



Ref: 10-08

**FOR IMMEDIATE RELEASE**

**Contact:** Tabitha Zane  
Vice President, Investor Relations  
919-431-1529

**Highwoods Properties Reports First Quarter 2010 Results  
\$0.61 FFO per Diluted Share**

***Reaffirms 2010 FFO Guidance of \$2.31-\$2.49 per Diluted Share***

**Raleigh, NC – April 28, 2010 – Highwoods Properties, Inc. (NYSE: HIW)**, the largest owner and operator of suburban office properties in the Southeast and NAIOP's 2009 Developer of the Year, today reported results for the quarter ended March 31, 2010.

Ed Fritsch, President and CEO, stated, *"We are pleased with our first quarter FFO results of \$0.61 per share and remain comfortable with our original 2010 FFO guidance of \$2.31 to \$2.49 per share. The year-over-year decrease in FFO was almost entirely due to the expected dilutive impacts of the debt, equity and disposition transactions we planned and executed last year that enhanced our liquidity for future growth opportunities."*

*"We are also pleased with the increased volume of leasing activity in the first quarter. We leased 1.3 million square feet of second generation space, including 948,000 square feet of office space, the highest amount of office space leased since the second quarter of 2008. As we forecasted, occupancy decreased sequentially, from 88.8% at year end to 87.8%. We continue to outperform in our core markets, with occupancy in our office portfolio exceeding market occupancy by 680 basis points at quarter end. This is a reflection of the improvements made to our portfolio over the past five years, the hard work of our leasing team and our strong balance sheet, which gives us a distinct advantage over our local competition,"* added Mr. Fritsch.

**First Quarter Financial Results**

For the first quarter of 2010, the Company reported net income available for common stockholders of \$9.7 million, or \$0.14 per diluted share. This compares to net income available for common stockholders of \$10.8 million, or \$0.17 per diluted share, for the first quarter of 2009. Net income per diluted share was impacted by an increase in weighted average common shares outstanding, from 67.7 million shares in the first quarter of 2009 to 75.4 million shares in the first quarter of 2010.

Funds from Operations (FFO) for the first quarter of 2010 was \$45.8 million, or \$0.61 per diluted share, compared to \$47.6 million, or \$0.70 per diluted share, for the first quarter of 2009.

Included in 2010 and 2009 first quarter net income available for common stockholders were the following items:

	3 Months Ended 3/31/10		3 Months Ended 3/31/09	
	(000)	Per Share	(000)	Per Share
Lease termination income.....	\$ 567	\$ 0.01	\$ 1,138	\$ 0.02
Straight line rental income .....	1,328	0.02	1,534	0.02
Capitalized interest .....	353	0.00	1,504	0.02
Gains on sale of residential condos, net of partner's interest.....	169	0.00	550	0.01
Gains on sales of depreciable assets .....	193	0.00	92	0.00

### First Quarter 2010 Operating Highlights

- Second generation leasing activity in Highwoods' portfolio was 1.3 million square feet, including 947,587 square feet of office space, 280,300 square feet of industrial space and 37,406 square feet of retail space. Occupancy in the Company's wholly-owned portfolio was 87.8%.
- One development was placed in service: Cool Springs IV, a 153,000 square foot office building in Nashville that delivered in the third quarter of 2008 and is currently 73% leased. The Company's \$41.6 million development pipeline now includes two projects: a 200,000 square foot industrial property and a 148,000 square foot office building, which are 37% leased on average.
- Same property NOI, excluding straight line rent and lease termination fees, for the three months ended March 31, 2010 declined 0.4% from the corresponding period of 2009.

### Funds from Operations Outlook

The Company reaffirmed its original 2010 FFO guidance of \$2.31 to \$2.49 per diluted share, which was issued on February 10, 2010. This estimate reflects management's view of current and future market conditions, including assumptions with respect to rental rates, occupancy levels, operating and general and administrative expenses, interest rates, gains from land and condominium sales and development deliveries. It does not include any effects related to the timing and amount of potential acquisitions and dispositions. FFO guidance also excludes any gains or impairments associated with depreciable properties or joint venture interests, as well as unusual charges or credits that may occur during the year. FFO guidance is based on 75.6 million diluted shares outstanding in 2010. Factors that could cause actual 2010 FFO results to differ materially from Highwoods' current expectations are discussed below and are also detailed in the Company's 2009 Annual Report on Form 10-K and subsequent SEC reports.

Management's outlook for 2010 is based on the following assumptions:

	Low	High
Year End Occupancy.....	87.0%	89.0%
Total Cash NOI Growth from Continuing Operations .....	0%	1.0%
Same Property Cash NOI Growth .....	-3.5%	-2.5%
Straight Line Rental Income .....	\$ 5.0 M	\$ 7.5 M
G&A Expenses .....	\$ 32.0 M	\$ 34.0 M
Lease Termination Income .....	\$ 2.0 M	\$ 3.0 M
Gains from Land and Residential Condominium Sales .....	\$ 0.5 M	\$ 1.0 M
Dispositions .....	\$ 50.0 M	\$150.0 M
Acquisitions.....	\$ 50.0 M	\$200.0 M
Development Starts .....	\$ 0 M	\$ 50.0 M

### Supplemental Information

A copy of the Company's first quarter 2010 Supplemental Information that includes financial, leasing and operational statistics is available in the "Investor Relations/Quarterly Earnings" section of the Company's Web site at [www.highwoods.com](http://www.highwoods.com). You may also obtain a copy of all Supplemental Information published by the Company by contacting Highwoods Investor Relations at 919-431-1529/800-256-2963 or by e-mail to [HIW-IR@highwoods.com](mailto:HIW-IR@highwoods.com). If you would like to receive future Supplemental Information packages by e-mail, please contact the Investor Relations department as noted above or by written request to: Investor Relations Department, Highwoods Properties, Inc., 3100 Smoketree Court, Suite 600, Raleigh, NC 27604.

### Conference Call

On Thursday, April 29, at 11:00 a.m. Eastern time, Highwoods will host a teleconference call to discuss the matters outlined in this press release. For US/Canada callers, dial (800) 705-8289. A live, listen-only Web cast can be accessed through the Company's Web site at [www.highwoods.com](http://www.highwoods.com) under the "Investor Relations" section.

A replay of the call will be available on the "Investor Relations" section of Highwoods Web site at [www.highwoods.com](http://www.highwoods.com).

### Planned Dates for Financial Releases and Conference Calls in 2010

The Company has set the following dates and times it currently plans to release its unaudited financial results in 2010. Quarterly financial press releases will be distributed after the market close.

	<b>Release Date</b>	<b>Conference Call</b>
Second Quarter Results	Wednesday, July 28	Thursday, July 29, 10:00 a.m.
Third Quarter Results	Thursday, October 28	Friday, October 29, 11:00 a.m.

### Non-GAAP Information

Funds from Operations ("FFO"): We believe that FFO and FFO per share are beneficial to management and investors and are important indicators of the performance of any equity REIT. Because FFO and FFO per share calculations exclude such factors as depreciation and amortization of real estate assets and gains or losses from sales of operating real estate assets, which can vary among owners of identical assets in similar conditions based on historical cost accounting and useful life estimates, they facilitate comparisons of operating performance between periods and between other REITs. Our management believes that historical cost accounting for real estate assets in accordance with GAAP implicitly assumes that the value of real estate assets diminishes predictably over time. Since real estate values have historically risen or fallen with market conditions, many industry investors and analysts have considered the presentation of operating results for real estate companies that use historical cost accounting to be insufficient on a stand-alone basis. As a result, management believes that the use of FFO and FFO per share, together with the required GAAP presentations, provide a more complete understanding of our performance relative to our competitors and a more informed and appropriate basis on which to make decisions involving operating, financing and investing activities.

FFO and FFO per share are non-GAAP financial measures and therefore do not represent net income or net income per share as defined by GAAP. Net income and net income per share as defined by GAAP are the most relevant measures in determining our operating performance because FFO and FFO per share include adjustments that investors may deem subjective, such as adding back expenses such as depreciation and amortization. Furthermore, FFO per share does not depict the amount that accrues directly to the stockholders' benefit. Accordingly, FFO and FFO per share should never be considered as alternatives to net income or net income per share as indicators of our operating performance.

Our presentation of FFO is consistent with FFO as defined by NAREIT, which is calculated as follows:

- Net income/(loss) computed in accordance with GAAP;
- Less dividends to holders of preferred stock and less excess of preferred stock redemption cost over carrying value;
- Less net income attributable to non-controlling interests;
- Plus depreciation and amortization of real estate assets;
- Less gains, or plus losses, from sales of depreciable operating properties (but excluding impairment losses) and excluding items that are classified as extraordinary items under GAAP;
- Plus or minus adjustments for unconsolidated partnerships and joint ventures (to reflect FFO on the same basis); and
- Plus or minus adjustments for depreciation and amortization and gains/(losses) on sales related to discontinued operations.

In calculating FFO, the Company adds back net income attributable to non-controlling interests in its operating partnership, which we believe is consistent with standard industry practice for REITs that operate through an UPREIT structure. The Company believes that it is important to present FFO on an as-converted basis since all of the operating partnership units not owned by the Company are redeemable on a one-for-one basis for shares of the Company's common stock. The Company's FFO calculations are reconciled to net income in a table included with this release.

Net operating income from continuing operations ("NOI"): The Company defines NOI as "Rental and other revenues" from continuing operations less "Rental property and other expenses" from continuing operations. Management believes that NOI is a useful supplemental measure of the Company's property operating performance because it provides a performance measure of the revenues and expenses directly involved in owning real estate assets, and provides a perspective not immediately apparent from net income or FFO. Other REITs may use different methodologies to calculate NOI and accordingly the Company's NOI may not be comparable to other REITs. The Company's NOI calculations are reconciled to "Income/(loss) before disposition of property and condominiums and equity in earnings of unconsolidated affiliates" and to "Rental and other revenues" and "Rental property and other expenses" in a table included with this release.

Same property NOI from continuing operations: The Company defines same property NOI as NOI for the Company's in-service properties included in continuing operations that were wholly-owned during the entirety of the periods presented (from January 1, 2009 to March 31, 2010). The Company's same property NOI calculations are reconciled to NOI in a table included with this release.

### **About the Company**

Highwoods Properties, Inc., a member of the S&P MidCap 400 Index, is a fully integrated, self-administered real estate investment trust ("REIT") that provides leasing, management, development, construction and other customer-related services for its properties and for third parties. At March 31, 2010, the Company owned or had an interest in 378 in-service office, industrial and retail properties encompassing approximately 35.7 million square feet. Highwoods also owned 581 acres of development land. Highwoods is based in Raleigh, North Carolina, and its properties and development land are located in Florida, Georgia, Iowa, Missouri, Mississippi, North Carolina, South Carolina, Tennessee and Virginia. For more information about Highwoods Properties, please visit our Web site at [www.highwoods.com](http://www.highwoods.com).

Certain matters discussed in this press release, such as expected 2010 financial and operational results and the related assumptions underlying our expected results are forward-looking statements within the meaning of the federal securities laws. These statements are distinguished by use of the words "will", "expect", "intend" and words of similar meaning. Although Highwoods believes that the expectations reflected in such forward-looking statements are based upon reasonable assumptions, it can give no assurance that its expectations will be achieved.

Factors that could cause actual results to differ materially from Highwoods' current expectations include, among others, the following: the financial condition of our customers could deteriorate; development activity by our competitors in our existing markets could result in excessive supply of properties relative to customer demand; development, acquisition, reinvestment, disposition or joint venture projects may not be completed as quickly or on as favorable terms as anticipated; we may not be able to lease or re-lease second generation space quickly or on as favorable terms as old leases; our Southeastern and Midwestern markets may suffer declines in economic growth; we may not be able to lease our newly constructed buildings as quickly or on as favorable terms as originally anticipated; unanticipated increases in interest rates could increase our debt service costs; we may not be able to meet our liquidity requirements or obtain capital on favorable terms to fund our working capital needs and growth initiatives or to repay or refinance outstanding debt upon maturity; the Company could lose key executive officers; and others detailed in the Company's 2009 Annual Report on Form 10-K and subsequent SEC reports.

**Tables Follow**

**Highwoods Properties, Inc.**  
**Consolidated Statements of Income**  
(Unaudited and in thousands, except per share amounts)

	<b>Three Months Ended March 31,</b>	
	<b>2010</b>	<b>2009</b>
<b>Rental and other revenues</b>	\$ 115,818	\$ 113,220
<b>Operating expenses:</b>		
Rental property and other expenses	42,096	40,689
Depreciation and amortization	32,912	32,884
General and administrative	8,507	8,315
Total operating expenses	83,515	81,888
<b>Interest expense:</b>		
Contractual	21,802	20,579
Amortization of deferred financing costs	835	662
Financing obligations	476	735
	23,113	21,976
<b>Other income:</b>		
Interest and other income	1,700	1,007
	1,700	1,007
<b>Income from continuing operations before disposition of property and condominiums and equity in earnings of unconsolidated affiliates</b>	10,890	10,363
Gains on disposition of property	19	19
Gains on for-sale residential condominiums	190	347
Equity in earnings of unconsolidated affiliates	795	1,300
<b>Income from continuing operations</b>	11,894	12,029
<b>Discontinued operations:</b>		
Income from discontinued operations	14	1,098
Net gains on disposition of discontinued operations	174	73
	188	1,171
<b>Net income</b>	12,082	13,200
Net (income) attributable to noncontrolling interests in the Operating Partnership	(520)	(694)
Net (income) attributable to noncontrolling interests in consolidated affiliates	(214)	(18)
Dividends on preferred stock	(1,677)	(1,677)
<b>Net income available for common stockholders</b>	<u>\$ 9,671</u>	<u>\$ 10,811</u>
<b>Earnings per common share - basic:</b>		
Income from continuing operations available for common stockholders	\$ 0.14	\$ 0.15
Income from discontinued operations available for common stockholders	-	0.02
Net income available for common stockholders	<u>\$ 0.14</u>	<u>\$ 0.17</u>
 Weighted average common shares outstanding - basic	<u>71,414</u>	<u>63,631</u>
<b>Earnings per common share - diluted:</b>		
Income from continuing operations available for common stockholders	\$ 0.14	\$ 0.15
Income from discontinued operations available for common stockholders	-	0.02
Net income available for common stockholders	<u>\$ 0.14</u>	<u>\$ 0.17</u>
 Weighted average common shares outstanding - diluted	<u>75,397</u>	<u>67,705</u>
<b>Net income available for common stockholders:</b>		
Income from continuing operations available for common stockholders	\$ 9,493	\$ 9,711
Income from discontinued operations available for common stockholders	178	1,100
Net income available for common stockholders	<u>\$ 9,671</u>	<u>\$ 10,811</u>

**Highwoods Properties, Inc.**  
**Consolidated Balance Sheets**  
*(Unaudited and in thousands)*

	<u>March 31,</u> <u>2010</u>	<u>December 31,</u> <u>2009</u>
<b>Assets:</b>		
Real estate assets, at cost:		
Land	\$ 348,955	\$ 350,537
Buildings and tenant improvements	2,882,442	2,880,632
Land held for development	104,148	104,148
	<u>3,335,545</u>	<u>3,335,317</u>
Less-accumulated depreciation	<u>(799,755)</u>	<u>(781,073)</u>
Net real estate assets	2,535,790	2,554,244
For sale-residential condominiums	11,162	12,933
Real estate and other assets, net, held for sale	1,229	5,031
Cash and cash equivalents	14,338	23,699
Restricted cash	6,301	6,841
Accounts receivable, net of allowance of \$4,061 and \$2,810, respectively	22,792	21,069
Notes receivable, net of allowance of \$732 and \$698, respectively	3,084	3,143
Accrued straight-line rents receivable, net of allowance of \$2,523 and \$2,443, respectively	83,927	82,600
Investment in unconsolidated affiliates	65,760	66,077
Deferred financing and leasing costs, net of accumulated amortization of \$54,314 and \$52,129, respectively	72,534	73,517
Prepaid expenses and other	38,443	37,947
	<u>\$ 2,855,360</u>	<u>\$ 2,887,101</u>
Total Assets		
<b>Liabilities, Noncontrolling Interests in the Operating Partnership and Equity:</b>		
Mortgages and notes payable	\$ 1,466,441	\$ 1,469,155
Accounts payable, accrued expenses and other liabilities	110,514	117,328
Financing obligations	33,574	37,706
Total Liabilities	<u>1,610,529</u>	<u>1,624,189</u>
Noncontrolling interests in the Operating Partnership	120,515	129,769
Equity:		
Preferred stock	81,592	81,592
Common stock	716	713
Additional paid-in capital	1,762,752	1,751,398
Distributions in excess of net income available for common stockholders	(722,584)	(701,932)
Accumulated other comprehensive loss	<u>(3,353)</u>	<u>(3,811)</u>
Total Stockholders' Equity	1,119,123	1,127,960
Noncontrolling interests in consolidated affiliates	5,193	5,183
Total Equity	<u>1,124,316</u>	<u>1,133,143</u>
Total Liabilities, Noncontrolling Interests in the Operating Partnership and Equity	<u>\$ 2,855,360</u>	<u>\$ 2,887,101</u>

**Highwoods Properties, Inc.**  
**Funds from Operations**  
*(Unaudited and in thousands, except per share amounts)*

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2010</b>	<b>2009</b>
<b>Funds from operations:</b>		
Net income	\$ 12,082	\$ 13,200
Net (income) attributable to noncontrolling interests in the Operating Partnership	(520)	(694)
Net (income) attributable to noncontrolling interests in consolidated affiliates	(214)	(18)
Dividends on preferred stock	(1,677)	(1,677)
<b>Net income available for common stockholders</b>	<b>9,671</b>	<b>10,811</b>
Add/(deduct):		
Depreciation and amortization of real estate assets	32,492	32,441
(Gains) on disposition of depreciable properties	(19)	(19)
Net income attributable to noncontrolling interests in the Operating Partnership	520	694
Unconsolidated affiliates:		
Depreciation and amortization of real estate assets	3,341	3,250
Discontinued operations:		
Depreciation and amortization of real estate assets	-	540
(Gains) on disposition of depreciable properties	(174)	(73)
<b>Funds from operations</b>	<b>\$ 45,831</b>	<b>\$ 47,644</b>
<b>Funds from operations per share - diluted:</b>		
Net income available for common stockholders	\$ 0.14	\$ 0.17
Add/(deduct):		
Depreciation and amortization of real estate assets	0.43	0.47
(Gains) on disposition of depreciable properties	-	-
Unconsolidated affiliates:		
Depreciation and amortization of real estate assets	0.04	0.05
Discontinued operations:		
Depreciation and amortization of real estate assets	-	0.01
(Gains) on disposition of depreciable properties	-	-
<b>Funds from operations per share - diluted</b>	<b>\$ 0.61</b>	<b>\$ 0.70</b>
<b>Weighted average shares outstanding - diluted</b>	<b>75,397</b>	<b>67,705</b>



**Highwoods Properties, Inc.**  
**Net Operating Income Reconciliation**  
*(Unaudited and in thousands)*

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2010</b>	<b>2009</b>
<b>Income from continuing operations before disposition of property and condominiums and equity in earnings of unconsolidated affiliates</b>	\$ 10,890	\$ 10,363
Other income/(expense)	(1,700)	(1,007)
Interest expense	23,113	21,976
General and administrative expense	8,507	8,315
Depreciation and amortization expense	32,912	32,884
<b>Net operating income from continuing operations</b>	<u>73,722</u>	<u>72,531</u>
Less - non same property and other net operating income	5,914	3,021
<b>Total same property net operating income from continuing operations</b>	<u>\$ 67,808</u>	<u>\$ 69,510</u>
Rental and other revenues	\$ 115,818	\$ 113,220
Rental property and other expenses	42,096	40,689
<b>Total net operating income from continuing operations</b>	<u>73,722</u>	<u>72,531</u>
Less - non same property and other net operating income	5,914	3,021
<b>Total same property net operating income from continuing operations</b>	<u>\$ 67,808</u>	<u>\$ 69,510</u>
Total same property net operating income from continuing operations	\$ 67,808	\$ 69,510
Less - straight line rent and lease termination fees	726	2,153
<b>Same property cash net operating income from continuing operations</b>	<u>\$ 67,082</u>	<u>\$ 67,357</u>