



FOR IMMEDIATE RELEASE

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Highwoods Properties Reports First Quarter 2015 Results

\$0.72 FFO per Share

*Grew Same Property Cash NOI 10.5%
Leased 1.3 Million Square Feet of Office Space
Delivered \$89 Million of Development*

Raises 2015 FFO Outlook to \$2.97 to \$3.07 per Share

Previously \$2.95 to \$3.06 per Share

Raleigh, NC – April 28, 2015 – Highwoods Properties, Inc. (NYSE:HIW) today reported results for the quarter ended March 31, 2015.

Ed Fritsch, President and CEO, stated, *“We had another solid quarter, earning FFO of \$0.72 per share. We leased 1.3 million square feet of second generation office space with an average term of 8.3 years and strong net effective rents. Given our value-add acquisitions and leasing production, we are generating robust same property cash NOI growth. We also delivered \$89 million of development, the first of two 100% pre-leased buildings for MetLife and the now 53% leased GlenLake V, both in Raleigh. Our \$440 million development pipeline encompasses 1.4 million square feet and is 88% pre-leased.”*

In the first quarter of 2015, the Company:

- Earned FFO of \$0.72 per share, including a \$763,000 land sale gain
- Leased 1.3 million square feet of second generation office, including a 369,000 square foot early renewal and expansion
- Garnered net effective rents on second generation office leases signed of \$14.69 per square foot per year, 13% above 2014's weighted average
- Grew average in-place office cash rents per square foot by 4.2% year-over-year
- Achieved cash rent growth of +0.7% and GAAP rent growth of +9.8% on second generation office leases signed
- Delivered \$89 million of development
- Issued 914,000 shares of common stock through its ATM program, raising net proceeds of \$40.8 million, and ended the quarter with leverage of 41.8%

First Quarter Financial Results

For the first quarter of 2015, funds from operations available for common shareholders (“FFO”) was \$69.0 million, or \$0.72 per diluted share. FFO was \$61.2 million, or \$0.66 per diluted share, for the first quarter of 2014. For the first quarter of 2015, net income available for common stockholders (“net income”) was \$19.3 million, or \$0.21 per diluted share. Net income was \$12.1 million, or \$0.13 per diluted share, for the first quarter of 2014.

Except as noted below, the financial results include:

	Three Months Ended 3/31/2015		Three Months Ended 3/31/2014	
	(000)	Per Share	(000)	Per Share
Lease Termination Income, Net (1)	\$ 80	\$ 0.001	\$ 119	\$ 0.001
Straight-Line Rental Income (1)	5,564	0.058	6,070	0.065
Capitalized Interest	1,968	0.020	566	0.006
Land Sale Gains	763	0.008	-	-
Gains on Disposition of Depreciable Properties (2)	394	0.004	384	0.004
Our Share of Unconsolidated Affiliates Gains on Disposition of Depreciable Properties (2)	1,071	0.011	955	0.010
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.

2015 Outlook

The Company has updated its 2015 FFO outlook to \$2.97 to \$3.07 per share from \$2.95 to \$3.06 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. This outlook does not include any effects related to potential acquisitions and dispositions that may occur after the date of this release. Factors that could cause actual 2015 FFO results to differ materially from Highwoods current expectations are discussed below and are also detailed in the Company’s 2014 Annual Report on Form 10-K and subsequent SEC reports.

Management’s outlook for 2015 includes the following assumptions:

	Low	High
Same Property Cash NOI Growth, Excluding Termination Fees	5.5%	6.5%
Straight-Line Rental Income	\$21M	\$23M
G&A Expenses	\$36.5M	\$37.5M
Dispositions	\$100M	\$200M
Acquisitions	\$50M	\$300M
Development Announcements	\$150M	\$250M
Year-End Occupancy	92.5%	93.5%
Weighted Average Diluted Shares Outstanding (1)	96.9M	97.7M

(1) At March 31, 2015, there were 97.1 million diluted shares outstanding.

Supplemental Information

A copy of the Company’s first quarter 2015 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 on our website or by contacting Highwoods Investor Relations at 919-431-1529/800-256-2963 or by e-mail to HIW-IR@highwoods.com.

Conference Call

Tomorrow, Wednesday, April 29, 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 also be available on the website.

Planned Dates for Financial Releases and Conference Calls in 2015

The Company has set the following dates and times it plans to release its financial results in 2015. 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.

Quarter	Release Date	
	Tuesday	Wednesday
Second	August 4	August 5
Third	October 27	October 28

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 disposition of investment properties and 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, 2014 to March 31, 2015). 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 office REIT that owns, develops, acquires, leases and manages properties primarily in the best business districts (BBDs) of Atlanta, Greensboro, Kansas City, Memphis, Nashville, Orlando, Pittsburgh, Raleigh, Richmond and Tampa. 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 2014 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,	
	2015	2014
Rental and other revenues	\$ 157,310	\$ 148,453
Operating expenses:		
Rental property and other expenses	57,513	56,390
Depreciation and amortization	50,308	48,165
General and administrative	11,437	10,714
Total operating expenses	<u>119,258</u>	<u>115,269</u>
Interest expense:		
Contractual	20,442	20,750
Amortization of deferred financing costs	800	652
Financing obligations	181	(40)
	<u>21,423</u>	<u>21,362</u>
Other income:		
Interest and other income	1,238	1,399
	<u>1,238</u>	<u>1,399</u>
Income from continuing operations before disposition of investment properties and activity in unconsolidated affiliates	17,867	13,221
Gains on disposition of property	1,157	-
Equity in earnings/(losses) of unconsolidated affiliates	1,811	(29)
Income from continuing operations	<u>20,835</u>	<u>13,192</u>
Discontinued operations:		
Net gains on disposition of discontinued operations	-	384
	<u>-</u>	<u>384</u>
Net income	20,835	13,576
Net (income) attributable to noncontrolling interests in the Operating Partnership	(596)	(398)
Net (income) attributable to noncontrolling interests in consolidated affiliates	(296)	(423)
Dividends on Preferred Stock	(627)	(627)
Net income available for common stockholders	<u>\$ 19,316</u>	<u>\$ 12,128</u>
Earnings per Common Share - basic:		
Income from continuing operations available for common stockholders	\$ 0.21	\$ 0.13
Income from discontinued operations available for common stockholders	-	-
Net income available for common stockholders	<u>\$ 0.21</u>	<u>\$ 0.13</u>
Weighted average Common Shares outstanding - basic	<u>93,222</u>	<u>89,966</u>
Earnings per Common Share - diluted:		
Income from continuing operations available for common stockholders	\$ 0.21	\$ 0.13
Income from discontinued operations available for common stockholders	-	-
Net income available for common stockholders	<u>\$ 0.21</u>	<u>\$ 0.13</u>
Weighted average Common Shares outstanding - diluted	<u>96,279</u>	<u>93,030</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	\$ 19,316	\$ 11,756
Income from discontinued operations available for common stockholders	-	372
Net income available for common stockholders	<u>\$ 19,316</u>	<u>\$ 12,128</u>

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

	March 31, 2015	December 31, 2014
Assets:		
Real estate assets, at cost:		
Land	\$ 400,850	\$ 388,807
Buildings and tenant improvements	3,941,463	3,840,379
Development in process	133,688	205,971
Land held for development	75,888	79,355
	4,551,889	4,514,512
Less-accumulated depreciation	(1,056,028)	(1,033,106)
Net real estate assets	3,495,861	3,481,406
Real estate and other assets, net, held for sale	2,980	1,038
Cash and cash equivalents	11,381	8,832
Restricted cash	11,852	14,595
Accounts receivable, net of allowance of \$1,647 and \$1,314, respectively	28,385	48,557
Mortgages and notes receivable, net of allowance of \$468 and \$275, respectively	14,137	13,116
Accrued straight-line rents receivable, net of allowance of \$530 and \$600, respectively	147,597	142,037
Investments in and advances to unconsolidated affiliates	27,056	27,071
Deferred financing and leasing costs, net of accumulated amortization of \$115,342 and \$112,804, respectively	224,270	228,768
Prepaid expenses and other assets, net of accumulated amortization of \$14,770 and \$14,259, respectively	46,297	39,489
Total Assets	\$ 4,009,816	\$ 4,004,909
Liabilities, Noncontrolling Interests in the Operating Partnership and Equity:		
Mortgages and notes payable	\$ 2,089,226	\$ 2,071,389
Accounts payable, accrued expenses and other liabilities	203,001	237,633
Financing obligations	23,519	23,519
Total Liabilities	2,315,746	2,332,541
Commitments and contingencies		
Noncontrolling interests in the Operating Partnership	133,226	130,048
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), 29,050 and 29,060 shares issued and outstanding, respectively	29,050	29,060
Common Stock, \$.01 par value, 200,000,000 authorized shares; 94,047,118 and 92,907,310 shares issued and outstanding, respectively	940	929
Additional paid-in capital	2,504,867	2,464,275
Distributions in excess of net income available for common stockholders	(986,388)	(966,141)
Accumulated other comprehensive loss	(5,709)	(3,912)
Total Stockholders' Equity	1,542,760	1,524,211
Noncontrolling interests in consolidated affiliates	18,084	18,109
Total Equity	1,560,844	1,542,320
Total Liabilities, Noncontrolling Interests in the Operating Partnership and Equity	\$ 4,009,816	\$ 4,004,909

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

	Three Months Ended	
	March 31,	
	2015	2014
Funds from operations:		
Net income	\$ 20,835	\$ 13,576
Net (income) attributable to noncontrolling interests in consolidated affiliates	(296)	(423)
Depreciation and amortization of real estate assets	49,678	47,593
(Gains) on disposition of depreciable properties	(394)	-
Unconsolidated affiliates:		
Depreciation and amortization of real estate assets	846	1,031
Impairment of investment in unconsolidated affiliate	-	1,353
(Gains) on disposition of depreciable properties	(1,071)	(955)
Discontinued operations:		
(Gains) on disposition of depreciable properties	-	(384)
Funds from operations	<u>69,598</u>	<u>61,791</u>
Dividends on Preferred Stock	(627)	(627)
Funds from operations available for common stockholders	<u>\$ 68,971</u>	<u>\$ 61,164</u>
Funds from operations available for common stockholders per share	<u>\$ 0.72</u>	<u>\$ 0.66</u>
Weighted average shares outstanding	<u>96,279</u>	<u>93,030</u>

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

	Three Months Ended	
	March 31,	
	2015	2014
Income from continuing operations before disposition of investment properties and activity in unconsolidated affiliates	\$ 17,867	\$ 13,221
Other income	(1,238)	(1,399)
Interest expense	21,423	21,362
General and administrative expenses	11,437	10,714
Depreciation and amortization	50,308	48,165
Net operating income from continuing operations	<u>99,797</u>	<u>92,063</u>
Less - non same property and other net operating income	<u>(6,074)</u>	<u>(4,870)</u>
Total same property net operating income from continuing operations	<u><u>\$ 93,723</u></u>	<u><u>\$ 87,193</u></u>
Rental and other revenues	\$ 157,310	\$ 148,453
Rental property and other expenses	<u>57,513</u>	<u>56,390</u>
Total net operating income from continuing operations	99,797	92,063
Less - non same property and other net operating income	<u>(6,074)</u>	<u>(4,870)</u>
Total same property net operating income from continuing operations	<u><u>\$ 93,723</u></u>	<u><u>\$ 87,193</u></u>
Total same property net operating income from continuing operations	\$ 93,723	\$ 87,193
Less - straight-line rent and lease termination fees	<u>(4,008)</u>	<u>(6,023)</u>
Same property cash net operating income from continuing operations	<u><u>\$ 89,715</u></u>	<u><u>\$ 81,170</u></u>