

FOR IMMEDIATE RELEASE

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Highwoods Reports Third Quarter 2017 Results

\$0.55 Net Income per Share

\$0.86 FFO per Share

Grew Same Property Cash NOI 3.4%

Achieved 11.3% GAAP Rent Growth on 2nd Gen Leases Signed

Sold \$93M of Non-Core Properties
Recast Credit Facility and Term Loan
Issued No Shares Under the ATM Program

Updates 2017 FFO Outlook to \$3.36 to \$3.38 per Share
(Including Previously Disclosed -\$0.02 per Share Impact from Dispositions)
Previously \$3.33 to \$3.38 per Share

RALEIGH, NC – October 24, 2017 – Highwoods Properties, Inc. (NYSE:HIW) today reported its third quarter 2017 financial and operating results.

Ed Fritsch, President and CEO, stated, “*Our operating performance was solid during the quarter. FFO per share was up 3.9% compared to the prior year and same property NOI increased 3.4%. We leased 1.1 million square feet of second generation office space with 11.3% growth in GAAP rent.*”

We sold \$93 million of non-core properties, including our share of three joint venture buildings, and we expect up to \$44 million of additional closings in the fourth quarter. These non-core sales, which are dilutive to FFO in the near-term, are consistent with our ongoing long-term strategy of simplifying our business and improving the overall quality of our portfolio.”



Third Quarter 2017 Highlights

Operations:

- Earned net income of \$0.55 per share
- Earned FFO of \$0.86 per share
- Grew same property cash NOI by 3.4% year-over-year

Leasing Activity:

- Leased 1.1 million square feet of second generation office at a dollar weighted average term of 5.2 years
- Achieved GAAP rent growth of +11.3% and cash rent growth of -0.9% on second generation office leases signed

Investment Activity:

- Sold \$93M of non-core assets, including our 28.6% share of a joint venture sale
- Reduced contribution to total revenues from joint ventures to 1.5%

Financing Activity:

- Increased unencumbered NOI to 96.2%
- Ended the quarter with a debt-to-EBITDA ratio of 4.46x and a leverage ratio (including preferred stock) of 34.7%
- Issued no shares of common stock through the ATM program

Financing activity subsequent to quarter-end:

- Executed a recast of the Company's unsecured revolving credit facility
 - Increased overall borrowing capacity from \$475M to \$600M
 - Extended the term to January 2022, plus two unilateral six-month extension rights
 - Lowered LIBOR borrowing spread from 110 to 100 basis points
- Recast \$200M unsecured bank term loan by extending the term from January 2019 to November 2022 and reducing the LIBOR borrowing spread from 120 to 110 basis points
- Paid off \$125M of its \$350M unsecured bank term loan, which is scheduled to mature in June 2020 and has a LIBOR borrowing spread of 110 basis points

Third Quarter 2017 Financial Results

For the third quarter of 2017, net income available for common stockholders ("net income") was \$57.0 million, or \$0.55 per diluted share, compared to net income of \$32.0 million, or \$0.32 per diluted share, for the third quarter of 2016. For the first nine months of 2017, net income was \$126.3 million, or \$1.23 per diluted share, which included \$0.27 per share of gains on sales of depreciable properties, net of land impairment expenses. For the first nine months of 2016, net income was \$496.4 million, or \$5.08 per diluted share, which included \$4.28 per share of gains on land sales and sales of depreciable properties.

For the third quarter of 2017, funds from operations available for common stockholders ("FFO") was \$90.9 million, or \$0.86 per diluted share, compared to FFO of \$84.1 million, or \$0.82 per diluted share, for the third quarter of 2016. For the first nine months of 2017, FFO was \$268.8 million, or \$2.55 per diluted share, compared to FFO of \$247.7 million, or \$2.46 per diluted share, for the first nine months of 2016.

Except as noted below, the following items were included in the determination of net income and FFO for the three and nine months ended September 30, 2017 and 2016:



	Three Months Ended 9/30/2017		Three Months Ended 9/30/2016	
	(000)	Per Share	(000)	Per Share
Lease Termination Income, Net (1)	\$ 1,233	\$ 0.012	\$ 350	\$ 0.003
Straight-Line Rental Income (1)	9,440	0.089	5,140	0.050
Capitalized Interest	1,730	0.016	2,003	0.020
Property Acquisition Costs	-	-	(751)	(0.007)
Land Sale Gains	-	-	3,902	0.038
Gains on Disposition of Depreciable Properties (2)	19,849	0.187	-	-
Our Share of Unconsolidated Affiliates Gains on Disposition of Depreciable Properties (2)	4,617	0.043	1,842	0.018
Land Impairments	(1,445)	(0.014)	-	-

	Nine Months Ended 9/30/2017		Nine Months Ended 9/30/2016	
	(000)	Per Share	(000)	Per Share
Lease Termination Income, Net (1)	\$ 1,452	\$ 0.014	\$ 2,308	\$ 0.023
Straight-Line Rental Income (1)	24,643	0.234	18,518	0.184
Capitalized Interest	7,773	0.074	5,731	0.057
Property Acquisition Costs	-	-	(751)	(0.007)
Gains on Debt Extinguishment	826	0.008	-	-
Land Sale Gains	-	-	5,245	0.052
Our Share of Unconsolidated Affiliates Land Sale Gains	-	-	170	0.002
Gains on Disposition of Depreciable Properties (2)	25,181	0.239	423,411	4.207
Our Share of Unconsolidated Affiliates Gains on Disposition of Depreciable Properties (2)	4,617	0.044	2,173	0.022
Land Impairments	(1,445)	(0.014)	-	-

(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.

2017 Outlook

The Company has narrowed its FFO outlook to \$3.36 to \$3.38 per share from \$3.33 to \$3.38 per share. The Company closed \$93 million of dispositions during the third quarter of 2017 and expects to close up to an additional \$44 million of sales prior to year-end. The Company previously reported this disposition activity is expected to impact 2017 FFO by approximately \$0.02 per share, most of which will affect the fourth quarter.

This outlook further reflects management's view of current and future market conditions, including assumptions such as rental rates, occupancy levels, operating and general and administrative expenses, weighted average diluted shares outstanding and interest rates. Factors that could cause actual 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)	3.75%	4.25%
Straight-Line Rental Income	\$32M	\$33M
G&A Expenses	\$39.0M	\$39.5M
Year-End Occupancy	92.2%	93.2%
Weighted Average Diluted Shares and Units Outstanding (2)	105.6M	105.7M
Dispositions	\$106M	\$150M
Acquisitions	\$0M	\$0M
Development Announcements	\$225M	\$275M

(1) Excludes termination fees.

(2) There were 106.2 million diluted shares and units outstanding at September 30, 2017.

Supplemental Information

The Company's third quarter 2017 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, October 25th, at 11:00 a.m. Eastern time, Highwoods will host a teleconference call to discuss the matters highlighted in this release. For US/Canada callers, dial (800) 756-3565. A live, listen-only webcast and a subsequent replay can be accessed through the Company's website at www.highwoods.com under the "Investor Relations" section.

Planned Dates for Financial Releases and Conference Calls in 2018

The Company has set the following dates for the release of its financial results in 2018. 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
Fourth	February 6	February 7
First	April 24	April 25
Second	July 24	July 25
Third	October 23	October 24

Non-GAAP Information

FFO: We believe that FFO and FFO per share are beneficial to management and investors and are important indicators of the performance of any equity REIT. Because FFO and FFO per share calculations exclude such factors as depreciation, amortization and impairments of real estate assets and gains or losses from sales of operating real estate assets, which can vary among owners of identical assets in similar conditions based on historical cost accounting and useful life estimates, they facilitate comparisons of operating performance between periods and between other REITs. Management believes that historical cost accounting for real estate assets in accordance with GAAP implicitly assumes that the value of real estate assets diminishes predictably over time. Since real estate values have historically risen or fallen with market conditions, management believes that the use of FFO and FFO per share, together with the required GAAP presentations, provide a more complete understanding of our performance relative to our competitors and a more informed and appropriate basis on which to make decisions involving operating, financing and investing activities.



FFO and FFO per share are non-GAAP financial measures and therefore do not represent net income or net income per share as defined by GAAP. Net income and net income per share as defined by GAAP are the most relevant measures in determining our operating performance because FFO and FFO per share include adjustments that investors may deem subjective, such as adding back expenses such as depreciation, amortization and impairment. Furthermore, FFO per share does not depict the amount that accrues directly to the stockholders' benefit. Accordingly, FFO and FFO per share should never be considered as alternatives to net income or net income per share as indicators of our operating performance.

Our presentation of FFO is consistent with FFO as defined by NAREIT, which is calculated as follows:

- Net income/(loss) computed in accordance with GAAP;
- Less net income attributable to noncontrolling interests in consolidated affiliates;
- Plus depreciation and amortization of depreciable operating properties;
- Less gains, or plus losses, from sales of depreciable operating properties, plus impairments on depreciable operating properties and excluding items that are classified as extraordinary items under GAAP;
- Plus or minus our share of adjustments, including depreciation and amortization of depreciable operating properties, for unconsolidated joint venture investments (to reflect funds from operations on the same basis); and
- Plus or minus adjustments for depreciation and amortization and gains/(losses) on sales of depreciable operating properties, plus impairments on depreciable operating properties, and noncontrolling interests in consolidated affiliates related to discontinued operations.

In calculating FFO, the Company includes net income attributable to noncontrolling interests in its operating partnership, which we believe is consistent with standard industry practice for REITs that operate through an UPREIT structure. We believe that it is important to present FFO on an as-converted basis since all of the operating partnership units not owned by the Company are redeemable on a one-for-one basis for shares of the Company's common stock. In calculating FFO available for common stockholders and FFO per diluted share, the Company further deducts dividends on preferred stock. The Company's FFO calculations are reconciled to net income in a table included with this release.

Net operating income ("NOI"): We define NOI as "Rental and other revenues" 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, 2016 to September 30, 2017). The Company's same property NOI calculations are reconciled to NOI in a table included with this release.

Earnings before interest, taxes, depreciation and amortization ("EBITDA"): We define EBITDA as net income adjusted for interest expense, depreciation and amortization, equity in earnings of



unconsolidated affiliates, impairments, income from discontinued operations, gains or losses on property dispositions and gains or losses on early extinguishment of debt. Management believes EBITDA is an appropriate supplemental measure to use in ratios that evaluate the Company's liquidity and financial condition and ability to service its long-term debt obligations. Other REITs may use different methodologies to calculate EBITDA and accordingly the Company's EBITDA may not be comparable to other REITs. The Company's EBITDA calculations are reconciled to net income in a table included with this release.

About Highwoods

Highwoods Properties, Inc., headquartered in Raleigh, is a publicly-traded (NYSE:HIW) real estate investment trust ("REIT") and a member of the S&P MidCap 400 Index. The Company is a fully-integrated office REIT that owns, develops, acquires, leases and manages properties primarily in the best business districts (BBDs) of Atlanta, Greensboro, Memphis, Nashville, Orlando, Pittsburgh, Raleigh, Richmond and Tampa. For more information about Highwoods, please visit our website at www.highwoods.com.

Certain matters discussed in this press release are forward-looking statements within the meaning of the federal securities laws, such as the following: the expected financial and operational results and the related assumptions underlying our expected results; 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		Nine Months Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
Rental and other revenues	\$ 180,185	\$ 166,269	\$ 526,876	\$ 497,988
Operating expenses:				
Rental property and other expenses	61,234	58,620	177,484	173,715
Depreciation and amortization	56,973	52,923	168,934	161,734
Impairments of real estate assets	1,445	-	1,445	-
General and administrative	9,247	9,863	29,787	29,327
Total operating expenses	<u>128,899</u>	<u>121,406</u>	<u>377,650</u>	<u>364,776</u>
Interest expense:				
Contractual	16,395	17,722	48,763	56,111
Amortization of debt issuance costs	796	844	2,445	2,645
	<u>17,191</u>	<u>18,566</u>	<u>51,208</u>	<u>58,756</u>
Other income:				
Interest and other income	558	833	1,806	1,884
Gains on debt extinguishment	-	-	826	-
	<u>558</u>	<u>833</u>	<u>2,632</u>	<u>1,884</u>
Income from continuing operations before disposition of investment properties and activity in unconsolidated affiliates	34,653	27,130	100,650	76,340
Gains on disposition of property	19,849	3,902	25,181	14,160
Equity in earnings of unconsolidated affiliates	5,047	2,808	6,757	5,010
Income from continuing operations	<u>59,549</u>	<u>33,840</u>	<u>132,588</u>	<u>95,510</u>
Discontinued operations:				
Income from discontinued operations	-	-	-	4,097
Net gains on disposition of discontinued operations	-	-	-	414,496
	<u>-</u>	<u>-</u>	<u>-</u>	<u>418,593</u>
Net income	59,549	33,840	132,588	514,103
Net (income) attributable to noncontrolling interests in the Operating Partnership	(1,571)	(926)	(3,502)	(14,876)
Net (income) attributable to noncontrolling interests in consolidated affiliates	(315)	(319)	(914)	(941)
Dividends on Preferred Stock	(623)	(624)	(1,869)	(1,877)
Net income available for common stockholders	<u>\$ 57,040</u>	<u>\$ 31,971</u>	<u>\$ 126,303</u>	<u>\$ 496,409</u>
Earnings per Common Share - basic:				
Income from continuing operations available for common stockholders	\$ 0.55	\$ 0.32	\$ 1.23	\$ 0.92
Income from discontinued operations available for common stockholders	-	-	-	4.16
Net income available for common stockholders	<u>\$ 0.55</u>	<u>\$ 0.32</u>	<u>\$ 1.23</u>	<u>\$ 5.08</u>
Weighted average Common Shares outstanding - basic	<u>103,237</u>	<u>98,973</u>	<u>102,489</u>	<u>97,669</u>
Earnings per Common Share - diluted:				
Income from continuing operations available for common stockholders	\$ 0.55	\$ 0.32	\$ 1.23	\$ 0.92
Income from discontinued operations available for common stockholders	-	-	-	4.16
Net income available for common stockholders	<u>\$ 0.55</u>	<u>\$ 0.32</u>	<u>\$ 1.23</u>	<u>\$ 5.08</u>
Weighted average Common Shares outstanding - diluted	<u>106,145</u>	<u>101,939</u>	<u>105,402</u>	<u>100,645</u>
Dividends declared per Common Share	<u>\$ 0.440</u>	<u>\$ 0.425</u>	<u>\$ 1.320</u>	<u>\$ 1.275</u>
Net income available for common stockholders:				
Income from continuing operations available for common stockholders	\$ 57,040	\$ 31,971	\$ 126,303	\$ 90,081
Income from discontinued operations available for common stockholders	-	-	-	406,328
Net income available for common stockholders	<u>\$ 57,040</u>	<u>\$ 31,971</u>	<u>\$ 126,303</u>	<u>\$ 496,409</u>

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

	September 30, 2017	December 31, 2016
Assets:		
Real estate assets, at cost:		
Land	\$ 488,013	\$ 474,375
Buildings and tenant improvements	4,605,061	4,313,373
Development in-process	58,578	279,602
Land held for development	76,969	77,355
	5,228,621	5,144,705
Less-accumulated depreciation	(1,196,642)	(1,134,103)
Net real estate assets	4,031,979	4,010,602
Cash and cash equivalents	4,864	49,490
Restricted cash	47,761	29,141
Accounts receivable, net of allowance of \$504 and \$624, respectively	18,027	17,372
Mortgages and notes receivable, net of allowance of \$80 and \$105, respectively	6,789	8,833
Accrued straight-line rents receivable, net of allowance of \$324 and \$692, respectively	194,639	172,829
Investments in and advances to unconsolidated affiliates	23,523	18,846
Deferred leasing costs, net of accumulated amortization of \$145,814 and \$140,081, respectively	202,814	213,500
Prepaid expenses and other assets, net of accumulated amortization of \$22,341 and \$19,904, respectively	30,070	40,437
Total Assets	\$ 4,560,466	\$ 4,561,050
Liabilities, Noncontrolling Interests in the Operating Partnership and Equity:		
Mortgages and notes payable, net	\$ 1,966,398	\$ 1,948,047
Accounts payable, accrued expenses and other liabilities	227,575	313,885
Total Liabilities	2,193,973	2,261,932
Commitments and contingencies		
Noncontrolling interests in the Operating Partnership	147,451	144,802
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), 28,892 and 28,920 shares issued and outstanding, respectively	28,892	28,920
Common Stock, \$.01 par value, 200,000,000 authorized shares; 103,248,940 and 101,665,554 shares issued and outstanding, respectively	1,032	1,017
Additional paid-in capital	2,924,048	2,850,881
Distributions in excess of net income available for common stockholders	(758,484)	(749,412)
Accumulated other comprehensive income	5,910	4,949
Total Stockholders' Equity	2,201,398	2,136,355
Noncontrolling interests in consolidated affiliates	17,644	17,961
Total Equity	2,219,042	2,154,316
Total Liabilities, Noncontrolling Interests in the Operating Partnership and Equity	\$ 4,560,466	\$ 4,561,050

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Funds from operations:				
Net income	\$ 59,549	\$ 33,840	\$ 132,588	\$ 514,103
Net (income) attributable to noncontrolling interests in consolidated affiliates	(315)	(319)	(914)	(941)
Depreciation and amortization of real estate assets	56,271	52,303	166,862	159,780
(Gains) on disposition of depreciable properties	(19,849)	-	(25,181)	(8,915)
Unconsolidated affiliates:				
Depreciation and amortization of real estate assets	529	736	1,923	2,227
(Gains) on disposition of depreciable properties	(4,617)	(1,842)	(4,617)	(2,173)
Discontinued operations:				
(Gains) on disposition of depreciable properties	-	-	-	(414,496)
Funds from operations	<u>91,568</u>	<u>84,718</u>	<u>270,661</u>	<u>249,585</u>
Dividends on Preferred Stock	(623)	(624)	(1,869)	(1,877)
Funds from operations available for common stockholders	<u>\$ 90,945</u>	<u>\$ 84,094</u>	<u>\$ 268,792</u>	<u>\$ 247,708</u>
Funds from operations available for common stockholders per share	<u>\$ 0.86</u>	<u>\$ 0.82</u>	<u>\$ 2.55</u>	<u>\$ 2.46</u>
Weighted average shares outstanding (1)	<u>106,145</u>	<u>101,939</u>	<u>105,402</u>	<u>100,645</u>

(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		Nine Months Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
Income from continuing operations before disposition of investment properties and activity in unconsolidated affiliates	\$ 34,653	\$ 27,130	\$ 100,650	\$ 76,340
Other income	(558)	(833)	(2,632)	(1,884)
Interest expense	17,191	18,566	51,208	58,756
General and administrative expenses	9,247	9,863	29,787	29,327
Impairments of real estate assets	1,445	-	1,445	-
Depreciation and amortization	56,973	52,923	168,934	161,734
Net operating income from continuing operations	<u>118,951</u>	<u>107,649</u>	<u>349,392</u>	<u>324,273</u>
Less - non same property and other net operating income	(13,187)	(5,203)	(31,902)	(14,678)
Same property net operating income from continuing operations	<u>\$ 105,764</u>	<u>\$ 102,446</u>	<u>\$ 317,490</u>	<u>\$ 309,595</u>
Same property net operating income from continuing operations	\$ 105,764	\$ 102,446	\$ 317,490	\$ 309,595
Less - lease termination fees, straight-line rent and other non-cash adjustments	(3,373)	(3,454)	(10,924)	(16,502)
Same property cash net operating income from continuing operations	<u>\$ 102,391</u>	<u>\$ 98,992</u>	<u>\$ 306,566</u>	<u>\$ 293,093</u>

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

	Three Months Ended	
	September 30,	
	2017	2016
Debt-to-EBITDA:		
Net income	\$ 59,549	\$ 33,840
Interest expense	17,191	18,566
Depreciation and amortization	56,973	52,923
Equity in earnings of unconsolidated affiliates	(5,047)	(2,808)
Impairments of real estate assets	1,445	-
Gains on disposition of property	(19,849)	(3,902)
EBITDA	\$ 110,262	\$ 98,619
 Annualized EBITDA (1)	 \$ 441,048	 \$ 394,476
 Mortgages and notes payable, net (Debt)	 \$ 1,966,398	 \$ 1,901,066
Preferred stock	28,892	28,920
Debt plus preferred stock	\$ 1,995,290	\$ 1,929,986
 Debt-to-EBITDA (2)	 4.46x	 4.82x
Debt plus preferred stock-to-EBITDA (3)	4.52x	4.89x

(1) Annualized EBITDA is EBITDA multiplied by four.

(2) Debt at quarter-end divided by annualized EBITDA.

(3) Debt plus preferred stock at quarter-end divided by annualized EBITDA.