



FOR IMMEDIATE RELEASE

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Highwoods Properties Reports Third Quarter 2012 Results

\$0.66 FFO per Share

Excluding Property Acquisition Costs

**1.1 Million Square Feet Leased
90.2% Occupancy**

Updates 2012 FFO Outlook to \$2.72 to \$2.74 per Share

Previously \$2.66 to \$2.74 per Share

RALEIGH, NC – October 30, 2012 – Highwoods Properties, Inc. (NYSE:HIW) today reported results for the three and nine months ended September 30, 2012.

Ed Fritsch, President and CEO, stated, *"We had an extremely productive third quarter, akin to the third quarter of 2011."*

During the quarter, the Company:

- Delivered solid FFO of \$0.66 per share (excluding property acquisition costs)
- Increased same store cash NOI 2.7% year-over-year
- Leased 1.1 million square feet
 - Signed highest percentage of office relets since second quarter 2006
 - Increased occupancy 90 basis points year-over-year
- Sold \$134 million of non-core properties
- Announced \$177 million of accretive acquisitions
- Lowered leverage 170 basis points sequentially to 43.7%

"As a result of this solid performance, we have raised the midpoint of our 2012 FFO outlook by \$0.03," noted Mr. Fritsch.

Third Quarter and Nine Month Financial Results

Funds from operations available for common stockholders ("FFO") was \$52.2 million, or \$0.65 per diluted share, for the third quarter of 2012 and \$159.8 million, or \$2.03 per diluted share, for the first nine months of 2012. Excluding debt extinguishment and property acquisition costs, FFO per diluted share for the three and nine months ended September 30, 2012 would have been \$0.66 and \$2.06, respectively. FFO was \$45.1 million, or \$0.59 per diluted share, for the third quarter of 2011 and

\$137.0 million, or \$1.80 per diluted share, for the first nine months of 2011. Excluding debt extinguishment, property acquisition and preferred stock redemption costs, FFO per diluted share for the three and nine months ended September 30, 2011 would have been \$0.65 and \$1.88, respectively.

For the third quarter of 2012, the Company reported net income available for common stockholders ("net income") of \$33.4 million, or \$0.43 per diluted share. Net income for the third quarter of 2011 was \$7.0 million, or \$0.10 per diluted share. For the nine months ended September 30, 2012, net income was \$63.0 million, or \$0.84 per diluted share. For the nine months ended September 30, 2011, net income was \$27.3 million, or \$0.38 per diluted share.

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

	Three Months Ended 9/30/2012		Three Months Ended 9/30/2011	
	(000)	Per Share	(000)	Per Share
Lease Termination Income, Net (1)	\$ 317	\$ 0.004	\$ 690	\$ 0.009
Straight-Line Rental Income (1)	4,029	0.050	2,816	0.037
Capitalized Interest	339	0.004	169	0.002
Land Sale Gains	-	-	262	0.003
Property Acquisition Costs	(662)	(0.008)	(4,260)	(0.056)
Gains on Sales of Depreciable Properties (2)	22,936	0.285	2,573	0.034
Impairments on Depreciable Properties (2)	-	-	(2,429)	(0.032)
Merchant Build Gain from Sale of Unconsolidated Equity Interest In JVs (3)	-	-	2,282	0.030

	Nine Months Ended 9/30/2012		Nine Months Ended 9/30/2011	
	(000)	Per Share	(000)	Per Share
Lease Termination Income, Net (1)	\$ 1,824	\$ 0.023	\$ 982	\$ 0.013
Straight-Line Rental Income (1)	14,745	0.188	9,096	0.119
Capitalized Interest	666	0.008	513	0.007
Land Sale Gains	-	-	462	0.006
Preferred Stock Redemption Charge	-	-	(1,895)	(0.025)
Property Acquisition Costs	(787)	(0.010)	(4,334)	(0.057)
Losses on Debt Extinguishment	(973)	(0.012)	(24)	-
Gains on Sales of Depreciable Properties (2)	29,455	0.375	2,573	0.034
Impairments on Depreciable Properties (2) (4)	(1,002)	(0.013)	(2,429)	(0.032)
Merchant Build Gain from Sale of Unconsolidated Equity Interest In JVs (3)	-	-	2,282	0.030

- (1) Straight-line rental write-offs related to lease terminations are reflected as a reduction of lease termination income.
- (2) Not included in the determination of FFO.
- (3) Included in the determination of FFO because such gain is a merchant build gain and not a gain on depreciable operating properties.
- (4) Represents the Company's share of impairments on two non-core buildings recorded by an unconsolidated joint venture in the first quarter of 2012.

Investment Activity

Year-to-date, the Company has sold \$154.5 million of non-core properties and completed \$196.8 million of acquisitions. Acquisitions included Two Alliance Center in Atlanta, three medical office buildings in Greensboro and 11000 Weston in Raleigh.

ATM Update

Year-to-date, the Company has sold 5.49 million shares of common stock, raising net proceeds of \$180.2 million. This includes 2.87 million shares sold during the third quarter, raising net proceeds of \$93.8 million.

Term Loan Extension

In early October, the Company extended its \$200 million unsecured term loan. The loan, which was originally scheduled to mature in February 2016, is now scheduled to mature in January 2018. Based on the Company's current credit ratings, the modified loan bears interest at LIBOR plus 1.65%, a 55 basis point reduction from the original interest rate of LIBOR plus 2.20%.

FFO Outlook

The Company has updated its 2012 FFO outlook from \$2.66 to \$2.74 per share to \$2.72 to \$2.74 per share, which excludes debt extinguishment and property acquisition costs. 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 79.5 million 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 in the table below and are also detailed in the Company's 2011 Annual Report on Form 10-K and subsequent SEC reports.

	Low	High
Year End Occupancy	90.2%	90.7%
Same Property Cash NOI Growth, Excluding Termination Fees	3.2%	3.6%
Straight-Line Rental Income	\$18.5M	\$19.5M
G&A Expenses, Excluding Property Acquisition Costs	\$35.0M	\$35.5M
Lease Termination Income, Net	\$1.8M	\$2.0M
Development Starts	\$8M	\$100M
Dispositions	\$155M	\$158M
Acquisitions	\$197M	\$330M

Planned Dates for Financial Releases and Conference Calls in 2013

The Company has set the following dates and times it plans to release its financial results in 2013. Quarterly financial press releases will be distributed after the market closes and the conference calls will be held at 11:00 a.m. Eastern time.

Quarterly Result	Release Date	Conference Call
Fourth	Tuesday, February 12	Wednesday, February 13
First	Tuesday, April 30	Wednesday, May 1
Second	Thursday, July 25	Friday, July 26
Third	Tuesday, October 29	Wednesday, October 30

Supplemental Information

A copy of the Company's third quarter 2012 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. 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, Wednesday, October 31, 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) 272-0419. A live, listen-only webcast can be accessed through the Company's website at www.highwoods.com under the "Investor Relations" section.

A replay of the call will be available on the Investor Relations section of Highwoods website at www.highwoods.com.

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 impairments 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 property, condominiums and investments in unconsolidated affiliates 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 September 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 September 30, 2012, Highwoods owned or had an interest in 333 in-service office, industrial and retail properties encompassing approximately 34.1 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 September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Rental and other revenues	\$ 128,214	\$ 117,265	\$ 382,120	\$ 339,497
Operating expenses:				
Rental property and other expenses	47,233	44,031	138,132	122,358
Depreciation and amortization	38,651	35,051	115,755	99,659
Impairments of real estate assets	-	2,429	-	2,429
General and administrative	9,725	12,212	28,298	27,983
Total operating expenses	95,609	93,723	282,185	252,429
Interest expense:				
Contractual	22,910	23,264	70,309	68,444
Amortization of deferred financing costs	907	806	2,709	2,448
Financing obligations	(205)	201	(357)	584
	23,612	24,271	72,661	71,476
Other income:				
Interest and other income	1,916	1,505	5,883	5,277
Losses on debt extinguishment	-	-	(973)	(24)
	1,916	1,505	4,910	5,253
Income from continuing operations before disposition of property, condominiums and investments in unconsolidated affiliates and equity in earnings of unconsolidated affiliates	10,909	776	32,184	20,845
Gains on disposition of property	-	262	-	462
Gains/(losses) on for-sale residential condominiums	80	(476)	255	(322)
Gains on disposition of investments in unconsolidated affiliates	-	2,282	-	2,282
Equity in earnings of unconsolidated affiliates	1,324	1,113	2,670	3,933
Income from continuing operations	12,313	3,957	35,109	27,200
Discontinued operations:				
Income from discontinued operations	547	1,714	4,062	5,348
Net gains on disposition of discontinued operations	22,936	2,573	29,455	2,573
	23,483	4,287	33,517	7,921
Net income	35,796	8,244	68,626	35,121
Net (income) attributable to noncontrolling interests in the Operating Partnership	(1,653)	(366)	(3,166)	(1,496)
Net (income) attributable to noncontrolling interests in consolidated affiliates	(159)	(249)	(566)	(554)
Dividends on Preferred Stock	(627)	(627)	(1,881)	(3,926)
Excess of Preferred Stock redemption/repurchase cost over carrying value	-	-	-	(1,895)
Net income available for common stockholders	<u>\$ 33,357</u>	<u>\$ 7,002</u>	<u>\$ 63,013</u>	<u>\$ 27,250</u>
Earnings per Common Share - basic:				
Income from continuing operations available for common stockholders	\$ 0.15	\$ 0.04	\$ 0.42	\$ 0.28
Income from discontinued operations available for common stockholders	0.29	0.06	0.42	0.10
Net income available for common stockholders	<u>\$ 0.44</u>	<u>\$ 0.10</u>	<u>\$ 0.84</u>	<u>\$ 0.38</u>
Weighted average Common Shares outstanding - basic	<u>76,590</u>	<u>72,492</u>	<u>74,703</u>	<u>72,176</u>
Earnings per Common Share - diluted:				
Income from continuing operations available for common stockholders	\$ 0.14	\$ 0.04	\$ 0.42	\$ 0.28
Income from discontinued operations available for common stockholders	0.29	0.06	0.42	0.10
Net income available for common stockholders	<u>\$ 0.43</u>	<u>\$ 0.10</u>	<u>\$ 0.84</u>	<u>\$ 0.38</u>
Weighted average Common Shares outstanding - diluted	<u>80,495</u>	<u>76,402</u>	<u>78,568</u>	<u>76,127</u>
Dividends declared per Common Share	<u>\$ 0.425</u>	<u>\$ 0.425</u>	<u>\$ 1.275</u>	<u>\$ 1.275</u>
Net income available for common stockholders:				
Income from continuing operations available for common stockholders	\$ 10,980	\$ 2,928	\$ 31,090	\$ 19,724
Income from discontinued operations available for common stockholders	22,377	4,074	31,923	7,526
Net income available for common stockholders	<u>\$ 33,357</u>	<u>\$ 7,002</u>	<u>\$ 63,013</u>	<u>\$ 27,250</u>

Highwoods Properties, Inc.
Consolidated Balance Sheets
(Unaudited and in thousands, except share and per share data)

	September 30, 2012	December 31, 2011
Assets:		
Real estate assets, at cost:		
Land	\$ 371,478	\$ 355,694
Buildings and tenant improvements	3,200,350	3,009,155
Development in process	11,566	-
Land held for development	102,482	105,206
	3,685,876	3,470,055
Less-accumulated depreciation	(926,668)	(869,046)
Net real estate assets	2,759,208	2,601,009
For-sale residential condominiums	1,238	4,751
Real estate and other assets, net, held for sale	-	124,273
Cash and cash equivalents	9,086	11,188
Restricted cash	21,578	26,666
Accounts receivable, net of allowance of \$3,437 and \$3,548, respectively	21,144	30,093
Mortgages and notes receivable, net of allowance of \$211 and \$61, respectively	16,943	18,600
Accrued straight-line rents receivable, net of allowance of \$1,076 and \$1,294, respectively	112,660	99,490
Investments in and advances to unconsolidated affiliates	78,406	100,367
Deferred financing and leasing costs, net of accumulated amortization of \$73,579 and \$62,319, respectively	149,170	127,774
Prepaid expenses and other assets, net of accumulated amortization of \$12,585 and \$15,089, respectively	40,452	36,781
Total Assets	<u>\$ 3,209,885</u>	<u>\$ 3,180,992</u>
Liabilities, Noncontrolling Interests in the Operating Partnership and Equity:		
Mortgages and notes payable	\$ 1,778,555	\$ 1,868,906
Accounts payable, accrued expenses and other liabilities	152,053	148,607
Financing obligations	27,791	30,150
Liabilities, net, held for sale	-	35,815
Total Liabilities	1,958,399	2,083,478
Commitments and contingencies		
Noncontrolling interests in the Operating Partnership	123,141	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; 78,529,922 and 72,647,697 shares issued and outstanding, respectively	785	726
Additional paid-in capital	1,985,322	1,803,997
Distributions in excess of net income available for common stockholders	(877,962)	(845,853)
Accumulated other comprehensive loss	(13,426)	(5,734)
Total Stockholders' Equity	1,123,796	982,213
Noncontrolling interests in consolidated affiliates	4,549	4,646
Total Equity	1,128,345	986,859
Total Liabilities, Noncontrolling Interests in the Operating Partnership and Equity	<u>\$ 3,209,885</u>	<u>\$ 3,180,992</u>

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2012	2011	2012	2011
Funds from operations:				
Net income	\$ 35,796	\$ 8,244	\$ 68,626	\$ 35,121
Net (income) attributable to noncontrolling interests in consolidated affiliates	(159)	(249)	(566)	(554)
Depreciation and amortization of real estate assets	38,093	34,534	114,233	98,249
Impairments of depreciable properties	-	2,429	-	2,429
Unconsolidated affiliates:				
Depreciation and amortization of real estate assets	2,028	2,066	5,801	6,192
Impairments of depreciable properties	-	-	1,002	-
Discontinued operations:				
Depreciation and amortization of real estate assets	-	1,269	2,009	3,935
(Gains) on disposition of depreciable properties	(22,936)	(2,573)	(29,455)	(2,573)
Funds from operations	52,822	45,720	161,650	142,799
Dividends on Preferred Stock	(627)	(627)	(1,881)	(3,926)
Excess of Preferred Stock redemption/repurchase cost over carrying value	-	-	-	(1,895)
Funds from operations available for common stockholders	\$ 52,195	\$ 45,093	\$ 159,769	\$ 136,978
Funds from operations available for common stockholders per share	\$ 0.65	\$ 0.59	\$ 2.03	\$ 1.80
Weighted average shares outstanding	80,495	76,402	78,568	76,127

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Income from continuing operations before disposition of property, condominiums and investments in unconsolidated affiliates and equity in earnings of unconsolidated affiliates	\$ 10,909	\$ 776	\$ 32,184	\$ 20,845
Other (income)	(1,916)	(1,505)	(4,910)	(5,253)
Interest expense	23,612	24,271	72,661	71,476
General and administrative	9,725	12,212	28,298	27,983
Impairments of real estate assets	-	2,429	-	2,429
Depreciation and amortization	38,651	35,051	115,755	99,659
Net operating income from continuing operations	80,981	73,234	243,988	217,139
Less - non same property and other net operating income	10,140	3,501	27,142	7,149
Total same property net operating income from continuing operations	\$ 70,841	\$ 69,733	\$ 216,846	\$ 209,990
Rental and other revenues	\$ 128,214	\$ 117,265	\$ 382,120	\$ 339,497
Rental property and other expenses	47,233	44,031	138,132	122,358
Total net operating income from continuing operations	80,981	73,234	243,988	217,139
Less - non same property and other net operating income	10,140	3,501	27,142	7,149
Total same property net operating income from continuing operations	\$ 70,841	\$ 69,733	\$ 216,846	\$ 209,990
Total same property net operating income from continuing operations	\$ 70,841	\$ 69,733	\$ 216,846	\$ 209,990
Less - straight-line rent and lease termination fees	2,002	2,697	9,276	8,876
Same property cash net operating income from continuing operations	\$ 68,839	\$ 67,036	\$ 207,570	\$ 201,114