



**FOR IMMEDIATE RELEASE**

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## **Highwoods Properties Reports First Quarter 2013 Results**

*\$0.68 FFO per Share*

*(Excluding Debt Extinguishment and Property Acquisition Costs)*

*90.6% Occupancy*

*Acquired \$89 Million of Office*

*Signed \$56 Million Build-to-Suit Lease*

*Sold \$19 Million of Non-Core Assets*

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

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## **Announces April Disposition of \$43.3 Million of Industrial Assets in Atlanta**

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**Raleigh, NC – April 30, 2013 – Highwoods Properties, Inc. (NYSE:HIW)** today reported results for the quarter ended March 31, 2013.

Ed Fritsch, President and CEO, stated, *"We had a productive quarter on many fronts, including accretive acquisitions, pre-leased development and strong NOI growth."*

### **During the first quarter, the Company:**

- Delivered \$0.68 per share of FFO
- Leased 1.2 million square feet of second generation space, including 795,000 square feet of office with an average term of 6.1 years
- Grew same property cash NOI 3.0% year-over-year
- Improved same property average occupancy 60 basis points year-over-year
- Increased average in-place cash rental rates across the office portfolio 4.8% compared to the first quarter of 2012
- Signed a long-term build-to-suit lease with International Paper (NYSE:IP) to expand its headquarters campus with a \$56.1 million office building
- Acquired \$88.8 million of office buildings in the best business districts of two core markets
- Sold three non-core office properties for \$18.9 million
- Issued 1.3 million shares of common stock under its ATM program, raising net proceeds of \$46.0 million

## April Disposition Activity

The Company sold 11 industrial buildings encompassing 862,000 square feet and 15 acres of industrial-zoned land in Atlanta for \$43.3 million, net of \$1.4 million of free rent credits. The development land represented \$2.5 million of the sales price. These industrial properties were, on average, 94% occupied and in 2013 were expected to generate cash and GAAP net operating income of \$2.2 million and \$2.9 million, respectively. In the second quarter, the Company will record an approximate \$13 million gain from the building sales and a nominal gain from the land sale.

Mr. Fritsch stated, *“Over the past 12 months, we have taken advantage of heightened investor demand for industrial properties, selling 1.2 million square feet, 37% of our Atlanta industrial portfolio. This year, we anticipate exiting the majority of our remaining Atlanta industrial assets, in sync with our goal of concentrating our resources in Atlanta on high-quality office assets.”*

The Company also reported that one of its unconsolidated joint ventures sold a 148,000 square foot vacant office building in Charlotte for \$6.0 million, of which the Company's pro rata share was \$1.4 million.

*“Year-to-date, we have raised \$109.6 million through \$63.6 million of non-core dispositions and \$46.0 million under our ATM equity program. As a result, our leverage, including preferred stock, has improved from 43.9% to 43.3%. Even with our lowered leverage, we are pleased to reaffirm our full year FFO outlook of \$2.68 to \$2.81 per share given the solid start to the year,”* Mr. Fritsch noted.

## First Quarter Financial Results

Funds from Operations available for common stockholders (“FFO”) was \$57.2 million, or \$0.67 per diluted share, for the first quarter of 2013. Excluding debt extinguishment and property acquisition costs, FFO per diluted share for the first quarter of 2013 would have been \$0.68. FFO was \$53.5 million, or \$0.70 per diluted share, for the first quarter of 2012.

For the first quarter of 2013, the Company reported net income available for common stockholders (“net income”) of \$12.3 million, or \$0.15 per diluted share. Net income for the first quarter of 2012 was \$16.7 million, or \$0.23 per diluted share, which included \$0.07 per share of gains on sales of depreciable properties.

Except as noted below, the following items were included in the determination of net income and FFO for the three months ended March 31, 2013 and 2012.

	Three Months Ended 3/31/2013		Three Months Ended 3/31/2012	
	(000)	Per Share	(000)	Per Share
Lease Termination Income, Net (1)	\$ 81	\$ 0.001	\$ 879	\$ 0.011
Straight-Line Rental Income (1)	5,553	0.065	5,922	0.077
Capitalized Interest	429	0.005	101	0.001
Property Acquisition Costs	(494)	(0.006)	-	-
Losses on Debt Extinguishment	(164)	(0.002)	-	-
Gains on Sales of Depreciable Properties (2) (3)	1,665	0.020	5,134	0.067
Impairments on Depreciable Properties (2) (4)	(2,148)	(0.025)	(1,002)	(0.013)

(1) Straight-line rental write-offs related to lease terminations are reflected as a reduction of lease termination income and were \$8,000 and \$559,000 in the three months ended March 31, 2013 and 2012, respectively.

(2) Not included in the determination of FFO.

(3) \$421,000 of the March 31, 2013 amount is the Company's share of gains on disposition of depreciable properties recorded by an unconsolidated joint venture.

(4) Includes \$1.0 million representing the Company's share of impairments of depreciable properties recorded by an unconsolidated joint venture in each period.

### Funds from Operations Outlook

The Company reaffirmed its 2013 FFO per share outlook of \$2.68 to \$2.81, which was originally issued on February 12, 2013. 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. The Company's FFO outlook is based on 85.7 million diluted shares expected to be outstanding on average throughout 2013. This outlook does not include any effects related to the timing and amount of potential acquisitions, dispositions and equity issuances that may occur after the date of this release as well as unusual charges or credits such as debt extinguishment and property acquisition costs. Factors that could cause actual 2013 FFO results to differ materially from 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:

	<u>Low</u>	<u>High</u>
Year End Occupancy	90.0%	91.0%
Same Property Cash NOI Growth, Excluding Termination Fees	0.5%	1.5%
Straight-Line Rental Income	\$13.0M	\$16.0M
G&A Expenses, Excluding Property Acquisition Costs (1)	\$32.0M	\$34.0M
Lease Termination Income, Net	\$1.0M	\$3.0M
Development Announcements	\$85M	\$200M
Dispositions	\$125M	\$175M
Acquisitions	\$200M	\$325M

- (1) First quarter 2013 general and administrative expenses included \$3.4 million of long-term equity incentive compensation costs compared to \$2.4 million of such costs in the first quarter of 2012. Total equity incentive compensation costs are expected to aggregate \$6.9 million in 2013 as compared to \$7.6 million in 2012. Under GAAP, certain annual long-term equity grants must be expensed at the grant date for employees who have met or are approaching the age and service eligibility requirements under the Company's retirement plan. As a result, first quarter general and administrative expenses will likely be higher than subsequent quarters in future years because the Company's annual grants are typically made in March.

### Supplemental Information

A copy of the Company's first quarter 2013 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](http://www.highwoods.com). You may also obtain a copy of all Supplemental Information published by the Company by contacting Highwoods Investor Relations at 919-431-1529/800-256-2963 or by e-mail to [HIW-IR@highwoods.com](mailto:HIW-IR@highwoods.com). If you would like to receive future Supplemental Information packages by e-mail, please contact the Investor Relations department as noted above or by written request to: Investor Relations Department, Highwoods Properties, Inc., 3100 Smoketree Court, Suite 600, Raleigh, NC 27604.

### Conference Call

On Wednesday, May 1, 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 webcast can be accessed through the Company's website 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 the Company's website at [www.highwoods.com](http://www.highwoods.com).

**Planned Dates for Financial Releases and Conference Calls in 2013**

The Company has set the following dates and times it currently 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>
Second	Thursday, July 25	Friday, July 26
Third	Tuesday, October 29	Wednesday, October 30

**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 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 condominiums and equity in earnings/(losses) 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, 2012 to March 31, 2013). 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 March 31, 2013, Highwoods owned or had an interest in 334 in-service office, industrial and retail properties encompassing approximately 35.0 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)

	<b>Three Months Ended March 31,</b>	
	<b>2013</b>	<b>2012</b>
<b>Rental and other revenues</b>	\$ 137,030	\$ 124,894
<b>Operating expenses:</b>		
Rental property and other expenses	48,941	44,378
Depreciation and amortization	42,144	36,983
Impairments of real estate assets	415	-
General and administrative	10,582	9,673
Total operating expenses	102,082	91,034
<b>Interest expense:</b>		
Contractual	22,798	23,851
Amortization of deferred financing costs	949	902
Financing obligations	121	(76)
	23,868	24,677
<b>Other income:</b>		
Interest and other income	1,783	2,230
Losses on debt extinguishment	(164)	-
	1,619	2,230
<b>Income from continuing operations before disposition of condominiums and equity in earnings/(losses) of unconsolidated affiliates</b>	12,699	11,413
Gains on for-sale residential condominiums	-	65
Equity in earnings/(losses) of unconsolidated affiliates	436	(162)
<b>Income from continuing operations</b>	13,135	11,316
<b>Discontinued operations:</b>		
Income from discontinued operations	94	1,882
Impairments of real estate assets held for sale	(713)	-
Net gains on disposition of discontinued operations	1,244	5,134
	625	7,016
<b>Net income</b>	13,760	18,332
Net (income) attributable to noncontrolling interests in the Operating Partnership	(581)	(827)
Net (income) attributable to noncontrolling interests in consolidated affiliates	(203)	(184)
Dividends on Preferred Stock	(627)	(627)
<b>Net income available for common stockholders</b>	\$ 12,349	\$ 16,694
<b>Earnings per Common Share - basic:</b>		
Income from continuing operations available for common stockholders	\$ 0.14	\$ 0.14
Income from discontinued operations available for common stockholders	0.01	0.09
Net income available for common stockholders	\$ 0.15	\$ 0.23
Weighted average Common Shares outstanding - basic	81,029	72,836
<b>Earnings per Common Share - diluted:</b>		
Income from continuing operations available for common stockholders	\$ 0.14	\$ 0.14
Income from discontinued operations available for common stockholders	0.01	0.09
Net income available for common stockholders	\$ 0.15	\$ 0.23
Weighted average Common Shares outstanding - diluted	84,862	76,696
<b>Dividends declared per Common Share</b>	\$ 0.425	\$ 0.425
<b>Net income available for common stockholders:</b>		
Income from continuing operations available for common stockholders	\$ 11,752	\$ 10,022
Income from discontinued operations available for common stockholders	597	6,672
Net income available for common stockholders	\$ 12,349	\$ 16,694

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

	<b>March 31, 2013</b>	<b>December 31, 2012</b>
<b>Assets:</b>		
Real estate assets, at cost:		
Land	\$ 380,932	\$ 371,730
Buildings and tenant improvements	3,365,154	3,281,362
Development in process	29,209	21,198
Land held for development	122,825	117,784
	3,898,120	3,792,074
Less-accumulated depreciation	(966,448)	(939,550)
Net real estate assets	2,931,672	2,852,524
Real estate and other assets, net, held for sale	4,394	18,938
Cash and cash equivalents	12,170	13,783
Restricted cash	14,790	19,702
Accounts receivable, net of allowance of \$1,923 and \$2,848, respectively	25,067	23,073
Mortgages and notes receivable, net of allowance of \$437 and \$182, respectively	25,472	25,472
Accrued straight-line rents receivable, net of allowance of \$1,034 and \$880, respectively	122,098	116,584
Investments in and advances to unconsolidated affiliates	66,142	66,800
Deferred financing and leasing costs, net of accumulated amortization of \$82,472 and \$77,219, respectively	176,816	169,094
Prepaid expenses and other assets, net of accumulated amortization of \$12,587 and \$12,318, respectively	41,972	44,458
Total Assets	<u>\$ 3,420,593</u>	<u>\$ 3,350,428</u>
<b>Liabilities, Noncontrolling Interests in the Operating Partnership and Equity:</b>		
Mortgages and notes payable	\$ 1,896,300	\$ 1,859,162
Accounts payable, accrued expenses and other liabilities	167,553	172,146
Financing obligations	29,251	29,358
Total Liabilities	2,093,104	2,060,666
Commitments and contingencies		
Noncontrolling interests in the Operating Partnership	147,317	124,869
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; 82,130,593 and 80,311,437 shares issued and outstanding, respectively	821	803
Additional paid-in capital	2,076,081	2,040,306
Distributions in excess of net income available for common stockholders	(919,328)	(897,418)
Accumulated other comprehensive loss	(11,170)	(12,628)
Total Stockholders' Equity	1,175,481	1,160,140
Noncontrolling interests in consolidated affiliates	4,691	4,753
Total Equity	1,180,172	1,164,893
Total Liabilities, Noncontrolling Interests in the Operating Partnership and Equity	<u>\$ 3,420,593</u>	<u>\$ 3,350,428</u>

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

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2013</b>	<b>2012</b>
<b>Funds from operations:</b>		
Net income	\$ 13,760	\$ 18,332
Net (income) attributable to noncontrolling interests in consolidated affiliates	(203)	(184)
Depreciation and amortization of real estate assets	41,574	36,441
Impairments of depreciable properties	415	-
Unconsolidated affiliates:		
Depreciation and amortization of real estate assets	2,015	2,098
Impairments of depreciable properties	1,020	1,002
(Gains) on disposition of depreciable properties	(421)	-
Discontinued operations:		
Depreciation and amortization of real estate assets	148	1,532
Impairments of depreciable properties	713	-
(Gains) on disposition of depreciable properties	(1,244)	(5,134)
<b>Funds from operations</b>	<u>57,777</u>	<u>54,087</u>
Dividends on Preferred Stock	(627)	(627)
<b>Funds from operations available for common stockholders</b>	<u>\$ 57,150</u>	<u>\$ 53,460</u>
<b>Funds from operations available for common stockholders per share</b>	<u>\$ 0.67</u>	<u>\$ 0.70</u>
<b>Weighted average shares outstanding</b>	<u>84,862</u>	<u>76,696</u>



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

	<b>Three Months Ended March 31,</b>	
	<b>2013</b>	<b>2012</b>
<b>Income from continuing operations before disposition of condominiums and equity in earnings/(losses) of unconsolidated affiliates</b>	\$ 12,699	\$ 11,413
Other income	(1,619)	(2,230)
Interest expense	23,868	24,677
General and administrative expenses	10,582	9,673
Impairments of real estate assets	415	-
Depreciation and amortization	42,144	36,983
<b>Net operating income from continuing operations</b>	88,089	80,516
Less - non same property and other net operating income	9,003	1,130
<b>Total same property net operating income from continuing operations</b>	<u>\$ 79,086</u>	<u>\$ 79,386</u>
 Rental and other revenues	 \$ 137,030	 \$ 124,894
Rental property and other expenses	48,941	44,378
<b>Total net operating income from continuing operations</b>	88,089	80,516
Less - non same property and other net operating income	9,003	1,130
<b>Total same property net operating income from continuing operations</b>	<u>\$ 79,086</u>	<u>\$ 79,386</u>
 Total same property net operating income from continuing operations	 \$ 79,086	 \$ 79,386
Less - straight-line rent and lease termination fees	3,771	6,240
<b>Same property cash net operating income from continuing operations</b>	<u>\$ 75,315</u>	<u>\$ 73,146</u>