

FOR IMMEDIATE RELEASE

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Highwoods Reports Fourth Quarter and Full Year 2020 Results

\$0.79 Net Income per Share for Fourth Quarter 2020

\$0.87 FFO per Share for Fourth Quarter 2020

Includes \$0.02 per Share of Lower FFO due to Severance Charges

Delivered Year-End Occupancy of 90.3%

Grew Same Property Cash NOI by 3.7%

Collected 99.7% of Rents

\$3.32 Net Income per Share for Full Year 2020

\$3.58 FFO per Share for Full Year 2020

Includes \$0.05 per Share of Debt Extinguishment and Severance Charges

Provides 2021 FFO Outlook of \$3.50 to \$3.66 per Share

*Includes \$0.04 to \$0.08 per Share of Lower FFO due to Higher Anticipated
Year-over-Year Net Operating Expenses*

*Includes \$0.00 to \$0.02 per Share of Higher FFO due to Higher Anticipated
Year-over-Year Parking Revenues*

Projects 3.0% to 5.0% Growth in Same Property Cash NOI

RALEIGH, NC – February 9, 2021 – Highwoods Properties, Inc. (NYSE:HIW) today reported its fourth quarter 2020 financial and operating results.

Ted Klinck, President and Chief Executive Officer, stated, “Our team adapted to the unique challenges of 2020 extremely well. In the midst of the COVID-19 pandemic, we focused on lowering operating expenses, collecting rents, shoring up lease renewals, selling non-core properties and increasing our liquidity. While our financial performance was impacted by the economic disruption caused by the pandemic, we were able to deliver FFO, excluding one-time charges, roughly in line with our original expectations. Our 2020 results are a testament to the dedication, ingenuity, teamwork and tenacity our co-workers have exhibited throughout the year.”



As we turn to 2021, we are fortunate to be well-positioned to weather the near-term effects of the pandemic. First, we have limited large lease expirations remaining over the next few years. Second, our \$503 million, 79% funded development pipeline is 79% pre-leased and will deliver over the next four quarters, providing significant NOI and cash flow growth. Third, we have meaningful upside potential in parking revenues as usage of our assets gradually increases. Fourth, our fortress balance sheet remains in excellent shape and we have ample liquidity to capitalize on future growth opportunities.”

Fourth Quarter 2020 Highlights

Operations:

- Earned net income of \$0.79 per share
- Earned FFO of \$0.87 per share
- Recorded one-time severance charges of \$2.0 million
- Grew average in-place office cash rents 4.6% per square foot year-over-year
- Grew same property cash NOI 3.7% year-over-year and 1.6% excluding the impact of temporary rent deferrals
- Ended the quarter with in-service occupancy of 90.3%
- Collected 99.7% of rents
 - Collected 99.4% of rents including the impact from temporary rent deferrals

Second Generation Office Leasing Activity:

- Leased 466,000 square feet, including 160,000 square feet of new leases
- Achieved a dollar weighted average term of 4.6 years
- Captured GAAP rent growth of +8.4%
- Garnered net effective rents of \$14.58 per square foot

Investment Activity:

- Sold \$129.7 million of non-core assets in Greensboro and Memphis, encompassing 688,000 square feet with combined occupancy of 83.2%
 - Recorded \$0.49 per share of building gains (not included in FFO)

Financing Activity:

- Ended the quarter with a net debt-to-Adjusted EBITDAre ratio of 5.0x and a leverage ratio (including preferred stock) of 36.0%
- Ended the quarter with \$189 million of cash and restricted cash and no balance outstanding on the \$600 million revolving credit facility
- Issued no shares under the Company's ATM program

Subsequent to Quarter-End Investment Activity:

- Sold 100,000 square foot office building in Atlanta for \$30.7 million
- Acquired joint venture partner's 75% interest in the 636,000 square foot Forum office portfolio for \$131.3 million
 - Total expected investment is \$138.4 million including planned capital investments



Fourth Quarter 2020 Financial Results

Net income available for common stockholders (“net income”) was \$82.1 million, or \$0.79 per diluted share, for the fourth quarter of 2020 and \$344.9 million, or \$3.32 per diluted share, for 2020. Net income was \$59.9 million, or \$0.58 per diluted share, for the fourth quarter of 2019 and \$134.4 million, or \$1.30 per diluted share, for 2019.

Funds from operations available for common stockholders (“FFO”) was \$92.5 million, or \$0.87 per diluted share, for the fourth quarter of 2020 and \$382.1 million, or \$3.58 per diluted share, for 2020. FFO was \$96.9 million, or \$0.91 per diluted share, for the fourth quarter of 2019 and \$354.8 million, or \$3.33 per diluted share, for 2019.

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, 2020 and 2019:

	Three Months Ended 12/31/2020		Three Months Ended 12/31/2019	
	(000)	Per Share	(000)	Per Share
Lease Termination Income, Net (1)	\$ 102	\$ 0.001	\$ 107	\$ 0.001
Straight-Line Rental Income (1)	3,508	0.033	8,280	0.078
Capitalized Interest	2,539	0.024	1,492	0.014
Losses on Debt Extinguishment	(3)	-	-	-
Gains on Disposition of Depreciable Properties (3)	52,500	0.492	29,299	0.275

	Twelve Months Ended 12/31/2020		Twelve Months Ended 12/31/2019	
	(000)	Per Share	(000)	Per Share
Lease Termination Income, Net (1)	\$ 514	\$ 0.005	\$ 664	\$ 0.006
Straight-Line Rental Income (1) (2)	37,088	0.348	22,966	0.216
Capitalized Interest	8,272	0.078	5,623	0.053
Losses on Debt Extinguishment	(3,674)	(0.034)	(640)	(0.006)
Land Sale Gains	724	0.007	935	0.009
Gains on Disposition of Depreciable Properties (3)	215,173	2.016	38,582	0.362
Land Impairments	-	-	(4,449)	(0.042)
Impairments of Depreciable Properties (3)	(1,778)	(0.017)	(1,400)	(0.013)

(1) Credit losses on straight-line rent receivables related to lease terminations are reflected as a reduction of lease termination income.

(2) Includes \$3.7 million of straight-line rental income due to temporary rent deferrals, net of repayments, in 2020. Includes \$4.5 million of credit losses from Laser Spine in 2019.

(3) Not included in the determination of FFO.

2021 Outlook

For 2021, the Company expects FFO per share to be in the range of \$3.50 to \$3.66. This outlook reflects management’s view of current and future market conditions, including assumptions such as asset usage due to the pandemic, rental rates, occupancy levels, operating and general and administrative expenses, weighted average diluted shares outstanding and interest rates. The outlook also includes the effect of acquisitions and dispositions that occurred in 2021 prior to the date of this release, including the sale of an office property in Atlanta for \$30.7 million and the acquisition of our joint venture partner’s 75% interest in the Forum for \$131.3 million. The outlook does not include any effects related to potential acquisitions and dispositions that occur after the date of this release. Factors that could cause actual



results to differ materially from Highwoods current expectations are discussed below and are also detailed in the Company's 2020 Annual Report on Form 10-K and subsequent SEC reports.

While all buildings and parking facilities have remained open for business since the start of the pandemic, the Company assumes usage of its assets will continue to be significantly lower than normal during the first and second quarters and assumes usage will gradually increase over the third and fourth quarters. As a result, the Company's 2021 outlook assumes:

- Parking and parking-related revenues will be \$0 to \$2 million higher than 2020. Such revenues in 2020 were \$8 million lower than originally estimated prior to the start of the pandemic; and
- Net operating expenses will be \$4 to \$8 million higher than 2020. Such expenses in 2020 were \$10 million lower than originally estimated prior to the start of the pandemic.

Management's outlook for 2021 includes the following additional assumptions:

	Low	High
Effects Assumed in FFO Outlook:		
Growth in Same Property Cash NOI (1)	3.0%	5.0%
Straight-Line Rental Income	\$13.0M	\$17.0M
G&A Expenses	\$39.0M	\$41.0M
Year-End Occupancy	88.5%	91.5%
Weighted Average Diluted Shares and Units Outstanding (2)	106.9M	106.9M
Effects Not Assumed in FFO Outlook:		
Potential Dispositions	\$100M	\$150M
Potential Acquisitions	\$0M	\$200M
Potential Development Announcements	\$0M	\$250M

(1) Excludes termination fees.

(2) There were 106.8 million diluted shares and units outstanding at December 31, 2020.

Supplemental Information

The Company's fourth quarter 2020 Supplemental Information, which includes financial, leasing and operational statistics, is available in the "Investors/Financials" section of the Company's website at www.highwoods.com. You may also obtain the Supplemental Information by contacting Highwoods Investor Relations at 800-256-2963 or by e-mail to HIW-IR@highwoods.com.

Conference Call

Tomorrow, Wednesday, February 10th, at 11:00 a.m. Eastern time, Highwoods will host a teleconference call to discuss the matters highlighted in this release. For US/Canada callers, dial (800) 756-3565. A live, listen-only webcast and a subsequent replay can be accessed through the Company's website at www.highwoods.com under the "Investors" section.

Planned Dates for Financial Releases and Conference Calls in 2021

The Company has set the following dates for the release of its 2021 financial results. Quarterly financial releases will be distributed after the market closes and conference calls will be held at 11:00 a.m. Eastern time.

Quarter	Tuesday Release	Wednesday Call
First	April 27	April 28
Second	July 27	July 28
Third	October 26	October 27



Non-GAAP Information

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, 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 joint venture investments (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. We believe 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 ("NOI"): We define NOI as "Rental and other revenues" less "Rental property and other expenses". We define cash NOI as NOI less lease termination fees, straight-line rental income, amortization of lease incentives and amortization of acquired above and below market leases. 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 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 net income in a table included with this release.

Same property NOI: We define same property NOI as NOI for in-service properties that were wholly-owned during the entirety of the periods presented (from January 1, 2019 to December 31, 2020). The Company's same property NOI calculations are reconciled to NOI in a table included with this release.

Earnings before interest, taxes, depreciation and amortization for real estate ("EBITDAre"): Our presentation of EBITDAre is consistent with EBITDAre as defined by NAREIT, which is calculated as follows:

- Net income/(loss) computed in accordance with GAAP;
- Plus interest expense;
- Plus income tax expense;
- Plus depreciation and amortization;
- Less gains, or plus losses, from sales of depreciable operating properties, plus impairments on depreciable operating properties; and
- Plus or minus our share of the same adjustments for unconsolidated joint venture investments.

Management believes EBITDAre is an appropriate supplemental measure to use in ratios that evaluate the Company's liquidity and financial condition and ability to service its long-term debt obligations. Other REITs may use different methodologies to calculate EBITDAre and accordingly the Company's EBITDAre may not be comparable to other REITs. The Company's EBITDAre calculations are reconciled to net income in a table included with this release.

Adjusted earnings before interest, taxes, depreciation and amortization for real estate ("Adjusted EBITDAre") is calculated as follows:

- EBITDAre as defined by NAREIT;
- Less gains, or plus losses, on debt extinguishment;
- Less gains, or plus losses, from sales of non-depreciable properties, plus impairments on non-depreciable properties;
- Plus or minus proforma NOI adjustments assuming any acquisitions, dispositions and developments placed in service within the current period had occurred as of the first day of such period; and
- Plus or minus our share of the same adjustments for unconsolidated joint venture investments.

Management believes Adjusted EBITDAre is an appropriate supplemental measure to use in ratios that evaluate the Company's liquidity and financial condition and ability to service its long-term debt obligations. Other REITs may use different methodologies to calculate Adjusted EBITDAre and accordingly the Company's Adjusted EBITDAre may not be comparable to other REITs. The Company's Adjusted EBITDAre calculations are reconciled to net income in a table included with this release.



About Highwoods

Highwoods Properties, Inc., headquartered in Raleigh, 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 office REIT that owns, develops, acquires, leases and manages properties primarily in the best business districts (BBDs) of Atlanta, Charlotte, Nashville, Orlando, Pittsburgh, Raleigh, Richmond and Tampa. For more information about Highwoods, please visit our website at www.highwoods.com.

Forward-Looking Statements

Some of the information in this press release may contain forward-looking statements. Such statements include, in particular, statements about our plans, strategies and prospects such as the following: the expected financial and operational results and the related assumptions underlying our expected results, including but not limited to potential losses related to customer difficulties, anticipated building usage and expected economic activity due to COVID-19; the continuing ability to borrow under the Company’s revolving credit facility; the anticipated total investment, projected leasing activity, estimated replacement cost and expected net operating income of acquired properties and properties to be developed; and expected future leverage of the Company. You can identify forward-looking statements by our use of forward-looking terminology such as “may,” “will,” “expect,” “anticipate,” “estimate,” “continue” or other similar words. Although we believe that our plans, intentions and expectations reflected in or suggested by such forward-looking statements are reasonable, we cannot assure you that our plans, intentions or expectations will be achieved.

When considering such forward-looking statements, you should keep in mind important factors that could cause our actual results to differ materially from those contained in any forward-looking statement. Currently, one of the most significant factors that could cause actual outcomes to differ materially from our forward-looking statements is the ongoing adverse effect of the COVID-19 pandemic, and federal, state, and/or local regulatory guidelines and private business actions to control it, on our financial condition, operating results and cash flows, our customers, the use of and demand for office space, the real estate market in which we operate, the global economy and the financial markets. The extent to which the COVID-19 pandemic impacts us and our customers will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the scope, severity and duration of the pandemic and its ongoing impact on the U.S. economy and potential changes in customer behavior, among others.

Additional factors, many of which may be influenced by the COVID-19 pandemic, that could cause actual outcomes or results to differ materially from those indicated in these statements include: the financial condition of our customers could deteriorate or further worsen; counterparties under our debt instruments, particularly our revolving credit facility, may attempt to avoid their obligations thereunder, which, if successful, would reduce our available liquidity; we may not be able to lease or re-lease second generation space, defined as previously occupied space that becomes available for lease, quickly or on as favorable terms as old leases; we may not be able to lease newly constructed buildings as quickly or on as favorable terms as originally anticipated; we may not be able to complete development, acquisition, reinvestment, disposition or joint venture projects as quickly or on as favorable terms as anticipated; development activity in our existing markets could result in an excessive supply relative to customer demand; our markets may suffer declines in economic and/or office employment growth; unanticipated increases in interest rates could increase our debt service costs; unanticipated increases in operating expenses could negatively impact our operating results; natural disasters and climate change could have an adverse impact on our cash flow and operating results; 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 repay or refinance outstanding debt upon maturity; and the Company could lose key executive officers.



This list of risks and uncertainties, however, is not intended to be exhaustive. You should also review the other cautionary statements we make in “Risk Factors” set forth in our 2020 Annual Report on Form 10-K. Given these uncertainties, you should not place undue reliance on forward-looking statements. We undertake no obligation to publicly release the results of any revisions to these forward-looking statements to reflect any future events or circumstances or to reflect the occurrence of unanticipated events.

Tables Follow



Highwoods Properties, Inc.
Consolidated Statements of Income
(Unaudited and in thousands, except per share amounts)

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2020	2019	2020	2019
Rental and other revenues	\$ 179,904	\$ 192,071	\$ 736,900	\$ 735,979
Operating expenses:				
Rental property and other expenses	57,612	63,267	231,825	248,511
Depreciation and amortization	60,671	64,990	241,585	254,504
Impairments of real estate assets	-	-	1,778	5,849
General and administrative	10,862	10,409	41,031	44,067
Total operating expenses	<u>129,145</u>	<u>138,666</u>	<u>516,219</u>	<u>552,931</u>
Interest expense	19,959	22,026	80,962	81,648
Other income/(loss)	947	761	(1,707)	(2,510)
Gains on disposition of property	52,500	29,299	215,897	39,517
Equity in earnings of unconsolidated affiliates	<u>1,040</u>	<u>907</u>	<u>4,005</u>	<u>3,276</u>
Net income	85,287	62,346	357,914	141,683
Net (income) attributable to noncontrolling interests in the Operating Partnership	(2,254)	(1,577)	(9,338)	(3,551)
Net (income) attributable to noncontrolling interests in consolidated affiliates	(302)	(295)	(1,174)	(1,214)
Dividends on Preferred Stock	<u>(622)</u>	<u>(622)</u>	<u>(2,488)</u>	<u>(2,488)</u>
Net income available for common stockholders	<u>\$ 82,109</u>	<u>\$ 59,852</u>	<u>\$ 344,914</u>	<u>\$ 134,430</u>
Earnings per Common Share - basic:				
Net income available for common stockholders	<u>\$ 0.79</u>	<u>\$ 0.58</u>	<u>\$ 3.32</u>	<u>\$ 1.30</u>
Weighted average Common Shares outstanding - basic	<u>103,909</u>	<u>103,746</u>	<u>103,876</u>	<u>103,692</u>
Earnings per Common Share - diluted:				
Net income available for common stockholders	<u>\$ 0.79</u>	<u>\$ 0.58</u>	<u>\$ 3.32</u>	<u>\$ 1.30</u>
Weighted average Common Shares outstanding - diluted	<u>106,752</u>	<u>106,504</u>	<u>106,714</u>	<u>106,445</u>

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

	December 31,	
	2020	2019
Assets:		
Real estate assets, at cost:		
Land	\$ 466,872	\$ 515,095
Buildings and tenant improvements	4,981,637	5,128,150
Development in-process	259,681	172,706
Land held for development	131,474	99,163
	<u>5,839,664</u>	<u>5,915,114</u>
Less-accumulated depreciation	(1,418,379)	(1,388,566)
Net real estate assets	4,421,285	4,526,548
Real estate and other assets, net, held for sale	11,360	20,790
Cash and cash equivalents	109,322	9,505
Restricted cash	79,922	5,237
Accounts receivable	27,488	23,370
Mortgages and notes receivable	1,341	1,501
Accrued straight-line rents receivable	259,381	234,652
Investments in and advances to unconsolidated affiliates	27,104	26,298
Deferred leasing costs, net of accumulated amortization of \$151,698 and \$146,125, respectively	209,329	231,347
Prepaid expenses and other assets, net of accumulated depreciation of \$21,154 and \$20,017, respectively	62,885	58,996
Total Assets	<u>\$ 5,209,417</u>	<u>\$ 5,138,244</u>
Liabilities, Noncontrolling Interests in the Operating Partnership and Equity:		
Mortgages and notes payable, net	\$ 2,470,021	\$ 2,543,710
Accounts payable, accrued expenses and other liabilities	268,727	286,911
Total Liabilities	<u>2,738,748</u>	<u>2,830,621</u>
Commitments and contingencies		
Noncontrolling interests in the Operating Partnership	112,499	133,216
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), 28,826 and 28,859 shares issued and outstanding, respectively	28,826	28,859
Common Stock, \$.01 par value, 200,000,000 authorized shares;		
103,921,546 and 103,756,046 shares issued and outstanding, respectively	1,039	1,038
Additional paid-in capital	2,993,946	2,954,779
Distributions in excess of net income available for common stockholders	(686,225)	(831,808)
Accumulated other comprehensive loss	(1,462)	(471)
Total Stockholders' Equity	<u>2,336,124</u>	<u>2,152,397</u>
Noncontrolling interests in consolidated affiliates	22,046	22,010
Total Equity	<u>2,358,170</u>	<u>2,174,407</u>
Total Liabilities, Noncontrolling Interests in the Operating Partnership and Equity	<u>\$ 5,209,417</u>	<u>\$ 5,138,244</u>

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

	Three Months Ended December 31,		Year Ended December 31,	
	2020	2019	2020	2019
Funds from operations:				
Net income	\$ 85,287	\$ 62,346	\$ 357,914	\$ 141,683
Net (income) attributable to noncontrolling interests in consolidated affiliates	(302)	(295)	(1,174)	(1,214)
Depreciation and amortization of real estate assets	59,998	64,198	238,816	251,545
Impairments of depreciable properties	-	-	1,778	1,400
(Gains) on disposition of depreciable properties	(52,500)	(29,299)	(215,173)	(38,582)
Unconsolidated affiliates:				
Depreciation and amortization of real estate assets	592	591	2,395	2,425
Funds from operations	93,075	97,541	384,556	357,257
Dividends on Preferred Stock	(622)	(622)	(2,488)	(2,488)
Funds from operations available for common stockholders	\$ 92,453	\$ 96,919	\$ 382,068	\$ 354,769
Funds from operations available for common stockholders per share	\$ 0.87	\$ 0.91	\$ 3.58	\$ 3.33
Weighted average shares outstanding ⁽¹⁾	106,752	106,504	106,714	106,445

(1) Includes assumed conversion of all potentially dilutive Common Stock equivalents.

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

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2020	2019	2020	2019
Net income	\$ 85,287	\$ 62,346	\$ 357,914	\$ 141,683
Equity in earnings of unconsolidated affiliates	(1,040)	(907)	(4,005)	(3,276)
Gains on disposition of property	(52,500)	(29,299)	(215,897)	(39,517)
Other (income)/loss	(947)	(761)	1,707	2,510
Interest expense	19,959	22,026	80,962	81,648
General and administrative expenses	10,862	10,409	41,031	44,067
Impairments of real estate assets	-	-	1,778	5,849
Depreciation and amortization	60,671	64,990	241,585	254,504
Net operating income	122,292	128,804	505,075	487,468
Non same property and other net operating income	(15,064)	(20,234)	(66,820)	(65,546)
Same property net operating income	<u>\$ 107,228</u>	<u>\$ 108,570</u>	<u>\$ 438,255</u>	<u>\$ 421,922</u>
Same property net operating income	\$ 107,228	\$ 108,570	\$ 438,255	\$ 421,922
Lease termination fees, straight-line rent and other non-cash adjustments (1)	(1,800)	(6,927)	(27,653)	(19,654)
Same property cash net operating income	<u>\$ 105,428</u>	<u>\$ 101,643</u>	<u>\$ 410,602</u>	<u>\$ 402,268</u>

(1) Includes \$3.4 million of temporary rent deferrals, net of repayments, granted by the Company during the year ended December 31, 2020.

Highwoods Properties, Inc.
Net Debt-to-Adjusted EBITDAre
(Unaudited and in thousands, except ratios)

	Three Months Ended December 31,	
	2020	2019
Net debt-to-Adjusted EBITDAre:		
Net income	\$ 85,287	\$ 62,346
Interest expense	19,959	22,026
Depreciation and amortization	60,671	64,990
(Gains) on disposition of depreciable properties	(52,500)	(29,299)
Adjustments to reflect our share of EBITDAre from unconsolidated affiliates	925	960
EBITDAre	\$ 114,342	\$ 121,023
Losses on debt extinguishment	3	-
Proforma NOI adjustments for property changes within period	(661)	1,776
Adjusted EBITDAre ⁽¹⁾	\$ 113,684	\$ 122,799
 Adjusted EBITDAre (annualized) ^{(1) (2)}	 \$ 460,034	 \$ 494,481
 Mortgages and notes payable ⁽³⁾	 \$ 2,497,853	 \$ 2,572,492
Less - cash and cash equivalents and 1031 restricted cash ⁽³⁾	(182,308)	(12,305)
Net debt ⁽⁴⁾	\$ 2,315,545	\$ 2,560,187
Preferred Stock	28,826	28,859
Net debt plus Preferred Stock	\$ 2,344,371	\$ 2,589,046
 Net debt-to-Adjusted EBITDAre ⁽⁵⁾	 5.03x	 5.18x
Net debt plus Preferred Stock-to-Adjusted EBITDAre ⁽⁶⁾	5.10x	5.24x

(1) Adjusted EBITDAre is calculated as EBITDAre adjusted for gains or losses on debt extinguishment and land sales, land impairments, proforma NOI adjustments for property changes within period and our share of the same adjustments for unconsolidated affiliates. "Proforma NOI adjustments for property changes within period" means proforma NOI adjustments assuming any acquisitions, dispositions and developments placed in service within the current period had occurred as of the first day of such period.

(2) Adjusted EBITDAre (annualized) is Adjusted EBITDAre multiplied by four. Certain period specific items are not annualized.

(3) Includes our share of unconsolidated affiliates.

(4) Net debt is calculated as mortgages and notes payable at quarter-end less cash and cash equivalents and 1031 restricted cash at quarter-end.

(5) Net debt at quarter-end divided by Adjusted EBITDAre (annualized).

(6) Net debt plus Preferred Stock at quarter-end divided by Adjusted EBITDAre (annualized).