

HIGHWOODS PROPERTIES INC

FORM 8-K

(Unscheduled Material Events)

Filed 7/6/2005 For Period Ending 7/6/2005

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

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SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 8-K

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

Date of Report (Date of earliest event reported): July 6, 2005

HIGHWOODS PROPERTIES, INC.

(Exact name of registrant specified in its charter)

North Carolina
(State of Formation)

0-21731
(Commission File Number)

56-1869557
(IRS Employer
Identification No.)

**3100 Smoketree Court
Suite 600
Raleigh, North Carolina 27604**
(Address of principal executive offices, zip code)

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.02. Results of Operations and Financial Condition

On July 6, 2005, Highwoods Properties, Inc., the general partner of Highwoods Realty Limited Partnership, issued a press release announcing its financial results for the year ended December 31, 2004 and the three months ended March 31, 2005. This press release is attached hereto as Exhibit 99.1. In addition, we posted on our web site supplemental information regarding our financial results for the year ended December 31, 2004 and the three months ended March 31, 2005, a copy of which is attached hereto as Exhibit 99.2.

Exhibit**Description**

99.1	Press Release, dated July 6, 2005
99.2	Supplemental financial and operating information of Highwoods Properties, Inc. for the year ended December 31, 2004 and the three months ended March 31, 2005.

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.

By: /s/ Terry L. Stevens

Terry L. Stevens
Vice President, Chief Financial Officer and Treasurer

Dated: July 6, 2005

Exhibit 99.1

**FOR IMMEDIATE RELEASE**

Ref: 05-xx

Contact: Tabitha Zane
Sr. Director, Investor Relations
919-431-1529

Highwoods Properties Reports First Quarter 2005 Financial Results
Full-Year and Quarterly 2004 and 2003 Restated Financial Results
Also Reported

Raleigh, NC – July 6, 2005 – Highwoods Properties, Inc. (NYSE: HIW) , the largest owner and operator of suburban office properties in the Southeast, today reported financial results for the first quarter of 2005, the fourth quarter of 2004 and the full year of 2004. The Company also reported restated financial results for 2003 and the first, second and third quarters of 2004. All financial information presented in this news release is on a restated and consistent basis for all periods.

The Company will file its Form 10-K for the year ended December 31, 2004 and its Form 10-Q for the quarter ended March 31, 2005 as soon as possible. This Form 10-K will include restated financial results for fiscal years 2002 and 2003 and restated quarterly results for 2003 and 2004. The Company expects that Ernst & Young LLP, its independent auditor, will issue an unqualified opinion on the Company's 2004 and restated 2003 and 2002 consolidated financial statements that will be included in the 2004 Form 10-K.

Ed Fritsch, President and Chief Executive Officer of Highwoods Properties, stated, "We are pleased to have completed our 2004 year-end and first quarter 2005 financial results. It was a detailed and lengthy process but an important one and we remain committed to excellence and reliability in our financial reporting. In line with our previously disclosed expectations, the cumulative impact of the restatement on historical net income and Funds from Operations for this three-year period was \$0.06 and \$0.08 per diluted share, respectively. These restatement adjustments did not impact cash and relate to transactions or practices that go back a number of years. Going forward, the impact of these non-cash accounting adjustments is expected to reduce annual FFO by \$0.02 to \$0.03 per share, again in line with our previously disclosed expectations."

First Quarter 2005 Financial Results

For the three months ended March 31, 2005, the Company reported net income attributable to common stockholders of \$12.6 million, or \$0.24 per diluted share, compared to a net loss of \$2.8 million, or \$0.05 per diluted share, for the same quarter last year. Net income in the first quarter of 2005 was impacted by \$16.0 million of gains on sales of properties, which included \$5.4 million recorded in discontinued operations, offset by \$2.6 million of impairment charges on land.

Funds from operations (“FFO”) was \$36.2 million, or \$0.60 per diluted share, for the quarter ended March 31, 2005 compared with first quarter 2004 FFO of \$30.1 million, or \$0.50 per diluted share. First quarter 2005 net income and FFO benefited from \$2.6 million, or \$0.04 per share, in lease termination fee income; this was offset by an impairment charge related to land totaling \$2.6 million, or \$0.04 per share. Financial results for the first quarter 2005 also include revenue from U.S. Airways for the entire three month period, which contributed \$0.01 per diluted share to FFO.

2004 Financial Results

For the full year ended December 31, 2004, the Company reported net income attributable to common stockholders of \$9.1 million, or \$0.17 per diluted share. This compares to net income of \$15.8 million, or \$0.30 per diluted share, for the year ended December 31, 2003. FFO was \$126.8 million, or \$2.11 per diluted share, for the year ended December 31, 2004, compared with \$147.1 million, or \$2.46 per diluted share, for 2003. FFO was impacted by a number of charges and credits in 2003 and 2004, as noted in the financial tables that follow.

Restatement Results

As previously disclosed by the Company on May 26, 2005, as a result of the preparation of its 2004 financial statements, the related audit by its independent auditors and the previously disclosed review of its lease accounting practices, the Company identified several adjustments impacting 2004 and prior periods that needed to be recorded by restating prior period results. The restatement adjustments related primarily to 1) lease incentives, 2) depreciation and amortization, 3) straight-line rent expense on a ground lease and 4) capitalization of internal costs.

The effects of these adjustments on previously reported periods are shown in the attached financial tables. The cumulative impact of these adjustments for 2002, 2003 and 2004 reduced aggregate net income by \$3.1 million, or \$0.06 per diluted share. This represented approximately 1.9% of total net income during this three-year period. The total effect on net income for periods prior to 2002 was approximately \$4.9 million, or \$0.08 per diluted share.

The cumulative impact of these adjustments for 2002, 2003 and 2004 reduced aggregate FFO by \$4.8 million, or \$0.08 per diluted share. This represented approximately 1.1% of total FFO during this three-year period. The total effect on FFO for periods prior to 2002 was approximately \$3.7 million, or \$0.06 per diluted share.

These accounting adjustments on a net basis are not expected to have any material continuing effects on net income in future periods. FFO in future periods is expected to be reduced by approximately \$0.02 to \$0.03 per diluted share per year, primarily from the reclassification of lease incentive amortization.

Strategic Management Plan Update

Mr. Fritsch stated, "We continue to make strong progress towards achieving the goals outlined in our Strategic Management Plan. A key focus this year was the disposition of \$100 million to \$300 million of non-core assets. As of today, the Company has sold or contracted to sell approximately \$329.1 million of assets, including all of our wholly-owned properties in Charlotte. We expect to close our division office in Charlotte after the sale is closed, which should save approximately \$500,000 annually in net general and administrative expenses. Occupancy will also be positively impacted by 160 basis points directly as a result of asset sales that recently closed and those expected to close later this year as well as new development that will be put into service by year end."

"Our progress at Highwoods Preserve in Tampa, Florida has also been extremely gratifying. Over the past 12 months, we have leased or sold 700,000 square feet, or 89% of this campus. This includes our recently announced sale of Buildings II and IV to MetLife for \$24.5 million which closed on June 30, 2005. Our initial investment in Highwoods Preserve was approximately \$103.7 million and we estimate that, based on sales, current leases and anticipated lease transactions for the remaining 91,000 square feet in Building V, and including the \$14.5 million settlement from WorldCom in 2004, the proceeds received plus the implied fair value of the remaining owned assets would approximate \$106 million."

“Strengthening our balance sheet is another key focus and, as disclosed on June 6, 2005, we anticipate using a substantial amount of the \$255 million net sales proceeds from the sale of our Charlotte portfolio and Tampa Sabal Park assets to repurchase and/or redeem some of our outstanding high-coupon preferred stock. A portion of these sales proceeds will also be used to pay off a \$26.2 million, 8.2% secured loan that is callable on August 15, 2005 and to pay down our revolving credit facility.”

“Our development pipeline is robust, with 721,000 square feet of wholly-owned properties that are 99% leased under construction and are expected to be delivered in late 2005. We anticipate undertaking \$45 million to \$50 million of additional new, multi-tenant office development in the second half of this year, as we move towards our long-term goal of \$200 million to \$300 million of new development starts by the end of 2007.”

“I am extremely pleased with our progress to date and applaud all of our employees for their hard work over the past six months. We remain focused and driven and I am confident we will meet or exceed the three-year goals established in our plan.”

Outlook

The Company also refined its guidance for 2005, which was originally published on January 5, 2005. At that time the Company announced that it expected FFO per share to be in the range of \$2.25 to \$2.35. Today, the Company believes FFO per share for 2005 will be in the range of \$2.30 to \$2.35. This estimate continues to reflect management’s view of current and future market conditions, including assumptions with respect to rental rates, occupancy levels, operating expenses and asset dispositions and acquisitions and excludes any revenue from US Airways from August 2005 through the remainder of the year. This estimate also excludes any asset gains or impairments associated with actual or potential property dispositions, as well as any one-time, non-recurring charges or credits that may occur during the year.

Non-GAAP Information

We believe that FFO and FFO per share are beneficial to management and investors as important indicators of the performance of an equity REIT. FFO and FFO per share can facilitate comparisons of operating performance between periods and between other REITs because they exclude factors, such as depreciation, amortization and gains and losses from sales of real estate assets, which can vary among owners of identical assets in similar condition based on historical cost accounting and useful life estimates. FFO and FFO per share as disclosed by other REITs may not be comparable to our calculations of FFO and FFO per share. CAD is another useful financial performance measure of an equity REIT. CAD provides an additional basis to evaluate the ability of a REIT to incur and service debt, fund acquisitions and other capital expenditures and pay distributions. CAD does not measure whether cash flow is sufficient to fund all cash needs. FFO, FFO per share and CAD are non-GAAP financial measures and do not represent net income or cash flows from operating, investing or financing activities as defined by GAAP. They should not be considered as alternatives to net income as indicators of our operating performance or to cash flows as measures of liquidity. Furthermore, FFO per share does not depict the amount that accrues directly to the stockholders’ benefit.

FFO is defined by NAREIT as net income or loss, excluding gains or losses from sales of depreciated property, plus operating property depreciation and amortization and adjustments for minority interest and unconsolidated companies on the same basis. As clarified by NAREIT in October 2003, impairment losses on depreciable real estate assets are included in FFO. Our calculation of actual FFO results is consistent with FFO as defined by NAREIT.

Supplemental Information

A copy of the Company's first quarter 2005 Supplemental Information that includes detailed financial information for is available in the "Investor Relations/Quarterly Earnings" section of the Company's Web site at www.highwoods.com. Detailed operational information for 2004 and first quarter 2005 was previously provided in the Company's prior Supplemental Information packages which are available on the Company's website. This current Supplemental, together with this release, has been furnished to the Securities and Exchange Commission on Form 8-K. You may also obtain a copy of all Supplemental Information published by the Company by contacting Highwoods Investor Relations at 919-875-6717 / 800-256-2963 or by e-mail to HIW-IR@highwoods.com. If you would like to receive future Supplemental Information packages by e-mail, please contact the Investor Relations department as noted above or by written request to: Investor Relations Department, Highwoods Properties, Inc., 3100 Smoketree Court, Suite 600, Raleigh, NC 27604.

Conference Call

Highwoods will conduct a conference call to discuss these financial results at 11 a.m. Eastern time today, July 6, 2005. For US/Canada callers, dial (888) 202-5268 and international callers dial (706) 643-7509. A live listen-only Web cast can be accessed through the Company's Web site at www.highwoods.com under the "Investor Relations" section.

Telephone and Web cast replays will be available two hours after the completion of the call. The telephone replay will be available for one week beginning at 7:00 p.m. Eastern time. Dial-in numbers for the replay are (800) 642-1687 US/Canada, (706) 645-9291 international. The conference ID is 2216644.

About the Company

Highwoods Properties, Inc., a member of the S&P MidCap 400 Index, is a fully integrated, self-administered real estate investment trust ("REIT") that provides leasing, management, development, construction and other customer-related services for its properties and for third parties. As of March 31, 2005, the Company owned or had an interest in 504 in-service office, industrial and retail properties encompassing approximately 39.5 million square feet. Highwoods also owns 1,123 acres of development land. Highwoods is based in Raleigh, North Carolina, and its properties and development land are located in Florida, Georgia, Iowa, Kansas, Maryland, Missouri, North Carolina, South Carolina, Tennessee and Virginia. For more information about Highwoods Properties, please visit our Web site at www.highwoods.com.

Certain matters discussed in this press release, such as the effect of tenant bankruptcies on our operations, anticipated continuing compliance with debt agreements, expected leasing and financing activities and financial and operating performance and the cost and timing of expected development projects and asset dispositions, are forward-looking statements within the meaning of the federal securities laws. These statements are distinguished by use of the words "will", "expect", "intends" and words of similar meaning. Although Highwoods believes that the expectations reflected in such forward-looking statements are based upon reasonable assumptions, it can give no assurance that its expectations will be achieved.

Factors that could cause actual results to differ materially from Highwoods' current expectations include, among others, the following: the financial condition of our customers could deteriorate; unwaived defaults, if any, under our debt instruments could result in an acceleration of some of our outstanding debt; speculative development by others could result in excessive supply of office properties relative to customer demand; we may not be able to lease or re-lease space quickly or on as favorable terms as old leases; unexpected difficulties in obtaining additional capital to satisfy our future cash needs or unexpected increases in interest rates would increase our debt service costs; and others detailed in the Company's amended 2003 Annual Report on Form 10-K and subsequent SEC reports.

Financial Tables Follow

Net income for 2004 and 2003 on a quarterly basis is shown in the table below:

	1Q	2Q	3Q	4Q	Year
2004					
Net income (loss) allocable to Common shareholders – (\$000)	\$ (2,777)	\$ (2,319)	\$13,398	\$ 827	\$ 9,129
Net income (loss) per diluted share	\$ (0.05)	\$ (0.04)	\$ 0.25	\$ 0.02	\$ 0.17
2003					
Net income (loss) allocable to Common shareholders – (\$000)	\$(12,091)	\$ 775	\$23,909	\$ 3,227	\$ 15,820
Net income (loss) per diluted share	\$ (0.23)	\$ 0.01	\$ 0.45	\$ 0.06	\$ 0.30

FFO for 2004 and 2003 on a quarterly basis is shown in the table below:

	1Q	2Q	3Q	4Q	Year
2004					
Funds from Operations - (\$000)	\$ 30,133	\$ 16,776	\$47,791	\$32,124	\$126,824
Fund from Operations per diluted share	\$ 0.50	\$ 0.28	\$ 0.80	\$ 0.53	\$ 2.11
2003					
Funds from Operations – (\$000)	\$ 24,391	\$ 37,224	\$49,683	\$35,849	\$147,147
Fund from Operations per diluted share	\$ 0.40	\$ 0.62	\$ 0.83	\$ 0.60	\$ 2.46

Included in FFO for 2004 and 2003 were the following (charges) and credits (\$000, except per share amounts):

	1Q	2Q	3Q	4Q	Year
2004					
Impairments on depreciable property	\$ 0	\$ (3,856)	\$ (500)	\$ (4,426)	\$ (8,782)
Retirement package for former CEO	(3,208)	(1,375)	0	0	(4,583)
Debt extinguishment loss (X-POS)	0	(12,457)	0	0	(12,457)
WorldCom Settlement	0	0	14,435	0	14,435
G&A costs related to strategic transaction and restatements	0	(235)	(2,538)	(1,743)	(4,516)
TOTAL	\$ (3,208)	\$(17,923)	\$11,397	\$(6,169)	\$(15,903)
Per diluted share	\$ (0.05)	\$ (0.30)	\$ 0.19	\$ (0.10)	\$ (0.26)
	1Q	2Q	3Q	4Q	Year
2003					
Debt extinguishment loss (MOPPRS)	\$(14,653)	\$ 0	\$ 0	\$ 0	\$(14,653)
Impairments on depreciable property	(325)	0	0	0	(325)
Gain on extinguishment of financing Obligation (non-Orlando MG/HIW)	0	0	16,301	0	16,301
TOTAL	\$(14,978)	\$ 0	\$16,301	\$ 0	\$ 1,323
Per diluted share	\$ (0.25)	\$ 0.00	\$ 0.27	\$ 0.00	\$ 0.02

Highwoods Properties, Inc.
Consolidated Statements of Income
(In thousands, except per share amounts)

[illegible]

minority interest	3,436	6	(3,457)	894	630	7,431	1,634	156	2,243	8,487
	3,799	1,099	(3,184)	1,876	975	8,007	2,347	606	3,937	11,588
Net income/(loss)	4,936	(4,378)	5,394	8,488	21,111	31,622	8,540	10,940	39,981	46,672
Dividends on preferred stock	(7,713)	(7,713)	(7,713)	(7,713)	(7,713)	(7,713)	(7,713)	(7,713)	(30,852)	(30,852)
Net income available for/(loss attributable to) common stockholders	\$ (2,777)	\$ (12,091)	\$ (2,319)	\$ 775	\$ 13,398	\$ 23,909	\$ 827	\$ 3,227	\$ 9,129	\$ 15,820
Net income/(loss) per common share - basic:										
Income/(loss) from continuing operations	\$ (0.12)	\$ (0.25)	\$ 0.02	\$ (0.02)	\$ 0.23	\$ 0.30	\$ (0.03)	\$ 0.05	\$ 0.10	\$ 0.08
Income/(loss) from discontinued operations	0.07	0.02	(0.06)	0.03	0.02	0.15	0.05	0.01	0.07	0.22
Net Income/(loss)	\$ (0.05)	\$ (0.23)	\$ (0.04)	\$ 0.01	\$ 0.25	\$ 0.45	\$ 0.02	\$ 0.06	\$ 0.17	\$ 0.30
Weighted average common shares outstanding - basic	53,186	53,150	53,275	52,932	53,400	52,746	53,424	52,976	53,323	52,950
Net Income/(loss) per common share - diluted:										
Income/(loss) from continuing operations	\$ (0.12)	\$ (0.25)	\$ 0.02	\$ (0.02)	\$ 0.23	\$ 0.30	\$ (0.03)	\$ 0.05	\$ 0.10	\$ 0.08
Income/(loss) from discontinued operations	0.07	0.02	(0.06)	0.03	0.02	0.15	0.05	0.01	0.07	0.22
Net income/(loss)	\$ (0.05)	\$ (0.23)	\$ (0.04)	\$ 0.01	\$ 0.25	\$ 0.45	\$ 0.02	\$ 0.06	\$ 0.17	\$ 0.30
Weighted average common shares outstanding - diluted	53,186	53,150	53,275	59,878	59,991	59,710	60,214	59,889	60,024	59,911

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

	Three Months Ended March 31,		Three Months Ended June 30,		Three Months Ended September 30,		Three Months Ended December 31,		Year Ended December 31,	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
Funds from operations:										
Net income/(loss)	\$ 4,936	\$ (4,378)	\$ 5,394	\$ 8,488	\$21,111	\$31,622	\$ 8,540	\$10,940	\$ 39,981	\$ 46,672
Dividends to preferred shareholders	(7,713)	(7,713)	(7,713)	(7,713)	(7,713)	(7,713)	(7,713)	(7,713)	(30,852)	(30,852)
Net income/(loss) applicable to common shares	(2,777)	(12,091)	(2,319)	775	13,398	23,909	827	3,227	9,129	15,820
Add/(deduct):										
Depreciation and amortization of real estate assets	34,166	35,022	33,222	34,421	32,390	32,715	33,874	33,648	133,652	135,806
(Gain)/loss on disposition of depreciable real estate assets	66	(24)	(16,600)	(218)	(1,636)	(4,550)	(394)	(3,956)	(18,564)	(8,748)
Minority interest in income from operations	(712)	(1,649)	132	(108)	1,464	1,926	(180)	400	704	569
Unconsolidated affiliates:										
Depreciation and amortization of real estate assets	2,048	1,912	2,070	1,977	2,441	1,889	2,620	1,776	9,179	7,554
Discontinued operations:										
Depreciation and amortization of real estate assets	736	1,198	639	1,146	325	1,154	85	857	1,785	4,355
(Gain)/loss on sale, net of minority interest	(3,436)	(119)	(399)	(894)	(630)	(7,431)	(4,790)	(156)	(9,255)	(8,600)
Minority interest in income from discontinued operations	42	142	31	125	39	71	82	53	194	391
Funds from operations	\$30,133	\$ 24,391	\$ 16,776	\$37,224	\$47,791	\$49,683	\$32,124	\$35,849	\$126,824	\$147,147
Funds from operations per share - diluted:										
Net income/(loss) applicable to common shares	\$ (0.05)	\$ (0.23)	\$ (0.04)	\$ 0.01	\$ 0.25	\$ 0.45	\$ 0.02	\$ 0.06	\$ 0.17	\$ 0.30
Add/(deduct):										
Depreciation and amortization of real estate assets	0.57	0.58	0.56	0.57	0.54	0.54	0.56	0.56	2.22	2.26

(Gain)/loss on disposition of depreciable real estate assets	—	—	(0.27)	—	(0.02)	(0.08)	(0.01)	(0.06)	(0.31)	(0.15)
Unconsolidated affiliates:										
Depreciation and amortization of real estate assets	0.03	0.03	0.03	0.03	0.04	0.03	0.04	0.03	0.15	0.12
Discontinued operations:										
Depreciation and amortization of real estate assets	0.01	0.02	0.01	0.02	—	0.02	—	0.01	0.03	0.07
(Gain)/loss on sale, net of minority interest	(0.06)	—	(0.01)	(0.01)	(0.01)	(0.13)	(0.08)	—	(0.15)	(0.14)
Funds from operations	\$ 0.50	\$ 0.40	\$ 0.28	\$ 0.62	\$ 0.80	\$ 0.83	\$ 0.53	\$ 0.60	\$ 2.11	\$ 2.46
Dividend payout data:										
Dividends paid per common share	\$ 0.425	\$ 0.585	\$ 0.425	\$ 0.425	\$ 0.425	\$ 0.425	\$ 0.425	\$ 0.425	\$ 1.700	\$ 1.860
Funds from operations	85.0%	146.3%	151.8%	68.5%	53.1%	51.2%	80.2%	70.8%	80.5%	75.6%
Weighted average shares outstanding - diluted	60,092	60,243	59,794	59,878	59,991	59,710	60,214	59,889	60,024	59,911
Impairment adjustments included in funds from operations	\$ —	\$ (325)	\$ (3,856)	\$ —	\$ (500)	\$ —	\$ (4,426)	\$ —	\$ (8,782)	\$ (325)
Impairment adjustments included in funds from operations per share	\$ —	\$ (0.01)	\$ (0.06)	\$ —	\$ (0.01)	\$ —	\$ (0.07)	\$ —	\$ (0.15)	\$ (0.01)

Highwoods Properties, Inc.
Consolidated Balance Sheets
(In thousands)

	December 31, 2004	December 31, 2003
Assets:		
Real estate assets, at cost:		
Land and improvements	\$ 397,840	\$ 430,199
Buildings and tenant improvements	2,932,756	3,111,537
Development in process	25,171	7,485
Land held for development	188,945	197,064
Furniture, fixtures and equipment	22,187	21,818
	<u>3,566,899</u>	<u>3,768,103</u>
Less-accumulated depreciation	(606,111)	(550,136)
Net real estate assets	2,960,788	3,217,967
Property held for sale	32,796	65,724
Cash and cash equivalents	24,482	21,696
Restricted cash	3,875	4,457
Accounts receivable, net	16,748	18,176
Notes receivable	9,672	10,016
Accrued straight-line rents receivable	61,518	59,728
Investment in unconsolidated affiliates	74,432	62,069
Other assets:		
Deferred leasing costs	111,121	102,058
Deferred financing costs	16,686	19,286
Prepaid expenses and other	10,618	10,217
	<u>138,425</u>	<u>131,561</u>
Less-accumulated amortization	(62,567)	(53,010)
Other assets, net	75,858	78,551
Total Assets	<u>\$3,260,169</u>	<u>\$3,538,384</u>
Liabilities and Stockholders' Equity:		
Mortgages and notes payable	\$1,572,169	\$1,717,765
Accounts payable, accrued expenses and other liabilities	115,003	103,356
Financing obligations	65,309	125,777
Total Liabilities	1,752,481	1,946,898
Minority interest in the Operating Partnership	115,926	126,928
Stockholders' Equity:		
Preferred stock	377,445	377,445
Common stock	538	535
Additional paid-in capital	1,416,855	1,408,779
Distributions in excess of net earnings	(396,151)	(314,082)
Accumulated other comprehensive loss	(2,814)	(3,650)
Deferred compensation	(4,111)	(4,469)
Total Stockholders' Equity	<u>1,391,762</u>	<u>1,464,558</u>
Total Liabilities and Stockholders' Equity	<u>\$3,260,169</u>	<u>\$3,538,384</u>

Highwoods Properties, Inc.
Consolidated Statements of Income
(In thousands, except per share amounts)

	Three Months Ended March 31,	
	2005	2004
Rental and other revenues	\$116,022	\$117,292
Operating expenses:		
Rental property and other expenses	41,126	43,404
Depreciation and amortization	35,877	34,563
Impairment of assets held for use	2,614	—
General and administrative	7,423	10,743
Total operating expenses	87,040	88,710
Interest expense:		
Contractual	25,585	27,149
Amortization of deferred financing costs	847	1,144
Financing obligations	1,567	4,724
	27,999	33,017
Other income:		
Interest and other income	1,684	1,754
	1,684	1,754
Income/(loss) before disposition of property, minority interest and equity in earnings of unconsolidated affiliates	2,667	(2,681)
Gains on disposition of property, net	10,625	1,085
Minority interest in the Operating Partnership	(829)	796
Equity in earnings of unconsolidated affiliates	2,216	1,212
Income from continuing operations	14,679	412
Discontinued operations:		
Income from discontinued operations, net of minority interest	843	1,088
Gain on sale of discontinued operations, net of minority interest	4,824	3,436
	5,667	4,524
Net income	20,346	4,936
Dividends on preferred stock	(7,713)	(7,713)
Net income available for/(loss attributable to) common stockholders	\$ 12,633	\$ (2,777)
Net income/(loss) per common share - basic:		
Income/(loss) from continuing operations	\$ 0.13	\$ (0.14)
Income from discontinued operations	0.11	0.09
Net income/(loss)	\$ 0.24	\$ (0.05)
Weighted average common shares outstanding - basic	53,640	53,186
Net income/(loss) per common share - diluted:		
Income/(loss) from continuing operations	\$ 0.13	\$ (0.14)
Income from discontinued operations	0.11	0.09
Net income/(loss)	\$ 0.24	\$ (0.05)
Weighted average common shares outstanding - diluted	60,182	53,186

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

	Three Months Ended March 31,	
	2005	2004
Funds from operations:		
Net income	\$ 20,346	\$ 4,936
Dividends to preferred shareholders	(7,713)	(7,713)
Net income/(loss) applicable to common shares	12,633	(2,777)
Add/(deduct):		
Depreciation and amortization of real estate assets	35,209	33,885
(Gain)/loss on disposition of depreciable real estate assets	(10,478)	66
Minority interest in income from operations	829	(796)
Unconsolidated affiliates:		
Depreciation and amortization of real estate assets	2,645	2,048
Discontinued operations:		
Depreciation and amortization of real estate assets	138	1,017
(Gain)/loss on sale, net of minority interest	(4,824)	(3,436)
Minority interest in income from discontinued operations	94	126
Funds from operations	\$ 36,246	\$30,133
Funds from operations per share - diluted:		
Net income/(loss) applicable to common shares	\$ 0.24	\$ (0.05)
Add/(deduct):		
Depreciation and amortization of real estate assets	0.58	0.57
(Gain)/loss on disposition of depreciable real estate assets	(0.18)	—
Unconsolidated affiliates:		
Depreciation and amortization of real estate assets	0.04	0.03
Discontinued operations:		
Depreciation and amortization of real estate assets	—	0.01
(Gain)/loss on sale, net of minority interest	(0.08)	(0.06)
Funds from operations	\$ 0.60	\$ 0.50
Dividend payout data:		
Dividends paid per common share	\$ 0.425	\$ 0.425
Funds from operations	70.8%	85.0%
Weighted average shares outstanding - diluted	60,182	60,092
Impairment adjustments included in funds from operations	\$ (2,614)	\$ —
Impairment adjustments included in funds from operations per share	\$ (0.04)	\$ —

Highwoods Properties, Inc.
Consolidated Balance Sheets
(In thousands)

	March 31, 2005	December 31, 2004
Assets:		
Real estate assets, at cost:		
Land and improvements	\$ 391,768	\$ 397,840
Buildings and tenant improvements	2,914,253	2,932,756
Development in process	40,581	25,171
Land held for development	179,755	188,945
Furniture, fixtures and equipment	22,509	22,187
	<u>3,548,866</u>	<u>3,566,899</u>
Less-accumulated depreciation	(622,956)	(606,111)
Net real estate assets	2,925,910	2,960,788
Property held for sale	27,283	32,796
Cash and cash equivalents	55,166	24,482
Restricted cash	3,711	3,875
Accounts receivable, net	17,035	16,748
Notes receivable	8,304	9,672
Accrued straight-line rents receivable	62,786	61,518
Investment in unconsolidated affiliates	73,723	74,432
Other assets:		
Deferred leasing costs	112,873	111,121
Deferred financing costs	16,257	16,686
Prepaid expenses and other	11,847	10,618
	<u>140,977</u>	<u>138,425</u>
Less-accumulated amortization	(64,454)	(62,567)
Other assets, net	76,523	75,858
Total Assets	<u>\$3,250,441</u>	<u>\$3,260,169</u>
Liabilities and Stockholders' Equity:		
Mortgages and notes payable	\$1,582,010	\$1,572,169
Accounts payable, accrued expenses and other liabilities	113,282	115,003
Financing obligations	63,096	65,309
Total Liabilities	1,758,388	1,752,481
Minority interest in the Operating Partnership	109,275	115,926
Stockholders' Equity:		
Preferred stock	377,445	377,445
Common stock	540	538
Additional paid-in capital	1,420,055	1,416,855
Distributions in excess of net earnings	(406,437)	(396,151)
Accumulated other comprehensive loss	(2,675)	(2,814)
Deferred compensation	(6,150)	(4,111)
Total Stockholders' Equity	<u>1,382,778</u>	<u>1,391,762</u>
Total Liabilities and Stockholders' Equity	<u>\$3,250,441</u>	<u>\$3,260,169</u>

Highwoods Properties, Inc.
Summary of Effects of Restatement
Dollars in thousands, except per share amounts

	Years Ended December 31,			Quarter ended	Aggregate
	2002	2003	2004	31-Mar-05	From 1/1/02 to 3/31/05
Effects on Net Income — Increases (Decreases):					
Depreciation and amortization	\$ (1,118)	\$ (1,529)	\$ (1,305)	\$ 77	\$ (3,875)
Ground lease straight line rent expense	(251)	(239)	(225)	(54)	\$ (769)
Internal cost capitalization, net	320	514	416	(28)	\$ 1,222
Other	(66)	(174)	100	1	\$ (139)
Minority Interest impact	106	156	112	0	\$ 374
TOTAL	\$ (1,009)	\$ (1,272)	\$ (902)	\$ (4)	\$ (3,187)
Effect on diluted Net Income per share	\$ (0.02)	\$ (0.02)	\$ (0.02)	\$ (0.00)	\$ (0.06)
Net Income, as restated	\$ 80,868	\$ 46,672	\$ 39,981	\$ 20,346	\$ 187,867
Net Income, before adjustments	\$ 81,877	\$ 47,944	\$ 40,883	\$ 20,350	\$ 191,054
					-1.67%
Effects on Funds from Operations — Increases (Decreases):					
Accounting for lease incentives	\$ (643)	\$ (1,016)	\$ (1,309)	\$ (305)	\$ (3,273)
Ground lease straight line rent expense	(251)	(239)	(225)	(54)	\$ (769)
Internal cost capitalization	(470)	(267)	(304)	(175)	\$ (1,216)
Other funds from operations	(66)	(174)	100	1	\$ (139)
TOTAL	\$ (1,430)	\$ (1,696)	\$ (1,738)	\$ (533)	\$ (5,397)
Effect on funds from operations per share	\$ (0.02)	\$ (0.03)	\$ (0.03)	\$ (0.01)	\$ (0.09)
Funds from Operations, as restated	\$175,636	\$147,147	\$126,824	\$ 36,246	\$ 485,853
Funds from Operations, before adjustments	\$177,066	\$148,843	\$128,562	\$ 36,779	\$ 491,250
					-1.10%



Supplemental Information
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December 31, 2004

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The information within refers to all Highwoods Properties' wholly-owned entities, except pages 32 to 37 unless noted otherwise.

Certain matters discussed in this supplemental, including estimates of net operating income, pre-leasing commitments and the cost, timing and stabilization of announced development projects, are forward- looking statements within the meaning of the federal securities laws. Although Highwoods believes that the expectations reflected in such forward-looking statements are based upon reasonable assumptions, it can give no assurance that its expectations will be achieved. Factors that could cause actual results to differ materially from Highwoods' current expectations include general economic conditions, local real estate conditions, the timely development and lease-up of properties, and the other risks detailed from time to time in the Company's SEC reports.

Summary

Dollars in thousands, except per share amounts

	<i>Three Months Ended</i>		
	<u>12/31/04</u>	<u>12/31/03</u>	<u>Change f/(u)</u>
Operations			
Rental and other revenues from continuing operations	\$ 115,593	\$ 124,734	\$ (9,141)
Rental property expense from continuing operations	41,195	45,900	4,705
Net operating income from continuing operations	\$ 74,398	\$ 78,834	\$ (4,436)
Rental and other revenues from discontinued operations	\$ 1,785	\$ 2,784	\$ (999)
Rental property expense from discontinued operations	907	1,451	544
Net operating income from discontinued operations	\$ 878	\$ 1,333	\$ (455)
Equity in earnings of unconsolidated affiliates	2,033	1,272	761
General and administrative	10,841	6,957	(3,884)
G&A as a % of rental and other revenues and equity in earnings of unconsolidated affiliates	9.1 %	5.4 %	-3.7 %
EBITDA calculation			
Net income	\$ 8,540	\$ 10,940	\$ (2,400)
Addback depreciation and amortization	34,628	35,179	(551)
Addback depreciation and amortization from unconsolidated affiliates	2,620	1,776	844
Addback interest expense	28,911	34,164	(5,253)
Addback interest expense from unconsolidated affiliates	3,420	2,246	849
EBITDA	\$ 78,119	\$ 84,630	\$ (6,511)
Interest expense from continuing operations	\$ 28,911	\$ 34,164	\$ 5,253
Interest expense from discontinued operations	—	—	—
Interest expense from unconsolidated affiliates	3,420	2,571	(849)
EBITDA/Interest expense	2.42	2.30	0.12
EBITDA/Interest expense + preferred dividends	2.13	2.02	0.11
Net income	\$ 8,540	\$ 10,940	\$ (2,400)
Funds from operations	32,124	35,849	(3,725)
Per share - diluted:			
Net income	\$ 0.02	\$ 0.06	\$ (0.04)
Funds from operations	0.53	0.60	(0.07)
Dividends paid	0.425	0.425	—
Dividends paid as % of funds from operations	80.2 %	70.8 %	-9.4 %
	<u>12/31/04</u>	<u>12/31/03</u>	<u>Change f/(u)</u>
Capitalization			
Market capitalization:			
Long-term debt	\$ 1,572,169	\$ 1,717,765	(145,596)
Financing obligations	65,309	125,777	(60,468)
Preferred equity at redemption value	377,445	377,445	—
Market value of common equity	1,659,646	1,515,795	143,851
Total market capitalization	\$ 3,674,569	\$ 3,736,782	\$ (62,213)
	<u>12/31/04</u>	<u>12/31/03</u>	<u>Change f/(u)</u>
Portfolio - wholly-owned			
Total In-Service Square Footage	33,866,000	34,922,000	(1,056,000)
Occupancy	85.0 %	81.5 %	3.5 %
Same Property NOI (GAAP basis)	\$ 67,787	\$ 67,878	\$ (91)

Corporate Information

Board of Directors

Thomas W. Adler
Gene H. Anderson
Kay N. Callison
Edward J. Fritsch
Ronald P. Gibson
William E. Graham Jr.
Lawrence S. Kaplan
L. Glenn Orr Jr.
O. Temple Sloan Jr., Chairman
Willard H. Smith Jr.
John L. Turner
F. William Vandiver, Jr.

Senior Management Team

Edward J. Fritsch

President, Chief Executive Officer and Director

Michael E. Harris

Executive Vice President and Chief Operating Officer

Terry L. Stevens

Vice President, Chief Financial Officer
and Treasurer

Gene H. Anderson

Senior Vice President and Director

Michael F. Beale

Senior Vice President

Robert G. Cutlip

Senior Vice President

W. Brian Reames

Senior Vice President

Thomas S. Hill

Corporate Vice President, Leasing

Carman J. Liuzzo

Vice President, Investments and
Strategic Analysis

Kevin E. Penn

Chief Information Officer and
Business Solutions Officer

Mack D. Pridgen III

Vice President, General Counsel and
Secretary

Research Coverage

Deutsche Banc Securities

Lou Taylor - 212-469-4912

Green Street Advisors

Jim Sullivan - 949-640-8780

KeyBanc Capital Markets

Richard Moore - 216-443-2815

Legg Mason

David Fick - 410-454-5018

Morgan Stanley Dean Witter

Gregory Whyte - 212-761-6331

Prudential Equity Group

Jim Sullivan - 212-778-2515

Smith Barney Citigroup

Jonathan Litt - 212-816-0231

UBS Warburg

Keith Mills - 212-713-3098

Wachovia Securities

Chris Haley - 443-263-6773

Corporate Information

Divisional Offices

Atlanta/Piedmont Triad

Gene H. Anderson - Regional Manager

Atlanta, GA

Gene H. Anderson, Senior Vice President

Piedmont Triad, NC

Mark W. Shumaker, Vice President

Orlando/Tampa

Michael F. Beale - Regional Manager

Orlando, FL

Michael F. Beale, Senior Vice President

Tampa, FL

Stephen A. Meyers, Vice President

Raleigh/Richmond

Robert G. Cutlip - Regional Manager

Raleigh, NC

Robert G. Cutlip, Senior Vice President

Richmond, VA

Paul W. Kreckman, Vice President

Charlotte/Memphis/Nashville

W. Brian Reames - Regional Manager

Nashville, TN

W. Brian Reames, Senior Vice President

Charlotte, NC

Thomas F. Cochran, Senior Vice President

Memphis, TN

Steven Guinn, Vice President

Kansas City

Kansas City, MO

Barrett Brady, Senior Vice President

Corporate Headquarters

Highwoods Properties, Inc.

3100 Smoketree Court, Suite 600

Raleigh, NC 27604

919-872-4924

Stock Exchange

NYSE Trading Symbol: HIW

Investor Relations Contact

Tabitha Zane

Sr. Director, Investor Relations

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Information Request

To request a standard Investor Relations package, Annual Report or to be added to our e-mail or fax list, please contact the Investor Relations Coordinator at:

Phone: 800-256-2963

Email: HIW-IR@highwoods.com

The Company

Highwoods Properties, Inc., a member of the S&P MidCap 400 Index, is a fully integrated, self-administered real estate investment trust ("REIT") that provides leasing, management, development, construction and other customer-related services for its properties and for third parties. As of December 31, 2004, the Company owned or had an interest in 510 in-service office, industrial and retail properties encompassing approximately 40.8 million square feet. Highwoods also owns 1,115 acres of development land. Highwoods is based in Raleigh, North Carolina, and its properties and development land are located in Florida, Georgia, Iowa, Kansas, Maryland, Missouri, North Carolina, South Carolina, Tennessee and Virginia. For more information about Highwoods Properties, please visit our Web site at www.highwoods.com.



Consolidated Statements of Income

Dollars in thousands, except per share amounts

	Year Ended		Three Months Ended				
	12/31/04	12/31/03	12/31/04	09/30/04	06/30/04	03/31/04	12/31/03
Rental and other revenues	\$464,078	\$495,861	\$115,593	\$113,161	\$116,747	\$118,577	\$124,734
Operating expenses:							
Rental property	168,023	174,855	41,195	41,437	41,789	43,602	45,900
Depreciation and amortization	136,451	138,633	34,543	33,160	33,904	34,844	34,322
Impairments of assets held for use	1,270	—	1,270	—	—	—	—
General and administrative	39,695	25,543	10,841	10,166	7,945	10,743	6,957
Total operating expenses	345,439	339,031	87,849	84,763	83,638	89,189	87,179
Interest expense:							
Contractual	105,569	119,291	25,552	25,564	27,304	27,149	29,051
Amortization of deferred financing costs	3,677	4,398	826	782	925	1,144	908
Financing obligations	10,123	17,811	2,533	1,409	1,457	4,724	4,205
	119,369	141,500	28,911	27,755	29,686	33,017	34,164
Other income/(expense):							
Interest and other income	6,708	6,203	1,702	1,752	1,497	1,757	1,718
Settlement of bankruptcy claim	14,435	—	—	14,435	—	—	—
Loss on debt extinguishments	(12,457)	(14,653)	—	—	(12,457)	—	—
Gain on extinguishment of co-venture obligation	—	16,301	—	—	—	—	—
	8,686	7,851	1,702	16,187	(10,960)	1,757	1,718
Income/(loss) before disposition of property, co-venture expense, minority interest and equity in earnings of unconsolidated affiliates	7,956	23,181	535	16,830	(7,537)	(1,872)	5,109
Gains on disposition of property, net	21,515	12,387	3,445	2,215	14,770	1,085	4,353
Co-venture expense	—	(4,588)	—	—	—	—	—
Minority Interest in the Operating Partnership	(704)	(569)	180	(1,464)	(132)	712	(400)
Equity in earnings of unconsolidated affiliates	7,277	4,673	2,033	2,555	1,477	1,212	1,272
Income from continuing operations	36,044	35,084	6,193	20,136	8,578	1,137	10,334
Discontinued operations:							
Income from discontinued operations, net of minority interest	1,694	3,101	713	345	273	363	450
Gain/(loss) on sale of discontinued operations, net of minority interest	2,243	8,487	1,634	630	(3,457)	3,436	156
	3,937	11,588	2,347	975	(3,184)	3,799	606
Net income	39,981	46,672	8,540	21,111	5,394	4,936	10,940
Dividends on preferred stock	(30,852)	(30,852)	(7,713)	(7,713)	(7,713)	(7,713)	(7,713)
Net income available for/(loss attributable to) common stockholders	\$ 9,129	\$ 15,820	\$ 827	\$ 13,398	\$ (2,319)	\$ (2,777)	\$ 3,227
Net income/(loss) per common share - basic:							
Income/(loss) from continuing operations	\$ 0.10	\$ 0.08	\$ (0.03)	\$ 0.23	\$ 0.02	\$ (0.12)	\$ 0.05
Income/(loss) from discontinued operations	\$ 0.07	\$ 0.22	\$ 0.05	\$ 0.02	\$ (0.06)	\$ 0.07	\$ 0.01
Net income/(loss)	\$ 0.17	\$ 0.30	\$ 0.02	\$ 0.25	\$ (0.04)	\$ (0.05)	\$ 0.06
Weighted average common shares outstanding - basic	53,323	52,950	53,424	53,400	53,275	53,186	52,976
Net income/(loss) per common share - diluted:							
Income/(loss) from continuing operations	\$ 0.10	\$ 0.08	\$ (0.03)	\$ 0.23	\$ 0.02	\$ (0.12)	\$ 0.05
Income/(loss) from discontinued operations	\$ 0.07	\$ 0.22	\$ 0.05	\$ 0.02	\$ (0.06)	\$ 0.07	\$ 0.01
Net income/(loss)	\$ 0.17	\$ 0.30	\$ 0.02	\$ 0.25	\$ (0.04)	\$ (0.05)	\$ 0.06

Weighted average common shares outstanding - diluted	60,024	59,911	60,214	59,991	53,275	53,186	59,889
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Statement of Funds from Operations

Dollars in thousands, except per share amounts

	Year Ended		Three Months Ended				
	12/31/04	12/31/03	12/31/04	09/30/04	06/30/04	03/31/04	12/31/03
Funds from operations:							
Net income	\$ 39,981	\$ 46,672	\$ 8,540	\$ 21,111	\$ 5,394	\$ 4,936	\$ 10,940
Dividends to preferred shareholders	(30,852)	(30,852)	(7,713)	(7,713)	(7,713)	(7,713)	(7,713)
Net income/(loss) applicable to common shares	9,129	15,820	827	13,398	(2,319)	(2,777)	3,227
Add/(Deduct):							
Depreciation and amortization of real estate assets	133,652	135,806	33,874	32,390	33,222	34,166	33,648
(Gain)/loss on disposition of depreciable real estate assets	(18,564)	(8,748)	(394)	(1,636)	(16,600)	66	(3,956)
Minority interest in income from operations	704	569	(180)	1,464	132	(712)	400
Unconsolidated affiliates:							
Depreciation and amortization of real estate assets	9,179	7,554	2,620	2,441	2,070	2,048	1,776
Discontinued operations:							
Depreciation and amortization of real estate assets	1,785	4,355	85	325	639	736	857
(Gain)/loss on sale, net of minority interest	(9,255)	(8,600)	(4,790)	(630)	(399)	(3,436)	(156)
Minority interest in income from discontinued operations	194	391	82	39	31	42	53
Funds from operations	\$126,824	\$147,147	\$32,124	\$47,791	\$ 16,776	\$30,133	\$35,849
Funds from operations per share - diluted							
Net income/(loss) applicable to common shares	\$ 0.17	\$ 0.30	\$ 0.02	\$ 0.25	\$ (0.04)	\$ (0.05)	\$ 0.06
Add/(Deduct):							
Depreciation and amortization of real estate assets	2.22	2.26	0.56	0.54	0.56	0.57	0.56
(Gain)/loss on disposition of depreciable real estate assets	(0.31)	(0.15)	(0.01)	(0.02)	(0.27)	—	(0.06)
Unconsolidated affiliates:							
Depreciation and amortization of real estate assets	0.15	0.12	0.04	0.04	0.03	0.03	0.03
Discontinued operations:							
Depreciation and amortization of real estate assets	0.03	0.07	—	—	0.01	0.01	0.01
(Gain)/loss on sale, net of minority interest	(0.15)	(0.14)	(0.08)	(0.01)	(0.01)	(0.06)	—
Funds from operations	\$ 2.11	\$ 2.46	\$ 0.53	\$ 0.80	\$ 0.28	\$ 0.50	\$ 0.60
Dividend payout data:							
Dividends paid per common share/common unit - diluted:	\$ 1.700	\$ 1.860	\$ 0.425	\$ 0.425	\$ 0.425	\$ 0.425	\$ 0.425
Funds from operations	80.6%	75.6%	80.2%	53.1%	151.8%	85.0%	70.8%
Weighted average shares outstanding - diluted	60,024	59,911	60,214	59,991	59,794	60,092	59,889
Impairment adjustments included in funds from operations	\$ (8,782)	\$ (325)	\$ (4,426)	\$ (500)	\$ (3,856)	\$ —	\$ —
Impairment adjustments included in funds from operations per share	\$ (0.15)	\$ (0.01)	\$ (0.07)	\$ (0.01)	\$ (0.06)	\$ —	\$ —

Consolidated Balance Sheets

Dollars in thousands

	12/31/04	09/30/04	06/30/04	03/31/04	12/31/03
Assets:					
Real estate assets, at cost:					
Land and improvements	\$ 397,840	\$ 403,896	\$ 404,317	\$ 432,142	\$ 430,199
Buildings and tenant improvements	2,932,756	2,935,526	2,933,636	3,135,432	3,111,537
Development in process	25,171	14,431	23,027	9,588	7,485
Land held for development	188,945	189,214	191,409	203,667	197,064
Furniture, fixtures and equipment	22,187	22,140	22,133	21,950	21,818
	<u>3,566,899</u>	<u>3,565,207</u>	<u>3,574,522</u>	<u>3,802,779</u>	<u>3,768,103</u>
Less-accumulated depreciation	(606,111)	(589,383)	(568,453)	(580,138)	(550,136)
Net real estate assets	<u>2,960,788</u>	<u>2,975,824</u>	<u>3,006,069</u>	<u>3,222,641</u>	<u>3,217,967</u>
Property held for sale	32,796	69,011	64,958	38,467	65,724
Cash and cash equivalents	24,482	20,613	11,817	17,782	21,696
Restricted cash	3,875	4,782	4,758	5,844	4,457
Accounts receivable, net	16,748	14,896	14,253	13,452	18,176
Notes receivable	9,672	9,790	10,676	10,733	10,016
Accrued straight-line rents receivable	61,518	62,216	59,312	62,457	59,728
Investment in unconsolidated affiliates	74,432	78,493	79,328	69,276	62,069
Other assets:					
Deferred leasing costs	111,121	107,325	103,956	106,612	102,058
Deferred financing costs	16,686	16,972	16,081	19,484	19,286
Prepaid expenses and other	10,618	11,902	12,989	11,111	10,217
	<u>138,425</u>	<u>136,199</u>	<u>133,026</u>	<u>137,207</u>	<u>131,561</u>
Less-accumulated amortization	(62,567)	(60,511)	(56,044)	(57,746)	(53,010)
Other assets, net	<u>75,858</u>	<u>75,688</u>	<u>76,982</u>	<u>79,461</u>	<u>78,551</u>
Total Assets	<u>\$3,260,169</u>	<u>\$3,311,313</u>	<u>\$3,328,153</u>	<u>\$3,520,113</u>	<u>\$3,538,384</u>
Liabilities and Stockholders' Equity:					
Mortgages and notes payable	\$1,572,169	\$1,600,627	\$1,603,485	\$1,790,039	\$1,717,765
Accounts payable, accrued expenses and other liabilities	115,003	115,639	119,392	100,029	103,356
Financing obligations	65,309	64,754	65,091	64,724	125,777
Total Liabilities	<u>1,752,481</u>	<u>1,781,020</u>	<u>1,787,968</u>	<u>1,954,792</u>	<u>1,946,898</u>
Minority interest in operating partnership	115,926	118,847	120,142	123,043	126,928
Stockholders' Equity:					
Preferred stock	377,445	377,445	377,445	377,445	377,445
Common stock	538	537	537	536	535
Additional paid-in capital	1,416,855	1,415,377	1,415,202	1,414,008	1,408,779
Distributions in excess of net earnings	(396,151)	(374,149)	(364,719)	(339,597)	(314,082)
Accumulated other comprehensive loss	(2,814)	(3,003)	(3,141)	(3,525)	(3,650)
Deferred compensation	(4,111)	(4,761)	(5,281)	(6,589)	(4,469)
Total Stockholders' Equity	<u>1,391,762</u>	<u>1,411,446</u>	<u>1,420,043</u>	<u>1,442,278</u>	<u>1,464,558</u>
Total Liabilities and Stockholders' Equity	<u>\$3,260,169</u>	<u>\$3,311,313</u>	<u>\$3,328,153</u>	<u>\$3,520,113</u>	<u>\$3,538,384</u>
Ratios					
Total Debt/Total Assets	48.2%	48.3%	48.2%	50.9%	48.5%

**Estimated Net Asset Value
December 31, 2004**

Dollars in thousands, except per share amounts

The information on this Page is provided to assist in the calculation of Net Asset Value using a range of Capitalization rates and In-Place Net Operating Income among other Factors. It is not intended to be an asset by asset valuation.

Office (80.3% ave. occupancy)	8.25%	8.50%	8.75%
Retail (94.8% ave. occupancy)	6.50%	6.75%	7.00%
Industrial/Other (88.0% ave. occupancy)	7.75%	8.00%	8.25%
Weighted average	8.01%	8.26%	8.51%
Wholly Owned Properties Net Operating Income YTD 1/ 2/			
Office 3/ 4/ 5/	\$ 234,724	\$ 234,724	\$ 234,724
Retail	25,903	25,903	25,903
Industrial/Other	25,614	25,614	25,614
Total Net Operating Income	\$ 286,241	\$ 286,241	\$ 286,241
Wholly Owned Properties Net Operating Income Annualized			
Office	\$ 234,724	\$ 234,724	\$ 234,724
Retail	25,903	25,903	25,903
Industrial/Other	25,614	25,614	25,614
Total Net Operating Income	\$ 286,241	\$ 286,241	\$ 286,241
Wholly Owned Properties Capitalized Value			
Office	\$2,845,139	\$2,761,459	\$2,682,560
Retail	398,508	383,748	370,043
Industrial/Other	330,503	320,175	310,473
	\$3,574,150	\$3,465,382	\$3,363,076
Highwoods' Share of Joint Ventures			
Net Operating Income YTD 4/	\$ 29,586	\$ 29,586	\$ 29,586
Net Operating Income Annualized	\$ 29,586	\$ 29,586	\$ 29,586
Capitalization Rates	8.25%	8.50%	8.75%
Capitalized Value	\$ 358,618	\$ 348,071	\$ 338,126
Value of Highwoods Preserve (\$121 per square foot) 6/			
	\$ 74,221	\$ 74,221	\$ 74,221
Total In-Service Property Value	\$4,006,989	\$3,887,674	\$3,775,422
Value of Other income			
Annualized Development, Leasing and Management Fees	\$ 5,200	\$ 5,200	\$ 5,200
Capitalization Rate	20%	20%	20%
Value of Other income	\$ 26,000	\$ 26,000	\$ 26,000
Add Other assets:			
Development Pipeline Investment	\$ 21,986	\$ 21,986	\$ 21,986
Property Held for Sale, at Net Sales Price	48,629	48,629	48,629
Land held for development at Book Value	188,945	188,945	188,945
Cash and cash equivalents	24,482	24,482	24,482
Restricted cash	3,875	3,875	3,875
Accounts receivable, net	16,748	16,748	16,748
Notes receivable	9,672	9,672	9,672
Other assets total	\$ 314,337	\$ 314,337	\$ 314,337
Gross Value of Assets	\$4,347,326	\$4,228,011	\$4,115,759

Deductions:			
Total Liabilities 7/	\$ 181,061	\$ 181,061	\$ 181,061
Fair Market Value of Debt 8/ 9/	\$1,652,769	\$1,652,769	\$1,652,769
Preferred stock	377,445	377,445	377,445
Highwoods' Share of Joint Ventures Liabilities	256,478	256,478	256,478
Estimated Net Asset Value	\$1,879,573	\$1,760,258	\$1,648,006
Total diluted common shares and operating units	60,203	60,203	60,203
Estimated Net Asset Value Per Share	\$ 31.22	\$ 29.24	\$ 27.37

- 1/ Excludes straight-line rent of \$7.5 million and \$1.2 million net operating income related to intra-period dispositions
- 2/ Excludes \$2.2 million of expenses related to land held for development
- 3/ Added back the \$1.9 million operating loss at Highwoods Preserve
- 4/ Deducted \$5.1 million of NOI related to previously consolidated Orlando CBD properties and adjusted Joint Venture income to reflect correct NOI based on forty percent ownership.
- 5/ Excludes \$14.4 million WorldCom settlement proceeds
- 6/ Highwoods Preserve is a 615,000 square foot office campus in Tampa that Worldcom vacated 12/31/02.
- 7/ Excludes financing obligations
- 8/ Including debt at fair value instead of book reduces NAV by \$99.8 million
- 9/ Excludes 80% of \$23.6 million debt associated with a consolidated 20% owned joint venture property (Harborview)

Components of Discontinued Operations

Dollars in thousands, except per share amounts

	<i>Year Ended</i>		<i>Three Months Ended</i>				
	12/31/04	12/31/03	12/31/04	09/30/04	06/30/04	03/31/04	12/31/03
Rental and other revenues	\$8,561	\$15,144	\$1,785	\$2,235	\$ 2,120	\$2,421	\$2,784
Operating expenses:							
Rental property	4,410	6,375	907	1,033	1,182	1,288	1,451
Depreciation and amortization	1,785	4,355	85	325	639	736	857
Interest expense	—	1,000	—	—	—	—	—
Impairment of assets held for use	500			500			
Total operating expenses	6,695	11,730	992	1,858	1,821	2,024	2,308
Interest and other income	22	78	2	7	5	8	27
	22	78	2	7	5	8	27
Income before gain/(loss) on disposition of depreciable assets and minority interest	1,888	3,492	795	384	304	405	503
Minority interest	(194)	(391)	(82)	(39)	(31)	(42)	(53)
Income from discontinued operations, net of minority interest	1,694	3,101	713	345	273	363	450
Gain/(loss) on disposition of discontinued operations	2,503	9,547	1,821	703	(3,856)	3,835	175
Minority Interest	(260)	(1,060)	(187)	(73)	399	(399)	(19)
Gain on disposition of discontinued operations, net of minority interest	2,243	8,487	1,634	630	(3,457)	3,436	156
Total discontinued operations	\$3,937	\$11,588	\$2,347	\$ 975	\$(3,184)	\$3,799	\$ 606

Capitalization

Dollars, shares, and units in thousands

	12/31/04	09/30/04	06/30/04	03/31/04	12/31/03
Long-Term Debt (see page 9 & 10):	\$1,572,169	\$1,600,627	\$1,603,485	\$1,790,039	\$1,717,765
Finance Obligations:	\$ 65,309	\$ 64,754	\$ 65,091	\$ 64,724	\$ 125,777
Preferred Stock (at redemption value):					
Series A 8 5/8% Perpetual Preferred Stock	\$ 104,945	\$ 104,945	\$ 104,945	\$ 104,945	\$ 104,945
Series B 8% Perpetual Preferred Stock	172,500	172,500	172,500	172,500	172,500
Series D 8% Perpetual Preferred Stock	100,000	100,000	100,000	100,000	100,000
Total preferred stock	\$ 377,445	\$ 377,445	\$ 377,445	\$ 377,445	\$ 377,445
Shares and Units Outstanding:					
Common stock outstanding	53,813	53,713	53,716	53,631	53,474
Minority interest partnership units	6,102	6,128	6,146	6,146	6,203
Total shares and units outstanding	59,915	59,841	59,862	59,777	59,677
Stock price at period end	\$ 27.70	\$ 24.61	\$ 23.50	\$ 26.21	\$ 25.40
Market value of common equity	\$1,659,646	\$1,472,687	\$1,406,757	\$1,566,755	\$1,515,795
Total market capitalization with debt and obligations	\$3,672,791	\$3,513,751	\$3,451,032	\$3,797,233	\$3,735,068

See pages 32 to 37 for information regarding Highwoods' Joint Ventures

Long-Term Debt Summary

Dollars in thousands

	12/31/04	09/30/04	06/30/04	03/31/04	12/31/03
Balances Outstanding:					
Secured:					
Conventional fixed rate	\$ 732,796	\$ 745,524	\$ 748,740	\$ 751,894	\$ 755,049
Variable rate debt	66,181	50,803	54,945	204,845	68,709
Conventional fixed rate 1/	22,800	22,800	22,800	22,800	22,800
Variable rate debt 2/	392	—	—	—	136,207
Secured total	\$ 822,169	\$ 819,127	\$ 826,485	\$ 979,539	\$ 982,765
Unsecured:					
Fixed rate bonds and notes	\$ 460,000	\$ 460,000	\$ 460,000	\$ 560,000	\$ 560,000
Variable rate debt	120,000	120,000	120,000	120,000	120,000
Credit facility	170,000	201,500	197,000	130,500	55,000
Unsecured total	\$ 750,000	\$ 781,500	\$ 777,000	\$ 810,500	\$ 735,000
Total	\$1,572,169	\$1,600,627	\$1,603,485	\$1,790,039	\$1,717,765
Average Interest Rates:					
Secured:					
Conventional fixed rate	7.2%	7.2%	7.2%	7.2%	7.2%
Variable rate debt	4.2%	3.7%	3.1%	3.1%	3.1%
Conventional fixed rate 1/	6.1%	6.1%	6.1%	6.1%	6.1%
Variable rate debt 2/	2.8%	—	—	—	3.2%
Secured total	6.9%	6.9%	6.9%	6.3%	6.3%
Unsecured:					
Fixed rate bonds	7.4%	7.4%	7.4%	7.3%	7.3%
Variable rate debt	3.5%	3.0%	2.9%	2.4%	2.5%
Credit facility	3.4%	2.2%	2.3%	2.1%	2.2%
Unsecured total	5.9%	5.4%	5.4%	5.8%	6.2%
Average	6.4%	6.2%	6.2%	6.1%	6.3%
Capitalized Interest:	\$ 447	\$ 334	\$ 257	\$ 115	\$ 204

Maturity Schedule:

Year	Future Maturities of Debt			Average Interest Rate
	Secured Debt 3/	Unsecured Debt	Total Debt 3/	
2005	\$ 67,650	\$ 120,000	\$ 187,650	5.3%
2006	53,118	280,000	333,118	4.8%
2007	92,926	—	92,926	7.3%
2008	—	100,000	100,000	7.1%
2009	171,797	50,000	221,797	7.9%
2010	137,969	—	137,969	7.8%
2011	—	—	—	—
2012	22,800	—	22,800	6.1%
2013	270,460	—	270,460	5.9%
2014	—	—	—	—
Thereafter	5,449	200,000	205,449	7.5%
Total maturities	\$ 822,169	\$ 750,000	\$1,572,169	6.4%

Weighted average maturity = 4.7 years

- 1/ *Loan relates to the consolidated 20% owned joint venture property (Harborview).*
- 2/ *Loan relates to the consolidated 50% owned joint venture property (Vinings) at 12/31/04, relates to the consolidated 20% owned joint venture properties (MG-HIW, LLC) at 12/31/03.*
- 3/ *Excludes annual principal amortization*
- 4/ *Included in the \$280.0 million of unsecured debt maturities is \$170.0 million related to the credit facility which matures in 2006.*

Long-Term Debt Detail

Dollars in thousands

Secured Loans

Lender	Rate	Maturity Date	Loan Balance 12/31/04	Undepreciated Book Value of Assets Secured
Monumental Life Ins. Co.	7.8%	Nov-09	\$ 163,813	\$ 236,302
Northwestern Mutual	6.0%	Mar-13	141,865	186,090
Northwestern Mutual	7.8%	Nov-10	137,969	276,756
Massachusetts Mutual Life Ins. Co.	5.7%	Dec-13	127,541	185,836
Northwestern Mutual	8.2%	Feb-07	65,221	138,820
GECC 1/	3.7%	Jan-06	46,985	82,171
Principal Life Ins. Co. 2/	8.6%	Apr-05	41,204	103,251
Principal Life Ins. Co.	8.2%	Aug-05	26,446	70,387
Metropolitan Life Ins. Co. 3/	6.1%	Oct-12	22,800	38,774
PNC/Am South/Southtrust 4/	3.7%	Oct-07	15,449	17,014
PFL Life Ins. Co. 5/	8.1%	Jun-07	5,711	22,457
Ohio National	8.0%	Nov-17	5,449	10,915
Lutheran Brotherhood	6.8%	Apr-09	4,023	7,628
PFL Life Ins. Co. 4/5/	3.8%	Jun-07	3,747	—
American General	7.9%	Dec-06	2,708	7,088
Assoc Retirement Trust Fund	8.0%	Jan-07	2,405	6,812
USG Annuity	7.7%	Feb-06	2,198	3,777
Security Life of Denver	8.9%	Aug-09	2,061	9,451
Southland Life Ins. Co.	8.8%	Aug-09	1,899	6,968
American United Life	9.0%	Jun-13	1,056	3,637
CUNA Mutual	8.0%	Sep-06	631	3,184
Members Life Ins. Co	8.0%	Sep-06	596	3,259
Central Carolina Bank 1/	2.8%	Dec-07	392	1,847
	6.9%		\$ 822,169	\$ 1,422,424

Unsecured Bonds

Bonds	7.0%	Dec-06	\$ 110,000	
Bonds	7.1%	Feb-08	100,000	
Bonds	8.1%	Jan-09	50,000	
Bonds	7.5%	Apr-18	200,000	
	7.3%		\$ 460,000	

Unsecured Loans

Term Loan 1/	3.4%	Sep-05	\$ 20,000	
Term Loan 6/	3.7%	Nov-05	100,000	
Line of Credit 1/	3.4%	Jul-06	170,000	
	3.5%		\$ 290,000	
Total Debt	6.4%		\$1,572,169	

1/ Floating rate loans based on one month libor.

2/ Paid off on 4/1/05

3/ Loan relates to the consolidated 20% owned joint venture property (Harborview).

4/ Floating rate loan based on ninety day libor.

5/ These two loans are secured by the same assets.

6/ Floating rate loan based on two month libor.

Portfolio Summary - Wholly-Owned Properties Only 1/

(Rentable Square Feet)

Office Industrial & Retail	12/31/04	09/30/04	06/30/04	03/31/04	12/31/03
In-Service:					
Office 2/	24,628,000	25,151,000	25,272,000	26,608,000	25,303,000
Industrial	7,829,000	7,992,000	7,992,000	8,092,000	8,092,000
Retail 3/	1,409,000	1,410,000	1,411,000	1,411,000	1,527,000
Total	33,866,000	34,553,000	34,675,000	36,111,000	34,922,000
Development Completed - Not Stabilized:					
Office 2/	—	—	—	140,000	140,000
Industrial	353,000	350,000	—	—	—
Retail	—	—	—	—	—
Total	353,000	350,000	—	140,000	140,000
Development - In Process:					
Office 2/	358,000	333,000	222,000	112,000	112,000
Industrial	—	—	350,000	350,000	350,000
Retail	9,600	—	—	—	—
Total	367,600	333,000	572,000	462,000	462,000
Total:					
Office 2/	24,986,000	25,484,000	25,494,000	26,860,000	25,555,000
Industrial	8,182,000	8,342,000	8,342,000	8,442,000	8,442,000
Retail 3/	1,418,600	1,410,000	1,411,000	1,411,000	1,527,000
Total	34,586,600	35,236,000	35,247,000	36,713,000	35,524,000
Same Property					
Office 2/	22,907,000	22,907,000	22,907,000	22,907,000	22,907,000
Industrial	7,769,000	7,769,000	7,769,000	7,769,000	7,769,000
Retail	1,409,000	1,409,000	1,409,000	1,409,000	1,409,000
Total	32,085,000	32,085,000	32,085,000	32,085,000	32,085,000
Percent Leased/Pre-Leased:					
In-Service:					
Office	82.7%	80.9%	79.2%	79.2%	79.2%
Industrial	90.2%	88.4%	88.0%	86.5%	85.7%
Retail	97.3%	94.5%	93.4%	94.0%	96.3%
Total	85.0%	83.2%	81.8%	81.4%	81.5%
Development Completed - Not Stabilized:					
Office	—	—	—	36.0%	36.0%
Industrial	100.0%	100.0%	—	—	—
Retail	—	—	—	—	—
Total	100.0%	100.0%	—	36.0%	36.0%
Development - In Process:					
Office	100.0%	100.0%	100.0%	100.0%	100.0%
Industrial	—	—	100.0%	100.0%	100.0%
Retail	44.0%	—	—	—	—
Total	98.5%	100.0%	100.0%	100.0%	100.0%
Same Property					
Office	83.1%	81.0%	80.1%	80.2%	80.5%
Industrial	90.3%	88.9%	88.6%	87.3%	86.5%

Retail	<u>97.3%</u>	<u>94.6%</u>	<u>93.6%</u>	<u>94.2%</u>	<u>96.8%</u>
Total	<u>85.5%</u>	<u>83.5%</u>	<u>82.8%</u>	<u>82.5%</u>	<u>82.6%</u>

-
- 1/

Excludes properties recorded on our Balance Sheet that were sold but accounted for as Financings or Profit Sharing arrangements under FAS 66
- 2/

Substantially all of our Office properties are located in suburban markets
- 3/

Excludes 430,000 square feet of basement space in the Country Club Plaza and other Kansas City retail properties.

Portfolio Summary
(Continued)

As of December 31, 2004

Summary by Location, Wholly-Owned Properties Only 1/:

Market	Rentable Square Feet	Occupancy	Percentage of Annualized Revenue 2/			
			Office	Industrial	Retail	Total
Raleigh 3/	4,597,000	83.8%	15.7%	0.2%	—	15.9%
Atlanta	6,826,000	83.7%	11.7%	3.1%	—	14.8%
Tampa	4,196,000	71.0%	13.4%	—	—	13.4%
Kansas City	2,308,000 4/	94.1%	4.2%	—	8.5%	12.7%
Nashville	2,870,000	93.3%	11.9%	—	—	11.9%
Piedmont Triad 5/	6,651,000	92.5%	6.3%	4.2%	—	10.5%
Richmond	1,835,000	94.1%	7.0%	—	—	7.0%
Memphis	1,216,000	83.2%	4.5%	—	—	4.5%
Charlotte	1,492,000	72.9%	3.9%	—	—	3.9%
Greenville	1,127,000	80.5%	3.1%	0.1%	—	3.2%
Columbia	426,000	60.4%	1.0%	—	—	1.0%
Orlando	222,000	93.3%	0.9%	—	—	0.9%
Other	100,000	61.3%	0.3%	—	—	0.3%
Total	33,866,000	85.0%	83.9%	7.6%	8.5%	100.0%

Summary by Location, Including Joint Venture Properties:

Market	Rentable Square Feet	Occupancy	Percentage of Annualized Revenue 2/6/				
			Office	Industrial	Retail	Multi-Family	Total
Atlanta	7,661,000	84.6%	11.9%	2.8%	—	—	14.7%
Raleigh 3/	5,052,000	85.2%	14.3%	0.1%	—	—	14.4%
Tampa	4,401,000	72.3%	12.2%	—	—	—	12.2%
Kansas City	2,736,000 4/	92.9%	4.6%	—	7.6%	—	12.2%
Nashville	2,870,000	93.3%	10.6%	—	—	—	10.6%
Piedmont Triad 5/	7,015,000	92.9%	6.0%	3.8%	—	—	9.8%
Richmond	2,248,000	95.1%	6.8%	—	—	—	6.8%
Memphis	1,216,000	83.2%	4.0%	—	—	—	4.0%
Des Moines	2,253,000	91.5%	3.0%	0.4%	0.1%	0.4%	3.9%
Orlando	1,905,000	90.1%	3.6%	—	—	—	3.6%
Charlotte	1,640,000	75.4%	3.6%	—	—	—	3.6%
Greenville	1,127,000	80.5%	2.8%	0.1%	—	—	2.9%
Columbia	426,000	60.4%	0.9%	—	—	—	0.9%
Other	210,000	81.6%	0.4%	—	—	—	0.4%
Total	40,760,000	84.7%	84.7%	7.2%	7.7%	0.4%	100.0%

1/ Excludes properties recorded on our Balance Sheet that were sold but accounted for as Financings or Profit Sharing arrangements under FAS 66

2/ Annualized Revenue is December, 2004 rental revenue (base rent plus operating expense pass throughs) multiplied by 12.

3/ Raleigh Market encompasses Raleigh, Durham, Cary, and Research Triangle metropolitan area.

4/ Excludes basement space in the Country Club Plaza property of 430,000 square feet

5/ Piedmont Triad Market encompasses Greensboro, Winston-Salem metropolitan area.

6/ Includes Highwoods' share of Joint Venture Annualized Rental Revenue, see page 35

Portfolio Summary - Wholly-Owned Properties Only 1/
(Continued)

As of December 31, 2004

Market	Office Properties			Industrial		
	Rentable Square Feet	Occupancy	Percentage	Rentable Square Feet	Occupancy	Percentage
			of Office			of Industrial
			Annualized			Annualized
	Revenue 2/	Revenue 2/				
Raleigh	4,496,000	84.0%	18.7%	101,000	74.9%	2.2%
Tampa	4,196,000	71.0%	16.0%	—	—	—
Nashville	2,870,000	93.3%	14.1%	—	—	—
Atlanta	3,575,000	83.0%	14.0%	3,251,000	84.3%	41.4%
Richmond	1,835,000	94.1%	8.3%	—	—	—
Piedmont Triad	2,281,000	85.2%	7.5%	4,370,000	96.3%	55.4%
Memphis	1,216,000	83.2%	5.3%	—	—	—
Kansas City	895,000	89.1%	5.0%	4,000	100.0%	0.1%
Charlotte	1,492,000	72.9%	4.7%	—	—	—
Greenville	1,024,000	85.7%	3.7%	103,000	28.9%	0.9%
Columbia	426,000	60.4%	1.2%	—	—	—
Orlando	222,000	93.3%	1.1%	—	—	—
Other	100,000	61.3%	0.4%	—	—	—
	24,628,000	82.7%	100.0%	7,829,000	90.2%	100.0%

1/ Excludes properties recorded on our Balance Sheet that were sold but accounted for as Financings or Profit Sharing arrangements under FAS 66

2/ Annualized Revenue is December, 2004 rental revenue (base rent plus operating expense pass throughs) multiplied by 12.

3/ Excludes basement space in the Country Club Plaza property of 430,000 square feet

Occupancy Trends - Office, Industrial and Retail Properties 1/

Market	Measurement	12/31/04	09/30/04	06/30/04	03/31/04	12/31/03
Atlanta	Rentable Square Feet	6,825,000	6,825,000	6,821,000	6,919,000	6,919,000
	Occupancy	83.7%	81.3%	80.7%	78.8%	78.4%
	Current Properties 2/	83.7%	81.3%	80.7%	78.9%	78.4%
Charlotte	Rentable Square Feet	1,492,000	1,655,000	1,655,000	1,655,000	1,655,000
	Occupancy	72.9%	74.6%	73.9%	80.5%	79.6%
	Current Properties 2/	72.9%	75.1%	74.1%	81.6%	80.5%
Columbia	Rentable Square Feet	426,000	426,000	426,000	426,000	426,000
	Occupancy	60.4%	57.5%	57.9%	58.6%	57.9%
	Current Properties 2/	60.4%	57.5%	57.9%	58.6%	57.8%
Greenville	Rentable Square Feet	1,127,000	1,319,000	1,319,000	1,319,000	1,318,000
	Occupancy	80.5%	79.4%	78.8%	78.8%	80.2%
	Current Properties 2/	80.5%	78.4%	77.4%	77.4%	79.0%
Kansas City 3/	Rentable Square Feet	2,308,000	2,308,000	2,310,000	2,309,000	2,433,000
	Occupancy	94.1%	92.4%	91.4%	91.2%	92.7%
	Current Properties 2/	94.1%	92.4%	91.4%	91.2%	92.8%
Memphis	Rentable Square Feet	1,216,000	1,216,000	1,216,000	1,216,000	1,216,000
	Occupancy	83.2%	82.1%	82.0%	81.3%	81.0%
	Current Properties 2/	83.2%	82.1%	82.0%	81.3%	81.0%
Nashville	Rentable Square Feet	2,870,000	2,870,000	2,870,000	2,870,000	2,869,000
	Occupancy	93.3%	93.4%	91.7%	89.8%	91.5%
	Current Properties 2/	93.3%	93.4%	91.7%	89.8%	91.4%
Orlando	Rentable Square Feet	222,000	387,000	387,000	1,656,000	299,000
	Occupancy	93.2%	94.4%	52.9%	75.8%	44.9%
	Current Properties 2/	93.2%	93.2%	88.5%	91.5%	90.6%
Piedmont Triad	Rentable Square Feet	6,652,000	6,652,000	6,652,000	6,685,000	6,688,000
	Occupancy	92.5%	91.9%	91.1%	90.5%	90.0%
	Current Properties 2/	92.5%	91.9%	91.1%	91.0%	90.5%
Raleigh	Rentable Square Feet	4,597,000	4,739,000	4,808,000	4,664,000	4,706,000
	Occupancy	83.8%	81.1%	79.4%	80.9%	80.8%
	Current Properties 2/	83.8%	80.8%	79.4%	79.6%	79.4%
Richmond	Rentable Square Feet	1,835,000	1,835,000	1,835,000	1,851,000	1,852,000
	Occupancy	94.1%	92.0%	89.7%	90.9%	91.5%
	Current Properties 2/	94.1%	92.0%	89.7%	91.0%	91.6%
Tampa	Rentable Square Feet	4,196,000	4,221,000	4,277,000	4,443,000	4,441,000
	Occupancy	71.0%	66.1%	65.9%	63.7%	63.4%
	Current Properties 2/	71.0%	66.1%	66.8%	65.9%	65.5%
Total 4/		33,766,000	34,453,000	34,576,000	36,013,000	34,822,000
	Rentable Square Feet					
	Occupancy	85.0%	83.2%	81.8%	81.4%	81.5%
	Current Properties 2/	85.0%	83.2%	82.3%	82.1%	82.1%

1/ Excludes properties recorded on our Balance Sheet that were sold but accounted for as Financings or Profit Sharing arrangements under FAS 66

2/ Only properties that were owned and in-service on December 31, 2004 are included for each quarter shown.

3/ Excludes basement space in the Country Club Plaza property of 430,000 square feet.

4/ Excludes 100,000 square foot building located in South Florida

**Leasing Statistics
Office Portfolio 1/**

Three Months Ended

	12/31/04 2/	9/30/04 3/	6/30/04 4/	3/31/04 5/	12/31/03	Average
Net Effective Rents Related to Re-Leased Space:						
Number of lease transactions (signed leases)	206	219	230	209	179	209
Rentable square footage leased	1,101,291	1,368,577	1,375,372	1,191,746	962,636	1,199,924
Square footage of Renewal Deals	726,959	703,003	1,011,662	673,551	614,969	746,029
Renewed square footage (% of total)	66.0%	51.4%	73.6%	56.5%	63.9%	62.2%
New Leases square footage (% of total)	34.0%	48.6%	26.4%	43.5%	36.1%	37.8%
Average per rentable square foot over the lease term:						
Base rent	\$ 17.40	\$ 16.68	\$ 17.64	\$ 17.43	\$ 16.12	\$ 17.05
Tenant improvements	(1.51)	(1.27)	(1.09)	(1.57)	(1.09)	(1.31)
Leasing commissions 6/	(0.62)	(0.64)	(0.52)	(0.58)	(0.64)	(0.60)
Rent concessions	(0.31)	(0.37)	(0.27)	(0.63)	(0.35)	(0.39)
Effective rent	14.96	14.40	15.76	14.65	14.04	14.75
Expense stop	(5.61)	(5.32)	(5.25)	(5.70)	(5.35)	(5.45)
Equivalent effective net rent	\$ 9.35	\$ 9.08	\$ 10.51	\$ 8.95	\$ 8.69	\$ 9.30
Average term in years	5.0	3.7	4.3	4.8	4.1	4.4
Capital Expenditures Related to Re-leased Space:						
Tenant Improvements:						
Total dollars committed under signed leases	\$ 9,208,835	\$ 9,455,102	\$ 8,908,277	\$10,063,665	\$5,355,637	\$ 8,598,303
Rentable square feet	1,101,291	1,368,577	1,375,372	1,191,746	962,636	1,199,924
Per rentable square foot	\$ 8.36	\$ 6.91	\$ 6.48	\$ 8.44	\$ 5.56	\$ 7.17
Leasing Commissions:						
Total dollars committed under signed leases 6/	\$ 2,806,566	\$ 2,969,620	\$ 2,878,161	\$ 2,747,400	\$2,102,659	\$ 2,700,881
Rentable square feet	1,101,291	1,368,577	1,375,372	1,191,746	962,636	1,199,924
Per rentable square foot	\$ 2.55	\$ 2.17	\$ 2.09	\$ 2.31	\$ 2.18	\$ 2.25
Total:						
Total dollars committed under signed leases	\$12,015,400	\$12,424,721	\$11,786,438	\$12,811,064	\$7,458,296	\$11,299,184
Rentable square feet	1,101,291	1,368,577	1,375,372	1,191,746	962,636	1,199,924
Per rentable square foot	\$ 10.91	\$ 9.08	\$ 8.57	\$ 10.75	\$ 7.75	\$ 9.42

1/ Excludes properties recorded on our Balance Sheet that were sold but accounted for as Financings or Profit Sharing arrangements under FAS 66

2/ Includes 111K square feet of leases that start in 2007 or later

3/ Includes 128K square feet of leases that start in 2006 or later

4/ Includes 100K square feet of leases that start in 2006 or later

5/ Includes 72K square feet of leases that start in 2006 or later

6/ Excludes a full allocation of internal marketing cost

**Leasing Statistics
Industrial Portfolio**

Three Months Ended

	12/31/04	9/30/04 1/	06/30/04	03/31/04	12/31/03	Average
Net Effective Rents Related to Re-Leased Space:						
Number of lease transactions (signed leases)	36	34	7	32	36	29
Rentable square footage leased	1,216,644	285,706	820,933	630,829	1,131,281	817,079
Square footage of Renewal Deals	875,445	246,797	642,011	448,003	968,879	636,227
Renewed square footage (% of total)	72.0%	86.4%	78.2%	71.0%	85.6%	77.9%
New Leases square footage (% of total)	28.0%	13.6%	21.8%	29.0%	14.4%	22.1%
Average per rentable square foot over the lease term:						
Base rent	\$ 3.49	\$ 4.73	\$ 4.11	\$ 3.67	\$ 3.79	\$ 3.96
Tenant improvements	(0.13)	(0.33)	(0.31)	(0.17)	(0.08)	(0.20)
Leasing commissions 2/	(0.06)	(0.07)	(0.08)	(0.14)	(0.08)	(0.09)
Rent concessions	(0.03)	(0.05)	(0.17)	(0.05)	(0.05)	(0.07)
Effective rent	3.27	4.28	3.55	3.31	3.58	3.60
Expense stop	(0.09)	(0.54)	(0.36)	(0.18)	(0.20)	(0.27)
Equivalent effective net rent	\$ 3.18	\$ 3.74	\$ 3.19	\$ 3.13	\$ 3.38	\$ 3.33
Average term in years	2.0	2.6	3.2	2.6	3.2	2.7
Capital Expenditures Related to Re-leased Space:						
Tenant Improvements:						
Total dollars committed under signed leases	\$ 756,077	\$307,534	\$1,805,334	\$640,867	\$ 517,025	\$ 805,367
Rentable square feet	1,216,644	285,706	820,933	630,829	1,131,281	817,079
Per rentable square foot	\$ 0.62	\$ 1.08	\$ 2.20	\$ 1.02	\$ 0.46	\$ 0.99
Leasing Commissions:						
Total dollars committed under signed leases 2/	\$ 226,000	\$ 64,714	\$ 207,676	\$280,486	\$ 338,143	\$ 223,404
Rentable square feet	1,216,644	285,706	820,933	630,829	1,131,281	817,079
Per rentable square foot	\$ 0.19	\$ 0.23	\$ 0.25	\$ 0.44	\$ 0.30	\$ 0.27
Total:						
Total dollars committed under signed leases	\$ 982,077	\$372,247	\$2,013,010	\$921,354	\$ 855,168	\$1,028,771
Rentable square feet	1,216,644	285,706	820,933	630,829	1,131,281	817,079
Per rentable square foot	\$ 0.81	\$ 1.30	\$ 2.45	\$ 1.46	\$ 0.76	\$ 1.26

1/ Includes 74K square feet of leases that start in 2006 or later

2/ Excludes a full allocation of internal marketing cost

Leasing Statistics
Retail Portfolio

	Three Months Ended					
	12/31/04	9/30/04	6/30/04 1/	3/31/04 2/	12/31/03	Average
Net Effective Rents Related to Re-Leased Space:						
Number of lease transactions (signed leases)	23	18	13	10	9	15
Rentable square footage leased	106,629	34,300	38,548	37,303	75,947	58,545
Square footage of Renewal Deals	78,579	15,530	17,482	27,219	53,541	38,470
Renewed square footage (% of total)	73.7%	45.3%	45.4%	73.0%	70.5%	65.7%
New Leases square footage (% of total)	26.3%	54.7%	54.6%	27.0%	29.5%	34.3%
Average per rentable square foot over the lease term:						
Base rent	\$ 17.03	\$ 26.45	\$ 22.98	\$ 30.87	\$ 12.30	\$ 21.93
Tenant improvements	(1.73)	(1.84)	(2.04)	(1.58)	(0.31)	(1.50)
Leasing commissions 3/	(0.26)	(0.56)	(0.32)	(0.31)	(0.14)	(0.32)
Rent concessions	0.00	(0.04)	0.00	(0.06)	0.00	(0.02)
Effective rent	15.04	24.01	20.62	28.92	11.85	20.09
Expense stop	0.00	0.00	0.00	0.00	0.00	0.00
Equivalent effective net rent	\$ 15.04	\$ 24.01	\$ 20.62	\$ 28.92	\$ 11.85	\$ 20.09
Average term in years	8.3	5.7	8.0	6.1	6.8	7.0
Capital Expenditures Related to Re-leased Space:						
Tenant Improvements:						
Total dollars committed under signed leases	\$2,137,327	\$403,309	\$800,125	\$866,975	\$239,110	\$889,369
Rentable square feet	106,629	34,300	38,548	37,303	75,947	58,545
Per rentable square foot	\$ 20.04	\$ 11.76	\$ 20.76	\$ 23.24	\$ 3.15	\$ 15.19
Leasing Commissions:						
Total dollars committed under signed leases 3/	\$ 220,528	\$ 86,458	\$ 34,423	\$ 28,206	\$ 17,212	\$ 77,365
Rentable square feet	106,629	34,300	38,548	37,303	75,947	58,545
Per rentable square foot	\$ 2.07	\$ 2.52	\$ 0.89	\$ 0.76	\$ 0.23	\$ 1.32
Total:						
Total dollars committed under signed leases	\$2,357,855	\$489,767	\$834,548	\$895,181	\$256,322	\$966,735
Rentable square feet	106,629	34,300	38,548	37,303	75,947	58,545
Per rentable square foot	\$ 22.11	\$ 14.28	\$ 21.65	\$ 24.00	\$ 3.38	\$ 16.51

- 1/ Includes 6K square feet of leases that start in 2006 or later
2/ Includes 16K square feet of leases that start in 2006 or later
3/ Excludes a full allocation of internal marketing cost

Leasing Statistics by Market

For the Three Months ended December 31, 2004

Office Portfolio 1/

Market	Rentable Square Feet Leased	Average Term	GAAP Rental Rate	TI's Per SF	Lease Commissions Per SF 2/
Raleigh	273,485	5.0	\$15.51	\$ 8.09	\$ 3.25
Tampa	150,572	4.6	19.15	11.73	2.48
Memphis	147,013	6.9	19.46	14.00	2.12
Nashville	141,497	6.5	20.31	9.13	3.56
Richmond	114,827	4.2	19.16	7.44	1.66
Piedmont Triad	87,039	4.4	11.11	2.26	0.26
Atlanta	77,653	3.0	12.14	3.75	1.56
Charlotte	70,122	3.5	14.57	5.88	1.64
Kansas City	23,543	3.4	21.95	2.08	3.31
Orlando	6,788	2.7	24.03	7.56	0.00
Greenville	6,167	2.7	18.31	3.61	1.42
Columbia	2,585	2.7	14.41	0.93	1.55
	1,101,291	5.0	\$17.09	\$ 8.36	\$ 2.55

Industrial Portfolio

Market	Rentable Square Feet Leased	Average Term	GAAP Rental Rate	TI's Per SF	Lease Commissions Per SF 2/
Piedmont Triad	954,519	1.5	\$ 3.08	\$ 0.17	\$ 0.08
Atlanta	262,125	3.7	4.84	2.27	0.50
	1,216,644	2.0	\$ 3.46	\$ 0.62	\$ 0.19

Retail Portfolio

Market	Rentable Square Feet Leased	Average Term	GAAP Rental Rate	TI's Per SF	Lease Commissions Per SF
Kansas City	106,629	8.3	\$17.03	\$20.04	\$ 2.07
	106,629	8.3	\$17.03	\$20.04	\$ 2.07

1/ Excludes properties recorded on our Balance Sheet that were sold but accounted for as Financings or Profit Sharing arrangements under FAS 66

2/ Total lease commissions per square foot excludes all internal charges from Leasing Departments, which are not allocated to individual leases.

Rental Rate Comparisons by Market

For the Three Months ended December 31, 2004

Office Portfolio 1/

Market	Rentable Square Feet	Current GAAP Rent	Previous GAAP Rent	Percentage Change GAAP Rent
	Leased			
Raleigh	273,485	\$15.51	\$ 16.88	-8.1%
Tampa	150,572	19.15	19.46	-1.6%
Memphis	147,013	19.46	19.27	1.0%
Nashville	141,497	20.31	19.44	4.5%
Richmond	114,827	19.16	18.53	3.4%
Piedmont Triad	87,039	11.11	15.15	-26.7%
Atlanta	77,653	12.14	17.64	-31.2%
Charlotte	70,122	14.57	15.85	-8.1%
Kansas City	23,543	21.95	20.67	6.2%
Orlando	6,788	24.03	20.34	18.1%
Greenville	6,167	18.31	17.24	6.2%
Columbia	2,585	14.41	17.99	-19.9%
	1,101,291	\$17.09	\$ 17.99	-5.0%
Cash Rent Growth	1,101,291	\$16.43	\$ 19.02	-13.7%

Industrial Portfolio

Market	Rentable Square Feet	Current GAAP Rent	Previous GAAP Rent	Percentage Change GAAP Rent
	Leased			
Piedmont Triad	954,519	\$ 3.08	\$ 3.03	1.6%
Atlanta	262,125	4.84	5.54	-12.6%
	1,216,644	\$ 3.46	\$ 3.60	-3.8%
Cash Rent Growth	1,216,644	\$ 3.45	\$ 3.67	-6.0%

Retail Portfolio

Market	Rentable Square Feet	Current GAAP Rent	Previous GAAP Rent	Percentage Change GAAP Rent
	Leased			
Kansas City	106,629	\$17.03	\$ 17.20	-1.0%
	106,629	\$17.03	\$ 17.20	-1.0%
Cash Rent Growth	106,629	\$15.99	\$ 17.60	-9.1%

1/ Excludes properties recorded on our Balance Sheet that were sold but accounted for as Financings or Profit Sharing arrangements under FAS 66

Lease Expirations
December 31, 2004

Dollars in thousands

Year	Rentable Square Feet Expiring	Percent of Rentable Square Feet	Annualized Revenue 1/	Average Rental Rate	Percent of Annualized Revenue 1/
Office: 2/					
2005 3/	3,114,226	15.2%	\$ 56,694	\$18.21	15.9%
2006	3,179,399	15.5%	59,037	18.57	16.6%
2007	2,069,793	10.2%	35,202	17.01	9.9%
2008	3,111,840	15.3%	50,196	16.13	14.1%
2009	2,838,459	13.9%	49,006	17.27	13.7%
2010	1,913,500	9.4%	34,812	18.19	9.8%
2011	1,389,886	6.8%	25,769	18.54	7.2%
2012	766,121	3.8%	14,066	18.36	3.9%
2013	480,340	2.4%	8,087	16.84	2.3%
2014	419,418	2.1%	7,868	18.76	2.2%
2015 and thereafter	1,099,229	5.4%	15,834	14.40	4.4%
	20,382,211	100.0%	\$356,571	\$17.49	100.0%
Industrial:					
2005 4/	1,981,682	28.2%	\$ 8,377	\$ 4.23	25.9%
2006	964,023	13.7%	4,821	5.00	14.9%
2007	1,897,292	26.9%	8,746	4.61	27.1%
2008	627,041	8.9%	2,851	4.55	8.8%
2009	644,325	9.1%	3,598	5.58	11.1%
2010	159,418	2.3%	795	4.99	2.5%
2011	150,822	2.1%	713	4.73	2.2%
2012	171,340	2.4%	435	2.54	1.3%
2013	102,384	1.5%	621	6.07	1.9%
2014	206,731	2.9%	799	3.86	2.5%
2015 and thereafter	142,170	2.0%	596	4.19	1.8%
	7,047,228	100.0%	\$ 32,352	\$ 4.59	100.0%

1/ Annualized Revenue is December, 2004 rental revenue (base rent plus operating expense pass throughs) multiplied by 12.

2/ Excludes properties recorded on our Balance Sheet that were sold but accounted for as Financings or Profit Sharing arrangements under FAS 66

3/ Includes 104,000 square feet of leases that are on a month to month basis or 0.4% of total annualized revenue

4/ Includes 212,000 square feet of leases that are on a month to month basis or 0.2% of total annualized revenue

Note: 2005 and beyond expirations that have been renewed are reflected above based on the renewal's expiration date.

Lease Expirations

December 31, 2004

(Continued)

Dollars in thousands

Year	Rentable Square Feet Expiring	Percent of Rentable Square Feet	Annualized Revenue 1/	Average Rental Rate	Percent of Annualized Revenue 1/
Retail:					
2005 2/	64,184	4.7%	\$ 1,747	\$27.22	4.8%
2006	101,607	7.4%	2,498	24.58	6.9%
2007	79,810	5.8%	2,197	27.53	6.1%
2008	131,003	9.6%	3,711	28.33	10.3%
2009	190,401	13.9%	4,735	24.87	13.1%
2010	88,790	6.5%	2,989	33.66	8.3%
2011	58,071	4.2%	1,867	32.15	5.2%
2012	140,336	10.2%	3,923	27.95	10.9%
2013	108,866	7.9%	2,681	24.63	7.4%
2014	83,349	6.1%	1,570	18.84	4.3%
2015 and thereafter	324,988	23.7%	8,212	25.27	22.7%
	1,371,405	100.0%	\$ 36,130	\$26.35	100.0%
Total:					
2005 3/4/	5,160,092	17.9%	66,818	12.95	15.6%
2006	4,245,029	14.7%	66,356	15.63	15.6%
2007	4,046,895	14.1%	46,145	11.40	10.9%
2008	3,869,884	13.4%	56,758	14.67	13.4%
2009	3,673,185	12.8%	57,339	15.61	13.5%
2010	2,161,708	7.5%	38,596	17.85	9.1%
2011	1,598,779	5.6%	28,349	17.73	6.7%
2012	1,077,797	3.7%	18,424	17.09	4.3%
2013	691,590	2.4%	11,389	16.47	2.7%
2014	709,498	2.5%	10,237	14.43	2.4%
2015 and thereafter	1,566,387	5.4%	24,642	15.73	5.8%
	28,800,844	100.0%	\$425,053	\$14.76	100.0%

1/ Annualized Revenue is December, 2004 rental revenue (base rent plus operating expense pass throughs) multiplied by 12.

2/ Includes 10,000 square feet of leases that are on a month to month basis or 0.1% of total annualized revenue

3/ Includes 326,000 square feet of leases that are on a month to month basis or 0.7% of total annualized revenue

4/ Excludes properties recorded on our Balance Sheet that were sold but accounted for as Financings or Profit Sharing arrangements under FAS 66

Note: 2005 and beyond expirations that have been renewed are reflected above based on the renewal's expiration date.

Office Lease Expirations by Market by Quarter 1/

Dollars in thousands

		Three Months Ended				Total
		3/31/05 2/	06/30/05	09/30/05	12/31/05	
Atlanta		151,868				
	RSF		72,363	343,766	30,501	598,498
	% of Total Office RSF	\$ 0.7%	\$ 0.4%	\$ 1.7%	\$ 0.1%	\$ 2.9%
	Annualized Revenue 3/	1,888	1,191	5,862	468	9,409
	% of Total Office Annl Rev	0.5%	0.3%	1.6%	0.1%	2.6%
Charlotte		139,577				
	RSF		47,871	58,557	22,267	268,272
	% of Total Office RSF	\$ 0.7%	\$ 0.2%	\$ 0.3%	\$ 0.1%	\$ 1.3%
	Annualized Revenue 3/	2,286	900	767	377	4,330
	% of Total Office Annl Rev	0.6%	0.3%	0.2%	0.1%	1.2%
Columbia						
	RSF	0	0	27,437	3,352	30,789
	% of Total Office RSF	\$ 0.0%	\$ 0.0%	\$ 0.1%	\$ 0.0%	\$ 0.2%
	Annualized Revenue 3/	—	—	506	60	566
	% of Total Office Annl Rev	0.0%	0.0%	0.1%	0.0%	0.2%
Greenville						
	RSF	11,608	0	101,444	0	113,052
	% of Total Office RSF	\$ 0.1%	\$ 0.0%	\$ 0.5%	0.0%	\$ 0.6%
	Annualized Revenue 3/	257	—	1,585	—	1,842
	% of Total Office Annl Rev	0.1%	0.0%	0.4%	0.0%	0.5%
Kansas City						
	RSF	62,994	33,324	20,970	26,654	143,942
	% of Total Office RSF	\$ 0.3%	\$ 0.2%	\$ 0.1%	\$ 0.1%	\$ 0.7%
	Annualized Revenue 3/	1,384	627	406	489	2,906
	% of Total Office Annl Rev	0.4%	0.2%	0.1%	0.1%	0.8%
Memphis						
	RSF	88,827	12,770	71,392	9,867	182,856
	% of Total Office RSF	\$ 0.4%	\$ 0.1%	\$ 0.4%	\$ 0.0%	\$ 0.9%
	Annualized Revenue 3/	1,594	258	1,376	177	3,405
	% of Total Office Annl Rev	0.4%	0.1%	0.4%	0.0%	1.0%
Nashville					115,545	
	RSF	62,131	97,717	60,152		335,545
	% of Total Office RSF	\$ 0.3%	\$ 0.5%	\$ 0.3%	\$ 0.6%	\$ 1.6%
	Annualized Revenue 3/	1,289	2,014	1,231	2,362	6,896
	% of Total Office Annl Rev	0.4%	0.6%	0.3%	0.7%	1.9%
Orlando						
	RSF	7,847	0	0	0	7,847
	% of Total Office RSF	\$ 0.0%	\$ 0.0%	\$ 0.0%	\$ 0.0%	\$ 0.0%
	Annualized Revenue 3/	130	—	—	—	130
	% of Total Office Annl Rev	0.0%	0.0%	0.0%	0.0%	0.0%
Piedmont Triad						
	RSF	35,735	75,089	96,135	41,764	248,723
	% of Total Office RSF	\$ 0.2%	\$ 0.4%	\$ 0.5%	\$ 0.2%	\$ 1.2%
	Annualized Revenue 3/	623	1,349	1,515	709	4,196
	% of Total Office Annl Rev	0.2%	0.4%	0.4%	0.2%	1.2%
Raleigh			176,674		109,598	
	RSF	79,653		118,453		484,378
	% of Total Office RSF	\$ 0.3%	\$ 0.9%	\$ 0.6%	\$ 0.5%	\$ 2.3%
	Annualized Revenue 3/	1,428	3,443	2,325	2,272	9,468
	% of Total Office Annl Rev	0.4%	1.0%	0.7%	0.6%	2.7%
Richmond	RSF	20,687	64,056	163,736	92,200	340,679
	% of Total Office RSF	0.1%	0.3%	0.8%	0.5%	1.7%

		\$	\$	\$	\$	\$
	Annualized Revenue 3/	391	1,151	3,216	1,409	6,167
	% of Total Office Annl Rev	0.1%	0.3%	0.9%	0.4%	1.7%
Tampa		118,001				
	RSF		65,225	87,754	67,089	338,069
	% of Total Office RSF	\$ 0.6%	\$ 0.3%	\$ 0.4%	\$ 0.3%	\$ 1.7%
	Annualized Revenue 3/	2,174	1,463	1,818	1,472	6,927
	% of Total Office Annl Rev	0.6%	0.4%	0.5%	0.4%	1.9%
Other						
	RSF	1,095	0	20,481	0	21,576
	% of Total Office RSF	\$ 0.0%	\$ 0.0%	\$ 0.1%	\$ 0.0%	\$ 0.1%
	Annualized Revenue 3/	5	—	451	—	456
	% of Total Office Annl Rev	0.0%	0.0%	0.1%	0.0%	0.1%
Total		780,023	645,089	1,170,277	518,837	3,114,226
	RSF					
	% of Total Office RSF	\$ 3.8%	\$ 3.2%	\$ 5.7%	\$ 2.5%	\$ 15.2%
	Annualized Revenue 3/	13,449	12,396	21,058	9,795	56,698
	% of Total Office Annl Rev	3.8%	3.5%	5.9%	2.7%	15.9%

1/ Excludes properties recorded on our Balance Sheet that were sold but accounted for as Financings or Profit Sharing arrangements under FAS 66

2/ Includes 104,000 square feet of leases that are on a month to month basis or 0.4% of total annualized revenue

3/ Annualized Revenue is December, 2004 rental revenue (base rent plus operating expense pass throughs) multiplied by 12.

Industrial Lease Expirations by Market by Quarter

Dollars in thousands

		Three Months Ended				
		3/31/05 1/	06/30/05	09/30/05	12/31/05	Total
Atlanta			104,219	170,528	271,953	
	RSF	198,966				745,666
	% of Total Industrial RSF	\$ 2.8%	\$ 1.5%	\$ 2.4%	\$ 3.9%	\$ 10.6%
	Annualized Revenue 2/	548	415	837	1,595	3,395
	% of Total Industrial Annl Rev	1.7%	1.3%	2.6%	4.9%	10.5%
Charlotte						
	RSF	0	0	0	0	0
	% of Total Industrial RSF	\$ 0.0%	\$ 0.0%	\$ 0.0%	\$ 0.0%	\$ 0.0%
	Annualized Revenue 2/	—	—	—	—	—
	% of Total Industrial Annl Rev	0.0%	0.0%	0.0%	0.0%	0.0%
Greenville						
	RSF	0	0	0	0	0
	% of Total Industrial RSF	\$ 0.0%	\$ 0.0%	\$ 0.0%	\$ 0.0%	\$ 0.0%
	Annualized Revenue 2/	—	—	—	—	—
	% of Total Industrial Annl Rev	0.0%	0.0%	0.0%	0.0%	0.0%
Kansas City						
	RSF	2,018	0	0	0	2,018
	% of Total Industrial RSF	\$ 0.0%	\$ 0.0%	\$ 0.0%	\$ 0.0%	\$ 0.0%
	Annualized Revenue 2/	17	—	—	—	17
	% of Total Industrial Annl Rev	0.1%	0.0%	0.0%	0.0%	0.1%
Piedmont Triad				232,595		1,192,409
	RSF	840,404	92,444		26,966	
	% of Total Industrial RSF	\$ 11.9%	\$ 1.3%	\$ 3.3%	\$ 0.4%	\$ 16.9%
	Annualized Revenue 2/	3,143	524	753	184	4,604
	% of Total Industrial Annl Rev	9.7%	1.6%	2.3%	0.6%	14.2%
Raleigh						
	RSF	3,728	5,950	31,911	0	41,589
	% of Total Industrial RSF	\$ 0.1%	\$ 0.1%	\$ 0.5%	\$ 0.0%	\$ 0.6%
	Annualized Revenue 2/	34	49	278	—	361
	% of Total Industrial Annl Rev	0.1%	0.2%	0.9%	0.0%	1.1%
Total		1,045,116	202,613	435,034	298,919	1,981,682
	RSF					
	% of Total Industrial RSF	\$ 14.8%	\$ 2.9%	\$ 6.2%	\$ 4.2%	\$ 28.1%
	Annualized Revenue 2/	3,742	988	1,868	1,779	8,377
	% of Total Industrial Annl Rev	11.6%	3.1%	5.8%	5.5%	25.9%

1/ Includes 212,000 square feet of leases that are on a month to month basis or 0.2% of total annualized revenue

2/ Annualized Revenue is December, 2004 rental revenue (base rent plus operating expense pass throughs) multiplied by 12.

Office Lease Expirations by Market by Year 1/

Dollars in thousands

		2005 2/	2006	2007	2008	Thereafter
Atlanta	RSF					1,275,489
	% of Total Office RSF	598,498	373,647	199,083	539,637	
	Annualized Revenue 3/	\$ 2.9%	\$ 1.8%	\$ 1.0%	\$ 2.6%	\$ 6.3%
	% of Total Office Annl Rev	9,410	5,906	2,899	8,487	23,164
		2.6%	1.7%	0.8%	2.4%	6.5%
Charlotte	RSF					
	% of Total Office RSF	268,272	171,575	125,838	102,969	419,262
	Annualized Revenue 3/	\$ 1.3%	\$ 0.8%	\$ 0.6%	\$ 0.5%	\$ 2.1%
	% of Total Office Annl Rev	4,330	2,751	1,912	1,653	5,948
		1.2%	0.8%	0.5%	0.5%	1.7%
Columbia	RSF					
	% of Total Office RSF	30,789	59,586	58,951	63,170	44,698
	Annualized Revenue 3/	\$ 0.2%	\$ 0.3%	\$ 0.3%	\$ 0.3%	\$ 0.2%
	% of Total Office Annl Rev	565	1,110	1,046	1,085	460
		0.2%	0.3%	0.3%	0.3%	0.1%
Greenville	RSF					
	% of Total Office RSF	113,052	218,167	16,115	98,992	431,299
	Annualized Revenue 3/	\$ 0.6%	\$ 1.1%	\$ 0.1%	\$ 0.5%	\$ 2.1%
	% of Total Office Annl Rev	1,842	4,097	295	1,794	5,147
		0.5%	1.1%	0.1%	0.5%	1.4%
Kansas City	RSF					
	% of Total Office RSF	143,942	148,045	89,495	56,558	359,313
	Annualized Revenue 3/	\$ 0.7%	\$ 0.7%	\$ 0.4%	\$ 0.3%	\$ 1.8%
	% of Total Office Annl Rev	2,906	3,284	1,875	1,113	8,621
		0.8%	0.9%	0.5%	0.3%	2.4%
Memphis	RSF					
	% of Total Office RSF	182,856	96,277	103,781	185,782	442,961
	Annualized Revenue 3/	\$ 0.9%	\$ 0.5%	\$ 0.5%	\$ 0.9%	\$ 2.2%
	% of Total Office Annl Rev	3,405	1,796	1,974	3,582	8,207
		1.0%	0.5%	0.6%	1.0%	2.3%
Nashville	RSF					1,451,973
	% of Total Office RSF	335,545	471,315	235,334	178,944	
	Annualized Revenue 3/	\$ 1.6%	\$ 2.3%	\$ 1.2%	\$ 0.9%	\$ 7.1%
	% of Total Office Annl Rev	6,896	9,540	4,560	3,378	25,943
		1.9%	2.7%	1.3%	0.9%	7.3%
Orlando	RSF					
	% of Total Office RSF	7,847	6,465	19,339	8,216	164,934
	Annualized Revenue 3/	\$ 0.0%	\$ 0.0%	\$ 0.1%	\$ 0.0%	\$ 0.8%
	% of Total Office Annl Rev	130	170	338	184	3,177
		0.0%	0.0%	0.1%	0.1%	0.9%
Piedmont Triad	RSF					
	% of Total Office RSF	248,723	182,774	283,320	617,992	611,382
	Annualized Revenue 3/	\$ 1.2%	\$ 0.9%	\$ 1.4%	\$ 3.0%	\$ 3.0%
	% of Total Office Annl Rev	4,196	3,124	3,251	7,054	9,131
		1.2%	0.9%	0.9%	2.0%	2.6%
Raleigh	RSF					1,531,136
	% of Total Office RSF	484,378	827,520	372,092	560,340	
	Annualized Revenue 3/	\$ 2.4%	\$ 4.1%	\$ 1.8%	\$ 2.7%	\$ 7.5%
	% of Total Office Annl Rev	9,467	14,394	6,908	9,580	26,308
		2.7%	4.0%	1.9%	2.7%	7.4%
Richmond	RSF					
	% of Total Office RSF	340,679	250,054	312,340	202,596	620,244
	Annualized Revenue 3/	\$ 1.7%	\$ 1.2%	\$ 1.5%	\$ 1.0%	\$ 3.0%
	% of Total Office Annl Rev	6,166	5,007	5,069	3,742	9,587
		1.7%	1.4%	1.4%	1.0%	2.7%

Tampa	RSF					1,552,973
	% of Total Office RSF	338,069	367,808	241,398	477,195	
	Annualized Revenue 3/	\$ 1.7%	\$ 1.8%	\$ 1.2%	\$ 2.3%	\$ 7.6%
	% of Total Office Annl Rev	6,925	7,700	4,752	8,026	29,723
		1.9%	2.2%	1.3%	2.3%	8.3%
Other	RSF					
	% of Total Office RSF	21,576	6,166	12,707	19,449	1,289
	Annualized Revenue 3/	\$ 0.1%	\$ 0.0%	\$ 0.1%	\$ 0.1%	\$ 0.0%
	% of Total Office Annl Rev	456	157	322	518	28
		0.1%	0.0%	0.1%	0.1%	0.0%
Total	RSF	3,114,226	3,179,399	2,069,793	3,111,840	8,906,953
	% of Total Office RSF					
	Annualized Revenue 3/	\$ 15.3%	\$ 15.6%	\$ 10.2%	\$ 15.3%	\$ 43.7%
	% of Total Office Annl Rev	56,694	59,036	35,201	50,196	155,444
		15.9%	16.6%	9.9%	14.1%	43.6%

1/ Excludes properties recorded on our Balance Sheet that were sold but accounted for as Financings or Profit Sharing arrangements under FAS 66

2/ Includes 104,000 square feet of leases that are on a month to month basis or 0.4% of total annualized revenue

3/ Annualized Revenue is December, 2004 rental revenue (base rent plus operating expense pass throughs) multiplied by 12.

Industrial Lease Expirations by Market by Year

Dollars in thousands

		2005 1/	2006	2007	2008	Thereafter
Atlanta			345,292		213,372	
	RSF	745,666		665,087		759,492
	% of Total Industrial RSF	\$ 10.6%	\$ 4.9%	\$ 9.4%	\$ 3.0%	\$ 10.7%
	Annualized Revenue 2/	3,395	2,069	3,462	1,013	3,503
	% of Total Industrial Annl Rev	10.5%	6.4%	10.7%	3.1%	10.5%
Charlotte						
	RSF	0	0	0	0	0
	% of Total Industrial RSF	\$ 0.0%	\$ 0.0%	\$ 0.0%	\$ 0.0%	\$ 0.0%
	Annualized Revenue 2/	—	—	—	—	—
	% of Total Industrial Annl Rev	0.0%	0.0%	0.0%	0.0%	0.0%
Greenville						
	RSF	0	16,081	0	5,350	8,470
	% of Total Industrial RSF	\$ 0.0%	\$ 0.2%	\$ 0.0%	\$ 0.1%	\$ 0.1%
	Annualized Revenue 2/	—	201	—	58	46
	% of Total Industrial Annl Rev	0.0%	0.6%	0.0%	0.2%	0.1%
Kansas City						
	RSF	2,018	0	0	0	1,756
	% of Total Industrial RSF	\$ 0.0%	\$ 0.0%	\$ 0.0%	\$ 0.0%	\$ 0.0%
	Annualized Revenue 2/	17	—	—	—	20
	% of Total Industrial Annl Rev	0.1%	0.0%	0.0%	0.0%	0.1%
Piedmont Triad		1,192,409	590,763	1,232,205	393,131	
	RSF					800,333
	% of Total Industrial RSF	\$ 16.9%	\$ 8.4%	\$ 17.5%	\$ 5.6%	\$ 11.4%
	Annualized Revenue 2/	4,603	2,433	5,284	1,618	3,920
	% of Total Industrial Annl Rev	14.2%	7.5%	16.3%	5.0%	12.1%
Raleigh						
	RSF	41,589	11,887	0	15,188	7,139
	% of Total Industrial RSF	\$ 0.6%	\$ 0.2%	\$ 0.0%	\$ 0.2%	\$ 0.1%
	Annualized Revenue 2/	362	118	—	163	67
	% of Total Industrial Annl Rev	1.1%	0.4%	0.0%	0.5%	0.2%
Total		1,981,682	964,023	1,897,292	627,041	1,577,190
	RSF					
	% of Total Industrial RSF	\$ 28.1%	\$ 13.7%	\$ 26.9%	\$ 8.9%	\$ 22.3%
	Annualized Revenue 2/	8,377	4,821	8,746	2,852	7,556
	% of Total Industrial Annl Rev	25.9%	14.9%	27.0%	8.8%	23.1%

1/ Includes 212,000 square feet of leases that are on a month to month basis or 0.2% of total annualized revenue

2/ Annualized Revenue is December, 2004 rental revenue (base rent plus operating expense pass throughs) multiplied by 12.

Customer Diversification 1/

December 31, 2004

Dollars in thousands

Top 20 Customers

Customer	RSF	Annualized Revenue 2/	Percent of Annualized Revenue 2/	Average Remaining Lease Term in Years
Federal Government	789,696	\$ 16,466	3.94%	6.7
AT&T 3/	537,529	10,008	2.40%	4.1
Price Waterhouse Coopers	297,795	7,385	1.77%	5.3
State Of Georgia	361,687	7,070	1.69%	4.2
T-Mobile USA	205,394	4,757	1.14%	4.5
Sara Lee	1,195,383	4,682	1.12%	2.7
IBM	194,649	4,100	0.98%	1.2
Northern Telecom	246,000	3,651	0.87%	3.2
Volvo	270,774	3,483	0.83%	4.6
US Airways	295,046	3,376	0.81%	3.0
Lockton Companies	132,718	3,303	0.79%	10.2
BB&T	229,459	3,252	0.78%	6.7
CHS Professional Services	168,436	2,994	0.72%	2.1
ITC Deltacom 4/	147,379	2,989	0.72%	0.4
Ford Motor Company	125,989	2,729	0.65%	5.1
IKON	181,361	2,610	0.63%	1.7
MCI	127,268	2,533	0.61%	1.5
Hartford Insurance	116,010	2,508	0.60%	1.8
Aspect Communications	116,692	2,343	0.56%	1.9
Jacob's Engineering	229,626	2,258	0.54%	11.3
	5,968,891	\$ 92,497	22.15%	4.5

By Industry

Category	Percent of Annualized Revenue 2/
Professional, Scientific, and Technical Services	21.6%
Insurance	10.1%
Manufacturing	9.4%
Telecommunication	8.2%
Finance/Banking	8.0%
Retail Trade	7.2%
Government/Public Administration	6.2%
Health Care and Social Assistance	6.0%
Wholesale Trade	5.5%
Transportation and Warehousing	3.3%
Administrative and Support Services	3.1%
Real Estate Rental and Leasing	2.8%
Accommodation and Food Services	2.7%
Other Services (except Public Administration)	2.7%
Information	2.1%
Educational Services	1.1%
	100.0%

1/ Excludes properties recorded on our Balance Sheet that were sold but accounted for as Financings or Profit Sharing arrangements under FAS 66

2/ Annualized Revenue is December, 2004 rental revenue (base rent plus operating expense pass throughs) multiplied by 12.

3/ AT&T and SBC have received final approval on their plans to merge. SBC currently leases 5K square feet with \$110K in associated

annualized revenue.

4/ *ITC Deltacom (formerly Business Telecom) is located in a property that was sold on 3/31/05.*

Same Property Performance

Dollars in thousands

	Three months ended December 31,		Percentage Change
	2004	2003	
Rental revenues	\$ 103,733	\$ 100,910	2.8%
Straight Line rent/lease incentives	606	1,061	-42.9%
Lease termination fees 1/	278	2,525	-89.0%
Operating expenses	(36,830)	(36,618)	-0.6%
Net operating income	\$ 67,787	\$ 67,878	-0.1%
Average Occupancy	84.3%	82.4%	2.3%
Rentable Square Feet	32,085,000	32,085,000	

	Twelve months ended December 31,		Percentage Change
	2004	2003	
Rental revenues	\$ 405,102	\$ 406,763	-0.4%
Straight Line rent/lease incentives	5,099	5,168	-1.3%
Lease termination fees 1/	2,569	4,946	-48.1%
Operating expenses	(145,942)	(143,514)	-1.7%
Net operating income	\$ 266,828	\$ 273,363	-2.4%
Average Occupancy	83.0%	82.8%	0.2%
Rentable Square Feet	32,085,000	32,085,000	

Market	2003 to 2004 4th Quarter NOI Change	2003 to 2004 YTD NOI Change
Atlanta	4.1%	-5.7%
Charlotte	-11.7%	-8.7%
Columbia	19.6%	-9.9%
Greenville	-18.4%	-7.8%
Kansas City	8.0%	1.1%
Memphis	-1.4%	-1.8%
Nashville	2.6%	0.9%
Orlando	-14.2%	-4.7%
Piedmont Triad	2.9%	-2.9%
Raleigh	-5.4%	-0.7%
Richmond	3.7%	6.1%
Tampa 1/	-6.0%	-8.1%
	-0.1%	-2.4%

1/ Excludes WorldCom settlement proceeds of \$14.4 million

Acquisition Activity

Dollars in thousands

Name	Market	Type 1/ _____	Date Acquired	Square Footage	Total Cost
First quarter 2004:					
Signature Plaza	Orlando	O	03/02/04	274,000	
Capital Plaza I	Orlando	O	03/02/04	242,000	
Capital Plaza II	Orlando	O	03/02/04	303,000	
Landmark I	Orlando	O	03/02/04	226,000	
Landmark II	Orlando	O	03/02/04	225,000	
				1,270,000	\$171,526 2/
Windsor at Metro Center 3/	Orlando	O	03/02/04	88,000	\$ 6,100 3/
Second quarter 2004:					
None					
Third quarter 2004:					
None					
Fourth quarter 2004:					
None					
				1,358,000	\$ 177,626

Joint Venture Acquisitions

Name	Market	Type 1/ _____	Date Acquired	Square Footage	Cost
First quarter 2004:					
Glenridge 100	Atlanta	O	02/26/04	91,500	
Glenridge 200	Atlanta	O	02/26/04	93,900	
				185,400	\$ 23,850 4/
Second quarter 2004:					
None					
Third quarter 2004:					
None					
Fourth quarter 2004:					
None					
				185,400	\$ 23,850

1/ The letter "O" represents Office

2/ As discussed in Notes 3 and 18 to the financial statements included in our amended 2003 Form 10K, these five properties held in the MG-HIW LLC joint venture and the related \$136.2 million of mortgage debt were consolidated in our statements. In March we acquired our partner's 80% interest in the joint venture entity that owns these properties. The \$171.5 million amount reflects the \$62.5 million to acquire the MG's 80% equity interest and MG's 80% interest in the \$136.2 million related debt.

3/ We purchased our partner's 50% interest in this Metrowest property.

4/ We purchased a 40% interest in these two properties.

Disposition Activity

Dollars in thousands

Name	Market	Type 1/	Date Sold	Square Footage	Gross Sales Price
First quarter 2004:					
Brookside Shopping Center	Kansas City	R	01/29/04	111,800	
63rd & Brookside Building	Kansas City	O	01/29/04	7,800	
				119,600	\$ 15,250
Northpark I	Raleigh	O	03/28/04	42,300	4,500
Second quarter 2004:					
1309 E. Cary Street	Richmond	O	05/21/04	16,000	1,075
Highwoods Preserve III	Tampa	O	06/16/04	176,000	20,190
1035 Fred Drive	Atlanta	I	06/24/04	100,000	2,000
Third quarter 2004:					
Sabal Tech Center	Tampa	O	08/10/04	58,600	3,350
Lake Plaza East	Raleigh	O	08/16/04	71,800	5,850
Fourth quarter 2004:					
Highwoods Business Park	Charlotte	I	11/05/04	162,700	9,500
SunPort Center	Orlando	O	11/23/04	165,000	6,800
South Square I	Raleigh	O	11/23/04	57,900	4,700
South Square II	Raleigh	O	11/23/04	59,300	4,050
Bay Vista	Tampa	O	12/08/04	17,800	1,955
Pulse Athletic Club at Highwoods	Raleigh	O	12/17/04	24,800	1,850
Bank of America	Greenville	O	12/22/04	191,600	12,350
				1,263,400	\$ 93,420

Depreciable Assets Contributed to Joint Ventures

	Market	Type 1/	Date Contributed	Square Footage	Gross Sales Price
First quarter 2004:					
None					
Second quarter 2004:					
Signature Plaza	Orlando	O	06/28/04	274,000	
Capital Plaza I	Orlando	O	06/28/04	242,000	
Capital Plaza II	Orlando	O	06/28/04	303,000	
Landmark I	Orlando	O	06/28/04	226,000	
Landmark II	Orlando	O	06/28/04	225,000	
				1,270,000	\$126,900 2/
Third quarter 2004:					
None					
Fourth quarter 2004:					
None					
				1,270,000	\$ 126,900

1/ The letters "O" and "R" represent Office and Retail, respectively.

2/ As discussed in Note 4 to the financial statements in our amended 2003 Form 10K, the Company sold a 60% equity interest in the subsidiary that owned these five properties and retained a 40% interest. The \$126.9 million amount reflects \$41.1 million cash received, net of future payments required to be paid by the Company for leasing and tenant improvements, and \$85.8 million representing 60% of the \$143 million debt.

Development Activity

Dollars in thousands

Property In - Process	Market	Type 1/	Rentable Square Feet	Anticipated	Investment	Pre-Leasing	Estimated Completion	Estimated Stabilization
				Total Investment	@ 12/31/04		Date	Date
Office:								
Center for Disease Control	Atlanta	O	109,000	\$ 21,375	\$ 1,078	100%	4Q05	4Q05
Saxon	Richmond	O	112,000	14,829	5,084	100%	3Q05	3Q05
FBI 2/	Tampa	O	137,000	31,091	12,330	100%	4Q05	4Q05
Total or Weighted Average			358,000	\$ 67,295	\$ 18,492	100%		
Retail:								
Griffith Road/Boutique Shops	Piedmont Triad	R	9,600	\$ 2,634	\$ 1,647	44%	2Q05	2Q06
Total or Weighted Average			9,600	\$ 2,634	\$ 1,647	44%		
Multi-Family 3/:								
The Vinings at University Center	Charlotte	M	156 units	10,800	1,847	0%	4Q05	3Q06
Total or Weighted Average			156 units	\$ 10,800	\$ 1,847	0%		
Total or Weighted Average 4/			367,600	\$ 80,729	\$ 21,986	99%		
Completed Not Stabilized 5/								
National Archives Record Administration	Atlanta	I	353,000	\$ 20,387	\$ 17,482	100%	3Q04	4Q05
Total or Weighted Average			353,000	\$ 20,387	\$ 17,482	100%		
Grand Total or Weighed Average			720,600	\$101,116	\$ 39,468	99%		

1/ The letters "O", and "I" represent Office and Industrial, respectively.

2/ An approved 25,000 square feet expansion at an additional anticipated cost of \$4.5 million is included.

3/ The Vinings at University Center is currently a fifty percent owned joint venture consolidated under the provisions of FIN 46.

4/ These "In-process" developments, together with \$843,000 of other development costs and \$2.3 million related to office condominiums being developed for sale, are included on the Consolidated Balance Sheet as "Developments-in-process." This preleasing percentage does not include multi-family.

5/ Completed Not Stabilized properties are recorded in the Consolidated Balance Sheet in the Land and Building accounts, not Development-in-process.

**Development Land
December 31, 2004**

Dollars in thousands

Market	Acres	Developable Square Footage 1/			Total Estimated Market Value
		Office	Retail	Industrial	
On Balance Sheet:					
Raleigh	361	3,119,000	60,000	162,000	\$ 68,900
Atlanta	249	270,000	1,100,000	1,390,000	37,400
Piedmont Triad	117	787,000	37,000	1,190,000	16,400
Kansas City 2/	46	550,000	91,000	—	12,300
Baltimore	45	771,000	—	—	14,300
Richmond	61	688,000	—	—	10,500
Charlotte	65	1,151,000	—	—	11,300
Nashville	48	830,000	—	—	12,900
Orlando	49	862,000	—	—	15,600
Tampa	29	462,000	—	15,000	12,200
Memphis	22	288,000	—	—	4,200
Greenville	12	150,000	—	—	1,800
Jacksonville	9	80,000	—	—	1,900
Columbia	2	20,000	—	—	300
	1,115	10,028,000	1,288,000	2,757,000	\$ 220,000
Deferred or optioned:					
Atlanta	25	—	500,000	—	
	25	—	500,000	—	
Total	1,140	10,028,000	1,788,000	2,757,000	

1/ A portion of land has been or will be rezoned for other use increasing its market value

2/ Includes 27 acres of residential land

Unconsolidated Joint Ventures Assets, Debt and Liabilities
December 31, 2004

Dollars in thousands

Joint Venture	Type 1/	Own %	Venture's Books		
			Total Assets	Debt	Total Liabilities
Board of Trade Investment Co.	O	49.0%	\$ 8,044	\$ 565	\$ 790
Dallas County Partners I, LP	O/ I	50.0%	44,985	40,712	43,604
Dallas County Partners II, LP	O	50.0%	16,857	21,223	22,662
Dallas County Partners III, LP	O	50.0%	45	—	26
Fountain Three	O/I/R	50.0%	33,569	28,818	30,774
RRHWoods, LLC 2/	O/M	50.0%	82,267	69,714	73,467
Kessinger/Hunter, LLC	—	26.5%	9,058	—	816
4600 Madison Associates, LP	O	12.5%	21,171	16,010	16,756
Highwoods DLF 98/29, LP 2/	O	22.81%	138,195	66,206	68,761
Highwoods DLF 97/26 DLF 99/32, LP 2/	O	42.93%	112,103	58,313	61,827
Highwoods-Markel Associates, LLC 2/	O	50.0%	49,973	39,442	39,840
MG-HIW Metrowest I, LLC	O	50.0%	—	—	—
MG-HIW Metrowest II, LLC	O	50.0%	—	—	—
Concourse Center Associates, LLC 2/	O	50.0%	14,473	9,519	9,898
Plaza Colonnade, LLC	O/R	50.0%	80,498	68,685	71,885
Highwoods KC Glenridge Office, LP	O	40.0%	24,624	16,500	16,919
Highwoods KC Glenridge Land, LP	O	40.0%	749	238	248
Highwoods KC Orlando, LLC 2/	O	40.0%	213,255	143,000	146,521
Total			\$849,866	\$578,945	\$604,794

Joint Venture	Type 1/	Own %	Highwoods' Share of Joint Venture		
			Total Assets	Debt	Total Liabilities
Board of Trade Investment Co.	O	49.0%	\$ 3,942	\$ 277	\$ 387
Dallas County Partners I, LP	O/I	50.0%	22,493	20,356	21,802
Dallas County Partners II, LP	O	50.0%	8,429	10,612	11,331
Dallas County Partners III, LP	O	50.0%	23	—	13
Fountain Three	O/I/R	50.0%	16,785	14,409	15,387
RRHWoods, LLC 2/	O/M	50.0%	41,134	34,857	36,734
Kessinger/Hunter, LLC	—	26.5%	2,400	—	216
4600 Madison Associates, LP	O	12.5%	2,646	2,001	2,095
Highwoods DLF 98/29, LP 2/	O	22.81%	31,522	15,102	15,684
Highwoods DLF 97/26 DLF 99/32, LP 2/	O	42.93%	48,126	25,034	26,542
Highwoods-Markel Associates, LLC 2/	O	50.0%	24,987	19,721	19,920
MG-HIW Metrowest I, LLC	O	50.0%	—	—	—
MG-HIW Metrowest II, LLC	O	50.0%	—	—	—
Concourse Center Associates, LLC 2/	O	50.0%	7,237	4,760	4,949
Plaza Colonnade, LLC	O/R	50.0%	40,249	34,343	35,943
Highwoods KC Glenridge Office, LP	O	40.0%	9,850	6,600	6,768
Highwoods KC Glenridge Land, LP	O	40.0%	300	95	99
Highwoods KC Orlando, LLC 2/	O	40.0%	85,302	57,200	58,608
Total			\$345,425	\$245,367	\$256,478

1/ The letters "O", "I", "R", and "M" represent Office, Industrial, Retail, and Multi-Family, respectively.

2/ Highwoods Realty's share of equity from these tables will not equal Investments in Unconsolidated Affiliates on the Consolidated Balance Sheet due to various purchase accounting and related adjustments, which are not reflected in the Joint Ventures' stand-alone financial statements.

Unconsolidated Joint Ventures Income
For the three months ended December 31, 2004

Dollars in thousands

Joint Venture	Own %	Venture's Books				
		Operating Exp		Depr/Amort		Net Income
		Revenue		Interest		
Board of Trade Investment Co.	49.0%	\$ 634	\$ 500	\$ 12	\$ 121	\$ 1
Dallas County Partners I, LP	50.0%	2,986	1,536	740	678	32
Dallas County Partners II, LP	50.0%	1,649	792	536	186	135
Dallas County Partners III, LP	50.0%	54	30	—	1	23
Fountain Three	50.0%	1,709	821	519	408	(39)
RRHWoods, LLC 1/ 2/	50.0%	3,557	1,889	773	1,024	(129)
Kessinger/Hunter, LLC	26.5%	2,079	1,172	—	120	787
4600 Madison Associates, LP	12.5%	1,312	534	278	441	59
Highwoods DLF 98/29, LP 1/ 2/	22.81%	5,202	1,483	1,124	890	1,705
Highwoods DLF 97/26 DLF 99/32, LP 1/ 2/	42.93%	3,790	1,123	1,129	1,008	530
Highwoods-Markel Associates, LLC 1/ 2/	50.0%	1,451	337	572	115	427
Concourse Center Associates, LLC 1/ 2/	50.0%	526	129	173	83	141
Plaza Colonnade, LLC	50.0%	769	193	264	354	(42)
Highwoods KC Glenridge Office, LP	40.0%	904	381	219	175	129
Highwoods KC Glenridge Land, LP	40.0%	—	5	9	—	(14)
Highwoods KC Orlando, LLC 1/ 2/	40.0%	6,748	3,023	1,895	3,708	(1,878)
Total		\$33,370	\$ 13,948	\$8,243	\$ 9,312	\$ 1,867

Joint Venture	Own %	Highwoods' Share of Joint Venture				
		Operating Exp		Depr/Amort		Net Income
		Revenue		Interest		
Board of Trade Investment Co.	49.0%	\$ 311	\$ 245	\$ 6	\$ 59	\$ 1
Dallas County Partners I, LP	50.0%	1,493	768	370	339	16
Dallas County Partners II, LP	50.0%	825	396	268	93	68
Dallas County Partners III, LP	50.0%	27	15	—	1	11
Fountain Three	50.0%	855	411	260	204	(20)
RRHWoods, LLC 1/ 2/	50.0%	1,778	944	386	512	(64)
Kessinger/Hunter, LLC	26.5%	551	311	—	32	208
4600 Madison Associates, LP	12.5%	164	67	35	55	7
Highwoods DLF 98/29, LP 1/ 2/	22.81%	1,186	338	256	203	389
Highwoods DLF 97/26 DLF 99/32, LP 1/ 2/	42.93%	1,627	482	485	433	227
Highwoods-Markel Associates, LLC 1/ 2/	50.0%	726	169	286	57	214
Concourse Center Associates, LLC 1/ 2/	50.0%	263	65	86	41	71
Plaza Colonnade, LLC	50.0%	385	97	132	177	(21)
Highwoods KC Glenridge Office, LP	40.0%	362	152	88	70	52
Highwoods KC Glenridge Land, LP	40.0%	—	2	4	—	(6)
Highwoods KC Orlando, LLC 1/ 2/	40.0%	2,699	1,209	758	1,483	(751)
Total 1/ 2/		\$13,252	\$ 5,671	\$3,420	\$ 3,759	\$ 402

1/ Highwoods Realty's share of Depreciation/Amortization from these tables will not equal Depreciation and Amortization of Real Estate Assets for Unconsolidated Affiliates on the Statement of Funds from Operations due to various purchase accounting and related adjustments, which are not reflected in the Joint Ventures' stand-alone financial statements.

2/ Highwoods Realty's share of Net Income from these tables will not equal Equity in Earnings of Unconsolidated Affiliates on the Consolidated Income Statement due to various purchase accounting and related adjustments, which are not reflected in the Joint Ventures' stand-alone financial statements.

Unconsolidated Joint Ventures Income
For the year ended December 31, 2004

Dollars in thousands

Joint Venture	Own %	Venture's Books				
		Revenue	Operating Exp	Interest	Depr/Amort	Net Income
Board of Trade Investment Co.	49.0%	\$ 2,534	\$ 1,786	\$ 52	\$ 461	\$ 235
Dallas County Partners I, LP	50.0%	11,895	5,806	2,762	2,085	1,242
Dallas County Partners II, LP	50.0%	6,276	2,811	2,222	742	501
Dallas County Partners III, LP	50.0%	215	125	—	6	84
Fountain Three	50.0%	7,176	3,223	2,116	1,555	282
RRHWoods, LLC 1/ 2/	50.0%	14,049	7,736	2,734	3,561	18
Kessinger/Hunter, LLC	26.5%	6,895	4,764	—	642	1,489
4600 Madison Associates, LP	12.5%	5,248	2,207	1,132	1,768	141
Highwoods DLF 98/29, LP 1/ 2/	22.81%	20,063	5,770	4,521	3,538	6,234
Highwoods DLF 97/26 DLF 99/32, LP 1/ 2/	42.93%	14,877	4,441	4,538	4,117	1,781
Highwoods-Markel Associates, LLC 1/ 2/	50.0%	6,740	1,453	2,301	1,777	1,209
MG-HIW Metrowest I, LLC	50.0%	—	5	—	—	(5)
MG-HIW Metrowest II, LLC	50.0%	141	88	39	70	(56)
Concourse Center Associates, LLC 1/ 2/	50.0%	2,105	568	695	332	510
Plaza Colonnade, LLC	50.0%	796	196	264	370	(34)
Highwoods KC Glenridge Office, LP	40.0%	2,903	1,256	552	549	546
Highwoods KC Glenridge Land, LP	40.0%	—	9	9	—	(18)
Highwoods KC Orlando, LLC 1/ 2/	40.0%	13,936	5,775	3,818	4,743	(400)
Total		\$115,848	\$ 48,019	\$27,756	\$ 26,316	\$ 13,759

Joint Venture	Own %	Highwoods' Share of Joint Venture				
		Revenue	Operating Exp	Interest	Depr/Amort	Net Income
Board of Trade Investment Co.	49.0%	\$ 1,242	\$ 875	\$ 25	\$ 226	\$ 116
Dallas County Partners I, LP	50.0%	5,948	2,903	1,381	1,043	621
Dallas County Partners II, LP	50.0%	3,138	1,406	1,111	371	250
Dallas County Partners III, LP	50.0%	108	63	—	3	42
Fountain Three	50.0%	3,588	1,612	1,058	778	140
RRHWoods, LLC 1/ 2/	50.0%	7,024	3,868	1,367	1,781	8
Kessinger/Hunter, LLC	26.5%	1,827	1,262	—	170	395
4600 Madison Associates, LP	12.5%	656	276	142	221	17
Highwoods DLF 98/29, LP 1/ 2/	22.81%	4,576	1,316	1,031	807	1,422
Highwoods DLF 97/26 DLF 99/32, LP 1/ 2/	42.93%	6,387	1,907	1,948	1,768	764
Highwoods-Markel Associates, LLC 1/ 2/	50.0%	3,370	727	1,150	888	605
MG-HIW Metrowest I, LLC	50.0%	—	3	—	—	(3)
MG-HIW Metrowest II, LLC	50.0%	71	44	20	35	(28)
Concourse Center Associates, LLC 1/ 2/	50.0%	1,053	284	348	166	255
Plaza Colonnade, LLC	50.0%	398	98	132	185	(17)
Highwoods KC Glenridge Office, LP	40.0%	1,161	502	221	220	218
Highwoods KC Glenridge Land, LP	40.0%	—	4	4	—	(8)
Highwoods KC Orlando, LLC 1/ 2/	40.0%	5,574	2,310	1,527	1,897	(160)
Total		\$ 46,121	\$ 19,460	\$11,465	\$ 10,559	\$ 4,637

- 1/ *Highwoods Realty's share of Depreciation/Amortization from these tables will not equal Depreciation and Amortization of Real Estate Assets for Unconsolidated Affiliates on the Statement of Funds from Operations due to various purchase accounting and related adjustments, which are not reflected in the Joint Ventures' stand-alone financial statements.*
- 2/ *Highwoods Realty's share of Net Income from these tables will not equal Equity in Earnings of Unconsolidated Affiliates on the Consolidated Income Statement due to various purchase accounting and related adjustments, which are not reflected in the Joint Ventures' stand-alone financial statements.*

Joint Ventures Long-Term Debt Detail

Dollars in thousands

Joint Venture	Own %	Lender	Interest Rate	Maturity Date	Loan Balance 12/31/04
Dallas County Partners I, LP	50.0%	American Express	7.0%	Sep-09	3,535
Dallas County Partners I, LP	50.0%	American Express	6.9%	Jun-09	7,484
Dallas County Partners I, LP	50.0%	John Hancock Life Insurance Co.	7.6%	Mar-08	2,995
Dallas County Partners I, LP	50.0%	State Farm	7.1%	Oct-08	3,060
Dallas County Partners I, LP	50.0%	State Farm	7.9%	Sep-06	3,031
Dallas County Partners I, LP	50.0%	State Farm	7.5%	May-07	4,390
Dallas County Partners I, LP	50.0%	Bank of America	5.7%	Oct-07	4,010
Dallas County Partners I, LP	50.0%	State Farm	7.5%	Dec-07	5,107
Dallas County Partners I, LP	50.0%	Thrivent	8.5%	Aug-10	1,690
Dallas County Partners I, LP	50.0%	Union Planters	6.3%	Jun-14	3,680
Dallas County Partners I, LP	50.0%	Union Planters	7.2%	Jan-06	493
Dallas County Partners I, LP	50.0%	Bankers Trust	8.0%	Jul-11	1,237
			7.1%		40,712
Dallas County Partners II, LP	50.0%	Principal Life Insurance Company	10.2%	Jun-13	21,223
Fountain Three	50.0%	John Hancock Life Insurance Co.	7.8%	Jan-08	6,058
Fountain Three	50.0%	American Express	6.9%	Jun-09	4,001
Fountain Three	50.0%	Thrivent	8.0%	Oct-10	3,768
Fountain Three	50.0%	Thrivent	7.3%	Apr-09	3,605
Fountain Three	50.0%	Wells Fargo	8.2%	May-08	2,167
Fountain Three	50.0%	Lehman Brothers	8.0%	Jul-09	3,628
Fountain Three	50.0%	Thrivent	7.0%	Sep-12	5,591
			7.5%		28,818
RRHWoods, LLC	50.0%	Industrial Revenue Bonds	1.0%	Nov-15	23,000
RRHWoods, LLC	50.0%	Bank of America	6.8%	Sep-12	27,471
RRHWoods, LLC	50.0%	Industrial Revenue Bonds	1.0%	Sep-15	6,000
RRHWoods, LLC	50.0%	Industrial Revenue Bonds	1.1%	Nov-15	5,500
RRHWoods, LLC	50.0%	Bank of America	5.7%	Oct-07	4,063
RRHWoods, LLC	50.0%	Union Planters	6.3%	Jun-14	3,680
			3.8%		69,714
Plaza Colonnade, LLC	50.0%	Met Life	5.7%	Jan-17	50,000
Plaza Colonnade, LLC	50.0%	Tax Incremental Financing	5.4%	Mar-10	1,818
Plaza Colonnade, LLC	50.0%	Tax Incremental Financing	6.0%	Mar-16	4,394
Plaza Colonnade, LLC	50.0%	Tax Incremental Financing	5.9%	Mar-24	12,473
			5.8%		68,685
4600 Madison Associates, LLC	12.5%	State Farm	6.9%	Apr-18	16,010
Board of Trade Investment Company	49.0%	KC Board of Trade Clearing Corp.	7.8%	Sep-07	565
Highwoods DLF 98/29, LP	22.8%	USG Annuity & Life Company	6.8%	Apr-11	66,206
Highwoods DLF 97/26 DLF 99/32, LP	42.9%	Massachusetts Mutual Life Ins. Co.	7.7%	May-12	58,313
Concourse Center Associates, LLC	50.0%	Lincoln National Life Insurance Co.	7.0%	Jul-10	9,519
Highwoods KC Orlando, LLC	40.0%	Met Life	5.2%	Jul-14	143,000
Highwoods - Markel Associates, LLC	50.0%	Principal Life Insurance Company	5.8%	Jan-14	39,442
Highwoods KC Glenridge Office	40.0%	Wachovia	4.8%	Jun-14	16,500
Highwoods KC Glenridge Land	40.0%	Transwestern	0.0%	Feb-05	238
			6.1%		349,793
			6.1%		\$578,945
Highwoods' Share of the above					\$245,367

Joint Ventures Portfolio Summary

As of December 31, 2004

Summary by Location:

Market	Rentable Square Feet 1/	Occupancy 2/	Percentage of Annualized Revenue - Highwoods' Share Only 3/				
			Office	Industrial	Retail	Multi-Family	Total
Des Moines	2,253,000	91.4%	28.6%	3.6%	1.0%	3.5%	36.7%
Orlando	1,683,000	89.7%	25.7%	—	—	—	25.7%
Atlanta	835,000	92.5%	12.9%	—	—	—	12.9%
Raleigh	455,000	99.5%	3.7%	—	—	—	3.7%
Kansas City	428,000	86.4%	8.4%	—	—	—	8.4%
Piedmont Triad	364,000	100.0%	4.0%	—	—	—	4.0%
Tampa	205,000	99.1%	2.1%	—	—	—	2.1%
Charlotte	148,000	100.0%	0.8%	—	—	—	0.8%
Richmond	413,000	99.7%	5.2%	—	—	—	5.2%
Other	110,000	100.0%	0.5%	—	—	—	0.5%
Total	6,894,000	92.9%	91.9%	3.6%	1.0%	3.5%	100.0%

1/ Excludes Des Moines' apartment units

2/ Excludes Des Moines' apartment occupancy percentage of 95.7%

3/ Annualized Rental Revenue is December, 2004 rental revenue (base rent plus operating expense pass throughs) multiplied by 12.

Joint Ventures Lease Expirations

December 31, 2004

Dollars in thousands

Year	Rentable Square Feet Expiring	Percent of Rentable Square Feet	Annualized Revenue 1/	Average Rental Rate	Percent of Annualized Revenue 1/
Total					
2005	673,634	10.1%	\$ 11,176	\$16.59	9.0%
2006	657,868	9.9%	12,485	18.98	10.0%
2007	375,057	5.6%	7,670	20.45	6.2%
2008	1,259,399	18.9%	21,513	17.08	17.2%
2009	844,347	12.6%	15,763	18.67	12.7%
2010	353,475	5.3%	6,446	18.24	5.2%
2011	526,104	7.9%	9,781	18.59	7.9%
2012	377,923	5.7%	8,561	22.65	6.9%
2013	689,447	10.3%	13,622	19.76	11.0%
2014	358,248	5.4%	7,860	21.94	6.3%
2015 and thereafter	552,994	8.3%	9,396	16.99	7.6%
	6,668,496	100.0%	\$124,273	\$18.64	100.0%

1/ Annualized Revenue is December, 2004 rental revenue (base rent plus operating expense pass throughs) multiplied by 12.

Joint Ventures Development

Dollars in thousands

Property	% Ownership	Market	Rentable Square Feet	Anticipated Total Investment	Investment @ 12/31/04	Pre- Leasing	Estimated Completion Date	Estimated Stabilization Date
Plaza Colonade, LLC 1/	50%	Kansas City	285,000	\$ 71,500	\$ 65,099	76%	4Q04	3Q05
Summit	50%	Des Moines	35,000	3,559	3,435	75%	3Q04	3Q05
Pinehurst	50%	Des Moines	35,000	3,559	3,497	79%	3Q04	3Q05
Sonoma	50%	Des Moines	75,000	9,364	202	0%	2Q05	2Q06
Total or Weighted Average			430,000	\$ 87,982	\$ 72,233	63%		
Highwoods' Share of the above				\$ 43,991	\$ 36,117			

1/ Includes \$16.2 million in investment cost that has been funded by tax increment financing



HIGHWOODS PROPERTIES

Supplemental Information
March 31, 2005

Supplemental Information
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March 31, 2005

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The information within refers to all Highwoods Properties' wholly-owned entities, except pages 32 to 36 unless noted otherwise.

Certain matters discussed in this supplemental, including estimates of net operating income, pre-leasing commitments and the cost, timing and stabilization of announced development projects, are forward- looking statements within the meaning of the federal securities laws. Although Highwoods believes that the expectations reflected in such forward-looking statements are based upon reasonable assumptions, it can give no assurance that its expectations will be achieved. Factors that could cause actual results to differ materially from Highwoods' current expectations include general economic conditions, local real estate conditions, the timely development and lease-up of properties, and the other risks detailed from time to time in the Company's SEC reports.

Summary

Dollars in thousands, except per share amounts

	<i>Three Months Ended</i>		
	<u>03/31/05</u>	<u>03/31/04</u>	<u>Change F/(U)</u>
Operations			
Rental and other revenues from continuing operations	\$ 116,022	\$ 117,292	\$ (1,270)
Rental property expense from continuing operations	41,126	43,404	2,278
Net operating income from continuing operations	\$ 74,896	\$ 73,888	\$ 1,008
Rental and other revenues from discontinued operations	\$ 1,312	\$ 3,706	\$ (2,394)
Rental property expense from discontinued operations	239	1,486	1,247
Net operating income from discontinued operations	\$ 1,073	\$ 2,220	\$ (1,147)
Equity in earnings of unconsolidated affiliates	2,216	1,212	1,004
General and administrative	7,423	10,743	3,320
G&A as a % of rental and other revenues and equity in earnings of unconsolidated affiliates	6.2 %	8.8 %	2.6 %
EBITDA calculation			
Net income	\$ 20,346	\$ 4,936	\$ 15,410
Addback depreciation and amortization	36,015	35,580	435
Addback depreciation and amortization from unconsolidated affiliates	2,645	2,048	597
Addback interest expense	27,999	33,017	(5,018)
Addback interest expense from unconsolidated affiliates	3,593	2,423	933
EBITDA	\$ 90,598	\$ 78,241	\$ 12,357
Interest expense from continuing operations	\$ 27,999	\$ 33,017	\$ 5,018
Interest expense from discontinued operations	—	—	—
Interest expense from unconsolidated affiliates	3,593	2,660	(933)
EBITDA/Interest expense	2.87	2.19	0.67
EBITDA/Interest expense + preferred dividends	2.54	1.92	0.62
Net income	\$ 20,346	\$ 4,936	\$ 15,410
Funds from operations	\$ 36,246	\$ 30,133	\$ 6,113.00
Per share - diluted:			
Net (loss)/income	\$ 0.24	\$ (0.05)	\$ 0.29
Funds from operations	0.60	0.50	0.11
Dividends paid	0.425	0.425	—
Dividends paid as % of funds from operations	69.7 %	85.0 %	15.3 %
	<u>03/31/05</u>	<u>03/31/04</u>	<u>Change</u>
Capitalization			
Market capitalization:			
Long-term debt	\$ 1,582,010	\$ 1,790,039	(208,029)
Financing obligations	63,096	64,724	(1,628)
Preferred equity at redemption value	377,445	377,445	—
Market value of common equity	1,606,008	1,564,133	41,875
Total market capitalization	\$ 3,628,559	\$ 3,796,341	\$ (167,782)
	<u>03/31/05</u>	<u>03/31/04</u>	<u>Change F/(U)</u>
Portfolio - wholly-owned			
Total In-Service Square Footage	32,654,000	36,111,000	(3,457,000)
Occupancy	83.8 %	81.4 %	2.4 %
Same Property NOI (GAAP basis)	\$ 72,214	\$ 68,512	\$ 3,702

Corporate Information

Board of Directors

Thomas W. Adler
Gene H. Anderson
Kay N. Callison
Edward J. Fritsch
Ronald P. Gibson
William E. Graham Jr.
Lawrence S. Kaplan
L. Glenn Orr Jr.
O. Temple Sloan Jr., Chairman
Willard H. Smith Jr.
John L. Turner
F. William Vandiver, Jr.

Senior Management Team

Edward J. Fritsch

President, Chief Executive Officer and Director

Michael E. Harris

Executive Vice President and Chief Operating Officer

Terry L. Stevens

Vice President, Chief Financial Officer
and Treasurer

Gene H. Anderson

Senior Vice President and Director

Michael F. Beale

Senior Vice President

Robert G. Cutlip

Senior Vice President

W. Brian Reames

Senior Vice President

Thomas S. Hill

Corporate Vice President, Leasing

Carman J. Liuzzo

Vice President, Investments and
Strategic Analysis

Kevin E. Penn

Chief Information Officer and
Business Solutions Officer

Mack D. Pridgen III

Vice President, General Counsel and Secretary

Research Coverage

Deutsche Banc Securities

Lou Taylor - 212-469-4912

Green Street Advisors

Jim Sullivan - 949-640-8780

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Smith Barney Citigroup

Jonathan Litt - 212-816-0231

UBS Warburg

Keith Mills - 212-713-3098

Wachovia Securities

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Corporate Information

Divisional Offices

Atlanta/Piedmont Triad

Gene H. Anderson - Regional Manager

Atlanta, GA

Gene H. Anderson, Senior Vice President

Piedmont Triad, NC

Mark W. Shumaker, Vice President

Orlando/Tampa

Michael F. Beale - Regional Manager

Orlando, FL

Michael F. Beale, Senior Vice President

Tampa, FL

Stephen A. Meyers, Vice President

Raleigh/Richmond

Robert G. Cutlip - Regional Manager

Raleigh, NC

Robert G. Cutlip, Senior Vice President

Richmond, VA

Paul W. Kreckman, Vice President

Charlotte/Memphis/Nashville

W. Brian Reames - Regional Manager

Nashville, TN

W. Brian Reames, Senior Vice President

Charlotte, NC

Thomas F. Cochran, Senior Vice President

Memphis, TN

Steven Guinn, Vice President

Kansas City

Kansas City, MO

Barrett Brady, Senior Vice President

Corporate Headquarters

Highwoods Properties, Inc.

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919-872-4924

Stock Exchange

NYSE Trading Symbol: HIW

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Information Request

To request a standard Investor Relations package, Annual Report or to be added to our e-mail or fax list, please contact the Investor

Relations Coordinator at:

Phone: 800-256-2963

Email: HIW-IR@highwoods.com

The Company

Highwoods Properties, Inc., a member of the S&P MidCap 400 Index, is a fully integrated, self-administered real estate investment trust ("REIT") that provides leasing, management, development, construction and other customer-related services for its properties and for third parties. As of March 31, 2005, the Company owned or had an interest in 504 in-service office, industrial and retail properties encompassing approximately 39.5 million square feet. Highwoods also owns 1,115 acres of development land. Highwoods is based in Raleigh, North Carolina, and its properties and development land are located in Florida, Georgia, Iowa, Kansas, Maryland, Missouri, North Carolina, South Carolina, Tennessee and Virginia. For more information about Highwoods Properties, please visit our Web site at www.highwoods.com.



Consolidated Statements of Income

Dollars in thousands, except per share amounts

	Three Months Ended				
	03/31/05	12/31/04	09/30/04	06/30/04	03/31/04
Rental and other revenues	\$116,022	\$114,240	\$111,808	\$115,439	\$117,292
Operating expenses:					
Rental property	41,126	40,999	41,226	41,596	43,404
Depreciation and amortization	35,877	34,276	32,899	33,608	34,563
Impairments of assets held for use	2,614	1,270	—	—	—
General and administrative	7,423	10,841	10,166	7,945	10,743
Total operating expenses	87,040	87,386	84,291	83,149	88,710
Interest expense:					
Contractual	25,585	25,552	25,564	27,304	27,149
Amortization of deferred financing costs	847	826	782	925	1,144
Financing obligations	1,567	2,533	1,409	1,457	4,724
	27,999	28,911	27,755	29,686	33,017
Other income/(expense):					
Interest and other income	1,684	1,702	1,751	1,491	1,754
Settlement of bankruptcy claim	—	—	14,435	—	—
Loss on debt extinguishments	—	—	—	(12,457)	—
	1,684	1,702	16,186	(10,966)	1,754
Income/(loss) before disposition of property, minority interest and equity in earnings of unconsolidated affiliates	2,667	(355)	15,948	(8,362)	(2,681)
Gains on disposition of property, net	10,625	3,445	2,215	14,770	1,085
Minority Interest in the Operating Partnership	(829)	272	(1,373)	(47)	796
Equity in earnings of unconsolidated affiliates	2,216	2,033	2,555	1,477	1,212
Income from continuing operations	14,679	5,395	19,345	7,838	412
Discontinued operations:					
Income from discontinued operations, net of minority interest	843	1,511	1,136	1,013	1,088
Gain/(loss) on sale of discontinued operations, net of minority interest	4,824	1,634	630	(3,457)	3,436
	5,667	3,145	1,766	(2,444)	4,524
Net income	20,346	8,540	21,111	5,394	4,936
Dividends on preferred stock	(7,713)	(7,713)	(7,713)	(7,713)	(7,713)
Net income available for/(loss attributable to) common stockholders	\$ 12,633	\$ 827	\$ 13,398	\$ (2,319)	\$ (2,777)
Net income/(loss) per common share - basic:					
Income/(loss) from continuing operations	\$ 0.13	\$ (0.04)	\$ 0.22	\$ —	\$ (0.14)
Income/(loss) from discontinued operations	\$ 0.11	\$ 0.06	\$ 0.03	\$ (0.04)	\$ 0.09
Net income/(loss)	\$ 0.24	\$ 0.02	\$ 0.25	\$ (0.04)	\$ (0.05)
Weighted average common shares outstanding - basic	53,640	53,424	53,400	53,275	53,186
Net income/(loss) per common share - diluted:					
Income/(loss) from continuing operations	\$ 0.13	\$ (0.04)	\$ 0.22	\$ —	\$ (0.14)
Income/(loss) from discontinued operations	\$ 0.11	\$ 0.06	\$ 0.03	\$ (0.04)	\$ 0.09
Net income/(loss)	\$ 0.24	\$ 0.02	\$ 0.25	\$ (0.04)	\$ (0.05)
Weighted average common shares outstanding - diluted	60,182	60,214	59,991	53,275	53,186

Statement of Funds from Operations

Dollars in thousands, except per share amounts

	<i>Three Months Ended</i>				
	<u>03/31/05</u>	<u>12/31/04</u>	<u>09/30/04</u>	<u>06/30/04</u>	<u>03/31/04</u>
Funds from operations:					
Net income	\$ 20,346	\$ 8,540	\$21,111	\$ 5,394	\$ 4,936
Dividends to preferred shareholders	(7,713)	(7,713)	(7,713)	(7,713)	(7,713)
Net income/(loss) applicable to common shares	<u>12,633</u>	<u>827</u>	<u>13,398</u>	<u>(2,319)</u>	<u>(2,777)</u>
Add/(Deduct):					
Depreciation and amortization of real estate assets	35,209	33,607	32,129	32,926	33,885
(Gain)/loss on disposition of depreciable real estate assets	(10,478)	(394)	(1,636)	(16,600)	66
Minority interest in income from operations	829	(272)	1,373	47	(796)
Unconsolidated affiliates:					
Depreciation and amortization of real estate assets	2,645	2,620	2,441	2,070	2,048
Discontinued operations:					
Depreciation and amortization of real estate assets	138	352	586	935	1,017
(Gain)/loss on sale, net of minority interest	(4,824)	(4,790)	(630)	(399)	(3,436)
Minority interest in income from discontinued operations	94	174	130	116	126
Funds from operations	<u>\$ 36,246</u>	<u>\$32,124</u>	<u>\$47,791</u>	<u>\$ 16,776</u>	<u>\$30,133</u>
Funds from operations per share - diluted					
Net income/(loss) applicable to common shares	\$ 0.24	\$ 0.02	\$ 0.25	\$ (0.04)	\$ (0.05)
Add/(Deduct):					
Depreciation and amortization of real estate assets	0.58	0.56	0.54	0.56	0.57
(Gain)/loss on disposition of depreciable real estate assets	(0.18)	(0.01)	(0.02)	(0.27)	—
Unconsolidated affiliates:					
Depreciation and amortization of real estate assets	0.04	0.04	0.04	0.03	0.03
Discontinued operations:					
Depreciation and amortization of real estate assets	—	—	—	0.01	0.01
(Gain)/loss on sale, net of minority interest	(0.08)	(0.08)	(0.01)	(0.01)	(0.06)
Funds from operations	<u>\$ 0.60</u>	<u>\$ 0.53</u>	<u>\$ 0.80</u>	<u>\$ 0.28</u>	<u>\$ 0.50</u>
Dividend payout data:					
Dividends paid per common share	\$ 0.425	\$ 0.425	\$ 0.425	\$ 0.425	\$ 0.425
Funds from operations	<u>69.7%</u>	<u>80.2%</u>	<u>53.1%</u>	<u>151.8%</u>	<u>85.0%</u>
Weighted average shares outstanding - diluted	<u>60,182</u>	<u>60,214</u>	<u>59,991</u>	<u>59,794</u>	<u>60,092</u>
Impairment adjustments included in funds from operations in dollars	\$ (2,614)	\$ (4,426)	\$ (500)	\$ (3,856)	\$ —
Impairment adjustments included in funds from operations per share	<u>\$ (0.04)</u>	<u>\$ (0.07)</u>	<u>\$ (0.01)</u>	<u>\$ (0.06)</u>	<u>\$ —</u>

Consolidated Balance Sheets

Dollars in thousands

	03/31/05	12/31/04	09/30/04	06/30/04	03/31/04
Assets:					
Real estate assets, at cost:					
Land and improvements	\$ 391,768	\$ 397,840	\$ 403,896	\$ 404,317	\$ 432,142
Buildings and tenant improvements	2,914,253	2,932,756	2,935,526	2,933,636	3,135,432
Development in process	40,581	25,171	14,431	23,027	9,588
Land held for development	179,755	188,945	189,214	191,409	203,667
Furniture, fixtures and equipment	22,509	22,187	22,140	22,133	21,950
	<u>3,548,866</u>	<u>3,566,899</u>	<u>3,565,207</u>	<u>3,574,522</u>	<u>3,802,779</u>
Less-accumulated depreciation	(622,956)	(606,111)	(589,383)	(568,453)	(580,138)
Net real estate assets	<u>2,925,910</u>	<u>2,960,788</u>	<u>2,975,824</u>	<u>3,006,069</u>	<u>3,222,641</u>
Property held for sale	27,283	32,796	69,011	64,958	38,467
Cash and cash equivalents	55,166	24,482	20,613	11,817	17,782
Restricted cash	3,711	3,875	4,782	4,758	5,844
Accounts receivable, net	17,035	16,748	14,896	14,253	13,452
Notes receivable	8,304	9,672	9,790	10,676	10,733
Accrued straight-line rents receivable	62,786	61,518	62,216	59,312	62,457
Investment in unconsolidated affiliates	73,723	74,432	78,493	79,328	69,276
Other assets:					
Deferred leasing costs	112,873	111,121	107,325	103,956	106,612
Deferred financing costs	16,257	16,686	16,972	16,081	19,484
Prepaid expenses and other	11,847	10,618	11,902	12,989	11,111
	<u>140,977</u>	<u>138,425</u>	<u>136,199</u>	<u>133,026</u>	<u>137,207</u>
Less-accumulated amortization	(64,454)	(62,567)	(60,511)	(56,044)	(57,746)
Other assets, net	<u>76,523</u>	<u>75,858</u>	<u>75,688</u>	<u>76,982</u>	<u>79,461</u>
Total Assets	<u>\$3,250,441</u>	<u>\$3,260,169</u>	<u>\$3,311,313</u>	<u>\$3,328,153</u>	<u>\$3,520,113</u>
Liabilities and Stockholders' Equity:					
Mortgages and notes payable	\$1,582,010	\$1,572,169	\$1,600,627	\$1,603,485	\$1,790,039
Accounts payable, accrued expenses and other liabilities	113,282	115,003	115,639	119,392	100,029
Financing obligations	63,096	65,309	64,754	65,091	64,724
Total Liabilities	<u>1,758,388</u>	<u>1,752,481</u>	<u>1,781,020</u>	<u>1,787,968</u>	<u>1,954,792</u>
Minority interest	109,275	115,926	118,847	120,142	123,043
Stockholders' Equity:					
Preferred stock	377,445	377,445	377,445	377,445	377,445
Common stock	540	538	537	537	536
Additional paid-in capital	1,420,055	1,416,855	1,415,377	1,415,202	1,414,008
Distributions in excess of net earnings	(406,437)	(396,151)	(374,149)	(364,719)	(339,597)
Accumulated other comprehensive loss	(2,675)	(2,814)	(3,003)	(3,141)	(3,525)
Deferred compensation	(6,150)	(4,111)	(4,761)	(5,281)	(6,589)
Total Stockholders' Equity	<u>1,382,778</u>	<u>1,391,762</u>	<u>1,411,446</u>	<u>1,420,043</u>	<u>1,442,278</u>
Total Liabilities and Stockholders' Equity	<u>\$3,250,441</u>	<u>\$3,260,169</u>	<u>\$3,311,313</u>	<u>\$3,328,153</u>	<u>\$3,520,113</u>
Ratios					
Total Debt/Total Assets	48.7%	48.2%	48.3%	48.2%	50.9%

Estimated Net Asset Value
March 31, 2005

Dollars in thousands, except per share amounts

The information on this Page is provided to assist in the calculation of Net Asset Value using a range of Capitalization rates and In-Place Net Operating Income among other Factors. It is not intended to be an asset by asset valuation.

Office (82.2% ave. occupancy)	8.00%	8.25%	8.50%
Retail (95.5% ave. occupancy)	6.00%	6.25%	6.50%
Industrial/Other (86.3% ave. occupancy)	7.50%	7.75%	8.00%
Weighted average	7.72%	7.97%	8.22%
Wholly Owned Properties Net Operating Income YTD 1/ 2/			
Office 3/	\$ 60,585	\$ 60,585	\$ 60,585
Retail	6,865	6,865	6,865
Industrial/Other	5,451	5,451	5,451
Total Net Operating Income	\$ 72,901	\$ 72,901	\$ 72,901
Wholly Owned Properties Net Operating Income Annualized			
Office	\$ 242,340	\$ 242,340	\$ 242,340
Retail	27,460	27,460	27,460
Industrial/Other	21,804	21,804	21,804
Total Net Operating Income	\$ 291,604	\$ 291,604	\$ 291,604
Wholly Owned Properties Capitalized Value			
Office	\$3,029,250	\$2,937,455	\$2,851,059
Retail	457,667	439,360	422,462
Industrial/Other	290,720	281,342	272,550
	\$3,777,637	\$3,658,156	\$3,546,070
Highwoods' Share of Joint Ventures			
Net Operating Income YTD	\$ 8,228	\$ 8,228	\$ 8,228
Net Operating Income Annualized	\$ 32,912	\$ 32,912	\$ 32,912
Capitalization Rates	8.00%	8.25%	8.50%
Capitalized Value	\$ 411,400	\$ 398,933	\$ 387,200
Value of Highwoods Preserve (\$121 per square foot) 4/	\$ 74,221	\$ 74,221	\$ 74,221
Total In-Service Property Value	\$4,263,258	\$4,131,311	\$4,007,491
Value of Other income			
Annualized Development, Leasing and Management Fees	\$ 5,200	\$ 5,200	\$ 5,200
Capitalization Rate	20%	20%	20%
Value of Other income	\$ 26,000	\$ 26,000	\$ 26,000
Add Other assets:			
Development Pipeline Investment	\$ 40,121	\$ 40,121	\$ 40,121
Property Held for Sale, at Net Sales Price	29,450	29,450	29,450
Land held for development at Book Value	179,755	179,755	179,755
Cash and cash equivalents	55,166	55,166	55,166
Restricted cash	3,711	3,711	3,711
Accounts receivable, net	17,035	17,035	17,035
Notes receivable	8,304	8,304	8,304
Other assets total	\$ 333,542	\$ 333,542	\$ 333,542
Gross Value of Assets	\$4,622,800	\$4,490,853	\$4,367,033
Deductions:			

Total Liabilities 5/	\$ 178,157	\$ 178,157	\$ 178,157
Fair Market Value of Debt 6/ 7/	\$1,643,667	\$1,643,667	\$1,643,667
Preferred stock	377,445	377,445	377,445
Highwoods' Share of Joint Ventures Liabilities	254,008	254,008	254,008
Estimated Net Asset Value	\$2,169,522	\$2,037,575	\$1,913,756
Total diluted common shares and operating units	60,169	60,169	60,169
Estimated Net Asset Value Per Share	\$ 36.06	\$ 33.86	\$ 31.81

1/ Excludes straight-line rent of \$1.1 million and \$1.2 million net operating income related to intra-period dispositions

2/ Excludes \$498,000 of expenses related to land held for development

3/ Added back the \$165,000 operating loss at Highwoods Preserve

4/ Highwoods Preserve is a 615,000 square foot office campus in Tampa that Worldcom vacated 12/31/02.

5/ Excludes financing obligations

6/ Including debt at fair value instead of book reduces NAV by \$80.2 million

7/ Excludes 80% of \$23.2 million debt associated with a consolidated 20% owned joint venture property (Harborview)

Components of Discontinued Operations

Dollars in thousands, except per share amounts

	Three Months Ended				
	03/31/05	12/31/04	09/30/04	06/30/04	03/31/04
Rental and other revenues	\$1,312	\$3,138	\$3,588	\$ 3,428	\$3,706
Operating expenses:					
Rental property	239	1,103	1,244	1,375	1,486
Depreciation and amortization	138	352	586	935	1,017
Interest expense	—	—	—	—	—
Impairment of assets held for use			500		
Total operating expenses	377	1,455	2,330	2,310	2,503
Interest and other income	2	2	8	11	11
	2	2	8	11	11
Income before gain/(loss) on disposition of depreciable assets and minority interest	937	1,685	1,266	1,129	1,214
Minority interest	(94)	(174)	(130)	(116)	(126)
Income from discontinued operations, net of minority interest	843	1,511	1,136	1,013	1,088
Gain/(loss) on disposition of discontinued operations	5,364	1,821	703	(3,856)	3,835
Minority Interest	(540)	(187)	(73)	399	(399)
Gain/(loss) on disposition of discontinued operations, net of minority interest	4,824	1,634	630	(3,457)	3,436
Total discontinued operations	\$5,667	\$3,145	\$1,766	\$(2,444)	\$4,524

Capitalization

Dollars, shares, and units in thousands

	03/31/05	12/31/04	09/30/04	06/30/04	03/31/04
Long-Term Debt (see page 9 & 10):	\$1,582,009	\$1,571,777	\$1,600,627	\$1,603,485	\$1,790,039
Finance Obligations:	\$ 63,096	\$ 65,309	\$ 64,754	\$ 65,091	\$ 64,724
Preferred Stock (at redemption value):					
Series A 8 ⁵ / 8 % Perpetual Preferred Stock	\$ 104,945	\$ 104,945	\$ 104,945	\$ 104,945	\$ 104,945
Series B 8% Perpetual Preferred Stock	172,500	172,500	172,500	172,500	172,500
Series D 8% Perpetual Preferred Stock	100,000	100,000	100,000	100,000	100,000
Total preferred stock	\$ 377,445	\$ 377,445	\$ 377,445	\$ 377,445	\$ 377,445
Shares and Units Outstanding:					
Common stock outstanding	54,053	53,813	53,713	53,716	53,631
Minority interest partnership units	5,828	6,102	6,128	6,146	6,146
Total shares and units outstanding	59,881	59,841	59,862	59,777	59,677
Stock price at period end	\$ 26.82	\$ 27.70	\$ 24.61	\$ 23.50	\$ 26.21
Market value of common equity	\$1,606,008	\$1,657,596	\$1,473,204	\$1,404,760	\$1,564,133
Total market capitalization with debt and obligations	\$3,628,066	\$3,670,349	\$3,514,268	\$3,449,035	\$3,794,611

See pages 32 to 36 for information regarding Highwoods' Joint Ventures

Long-Term Debt Summary

Dollars in thousands

	03/31/05	12/31/04	09/30/04	06/30/04	03/31/04
Balances Outstanding:					
Secured:					
Conventional fixed rate	\$ 731,426	\$ 732,796	\$ 745,524	\$ 748,740	\$ 751,894
Variable rate debt	67,348	66,181	50,803	54,945	204,845
Conventional fixed rate 1/	22,800	22,800	22,800	22,800	22,800
Variable rate debt 2/	436	392	—	—	—
Secured total	\$ 822,009	\$ 822,169	\$ 819,127	\$ 826,485	\$ 979,539
Unsecured:					
Fixed rate bonds and notes	\$ 460,000	\$ 460,000	\$ 460,000	\$ 460,000	\$ 560,000
Variable rate debt	120,000	120,000	120,000	120,000	120,000
Credit facility	180,000	170,000	201,500	197,000	130,500
Unsecured total	\$ 760,000	\$ 750,000	\$ 781,500	\$ 777,000	\$ 810,500
Total	\$1,582,010	\$1,572,169	\$1,600,627	\$1,603,485	\$1,790,039
Average Interest Rates:					
Secured:					
Conventional fixed rate	7.2%	7.2%	7.2%	7.2%	7.2%
Variable rate debt	4.2%	4.2%	3.7%	3.1%	3.1%
Conventional fixed rate 1/	6.1%	6.1%	6.1%	6.1%	6.1%
Variable rate debt 2/	2.8%	—	—	—	0.0%
Secured total	6.9%	6.9%	6.9%	6.9%	6.3%
Unsecured:					
Fixed rate bonds	7.4%	7.4%	7.4%	7.4%	7.3%
Variable rate debt	3.5%	3.5%	3.0%	2.9%	2.4%
Credit facility	3.4%	3.4%	2.2%	2.3%	2.1%
Unsecured total	6.0%	5.9%	5.4%	5.4%	5.8%
Average	6.5%	6.4%	6.2%	6.2%	6.1%
Capitalized Interest:	\$ 423	\$ 478	\$ 406	\$ 324	\$ 181

Maturity Schedule:

Year	Future Maturities of Debt			Average Interest Rate
	Secured Debt 3/	Unsecured Debt	Total Debt 3/	
2005	\$ 67,124	\$ 120,000	\$ 187,124	5.7%
2006	50,344	290,000	340,344	5.0%
2007	93,557	—	93,557	7.3%
2008	—	100,000	100,000	7.1%
2009	170,645	50,000	220,645	7.9%
2010	137,266	—	137,266	7.8%
2011	—	—	—	—
2012	22,800	—	22,800	6.1%
2013	274,885	—	274,885	5.9%
2014	—	—	—	—
Thereafter	5,388	200,000	205,388	7.5%
Total maturities	\$ 822,009	\$ 760,000	\$1,582,009	6.5%

Weighted average maturity = 4.7 years

- 1/ *Loan relates to the consolidated 20% owned joint venture property (Harborview).*
- 2/ *Loan relates to the consolidated 50% owned joint venture property (Vinings).*
- 3/ *Excludes annual principal amortization*
- 4/ *Included in the \$290.0 million of unsecured debt maturities is \$180.0 million related to the credit facility which matures in 2006.*

Long-Term Debt Detail

Dollars in thousands

Secured Loans

Lender	Rate	Maturity Date	Loan Balance 03/31/05	Undepreciated
				Book Value of Assets Secured
Monumental Life Ins. Co.	7.8%	Nov-09	\$ 162,712	\$ 236,939
Northwestern Mutual	6.0%	Mar-13	141,353	186,524
Northwestern Mutual	7.8%	Nov-10	137,266	277,521
Massachusetts Mutual Life Ins. Co. 1/	5.7%	Dec-13	126,997	185,922
Northwestern Mutual	8.2%	Feb-07	64,761	139,833
GECC 2/	3.7%	Jan-06	46,985	82,355
Principal Life Ins. Co. 3/	8.6%	Apr-05	40,891	103,399
Principal Life Ins. Co.	8.2%	Aug-05	26,233	70,655
Metropolitan Life Ins. Co. 4/	6.1%	Oct-12	22,800	38,834
PNC/Am South/Southtrust 5/	3.7%	Oct-07	16,686	17,712
PFL Life Ins. Co. 6/	8.1%	Jun-07	5,623	22,543
Massachusetts Mutual Life Ins. Co. 1/	6.5%	Dec-13	5,500	—
Ohio National	8.0%	Nov-17	5,388	10,956
Lutheran Brotherhood	6.8%	Apr-09	3,997	7,640
PFL Life Ins. Co. 5/6/	5.4%	Jun-07	3,678	—
Assoc Retirement Trust Fund	8.0%	Jan-07	2,375	6,790
USG Annuity	7.7%	Feb-06	2,166	3,797
Security Life of Denver	8.9%	Aug-09	2,048	9,496
Southland Life Ins. Co.	8.8%	Aug-09	1,887	6,993
American United Life	9.0%	Jun-13	1,035	3,640
CUNA Mutual	8.0%	Sep-06	614	3,184
Members Life Ins. Co	8.0%	Sep-06	579	3,266
Central Carolina Bank 2/	2.8%	Jan-08	436	1,876
	6.9%		\$ 822,010	\$ 1,419,875

Unsecured Bonds

Bonds	7.0%	Dec-06	\$ 110,000	
Bonds	7.1%	Feb-08	100,000	
Bonds	8.1%	Jan-09	50,000	
Bonds	7.5%	Apr-18	200,000	
	7.3%		\$ 460,000	

Unsecured Loans

Term Loan 2/	3.9%	Sep-05	\$ 20,000	
Term Loan 7/	4.3%	Nov-05	100,000	
Line of Credit 2/	3.9%	Jul-06	180,000	
	4.0%		\$ 300,000	
Total Debt	6.5%		\$1,582,010	

1/ These two loans are secured by the same assets.

2/ Floating rate loans based on one month libor.

3/ Paid off on 4/1/05

4/ Loan relates to the consolidated 20% owned joint venture property (Harborview).

5/ Floating rate loan based on ninety day libor.

6/ These two loans are secured by the same assets.

7/ Floating rate loan based on two month libor.

Portfolio Summary - Wholly-Owned Properties Only 1/

(Rentable Square Feet)

	03/31/05	12/31/04	09/30/04	06/30/04	03/31/04
Office Industrial & Retail					
In-Service:					
Office 2/	24,254,000	24,628,000	25,151,000	25,272,000	26,608,000
Industrial	6,991,000	7,829,000	7,992,000	7,992,000	8,092,000
Retail 3/	1,409,000	1,409,000	1,410,000	1,411,000	1,411,000
Total	32,654,000	33,866,000	34,553,000	34,675,000	36,111,000
Development Completed - Not Stabilized:					
Office 2/	—	—	—	—	140,000
Industrial	353,000	350,000	350,000	—	—
Retail	—	—	—	—	—
Total	353,000	350,000	350,000	—	140,000
Development - In Process:					
Office 2/	358,000	358,000	333,000	222,000	112,000
Industrial	—	—	—	350,000	350,000
Retail	9,600	9,600	—	—	—
Total	367,600	367,600	333,000	572,000	462,000
Total:					
Office 2/	24,612,000	24,986,000	25,484,000	25,494,000	26,860,000
Industrial	7,344,000	8,179,000	8,342,000	8,342,000	8,442,000
Retail 3/	1,418,600	1,418,600	1,410,000	1,411,000	1,411,000
Total	33,374,600	34,583,600	35,236,000	35,247,000	36,713,000
Same Property					
Office 2/	24,022,000	24,022,000	24,022,000	24,022,000	24,022,000
Industrial	6,991,000	6,991,000	6,991,000	6,991,000	6,991,000
Retail	1,409,000	1,409,000	1,409,000	1,409,000	1,409,000
Total	32,422,000	32,422,000	32,422,000	32,422,000	32,422,000
Percent Leased/Pre-Leased:					
In-Service:					
Office	82.3%	82.7%	80.9%	79.2%	79.2%
Industrial	86.8%	90.2%	88.4%	88.0%	86.5%
Retail	95.5%	97.3%	94.5%	93.4%	94.0%
Total	83.8%	85.0%	83.2%	81.8%	81.4%
Development Completed - Not Stabilized:					
Office	—	—	—	—	36.0%
Industrial	100.0%	100.0%	100.0%	—	—
Retail	—	—	—	—	—
Total	100.0%	100.0%	100.0%	—	36.0%
Development - In Process:					
Office	100.0%	100.0%	100.0%	100.0%	100.0%
Industrial	—	—	—	100.0%	100.0%
Retail	66.0%	44.0%	—	—	—
Total	99.1%	98.5%	100.0%	100.0%	100.0%

Same Property					
Office	82.5%	82.8%	80.8%	79.9%	80.0%
Industrial	86.8%	89.0%	87.4%	86.9%	85.4%
Retail	95.5%	97.3%	94.6%	93.5%	94.2%
Total	84.0%	84.8%	82.9%	82.0%	81.8%

-
- 1/ Excludes properties recorded on our Balance Sheet that were sold but accounted for as Financings or Profit Sharing arrangements under FAS 66
 - 2/ Substantially all of our Office properties are located in suburban markets
 - 3/ Excludes 430,000 square feet of basement space in the Country Club Plaza and other Kansas City retail properties.

Portfolio Summary
(Continued)

As of March 31, 2005

Summary by Location, Wholly-Owned Properties Only 1/:

Market	Rentable Square Feet	Occupancy	Percentage of Annualized Revenue 2/			
			Office	Industrial	Retail	Total
Raleigh 3/	4,432,000	83.3%	15.3%	0.2%	—	15.5%
Atlanta	6,826,000	83.0%	11.6%	3.4%	—	15.0%
Tampa	4,077,000	70.5%	13.7%	—	—	13.7%
Kansas City	2,308,000 4/	91.6%	4.1%	—	8.7%	12.8%
Nashville	2,870,000	92.8%	12.1%	—	—	12.1%
Piedmont Triad 5/	5,722,000	90.4%	6.3%	3.5%	—	9.8%
Richmond	1,836,000	95.1%	7.3%	—	—	7.3%
Memphis	1,216,000	80.6%	4.3%	—	—	4.3%
Charlotte	1,492,000	67.7%	3.7%	—	—	3.7%
Greenville	1,127,000	81.1%	3.3%	0.1%	—	3.4%
Columbia	426,000	59.9%	1.0%	—	—	1.0%
Orlando	222,000	97.8%	1.0%	—	—	1.0%
Other	100,000	61.3%	0.4%	—	—	0.4%
Total	32,654,000	83.8%	84.1%	7.2%	8.7%	100.0%

Summary by Location, Including Joint Venture Properties:

Market	Rentable Square Feet	Occupancy	Percentage of Annualized Revenue 2/6/			
			Office	Industrial	Retail	Multi-Family
Atlanta	7,661,000	84.1%	12.0%	3.0%	—	—
Raleigh	4,887,000	84.8%	14.2%	0.1%	—	—
Kansas City	2,736,000	90.8%	4.6%	—	7.8%	—
Tampa	4,282,000	71.9%	12.3%	—	—	—
Nashville	2,870,000	92.8%	10.8%	—	—	—
Piedmont Triad	6,086,000	91.0%	6.0%	3.1%	—	—
Richmond	2,249,000	96.0%	7.0%	—	—	—
Des Moines	2,245,000	95.3%	3.1%	0.4%	0.1%	0.4%
Memphis	1,216,000	80.6%	3.8%	—	—	—
Orlando	1,906,000	90.8%	3.7%	—	—	—
Charlotte	1,640,000	70.7%	3.3%	—	—	—
Greenville	1,127,000	81.1%	2.9%	0.1%	—	—
Columbia	426,000	59.9%	0.9%	—	—	—
Other	210,000	81.6%	0.4%	—	—	—
Total	39,541,000	85.6%	85.0%	6.7%	7.9%	0.4%

1/ Excludes properties recorded on our Balance Sheet that were sold but accounted for as Financings or Profit Sharing arrangements under FAS 66

2/ Annualized Revenue is March, 2005 rental revenue (base rent plus operating expense pass throughs) multiplied by 12.

3/ Raleigh Market encompasses Raleigh, Durham, Cary, and Research Triangle metropolitan area.

4/ Excludes basement space in the Country Club Plaza property of 430,000 square feet

5/ Piedmont Triad Market encompasses Greensboro, Winston-Salem metropolitan area.

Portfolio Summary - Wholly-Owned Properties Only 1/
(Continued)

As of March 31, 2005

Market	Office Properties			Industrial		
	Rentable Square Feet	Occupancy	Percentage of Office Annualized Revenue 2/	Rentable Square Feet	Occupancy	Percentage of Industrial Annualized Revenue 2/
Raleigh	4,331,000	83.6%	18.4%	101,000	71.2%	2.3%
Tampa	4,077,000	70.5%	16.3%	—	—	—
Nashville	2,870,000	92.8%	14.4%	—	—	—
Atlanta	3,575,000	81.8%	13.8%	3,251,000	84.3%	47.2%
Richmond	1,836,000	95.1%	8.6%	—	—	—
Piedmont Triad	2,190,000	89.1%	7.5%	3,532,000	91.2%	49.2%
Memphis	1,216,000	80.6%	5.1%	—	—	—
Kansas City	895,000	85.4%	4.8%	4,000	100.0%	0.1%
Charlotte	1,492,000	67.7%	4.4%	—	—	—
Greenville	1,024,000	86.3%	3.9%	103,000	28.9%	1.2%
Columbia	426,000	59.9%	1.2%	—	—	—
Orlando	222,000	97.8%	1.2%	—	—	—
Other	100,000	61.3%	0.4%	—	—	—
	<u>24,254,000</u>	<u>82.3%</u>	<u>100.0%</u>	<u>6,991,000</u>	<u>86.8%</u>	<u>100.0%</u>

Market	Retail		
	Rentable Square Feet	Occupancy	Percentage of Retail Annualized Revenue 2/
Kansas City 3/	1,409,000	95.5%	100.0%
	<u>1,409,000</u>	<u>95.5%</u>	<u>100.0%</u>

1/ Excludes properties recorded on our Balance Sheet that were sold but accounted for as Financings or Profit Sharing arrangements under FAS 66

2/ Annualized Revenue is March, 2005 rental revenue (base rent plus operating expense pass throughs) multiplied by 12.

3/ Excludes basement space in the Country Club Plaza property of 430,000 square feet

Occupancy Trends - Office, Industrial and Retail Properties 1/

Market	Measurement	03/31/05	12/31/04	09/30/04	06/30/04	03/31/04
Atlanta	Rentable Square Feet	6,826,000	6,825,000	6,825,000	6,821,000	6,919,000
	Occupancy	83.0%	83.7%	81.3%	80.7%	78.8%
	Current Properties 2/	83.0%	83.7%	81.3%	80.7%	78.9%
Charlotte	Rentable Square Feet	1,492,000	1,492,000	1,655,000	1,655,000	1,655,000
	Occupancy	67.7%	72.9%	74.6%	73.9%	80.5%
	Current Properties 2/	67.7%	72.9%	75.1%	74.1%	81.6%
Columbia	Rentable Square Feet	426,000	426,000	426,000	426,000	426,000
	Occupancy	59.9%	60.4%	57.5%	57.9%	58.6%
	Current Properties 2/	59.9%	60.4%	57.5%	57.9%	58.6%
Greenville	Rentable Square Feet	1,127,000	1,127,000	1,319,000	1,319,000	1,319,000
	Occupancy	81.1%	80.5%	79.4%	78.8%	78.8%
	Current Properties 2/	81.1%	80.5%	78.4%	77.4%	77.4%
Kansas City 3/	Rentable Square Feet	2,308,000	2,308,000	2,308,000	2,310,000	2,309,000
	Occupancy	91.6%	94.1%	92.4%	91.4%	91.2%
	Current Properties 2/	91.6%	94.1%	92.4%	91.4%	91.2%
Memphis	Rentable Square Feet	1,216,000	1,216,000	1,216,000	1,216,000	1,216,000
	Occupancy	80.6%	83.2%	82.1%	82.0%	81.3%
	Current Properties 2/	80.6%	83.2%	82.1%	82.0%	81.3%
Nashville	Rentable Square Feet	2,870,000	2,870,000	2,870,000	2,870,000	2,870,000
	Occupancy	92.8%	93.3%	93.4%	91.7%	89.8%
	Current Properties 2/	92.8%	93.3%	93.4%	91.7%	89.8%
Orlando	Rentable Square Feet	222,000	222,000	387,000	387,000	1,656,000
	Occupancy	97.7%	93.2%	94.4%	52.9%	75.8%
	Current Properties 2/	97.7%	93.2%	93.2%	88.5%	91.5%
Piedmont Triad	Rentable Square Feet	5,722,000	6,652,000	6,652,000	6,652,000	6,685,000
	Occupancy	90.4%	92.5%	91.9%	91.1%	90.5%
	Current Properties 2/	90.4%	91.3%	90.6%	89.7%	89.5%
Raleigh	Rentable Square Feet	4,432,000	4,597,000	4,739,000	4,808,000	4,664,000
	Occupancy	83.3%	83.8%	81.1%	79.4%	80.9%
	Current Properties 2/	83.3%	83.3%	80.2%	78.7%	78.9%
Richmond	Rentable Square Feet	1,836,000	1,835,000	1,835,000	1,835,000	1,851,000
	Occupancy	95.1%	94.1%	92.0%	89.7%	90.9%
	Current Properties 2/	95.1%	94.0%	92.0%	89.6%	90.9%
Tampa	Rentable Square Feet	4,077,000	4,196,000	4,221,000	4,277,000	4,443,000
	Occupancy	70.5%	71.0%	66.1%	65.9%	63.7%
	Current Properties 2/	70.5%	71.1%	66.1%	66.8%	66.1%
Total 4/		32,554,000	33,766,000	34,453,000	34,576,000	36,013,000
	Rentable Square Feet					
	Occupancy	83.8%	85.0%	83.2%	81.8%	81.4%
	Current Properties 2/	83.8%	84.6%	82.7%	81.8%	81.6%

1/ Excludes properties recorded on our Balance Sheet that were sold but accounted for as Financings or Profit Sharing arrangements under FAS 66

2/ Only properties that were owned and in-service on March 31, 2005 are included for each quarter shown.

3/ Excludes basement space in the Country Club Plaza property of 430,000 square feet.

4/ Excludes 100,000 square foot building located in South Florida

Leasing Statistics
Office Portfolio 1/

Three Months Ended

	3/31/05 2/	12/31/04 3/	9/30/04 4/	6/30/04 5/	3/31/04 6/	Average
Net Effective Rents Related to Re-Leased Space:						
Number of lease transactions (signed leases)	188	206	219	230	209	210
Rentable square footage leased	1,235,718	1,101,291	1,368,577	1,375,372	1,191,746	1,254,541
Square footage of Renewal Deals	677,799	726,959	703,003	1,011,662	673,551	758,595
Renewed square footage (% of total)	54.9%	66.0%	51.4%	73.6%	56.5%	60.5%
New Leases square footage (% of total)	45.1%	34.0%	48.6%	26.4%	43.5%	39.5%
Average per rentable square foot over the lease term:						
Base rent	\$ 16.20	\$ 17.40	\$ 16.68	\$ 17.64	\$ 17.43	\$ 17.07
Tenant improvements	(0.94)	(1.51)	(1.27)	(1.09)	(1.57)	(1.28)
Leasing commissions 7/	(0.66)	(0.62)	(0.64)	(0.52)	(0.58)	(0.60)
Rent concessions	(0.41)	(0.31)	(0.37)	(0.27)	(0.63)	(0.40)
Effective rent	14.19	14.96	14.40	15.76	14.65	14.79
Expense stop	(4.46)	(5.61)	(5.32)	(5.25)	(5.70)	(5.27)
Equivalent effective net rent	\$ 9.73	\$ 9.35	\$ 9.08	\$ 10.51	\$ 8.95	\$ 9.52
Average term in years	5.7	5.0	3.7	4.3	4.8	4.7
Capital Expenditures Related to Re-leased Space:						
Tenant Improvements:						
Total dollars committed under signed leases	\$5,644,830	\$ 9,208,835	\$ 9,455,102	\$ 8,908,277	\$10,063,665	\$ 8,656,142
Rentable square feet	1,235,718	1,101,291	1,368,577	1,375,372	1,191,746	1,254,541
Per rentable square foot	\$ 4.57	\$ 8.36	\$ 6.91	\$ 6.48	\$ 8.44	\$ 6.90
Leasing Commissions:						
Total dollars committed under signed leases 7/	\$4,109,601	\$ 2,806,566	\$ 2,969,620	\$ 2,878,161	\$ 2,747,400	\$ 3,102,269
Rentable square feet	1,235,718	1,101,291	1,368,577	1,375,372	1,191,746	1,254,541
Per rentable square foot	\$ 3.33	\$ 2.55	\$ 2.17	\$ 2.09	\$ 2.31	\$ 2.47
Total:						
Total dollars committed under signed leases	\$9,754,430	\$12,015,400	\$12,424,721	\$11,786,438	\$12,811,064	\$11,758,411
Rentable square feet	1,235,718	1,101,291	1,368,577	1,375,372	1,191,746	1,254,541
Per rentable square foot	\$ 7.89	\$ 10.91	\$ 9.08	\$ 8.57	\$ 10.75	\$ 9.37

- 1/ Excludes properties recorded on our Balance Sheet that were sold but accounted for as Financings or Profit Sharing arrangements under FAS 66
- 2/ Includes 89K square feet of leases that start in 2007 or later
- 3/ Includes 111K square feet of leases that start in 2007 or later
- 4/ Includes 128K square feet of leases that start in 2006 or later
- 5/ Includes 100K square feet of leases that start in 2006 or later
- 6/ Includes 72K square feet of leases that start in 2006 or later
- 7/ Excludes a full allocation of internal marketing cost

**Leasing Statistics
Industrial Portfolio**

Three Months Ended

	3/31/05 1/	12/31/04	9/30/04 2/	06/30/04	03/31/04	Average
Net Effective Rents Related to Re-Leased Space:						
Number of lease transactions (signed leases)	15	36	34	7	32	25
Rentable square footage leased	599,048	1,216,644	285,706	820,933	630,829	710,632
Square footage of Renewal Deals	579,069	875,445	246,797	642,011	448,003	558,265
Renewed square footage (% of total)	96.7%	72.0%	86.4%	78.2%	71.0%	78.6%
New Leases square footage (% of total)	3.3%	28.0%	13.6%	21.8%	29.0%	21.4%
Average per rentable square foot over the lease term:						
Base rent	\$ 3.39	\$ 3.49	\$ 4.73	\$ 4.11	\$ 3.67	\$ 3.88
Tenant improvements	(0.16)	(0.13)	(0.33)	(0.31)	(0.17)	(0.22)
Leasing commissions 3/	(0.06)	(0.06)	(0.07)	(0.08)	(0.14)	(0.08)
Rent concessions	(0.01)	(0.03)	(0.05)	(0.17)	(0.05)	(0.06)
Effective rent	3.16	3.27	4.28	3.55	3.31	3.52
Expense stop	(0.08)	(0.09)	(0.54)	(0.36)	(0.18)	(0.25)
Equivalent effective net rent	\$ 3.08	\$ 3.18	\$ 3.74	\$ 3.19	\$ 3.13	\$ 3.27
Average term in years	1.3	2.0	2.6	3.2	2.6	2.3
Capital Expenditures Related to Re-leased Space:						
Tenant Improvements:						
Total dollars committed under signed leases	\$361,044	\$ 756,077	\$307,534	\$1,805,334	\$640,867	\$774,171
Rentable square feet	599,048	1,216,644	285,706	820,933	630,829	710,632
Per rentable square foot	\$ 0.60	\$ 0.62	\$ 1.08	\$ 2.20	\$ 1.02	\$ 1.09
Leasing Commissions:						
Total dollars committed under signed leases 3/	\$ 63,473	\$ 226,000	\$ 64,714	\$ 207,676	\$280,486	\$168,470
Rentable square feet	599,048	1,216,644	285,706	820,933	630,829	710,632
Per rentable square foot	\$ 0.11	\$ 0.19	\$ 0.23	\$ 0.25	\$ 0.44	\$ 0.24
Total:						
Total dollars committed under signed leases	\$424,517	\$ 982,077	\$372,247	\$2,013,010	\$921,354	\$942,641
Rentable square feet	599,048	1,216,644	285,706	820,933	630,829	710,632
Per rentable square foot	\$ 0.71	\$ 0.81	\$ 1.30	\$ 2.45	\$ 1.46	\$ 1.33

- 1/ Includes 2K square feet of leases that start in 2006 or later
2/ Includes 74K square feet of leases that start in 2006 or later
3/ Excludes a full allocation of internal marketing cost

Leasing Statistics
Retail Portfolio

	Three Months Ended					
	03/31/05	12/31/04	9/30/04	6/30/04 1/	3/31/04 2/	Average
Net Effective Rents Related to Re-Leased Space:						
Number of lease transactions (signed leases)	4	23	18	13	10	14
Rentable square footage leased	10,993	106,629	34,300	38,548	37,303	45,555
Square footage of Renewal Deals	1,750	78,579	15,530	17,482	27,219	28,112
Renewed square footage (% of total)	15.9%	73.7%	45.3%	45.4%	73.0%	61.7%
New Leases square footage (% of total)	84.1%	26.3%	54.7%	54.6%	27.0%	38.3%
Average per rentable square foot over the lease term:						
Base rent	\$ 26.09	\$ 17.03	\$ 26.45	\$ 22.98	\$ 30.87	\$ 24.68
Tenant improvements	(2.65)	(1.73)	(1.84)	(2.04)	(1.58)	(1.97)
Leasing commissions 3/	(0.88)	(0.26)	(0.56)	(0.32)	(0.31)	(0.47)
Rent concessions	0.00	0.00	(0.04)	0.00	(0.06)	(0.02)
Effective rent	22.56	15.04	24.01	20.62	28.92	22.22
Expense stop	0.00	0.00	0.00	0.00	0.00	0.00
Equivalent effective net rent	\$ 22.56	\$ 15.04	\$ 24.01	\$ 20.62	\$ 28.92	\$ 22.22
Average term in years	9.3	8.3	5.7	8.0	6.1	7.5
Capital Expenditures Related to Re-leased Space:						
Tenant Improvements:						
Total dollars committed under signed leases	\$308,098	\$2,137,327	\$403,309	\$800,125	\$866,975	\$903,167
Rentable square feet	10,993	106,629	34,300	38,548	37,303	45,555
Per rentable square foot	\$ 28.03	\$ 20.04	\$ 11.76	\$ 20.76	\$ 23.24	\$ 19.83
Leasing Commissions:						
Total dollars committed under signed leases 3/	\$ 3,778	\$ 220,528	\$ 86,458	\$ 34,423	\$ 28,206	\$ 74,679
Rentable square feet	10,993	106,629	34,300	38,548	37,303	45,555
Per rentable square foot	\$ 0.34	\$ 2.07	\$ 2.52	\$ 0.89	\$ 0.76	\$ 1.64
Total:						
Total dollars committed under signed leases	\$311,876	\$2,357,855	\$489,767	\$834,548	\$895,181	\$977,845
Rentable square feet	10,993	106,629	34,300	38,548	37,303	45,555
Per rentable square foot	\$ 28.37	\$ 22.11	\$ 14.28	\$ 21.65	\$ 24.00	\$ 21.47

- 1/ Includes 6K square feet of leases that start in 2006 or later
2/ Includes 16K square feet of leases that start in 2006 or later
3/ Excludes a full allocation of internal marketing cost

Leasing Statistics by Market

For the Three Months ended March 31, 2005

Office Portfolio 1/

Market	Rentable Square Feet Leased	Average Term	GAAP Rental Rate	TI's Per SF	Lease Commissions Per SF 2/
Tampa	297,894	8.7	\$14.43	\$ 5.23	\$ 6.61
Richmond	161,114	3.2	18.71	5.68	1.72
Raleigh	158,676	3.0	17.41	2.29	0.83
Nashville	148,947	3.0	19.31	4.73	1.34
Piedmont Triad	132,410	11.1	8.55	1.82	2.54
Atlanta	110,227	4.7	14.88	3.31	2.19
Greenville	98,722	5.3	16.23	5.18	4.56
Memphis	56,632	5.2	20.98	12.53	3.04
Charlotte	44,455	2.2	10.80	2.38	0.40
Kansas City	20,046	2.6	20.71	2.88	2.79
Columbia	6,595	5.8	15.99	17.20	5.93
	1,235,718	5.7	\$15.79	\$ 4.57	\$ 3.33

Industrial Portfolio

Market	Rentable Square Feet Leased	Average Term	GAAP Rental Rate	TI's Per SF	Lease Commissions Per SF 2/
Piedmont Triad	515,278	0.9	\$ 3.16	\$ 0.15	\$ 0.03
Atlanta	83,770	3.8	4.70	3.40	0.45
	599,048	1.3	\$ 3.38	\$ 0.60	\$ 0.11

Retail Portfolio

Market	Rentable Square Feet Leased	Average Term	GAAP Rental Rate	TI's Per SF	Lease Commissions Per SF
Kansas City	10,993	9.3	\$26.09	\$28.03	\$ 0.34
	10,993	9.3	\$26.09	\$28.03	\$ 0.34

1/ Excludes properties recorded on our Balance Sheet that were sold but accounted for as Financings or Profit Sharing arrangements under FAS 66

2/ Total lease commissions per square foot excludes all internal charges from Leasing Departments, which are not allocated to individual leases.

Rental Rate Comparisons by Market
For the Three Months ended March 31, 2005

Office Portfolio 1/

<u>Market</u>	<u>Rentable Square Feet Leased</u>	<u>Current GAAP Rent</u>	<u>Previous GAAP Rent</u>	<u>Percentage Change GAAP Rent</u>
Tampa	297,894	\$14.43	\$16.93	-14.8%
Richmond	161,114	18.71	18.08	3.5%
Raleigh	158,676	17.41	19.05	-8.6%
Nashville	148,947	19.31	19.63	-1.6%
Piedmont Triad	132,410	8.55	8.49	0.7%
Atlanta	110,227	14.88	16.46	-9.6%
Greenville	98,722	16.23	14.02	15.8%
Memphis	56,632	20.98	20.08	4.5%
Charlotte	44,455	10.80	13.00	-16.9%
Kansas City	20,046	20.71	20.51	1.0%
Columbia	6,595	15.99	18.05	-11.4%
	1,235,718	\$15.79	\$16.55	-4.6%
Cash Rent Growth	1,235,718	\$16.54	\$18.13	-8.8%

Industrial Portfolio

<u>Market</u>	<u>Rentable Square Feet Leased</u>	<u>Current GAAP Rent</u>	<u>Previous GAAP Rent</u>	<u>Percentage Change GAAP Rent</u>
Piedmont Triad	515,278	\$ 3.16	\$ 3.23	-2.1%
Atlanta	83,770	4.70	5.42	-13.4%
	599,048	\$ 3.38	\$ 3.53	-4.2%
Cash Rent Growth	599,048	\$ 3.27	\$ 3.45	-5.2%

Retail Portfolio

<u>Market</u>	<u>Rentable Square Feet Leased</u>	<u>Current GAAP Rent</u>	<u>Previous GAAP Rent</u>	<u>Percentage Change GAAP Rent</u>
Kansas City	10,993	\$26.09	\$16.83	55.0%
	10,993	\$26.09	\$16.83	55.0%
Cash Rent Growth	10,993	\$24.05	\$16.98	41.6%

1/ Excludes properties recorded on our Balance Sheet that were sold but accounted for as Financings or Profit Sharing arrangements under FAS 66

Lease Expirations

March 31, 2005

Dollars in thousands

<u>Year</u>	<u>Rentable Square Feet Expiring</u>	<u>Percent of Rentable Square Feet</u>	<u>Annualized Revenue 1/</u>	<u>Average Rental Rate</u>	<u>Percent of Annualized Revenue 1/</u>
Office: 2/					
2005 3/	2,596,243	13.0%	\$ 45,916	\$17.69	13.1%
2006	3,111,763	15.6%	57,788	18.57	16.4%
2007	1,998,876	10.0%	34,981	17.50	10.0%
2008	3,144,803	15.7%	51,052	16.23	14.6%
2009	2,770,415	13.9%	49,857	18.00	14.3%
2010	2,118,090	10.6%	37,441	17.68	10.7%
2011	1,443,419	7.2%	27,567	19.10	7.9%
2012	829,918	4.2%	15,304	18.44	4.4%
2013	469,632	2.4%	7,967	16.96	2.3%
2014	419,428	2.1%	8,291	19.77	2.4%
2015 and thereafter	1,049,119	5.3%	13,661	13.02	3.9%
	19,951,706	100.0%	\$349,825	\$17.53	100.0%
Industrial:					
2005 4/	1,536,242	24.5%	\$ 6,610	\$ 4.30	22.2%
2006	1,047,623	16.6%	5,248	5.01	17.6%
2007	1,090,412	17.3%	6,185	5.67	20.8%
2008	688,790	10.9%	3,132	4.55	10.5%
2009	644,325	10.2%	3,756	5.83	12.6%
2010	198,232	3.2%	826	4.17	2.8%
2011	150,822	2.4%	713	4.73	2.4%
2012	194,828	3.1%	455	2.34	1.5%
2013	102,384	1.6%	621	6.07	2.1%
2014	206,731	3.3%	799	3.86	2.7%
2015 and thereafter	432,567	6.9%	1,420	3.28	4.8%
	6,292,956	100.0%	\$ 29,765	\$ 4.73	100.0%

1/ Annualized Revenue is March, 2005 rental revenue (base rent plus operating expense pass throughs) multiplied by 12.

2/ Excludes properties recorded on our Balance Sheet that were sold but accounted for as Financings or Profit Sharing arrangements under FAS 66

3/ Includes 104,000 square feet of leases that are on a month to month basis or 0.4% of total annualized revenue

4/ Includes 212,000 square feet of leases that are on a month to month basis or 0.2% of total annualized revenue

Note: 2005 and beyond expirations that have been renewed are reflected above based on the renewal's expiration date.

Lease Expirations

March 31, 2005

(Continued)

Dollars in thousands

Year	Rentable Square Feet Expiring	Percent of Rentable Square Feet	Annualized Revenue 1/	Average Rental Rate	Percent of Annualized Revenue 1/
Retail:					
2005 2/	32,264	2.4%	\$ 992	\$30.75	2.7%
2006	99,549	7.4%	2,438	24.49	6.7%
2007	79,810	5.9%	2,180	27.31	6.0%
2008	129,441	9.6%	3,612	27.90	9.9%
2009	191,405	14.2%	4,797	25.06	13.2%
2010	91,550	6.8%	3,116	34.04	8.6%
2011	58,071	4.3%	1,902	32.75	5.2%
2012	140,426	10.4%	4,033	28.72	11.1%
2013	108,866	8.1%	2,775	25.49	7.6%
2014	83,349	6.2%	1,626	19.51	4.5%
2015 and thereafter	331,450	24.7%	8,890	26.82	24.5%
	1,346,181	100.0%	\$ 36,361	\$27.01	100.0%
Total:					
2005 3/4/	4,164,749	15.0%	53,518	12.85	12.9%
2006	4,258,935	15.4%	65,474	15.37	15.7%
2007	3,169,098	11.5%	43,346	13.68	10.4%
2008	3,963,034	14.4%	57,796	14.58	13.9%
2009	3,606,145	13.1%	58,410	16.20	14.0%
2010	2,407,872	8.7%	41,383	17.19	9.9%
2011	1,652,312	6.0%	30,182	18.27	7.3%
2012	1,165,172	4.2%	19,792	16.99	4.8%
2013	680,882	2.5%	11,363	16.69	2.7%
2014	709,508	2.6%	10,716	15.10	2.6%
2015 and thereafter	1,813,136	6.6%	23,971	13.22	5.8%
	27,590,843	100.0%	\$415,951	\$15.08	100.0%

1/ Annualized Revenue is March, 2005 rental revenue (base rent plus operating expense pass throughs) multiplied by 12.

2/ Includes 10,000 square feet of leases that are on a month to month basis or 0.1% of total annualized revenue

3/ Includes 326,000 square feet of leases that are on a month to month basis or 0.7% of total annualized revenue

4/ Excludes properties recorded on our Balance Sheet that were sold but accounted for as Financings or Profit Sharing arrangements under FAS 66

Note: 2005 and beyond expirations that have been renewed are reflected above based on the renewal's expiration date.

Office Lease Expirations by Market by Quarter 1/

Dollars in thousands

		Three Months Ended				Total
		6/30/05 2/	09/30/05	12/31/05	03/31/06	
Atlanta		118,460			134,599	
	RSF		349,949	30,914		633,922
	% of Total Office RSF	\$ 0.6%	\$ 1.8%	\$ 0.2%	\$ 0.7%	\$ 3.2%
	Annualized Revenue 3/	1,309	5,947	469	1,738	9,463
	% of Total Office Annl Rev	0.4%	1.7%	0.1%	0.5%	2.7%
Charlotte						
	RSF	55,910	73,469	22,267	36,827	188,473
	% of Total Office RSF	\$ 0.3%	\$ 0.4%	\$ 0.1%	\$ 0.2%	\$ 0.9%
	Annualized Revenue 3/	993	946	377	555	2,871
	% of Total Office Annl Rev	0.3%	0.3%	0.1%	0.2%	0.8%
Columbia						
	RSF	0	27,437	3,352	0	30,789
	% of Total Office RSF	\$ 0.0%	\$ 0.1%	\$ 0.0%	\$ 0.0%	\$ 0.2%
	Annualized Revenue 3/	—	506	60	—	566
	% of Total Office Annl Rev	0.0%	0.1%	0.0%	0.0%	0.2%
Greenville		227,080				
	RSF		30,364	0	30,791	288,235
	% of Total Office RSF	\$ 1.1%	\$ 0.2%	\$ 0.0%	\$ 0.2%	\$ 1.4%
	Annualized Revenue 3/	3,057	480	—	609	4,146
	% of Total Office Annl Rev	0.9%	0.1%	0.0%	0.2%	1.2%
Kansas City						
	RSF	39,854	20,727	29,133	60,422	150,136
	% of Total Office RSF	\$ 0.2%	\$ 0.1%	\$ 0.1%	\$ 0.3%	\$ 0.8%
	Annualized Revenue 3/	783	395	532	1,307	3,017
	% of Total Office Annl Rev	0.2%	0.1%	0.2%	0.4%	0.9%
Memphis						
	RSF	53,891	46,875	9,867	49,630	160,263
	% of Total Office RSF	\$ 0.3%	\$ 0.2%	\$ 0.0%	\$ 0.2%	\$ 0.8%
	Annualized Revenue 3/	980	853	177	943	2,953
	% of Total Office Annl Rev	0.3%	0.2%	0.1%	0.3%	0.8%
Nashville		116,667		115,545	143,359	
	RSF		55,687			431,258
	% of Total Office RSF	\$ 0.6%	\$ 0.3%	\$ 0.6%	\$ 0.7%	\$ 2.2%
	Annualized Revenue 3/	2,410	1,143	2,367	2,870	8,790
	% of Total Office Annl Rev	0.7%	0.3%	0.7%	0.8%	2.5%
Orlando						
	RSF	9,154	0	0	0	9,154
	% of Total Office RSF	\$ 0.0%	\$ 0.0%	\$ 0.0%	\$ 0.0%	\$ 0.0%
	Annualized Revenue 3/	161	—	—	—	161
	% of Total Office Annl Rev	0.0%	0.0%	0.0%	0.0%	0.0%
Piedmont Triad						
	RSF	87,464	109,135	41,764	93,611	331,974
	% of Total Office RSF	\$ 0.4%	\$ 0.5%	\$ 0.2%	\$ 0.5%	\$ 1.7%
	Annualized Revenue 3/	1,562	1,649	709	1,632	5,552
	% of Total Office Annl Rev	0.4%	0.5%	0.2%	0.5%	1.6%
Raleigh				101,829	299,390	
	RSF	96,912	119,557			617,688
	% of Total Office RSF	\$ 0.4%	\$ 0.6%	\$ 0.5%	\$ 1.5%	\$ 3.0%
	Annualized Revenue 3/	1,687	2,461	2,229	6,020	12,397
	% of Total Office Annl Rev	0.5%	0.7%	0.6%	1.7%	3.5%
Richmond	RSF	65,836	179,310	85,631	44,771	375,548
	% of Total Office RSF	0.3%	0.9%	0.4%	0.2%	1.9%

		\$		\$		\$		\$		\$
	Annualized Revenue 3/ % of Total Office Annl Rev	1,235 0.4%	3,510 1.0%	1,281 0.4%	853 0.2%	6,879 2.0%				
Tampa		126,549								
	RSF		87,809	56,750	63,342	334,450				
	% of Total Office RSF	\$ 0.6%	\$ 0.4%	\$ 0.3%	\$ 0.3%	\$ 1.7%				
	Annualized Revenue 3/ % of Total Office Annl Rev	2,510 0.7%	1,826 0.5%	1,309 0.4%	1,094 0.3%	6,739 1.9%				
Other										
	RSF	1,095	0	0	0	1,095				
	% of Total Office RSF	\$ 0.0%	\$ 0.0%	\$ 0.0%	\$ 0.0%	\$ 0.0%				
	Annualized Revenue 3/ % of Total Office Annl Rev	5 0.0%	— 0.0%	— 0.0%	— 0.0%	5 0.0%				
Total		998,872	1,100,319	497,052	956,742	3,552,985				
	RSF									
	% of Total Office RSF	\$ 5.0%	\$ 5.5%	\$ 2.5%	\$ 4.8%	\$ 17.8%				
	Annualized Revenue 3/ % of Total Office Annl Rev	16,692 4.8%	19,716 5.6%	9,510 2.7%	17,621 5.0%	63,539 18.2%				

- 1/ Excludes properties recorded on our Balance Sheet that were sold but accounted for as Financings or Profit Sharing arrangements under FAS 66
- 2/ Includes 104,000 square feet of leases that are on a month to month basis or 0.4% of total annualized revenue
- 3/ Annualized Revenue is March, 2005 rental revenue (base rent plus operating expense pass throughs) multiplied by 12.

Industrial Lease Expirations by Market by Quarter

Dollars in thousands

		Three Months Ended				
		6/30/05 1/	09/30/05	12/31/05	03/31/06	Total
Atlanta		136,694	170,528	271,953	111,622	
	RSF					690,797
	% of Total Industrial RSF	\$ 2.2%	\$ 2.7%	\$ 4.3%	\$ 1.8%	\$ 11.0%
	Annualized Revenue 2/	472	837	1,595	646	3,550
	% of Total Industrial Annl Rev	1.6%	2.8%	5.4%	2.2%	12.0%
Charlotte						
	RSF	0	0	0	0	0
	% of Total Industrial RSF	\$ 0.0%	\$ 0.0%	\$ 0.0%	\$ 0.0%	\$ 0.0%
	Annualized Revenue 2/	—	—	—	—	—
	% of Total Industrial Annl Rev	0.0%	0.0%	0.0%	0.0%	0.0%
Greenville						
	RSF	0	0	0	16,081	16,081
	% of Total Industrial RSF	\$ 0.0%	\$ 0.0%	\$ 0.0%	\$ 0.3%	\$ 0.3%
	Annualized Revenue 2/	—	—	—	206	206
	% of Total Industrial Annl Rev	0.0%	0.0%	0.0%	0.7%	0.7%
Kansas City						
	RSF	2,018	0	0	0	2,018
	% of Total Industrial RSF	\$ 0.0%	\$ 0.0%	\$ 0.0%	\$ 0.0%	\$ 0.0%
	Annualized Revenue 2/	17	—	—	—	17
	% of Total Industrial Annl Rev	0.1%	0.0%	0.0%	0.0%	0.1%
Piedmont Triad		413,227	476,995		134,017	1,051,205
	RSF			26,966		
	% of Total Industrial RSF	\$ 6.6%	\$ 7.6%	\$ 0.4%	\$ 2.1%	\$ 16.7%
	Annualized Revenue 2/	1,546	1,636	184	660	4,026
	% of Total Industrial Annl Rev	5.2%	5.5%	0.6%	2.2%	13.5%
Raleigh						
	RSF	5,950	31,911	0	11,887	49,748
	% of Total Industrial RSF	\$ 0.1%	\$ 0.5%	\$ 0.0%	\$ 0.2%	\$ 0.8%
	Annualized Revenue 2/	49	277	—	118	444
	% of Total Industrial Annl Rev	0.2%	0.9%	0.0%	0.4%	1.5%
Total		557,889	679,434	298,919	273,607	1,809,849
	RSF					
	% of Total Industrial RSF	\$ 8.9%	\$ 10.8%	\$ 4.8%	\$ 4.3%	\$ 28.8%
	Annualized Revenue 2/	2,084	2,750	1,779	1,630	8,243
	% of Total Industrial Annl Rev	7.1%	9.2%	6.0%	5.5%	27.7%

1/ Includes 212,000 square feet of leases that are on a month to month basis or 0.2% of total annualized revenue

2/ Annualized Revenue is March, 2005 rental revenue (base rent plus operating expense pass throughs) multiplied by 12.

Office Lease Expirations by Market by Year 1/

Dollars in thousands

		2005 2/	2006	2007	2008	Thereafter
Atlanta	RSF	499,323	321,046	229,735	549,608	1,325,968
	% of Total Office RSF	2.5%	1.6%	1.2%	2.8%	%
	Annualized Revenue 3/	\$ 7,725	\$ 4,730	\$ 3,260	\$ 8,527	\$ 6.6
	% of Total Office Annl Rev	2.2%	1.4%	0.9%	2.4%	23,964% 6.9
Charlotte	RSF	151,646	169,027	121,495	118,735	449,619
	% of Total Office RSF	0.8%	0.8%	0.6%	0.6%	2.3%
	Annualized Revenue 3/	\$ 2,316	\$ 2,646	\$ 1,855	\$ 1,835	\$ 6,568
	% of Total Office Annl Rev	0.7%	0.8%	0.5%	0.5%	1.9%
Columbia	RSF	30,789	59,586	58,951	63,170	42,482
	% of Total Office RSF	0.2%	0.3%	0.3%	0.3%	0.2%
	Annualized Revenue 3/	\$ 565	\$ 1,110	\$ 1,046	\$ 1,089	\$ 522
	% of Total Office Annl Rev	0.2%	0.3%	0.3%	0.3%	0.1%
Greenville	RSF	257,444	148,824	16,115	96,497	364,907
	% of Total Office RSF	1.3%	0.7%	0.1%	0.5%	1.8%
	Annualized Revenue 3/	\$ 3,538	\$ 2,839	\$ 298	\$ 1,760	\$ 5,180
	% of Total Office Annl Rev	1.0%	0.8%	0.1%	0.5%	1.5%
Kansas City	RSF	89,714	154,371	91,920	65,281	362,798
	% of Total Office RSF	0.4%	0.8%	0.5%	0.3%	1.8%
	Annualized Revenue 3/	\$ 1,711	\$ 3,355	\$ 1,776	\$ 1,334	\$ 8,749
	% of Total Office Annl Rev	0.5%	1.0%	0.5%	0.4%	2.5%
Memphis	RSF	110,633	97,750	105,564	179,866	486,004
	% of Total Office RSF	0.6%	0.5%	0.5%	0.9%	2.4%
	Annualized Revenue 3/	\$ 2,010	\$ 1,839	\$ 2,026	\$ 3,663	\$ 8,458
	% of Total Office Annl Rev	0.6%	0.5%	0.6%	1.0%	2.4%
Nashville	RSF	287,899	471,315	235,334	188,552	1,480,494
	% of Total Office RSF	1.4%	2.4%	1.2%	0.9%	%
	Annualized Revenue 3/	\$ 5,920	\$ 9,557	\$ 4,595	\$ 3,748	\$ 7.4
	% of Total Office Annl Rev	1.7%	2.7%	1.3%	1.1%	26,662% 7.6
Orlando	RSF	9,154	6,465	20,571	9,240	171,379
	% of Total Office RSF	0.0%	0.0%	0.1%	0.0%	0.9%
	Annualized Revenue 3/	\$ 161	\$ 170	\$ 370	\$ 186	\$ 3,312
	% of Total Office Annl Rev	0.0%	0.0%	0.1%	0.1%	0.9%
Piedmont Triad	RSF	238,363	195,662	199,480	622,522	694,432
	% of Total Office RSF	1.2%	1.0%	1.0%	3.1%	3.5%
	Annualized Revenue 3/	\$ 3,920	\$ 3,392	\$ 3,048	\$ 7,182	\$ 8,530
	% of Total Office Annl Rev	1.1%	1.0%	0.9%	2.1%	2.4%
Raleigh	RSF	318,298	880,578	378,100	558,417	1,485,776
	% of Total Office RSF	1.6%	4.4%	1.9%	2.8%	%
	Annualized Revenue 3/	\$ 6,375	\$ 15,507	\$ 6,927	\$ 9,370	\$ 7.4
	% of Total Office Annl Rev	1.8%	4.4%	2.0%	2.7%	25,888% 7.4
Richmond	RSF	330,777	250,744	302,754	212,855	648,423
	% of Total Office RSF	1.7%	1.3%	1.5%	1.1%	3.2%
	Annualized Revenue 3/	\$ 6,026	\$ 5,037	\$ 4,944	\$ 4,007	\$ 10,220
	% of Total Office Annl Rev	1.7%	1.4%	1.4%	1.1%	2.9%

Tampa	RSF	271,108	350,229	226,150	460,611	1,565,969
	% of Total Office RSF	1.4%	1.8%	1.1%	2.3%	%
	Annualized Revenue 3/	\$ 5,643	\$ 7,448	\$ 4,515	\$ 7,832	\$ 7.8
	% of Total Office Annl Rev	1.6%	2.1%	1.3%	2.2%	31,554% 9.0
Other	RSF	1,095	6,166	12,707	19,449	21,770
	% of Total Office RSF	0.0%	0.0%	0.1%	0.1%	0.1%
	Annualized Revenue 3/	\$ 5	\$ 157	\$ 322	\$ 519	\$ 479
	% of Total Office Annl Rev	0.0%	0.0%	0.1%	0.1%	0.1%
Total	RSF	2,596,243	3,111,763	1,998,876	3,144,803	9,100,021
	% of Total Office RSF	%	%	%	%	%
	Annualized Revenue 3/	\$ 13.0	\$ 15.6	\$ 10.0	\$ 15.8	\$ 45.6
	% of Total Office Annl Rev	45,915% 13.1	57,787% 16.5	34,982% 10.0	51,052% 14.6	160,086% 45.8

1/ Excludes properties recorded on our Balance Sheet that were sold but accounted for as Financings or Profit Sharing arrangements under FAS 66

2/ Includes 104,000 square feet of leases that are on a month to month basis or 0.4% of total annualized revenue

3/ Annualized Revenue is March, 2005 rental revenue (base rent plus operating expense pass throughs) multiplied by 12.

Industrial Lease Expirations by Market by Year

Dollars in thousands

		2005 1/	2006	2007	2008	Thereafter
Atlanta					272,037	1,102,191
	RSF	579,175	345,292	665,857		
	% of Total Industrial RSF	\$ 9.2%	\$ 5.5%	\$ 10.6%	\$ 4.3%	\$ 17.5%
	Annualized Revenue 2/	2,903	2,077	3,488	1,259	4,331
	% of Total Industrial Annl Rev	9.8%	7.0%	11.7%	4.2%	14.6%
Charlotte						
	RSF	0	0	0	0	0
	% of Total Industrial RSF	\$ 0.0%	\$ 0.0%	\$ 0.0%	\$ 0.0%	\$ 0.0%
	Annualized Revenue 2/	—	—	—	—	—
	% of Total Industrial Annl Rev	0.0%	0.0%	0.0%	0.0%	0.0%
Greenville						
	RSF	0	16,081	0	5,350	8,470
	% of Total Industrial RSF	\$ 0.0%	\$ 0.3%	\$ 0.0%	\$ 0.1%	\$ 0.1%
	Annualized Revenue 2/	—	206	—	58	91
	% of Total Industrial Annl Rev	0.0%	0.7%	0.0%	0.2%	0.3%
Kansas City						
	RSF	2,018	0	0	0	1,756
	% of Total Industrial RSF	\$ 0.0%	\$ 0.0%	\$ 0.0%	\$ 0.0%	\$ 0.0%
	Annualized Revenue 2/	17	—	—	—	19
	% of Total Industrial Annl Rev	0.1%	0.0%	0.0%	0.0%	0.1%
Piedmont Triad					396,215	
	RSF	917,188	674,363	424,555		810,333
	% of Total Industrial RSF	\$ 14.6%	\$ 10.7%	\$ 6.7%	\$ 6.3%	\$ 12.9%
	Annualized Revenue 2/	3,365	2,846	2,697	1,654	4,085
	% of Total Industrial Annl Rev	11.3%	9.6%	9.1%	5.6%	13.7%
Raleigh						
	RSF	37,861	11,887	0	15,188	7,139
	% of Total Industrial RSF	\$ 0.6%	\$ 0.2%	\$ 0.0%	\$ 0.2%	\$ 0.1%
	Annualized Revenue 2/	325	118	—	162	66
	% of Total Industrial Annl Rev	1.1%	0.4%	0.0%	0.5%	0.2%
Total		1,536,242	1,047,623	1,090,412	688,790	1,929,889
	RSF					
	% of Total Industrial RSF	\$ 24.4%	\$ 16.6%	\$ 17.3%	\$ 10.9%	\$ 30.7%
	Annualized Revenue 2/	6,610	5,247	6,185	3,133	8,592
	% of Total Industrial Annl Rev	22.2%	17.6%	20.8%	10.5%	28.9%

1/ Includes 212,000 square feet of leases that are on a month to month basis or 0.2% of total annualized revenue

2/ Annualized Revenue is March, 2005 rental revenue (base rent plus operating expense pass throughs) multiplied by 12.

Customer Diversification 1/

March 31, 2005

Dollars in thousands

Top 20 Customers

Customer	RSF	Annualized Revenue 2/	Percent of Annualized Revenue 2/	Average Remaining Lease Term in Years
Federal Government	863,609	\$ 17,042	4.10%	6.5
AT&T 3/	537,529	10,065	2.42%	3.9
Price Waterhouse Coopers	297,795	7,528	1.81%	5.1
State Of Georgia	361,687	7,070	1.70%	4.0
T-Mobile USA	205,394	4,853	1.17%	4.2
IBM	188,763	3,978	0.96%	1.1
Northern Telecom	246,000	3,651	0.88%	2.9
Volvo	270,525	3,572	0.86%	4.4
US Airways	295,046	3,403	0.82%	2.7
Lockton Companies	132,718	3,339	0.80%	9.9
BB&T	229,459	3,260	0.78%	6.9
CHS Professional Services	170,524	3,042	0.73%	1.9
Ford Motor Company	125,989	2,734	0.66%	4.9
IKON	181,361	2,613	0.63%	1.3
MCI	127,268	2,531	0.61%	1.2
Hartford Insurance	116,010	2,508	0.60%	1.6
Aspect Communications	116,692	2,354	0.57%	1.7
Metropolitan Life	118,017	2,250	0.54%	6.2
Jacob's Engineering	228,345	2,236	0.54%	11.2
Icon Clinical Research	99,163	2,114	0.51%	7.2
	4,911,894	\$ 90,143	21.69%	4.7

By Industry

Category	Percent of Annualized Revenue 2/
Professional, Scientific, and Technical Services	21.3%
Insurance	10.3%
Manufacturing	8.8%
Finance/Banking	8.0%
Telecommunication	7.8%
Retail Trade	7.5%
Government/Public Administration	6.5%
Health Care and Social Assistance	6.2%
Wholesale Trade	5.5%
Transportation and Warehousing	3.4%
Administrative and Support Services	3.2%
Real Estate Rental and Leasing	3.1%
Accommodation and Food Services	2.6%
Other Services (except Public Administration)	2.4%
Information	2.1%
Educational Services	1.3%
	100.0%

1/ Excludes properties recorded on our Balance Sheet that were sold but accounted for as Financings or Profit Sharing arrangements under FAS 66

2/ Annualized Revenue is March, 2005 rental revenue (base rent plus operating expense pass throughs) multiplied by 12.

3/ AT&T and SBC have received final approval on their plans to merge. SBC currently leases 5K square feet with \$110K in associated annualized revenue.

Same Property Performance

Dollars in thousands

	Three months ended March 31,		Percentage Change
	2005	2004	
Rental revenues	\$ 107,411	\$ 103,735	3.5%
Straight Line rent/lease incentives	912	2,279	-60.0%
Lease termination fees	2,574	262	882.4%
Operating expenses	(38,683)	(37,764)	-2.4%
Net operating income	\$ 72,214	\$ 68,512	5.4%
Average Occupancy	83.8%	81.4%	2.9%
Rentable Square Feet	32,422,000	32,422,000	

Market	2004 to 2005 1st Quarter NOI Change
Atlanta	4.9%
Charlotte	-21.4%
Columbia	-16.4%
Greenville	9.8%
Kansas City	4.7%
Memphis	-5.4%
Nashville	9.4%
Orlando	2.0%
Piedmont Triad	17.0%
Raleigh	5.2%
Richmond	4.0%
Tampa 1/	8.6%
	5.4%

Acquisition Activity

Dollars in thousands

Name	Market	Type 1/	Date Acquired	Square Footage	Total Cost
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First quarter 2005:

None

Disposition Activity

Dollars in thousands

<u>Name</u>	<u>Market</u>	<u>Type 1/</u>	<u>Date Sold</u>	<u>Square Footage</u>	<u>Gross Sales Price</u>
First quarter 2005:					
Northside	Tampa	O	02/24/05	85,700	\$ 9,000
531 Northridge Warehouse	Piedmont Triad	I	02/28/05	598,100	
531 Northridge Office	Piedmont Triad	O	02/28/05	91,800	
				<u>689,900</u>	<u>18,656</u>
3928 Westpoint Boulevard	Piedmont Triad	I	02/28/05	240,000	6,225
4300 Six Forks Road	Raleigh	O	03/31/05	163,300	27,318
				<u>1,178,900</u>	<u>\$ 61,199</u>

Depreciable Assets Contributed to Joint Ventures

<u>Name</u>	<u>Market</u>	<u>Type 1/</u>	<u>Date Contributed</u>	<u>Square Footage</u>	<u>Gross Sales Price</u>
First quarter 2005:					
None					

Development Activity

Dollars in thousands

Property In - Process	Market	Type 1/	Rentable Square Feet	Anticipated	Investment	Pre-Leasing	Estimated Completion	Estimated Stabilization
				Total Investment	@ 03/31/05		Date	Date
Office:								
Center for Disease Control	Atlanta	O	109,000	\$ 21,375	\$ 7,426	100%	4Q05	4Q05
Saxon	Richmond	O	112,000	14,829	10,816	100%	3Q05	3Q05
FBI 2/	Tampa	O	137,000	31,090	17,886	100%	4Q05	4Q05
Total or Weighted Average			358,000	\$ 67,294	\$ 36,128	100%		
Retail 3/:								
Griffith Road/Boutique Shops	Piedmont Triad	R	9,600	\$ 2,634	\$ 2,117	66%	2Q05	2Q06
Total or Weighted Average			9,600	\$ 2,634	\$ 2,117	66%		
Multi-Family 4/:								
The Vinings at University Center	Charlotte	M	156 units	10,800	1,876	0%	4Q05	3Q06
Total or Weighted Average			156 units	\$ 10,800	\$ 1,876	0%		
Total or Weighted Average 5/			367,600	\$ 80,728	\$ 40,121	99%		
Completed Not Stabilized 6/								
National Archives Record Administration	Atlanta	I	353,000	\$ 20,387	\$ 17,894	100%	3Q04	4Q05
Total or Weighted Average			353,000	\$ 20,387	\$ 17,894	100%		
Grand Total or Weighed Average			720,600	\$101,115	\$ 58,015	100%		

1/ The letters "O", and "I" represent Office and Industrial, respectively.

2/ An approved 25,000 square feet expansion at an additional anticipated cost of \$4.5 million is included.

3/ Excludes a vacant building in Kansas City acquired in the first quarter for \$4.1 million for potential future retail development or sale to a retail user.

4/ The Vinings at University Center is currently a fifty percent owned joint venture consolidated under the provisions of FIN 46.

5/ These "In-process" developments, together with \$460,000 of other development costs, are included on the Consolidated Balance Sheet as "Developments-in-process." This preleasing percentage does not include multi-family.

6/ Completed Not Stabilized properties are recorded in the Consolidated Balance Sheet in the Land and Building accounts, not Development-in-process.

Development Land

March 31, 2005

Dollars in thousands

Market	Acres	Developable Square Footage 1/			Total Estimated Market Value
		Office	Retail	Industrial	
On Balance Sheet:					
Raleigh	361	3,119,000	60,000	162,000	\$ 68,900
Atlanta	249	270,000	1,100,000	1,390,000	37,400
Piedmont Triad	117	787,000	37,000	1,190,000	16,400
Kansas City 2/	46	550,000	91,000	—	12,300
Baltimore	45	771,000	—	—	14,300
Richmond	61	688,000	—	—	10,500
Charlotte	65	1,151,000	—	—	11,300
Nashville	48	830,000	—	—	12,900
Orlando	49	862,000	—	—	15,600
Tampa	29	462,000	—	15,000	12,200
Memphis	22	288,000	—	—	4,200
Greenville	12	150,000	—	—	1,800
Jacksonville	9	80,000	—	—	1,900
Columbia	2	20,000	—	—	300
	1,115	10,028,000	1,288,000	2,757,000	\$ 220,000
Deferred or optioned:					
Atlanta	25	—	500,000	—	
	25	—	500,000	—	
Total	1,140	10,028,000	1,788,000	2,757,000	

1/ A portion of land has been or will be rezoned for other use increasing its market value

2/ Includes 27 acres of residential land

Unconsolidated Joint Ventures Assets, Debt and Liabilities

March 31, 2005

Dollars in thousands

Joint Venture	Type 1/	Own %	Venture's Books		
			Total Assets	Debt	Total Liabilities
Board of Trade Investment Co.	O	49.0%	\$ 8,160	\$ 517	\$ 834
Dallas County Partners I, LP	O/ I	50.0%	43,169	40,442	42,653
Dallas County Partners II, LP	O	50.0%	16,640	20,892	22,006
Dallas County Partners III, LP	O	50.0%	53	—	20
Fountain Three	O/I/R	50.0%	31,621	28,530	30,133
RRHWoods, LLC	O/M	50.0%	81,370	69,593	72,449
Kessinger/Hunter, LLC	—	26.5%	8,411	—	221
4600 Madison Associates, LP	O	12.5%	21,127	15,824	16,792
Highwoods DLF 98/29, LP	O	22.81%	136,679	65,936	68,301
Highwoods DLF 97/26 DLF 99/32, LP	O	42.93%	111,069	58,126	60,847
Highwoods-Markel Associates, LLC	O	50.0%	49,763	39,285	39,803
Concourse Center Associates, LLC	O	50.0%	14,253	9,473	9,734
Plaza Colonnade, LLC	O/R	50.0%	79,763	68,684	70,864
Highwoods KC Glenridge Office, LP	O	40.0%	24,543	16,500	17,001
Highwoods KC Glenridge Land, LP	O	40.0%	750	238	251
Highwoods KC Orlando, LLC	O	40.0%	214,483	143,000	147,518
Total			\$841,854	\$577,040	\$599,427

Joint Venture	Type 1/	Own %	Highwoods' Share of Joint Venture		
			Total Assets	Debt	Total Liabilities
Board of Trade Investment Co.	O	49.0%	\$ 3,998	\$ 253	\$ 409
Dallas County Partners I, LP	O/ I	50.0%	21,585	20,221	21,327
Dallas County Partners II, LP	O	50.0%	8,320	10,446	11,003
Dallas County Partners III, LP	O	50.0%	27	—	10
Fountain Three	O/I /R	50.0%	15,811	14,265	15,067
RRHWoods, LLC	O/ M	50.0%	40,685	34,797	36,225
Kessinger/Hunter, LLC	—	26.5%	2,229	—	59
4600 Madison Associates, LP	O	12.5%	2,641	1,978	2,099
Highwoods DLF 98/29, LP	O	22.81%	31,177	15,040	15,579
Highwoods DLF 97/26 DLF 99/32, LP	O	42.93%	47,682	24,953	26,122
Highwoods-Markel Associates, LLC	O	50.0%	24,882	19,643	19,902
Concourse Center Associates, LLC	O	50.0%	7,126	4,737	4,867
Plaza Colonnade, LLC	O/R	50.0%	39,882	34,342	35,432
Highwoods KC Glenridge Office, LP	O	40.0%	9,817	6,600	6,800
Highwoods KC Glenridge Land, LP	O	40.0%	300	95	100
Highwoods KC Orlando, LLC	O	40.0%	85,793	57,200	59,007
Total 2/			\$341,955	\$244,570	\$254,008

1/ The letters "O", "I", "R", and "M" represent Office, Industrial, Retail, and Multi-Family, respectively.

2/ Highwoods Realty's share of equity from these tables will not agree to Investments in Unconsolidated Affiliates on the Consolidated Balance Sheet due to various purchase accounting and related adjustments, which are not reflected in the Joint Ventures' stand-alone financial statements.

Unconsolidated Joint Ventures Income

March 31, 2005

Dollars in thousands

Joint Venture	Own %	Venture's Books				
		Operating Exp			Depr/Amort	Net Income
		Revenue	Interest			
Board of Trade Investment Co.	49.0%	\$ 645	\$ 424	\$ 10	\$ 135	\$ 76
Dallas County Partners I, LP	50.0%	2,932	1,412	720	556	244
Dallas County Partners II, LP	50.0%	1,496	645	538	186	127
Dallas County Partners III, LP	50.0%	54	31	—	1	22
Fountain Three	50.0%	1,695	820	519	390	(34)
RRHWoods, LLC	50.0%	3,594	1,928	736	863	67
Kessinger/Hunter, LLC	26.5%	1,223	1,212	—	157	(146)
4600 Madison Associates, LP	12.5%	1,215	581	275	439	(80)
Highwoods DLF 98/29, LP	22.81%	5,073	1,437	1,119	896	1,621
Highwoods DLF 97/26 DLF 99/32, LP	42.93%	3,946	1,173	1,126	1,035	612
Highwoods-Markel Associates, LLC	50.0%	1,761	446	570	583	162
Concourse Center Associates, LLC	50.0%	539	141	171	83	144
Plaza Colonnade, LLC	50.0%	2,033	616	715	416	286
Highwoods KC Glenridge Office, LP	40.0%	895	402	198	147	148
Highwoods KC Glenridge Land, LP	40.0%	—	2	—	—	(2)
Highwoods KC Orlando, LLC	40.0%	7,040	2,565	1,881	2,150	444
Total		\$34,142	\$ 13,835	\$8,577	\$ 8,037	\$ 3,691

Joint Venture	Own %	Highwoods' Share of Joint Venture				
		Operating Exp		Depr/Amort	Net Income	
		Revenue	Interest			
Board of Trade Investment Co.	49.0%	\$ 316	\$ 208	\$ 5	\$ 66	\$ 37
Dallas County Partners I, LP	50.0%	1,466	706	360	278	122
Dallas County Partners II, LP	50.0%	748	323	269	93	63
Dallas County Partners III, LP	50.0%	27	16	—	1	10
Fountain Three	50.0%	848	410	260	195	(17)
RRHWoods, LLC	50.0%	1,797	964	368	431	34
Kessinger/Hunter, LLC	26.5%	324	321	—	42	(39)
4600 Madison Associates, LP	12.5%	152	73	34	55	(10)
Highwoods DLF 98/29, LP	22.81%	1,157	328	255	204	370
Highwoods DLF 97/26 DLF 99/32, LP	42.93%	1,694	504	483	444	263
Highwoods-Markel Associates, LLC	50.0%	881	223	285	292	81
Concourse Center Associates, LLC	50.0%	270	71	86	41	72
Plaza Colonnade, LLC	50.0%	1,017	308	358	208	143
Highwoods KC Glenridge Office, LP	40.0%	358	161	79	59	59
Highwoods KC Glenridge Land, LP	40.0%	—	1	—	—	(1)
Highwoods KC Orlando, LLC	40.0%	2,816	1,026	752	860	178
Total 1/ 2/		\$13,871	\$ 5,643	\$3,594	\$ 3,269	\$ 1,365

1/ Highwoods Realty's share of Depreciation/Amortization from these tables will not agree to Depreciation and Amortization of Real Estate Assets for Unconsolidated Affiliates on the Statement of Funds from Operations due to various purchase accounting and related adjustments, which are not reflected in the Joint Ventures' stand-alone financial statements.

2/ Highwoods Realty's share of Net Income from these tables will not agree to Equity in Earnings of Unconsolidated Affiliates on the Consolidated Income Statement due to various purchase accounting and related adjustments, which are not reflected in the Joint Ventures' stand-alone financial statements.

Joint Ventures Long-Term Debt Detail

Dollars in thousands

Joint Venture	Own %	Lender	Interest Rate	Maturity Date	Loan Balance 03/31/05
Dallas County Partners I, LP	50.0%	American Express	7.0%	Sep-09	3,514
Dallas County Partners I, LP	50.0%	American Express	6.9%	Jun-09	7,438
Dallas County Partners I, LP	50.0%	John Hancock Life Insurance Co.	7.6%	Mar-08	2,962
Dallas County Partners I, LP	50.0%	State Farm	7.1%	Oct-08	3,040
Dallas County Partners I, LP	50.0%	State Farm	7.9%	Sep-06	3,009
Dallas County Partners I, LP	50.0%	State Farm	7.5%	May-07	4,359
Dallas County Partners I, LP	50.0%	Bank of America	5.7%	Oct-07	3,987
Dallas County Partners I, LP	50.0%	State Farm	7.5%	Dec-07	5,065
Dallas County Partners I, LP	50.0%	Thrivent	8.5%	Aug-10	1,682
Dallas County Partners I, LP	50.0%	Union Planters	6.3%	Jun-14	3,664
Dallas County Partners I, LP	50.0%	Union Planters	7.2%	Jan-06	489
Dallas County Partners I, LP	50.0%	Bankers Trust	8.0%	Jul-11	1,232
			7.1%		40,441
Dallas County Partners II, LP	50.0%	Principal Life Insurance Company	10.2%	Jun-13	20,892
Fountain Three	50.0%	John Hancock Life Insurance Co.	7.8%	Jan-08	6,019
Fountain Three	50.0%	American Express	6.9%	Jun-09	3,976
Fountain Three	50.0%	Thrivent	8.0%	Oct-10	3,748
Fountain Three	50.0%	Thrivent	7.3%	Apr-09	3,581
Fountain Three	50.0%	Wells Fargo	8.2%	May-08	2,023
Fountain Three	50.0%	Lehman Brothers	8.0%	Jul-09	3,617
Fountain Three	50.0%	Thrivent	7.0%	Sep-12	5,566
			7.5%		28,530
RRHWoods, LLC	50.0%	Industrial Revenue Bonds	1.0%	Nov-15	23,000
RRHWoods, LLC	50.0%	Bank of America	6.8%	Sep-12	27,388
RRHWoods, LLC	50.0%	Industrial Revenue Bonds	1.0%	Sep-15	6,000
RRHWoods, LLC	50.0%	Industrial Revenue Bonds	1.1%	Nov-15	5,500
RRHWoods, LLC	50.0%	Bank of America	5.7%	Oct-07	4,041
RRHWoods, LLC	50.0%	Union Planters	6.3%	Jun-14	3,664
			3.8%		69,593
Plaza Colonnade, LLC	50.0%	Met Life	5.7%	Jan-17	50,000
Plaza Colonnade, LLC	50.0%	Tax Incremental Financing	5.4%	Mar-10	1,818
Plaza Colonnade, LLC	50.0%	Tax Incremental Financing	6.0%	Mar-16	4,394
Plaza Colonnade, LLC	50.0%	Tax Incremental Financing	5.9%	Mar-24	12,473
			5.8%		68,685
4600 Madison Associates, LLC	12.5%	State Farm	6.9%	Apr-18	15,824
Board of Trade Investment Company	49.0%	KC Board of Trade Clearing Corp.	7.8%	Sep-07	517
Highwoods DLF 98/29, LP	22.8%	USG Annuity & Life Company	6.8%	Apr-11	65,936
Highwoods DLF 97/26 DLF 99/32, LP	42.9%	Massachusetts Mutual Life Ins. Co.	7.7%	May-12	58,126
Concourse Center Associates, LLC	50.0%	Lincoln National Life Insurance Co.	7.0%	Jul-10	9,473
Highwoods KC Orlando, LLC	40.0%	Met Life	5.2%	Jul-14	143,000
Highwoods - Markel Associates, LLC	50.0%	Principal Life Insurance Company	5.8%	Jan-14	39,285
Highwoods KC Glenridge Office	40.0%	Wachovia	4.8%	Jun-14	16,500
Highwoods KC Glenridge Land	40.0%	Transwestern	4.8%	Feb-05	238
			6.1%		348,899
			6.1%		\$577,040
Highwoods' Share of the above					\$244,570

Joint Ventures Portfolio Summary

As of March 31, 2005

Summary by Location:

Market	Rentable Square Feet 1/	Occupancy 2/	Percentage of Annualized Revenue - Highwoods' Share Only 3/				Total
			Office	Industrial	Retail	Multi- Family	
Des Moines	2,245,000	95.3%	27.7%	3.7%	1.0%	3.4%	35.8%
Orlando	1,684,000	89.9%	24.8%	—	—	—	24.8%
Atlanta	835,000	93.3%	15.7%	—	—	—	15.7%
Kansas City	428,000	86.3%	8.4%	—	—	—	8.4%
Richmond	413,000	100.0%	5.0%	—	—	—	5.0%
Piedmont Triad	364,000	100.0%	3.8%	—	—	—	3.8%
Raleigh	455,000	99.3%	3.5%	—	—	—	3.5%
Tampa	205,000	99.1%	1.7%	—	—	—	1.7%
Charlotte	148,000	100.0%	0.8%	—	—	—	0.8%
Other	110,000	100.0%	0.5%	—	—	—	0.5%
Total	6,887,000	94.3%	91.9%	3.7%	1.0%	3.4%	100.0%

1/ Excludes Des Moines' apartment units

2/ Excludes Des Moines' apartment occupancy percentage of 93.5%

3/ Annualized Rental Revenue is March, 2005 rental revenue (base rent plus operating expense pass throughs) multiplied by 12.

Joint Ventures Lease Expirations

March 31, 2005

Dollars in thousands

Year	Rentable Square Feet Expiring	Percent of Rentable Square Feet	Annualized Revenue 1/	Average Rental Rate	Percent of Annualized Revenue 1/
Total					
2005	648,896	9.6%	\$ 9,324	\$14.37	7.2%
2006	655,354	9.7%	12,363	18.86	9.6%
2007	378,549	5.6%	7,828	20.68	6.1%
2008	1,299,233	19.1%	21,989	16.92	17.2%
2009	839,009	12.4%	20,086	23.94	15.6%
2010	368,712	5.4%	7,254	19.67	5.6%
2011	553,652	8.2%	10,278	18.56	8.0%
2012	354,359	5.2%	7,353	20.75	5.7%
2013	714,819	10.6%	13,762	19.25	10.7%
2014	368,000	5.4%	7,961	21.63	6.2%
2015 and thereafter	594,502	8.8%	10,484	17.63	8.1%
	6,775,085	100.0%	\$128,682	\$18.99	100.0%

1/ Annualized Revenue is March, 2005 rental revenue (base rent plus operating expense pass throughs) multiplied by 12.

Joint Ventures Development

Dollars in thousands

Property	% Ownership	Market	Rentable Square Feet	Anticipated		Pre-Leasing	Estimated Completion Date	Estimated Stabilization Date
				Total Investment	Investment @ 03/31/05			
Plaza Colonade, LLC 1/	50%	Kansas City	285,000	\$ 71,500	\$ 68,536	77%	4Q04	3Q05
Summit	50%	Des Moines	35,000	3,559	3,437	75%	3Q04	3Q05
Pinehurst	50%	Des Moines	35,000	3,559	3,526	81%	3Q04	3Q05
Sonoma	50%	Des Moines	75,000	9,364	1,518	0%	2Q05	2Q06
Total or Weighted Average			430,000	\$ 87,982	\$ 77,017	64%		
Highwoods' Share of the above				\$ 43,991	\$ 38,509			

1/ Includes \$16.2 million in investment cost that has been funded by tax increment financing

End of Filing