

FOR IMMEDIATE RELEASE

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Highwoods Reports Second Quarter 2016 Results

\$0.32 Net Income per Share

\$0.82 FFO per Share

Grew Same Property Cash NOI 4.5%

Leased 907,000 Square Feet of Office

Achieved 3.0% Cash Rent Growth on 2nd Gen Office Leases Signed

Ended Quarter with 37.5% Leverage Ratio and 5.1x Debt/EBITDA Ratio

Anticipates Paying Special Cash Dividend

At Least \$0.75 per Share

Narrows 2016 FFO Outlook to \$3.20 to \$3.28 per Share

Previously \$3.18 to \$3.30 per Share

RALEIGH, NC – August 2, 2016 – Highwoods Properties, Inc. (NYSE:HIW) today reported its second quarter 2016 financial and operating results.

Ed Fritsch, President and CEO, stated, “*We had another solid quarter, generating 18.5% year-over-year growth in net income per share and 6.5% year-over-year growth in FFO per share. We leased 907,000 square feet of second generation office space with robust GAAP rent growth of 15.4% and an average term of 5.6 years. Compared to the second quarter of 2015, same property cash NOI was up 4.5% and same property average occupancy was up 60 basis points.*”

Mr. Fritsch added, “*We are close to wrapping up the strategic initiative we announced last September to enhance our BBD office focus by selling Country Club Plaza as tax-efficiently as possible and redeploying the net proceeds to acquire BBD-centric trophy towers, replenish our inventory of infill land for future development and further strengthen our balance sheet. To date, we have reinvested \$445 million in tax-free exchanges. Consistent with our goal of being disciplined allocators of capital, we are using the remaining sale proceeds to pay down even more debt and anticipate returning capital to our shareholders through a special cash dividend of at least \$0.75 per share.*”



Second Quarter 2016 Highlights

Operations:

- Earned net income of \$0.32 per share
- Earned FFO of \$0.82 per share
- Grew same property cash NOI by 4.5% year-over-year

Leasing Activity:

- Leased 907,000 square feet of second generation office at a dollar weighted average term of 5.6 years
- Achieved cash rent growth of +3.0% and GAAP rent growth of +15.4% on second generation office leases signed
- Grew average in-place office cash rents per square foot by 3.7% year-over-year

Investment Activity:

- Acquired development land that can support up to 218,000 square feet of office in the Maryland Farms submarket of Nashville for \$9M
- Sold one of two remaining wholly-owned buildings in Kansas City for \$14.2M
- Subsequent to quarter end:
 - Acquired fee simple title to the land underneath the Company's EQT Plaza building in Pittsburgh for \$18.5M
 - Eliminates \$1.1M of annual ground lease payments
 - Sold one of two remaining joint venture buildings in Kansas City, a 12.5% interest for \$4.1M

Financing Activity:

- Paid off \$43.7M of secured debt with an effective interest rate of 7.5%, increasing the Company's unencumbered NOI to 92.8%
- Executed a 67-month, unsecured term loan facility for \$150M at an interest rate of LIBOR plus 110 basis points
- Issued 1,023,000 shares of common stock through the Company's ATM program, raising net proceeds of \$49.3M
- Ended the quarter with a leverage ratio, inclusive of preferred stock, of 37.5% and a debt-to-EBITDA ratio of 5.1x

Second Quarter and First Half 2016 Financial Results

For the second quarter of 2016, net income available for common stockholders ("net income") was \$31.6 million, or \$0.32 per diluted share, compared to net income of \$25.2 million, or \$0.27 per diluted share, for the second quarter of 2015. For the first six months of 2016, net income was \$464.4 million, or \$4.78 per diluted share, which included \$4.25 per share of gains on land sales and sales of depreciable properties. For the first six months of 2015, net income was \$44.5 million, or \$0.47 per diluted share.

For the second quarter of 2016, funds from operations available for common stockholders ("FFO") was \$82.2 million, or \$0.82 per diluted share, compared to FFO of \$75.2 million, or \$0.77 per diluted share, for the second quarter of 2015. For the first six months of 2016, FFO was \$163.6 million, or \$1.64 per diluted share, compared to FFO of \$144.1 million, or \$1.49 per diluted share, for the first six months of 2015.

Except as noted below, the following items were included in the determination of net income and FFO for the three and six months ended June 30, 2016 and 2015:



	Three Months Ended 6/30/2016		Three Months Ended 6/30/2015	
	(000)	Per Share	(000)	Per Share
Lease Termination Income, Net (1)	\$ 20	\$ -	\$ 176	\$ 0.002
Straight-Line Rental Income (1)	6,786	0.067	5,243	0.054
Capitalized Interest	1,795	0.018	1,464	0.015
Property Acquisition Costs	-	-	(58)	(0.001)
Losses on Debt Extinguishment	-	-	(220)	(0.002)
Land Sale Gains	-	-	180	0.002
Our Share of Unconsolidated Affiliate Land Sale Gains	-	-	1,066	0.011
Gains on Disposition of Depreciable Properties (2)	5,861	0.058	2,232	0.023
Our Share of Unconsolidated Affiliate Losses on Disposition of Depreciable Properties (2)	-	-	(125)	(0.001)
	Six Months Ended 6/30/2016		Six Months Ended 6/30/2015	
	(000)	Per Share	(000)	Per Share
Lease Termination Income, Net (1)	\$ 1,958	\$ 0.020	\$ 256	\$ 0.003
Straight-Line Rental Income (1)	13,378	0.134	10,807	0.112
Capitalized Interest	3,728	0.037	3,432	0.036
Property Acquisition Costs	-	-	(58)	(0.001)
Losses on Debt Extinguishment	-	-	(220)	(0.002)
Land Sale Gains	1,343	0.013	943	0.010
Our Share of Unconsolidated Affiliates Land Sale Gains	170	0.002	1,066	0.011
Gains on Disposition of Depreciable Properties (2)	423,411	4.234	2,626	0.027
Our Share of Unconsolidated Affiliates Gains on Disposition of Depreciable Properties (2)	331	0.003	946	0.010

(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.

Updated Use of Proceeds from Country Club Plaza Asset Sales

As previously reported, the Company closed on the sales of substantially all of its wholly-owned Country Club Plaza (the "Plaza") assets in Kansas City for \$660 million on March 1, 2016. The following table summarizes the actual and anticipated final uses of such proceeds:

Acquire BBD-located buildings and land in 2015 and 2016 in 1031 tax-deferred exchanges	\$445M
Reduce debt and fund a special dividend	\$205M
Pay transaction expenses, including closing credits to the buyer for future tenant improvements	\$10M
Sale proceeds	\$660M

On August 26, 2016, we expect to use all funds remaining in escrow to pay down the Company's unsecured revolving credit facility. The Company anticipates paying a special cash dividend of at least \$0.75 per share no later than January 31, 2017 to stockholders of record no later than December 31, 2016. The exact amount of the special dividend, which depends upon a variety of factors such as the amount of any taxable gains resulting from potential dispositions and the amount and characterization of cash receipts and outlays throughout the remainder of the year, will be finalized by the end of 2016 and could be up to \$0.25 per share higher.



2016 Outlook

The Company has updated its 2016 FFO outlook to \$3.20 to \$3.28 per share from \$3.18 to \$3.30 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 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
Growth in Same Property Cash NOI	4.0%	5.0%
Straight-Line Rental Income	\$23M	\$25M
G&A Expenses (1)	\$37M	\$39M
Year-End Occupancy	92.5%	93.2%
Weighted Average Diluted Shares Outstanding (2)	100.8M	101.3M
Dispositions	\$760M	\$860M
Acquisitions (3)	\$31M	\$131M
Development Announcements	\$100M	\$200M

- (1) Includes (a) \$0.5 million of land acquisition costs expected to be recorded during the third quarter and (b) \$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 sales of the Plaza assets that are reflected in income from discontinued operations.
- (2) There were 101.6 million diluted shares outstanding at June 30, 2016.
- (3) The low end consists of \$31 million of BBD-located land using escrowed funds from the sales of the Plaza assets.

Supplemental Information

The Company's second 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, August 3rd, 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 2016

The Company has set the following date for the release of its 2016 third quarter 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
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, 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 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 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 June 30, 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 sales of the Plaza assets and the expected payment of a special cash dividend from the remaining proceeds therefrom; 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 June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Rental and other revenues	\$ 166,860	\$ 148,543	\$ 331,719	\$ 293,779
Operating expenses:				
Rental property and other expenses	57,515	52,370	115,095	104,884
Depreciation and amortization	55,317	47,928	108,811	94,795
General and administrative	8,327	8,665	19,464	19,908
Total operating expenses	121,159	108,963	243,370	219,587
Interest expense:				
Contractual	18,674	20,857	38,389	41,299
Amortization of debt issuance costs	811	828	1,801	1,628
Financing obligation	-	162	-	162
	19,485	21,847	40,190	43,089
Other income:				
Interest and other income	534	520	1,051	1,102
Losses on debt extinguishment	-	(220)	-	(220)
	534	300	1,051	882
Income from continuing operations before disposition of investment properties and activity in unconsolidated affiliates	26,750	18,033	49,210	31,985
Gains on disposition of property	5,861	2,412	10,258	3,569
Equity in earnings of unconsolidated affiliates	917	1,776	2,202	3,587
Income from continuing operations	33,528	22,221	61,670	39,141
Discontinued operations:				
Income from discontinued operations	-	4,670	4,097	8,585
Net gains on disposition of discontinued operations	-	-	414,496	-
	-	4,670	418,593	8,585
Net income	33,528	26,891	480,263	47,726
Net (income) attributable to noncontrolling interests in the Operating Partnership	(939)	(782)	(13,950)	(1,378)
Net (income) attributable to noncontrolling interests in consolidated affiliates	(314)	(328)	(622)	(624)
Dividends on Preferred Stock	(627)	(626)	(1,253)	(1,253)
Net income available for common stockholders	<u>\$ 31,648</u>	<u>\$ 25,155</u>	<u>\$ 464,438</u>	<u>\$ 44,471</u>
Earnings per Common Share - basic:				
Income from continuing operations available for common stockholders	\$ 0.32	\$ 0.22	\$ 0.60	\$ 0.39
Income from discontinued operations available for common stockholders	-	0.05	4.19	0.08
Net income available for common stockholders	<u>\$ 0.32</u>	<u>\$ 0.27</u>	<u>\$ 4.79</u>	<u>\$ 0.47</u>
Weighted average Common Shares outstanding - basic	<u>97,648</u>	<u>94,055</u>	<u>97,010</u>	<u>93,641</u>
Earnings per Common Share - diluted:				
Income from continuing operations available for common stockholders	\$ 0.32	\$ 0.22	\$ 0.60	\$ 0.39
Income from discontinued operations available for common stockholders	-	0.05	4.18	0.08
Net income available for common stockholders	<u>\$ 0.32</u>	<u>\$ 0.27</u>	<u>\$ 4.78</u>	<u>\$ 0.47</u>
Weighted average Common Shares outstanding - diluted	<u>100,628</u>	<u>97,049</u>	<u>99,992</u>	<u>96,666</u>
Dividends declared per Common Share	<u>\$ 0.425</u>	<u>\$ 0.425</u>	<u>\$ 0.850</u>	<u>\$ 0.850</u>
Net income available for common stockholders:				
Income from continuing operations available for common stockholders	\$ 31,648	\$ 20,626	\$ 58,110	\$ 36,147
Income from discontinued operations available for common stockholders	-	4,529	406,328	8,324
Net income available for common stockholders	<u>\$ 31,648</u>	<u>\$ 25,155</u>	<u>\$ 464,438</u>	<u>\$ 44,471</u>

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

	June 30, 2016	December 31, 2015
Assets:		
Real estate assets, at cost:		
Land	\$ 448,212	\$ 443,705
Buildings and tenant improvements	4,128,823	4,063,328
Development in-process	229,184	194,050
Land held for development	75,078	68,244
	4,881,297	4,769,327
Less-accumulated depreciation	(1,063,010)	(1,007,104)
Net real estate assets	3,818,287	3,762,223
Real estate and other assets, net, held for sale	2,387	240,948
Cash and cash equivalents	2,444	5,036
Restricted cash	265,193	16,769
Accounts receivable, net of allowance of \$850 and \$928, respectively	26,671	29,077
Mortgages and notes receivable, net of allowance of \$75 and \$287, respectively	9,971	2,096
Accrued straight-line rents receivable, net of allowance of \$483 and \$257, respectively	162,573	150,392
Investments in and advances to unconsolidated affiliates	19,786	20,676
Deferred leasing costs, net of accumulated amortization of \$129,252 and \$115,172, respectively	217,042	231,765
Prepaid expenses and other assets, net of accumulated amortization of \$19,260 and \$17,830, respectively	40,008	26,649
Total Assets	\$ 4,564,362	\$ 4,485,631
Liabilities, Noncontrolling Interests in the Operating Partnership and Equity:		
Mortgages and notes payable, net	\$ 2,082,207	\$ 2,491,813
Accounts payable, accrued expenses and other liabilities	241,979	233,988
Liabilities held for sale	-	14,119
Total Liabilities	2,324,186	2,739,920
Commitments and contingencies		
Noncontrolling interests in the Operating Partnership	151,400	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), 28,935 and 29,050 shares issued and outstanding, respectively	28,935	29,050
Common Stock, \$.01 par value, 200,000,000 authorized shares; 98,570,974 and 96,091,932 shares issued and outstanding, respectively	986	961
Additional paid-in capital	2,693,755	2,598,242
Distributions in excess of net income available for common stockholders	(640,969)	(1,023,135)
Accumulated other comprehensive loss	(11,628)	(3,811)
Total Stockholders' Equity	2,071,079	1,601,307
Noncontrolling interests in consolidated affiliates	17,697	17,975
Total Equity	2,088,776	1,619,282
Total Liabilities, Noncontrolling Interests in the Operating Partnership and Equity	\$ 4,564,362	\$ 4,485,631

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2016	2015	2016	2015
Funds from operations:				
Net income	\$ 33,528	\$ 26,891	\$ 480,263	\$ 47,726
Net (income) attributable to noncontrolling interests in consolidated affiliates	(314)	(328)	(622)	(624)
Depreciation and amortization of real estate assets	54,680	47,333	107,477	93,631
(Gains) on disposition of depreciable properties	(5,861)	(2,232)	(8,915)	(2,626)
Unconsolidated affiliates:				
Depreciation and amortization of real estate assets	749	731	1,491	1,577
(Gains)/losses on disposition of depreciable properties	-	125	(331)	(946)
Discontinued operations:				
Depreciation and amortization of real estate assets	-	3,261	-	6,641
(Gains) on disposition of depreciable properties	-	-	(414,496)	-
Funds from operations	82,782	75,781	164,867	145,379
Dividends on Preferred Stock	(627)	(626)	(1,253)	(1,253)
Funds from operations available for common stockholders	\$ 82,155	\$ 75,155	\$ 163,614	\$ 144,126
Funds from operations available for common stockholders per share	\$ 0.82	\$ 0.77	\$ 1.64	\$ 1.49
Weighted average shares outstanding (1)	100,628	97,049	99,992	96,666

(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 June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Income from continuing operations before disposition of investment properties and activity in unconsolidated affiliates	\$ 26,750	\$ 18,033	\$ 49,210	\$ 31,985
Other income	(534)	(300)	(1,051)	(882)
Interest expense	19,485	21,847	40,190	43,089
General and administrative expenses	8,327	8,665	19,464	19,908
Depreciation and amortization	55,317	47,928	108,811	94,795
Net operating income from continuing operations	<u>109,345</u>	<u>96,173</u>	<u>216,624</u>	<u>188,895</u>
Less - non same property and other net operating income	(14,950)	(5,988)	(29,143)	(9,658)
Same property net operating income from continuing operations	<u>\$ 94,395</u>	<u>\$ 90,185</u>	<u>\$ 187,481</u>	<u>\$ 179,237</u>
Same property net operating income from continuing operations	\$ 94,395	\$ 90,185	\$ 187,481	\$ 179,237
Less - lease termination fees, straight-line rent and other non-cash adjustments	(4,164)	(3,833)	(8,925)	(8,017)
Same property cash net operating income from continuing operations	<u>\$ 90,231</u>	<u>\$ 86,352</u>	<u>\$ 178,556</u>	<u>\$ 171,220</u>