



FOR IMMEDIATE RELEASE

Ref: 14-15

Contact: Tabitha Zane
Vice President, Investor Relations
919-431-1529

Highwoods Properties Reports First Quarter 2014 Results *\$0.66 FFO per Share*

Leases 1.2 Million Square Feet of Second Generation Office *Compares to 2013 Quarterly Average of 956,000 Square Feet*

Expects Year-End Occupancy of 91.3% to 92.5% *Previously 90.8% to 92.0%*

Raises 2014 FFO Outlook to \$2.86 to \$2.94 per Share *Previously \$2.82 to \$2.94 per Share*

Raleigh, NC – April 29, 2014 – Highwoods Properties, Inc. (NYSE:HIW) today reported results for the quarter ended March 31, 2014.

Ed Fritsch, President and CEO, stated, *“Our team is doing an impressive job of attracting new customers to the Highwoods portfolio, validating our concentration on high-quality, BBD-located assets. Market conditions continue to improve and we remain focused on harvesting the leasing upside of our 2013 acquisitions. Robust year-to-date leasing activity will more than offset the impact of the harsh winter, and we continue to expect positive same property cash NOI growth for the full year. Given all this, we are pleased to raise both the low and high ends of our year-end occupancy outlook by 50 basis points and raise the low end of our FFO outlook by four cents, resulting in a two-cent increase in the midpoint.”*

For the quarter ended March 31, 2014, the Company delivered \$0.66 per share of funds from operations available for common stockholders (“FFO”). The Company noted that FFO per share for the quarter was impacted by \$0.01 of higher net costs due to harsh weather conditions and \$0.03 relating to the GAAP requirement to expense annual long-term equity incentive grants on the grant date for employees who have met the eligibility requirements under the Company’s retirement plan.

During the first quarter, the Company:

- Leased 1.4 million square feet of second generation space, including 1.2 million square feet of office (compared to 2013 quarterly office average of 956,000 square feet)
- Reported –1.9% cash rent growth on second generation office leases signed compared to –7.3% for full year 2013 and GAAP rent growth of +7.8% compared to +5.2% for full year 2013
- Announced a \$14.9 million build-to-suit with Biologics, Inc. for its headquarters
- Earned a ratings upgrade from Fitch Ratings to BBB

First Quarter Financial Results

FFO was \$61.2 million, or \$0.66 per diluted share, for the first quarter of 2014. FFO was \$57.2 million, or \$0.67 per diluted share, for the first quarter of 2013. Excluding debt extinguishment and property acquisition costs, FFO per diluted share for the first quarter of 2013 would have been \$0.68.

For the first quarter of 2014, the Company reported net income available for common stockholders (“net income”) of \$12.1 million, or \$0.13 per diluted share. Net income for the first quarter of 2013 was \$12.3 million, or \$0.15 per diluted share.

Except as noted below, the following items were included in the determination of net income and FFO for the three months ended March 31, 2014 and 2013.

	Three Months Ended 3/31/2014		Three Months Ended 3/31/2013	
	(000)	Per Share	(000)	Per Share
Lease Termination Income, Net (1)	\$ 119	\$ 0.001	\$ 81	\$ 0.001
Straight-Line Rental Income (1)	6,070	0.065	5,553	0.065
Capitalized Interest	566	0.006	429	0.005
Property Acquisition Costs	-	-	(494)	(0.006)
Losses on Debt Extinguishment	-	-	(164)	(0.002)
Gains on Disposition of Depreciable Properties (2)	384	0.004	1,244	0.015
Our Share of Unconsolidated Affiliate Gains on Disposition of Depreciable Properties (2)	955	0.010	421	0.005
Impairments of Depreciable Properties (2)	-	-	(1,128)	(0.013)
Our Share of Unconsolidated Affiliate Impairments of Depreciable Properties (2)	-	-	(1,020)	(0.012)
Impairment of Investment in Unconsolidated Affiliate (2)	(1,353)	(0.015)	-	-

(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.

Funds from Operations Outlook

The Company has updated its 2014 FFO outlook to \$2.86 to \$2.94 per share from \$2.82 to \$2.94 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 potential acquisitions and dispositions 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 93.4 million diluted shares expected to be outstanding on average throughout 2014. Factors that could cause actual 2014 FFO results to differ materially from Highwoods current expectations are discussed below and are also detailed in the Company’s 2013 Annual Report on Form 10-K and subsequent SEC reports.

Management’s outlook for 2014 includes the following assumptions:

	Low	High
Year-End Occupancy	91.3%	92.5%
Same Property Cash NOI Growth, Excluding Termination Fees	0.5%	1.5%
Straight-Line Rental Income	\$20.0M	\$22.0M
G&A Expenses, Excluding Property Acquisition Costs (1)	\$34.0M	\$35.5M
Lease Termination Income, Net	\$1.0M	\$3.0M
Dispositions	\$100M	\$175M
Acquisitions	\$100M	\$300M
Development Announcements	\$75M	\$150M

- (1) First quarter 2014 general and administrative expenses included \$4.3 million of long-term equity incentive compensation costs compared to \$3.4 million of such costs in the first quarter of 2013. Total equity incentive compensation costs are expected to aggregate \$6.7 million in 2014 as compared to \$6.9 million in 2013. Under GAAP, annual long-term equity grants must be expensed at the grant date for employees who have met the age and service eligibility requirements under the Company's retirement plan. As a result, first quarter general and administrative expenses have been and are expected to be higher than the subsequent three quarters because the Company's annual grants are typically made in March.

Supplemental Information

A copy of the Company's first quarter 2014 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

On Wednesday, April 30, at 11:00 a.m. Eastern time, Highwoods will host a teleconference call to discuss the matters outlined in this press release. For US/Canada callers, dial (800) 756-3565. A live, listen-only webcast can be accessed through the Company's website at www.highwoods.com under the "Investor Relations" section.

A replay of the call will be available on the "Investor Relations" section of the Company's website at www.highwoods.com.

Planned Dates for Financial Releases and Conference Calls in 2014

The Company has set the following dates and times it currently plans to release its financial results in 2014. Quarterly financial press releases will be distributed after the market closes and the conference calls will be held at 11:00 a.m. Eastern time.

Quarterly Result	Release Date	Conference Call
Second	Tuesday, July 29	Wednesday, July 30
Third	Tuesday, October 28	Wednesday, October 29

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 from continuing operations ("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 activity in 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: 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, 2013 to March 31, 2014). 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 REIT that provides leasing, management, development, construction and other customer-related services for its properties and for third parties. At March 31, 2014, Highwoods owned or had an interest in 32.1 million rentable square feet of in-service office, industrial and retail properties, 0.9 million rentable square feet of office properties under development and approximately 600 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 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 2013 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,	
	2014	2013
Rental and other revenues	\$ 148,453	\$ 130,377
Operating expenses:		
Rental property and other expenses	56,390	46,594
Depreciation and amortization	48,165	40,088
General and administrative	10,714	10,582
Total operating expenses	<u>115,269</u>	<u>97,264</u>
Interest expense:		
Contractual	20,750	22,798
Amortization of deferred financing costs	652	949
Financing obligations	<u>(40)</u>	<u>121</u>
	21,362	23,868
Other income:		
Interest and other income	1,399	1,783
Losses on debt extinguishment	<u>-</u>	<u>(164)</u>
	1,399	1,619
Income from continuing operations before activity in unconsolidated affiliates	13,221	10,864
Equity in earnings/(losses) of unconsolidated affiliates	<u>(29)</u>	<u>436</u>
Income from continuing operations	13,192	11,300
Discontinued operations:		
Income from discontinued operations	-	2,344
Impairments of real estate assets	-	(1,128)
Net gains on disposition of discontinued operations	<u>384</u>	<u>1,244</u>
	384	2,460
Net income	13,576	13,760
Net (income) attributable to noncontrolling interests in the Operating Partnership	(398)	(581)
Net (income) attributable to noncontrolling interests in consolidated affiliates	(423)	(203)
Dividends on Preferred Stock	<u>(627)</u>	<u>(627)</u>
Net income available for common stockholders	<u>\$ 12,128</u>	<u>\$ 12,349</u>
Earnings per Common Share - basic:		
Income from continuing operations available for common stockholders	\$ 0.13	\$ 0.12
Income from discontinued operations available for common stockholders	<u>-</u>	<u>0.03</u>
Net income available for common stockholders	<u>\$ 0.13</u>	<u>\$ 0.15</u>
Weighted average Common Shares outstanding - basic	<u>89,966</u>	<u>81,029</u>
Earnings per Common Share - diluted:		
Income from continuing operations available for common stockholders	\$ 0.13	\$ 0.12
Income from discontinued operations available for common stockholders	<u>-</u>	<u>0.03</u>
Net income available for common stockholders	<u>\$ 0.13</u>	<u>\$ 0.15</u>
Weighted average Common Shares outstanding - diluted	<u>93,030</u>	<u>84,862</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	\$ 11,756	\$ 9,998
Income from discontinued operations available for common stockholders	372	2,351
Net income available for common stockholders	<u>\$ 12,128</u>	<u>\$ 12,349</u>

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

	<u>March 31,</u> <u>2014</u>	<u>December 31,</u> <u>2013</u>
Assets:		
Real estate assets, at cost:		
Land	\$ 394,233	\$ 393,602
Buildings and tenant improvements	3,782,607	3,748,869
Development in process	69,527	44,621
Land held for development	111,444	110,374
	<u>4,357,811</u>	<u>4,297,466</u>
Less-accumulated depreciation	(1,019,931)	(985,244)
Net real estate assets	3,337,880	3,312,222
Cash and cash equivalents	13,344	10,184
Restricted cash	9,140	14,169
Accounts receivable, net of allowance of \$1,412 and \$1,648, respectively	24,661	26,430
Mortgages and notes receivable, net of allowance of \$300 and \$302, respectively	10,028	26,409
Accrued straight-line rents receivable, net of allowance of \$1,118 and \$1,063, respectively	132,038	126,014
Investments in unconsolidated affiliates	28,836	29,901
Deferred financing and leasing costs, net of accumulated amortization of \$100,639 and \$92,220, respectively	218,831	222,211
Prepaid expenses and other assets, net of accumulated amortization of \$13,186 and \$12,905, respectively	45,235	39,561
Total Assets	<u><u>\$ 3,819,993</u></u>	<u><u>\$ 3,807,101</u></u>
Liabilities, Noncontrolling Interests in the Operating Partnership and Equity:		
Mortgages and notes payable	\$ 2,012,554	\$ 1,956,299
Accounts payable, accrued expenses and other liabilities	198,856	218,962
Financing obligations	26,443	26,664
Total Liabilities	<u>2,237,853</u>	<u>2,201,925</u>
Commitments and contingencies		
Noncontrolling interests in the Operating Partnership	112,808	106,480
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; 90,061,731 and 89,920,915 shares issued and outstanding, respectively	901	899
Additional paid-in capital	2,367,509	2,370,368
Distributions in excess of net income available for common stockholders	(946,530)	(920,433)
Accumulated other comprehensive loss	(2,922)	(2,611)
Total Stockholders' Equity	<u>1,448,035</u>	<u>1,477,300</u>
Noncontrolling interests in consolidated affiliates	21,297	21,396
Total Equity	<u>1,469,332</u>	<u>1,498,696</u>
Total Liabilities, Noncontrolling Interests in the Operating Partnership and Equity	<u><u>\$ 3,819,993</u></u>	<u><u>\$ 3,807,101</u></u>

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

	Three Months Ended	
	March 31,	
	2014	2013
Funds from operations:		
Net income	\$ 13,576	\$ 13,760
Net (income) attributable to noncontrolling interests in consolidated affiliates	(423)	(203)
Depreciation and amortization of real estate assets	47,593	39,518
Unconsolidated affiliates:		
Depreciation and amortization of real estate assets	1,031	2,015
Impairments of depreciable properties	-	1,020
Impairment of investment in unconsolidated affiliate	1,353	-
(Gains) on disposition of depreciable properties	(955)	(421)
Discontinued operations:		
Depreciation and amortization of real estate assets	-	2,204
Impairments of depreciable properties	-	1,128
(Gains) on disposition of depreciable properties	(384)	(1,244)
Funds from operations	<u>61,791</u>	<u>57,777</u>
Dividends on Preferred Stock	(627)	(627)
Funds from operations available for common stockholders	<u>\$ 61,164</u>	<u>\$ 57,150</u>
Funds from operations available for common stockholders per share	<u>\$ 0.66</u>	<u>\$ 0.67</u>
Weighted average shares outstanding	<u>93,030</u>	<u>84,862</u>

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

	Three Months Ended	
	March 31,	
	2014	2013
Income from continuing operations before activity in unconsolidated affiliates	\$ 13,221	\$ 10,864
Other income	(1,399)	(1,619)
Interest expense	21,362	23,868
General and administrative expenses	10,714	10,582
Depreciation and amortization	48,165	40,088
Net operating income from continuing operations	<u>92,063</u>	<u>83,783</u>
Less - non same property and other net operating income	(14,298)	(1,775)
Total same property net operating income from continuing operations	<u>\$ 77,765</u>	<u>\$ 82,008</u>
Rental and other revenues	\$ 148,453	\$ 130,377
Rental property and other expenses	56,390	46,594
Total net operating income from continuing operations	<u>92,063</u>	<u>83,783</u>
Less - non same property and other net operating income	(14,298)	(1,775)
Total same property net operating income from continuing operations	<u>\$ 77,765</u>	<u>\$ 82,008</u>
Total same property net operating income from continuing operations	\$ 77,765	\$ 82,008
Less - straight-line rent and lease termination fees	(2,748)	(4,911)
Same property cash net operating income from continuing operations	<u>\$ 75,017</u>	<u>\$ 77,097</u>