

FOR IMMEDIATE RELEASE

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Highwoods Reports Third Quarter 2018 Results

\$0.32 Net Income per Share

\$0.86 FFO per Share

Signed 884,000 SF of 2nd Gen Office Leases

Achieved +18.5% GAAP Rent Growth

Updates Development Activity

Placed in Service \$67M, 223,000 SF, 84% Leased

Current Pipeline \$658M, 1.8M SF, 96% Pre-Leased

Updates 2018 FFO Outlook to \$3.42 to \$3.45 per Share

Previously \$3.39 to \$3.45 per Share

RALEIGH, NC – October 23, 2018 – Highwoods Properties, Inc. (NYSE:HIW) today reported its third quarter 2018 financial and operating results.

Ed Fritsch, President and CEO, stated, “*Our third quarter financial and operating performance was strong. We leased 884,000 square feet of second generation office space at robust GAAP rent spreads of +18.5% while keeping tenant improvement costs in-check. We raised the low end of our FFO outlook \$0.03 per share following healthy third quarter results and a positive outlook for the remainder of the year.*”

We leased 115,000 square feet in the development pipeline since our last earnings release, more than half of the remaining spec space. We placed in service two development properties totaling \$67 million and 223,000 square feet, which were 84% leased. Our now current \$658 million development pipeline is 96% pre-leased, and we have less than half of our anticipated investment left to spend. These projects will drive meaningful cash flow growth as they are placed in service.”



Third Quarter 2018 Highlights

Operations:

- Earned net income of \$0.32 per share
- Earned FFO of \$0.86 per share
- Grew average in-place office cash rents 4.9% per square foot year-over-year
- Grew same property cash NOI 1.4% year-over-year
- Ended the quarter with in-service portfolio occupancy of 91.3%

Second Generation Office Leasing Activity:

- Leased 884,000 square feet, including 278,000 square feet of new leases
- Achieved a dollar weighted average term of 6.0 years
- Captured GAAP rent growth of +18.5% and cash rent growth of +3.2%

Development Activity:

- Signed leases for 115,000 square feet since our prior earnings release on July 24th
- Placed in service two properties totaling \$67 million and 223,000 square feet, which were 84% leased
- Remaining \$658 million pipeline, which encompasses 1.8 million square feet, is 96% pre-leased

Investment Activity:

- Sold 24 acres of non-core industrial land in Atlanta for \$2.1 million

Financing Activity:

- Ended the quarter with a net debt-to-EBITDA ratio of 4.77x and a leverage ratio (including preferred stock) of 35.5%
- Paid off \$10 million bank term loan with an interest rate of LIBOR plus 110 basis points
- Issued no shares under the Company's ATM program

Third Quarter 2018 Financial Results

Net income available for common stockholders ("net income") was \$33.2 million, or \$0.32 per diluted share, for the third quarter of 2018 and \$116.3 million, or \$1.12 per diluted share, for the first nine months of 2018. Net income was \$57.0 million, or \$0.55 per diluted share, for the third quarter of 2017 and \$126.3 million, or \$1.23 per diluted share, for the first nine months of 2017.

Funds from operations available for common stockholders ("FFO") was \$91.6 million, or \$0.86 per diluted share, for the third quarter of 2018 and \$274.4 million, or \$2.58 per diluted share, for the first nine months of 2018. FFO was \$90.9 million, or \$0.86 per diluted share, for the third quarter of 2017 and \$268.8 million, or \$2.55 per diluted share, for the first nine months of 2017.

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, 2018 and 2017:



	Three Months Ended 9/30/2018		Three Months Ended 9/30/2017	
	(000)	Per Share	(000)	Per Share
Lease Termination Income, Net (1) (2)	\$ 1,418	\$ 0.013	\$ 1,233	\$ 0.012
Straight-Line Rental Income (1)	5,184	0.049	9,440	0.089
Capitalized Interest	1,762	0.017	1,730	0.016
Gains on Disposition of Depreciable Properties (3)	-	-	19,849	0.187
Our Share of Unconsolidated Affiliates Gains on Disposition of Depreciable Properties (3)	-	-	4,617	0.043
Land Impairments	-	-	(1,445)	(0.014)

	Nine Months Ended 9/30/2018		Nine Months Ended 9/30/2017	
	(000)	Per Share	(000)	Per Share
Lease Termination Income, Net (1) (2)	\$ 2,092	\$ 0.020	\$ 1,452	\$ 0.014
Straight-Line Rental Income (1)	18,087	0.170	24,643	0.234
Capitalized Interest	4,674	0.044	7,773	0.074
Gains on Debt Extinguishment	-	-	826	0.008
Land Sale Gains	542	0.005	-	-
Gains on Disposition of Depreciable Properties (3)	16,433	0.155	25,181	0.239
Our Share of Unconsolidated Affiliates Gains on Disposition of Depreciable Properties (3)	-	-	4,617	0.044
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) Includes \$1.3 million of accelerated rent payments in the third quarter of 2018 from a vacating customer at 11000 Weston in Raleigh.
(3) Not included in the determination of FFO.

2018 Outlook

The Company updated its FFO outlook to \$3.42 to \$3.45 per share from \$3.39 to \$3.45 per share, representing a \$0.03 per share increase at the low-end. 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)	0.8%	1.2%
Straight-Line Rental Income	\$22M	\$24M
G&A Expenses	\$39.5M	\$40.5M
Year-End Occupancy	91.5%	92.0%
Weighted Average Diluted Shares and Units Outstanding	106.3M	106.3M
Dispositions	\$80M	\$120M
Acquisitions	\$0M	\$200M
Development Announcements	\$285M	\$385M

- (1) Excludes termination fees. Includes \$1.3 million of accelerated rent payments in the third quarter of 2018 from a vacating customer at 11000 Weston in Raleigh.



Supplemental Information

The Company's third 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, October 24th, 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 2019

The Company has set the following dates for the release of its 2019 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
Fourth	February 5	February 6
First	April 23	April 24
Second	July 23	July 24
Third	October 22	October 23

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 September 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 September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Rental and other revenues	\$ 179,417	\$ 180,185	\$ 538,647	\$ 526,876
Operating expenses:				
Rental property and other expenses	61,153	61,234	180,248	177,484
Depreciation and amortization	57,661	56,973	171,923	168,934
Impairments of real estate assets	-	1,445	-	1,445
General and administrative	9,551	9,247	30,869	29,787
Total operating expenses	<u>128,365</u>	<u>128,899</u>	<u>383,040</u>	<u>377,650</u>
Interest expense:				
Contractual	16,719	16,395	51,579	48,763
Amortization of debt issuance costs	718	796	2,126	2,445
	<u>17,437</u>	<u>17,191</u>	<u>53,705</u>	<u>51,208</u>
Other income:				
Interest and other income	818	558	1,735	1,806
Gains on debt extinguishment	-	-	-	826
	<u>818</u>	<u>558</u>	<u>1,735</u>	<u>2,632</u>
Income before disposition of investment properties and activity in unconsolidated affiliates	34,433	34,653	103,637	100,650
Gains on disposition of property	3	19,849	16,975	25,181
Equity in earnings of unconsolidated affiliates	573	5,047	1,641	6,757
Net income	35,009	59,549	122,253	132,588
Net (income) attributable to noncontrolling interests in the Operating Partnership	(902)	(1,571)	(3,171)	(3,502)
Net (income) attributable to noncontrolling interests in consolidated affiliates	(324)	(315)	(918)	(914)
Dividends on Preferred Stock	(623)	(623)	(1,869)	(1,869)
Net income available for common stockholders	<u>\$ 33,160</u>	<u>\$ 57,040</u>	<u>\$ 116,295</u>	<u>\$ 126,303</u>
Earnings per Common Share - basic:				
Net income available for common stockholders	<u>\$ 0.32</u>	<u>\$ 0.55</u>	<u>\$ 1.12</u>	<u>\$ 1.23</u>
Weighted average Common Shares outstanding - basic	<u>103,471</u>	<u>103,237</u>	<u>103,408</u>	<u>102,489</u>
Earnings per Common Share - diluted:				
Net income available for common stockholders	<u>\$ 0.32</u>	<u>\$ 0.55</u>	<u>\$ 1.12</u>	<u>\$ 1.23</u>
Weighted average Common Shares outstanding - diluted	<u>106,333</u>	<u>106,145</u>	<u>106,256</u>	<u>105,402</u>
Dividends declared per Common Share	<u>\$ 0.4625</u>	<u>\$ 0.4400</u>	<u>\$ 1.3875</u>	<u>\$ 1.3200</u>

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

	September 30, 2018	December 31, 2017
Assets:		
Real estate assets, at cost:		
Land	\$ 493,426	\$ 485,956
Buildings and tenant improvements	4,671,689	4,590,490
Development in-process	166,849	88,452
Land held for development	125,488	74,765
	5,457,452	5,239,663
Less-accumulated depreciation	(1,280,910)	(1,202,424)
Net real estate assets	4,176,542	4,037,239
Real estate and other assets, net, held for sale	-	14,118
Cash and cash equivalents	5,324	3,272
Restricted cash	6,955	85,061
Accounts receivable, net of allowance of \$1,269 and \$753, respectively	24,187	24,397
Mortgages and notes receivable, net of allowance of \$52 and \$72, respectively	5,659	6,425
Accrued straight-line rents receivable, net of allowance of \$726 and \$819, respectively	218,111	200,131
Investments in and advances to unconsolidated affiliates	23,371	23,897
Deferred leasing costs, net of accumulated amortization of \$147,588 and \$143,512, respectively	193,796	200,679
Prepaid expenses and other assets, net of accumulated depreciation of \$20,033 and \$19,092, respectively	34,466	28,572
Total Assets	\$ 4,688,411	\$ 4,623,791
Liabilities, Noncontrolling Interests in the Operating Partnership and Equity:		
Mortgages and notes payable, net	\$ 2,087,421	\$ 2,014,333
Accounts payable, accrued expenses and other liabilities	229,912	228,215
Total Liabilities	2,317,333	2,242,548
Commitments and contingencies		
Noncontrolling interests in the Operating Partnership	132,447	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; 103,488,326 and 103,266,875 shares issued and outstanding, respectively	1,035	1,033
Additional paid-in capital	2,948,320	2,929,399
Distributions in excess of net income available for common stockholders	(774,484)	(747,344)
Accumulated other comprehensive income	17,489	7,838
Total Stockholders' Equity	2,221,247	2,219,818
Noncontrolling interests in consolidated affiliates	17,384	17,416
Total Equity	2,238,631	2,237,234
Total Liabilities, Noncontrolling Interests in the Operating Partnership and Equity	\$ 4,688,411	\$ 4,623,791

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Funds from operations:				
Net income	\$ 35,009	\$ 59,549	\$ 122,253	\$ 132,588
Net (income) attributable to noncontrolling interests in consolidated affiliates	(324)	(315)	(918)	(914)
Depreciation and amortization of real estate assets	56,904	56,271	169,693	166,862
(Gains) on disposition of depreciable properties	-	(19,849)	(16,433)	(25,181)
Unconsolidated affiliates:				
Depreciation and amortization of real estate assets	597	529	1,673	1,923
(Gains) on disposition of depreciable properties	-	(4,617)	-	(4,617)
Funds from operations	92,186	91,568	276,268	270,661
Dividends on Preferred Stock	(623)	(623)	(1,869)	(1,869)
Funds from operations available for common stockholders	\$ 91,563	\$ 90,945	\$ 274,399	\$ 268,792
Funds from operations available for common stockholders per share	\$ 0.86	\$ 0.86	\$ 2.58	\$ 2.55
Weighted average shares outstanding (1)	106,333	106,145	106,256	105,402

(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,	
	2018	2017	2018	2017
Income before disposition of investment properties and activity in unconsolidated affiliates	\$ 34,433	\$ 34,653	\$ 103,637	\$ 100,650
Other income	(818)	(558)	(1,735)	(2,632)
Interest expense	17,437	17,191	53,705	51,208
General and administrative expenses	9,551	9,247	30,869	29,787
Impairments of real estate assets	-	1,445	-	1,445
Depreciation and amortization	57,661	56,973	171,923	168,934
Net operating income	118,264	118,951	358,399	349,392
Less - non same property and other net operating income	(9,479)	(11,007)	(30,838)	(25,661)
Same property net operating income	\$ 108,785	\$ 107,944	\$ 327,561	\$ 323,731
Same property net operating income	\$ 108,785	\$ 107,944	\$ 327,561	\$ 323,731
Less - lease termination fees, straight-line rent and other non-cash adjustments	(3,646)	(4,255)	(13,791)	(13,093)
Same property cash net operating income	\$ 105,139	\$ 103,689	\$ 313,770	\$ 310,638

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

	Three Months Ended	
	September 30,	
	2018	2017
Net debt-to-EBITDAre:		
Net income	\$ 35,009	\$ 59,549
Interest expense	17,437	17,191
Depreciation and amortization	57,661	56,973
(Gains) on disposition of depreciable properties	-	(19,849)
Adjustments to reflect our share of EBITDAre from unconsolidated affiliates	969	(3,534)
EBITDAre (1)	\$ 111,076	\$ 110,330
EBITDAre (annualized) (2)	\$ 444,304	\$ 441,320
Mortgages and notes payable (3)	\$ 2,126,536	\$ 2,006,311
Less - cash and cash equivalents (3)	(8,659)	(9,375)
Net debt (4)	\$ 2,117,877	\$ 1,996,936
Preferred Stock	28,887	28,892
Net debt plus Preferred Stock	\$ 2,146,764	\$ 2,025,828
Net debt-to-EBITDAre (5)	4.77x	4.52x
Net debt plus Preferred Stock-to-EBITDAre (6)	4.83x	4.59x

(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).