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Highwoods Reports Third Quarter 2020 Results

$0.39 Net Income per Share
$0.86 FFO per Share

Includes $0.05 per Share of Lower FFO due to Items Not in Prior Outlook:
$3.7 Million Debt Extinguishment Charge
$1.5 Million Non-Cash Straight-Line Credit Losses

Signed 660,000 SF of 2nd Gen Office Leases

Achieved 5.0% Cash Rent Growth and 12.5% GAAP Rent Growth
90.2% Occupancy at Quarter-End

Collected 99.7% of 3rd Quarter Rents

Collected 99.7% of October Rents

Updates 2020 FFO Outlook to $3.59 to $3.61 per Share

Includes $0.06 per Share of Lower FFO due to Items Not in Prior Outlook:
Debt Extinguishment Charge Recorded in the 3rd Quarter
Non-Cash Straight-Line Rent Credit Losses Recorded in the 3rd Quarter
Non-Core Dispositions Projected to Close in the 4th Quarter

Excludes Potential Lost Rental Revenues and Non-Cash Straight-Line Rent Credit Losses due to COVID-19 during Remainder of 2020

RALEIGH, NC – October 27, 2020 – Highwoods Properties, Inc. (NYSE:HIW) today reported its third quarter 2020 financial and operating results.

Ted Klinck, President and Chief Executive Officer, stated *"Since the start of the pandemic, the operating environment has been challenging, yet we've been able to quickly adapt by reducing operating expenses, shoring up lease renewals, selling non-core assets and opportunistically raising debt capital at attractive rates. The result was solid financial performance in the third quarter with FFO per share of $0.86, including $0.05 in the aggregate from a one-time debt extinguishment charge and non-cash straight-line rent write-offs. Same property cash NOI growth was steady at 2.2% excluding the impact* *of temporary rent deferrals, despite significantly lower parking revenues. At quarter-end, our sizable development pipeline represents a $503 million investment that is 79% pre-leased, 73% funded and is projected to generate over $40 million of NOI upon stabilization.*

While it's difficult to predict the duration and severity of the current recession, we expect leasing activity across our markets will recover as the economy continues to reopen. Further, we believe we are well-positioned to handle the near-term effects of this downturn given our limited large lease expirations over the next few years and built-in growth from our highly pre-leased development pipeline. Plus, our low leverage and ample available liquidity gives us plenty of dry powder to capitalize on future growth opportunities."

Third Quarter 2020 Highlights

Operations:

- Earned net income of $0.39 per share
- Earned FFO of $0.86 per share, including $0.05 per share from debt extinguishment charges and non-cash straight-line credit losses
- Increased average in-place cash rents 5.2% per square foot year-over-year
- Ended the quarter with occupancy of 90.2%
- Grew year-over-year same property cash NOI 2.2% excluding the impact of temporary rent deferral agreements and 1.3% including the impact of such agreements

Second Generation Leasing Activity:

- Leased 660,000 square feet, including 190,000 square feet of new leases
- Obtained average lease term of 5.3 years on a dollar-weighted basis
- Garnered net effective rents of $17.97 per square foot, 7.2% above our prior five-quarter average
- Achieved GAAP rent growth of +12.5% and cash rent growth of +5.0%

Financing Activity:

- Issued $400 million of 10.5-year notes with an effective interest rate of 2.65%
- Repaid $150 million of notes due June 2021 with an effective interest rate of 3.36%
    - Recorded $3.7 million debt extinguishment charge
- Repaid $100 million term loan with an interest rate of LIBOR plus 110 basis points due January 2022
- Ended the quarter with a net debt-to-Adjusted EBITDA*re* ratio of 5.0x and a leverage ratio (including preferred stock) of 36.6%
- Issued no shares under the Company's ATM program
- Maintained ample liquidity with $119 million of cash on hand and full availability on the $600 million credit facility

Investment Activity:

- Sold two non-core office buildings in Memphis for $23.3 million
- Sold a non-core office building in Greensboro for $4.6 million subsequent to quarter-end
- Agreed to sell an additional $122.9 million of properties in Greensboro and Memphis, which are expected to close prior to year-end

The Company collected 99.7% of its contractually required rents during the third quarter, or 98.5% of rents due including the impact from temporary rent deferrals. These figures include all contractually required rents across the Company's entire portfolio, including office, amenity retail and restaurant customers. Since March 1, 2020, the Company has granted temporary rent deferrals for approximately 1.2% of annual revenues, which negatively impacted third quarter same property cash NOI, net of repayments, by $1.0 million in the third quarter. Such agreements provide for the repayment of most of these temporary rent deferrals by the end of 2021, of which approximately 25% had been repaid through the date of this release. Excluding the impact of these temporary rent deferrals, year-over-year same property cash NOI growth would have been 2.2% during the third 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 third quarter same property cash NOI, but such free rent is not included in the $1.0 million impact from temporary rent deferrals. Free rent associated with these lease extensions is included as rent concessions in the Company's third quarter leasing statistics.

Third quarter results also included $1.5 million, or approximately $0.01 per share of non-cash credit losses of straight-line rent receivables, mostly due to the conversion of fixed rent leases to percentage rent leases for certain customers that remain in occupancy but have been impacted by social distancing measures.

Third Quarter 2020 Financial Results

Net income available for common stockholders ("net income") was $40.3 million, or $0.39 per diluted share, for the third quarter of 2020. Net income was $27.9 million, or $0.27 per diluted share, for the third quarter of 2019. For the first nine months of 2020, net income was $262.8 million, or $2.53 per diluted share, compared to net income of $74.6 million, or $0.72 per diluted share, for the first nine months of 2019.

Funds from operations available for common stockholders ("FFO") was $91.7 million, or $0.86 per diluted share, for the third quarter of 2020. FFO was $88.2 million, or $0.83 per diluted share, for the third quarter of 2019. For the first nine months of 2020, FFO was $289.6 million, or $2.71 per diluted share, compared to FFO of $257.9 million, or $2.42 per diluted share, for the first nine months of 2019.

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

	Three Months Ended 9/30/2020		Three Months Ended 9/30/2019	
	(000)	Per Share	(000)	Per Share
Lease Termination Income, Net (1)	$ 114	$ 0.001	$ 111	$ 0.001
Straight-Line Rental Income (1) (2)	8,135	0.076	6,498	0.061
Capitalized Interest	2,177	0.020	1,194	0.011
Losses on Debt Extinguishment	(3,671)	(0.034)	(265)	(0.002)
Land Sale Gains	-	-	935	0.009
Gains on Disposition of Depreciable Properties (3)	10,012	0.094	2,580	0.024
Land Impairments	-	-	(3,918)	(0.037)
Impairments of Depreciable Properties (3)	-	-	(1,400)	(0.013)

	Nine Months Ended 9/30/2020		Nine Months Ended 9/30/2019	
	(000)	Per Share	(000)	Per Share
Lease Termination Income, Net (1)	$ 412	$ 0.004	$ 557	$ 0.005
Straight-Line Rental Income (1) (2)	33,580	0.315	14,686	0.138
Capitalized Interest	5,733	0.054	4,131	0.039
Losses on Debt Extinguishment	(3,671)	(0.034)	(640)	(0.006)
Land Sale Gains	724	0.007	935	0.009
Gains on Disposition of Depreciable Properties (3)	162,673	1.525	9,283	0.087
Land Impairments	-	-	(4,449)	(0.042)
Impairments of Depreciable Properties (3)	(1,778)	(0.017)	(1,400)	(0.013)

(1) Credit losses on straight-line rent receivables related to lease terminations are reflected as a reduction of lease termination income.
(2) Includes $0.9 million and $6.0 million of straight-line rental income due to temporary rent deferrals in the three and nine months ended September 30, 2020, respectively. Includes $1.5 million of credit losses mostly due to the conversion of fixed rent leases to percentage rent leases for certain customers in the third 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 $3.61, excluding potential lost rental revenues and non-cash straight-line rent credit losses due to COVID-19 during the remainder of 2020, which compares to the prior range of $3.59 to $3.68 per share provided on July 28, 2020.

The Company noted its updated outlook for the full year 2020 includes the following items aggregating $6.5 million, or $0.06 per share, that were not included in the FFO outlook provided on July 28, 2020:

- $3.7 million debt extinguishment charge recorded during the third quarter;
- $1.5 million of non-cash credit losses of straight-line rent receivables, mostly due to the conversion of fixed rent leases to percentage rent leases for certain customers, recorded during the third quarter; and
- $1.3 million anticipated dilutive impact during the fourth quarter from $122.9 million of planned non-core dispositions in Greensboro and Memphis.

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 except as indicated above. 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 addition, the Company expects it could 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 99.7% of its contractually required rents for the month of October. 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 fourth 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	$40.0M
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)	$151M	$151M
Acquisitions	$0M	$200M
Development Announcements	$0M	$0M

(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 106.8 million diluted shares and units outstanding at September 30, 2020.

Supplemental Information

The Company's third 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, October 28th, 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 2021

The Company has set the following dates for the release of its 2021 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
Fourth	February 9	February 10
First	April 27	April 28
Second	July 27	July 28
Third	October 26	October 27

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 September 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 September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Rental and other revenues	$ 181,043	$ 187,475	$ 556,996	$ 543,908
Operating expenses:				
Rental property and other expenses	56,892	64,135	174,213	185,244
Depreciation and amortization	60,303	60,850	180,914	189,514
Impairments of real estate assets	-	5,318	1,778	5,849
General and administrative	9,155	11,717	30,169	33,658
Total operating expenses	126,350	142,020	387,074	414,265
Interest expense	19,886	20,527	61,003	59,622
Other income/(loss)	(3,311)	174	(2,654)	(3,271)
Gains on disposition of property	10,012	3,515	163,397	10,218
Equity in earnings of unconsolidated affiliates	823	940	2,965	2,369
Net income	42,331	29,557	272,627	79,337
Net (income) attributable to noncontrolling interests in the Operating Partnership	(1,107)	(737)	(7,084)	(1,974)
Net (income) attributable to noncontrolling interests in consolidated affiliates	(298)	(297)	(872)	(919)
Dividends on Preferred Stock	(622)	(622)	(1,866)	(1,866)
Net income available for common stockholders	$ 40,304	$ 27,901	$ 262,805	$ 74,578
Earnings per Common Share - basic:				
Net income available for common stockholders	$ 0.39	$ 0.27	$ 2.53	$ 0.72
Weighted average Common Shares outstanding - basic	103,896	103,727	103,865	103,674
Earnings per Common Share - diluted:				
Net income available for common stockholders	$ 0.39	$ 0.27	$ 2.53	$ 0.72
Weighted average Common Shares outstanding - diluted	106,740	106,471	106,702	106,425

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

	September 30, 2020	December 31, 2019
Assets:		
Real estate assets, at cost:		
Land	$ 465,160	$ 515,095
Buildings and tenant improvements	4,948,794	5,128,150
Development in-process	258,219	172,706
Land held for development	131,489	99,163
	5,803,662	5,915,114
Less-accumulated depreciation	(1,387,723)	(1,388,566)
Net real estate assets	4,415,939	4,526,548
Real estate and other assets, net, held for sale	72,729	20,790
Cash and cash equivalents	118,705	9,505
Restricted cash	9,566	5,237
Accounts receivable	25,989	23,370
Mortgages and notes receivable	1,390	1,501
Accrued straight-line rents receivable	253,682	234,652
Investments in and advances to unconsolidated affiliates	26,639	26,298
Deferred leasing costs, net of accumulated amortization of $153,045 and $146,125, respectively	216,329	231,347
Prepaid expenses and other assets, net of accumulated depreciation of $20,557 and $20,017, respectively	63,671	58,996
Total Assets	$ 5,204,639	$ 5,138,244
Liabilities, Noncontrolling Interests in the Operating Partnership and Equity:		
Mortgages and notes payable, net	$ 2,469,554	$ 2,543,710
Accounts payable, accrued expenses and other liabilities	299,587	286,911
Total Liabilities	2,769,141	2,830,621
Commitments and contingencies		
Noncontrolling interests in the Operating Partnership	95,416	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), 28,826 and 28,859 shares issued and outstanding, respectively	28,826	28,859
Common Stock, $.01 par value, 200,000,000 authorized shares; 103,908,229 and 103,756,046 shares issued and outstanding, respectively	1,039	1,038
Additional paid-in capital	3,008,501	2,954,779
Distributions in excess of net income available for common stockholders	(718,465)	(831,808)
Accumulated other comprehensive loss	(1,577)	(471)
Total Stockholders' Equity	2,318,324	2,152,397
Noncontrolling interests in consolidated affiliates	21,758	22,010
Total Equity	2,340,082	2,174,407
Total Liabilities, Noncontrolling Interests in the Operating Partnership and Equity	$ 5,204,639	$ 5,138,244

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Funds from operations:				
Net income	$ 42,331	$ 29,557	$ 272,627	$ 79,337
Net (income) attributable to noncontrolling interests in consolidated affiliates	(298)	(297)	(872)	(919)
Depreciation and amortization of real estate assets	59,622	60,145	178,818	187,347
Impairments of depreciable properties	-	1,400	1,778	1,400
(Gains) on disposition of depreciable properties	(10,012)	(2,580)	(162,673)	(9,283)
Unconsolidated affiliates:				
Depreciation and amortization of real estate assets	653	632	1,803	1,834
Funds from operations	92,296	88,857	291,481	259,716
Dividends on Preferred Stock	(622)	(622)	(1,866)	(1,866)
Funds from operations available for common stockholders	$ 91,674	$ 88,235	$ 289,615	$ 257,850
Funds from operations available for common stockholders per share	$ 0.86	$ 0.83	$ 2.71	$ 2.42
Weighted average shares outstanding (1)	106,740	106,471	106,702	106,425

(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 September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Net income	$ 42,331	$ 29,557	$ 272,627	$ 79,337
Equity in earnings of unconsolidated affiliates	(823)	(940)	(2,965)	(2,369)
Gains on disposition of property	(10,012)	(3,515)	(163,397)	(10,218)
Other (income)/loss	3,311	(174)	2,654	3,271
Interest expense	19,886	20,527	61,003	59,622
General and administrative expenses	9,155	11,717	30,169	33,658
Impairments of real estate assets	-	5,318	1,778	5,849
Depreciation and amortization	60,303	60,850	180,914	189,514
Net operating income	124,151	123,340	382,783	358,664
Non same property and other net operating income	(13,812)	(13,945)	(45,345)	(37,794)
Same property net operating income	$ 110,339	$ 109,395	$ 337,438	$ 320,870
Same property net operating income	$ 110,339	$ 109,395	$ 337,438	$ 320,870
Lease termination fees, straight-line rent and other non-cash adjustments (1)	(6,309)	(6,659)	(26,036)	(12,915)
Same property cash net operating income	$ 104,030	$ 102,736	$ 311,402	$ 307,955

(1) Includes $1.0 million and $5.5 million of temporary rent deferrals granted by the Company during the three and nine months ended September 30, 2020, respectively.

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

	Three Months Ended September 30,	
	2020	**2019**
Net debt-to-Adjusted EBITDAre:		
Net income	$ 42,331	$ 29,557
Interest expense	19,886	20,527
Depreciation and amortization	60,303	60,850
(Gains) on disposition of depreciable properties	(10,012)	(2,580)
Impairments of depreciable properties	-	1,400
Adjustments to reflect our share of EBITDAre from unconsolidated affiliates	988	1,005
EBITDAre	$ 113,496	$ 110,759
Losses on debt extinguishment	3,671	
Proforma NOI adjustments for property changes within period	(104)	
Adjusted EBITDAre (1)	$ 117,063	
Adjusted EBITDAre (annualized) (1) (2)	$ 472,264	$ 455,081
Mortgages and notes payable (3)	$ 2,497,553	$ 2,359,574
Less - cash and cash equivalents and 1031 restricted cash (3)	(123,040)	(120,658)
Net debt (4)	$ 2,374,513	$ 2,238,916
Preferred Stock	28,826	28,859
Net debt plus Preferred Stock	$ 2,403,339	$ 2,267,775
Net debt-to-Adjusted EBITDAre (5)	5.03x	4.92x
Net debt plus Preferred Stock-to-Adjusted EBITDAre (6)	5.09x	4.98x

(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. In the quarter ended September 30, 2019, these included land impairments and gains and other items.

(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).