 |
| | 3,742,644 | 3,599,130 |
| Cash and cash equivalents | 62,167 | 35,687 |
| Restricted cash | 437 | 15,634 |
| Notes and accounts receivable, net of allowance for doubtful accounts of \$626 and \$1,167 in 2017 and 2016, respectively | 16,291 | 27,683 |
| Deferred rents receivable | 53,483 | 39,464 |
| Investment in unconsolidated joint ventures | 109,222 | 179,397 |
| Intangible assets, net of accumulated amortization of \$99,063 and \$53,483 in 2017 and 2016, respectively | 211,786 | 245,529 |
| Other assets | 28,170 | 29,083 |
| Total assets | \$ 4,224,200 | \$ 4,171,607 |
| Liabilities: | | |
| Notes payable | \$ 1,095,177 | \$ 1,380,920 |
| Accounts payable and accrued expenses | 160,101 | 109,278 |
| Deferred income | 35,918 | 33,304 |
| Intangible liabilities, net of accumulated amortization of \$25,709 and \$12,227 in 2017 and 2016, respectively | 76,299 | 89,781 |
| Other liabilities | 39,385 | 44,084 |
| Total liabilities | 1,406,880 | 1,657,367 |
| Commitments and contingencies | | |
| Equity: | | |
| Stockholders' investment: | | |
| Preferred stock, \$1 par value, 20,000,000 shares authorized, 6,867,357 shares issued and outstanding in 2017 and 2016 | 6,867 | 6,867 |
| Common stock, \$1 par value, 700,000,000 shares authorized, 430,349,620 and 403,746,938 shares issued in 2017 and 2016, respectively | 430,350 | 403,747 |
| Additional paid-in capital | 3,604,269 | 3,407,430 |
| Treasury stock at cost, 10,329,082 shares in 2017 and 2016 | (148,373) | (148,373) |
| Distributions in excess of cumulative net income | (1,127,813) | (1,214,114) |
| Total stockholders' investment | 2,765,300 | 2,455,557 |
| Nonredeemable noncontrolling interests | 52,020 | 58,683 |
| Total equity | 2,817,320 | 2,514,240 |
| Total liabilities and equity | \$ 4,224,200 | \$ 4,171,607 |

See accompanying notes.

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CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited, in thousands, except per share amounts)

| | Three Months Ended | | Nine Months Ended | |
|--------------------------------------------------------------------------------------------------------------------------------|-----------------------|-----------|-----------------------|------------|
| | September 30, 2017 | 2016 | September 30, 2017 | 2016 |
| Revenues: | | | | |
| Rental property revenues | \$ 109,569 | \$ 46,575 | \$ 336,093 | \$ 138,382 |
| Fee income | 2,597 | 1,945 | 6,387 | 5,968 |
| Other | 993 | 153 | 9,593 | 570 |
| | 113,159 | 48,673 | 352,073 | 144,920 |
| Expenses: | | | | |
| Rental property operating expenses | 40,688 | 18,122 | 123,715 | 55,451 |
| Reimbursed expenses | 895 | 795 | 2,667 | 2,463 |
| General and administrative expenses | 7,193 | 4,368 | 21,993 | 17,301 |
| Interest expense | 7,587 | 5,754 | 25,851 | 16,562 |
| Depreciation and amortization | 47,622 | 16,622 | 152,546 | 49,804 |
| Acquisition and transaction costs | (677) | 1,446 | 1,499 | 3,889 |
| Other | 423 | 173 | 1,063 | 681 |
| | 103,731 | 47,280 | 329,334 | 146,151 |
| Gain on extinguishment of debt | 429 | — | 2,258 | — |
| Income (loss) from continuing operations before unconsolidated joint ventures and gain (loss) on sale of investment properties | 9,857 | 1,393 | 24,997 | (1,231) |
| Income from unconsolidated joint ventures | 2,461 | 1,527 | 43,362 | 5,144 |
| Income from continuing operations before gain (loss) on sale of investment properties | 12,318 | 2,920 | 68,359 | 3,913 |
| Gain (loss) on sale of investment properties | (33) | — | 119,729 | 13,944 |
| Income from continuing operations | 12,285 | 2,920 | 188,088 | 17,857 |
| Income from discontinued operations | — | 8,737 | — | 24,361 |
| Net income | 12,285 | 11,657 | 188,088 | 42,218 |
| Net income attributable to noncontrolling interests | (218) | — | (3,181) | — |
| Net income available to common stockholders | \$ 12,067 | \$ 11,657 | \$ 184,907 | \$ 42,218 |
| Per common share information — basic and diluted: | | | | |
| Income from continuing operations | \$ 0.03 | \$ 0.01 | \$ 0.45 | \$ 0.08 |
| Income from discontinued operations | — | 0.05 | — | 0.12 |
| Net income | \$ 0.03 | \$ 0.06 | \$ 0.45 | \$ 0.20 |
| Weighted average shares — basic | 419,998 | 210,170 | 414,123 | 210,400 |
| Weighted average shares — diluted | 427,300 | 210,326 | 421,954 | 210,528 |
| Dividends declared per common share | \$ 0.06 | \$ 0.08 | \$ 0.24 | \$ 0.24 |

See accompanying notes.

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CONDENSED CONSOLIDATED STATEMENTS OF EQUITY

Nine Months Ended September 30, 2017 and 2016

(unaudited, in thousands)

| | Preferred Stock | Common Stock | Additional Paid-In Capital | Treasury Stock | Distributions in Excess of Net Income | Stockholders' Investment | Nonredeemable Noncontrolling Interests | Total Equity |
|---------------------------------------------------------------------------------|--------------------|-----------------|----------------------------------|-------------------|------------------------------------------------|-----------------------------|----------------------------------------------|-----------------|
| Balance | | | | | | | | |
| December 31, 2016 | \$ 6,867 | \$ 403,747 | \$ 3,407,430 | \$(148,373) | \$(1,214,114) | \$ 2,455,557 | \$ 58,683 | \$ 2,514,240 |
| Net income | — | — | — | — | 184,907 | 184,907 | 3,181 | 188,088 |
| Common stock issued pursuant to: | | | | | | | | |
| Common stock offering, net of issuance costs | — | 25,000 | 186,774 | — | — | 211,774 | — | 211,774 |
| Director stock grants | — | 121 | 889 | — | — | 1,010 | — | 1,010 |
| Stock based compensation | — | 282 | (1,168) | — | — | (886) | — | (886) |
| Spin-off of Parkway, Inc. | — | — | — | — | 545 | 545 | — | 545 |
| Common stock redemption by unit holders | — | 1,203 | 8,865 | — | — | 10,068 | (10,068) | — |
| Amortization of stock options and restricted stock, net of forfeitures | — | (3) | 1,479 | — | — | 1,476 | — | 1,476 |
| Contributions from | | | | | | | | |
| nonredeemable noncontrolling interest | — | — | — | — | — | — | 1,588 | 1,588 |
| Distributions to nonredeemable noncontrolling interest | — | — | — | — | — | — | (1,364) | (1,364) |
| Common dividends (\$0.24 per share) | — | — | — | — | (99,151) | (99,151) | — | (99,151) |
| Balance | | | | | | | | |
| September 30, 2017 | \$ 6,867 | \$ 430,350 | \$ 3,604,269 | \$(148,373) | \$(1,127,813) | \$ 2,765,300 | \$ 52,020 | \$ 2,817,320 |

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| | | | | | | | | | |
|------------------------------------------------------------------------|-----|-----------|-------------|-------------|--------------|-------------|---------|-------------|--|
| Balance | | | | | | | | | |
| December 31, 2015 | \$— | \$220,256 | \$1,722,224 | \$(134,630) | \$(124,435) | \$1,683,415 | \$— | \$1,683,415 | |
| Net income | — | — | — | — | 42,218 | 42,218 | — | 42,218 | |
| Common stock issued pursuant to stock based compensation | — | 257 | 76 | — | — | 333 | — | 333 | |
| Amortization of stock options and restricted stock, net of forfeitures | — | (14) | 1,252 | — | — | 1,238 | — | 1,238 | |
| Contributions from nonredeemable noncontrolling interests | — | — | — | — | — | — | 2,525 | 2,525 | |
| Repurchase of common stock | — | — | — | (13,743) | — | (13,743) | — | (13,743) | |
| Common dividends (\$0.24 per share) | — | — | — | — | (50,549) | (50,549) | — | (50,549) | |
| Balance | | | | | | | | | |
| September 30, 2016 | \$— | \$220,499 | \$1,723,552 | \$(148,373) | \$(132,766) | \$1,662,912 | \$2,525 | \$1,665,437 | |
| See accompanying notes. | | | | | | | | | |

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited, in thousands)

| | Nine Months Ended September 30, | |
|-----------------------------------------------------------------------------------|------------------------------------|-----------------|
| | 2017 | 2016 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income | \$188,088 | \$42,218 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Gain on sale of investment properties | (119,729) | (13,944) |
| Depreciation and amortization, including discontinued operations | 152,546 | 96,192 |
| Amortization of deferred financing costs and premium/discount on notes payable | (2,543) | 1,063 |
| Stock-based compensation expense, net of forfeitures | 2,486 | 1,571 |
| Effect of certain non-cash adjustments to rental revenues | (33,379) | (15,966) |
| Income from unconsolidated joint ventures | (43,362) | (5,144) |
| Operating distributions from unconsolidated joint ventures | 40,207 | 5,893 |
| Gain on extinguishment of debt | (2,258) | — |
| Changes in other operating assets and liabilities: | | |
| Change in other receivables and other assets, net | 9,707 | 1,824 |
| Change in operating liabilities | 3,150 | 5,544 |
| Net cash provided by operating activities | 194,913 | 119,251 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Proceeds from investment property sales | 171,316 | 21,088 |
| Property acquisition, development, and tenant asset expenditures | (229,811) | (122,357) |
| Purchase of tenant in common interest | (13,382) | — |
| Collection of notes receivable | 5,161 | — |
| Investment in unconsolidated joint ventures | (13,862) | (24,918) |
| Distributions from unconsolidated joint ventures | 40,939 | 4,150 |
| Change in notes receivable and other assets | (1,348) | (5,699) |
| Change in restricted cash | 15,105 | (3,667) |
| Net cash used in investing activities | (25,882) | (131,403) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from credit facility | 589,300 | 182,800 |
| Repayment of credit facility | (723,300) | (274,800) |
| Proceeds from issuance of notes payable | 350,000 | 270,000 |
| Repayment of notes payable | (493,774) | (7,239) |
| Payment of deferred financing costs | (2,048) | (1,604) |
| Shares withheld for payment of taxes on restricted stock vesting | (701) | — |
| Common stock issued, net of expenses | 211,598 | — |
| Contributions from noncontrolling interests | 1,588 | 2,525 |
| Distributions to nonredeemable noncontrolling interests | (1,364) | — |
| Repurchase of common stock | — | (13,743) |
| Common dividends paid | (73,950) | (50,549) |
| Other | 100 | — |
| Net cash provided by (used in) financing activities | (142,551) | 107,390 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 26,480 | 95,238 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | 35,687 | 2,003 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | \$62,167 | \$97,241 |

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| | | |
|-----------------------------------------------------------------------------------------|-----------|-----------|
| Interest paid, net of amounts capitalized | \$26,927 | \$20,792 |
| Significant non-cash transactions: | | |
| Transfer from operating properties to real estate assets and other assets held for sale | \$— | \$203,735 |
| Transfer from operating properties to liabilities of real estate assets held for sale | — | 106,135 |
| Transfer from investment in unconsolidated joint ventures to operating properties | 68,390 | — |
| Transfer from projects under development to operating properties | 58,928 | — |
| Common stock dividends declared | 25,201 | — |
| Transfer from investment in unconsolidated joint ventures to projects under development | — | 5,880 |
| Transfer from land held to projects under development | — | 8,099 |
| Change in accrued property acquisition, development, and tenant asset expenditures | (18,081) | (11,384) |
| See accompanying notes. | | |

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COUSINS PROPERTIES INCORPORATED AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2017

(Unaudited)

1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

Description of Business

Cousins Properties Incorporated ("Cousins"), a Georgia corporation, is a self-administered and self-managed real estate investment trust ("REIT"). Cousins conducts substantially all of its operations through Cousins Properties LP ("CPLP"). Cousins owns approximately 98% of CPLP and consolidates CPLP. Cousins TRS Services LLC ("CTRS"), which is wholly owned by CPLP, is a taxable entity which owns and manages its own real estate portfolio and performs certain real estate related services for other parties. Cousins, CPLP, CTRS, and their subsidiaries are hereinafter referred to collectively as "the Company."

The Company develops, acquires, leases, manages, and owns Class A office and mixed-use properties in Sunbelt markets with a focus on Arizona, Florida, Georgia, North Carolina, and Texas. Cousins has elected to be taxed as a REIT and intends to, among other things, distribute 100% of its net taxable income to stockholders, thereby eliminating any liability for federal income taxes under current law. Therefore, the results included herein do not include a federal income tax provision for Cousins.

Basis of Presentation

The condensed consolidated financial statements are unaudited and were prepared by the Company in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and in accordance with the rules and regulations of the Securities and Exchange Commission ("SEC"). In the opinion of management, these financial statements reflect all adjustments necessary (which adjustments are of a normal and recurring nature) for the fair presentation of the Company's financial position as of September 30, 2017 and the results of operations for the three and nine months ended September 30, 2017 and 2016. The results of operations for the three and nine months ended September 30, 2017 are not necessarily indicative of results expected for the full year. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to the rules and regulations of the SEC. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2016. The accounting policies employed are substantially the same as those shown in note 2 to the consolidated financial statements included therein.

For the three and nine months ended September 30, 2017 and 2016, there were no items of other comprehensive income. Therefore, no presentation of comprehensive income is required.

Recently Issued Accounting Standards

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers." Under the new guidance, companies will recognize revenue when the seller satisfies a performance obligation, which would be when the buyer takes control of the good or service. ASU 2015-14, "Revenue from Contracts with Customers," was subsequently issued modifying the effective date to periods beginning after December 15, 2017, with early adoption permitted for periods beginning after December 15, 2016. The standard allows for either "full retrospective" adoption, meaning the standard is applied to all of the periods presented, or "modified retrospective" adoption, meaning the standard is applied only to the most recent period presented in the financial statements. The Company expects to adopt this guidance effective January 1, 2018 and is in the process of analyzing the impact of the adoption of this guidance. Based on the results of this analysis to date, the Company believes that its management, development, and leasing fees from third parties and with its unconsolidated joint ventures, as well as parking revenue, will be impacted by the new standard. The new guidance specifically excludes revenue associated with lease contracts. However, the Company believes that certain non-lease components of revenue from leases may be impacted by the adoption of the new revenue standard beginning January 1, 2019, the effective date of the new leasing standard (see below). This new guidance could result in different amounts of revenue being recognized and could result in revenue being recognized

in different reporting periods than under the current guidance; however, the Company expects that the majority of its non-lease revenues will continue to be recognized during the periods in which services are performed. The Company expects to adopt this guidance using the "modified retrospective" method effective January 1, 2018. The Company is still analyzing potential disclosures that will clearly identify the sources of revenue and the periods over which each is recognized.

In February 2016, the FASB issued ASU 2016-02, "Leases," which amends the existing standards for lease accounting by requiring lessees to recognize most leases on their balance sheets and making targeted changes to lessor accounting and reporting. The new standard will require lessees to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months and classify such leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase of the leased asset by the lessee. This classification will determine whether the lease expense

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is recognized based on an effective interest method (finance leases) or on a straight-line basis over the term of the lease (operating leases). Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases, and operating leases. ASU 2016-02 supersedes previous leasing standards. The guidance is effective for the fiscal years beginning after December 15, 2018, with early adoption permitted. The Company expects to adopt this guidance using the "modified retrospective" method effective January 1, 2019, and is currently assessing the potential impact of adopting the new guidance. In August 2016, the FASB issued ASU 2016-15, "Classification of Certain Cash Receipts and Cash Payments" ("ASU 2016-15") which updated ASC Topic 230, "Statement of Cash Flows." ASU 2016-15 clarifies guidance on the classification of certain cash receipts and payments in the statement of cash flows to reduce diversity in practice with respect to (i) debt prepayment or debt extinguishment costs, (ii) settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing, (iii) contingent consideration payments made after a business combination, (iv) proceeds from the settlement of insurance claims, (v) proceeds from the settlement of corporate-owned life insurance policies, including bank-owned life insurance policies, (vi) distributions received from equity method investees, (vii) beneficial interests in securitization transactions, and (viii) separately identifiable cash flows and application of the predominance principle. ASU 2016-15 is effective for interim and annual reporting periods in fiscal years beginning after December 15, 2017, with early adoption permitted. The Company expects to adopt this standard in the fourth quarter of 2018 and expects that the adoption of this standard will change the classification of cash flows from its equity method investments.

In November 2016, the FASB issued ASU 2016-18, "Restricted Cash" ("ASU 2016-18") which updated ASC Topic 230, "Statement of Cash Flows." ASU 2016-18 will require companies to include restricted cash and restricted cash equivalents with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. This update is effective for interim and annual reporting periods in fiscal years beginning after December 15, 2017, with early adoption permitted. The Company expects to adopt this standard in the fourth quarter of 2018, which will result in a change in the presentation of cash and cash equivalents on the statements of cash flows.

Effective January 1, 2017, the Company adopted ASU 2016-09, "Improvements to Employee Share-Based Payment Accounting." Under this ASU, the additional paid-in capital pool is eliminated, and an entity recognizes all excess tax benefits and tax deficiencies as income tax expense or benefit in the income statement. This ASU also eliminated the requirement to defer recognition of an excess tax benefit until all benefits are realized through a reduction to taxes payable. In the first quarter of 2017, the Company changed the treatment of excess tax benefits as operating cash flows in the statement of cash flows. This ASU also stipulates that cash payments to tax authorities in connection with shares withheld to meet statutory tax withholding requirements be presented as a financing activity in the statement of cash flows. This ASU was adopted prospectively effective January 1, 2017; therefore, prior periods have not been restated to conform to the current period presentation.

In January 2017, the FASB issued ASU 2017-01, "Clarifying the Definition of a Business," which provides a more narrow definition of a business to be used in determining the accounting treatment of an acquisition. As a result, many acquisitions that previously qualified as business combinations will be treated as asset acquisitions. For asset acquisitions, acquisition costs may be capitalized, and the purchase price may be allocated on a relative fair value basis. ASU 2017-01 is effective prospectively for the Company on January 1, 2018, with early adoption permitted. The Company expects that most of its future acquisitions will qualify as asset acquisitions.

In February 2017, the FASB issued ASU No. 2017-05, "Other Income - Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets" ("ASU 2017-05"). ASU 2017-05 updates the definition of an "in substance nonfinancial asset" and clarifies the derecognition guidance for nonfinancial assets to conform with the new revenue recognition standard. The Company is currently assessing the potential impact that the adoption of ASU 2017-05 will have on its consolidated financial statements. This ASU is effective for interim and annual reporting periods in fiscal

years beginning after December 15, 2017. The Company expects to adopt this guidance using the "modified retrospective" method effective January 1, 2018.

In May 2017, FASB issued ASU 2017-09, "Scope of Modification Accounting," which amends the scope of modification accounting for share-based payment arrangements and provides guidance on the types of changes to the terms or conditions of share-based payment awards to which an entity would be required to apply modification accounting under ASC 718. This update is effective for interim and annual reporting periods in fiscal years beginning after December 15, 2017, with early adoption permitted. The Company expects to adopt this standard on January 1, 2018. The Company does not believe that the adoption of this standard will have a material impact on its financial statements.

2. REAL ESTATE TRANSACTIONS

On June 15, 2017, the American Cancer Society Center (the "ACS Center"), a 996,000 square foot office building in Atlanta, Georgia that was included in the Company's Atlanta/Office operating segment, was sold for a gross sales price of \$166.0 million.

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The Company recognized a net gain of \$119.8 million on the sale of the ACS Center. The associated debt was repaid on the date of sale.

The Company has decided to sell three properties totaling 1,038,000 square feet in Orlando, Florida, and determined that these properties met the criteria for held for sale in October 2017. The Company expects to sell these assets in the fourth quarter of 2017 or first quarter of 2018.

3. TRANSACTIONS WITH PARKWAY PROPERTIES, INC.

On October 6, 2016, pursuant to the Agreement and Plan of Merger, dated April 28, 2016 (as amended or supplemented from time to time, the "Merger Agreement"), by and among Cousins, Parkway Properties, Inc. ("Parkway"), and subsidiaries of Cousins and Parkway, Parkway merged with and into a wholly-owned subsidiary of the Company (the "Merger"), with this subsidiary continuing as the surviving corporation of the Merger. In accordance with the terms and conditions of the Merger Agreement, each outstanding share of Parkway common stock and each outstanding share of Parkway limited voting stock was converted into 1.63 shares of Cousins common stock or limited voting preferred stock, respectively.

On October 7, 2016, pursuant to the Merger Agreement and the Separation, Distribution and Transition Services Agreement, dated as of October 5, 2016 (the "Separation Agreement"), by and among Cousins, Parkway, Parkway, Inc. ("New Parkway"), and certain other parties thereto, Cousins distributed pro rata to its common and limited voting preferred stockholders, including legacy Parkway common and limited voting stockholders, all of the outstanding shares of common and limited voting stock, respectively, of New Parkway, a newly-formed entity that contained the combined businesses relating to the ownership of real properties in Houston, Texas and certain other businesses of Parkway (the "Spin-Off"). In the Spin-Off, Cousins distributed one share of New Parkway common or limited voting stock for every eight shares of common or limited voting preferred stock of Cousins held of record as of the close of business on October 6, 2016. New Parkway became an independent public company.

As a result of the Spin-Off, the historical results of operations of the Company's properties that were contributed to New Parkway have been presented as discontinued operations in the consolidated statements of operations. The following table includes a summary of discontinued operations of the Company for the three and nine months ended September 30, 2016 (in thousands):

| | Three Months Ended September 30, 2016 | Nine Months Ended September 30, 2016 |
|---------------------------------------|---------------------------------------------------|--------------------------------------------------|
| Rental property revenues | \$ 46,046 | \$ 133,450 |
| Rental property operating expenses | (19,638) | (56,598) |
| Other revenues | — | 288 |
| Interest expense | (1,956) | (5,896) |
| Depreciation and amortization | (15,221) | (46,389) |
| Acquisition and transaction costs | (494) | (494) |
| Income from discontinued operations | \$ 8,737 | \$ 24,361 |
| Cash provided by operating activities | \$ 26,589 | \$ 43,601 |
| Cash used in investing activities | \$(11,130) | \$(29,242) |

4. INVESTMENT IN UNCONSOLIDATED JOINT VENTURES

The Company describes its investments in unconsolidated joint ventures in note 6 of notes to consolidated financial statements in its Annual Report on Form 10-K for the year ended December 31, 2016. The following table summarizes balance sheet data of the Company's unconsolidated joint ventures as of September 30, 2017 and December 31, 2016 (in thousands):

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| SUMMARY OF FINANCIAL POSITION: | Total Assets | | Total Debt | | Total Equity | | Company's Investment | |
|--------------------------------|--------------|-----------|------------|-----------|--------------|-----------|----------------------|-----------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Terminus Office Holdings | \$268,531 | \$268,242 | \$204,390 | \$207,545 | \$50,633 | \$49,476 | \$26,204 | \$25,686 |
| EP I LLC | 1,517 | 78,537 | — | 58,029 | 1,269 | 18,962 | 738 | 18,551 |
| EP II LLC | 392 | 67,754 | — | 44,969 | 296 | 21,743 | 130 | 17,606 |
| Charlotte Gateway Village, LLC | 129,109 | 119,054 | — | — | 124,012 | 116,809 | 15,397 | 11,796 |
| HICO Victory Center LP | 14,294 | 14,124 | — | — | 14,290 | 13,869 | 9,695 | 9,506 |
| Carolina Square Holdings LP | 102,370 | 66,922 | 62,180 | 23,741 | 34,080 | 34,173 | 18,843 | 18,325 |
| CL Realty, L.L.C. | 8,287 | 8,047 | — | — | 8,156 | 7,899 | 2,852 | 3,644 |
| DC Charlotte Plaza LLLP | 39,156 | 17,940 | — | — | 34,255 | 17,073 | 17,475 | 8,937 |
| Temco Associates, LLC | 4,426 | 4,368 | — | — | 4,323 | 4,253 | 864 | 829 |
| Wildwood Associates | 16,368 | 16,351 | — | — | 16,227 | 16,314 | (1,186) | (1,143) |
| Crawford Long - CPI, LLC | 28,621 | 27,523 | 71,690 | 72,822 | (44,787) | (45,928) | (21,296) | (21,866) |
| 111 West Rio Building | — | 59,399 | — | 12,852 | — | 32,855 | — | 52,206 |
| Courvoisier Centre JV, LLC | 182,262 | 172,197 | 106,500 | 106,500 | 68,480 | 69,479 | 11,719 | 11,782 |
| HICO Avalon II, LLC | 987 | — | — | — | 532 | — | 4,366 | — |
| AMCO 120 WT Holdings, LLC | 13,286 | 10,446 | — | — | 12,678 | 9,136 | 939 | 184 |
| Other | — | — | — | — | — | — | — | 345 |
| | \$809,606 | \$930,904 | \$444,760 | \$526,458 | \$324,444 | \$366,113 | \$86,740 | \$156,388 |

(1) Negative balances are included in deferred income on the balance sheets.

The following table summarizes statement of operations information of the Company's unconsolidated joint ventures for the nine months ended September 30, 2017 and 2016 (in thousands):

| SUMMARY OF OPERATIONS: | Total Revenues | | Net Income (Loss) | | Company's Share of Income (Loss) | |
|--------------------------------|----------------|----------|-------------------|---------|----------------------------------|---------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Terminus Office Holdings | \$33,503 | \$31,630 | \$4,907 | \$3,874 | \$2,453 | \$1,937 |
| EP I LLC | 4,094 | 7,919 | 44,865 | 1,417 | 28,479 | 1,206 |
| EP II LLC | 2,644 | 3,605 | 13,023 | (1,194) | 9,768 | (1,043) |
| Charlotte Gateway Village, LLC | 20,125 | 26,245 | 7,202 | 11,077 | 3,601 | 1,447 |
| HICO Victory Center LP | 320 | 307 | 320 | 300 | 171 | 131 |
| Carolina Square Holdings LP | 640 | — | (100) | — | 19 | — |
| CL Realty, L.L.C. | 2,899 | 327 | 2,657 | 105 | 408 | 70 |
| DC Charlotte Plaza LLLP | 2 | 47 | 2 | 45 | 1 | 24 |
| Temco Associates, LLC | 144 | 180 | 70 | 83 | 35 | 122 |
| Wildwood Associates | — | — | (86) | (106) | (43) | (53) |
| Crawford Long - CPI, LLC | 9,017 | 9,101 | 2,285 | 2,005 | 1,142 | 1,003 |
| 111 West Rio Building | — | — | — | — | (2,592) | — |
| Courvoisier Centre JV, LLC | 12,701 | — | (1,000) | — | (80) | — |
| HICO Avalon II, LLC | — | — | (68) | — | — | — |

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| | | | | | | | |
|---------------------------|----------|----------|----------|----------|----------|---------|-----|
| AMCO 120 WT Holdings, LLC | — | — | (22 |) | — | — | — |
| Other | — | — | — | — | — | — | 300 |
| | \$86,089 | \$79,361 | \$74,055 | \$17,606 | \$43,362 | \$5,144 | |

On May 3, 2017, EP I LLC and EP II LLC sold the properties that they owned for a combined gross sales price of \$199.0 million. After repayment of debt, the Company received a distribution of \$70.0 million and recognized a gain of \$37.9 million, which is recorded in income from unconsolidated joint ventures.

In June 2017, HICO Avalon II, LLC ("Avalon II"), a joint venture between the Company and Hines Avalon II Investor, LLC ("Hines II") was formed for the purpose of acquiring and potentially developing an office building in Alpharetta, Georgia. Pursuant to the joint venture agreement, all predevelopment expenditures are funded 75% by Cousins and 25% by Hines II. The Company has accounted for its investment in Avalon II using the equity method as the Company does not currently control the activities of the venture. If Avalon II commences construction, subsequent development expenditures will be funded 90% by Cousins and 10% by Hines II. Additionally, Cousins will have control over the operational aspects of the venture, and the Company expects to consolidate the venture at that time.

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5. INTANGIBLE ASSETS

Intangible assets on the balance sheets as of September 30, 2017 and December 31, 2016 included the following (in thousands):

| | September 30, 2017 | December 31, 2016 |
|--------------------------------------------------------------------------------------------------------------------|-----------------------|----------------------|
| In-place leases, net of accumulated amortization of \$85,806 and \$46,899 in 2017 and 2016, respectively | \$ 158,395 | \$ 185,251 |
| Above-market tenant leases, net of accumulated amortization of \$12,981 and \$6,515 in 2017 and 2016, respectively | 33,580 | 40,260 |
| Below-market ground lease, net of accumulated amortization of \$276 and \$69 in 2017 and 2016, respectively | 18,137 | 18,344 |
| Goodwill | 1,674 | 1,674 |
| | \$ 211,786 | \$ 245,529 |

The following is a summary of goodwill activity for the nine months ended September 30, 2017 and 2016 (in thousands):

| | Nine Months Ended September 30, | |
|-----------------------------|---------------------------------------|----------|
| | 2017 | 2016 |
| Beginning balance | \$ 1,674 | \$ 3,647 |
| Allocated to property sales | — | (21) |
| Ending balance | \$ 1,674 | \$ 3,626 |

6. OTHER ASSETS

Other assets on the balance sheets as of September 30, 2017 and December 31, 2016 included the following (in thousands):

| | September 30, 2017 | December 31, 2016 |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|----------------------|
| Furniture, fixtures and equipment, leasehold improvements, and other deferred costs, net of accumulated depreciation of \$24,008 and \$23,135 in 2017 and 2016, respectively | \$ 14,849 | \$ 15,773 |
| Lease inducements, net of accumulated amortization of \$892 and \$1,278 in 2017 and 2016, respectively | 2,049 | 2,517 |
| Prepaid expenses and other assets | 9,764 | 8,432 |
| Line of credit deferred financing costs, net of accumulated amortization of \$2,905 and \$2,264 in 2017 and 2016, respectively | 1,428 | 2,182 |
| Predevelopment costs and earnest money | 80 | 179 |
| | \$ 28,170 | \$ 29,083 |

7. NOTES PAYABLE

The following table details the terms and amounts of the Company's outstanding notes payable at September 30, 2017 and December 31, 2016 (\$ in thousands):

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| Description | Interest Rate | Maturity | September 30, December 31, | |
|----------------------------|---------------|----------|----------------------------|--------------|
| | | | 2017 | 2016 |
| Term Loan, Unsecured | 2.43 % | 2021 | \$ 250,000 | \$ 250,000 |
| Senior Notes, Unsecured | 3.91 % | 2025 | 250,000 | — |
| Fifth Third Center | 3.37 % | 2026 | 147,306 | 149,516 |
| Colorado Tower | 3.45 % | 2026 | 120,000 | 120,000 |
| Promenade | 4.27 % | 2022 | 103,113 | 105,342 |
| Senior Notes, Unsecured | 4.09 % | 2027 | 100,000 | — |
| 816 Congress | 3.75 % | 2024 | 83,702 | 84,872 |
| Meridian Mark Plaza | 6.00 % | 2020 | 24,162 | 24,522 |
| The Pointe | 4.01 % | 2019 | 22,620 | 22,945 |
| Credit Facility, Unsecured | 2.33 % | 2019 | — | 134,000 |
| 3344 Peachtree | 4.75 % | 2017 | — | 78,971 |
| One Eleven Congress | 6.08 % | 2017 | — | 128,000 |
| The ACS Center | 6.45 % | 2017 | — | 127,508 |
| San Jacinto Center | 6.05 % | 2017 | — | 101,000 |
| Two Buckhead Plaza | 6.43 % | 2017 | — | 52,000 |
| | | | 1,100,903 | 1,378,676 |
| Unamortized premium, net | | | 270 | 6,792 |
| Unamortized loan costs | | | (5,996 |) (4,548 |
| Total Notes Payable | | | \$ 1,095,177 | \$ 1,380,920 |

Credit Facility

The Company has a \$500 million senior unsecured line of credit (the "Credit Facility") that matures on May 28, 2019. The Credit Facility may be expanded to \$750 million at the election of the Company, subject to the receipt of additional commitments from the lenders and other customary conditions.

The Credit Facility contains financial covenants that require, among other things, the maintenance of an unencumbered interest coverage ratio of at least 2.00; a fixed charge coverage ratio of at least 1.50; an overall leverage ratio of no more than 60%; and a minimum shareholders' equity in an amount equal to \$1.0 billion, plus a portion of the net cash proceeds from certain equity issuances. The Credit Facility also contains customary representations and warranties and affirmative and negative covenants, as well as customary events of default. The amounts outstanding under the Credit Facility may be accelerated upon the occurrence of any events of default. The interest rate applicable to the Credit Facility varies according to the Company's leverage ratio, and may, at the election of the Company, be determined based on either (1) the current London Interbank Offered Rate ("LIBOR") plus a spread of between 1.10% and 1.45%, based on leverage or (2) the greater of Bank of America's prime rate, the federal funds rate plus 0.50% or the one-month LIBOR plus 1.0% (the "Base Rate"), plus a spread of between 0.10% and 0.45%, based on leverage. The Company also pays an annual facility fee on the total commitments under the Credit Facility of between 0.15% and 0.30% based on leverage.

At September 30, 2017, the Credit Facility's spread over LIBOR was 1.1%. The amount that the Company may draw under the Credit Facility is a defined calculation based on the Company's unencumbered assets and other factors. The total available borrowing capacity under the Credit Facility was \$499 million at September 30, 2017.

Term Loan

The Company has a \$250 million senior unsecured term loan (the "Term Loan") that matures on December 2, 2021. The Term Loan contains financial covenants consistent with those of the Credit Facility. The interest rate applicable to the Term Loan varies according to the Company's leverage ratio, and may, at the election of the Company, be determined based on either (1) the current London Interbank Offered Rate ("LIBOR") plus a spread of between 1.20% and 1.70%, based on leverage or (2) the greater of Bank of America's prime rate, the federal funds rate plus 0.50% or the one-month LIBOR plus 1.0% (the "Base Rate"), plus a spread of between 0.00% and 0.75%, based on leverage. At

September 30, 2017, the Term Loan's spread over LIBOR was 1.2%.

Unsecured Senior Notes

In April 2017, the Company closed a \$350 million private placement of senior unsecured notes, which were funded in two tranches. The first tranche of \$100 million was funded in April 2017, has a 10-year maturity, and has a fixed annual interest rate of 4.09%. The second tranche of \$250 million was funded in July 2017, has an 8-year maturity, and has a fixed annual interest rate of 3.91%.

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The senior unsecured notes contain financial covenants that require, among other things, the maintenance of an unencumbered interest coverage ratio of at least 2.00; a fixed charge coverage ratio of at least 1.50; an overall leverage ratio of no more than 60%; and a minimum shareholders' equity in an amount equal to \$1.9 billion, plus a portion of the net cash proceeds from certain equity issuances. The senior notes also contain customary representations and warranties and affirmative and negative covenants, as well as customary events of default. The amounts outstanding under the senior notes may be accelerated upon the occurrence of any events of default.

Fair Value

At September 30, 2017 and December 31, 2016, the aggregate estimated fair values of the Company's notes payable were \$1.1 billion and \$1.4 billion, respectively, calculated by discounting the debt's remaining contractual cash flows at estimated rates at which similar loans could have been obtained at those respective dates. The estimate of the current market rate, which is the most significant input in the discounted cash flow calculation, is intended to replicate debt of similar maturity and loan-to-value relationship. These fair value calculations are considered to be Level 2 under the guidelines as set forth in ASC 820, "Fair Value Measurement," as the Company utilizes market rates for similar type loans from third-party brokers.

Other Information

For the three and nine months ended September 30, 2017 and 2016, interest expense was as follows (in thousands):

| | Three Months | | Nine Months | |
|-----------------------------------------|-----------------|----------|-----------------|----------|
| | Ended September | | Ended September | |
| | 30, | 30, | 30, | 30, |
| | 2017 | 2016 | 2017 | 2016 |
| Total interest incurred | \$10,288 | \$8,939 | \$32,360 | \$25,446 |
| Less interest - discontinued operations | — | (1,956) | — | (5,896) |
| Interest capitalized | (2,701) | (1,229) | (6,509) | (2,988) |
| Total interest expense | \$7,587 | \$5,754 | \$25,851 | \$16,562 |

In April 2017, the Company repaid in full, without penalty, the \$128.0 million One Eleven Congress mortgage note and the \$101.0 million San Jacinto Center mortgage note. In May 2017, the Company repaid in full, without penalty, the \$52.0 million Two Buckhead Plaza mortgage note. In July 2017, the Company repaid in full, without penalty, the \$77.9 million 3344 Peachtree mortgage note. In connection with these repayments, the Company recorded gains on extinguishment of debt of \$2.3 million, which represented the unamortized premium recorded on the notes at the time of the Merger.

In June 2017, the Company sold the ACS Center. A portion of the proceeds from the sale were used to repay the \$127.0 million mortgage note on the associated property, and the Company recorded a loss on extinguishment of debt of \$376,000, which represented the remaining unamortized loan costs and other costs associated with repaying the debt.

8. COMMITMENTS AND CONTINGENCIES**Commitments**

At September 30, 2017, the Company had outstanding letters of credit and performance bonds totaling \$3.7 million. As a lessor, the Company had \$188.3 million in future obligations under leases to fund tenant improvements and other future construction obligations at September 30, 2017. As a lessee, the Company had future obligations under ground and other operating leases of \$209.5 million at September 30, 2017.

Litigation

The Company 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 potential loss relating to these matters using the latest information available. The Company 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, the Company accrues the best estimate within the range. If no amount within the range

is a better estimate than any other amount, the Company accrues the minimum amount within the range. If an unfavorable outcome is probable but the amount of the loss cannot be reasonably estimated, the Company 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, the Company discloses the nature and estimate of the possible loss of the litigation. The Company does not disclose information with respect to litigation where an unfavorable outcome is considered to be remote or where the estimated loss would not be material. 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 the Company.

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9. STOCKHOLDERS' EQUITY

On September 19, 2017, the Company declared a cash dividend of \$0.06 per common share, which was paid October 12, 2017 to shareholders of record on October 2, 2017.

During the nine months ended September 30, 2017, certain holders of CPLP units redeemed 1,203,286 units in exchange for shares of the Company's common stock. The aggregate value at the time of these transactions was \$10.1 million based upon the value of the Company's common stock at the time of the transactions.

10. STOCK-BASED COMPENSATION

The Company has several types of stock-based compensation - stock options, restricted stock, and restricted stock units ("RSUs") - which are described in note 13 of notes to consolidated financial statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2016. The expense related to a portion of the stock-based compensation awards is fixed. The expense related to other stock-based compensation awards fluctuates from period to period dependent, in part, on the Company's stock price and stock performance relative to its peers. The Company recorded stock-based compensation expense, net of forfeitures, of \$3.3 million and \$141,000 for the three months ended September 30, 2017 and 2016, respectively, and \$7.9 million and \$4.8 million for the nine months ended September 30, 2017 and 2016, respectively.

The Company maintains the 2009 Incentive Stock Plan (the "2009 Plan") and the 2005 Restricted Stock Unit Plan (the "RSU Plan"). Under the 2009 Plan, the Company made restricted stock grants in 2017 of 308,289 shares to key employees, which vest ratably over a three-year period. Under the RSU Plan, the Company awarded two types of performance-based RSUs in 2017 to key employees based on the following metrics: (1) Total Stockholder Return of the Company, as defined in the RSU Plan, as compared to the companies in the SNL US REIT Office index ("TSR RSUs"), and (2) the ratio of cumulative funds from operations per share to targeted cumulative funds from operations per share ("FFO RSUs") as defined in the RSU Plan. The performance period for both awards is January 1, 2017 to December 31, 2019, and the targeted units awarded of TSR RSUs and FFO RSUs was 267,013 and 132,266, respectively. The ultimate payout of these awards can range from 0% to 200% of the targeted number of units depending on the achievement of the market and performance metrics described above. These RSU awards cliff vest on December 31, 2019 and are to be settled in cash with payment dependent on upon attainment of required service, market, and performance criteria. The number of RSUs vesting will be determined by the Compensation Committee, and the payout per unit will be equal to the average closing price on each trading day during the 30-day period ending on December 31, 2019. The Company expenses an estimate of the fair value of the TSR RSUs over the performance period using a quarterly Monte Carlo valuation. The FFO RSUs are expensed over the vesting period using the fair market value of the Company's stock at the reporting date multiplied by the anticipated number of units to be paid based on the current estimate of what the ratio is expected to be upon vesting. Dividend equivalents on the TSR RSUs and the FFO RSUs will also be paid based upon the percentage vested.

In addition, the Company granted 166,132 time-vested RSUs to key employees in 2017. The value of each unit is equal to the fair value of one share of common stock. The vesting period for this award is three years. These RSUs are to be settled in cash with payment dependent upon the attainment of the required service criteria. Dividend equivalents will be paid upon vesting based on the number of RSUs granted with such payments made concurrently with payment of common dividends.

During the nine months ended September 30, 2017, the Company issued 120,878 shares of common stock at fair value to members of its board of directors in lieu of fees, and recorded \$1.0 million in general and administrative expense in the nine months ended September 30, 2017 related to the issuances.

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11. EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share for the three and nine months ended September 30, 2017 and 2016 (in thousands):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|----------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|----------|------------------------------------|----------|
| | 2017 | 2016 | 2017 | 2016 |
| Earnings per Common Share - basic: | | | | |
| Numerator: | | | | |
| Income from continuing operations | \$12,285 | \$2,920 | \$188,088 | \$17,857 |
| Net income attributable to noncontrolling interests in CPLP from continuing operations | (213) | — | (3,170) | — |
| Net income attributable to other noncontrolling interests | (5) | — | (11) | — |
| Income from continuing operations available for common stockholders | 12,067 | 2,920 | 184,907 | 17,857 |
| Income from discontinued operations | — | 8,737 | — | 24,361 |
| Net income available for common stockholders | \$12,067 | \$11,657 | \$184,907 | \$42,218 |
| Denominator: | | | | |
| Weighted average common shares - basic | 419,998 | 210,170 | 414,123 | 210,400 |
| Earnings per common share - basic: | | | | |
| Income from continuing operations available for common stockholders | \$0.03 | \$0.01 | \$0.45 | \$0.08 |
| Income from discontinued operations available for common stockholders | — | 0.05 | — | 0.12 |
| Earnings per common share - basic | \$0.03 | \$0.06 | \$0.45 | \$0.20 |
| Earnings per common share - diluted: | | | | |
| Numerator: | | | | |
| Income from continuing operations | \$12,285 | \$2,920 | \$188,088 | \$17,857 |
| Net income attributable to other noncontrolling interests from continuing operations | (5) | — | (11) | — |
| Income from continuing operations available for common stockholders before net income attributable to noncontrolling interests in CPLP | 12,280 | 2,920 | 188,077 | 17,857 |
| Income from discontinued operations available for common stockholders | — | 8,737 | — | 24,361 |
| Net income available for common stockholders before net income attributable to noncontrolling interests in CPLP | \$12,280 | \$11,657 | \$188,077 | \$42,218 |
| Denominator: | | | | |
| Weighted average common shares - basic | 419,998 | 210,170 | 414,123 | 210,400 |
| Add: | | | | |
| Potential dilutive common shares - stock options | 328 | 156 | 320 | 128 |
| Weighted average units of CPLP convertible into common shares | 6,974 | — | 7,511 | — |
| Weighted average common shares - diluted | 427,300 | 210,326 | 421,954 | 210,528 |
| Earnings per common share - diluted: | | | | |
| Income from continuing operations available for common stockholders before net income attributable to noncontrolling interests in CPLP | \$0.03 | \$0.01 | \$0.45 | \$0.08 |

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| | | | | |
|-----------------------------------------------------------------------|--------|--------|--------|--------|
| Income from discontinued operations available for common stockholders | — | 0.05 | — | 0.12 |
| Earnings per common share - diluted | \$0.03 | \$0.06 | \$0.45 | \$0.20 |
| Weighted average anti-dilutive stock options outstanding | 731 | 1,103 | 740 | 1,110 |

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12. REPORTABLE SEGMENTS

The Company's segments are based on the Company's method of internal reporting which classifies operations by property type and geographical area. The segments by property type are: Office and Mixed-Use. The segments by geographical region are: Atlanta, Austin, Charlotte, Orlando, Phoenix, Tampa, and Other. In conjunction with the Merger and Spin-Off completed in the fourth quarter of 2016, the Company added the Orlando, Phoenix, and Tampa segments, and removed the Houston segment. These reportable segments represent an aggregation of operating segments reported to the Chief Operating Decision Maker based on similar economic characteristics that include the type of property and the geographical location. Each segment includes both consolidated operations and the Company's share of unconsolidated joint venture operations.

Company management evaluates the performance of its reportable segments in part based on net operating income ("NOI"). NOI represents rental property revenues less rental property operating expenses. NOI is not a measure of cash flows or operating results as measured by GAAP, is not indicative of cash available to fund cash needs and should not be considered an alternative to cash flows as a measure of liquidity. All companies may not calculate NOI in the same manner. The Company considers NOI to be an appropriate supplemental measure to net income as it helps both management and investors understand the core operations of the Company's operating assets. NOI excludes corporate general and administrative expenses, interest expense, depreciation and amortization, impairments, gains/loss on sales of real estate, and other non-operating items.

Segment net income, amount of capital expenditures, and total assets are not presented in the following tables because management does not utilize these measures when analyzing its segments or when making resource allocation decisions. Information on the Company's segments along with a reconciliation of NOI to net income for the three and nine months ended September 30, 2017 and 2016 are as follows (in thousands):

| Three Months Ended September 30, 2017 | Office | Mixed-Use | Total |
|---------------------------------------|----------|-----------|----------|
| Net Operating Income: | | | |
| Atlanta | \$25,247 | \$ — | \$25,247 |
| Austin | 15,074 | — | 15,074 |
| Charlotte | 15,489 | — | 15,489 |
| Orlando | 3,356 | — | 3,356 |
| Tampa | 7,412 | — | 7,412 |
| Phoenix | 8,667 | — | 8,667 |
| Other | 525 | 45 | 570 |
| Total Net Operating Income | \$75,770 | \$ 45 | \$75,815 |
| Three Months Ended September 30, 2016 | Office | Mixed-Use | Total |
| Net Operating Income: | | | |
| Houston | \$26,408 | \$ — | \$26,408 |
| Atlanta | 22,593 | 1,753 | 24,346 |
| Austin | 6,023 | — | 6,023 |
| Charlotte | 4,905 | — | 4,905 |
| Other | (61) | — | (61) |
| Total Net Operating Income | \$59,868 | \$ 1,753 | \$61,621 |

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| Nine Months Ended September 30, 2017 | Office | Mixed-Use | Total |
|--------------------------------------|-----------|-----------|-----------|
| Net Operating Income: | | | |
| Atlanta | \$84,437 | \$ 3,125 | \$87,562 |
| Austin | 44,113 | — | 44,113 |
| Charlotte | 46,117 | — | 46,117 |
| Orlando | 10,464 | — | 10,464 |
| Tampa | 21,700 | — | 21,700 |
| Phoenix | 24,722 | — | 24,722 |
| Other | 1,374 | 45 | 1,419 |
| Total Net Operating Income | \$232,927 | \$ 3,170 | \$236,097 |
| Nine Months Ended September 30, 2016 | Office | Mixed-Use | Total |
| Net Operating Income: | | | |
| Houston | \$76,851 | \$ — | \$76,851 |
| Atlanta | 66,763 | 5,101 | 71,864 |
| Austin | 16,978 | — | 16,978 |
| Charlotte | 14,485 | — | 14,485 |
| Other | (36) | — | (36) |
| Total Net Operating Income | \$175,041 | \$ 5,101 | \$180,142 |

The following reconciles Net Operating Income to Net Income for each of the periods presented (in thousands):

| | Three Months | | Nine Months Ended | |
|---------------------------------------------------------|--------------------------|-----------|-------------------|-----------|
| | Ended September 30, 2017 | 2016 | 2017 | 2016 |
| Net Operating Income | \$75,815 | \$61,621 | \$236,097 | \$180,142 |
| Net operating income from unconsolidated joint ventures | (6,934) | (6,760) | (23,719) | (20,359) |
| Net operating income from discontinued operations | — | (26,408) | — | (76,852) |
| Fee income | 2,597 | 1,945 | 6,387 | 5,968 |
| Other income | 993 | 153 | 9,593 | 570 |
| Reimbursed expenses | (895) | (795) | (2,667) | (2,463) |
| General and administrative expenses | (7,193) | (4,368) | (21,993) | (17,301) |
| Interest expense | (7,587) | (5,754) | (25,851) | (16,562) |
| Depreciation and amortization | (47,622) | (16,622) | (152,546) | (49,804) |
| Acquisition and transaction costs | 677 | (1,446) | (1,499) | (3,889) |
| Gain on extinguishment of debt | 429 | — | 2,258 | — |
| Other expenses | (423) | (173) | (1,063) | (681) |
| Income from unconsolidated joint ventures | 2,461 | 1,527 | 43,362 | 5,144 |
| Gain (loss) on sale of investment properties | (33) | — | 119,729 | 13,944 |
| Income from discontinued operations | — | 8,737 | — | 24,361 |
| Net Income | \$12,285 | \$11,657 | \$188,088 | \$42,218 |

Revenues by reportable segment, including a reconciliation to total rental property revenues on the condensed consolidated statements of operations, for three and nine months ended September 30, 2017 and 2016 are as follows (in thousands):

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| Three Months Ended September 30, 2017 | Office | Mixed-Use | Total |
|-------------------------------------------------------------------------------------|-----------|-----------|-----------|
| Revenues: | | | |
| Atlanta | \$41,507 | \$ — | \$41,507 |
| Austin | 25,385 | — | 25,385 |
| Charlotte | 23,153 | 143 | 23,296 |
| Orlando | 6,408 | — | 6,408 |
| Tampa | 11,815 | — | 11,815 |
| Phoenix | 11,692 | — | 11,692 |
| Other | 915 | — | 915 |
| Total segment revenues | 120,875 | 143 | 121,018 |
| Less Company's share of rental property revenues from unconsolidated joint ventures | (11,306) | (143) | (11,449) |
| Total rental property revenues | \$109,569 | \$ — | \$109,569 |
| Three Months Ended September 30, 2016 | Office | Mixed-Use | Total |
| Revenues: | | | |
| Houston | \$46,046 | \$ — | \$46,046 |
| Atlanta | 36,693 | 3,197 | 39,890 |
| Austin | 10,469 | — | 10,469 |
| Charlotte | 6,799 | — | 6,799 |
| Other | (57) | — | (57) |
| Total segment revenues | 99,950 | 3,197 | 103,147 |
| Less discontinued operations | (46,046) | — | (46,046) |
| Less Company's share of rental property revenues from unconsolidated joint ventures | (7,329) | (3,197) | (10,526) |
| Total rental property revenues | \$46,575 | \$ — | \$46,575 |
| Nine Months Ended September 30, 2017 | Office | Mixed-Use | Total |
| Revenues | | | |
| Atlanta | \$135,319 | \$ 5,049 | \$140,368 |
| Austin | 75,348 | — | 75,348 |
| Charlotte | 68,495 | 143 | 68,638 |
| Orlando | 19,380 | — | 19,380 |
| Tampa | 34,913 | — | 34,913 |
| Phoenix | 33,689 | — | 33,689 |
| Other | 2,492 | — | 2,492 |
| Total segment revenues | \$369,636 | \$ 5,192 | \$374,828 |
| Less Company's share of rental property revenues from unconsolidated joint ventures | (33,543) | (5,192) | (38,735) |
| Total rental property revenues | \$336,093 | \$ — | \$336,093 |

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| Nine Months Ended September 30, 2016 | Office | Mixed-Use Total | |
|-------------------------------------------------------------------------------------|------------|-----------------|------------|
| Revenues: | | | |
| Houston | \$133,450 | \$ — | \$133,450 |
| Atlanta | 110,915 | 9,200 | 120,115 |
| Austin | 29,825 | — | 29,825 |
| Charlotte | 19,533 | — | 19,533 |
| Other | (54) | — | (54) |
| Total segment revenues | 293,669 | 9,200 | 302,869 |
| Less discontinued operations | (133,450) | — | (133,450) |
| Less Company's share of rental property revenues from unconsolidated joint ventures | (21,837) | (9,200) | (31,037) |
| Total rental property revenues | \$138,382 | \$ — | \$138,382 |

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview:

Cousins Properties Incorporated ("Cousins") (and collectively, with its subsidiaries, the "Company," "we," "our," or "us") is a self-administered and self-managed real estate investment trust, or REIT. Our core focus is on the acquisition, development, leasing, management, and ownership of Class-A office and mixed-use properties in Sunbelt markets with a focus on Arizona, Florida, Georgia, North Carolina, and Texas. As of September 30, 2017, our portfolio of real estate assets consisted of interests in 32 operating properties (31 office and one mixed use) containing 15.9 million square feet of space and four projects (three office and one mixed-use) under active development. We have a comprehensive strategy in place based on a simple platform, trophy assets, and opportunistic investments. This streamlined strategy enables us to maintain a targeted, asset-specific approach to investing where we seek to leverage our development skills, relationships, market knowledge, and operational expertise. We intend to generate returns and create value for stockholders through the continued lease-up of our portfolio, through the execution of our development pipeline, and through opportunistic investments in office and mixed-use projects within our core markets.

We leased or renewed 334,905 square feet of office space during the third quarter of 2017. The weighted average net effective rent of these leases, representing base rent less operating expense reimbursements and leasing costs, was \$20.73 per square foot. For those leases that were previously occupied within the past year, net effective rent increased 16.9%. Same property net operating income (defined below) for consolidated properties and our share of unconsolidated properties increased by 1.3% between the three months ended September 30, 2017 and 2016.

Results of Operations

Our financial results have been significantly affected by the merger with Parkway Properties, Inc. ("the Merger") and the spin-off of the combined companies' Houston business to Parkway, Inc. (the "Spin-Off") in October 2016 (collectively, the "Parkway Transactions"). Accordingly, our historical financial statements may not be indicative of future operating results.

Net Operating Income

The following table summarizes rental property revenues, rental property operating expenses, and net operating income ("NOI") for each of the periods presented, including our same property portfolio. NOI represents rental property revenue less rental property operating expenses. Our same property portfolio is comprised of office properties that have been fully operational in each of the comparable reporting periods. A fully operational property is one that has achieved 90% economic occupancy or has been substantially complete and owned by us for each of the periods presented. Same property amounts for the 2017 versus 2016 comparison are from properties that have been owned since January 1, 2016 through the end of the current reporting period, excluding dispositions. This information is presented for consolidated properties only and does not include net operating income from our unconsolidated joint ventures.

| | Three Months Ended September 30, | | | | Nine Months Ended September 30, | | | |
|-------------------------------------------------|----------------------------------|-----------------|-----------------|----------------|---------------------------------|------------------|------------------|----------------|
| | 2017 | 2016 | \$ Change | % Change | 2017 | 2016 | \$ Change | % Change |
| Rental Property Revenues | | | | | | | | |
| Same Property | \$35,691 | \$33,404 | \$2,287 | 6.8 % | \$106,918 | \$100,608 | \$6,310 | 6.3 % |
| Non-Same Property | 73,878 | 13,171 | 60,707 | 460.9 % | 229,175 | 37,774 | 191,401 | 506.7 % |
| Total Rental Property Revenues | \$109,569 | \$46,575 | \$62,994 | 135.3 % | \$336,093 | \$138,382 | \$197,711 | 142.9 % |
| Rental Property Operating Expenses | | | | | | | | |
| Same Property | \$13,486 | \$11,494 | \$1,992 | 17.3 % | \$39,449 | \$36,194 | \$3,255 | 9.0 % |
| Non-Same Property | 27,202 | 6,628 | 20,574 | 310.4 % | 84,266 | 19,257 | 65,009 | 337.6 % |
| Total Rental Property Operating Expenses | \$40,688 | \$18,122 | \$22,566 | 124.5 % | \$123,715 | \$55,451 | \$68,264 | 123.1 % |

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Net Operating Income

| | | | | | | | | | | |
|-----------------------|----------|----------|----------|-------|---|-----------|----------|-----------|-------|---|
| Same Property NOI | \$22,205 | \$21,910 | \$295 | 1.3 | % | \$67,469 | \$64,414 | \$3,055 | 4.7 | % |
| Non-Same Property NOI | 46,676 | 6,543 | 40,133 | 613.4 | % | 144,909 | 18,517 | 126,392 | 682.6 | % |
| Total NOI | \$68,881 | \$28,453 | \$40,428 | 142.1 | % | \$212,378 | \$82,931 | \$129,447 | 156.1 | % |

Same property NOI increased \$295,000 (1.3%) and \$3.1 million (4.7%) between the three months ended and nine months ended 2017 and 2016, respectively. The increases were primarily due to increased occupancy rates at Fifth Third Center and 816 Congress, offset by operating expense increases in real estate taxes, repairs and maintenance, and parking between the periods.

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Non-same property revenues and expenses increased between the three and nine month periods primarily from properties acquired in the Merger, offset by the sales of the ACS Center in the first quarter 2017 and 191 Peachtree in the fourth quarter 2016.

Other Income

Other income increased \$840,000 and \$9.0 million between the the three and nine month periods, respectively. These increases are primarily driven by lease termination fees at 3350 Peachtree, Nascar Plaza, Hayden Ferry, Fifth Third Center, and Northpark.

General and Administrative Expenses

General and administrative expenses increased \$2.8 million (65%) between the three month periods, and increased \$4.7 million (27%) between the nine month periods. These increases are primarily driven by long-term compensation expense increases as a result of fluctuations in our common stock price relative to our office peers included in the SNL US Office REIT Index.

Interest Expense

Interest expense, net of amounts capitalized, increased \$1.8 million (32%) between the three month periods, and increased \$9.3 million (56%) between the nine month periods due to an increase in the average debt outstanding between the periods, offset by an increase in capitalized interest from increased development projects.

Depreciation and Amortization

Depreciation and amortization increased \$31.0 million (186%) between the three month periods, and increased \$102.7 million (206%) between the nine month periods primarily from properties acquired in the Merger, offset by decreases from the sales of 191 Peachtree in the fourth quarter 2016 the ACS Center in the second quarter 2017.

Acquisition and Transaction Costs

Acquisition and transaction costs decreased \$2.1 million (147%) in the three month periods, and decreased \$2.4 million (61%) between the nine month periods. Amounts in all periods represent costs associated with the Merger, and the amount recorded in the three months ended September 30, 2017 represents a true-up of Merger-related accruals. The Company does not believe it will incur significant additional Merger costs.

Income from Unconsolidated Joint Ventures

Income from unconsolidated joint ventures consisted of the Company's share of the following (in thousands):

| | Three Months Ended September 30, | | | Nine Months Ended September 30, | | |
|-------------------------------------------|-------------------------------------|----------|--------------|------------------------------------|----------|-----------|
| | 2017 | 2016 | \$ Change | 2017 | 2016 | \$ Change |
| Net operating income | \$6,934 | \$6,760 | \$ 174 | \$23,719 | \$20,359 | \$3,360 |
| Other income, net | 165 | 72 | 93 | 1,868 | 614 | 1,254 |
| Depreciation and amortization | (2,862) | (3,267) | 405 | (10,535) | (9,758) | (777) |
| Interest expense | (1,776) | (2,038) | 262 | (6,022) | (6,071) | 49 |
| Net gain on sale of investment property | — | — | — | 34,332 | — | 34,332 |
| Income from unconsolidated joint ventures | \$2,461 | \$1,527 | \$ 934 | \$43,362 | \$5,144 | \$38,218 |

Net operating income from unconsolidated joint ventures increased \$3.4 million (16.5%) between the nine month periods primarily due to a change in the partnership structure at Gateway Village whereby we began receiving 50% of cash flows versus a preferred return, effective December 1, 2016, and the addition of Courvoisier Centre which was acquired in the Merger. These increases were offset by the sale of properties owned by EPI, LLC and EPII, LLC ("Emory Point I and II") in the second quarter 2017. Other income increased \$1.3 million between the nine month periods primarily as a result of lease termination fees recognized at the Terminus 200 and 111 West Rio buildings and as a result of the sale of mineral rights at CL Realty. The decrease in depreciation and amortization between the three month periods results from the Emory Point I and II sales, offset by increases resulting from the Gateway Village revised structure and the addition of Courvoisier Centre. Depreciation and amortization increased \$777,000 between the nine month periods from the Gateway Village revised structure and the addition of Courvoisier. The gain on sale of depreciated property of \$34.3 million resulted from the sale of Emory Point I and II in the second quarter 2017, less

a \$3.5 million loss on the purchase of the remaining 25.4% interest in the 111 West Rio building and the related consolidation of the building immediately following the purchase.

Gain (Loss) on Sale of Investment Properties

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The gain on the sale of investment properties in the nine months ended September 30, 2017 relates primarily to the sale of the American Cancer Society Center (the "ACS Center"). The gain on sale of investment properties in the nine months ended September 30, 2016 relates to the sale of 100 North Point Center East.

Discontinued Operations

Discontinued operations in 2016 contains the operations of Post Oak Central and Greenway Plaza (the "Houston Properties"), the properties that were included in the Spin-Off. Because we decided to exit the Houston market in connection with the Parkway Transactions, the Spin-Off represented a strategic shift that had a significant impact on our operations. As such, the Spin-Off of these properties qualified for discontinued operations treatment. Accordingly, the operations of the Houston Properties have been reclassified into discontinued operations for the three and nine months ended September 30, 2016.

Funds From Operations

The table below shows Funds from Operations ("FFO") and the related reconciliation to net income available to common stockholders. We calculate FFO in accordance with the National Association of Real Estate Investment Trusts' ("NAREIT") definition, which is net income available to common stockholders (computed in accordance with GAAP), excluding extraordinary items, cumulative effect of change in accounting principle and gains on sale or impairment losses on depreciable property, plus depreciation and amortization of real estate assets, and after adjustments for unconsolidated partnerships and joint ventures to reflect FFO on the same basis.

FFO is used by industry analysts and investors as a supplemental measure of a REIT's operating performance. Historical cost accounting for real estate assets implicitly assumes that the value of real estate assets diminishes predictably over time. Since real estate values instead have historically risen or fallen with market conditions, many industry investors and analysts have considered presentation of operating results for real estate companies that use historical cost accounting to be insufficient by themselves. Thus, NAREIT created FFO as a supplemental measure of REIT operating performance that excludes historical cost depreciation, among other items, from GAAP net income. The use of FFO, combined with the required primary GAAP presentations, has been fundamentally beneficial, improving the understanding of operating results of REITs among the investing public and making comparisons of REIT operating results more meaningful. Company management evaluates operating performance in part based on FFO. Additionally, we use FFO, along with other measures, to assess performance in connection with evaluating and granting incentive compensation to its officers and other key employees. The reconciliation of net income to FFO is as follows for the three and nine months ended September 30, 2017 and 2016 (in thousands, except per share information):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|-------------------------------------------------------|----------------------------------------|----------|------------------------------------|-----------|
| | 2017 | 2016 | 2017 | 2016 |
| Net Income Available to Common Stockholders | \$12,067 | \$11,657 | \$184,907 | \$42,218 |
| Depreciation and amortization of real estate assets: | | | | |
| Consolidated properties | 47,161 | 16,293 | 151,169 | 48,763 |
| Share of unconsolidated joint ventures | 2,862 | 3,268 | 10,535 | 9,758 |
| Discontinued Operations | — | 15,221 | — | 46,389 |
| Partners' share of real estate depreciation | (4 |) — | (4 |) — |
| (Gain) loss on sale of depreciated properties: | | | | |
| Consolidated properties | 36 | — | (119,713 |) (13,944 |
| Share of unconsolidated joint ventures | — | — | (34,332 |) — |
| Non-controlling Interests related to unit holders | 212 | — | 3,169 | — |
| Funds From Operations | \$62,334 | \$46,439 | \$195,731 | \$133,184 |
| Per Common Share — Diluted: | | | | |
| Net Income Available Available to Common Shareholders | \$0.03 | \$0.06 | \$0.45 | \$0.20 |

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| | | | | |
|-----------------------------------|---------|---------|---------|---------|
| Funds from Operations | \$0.15 | \$0.22 | \$0.46 | \$0.63 |
| Weighted Average Shares — Diluted | 427,300 | 210,326 | 421,954 | 210,528 |

Net Operating Income

Company management evaluates the performance of its property portfolio in part based on NOI. NOI represents rental property revenues less rental property operating expenses. NOI is not a measure of cash flows or operating results as measured by GAAP, is not indicative of cash available to fund cash needs, and should not be considered an alternative to cash flows as a measure of liquidity. All companies may not calculate NOI in the same manner. The Company considers NOI to be an appropriate

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supplemental measure to net income as it helps both management and investors understand the core operations of the Company's operating assets. NOI excludes corporate general and administrative expenses, interest expense, depreciation and amortization, impairments, gains/loss on sales of real estate, and other non-operating items.

The following table reconciles NOI for consolidated properties to Net Income each of the periods presented (in thousands):

| | Three Months | | Nine Months Ended | |
|----------------------------------------------|---------------------|----------|-------------------|-----------|
| | Ended September 30, | | September 30, | |
| | 2017 | 2016 | 2017 | 2016 |
| Net Income | \$12,285 | \$11,657 | \$188,088 | \$42,218 |
| Fee income | (2,597) | (1,945) | (6,387) | (5,968) |
| Other income | (993) | (153) | (9,593) | (570) |
| Reimbursed expenses | 895 | 795 | 2,667 | 2,463 |
| General and administrative expenses | 7,193 | 4,368 | 21,993 | 17,301 |
| Interest expense | 7,587 | 5,754 | 25,851 | 16,562 |
| Depreciation and amortization | 47,622 | 16,622 | 152,546 | 49,804 |
| Acquisition and transaction costs | (677) | 1,446 | 1,499 | 3,889 |
| Other expenses | 423 | 173 | 1,063 | 681 |
| Income from unconsolidated joint ventures | (2,461) | (1,527) | (43,362) | (5,144) |
| Gain (loss) on sale of investment properties | 33 | — | (119,729) | (13,944) |
| Gain on extinguishment of debt | (429) | — | (2,258) | — |
| Income from discontinued operations | — | (8,737) | — | (24,361) |
| Net Operating Income | \$68,881 | \$28,453 | \$212,378 | \$82,931 |

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Liquidity and Capital Resources

Our primary short-term and long-term liquidity needs include the following:

- property and land acquisitions;
- expenditures on development projects;
- building improvements, tenant improvements, and leasing costs;
- principal and interest payments on indebtedness; and
- operating partnership distributions and common stock dividends.

We may satisfy these needs with one or more of the following:

- net cash from operations;
- proceeds from the sale of assets;
- borrowings under our Credit Facility;
- proceeds from mortgage notes payable;
- proceeds from construction loans;
- proceeds from unsecured loans;
- proceeds from offerings of debt or equity securities; and
- joint venture formations.

As of September 30, 2017, we had no amounts drawn under our Credit Facility and \$1.0 million drawn under our letters of credit, with the ability to borrow an additional \$499.0 million under our Credit Facility.

In April 2017, we closed a \$350 million private placement of senior unsecured notes, which were funded in two tranches. The first tranche of \$100 million was funded in April 2017, has a 10-year maturity, and has a fixed annual interest rate of 4.09%. The second tranche of \$250 million was funded in July 2017, has an 8-year maturity, and has a fixed annual interest rate of 3.91%. We used the proceeds from the private placement to repay mortgages scheduled to mature during 2017.

In April 2017, we repaid in full, without penalty, the \$128.0 million One Eleven Congress mortgage note and the \$101.0 million San Jacinto Center mortgage note. In May 2017, we repaid in full, without penalty, the \$52.0 million Two Buckhead Plaza mortgage note. In July 2017, we repaid in full, without penalty, the \$77.9 million 3344 Peachtree mortgage note. We used the proceeds from the sales of the ACS Center, Emory Point I, and Emory Point II to repay the associated mortgages.

Contractual Obligations and Commitments

The following table sets forth information as of September 30, 2017 with respect to our outstanding contractual obligations and commitments (in thousands):

| | Total | Less than 1 Year | 1-3 Years | 3-5 Years | More than 5 years |
|-----------------------------------------------------------|--------------------|---------------------|------------------|------------------|----------------------|
| Contractual Obligations: | | | | | |
| Company debt: | | | | | |
| Term Loan | \$250,000 | \$— | \$— | \$250,000 | \$— |
| Unsecured Senior Notes | 350,000 | — | — | — | 350,000 |
| Unsecured Credit Facility | — | — | — | — | — |
| Mortgage notes payable | 500,903 | 8,688 | 66,925 | 22,730 | 402,560 |
| Interest commitments (1) | 274,381 | 40,243 | 78,207 | 68,437 | 87,494 |
| Ground leases | 208,030 | 2,321 | 4,642 | 4,713 | 196,354 |
| Other operating leases | 1,429 | 515 | 696 | 218 | — |
| Total contractual obligations | \$1,584,743 | \$51,767 | \$150,470 | \$346,098 | \$1,036,408 |
| Commitments: | | | | | |
| Unfunded tenant improvements and construction obligations | \$188,339 | \$171,731 | \$16,608 | \$— | \$— |
| Letters of credit | 1,000 | 1,000 | — | — | — |
| Performance bonds | 2,747 | 314 | 1,650 | — | 783 |
| Total commitments | \$192,086 | \$173,045 | \$18,258 | \$— | \$783 |

(1) Interest on variable rate obligations is based on rates effective as of September 30, 2017.

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In addition, we have several standing or renewable service contracts mainly related to the operation of buildings. These contracts are in the ordinary course of business and are generally one year or less. These contracts are not included in the above table and are usually reimbursed in whole or in part by tenants.

Other Debt Information

Our existing mortgage debt is primarily non-recourse, fixed-rate mortgage notes secured by various real estate assets. Many of our non-recourse mortgages contain covenants which, if not satisfied, could result in acceleration of the maturity of the debt. We expect to either refinance the non-recourse mortgages at maturity or repay the mortgages with proceeds from asset sales, debt, or other capital sources.

Future Capital Requirements

Over the long term, we intend to actively manage our portfolio of properties and strategically sell assets to generate capital for future investment activities. We expect to continue to utilize indebtedness to fund future commitments, if available and under appropriate terms. We may also seek equity capital and capital from joint venture partners to implement our strategy.

Our business model is dependent upon raising or recycling capital to meet obligations and to fund development and acquisition activity. If one or more sources of capital are not available when required, we may be forced to reduce the number of projects we acquire or develop and/or raise capital on potentially unfavorable terms, or we may be unable to raise capital, which could have an adverse effect on our financial position or results of operations.

Cash Flows Summary

We report and analyze our cash flows based on operating activities, investing activities, and financing activities. The following table sets forth the changes in cash flows (in thousands):

| | Nine Months Ended September 30, | | |
|-----------------------------------------------------|------------------------------------|------------|-----------|
| | 2017 | 2016 | Change |
| Net cash provided by operating activities | \$194,913 | \$119,251 | \$75,662 |
| Net cash used in investing activities | (25,882) | (131,403) | 105,521 |
| Net cash provided by (used in) financing activities | (142,551) | 107,390 | (249,941) |

The reasons for significant increases and decreases in cash flows between the periods are as follows:

Cash Flows from Operating Activities. Cash flows from operating activities increased \$75.7 million between the 2017 and 2016 nine month periods primarily due to an increase in cash generated from property operations as a result of the Merger and an increase in operating distributions from joint ventures, offset by an increase in cash interest paid between the periods.

Cash Flows from Investing Activities. Cash flows from investing activities increased \$105.5 million between the 2017 and 2016 nine month periods primarily due to proceeds from the ACS Center sale, offset by an increase in property acquisition, development, and tenant asset expenditures. These increases were also impacted by larger contributions to and increased distributions from unconsolidated joint ventures which are primarily related to the sale of Emory Point I and II.

Cash Flows from Financing Activities. Cash flows from financing activities decreased \$249.9 million between the 2017 and 2016 nine month periods, primarily due to the repayment of mortgage notes payable and an increase in payments under the credit facility, offset by the proceeds from the common stock equity offering and increase in notes payable between the periods.

Capital Expenditures. We incur costs related to our real estate assets that include acquisition of properties, development of new properties, redevelopment of existing or newly purchased properties, leasing costs for new or replacement tenants, and ongoing property repairs and maintenance.

Capital expenditures for assets we develop or acquire and then hold and operate are included in the property acquisition, development, and tenant asset expenditures line item within investing activities on the condensed consolidated statements of cash flows. Amounts accrued are removed from the table below (accrued capital adjustment) to show the components of these costs on a cash basis. Components of costs included in this line item for the nine months ended September 30, 2017 and 2016 are as follows (in thousands):

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| | Nine Months Ended | |
|---------------------------------------------------------|-------------------|-----------|
| | September 30, | |
| | 2017 | 2016 |
| Development | \$144,116 | \$69,899 |
| Operating — leasing costs | 53,809 | 53,425 |
| Operating — building improvements | 38,097 | 2,063 |
| Capitalized interest | 6,509 | 2,988 |
| Capitalized personnel costs | 5,361 | 5,366 |
| Change in accrued capital expenditures | (18,081) | (11,384) |
| Total property acquisition and development expenditures | \$229,811 | \$122,357 |

Capital expenditures, including capitalized interest, increased due to an increase in the number of development projects between the periods and an increase in building improvement projects. Tenant improvements and leasing costs, as well as related capitalized personnel costs, are a function of the number and size of newly executed leases or renewals of existing leases. The amounts of tenant improvement and leasing costs for our office portfolio on a per square foot basis were as follows:

| | Nine Months Ended | |
|------------------|-------------------|--------|
| | September 30, | |
| | 2017 | 2016 |
| New leases | \$6.98 | \$7.13 |
| Renewal leases | \$4.21 | \$4.07 |
| Expansion leases | \$6.36 | \$6.48 |

The amounts of tenant improvement and leasing costs on a per square foot basis vary by lease and by market. Given the level of expected leasing and renewal activity, management expects tenant improvements and leasing costs per square foot in future periods to remain consistent with those experienced in the first nine months of 2017.

Dividends. We paid common dividends of \$74.0 million and \$50.5 million in the 2017 and 2016 nine month periods, respectively. We funded the common dividends with cash provided by operating activities. We expect to fund our future quarterly common dividends with cash provided by operating activities, proceeds from investment property sales, distributions from unconsolidated joint ventures, and indebtedness, if necessary.

On a quarterly basis, we review the amount of the common dividend in light of current and projected future cash flows from the sources noted above and also consider the requirements needed to maintain our REIT status. In addition, we have certain covenants under credit agreements which could limit the amount of common dividends paid. In general, common dividends of any amount can be paid as long as leverage, as defined in our credit agreements, is less than 60% and we are not in default. Certain conditions also apply in which we can still pay common dividends if leverage is above that amount. We routinely monitor the status of our common dividend payments in light of the covenants of our credit agreements.

Off Balance Sheet Arrangements

General. We have a number of off balance sheet joint ventures with varying structures, as described in note 6 of our 2016 Annual Report on Form 10-K and note 4 of this Form 10-Q. The joint ventures in which we have an interest are involved in the ownership, acquisition, and/or development of real estate. A venture will fund capital requirements or operational needs with cash from operations or financing proceeds, if possible. If additional capital is deemed necessary, a venture may request a contribution from the partners, and we will evaluate such request.

Debt. At September 30, 2017, our unconsolidated joint ventures had aggregate outstanding indebtedness to third parties of \$444.8 million. These loans are generally mortgage or construction loans, most of which are non-recourse to us except as described in the paragraph below. In addition, in certain instances, we provide “non-recourse carve-out guarantees” on these non-recourse loans. Certain of these loans have variable interest rates, which creates exposure to

the ventures in the form of market risk from interest rate changes.

We guarantee 12.5% of the loan amount related to the Carolina Square construction loan, which has a lending capacity of \$79.8 million, and an outstanding balance of \$62.2 million as of September 30, 2017. At September 30, 2017, we guaranteed \$7.8 million of the amount outstanding.

Critical Accounting Policies

There have been no material changes in the critical accounting policies from those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2016.

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Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Our primary exposure to market risk results from our debt, which bears interest at both fixed and variable rates. We attempt to mitigate this risk by limiting our debt exposure in total and our maturities in any one year and weighting more towards fixed-rate debt in our portfolio. The fixed rate debt obligations limit the risk of fluctuating interest rates, and generally are mortgage loans secured by certain of our real estate assets and senior unsecured loans. At September 30, 2017 we had \$850.9 million of fixed rate debt outstanding at a weighted average interest rate of 3.86%. At December 31, 2016, we had \$994.7 million of fixed rate debt outstanding at a weighted average interest rate of 4.87%. The amount of fixed-rate debt outstanding decreased and the weighted average interest rate decreased from December 31, 2016 to September 30, 2017 as a result of repayment of mortgage notes payable, repayments on our credit facility and the issuance of senior unsecured notes at lower rates. See note 7 of the notes to condensed consolidated financial statements included in this Quarterly Report on Form 10-Q for additional information regarding 2017 debt activity.

At September 30, 2017, we had \$250.0 million of variable rate debt outstanding, which consisted of a \$250.0 million term loan with an interest rate of 2.43%. At December 31, 2016, we had \$384.0 million of variable rate debt outstanding, which consisted of the Credit Facility with an outstanding balance of \$134.0 million at a weighted average interest rate of 1.87% and a \$250.0 million term loan with a weighted average interest rate of 1.97%. Based on our average variable rate debt balances in the nine months ended September 30, 2017, interest incurred would have increased by \$2.5 million in the nine months ended September 30, 2017 if these interest rates had been 1% higher. The following table summarizes our market risk associated with notes payable as of September 30, 2017. It includes the principal maturing, an estimate of the weighted average interest rates on those expected principal maturity dates and the fair values of the Company's fixed and variable rate notes payable. Fair value was calculated by discounting future principal payments at estimated rates at which similar loans could have been obtained at September 30, 2017. The information presented below should be read in conjunction with note 7 of the notes to condensed consolidated financial statements included in this Quarterly Report on Form 10-Q. Notes receivable at September 30, 2017 were not material, and the table does not include information related to notes receivable.

Twelve Months Ended September 30,

| (\$ in thousands) | 2018 | 2019 | 2020 | 2021 | 2022 | Thereafter | Total | Estimated Fair Value |
|---------------------------|---------|----------|----------|----------|-----------|------------|-----------|----------------------|
| Notes Payable: | | | | | | | | |
| Fixed Rate | \$8,688 | \$33,062 | \$33,863 | \$11,154 | \$11,576 | \$752,560 | \$850,903 | \$855,103 |
| Average Interest Rate | 3.95 % | 3.95 % | 5.28 % | 3.73 % | 3.73 % | 3.80 % | 3.86 % | |
| Variable Rate | \$— | \$— | \$— | \$— | \$250,000 | \$— | \$250,000 | \$250,000 |
| Average Interest Rate (1) | — | — | — | — | 2.43 % | — | 2.43 % | |

(1) Interest rates on variable rate notes payable are equal to the variable rates in effect on September 30, 2017.

Item 4. Controls and Procedures.

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Management necessarily applied its judgment in assessing the costs and benefits of such controls and procedures, which, by their nature, can provide only reasonable assurance regarding management's control objectives. As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of management, including the Chief Executive Officer along with the Chief Financial Officer, of the effectiveness, design and operation of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)). Based upon the foregoing, the Chief Executive Officer along with the Chief Financial

Officer concluded that our disclosure controls and procedures were effective. In addition, based on such evaluation we have identified no changes in our internal control over financial reporting that occurred during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

Information regarding legal proceedings is described under the subheading "Litigation" in note 8 to the unaudited condensed consolidated financial statements set forth in this Form 10-Q.

Item 1A. Risk Factors

Risk factors that affect our business and financial results are discussed in Part I, "Item 1A. Risk Factors," of our Annual Report on Form 10-K for the year ended December 31, 2016. There have been no material changes in our risk factors from those previously disclosed in our Annual Report. You should carefully consider the risks described in our Annual Report, which could materially affect our business, financial condition or future results. The risks described in our Annual Report are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem immaterial also may materially adversely affect our business, financial condition, and/or operating results. If any of the risks actually occur, our business, financial condition, and/or results of operations could be negatively affected.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

We did not make any sales of unregistered securities during the third quarter of 2017.

We purchased the following common shares during the third quarter of 2017:

| | Total Number of Shares Purchased* | Average Price Paid per Share* |
|------------------|--------------------------------------------|----------------------------------------|
| July 1 - 31 | 274,852 | \$ 8.84 |
| August 1 - 31 | — | — |
| September 1 - 30 | 220,389 | 9.35 |
| | 495,241 | \$ 9.07 |

*Activity for the third quarter of 2017 related to the remittances of shares for stock option exercises. For information on our equity compensation plans, see note 13 of our Annual Report on Form 10-K, and note 10 to the unaudited condensed consolidated financial statements set forth in this Form 10-Q.

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Item 6. Exhibits.

2.1 Agreement and Plan of Merger, dated April 28, 2016, by and among Parkway Properties, Inc., Parkway Properties LP, the Registrant and Clinic Sub Inc, filed as Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed on April 29, 2016, and incorporated herein by reference.

3.1 Restated and Amended Articles of Incorporation of the Registrant, as amended August 9, 1999, filed as Exhibit 3.1 to the Registrant's Form 10-Q for the quarter ended June 30, 2002, and incorporated herein by reference.

3.1.1 Articles of Amendment to Restated and Amended Articles of Incorporation of the Registrant, as amended July 22, 2003, filed as Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed on July 23, 2003, and incorporated herein by reference.

3.1.2 Articles of Amendment to Restated and Amended Articles of Incorporation of the Registrant, as amended December 15, 2004, filed as Exhibit 3(a)(i) to the Registrant's Form 10-K for the year ended December 31, 2004, and incorporated herein by reference.

3.1.3 Articles of Amendment to Restated and Amended Articles of Incorporation of the Registrant, as amended May 4, 2010, filed as Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed May 10, 2010, and incorporated herein by reference.

3.1.4 Articles of Amendment to Restated and Amended Articles of Incorporation of the Registrant, as amended May 9, 2014, filed as Exhibit 3.1.4 to the Registrant's Form 10-Q for the quarter ended June 30, 2014, and incorporated herein by reference.

3.1.5 Articles of Amendment to Restated and Amended Articles of Incorporation of Cousins, as amended October 6, 2016 (incorporated by reference from Exhibit 3.1 to the Registrant's Current Form 8-K filed on October 7, 2016).

3.1.6 Articles of Amendment to Restated and Amended Articles of Incorporation of Cousins, as amended October 6, 2016 (incorporated by reference from Exhibit 3.1.1 to the Registrant's Current Form 8-K filed on October 7, 2016).

3.2 Bylaws of the Registrant, as amended and restated December 4, 2012, filed as Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on December 7, 2012, and incorporated herein by reference.

11.0 *Computation of Per Share Earnings.

31.1 † Certification of the Chief Executive Officer Pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 † Certification of the Chief Financial Officer Pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 † Certification of the Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 † Certification of the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

101 † The following financial information for the Registrant, formatted in XBRL (Extensible Business Reporting Language): (i) the condensed consolidated balance sheets, (ii) the condensed consolidated statements of operations, (iii) the condensed consolidated statements of equity, (iv) the condensed consolidated statements of cash flows, and (v) the notes to condensed consolidated financial statements.

* Data required by ASC 260, "Earnings per Share," is provided in note 11 to the condensed consolidated financial statements included in this report.

† Filed herewith.

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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 thereunto duly authorized.

COUSINS
PROPERTIES
INCORPORATED

/s/ Gregg D.

Adzema

Gregg D. Adzema

Executive Vice

President and Chief

Financial Officer

(Duly Authorized

Officer and

Principal Financial

Officer)

Date: October 25, 2017