

FOR IMMEDIATE RELEASE

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Contact: Brendan Maiorana
Executive Vice President and Chief Financial Officer
brendan.maiorana@highwoods.com
919-872-4924

Highwoods Reports Fourth Quarter and Full Year 2023 Results

\$0.36 Net Income per Share for Fourth Quarter 2023

\$0.99 FFO per Share for Fourth Quarter 2023

Includes \$0.08 per Share Net Impact due to Items Not in Prior Outlook:

\$0.13 per Share Land Sale Gains

\$0.01 per Share Debt Extinguishment Charge

\$0.03 per Share Write-Off of Certain Pre-Development Costs

\$0.01 per Share Straight-Line Rent Credit Losses Due to Moving a Customer to Cash Basis Accounting

Signed 698,000 SF of 2nd Gen Leases

Includes 267,000 SF of New Leases

Delivered Year-End Occupancy of 88.9%

Leased 105,000 SF of 1st Gen Space in Development Pipeline

Sold \$51 Million of Non-Core Properties

Provides 2024 FFO Outlook of \$3.46 to \$3.64 per Share

Assumes Approximately \$0.15 Dilutive Impact from

Recent Financing Activities and Modification of Nashville Lease

RALEIGH, NC – February 6, 2024 – Highwoods Properties, Inc. (NYSE:HIW) today reported its fourth quarter and full year 2023 financial and operating results.

Ted Klinck, President and Chief Executive Officer, stated, “*We delivered strong financial results and healthy operating performance in the fourth quarter. Our solid full-year results demonstrate the resiliency of our portfolio and our balance sheet and the continued strength of our platform. Leasing activity accelerated during the quarter with the year’s highest quarterly volume of new leasing, and 2024 is off to a similarly strong start.*”

Current conditions in the capital markets have placed a greater emphasis on balance sheet management. We are pleased to have accessed the debt capital markets with a 10-year bond offering and extended our credit facility into early 2029, with no change to the borrowing capacity or the borrowing spread. This further bolsters our ability to focus on longer-term operational and strategic goals.



Importantly, our cash flows continue to be resilient even as we absorb the impacts of higher interest rates and temporary downtime on known customer move-outs. Further, we have meaningful upside to cash flow as we continue to sell capital intensive, non-core properties and reinvest in our well-located development pipeline. Over the long run, we believe we are well-positioned given our focus on select BBDs in high-growth markets in the southeast, our ever-improving, high-quality portfolio, our strong balance sheet and our long-stated emphasis on diversification.”

Fourth Quarter 2023 Highlights

Operations:

- Reported net income of \$0.36 per share
- Earned FFO of \$0.99 per share, including \$0.08 per share net impact from the following items:

Land Sale Gains	\$0.13
Debt Extinguishment Costs	(\$0.01)
Write-off of Certain Pre-Development Costs (1)	(\$0.03)
Straight-Line Credit Losses Due to Moving a Customer to Cash Basis Accounting	(\$0.01)

(1) Reflected in general and administrative expenses for properties that are consolidated and equity in earnings of unconsolidated affiliates for properties owned by unconsolidated joint ventures.

- Increased average in-place cash rents 5.5% per square foot year-over-year
- Grew same property cash NOI 0.2% year-over-year
- Ended the quarter with in-service occupancy of 88.9% (including our share of joint venture properties)

Second Generation Leasing Activity:

- Leased 698,000 square feet, including 267,000 square feet of new leases (15% higher than prior four-quarter average)
- Achieved dollar-weighted average term of 6.6 years
- Delivered GAAP rent growth of +7.4% and cash rent growth of -4.1%

Investment Activity:

- Sold 132,000 square foot non-core office building in Nashville for \$32.0 million
- Sold 9.3 acres of non-core land in Tampa for \$19.0 million

Development Activity:

- Leased 105,000 square feet in the Company's development pipeline
- Current total development pipeline is \$518 million (at HIW share) encompassing 1.6 million square feet that is 32.0% pre-leased on a dollar-weighted basis

Financing Activity:

- Ended the quarter with a net debt-to-Adjusted EBITDAre ratio of 6.1x
- Issued \$350 million of unsecured notes due February 2034 with an effective rate of 7.836%
- Prepaid without penalty a \$200 million unsecured bank term loan that was scheduled to mature in October 2024
- Obtained a \$45 million, five-year secured loan at a fixed rate of 7.29% at a consolidated joint venture property in which the Company owns an 80% interest

Subsequent to Quarter-End Financing Activity:

- Recast the Company's \$750 million unsecured revolving credit facility to extend the maturity date to January 2029, with unilateral extension options
 - No change to the borrowing capacity or borrowing spread
- The Company has no consolidated debt maturities until May 2026
 - Total available liquidity of over \$900 million
 - Includes cash on hand, availability on revolving credit facility and pro rata share of undrawn joint venture construction loans



First Quarter 2024 Leasing Update

From January 1, 2024 through the date of this release, the Company has leased 514,000 square feet of second generation office space, including 150,000 square feet of new leases and 52,000 square feet of expansion leases.

Nashville Lease Update

As previously disclosed, the Company has been in discussions with a customer that signed a 223,000 square foot lease during the third quarter of 2022 to backfill substantially all of Cool Springs V, the former Tivity building in Nashville. Subsequent to year-end, the Company and the customer have agreed to modify the lease to reduce the square footage to 110,000 square feet. The modified lease will commence with respect to 55,000 square feet in the fourth quarter of 2024 and the remaining 55,000 square feet in the fourth quarter of 2025.

The modified lease for the backfill customer at Cool Springs V is not included in the leasing statistics for the first quarter 2024 referenced above.

2024 Outlook

For 2024, the Company expects FFO per share to be in the range of \$3.46 to \$3.64. 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 Company's 2024 FFO outlook does not include any effects related to potential dispositions and acquisitions 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 2023 Annual Report on Form 10-K and subsequent SEC reports.

Management's outlook for 2024 includes the impact of the issuance in November 2023 of \$350 million of unsecured notes due in February 2034 with an effective rate of 7.836%, the simultaneous repayment of a \$200 million unsecured bank term loan that was originally scheduled to mature in October 2024 and the recast in January 2024 of the Company's \$750 million unsecured revolving credit facility. The outlook also includes the impact of the modified lease for the backfill customer at Nashville's Cool Springs V and assumes all revenues relating to the modified lease will be recognized on a cash basis. See "Nashville Leasing Update." On a combined basis, these activities are projected to reduce 2024 FFO by approximately \$0.15 per share.

The outlook includes the following additional assumptions:

	Low	High
Effects Assumed in FFO Outlook:		
Growth in Same Property Cash NOI (1)	0.0%	+2.0%
Straight-Line Rental Income	\$10.0M	\$14.0M
G&A Expenses	\$39.0M	\$41.0M
Average Occupancy	87.0%	89.0%
Weighted Average Diluted Shares and Units Outstanding (2)	108.1M	108.1M
Effects Not Assumed in FFO Outlook:		
Potential Dispositions	\$75M	\$200M
Potential Acquisitions	None likely	
Potential Development Announcements	None likely	

(1) Excludes termination fees.

(2) There were 107.9 million diluted shares and units outstanding at December 31, 2023.



Fourth Quarter 2023 Financial Results

Net income available for common stockholders ("net income") was \$38.0 million, or \$0.36 per diluted share, for the fourth quarter of 2023 and \$146.2 million, or \$1.39 per diluted share, for 2023. Net income was \$27.6 million, or \$0.26 per diluted share, for the fourth quarter of 2022 and \$156.6 million, or \$1.49 per diluted share, for 2022.

Funds from operations available for common stockholders ("FFO") was \$106.7 million, or \$0.99 per diluted share, for the fourth quarter of 2023 and \$413.3 million, or \$3.83 per diluted share, for 2023. FFO was \$103.1 million, or \$0.96 per diluted share, for the fourth quarter of 2022 and \$433.3 million, or \$4.03 per diluted share, for 2022.

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, 2023 and 2022:

	Three Months Ended 12/31/2023		Three Months Ended 12/31/2022	
	(000)	Per Share	(000)	Per Share
Lease Termination Income, Net (1)	\$ 487	\$ 0.005	\$ 233	\$ 0.002
Straight-Line Rental Income (1)	3,483	0.032	9,147	0.085
Capitalized Interest	2,401	0.022	1,522	0.014
Loss on Debt Extinguishment	(602)	(0.006)	-	-
Land Sale Gains	14,035	0.130	-	-
Gains on Disposition Depreciable Properties (2)	13,920	0.129	-	-
	Twelve Months Ended 12/31/2023		Twelve Months Ended 12/31/2022	
	(000)	Per Share	(000)	Per Share
Lease Termination Income, Net (1)	\$ 1,736	\$ 0.016	\$ 3,433	\$ 0.032
Straight-Line Rental Income (1)	23,112	0.214	28,668	0.267
Capitalized Interest	8,962	0.083	3,960	0.037
Loss on Debt Extinguishment	(602)	(0.006)	-	-
Land Sale Gains	14,485	0.134	15,739	0.146
Gain on Deconsolidation of Affiliate (2)	11,778	0.109	-	-
Gains on Disposition of Depreciable Properties (2)	33,288	0.309	47,807	0.444
Impairments of Depreciable Properties (2)	-	-	(35,000)	(0.325)
Land Impairments	-	-	(1,515)	(0.014)

(1) Credit losses on straight-line rent receivables related to lease terminations are reflected as a reduction of lease termination income.

(2) Not included in the determination of FFO.

Supplemental Information

The Company's fourth quarter 2023 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.



Conference Call

Tomorrow, Wednesday, February 7th, at 11:00 a.m. Eastern time, Highwoods will host a teleconference call to discuss the matters highlighted in this release.

Webcast link: [Highwoods Properties Earnings Call](#)

Dial-in: (833) 470-1428

Dial-in access code: 433619

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 2024

The Company has set the following dates for the release of its 2024 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 23	April 24
Second	July 23	July 24
Third	October 22	October 23

Non-GAAP Information

FFO: We believe that FFO and FFO per share are beneficial to management and investors and are important indicators of the performance of any equity REIT. Because FFO and FFO per share calculations exclude such factors as depreciation, amortization and impairments of real estate assets and gains or losses from sales of operating real estate assets, which can vary among owners of identical assets in similar conditions based on historical cost accounting and useful life estimates, they facilitate comparisons of operating performance between periods and between other REITs. Management believes that historical cost accounting for real estate assets in accordance with GAAP implicitly assumes that the value of real estate assets diminishes predictably over time. Since real estate values have historically risen or fallen with market conditions, management believes that the use of FFO and FFO per share, together with the required GAAP presentations, provide a more complete understanding of our performance relative to our competitors and a more informed and appropriate basis on which to make decisions involving operating, financing and investing activities.

FFO and FFO per share are non-GAAP financial measures and therefore do not represent net income or net income per share as defined by GAAP. Net income and net income per share as defined by GAAP are the most relevant measures in determining our operating performance because FFO and FFO per share include adjustments that investors may deem subjective, such as adding back expenses such as depreciation, amortization and impairment. Furthermore, FFO per share does not depict the amount that accrues directly to the stockholders' benefit. Accordingly, FFO and FFO per share should never be considered as alternatives to net income or net income per share as indicators of our operating performance.



Our presentation of FFO is consistent with FFO as defined by NAREIT, which is calculated as follows:

- Net income/(loss) computed in accordance with GAAP;
- Less net income, or plus net loss, 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, 2022 to December 31, 2023). 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 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), fully-integrated office real estate investment trust ("REIT") that owns, develops, acquires, leases and manages properties primarily in the best business districts (BBDs) of Atlanta, Charlotte, Dallas, Nashville, Orlando, Raleigh, Richmond and Tampa. Highwoods is in the work-placemaking business. We believe that by creating environments and experiences where the best and brightest can achieve together what they cannot apart, we can deliver greater value to our customers, their teammates and, in turn, our stakeholders. 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; the 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. 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.

Factors that could cause our actual results to differ materially from Highwoods' current expectations include, among others, the following: the financial condition of our customers could deteriorate; our assumptions regarding potential losses related to customer financial difficulties 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; natural disasters and climate change could have an adverse impact on our cash flow and 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 “Risk Factors” set forth in our 2023 Annual Report on Form 10-K. 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 December 31,		Year Ended December 31,	
	2023	2022	2023	2022
Rental and other revenues	\$ 206,859	\$ 211,713	\$ 833,997	\$ 828,929
Operating expenses:				
Rental property and other expenses	69,551	69,681	268,782	259,806
Depreciation and amortization	78,995	75,144	299,411	287,610
Impairments of real estate assets	-	-	-	36,515
General and administrative	12,189	9,533	42,857	42,266
Total operating expenses	<u>160,735</u>	<u>154,358</u>	<u>611,050</u>	<u>626,197</u>
Interest expense	35,302	29,573	136,710	105,385
Other income	1,353	909	4,435	1,530
Gains on disposition of property	27,955	-	47,773	63,546
Gain on deconsolidation of affiliate	-	-	11,778	-
Equity in earnings of unconsolidated affiliates	<u>(795)</u>	<u>452</u>	<u>1,107</u>	<u>1,535</u>
Net income	39,335	29,143	151,330	163,958
Net (income) attributable to noncontrolling interests in the Operating Partnership	(778)	(621)	(3,164)	(3,670)
Net (income)/loss attributable to noncontrolling interests in consolidated affiliates	61	(350)	549	(1,230)
Dividends on Preferred Stock	<u>(621)</u>	<u>(622)</u>	<u>(2,485)</u>	<u>(2,486)</u>
Net income available for common stockholders	<u>\$ 37,997</u>	<u>\$ 27,550</u>	<u>\$ 146,230</u>	<u>\$ 156,572</u>
Earnings per Common Share - basic:				
Net income available for common stockholders	<u>\$ 0.36</u>	<u>\$ 0.26</u>	<u>\$ 1.39</u>	<u>\$ 1.49</u>
Weighted average Common Shares outstanding - basic	<u>105,693</u>	<u>105,198</u>	<u>105,529</u>	<u>105,120</u>
Earnings per Common Share - diluted:				
Net income available for common stockholders	<u>\$ 0.36</u>	<u>\$ 0.26</u>	<u>\$ 1.39</u>	<u>\$ 1.49</u>
Weighted average Common Shares outstanding - diluted	<u>107,850</u>	<u>107,561</u>	<u>107,785</u>	<u>107,567</u>

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

	December 31,	
	2023	2022
Assets:		
Real estate assets, at cost:		
Land	\$ 540,050	\$ 548,720
Buildings and tenant improvements	5,960,895	5,909,754
Development in-process	8,918	46,735
Land held for development	227,058	231,218
	6,736,921	6,736,427
Less-accumulated depreciation	(1,743,390)	(1,609,502)
Net real estate assets	4,993,531	5,126,925
Cash and cash equivalents	25,123	21,357
Restricted cash	6,446	4,748
Accounts receivable	28,094	25,481
Mortgages and notes receivable	4,795	1,051
Accrued straight-line rents receivable	310,649	293,674
Investments in and advances to unconsolidated affiliates	343,241	269,221
Deferred leasing costs, net of accumulated amortization of \$175,697 and \$163,751, respectively	225,924	252,828
Prepaid expenses and other assets, net of accumulated depreciation of \$22,142 and \$21,660, respectively	65,125	68,091
Total Assets	<u>\$ 6,002,928</u>	<u>\$ 6,063,376</u>
Liabilities, Noncontrolling Interests in the Operating Partnership and Equity:		
Mortgages and notes payable, net	\$ 3,213,206	\$ 3,197,215
Accounts payable, accrued expenses and other liabilities	302,180	301,184
Total Liabilities	3,515,386	3,498,399
Commitments and contingencies		
Noncontrolling interests in the Operating Partnership	49,520	65,977
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), 28,811 and 28,821 shares issued and outstanding, respectively	28,811	28,821
Common Stock, \$.01 par value, 200,000,000 authorized shares; 105,710,315 and 105,210,858 shares issued and outstanding, respectively	1,057	1,052
Additional paid-in capital	3,103,446	3,081,330
Distributions in excess of net income available for common stockholders	(698,020)	(633,227)
Accumulated other comprehensive loss	(1,997)	(1,211)
Total Stockholders' Equity	2,433,297	2,476,765
Noncontrolling interests in consolidated affiliates	4,725	22,235
Total Equity	2,438,022	2,499,000
Total Liabilities, Noncontrolling Interests in the Operating Partnership and Equity	<u>\$ 6,002,928</u>	<u>\$ 6,063,376</u>

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

	Three Months Ended December 31,		Year Ended December 31,	
	2023	2022	2023	2022
Funds from operations:				
Net income	\$ 39,335	\$ 29,143	\$ 151,330	\$ 163,958
Net (income)/loss attributable to noncontrolling interests in consolidated affiliate:	61	(350)	549	(1,230)
Depreciation and amortization of real estate assets	78,282	74,361	296,705	284,723
Impairments of depreciable properties	-	-	-	35,000
(Gains) on disposition of depreciable properties	(13,920)	-	(33,288)	(47,807)
(Gain) on deconsolidation of affiliate	-	-	(11,778)	-
Unconsolidated affiliates:				
Depreciation and amortization of real estate assets	3,568	612	12,223	1,160
Funds from operations	107,326	103,766	415,741	435,804
Dividends on Preferred Stock	(621)	(622)	(2,485)	(2,486)
Funds from operations available for common stockholders	\$ 106,705	\$ 103,144	\$ 413,256	\$ 433,318
Funds from operations available for common stockholders per share	\$ 0.99	\$ 0.96	\$ 3.83	\$ 4.03
Weighted average shares outstanding ⁽¹⁾	107,850	107,561	107,785	107,567

(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,	
	2023	2022	2023	2022
Net income	\$ 39,335	\$ 29,143	\$ 151,330	\$ 163,958
Equity in earnings of unconsolidated affiliates	795	(452)	(1,107)	(1,535)
Gain on deconsolidation of affiliate	-	-	(11,778)	-
Gains on disposition of property	(27,955)	-	(47,773)	(63,546)
Other income	(1,353)	(909)	(4,435)	(1,530)
Interest expense	35,302	29,573	136,710	105,385
General and administrative expenses	12,189	9,533	42,857	42,266
Impairments of real estate assets	-	-	-	36,515
Depreciation and amortization	78,995	75,144	299,411	287,610
Net operating income	<u>137,308</u>	<u>142,032</u>	<u>565,215</u>	<u>569,123</u>
Non same property and other net operating income	<u>(4,333)</u>	<u>(5,728)</u>	<u>(19,813)</u>	<u>(17,227)</u>
Same property net operating income	<u>\$ 132,975</u>	<u>\$ 136,304</u>	<u>\$ 545,402</u>	<u>\$ 551,896</u>
Same property net operating income	\$ 132,975	\$ 136,304	\$ 545,402	\$ 551,896
Lease termination fees, straight-line rent and other non-cash adjustments	<u>(2,134)</u>	<u>(5,689)</u>	<u>(15,232)</u>	<u>(24,523)</u>
Same property cash net operating income	<u>\$ 130,841</u>	<u>\$ 130,615</u>	<u>\$ 530,170</u>	<u>\$ 527,373</u>

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

	Three Months Ended December 31,	
	2023	2022
Net debt-to-Adjusted EBITDAre:		
Net income	\$ 39,335	\$ 29,143
Interest expense, net (1)	34,499	29,573
Depreciation and amortization	78,995	75,144
(Gains) on disposition of depreciable properties	(13,920)	-
Adjustments to reflect our share of EBITDAre from unconsolidated affiliates	4,861	1,055
EBITDAre	\$ 143,770	\$ 134,915
Losses on debt extinguishment	602	-
(Gains) on disposition of non-depreciable properties	(14,035)	-
Proforma NOI adjustments for property changes within period	(450)	-
Adjustments to reflect our share of Adjusted EBITDAre from unconsolidated affiliates	-	2,529
Adjusted EBITDAre (2)	\$ 129,887	\$ 137,444
Adjusted EBITDAre (annualized) (2) (3)	\$ 532,604	\$ 548,345
Mortgages and notes payable (4) (5)	\$ 3,304,371	\$ 3,292,803
Less - cash and cash equivalents, preferred investments and other (4)	(38,184)	(67,345)
Net debt (6)	\$ 3,266,187	\$ 3,225,458
Preferred Stock	28,811	28,821
Net debt plus Preferred Stock	\$ 3,294,998	\$ 3,254,279
Net debt-to-Adjusted EBITDAre (7)	6.13x	5.88x
Net debt plus Preferred Stock-to-Adjusted EBITDAre (8)	6.19x	5.93x

(1) Net of interest income

(2) Adjusted EBITDAre is calculated 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.

(3) Adjusted EBITDAre (annualized) is Adjusted EBITDAre multiplied by four. Certain period specific items are not annualized.

(4) Includes our share of unconsolidated affiliates.

(5) Net of mortgages receivable from loans to unconsolidated affiliates (after eliminations) and loans to third parties as seller financing.

(6) Net debt is calculated as mortgages and notes payable, net at quarter-end less cash and cash equivalents, preferred investments and 1031 restricted cash at quarter-end.

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

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