



FOR IMMEDIATE RELEASE

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Highwoods Properties Reports Second Quarter 2012 Results

\$0.70 FFO per Share

(Excluding Debt Extinguishment Charge and Property Acquisition Costs)

90.7% Occupancy

1.0 Million Square Feet Leased

Reports Leverage of 43.7% After Year-to-Date Transactions

\$148.0 Million of Non-Core Dispositions

\$101.3 Million of ATM Issuances

\$50.1 Million of Core Acquisitions

Updates 2012 FFO Outlook to \$2.66 to \$2.74 per Share

Previously \$2.60 to \$2.76 per Share

Raleigh, NC – July 26, 2012 – Highwoods Properties, Inc. (NYSE:HIW) today reported results for the three and six months ended June 30, 2012.

Ed Fritsch, President and CEO, stated, “Our second quarter results were solid. On a year-over-year basis, FFO per share increased 11% and occupancy grew 80 basis points. The performance of our same property portfolio was also positive on a year-over-year basis, with cash net operating income growing 1.8% and average occupancy increasing 150 basis points.

“We are also pleased to have achieved our stated goal of returning leverage back to the level it was prior to our September 2011 acquisitions of PPG Place and Riverwood 100. Those two investments, which totaled \$300 million, increased our ratio of debt plus preferred stock to gross assets from 43.8% to 47.5% at September 30, 2011. Since then, we’ve completed \$148.0 million of non-core dispositions, raised \$101.3 million through our ATM program and acquired \$50.1 million of core properties. Today, our pro forma leverage is 43.7% and we have no borrowings outstanding under our \$475 million revolving credit facility.”

Second Quarter and First Half Financial Results

Funds from Operations (FFO) available for common stockholders was \$54.1 million, or \$0.69 per diluted share, for the second quarter of 2012 and \$107.6 million, or \$1.39 per diluted share, for the first six months of 2012. Excluding debt extinguishment and property acquisition costs, which totaled \$0.01 per share, FFO per diluted share for the three and six months ended June 30, 2012 would have been \$0.70 and \$1.40, respectively. FFO available for common stockholders was \$45.8 million, or \$0.60 per diluted share, for the second quarter of 2011, and \$91.9 million, or \$1.21 per diluted share,

for the first six months of 2011. Excluding a preferred stock redemption charge and debt extinguishment and property acquisition costs, which totaled \$0.03 per share, FFO per diluted share for the three and six months ended June 30, 2011 would have been \$0.63 and \$1.24, respectively.

For the second quarter of 2012, the Company reported net income available for common stockholders of \$13.0 million, or \$0.17 per diluted share. Net income available for common stockholders for the second quarter of 2011 was \$10.1 million, or \$0.14 per diluted share. For the six months ended June 30, 2012, net income available for common stockholders was \$29.7 million, or \$0.40 per diluted share. Net income available for common stockholders for the first six months of 2011 was \$20.2 million, or \$0.28 per diluted share.

Except as noted below, the following items were included in the determination of net income and FFO for the three and six months ended June 30, 2012 and 2011.

	Three Months Ended		Three Months Ended	
	6/30/2012		6/30/2011	
	(000)	Per Share	(000)	Per Share
Lease Termination Income, Net (1)	\$ 628	\$ 0.008	\$ 26	\$ -
Straight-Line Rental Income (1)	4,794	0.061	2,788	0.037
Capitalized Interest	226	0.003	137	0.002
Land Sale Gain	-	-	200	0.003
Preferred Stock Redemption Charge	-	-	(1,895)	(0.025)
Property Acquisition Costs	(125)	(0.002)	(37)	-
Losses on Debt Extinguishment	(973)	(0.012)	(24)	-
Gains on Sales of Depreciable Assets (2)	1,385	0.018	-	-

	Six Months Ended		Six Months Ended	
	6/30/2012		6/30/2011	
	(000)	Per Share	(000)	Per Share
Lease Termination Income, Net (1)	\$ 1,507	\$ 0.019	\$ 292	\$ 0.004
Straight-Line Rental Income (1)	10,716	0.138	6,280	0.083
Capitalized Interest	327	0.004	344	0.005
Land Sale Gain	-	-	200	0.003
Preferred Stock Redemption Charge	-	-	(1,895)	(0.025)
Property Acquisition Costs	(125)	(0.002)	(74)	(0.001)
Losses on Debt Extinguishment	(973)	(0.013)	(24)	-
Gains on Sales of Depreciable Assets (2)	6,519	0.084	-	-
Impairments on Depreciable Assets (2) (3)	(1,002)	(0.013)	-	-

(1) Straight-line rent write-offs related to lease terminations are reflected as a reduction of lease termination income and were \$0.6 million and \$0 in the three months ended June 30, 2012 and 2011, respectively and \$1.2 million and \$0 in the six months ended June 30, 2012 and 2011, respectively.

(2) Not included in the determination of FFO.

(3) Represents the Company's share of impairments on two non-core buildings recorded by an unconsolidated joint venture in the first quarter of 2012.

Capital Recycling

Year-to-date, the Company has sold \$148.0 million of non-core properties and announced \$50.1 million of acquisitions, including three medical office buildings in Greensboro for a total investment of \$29.8 million. The Company has completed the acquisition of two of the three medical office buildings and expects to close on the third building later in the third quarter after obtaining lender consent to a related loan assumption.

ATM Update

Year-to-date, the Company has issued 3,073,776 shares of common stock, raising net proceeds of \$101.3 million. This includes 1,836,976 shares for net proceeds of \$61.0 million in the second quarter and 451,300 shares for net proceeds of \$14.9 million subsequent to the end of the second quarter.

FFO Outlook

The Company has updated its 2012 FFO outlook from \$2.60 to \$2.76 per share to \$2.66 to \$2.74 per share. This outlook 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 and interest rates. This outlook does not include any effects related to the timing and amount of potential acquisitions and dispositions as well as unusual charges or credits. The Company's FFO outlook is based on 78.8 million weighted average diluted shares expected to be outstanding on average throughout 2012. Factors that could cause actual 2012 FFO results to differ materially from Highwoods current expectations are discussed below and are also detailed in the Company's 2011 Annual Report on Form 10-K and subsequent SEC reports.

Management's outlook for 2012 is based on the following assumptions:

	Low	High
Year End Occupancy	89.5%	91.0%
Same Property Cash NOI Growth Excluding Termination Fees	2.5%	3.5%
Straight Line Rental Income	\$16M	\$18M
G&A Expenses, Excluding Property Acquisition Costs	\$33M	\$35M
Lease Termination Income, Net	\$1.5M	\$2.5M
Dispositions	\$148M	\$155M
Acquisitions	\$100M	\$300M
Development Starts	\$50M	\$150M

Supplemental Information

A copy of the Company's second quarter 2012 Supplemental Information that includes financial, leasing and operational statistics is available in the "Investor Relations/Financial Supplementals" section of the Company's website at 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. 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, Friday, July 27th at 11:00 a.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) 272-0419. A live, listen-only webcast can be accessed through the Company's website at www.highwoods.com under the "Investor Relations" section.

Planned Date for 2012 Third Quarter Release and Conference Call

The Company has set the following dates and times it currently plans to release its 2012 third quarter financial results. The press release will be distributed after the market closes and the conference calls will be held at 11:00 a.m. Eastern time.

	Release Date	Conference Call
Third Quarter Results	Tuesday, October 30	Wednesday, October 31

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, amortization and impairment 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. 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, amortization and impairment. 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 net income attributable to noncontrolling interests in consolidated affiliates;
- Plus depreciation and amortization of depreciable operating properties;
- Less gains, or plus losses, from sales of depreciable operating properties, plus impairments on depreciable operating properties and excluding items that are classified as extraordinary items under GAAP;
- Plus or minus our proportionate share of adjustments, including depreciation and amortization of depreciable operating properties, 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 of depreciable operating properties, plus impairments on depreciable operating properties, and noncontrolling interests in consolidated affiliates related to discontinued operations.

In calculating FFO, the Company excludes net income attributable to noncontrolling 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. In calculating FFO available for common stockholders and FFO per diluted share, the Company further deducts dividends on preferred 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. The Company defines cash NOI as NOI less straight line rent and lease termination fees. 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 from continuing operations before disposition of 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, 2011 to June 30, 2012). The Company's same property NOI calculations are reconciled to NOI in a table included with this release.

About Highwoods Properties

Highwoods Properties, headquartered in Raleigh, North Carolina, is a publicly traded (NYSE:HIW) real estate investment trust ("REIT") and a member of the S&P MidCap 400 Index. The Company is a fully integrated, self-administered REIT that provides leasing, management, development, construction and other customer-related services for its properties and for third parties. At June 30, 2012, Highwoods owned or had an interest in 338 in-service office, industrial and retail properties encompassing approximately 34.6 million square feet and owned 581 acres of development land. The Company's properties and development land are located in Florida, Georgia, Missouri, North Carolina, Pennsylvania, South Carolina, Tennessee and Virginia. For more information about Highwoods Properties, please visit our website at www.highwoods.com.

Certain matters discussed in this press release, such as expected 2012 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 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; unanticipated increases in operating expenses could negatively impact our NOI; 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 2011 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,	
	2012	2011	2012	2011
Rental and other revenues	\$ 130,735	\$ 114,651	\$ 258,768	\$ 226,981
Operating expenses:				
Rental property and other expenses	47,089	39,931	92,288	79,838
Depreciation and amortization	40,276	32,684	78,105	65,621
General and administrative	8,900	7,978	18,573	15,771
Total operating expenses	96,265	80,593	188,966	161,230
Interest expense:				
Contractual	23,643	22,940	47,591	45,371
Amortization of deferred financing costs	900	821	1,802	1,642
Financing obligations	(48)	146	(96)	437
	24,495	23,907	49,297	47,450
Other income:				
Interest and other income	1,737	1,899	3,967	3,772
Losses on debt extinguishment	(973)	(24)	(973)	(24)
	764	1,875	2,994	3,748
Income from continuing operations before disposition of property and condominiums and equity in earnings of unconsolidated affiliates	10,739	12,026	23,499	22,049
Gains on disposition of property	-	200	-	200
Gains on for-sale residential condominiums	110	116	175	154
Equity in earnings of unconsolidated affiliates	1,508	1,353	1,346	2,820
Income from continuing operations	12,357	13,695	25,020	25,223
Discontinued operations:				
Income from discontinued operations	756	739	1,291	1,654
Net gains on disposition of discontinued operations	1,385	-	6,519	-
	2,141	739	7,810	1,654
Net income	14,498	14,434	32,830	26,877
Net (income) attributable to noncontrolling interests in the Operating Partnership	(686)	(623)	(1,513)	(1,130)
Net (income) attributable to noncontrolling interests in consolidated affiliates	(223)	(182)	(407)	(305)
Dividends on Preferred Stock	(627)	(1,622)	(1,254)	(3,299)
Excess of Preferred Stock redemption/repurchase cost over carrying value	-	(1,895)	-	(1,895)
Net income available for common stockholders	\$ 12,962	\$ 10,112	\$ 29,656	\$ 20,248
Earnings per Common Share - basic:				
Income from continuing operations available for common stockholders	\$ 0.15	\$ 0.13	\$ 0.30	\$ 0.26
Income from discontinued operations available for common stockholders	0.02	0.01	0.10	0.02
Net income available for common stockholders	\$ 0.17	\$ 0.14	\$ 0.40	\$ 0.28
Weighted average Common Shares outstanding - basic	74,662	72,211	73,749	72,015
Earnings per Common Share - diluted:				
Income from continuing operations available for common stockholders	\$ 0.15	\$ 0.13	\$ 0.30	\$ 0.26
Income from discontinued operations available for common stockholders	0.02	0.01	0.10	0.02
Net income available for common stockholders	\$ 0.17	\$ 0.14	\$ 0.40	\$ 0.28
Weighted average Common Shares outstanding - diluted	78,521	76,197	77,601	75,987
Dividends declared per Common Share	\$ 0.425	\$ 0.425	\$ 0.850	\$ 0.850
Net income available for common stockholders:				
Income from continuing operations available for common stockholders	\$ 10,923	\$ 9,410	\$ 22,226	\$ 18,677
Income from discontinued operations available for common stockholders	2,039	702	7,430	1,571
Net income available for common stockholders	\$ 12,962	\$ 10,112	\$ 29,656	\$ 20,248

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

	<u>June 30, 2012</u>	<u>December 31, 2011</u>
Assets:		
Real estate assets, at cost:		
Land	\$ 366,925	\$ 364,022
Buildings and tenant improvements	3,117,730	3,078,308
Development in process	6,094	-
Land held for development	102,482	105,206
	<u>3,593,231</u>	<u>3,547,536</u>
Less-accumulated depreciation	(913,016)	(877,383)
Net real estate assets	2,680,215	2,670,153
For-sale residential condominiums	2,434	4,751
Real estate and other assets, net, held for sale	36,751	50,335
Cash and cash equivalents	6,527	11,188
Restricted cash	20,757	26,666
Accounts receivable, net of allowance of \$3,262 and \$3,548, respectively	21,882	30,093
Mortgages and notes receivable, net of allowance of \$118 and \$61, respectively	17,056	18,600
Accrued straight-line rents receivable, net of allowance of \$866 and \$1,294, respectively	113,695	104,284
Investment in and advances to unconsolidated affiliates	77,089	100,367
Deferred financing and leasing costs, net of accumulated amortization of \$70,572 and \$62,319, respectively	126,680	127,774
Prepaid expenses and other assets	41,907	36,781
Total Assets	<u>\$ 3,144,993</u>	<u>\$ 3,180,992</u>
Liabilities, Noncontrolling Interests in the Operating Partnership and Equity:		
Mortgages and notes payable	\$ 1,823,128	\$ 1,903,213
Accounts payable, accrued expenses and other liabilities	137,108	148,821
Financing obligations	30,822	31,444
Total Liabilities	<u>1,991,058</u>	<u>2,083,478</u>
Commitments and contingencies		
Noncontrolling interests in the Operating Partnership	124,880	110,655
Equity:		
Preferred Stock, \$.01 par value, 50,000,000 authorized shares; 8.625% Series A Cumulative Redeemable Preferred Shares (liquidation preference \$1,000 per share), 29,077 shares issued and outstanding	29,077	29,077
Common Stock, \$.01 par value, 200,000,000 authorized shares; 75,619,288 and 72,647,697 shares issued and outstanding, respectively	756	726
Additional paid-in capital	1,884,392	1,803,997
Distributions in excess of net income available for common stockholders	(878,984)	(845,853)
Accumulated other comprehensive loss	(10,779)	(5,734)
Total Stockholders' Equity	<u>1,024,462</u>	<u>982,213</u>
Noncontrolling interests in consolidated affiliates	4,593	4,646
Total Equity	<u>1,029,055</u>	<u>986,859</u>
Total Liabilities, Noncontrolling Interests in the Operating Partnership and Equity	<u>\$ 3,144,993</u>	<u>\$ 3,180,992</u>

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2012	2011	2012	2011
Funds from operations:				
Net income	\$ 14,498	\$ 14,434	\$ 32,830	\$ 26,877
Net (income) attributable to noncontrolling interests in consolidated affiliates	(223)	(182)	(407)	(305)
Depreciation and amortization of real estate assets	39,854	32,225	77,141	64,728
Unconsolidated affiliates:				
Depreciation and amortization of real estate assets	1,675	2,033	3,773	4,126
Impairment of depreciable properties	-	-	1,002	-
Discontinued operations:				
Depreciation and amortization of real estate assets	322	778	1,008	1,653
(Gains) on disposition of depreciable properties	(1,385)	-	(6,519)	-
Funds from operations	54,741	49,288	108,828	97,079
Dividends on Preferred Stock	(627)	(1,622)	(1,254)	(3,299)
Excess of Preferred Stock redemption/repurchase cost over carrying value	-	(1,895)	-	(1,895)
Funds from operations available for common stockholders	\$ 54,114	\$ 45,771	\$ 107,574	\$ 91,885
Funds from operations available for common stockholders per share	\$ 0.69	\$ 0.60	\$ 1.39	\$ 1.21
Weighted average shares outstanding	78,521	76,197	77,601	75,987

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Income from continuing operations before disposition of property and condominiums and equity in earnings of unconsolidated affiliates	\$ 10,739	\$ 12,026	\$ 23,499	\$ 22,049
Other (income)	(764)	(1,875)	(2,994)	(3,748)
Interest expense	24,495	23,907	49,297	47,450
General and administrative expense	8,900	7,978	18,573	15,771
Depreciation and amortization expense	40,276	32,684	78,105	65,621
Net operating income from continuing operations	83,646	74,720	166,480	147,143
Less - non same property and other net operating income	9,080	2,075	17,003	3,649
Total same property net operating income from continuing operations	\$ 74,566	\$ 72,645	\$ 149,477	\$ 143,494
Rental and other revenues	\$ 130,735	\$ 114,651	\$ 258,768	\$ 226,981
Rental property and other expenses	47,089	39,931	92,288	79,838
Total net operating income from continuing operations	83,646	74,720	166,480	147,143
Less - non same property and other net operating income	9,080	2,075	17,003	3,649
Total same property net operating income from continuing operations	\$ 74,566	\$ 72,645	\$ 149,477	\$ 143,494
Total same property net operating income from continuing operations	\$ 74,566	\$ 72,645	\$ 149,477	\$ 143,494
Less - straight line rent and lease termination fees	3,535	2,851	7,458	6,364
Same property cash net operating income from continuing operations	\$ 71,031	\$ 69,794	\$ 142,019	\$ 137,130