

FOR IMMEDIATE RELEASE

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Highwoods Reports Fourth Quarter and Full Year 2016 Results

\$0.25 Net Income per Share for Fourth Quarter 2016

\$0.82 FFO per Share for Fourth Quarter 2016

Delivered Year-End Occupancy of 93.1%

Issued 1.45M Shares for \$68.9M in Net Proceeds

Ended Quarter with Debt-to-EBITDA Ratio of 4.78x

\$5.30 Net Income per Share for Full Year 2016

(Including \$4.26 per Share of Building and Land Sale Gains)

\$3.28 FFO per Share for Full Year 2016

Generated 6.5% FFO Growth

Announces Development of 751 Corporate Center in Raleigh

\$22M, 90,000 Square Foot Office Building, 35% Pre-Leased

Increases Annualized Dividend to \$1.76 per Common Share

Provides 2017 FFO Outlook of \$3.27 to \$3.40 per Share

Projects 2.50% to 3.25% Growth in Same Property Cash NOI

RALEIGH, NC – February 7, 2017 – Highwoods Properties, Inc. (NYSE:HIW) today reported its fourth quarter and full year 2016 financial and operating results.

Ed Fritsch, President and CEO, stated, “2016 was a very strong year for Highwoods. We improved the quality of our portfolio with \$892 million of total capital recycling and investment activity, significantly de-levered our balance sheet and returned capital to our shareholders, all while delivering strong net income and FFO per share growth. This volume of work will further benefit the Company in the years to come.



Our fourth quarter operational performance was solid as exhibited by our same property cash NOI growth of 5.8%, GAAP rent spreads of +13.9% and year-end occupancy of 93.1%.

Based on our strengthening cash flows, which will be further enhanced as our well pre-leased \$541 million development pipeline continues to deliver, we are increasing our quarterly cash dividend to \$0.44 per share. This equates to an annualized dividend of \$1.76 per share, a 3.5% increase.”

Fourth Quarter 2016 Highlights

Operations:

- Earned net income of \$0.25 per share
- Earned FFO of \$0.82 per share
- Grew same property cash NOI by 5.8% year-over-year
- Increased occupancy to 93.1% at year-end, 40 basis points higher than September 30, 2016

Leasing Activity:

- Leased 726,000 square feet of second generation office at a dollar weighted average term of 6.2 years
- Grew average in-place office cash rents per square foot by 2.7% year-over-year
- Achieved GAAP rent growth of +13.9% and cash rent growth of +3.0% on second generation office leases signed

Financing Activity:

- Ended the year with \$49M of cash and nothing drawn on its \$475M revolving credit facility
- Drew remaining \$75M under term loan facility at an interest rate of LIBOR plus 110 bps
- Issued 1,454,000 shares of common stock through its ATM program at an average gross sales price of \$48.09 per share, raising net proceeds of \$68.9M
- Declared a special cash dividend of \$0.80 per share, which was paid January 2017
- Improved year-over-year balance sheet statistics:

	As of 12/31/16	As of 12/31/15
Leverage (1)	34.7%	44.9%
Debt-to-EBITDA Ratio	4.78x	6.13x
Unencumbered NOI	92.6%	91.0%
Bridge Facility Outstanding	\$0M	\$350M
Credit Facility Outstanding	\$0M	\$299M

(1) Includes preferred stock and is based on gross book assets.

Full Year 2016 Highlights

	Actual	Original Outlook (1)	
		Low	High
Net Income per Share	\$5.30	N/A	N/A
FFO per Share	\$3.28	\$3.18	\$3.30
Growth in Same Property Cash NOI (2)	5.2%	4.0%	5.0%
Year-End Occupancy	93.1%	92.5%	93.5%
Weighted Average Diluted Shares and Units Outstanding	101.4M	99M	100M

(1) Original outlook published on February 9, 2016.

(2) Excludes termination fees.



Fourth Quarter and Full Year 2016 Financial Results

For the fourth quarter of 2016, net income available for common stockholders (“net income”) was \$25.4 million, or \$0.25 per diluted share, compared to net income of \$20.4 million, or \$0.21 per diluted share, for the fourth quarter of 2015. For 2016, net income was \$521.8 million, or \$5.30 per diluted share, which included \$4.26 per diluted share of gains on land sales and sales of depreciable properties. For 2015, net income was \$94.6 million, or \$1.00 per diluted share, which included \$0.18 per diluted share of gains on land sales and sales of depreciable properties.

For the fourth quarter of 2016, funds from operations available for common stockholders (“FFO”) was \$84.6 million, or \$0.82 per diluted share, compared to FFO of \$80.8 million, or \$0.82 per diluted share, for the fourth quarter of 2015. For 2016, FFO was \$332.3 million, or \$3.28 per diluted share, compared to FFO of \$299.7 million, or \$3.08 per diluted share, for 2015.

The following items were included in the determination of net income and FFO for the three and twelve months ended December 31, 2016 and 2015:

	Three Months Ended 12/31/2016		Three Months Ended 12/31/2015	
	(000)	Per Share	(000)	Per Share
Lease Termination Income, Net (1)	\$ 3	\$ -	\$ 119	\$ 0.001
Straight-Line Rental Income (1)	5,328	0.051	5,813	0.059
Capitalized Interest	2,471	0.024	1,941	0.020
Losses on Debt Extinguishment	-	-	(23)	-
Land Sale Gains	647	0.006	863	0.009
	Twelve Months Ended 12/31/2016		Twelve Months Ended 12/31/2015	
	(000)	Per Share	(000)	Per Share
Lease Termination Income, Net (1)	\$ 2,311	\$ 0.023	\$ 1,340	\$ 0.014
Straight-Line Rental Income (1)	23,846	0.235	22,308	0.229
Capitalized Interest	8,202	0.081	6,888	0.071
Property Acquisition Costs	(751)	(0.007)	(1,004)	(0.010)
Losses on Debt Extinguishment	-	-	(243)	(0.002)
Land Sale Gains	5,892	0.058	2,297	0.024
Our Share of Unconsolidated Affiliates Land Sale Gains	170	0.002	1,066	0.011
Gains on Disposition of Depreciable Properties (2)	423,411	4.176	9,147	0.094
Our Share of Unconsolidated Affiliates Gains on Disposition of Depreciable Properties (2)	2,173	0.021	946	0.010
Gain on Disposition of Investment in Unconsolidated Affiliate (2)	-	-	4,155	0.043

(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.

Development Announcement

The Company will develop 751 Corporate Center, a LEED-certified, multi-customer office building in West Raleigh, one of Raleigh’s BBDs. The project will encompass 90,000 square feet and is 35% pre-leased to a new customer. The Company’s projected investment is \$21.9 million, including the value of existing Company-owned land. Construction is scheduled to begin in the third quarter of 2017, with a targeted completion in the fourth quarter of 2018 and a targeted stabilization in the fourth quarter of 2020.



Fritsch noted, “West Raleigh is a desirable location with users in need of additional space. Our two existing buildings in Corporate Center encompass 279,000 square feet and are 98% occupied, and the submarket is only 7.8% vacant.”

2017 Outlook

For 2017, the Company expects FFO per share to be in the range of \$3.27 to \$3.40. 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. The 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 2017 FFO results to differ materially from Highwoods current expectations are discussed below and are also detailed in the Company’s 2016 Annual Report on Form 10-K and subsequent SEC reports.

Management’s outlook for 2017 includes the following assumptions:

	Low	High
Growth in Same Property Cash NOI (1)	2.50%	3.25%
Straight-Line Rental Income (2)	\$29M	\$31M
G&A Expenses (3)	\$36.5M	\$38.5M
Year-End Occupancy	92.2%	93.2%
Weighted Average Diluted Shares and Units Outstanding (4)	104.6M	106.0M
Dispositions	\$50M	\$150M
Acquisitions	\$0M	\$200M
Development Announcements	\$120M	\$220M

- (1) Excludes termination fees.
- (2) Includes an aggregate of \$7.8 million in the second and third quarters of 2017 due to early possession by the customer of the Bridgestone Americas development.
- (3) Includes equity incentive compensation costs, which are expected to aggregate \$6.7 million in 2017 as compared to \$6.2 million in 2016. Under GAAP, certain 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 long-standing retirement plan. As a result, first quarter general and administrative expenses are expected to be about \$2.9 million higher than the run rate for the subsequent three quarters because the Company’s annual grants are customarily made in March.
- (4) There were 104.6 million diluted shares and units outstanding at December 31, 2016.

Supplemental Information

The Company’s fourth 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, February 8th, 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 2017

The Company has set the following dates for the release of its 2017 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
First	April 25	April 26
Second	July 25	July 26
Third	October 24	October 25

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" 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 December 31, 2016). The Company's same property NOI 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; 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 2016 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		Year Ended	
	December 31,		December 31,	
	2016	2015	2016	2015
Rental and other revenues	\$ 167,646	\$ 160,126	\$ 665,634	\$ 604,671
Operating expenses:				
Rental property and other expenses	57,370	56,627	231,085	215,941
Depreciation and amortization	58,406	56,160	220,140	201,918
General and administrative	8,826	8,744	38,153	37,642
Total operating expenses	<u>124,602</u>	<u>121,531</u>	<u>489,378</u>	<u>455,501</u>
Interest expense:				
Contractual	17,031	20,462	73,142	82,245
Amortization of debt issuance costs	861	1,144	3,506	3,645
Financing obligation	-	-	-	162
	<u>17,892</u>	<u>21,606</u>	<u>76,648</u>	<u>86,052</u>
Other income:				
Interest and other income	454	488	2,338	1,969
Losses on debt extinguishment	-	(23)	-	(243)
	<u>454</u>	<u>465</u>	<u>2,338</u>	<u>1,726</u>
Income from continuing operations before disposition of investment properties and activity in unconsolidated affiliates	25,606	17,454	101,946	64,844
Gains on disposition of property	647	863	14,807	11,444
Gain on disposition of investment in unconsolidated affiliate	-	-	-	4,155
Equity in earnings of unconsolidated affiliates	783	711	5,793	5,078
Income from continuing operations	<u>27,036</u>	<u>19,028</u>	<u>122,546</u>	<u>85,521</u>
Discontinued operations:				
Income from discontinued operations	-	2,889	4,097	15,739
Net gains on disposition of discontinued operations	-	-	414,496	-
	<u>-</u>	<u>2,889</u>	<u>418,593</u>	<u>15,739</u>
Net income	27,036	21,917	541,139	101,260
Net (income) attributable to noncontrolling interests in the Operating Partnership	(720)	(622)	(15,596)	(2,918)
Net (income) attributable to noncontrolling interests in consolidated affiliates	(312)	(316)	(1,253)	(1,264)
Dividends on Preferred Stock	(624)	(627)	(2,501)	(2,506)
Net income available for common stockholders	<u>\$ 25,380</u>	<u>\$ 20,352</u>	<u>\$ 521,789</u>	<u>\$ 94,572</u>
Earnings per Common Share - basic:				
Income from continuing operations available for common stockholders	\$ 0.25	\$ 0.18	\$ 1.17	\$ 0.84
Income from discontinued operations available for common stockholders	-	0.03	4.13	0.16
Net income available for common stockholders	<u>\$ 0.25</u>	<u>\$ 0.21</u>	<u>\$ 5.30</u>	<u>\$ 1.00</u>
Weighted average Common Shares outstanding - basic	<u>100,733</u>	<u>95,617</u>	<u>98,439</u>	<u>94,404</u>
Earnings per Common Share - diluted:				
Income from continuing operations available for common stockholders	\$ 0.25	\$ 0.18	\$ 1.17	\$ 0.84
Income from discontinued operations available for common stockholders	-	0.03	4.13	0.16
Net income available for common stockholders	<u>\$ 0.25</u>	<u>\$ 0.21</u>	<u>\$ 5.30</u>	<u>\$ 1.00</u>
Weighted average Common Shares outstanding - diluted	<u>103,640</u>	<u>98,607</u>	<u>101,398</u>	<u>97,406</u>
Dividends declared per Common Share	<u>\$ 1.225</u>	<u>\$ 0.425</u>	<u>\$ 2.50</u>	<u>\$ 1.70</u>
Net income available for common stockholders:				
Income from continuing operations available for common stockholders	\$ 25,380	\$ 17,549	\$ 115,461	\$ 79,308
Income from discontinued operations available for common stockholders	-	2,803	406,328	15,264
Net income available for common stockholders	<u>\$ 25,380</u>	<u>\$ 20,352</u>	<u>\$ 521,789</u>	<u>\$ 94,572</u>

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

	December 31,	
	2016	2015
Assets:		
Real estate assets, at cost:		
Land	\$ 474,375	\$ 443,705
Buildings and tenant improvements	4,313,373	4,063,328
Development in-process	279,602	194,050
Land held for development	77,355	68,244
	5,144,705	4,769,327
Less-accumulated depreciation	(1,134,103)	(1,007,104)
Net real estate assets	4,010,602	3,762,223
Real estate and other assets, net, held for sale	-	240,948
Cash and cash equivalents	49,490	5,036
Restricted cash	29,141	16,769
Accounts receivable, net of allowance of \$624 and \$928, respectively	17,372	29,077
Mortgages and notes receivable, net of allowance of \$105 and \$287, respectively	8,833	2,096
Accrued straight-line rents receivable, net of allowance of \$692 and \$257, respectively	172,829	150,392
Investments in and advances to unconsolidated affiliates	18,846	20,676
Deferred leasing costs, net of accumulated amortization of \$140,081 and \$115,172, respectively	213,500	231,765
Prepaid expenses and other assets, net of accumulated amortization of \$19,904 and \$17,830, respectively	40,437	26,649
Total Assets	\$ 4,561,050	\$ 4,485,631
Liabilities, Noncontrolling Interests in the Operating Partnership and Equity:		
Mortgages and notes payable, net	\$ 1,948,047	\$ 2,491,813
Accounts payable, accrued expenses and other liabilities	313,885	233,988
Liabilities held for sale	-	14,119
Total Liabilities	2,261,932	2,739,920
Commitments and contingencies		
Noncontrolling interests in the Operating Partnership	144,802	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), 28,920 and 29,050 shares issued and outstanding, respectively	28,920	29,050
Common Stock, \$.01 par value, 200,000,000 authorized shares; 101,665,554 and 96,091,932 shares issued and outstanding, respectively	1,017	961
Additional paid-in capital	2,850,881	2,598,242
Distributions in excess of net income available for common stockholders	(749,412)	(1,023,135)
Accumulated other comprehensive income/(loss)	4,949	(3,811)
Total Stockholders' Equity	2,136,355	1,601,307
Noncontrolling interests in consolidated affiliates	17,961	17,975
Total Equity	2,154,316	1,619,282
Total Liabilities, Noncontrolling Interests in the Operating Partnership and Equity	\$ 4,561,050	\$ 4,485,631

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

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2016	2015	2016	2015
Funds from operations:				
Net income	\$ 27,036	\$ 21,917	\$ 541,139	\$ 101,260
Net (income) attributable to noncontrolling interests in consolidated affiliates	(312)	(316)	(1,253)	(1,264)
Depreciation and amortization of real estate assets	57,753	55,476	217,533	199,449
(Gains) on disposition of depreciable properties	-	-	(8,915)	(9,147)
(Gain) on disposition of investment in unconsolidated affiliate	-	-	-	(4,155)
Unconsolidated affiliates:				
Depreciation and amortization of real estate assets	751	791	2,978	3,203
(Gains) on disposition of depreciable properties	-	-	(2,173)	(946)
Discontinued operations:				
Depreciation and amortization of real estate assets	-	3,543	-	13,820
(Gains) on disposition of depreciable properties	-	-	(414,496)	-
Funds from operations	85,228	81,411	334,813	302,220
Dividends on Preferred Stock	(624)	(627)	(2,501)	(2,506)
Funds from operations available for common stockholders	\$ 84,604	\$ 80,784	\$ 332,312	\$ 299,714
Funds from operations available for common stockholders per share	\$ 0.82	\$ 0.82	\$ 3.28	\$ 3.08
Weighted average shares outstanding (1)	103,640	98,607	101,398	97,406

(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		Year Ended	
	December 31,		December 31,	
	2016	2015	2016	2015
Income from continuing operations before disposition of investment properties and activity in unconsolidated affiliates	\$ 25,606	\$ 17,454	\$ 101,946	\$ 64,844
Other income	(454)	(465)	(2,338)	(1,726)
Interest expense	17,892	21,606	76,648	86,052
General and administrative expenses	8,826	8,744	38,153	37,642
Depreciation and amortization	58,406	56,160	220,140	201,918
Net operating income from continuing operations	<u>110,276</u>	<u>103,499</u>	<u>434,549</u>	<u>388,730</u>
Less - non same property and other net operating income	(15,387)	(12,766)	(58,913)	(28,130)
Same property net operating income from continuing operations	<u>\$ 94,889</u>	<u>\$ 90,733</u>	<u>\$ 375,636</u>	<u>\$ 360,600</u>
Same property net operating income from continuing operations	\$ 94,889	\$ 90,733	\$ 375,636	\$ 360,600
Less - lease termination fees, straight-line rent and other non-cash adjustments	(2,794)	(3,693)	(14,098)	(17,073)
Same property cash net operating income from continuing operations	<u>\$ 92,095</u>	<u>\$ 87,040</u>	<u>\$ 361,538</u>	<u>\$ 343,527</u>