

HIGHWOODS PROPERTIES INC

FORM 10-Q (Quarterly Report)

Filed 5/15/1998 For Period Ending 3/31/1998

Address	3100 SMOKETREE CT STE 600 RALEIGH, North Carolina 27604
Telephone	919-872-4924
CIK	0000921082
Industry	Real Estate Operations
Sector	Services
Fiscal Year	12/31

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 1998

Commission file number: 001-13100

Highwoods Properties, Inc.

(Exact name of registrant as specified in its charter)

Maryland	56-1871668
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

3100 Smoketree Court, Suite 600, Raleigh, N.C.
(Address of principal executive office)

27604
(Zip Code)

Registrant's telephone number, including area code:
(919) 872-4924

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No

The Company has only one class of common stock, par value \$.01 per share, with 52,755,173 shares outstanding as of May 8, 1998.

HIGHWOODS PROPERTIES, INC.

QUARTERLY REPORT FOR THE PERIOD ENDED MARCH 31, 1998

TABLE OF CONTENTS

	Page

PART I.	FINANCIAL INFORMATION
Item 1.	Financial Statements
	Consolidated balance sheets of Highwoods Properties, Inc. as of March 31, 1998 and December 31, 1997
	Consolidated statements of income of Highwoods Properties, Inc. for the three months ended March 31, 1998 and 1997
	Consolidated statements of cash flows of Highwoods Properties, Inc. for the three months ended March 31, 1998 and 1997
	Notes to the consolidated financial statements of Highwoods Properties, Inc.
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations
	Results of Operations
	Liquidity and Capital Resources
	Recent Developments
	Funds From Operations and Cash Available for Distribution
	Disclosure Regarding Forward-Looking Statements
	Property Information
	Inflation
PART II.	OTHER INFORMATION
Item 1.	Legal Proceedings
Item 2.	Changes in Securities and Use of Proceeds
Item 3.	Defaults Upon Senior Securities
Item 4.	Submission of Matters to a Vote of Security Holders
Item 5.	Other Information
Item 6.	Exhibits and Reports on Form 8-K

PART I -- FINANCIAL INFORMATION

Item 1. Financial Statements

The information furnished in the accompanying balance sheets, statements of operations and statements of cash flows reflect all adjustments that are, in the opinion of management, necessary for a fair presentation of the aforementioned financial statements for the interim period.

The aforementioned financial statements should be read in conjunction with the notes to consolidated financial statements and Management's Discussion and Analysis of Financial Condition and Results of Operations and the 1997 Annual Report on Form 10-K of Highwoods Properties, Inc. (the "Company").

HIGHWOODS PROPERTIES, INC.

Consolidated Balance Sheets

(in thousands except per share amounts)

	March 31, 1998	December 31, 1997
	(Unaudited)	
Assets		
Real estate assets, at cost:		
Land and improvements	\$ 394,325	\$ 344,315
Buildings and tenant improvements	2,510,309	2,194,641
Development in process	105,631	95,387
Land held for development	87,879	64,454
Furniture, fixtures and equipment	3,884	3,362
	-----	-----
	3,102,028	2,702,159
Less -- accumulated depreciation	(103,489)	(87,505)
	-----	-----
Net real estate assets	2,998,539	2,614,654
Cash and cash equivalents	32,250	10,146
Restricted cash	10,186	9,341
Accounts receivable	18,896	17,701
Advances to related parties	13,380	9,072
Accrued straight line rents receivable	16,189	13,033
Other assets:		
Deferred leasing costs	25,390	21,688
Deferred financing costs	20,434	22,294
Prepaid expenses and other	11,401	17,607
	-----	-----
	57,225	61,589
Less -- accumulated amortization	(14,933)	(13,230)
	-----	-----
	42,292	48,359
	-----	-----
	\$3,131,732	\$2,722,306
	=====	=====
Liabilities and stockholders' equity		
Mortgages and notes payable	\$1,231,099	\$ 978,558
Accounts payable, accrued expenses and other liabilities	61,640	55,121
	-----	-----
Total liabilities	1,292,739	1,033,679
Minority interest	301,031	287,186
Stockholders' equity:		
Preferred stock \$.01 par value; 10,000,000 authorized		
8 5/8% Series A Cumulative Redeemable Preferred Shares		
(liquidation preference of \$1,000 per share), 125,000 shares issued		
and outstanding at March 31, 1998 and December 31, 1997	125,000	125,000
8% Series B Cumulative Redeemable Preferred Shares		
(liquidation preference \$25 per share),		
6,900,000 shares issued and outstanding at March 31, 1998 and December		
31, 1997	172,500	172,500
Common stock, \$.01 par value, authorized 100,000,000 shares; issued and		
outstanding 51,036,840 at March 31, 1998 and 46,838,600 at		
December 31, 1997	510	468
Additional paid-in capital	1,271,266	1,132,100
Distributions in excess of net income	(31,314)	(28,627)
	-----	-----
Total stockholders' equity	1,537,962	1,401,441
	-----	-----
	\$3,131,732	\$2,722,306
	=====	=====

See accompanying notes to consolidated financial statements.

HIGHWOODS PROPERTIES, INC.

Consolidated Statements of Income

(unaudited and in thousands except per share amounts)

	Three Months Ended March 31,	
	1998	1997
Revenue:		
Rental property	\$100,331	\$ 56,055
Interest and other income	2,157	2,266
	102,488	58,321
Operating expenses:		
Rental property	29,728	15,342
Depreciation and amortization	17,161	9,310
Interest expense:		
Contractual	17,162	11,460
Amortization of deferred financing costs	616	575
	17,778	12,035
General and administrative	3,784	2,080
Income before minority interest and extraordinary item	34,037	19,554
Minority interest	(5,608)	(3,129)
Income before extraordinary item	28,429	16,425
Extraordinary item -- loss on early extinguishment of debt	(46)	(3,337)
Net income	28,383	13,088
Dividends on Preferred Stock	(6,145)	(1,407)
Net income available for common stockholders	\$ 22,238	\$ 11,681
	=====	=====
Net income per common share -- Basic:		
Income before extraordinary item	\$ 0.45	\$ 0.43
Extraordinary item -- loss on early extinguishment of debt	--	(.10)
Net income	\$ 0.45	\$ 0.33
	=====	=====
Weighted average shares outstanding -- Basic	49,051	35,250
	=====	=====
Net income per common share -- Diluted:		
Income before extraordinary item	\$ 0.45	\$ 0.42
Extraordinary item loss on early extinguishment of debt	--	(0.09)
Net Income	\$ 0.45	\$ 0.33
	=====	=====
Weighted average shares outstanding -- Diluted	49,688	35,612
	=====	=====

See accompanying notes to consolidated financial statements.

HIGHWOODS PROPERTIES, INC.

Consolidated Statements of Cash Flows

(unaudited and in thousands)

	Three Months Ended March 31,	
	1998	1997
Operating activities:		
Net income	\$ 28,383	\$ 13,088
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	17,161	9,885
Minority interest in income	5,608	2,493
Loss on early extinguishment of debt	46	3,973
Changes in operating assets and liabilities	773	(588)
Net cash provided by operating activities	51,971	28,851
Investing activities:		
Additions to real estate assets	(311,362)	(24,594)
Proceeds from disposition of real estate assets	--	--
Cash from contributed net assets	--	(5,081)
Cash paid in exchange for partnership net assets	(12,383)	--
Other	(2,099)	(4,487)
Net cash used in investing activities	(325,844)	(34,162)
Financing activities:		
Distributions paid on Common Stock and Common Units	(30,097)	(19,147)
Dividends paid on Preferred Stock	(6,145)	--
Payments of prepayment penalties	(46)	(3,973)
Borrowings on mortgages and notes payable	287,188	14,000
Repayment of mortgages and notes payable	(102,450)	(110,093)
Borrowings on Revolving Loans	247,000	--
Payments on Revolving Loans	(240,500)	--
Net proceeds from the sale of Common Stock	139,167	57
Net proceeds from sale of 8 5/8% Series A Cumulative Redeemable Preferred Shares	--	121,804
Net Change in deferred financing costs	1,860	(161)
Net cash provided by financing activities	295,977	2,487
Net increase (decrease) in cash and cash equivalents	22,104	(2,824)
Cash and cash equivalents at beginning of the period	10,146	11,070
Cash and cash equivalents at end of the period	\$ 32,250	\$ 8,246
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 12,324	\$ 8,414

See accompanying notes to consolidated financial statements.

HIGHWOODS PROPERTIES, INC.

Consolidated Statements of Cash Flows

(unaudited and in thousands)

Supplemental disclosure of non-cash investing and financing activities

The following summarizes the net assets contributed by the Common Unit holders of the Highwoods/ Forsyth Limited Partnership (the "Operating Partnership") or acquired subject to mortgage notes payable:

	Three Months Ended March 31,	
	1998	1997
Assets:		
Rental property and equipment, net	\$76,125	\$213,090
Liabilities:		
Mortgages and notes payable assumed	\$61,303	\$129,270
	-----	-----
Net assets	\$14,822	\$ 83,820
	=====	=====

See accompanying notes to consolidated financial statements.

HIGHWOODS PROPERTIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 1998
(Unaudited)

1. BASIS OF PRESENTATION

The consolidated financial statements include the accounts of Highwoods Properties, Inc. (the "Company"), Highwoods/Forsyth Limited Partnership (the "Operating Partnership") and the following subsidiaries:

Highwoods/Florida GP Corp.
Highwoods Realty GP Corp.
Highwoods/Tennessee Properties, Inc.
AP-GP Southeast Portfolio Partners, L.P. Highwoods/Tennessee Holdings, L.P.
AP Southeast Portfolio Partners, L.P.
Highwoods/Florida Holdings, L.P.
Highwoods Services, Inc.
Southeast Realty Options Corp.
Florida Transition Co. II
Jackson Acquisition Corp.
Shockoe Plaza Investors L.C.
RC One LLC
PSC Acquisition Corporation
Pikesville Sportsman's Club of Baltimore County Maryland, Inc.

Atrium Acquisition Corporation
9690 Derecho Road LLC
Seven Crondall Associates LLC
Eight Crondall Associates LLC
Nine Crondall Associates LLC
Pinellas Pinebrook Partners, Ltd.
SISBROS, Ltd.
Pinellas Bay Vista Partners, Ltd.
Pinellas Northside Partners, Ltd.
Cross Bayou, Ltd.
Downtown Clearwater Tower, Ltd.
BDBP, Ltd.
Interstate Business Park, Ltd.
Garcia Meyers Co.
Garcia Property Management, Inc.
Westshore Square, Inc.

The Company's investment in Highwoods Services, Inc. (the "Service Company") is accounted for using the equity method of accounting. All significant intercompany balances and transactions have been eliminated in the consolidated financial statements.

The extraordinary loss represents the write-off of loan origination fees and prepayment penalties paid on the early extinguishment of debt.

The Company has elected and expects to continue to qualify as a real estate investment trust ("REIT") under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended.

In 1997, the Financial Accounting Standards Board ("FASB") issued Statement No. 128, "Earnings Per Share," which is effective for financial statements for periods ending after December 15, 1997. FASB Statement No. 128 requires the restatement of prior period earnings per share and requires the disclosure of additional supplemental information detailing the calculation of earnings per share.

FASB Statement No. 128 replaced the calculation of primary and fully diluted earnings per share with basic and diluted earnings per share. Unlike primary earnings per share, basic earnings per share excludes any dilutive effects of options, warrants and convertible securities. Diluted earnings per share is very similar to the previously reported fully diluted earnings per share. It is computed using the weighted average number of shares of Common Stock and the dilutive effect of options, warrants and convertible securities outstanding, using the "treasury stock" method. Earnings per share data are required for all periods for which an income statement or summary of earnings is presented, including summaries outside the basic financial statements. All earnings per share amounts for all periods presented have, where appropriate, been restated to conform to the FASB Statement No. 128 requirements.

In 1997, the FASB issued Statements No. 130, "Reporting Comprehensive Income" ("SFAS 130") and No. 131, "Disclosures About Segments of an Enterprise and Related Information" ("SFAS 131"), which are both effective for fiscal years beginning after December 15, 1997. As of January 1, 1998, the Company adopted SFAS 130 which established new rules for the reporting and display of comprehensive income and its components; however, the adoption of this statement had no impact on the Company's net income or shareholders'

equity. SFAS 131, which addresses reporting segment information, is not required for interim reporting in the first year of application. The Company does not believe the adoption of SFAS 130 and 131 will have a material impact on its financial statements.

Emerging Issues Task Forces ("EITF") Issue No. 97-11, Accounting for Internal Cost Relating to Real Estate Property Acquisitions, requires internal acquisition costs related to the purchase of an operating property to be expensed as incurred. The Company's financial statements for the quarter ended March 31, 1998 reflect the change, effective March 19, 1998, as required by the EITF, in accounting for acquisition costs. The Company believes the effect of this change on future periods will be immaterial.

Minority interest in the Company represents the limited partnership interests ("Common Units") owned by various individuals and entities and not the Company in the Operating Partnership, the entity that owns substantially all of the Company's properties and through which the Company, as the sole general partner, conducts substantially all of its operations. Per share information is calculated using the weighted average number of shares outstanding (including common share equivalents).

The accompanying financial information has not been audited, but in the opinion of management, all adjustments (consisting of normal recurring accruals) necessary for a fair presentation of the financial position, results of operations and cash flows of the Company have been made. For further information, refer to the financial statements and notes thereto included in the Company's 1997 Annual Report on Form 10-K.

2. DEBT AND EQUITY TRANSACTION

On January 27, 1998, the Company sold 2,000,000 shares of Common Stock in an underwritten public offering for net proceeds of approximately \$68.2 million.

On February 2, 1998, the Operating Partnership sold \$125 million of 6.835% MOPPRSSM due February 1, 2013 and \$100 million of 7 1/8% notes due February 1, 2008.

On February 18, 1998, the Company sold an aggregate of 1,553,604 shares of Common Stock in two underwritten public offerings for net proceeds of approximately \$51.2 million.

On March 30, 1998, the Company sold 428,572 shares of Common Stock in an underwritten public offering for net proceeds of approximately \$14.2 million.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with all of the financial statements appearing elsewhere in the report. The following discussion is based primarily on the consolidated financial statements of Highwoods Properties, Inc.

Results of Operations

Three Months Ended March 31, 1998

Revenues from rental operations increased \$44.2 million, or 79%, from \$56.1 million for the three months ended March 31, 1997 to \$100.3 million for the comparable period in 1998. The increase is primarily a result of the acquisition of 12.3 million square feet of office and industrial properties and the completion of 1.1 million square feet of development activity during the last nine months of 1997 and the first quarter of 1998. The Company's portfolio increased from 21.0 million square feet at March 31, 1997 to 33.9 million square feet at March 31, 1998. Same property revenues, which are the revenues of the 344 in-service properties owned on January 1, 1997, increased 6% for the three months ended March 31, 1998, compared to the same three months of 1997.

During the three months ended March 31, 1998, 308 leases representing 1,276,000 square feet of office and industrial space commenced at an average rate per square foot which was 7.7% higher than the average rate per square foot on the expired leases.

Interest and other income decreased \$100,000, or 4%, from \$2.3 million for the three months ended March 31, 1997 to \$2.2 million for the comparable period in 1998.

Rental operating expenses increased \$14.4 million, or 94%, from \$15.3 million for the three months ended March 31, 1997 to \$29.7 million for the comparable period in 1998. The increase is a result of the addition of 13.4 million square feet through a combination of acquisitions and developments during the last nine months of 1997 and the first quarter of 1998. Rental operating expenses as a percentage of related revenues increased from 27.4% for the three months ended March 31, 1997 to 29.6% for the comparable period in 1998. This increase is a result of an increase in the percentage of office properties in the portfolio, which have fewer triple net lease pass throughs.

Depreciation and amortization for the three months ended March 31, 1998 and 1997 was \$17.2 million and \$9.3 million, respectively. The increase of \$7.9 million, or 85%, is due to an 87% increase in average depreciable asset balance over the prior year. Interest expense increased \$5.8 million, or 48%, from \$12.0 million for the three months ended March 31, 1997 to \$17.8 million for the comparable period in 1998. The increase is attributable to the increase in the outstanding debt for the entire quarter. Interest expense for the three months ended March 31, 1998 and 1997 included \$616,000 and \$575,000, respectively, of amortization of non-cash deferred financing costs and the costs related to the Company's interest rate protection agreements. General and administrative expenses increased from 3.7% of rental revenue for the three months ended March 31, 1997 to 3.8% for the comparable period in 1998.

Net income before minority interest and extraordinary item equaled \$34.0 million and \$19.6 million for the three months ended March 31, 1998 and 1997, respectively. The Company's net income allocated to minority interest totaled \$5.6 million and \$3.1 million for the three months ended March 31, 1998 and 1997, respectively. The Company recorded \$6.1 million and \$1.4 in preferred stock dividends for the three months ended March 31, 1998 and 1997, respectively, (see " -- Liquidity and Capital Resources" below).

Liquidity and Capital Resources

For the three months ended March 31, 1998, cash provided by operating activities increased by \$23.1 million, or 80%, to \$52.0 million, as compared to \$28.9 million for the same period in 1997. The increase is primarily due to the increase in net income resulting from the Company's property acquisitions in 1997 and 1998. Cash used for investing activities increased by \$291.6 million, to \$325.8 million for the first three months of 1998, as compared to \$34.2 million for the same period in 1997. The increase is attributable to the Company's acquisition activity in the first three months of 1998. Cash provided by financing activities increased by \$293.5 to \$296.0 million for the first three months of 1998, as compared to \$2.5 million for the same period in 1997.

During the first three months of 1998, cash provided by financing activities consisted, primarily, of \$359.9 million in net proceeds from the sale of common stock, the sale of \$125 million of Mandatory Par Put Remarketed SecuritiesSM ("MOPPRSSM") and \$100 million of unsecured notes (see below), which were offset by net payments of \$102.5 million to reduce existing indebtedness. Additionally, payments of distributions increased by \$11.0 million to \$30.1 million for the first three months of 1998, as compared with \$19.1 million for the same period in 1997. The increase is due to the greater number of shares outstanding and a 6% increase in the distribution rate. Preferred stock dividend payments were \$6.1 million for the first three months of 1998, as compared to no preferred stock dividend payments for the same period in 1997. The first dividend payment on the Company's 8 5/8% Series A Cumulative Redemable Preferred Shares, issued in February 1997, was not due until June 1997.

The Company's total indebtedness at March 31, 1998 totaled \$1.2 billion and was comprised of \$353.5 million of secured indebtedness with a weighted average interest rate of 8.2% and \$877.5 million of unsecured indebtedness with a weighted average interest rate of 6.9%. All of the mortgage and notes payable outstanding at March 31, 1998 were either fixed rate obligations or variable rate obligations covered by interest rate protection agreements.

Based on the Company's total market capitalization of \$3.7 billion at March 31, 1998, (at the March 31, 1998 stock price of \$35.31 and assuming the redemption for shares of Common Stock of the 10,801,000 Common Units of minority interest in the Operating Partnership), the Company's debt represented approximately 33% of its total market capitalization.

To protect the Company from increases in interest expense due to changes in the variable rate, the Company: (i) purchased an interest rate collar limiting its exposure to an increase in interest rates to 7.25% with respect to \$80 million of its \$430 million aggregate amount of unsecured revolving loans (the "Revolving Loans") excluding the effect of changes in the Company's credit risk, under which the Company had \$321 million outstanding at March 31, 1998, and (ii) entered into interest rate swaps that limit its exposure to an increase in interest rates to 6.95% in connection with \$22 million of variable rate mortgages. The interest rate on all such variable rate debt is adjusted at monthly intervals, subject to the Company's interest rate protection program. No payments were received from the counterparties under the interest rate protection agreement for the three months ended March 31, 1998 and 1997. The Company is exposed to certain losses in the event of non-performance by the counterparties under the cap and swap arrangements. The counterparties are major financial institutions and are expected to perform fully under the agreements. However, if they were to default on their obligations under the arrangements, the Company could be required to pay the full rates under the Revolving Loans and the variable rate mortgages, even if such rates were in excess of the rate in the cap and swap agreements. In addition, the Company may incur other variable rate indebtedness in the future. Increases in interest rates on its indebtedness could increase the Company's interest expense and could adversely affect the Company's cash flow and its ability to pay expected distributions to stockholders.

On January 27, 1998, the Company sold 2,000,000 shares of Common Stock in an underwritten public offering for net proceeds of approximately \$68.2 million.

On February 2, 1998, the Operating Partnership sold \$125 million of 6.835% MOPPRSSM due February 1, 2013 and \$100 million of 7 1/8% notes due February 1, 2008.

On February 18, 1998, the Company sold an aggregate of 1,553,604 shares of Common Stock in two underwritten public offerings for net proceeds of approximately \$51.2 million.

On March 30, 1998, the Company sold 428,572 shares of Common Stock in an underwritten public offering for net proceeds of approximately \$14.2 million.

In anticipation of a 1998 debt offering, on September 17, 1997, the Company entered into a swap agreement with a notional amount of \$114 million that carried a fixed rate of 6.6%, which is a combination of the treasury rate plus the swap spread and the forward premium. The swap agreement was terminated on April 20, 1998.

Historically, rental revenue has been the principal source of funds to pay operating expenses, debt service and capital expenditures, excluding non-recurring capital expenditures. In addition, construction management, maintenance, leasing and management fees have provided sources of cash flow. Except for an \$8 million renovation

of the common areas of a 639,000-square foot property acquired from Associated Capital Properties, Inc., the Company presently has no plans for major capital improvements to the existing properties, other than normal recurring non-revenue enhancing expenditures. The Company expects to meet its short-term liquidity requirements generally through its working capital and net cash provided by operating activities along with the Revolving Loans. The Company expects to meet certain of its financing requirements through long-term secured and unsecured borrowings and the issuance of debt securities or additional equity securities of the Company and Operating Partnership. In addition, the Company anticipates utilizing the Revolving Loans primarily to fund construction and development activities. The Company does not intend to reserve funds to retire existing mortgage indebtedness or indebtedness under the Revolving Loans upon maturity. Instead, the Company will seek to refinance such debt at maturity or retire such debt through the issuance of equity or debt securities. The Company anticipates that its available cash and cash equivalents and cash flows from operating activities, together with cash available from borrowings and other sources, will be adequate to meet the capital and liquidity needs of the Company in both the short and long-term. However, if these sources of funds are insufficient or unavailable, the Company's ability to make the expected distributions discussed below may be adversely affected.

In order to qualify as a REIT for Federal income tax purposes, the Company is required to make distributions to its stockholders of at least 95% of REIT taxable income. The Company expects to use its cash flow from operating activities for distributions to stockholders and for payment of recurring, non-incremental revenue-generating expenditures. The Company intends to invest amounts accumulated for distribution in short-term investments. The following factors will affect cash flows from operating activities and, accordingly, influence the decisions of the Board of Directors regarding distributions: (i) debt service requirements after taking into account the repayment and restructuring of certain indebtedness; (ii) scheduled increases in base rents of existing leases; (iii) changes in rents attributable to the renewal of existing leases or replacement leases; (iv) changes in occupancy rates at existing properties and procurement of leases for newly acquired or developed properties; and (v) operating expenses and capital replacement needs.

Recent Developments

J.C. Nichols Transaction. The Company entered into a merger agreement on December 22, 1997 (as amended on April 29, 1998, the "Merger Agreement") with J.C. Nichols Company, a publicly traded Kansas City, Missouri real estate operating company ("J.C. Nichols"), pursuant to which the Company would acquire J.C. Nichols with the view that the Operating Partnership would combine its property operations with J.C. Nichols (the "J.C. Nichols Transaction"). J.C. Nichols is subject to the information requirements of the Securities Exchange Act of 1934, as amended, and, in accordance therewith, files reports and other information with the Securities and Exchange Commission.

J.C. Nichols owns or has an ownership interest in 27 office properties encompassing approximately 1.5 million rentable square feet, 13 industrial properties encompassing approximately 337,000 rentable square feet, 33 retail properties encompassing approximately 2.5 million rentable square feet and 16 multifamily communities with 1,816 apartment units in Kansas City, Missouri and Kansas. Additionally, J.C. Nichols has an ownership interest in 21 office properties encompassing approximately 1.3 million rentable square feet, one industrial property encompassing approximately 200,000 rentable square feet and one multifamily community with 418 apartment units in Des Moines, Iowa. As of December 31, 1997, the properties to be acquired in the J.C. Nichols Transaction were 95% leased.

Consummation of the J.C. Nichols Transaction is subject, among other things, to the approval of 66 2/3% of the shareholders of J.C. Nichols. Under the terms of the Merger Agreement, the Company would acquire all of the outstanding common stock, \$.01 par value, of J.C. Nichols ("J.C. Nichols Common Stock"). Under the Merger Agreement, J.C. Nichols shareholders may elect to receive between 1.84 and 2.03 shares of Common Stock or \$65 in cash for each share of J.C. Nichols Common Stock. However, the cash payment to J.C. Nichols shareholders cannot exceed 40% of the total consideration. To the extent the average of the daily average of the high and low sale price for the 20 trading days preceding the effective date of the merger (the "Value") of a share of Common Stock is \$35.36 or higher, J.C. Nichols shareholders may receive Common Stock worth more than \$65 per share of J.C. Nichols Common Stock; to the extent the Value of a share of Common Stock is under \$32.00, J.C. Nichols shareholders may receive Common Stock worth less than \$65 per share of J.C. Nichols Common Stock. The cost of the J.C. Nichols Transaction under the Merger Agreement is expected to be approximately \$570 million, including assumed debt of approximately \$250 million, net of cash of approximately \$65

million. The Merger Agreement provides for payment by J.C. Nichols to the Company of a termination fee and expenses of up to \$17.2 million if J.C. Nichols enters into an acquisition proposal other than the Merger Agreement and certain other conditions are met. The failure of J.C. Nichols shareholders to approve the J.C. Nichols Transaction, however, will not trigger the payment of a termination fee, except for a fee of \$2.5 million, if, among other things, J.C. Nichols enters into another acquisition proposal before December 22, 1998.

No assurance can be given that all or part of the J.C. Nichols Transaction will be consummated or that, if consummated, it would follow the terms set forth in the Merger Agreement. As of the date hereof, certain third parties have expressed an interest to J.C. Nichols and/or certain of its shareholders in purchasing all or a portion of the outstanding J.C. Nichols Common Stock at a price in excess of \$65 per share. No assurance can be given that a third party will not make an offer to J.C. Nichols or its shareholders to purchase all or a portion of the outstanding J.C. Nichols Common Stock at a price in excess of \$65 per share or that the board of directors of J.C. Nichols would reject any such offer. The Company and/or J.C. Nichols may terminate the Merger Agreement if the J.C. Nichols Transaction is not consummated by June 30, 1998.

The properties to be acquired in the J.C. Nichols Transaction include the Country Club Plaza in Kansas City, which covers 15 square blocks and includes 1.0 million square feet of retail space, 1.1 million square feet of office space and 462 apartment units. As of December 31, 1997, the Country Club Plaza was approximately 96% leased. The Country Club Plaza is presently undergoing an expansion and restoration expected to add 800,000 square feet of retail, office, hotel and residential space with an estimated cost of approximately \$240 million. Assuming consummation of the J.C. Nichols Transaction, the Company intends to complete the development in the Country Club Plaza previously planned by J.C. Nichols.

Assuming completion of the J.C. Nichols Transaction, the Company would succeed to the interests of J.C. Nichols in a strategic alliance with Kessinger/Hunter & Company, Inc. ("Kessinger/Hunter") pursuant to which Kessinger/Hunter manages and leases the office, industrial and retail properties presently owned by J.C. Nichols in the greater Kansas City metropolitan area. J.C. Nichols currently has a 30% ownership interest in the strategic alliance with Kessinger/Hunter and has two additional options to acquire up to a 65% ownership interest in the strategic alliance. Assuming completion of the J.C. Nichols Transaction, the Company would also succeed to the interests of J.C. Nichols in a strategic alliance with R&R Investors, Ltd. ("R&R") pursuant to which R&R manages and leases the properties in which J.C. Nichols has an ownership interest in Des Moines. J.C. Nichols has an ownership interest of 50% or more in each of the properties in Des Moines with R&R or its principal.

Easton-Babcock Transaction. The Company has entered into an agreement with The Easton-Babcock Companies, a real estate operating company in Miami, Florida ("Easton-Babcock"), pursuant to which the Company will combine its property operations with Easton-Babcock and acquire a portfolio of 11 industrial properties encompassing 1.8 million rentable square feet, three office properties encompassing 197,000 rentable square feet and 110 acres of land for development, of which 88 acres will be acquired over a three-year period (the "Easton-Babcock Transaction"). As of December 31, 1997, the industrial properties to be acquired in the Easton-Babcock Transaction were 88% leased and the office properties to be acquired in the Easton-Babcock Transaction were 50% leased. The cost of the Easton-Babcock Transaction is expected to be \$143 million (inclusive of the 88 acres of development land to be acquired over a three-year period) and will consist of an undetermined combination of the issuance of Common Units, the assumption of mortgage debt and a cash payment. Also in connection with the Easton-Babcock Transaction, the Company will issue to certain affiliates of Easton-Babcock warrants to purchase 926,000 shares of Common Stock at \$35.50 per share. Although the Easton-Babcock Transaction is expected to close by June 15, 1998, no assurance can be given that all or part of the transaction will be consummated.

April 29, 1998 Common Stock Offering On April 29, 1998, the Company sold 1,080,443 shares of Common Stock in an underwritten public offering for net proceeds of approximately \$34.6 million.

Series D Preferred Offering. On April 23, 1998, the Company sold 4,000,000 Depositary Shares (the "Depositary Shares"), each representing 1/10 of a share of the Company's 8% Series D Cumulative Redeemable Preferred Shares, par value \$.01 per share (the "Series D Preferred Shares"), for net proceeds of approximately \$96.7 million (the "Series D Preferred Offering"). Dividends on the Series D Preferred Shares represented by the Depositary Shares will be cumulative from the date of original issuance and will be payable quarterly on or about the last day of January, April, July and October of each year, commencing July 31, 1998, at the rate of 8% of the

liquidation preference per annum (equivalent to \$2.00 per annum per Depositary Share). The Series D Preferred Shares and the Depositary Shares representing such Series D Preferred Shares are not redeemable prior to April 23, 2003. The Series D Preferred Shares are thereafter subject to redemption by the Company, in whole or in part, at a redemption price of \$250 per share (equivalent to \$25 per Depositary Share), plus accrued and unpaid dividends, if any, thereon. The redemption price (other than the portion thereof consisting of accrued and unpaid dividends) is payable solely out of the sale proceeds of other capital stock of the Company, which may include other series of preferred stock, and from no other source.

With respect to the payment of dividends and amounts upon liquidation, the Series D Preferred Shares will rank *pari passu* with the Company's 8 3/8% Series A Cumulative Redeemable Preferred Shares (the "Series A Preferred Shares") and 8% Series B Cumulative Redeemable Preferred Shares (the "Series B Preferred Shares") and any other equity securities of the Company the terms of which provide that such equity securities rank on a parity with the Series D Preferred Shares and rank senior to the Common Stock and any other equity securities of the Company that by their terms rank junior to the Series D Preferred Shares. Dividends on the Series D Preferred Shares will accrue whether or not the Company has earnings, whether or not there are funds legally available for the payment of such dividends and whether or not such dividends are declared. The Series D Preferred Shares have a liquidation preference of \$250 per share (equivalent to \$25 per Depositary Share), plus an amount equal to any accrued and unpaid dividends.

April 1998 Debt Offering. On April 20, 1998, the Operating Partnership sold \$200 million of 7 1/2% notes due April 15, 2018 (the "2018 Notes") in an underwritten public offering for net proceeds of approximately \$197.4 million. Interest on the 2018 Notes is payable semi-annually on April 15 and October 15 of each year, commencing October 15, 1998. The Company used a portion of the net proceeds from the offering to settle the \$114 million notional treasury lock described above.

April 21, 1998 Common Stock Offering. On April 21, 1998, the Company sold 441,176 shares of Common Stock in an underwritten public offering for net proceeds of approximately \$14.2 million.

Swap Agreements. In anticipation of a 1998 debt offering, on April 3, 1998, the Company entered into a swap agreement with a notional amount of \$50 million. The swap agreement has a termination date of July 2, 1998, and carries a fixed rate of 5.5%, which is a combination of the treasury rate plus the swap spread and the forward premium.

In anticipation of a 1998 debt offering, on April 3, 1998, the Company entered into a swap agreement with a notional amount of \$100 million. The swap agreement has a termination date of October 2, 1998, and carries a fixed rate of 5.5%, which is a combination of the treasury rate plus the swap spread and the forward premium.

In anticipation of a 1999 debt offering, on April 30, 1998, the Company entered into a swap agreement with a notional amount of \$50 million. The swap agreement has a termination date of January 5, 1999, and carries a fixed rate of 5.7%, which is a combination of the treasury rate plus the swap spread and the forward premium.

Funds From Operations and Cash Available for Distributions

The Company considers Funds from Operations ("FFO") to be a useful financial performance measure of its operating performance because, together with net income and cash flows, FFO provides investors with an additional basis to evaluate its ability to incur and service debt and to fund acquisitions and other capital expenditures. FFO does not represent net income or cash flows from operations as defined by GAAP, and FFO should not be considered as an alternative to net income as an indicator of the Company's operating performance or as an alternative to cash flows as a measure of liquidity. FFO does not measure whether cash flow is sufficient to fund all of the Company's cash needs including principal amortization, capital improvements and distributions to stockholders. FFO does not represent cash flows from operating, investing or financing activities as defined by GAAP. Further, FFO as disclosed by other REITs may not be comparable to the Company's calculation of FFO, as described below.

FFO is defined as net income (computed in accordance with generally accepted accounting principles) excluding gains (or losses) from debt restructuring and sales of property, plus depreciation of real estate assets, and after adjustments for unconsolidated partnerships and joint ventures. In March 1995, the National Association of Real Estate Investment Trusts ("NAREIT") issued a clarification of the definition of FFO. The clarification provides that amortization of deferred financing costs and depreciation of non-real estate assets are no longer

to be added back to net income in arriving at FFO. Cash available for distribution is defined as funds from operations reduced by non-revenue enhancing capital expenditures for building improvements and tenant improvements and lease commissions related to second generation space.

Funds from operations and cash available for distribution for the three months ended March 31, 1998 and 1997 are summarized in the following table (in thousands):

	Three Months Ended March 31,	
	1998	1997
Funds from Operations:		
Income before minority interest and extraordinary item	\$ 34,037	\$ 19,554
Add (deduct):		
Dividends to preferred shareholders	(6,145)	(1,407)
Depreciation and amortization	17,161	9,310
Third-party service company cash flow	--	--
Funds from operations before minority interest	45,053	27,457
Cash Available for Distribution:		
Add (deduct):		
Rental income from straight-line rents	(3,116)	(1,230)
Amortization of deferred financing costs	616	575
Non-incremental revenue generating capital expenditures (1):		
Building improvements paid	(1,019)	(1,070)
Second generation tenant improvements paid	(2,436)	(1,371)
Second generation lease commissions paid	(1,726)	(1,091)
Cash available for distribution	\$ 37,372	\$ 23,270
Weighted average common shares/Common Units outstanding -- Basic (2)	59,598	41,758
Weighted average common shares/Common Units outstanding -- Diluted (2)	60,235	42,120
Dividend payout ratio:		
Funds from operations	67.5%	73.0%
Cash available for distribution	81.3%	86.1%

(1) Amounts represent cash expenditures.

(2) Assumes redemption of Common Units for shares of Common Stock. Minority interest Common Unit holders and the stockholders of the Company share equally on a per share and per Common Unit basis; therefore, the resultant per share information is unaffected by the conversion.

On April 27, 1998, the Company's Board of Directors declared a dividend of \$.51 per share (\$2.04 on an annualized basis) payable on May 20, 1998 to stockholders of record on May 7, 1998.

Disclosure Regarding Forward-Looking Statements

This Report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements are identified by words such as "expect," "anticipate," "should" and words of similar import. Forward-looking statements are inherently subject to risks and uncertainties, many of which cannot be predicted with accuracy and some of which might not even be anticipated. Future events and actual results, financial and otherwise, may differ materially from the results discussed in the forward-looking statements. Factors that might cause such a difference include, but are not limited to, those discussed in the Company's Annual Report on Form 10-K for the year ended December 31, 1997.

Property Information

The following table sets forth certain information with respect to the Company's properties as of March 31, 1998 and 1997:

March 31, 1998	Rentable Square Feet	Number of Properties	Percent Leased/ Pre-Leased
-----	-----	-----	-----
In-Service:			
Office	26,501,000	382	94%
Industrial	7,429,000	148	90
	-----	---	--
Total	33,930,000	530	93%
	=====	===	==
Under Development:			
Office	3,182,000	27	53%
Industrial	396,000	5	25
	-----	---	--
Total	3,578,000	32	50%
	=====	===	==
Total:			
Office	29,683,000	409	
Industrial	7,825,000	153	
	-----	---	--
Total	37,508,000	562	
	=====	===	
March 31, 1997			

In-Service:			
Office	13,972,000	208	94%
Industrial	7,030,000	137	90
	-----	---	--
Total	21,002,000	345	93%
	=====	===	==
Under Development:			
Office	947,000	14	51%
Industrial	595,000	6	26
	-----	---	--
Total	1,542,000	20	41%
	=====	===	==
Total:			
Office	14,919,000	222	
Industrial	7,625,000	143	
	-----	---	--
Total	22,544,000	365	
	=====	===	

The following table sets forth certain information with respect to the Company's properties under development as of March 31, 1998:

Name	Location	Square Footage	Budgeted Cost	Cost at 3/31/98	Pre-Leasing Percentage(1)	Estimated Completion
Office:						
Ridgefield III	Asheville	57,000	\$ 5,485	\$ 2,024	26%	2Q98
2400 Century Center	Atlanta	135,000	16,195	8,667	--	2Q98
10 Glenlakes	Atlanta	254,000	35,135	4,596	--	4Q98
Automatic Data						
Processing	Baltimore	110,000	12,400	5,434	100	3Q98
Highwoods I	Baltimore	125,000	13,800	2,393	--	2Q99
BB & T(2)	Greenville	71,000	5,851	3,093	100	2Q98
Patewood VI	Greenville	107,000	11,360	6,846	15	2Q98
Colonnade	Memphis	89,000	9,400	7,750	93	2Q98
Southwind C	Memphis	74,000	7,657	1,322	67	4Q98
Harpeth V	Nashville	65,000	6,900	4,662	66	2Q98
Lakeview Ridge II	Nashville	61,000	6,000	4,447	79	2Q98
Southpointe	Nashville	104,000	10,878	5,766	61	2Q98
Caterpillar Financial						
Center	Nashville	313,000	54,000	--	62	1Q00
C N A	Orlando	180,000	24,408	--	95	1Q99
Hard Rock	Orlando	63,000	7,000	--	100	4Q98
Concourse Center One	Piedmont Triad	86,000	8,415	701	--	1Q99
RMIC	Piedmont Triad	90,000	7,650	5,324	100	2Q98
Clintrials	Research Triangle	178,000	21,490	14,626	100	2Q98
Situs II	Research Triangle	59,000	5,857	2,137	--	2Q98
Highwoods Centre	Research Triangle	76,000	8,327	2,401	50	3Q98
Overlook	Research Triangle	97,000	10,307	2,451	--	4Q98
Red Oak	Research Triangle	65,000	6,394	1,153	--	3Q98
Markel-American	Richmond	106,000	10,650	7,933	55	2Q98
Highwoods V	Richmond	67,000	6,620	4,830	100	2Q98
Interstate Corporate						
Center(2)	Tampa	309,000	15,600	8,498	26	4Q98
Intermedia (Sabal) Phase I	Tampa	120,500	12,500	3,578	100	4Q98
Intermedia (Sabal) Phase II	Tampa	120,500	13,000	662	100	1Q00
Office Total or Weighted Average		3,182,000	\$353,279	\$111,294	53%	
		=====	=====	=====	===	
Industrial:						
Chastain II & III	Atlanta	122,000	\$ 4,686	\$ 1,325	14%	3Q98
Tradeport 1	Atlanta	87,000	3,070	1,871	--	2Q98
Tradeport 2	Atlanta	87,000	3,070	1,871	--	2Q98
Air Park South Warehouse						
I	Piedmont Triad	100,000	2,929	1,382	80	2Q98
Industrial Total or Weighted Average		396,000	\$ 13,755	\$ 6,449	25%	
		=====	=====	=====	===	
Total or Weighted Average		3,578,000	\$367,034	\$117,743	50%	
		=====	=====	=====	===	
Summary By Estimated Completion Date:						
Second Quarter 1998		1,463,000	\$133,405	\$ 83,229	56%	
Third Quarter 1998		373,000	31,807	10,313	44	
Fourth Quarter 1998		917,500	88,199	20,445	34	
First Quarter 1999		266,000	32,823	701	64	
Second Quarter 1999		125,000	13,800	2,393	--	
First Quarter 2000		433,500	67,000	662	73	
Total or Weighted Average		3,578,000	\$367,034	\$117,743	50%	
		=====	=====	=====	===	

(1) Includes letters of intent

(2) Redevelopment Project

The following tables set forth certain information about the Company's leasing activities for the three months ended March 31, 1998 and 1997.

	Three Months Ended March 31, 1998		Three Months Ended March 31, 1997	
	Office	Industrial	Office	Industrial
Net Effective Rents Related to Re-Leased Space:				
Number of lease transactions (signed leases)	242	66	112	55
Rentable square footage leased	966,990	308,787	738,461	612,175
Average per rentable square foot over the lease term:				
Base rent	\$ 15.54	\$ 6.35	\$ 15.47	\$ 5.12
Tenant improvements	(0.70)	(0.38)	(1.08)	(0.20)
Leasing commissions	(0.30)	(0.15)	(0.40)	(0.15)
Rent concessions	(0.03)	--	(0.02)	(0.01)
Effective rent	\$ 14.51	\$ 5.82	\$ 13.97	\$ 4.76
Expense stop(1)	(4.35)	(0.43)	(3.62)	(0.22)
Equivalent effective net rent	\$ 10.16	\$ 5.39	\$ 10.35	\$ 4.54
Average term in years	5	3	5	3
Capital Expenditures Related to Re-leased Space:				
Tenant Improvements:				
Total dollars committed under signed leases	\$3,717,938	\$533,334	\$3,745,604	\$398,591
Rentable square feet	966,990	308,787	738,461	612,175
Per rentable square foot	\$ 3.84	\$ 1.73	\$ 5.07	\$ 0.65
Leasing Commissions:				
Total dollars committed under signed leases	\$1,349,444	\$153,967	\$1,395,209	\$305,492
Rentable square feet	966,990	308,787	738,461	612,175
Per rentable square foot	\$ 1.40	\$ 0.50	\$ 1.89	\$ 0.50
Total:				
Total dollars committed under signed leases	\$5,067,382	\$687,301	\$5,140,813	\$704,083
Rentable square feet	966,990	308,787	738,461	612,175
Per rentable square foot	\$ 5.24	\$ 2.23	\$ 6.96	\$ 1.15
Rental Rate Trends:				
Number of leases commenced during period	242	66	112	55
Average final rate with expense pass throughs	\$ 13.56	\$ 5.77	\$ 13.59	\$ 5.12
Average first year cash rental rate	\$ 14.65	\$ 6.09	\$ 14.36	\$ 5.35
Percentage increase	8.04%	5.55%	5.67%	4.49%

(1) "Expense stop" represents operating expenses (generally including taxes, utilities, routine building expense and common area maintenance) for which the Company will not be reimbursed by the tenants.

The following tables set forth scheduled lease expirations for executed leases as of March 31, 1998 assuming no tenant exercises renewal options.

Office Properties:

Year of Lease Expiration	Number of Leases	Total Rentable Square Feet Expiring	Percentage of Leased Square Footage Represented by Expiring Leases	Annual Rents Under Expiring Leases (1)	Average Annual Rental Rate Per Square Foot for Expirations (1)	Percentage of Leased Rents Represented by Expiring Leases
Remainder of 1998	801	3,326,553	13.5%	\$ 50,454,459	\$ 15.17	13.4%
1999	723	3,524,034	14.3	51,748,926	14.68	13.8
2000	749	3,793,344	15.3	58,752,895	15.49	15.6
2001	505	3,493,295	14.1	54,260,235	15.53	14.5
2002	487	3,526,602	14.3	54,860,834	15.56	14.7
2003	161	1,715,247	6.9	25,341,844	14.77	6.7
2004	67	1,168,541	4.7	18,366,011	15.72	4.9
2005	52	951,742	3.9	13,390,349	14.07	3.6
2006	35	1,007,727	4.1	15,184,041	15.07	4.0
2007	21	539,329	2.2	8,745,876	16.22	2.3
Thereafter	39	1,642,967	6.7	24,516,911	14.92	6.5
	---	---	---	---	---	---
Total or average	3,640	24,689,381	100.0%	\$375,622,381	\$ 15.21	100.0%
	=====	=====	=====	=====	=====	=====

Industrial Properties:

Year of Lease Expiration	Number of Leases	Total Rentable Square Feet Expiring	Percentage of Leased Square Footage Represented by Expiring Leases	Annual Rents Under Expiring Leases (1)	Average Annual Rental Rate Per Square Foot for Expirations (1)	Percentage of Leased Rents Represented by Expiring Leases
Remainder of 1998	206	1,537,953	22.9%	\$ 8,468,579	\$ 5.51	22.7%
1999	159	1,308,279	19.5	7,457,046	5.70	19.9
2000	147	1,336,068	19.9	8,193,225	6.13	21.9
2001	75	671,101	10.0	4,097,358	6.11	11.0
2002	59	1,180,033	17.6	5,244,002	4.44	14.0
2003	21	228,322	3.4	1,446,961	6.34	3.9
2004	5	104,369	1.6	602,516	5.77	1.6
2005	4	33,832	0.5	290,630	8.59	0.8
2006	2	196,600	2.9	882,636	4.49	2.4
2007	1	19,125	0.3	238,680	12.48	0.6
Thereafter	1	95,545	1.4	464,826	4.86	1.2
	---	---	---	---	---	---
Total or average	680	6,711,227	100.0%	\$37,386,459	\$ 5.57	100.0%
	===	=====	=====	=====	=====	=====

(1) Includes operating expense pass throughs and excludes the effect of future contractual rent increases.

Inflation

Historically inflation has not had a significant impact on the Company's operations because of the relatively low inflation rate in the Company's geographic areas of operation. Most of the leases require the tenants to pay their pro rata share of increased incremental operating expenses, including common area maintenance, real estate taxes and insurance, thereby reducing the Company's exposure to increases in operating expenses resulting from inflation. In addition, many of the leases are for terms of less than seven years, which may enable the Company to replace existing leases with new leases at a higher base rent if rents on the existing leases are below the market rate.

PART II -- OTHER INFORMATION

Item 1. Legal Proceedings -- None

Item 2. Changes in Securities and Use of Proceeds -- None

Item 3. Defaults Upon Senior Securities -- None

Item 4. Submission of Matters to a Vote of Security Holders -- None

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit No.	Description
3(1)	Amended and Restated Articles of Incorporation
4.1(2)	Form of certificate representing 8% Series D Cumulative Redeemable Preferred Shares
4.2(2)	Deposit Agreement, dated April 23, 1998, between the Company and First Union National Bank, as preferred share depository
4.3(2)	Form of Depositary Receipt evidencing the Depositary Shares that each represent 1/10 of an 8% Series D Cumulative Redeemable Preferred Share
10(2)	Amendment to Amended and Restated Agreement of Limited Partnership of the Operating Partnership
27	Financial Data Schedule

(1) Filed as part of the Company's current report on Form 8-K dated September 25, 1997 and amended by articles supplementary filed as part of the Company's current report on Form 8-K dated October 4, 1997 and articles supplementary filed as part of the Company's current report on Form 8-K dated April 20, 1998, each of which is incorporated herein by reference.

(2) Filed as part of the Company's current report on Form 8-K dated April 20, 1998 and incorporated herein by reference.

(b) Reports on Form 8-K

On January 6, 1998, the Company filed a current report on Form 8-K, dated December 22, 1997, reporting under item 5 of the Form that it had entered into a merger agreement with J.C. Nichols Company.

On January 22, 1998, the Company filed a current report on Form 8-K, dated January 22, 1998, setting forth under items 5 and 7 of the Form certain pro forma financial information in connection with (i) an agreement by the Company to sell 2,000,000 shares of common stock and (ii) an offering by the Operating Partnership to sell an aggregate of \$200 million of unsecured debt.

On February 2, 1998, the Company filed a current report on Form 8-K, dated February 2, 1998, setting forth under items 5 and 7 of the Form certain exhibits in connection with the sale by the Operating Partnership of an aggregate of \$225 million of unsecured debt.

On February 3, 1998, the Company filed a current report on Form 8-K, dated November 17, 1997, setting forth under items 5 and 7 of the Form audited financial statements of Shelton Properties, Riparius Properties and Winners Circle for the year ended December 31, 1996.

On April 24, 1998, the Company filed a current report on Form 8-K, dated April 20, 1998, setting forth under items 5 and 7 of the Form certain exhibits in connection with (i) the sale by the Operating Partnership of \$200 million of unsecured debt and (ii) the sale by the Company of 4,000,000 Depositary Shares, each representing 1/10 of an 8% Series D Cumulative Redeemable Preferred Share.

On April 28, 1998, the Company filed an amendment to its current report on Form 8-K, dated January 9, 1997, which reported under item 2 of the Form the Company's acquisition of the Century Center portfolio and Anderson Properties, Inc. The report included financial statements with respect to Century Center Group dated January 9, 1997 and financial statements with respect to Anderson Properties, Inc. dated January 23, 1997.

On May 4, 1998, the Company filed a current report on Form 8-K, dated April 29, 1997, setting forth under items 5 and 7 of the Form an amendment to its merger agreement with J.C. Nichols Company.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HIGHWOODS PROPERTIES, INC.

/s/ RONALD P. GIBSON

Ronald P. Gibson
President and Chief Executive Officer

/s/ CARMAN J. LIUZZO

Carman J. Liuzzo
Chief Financial Officer
(Principal Accounting Officer)

Date: May 15, 1998

EXHIBIT INDEX

Exhibit No.	Description
3(1)	Amended and Restated Articles of Incorporation
4.1(2)	Form of certificate representing 8% Series D Cumulative Redeemable Preferred Shares
4.2(2)	Deposit Agreement, dated April 23, 1998, between the Company and First Union National Bank, as preferred share depositary
4.3(2)	Form of Depositary Receipt evidencing the Depositary Shares that each represent 1/10 of an 8% Series D Cumulative Redeemable Preferred Share
10(2)	Amendment to Amended and Restated Agreement of Limited Partnership of the Operating Partnership
27	Financial Data Schedule

(1) Filed as part of the Company's current report on Form 8-K dated September 25, 1997 and amended by articles supplementary filed as part of the Company's current report on Form 8-K dated October 4, 1997 and articles supplementary filed as part of the Company's current report on Form 8-K dated April 20, 1998, each of which is incorporated herein by reference.

(2) Filed as part of the Company's current report on Form 8-K dated April 20, 1998 and incorporated herein by reference.

ARTICLE 5

PERIOD TYPE	3 MOS
FISCAL YEAR END	DEC 31 1998
PERIOD START	JAN 01 1998
PERIOD END	MAR 31 1998
CASH	42,436,000
SECURITIES	0
RECEIVABLES	32,276,000
ALLOWANCES	0
INVENTORY	0
CURRENT ASSETS	86,113,000
PP&E	3,102,028,000
DEPRECIATION	103,489,000
TOTAL ASSETS	3,131,732,000
CURRENT LIABILITIES	61,640,000
BONDS	1,231,099,000
PREFERRED MANDATORY	0
PREFERRED	297,500,000
COMMON	510,000
OTHER SE	1,540,983,000
TOTAL LIABILITY AND EQUITY	3,131,732,000
SALES	100,331,000
TOTAL REVENUES	102,488,000
CGS	29,728,000
TOTAL COSTS	46,889,000
OTHER EXPENSES	3,784,000
LOSS PROVISION	0
INTEREST EXPENSE	17,778,000
INCOME PRETAX	34,037,000
INCOME TAX	0
INCOME CONTINUING	28,429,000
DISCONTINUED	0
EXTRAORDINARY	46,000
CHANGES	0
NET INCOME	22,238,000
EPS PRIMARY	.45
EPS DILUTED	.45

End of Filing

Powered By **EDGAR**
Online

© 2005 | EDGAR Online, Inc.