Highwoods®

Management's Prepared Remarks
Second Quarter 2026 Conference Call
July 29, 2026

Brendan Maiorana
Executive Vice President, Chief Financial Officer
If you have not received yesterday's earnings release or supplemental, they are both available on the Investors section of our website at highwoods.com. On today's call, our review will include non-GAAP measures, such as FFO, NOI and EBITDAre. The release and supplemental include a reconciliation of these non-GAAP measures to the most directly comparable GAAP financial measures.

Forward-looking statements made during today's call are subject to risks and uncertainties. These risks and uncertainties are discussed at length in our press releases as well as our SEC filings. As you know, actual events and results can differ materially from these forward-looking statements and the Company does not undertake a duty to update any forward-looking statements.

Ted Klinck
President, Chief Executive Officer
We had another excellent quarter delivering strong financial and operating results and executing on our key long-term initiatives. Let me start with six key highlights:

- Leasing volume was healthy with over 1 million square feet of second gen signings, including 326,000 square feet of new leases. Plus, we signed 63,000 square feet of first gen leases in our development pipeline.
- Rent growth continued upward with cash rent spreads over 3% and GAAP rent spreads over 20%. Plus, our net effective rents were 8% higher than our prior five quarter average and the second highest in our Company's history.
- Our occupancy increased by 70 basis points sequentially, or 110 basis points when adjusting for properties owned and in-service for the entirety of the second quarter. We expect occupancy will continue to improve as we move into the second half of the year.
- Our development pipeline now consists only of 23Springs in Uptown Dallas, where we increased the leased rate to 93%, up 10 percentage points during the quarter, and where we only have $28 million of projected spend to bring this property to stabilization. Given strong leasing, we have accelerated the projected stabilization date of 23Springs by 9 months, from the first quarter of 2028 to the second quarter of 2027. Plus, rents are meaningfully higher than original underwriting.
- We made significant progress pruning our portfolio and replenishing our dry powder for future investments. We sold nearly $260 million of properties in the second quarter and expect to close on an additional $74 million of non-core dispositions over the next few weeks. This will bring our disposition total to $375 million thus far in 2026.
- We continue to advance discussions on potential new investment opportunities, mostly around build-to-suit or substantially pre-leased development projects. We have growing confidence that we'll have new development announcements later this year and into next year that will generate attractive risk-adjusted returns and replenish our future growth engine.

This body of work over the past several quarters sets the stage for a significantly improved portfolio with an even stronger balance sheet than we currently have, all while delivering steady growth in earnings and cash flow over the foreseeable future.

Turning to SunBelt office dynamics, we believe our portfolio is well-positioned to deliver outsized rent growth given the lack of new supply currently under construction and dwindling blocks of high-quality space in BBD locations. Simply put, existing customers and new prospects don't have a lot of options when seeking commute-worthy office space. We're pushing rents across most of our BBDs and buildings and believe this dynamic, combined with occupancy growth, will drive meaningful upside in NOI over the next few years. To this end, we estimate vacancy rates across high-quality buildings in our core BBDs are at least 5% lower than the stated overall vacancy rates for these submarkets. CBRE recently published a study highlighting prime office vacancy that is 640 basis points lower than non-prime office, which is the widest spread since CBRE began tracking this metric. While a rising tide is likely to eventually buoy rent economics across a broad range of office product, current market dynamics are driving pricing power at commute-worthy buildings in the strongest BBDs across the SunBelt.

Turning to investment activity, we generated disposition proceeds of $260 million during the quarter, consisting of the sale of Bridgestone Tower in Nashville and a non-core land parcel that we owned with a JV partner in Richmond. Bridgestone Tower is an excellent building in a BBD location that we developed and delivered in 2017. The tower is 100% occupied with over 11 years of remaining lease term and annual rent bumps well below average for our portfolio. Essentially, we swapped Bridgestone Tower for 6Hundred South Tryon in Charlotte, a building we acquired late last year that is eight years younger, for a total investment of $30 million less, with $1 million more in NOI upside upon stabilization, higher annual rent bumps, longer weighted average lease term and a diversified rent roll.

As I previously mentioned, we expect to close $74 million of non-core dispositions in the next few weeks, including a fully-leased building in Century Center in Atlanta and a six-building portfolio in Richmond. These sales will bring our year-to-date disposition total to $375 million. We have several more assets currently in the market for sale at various stages and now expect to close at least an additional $100 million, and maybe as much as $300 million, by the end of the year. These potential sales include a combination of non-core buildings and land. With regard to acquisitions, as a reminder, we have the option to acquire an additional 40% interest in Bloc 83 in Raleigh for $85 million and have included this at the low end of our acquisition outlook for the balance of the year.

Last quarter, I mentioned we were starting to see inquiries for build-to-suit and highly pre-leased development opportunities. These conversations have continued to advance, giving us confidence around future development announcements. These opportunities are all in existing core-markets, some with potential development partners and some on Company-owned land. As a result of these conversations, we now expect to announce at least $100 million of new development during the remainder of the year and potentially as much as $400 million.

Turning to the quarter, we delivered FFO of $0.90 per share, which included $0.04 of land gains. Our occupancy improved and, given the strong leasing we have completed in the first half of the year, we expect occupancy will continue to march higher in the second half of the year. Based on our strong results year-to-date and confidence for the remaining two quarters, we have increased our 2026 FFO outlook to a range of $3.46 to $3.70 per share, which equates to $3.58 at the mid-point, an increase of $0.04 per share. Excluding land sale gains, our range is up $0.01 per share despite $0.04 per share of dilution from higher-than-expected dispositions without reinvestment of the excess cash proceeds. Given the meaningful dry powder we now have on the balance sheet combined with a positive outlook for NOI growth across our portfolio, we expect to deliver healthy growth in NAV, FFO and cash flow over the foreseeable future.

I want to reiterate the strategic priorities we have highlighted over the past few years that will drive long-term value creation for our shareholders:

- We have mentioned for a couple of years our focus on driving occupancy towards stabilized levels in order to deliver meaningful NOI growth. We continue to prioritize occupancy, but are also pushing rents more aggressively, which adds to our long-term NOI growth outlook.
- We have been focused on delivering and stabilizing our development pipeline. With our pipeline now delivered and nearing stabilization, we are focused on replenishing this pipeline with new projects that will generate attractive risk-adjusted returns.
- We have been focused on improving our portfolio quality and long-term growth rate by recycling out of non-core, capex intensive assets and assets with lower growth profiles and investing in properties with better cash flows and higher long-term growth rates. We have made meaningful progress in the first half of the year and expect additional improvements in the second half of 2026 and beyond.
- We continue to maintain a strong and flexible balance sheet and have significant dry powder available for new investments.

With the progress we've made over the past several quarters, combined with a strong fundamental backdrop across our SunBelt BBDs, we are well-positioned to deliver significant organic growth from our current portfolio and deploy our dry powder into new investments that will generate attractive risk-adjusted returns.

Brian Leary
Executive Vice President, Chief Operating Officer

Kudos to our team for a standout second quarter. The macro story here is simple. Our SunBelt markets are outperforming the nation and a structural supply low is moving the market in our favor. Per CBRE, the national office construction pipeline has plunged to just 6.4 million square feet, the lowest level since 1996, back when there were 11 million fewer jobs using office space in America. Between obsolete space getting demolished and new starts at all-time lows, there is a growing shortage of prime, commute-worthy space across our Best Business Districts. We capitalized on that setup this quarter, signing over 120 leases, including 41 new deals totaling 326,000 square feet that will directly drive future occupancy. Most importantly, we're seeing attractive economics. GAAP rent growth jumped 20.9%, cash rents were up 3.2%, and net effective rents came in 8% higher than our prior five-quarter average. Our operational performance this quarter highlights the ongoing strength of our SunBelt BBD strategy. CNBC recently ranked the top states for business, and our footprint dominated the list with North Carolina holding its top-two streak since 2021 and Texas, Virginia, Georgia, Florida and Tennessee all firmly in the top ten with major announcements of new front-office, executive and revenue-generating operations at scale. This business-friendly macro environment continues to drive job growth, corporate relocations and talent retention directly into our Best Business Districts.

Turning to our markets. Leasing volumes and improving metrics were consistent across the portfolio and I'll highlight three markets where activity was especially strong, Charlotte, Nashville and Dallas.

In Charlotte, we continue to see the market act as a magnet for corporate talent. Uptown saw major job and capital commitments from Capital Group and Sumitomo Mitsui, each taking approximately 200,000 square feet and, in the suburbs, Swiss pharmaceutical giant Octapharma recently announced a $1.5 billion headquarters and lab that will bring 1,500 overall jobs to the area. CBRE reported that announcements like these helped drive over 550,000 square feet of positive net absorption in the quarter and pulled overall vacancy down to a three-year low of 23%. Prime trophy availability has tightened below 4%, and direct asking rents for that space broke $59 a square foot for the first time, a 60% premium over the market average. Our 2.4 million square feet in SouthPark and Uptown sit right in the middle of that scarcity with cash rent roll-ups of 10%, GAAP roll-ups of 29% and net effective rents averaging over $31 a square foot.

Nashville was our leasing volume leader for the quarter. Roughly half of our 241,000 square feet of leasing there was new business, adding to our first quarter momentum when we signed over 130,000 square feet of new leasing in Nashville. The broader market reinforced that story with Starbucks signing a long-term lease for their 250,000 square foot Southeast corporate office downtown, and JLL recording 1.3 million square feet of leasing activity and 400,000 square feet of positive net absorption in the quarter, more than double the first quarter's pace. Active construction in Nashville is limited to just 450,000 square feet, 77 percent of which is already pre-leased, meaning commute-worthy space across our core BBDs of Downtown, West End, Brentwood and Cool Springs is becoming scarce. This reinforces the organic growth embedded in our assets in Music City.

Finally, to Dallas. Headquartered there, CBRE noted that fundamentals continued to accelerate, with nearly 940,000 square feet of positive net absorption in the second quarter, vacancy was down 70 basis points sequentially to 25%, and Class A asking rents rose north of $39 per square foot. Our footprint in Preston Center, where vacancy sits below 5%, and in Uptown, is capturing that demand directly, generating double-digit cash and GAAP rent spreads and net effective rents above $50 a square foot.

In summary, with a commute-worthy portfolio, a limited supply picture and a trophy-asset team operating in the nation's most business-friendly states, Highwoods is well positioned to keep delivering on our simple strategy – occupancy gains, rental growth and long-term value creation.

Brendan Maiorana
Executive Vice President, Chief Financial Officer

In the second quarter, we delivered net income of $93.5 million, or $0.85 per share, and FFO of $100.7 million, or $0.90 per share. The quarter included a $0.035 per share land sale gain from the disposition of a non-core parcel in Richmond that was sold by a JV in which we had a 50% interest. G&A was nearly $1 million higher than expected due to write-offs of previously capitalized pre-development costs related to projects where our view of the highest and best use has changed. These write-offs are the primary reason our G&A outlook for 2026 increased compared to our prior outlook. There were no other unusual items in the quarter.

Our balance sheet remains in excellent shape. We have ample liquidity, no near-term debt maturities and we made significant progress lowering our Debt-to-EBITDAre ratio from 6.7x to 6.2x in the second quarter. We ended the quarter with $145 million of cash on hand and nothing drawn on our $750 million revolving line of credit. We extended the maturity date on our $150 million term loan from 2027 to 2031 and reduced the borrowing rate by 15 basis points. Subsequent to quarter-end, we closed a $56 million secured mortgage at our 50/50 Midtown East JV, repatriating over $44 million from this recently stabilized development back to Highwoods. Plus, as Ted mentioned, we expect to close over $70 million of asset sales in the next couple of weeks, which will result in a pro forma cash balance of more than $250 million and no borrowings outstanding on our revolver. The only maturity we have between now and the first quarter of 2028 is our March 2027 bond, which has a balance of $289 million after we repurchased $11 million of the notes during the second quarter. This debt can be repaid at par starting in December and, given our strong cash position, we don’t anticipate a need to raise capital to address this maturity. We expect to close one or more additional JV financings during the remainder of the year, which will repatriate even more capital back to Highwoods and further strengthen our liquidity and unencumbered Debt/EBITDAre ratio. Based on our current expectations of NOI growth, we expect Debt/EBITDAre to be modestly lower at year-end and continue to decline throughout 2027 assuming otherwise leverage-neutral investment activities.

We have only $28 million of remaining capital needed at our share to complete 23Springs, which is the only property remaining in our development pipeline after placing Midtown East in service during the second quarter of 2026. Given even stronger-than-expected leasing, we now project 23Springs will stabilize in the second quarter of 2027, which is nine months earlier than our pro forma and with NOI meaningfully higher due to better than anticipated rents. We are no longer capitalizing costs on this project, which will result in upside to FFO and cash flow as signed leases commence over the next four quarters.

As Ted mentioned, our occupancy improved 70 basis points from the end of the first quarter, which includes a 30 basis point headwind from the sale of the 100% occupied Bridgestone Tower. Even with the occupancy impact from the sale of Bridgestone Tower, we continue to expect to end the year with occupancy in a range of 86.5% to 88.5%, implying nearly 200 basis points of upside over the next two quarters at the mid-point of our year-end outlook.

Before I turn the call back to the operator for questions, I'd like to give some color on our financial outlook for the remainder of the year. We updated our 2026 FFO outlook to $3.46 to $3.70 per share, which is up $0.04 per share at the mid-point. Excluding land sale gains, our FFO outlook is up $0.01 per share at the mid-point, which includes $0.04 per share of dilution from higher-than-anticipated disposition activity and $0.01 from the aforementioned pre-development cost write-offs. Neither of these headwinds were in our prior outlook. To be clear about the dilutive impact from the additional 2026 disposition proceeds, our updated 2026 outlook assumes we will keep the excess disposition proceeds in cash for the remainder of the year. We ultimately expect to deploy these proceeds into new investments, which should drive accretion in both FFO and cashflow as we fully reinvest the proceeds into income-producing assets. As far as our FFO expectations for the second half of 2026 are concerned, and excluding any impact from land sale gains, we expect to the end the year with an acceleration of FFO based on three main factors:

- Our projected occupancy ramp is expected to be weighted more heavily in the fourth quarter than the third quarter.
- We expect steady NOI gains at 23Springs over the next few quarters.
- Opex seasonality typically results in lower operating margins in the third quarter compared to other quarters during the year.

Overall, given our implied FFO outlook for the second half of 2026 combined with ample cash on hand available for future deployment, we're upbeat about the trajectory of FFO and cash flow for the foreseeable future.