Management’s Prepared Remarks
Fourth Quarter 2021 Conference Call
February 9, 2022

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Finance and Investor Relations

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

Forward-looking statements made during today's call are subject to risks and uncertainties, including the ongoing adverse effect of the COVID-19 pandemic on our financial condition and operating results. These risks and uncertainties are discussed at length in our press releases as well as our SEC filings. As you know, actual events and results can differ materially from these forward-looking statements and the Company does not undertake a duty to update any forward-looking statements.

Ted Klinck
President, Chief Executive Officer

Our fourth quarter was representative of our execution throughout all of 2021 as we delivered strong financial results, solid leasing metrics and strengthening cash flows – all while improving the quality and resiliency of our portfolio, protecting our fortress balance sheet and laying the groundwork for additional long-term growth.

Our simple and straightforward investment strategy is to generate attractive and sustainable returns over the long term by developing, acquiring and owning a portfolio of high-quality, differentiated office buildings in the Best Business Districts, which we call BBDs. A core component of this strategy is to continuously strengthen the financial and operational performance, resiliency and long-term growth prospects of our portfolio, and recycle out of properties that no longer meet our criteria. To this end, in 2021, we acquired $800 million of high-quality office buildings in Raleigh and Charlotte, completed $356 million of 92% leased office development, acquired approximately $100 million of land for future development in three BBDs and sold $385 million of non-core properties. In addition, since our last call, we’ve announced $174 million of development that is a combined 36% pre-leased, even before putting the first shovel in the ground. Since the beginning of 2019, we have acquired 3.1 million square feet of best-in-class office assets for a total investment of $1.3 billion, delivered 1.4 million square feet of highly leased office development for a total investment of nearly $600 million and sold 6.7 million square feet of non-core properties for $1 billion.

Because of these continuous and meaningful improvements, our portfolio is even more resilient and better poised for long-term growth. Plus, our cash flows have continued to strengthen as evidenced by 15% higher average in-place office rents and a meaningful reduction in our capex spend over these three years. During this same period, we’ve grown core FFO 9% and our dividend 8% while maintaining a strong balance sheet and investing in the building blocks for additional long-term growth.

Turning to our results, we delivered FFO of $1.06 per share in the fourth quarter, which includes $0.09 of land sale gains. Even when we exclude these land sale gains, our full year FFO was $3.77 per share, $0.01 above the high-end of our revised outlook in October and $0.19 above the mid-point of our original outlook last February.

In addition to FFO, our operations were also healthy. Same property cash NOI growth was solid at +3.2% for the quarter and +5.5% for the year. We leased 884,000 square feet of second gen space, including 284,000 square feet of new leases and 47,000 square feet of net expansions. Rent spreads were +3.2% on a cash basis and +11.6% on a GAAP basis. We also signed 158,000 square feet of first gen leases since our last call. Solid leasing activity helped drive year-end occupancy up to 91.2%.

Similar to last quarter, utilization across our portfolio hovers around 40%. We anticipate more customers returning to the office later in the first quarter and during the spring months. Utilization tends to be higher in our suburban buildings and among smaller customers. Despite overall utilization continuing to be significantly below pre-pandemic levels, we are encouraged by the strong customer and prospect interest we're seeing across our portfolio, which translated into healthy leasing in the fourth quarter.

Turning to investments, in the quarter we sold 1.0 million square feet of non-core assets for $191 million that were a combined 77.5% occupied. These sales helped bring our debt-to-EBITDA ratio down to 5.4x. We have sold over $350 million of non-core properties since the middle of last year, with another $150 to $200 million to go to return our balance sheet to pre-PAC acquisition metrics.

On the acquisition front, competition for high quality properties in our markets' BBDs has continued to increase since the beginning of the pandemic. Institutional investors, both foreign and domestic, recognize the excellent long-term value of assets located in the best submarkets across our footprint. We will continue to be disciplined with our capital allocation as we seek to acquire office assets that would further strengthen our performance, resiliency and long-term growth prospects.

Our $283 million development pipeline is 51% pre-leased. Leasing was healthy for our completed but not yet stabilized developments. As you may remember, we started both Virginia Springs II and Midtown West fully spec in 2019. At our Virginia Springs II project in Nashville's Brentwood BBD, we're now 90% leased and have healthy interest in the balance of the space. At Midtown West in Tampa, our 150,000 square foot, $71 million property is 65% leased and we have solid interest from additional prospects.

During the quarter, we announced the 218,000 square foot, $95 million GlenLake III office and amenity retail project in Raleigh that is currently 15% pre-leased. We have just broken ground on this property, which will be LEED and Fitwel certified. We have 732,000 square feet of in-service product in GlenLake that are a combined 97% occupied. GlenLake III, which is scheduled to be completed in late 2023 and stabilize in early 2026, will provide growth opportunities for existing customers and new users.

After year-end, we announced the 135,000 square foot 2827 Peachtree office development in a 50/50 joint venture with Brand Properties. This $79 million boutique office development has a healthy mix of on-site and nearby amenities, which have helped drive strong activity. The development is already 62% pre-leased and talks with prospects continue.

Our land bank has never been more attractive – it can support $2.3 billion of future office and another almost $2 billion of adjacent mixed-use development via new apartments, shops, restaurants and hotels.

Now to our 2022 FFO outlook of $3.76 to $3.92 per share. We assume utilization of our portfolio will gradually increase throughout the rest of the year. At the mid-point of our per share outlook, we project same property operating expenses will be $0.10 higher than last year, while parking revenues will improve by only $0.01. As we have long foreshadowed, as usage increases, opex will recover faster than parking revenues – and this is incorporated into our 0 to 2% same property cash NOI growth outlook for 2022.

As previously stated, we plan to sell $150 to $200 million of non-core assets to return our balance sheet metrics to pre-PAC acquisition levels. We currently project the dilutive impact of these dispositions to be $0.04 to $0.08 per share. In addition, our outlook includes up to an additional $200 million of potential dispositions, the effect of which is not assumed in our 2022 FFO outlook. We have included a placeholder for acquisitions of $0 to $200 million. We also continue to have conversations with build-to-suit and anchor customers for additional developments and project $100 to $250 million of development announcements, inclusive of the $79 million 2827 Peachtree development.

Before I turn the call over to Brian, I would like to briefly recap 2021. During the year, we:

- Generated 5% growth in core FFO;
- Increased our dividend 4%;
- Delivered 5.5% same property cash NOI growth;
- Signed 194 new 2nd gen leases – the most in any single year since 2006 – totaling 1.1 million square feet;
- Acquired $800 million of high-quality office assets in Raleigh and Charlotte;
- Completed $356 million of 92% leased office development;
- Acquired $100 million of development land; and
- Maintained a strong balance sheet with year-end leverage of 39% and a debt-to-EBITDA ratio of 5.4x.

While we’re pleased with our 2021 results, we’re even more confident that we continue to have the building blocks in place to drive sustainable growth over the long-term.

In conclusion, while our high-quality BBDs and buildings are the beneficiaries of a flight to quality, it is our humble, hard-working and talented teammates leasing, operating and maintaining our portfolio as a single team wearing the same Highwoods jersey, that are our true trophy assets. I would like to take time to thank the entire Highwoods team for their continued hard work and commitment throughout 2021. This type of dedication has put our company in a great position for years to come.

Brian Leary
Executive Vice President, Chief Operating Officer

The positive metrics we’ve posted for the quarter – and throughout the global pandemic, are a testament to the simple strategy we execute every day. This strategy has positioned Highwoods to be the beneficiary of a great migration to our markets, a great acceleration to our BBDs and a flight to quality buildings – all of which are both urban and suburban in nature.

Most customers have plans to return to the office, are expanding more than they are contracting and now see the workplace as a vital part of their ability to retain and recruit, but specifically return, talent to their organization. Companies that create value through collaboration and culture have come to the clear conclusion that they are, simply, better together. We believe a workplace that attracts people and allows them to achieve together what they cannot apart will be full and command attractive economics. We’re seeing this now throughout our portfolio and is evidenced in the results our team is producing.

Occupancy increased 80 basis points from last quarter – ending the year at 91.2%. We expect occupancy to dip modestly in the first half of the year before increasing in the latter half. While utilization currently remains below pre-pandemic levels, we project it will increase steadily throughout the year. We continue to see healthy tour and RFP activity which is evident in the 884,000 square feet and 123 deals signed in the quarter – the highest quarterly deal count since 2016. Of these 123 deals, 54 were new totaling 284,000 square feet. Emblematic of our balanced portfolio, no one market disproportionately carried the load as five of our markets garnered eight or more new deals. In addition, we signed 158,000 square feet of first generation leases in the quarter for our developments in Nashville, Tampa, Raleigh and Atlanta.

Our markets are benefitting from what some have termed the “great migration.” It has accelerated since the onset of the pandemic, is generating economic prosperity and has started a flywheel of corporate expansions and relocations. These moves will have generational impacts as these talented individuals and organizations plant roots in our markets. As a result of this momentum, we continue to see strong fundamentals throughout our footprint. Atlanta, Raleigh, Nashville and Charlotte all posted positive net absorption for the quarter. Unemployment rates are returning to near-record lows and multiple markets have grown their office-using jobs since the start of the pandemic.

Raleigh has been a clear winner coming out of the pandemic - where tens of thousands of tech and life science jobs have been announced and where we signed 220,000 square feet of leases for the quarter, ending the year 92.8% occupied. Witnessing this demand first-hand and recognizing we had little room for growth at our 732,000 square foot and 97%-occupied GlenLake mixed-use development, we started construction in November on a new 218,000 square foot office building and a curated collection of shops and restaurants. This will complete GlenLake’s live-work-play master plan and serve as the latest product of our work-placemaking efforts. This $94.6 million investment is 15% pre-leased, will achieve LEED and Fitwel certifications upon completion and will be home to McKim & Creed, a national engineering and surveying firm.

While our friends in Tampa may have sent the “title town” banner up I-75 to Hot-lanta where the Braves and Dawgs delivered a double-dose of euphoria, Tampa has won Zillow’s #1 spot as the nation’s top housing market for 2022, where the market’s office rents increased 7% and our team signed 219,000 square feet of leases for the quarter. Our Midtown West development – above a REI and adjacent to a new Whole Foods – is now 64.5% leased and is busy with tours and in-bound interest.

Speaking of Atlanta, the unemployment rate has dropped there below 2.5%, Cushman Wakefield has noted rents are at an all-time high and our team signed 136,000 square feet of 2nd generation leases in the quarter. Further, our $79 million 50/50 joint venture with Atlanta-based Brand Properties to develop 2827 Peachtree in Buckhead is 62% leased to multiple customers. This project will be completed in the third quarter of 2023, and is projected to stabilize in the first quarter of 2025.

Wrapping up in Nashville where we ended the year 94.8% occupied, we made great progress on our Virginia Springs II development which is now 90% leased – up from 59% last quarter. The most significant addition to our land inventory in 2021 was the acquisition of the remaining 77 acres of Ovation – in total a 145-acre mixed-use development already home to the Highwoods-developed Mars PetCare North American headquarters and which is currently entitled for an additional 1.2 million square feet of office, 480,000 square feet of shops and restaurants, 950 residential units and 450 hotel rooms. The opportunity inherent in Ovation is a perfect example of our work-placemaking efforts. Where appropriate, we’ll utilize our mixed-use land bank to induce those vertical uses complementary to creating the best possible addresses to conduct business.

In conclusion, thank you to the amazing women and men of Highwoods Properties who have put their customers first and allowed us to achieve great things together.

Brendan Maiorana
Executive Vice President, Chief Financial Officer
In the fourth quarter, we delivered net income of $124.9 million, or $1.19 per share, and FFO of $113.5 million, or $1.06 per share. As Ted mentioned, the only significant unusual item in the fourth quarter were land sale gains of $0.09. Excluding the fourth quarter land sale gains, our 2021 FFO per share was $3.77, a penny above the high end of our revised outlook of $3.73 to $3.76. The better-than-expected FFO in the fourth quarter, which was primarily driven by higher occupancy and lower operating expenses, was consistent with the rest of the year as our FFO of $3.77 per share was $0.19 higher than

the original mid-point of the outlook we provided last February. The upside for the full year was driven by:

- $0.08 from operations due to lower than anticipated op-ex, recovering parking revenues and higher occupancy;
- $0.05 from higher than anticipated NOI from development – the majority of which was from the early delivery of Asurion's headquarters; and
- $0.06 from the net impact of the PAC acquisition partially offset by the acceleration of $353 million of non-core dispositions.

Our balance sheet is in excellent shape – we ended the year with debt-to-EBITDAre 5.4x, down from 5.6x at the end of the third quarter. Last April when we announced the acquisition from PAC, we stated our plan was to return our balance sheet to pre-acquisition metrics by mid-year 2022 – we're on pace to meet this target with a plan to sell another $150 to $200 million of non-core properties in the first half of this year.

We sold $353 million of non-core properties since the announcement of the PAC acquisition. These sales had average in-place occupancy of 80% and had a projected cap rate of less than 6% on a GAAP basis and in the low 5s% on a cash basis. The remaining $150 to $200 million of dispositions are likely to have higher average cap rates – most likely in the low 7s on a GAAP and cash basis.

During the fourth quarter, we issued a modest amount of shares on our ATM program at an average price of $46.75 per share for net proceeds of $7.2 million, consistent with our ATM activity in the second and third quarters. ATM issuances remain one of the tools we believe are an efficient and measured way to fund incremental investments, particularly our development pipeline, on a leverage-neutral basis.

As Ted mentioned, our FFO outlook for 2022 is $3.76 to $3.92 per share. As disclosed in last night's release, this includes $0.04 to $0.08 of dilution from planned dispositions and the anticipated headwind of $0.08 to $0.12 of higher op-ex net of anticipated recoveries. The higher projected op-ex has also reduced our outlook for same property cash NOI growth by 200 to 300 basis points. Excluding this impact, we would be in line with our long-term average.

Some of the major drivers of the year-to-year changes in our FFO growth outlook at the mid-point of the range are:

- $0.10 of lower FFO due to higher op-ex, net of recoveries;
- $0.10 of higher revenue on the in-service portfolio;
- $0.06 of lower FFO due to first half 2022 planned dispositions;
- $0.04 of higher FFO due to the net impact of a full year of the PAC acquisition partially offset by a full year impact from 2021 dispositions; and
- $0.09 of higher FFO due to the full year impact of the $285 million Asurion build to suit

These items add up to $0.07 per share of year-over-year growth, which equates to the mid-point of our 2022 FFO outlook.

I'd like to take a moment to recap the financial impact from the PAC acquisition and accelerated non-core dispositions. We stated we expected our plan to be approximately FFO neutral upon completion with growth over the long-run. We now expect it will be modestly accretive to our pre-announcement FFO run rate. Our 2021 FFO benefitted by a net $0.06 from the $683 million PAC acquisition and $353 million of dispositions, and we project this investment activity will add an additional $0.04 to our 2022 FFO, for a total of $0.10 of accretion. Offsetting this will be the estimated $0.06 dilutive impact at the mid-point from our planned $150 to $200 million of dispositions in 2022. All-in, on an annualized basis, we now expect the PAC acquisition and the corresponding non-core dispositions to be about $0.02 to

$0.03 accretive to our pre-announcement FFO run rate with no change to the aforementioned improvement in our long-term growth rate.

Finally, as Ted mentioned, over the past three years, we have been very active on the capital recycling front having sold $1 billion of non-core properties, acquiring $1.3 billion of high quality, resilient properties with healthy long-term growth prospects, delivering $600 million of highly leased office developments and adding over $100 million of development land. Over this same time frame, we've increased average in-place office rents 15%, averaged 3.5% annual same property cash NOI growth and increased FFO 9% and our dividend 8%, all while maintaining a fortress balance sheet. Plus, as we have long highlighted, our cash flows continue to strengthen, increasing more than 30% over the last three years, resulting in higher dividend coverage on our growing distributions. Our growth may not always be linear quarter-to-quarter or year-to-year, but regardless of the short-term impact we will follow our investment strategy as we believe it will continue to improve the quality, resiliency and growth outlook of our portfolio over the long-run.