

**FOR IMMEDIATE RELEASE**

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## Highwoods Reports Third Quarter 2019 Results

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**\$0.27 Net Income per Share**

**\$0.83 FFO per Share**

*(Includes \$0.05 Net Impact Relating Primarily to the Planned Exit of Greensboro and Memphis)  
Signed 939,000 SF of 2<sup>nd</sup> Gen Office Leases, Including 367,000 SF of New Leases  
Achieved 19.4% GAAP Rent Growth on 2<sup>nd</sup> Gen Signed Office Leases*

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**Placed in Service 5000 CentreGreen in Raleigh, \$41M, 100% Leased**

*Announced Virginia Springs II in Nashville, \$38M, 111,000 SF  
Total Development Pipeline \$500M, 1.2M SF, 73% Pre-Leased*

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**Issued \$400M of 10-Year Notes at 3.24% Effective Interest Rate**

*Ended the Quarter with Net Debt to EBITDA of 4.9x  
Issued No Shares Under the ATM Program*

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**Updates 2019 FFO Outlook to \$3.31 to \$3.33 per Share**

*(Includes \$0.05 Net Impact Relating Primarily to the Market Rotation Plan)  
Previously \$3.32 to \$3.38 per Share*

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**RALEIGH, NC – October 22, 2019 – Highwoods Properties, Inc. (NYSE: HIW)** today reported its third quarter 2019 financial and operating results.

Ted Klinck, President and CEO, stated, “We had strong operating and financial performance in the third quarter. Our FFO was \$0.88 per share, excluding one-time items relating primarily to the market rotation plan we announced on August 21, 2019. During the quarter, we had healthy leasing volume with robust rent spreads, and we reduced our future lease expiration risk.

Solid business conditions and strong performance in the third quarter position us to raise the mid-point of our full-year per share FFO outlook by \$0.02, excluding the \$0.05 impact of one-time items relating primarily to the market rotation plan.



*Our Strategic Plan, with its focus on portfolio, balance sheet, people and communication, continues to guide everything we do. To that end, we're well-positioned to deliver improved operating performance and grow earnings and cash flow as we deliver projects from our development pipeline and complete phase one of our market rotation plan."*

### Market Rotation Plan

The Company noted its updated 2019 FFO per share outlook includes the projected net impact of the market rotation plan and other activities announced on August 21, 2019. This includes (1) the acquisition of Bank of America Tower at Legacy Union, which is expected to close on November 14, 2019 for a total investment of \$436 million, and (2) costs required to be accrued during 2019 in connection with the Company's two-phased plan to exit the Greensboro and Memphis markets. The first phase consists of selling a select portfolio of assets in Greensboro and Memphis by mid-2020 with a total sales price that approximates the \$436 million total investment for Bank of America Tower at Legacy Union. The Company anticipates closing its division offices in those two markets on or about January 31, 2020. The Company can provide no assurances, however, that it will dispose of any of these assets on favorable terms, or at all, because the dispositions are subject to the negotiation and execution of definitive and binding purchase and sale agreements, and would then be subject to the buyers' completion of satisfactory due diligence and other customary closing conditions. The second phase is the planned sale of the remaining assets in both markets. There is no pre-determined timetable for the second phase.

The net impact of these activities and unrelated land sale gains in the third quarter on our 2019 FFO per share outlook is expected as follows:

Severance, retirement and other costs in the 3 <sup>rd</sup> quarter (1)	-\$0.02
Land impairments in the 3 <sup>rd</sup> quarter (2)	-0.04
Land sale gains in the 3 <sup>rd</sup> quarter	+0.01
Net operating income in the 4 <sup>th</sup> quarter from Bank of America Tower at Legacy Union	+0.03
Interest expense in the 4 <sup>th</sup> quarter on borrowings to pre-fund/fund the acquisition	-0.02
Anticipated severance costs accrued in the 4 <sup>th</sup> quarter	-0.01
Net	<u>-\$0.05</u>

- (1) Consists of (a) \$0.4 million in anticipated severance costs accrued due to the Company's intent to close its Greensboro and Memphis offices on or about January 31, 2020, (b) \$0.7 million in future consulting fees and health plan reimbursements required to be accrued in the third quarter in connection with the retirement of the Company's former Chief Executive Officer on September 1, 2019 and (c) \$0.8 million of debt extinguishment costs, pre-development costs related to a potential development project in Memphis and interest expense primarily on the \$50 million non-refundable earnest money deposited in connection with the pending acquisition of Bank of America Tower.
- (2) Consists of \$3.9 million of land impairments relating to land held for office development in Greensboro.



**Third Quarter 2019 Highlights***Financials:*

- Earned net income of \$0.27 per share
- Earned FFO of \$0.83 per share
- Earned FFO of \$0.88 per share, excluding the \$0.05 net impact of one-time items relating primarily to the market rotation plan

*Operations:*

- Grew same property cash NOI by 0.5% year-over-year (1.9% excluding the impact from Laser Spine's first quarter sudden closure)
- Ended the quarter with occupancy of 91.4%

*Second Generation Office Leasing Activity:*

- Leased 939,000 square feet, including 367,000 square feet of new deals
- Achieved GAAP rent growth of +19.4% and cash rent growth of +5.6%
- Achieved weighted average lease term of 6.7 years, 14% longer than the prior five-quarter average
- Signed long-term renewal for largest remaining lease expiration in 2021
- Subsequent to quarter-end, signed long-term renewal and expansion for 2<sup>nd</sup> largest remaining lease expiration in 2021

*Investment Activity:*

- Agreed to acquire Bank of America Tower at Legacy Union, an 841,00 square foot, LEED gold-registered office building in the heart of Charlotte's dynamic Uptown submarket for a total investment of \$436 million
  - Posted earnest money deposits of \$50 million that are non-refundable except in limited circumstances
- Sold a non-core office property in Raleigh encompassing 42,000 square feet for \$5 million
  - \$0.02 per share of building gains (not in FFO)
- Sold \$10 million of non-core land
  - \$0.01 per share of land gains (included in FFO)

*Development Activity:*

- Placed in service 5000 CentreGreen, a 100% leased, \$41 million, 170,000 square foot office building in Cary's Weston submarket, one of Raleigh's BBDs
- Announced Virginia Springs II, a \$38 million, 111,000 square foot office building in Brentwood, one of Nashville's BBDs
- \$500 million pipeline is 73% pre-leased on a dollar-weighted basis

*Financing Activity:*

- Issued \$400 million 10-year notes with an effective interest rate of 3.24%
- Prepaid \$100 million bank term loan with a rate of LIBOR plus 110 basis points
- Ended the quarter with \$117 million of unrestricted cash on hand
- Ended the quarter with a net debt-to-EBITDAre ratio of 4.92x, including the net impact of one-time items relating primarily to the market rotation plan
- Issued no shares of common stock under the Company's ATM program



### Third Quarter 2019 Financial Results

For the third quarter of 2019, net income available for common stockholders (“net income”) was \$27.9 million, or \$0.27 per diluted share, compared to net income of \$33.2 million, or \$0.32 per diluted share, for the third quarter of 2018. For the first nine months of 2019, net income was \$74.6 million, or \$0.72 per diluted share, compared to net income of \$116.3 million, or \$1.12 per diluted share, for the first nine months of 2018.

For the third quarter of 2019, FFO was \$88.2 million, or \$0.83 per diluted share, compared to FFO of \$91.6 million, or \$0.86 per diluted share, for the third quarter of 2018. For the first nine months of 2019, FFO was \$257.9 million, or \$2.42 per diluted share, compared to FFO of \$274.4 million, or \$2.58 per diluted share, for the first nine months of 2018. FFO per share for the nine months of 2019 was impacted by \$0.11 per share of credit losses of accounts and straight-line rents receivable and write-offs of notes receivable and lease incentives associated with the sudden closure of Laser Spine during the first quarter and \$0.05 per share of one-time items recorded during the third quarter relating primarily to the market rotation plan and other activities announced on August 21, 2019.

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, 2019 and 2018:

	<b>Three Months Ended 9/30/2019</b>		<b>Three Months Ended 9/30/2018</b>	
	<u>(000)</u>	<u>Per Share</u>	<u>(000)</u>	<u>Per Share</u>
Lease Termination Income, Net (1) (2)	\$ 111	\$ 0.001	\$ 1,418	\$ 0.013
Straight-Line Rental Income (1)	6,498	0.061	5,184	0.049
Capitalized Interest	1,194	0.011	1,762	0.017
Losses on Debt Extinguishment	(265)	(0.002)	-	-
Land Sale Gains	935	0.009	3	-
Gains on Disposition of Depreciable Properties (4)	2,580	0.024	-	-
Land Impairments	(3,918)	(0.037)	-	-
Impairments of Depreciable Properties (4)	(1,400)	(0.013)	-	-
	<b>Nine Months Ended 9/30/2019</b>		<b>Nine Months Ended 9/30/2018</b>	
	<u>(000)</u>	<u>Per Share</u>	<u>(000)</u>	<u>Per Share</u>
Lease Termination Income, Net (1) (2)	\$ 557	\$ 0.005	\$ 2,092	\$ 0.020
Straight-Line Rental Income (1) (3)	14,686	0.138	18,087	0.170
Capitalized Interest	4,131	0.039	4,674	0.044
Losses on Debt Extinguishment	(640)	(0.006)	-	-
Land Sale Gains	935	0.009	542	0.005
Gains on Disposition of Depreciable Properties (4)	9,283	0.087	16,433	0.155
Land Impairments	(4,449)	(0.042)	-	-
Impairments of Depreciable Properties (4)	(1,400)	(0.013)	-	-

- (1) Credit losses on straight-line rent receivables related to lease terminations are reflected as a reduction of lease termination income.
- (2) Includes \$1.3 million accelerated rent payments in the third quarter of 2018 from a vacating customer at 11000 Weston in Raleigh.
- (3) Includes \$4.5 million of credit losses from Laser Spine in the first quarter of 2019.
- (4) Not included in the determination of FFO.



## 2019 Outlook

The Company has updated its 2019 FFO outlook to \$3.31 to \$3.33 per share from \$3.32 to \$3.38 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. The outlook does not include any effects related to potential acquisitions and dispositions that occur after the date of this release other than the planned acquisition of Bank of America Tower at Legacy Union, which is scheduled to close on November 14, 2019. Factors that could cause actual results to differ materially from Highwoods current expectations are discussed below and are also detailed in the Company's 2018 Annual Report on Form 10-K and subsequent SEC reports.

Management's outlook for 2019 includes the following assumptions:

	Low	High
Growth in Same Property Cash NOI (1) (2)	0.5%	1.5%
Straight-Line Rental Income (3)	\$23.0M	\$24.0M
G&A Expenses	\$43.5M	\$44.5M
Year-End Occupancy (4)	91.7%	92.3%
Weighted Average Diluted Shares and Units Outstanding	106.4M	106.5M
Acquisitions	\$436M	\$436M
Dispositions (5)	\$37M	\$473M
Development Announcements	\$150M	\$250M

- (1) Excludes termination fees.
- (2) Excluding Laser Spine, growth in same property cash NOI is expected to be 2.0% to 3.0%.
- (3) Includes \$4.5 million of credit losses from Laser Spine recorded in the first quarter.
- (4) Assumes no backfill of Laser Spine, which has a 60 basis point negative impact on projected year-end occupancy.
- (5) As noted above under "Market Rotation Plan," we anticipate selling a select portfolio of assets in Greensboro and Memphis by mid-2020 with a total sales price that approximates the \$436 million total investment for Bank of America Tower at Legacy Union.

## Supplemental Information

The Company's third quarter 2019 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](http://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](mailto:HIW-IR@highwoods.com).

## Conference Call

Tomorrow, Wednesday, October 23<sup>rd</sup>, 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](http://www.highwoods.com) under the "Investors" section.



### Planned Dates for Financial Releases and Conference Calls in 2020

The Company has set the following dates for the release of its 2020 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 4	February 5
First	April 28	April 29
Second	July 28	July 29
Third	October 27	October 28

### 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 net income 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, 2018 to September 30, 2019). 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](http://www.highwoods.com).

Certain matters discussed in this press release are forward-looking statements within the meaning of the federal securities laws, such as the following: the expected financial and operational results and the related assumptions underlying our expected results; the planned acquisition of Bank of America Tower at Legacy Union on the terms described in this press release; planned sales of non-core assets and



expected pricing and impact with respect to such sales, including the tax impact of such sales; the anticipated total investment, projected leasing activity, estimated replacement cost and expected net operating income of acquired properties and properties to be developed; and expected future leverage of the Company. 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 Highwoods' current expectations include, among others, the following: closing of the planned acquisition of Bank of America Tower at Legacy Union may not occur on the terms described in this press release or at all; buyers may not be available and pricing may not be adequate with respect to the planned dispositions of non-core assets; comparable sales data on which we based our expectations with respect to the sales price of the non-core assets may not reflect current market trends; anticipated G&A expense savings may not be realized; the financial condition of our customers could deteriorate; 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 2018 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)

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
<b>Rental and other revenues</b>	\$ 187,475	\$ 179,417	\$ 543,908	\$ 538,647
<b>Operating expenses:</b>				
Rental property and other expenses	64,135	61,153	185,244	180,248
Depreciation and amortization	60,850	57,661	189,514	171,923
Impairments of real estate assets	5,318	-	5,849	-
General and administrative	11,717	9,551	33,658	30,869
Total operating expenses	<u>142,020</u>	<u>128,365</u>	<u>414,265</u>	<u>383,040</u>
<b>Interest expense</b>	20,527	17,437	59,622	53,705
<b>Other income/(loss)</b>	174	818	(3,271)	1,735
<b>Gains on disposition of property</b>	3,515	3	10,218	16,975
<b>Equity in earnings of unconsolidated affiliates</b>	940	573	2,369	1,641
<b>Net income</b>	29,557	35,009	79,337	122,253
Net (income) attributable to noncontrolling interests in the Operating Partnership	(737)	(902)	(1,974)	(3,171)
Net (income) attributable to noncontrolling interests in consolidated affiliates	(297)	(324)	(919)	(918)
Dividends on Preferred Stock	(622)	(623)	(1,866)	(1,869)
<b>Net income available for common stockholders</b>	<u>\$ 27,901</u>	<u>\$ 33,160</u>	<u>\$ 74,578</u>	<u>\$ 116,295</u>
<b>Earnings per Common Share - basic:</b>				
Net income available for common stockholders	<u>\$ 0.27</u>	<u>\$ 0.32</u>	<u>\$ 0.72</u>	<u>\$ 1.12</u>
Weighted average Common Shares outstanding - basic	<u>103,727</u>	<u>103,471</u>	<u>103,674</u>	<u>103,408</u>
<b>Earnings per Common Share - diluted:</b>				
Net income available for common stockholders	<u>\$ 0.27</u>	<u>\$ 0.32</u>	<u>\$ 0.72</u>	<u>\$ 1.12</u>
Weighted average Common Shares outstanding - diluted	<u>106,471</u>	<u>106,333</u>	<u>106,425</u>	<u>106,256</u>

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

	September 30, 2019	December 31, 2018
<b>Assets:</b>		
Real estate assets, at cost:		
Land	\$ 495,501	\$ 491,441
Buildings and tenant improvements	4,844,229	4,676,862
Development in-process	133,189	165,537
Land held for development	94,550	128,248
	5,567,469	5,462,088
Less-accumulated depreciation	(1,388,166)	(1,296,562)
Net real estate assets	4,179,303	4,165,526
Cash and cash equivalents	116,724	3,769
Restricted cash	6,300	6,374
Accounts receivable	25,507	25,952
Mortgages and notes receivable, net of allowance of \$19 and \$44, respectively	1,542	5,599
Accrued straight-line rents receivable	233,078	220,088
Investments in and advances to unconsolidated affiliates	24,088	23,585
Deferred leasing costs, net of accumulated amortization of \$148,019 and \$149,275, respectively	196,048	195,273
Prepaid expenses and other assets, net of accumulated depreciation of \$19,944 and \$18,074, respectively	108,035	28,843
Total Assets	\$ 4,890,625	\$ 4,675,009
<b>Liabilities, Noncontrolling Interests in the Operating Partnership and Equity:</b>		
Mortgages and notes payable, net	\$ 2,322,226	\$ 2,085,831
Accounts payable, accrued expenses and other liabilities	272,989	218,922
Total Liabilities	2,595,215	2,304,753
Commitments and contingencies		
Noncontrolling interests in the Operating Partnership	122,493	105,960
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), 28,859 and 28,877 shares issued and outstanding, respectively	28,859	28,877
Common Stock, \$.01 par value, 200,000,000 authorized shares; 103,748,337 and 103,557,065 shares issued and outstanding, respectively	1,037	1,036
Additional paid-in capital	2,963,680	2,976,197
Distributions in excess of net income available for common stockholders	(842,387)	(769,303)
Accumulated other comprehensive income/(loss)	(527)	9,913
Total Stockholders' Equity	2,150,662	2,246,720
Noncontrolling interests in consolidated affiliates	22,255	17,576
Total Equity	2,172,917	2,264,296
Total Liabilities, Noncontrolling Interests in the Operating Partnership and Equity	\$ 4,890,625	\$ 4,675,009

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

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
<b>Funds from operations:</b>				
Net income	\$ 29,557	\$ 35,009	\$ 79,337	\$ 122,253
Net (income) attributable to noncontrolling interests in consolidated affiliates	(297)	(324)	(919)	(918)
Depreciation and amortization of real estate assets	60,145	56,904	187,347	169,693
Impairments of depreciable properties	1,400	-	1,400	-
(Gains) on disposition of depreciable properties	(2,580)	-	(9,283)	(16,433)
Unconsolidated affiliates:				
Depreciation and amortization of real estate assets	632	597	1,834	1,673
<b>Funds from operations</b>	<b>88,857</b>	<b>92,186</b>	<b>259,716</b>	<b>276,268</b>
Dividends on Preferred Stock	(622)	(623)	(1,866)	(1,869)
<b>Funds from operations available for common stockholders</b>	<b>\$ 88,235</b>	<b>\$ 91,563</b>	<b>\$ 257,850</b>	<b>\$ 274,399</b>
<b>Funds from operations available for common stockholders per share</b>	<b>\$ 0.83</b>	<b>\$ 0.86</b>	<b>\$ 2.42</b>	<b>\$ 2.58</b>
<b>Weighted average shares outstanding (1)</b>	<b>106,471</b>	<b>106,333</b>	<b>106,425</b>	<b>106,256</b>

(1) Includes assumed conversion of all potentially dilutive Common Stock equivalents.

**Highwoods Properties, Inc.**  
**Net Operating Income Reconciliation**  
*(Unaudited and in thousands)*

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
<b>Net income</b>	\$ 29,557	\$ 35,009	\$ 79,337	\$ 122,253
Equity in earnings of unconsolidated affiliates	(940)	(573)	(2,369)	(1,641)
Gains on disposition of property	(3,515)	(3)	(10,218)	(16,975)
Other (income)/loss	(174)	(818)	3,271	(1,735)
Interest expense	20,527	17,437	59,622	53,705
General and administrative expenses	11,717	9,551	33,658	30,869
Impairments of real estate assets	5,318	-	5,849	-
Depreciation and amortization	60,850	57,661	189,514	171,923
<b>Net operating income</b>	<b>123,340</b>	<b>118,264</b>	<b>358,664</b>	<b>358,399</b>
Non same property and other net operating income	(9,091)	(5,864)	(23,766)	(19,893)
<b>Same property net operating income</b>	<b>\$ 114,249</b>	<b>\$ 112,400</b>	<b>\$ 334,898</b>	<b>\$ 338,506</b>
Same property net operating income	\$ 114,249	\$ 112,400	\$ 334,898	\$ 338,506
Lease termination fees, straight-line rent and other non-cash adjustments	(5,889)	(4,577)	(9,447)	(17,197)
<b>Same property cash net operating income</b>	<b>\$ 108,360</b>	<b>\$ 107,823</b>	<b>\$ 325,451</b>	<b>\$ 321,309</b>

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

	<b>Three Months Ended</b>	
	<b>September 30,</b>	
	<b>2019</b>	<b>2018</b>
<b>Net debt-to-EBITDAre:</b>		
Net income	\$ 29,557	\$ 35,009
Interest expense	20,527	17,437
Depreciation and amortization	60,850	57,661
(Gains) on disposition of depreciable properties	(2,580)	-
Impairments of depreciable properties	1,400	-
Adjustments to reflect our share of EBITDAre from unconsolidated affiliates	1,005	969
<b>EBITDAre</b>	<b>\$ 110,759</b>	<b>\$ 111,076</b>
<b>EBITDAre (annualized) <sup>(1)</sup></b>	<b>\$ 455,081</b>	<b>\$ 444,304</b>
Mortgages and notes payable <sup>(2)</sup>	\$ 2,359,574	\$ 2,126,536
Less - cash and cash equivalents <sup>(2)</sup>	(120,658)	(8,659)
<b>Net debt <sup>(3)</sup></b>	<b>\$ 2,238,916</b>	<b>\$ 2,117,877</b>
Preferred Stock	28,859	28,887
<b>Net debt plus Preferred Stock</b>	<b>\$ 2,267,775</b>	<b>\$ 2,146,764</b>
<b>Net debt-to-EBITDAre <sup>(4)</sup></b>	<b>4.92x</b>	<b>4.77x</b>
<b>Net debt plus Preferred Stock-to-EBITDAre <sup>(5)</sup></b>	<b>4.98x</b>	<b>4.83x</b>

(1) EBITDAre (annualized) is EBITDAre multiplied by four. Beginning in the quarter ended September 30, 2019, certain period specific items such as land impairments and gains and other items are not annualized.

(2) Includes our share of unconsolidated affiliates.

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

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

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