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Highwoods Reports Fourth Quarter and Full Year 2019 Results

$0.58 Net Income per Share for Fourth Quarter 2019
$0.91 FFO per Share for Fourth Quarter 2019

Delivered Year-End Occupancy of 92.2%
Signed 1.2M SF of 2nd Gen Office Leases
Achieved 19.8% GAAP Rent Growth

$1.30 Net Income per Share for Full Year 2019
$3.33 FFO per Share for Full Year 2019

Increased Pre-Leasing on $500M Development Pipeline to 77%

Increases Annualized Dividend to $1.92 per Share

Previously $1.90 per Share

Provides 2020 FFO Outlook of $3.60 to $3.72 per Share

Includes Anticipated Impact of Phase One Dispositions
in Greensboro and Memphis
Projects 3.25% to 4.25% Growth in Same Property Cash NOI

RALEIGH, NC – February 4, 2020 – Highwoods Properties, Inc. (NYSE:HIW) today reported its fourth quarter 2019 financial and operating results.

Ted Klinck, President and Chief Executive Officer, stated, *"As 2019 wrapped up, our team was laser focused on the execution of our market rotation plan, further reducing our rollover exposure, increasing our occupancy and laying the foundation for strong growth in 2020 and beyond. Specifically, we entered the Charlotte market with the $436 million acquisition of the Bank of America Tower and have now completed approximately 75% of our planned phase one dispositions in Greensboro and Memphis. We announced $150 million of development and placed in service $300 million of projects that were a* *combined 99% leased. We continue to fund our investment activity and maintain a fortress balance sheet while having issued no shares under our ATM program since the second quarter of 2017.*

We delivered strong operating and financial performance in the fourth quarter. Our FFO was $0.91 per share, a 5.4% increase over last year, and we achieved very strong leasing metrics, reflecting healthy business conditions across our markets.

Based on our strengthening cash flow, we are increasing our quarterly cash dividend to $0.48 per share. This equates to an annualized dividend of $1.92 per share, a 1.1% increase from last year and a 12.9% increase since February 2017."

Fourth Quarter 2019 Highlights

Operations:

- Earned net income of $0.58 per share
- Earned FFO of $0.91 per share, 5.4% year-over-year growth
- Grew average in-place office cash rents 3.7% per square foot year-over-year
- Grew same property cash NOI 1.1% year-over-year (2.6% excluding the impact from Laser Spine's first quarter sudden closure)
- Ended the quarter with in-service portfolio occupancy of 92.2%

Second Generation Office Leasing Activity:

- Leased 1.2 million square feet, including 398,000 square feet of new leases
- Achieved a dollar weighted average term of 6.1 years
- Captured GAAP rent growth of +19.8% and cash rent growth of +6.1%
- Garnered net effective rents of $18.17 per square foot, 14.3% above our prior five-quarter average

Investment Activity:

- Acquired Bank of America Tower at Legacy Union in Charlotte for a total investment of $436.0 million
- Acquired a development parcel in Pittsburgh for $2.5 million
- Acquired a mixed-use development parcel in Richmond for $3.3 million
- Sold $89.6 million of assets in Memphis, encompassing 332,000 square feet with a combined occupancy of 95.6%
    - $0.28 per share of building gains (not included in FFO)

Development Activity:

- Increased the pre-leasing percentage at GlenLake Seven, our $41 million, 126,000 square foot development in Raleigh, from 44% to 100%
- $500 million pipeline is 77% pre-leased on a dollar-weighted basis

Financing Activity:

- Ended the quarter with a net debt-to-Adjusted EBITDA*re* ratio of 5.18x and a leverage ratio (including preferred stock) of 39.3%
- Issued no shares under the Company's ATM program

Subsequent to Quarter-End Investment Activity:

- Sold 2.8 million square foot industrial and flex portfolio in Greensboro for $193.4 million
- Announced an agreement to sell The Knollwood, a 250,000 square foot, two-building office complex in Winston-Salem for $40.0 million, which is expected to close on or before February 15, 2020

Fourth Quarter 2019 Financial Results

Net income available for common stockholders ("net income") was $59.9 million, or $0.58 per diluted share, for the fourth quarter of 2019 and $134.4 million, or $1.30 per diluted share, for 2019. Net income was $53.0 million, or $0.51 per diluted share, for the fourth quarter of 2018 and $169.3 million, or $1.64 per diluted share, for 2018.

Funds from operations available for common stockholders ("FFO") was $96.9 million, or $0.91 per diluted share, for the fourth quarter of 2019 and $354.8 million, or $3.33 per diluted share, for 2019. FFO was $91.8 million, or $0.86 per diluted share, for the fourth quarter of 2018 and $366.2 million, or $3.45 per diluted share, for 2018.

Except as noted below, the following items were included in the determination of net income and FFO for the three and twelve months ended December 31, 2019 and 2018:

	Three Months Ended 12/31/2019		Three Months Ended 12/31/2018	
	(000)	Per Share	(000)	Per Share
Lease Termination Income, Net (1)	$ 107	$ 0.001	$ 75	$ 0.001
Straight-Line Rental Income (1)	8,280	0.078	5,225	0.049
Capitalized Interest	1,492	0.014	2,066	0.019
Gains on Disposition of Depreciable Properties (4)	29,299	0.275	20,663	0.194
Land Impairments	-	-	(423)	(0.004)

	Twelve Months Ended 12/31/2019		Twelve Months Ended 12/31/2018	
	(000)	Per Share	(000)	Per Share
Lease Termination Income, Net (1) (2)	$ 664	$ 0.006	$ 2,167	$ 0.020
Straight-Line Rental Income (1) (3)	22,966	0.216	23,312	0.219
Capitalized Interest	5,623	0.053	6,740	0.063
Losses on Debt Extinguishment	(640)	(0.006)	-	-
Land Sale Gains	935	0.009	542	0.005
Gains on Disposition of Depreciable Properties (4)	38,582	0.362	37,096	0.349
Land Impairments	(4,449)	(0.042)	(423)	(0.004)
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.

2020 Outlook

For 2020, the Company expects FFO per share to be in the range of $3.60 to $3.72. 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. Factors that could cause actual 2020 FFO results to differ materially from Highwoods current expectations are discussed below and are also detailed in the Company's 2019 Annual Report on Form 10-K and subsequent SEC reports.

Our FFO outlook assumes completion of the first phase of our previously-disclosed, 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, our entry into the Charlotte market, which closed on November 14, 2019. To date, the first phase has consisted of:

- closing the sale of International Paper IV, a 248,000 square foot, single customer office building in Memphis, for $76.4 million on December 19, 2019;
- closing the sale of Atrium I and II, a two-building office complex encompassing 84,000 square feet in Memphis, for $13.2 million on December 20, 2019;
- closing the sale of our industrial and single-story flex portfolio encompassing 2,783,000 square feet in Greensboro, for $193.4 million on January 30, 2020; and
- announcing our agreement to sell The Knollwood, a two-building office complex encompassing 250,000 square feet in Winston-Salem, for $40.0 million, which is expected to close on or before February 15, 2020.

The Company remains on track to complete the first phase by mid-2020. Our FFO outlook does not include any effects related to any other potential acquisitions and dispositions.

Management's outlook for 2020 includes the following assumptions:

	Low	High
Effect Assumed in FFO Outlook:		
Growth in Same Property Cash NOI (1)	3.25%	4.25%
Straight-Line Rental Income	$32.0M	$34.0M
G&A Expenses (2)	$40.0M	$42.0M
Year-End Occupancy	91.0%	92.3%
Weighted Average Diluted Shares and Units Outstanding (3)	106.6M	107.6M
Effect Not Assumed in FFO Outlook:		
Other Potential Dispositions	$100M	$150M
Potential Acquisitions	$0M	$200M
Potential Development Announcements	$100M	$250M

(1) Excludes termination fees.

(2) Includes equity incentive compensation costs, which are expected to aggregate $6.8 million in 2020 as compared to $7.2 million in 2019. Under GAAP, certain annual long-term equity grants must be expensed at the grant date for employees who have met the age and service eligibility requirements under the Company's long-standing retirement plan. As a result, first quarter general and administrative expenses are expected to be about $2.1 million higher than the run rate for the subsequent three quarters because the Company's annual grants are customarily made in March.

(3) There were 106.5 million diluted shares and units outstanding at December 31, 2019.

Supplemental Information
The Company's fourth 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. You may also obtain the Supplemental Information by contacting Highwoods Investor Relations at 800-256-2963 or by e-mail to HIW-IR@highwoods.com.

Conference Call
Tomorrow, Wednesday, February 5th, 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 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
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 December 31, 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.

Adjusted earnings before interest, taxes, depreciation and amortization for real estate ("Adjusted EBITDAre") is calculated prospectively for all periods starting October 1, 2019 as follows:

- EBITDAre as defined by NAREIT;
- Less gains, or plus losses, on debt extinguishment;
- Less gains, or plus losses, from sales of non-depreciable properties, plus impairments on non-depreciable properties;
- Plus or minus proforma NOI adjustments assuming any acquisitions, dispositions and developments placed in service within the current period had occurred as of the first day of such period; and
- Plus or minus our share of the same adjustments for unconsolidated joint venture investments.

Management believes Adjusted 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 Adjusted EBITDAre and accordingly the Company's Adjusted EBITDAre may not be comparable to other REITs. The Company's Adjusted 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, Charlotte, 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; 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," "plan," "anticipate" 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: closing of the planned disposition of The Knollwood 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 2019 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 December 31,		Year Ended December 31,	
	2019	**2018**	**2019**	**2018**
Rental and other revenues	$ 192,071	$ 181,388	$ 735,979	$ 720,035
Operating expenses:				
Rental property and other expenses	63,267	62,167	248,511	242,415
Depreciation and amortization	64,990	58,032	254,504	229,955
Impairments of real estate assets	-	423	5,849	423
General and administrative	10,409	9,137	44,067	40,006
Total operating expenses	138,666	129,759	552,931	512,799
Interest expense	22,026	17,717	81,648	71,422
Other income/(loss)	761	205	(2,510)	1,940
Gains on disposition of property	29,299	20,663	39,517	37,638
Equity in earnings of unconsolidated affiliates	907	597	3,276	2,238
Net income	62,346	55,377	141,683	177,630
Net (income) attributable to noncontrolling interests in the Operating Partnership	(1,577)	(1,417)	(3,551)	(4,588)
Net (income) attributable to noncontrolling interests in consolidated affiliates	(295)	(289)	(1,214)	(1,207)
Dividends on Preferred Stock	(622)	(623)	(2,488)	(2,492)
Net income available for common stockholders	$ 59,852	$ 53,048	$ 134,430	$ 169,343
Earnings per Common Share - basic:				
Net income available for common stockholders	$ 0.58	$ 0.51	$ 1.30	$ 1.64
Weighted average Common Shares outstanding - basic	103,746	103,530	103,692	103,439
Earnings per Common Share - diluted:				
Net income available for common stockholders	$ 0.58	$ 0.51	$ 1.30	$ 1.64
Weighted average Common Shares outstanding - diluted	106,504	106,303	106,445	106,268

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

	December 31, 2019	December 31, 2018
Assets:		
Real estate assets, at cost:		
Land	$ 515,095	$ 491,441
Buildings and tenant improvements	5,128,150	4,676,862
Development in-process	172,706	165,537
Land held for development	99,163	128,248
	5,915,114	5,462,088
Less-accumulated depreciation	(1,388,566)	(1,296,562)
Net real estate assets	4,526,548	4,165,526
Real estate and other assets, net, held for sale	20,790	-
Cash and cash equivalents	9,505	3,769
Restricted cash	5,237	6,374
Accounts receivable	23,370	25,952
Mortgages and notes receivable, net of allowance of $0 and $44, respectively	1,501	5,599
Accrued straight-line rents receivable	234,652	220,088
Investments in and advances to unconsolidated affiliates	26,298	23,585
Deferred leasing costs, net of accumulated amortization of $146,125 and $149,275, respectively	231,347	195,273
Prepaid expenses and other assets, net of accumulated depreciation of $20,017 and $18,074, respectively	58,996	28,843
Total Assets	$ 5,138,244	$ 4,675,009
Liabilities, Noncontrolling Interests in the Operating Partnership and Equity:		
Mortgages and notes payable, net	$ 2,543,710	$ 2,085,831
Accounts payable, accrued expenses and other liabilities	286,911	218,922
Total Liabilities	2,830,621	2,304,753
Commitments and contingencies		
Noncontrolling interests in the Operating Partnership	133,216	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;		
103,756,046 and 103,557,065 shares issued and outstanding, respectively	1,038	1,036
Additional paid-in capital	2,954,779	2,976,197
Distributions in excess of net income available for common stockholders	(831,808)	(769,303)
Accumulated other comprehensive income/(loss)	(471)	9,913
Total Stockholders' Equity	2,152,397	2,246,720
Noncontrolling interests in consolidated affiliates	22,010	17,576
Total Equity	2,174,407	2,264,296
Total Liabilities, Noncontrolling Interests in the Operating Partnership and Equity	$ 5,138,244	$ 4,675,009

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

	Three Months Ended December 31,		Year Ended December 31,	
	2019	**2018**	**2019**	**2018**
Funds from operations:				
Net income	$ 62,346	$ 55,377	$ 141,683	$ 177,630
Net (income) attributable to noncontrolling interests in consolidated affiliates	(295)	(289)	(1,214)	(1,207)
Depreciation and amortization of real estate assets	64,198	57,352	251,545	227,045
Impairments of depreciable properties	-	-	1,400	-
(Gains) on disposition of depreciable properties	(29,299)	(20,663)	(38,582)	(37,096)
Unconsolidated affiliates:				
Depreciation and amortization of real estate assets	591	611	2,425	2,284
Funds from operations	97,541	92,388	357,257	368,656
Dividends on Preferred Stock	(622)	(623)	(2,488)	(2,492)
Funds from operations available for common stockholders	$ 96,919	$ 91,765	$ 354,769	$ 366,164
Funds from operations available for common stockholders per share	$ 0.91	$ 0.86	$ 3.33	$ 3.45
Weighted average shares outstanding (1)	106,504	106,303	106,445	106,268

(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 December 31,		Year Ended December 31,	
	2019	2018	2019	2018
Net income	$ 62,346	$ 55,377	$ 141,683	$ 177,630
Equity in earnings of unconsolidated affiliates	(907)	(597)	(3,276)	(2,238)
Gains on disposition of property	(29,299)	(20,663)	(39,517)	(37,638)
Other (income)/loss	(761)	(205)	2,510	(1,940)
Interest expense	22,026	17,717	81,648	71,422
General and administrative expenses	10,409	9,137	44,067	40,006
Impairments of real estate assets	-	423	5,849	423
Depreciation and amortization	64,990	58,032	254,504	229,955
Net operating income	128,804	119,221	487,468	477,620
Non same property and other net operating income	(14,208)	(7,782)	(42,202)	(32,052)
Same property net operating income	$ 114,596	$ 111,439	$ 445,266	$ 445,568
Same property net operating income	$ 114,596	$ 111,439	$ 445,266	$ 445,568
Lease termination fees, straight-line rent and other non-cash adjustments	(6,264)	(4,337)	(15,617)	(21,293)
Same property cash net operating income	$ 108,332	$ 107,102	$ 429,649	$ 424,275

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

	Three Months Ended December 31, 2019	Three Months Ended December 31, 2018
Net debt-to-Adjusted EBITDAre:		
Net income	$ 62,346	$ 55,377
Interest expense	22,026	17,717
Depreciation and amortization	64,990	58,032
(Gains) on disposition of depreciable properties	(29,299)	(20,663)
Adjustments to reflect our share of EBITDAre from unconsolidated affiliates	960	994
EBITDAre	$ 121,023	$ 111,457
Proforma NOI adjustments for property changes within period	1,776	
Adjusted EBITDAre (1)	$ 122,799	
Adjusted EBITDAre (annualized) (1) (2)	$ 494,481	$ 445,828
Mortgages and notes payable (3)	$ 2,572,492	$ 2,124,795
Less - cash and cash equivalents and 1031 restricted cash (3)	(12,305)	(6,727)
Net debt (4)	$ 2,560,187	$ 2,118,068
Preferred Stock	28,859	28,877
Net debt plus Preferred Stock	$ 2,589,046	$ 2,146,945
Net debt-to-Adjusted EBITDAre (5)	5.18x	4.75x
Net debt plus Preferred Stock-to-Adjusted EBITDAre (6)	5.24x	4.82x

(1) Adjusted EBITDAre is calculated prospectively for all periods starting October 1, 2019 as EBITDAre adjusted for gains or losses on debt extinguishment and land sales, land impairments, proforma NOI adjustments for property changes within period and our share of the same adjustments for unconsolidated affiliates. "Proforma NOI adjustments for property changes within period" means proforma NOI adjustments assuming any acquisitions, dispositions and developments placed in service within the current period had occurred as of the first day of such period. Prior to the quarter ended December 31, 2019, Adjusted EBITDAre equals EBITDAre.
(2) Adjusted EBITDAre (annualized) is Adjusted EBITDAre multiplied by four. Certain period specific items are not annualized.
(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 and 1031 restricted cash at quarter-end.
(5) Net debt at quarter-end divided by Adjusted EBITDAre (annualized).
(6) Net debt plus Preferred Stock at quarter-end divided by Adjusted EBITDAre (annualized).