

FOR IMMEDIATE RELEASE

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Highwoods Reports First Quarter 2016 Results

\$0.82 FFO per Share

*Grew Same Property Cash NOI 3.7%
Delivered \$56M of 100% Pre-Leased Development
Ended Quarter with Leverage Ratio of 38.4%*

Closed \$660M Sale of Country Club Plaza Assets

*4.7% Cap Rate on 2015 Cash and GAAP NOI
\$221M Remaining in Escrow*

Reaffirms 2016 FFO Outlook of \$3.18 to \$3.30 per Share

RALEIGH, NC – April 26, 2016 – Highwoods Properties, Inc. (NYSE:HIW) today reported its first quarter 2016 financial and operating results.

Ed Fritsch, President and CEO, stated, “*We had another solid quarter, generating 11.0% year-over-year growth in per share FFO, excluding land sale gains and term fees. We leased 902,000 square feet of second generation office space with an average term of 6.5 years and strong net effective rents 5.9% higher than our prior five-quarter average. Compared to the first quarter of 2015, same property cash NOI was up 3.7%, excluding term fees, and same property average occupancy was up 120 basis points.*”

“*We also delivered \$56 million of development, a 100% pre-leased headquarters and surgical center for Laser Spine Institute in Tampa’s Westshore submarket. Plus, the \$660 million sale of our retail-centric Country Club Plaza assets at a 4.7% blended cap rate has helped drive our leverage ratio under 40%, further simplified our business model and reduced our annual G&A spend. Our future growth prospects are bolstered by our \$490 million development pipeline encompassing 1.6 million square feet that is 67% pre-leased along with the \$221 million remaining in escrow to reinvest in additional BBD assets and/or use for other general corporate purposes.*”



First Quarter 2016 Highlights

Operations:

- Earned FFO of \$0.82 per share, including \$0.035 per share of land sale gains and lease termination income
- Grew same property cash NOI by 3.7% year-over-year, excluding lease termination income
- Increased year-over year occupancy 80 basis points (91.9% to 92.7%)

Leasing Activity:

- Leased 902,000 square feet of second generation office at an average term of 6.5 years, five months longer than the prior five-quarter average
- Garnered net effective rents on second generation office leases signed of \$14.54 per square foot per year, 5.9% above the prior five-quarter average
- Grew average in-place office cash rents per square foot by 3.0% year-over-year
- Achieved GAAP rent growth of +9.7% and cash rent growth of -0.2% on second generation office leases signed

Investment Activity:

- Sold substantially all of its wholly-owned Country Club Plaza (the “Plaza”) assets for \$660M
 - \$4.172 per share of building gains (not included in FFO)
 - \$0.014 per share of land sale gains (included in FFO)
- Sold \$17M of other non-core assets
- Delivered a \$56M, 100% pre-leased development project in Tampa

Financing Activity:

- Paid off \$350M unsecured bridge facility
- Issued 1,054,000 shares of common stock through its ATM program at an average gross sales price of \$45.86 per share, raising net proceeds of \$47.6M
- Ended the quarter with leverage, including preferred stock, of 38.4% and a debt-to-EBITDA ratio of 5.4x

First Quarter 2016 Financial Results

For the first quarter of 2016, funds from operations available for common stockholders (“FFO”) was \$81.5 million, or \$0.82 per diluted share, compared to FFO of \$69.0 million, or \$0.72 per diluted share, for the first quarter of 2015. For the first quarter of 2016, net income available for common stockholders (“net income”) was \$432.8 million, or \$4.49 per diluted share, compared to net income of \$19.3 million, or \$0.21 per diluted share, for the first quarter of 2015.

Except as noted below, the following items were included in the determination of net income and FFO for the three months ended March 31, 2016 and 2015:

	Three Months Ended 3/31/2016		Three Months Ended 3/31/2015	
	(000)	Per Share	(000)	Per Share
Lease Termination Income, Net (1)	\$ 1,938	\$ 0.020	\$ 80	\$ 0.001
Straight-Line Rental Income (1)	6,592	0.066	5,564	0.058
Capitalized Interest	1,933	0.019	1,968	0.020
Land Sale Gains	1,343	0.014	763	0.008
Our Share of Unconsolidated Affiliates Land Sale Gains	170	0.002	-	-
Gains on Disposition of Depreciable Properties (2)	417,550	4.203	394	0.004
Our Share of Unconsolidated Affiliates Gains on Disposition of Depreciable Properties (2)	331	0.003	1,071	0.011

(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.



2016 Outlook

The Company reaffirmed its 2016 FFO per share outlook of \$3.18 to \$3.30, which was originally issued on February 9, 2016. This outlook reflects management's view of current and future market conditions, including assumptions such as rental rates, occupancy levels, operating and general and administrative expenses, weighted average diluted shares outstanding and interest rates. Factors that could cause actual 2016 FFO results to differ materially from Highwoods current expectations are discussed below and are also detailed in the Company's 2015 Annual Report on Form 10-K and subsequent SEC reports.

Management's outlook for 2016 includes the following assumptions:

	Low	High
Effect Assumed in FFO Outlook:		
Growth in Same Property Cash NOI (1)	4.0%	5.0%
Straight-Line Rental Income	\$23.0M	\$25.0M
G&A Expenses (2)	\$36.5M	\$38.5M
Year-End Occupancy	92.5%	93.5%
Weighted Average Diluted Shares Outstanding (3)	100.1M	101.0M
Disposition of Plaza Assets	\$660M	\$660M
Acquisitions Using Escrowed Funds From Disposition of Plaza Assets	\$9M	\$230M
Effect Not Assumed in FFO Outlook:		
Other Potential Dispositions	\$100M	\$200M
Other Potential Acquisitions	\$0M	\$90M
Potential Development Announcements	\$100M	\$200M

(1) Excludes termination fees.

(2) Includes \$1.4 million of severance and related costs recorded during the first quarter due to the closure of the Company's Kansas City division office upon the sale of the Plaza assets. Such general and administrative expenses are reflected in income from discontinued operations.

(3) There were 100.4 million diluted shares outstanding at March 31, 2016.

Supplemental Information

The Company's first quarter 2016 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, April 27th, 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 "Investor Relations" section.

Planned Dates for Financial Releases and Conference Calls in 2016

The Company has set the following dates for the release of its financial results in 2016. 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
Second	August 2	August 3
Third	October 25	October 26



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, 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. 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” from continuing operations less “Rental property and other expenses” from continuing operations. We define 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 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 investment properties and activity in unconsolidated affiliates” in a table included with this release.

Same property NOI: We define same property NOI as NOI for in-service properties included in continuing operations that were wholly-owned during the entirety of the periods presented (from January 1, 2015 to March 31, 2016). The Company’s same property NOI from continuing operations calculations are reconciled to NOI 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, Greensboro, Memphis, Nashville, Orlando, Pittsburgh, Raleigh, Richmond and Tampa. For more information about Highwoods, please visit our website at www.highwoods.com.

Certain matters discussed in this press release are forward-looking statements within the meaning of the federal securities laws, such as the following: the expected financial and operational results and the related assumptions underlying our expected results; the tax impact of the sale of the Plaza assets; and anticipated total investment, projected leasing activity, estimated replacement cost and expected net operating income of acquired properties and properties to be developed. These statements are distinguished by use of the words “will”, “expect”, “intend” and words of similar meaning. Although Highwoods believes 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 the Company’s current expectations include, among others, the following: 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 2015 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 March 31,	
	2016	2015
Rental and other revenues	\$ 164,859	\$ 145,236
Operating expenses:		
Rental property and other expenses	57,580	52,514
Depreciation and amortization	53,494	46,867
General and administrative	11,137	11,243
Total operating expenses	<u>122,211</u>	<u>110,624</u>
Interest expense:		
Contractual	19,715	20,442
Amortization of debt issuance costs	990	800
	<u>20,705</u>	<u>21,242</u>
Other income:		
Interest and other income	517	582
	<u>517</u>	<u>582</u>
Income from continuing operations before disposition of investment properties and activity in unconsolidated affiliates	22,460	13,952
Gains on disposition of property	4,397	1,157
Equity in earnings of unconsolidated affiliates	1,285	1,811
Income from continuing operations	<u>28,142</u>	<u>16,920</u>
Discontinued operations:		
Income from discontinued operations	4,097	3,915
Net gains on disposition of discontinued operations	414,496	-
	<u>418,593</u>	<u>3,915</u>
Net income	446,735	20,835
Net (income) attributable to noncontrolling interests in the Operating Partnership	(13,011)	(596)
Net (income) attributable to noncontrolling interests in consolidated affiliates	(308)	(296)
Dividends on Preferred Stock	(626)	(627)
Net income available for common stockholders	<u>\$ 432,790</u>	<u>\$ 19,316</u>
Earnings per Common Share - basic:		
Income from continuing operations available for common stockholders	\$ 0.27	\$ 0.17
Income from discontinued operations available for common stockholders	4.22	0.04
Net income available for common stockholders	<u>\$ 4.49</u>	<u>\$ 0.21</u>
Weighted average Common Shares outstanding - basic	<u>96,373</u>	<u>93,222</u>
Earnings per Common Share - diluted:		
Income from continuing operations available for common stockholders	\$ 0.27	\$ 0.17
Income from discontinued operations available for common stockholders	4.22	0.04
Net income available for common stockholders	<u>\$ 4.49</u>	<u>\$ 0.21</u>
Weighted average Common Shares outstanding - diluted	<u>99,357</u>	<u>96,279</u>
Dividends declared per Common Share	<u>\$ 0.425</u>	<u>\$ 0.425</u>
Net income available for common stockholders:		
Income from continuing operations available for common stockholders	\$ 26,462	\$ 15,521
Income from discontinued operations available for common stockholders	406,328	3,795
Net income available for common stockholders	<u>\$ 432,790</u>	<u>\$ 19,316</u>

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

	March 31, 2016	December 31, 2015
Assets:		
Real estate assets, at cost:		
Land	\$ 448,706	\$ 443,705
Buildings and tenant improvements	4,113,001	4,063,328
Development in-process	180,150	194,050
Land held for development	68,244	68,244
	4,810,101	4,769,327
Less-accumulated depreciation	(1,033,127)	(1,007,104)
Net real estate assets	3,776,974	3,762,223
Real estate and other assets, net, held for sale	-	240,948
Cash and cash equivalents	3,345	5,036
Restricted cash	258,444	16,769
Accounts receivable, net of allowance of \$1,003 and \$928, respectively	25,912	29,077
Mortgages and notes receivable, net of allowance of \$282 and \$287, respectively	9,661	2,096
Accrued straight-line rents receivable, net of allowance of \$468 and \$257, respectively	156,323	150,392
Investments in and advances to unconsolidated affiliates	19,225	20,676
Deferred leasing costs, net of accumulated amortization of \$122,630 and \$115,172, respectively	224,459	231,765
Prepaid expenses and other assets, net of accumulated amortization of \$18,590 and \$17,830, respectively	39,681	26,649
Total Assets	\$ 4,514,024	\$ 4,485,631
Liabilities, Noncontrolling Interests in the Operating Partnership and Equity:		
Mortgages and notes payable, net	\$ 2,100,937	\$ 2,491,813
Accounts payable, accrued expenses and other liabilities	212,106	233,988
Liabilities held for sale	-	14,119
Total Liabilities	2,313,043	2,739,920
Commitments and contingencies		
Noncontrolling interests in the Operating Partnership	138,637	126,429
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), 29,030 and 29,050 shares issued and outstanding, respectively	29,030	29,050
Common Stock, \$.01 par value, 200,000,000 authorized shares; 97,392,301 and 96,091,932 shares issued and outstanding, respectively	974	961
Additional paid-in capital	2,652,254	2,598,242
Distributions in excess of net income available for common stockholders	(631,226)	(1,023,135)
Accumulated other comprehensive loss	(6,651)	(3,811)
Total Stockholders' Equity	2,044,381	1,601,307
Noncontrolling interests in consolidated affiliates	17,963	17,975
Total Equity	2,062,344	1,619,282
Total Liabilities, Noncontrolling Interests in the Operating Partnership and Equity	\$ 4,514,024	\$ 4,485,631

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

	Three Months Ended	
	March 31,	
	2016	2015
Funds from operations:		
Net income	\$ 446,735	\$ 20,835
Net (income) attributable to noncontrolling interests in consolidated affiliates	(308)	(296)
Depreciation and amortization of real estate assets	52,797	46,298
(Gains) on disposition of depreciable properties	(3,054)	(394)
Unconsolidated affiliates:		
Depreciation and amortization of real estate assets	742	846
(Gains) on disposition of depreciable properties	(331)	(1,071)
Discontinued operations:		
Depreciation and amortization of real estate assets	-	3,380
(Gains) on disposition of depreciable properties	(414,496)	-
Funds from operations	<u>82,085</u>	<u>69,598</u>
Dividends on Preferred Stock	(626)	(627)
Funds from operations available for common stockholders	<u>\$ 81,459</u>	<u>\$ 68,971</u>
Funds from operations available for common stockholders per share	<u>\$ 0.82</u>	<u>\$ 0.72</u>
Weighted average shares outstanding (1)	<u>99,357</u>	<u>96,279</u>

(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	
	March 31,	
	2016	2015
Income from continuing operations before disposition of investment properties and activity in unconsolidated affiliates	\$ 22,460	\$ 13,952
Other income	(517)	(582)
Interest expense	20,705	21,242
General and administrative expenses	11,137	11,243
Depreciation and amortization	53,494	46,867
Net operating income from continuing operations	<u>107,279</u>	<u>92,722</u>
Less - non same property and other net operating income	(13,924)	(3,416)
Same property net operating income from continuing operations	<u>\$ 93,355</u>	<u>\$ 89,306</u>
Same property net operating income from continuing operations	\$ 93,355	\$ 89,306
Less - straight-line rent and lease termination fees	(4,842)	(3,962)
Same property cash net operating income from continuing operations	<u>\$ 88,513</u>	<u>\$ 85,344</u>