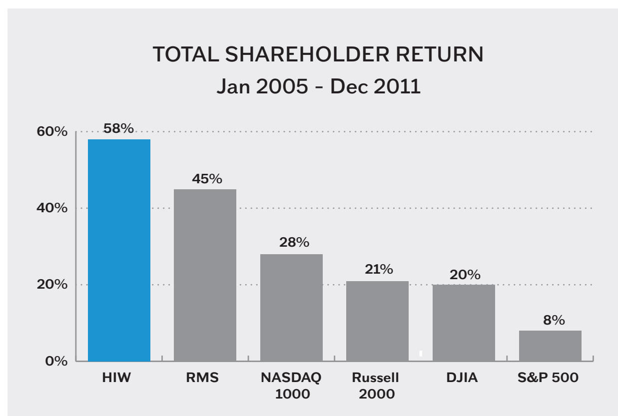
Dear Fellow Shareholders:

Since January 2005, we have been guided by the four key tenets of our Strategic Plan and 2011 was no exception. Our primary goals are to:

- Own the better assets in the better submarkets;
- Maintain a strong and flexible balance sheet;
- Communicate consistently and transparently; and
- Have the best team of real estate professionals with the experience, expertise and drive to serve our customers and grow our business.

Over the past seven years, despite the "Great Recession," our Company has achieved a:

- 17% growth in Funds From Operations ("FFO") per share
- 79% increase in the number of Class A buildings in our portfolio
- 91% reduction in non-core land
- 25% reduction in headcount
- 26% decrease in G&A
- 8% decrease in leverage
- 33% decrease in interest expense and preferred dividends



Our Strategic Plan continues to be the right long-term growth strategy for our Company as evidenced by our 58% seven-year total shareholder return from January 1, 2005 through December 31, 2011. In fact, during this same seven-year period, Highwoods not only beat the total return of the four major indices by an average of 39%, our Company's total return was also 13% better than the RMS, the index that tracks total shareholder return of approximately 120 publicly traded REITs combined. In addition, our Company's 17% per share FFO growth was, on average, substantially better than the 31% average per share FFO decline of our eight suburban office peers during this seven-year period.

2011 — A YEAR IN REVIEW

We approached 2011 optimistically, but also realistically given the state of the U.S. economy. We expected the leasing environment to remain challenging, but we were confident our strong balance sheet would give us a competitive edge in retaining and attracting customers. We were also hopeful we would begin to see more acquisition and build-to-suit opportunities at returns that met our risk/reward underwriting and, with $370 million of availability on our revolving credit facility, we were out hunting and ready to strike.

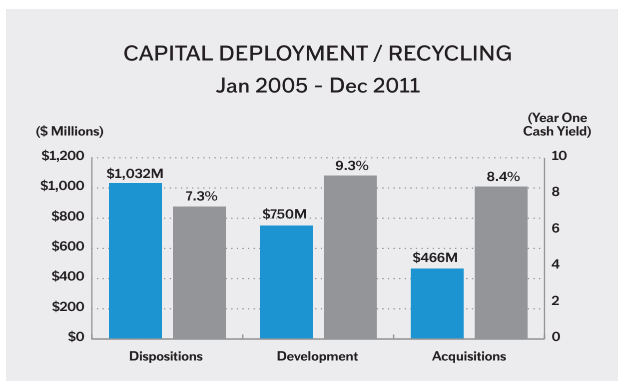
Did the year meet our expectations? In many ways, 2011 was a better year than we had anticipated. We delivered full year FFO of $2.58 per share, excluding preferred stock redemption and acquisition costs. This was five cents above our original guidance midpoint before including the contribution of acquisitions completed in September. We leased 4.3 million square feet of office space, a 19% increase over 2010, and our weighted average office lease term was 5.6 years, the highest since our IPO in 1994.

Occupancy in our office portfolio remained considerably higher than the overall market's occupancy in each of our core markets. At year end, in our top five markets, we were outperforming by an average of 782 basis points, and in all of our markets combined, our occupancy was better than market by an average of 579 basis points. This outperformance is attributable to a higher quality portfolio, a focus on infill locations, our aggressive pursuit of companies leasing space from our competitors, our ability to fund tenant improvements, leasing commissions and building improvements (a big advantage to Highwoods given our financial strength) and, of course, our people.

2011 INVESTMENT AND CAPITAL RECYCLING ACTIVITY

$309 Million of Acquisitions

On the acquisition front, 2011 presented more meaningful, right-priced opportunities than we had seen in a number of years. We deployed $309 million of capital, acquiring properties in Pittsburgh, Atlanta and Raleigh. These three separate transactions, encompassing 2.1 million square feet, were all immediately accretive, enhanced the overall quality of our portfolio and should provide meaningful upside.



PPG Place, Pittsburgh

We are very excited about entering the vibrant Pittsburgh market through the acquisition of the iconic PPG Place, which was designed by the renowned architect Philip Johnson. Pittsburgh has a strong and diverse economy, is home to eight Fortune 500 companies, two of which are headquartered in PPG Place, and boasts a highly-skilled, highly-dedicated workforce. The City's unemployment rate is well below the national average and below virtually every U.S. gateway city.

PPG Place, located in the heart of downtown Pittsburgh and only one block from the brand new T-connector subway station, is a six-building Class A office complex encompassing 1.54 million square feet with structured parking. Our total investment is expected to be $214 million which equates to a cost of $139 per square foot, well under half of the complex's estimated replacement cost. In addition, PPG Place immediately gives our Company critical mass in that market, which ensures we are in the deal flow and provides a platform from which to grow our Pittsburgh presence.

Riverwood 100, Atlanta

As mentioned earlier, selectively enhancing our portfolio's quality is an on-going goal, and Riverwood 100 was another great step. Designed by the celebrated architect John Portman, this very distinctive Class A office building stands 24-stories tall and encompasses 503,000 square feet with structured parking and 11,000 square feet of amenities and retail. Riverwood 100 gives us a grand entry into the Cumberland Galleria I-75 submarket and its location is considered by many to be the best in that part of town. Our total planned investment is $86 million, which equates to $172 per square foot, more than $100 per square foot below estimated replacement cost.

4201 Lake Boone, Raleigh

We believe that medical office buildings neighboring major medical centers in our core markets will represent an important growth niche for our Company and we were pleased to add 4201 Lake Boone to our portfolio. This 48,000 square foot, 3-story medical office building joins seven other Highwoods buildings located immediately across the street from Rex Hospital, part of the UNC Healthcare network, which boasts over 1,100 staff physicians. We invested approximately $9 million in 4201 Lake Boone, which equates to a cost of $188 per square foot.

$72 Million of Development

At the outset of 2011, we were optimistic that more companies seeking to occupy build-to-suits would materialize. Unfortunately, as in 2010, customers' decision-making processes remained protracted and precious few pulled the trigger on the projects they were considering.

We were pleased to announce $72 million of development starts, including a $48.4 million build-to-suit development in Nashville for Lifepoint Hospitals and a $10.3 million redevelopment in Atlanta for the GSA on behalf of U.S. Customs and Border Protection.

Our Company also formed a $25.8 million, 50/50 joint venture in Raleigh where we contributed a 15-acre land tract, which today is more suitable for multi-family than for office. Our partner, a proven multi-family developer, will oversee construction of a 215-unit apartment project on this site and we believe this JV opportunity has the potential to generate a higher return than if we had sold the land outright.

$20 Million of Dispositions

Since January 2005, we've sold over $1 billion of non-core, non-differentiating assets, significantly enhancing the quality of our portfolio. 2011 was a relatively quiet year on this front, amounting to only $20 million of dispositions. Our largest sale was a 136,000 square foot office building and three-acre land tract in Winston-Salem for $15 million. Since identifying Winston-Salem as a non-core market, we have methodically reduced our holdings in that market from a peak of 2.8 million square feet to 773,000 square feet, a 72% reduction, and we continue progress towards exiting that market completely.

We also sold our 10% joint venture interest in an office building we developed in Charlotte to our partner. We received $6.5 million for this sale, which produced a merchant build gain of $2.3 million, a solid win for our Company. In total, this investment generated an 84% return for our Company.

2011 FINANCINGS

Having committed over $350 million of capital last year, let's touch on our balance sheet, a key tenet of our Strategic Plan. In 2011, we enhanced our dry powder, replacing our $400 million credit facility with a new $475 million credit facility under more attractive terms. We also paid off two term loans totaling $148 million, retired a $184 million, 7% secured loan and redeemed all remaining 8% Series B Preferred Shares. In addition, we closed two term loans totaling $425 million at very favorable rates, including one for $225 million in January 2012. These transactions lowered our weighted average rate on outstanding debt 77 basis points to 4.97%.

Our long executed and stated strategy is to grow our Company on a leverage-neutral basis over the long run and manage our Company with low leverage. We are comfortable with our various sources for equity, including non-core dispositions and new equity.

2012 GOALS

Our goals for this year are concrete, measurable and attainable.

- *Lease Space.* Our team is laser-focused on winning deals, taking advantage of our market position, and using our strong balance sheet to gain market share from the competition and capture net positive absorption where possible. Our standard operating procedure is to make sure we get a look at every deal in our submarkets, be selective in choosing which deals to pursue and aggressively go after those we have selected.
- *Deploy Investment Capital.* We are ready to deploy investment capital at risk/returns that make sense for our shareholders. On the acquisition front, our disciplined strategy is working. We continue to actively seek core, value-add and opportunistic real estate investments in infill submarkets that enhance the overall quality of our portfolio, and are "right priced" relative to the asset's risk profile and our cost of capital.

Initial 2012 Guidance	Low	High
Dispositions	$100M	$150M
Acquisitions	$100M	$300M
Development Starts	$50M	$150M

- *Pursue Build-to-Suits.* We are hopeful build-to-suit opportunities increase and customers decide to move forward with projects which have long been under consideration. Our proven track record as a developer, our core land inventory and our ability to undertake a project without financing contingencies provides us with distinct competitive advantages.
- *Sell Non-Core Properties.* We remain committed to culling properties out of our portfolio that no longer fit our investment criteria due to concerns about market, age, location, quality and/or functionality.
- *Manage Expenses.* We continue to control our expenses at both the property and G&A levels and are reaping the benefits of an improved portfolio, better processes and increased productivity and dedication throughout our Company.
- *Maintain Strong Balance Sheet.* By maintaining a balance sheet that is strong and flexible, we continue to position Highwoods for long-term growth. We are also in the enviable position of having only $73 million of debt maturing in 2012.

There is no doubt that it remains a challenging economic environment for office real estate companies. Yet, despite the sustained absence of meaningful job growth and meaningful consensus in Washington D.C., we are encouraged as corporations across many industries continue reporting strong earnings and increasingly healthier balance sheets. We believe it is only a matter of time before confidence returns to a level where companies begin deploying their capital to expand headcount in order to grow their businesses.

In closing, thank you for your continued trust in our team and for your confidence in our ability to deliver long-term value. I am truly grateful to be working with a smart, business savvy and committed Board of Directors that is engaged and routinely challenges and encourages us to new heights. I also express deep appreciation and admiration for my co-workers whose hard work and dedication to our customers, investors, the Company and each other differentiates us from our competitors.

Respectfully,

Ed

Edward J. Fritsch
President and Chief Executive Officer

April 5, 2012