



FOR IMMEDIATE RELEASE

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## **Highwoods Properties Reports Fourth Quarter and Full Year 2012 Results**

**\$0.68 FFO per Share for Fourth Quarter 2012**  
*(Excluding Property Acquisition Costs)*

**\$2.73 FFO per Share for Full Year 2012**  
*(Excluding Debt Extinguishment Charge and Property Acquisition Costs)*

**90.9% Year-End Occupancy**

**Provides 2013 FFO Outlook of \$2.68 to \$2.81 per Share**

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**Raleigh, NC – February 12, 2013 – Highwoods Properties, Inc. (NYSE: HIW)** today reported results for the fourth quarter and full year ended December 31, 2012.

The Company also provided its 2013 FFO outlook of \$2.68 to \$2.81 per share.

Ed Fritsch, President and CEO, stated, *"2012 was a very productive year for Highwoods resulting in a 5.8% year-over-year increase in FFO per share, a strong performance. For the year, leasing volume was robust, average occupancy exceeded 90% and same property cash net operating income increased 3.6%. In addition, we further enhanced the quality of our portfolio through accretive acquisitions and non-core dispositions. Our concentration of core assets in the best business districts, a key aspect of our strategic plan, continues to grow and our results clearly reflect the success of this ongoing focus."*

*"During 2012, we further fortified our balance sheet and delivered on our commitment to grow our Company on a leverage-neutral basis. We ended the year with leverage at 43.9%, reduced the weighted average interest rate on our non-revolver debt by 52 basis points, extended the average term of our debt by nearly one full year and increased our unencumbered net operating income to nearly 70%."*

**Highlights for full year 2012 included:**

- 5.8% year-over-year increase in FFO
  - Reported \$2.73 per share, excluding debt extinguishment and acquisition costs
- 90 basis point increase in year-end occupancy
  - 90.9% at year-end 2012
  - 5.0 million square feet signed
    - 5.3 years weighted average office lease term
- 3.6% year-over-year increase in same property cash net operating income, excluding term fees
- \$296.0 million of acquisitions, 7.4% average cap rate (excluding free rent impact)
  - Two Alliance Center in Atlanta, \$146.7 million total investment
    - 29-story, Class A office building, 492,000 square feet with structured parking
    - Premier asset in Buckhead
    - Acquired below replacement cost
  - EQT Plaza in Pittsburgh, \$99.2 million total investment
    - 32-story, Class A office building, 616,000 square feet with structured parking
    - Institutional quality asset
    - Acquired well below replacement cost
  - Church Street I, II and III in Greensboro, \$29.8 million total investment
    - Medical office buildings, 149,000 square feet with structured parking
    - Across from Moses Cone Hospital, the largest medical center in the four-county region
  - 11000 Weston in Raleigh, \$20.3 million incremental investment
    - 178,000 square foot office building in the Weston PUD
    - Acquired our JV partner's 77.2% interest
- \$158.0 million of non-core dispositions, encompassing 1.3 million square feet, 6.8% average cap rate (7.4% excluding vacant apartment complex)
  - Five office buildings, exited Nashville's airport submarket
  - Three GSA-leased assets, including our largest industrial building in Atlanta and our only asset in Mississippi
  - One office property in Pinellas County, Tampa
  - Two properties in Kansas City, a 32-year old office building and a stick-built, 96-unit apartment complex
  - Two JV office properties in Orlando and Greensboro
- Strengthened Pittsburgh platform
  - Increased occupancy at PPG Place by 600 basis points to 88.7%
  - Grew portfolio 40% through acquisition of EQT Plaza
  - Hired 25-year Pittsburgh commercial real estate veteran to head division
- Lowered interest costs and further extended well-balanced maturity schedule
  - Issued \$250 million of unsecured bonds due January 2023
    - Priced to yield 3.752%
  - Extended and recast \$200 million term loan
    - Extended maturity date by two years until January 2018
    - Lowered interest rate by 55 basis points to LIBOR plus 165 basis points
  - Obtained \$225 million term loan
    - Seven-year term
    - Rate locked at 3.578% via swaps

- Reduced leverage and increased balance sheet flexibility
  - Issued 7.2 million shares under ATM for \$236.4 million of net proceeds
  - Lowered leverage by 340 basis points to 43.9%
  - Grew unencumbered NOI by 640 basis points to 68.6%
  - \$452 million undrawn at year-end on \$475 million credit facility

### Acquires 68 Acres of Office Land in Planned Mixed-Use Development in Cool Springs

The Company acquired 68 acres of development land for \$15.0 million in the Cool Springs submarket of Nashville in the fourth quarter. This land is zoned for up to 1.3 million square feet of office and will be part of a 145-acre high-density, mixed-used development tract.

Mr. Fritsch noted, *"We are thrilled to have positioned ourselves to be the office developer of a tract ideally situated in this fast growing submarket. Having placed in-service 100% of our Cool Springs land via the development of 937,000 square feet of 93%-occupied office space, owning this premier tract puts us back in the development business in an extraordinarily vibrant submarket."*

### Fourth Quarter and Full Year 2012 Financial Results

Funds from Operations available for common stockholders ("FFO") was \$55.6 million, or \$0.67 per diluted share, for the fourth quarter of 2012 and \$215.3 million, or \$2.70 per diluted share, for the full year 2012. Excluding debt extinguishment and property acquisition costs, FFO per diluted share for the fourth quarter and full year 2012 would have been \$0.68 and \$2.73, respectively. FFO was \$53.2 million, or \$0.70 per diluted share, for the fourth quarter of 2011 and \$190.2 million, or \$2.50 per diluted share, for the full year 2011. Excluding preferred stock redemption, debt extinguishment and property acquisition costs, FFO for the fourth quarter and full year 2011 would have been \$0.70 and \$2.58, respectively.

For the fourth quarter of 2012, the Company reported net income available for common stockholders ("net income") of \$14.1 million, or \$0.18 per diluted share. Net income for the fourth quarter of 2011 was \$11.4 million, or \$0.16 per diluted share. For the full year 2012, net income was \$77.1 million, or \$1.02 per diluted share. For the full year 2011, net income was \$38.7 million, or \$0.54 per diluted share.

Except as noted below, the following items were included in the determination of net income and FFO for the three and twelve months ended December 31, 2012 and 2011:

|  | Three Months Ended<br>12/31/2012 |           | Three Months Ended<br>12/31/2011 |           |
|--|----------------------------------|-----------|----------------------------------|-----------|
|  | (000)                            | Per Share | (000)                            | Per Share |
| Lease Termination Income, Net (1)            | \$ 26                            | \$ -      | \$ 817                           | \$ 0.011  |
| Straight-Line Rental Income (1)              | 4,346                            | 0.052     | 4,313                            | 0.056     |
| Capitalized Interest                         | 365                              | 0.004     | 76                               | 0.001     |
| Land Sale Gains                              | -                                | -         | 302                              | 0.004     |
| Property Acquisition Costs                   | (752)                            | (0.009)   | (113)                            | (0.001)   |
| Gains on Sales of Depreciable Properties (2) | 1,120                            | 0.013     | -                                | -         |

|   | Twelve Months Ended<br>12/31/2012 |           | Twelve Months Ended<br>12/31/2011 |           |
|---|-----------------------------------|-----------|-----------------------------------|-----------|
|   | (000)                             | Per Share | (000)                             | Per Share |
| Lease Termination Income, Net (1)   | \$ 1,850                          | \$ 0.023  | \$ 1,799                          | \$ 0.024  |
| Straight-Line Rental Income (1)   | 19,091                            | 0.240     | 13,409                            | 0.176     |
| Capitalized Interest  | 1,031                             | 0.013     | 589                               | 0.008     |
| Land Sale Gains   | -                                 | -         | 764                               | 0.010     |
| Preferred Stock Redemption Charge   | -                                 | -         | (1,895)                           | (0.025)   |
| Property Acquisition Costs  | (1,539)                           | (0.019)   | (4,447)                           | (0.058)   |
| Losses on Debt Extinguishment   | (973)                             | (0.012)   | (24)                              | -         |
| Gains on Sales of Depreciable Properties (2)                                  | 30,575                            | 0.384     | 2,573                             | 0.034     |
| Impairments on Depreciable Properties (2) (4)                                 | (1,002)                           | (0.013)   | (2,429)                           | (0.032)   |
| Merchant Build Gain from Sale of<br>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) The 2012 amount represents the Company's share of impairments on two non-core buildings recorded by an unconsolidated joint venture.

### FFO Outlook

For 2013, the Company expects FFO per share to be in the range of \$2.68 to \$2.81. 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, dispositions and equity issuances that occur after the date of this release as well as unusual charges or credits such as debt extinguishment and property acquisition costs. The Company's FFO outlook is based on 84.8 million diluted shares expected to be outstanding on average throughout 2013. Factors that could cause actual 2013 FFO results to differ materially from Highwoods current expectations are discussed below and are also detailed in the Company's 2012 Annual Report on Form 10-K and subsequent SEC reports.

Management's outlook for 2013 includes the following assumptions:

|   | Low     | High    |
|---|---------|---------|
| Year End Occupancy  | 89.5%   | 91.0%   |
| Same Property Cash NOI Growth, Excluding Termination Fees | 0.5%    | 1.5%    |
| Straight-Line Rental Income                               | \$12.0M | \$15.0M |
| G&A Expenses, Excluding Property Acquisition Costs        | \$32.0M | \$34.0M |
| Lease Termination Income, Net                             | \$1.0M  | \$3.0M  |
| Development Announcements                                 | \$75M   | \$200M  |
| Dispositions  | \$100M  | \$150M  |
| Acquisitions  | \$200M  | \$325M  |

**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.

| <b>Quarterly Result</b> | <b>Release Date</b> | <b>Conference Call</b> |
|-------------------------|---------------------|------------------------|
| 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 fourth 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](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, Wednesday, February 13, 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) 381-7839. 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 website at [www.highwoods.com](http://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 includes 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 December 31, 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 December 31, 2012, Highwoods owned or had an interest in 333 in-service office, industrial and retail properties encompassing approximately 34.6 million square feet and owned 649 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](http://www.highwoods.com).

Certain matters discussed in this press release, such as expected 2013 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 2012 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<br>December 31, |                  | Year Ended<br>December 31, |                  |
|--|------------------------------------|------------------|----------------------------|------------------|
|  | 2012                               | 2011             | 2012                       | 2011             |
| <b>Rental and other revenues</b>   | \$ 133,982                         | \$ 123,947       | \$ 516,102                 | \$ 463,444       |
| <b>Operating expenses:</b>   |                                    |                  |                            |                  |
| Rental property and other expenses   | 49,302                             | 45,495           | 187,434                    | 167,853          |
| Depreciation and amortization  | 40,563                             | 38,231           | 156,318                    | 137,890          |
| Impairments of real estate assets  | -                                  | -                | -                          | 2,429            |
| General and administrative   | 9,079                              | 7,744            | 37,377                     | 35,727           |
| Total operating expenses   | 98,944                             | 91,470           | 381,129                    | 343,899          |
| <b>Interest expense:</b>   |                                    |                  |                            |                  |
| Contractual  | 22,529                             | 23,014           | 92,838                     | 91,458           |
| Amortization of deferred financing costs   | 976                                | 864              | 3,685                      | 3,312            |
| Financing obligations  | (52)                               | 156              | (409)                      | 740              |
|  | 23,453                             | 24,034           | 96,114                     | 95,510           |
| <b>Other income:</b>   |                                    |                  |                            |                  |
| Interest and other income  | 1,470                              | 2,110            | 7,353                      | 7,387            |
| Losses on debt extinguishment  | -                                  | -                | (973)                      | (24)             |
|  | 1,470                              | 2,110            | 6,380                      | 7,363            |
| <b>Income from continuing operations before disposition of property, condominiums and investments in unconsolidated affiliates and equity in earnings of unconsolidated affiliates</b> | 13,055                             | 10,553           | 45,239                     | 31,398           |
| Gains on disposition of property   | -                                  | 302              | -                          | 764              |
| Gains/(losses) on for-sale residential condominiums  | 189                                | 6                | 444                        | (316)            |
| Gains on disposition of investments in unconsolidated affiliates   | -                                  | -                | -                          | 2,282            |
| Equity in earnings of unconsolidated affiliates  | 2,365                              | 945              | 5,035                      | 4,878            |
| <b>Income from continuing operations</b>   | 15,609                             | 11,806           | 50,718                     | 39,006           |
| <b>Discontinued operations:</b>  |                                    |                  |                            |                  |
| Income from discontinued operations  | -                                  | 1,044            | 4,062                      | 6,392            |
| Net gains on disposition of discontinued operations  | -                                  | -                | 29,455                     | 2,573            |
|  | -                                  | 1,044            | 33,517                     | 8,965            |
| <b>Net income</b>  | 15,609                             | 12,850           | 84,235                     | 47,971           |
| Net (income) attributable to noncontrolling interests in the Operating Partnership   | (688)                              | (595)            | (3,854)                    | (2,091)          |
| Net (income) attributable to noncontrolling interests in consolidated affiliates   | (220)                              | (201)            | (786)                      | (755)            |
| Dividends on Preferred Stock   | (627)                              | (627)            | (2,508)                    | (4,553)          |
| Excess of Preferred Stock redemption/repurchase cost over carrying value   | -                                  | -                | -                          | (1,895)          |
| <b>Net income available for common stockholders</b>  | <u>\$ 14,074</u>                   | <u>\$ 11,427</u> | <u>\$ 77,087</u>           | <u>\$ 38,677</u> |
| <b>Earnings per Common Share - basic:</b>  |                                    |                  |                            |                  |
| Income from continuing operations available for common stockholders  | \$ 0.18                            | \$ 0.14          | \$ 0.60                    | \$ 0.42          |
| Income from discontinued operations available for common stockholders  | -                                  | 0.02             | 0.42                       | 0.12             |
| Net income available for common stockholders   | <u>\$ 0.18</u>                     | <u>\$ 0.16</u>   | <u>\$ 1.02</u>             | <u>\$ 0.54</u>   |
| Weighted average Common Shares outstanding - basic   | <u>79,110</u>                      | <u>72,592</u>    | <u>75,811</u>              | <u>72,281</u>    |
| <b>Earnings per Common Share - diluted:</b>  |                                    |                  |                            |                  |
| Income from continuing operations available for common stockholders  | \$ 0.18                            | \$ 0.14          | \$ 0.60                    | \$ 0.42          |
| Income from discontinued operations available for common stockholders  | -                                  | 0.02             | 0.42                       | 0.12             |
| Net income available for common stockholders   | <u>\$ 0.18</u>                     | <u>\$ 0.16</u>   | <u>\$ 1.02</u>             | <u>\$ 0.54</u>   |
| Weighted average Common Shares outstanding - diluted   | <u>82,998</u>                      | <u>76,427</u>    | <u>79,678</u>              | <u>76,189</u>    |
| <b>Dividends declared per Common Share</b>   | <u>\$ 0.425</u>                    | <u>\$ 0.425</u>  | <u>\$ 1.70</u>             | <u>\$ 1.70</u>   |
| <b>Net income available for common stockholders:</b>   |                                    |                  |                            |                  |
| Income from continuing operations available for common stockholders  | \$ 14,074                          | \$ 10,434        | \$ 45,164                  | \$ 30,158        |
| Income from discontinued operations available for common stockholders  | -                                  | 993              | 31,923                     | 8,519            |
| Net income available for common stockholders   | <u>\$ 14,074</u>                   | <u>\$ 11,427</u> | <u>\$ 77,087</u>           | <u>\$ 38,677</u> |



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

|  | <b>December 31,</b> |                     |
|--|---------------------|---------------------|
|  | <b>2012</b>         | <b>2011</b>         |
| <b>Assets:</b>   |                     |                     |
| Real estate assets, at cost:   |                     |                     |
| Land   | \$ 374,212          | \$ 355,694          |
| Buildings and tenant improvements  | 3,304,468           | 3,009,155           |
| Development in process   | 21,198              | -                   |
| Land held for development  | 117,784             | 105,206             |
|  | 3,817,662           | 3,470,055           |
| Less-accumulated depreciation  | (947,567)           | (869,046)           |
| Net real estate assets   | 2,870,095           | 2,601,009           |
| For-sale residential condominiums  | -                   | 4,751               |
| Real estate and other assets, net, held for sale   | -                   | 124,273             |
| Cash and cash equivalents  | 13,783              | 11,188              |
| Restricted cash  | 19,702              | 26,666              |
| Accounts receivable, net of allowance of \$2,848 and \$3,548, respectively   | 23,073              | 30,093              |
| Mortgages and notes receivable, net of allowance of \$182 and \$61, respectively   | 25,472              | 18,600              |
| Accrued straight-line rents receivable, net of allowance of \$929 and \$1,294, respectively  | 116,992             | 99,490              |
| Investments in and advances to unconsolidated affiliates   | 66,800              | 100,367             |
| Deferred financing and leasing costs, net of accumulated amortization of \$77,383 and \$62,319, respectively   | 170,023             | 127,774             |
| Prepaid expenses and other assets, net of accumulated amortization of \$12,318 and \$15,089, respectively  | 44,488              | 36,781              |
| Total Assets   | <u>\$ 3,350,428</u> | <u>\$ 3,180,992</u> |
| <b>Liabilities, Noncontrolling Interests in the Operating Partnership and Equity:</b>  |                     |                     |
| Mortgages and notes payable  | \$ 1,859,162        | \$ 1,868,906        |
| Accounts payable, accrued expenses and other liabilities   | 172,146             | 148,607             |
| Financing obligations  | 29,358              | 30,150              |
| Liabilities held for sale  | -                   | 35,815              |
| Total Liabilities  | 2,060,666           | 2,083,478           |
| Commitments and contingencies  |                     |                     |
| Noncontrolling interests in the Operating Partnership  | 124,869             | 110,655             |
| Equity:  |                     |                     |
| Preferred Stock, \$.01 par value, 50,000,000 authorized shares;<br>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;<br>80,311,437 and 72,647,697 shares issued and outstanding, respectively   | 803                 | 726                 |
| Additional paid-in capital   | 2,040,306           | 1,803,997           |
| Distributions in excess of net income available for common stockholders  | (897,418)           | (845,853)           |
| Accumulated other comprehensive loss   | (12,628)            | (5,734)             |
| Total Stockholders' Equity   | 1,160,140           | 982,213             |
| Noncontrolling interests in consolidated affiliates  | 4,753               | 4,646               |
| Total Equity   | 1,164,893           | 986,859             |
| Total Liabilities, Noncontrolling Interests in the Operating Partnership and Equity  | <u>\$ 3,350,428</u> | <u>\$ 3,180,992</u> |

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

|  | <b>Three Months Ended<br/>December 31,</b> |                  | <b>Year Ended<br/>December 31,</b> |                   |
|--|--|------------------|------------------------------------|-------------------|
|  | <b>2012</b>                                | <b>2011</b>      | <b>2012</b>                        | <b>2011</b>       |
| <b>Funds from operations:</b>  |  |                  |                                    |                   |
| Net income   | \$ 15,609                                  | \$ 12,850        | \$ 84,235                          | \$ 47,971         |
| Net (income) attributable to noncontrolling interests in consolidated affiliates | (220)                                      | (201)            | (786)                              | (755)             |
| Depreciation and amortization of real estate assets                              | 40,003                                     | 37,676           | 154,236                            | 135,925           |
| Impairments of depreciable properties  | -  | -                | -                                  | 2,429             |
| Unconsolidated affiliates:   |  |                  |                                    |                   |
| Depreciation and amortization of real estate assets                              | 1,935                                      | 2,196            | 7,736                              | 8,388             |
| Impairments of depreciable properties  | -  | -                | 1,002                              | -                 |
| (Gains) on disposition of depreciable properties                                 | (1,120)                                    | -                | (1,120)                            | -                 |
| Discontinued operations:   |  |                  |                                    |                   |
| Depreciation and amortization of real estate assets                              | -  | 1,321            | 2,009                              | 5,256             |
| (Gains) on disposition of depreciable properties                                 | -  | -                | (29,455)                           | (2,573)           |
| <b>Funds from operations</b>   | <b>56,207</b>                              | <b>53,842</b>    | <b>217,857</b>                     | <b>196,641</b>    |
| Dividends on Preferred Stock   | (627)                                      | (627)            | (2,508)                            | (4,553)           |
| Excess of Preferred Stock redemption/repurchase cost over carrying value         | -  | -                | -                                  | (1,895)           |
| <b>Funds from operations available for common stockholders</b>                   | <b>\$ 55,580</b>                           | <b>\$ 53,215</b> | <b>\$ 215,349</b>                  | <b>\$ 190,193</b> |
| <b>Funds from operations available for common stockholders per share</b>         | <b>\$ 0.67</b>                             | <b>\$ 0.70</b>   | <b>\$ 2.70</b>                     | <b>\$ 2.50</b>    |
| <b>Weighted average shares outstanding</b>                                       | <b>82,998</b>                              | <b>76,427</b>    | <b>79,678</b>                      | <b>76,189</b>     |

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

|  | <b>Three Months Ended<br/>December 31,</b> |                  | <b>Year Ended<br/>December 31,</b> |                   |
|--|--|------------------|------------------------------------|-------------------|
|  | <b>2012</b>                                | <b>2011</b>      | <b>2012</b>                        | <b>2011</b>       |
| <b>Income from continuing operations before disposition of property,<br/>condominiums and investments in unconsolidated affiliates and<br/>equity in earnings of unconsolidated affiliates</b> | \$ 13,055                                  | \$ 10,553        | \$ 45,239                          | \$ 31,398         |
| Other income   | (1,470)                                    | (2,110)          | (6,380)                            | (7,363)           |
| Interest expense   | 23,453                                     | 24,034           | 96,114                             | 95,510            |
| General and administrative expenses  | 9,079                                      | 7,744            | 37,377                             | 35,727            |
| Impairments of real estate assets  | -  | -                | -                                  | 2,429             |
| Depreciation and amortization  | 40,563                                     | 38,231           | 156,318                            | 137,890           |
| <b>Net operating income from continuing operations</b>   | <b>84,680</b>                              | <b>78,452</b>    | <b>328,668</b>                     | <b>295,591</b>    |
| Less - non same property and other net operating income  | 14,143                                     | 9,003            | 41,285                             | 16,150            |
| <b>Total same property net operating income from continuing operations</b>   | <b>\$ 70,537</b>                           | <b>\$ 69,449</b> | <b>\$ 287,383</b>                  | <b>\$ 279,441</b> |
| Rental and other revenues  | \$ 133,982                                 | \$ 123,947       | \$ 516,102                         | \$ 463,444        |
| Rental property and other expenses   | 49,302                                     | 45,495           | 187,434                            | 167,853           |
| <b>Total net operating income from continuing operations</b>   | <b>84,680</b>                              | <b>78,452</b>    | <b>328,668</b>                     | <b>295,591</b>    |
| Less - non same property and other net operating income  | 14,143                                     | 9,003            | 41,285                             | 16,150            |
| <b>Total same property net operating income from continuing operations</b>   | <b>\$ 70,537</b>                           | <b>\$ 69,449</b> | <b>\$ 287,383</b>                  | <b>\$ 279,441</b> |
| Total same property net operating income from continuing operations  | \$ 70,537                                  | \$ 69,449        | \$ 287,383                         | \$ 279,441        |
| Less - straight-line rent and lease termination fees   | 910  | 3,075            | 10,185                             | 11,953            |
| <b>Same property cash net operating income from continuing operations</b>  | <b>\$ 69,627</b>                           | <b>\$ 66,374</b> | <b>\$ 277,198</b>                  | <b>\$ 267,488</b> |