

FOR IMMEDIATE RELEASE

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Highwoods Reports Third Quarter 2021 Results

\$0.69 Net Income per Share

\$0.96 FFO per Share

*Signed 672,000 SF of 2nd Gen Office Leases, Including 245,000 SF of New Leases
Achieved GAAP Rent Growth of 19.3% and Cash Rent Growth of 4.3%
Ended the Quarter with Occupancy of 90.4%*

Delivered \$285 Million Nashville Build-to-Suit Ahead of Schedule

*Current Development Pipeline of \$109 Million, 59% Leased
Signed 83,000 SF of 1st Gen Office Leases*

Acquired \$683 Million of Office Assets

Sold \$120 Million of Non-Core Assets

*Ended Quarter with Debt-to-EBITDA Ratio of 5.6x
On Track to Return Balance Sheet Metrics to Pre-Acquisition Levels by Mid-2022*

Updates 2021 FFO Outlook to \$3.73 to \$3.76 per Share

Previously \$3.62 to \$3.73 per Share

**Updates 2021 Same Property Cash NOI Growth Outlook
to 6.0% to 7.0%**

Previously 4.25% to 5.50%

RALEIGH, NC – October 26, 2021 – Highwoods Properties, Inc. (NYSE:HIW) today reported its third quarter 2021 financial and operating results.

Ted Klinck, President and Chief Executive Officer, stated “We reported strong financial results in the third quarter with meaningful FFO growth and healthy same property cash NOI growth. In addition, we are pleased with our leasing activity, particularly with 245,000 square feet of new 2nd gen leases and 83,000 square feet of 1st gen leases, and we increased our portfolio occupancy 90 basis points



sequentially to 90.4%. Our robust third quarter performance demonstrates the continued improvement in our portfolio quality and our strengthening cash flows.

On the investment front, we closed the \$683 million acquisition of office properties from PAC and are on track to sell \$250 to \$300 million of non-core assets before year-end. We delivered the \$285 million Asurion build-to-suit on budget and ahead of schedule, and we now have \$109 million remaining in our development pipeline that is 59% leased. Our development pipeline continues to provide meaningful NOI and cash flow growth.

Given our strong third quarter operating and financial results and our outlook for the fourth quarter, we are pleased to update our per share FFO outlook, which implies a 7-cent increase at the midpoint."

Third Quarter 2021 Highlights

Operations:

- Earned net income of \$0.69 per share
- Earned FFO of \$0.96 per share
- Increased average in-place cash rents 2.0% per square foot year-over-year
- Ended the quarter with occupancy of 90.4%
- Grew year-over-year same property cash NOI 6.4% and 5.2% excluding the net impact of temporary rent deferral repayments

Second Generation Leasing Activity:

- Leased 672,000 square feet, including 245,000 square feet of new leases
- Achieved a dollar-weighted average term of 6.3 years
- Delivered GAAP rent growth of +19.3% and cash rent growth of +4.3%

Financing Activity:

- Issued 150,300 shares of common stock through the Company's ATM program at an average gross sales price of \$45.81 per share, raising net proceeds of \$6.8 million
- Ended the quarter with a net debt-to-Adjusted EBITDA ratio of 5.56x
- Maintained ample liquidity with \$28 million of cash on hand and \$615 million available on the revolving credit facility

Development Activity:

- Placed in service a \$285 million build-to-suit in Nashville for Asurion
- Leased 83,000 square feet of 1st gen office space at Midtown West in Tampa and Virginia Springs II in Nashville
- Development pipeline is \$109 million and 59% leased

Investment Activity:

- Acquired a portfolio of office properties and a mixed-use development site from Preferred Apartment Communities, Inc. (NYSE:APTS) ("PAC") for a total investment of \$683 million, including \$28 million of near-term planned building improvements
- Plan to fund the acquisition by accelerating the sale of \$500 to \$600 million of existing non-core assets by mid-2022, approximately half of which is planned to close by year-end 2021
- Sold \$119.7 million of non-core properties
 - Stony Point VI, an 87,000 square foot building in Richmond, for \$52.2 million
 - Crescent Center, 356,000 square foot building in Memphis, for \$67.5 million
- Acquired the remaining 77 acres of development land at Ovation in the Cool Springs district of Franklin, TN, one of Nashville's BBDs
 - 42.6 acres acquired during the quarter for \$22.8 million
 - 34.5 acres acquired subsequent to quarter-end for \$35.0 million



Third Quarter 2021 Financial Results

Net income available for common stockholders ("net income") was \$72.1 million, or \$0.69 per diluted share, for the third quarter of 2021. Net income was \$40.3 million, or \$0.39 per diluted share, for the third quarter of 2020. For the first nine months of 2021, net income was \$185.9 million, or \$1.79 per diluted share, compared to net income of \$262.8 million, or \$2.53 per diluted share, for the first nine months of 2020.

Funds from operations available for common stockholders ("FFO") was \$102.8 million, or \$0.96 per diluted share, for the third quarter of 2021. FFO was \$91.7 million, or \$0.86 per diluted share, for the third quarter of 2020. For the first nine months of 2021, FFO was \$299.8 million, or \$2.80 per diluted share, compared to FFO of \$289.6 million, or \$2.71 per diluted share, for the first nine months of 2020.

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, 2021 and 2020:

	Three Months Ended 9/30/2021		Three Months Ended 9/30/2020	
	(000)	Per Share	(000)	Per Share
Lease Termination Income, Net (1)	\$ 110	\$ 0.001	\$ 114	\$ 0.001
Straight-Line Rental Income (1) (2)	5,737	0.054	8,135	0.076
Capitalized Interest	2,995	0.028	2,177	0.020
Losses on Debt Extinguishment	-	-	(3,671)	(0.034)
Land Sale Gains (3)	1,263	0.012	-	-
Gains on Disposition of Depreciable Properties (4)	37,309	0.348	10,012	0.094
Impairments of Depreciable Properties (4)	-	-	-	-

	Nine Months Ended 9/30/2021		Nine Months Ended 9/30/2020	
	(000)	Per Share	(000)	Per Share
Lease Termination Income, Net (1)	\$ 336	\$ 0.003	\$ 412	\$ 0.004
Straight-Line Rental Income (1) (2)	12,487	0.117	33,580	0.315
Capitalized Interest	8,620	0.081	5,733	0.054
Losses on Debt Extinguishment	(134)	(0.001)	(3,671)	(0.034)
Land Sale Gains (3)	1,263	0.012	724	0.007
Gains on Disposition of Depreciable Properties (4)	79,108	0.740	162,673	1.525
Impairments of Depreciable Properties (4)	-	-	(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 \$0.4 and \$2.5 million of repayments of temporary rent deferrals, net of additional temporary rent deferrals granted during the three and nine months ended September 30, 2021, respectively. Includes \$0.9 million and \$6.0 million of temporary rent deferrals granted during the three and nine months ended September 30, 2021, respectively.
- (3) Consists of land sold by our 50% owned consolidated joint venture in Richmond. The net FFO impact, after noncontrolling interest, is \$0.65 million.
- (4) Not included in the determination of FFO.



2021 Outlook

The Company has updated its full year 2021 FFO outlook to \$3.73 to \$3.76 per share, which compares to the prior range of \$3.62 to \$3.73 per share provided on July 27, 2021. This outlook reflects management's view of current and future market conditions, including assumptions such as asset usage due to the pandemic, rental rates, occupancy levels, operating and general and administrative expenses, weighted average diluted shares outstanding and interest rates. Factors that could cause actual results to differ materially from Highwoods current expectations are discussed below and are also detailed in the Company's 2020 Annual Report on Form 10-K and subsequent SEC reports.

The Company's updated 2021 FFO outlook includes anticipated impacts related to the planned sale of \$87 to \$137 million of existing non-core assets projected to close by year-end 2021.

The Company's updated 2021 FFO outlook does not include any effects related to any other potential acquisitions and dispositions that occur after the date of this release.

Management's outlook for 2021 includes the following assumptions:

	Low	High
Effects Assumed in FFO Outlook		
Growth in Same Property Cash NOI (1)	6.0%	7.0%
Straight-Line Rental Income	\$21.0M	\$23.0M
G&A Expenses	\$40.0M	\$42.0M
Year-End Occupancy	90.0%	91.0%
Weighted Average Diluted Shares and Units Outstanding (2)	107.1M	107.1M
Per Share Impact of \$120M Sale of Non-Core Assets in 3Q	(\$0.03)	(\$0.03)
Per Share Impact of \$683M Acquisition from PAC in 3Q	\$0.10	\$0.10
Planned Dispositions	\$87M	\$137M
Anticipated Per Share Impact of Planned Dispositions	(\$0.01)	(\$0.01)
Effects Not Assumed in FFO Outlook:		
Other Potential Acquisitions	\$0M	\$200M
Potential Development Announcements	\$100M	\$250M

(1) Excludes termination fees.

(2) There were 107.2 million diluted shares and units outstanding at September 30, 2021.

Supplemental Information

The Company's third quarter 2021 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 27th, 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 for 2022

The Company has set the following dates for the releases of its 2022 financial results. The quarterly financial releases will be distributed after the market closes and conference call will be held at 11:00 a.m. Eastern time.

Quarter	Tuesday Release	Wednesday Call
Fourth	February 8	February 9
First	April 26	April 27
Second	July 26	July 27
Third	October 25	October 26

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, 2020 to September 30, 2021). 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) 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 planned sales of non-core assets and expected pricing and impact with respect to such sales, including the tax impact of such sales; 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, including the following: buyers may not be available and pricing may not be adequate with respect to planned dispositions of non-core assets; comparable sales data on which we based our expectations with respect to the sales price of non-core assets may not reflect current market trends; the extent to which the ongoing COVID-19 pandemic impacts our financial condition, results of operations and cash flows depends on future developments, which are highly uncertain and cannot be predicted with confidence, including the scope, severity and duration of the pandemic and its impact on the U.S. economy and potential changes in customer behavior that could adversely affect the use of and demand for office space; the financial condition of our customers could deteriorate or further worsen, which could be further exacerbated by the COVID-19 pandemic; 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; 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 2020 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		Nine Months Ended	
	September 30,		September 30,	
	2021	2020	2021	2020
Rental and other revenues	\$ 195,495	\$ 181,043	\$ 564,802	\$ 556,996
Operating expenses:				
Rental property and other expenses	60,567	56,892	172,982	174,213
Depreciation and amortization	66,547	60,303	189,423	180,914
Impairments of real estate assets	-	-	-	1,778
General and administrative	10,350	9,155	30,409	30,169
Total operating expenses	<u>137,464</u>	<u>126,350</u>	<u>392,814</u>	<u>387,074</u>
Interest expense	21,986	19,886	60,755	61,003
Other income	424	(3,311)	1,068	(2,654)
Gains on disposition of property	38,572	10,012	80,371	163,397
Equity in earnings of unconsolidated affiliates	<u>546</u>	<u>823</u>	<u>1,614</u>	<u>2,965</u>
Net income	75,587	42,331	194,286	272,627
Net (income) attributable to noncontrolling interests in the Operating Partnership	(1,967)	(1,107)	(5,084)	(7,084)
Net (income) attributable to noncontrolling interests in consolidated affiliates	(894)	(298)	(1,469)	(872)
Dividends on Preferred Stock	<u>(621)</u>	<u>(622)</u>	<u>(1,864)</u>	<u>(1,866)</u>
Net income available for common stockholders	<u>\$ 72,105</u>	<u>\$ 40,304</u>	<u>\$ 185,869</u>	<u>\$ 262,805</u>
Earnings per Common Share - basic:				
Net income available for common stockholders	<u>\$ 0.69</u>	<u>\$ 0.39</u>	<u>\$ 1.79</u>	<u>\$ 2.53</u>
Weighted average Common Shares outstanding - basic	<u>104,277</u>	<u>103,896</u>	<u>104,117</u>	<u>103,865</u>
Earnings per Common Share - diluted:				
Net income available for common stockholders	<u>\$ 0.69</u>	<u>\$ 0.39</u>	<u>\$ 1.79</u>	<u>\$ 2.53</u>
Weighted average Common Shares outstanding - diluted	<u>107,139</u>	<u>106,740</u>	<u>106,972</u>	<u>106,702</u>

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

	<u>September 30, 2021</u>	<u>December 31, 2020</u>
Assets:		
Real estate assets, at cost:		
Land	\$ 552,314	\$ 466,872
Buildings and tenant improvements	5,725,733	4,981,637
Development in-process	-	259,681
Land held for development	185,152	131,474
	<u>6,463,199</u>	<u>5,839,664</u>
Less-accumulated depreciation	(1,444,510)	(1,418,379)
Net real estate assets	5,018,689	4,421,285
Real estate and other assets, net, held for sale	69,806	11,360
Cash and cash equivalents	27,871	109,322
Restricted cash	13,027	79,922
Accounts receivable	15,269	27,488
Mortgages and notes receivable	1,247	1,341
Accrued straight-line rents receivable	262,233	259,381
Investments in and advances to unconsolidated affiliates	1,071	27,104
Deferred leasing costs, net of accumulated amortization of \$139,175 and \$151,698, respectively	267,405	209,329
Prepaid expenses and other assets, net of accumulated depreciation of \$20,891 and \$21,154, respectively	77,454	62,885
Total Assets	<u>\$ 5,754,072</u>	<u>\$ 5,209,417</u>
Liabilities, Noncontrolling Interests in the Operating Partnership and Equity:		
Mortgages and notes payable, net	\$ 2,942,902	\$ 2,470,021
Accounts payable, accrued expenses and other liabilities	284,952	268,727
Total Liabilities	<u>3,227,854</u>	<u>2,738,748</u>
Commitments and contingencies		
Noncontrolling interests in the Operating Partnership	124,233	112,499
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), 28,821 and 28,826 shares issued and outstanding, respectively	28,821	28,826
Common Stock, \$.01 par value, 200,000,000 authorized shares; 104,383,062 and 103,921,546 shares issued and outstanding, respectively	1,044	1,039
Additional paid-in capital	3,003,303	2,993,946
Distributions in excess of net income available for common stockholders	(652,254)	(686,225)
Accumulated other comprehensive loss	(1,102)	(1,462)
Total Stockholders' Equity	<u>2,379,812</u>	<u>2,336,124</u>
Noncontrolling interests in consolidated affiliates	22,173	22,046
Total Equity	<u>2,401,985</u>	<u>2,358,170</u>
Total Liabilities, Noncontrolling Interests in the Operating Partnership and Equity	<u>\$ 5,754,072</u>	<u>\$ 5,209,417</u>

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Funds from operations:				
Net income	\$ 75,587	\$ 42,331	\$ 194,286	\$ 272,627
Net (income) attributable to noncontrolling interests in consolidated affiliates	(894)	(298)	(1,469)	(872)
Depreciation and amortization of real estate assets	65,823	59,622	187,344	178,818
Impairments of depreciable properties	-	-	-	1,778
(Gains) on disposition of depreciable properties	(37,309)	(10,012)	(79,108)	(162,673)
Unconsolidated affiliates:				
Depreciation and amortization of real estate assets	185	653	584	1,803
Funds from operations	103,392	92,296	301,637	291,481
Dividends on Preferred Stock	(621)	(622)	(1,864)	(1,866)
Funds from operations available for common stockholders	\$ 102,771	\$ 91,674	\$ 299,773	\$ 289,615
Funds from operations available for common stockholders per share	\$ 0.96	\$ 0.86	\$ 2.80	\$ 2.71
Weighted average shares outstanding ⁽¹⁾	107,139	106,740	106,972	106,702

(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		Nine Months Ended	
	September 30,		September 30,	
	2021	2020	2021	2020
Net income	\$ 75,587	\$ 42,331	\$ 194,286	\$ 272,627
Equity in earnings of unconsolidated affiliates	(546)	(823)	(1,614)	(2,965)
Gains on disposition of property	(38,572)	(10,012)	(80,371)	(163,397)
Other income	(424)	3,311	(1,068)	2,654
Interest expense	21,986	19,886	60,755	61,003
General and administrative expenses	10,350	9,155	30,409	30,169
Impairments of real estate assets	-	-	-	1,778
Depreciation and amortization	66,547	60,303	189,423	180,914
Net operating income	134,928	124,151	391,820	382,783
Non same property and other net operating income	(16,210)	(7,299)	(32,371)	(24,229)
Same property net operating income	<u>\$ 118,718</u>	<u>\$ 116,852</u>	<u>\$ 359,449</u>	<u>\$ 358,554</u>
Same property net operating income	\$ 118,718	\$ 116,852	\$ 359,449	\$ 358,554
Lease termination fees, straight-line rent and other non-cash adjustments (1)	(3,189)	(8,286)	(9,456)	(34,353)
Same property cash net operating income	<u>\$ 115,529</u>	<u>\$ 108,566</u>	<u>\$ 349,993</u>	<u>\$ 324,201</u>

(1) Includes \$0.4 million and \$2.4 million of repayments of temporary rent deferrals, net of additional temporary rent deferrals granted by the Company during the three and nine months ended September 30, 2021, respectively. Includes \$0.9 million and \$5.9 million of temporary rent deferrals granted by the Company during the three and nine months ended September 30, 2020.

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

	Three Months Ended September 30,	
	2021	2020
Net debt-to-Adjusted EBITDAre:		
Net income	\$ 75,587	\$ 42,331
Interest expense	21,986	19,886
Depreciation and amortization	66,547	60,303
(Gains) on disposition of depreciable properties	(37,309)	(10,012)
Adjustments to reflect our share of EBITDAre from unconsolidated affiliates	472	988
EBITDAre	\$ 127,283	\$ 113,496
Losses on debt extinguishment	-	3,671
(Gains) on disposition of non-depreciable properties	(1,263)	-
Proforma NOI adjustments for property changes within period	6,191	(104)
Adjustments to reflect our share of Adjusted EBITDAre from unconsolidated affiliates	(220)	-
Adjusted EBITDAre ⁽¹⁾	\$ 131,991	\$ 117,063
Adjusted EBITDAre (annualized) ^{(1) (2)}	\$ 527,964	\$ 472,264
Mortgages and notes payable ⁽³⁾	\$ 2,967,486	\$ 2,497,553
Less - cash and cash equivalents and 1031 restricted cash ⁽³⁾	(31,424)	(123,040)
Net debt ⁽⁴⁾	\$ 2,936,062	\$ 2,374,513
Preferred Stock	28,821	28,826
Net debt plus Preferred Stock	\$ 2,964,883	\$ 2,403,339
Net debt-to-Adjusted EBITDAre ⁽⁵⁾	5.56x	5.03x
Net debt plus Preferred Stock-to-Adjusted EBITDAre ⁽⁶⁾	5.62x	5.09x

(1) 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.

(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).