

FOR IMMEDIATE RELEASE

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Highwoods Reports First Quarter 2018 Results

\$0.31 Net Income per Share

\$0.85 FFO per Share

*Achieved 19.7% GAAP Rent Growth on 2nd Gen Signed Office Leases
Grew Same Property Cash NOI 2.9%*

Issued \$350M of 10-Year Notes at 4.06% Effective Interest Rate

Issued No Shares Under the ATM Program

Updates 2018 FFO Outlook to \$3.37 to \$3.47 per Share

Previously \$3.35 to \$3.47 per Share

RALEIGH, NC – April 24, 2018 – Highwoods Properties, Inc. (NYSE: HIW) today reported its first quarter financial and operating results.

Ed Fritsch, President and CEO, stated, “*Our financial and operating performance was strong during the quarter. FFO per share was up 7% compared to the prior year and same property cash NOI increased 2.9%. We leased 857,000 square feet of second generation office space with net effective rents 9.0% higher than our prior five-quarter average. We achieved robust GAAP and cash rent spreads of +19.7% and +4.6%, respectively. Our first quarter performance and solid business conditions position us to raise the lower end of our full-year FFO outlook.*”



First Quarter 2018 Highlights

Operations:

- Earned net income of \$0.31 per share and FFO of \$0.85 per share
- Grew same property cash NOI by 2.9% year-over-year
- Ended the quarter with occupancy of 92.2%
- Grew average in-place office cash rents per square foot by 3.8% year-over-year

Second Generation Office Leasing Activity:

- Leased 857,000 square feet, including 220,000 square feet of new deals
- Achieved a dollar weighted average term of 6.0 years
- Garnered net effective rents of \$15.84 per square foot, 9.0% above our prior five-quarter average
- Achieved GAAP rent growth of +19.7% and cash rent growth of +4.6%

Development Activity:

- \$440 million pipeline now 83% pre-leased on a dollar-weighted basis having signed 74,000 square feet since our prior earnings release on February 6th
- Acquired two development parcels totaling nine acres in CBD Nashville
 - Combined purchase price of \$50.3 million
 - Currently zoned and entitled for an aggregate of approximately 1.2 million square feet of office development

Financing Activity:

- Issued \$350 million 10-year notes with an effective interest rate of 4.06%
- Ended the quarter with a net debt-to-EBITDAre ratio of 4.77x and a leverage ratio (including preferred stock) of 36.0%
- Issued no shares of common stock through the ATM program
- Subsequent to quarter-end, repaid \$200 million of notes with a 7.50% effective interest rate

First Quarter 2018 Financial Results

For the first quarter of 2018, net income available for common stockholders (“net income”) was \$32.4 million, or \$0.31 per diluted share, compared to net income of \$31.7 million, or \$0.31 per diluted share, for the first quarter of 2017.

For the first quarter of 2018, funds from operations available for common stockholders (“FFO”) was \$90.7 million, or \$0.85 per diluted share, compared to FFO of \$83.4 million, or \$0.80 per diluted share, for the first quarter of 2017.

Except as noted below, the following items were included in the determination of net income and FFO for the three months ended March 31, 2018 and 2017:

	Three Months Ended 3/31/2018		Three Months Ended 3/31/2017	
	(000)	Per Share	(000)	Per Share
Lease Termination Income, Net (1)	\$ 666	\$ 0.006	\$ 16	\$ -
Straight-Line Rental Income (1)	6,509	0.061	6,118	0.058
Capitalized Interest	1,326	0.012	3,242	0.031
Gains on Disposition of Depreciable Properties (2)	-	-	5,332	0.051

(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.



2018 Outlook

The Company has updated its 2018 FFO outlook to \$3.37 to \$3.47 per share from \$3.35 to \$3.47 per share. 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 2018 FFO results to differ materially from Highwoods current expectations are discussed below and are also detailed in the Company's 2017 Annual Report on Form 10-K and subsequent SEC reports.

The outlook does not include any effects related to potential acquisitions and dispositions that may occur after the date of this release, except the Company assumes the previously-announced sale of Highwoods Tower Two in Raleigh for \$31.0 million, including \$1.0 million for an adjacent two-acre land parcel, will close in the second quarter of 2018 and the sale proceeds are held in escrow pending (1) reinvestment in 1031 exchanges qualifying for tax-deferred treatment, (2) repayment of debt and/or (3) other general corporate purposes.

Management's outlook for 2018 includes the following assumptions:

	Low	High
Effect Assumed in FFO Outlook:		
Growth in Same Property Cash NOI (1)	1.0%	2.0%
Straight-Line Rental Income	\$19M	\$21M
G&A Expenses	\$38M	\$40M
Year-End Occupancy	91.50%	92.75%
Weighted Average Diluted Shares and Units Outstanding	106.2M	106.8M
Disposition of Highwoods Tower Two	\$31M	\$31M
Effect Not Assumed in FFO Outlook:		
Other Dispositions	\$30M	\$105M
Acquisitions	\$0M	\$200M
Development Announcements	\$100M	\$350M

(1) Excludes termination fees.

Supplemental Information

The Company's first quarter 2018 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 25th, 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 2018

The Company has set the following dates for the release of its 2018 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
Second	July 24	July 25
Third	October 23	October 24

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 "Income 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 that were wholly-owned during the entirety of the periods presented (from January 1, 2017 to March 31, 2018). 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.

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 planned sale of Highwoods Tower Two in Raleigh and expected pricing and impact with respect to such sale, including the tax impact of such sale; 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: closing of the planned disposition of Highwoods Tower Two in Raleigh may not occur on the terms described in this press release or at all; 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 2017 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,	
	2018	2017
Rental and other revenues	\$ 180,438	\$ 169,408
Operating expenses:		
Rental property and other expenses	59,432	57,396
Depreciation and amortization	57,568	56,145
General and administrative	11,778	11,490
Total operating expenses	<u>128,778</u>	<u>125,031</u>
Interest expense:		
Contractual	17,705	17,023
Amortization of debt issuance costs	686	840
	<u>18,391</u>	<u>17,863</u>
Other income:		
Interest and other income	455	684
	<u>455</u>	<u>684</u>
Income before disposition of investment properties and activity in unconsolidated affiliates	33,724	27,198
Gains on disposition of property	-	5,332
Equity in earnings of unconsolidated affiliates	522	955
Net income	34,246	33,485
Net (income) attributable to noncontrolling interests in the Operating Partnership	(888)	(888)
Net (income) attributable to noncontrolling interests in consolidated affiliates	(286)	(300)
Dividends on Preferred Stock	(623)	(623)
Net income available for common stockholders	<u>\$ 32,449</u>	<u>\$ 31,674</u>
Earnings per Common Share - basic:		
Net income available for common stockholders	\$ 0.31	\$ 0.31
Weighted average Common Shares outstanding - basic	<u>103,324</u>	<u>101,738</u>
Earnings per Common Share - diluted:		
Net income available for common stockholders	\$ 0.31	\$ 0.31
Weighted average Common Shares outstanding - diluted	<u>106,165</u>	<u>104,661</u>
Dividends declared per Common Share	<u>\$ 0.4625</u>	<u>\$ 0.4400</u>

Highwoods Properties, Inc.
Consolidated Balance Sheets

(Unaudited and in thousands, except share and per share data)

	March 31, 2018	December 31, 2017
Assets:		
Real estate assets, at cost:		
Land	\$ 485,956	\$ 485,956
Buildings and tenant improvements	4,617,003	4,590,490
Development in-process	131,671	88,452
Land held for development	125,841	74,765
	5,360,471	5,239,663
Less-accumulated depreciation	(1,239,383)	(1,202,424)
Net real estate assets	4,121,088	4,037,239
Real estate and other assets, net, held for sale	14,017	14,118
Cash and cash equivalents	31,034	3,272
Restricted cash	36,848	85,061
Accounts receivable, net of allowance of \$784 and \$753, respectively	22,943	24,397
Mortgages and notes receivable, net of allowance of \$69 and \$72, respectively	6,158	6,425
Accrued straight-line rents receivable, net of allowance of \$909 and \$819, respectively	206,698	200,131
Investments in and advances to unconsolidated affiliates	23,095	23,897
Deferred leasing costs, net of accumulated amortization of \$146,909 and \$143,512, respectively	196,302	200,679
Prepaid expenses and other assets, net of accumulated depreciation of \$19,860 and \$19,092, respectively	37,272	28,572
Total Assets	\$ 4,695,455	\$ 4,623,791
Liabilities, Noncontrolling Interests in the Operating Partnership and Equity:		
Mortgages and notes payable, net	\$ 2,112,584	\$ 2,014,333
Accounts payable, accrued expenses and other liabilities	206,258	228,215
Total Liabilities	2,318,842	2,242,548
Commitments and contingencies		
Noncontrolling interests in the Operating Partnership	123,113	144,009
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), 28,887 and 28,892 shares issued and outstanding, respectively	28,887	28,892
Common Stock, \$.01 par value, 200,000,000 authorized shares; 103,421,754 and 103,266,875 shares issued and outstanding, respectively	1,034	1,033
Additional paid-in capital	2,953,148	2,929,399
Distributions in excess of net income available for common stockholders	(762,642)	(747,344)
Accumulated other comprehensive income	15,609	7,838
Total Stockholders' Equity	2,236,036	2,219,818
Noncontrolling interests in consolidated affiliates	17,464	17,416
Total Equity	2,253,500	2,237,234
Total Liabilities, Noncontrolling Interests in the Operating Partnership and Equity	\$ 4,695,455	\$ 4,623,791

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

	Three Months Ended	
	March 31,	
	2018	2017
Funds from operations:		
Net income	\$ 34,246	\$ 33,485
Net (income) attributable to noncontrolling interests in consolidated affiliates	(286)	(300)
Depreciation and amortization of real estate assets	56,835	55,475
(Gains) on disposition of depreciable properties	-	(5,332)
Unconsolidated affiliates:		
Depreciation and amortization of real estate assets	511	662
Funds from operations	91,306	83,990
Dividends on Preferred Stock	(623)	(623)
Funds from operations available for common stockholders	\$ 90,683	\$ 83,367
Funds from operations available for common stockholders per share	\$ 0.85	\$ 0.80
Weighted average shares outstanding ⁽¹⁾	106,165	104,661

(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,	
	2018	2017
Income before disposition of investment properties and activity in unconsolidated affiliates	\$ 33,724	\$ 27,198
Other income	(455)	(684)
Interest expense	18,391	17,863
General and administrative expenses	11,778	11,490
Depreciation and amortization	57,568	56,145
Net operating income	<u>121,006</u>	<u>112,012</u>
Less - non same property and other net operating income	(10,116)	(4,168)
Same property net operating income	<u>\$ 110,890</u>	<u>\$ 107,844</u>
Same property net operating income	\$ 110,890	\$ 107,844
Less - lease termination fees, straight-line rent and other non-cash adjustments	(5,030)	(4,949)
Same property cash net operating income	<u>\$ 105,860</u>	<u>\$ 102,895</u>

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

	Three Months Ended	
	March 31,	
	2018	2017
Net debt-to-EBITDAre:		
Net income	\$ 34,246	\$ 33,485
Interest expense	18,391	17,863
Depreciation and amortization	57,568	56,145
Gains on disposition of depreciable properties	-	(5,332)
Adjustments to reflect our share of EBITDAre from unconsolidated affiliates	896	1,209
EBITDAre (1)	\$ 111,101	\$ 103,370
EBITDAre (annualized) (2)	\$ 444,404	\$ 413,480
Mortgages and notes payable (3)	\$ 2,151,656	\$ 2,092,458
Less - cash and cash equivalents (3)	(33,945)	(11,979)
Net debt (4)	\$ 2,117,711	\$ 2,080,479
Preferred stock	28,887	28,905
Net debt plus preferred stock	\$ 2,146,598	\$ 2,109,384
Net debt-to-EBITDAre (5)	4.77x	5.03x
Net debt plus preferred stock-to-EBITDAre (6)	4.83x	5.10x

(1) Effective January 1, 2018, we calculate EBITDAre in accordance with the NAREIT definition. Prior period results have been retrospectively revised to conform to the NAREIT definition.

(2) EBITDAre (annualized) is EBITDAre multiplied by four.

(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 at quarter-end.

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

(6) Net debt plus preferred stock at quarter-end divided by EBITDAre (annualized).