

FOR IMMEDIATE RELEASE

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Highwoods Reports Second Quarter 2018 Results

\$0.49 Net Income per Share

\$0.87 FFO per Share

*Signed 1.1M SF of 2nd Gen Office Leases with 6.8 Years Average Term
Achieved +18.2% GAAP Rent Growth and +2.3% Cash Rent Growth*

Announced \$285M CBD Nashville Build-to-Suit

Current Development Pipeline \$725M, 2.0M SF, 92% Pre-Leased

Updates 2018 FFO Outlook to \$3.39 to \$3.45 per Share

Previously \$3.37 to \$3.47 per Share

RALEIGH, NC – July 24, 2018 – Highwoods Properties, Inc. (NYSE:HIW) today reported its second quarter 2018 financial and operating results.

Ed Fritsch, President and CEO, stated, “*Our second quarter operating performance was strong having leased 1.1 million square feet of second generation office space with GAAP rent spreads of +18.2%. Since our first quarter earnings release, we have made meaningful headway on large vacancies and substantially de-risked our 2019 lease expirations.*”

In addition, we made excellent progress with our development pipeline, announcing a \$285 million build-to-suit for Asurion’s headquarters in CBD Nashville and signing 100,000 square feet of leases on the remaining projects. Our pipeline is now \$725 million and 92% pre-leased on a dollar-weighted basis. Our development program continues to drive meaningful cash flow growth.”



Second Quarter 2018 Highlights

Operations:

- Earned net income of \$0.49 per share
- Earned FFO of \$0.87 per share, including \$0.5 million in land sale gains and \$0.7 million of pre-development costs relating to terminated pursuits
- Ended the quarter with in-service portfolio occupancy of 91.8%
- Grew average in-place office cash rents per square foot by 4.1% year-over-year

Second Generation Office Leasing Activity:

- Leased 1.1 million square feet
- Achieved a dollar weighted average term of 6.8 years
- Captured GAAP rent growth of +18.2% and cash rent growth of +2.3%

Development Activity:

- Announced \$285 million, 551,000 square foot, 98.3% pre-leased build-to-suit for Asurion on Company-owned land in CBD Nashville
- Increased total pipeline to \$725 million that is 92% pre-leased on dollar-weighted basis having signed 642,000 square feet since our prior earnings release on April 24th

Investment Activity:

- Sold Highwoods Tower Two in Raleigh for \$31.0 million, including \$1.0 million for an adjacent two-acre land parcel
- Sold 25 acres of non-core industrial land in Atlanta for \$3.0 million

Financing Activity:

- Paid off \$200 million of unsecured notes with an interest rate of 7.50%
- Ended the quarter with a net debt-to-EBITDA ratio of 4.65x and a leverage ratio (including preferred stock) of 35.3%
- Issued no shares under the Company's ATM program

Second Quarter 2018 Financial Results

For the second quarter of 2018, net income available for common stockholders ("net income") was \$50.7 million, or \$0.49 per diluted share, compared to net income of \$37.6 million, or \$0.37 per diluted share, for the second quarter of 2017. For the first six months of 2018, net income was \$83.1 million, or \$0.80 per diluted share, compared to net income of \$69.3 million, or \$0.68 per diluted share, for the first six months of 2017.

For the second quarter of 2018, funds from operations available for common stockholders ("FFO") was \$92.2 million, or \$0.87 per diluted share, compared to FFO of \$94.5 million, or \$0.90 per diluted share, for the second quarter of 2017. For the first six months of 2018, FFO was \$182.8 million, or \$1.72 per diluted share, compared to FFO of \$177.8 million, or \$1.69 per diluted share, for the first six months of 2017.

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, 2018 and 2017:



	Three Months Ended 6/30/2018		Three Months Ended 6/30/2017	
	(000)	Per Share	(000)	Per Share
Lease Termination Income, Net (1)	\$ 8	\$ -	\$ 203	\$ 0.002
Straight-Line Rental Income (1)	6,394	0.060	9,085	0.086
Capitalized Interest	1,586	0.015	2,801	0.027
Gains on Debt Extinguishment	-	-	826	0.008
Land Sale Gains	539	0.005	-	-
Gains on Disposition of Depreciable Properties (2)	16,433	0.155	-	-

	Six Months Ended 6/30/2018		Six Months Ended 6/30/2017	
	(000)	Per Share	(000)	Per Share
Lease Termination Income, Net (1)	\$ 674	\$ 0.006	\$ 219	\$ 0.002
Straight-Line Rental Income (1)	12,903	0.121	15,203	0.145
Capitalized Interest	2,912	0.027	6,043	0.058
Gains on Debt Extinguishment	-	-	826	0.008
Land Sale Gains	539	0.005	-	-
Gains on Disposition of Depreciable Properties (2)	16,433	0.155	5,332	0.051

- (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.

2018 Outlook

The Company has narrowed its 2018 FFO outlook to \$3.39 to \$3.45 per share from \$3.37 to \$3.47 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 2018 FFO results to differ materially from Highwoods current expectations are discussed below and are also detailed in the Company's 2017 Annual Report on Form 10-K and subsequent SEC reports.

Management's outlook for 2018 includes the following assumptions:

	Low	High
Growth in Same Property Cash NOI (1)	1.0%	2.0%
Straight-Line Rental Income	\$20M	\$22M
G&A Expenses	\$38M	\$40M
Year-End Occupancy	91.50%	92.75%
Weighted Average Diluted Shares and Units Outstanding (2)	106.2M	106.8M
Dispositions	\$61M	\$136M
Acquisitions	\$0M	\$200M
Development Announcements	\$285M	\$385M

- (1) Excludes termination fees.
(2) There were 106.3 million diluted shares and units outstanding at June 30, 2018.



Supplemental Information

The Company's second quarter 2018 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, July 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 "Investors" section.

Planned Date for Financial Release and Conference Call in 2018

The Company has set the following date for the release of its third quarter 2018 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 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" less "Rental property and other expenses". 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 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 that were wholly-owned during the entirety of the periods presented (from January 1, 2017 to June 30, 2018). 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 for real estate ("EBITDAre"): Our presentation of EBITDAre is consistent with EBITDAre as defined by NAREIT, which is calculated as follows:

- Net income/(loss) computed in accordance with GAAP;
- Plus interest expense;
- Plus income tax expense;
- Plus depreciation and amortization;
- Less gains, or plus losses, from sales of depreciable operating properties, plus impairments on depreciable operating properties; and
- Plus or minus our share of the same adjustments for unconsolidated joint venture investments.

Management believes EBITDAre 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 EBITDAre and accordingly the Company's EBITDAre may not be comparable to other REITs. The Company's EBITDAre 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 2017 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,	
	2018	2017	2018	2017
Rental and other revenues	\$ 178,792	\$ 177,283	\$ 359,230	\$ 346,691
Operating expenses:				
Rental property and other expenses	59,663	58,854	119,095	116,250
Depreciation and amortization	56,694	55,816	114,262	111,961
General and administrative	9,540	9,050	21,318	20,540
Total operating expenses	125,897	123,720	254,675	248,751
Interest expense:				
Contractual	17,155	15,345	34,860	32,368
Amortization of debt issuance costs	722	809	1,408	1,649
	17,877	16,154	36,268	34,017
Other income:				
Interest and other income	462	564	917	1,248
Gains on debt extinguishment	-	826	-	826
	462	1,390	917	2,074
Income before disposition of investment properties and activity in unconsolidated affiliates	35,480	38,799	69,204	65,997
Gains on disposition of property	16,972	-	16,972	5,332
Equity in earnings of unconsolidated affiliates	546	755	1,068	1,710
Net income	52,998	39,554	87,244	73,039
Net (income) attributable to noncontrolling interests in the Operating Partnership	(1,381)	(1,043)	(2,269)	(1,931)
Net (income) attributable to noncontrolling interests in consolidated affiliates	(308)	(299)	(594)	(599)
Dividends on Preferred Stock	(623)	(623)	(1,246)	(1,246)
Net income available for common stockholders	\$ 50,686	\$ 37,589	\$ 83,135	\$ 69,263
Earnings per Common Share - basic:				
Net income available for common stockholders	\$ 0.49	\$ 0.37	\$ 0.80	\$ 0.68
Weighted average Common Shares outstanding - basic	103,428	102,475	103,376	102,109
Earnings per Common Share - diluted:				
Net income available for common stockholders	\$ 0.49	\$ 0.37	\$ 0.80	\$ 0.68
Weighted average Common Shares outstanding - diluted	106,267	105,386	106,216	105,026
Dividends declared per Common Share	\$ 0.4625	\$ 0.4400	\$ 0.9250	\$ 0.8800

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

	<u>June 30,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
Assets:		
Real estate assets, at cost:		
Land	\$ 485,086	\$ 485,956
Buildings and tenant improvements	4,609,648	4,590,490
Development in-process	178,008	88,452
Land held for development	124,558	74,765
	<u>5,397,300</u>	<u>5,239,663</u>
Less-accumulated depreciation	(1,248,643)	(1,202,424)
Net real estate assets	4,148,657	4,037,239
Real estate and other assets, net, held for sale	-	14,118
Cash and cash equivalents	4,232	3,272
Restricted cash	5,686	85,061
Accounts receivable, net of allowance of \$1,034 and \$753, respectively	19,350	24,397
Mortgages and notes receivable, net of allowance of \$61 and \$72, respectively	5,927	6,425
Accrued straight-line rents receivable, net of allowance of \$567 and \$819, respectively	213,110	200,131
Investments in and advances to unconsolidated affiliates	23,212	23,897
Deferred leasing costs, net of accumulated amortization of \$144,555 and \$143,512, respectively	195,068	200,679
Prepaid expenses and other assets, net of accumulated depreciation of \$19,200 and \$19,092, respectively	37,729	28,572
Total Assets	<u>\$ 4,652,971</u>	<u>\$ 4,623,791</u>
Liabilities, Noncontrolling Interests in the Operating Partnership and Equity:		
Mortgages and notes payable, net	\$ 2,055,004	\$ 2,014,333
Accounts payable, accrued expenses and other liabilities	215,451	228,215
Total Liabilities	<u>2,270,455</u>	<u>2,242,548</u>
Commitments and contingencies		
Noncontrolling interests in the Operating Partnership	142,323	144,009
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), 28,887 and 28,892 shares issued and outstanding, respectively	28,887	28,892
Common Stock, \$.01 par value, 200,000,000 authorized shares; 103,459,115 and 103,266,875 shares issued and outstanding, respectively	1,035	1,033
Additional paid-in capital	2,936,636	2,929,399
Distributions in excess of net income available for common stockholders	(759,788)	(747,344)
Accumulated other comprehensive income	15,956	7,838
Total Stockholders' Equity	<u>2,222,726</u>	<u>2,219,818</u>
Noncontrolling interests in consolidated affiliates	17,467	17,416
Total Equity	<u>2,240,193</u>	<u>2,237,234</u>
Total Liabilities, Noncontrolling Interests in the Operating Partnership and Equity	<u>\$ 4,652,971</u>	<u>\$ 4,623,791</u>

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Funds from operations:				
Net income	\$ 52,998	\$ 39,554	\$ 87,244	\$ 73,039
Net (income) attributable to noncontrolling interests in consolidated affiliates	(308)	(299)	(594)	(599)
Depreciation and amortization of real estate assets	55,954	55,116	112,789	110,591
(Gains) on disposition of depreciable properties	(16,433)	-	(16,433)	(5,332)
Unconsolidated affiliates:				
Depreciation and amortization of real estate assets	565	732	1,076	1,394
Funds from operations	<u>92,776</u>	<u>95,103</u>	<u>184,082</u>	<u>179,093</u>
Dividends on Preferred Stock	(623)	(623)	(1,246)	(1,246)
Funds from operations available for common stockholders	<u>\$ 92,153</u>	<u>\$ 94,480</u>	<u>\$ 182,836</u>	<u>\$ 177,847</u>
Funds from operations available for common stockholders per share	<u>\$ 0.87</u>	<u>\$ 0.90</u>	<u>\$ 1.72</u>	<u>\$ 1.69</u>
Weighted average shares outstanding ⁽¹⁾	<u>106,267</u>	<u>105,386</u>	<u>106,216</u>	<u>105,026</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		Six Months Ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Income before disposition of investment properties and activity in unconsolidated affiliates	\$ 35,480	\$ 38,799	\$ 69,204	\$ 65,997
Other income	(462)	(1,390)	(917)	(2,074)
Interest expense	17,877	16,154	36,268	34,017
General and administrative expenses	9,540	9,050	21,318	20,540
Depreciation and amortization	56,694	55,816	114,262	111,961
Net operating income	119,129	118,429	240,135	230,441
Less - non same property and other net operating income	(10,608)	(9,945)	(21,359)	(14,654)
Same property net operating income	\$ 108,521	\$ 108,484	\$ 218,776	\$ 215,787
Same property net operating income	\$ 108,521	\$ 108,484	\$ 218,776	\$ 215,787
Less - lease termination fees, straight-line rent and other non-cash adjustments	(4,978)	(3,772)	(10,145)	(8,838)
Same property cash net operating income	\$ 103,543	\$ 104,712	\$ 208,631	\$ 206,949

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

	Three Months Ended	
	June 30,	
	2018	2017
Net debt-to-EBITDAre:		
Net income	\$ 52,998	\$ 39,554
Interest expense	17,877	16,154
Depreciation and amortization	56,694	55,816
Gains on disposition of depreciable properties	(16,433)	-
Adjustments to reflect our share of EBITDAre from unconsolidated affiliates	956	1,308
EBITDAre (1)	\$ 112,092	\$ 112,832
EBITDAre (annualized) (2)	\$ 448,368	\$ 451,328
Mortgages and notes payable (3)	\$ 2,094,269	\$ 2,054,882
Less - cash and cash equivalents (3)	(7,523)	(20,081)
Net debt (4)	\$ 2,086,746	\$ 2,034,801
Preferred stock	28,887	28,905
Net debt plus preferred stock	\$ 2,115,633	\$ 2,063,706
Net debt-to-EBITDAre (5)	4.65x	4.51x
Net debt plus preferred stock-to-EBITDAre (6)	4.72x	4.57x

(1) Effective January 1, 2018, we calculate EBITDAre in accordance with the NAREIT definition. Prior period results have been retrospectively revised to conform to the NAREIT definition.

(2) EBITDAre (annualized) is EBITDAre multiplied by four.

(3) Includes our share of unconsolidated affiliates.

(4) Net debt is calculated as mortgages and notes payable at quarter-end less cash and cash equivalents at quarter-end.

(5) Net debt at quarter-end divided by EBITDAre (annualized).

(6) Net debt plus preferred stock at quarter-end divided by EBITDAre (annualized).