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Highwoods Reports First Quarter 2020 Results

$1.79 Net Income per Share for First Quarter 2020
$0.93 FFO per Share for First Quarter 2020

Signed 893,000 SF of 2nd Gen Office Leases; Achieved 6.0% Cash Rent Growth
Delivered 4.0% Same Property Cash NOI Growth
Sold $338M of Non-Core Assets; Increased Liquidity to Over $600M
Net Debt-to-Adjusted EBITDAre Ratio of 4.9x; No Debt Maturities Until Mid-2021

Completes First Phase of Market Rotation Plan

Neutral to FFO Run Rate; Accretive to Cash Flow Run Rate
Improves Customer Credit Profile; Extends Lease Duration
Reduces Annual G&A; Adds High-Growth Market

Updates 2020 FFO Outlook in Light of COVID-19 Pandemic

Previously $3.60 to $3.72 per Share

Projects $0.01 to $0.06 per Share of Lower FFO due to Effect of Reduced Asset Usage and Lower Anticipated Speculative Leasing

Potential Lost Rental Revenues and Non-Cash Straight Line Rent Credit Losses Too Speculative to Predict

	Low	High
FFO per Share, Excluding Potential Lost Rental Revenues and Non-Cash Straight Line Rent Credit Losses	*$3.55*	*$3.68*

RALEIGH, NC – April 28, 2020 – Highwoods Properties, Inc. (NYSE:HIW) today reported its first quarter 2020 financial and operating results.

Ted Klinck, President and Chief Executive Officer, stated, *"Like many companies across the globe, the first quarter was a tale of two stories.*

On the one hand, we delivered strong operating and financial performance during the first quarter. Our FFO was $0.93 per share, highest in the Company's history, and we achieved very strong leasing metrics. We leased 893,000 square feet of second generation office, including 175,000 square feet of *new leases, at combined cash rent spreads of 6.0%. At quarter-end, our sizable development pipeline represents a $500 million investment that is 77% pre-leased and 50% funded. Plus, we wrapped up the first phase of our plan to exit the Greensboro and Memphis markets and reinvest that capital in the high-growth market of Charlotte with the acquisition of Bank of America Tower, which will deliver strong cash flow for many years to come with its excellent roster of creditworthy customers that have a weighted average lease term of approximately 14 years. As expected, our acquisition of Bank of America Tower and phase one of our Greensboro and Memphis market exits, coupled with G&A savings, has been neutral to our FFO run-rate.*

On the other hand, the unprecedented nationwide efforts to slow the spread of the COVID-19 virus have obviously had a significant impact on the U.S. economy. Most importantly, our hearts go out to the many who have suffered from this virus. Like all Americans, we are grateful for today's first responders, especially our health care workers.

It is still too early to predict how deep and how long it will take for U.S. businesses to recover from the severe dislocations caused by the effective shutdown of large segments of our economy. Even with our strong first quarter performance, we believe it is likely our financial results for the remainder of 2020 will be adversely impacted by the COVID-19 pandemic. Given the fluidity of the pandemic and its uncertain impact on economic activity, potential lost rental revenues and non-cash straight line rent credit losses are too speculative to project at this time.

Importantly, with net debt-to-adjusted EBITDAre of 4.9x, over $600 million of liquidity and no debt maturities until mid-2021, we continue to maintain a fortress balance sheet with ample available liquidity to weather the current storm and fund leasing capital expenditures and our development pipeline while having dry powder to capitalize on future growth opportunities.

We continue to be amazed by the collegiality, dedication and tenacity that our co-workers have been exhibiting every single day during these unprecedented times. Whether on the front lines keeping our buildings open and well-maintained or working from home keeping our business running smoothly, our co-workers have continued to personify the Highwoods standard of excellence with everything they do."

2020 Outlook

The Company noted that, while the COVID-19 pandemic did not have a meaningful impact on its first quarter financial results, its results for the second, third and fourth quarters will likely be impacted by the pandemic. As a result of the assumed impacts from the pandemic described below, the Company now expects FFO per share for the full year 2020 to be in the range of $3.55 to $3.68, excluding potential lost rental revenues and non-cash straight line rent credit losses due to COVID-19.

This outlook reflects management's view of current and future market conditions, including assumptions such as asset usage due to the COVID-19 pandemic, 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. Factors that could cause actual 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.

First, while all buildings and parking facilities have remained open for business, the Company assumes usage of its assets will be significantly lower than normal during the second quarter and assumes usage will gradually increase over the remainder of the year. As a result, the Company is assuming the remainder of 2020 will include $3 to $8 million in lower than originally estimated parking and parking-related revenues, which will be partially offset by $3 to $5 million in unanticipated net operating expense savings due to reduced electricity, janitorial and other variable expenses. Usage of the Company's assets for the second, third and fourth quarters, however, depends on the duration of the COVID-19 pandemic, which is difficult to estimate.

Second, the Company assumes rental revenues for the remainder of the year will be $2 to $4 million lower than originally anticipated primarily due to the net impact of potentially slower speculative leasing, partially offset by higher renewal activity. Because construction activities have generally been classified as essential activities throughout its markets during the COVID-19 pandemic, the Company does not currently expect meaningful delays in customers taking occupancy under recently-signed leases.

Third, the Company projects general and administrative (G&A) expenses will be up to $2 million lower than originally anticipated primarily due to cost cutting initiatives.

Fourth, the Company expects it will incur losses during the remainder of 2020 related to customer financial difficulties due to COVID-19, consisting of (a) lost rental revenues resulting from customers that file bankruptcy or otherwise irrevocably default on their leases and (b) non-cash credit losses of straight-line rent receivables. Given the fluidity of the pandemic and its uncertain impact on the collectability of rents over the remainder of existing lease terms, such losses are too speculative to project at this time.

To date, the Company has collected 96% of its contractually required rents for the month of April and has agreed to grant temporary rent deferrals that represent approximately 1% of its annualized rental revenues. The Company is not currently aware of any customer-specific facts or circumstances that indicate a likelihood of any material losses at this point during the second quarter.

Management's updated outlook for 2020 includes the following additional assumptions:

	Low	High
Growth in Same Property Cash NOI (1)	1.5%	3.0%
G&A Expenses (2)	$39.0M	$41.0M
Year-End Occupancy	89.0%	92.0%
Weighted Average Diluted Shares and Units Outstanding (3)	106.7M	106.7M
Potential Dispositions	$0M	$150M
Potential Acquisitions	$0M	$200M
Potential Development Announcements	$0M	$250M

(1) Includes impact of reduced asset usage and lower anticipated speculative leasing as a result of the COVID-19 pandemic, but excludes potential lost rental revenues resulting from customers that file bankruptcy or otherwise irrevocably default on their leases. Also excludes termination fees.
(2) Includes (a) $0.7 million of severance costs recorded during the first quarter due to the closure of the Company's Greensboro and Memphis offices and (b) $1.4 million of equity incentive compensation costs that were expensed at the grant date in the first quarter for employees who have met the age and service eligibility requirements under the Company's long-standing retirement plan.
(3) There were 106.7 million diluted shares and units outstanding at March 31, 2020.

Liquidity and Capital Resources

The Company continues to maintain a conservative and flexible balance sheet and currently has a net debt-to-adjusted EBITDAre ratio of 4.9x. The Company believes it has ample liquidity with over $600 million of cash and availability under its revolving credit facility, which is scheduled to mature in January 2022. Assuming the Company is in compliance with its covenants, the Company has an option to extend the maturity for two additional six-month periods.

Subject to potential losses in the second, third and fourth quarters related to customer financial difficulties due to COVID-19, the Company believes existing cash and revenues will be sufficient to fund short-term liquidity needs. The Company has delayed approximately $10 million of building improvement projects, including property-enhancing upgrades such as lobby and restroom renovations, originally planned for 2020. In addition, the Company currently anticipates $10 to $20 million of lower tenant improvement costs and lease commissions in 2020 due to slower speculative leasing.

The Company has no debt scheduled to mature during the next 12 months. During the remainder of 2020, the Company forecasts funding approximately $133 million of its $500 million development pipeline.

Employees

The Company currently has 398 full-time employees, down from 431 at December 31, 2019 due to the closure of its Greensboro and Memphis offices during the first quarter upon completion of the first phase of its market rotation plan. The Company is pleased to report its few employees and dependents who tested positive for COVID-19 have fully recovered.

The Company has actively encouraged and supported employees who can work from home to do so. Employees who cannot work from home, such as maintenance and HVAC technicians, have collaborated with each other and our respective local leadership teams to handle essential property-related tasks.

Market Rotation Plan

During the first quarter, the Company completed the first phase of its two-phased plan to exit the Greensboro and Memphis markets. Since the initial announcement date of August 21, 2019, the Company sold 332,000 square feet of assets in Memphis for $89.6 million during the fourth quarter of 2019 and 3,632,000 square feet of assets in Greensboro and Memphis for $338.4 million during the first quarter of 2020. On a combined basis, these assets were projected to generate annual GAAP net operating income of $29.2 million in 2020. The Company recorded non-FFO gains of $29.3 million in the fourth quarter of 2019 and $152.7 million in the first quarter of 2020 in connection with these sales.

The total sales price of $428 million closely approximates the $436 million total investment for Bank of America Tower at Legacy Union in Charlotte, which closed in November 2019. During 2020, based on existing leases, Bank of America Tower at Legacy Union, which is currently 90% occupied, is expected to generate cash net operating income of $23.1 million (adding back $4.7 million of free rent and other rent-related credits) and GAAP net operating income of $27.9 million.

The Company closed its Greensboro division office on January 31, 2020 and its Memphis division office on March 31, 2020. The second phase is the planned sale of the remaining assets in Greensboro and Memphis. There is no pre-determined timetable for the second phase.

First Quarter 2020 Financial Results

Net income available for common stockholders (“net income”) was $185.5 million, or $1.79 per diluted share, for the first quarter of 2020. Net income was $7.3 million, or $0.07 per diluted share, for the first quarter of 2019.

Funds from operations available for common stockholders (“FFO”) was $98.8 million, or $0.93 per diluted share, for the first quarter of 2020. FFO was $76.5 million, or $0.72 per diluted share, for the first quarter of 2019.

Except as noted below, the following items were included in the determination of net income and FFO for the three months ended March 31, 2020 and 2019:

	Three Months Ended 3/31/2020		Three Months Ended 3/31/2019	
	(000)	Per Share	(000)	Per Share
Lease Termination Income, Net (1)	$ 120	$ 0.001	$ 402	$ 0.004
Straight-Line Rental Income (1) (2)	10,326	0.097	1,438	0.014
Capitalized Interest	1,734	0.016	1,866	0.018
Losses on Debt Extinguishment	-	-	(375)	(0.004)
Land Sale Gains	406	0.004	-	-
Gains on Disposition of Depreciable Properties (3)	152,661	1.432	-	-

(1) Credit losses on straight-line rent receivables related to lease terminations are reflected as a reduction of lease termination income.
(2) Includes $4.5 million of credit losses from Laser Spine in the first quarter of 2019.
(3) Not included in the determination of FFO.

Supplemental Information

The Company's first quarter 2020 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, April 29th, 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
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, 2019 to March 31, 2020). 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.

Forward-Looking Statements
Some of the information in this press release may contain forward-looking statements. Such statements include, in particular, statements about our plans, strategies and prospects such as the following: the

expected financial and operational results and the related assumptions underlying our expected results, including but not limited to potential losses related to customer difficulties, anticipated building usage and expected economic activity due to COVID-19; the continuing ability to borrow under the Company's revolving credit facility; 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. You can identify forward-looking statements by our use of forward-looking terminology such as "may," "will," "expect," "anticipate," "estimate," "continue" or other similar words. Although we believe that our plans, intentions and expectations reflected in or suggested by such forward-looking statements are reasonable, we cannot assure you that our plans, intentions or expectations will be achieved.

When considering such forward-looking statements, you should keep in mind important factors that could cause our actual results to differ materially from those contained in any forward-looking statement. Currently, one of the most significant factors that could cause actual outcomes to differ materially from our forward-looking statements is the potential adverse effect of the COVID-19 pandemic, and federal, state, and/or local regulatory guidelines to control it, on our financial condition, operating results and cash flows, our customers, the real estate market in which we operate, the global economy and the financial markets. The extent to which the COVID-19 pandemic impacts us and our customers will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the scope, severity and duration of the pandemic, the direct and indirect economic effects of the pandemic and containment measures, and potential changes in customer behavior, among others.

Additional factors, many of which may be influenced by the COVID-19 pandemic, that could cause actual outcomes or results to differ materially from those indicated in these statements include: the financial condition of our customers could deteriorate or further worsen; our assumptions regarding potential losses related to customer financial difficulties due to the COVID-19 pandemic could prove incorrect; counterparties under our debt instruments, particularly our revolving credit facility, may attempt to avoid their obligations thereunder, which, if successful, would reduce our available liquidity; we may not be able to lease or re-lease second generation space, defined as previously occupied space that becomes available for lease, quickly or on as favorable terms as old leases; we may not be able to lease newly constructed buildings as quickly or on as favorable terms as originally anticipated; we may not be able to complete development, acquisition, reinvestment, disposition or joint venture projects as quickly or on as favorable terms as anticipated; development activity in our existing markets could result in an excessive supply relative to customer demand; our markets may suffer declines in economic and/or office employment growth; unanticipated increases in interest rates could increase our debt service costs; unanticipated increases in operating expenses could negatively impact our operating results; 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 repay or refinance outstanding debt upon maturity; and the Company could lose key executive officers.

This list of risks and uncertainties, however, is not intended to be exhaustive. You should also review the other cautionary statements we make in "Business – Risk Factors" set forth in our 2019 Annual Report on Form 10-K and "Risk Factors" in our first quarter 2020 Quarterly Report on Form 10-Q. Given these uncertainties, you should not place undue reliance on forward-looking statements. We undertake no obligation to publicly release the results of any revisions to these forward-looking statements to reflect any future events or circumstances or to reflect the occurrence of unanticipated events.

Tables Follow

Highwoods Properties, Inc.
Consolidated Statements of Income
(Unaudited and in thousands, except per share amounts)

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Rental and other revenues	$ 192,800	$ 172,363
Operating expenses:		
Rental property and other expenses	62,202	60,551
Depreciation and amortization	61,150	69,204
General and administrative	10,930	12,381
Total operating expenses	134,282	142,136
Interest expense	21,277	18,739
Other income/(loss)	69	(3,766)
Gains on disposition of property	153,067	-
Equity in earnings of unconsolidated affiliates	963	664
Net income	191,340	8,386
Net (income) attributable to noncontrolling interests in the Operating Partnership	(4,960)	(193)
Net (income) attributable to noncontrolling interests in consolidated affiliates	(285)	(316)
Dividends on Preferred Stock	(622)	(622)
Net income available for common stockholders	$ 185,473	$ 7,255
Earnings per Common Share - basic:		
Net income available for common stockholders	$ 1.79	$ 0.07
Weighted average Common Shares outstanding - basic	103,813	103,600
Earnings per Common Share - diluted:		
Net income available for common stockholders	$ 1.79	$ 0.07
Weighted average Common Shares outstanding - diluted	106,633	106,357

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

	March 31, 2020	December 31, 2019
Assets:		
Real estate assets, at cost:		
Land	$ 482,658	$ 515,095
Buildings and tenant improvements	4,959,136	5,128,150
Development in-process	184,400	172,706
Land held for development	128,984	99,163
	5,755,178	5,915,114
Less-accumulated depreciation	(1,337,174)	(1,388,566)
Net real estate assets	4,418,004	4,526,548
Real estate and other assets, net, held for sale	2,726	20,790
Cash and cash equivalents	12,696	9,505
Restricted cash	111,393	5,237
Accounts receivable	26,326	23,370
Mortgages and notes receivable	1,489	1,501
Accrued straight-line rents receivable	239,669	234,652
Investments in and advances to unconsolidated affiliates	26,286	26,298
Deferred leasing costs, net of accumulated amortization of $146,438 and $146,125, respectively	225,258	231,347
Prepaid expenses and other assets, net of accumulated depreciation of $19,909 and $20,017, respectively	66,862	58,996
Total Assets	$ 5,130,709	$ 5,138,244
Liabilities, Noncontrolling Interests in the Operating Partnership and Equity:		
Mortgages and notes payable, net	$ 2,410,189	$ 2,543,710
Accounts payable, accrued expenses and other liabilities	264,986	286,911
Total Liabilities	2,675,175	2,830,621
Commitments and contingencies		
Noncontrolling interests in the Operating Partnership	100,674	133,216
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), 28,856 and 28,859 shares issued and outstanding, respectively	28,856	28,859
Common Stock, $.01 par value, 200,000,000 authorized shares;		
103,885,918 and 103,756,046 shares issued and outstanding, respectively	1,039	1,038
Additional paid-in capital	3,000,614	2,954,779
Distributions in excess of net income available for common stockholders	(696,070)	(831,808)
Accumulated other comprehensive loss	(1,676)	(471)
Total Stockholders' Equity	2,332,763	2,152,397
Noncontrolling interests in consolidated affiliates	22,097	22,010
Total Equity	2,354,860	2,174,407
Total Liabilities, Noncontrolling Interests in the Operating Partnership and Equity	$ 5,130,709	$ 5,138,244

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

	Three Months Ended March 31,	
	2020	**2019**
Funds from operations:		
Net income	$ 191,340	$ 8,386
Net (income) attributable to noncontrolling interests in consolidated affiliates	(285)	(316)
Depreciation and amortization of real estate assets	60,432	68,482
(Gains) on disposition of depreciable properties	(152,661)	-
Unconsolidated affiliates:		
Depreciation and amortization of real estate assets	569	580
Funds from operations	99,395	77,132
Dividends on Preferred Stock	(622)	(622)
Funds from operations available for common stockholders	$ 98,773	$ 76,510
Funds from operations available for common stockholders per share	$ 0.93	$ 0.72
Weighted average shares outstanding (1)	106,633	106,357

(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 March 31,	
	2020	**2019**
Net income	$ 191,340	$ 8,386
Equity in earnings of unconsolidated affiliates	(963)	(664)
Gains on disposition of property	(153,067)	-
Other (income)/loss	(69)	3,766
Interest expense	21,277	18,739
General and administrative expenses	10,930	12,381
Depreciation and amortization	61,150	69,204
Net operating income	130,598	111,812
Non same property and other net operating income	(16,938)	(10,276)
Same property net operating income	$ 113,660	$ 101,536
Same property net operating income	$ 113,660	$ 101,536
Lease termination fees, straight-line rent and other non-cash adjustments	(7,707)	309
Same property cash net operating income	$ 105,953	$ 101,845

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

	Three Months Ended March 31,	
	2020	**2019**
Net debt-to-Adjusted EBITDAre:		
Net income	$ 191,340	$ 8,386
Interest expense	21,277	18,739
Depreciation and amortization	61,150	69,204
(Gains) on disposition of depreciable properties	(152,661)	-
Adjustments to reflect our share of EBITDAre from unconsolidated affiliates	907	957
EBITDAre	$ 122,013	$ 97,286
(Gains) on disposition of non-depreciable properties	(406)	
Proforma NOI adjustments for property changes within period	(3,343)	
Adjusted EBITDAre (1)	$ 118,264	
Adjusted EBITDAre (annualized) (1) (2)	$ 477,052	$ 425,303
Mortgages and notes payable (3)	$ 2,438,248	$ 2,198,842
Less - cash and cash equivalents and 1031 restricted cash (3)	(117,823)	(8,285)
Net debt (4)	$ 2,320,425	$ 2,190,557
Preferred Stock	28,856	28,859
Net debt plus Preferred Stock	$ 2,349,281	$ 2,219,416
Net debt-to-Adjusted EBITDAre (5)	4.86x	5.15x
Net debt plus Preferred Stock-to-Adjusted EBITDAre (6)	4.92x	5.22x

(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. For the quarter ended March 31, 2019, credit losses and write-offs of $12.1M associated with the sudden closure of Laser Spine Institute were 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). Excluding credit losses and write-offs associated with the sudden closure of Laser Spine Institute, net debt-to-Adjusted EBITDAre at March 31, 2019 would have been 5.01x.

(6) Net debt plus Preferred Stock at quarter-end divided by Adjusted EBITDAre (annualized). Excluding credit losses and write-offs associated with the sudden closure of Laser Spine Institute, net debt plus Preferred Stock-to-Adjusted EBITDAre at March 31, 2019 would have been 5.07x.