



FOR IMMEDIATE RELEASE

Ref: 13-20

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Highwoods Properties Reports Second Quarter 2013 Results

\$0.70 FFO per Share

Leased Over 1 Million Square Feet of Office

Acquired \$143 Million of Office

Sold \$48 Million of Industrial

Raised \$66 Million of Equity

Upgraded by Moody's to Baa2

Updates 2013 FFO Outlook to \$2.76 to \$2.84 per Share

Previously \$2.68 to \$2.81 per Share

Raleigh, NC – July 25, 2013 – Highwoods Properties, Inc. (NYSE:HIW) today reported results for the three and six months ended June 30, 2013.

Ed Fritsch, President and CEO, stated, *"It was another productive quarter for our Company with strong leasing, solid cash NOI growth and good capital deployment activity."*

During the second quarter, the Company:

- Delivered \$0.70 per share of FFO
- Grew same property cash NOI 2.8% year-over-year, excluding termination fees
- Increased average in-place cash rental rates across the total portfolio 7.9% compared to the second quarter of 2012
- Leased over one million square feet of second generation office with an average term of 4.7 years
- Acquired One Alliance Center, a trophy office tower in Buckhead, for \$143.4 million, 20% below estimated replacement cost
- Sold \$48.0 million of Atlanta industrial assets at a 6.0% year-one cash cap rate
- Issued 1.76 million shares of common stock, raising net proceeds of \$66.3 million. The Company also issued 0.52 million shares for net proceeds of \$17.9 million subsequent to the end of the second quarter
- Earned a ratings upgrade by Moody's Investors Service to Baa2/Stable from Baa3/Stable
- Ended the quarter with leverage at 43.4%, including preferred stock

"We are also pleased to have acquired our joint venture partner's 60% interest in five CBD Orlando buildings encompassing 1.3 million square feet, which we announced earlier this week. As a result of this well-timed, accretive acquisition and our solid operating performance, we have raised the midpoint of our 2013 FFO outlook by \$0.05," noted Mr. Fritsch.

Second Quarter and First Half Financial Results

Funds from operations available for common stockholders ("FFO") was \$60.6 million, or \$0.70 per diluted share, for the second quarter of 2013 and \$117.8 million, or \$1.37 per diluted share, for the first six months of 2013. Excluding debt extinguishment and property acquisition costs, FFO per diluted share for the three and six months ended June 30, 2013 would have been \$0.70 and \$1.39, respectively. FFO 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, FFO per diluted share for the three and six months ended June 30, 2012 would have been \$0.70 and \$1.40, respectively.

For the second quarter of 2013, the Company reported net income available for common stockholders ("net income") of \$27.5 million, or \$0.33 per diluted share. Net income for the second quarter of 2012 was \$13.0 million, or \$0.17 per diluted share. For the six months ended June 30, 2013, net income was \$39.9 million, or \$0.49 per diluted share. For the six months ended June 30, 2012, net income was \$29.7 million, or \$0.40 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, 2013 and 2012:

	Three Months Ended		Three Months Ended	
	6/30/2013		6/30/2012	
	(000)	Per Share	(000)	Per Share
Lease Termination Income, Net (1)	\$ 1,107	\$ 0.013	\$ 628	\$ 0.008
Straight-Line Rental Income (1)	2,764	0.032	4,794	0.061
Capitalized Interest	707	0.008	226	0.003
Property Acquisition Costs	(406)	(0.005)	(125)	(0.002)
Losses on Debt Extinguishment	-	-	(973)	(0.012)
Gains on Sales of Depreciable Assets (2)	13,173	0.152	1,385	0.018
Impairments on Depreciable Assets (2)	(1,066)	(0.012)	-	-

	Six Months Ended		Six Months Ended	
	6/30/2013		6/30/2012	
	(000)	Per Share	(000)	Per Share
Lease Termination Income, Net (1)	\$ 1,188	\$ 0.014	\$ 1,507	\$ 0.019
Straight-Line Rental Income (1)	8,317	0.097	10,716	0.138
Capitalized Interest	1,136	0.013	327	0.004
Property Acquisition Costs	(900)	(0.010)	(125)	(0.002)
Losses on Debt Extinguishment	(164)	(0.002)	(973)	(0.013)
Gains on Sales of Depreciable Assets (2)	14,838	0.173	6,519	0.084
Impairments on Depreciable Assets (2) (3)	(3,214)	(0.037)	(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 \$0.5 million and \$0.6 million in the three months ended June 30, 2013 and 2012, respectively, and \$0.5 million and \$1.2 million in the six months ended June 30, 2013 and 2012, respectively.
- (2) Not included in the determination of FFO.
- (3) The 2013 amount includes \$1.1 million of impairments included in discontinued operations and \$1.0 million for the Company's share of impairments recorded by an unconsolidated joint venture. The entire 2012 amount represents the Company's share of impairments recorded by an unconsolidated joint venture.

Investment Activity

Year-to-date, the Company has:

- Acquired \$349.7 million of Class A office properties
- Sold \$68.4 million of non-core properties
- Announced \$59.8 million of build-to-suit office and amenity retail development projects
 - The Company's development pipeline totals \$129 million and is 93.0% pre-leased

"We continue to enhance the value of our portfolio through strategic capital recycling and deployment. The additions of One Alliance Center in Atlanta, Meridian I and II in Tampa and the CBD Orlando assets meaningfully strengthen our franchise in these markets and, with a weighted average occupancy of 81%, provide opportunities to add value through occupancy growth.

We are also pleased to have substantively increased our outlook for investment activity for the year as reflected in our outlook assumptions table below. We have raised both the low and high end for each capital category, namely acquisitions, dispositions and developments," noted Mr. Fritsch.

ATM and Leverage Update

Year-to-date, the Company has issued 3.57 million shares of common stock, raising net proceeds of \$130.2 million. This includes 1.76 million shares for net proceeds of \$66.3 million in the second quarter and 0.52 million shares for net proceeds of \$17.9 million subsequent to the end of the second quarter. Following the Orlando transaction, the Company's leverage ratio, including preferred stock, is under 45%.

FFO Outlook

The Company has updated its 2013 FFO outlook from \$2.68 to \$2.81 per share to \$2.76 to \$2.84 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, 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. The Company's FFO outlook is based on 87.0 million diluted shares expected to be outstanding on average throughout 2013. 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	89.5%	90.5%
Same Property Cash NOI Growth Excluding Termination Fees	1.0%	2.0%
Straight-Line Rental Income	\$15M	\$17M
G&A Expenses, Excluding Property Acquisition Costs	\$33M	\$35M
Lease Termination Income, Net	\$1.2M	\$2.0M
Dispositions	\$190M	\$225M
Acquisitions	\$400M	\$550M
Development Announcements	\$125M	\$235M

Supplemental Information

A copy of the Company's second 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. 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 26th 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) 381-7839. 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 2013 Third Quarter Release and Conference Call

The Company has set the following date and time it currently plans to release its 2013 third quarter financial results. The press release will be distributed after the market closes and the conference calls will be held the next day at 11:00 a.m. Eastern time.

	Release Date	Conference Call
Third Quarter Results	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 and cash NOI are useful supplemental measures of the Company's property operating performance because they provide performance measures of the revenues and expenses directly involved in owning real estate assets, and provide 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 and condominiums and equity in earnings of unconsolidated affiliates" and to "Rental and other revenues" and "Rental property and other expenses" in a table included with this release.

Same property NOI from continuing operations: The Company defines same property NOI as NOI for the Company's in-service properties included in continuing operations that were wholly-owned during the entirety of the periods presented (from January 1, 2012 to June 30, 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 June 30, 2013, Highwoods owned or had an interest in 321 in-service office, industrial and retail properties encompassing approximately 34.3 million square feet and owned 634 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 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 June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Rental and other revenues	\$ 138,515	\$ 126,728	\$ 274,631	\$ 250,762
Operating expenses:				
Rental property and other expenses	49,633	45,884	98,372	90,066
Depreciation and amortization	42,394	38,991	84,208	75,687
Impairments of real estate assets	1,066	-	1,066	-
General and administrative	8,397	8,900	18,979	18,573
Total operating expenses	101,490	93,775	202,625	184,326
Interest expense:				
Contractual	22,398	23,548	45,196	47,399
Amortization of deferred financing costs	948	900	1,897	1,802
Financing obligations	(60)	(76)	61	(152)
	23,286	24,372	47,154	49,049
Other income:				
Interest and other income	1,617	1,737	3,400	3,967
Losses on debt extinguishment	-	(973)	(164)	(973)
	1,617	764	3,236	2,994
Income from continuing operations before disposition of property and condominiums and equity in earnings of unconsolidated affiliates	15,356	9,345	28,088	20,381
Losses on disposition of property	(37)	-	(37)	-
Gains on for-sale residential condominiums	-	110	-	175
Equity in earnings of unconsolidated affiliates	913	1,508	1,349	1,346
Income from continuing operations	16,232	10,963	29,400	21,902
Discontinued operations:				
Income from discontinued operations	184	2,150	245	4,409
Net gains on disposition of discontinued operations	13,163	1,385	13,694	6,519
	13,347	3,535	13,939	10,928
Net income	29,579	14,498	43,339	32,830
Net (income) attributable to noncontrolling interests in the Operating Partnership	(1,243)	(686)	(1,824)	(1,513)
Net (income) attributable to noncontrolling interests in consolidated affiliates	(187)	(223)	(390)	(407)
Dividends on Preferred Stock	(627)	(627)	(1,254)	(1,254)
Net income available for common stockholders	\$ 27,522	\$ 12,962	\$ 39,871	\$ 29,656
Earnings per Common Share - basic:				
Income from continuing operations available for common stockholders	\$ 0.18	\$ 0.13	\$ 0.33	\$ 0.26
Income from discontinued operations available for common stockholders	0.15	0.04	0.16	0.14
Net income available for common stockholders	\$ 0.33	\$ 0.17	\$ 0.49	\$ 0.40
Weighted average Common Shares outstanding - basic	82,811	74,662	81,925	73,749
Earnings per Common Share - diluted:				
Income from continuing operations available for common stockholders	\$ 0.18	\$ 0.13	\$ 0.33	\$ 0.26
Income from discontinued operations available for common stockholders	0.15	0.04	0.16	0.14
Net income available for common stockholders	\$ 0.33	\$ 0.17	\$ 0.49	\$ 0.40
Weighted average Common Shares outstanding - diluted	86,631	78,521	85,752	77,601
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	\$ 14,746	\$ 9,596	\$ 26,529	\$ 19,259
Income from discontinued operations available for common stockholders	12,776	3,366	13,342	10,397
Net income available for common stockholders	\$ 27,522	\$ 12,962	\$ 39,871	\$ 29,656

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

	June 30, 2013	December 31, 2012
Assets:		
Real estate assets, at cost:		
Land	\$ 389,431	\$ 365,762
Buildings and tenant improvements	3,482,057	3,253,805
Development in process	37,559	21,198
Land held for development	120,580	115,416
	4,029,627	3,756,181
Less-accumulated depreciation	(978,777)	(929,598)
Net real estate assets	3,050,850	2,826,583
Real estate and other assets, net, held for sale	-	47,508
Cash and cash equivalents	10,122	13,783
Restricted cash	15,987	19,702
Accounts receivable, net of allowance of \$1,465 and \$2,848, respectively	25,266	23,073
Mortgages and notes receivable, net of allowance of \$376 and \$182, respectively	25,583	25,472
Accrued straight-line rents receivable, net of allowance of \$853 and \$857, respectively	122,742	115,030
Investments in and advances to unconsolidated affiliates	65,272	66,800
Deferred financing and leasing costs, net of accumulated amortization of \$85,548 and \$76,840, respectively	181,802	168,019
Prepaid expenses and other assets, net of accumulated amortization of \$12,561 and \$12,318, respectively	41,959	44,458
Total Assets	<u>\$ 3,539,583</u>	<u>\$ 3,350,428</u>
Liabilities, Noncontrolling Interests in the Operating Partnership and Equity:		
Mortgages and notes payable	\$ 1,931,655	\$ 1,859,162
Accounts payable, accrued expenses and other liabilities	185,087	172,146
Financing obligations	28,392	29,358
Total Liabilities	2,145,134	2,060,666
Commitments and contingencies		
Noncontrolling interests in the Operating Partnership	130,351	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; 83,968,412 and 80,311,437 shares issued and outstanding, respectively	840	803
Additional paid-in capital	2,160,698	2,040,306
Distributions in excess of net income available for common stockholders	(927,110)	(897,418)
Accumulated other comprehensive loss	(4,142)	(12,628)
Total Stockholders' Equity	1,259,363	1,160,140
Noncontrolling interests in consolidated affiliates	4,735	4,753
Total Equity	1,264,098	1,164,893
Total Liabilities, Noncontrolling Interests in the Operating Partnership and Equity	<u>\$ 3,539,583</u>	<u>\$ 3,350,428</u>

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Funds from operations:				
Net income	\$ 29,579	\$ 14,498	\$ 43,339	\$ 32,830
Net (income) attributable to noncontrolling interests in consolidated affiliates	(187)	(223)	(390)	(407)
Depreciation and amortization of real estate assets	41,814	38,569	83,058	74,723
Impairments of depreciable properties	1,066	-	1,066	-
Unconsolidated affiliates:				
Depreciation and amortization of real estate assets	2,092	1,675	4,107	3,773
Impairments of depreciable properties	-	-	1,020	1,002
(Gains) on disposition of depreciable properties	(10)	-	(431)	-
Discontinued operations:				
Depreciation and amortization of real estate assets	81	1,607	559	3,426
Impairments of depreciable properties	-	-	1,128	-
(Gains) on disposition of depreciable properties	(13,163)	(1,385)	(14,407)	(6,519)
Funds from operations	61,272	54,741	119,049	108,828
Dividends on Preferred Stock	(627)	(627)	(1,254)	(1,254)
Funds from operations available for common stockholders	\$ 60,645	\$ 54,114	\$ 117,795	\$ 107,574
Funds from operations available for common stockholders per share	\$ 0.70	\$ 0.69	\$ 1.37	\$ 1.39
Weighted average shares outstanding	86,631	78,521	85,752	77,601

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2013	2012	2013	2012
Income from continuing operations before disposition of property and condominiums and equity in earnings of unconsolidated affiliates	\$ 15,356	\$ 9,345	\$ 28,088	\$ 20,381
Other income	(1,617)	(764)	(3,236)	(2,994)
Interest expense	23,286	24,372	47,154	49,049
General and administrative expenses	8,397	8,900	18,979	18,573
Impairments of real estate assets	1,066	-	1,066	-
Depreciation and amortization	42,394	38,991	84,208	75,687
Net operating income from continuing operations	88,882	80,844	176,259	160,696
Less - non same property and other net operating income	(10,011)	(1,873)	(19,013)	(3,004)
Total same property net operating income from continuing operations	\$ 78,871	\$ 78,971	\$ 157,246	\$ 157,692
Rental and other revenues	\$ 138,515	\$ 126,728	\$ 274,631	\$ 250,762
Rental property and other expenses	49,633	45,884	98,372	90,066
Total net operating income from continuing operations	88,882	80,844	176,259	160,696
Less - non same property and other net operating income	(10,011)	(1,873)	(19,013)	(3,004)
Total same property net operating income from continuing operations	\$ 78,871	\$ 78,971	\$ 157,246	\$ 157,692
Total same property net operating income from continuing operations	\$ 78,871	\$ 78,971	\$ 157,246	\$ 157,692
Less - straight-line rent and lease termination fees	(2,428)	(4,611)	(6,103)	(10,844)
Same property cash net operating income from continuing operations	\$ 76,443	\$ 74,360	\$ 151,143	\$ 146,848