

FOR IMMEDIATE RELEASE

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Highwoods Reports Second Quarter 2020 Results

\$0.36 Net Income per Share for Second Quarter 2020

\$0.93 FFO per Share for Second Quarter 2020

*Signed 821,000 SF of 2nd Gen Office Leases with Average Term of 8.8 Years
Achieved 5.5% Cash Rent Growth and 13.6% GAAP Rent Growth
Portfolio Occupancy of 91.1% at Quarter-End*

Collected 99% of 2nd Quarter Rents

*Agreed to Temporary Rent Deferrals for 1.2% of Annualized Revenues to Date
Collected 99% of July Rents*

Updates 2020 FFO Outlook to \$3.59 to \$3.68 per Share

Previously \$3.55 to \$3.68 per Share

*Includes \$0.01 per Share of Lower FFO due to Non-Cash Straight Line Rent Credit
Losses in 2nd Quarter and July Non-Core Dispositions*

*Excludes Potential Lost Rental Revenues and Non-Cash Straight Line Rent Credit
Losses due to COVID-19 Impact*

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

Ted Klinck, President and Chief Executive Officer, stated “*The environment in the second quarter was obviously challenging, yet we were able to deliver strong financial and operating performance. Our FFO was \$0.93 per share and we achieved solid leasing and portfolio metrics. We leased 821,000 square feet of second generation office space with robust cash rent growth and relatively low leasing capex, and we increased portfolio occupancy to 91.1%. At quarter-end, our sizable development pipeline represents a \$503 million investment that is 77% pre-leased and 60% funded.*

It remains difficult to predict the duration and severity of the COVID-19 pandemic and its overall impact on economic activity. We believe we are well-positioned to handle the near-term effects of this downturn given our lack of large customer expirations over the next few years and our substantially pre-leased development pipeline. Plus, we continue to maintain a fortress balance sheet with ample available



liquidity to fund leasing capital expenditures and our development pipeline while having dry powder to capitalize on future growth opportunities.”

Second Quarter 2020 Highlights

Operations:

- Earned net income of \$0.36 per share
- Earned FFO of \$0.93 per share
- Increased average in-place cash rents 5.1% per square foot year-over-year
- Ended the quarter with in-service portfolio occupancy of 91.1%
- Grew year-over-year same property cash NOI 2.4% excluding the impact of temporary rent deferral agreements and -1.9% including the impact of such agreements

Second Generation Leasing Activity:

- Leased 821,000 square feet, including 91,000 square feet of new leases and 48,000 square feet of expansion leases
- Obtained average lease term of 8.8 years on a dollar-weighted basis
- Garnered net effective rents of \$17.80 per square foot, 7.6% above our prior five-quarter average
- Achieved GAAP rent growth of +13.6% and cash rent growth of +5.5%

Financing Activity:

- Ended the quarter with a net debt-to-Adjusted EBITDAre ratio of 4.9x and a leverage ratio (including preferred stock) of 36.8%
- Issued no shares under the Company's ATM program
- Maintained ample liquidity with \$586 million of availability on the \$600 million credit facility

Investment Activity:

- Sold two non-core office buildings in Memphis for \$23.3 million subsequent to quarter-end

The Company collected 99% of its contractually required rents during the second quarter. Since March 1, 2020, the Company has granted temporary rent deferrals for approximately 1.2% of annual revenues, which negatively impacted second quarter same property cash NOI by \$4.5 million. Such agreements provide for the repayment of most of these temporary rent deferrals by the end of 2021. Excluding the impact of these temporary rent deferrals, year-over-year same property cash NOI growth would have been 2.4% during the second quarter.

In addition, in lieu of rent deferrals, the Company agreed to lease extensions with certain customers well in advance of their scheduled lease expirations in exchange for near-term free rent. Free rent from such early renewals also reduced second quarter same property cash NOI, but such free rent is not included in the \$4.5 million impact from temporary rent deferrals. Free rent associated with these lease extensions is included as rent concessions in the Company's second quarter leasing statistics.

Second Quarter 2020 Financial Results

Net income available for common stockholders (“net income”) was \$37.0 million, or \$0.36 per diluted share, for the second quarter of 2020. Net income was \$39.4 million, or \$0.38 per diluted share, for the second quarter of 2019. For the first six months of 2020, net income was \$222.5 million, or \$2.14 per diluted share, compared to net income of \$46.7 million, or \$0.45 per diluted share, for the first six months of 2019.

Funds from operations available for common stockholders (“FFO”) was \$99.2 million, or \$0.93 per diluted share, for the second quarter of 2020. FFO was \$93.1 million, or \$0.87 per diluted share, for the second quarter of 2019. For the first six months of 2020, FFO was \$197.9 million, or \$1.86 per diluted share, compared to FFO of \$169.6 million, or \$1.59 per diluted share, for the first six months of 2019.



Except as noted below, the following items were included in the determination of net income and FFO for the three and six months ended June 30, 2020 and 2019:

	Three Months Ended 6/30/2020		Three Months Ended 6/30/2019	
	(000)	Per Share	(000)	Per Share
Lease Termination Income, Net (1)	\$ 178	\$ 0.002	\$ 44	\$ -
Straight-Line Rental Income (1) (2)	15,119	0.142	6,750	0.063
Capitalized Interest	1,822	0.017	1,071	0.010
Land Sale Gains	318	0.003	-	-
Gains on Disposition of Depreciable Properties (3)	-	-	6,703	0.063
Land Impairments	-	-	(531)	(0.005)
Impairments of Depreciable Properties (3)	(1,778)	(0.017)	-	-

	Six Months Ended 6/30/2020		Six Months Ended 6/30/2019	
	(000)	Per Share	(000)	Per Share
Lease Termination Income, Net (1)	\$ 298	\$ 0.003	\$ 446	\$ 0.004
Straight-Line Rental Income (1) (2)	25,445	0.239	8,188	0.077
Capitalized Interest	3,556	0.033	2,937	0.028
Losses on Debt Extinguishment	-	-	(375)	(0.004)
Land Sale Gains	724	0.007	-	-
Gains on Disposition of Depreciable Properties (3)	152,661	1.431	6,703	0.063
Land Impairments	-	-	(531)	(0.005)
Impairments of Depreciable Properties (3)	(1,778)	(0.017)	-	-

- (1) Credit losses on straight-line rent receivables related to lease terminations are reflected as a reduction of lease termination income.
- (2) Includes \$5.0 million of straight-line rental income due to temporary rent deferrals in the second quarter of 2020 and \$4.5 million of credit losses from Laser Spine in the first quarter of 2019.
- (3) Not included in the determination of FFO.

2020 Outlook

The Company now expects FFO per share for the full year 2020 to be in the range of \$3.59 to \$3.68, excluding potential lost rental revenues and non-cash straight line rent credit losses due to COVID-19, which compares to the prior range of \$3.55 to \$3.68 per share provided on April 28, 2020.

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.

In its first quarter earnings release published on April 28, 2020, the Company provided a range of potential impacts of the COVID-19 pandemic on its anticipated full year 2020 financial results. These impacts were provided in the form of anticipated changes to the Company's original FFO outlook provided on February 4, 2020. The following sets forth in tabular format an update of such anticipated changes as of July 28, 2020, the date of this second quarter earnings release (in per share amounts):



	April 28, 2020		July 28, 2020	
	Low	High	Low	High
Lower Parking and Parking-Related Revenues (1)	(0.08)	(0.03)	(0.09)	(0.05)
Lower Net Operating Expenses (1)	0.05	0.03	0.08	0.06
Lower Rental Revenues (2)	(0.04)	(0.02)	(0.04)	(0.02)
Lower G&A Expenses	0.01	0.01	0.01	0.01
Dilutive Impact of July Non-Core Dispositions	--	--	(0.01)	(0.01)

- (1) The Company assumes usage of its assets will be significantly lower than normal during the remainder of the year. During the second quarter, parking and parking-related revenues were approximately \$2.1 million lower than assumed in the Company's original FFO outlook provided on February 4, 2020. This was mostly offset by net operating expense savings due to reduced electricity, janitorial and other variable expenses.
- (2) The Company assumes rental revenues for the remainder of the year will be lower than originally anticipated primarily due to the net impact of potentially slower speculative leasing, partially offset by higher renewal activity.

In addition, 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 99% of its contractually required rents for the month of July. 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 third quarter.

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

	Low	High
Growth in Same Property Cash NOI (1)	1.0%	2.0%
G&A Expenses	\$39.0M	\$41.0M
Year-End Occupancy	89.0%	91.0%
Weighted Average Diluted Shares and Units Outstanding (2)	106.7M	106.7M
Dispositions (Excluding Completed Market Rotation Plan Phase One Dispositions)	\$95M	\$150M
Acquisitions	\$0M	\$200M
Development Announcements	\$0M	\$250M

- (1) Includes anticipated impacts of the COVID-19 pandemic, such as reduced asset usage, lower anticipated speculative leasing and temporary rent deferral agreements executed prior to the date of this release, but excludes potential lost rental revenues resulting from customers that file bankruptcy or otherwise irrevocably default on their leases. Also excludes termination fees.
- (2) There were 106.7 million diluted shares and units outstanding at June 30, 2020.

Supplemental Information

The Company's second 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, July 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 date for the release of its third quarter 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
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 June 30, 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 and private business actions 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 and the resulting economic recession 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 second 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		Six Months Ended	
	June 30,		June 30,	
	2020	2019	2020	2019
Rental and other revenues	\$ 183,153	\$ 184,070	\$ 375,953	\$ 356,433
Operating expenses:				
Rental property and other expenses	55,119	60,558	117,321	121,109
Depreciation and amortization	59,461	59,460	120,611	128,664
Impairments of real estate assets	1,778	531	1,778	531
General and administrative	10,084	9,560	21,014	21,941
Total operating expenses	<u>126,442</u>	<u>130,109</u>	<u>260,724</u>	<u>272,245</u>
Interest expense	19,840	20,356	41,117	39,095
Other income/(loss)	588	321	657	(3,445)
Gains on disposition of property	318	6,703	153,385	6,703
Equity in earnings of unconsolidated affiliates	1,179	765	2,142	1,429
Net income	38,956	41,394	230,296	49,780
Net (income) attributable to noncontrolling interests in the Operating Partnership	(1,017)	(1,044)	(5,977)	(1,237)
Net (income) attributable to noncontrolling interests in consolidated affiliates	(289)	(306)	(574)	(622)
Dividends on Preferred Stock	(622)	(622)	(1,244)	(1,244)
Net income available for common stockholders	<u>\$ 37,028</u>	<u>\$ 39,422</u>	<u>\$ 222,501</u>	<u>\$ 46,677</u>
Earnings per Common Share - basic:				
Net income available for common stockholders	<u>\$ 0.36</u>	<u>\$ 0.38</u>	<u>\$ 2.14</u>	<u>\$ 0.45</u>
Weighted average Common Shares outstanding - basic	<u>103,886</u>	<u>103,693</u>	<u>103,849</u>	<u>103,647</u>
Earnings per Common Share - diluted:				
Net income available for common stockholders	<u>\$ 0.36</u>	<u>\$ 0.38</u>	<u>\$ 2.14</u>	<u>\$ 0.45</u>
Weighted average Common Shares outstanding - diluted	<u>106,730</u>	<u>106,445</u>	<u>106,681</u>	<u>106,402</u>

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

	June 30, 2020	December 31, 2019
Assets:		
Real estate assets, at cost:		
Land	\$ 485,501	\$ 515,095
Buildings and tenant improvements	5,010,086	5,128,150
Development in-process	195,166	172,706
Land held for development	131,522	99,163
	5,822,275	5,915,114
Less-accumulated depreciation	(1,376,817)	(1,388,566)
Net real estate assets	4,445,458	4,526,548
Real estate and other assets, net, held for sale	-	20,790
Cash and cash equivalents	4,752	9,505
Restricted cash	8,955	5,237
Accounts receivable	29,876	23,370
Mortgages and notes receivable	1,440	1,501
Accrued straight-line rents receivable	249,722	234,652
Investments in and advances to unconsolidated affiliates	26,775	26,298
Deferred leasing costs, net of accumulated amortization of \$151,170 and \$146,125, respectively	221,905	231,347
Prepaid expenses and other assets, net of accumulated depreciation of \$20,532 and \$20,017, respectively	67,905	58,996
Total Assets	\$ 5,056,788	\$ 5,138,244
Liabilities, Noncontrolling Interests in the Operating Partnership and Equity:		
Mortgages and notes payable, net	\$ 2,337,662	\$ 2,543,710
Accounts payable, accrued expenses and other liabilities	275,551	286,911
Total Liabilities	2,613,213	2,830,621
Commitments and contingencies		
Noncontrolling interests in the Operating Partnership	106,103	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), 28,843 and 28,859 shares issued and outstanding, respectively	28,843	28,859
Common Stock, \$.01 par value, 200,000,000 authorized shares; 103,896,936 and 103,756,046 shares issued and outstanding, respectively	1,039	1,038
Additional paid-in capital	2,996,442	2,954,779
Distributions in excess of net income available for common stockholders	(708,903)	(831,808)
Accumulated other comprehensive loss	(1,704)	(471)
Total Stockholders' Equity	2,315,717	2,152,397
Noncontrolling interests in consolidated affiliates	21,755	22,010
Total Equity	2,337,472	2,174,407
Total Liabilities, Noncontrolling Interests in the Operating Partnership and Equity	\$ 5,056,788	\$ 5,138,244

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2020	2019	2020	2019
Funds from operations:				
Net income	\$ 38,956	\$ 41,394	\$ 230,296	\$ 49,780
Net (income) attributable to noncontrolling interests in consolidated affiliates	(289)	(306)	(574)	(622)
Depreciation and amortization of real estate assets	58,764	58,720	119,196	127,202
Impairments of depreciable properties	1,778	-	1,778	-
(Gains) on disposition of depreciable properties	-	(6,703)	(152,661)	(6,703)
Unconsolidated affiliates:				
Depreciation and amortization of real estate assets	581	622	1,150	1,202
Funds from operations	99,790	93,727	199,185	170,859
Dividends on Preferred Stock	(622)	(622)	(1,244)	(1,244)
Funds from operations available for common stockholders	\$ 99,168	\$ 93,105	\$ 197,941	\$ 169,615
Funds from operations available for common stockholders per share	\$ 0.93	\$ 0.87	\$ 1.86	\$ 1.59
Weighted average shares outstanding (1)	106,730	106,445	106,681	106,402

(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		Six Months Ended	
	June 30,		June 30,	
	2020	2019	2020	2019
Net income	\$ 38,956	\$ 41,394	\$ 230,296	\$ 49,780
Equity in earnings of unconsolidated affiliates	(1,179)	(765)	(2,142)	(1,429)
Gains on disposition of property	(318)	(6,703)	(153,385)	(6,703)
Other (income)/loss	(588)	(321)	(657)	3,445
Interest expense	19,840	20,356	41,117	39,095
General and administrative expenses	10,084	9,560	21,014	21,941
Impairments of real estate assets	1,778	531	1,778	531
Depreciation and amortization	59,461	59,460	120,611	128,664
Net operating income	128,034	123,512	258,632	235,324
Non same property and other net operating income	(13,831)	(12,698)	(30,769)	(22,974)
Same property net operating income	<u>\$ 114,203</u>	<u>\$ 110,814</u>	<u>\$ 227,863</u>	<u>\$ 212,350</u>
Same property net operating income	\$ 114,203	\$ 110,814	\$ 227,863	\$ 212,350
Lease termination fees, straight-line rent and other non-cash adjustments (1)	(12,091)	(6,704)	(19,798)	(6,395)
Same property cash net operating income	<u>\$ 102,112</u>	<u>\$ 104,110</u>	<u>\$ 208,065</u>	<u>\$ 205,955</u>

(1) Includes \$4.5 million of temporary rent deferrals granted by the Company during the three and six months ended June 30, 2020.

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

	Three Months Ended	
	June 30,	
	2020	2019
Net debt-to-Adjusted EBITDAre:		
Net income	\$ 38,956	\$ 41,394
Interest expense	19,840	20,356
Depreciation and amortization	59,461	59,460
(Gains) on disposition of depreciable properties	-	(6,703)
Impairments of depreciable properties	1,778	-
Adjustments to reflect our share of EBITDAre from unconsolidated affiliates	916	996
EBITDAre	\$ 120,951	\$ 115,503
(Gains) on disposition of non-depreciable properties	(318)	
Adjusted EBITDAre ⁽¹⁾	\$ 120,633	
Adjusted EBITDAre (annualized) ^{(1) (2)}	\$ 483,885	\$ 462,012
Mortgages and notes payable ⁽³⁾	\$ 2,365,825	\$ 2,200,058
Less - cash and cash equivalents and 1031 restricted cash ⁽³⁾	(8,334)	(7,930)
Net debt ⁽⁴⁾	\$ 2,357,491	\$ 2,192,128
Preferred Stock	28,843	28,859
Net debt plus Preferred Stock	\$ 2,386,334	\$ 2,220,987
Net debt-to-Adjusted EBITDAre ⁽⁵⁾	4.87x	4.74x
Net debt plus Preferred Stock-to-Adjusted EBITDAre ⁽⁶⁾	4.93x	4.81x

(1) Adjusted EBITDAre is calculated prospectively for all periods starting October 1, 2019 as EBITDAre adjusted for gains or losses on debt extinguishment and land sales, land impairments, proforma NOI adjustments for property changes within period and our share of the same adjustments for unconsolidated affiliates. "Proforma NOI adjustments for property changes within period" means proforma NOI adjustments assuming any acquisitions, dispositions and developments placed in service within the current period had occurred as of the first day of such period. Prior to the quarter ended December 31, 2019, Adjusted EBITDAre equals EBITDAre.

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

(3) Includes our share of unconsolidated affiliates.

(4) Net debt is calculated as mortgages and notes payable at quarter-end less cash and cash equivalents and 1031 restricted cash at quarter-end.

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

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