



**FOR IMMEDIATE RELEASE**

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

## **Highwoods Properties Reports Second Quarter 2010 Results**

***\$0.64 FFO per Diluted Share***  
***1.4 Million Square Feet of Second Generation Space Leased***

***89.3% Occupancy in Wholly Owned Portfolio***

***Updates 2010 FFO Guidance to \$2.40 to \$2.48 per Share***  
***Previously \$2.31 to \$2.49 per Share***

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**Raleigh, NC – July 28, 2010** – Highwoods Properties, Inc. (NYSE: HIW), the largest owner and operator of suburban office properties in the Southeast and 2009 NAIOP Developer of the Year, today reported results for the three and six months ended June 30, 2010.

Ed Fritsch, President and CEO, stated, *"We were pleased with our second quarter results and the solid volume of leasing activity in the majority of our markets. Office occupancy in our wholly-owned portfolio continued to outperform our markets by an average of 640 basis points. We remain focused on driving efficiencies throughout our business resulting in both operating and G&A expense savings."*

*"We made additional progress in our long-term goal of focusing our Company's resources on enhancing our portfolio in key infill locations. We are extremely pleased to have just acquired Crescent Center, a 336,000 square foot, 9-story Class "A" office building located in the premier section of Poplar Avenue in Memphis. Crescent Center is immediately accretive to FFO and further solidifies our position in the highly desirable Poplar Corridor submarket where the majority of our Memphis assets are concentrated."*

*"Our Company's portfolio was also enhanced through the disposition of 1.3 million square feet of non-core office and industrial assets in the Piedmont Triad for \$25 million. In addition, the sale of the Company's unconsolidated equity interests in its Des Moines joint ventures in May, which had approximately \$200 million in gross asset value and \$170 million of secured debt, enhanced our operating and financial flexibility under our credit facility covenants, providing us with additional dry powder," Mr. Fritsch added.*

### **Second Quarter and First Half Financial Results**

For the second quarter of 2010, the Company reported net income available for common stockholders of \$36.2 million, or \$0.50 per diluted share. This compares to net income available for common stockholders of \$33.2 million, or \$0.50 per diluted share, for the second quarter of 2009. (The Company noted that the number of weighted average shares outstanding in 2010 was higher due to the 2009 equity offering.)

For the six months ended June 30, 2010, net income available for common stockholders was \$45.9 million, or \$0.64 per diluted share, compared to \$44.0 million, or \$0.68 per diluted share, for the six months ended June 30, 2009. Net income per diluted share in the first half of 2010 included a \$0.34 per share gain from the sale of the Company's unconsolidated equity interests in the Des Moines joint ventures. In the first half of 2009, net income included \$0.32 per share from gains on sales of depreciable assets as well as \$0.01 per share from a gain on debt extinguishment.

Funds from Operations (FFO), which does not include gains on the sale of depreciable assets or investments in unconsolidated affiliates, was \$48.7 million, or \$0.64 per diluted share, for the second quarter of 2010 and \$94.5 million, or \$1.25 per diluted share, for the first six months of 2010. In the second quarter of 2009, FFO was \$49.3 million, or \$0.70 per diluted share, and \$96.9 million, or \$1.41 per diluted share, for the first six months of 2009.

The following items were included in the determination of net income available for common stockholders for the three and six months ended June 30, 2010 and 2009:

	3 Months Ended 6/30/10		3 Months Ended 6/30/09	
	(000)	Per Share	(000)	Per Share
Lease termination income	\$ 1,688	\$ 0.02	\$ 171	\$ 0.00
Straight line rental income	3,519	0.05	718	0.01
Capitalized interest	370	0.00	1,317	0.02
Land sale gains	0	0.00	124	0.00
Gains on for-sale residential condos, net of partner's interest	140	0.00	295	0.00
Gains on sales of depreciable assets (1)	17	0.00	21,794	0.31
Gain on sale of unconsolidated equity interests in Des Moines joint ventures	25,330	0.34	0	0.00
Gain on debt extinguishment	0	0.00	630	0.01
Impairment on depreciable assets	(260)	0.00	0	0.00
	6 Months Ended 6/30/10		6 Months Ended 6/30/09	
	(000)	Per Share	(000)	Per Share
Lease termination income	\$ 2,255	\$ 0.03	\$ 1,309	\$ 0.02
Straight line rental income	4,847	0.06	2,252	0.03
Capitalized interest	723	0.01	2,821	0.04
Land sale gains	0	0.00	124	0.00
Gains on for-sale residential condos, net of partner's interest	309	0.00	845	0.01
Gains on sales of depreciable assets (1)	210	0.00	21,886	0.32
Gain on sale of unconsolidated equity interests in Des Moines joint ventures	25,330	0.34	0	0.00
Gain on debt extinguishment	0	0.00	630	0.01
Impairment on depreciable assets	(260)	0.00	0	0.00

(1) 2009 amounts include \$781,000, or \$0.01 per share, representing the Company's share of a gain recorded by an unconsolidated joint venture.

### Funds from Operations Outlook

The Company has updated its 2010 FFO per diluted share outlook from \$2.31 to \$2.49 per share to \$2.40 to \$2.48 per share. 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 weighted average 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:

	<b>Low</b>	<b>High</b>
Year End Occupancy	88.5%	90%
Total Cash NOI Growth from Continuing Operations	0.5%	1.5%
Same Property Cash NOI Growth	-3.0%	-2.0%
Straight Line Rental Income	\$8M	\$10M
G&A Expenses	\$30M	\$31.5M
Lease Termination Income	\$2.3M	\$3M
Gains from Land and Residential Condominium Sales	\$0.5M	\$1M
Dispositions	\$125M	\$150M
Acquisitions	\$52.6M	\$200M
Development Starts	\$0M	\$75M

### Supplemental Information

A copy of the Company's second quarter 2010 Supplemental Information that includes financial, leasing and operational statistics is available in the "Investor Relations/Financial Supplementals" 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

Tomorrow, Thursday, July 29th at 12:00 p.m. Eastern time, the Company will host a teleconference call to discuss the matters highlighted in this press release. For US/Canada callers, dial (800) 931-6429. A live, listen-only Web cast and a replay of the conference call can be accessed through the Company's Web site at [www.highwoods.com](http://www.highwoods.com).

### Planned Date for Third Quarter 2010 Financial Release and Conference Call

The Company has set the following date and time it currently plans to release its third quarter unaudited financial results. Quarterly financial press releases are distributed after the market close.

	<b>Release Date</b>	<b>Conference Call</b>
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 real estate investment trust (“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 by themselves. As a result, management believes that 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 as disclosed by other REITs may not be comparable to our calculation of FFO and FFO per share as described below. 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.

FFO as defined by NAREIT 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;
- Plus depreciation and amortization of assets uniquely significant to the real estate industry;
- 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 Funds from Operations on the same basis); and
- Plus or minus adjustments for depreciation and amortization and gains/(losses) on sales

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 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 June 30, 2010). The Company's same property NOI calculations are reconciled to NOI in a table included with this release.

### **About Highwoods Properties**

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 June 30, 2010, the Company owned or had an interest in 330 in-service office, industrial and retail properties encompassing approximately 32.0 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, 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)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
<b>Rental and other revenues</b>	\$ 114,339	\$ 111,914	\$ 229,393	\$ 224,275
<b>Operating expenses:</b>				
Rental property and other expenses	38,324	38,901	80,039	79,179
Depreciation and amortization	33,353	32,514	66,082	65,223
General and administrative	6,980	9,486	15,487	17,801
Total operating expenses	78,657	80,901	161,608	162,203
<b>Interest expense:</b>				
Contractual	21,705	19,945	43,507	40,524
Amortization of deferred financing costs	835	689	1,670	1,351
Financing obligations	394	710	870	1,445
	22,934	21,344	46,047	43,320
<b>Other income:</b>				
Interest and other income	966	2,284	2,666	3,291
Gain on debt extinguishment	-	630	-	630
	966	2,914	2,666	3,921
<b>Income from continuing operations before disposition of property, condominiums and investment in unconsolidated affiliates and equity in earnings of unconsolidated affiliates</b>	13,714	12,583	24,404	22,673
Gains on disposition of property	17	194	36	213
Gains on disposition of for-sale residential condominiums	163	289	353	636
Gains on disposition of investment in unconsolidated affiliates	25,330	-	25,330	-
Equity in earnings of unconsolidated affiliates	888	1,862	1,683	3,162
<b>Income from continuing operations</b>	40,112	14,928	51,806	26,684
<b>Discontinued operations:</b>				
Income from discontinued operations	197	1,203	411	2,574
Net gains/(losses) on disposition of discontinued operations	(260)	20,943	(86)	21,016
	(63)	22,146	325	23,590
<b>Net income</b>	40,049	37,074	52,131	50,274
Net (income) attributable to noncontrolling interests in the Operating Partnership	(1,933)	(2,054)	(2,453)	(2,748)
Net (income) attributable to noncontrolling interests in consolidated affiliates	(215)	(116)	(429)	(134)
Dividends on preferred stock	(1,677)	(1,677)	(3,354)	(3,354)
<b>Net income available for common stockholders</b>	<u>\$ 36,224</u>	<u>\$ 33,227</u>	<u>\$ 45,895</u>	<u>\$ 44,038</u>
<b>Earnings per common share - basic:</b>				
Income from continuing operations available for common stockholders	\$ 0.51	\$ 0.19	\$ 0.64	\$ 0.34
Income from discontinued operations available for common stockholders	-	0.31	-	0.34
Net income available for common stockholders	<u>\$ 0.51</u>	<u>\$ 0.50</u>	<u>\$ 0.64</u>	<u>\$ 0.68</u>
Weighted average common shares outstanding - basic	71,601	66,122	71,508	64,883
<b>Earnings per common share - diluted:</b>				
Income from continuing operations available for common stockholders	\$ 0.50	\$ 0.19	\$ 0.64	\$ 0.34
Income from discontinued operations available for common stockholders	-	0.31	-	0.34
Net income available for common stockholders	<u>\$ 0.50</u>	<u>\$ 0.50</u>	<u>\$ 0.64</u>	<u>\$ 0.68</u>
Weighted average common shares outstanding - diluted	75,607	70,234	75,504	68,978
<b>Net income available for common stockholders:</b>				
Income from continuing operations available for common stockholders	\$ 36,284	\$ 12,370	\$ 45,587	\$ 21,824
Income/(loss) from discontinued operations available for common stockholders	(60)	20,857	308	22,214
Net income available for common stockholders	<u>\$ 36,224</u>	<u>\$ 33,227</u>	<u>\$ 45,895</u>	<u>\$ 44,038</u>

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

	<u>June 30,</u> <u>2010</u>	<u>December 31,</u> <u>2009</u>
<b>Assets:</b>		
Real estate assets, at cost:		
Land	\$ 337,656	\$ 350,537
Buildings and tenant improvements	2,856,415	2,880,632
Land held for development	104,148	104,148
	<u>3,298,219</u>	<u>3,335,317</u>
Less-accumulated depreciation	(798,814)	(781,073)
Net real estate assets	2,499,405	2,554,244
For-sale residential condominiums	10,126	12,933
Real estate and other assets, net, held for sale	1,229	5,031
Cash and cash equivalents	35,843	23,699
Restricted cash	6,241	6,841
Accounts receivable, net of allowance of \$3,326 and \$2,810, respectively	20,440	21,069
Mortgages and notes receivable, net of allowance of \$771 and \$698, respectively	20,144	3,143
Accrued straight-line rents receivable, net of allowance of \$2,405 and \$2,443, respectively	87,027	82,600
Investment in unconsolidated affiliates	62,633	66,077
Deferred financing and leasing costs, net of accumulated amortization of \$53,539 and \$52,129, respectively	72,350	73,517
Prepaid expenses and other assets	39,674	37,947
	<u>\$ 2,855,112</u>	<u>\$ 2,887,101</u>
<b>Total Assets</b>		
	<u>\$ 2,855,112</u>	<u>\$ 2,887,101</u>
<b>Liabilities, Noncontrolling Interests in the Operating Partnership and Equity:</b>		
Mortgages and notes payable	\$ 1,463,727	\$ 1,469,155
Accounts payable, accrued expenses and other liabilities	105,318	117,328
Financing obligations	33,603	37,706
Total Liabilities	<u>1,602,648</u>	<u>1,624,189</u>
Noncontrolling interests in the Operating Partnership	105,409	129,769
Equity:		
Preferred stock	81,592	81,592
Common stock	716	713
Additional paid-in capital	1,779,524	1,751,398
Distributions in excess of net income available for common stockholders	(716,790)	(701,932)
Accumulated other comprehensive loss	(3,275)	(3,811)
Total Stockholders' Equity	<u>1,141,767</u>	<u>1,127,960</u>
Noncontrolling interests in consolidated affiliates	5,288	5,183
Total Equity	<u>1,147,055</u>	<u>1,133,143</u>
Total Liabilities, Noncontrolling Interests in the Operating Partnership and Equity	<u>\$ 2,855,112</u>	<u>\$ 2,887,101</u>

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

	<b>Three Months Ended June 30,</b>		<b>Six months Ended June 30,</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
<b>Funds from operations:</b>				
Net income	\$ 40,049	\$ 37,074	\$ 52,131	\$ 50,274
Net (income) attributable to noncontrolling interests in the Operating Partnership	(1,933)	(2,054)	(2,453)	(2,748)
Net (income) attributable to noncontrolling interests in consolidated affiliates	(215)	(116)	(429)	(134)
Dividends on preferred stock	(1,677)	(1,677)	(3,354)	(3,354)
<b>Net income available for common stockholders</b>	<b>36,224</b>	<b>33,227</b>	<b>45,895</b>	<b>44,038</b>
Add/(deduct):				
Depreciation and amortization of real estate assets	32,926	32,023	65,235	64,289
(Gains) on disposition of depreciable properties	(17)	(70)	(36)	(89)
(Gains) on disposition of investment in unconsolidated affiliates	(25,330)	-	(25,330)	-
Net income attributable to noncontrolling interests in the Operating Partnership	1,933	2,054	2,453	2,748
Unconsolidated affiliates:				
Depreciation and amortization of real estate assets	2,737	3,223	6,078	6,473
(Gains) on disposition of depreciable properties	-	(781)	-	(781)
Discontinued operations:				
Depreciation and amortization of real estate assets	182	572	365	1,287
(Gains) on disposition of depreciable properties	-	(20,943)	(174)	(21,016)
<b>Funds from operations</b>	<b>\$ 48,655</b>	<b>\$ 49,305</b>	<b>\$ 94,486</b>	<b>\$ 96,949</b>
<b>Funds from operations per share - diluted:</b>				
Net income available for common stockholders	\$ 0.50	\$ 0.50	\$ 0.64	\$ 0.68
Add/(deduct):				
Depreciation and amortization of real estate assets	0.44	0.45	0.86	0.93
(Gains) on disposition of depreciable properties	-	-	-	-
(Gains) on disposition of investment in unconsolidated affiliates	(0.34)	-	(0.33)	-
Unconsolidated affiliates:				
Depreciation and amortization of real estate assets	0.04	0.05	0.08	0.09
(Gains) on disposition of depreciable properties	-	(0.01)	-	(0.01)
Discontinued operations:				
Depreciation and amortization of real estate assets	-	0.01	-	0.02
(Gains) on disposition of depreciable properties	-	(0.30)	-	(0.30)
<b>Funds from operations per share - diluted</b>	<b>\$ 0.64</b>	<b>\$ 0.70</b>	<b>\$ 1.25</b>	<b>\$ 1.41</b>
<b>Weighted average shares outstanding - diluted</b>	<b>75,607</b>	<b>70,234</b>	<b>75,504</b>	<b>68,978</b>



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

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
<b>Income from continuing operations before disposition of property, condominiums and investment in unconsolidated affiliates and equity in earnings of unconsolidated affiliates</b>	\$ 13,714	\$ 12,583	\$ 24,404	\$ 22,673
Other income/(expense)	(966)	(2,914)	(2,666)	(3,921)
Interest expense	22,934	21,344	46,047	43,320
General and administrative expense	6,980	9,486	15,487	17,801
Depreciation and amortization expense	33,353	32,514	66,082	65,223
<b>Net operating income from continuing operations</b>	<b>76,015</b>	<b>73,013</b>	<b>149,354</b>	<b>145,096</b>
Less - non same property and other net operating income	6,537	4,297	12,403	7,572
<b>Total same property net operating income from continuing operations</b>	<b>\$ 69,478</b>	<b>\$ 68,716</b>	<b>\$ 136,951</b>	<b>\$ 137,524</b>
Rental and other revenues	\$ 114,339	\$ 111,914	\$ 229,393	\$ 224,275
Rental property and other expenses	38,324	38,901	80,039	79,179
<b>Total net operating income from continuing operations</b>	<b>76,015</b>	<b>73,013</b>	<b>149,354</b>	<b>145,096</b>
Less - non same property and other net operating income	6,537	4,297	12,403	7,572
<b>Total same property net operating income from continuing operations</b>	<b>\$ 69,478</b>	<b>\$ 68,716</b>	<b>\$ 136,951</b>	<b>\$ 137,524</b>
Total same property net operating income from continuing operations	\$ 69,478	\$ 68,716	\$ 136,951	\$ 137,524
Less - straight line rent and lease termination fees	3,953	315	4,701	2,492
<b>Same property cash net operating income from continuing operations</b>	<b>\$ 65,525</b>	<b>\$ 68,401</b>	<b>\$ 132,250</b>	<b>\$ 135,032</b>