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# SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

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## FORM 8-K

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

Date of Report (Date of earliest event reported): February 11, 2009

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## HIGHWOODS PROPERTIES, INC.

(Exact name of registrant specified in its charter)

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**Maryland**  
(State of Incorporation)

**1-13100**  
(Commission File Number)

**56-1871668**  
(IRS Employer Identification No.)

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## HIGHWOODS REALTY LIMITED PARTNERSHIP

(Exact name of registrant specified in its charter)

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**North Carolina**  
(State of Incorporation)

**000-21731**  
(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)

**Registrants' telephone number, including area code: (919) 872-4924**

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrants 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 February 11, 2009, we issued a press release announcing financial information for the quarter ended December 31, 2008. This press release is attached as Exhibit 99.1. In addition, we posted on our web site supplemental information regarding our operations for the quarter ended December 31, 2008, a copy of which is attached as Exhibit 99.2.

**Item 9.01. Financial Statements and Exhibits.**

(d) Exhibits

<u>No.</u>	<u>Description</u>
99.1	Press Release dated February 11, 2009
99.2	Supplemental information for the quarter ended December 31, 2008

**SIGNATURES**

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

**HIGHWOODS PROPERTIES, INC.**

By: /s/ Jeffrey D. Miller  
Jeffrey D. Miller  
Vice President, General Counsel and Secretary

**HIGHWOODS REALTY LIMITED PARTNERSHIP**

By: Highwoods Properties, Inc., its general partner

By: /s/ Jeffrey D. Miller  
Jeffrey D. Miller  
Vice President, General Counsel and Secretary

Dated: February 12, 2009



**FOR IMMEDIATE RELEASE**

**Ref: 09-07**

**Contact:** Tabitha Zane  
Vice President, Investor Relations  
919-431-1529

**Highwoods Properties Reports Fourth Quarter  
and Year End 2008 Results**

*\$0.68 FFO per Diluted Share for Fourth Quarter 2008  
(Excluding Impairment on Non-Core Depreciable Assets)*

*\$2.78 FFO per Diluted Share for Full Year 2008  
(Excluding Impairment on Non-Core Depreciable Assets)*

*11% Increase Year-Over-Year Core FFO*

*Provides 2009 FFO Guidance of \$2.53 to \$2.72 per Diluted Share*

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**Raleigh, NC – February 11, 2009 – Highwoods Properties, Inc. (NYSE: HIW)** , the largest owner and operator of suburban office properties in the Southeast, today reported unaudited financial and operational results for the fourth quarter and full year ended December 31, 2008.

Ed Fritsch, President and CEO stated, “2008 was a year of solid growth for our Company on many fronts. We delivered \$201 million of infill development, acquired \$43 million of strategically located office properties in Raleigh and Memphis and strengthened our balance sheet with a \$195 million common equity raise in September. The 11% year-over-year increase in core FFO reflects the continuing, disciplined execution of our Strategic Plan and is a testament to the hard work and creativity of my co-workers.”

Funds from Operations (FFO) from core operations is reported FFO excluding (1) recurring, non-core operating items such as gains from land and residential condo sales and lease termination fees, and (2) unusual items such as building impairments, preferred stock repurchase charges and insurance settlement gains.

As required by Generally Accepted Accounting Principles (GAAP), the Company regularly evaluates its assets for potential impairment. In connection with an extensive year-end review, the Company recorded a \$32.8 million, non-cash impairment charge in the fourth quarter relating to non-core assets in Winston-Salem. These assets include the 472,000 square foot Madison Park office park and the 176,000 square foot Consolidated Center office park. The average age of the buildings is 23 years and the current occupancy is 55%. Both office parks were acquired in the late 1990's as part of a 2.5 million square foot portfolio acquisition from a single seller. As previously stated, the Company continues to believe that exiting Winston-Salem is the appropriate long-term strategy.

The Company also provided 2009 FFO guidance of \$2.53 to \$2.72 per share. *“Our 2009 FFO guidance reflects the challenging economic environment and expected dilution from planned dispositions and debt financings. It also reflects the benefits of a stronger, better located portfolio, \$93 million of development deliveries, and a cycle-tested management team focused on maintaining our strong balance sheet, leasing space, providing excellent customer service and controlling expenses,”* added Fritsch.

#### Fourth Quarter and Full Year 2008 Financial Results

For full year 2008, net income available for common stockholders was \$22.1 million, or \$0.37 per diluted share, compared to net income available for common stockholders of \$75.0 million, or \$1.31 per diluted share, for full year 2007.

For the fourth quarter of 2008, the Company reported net loss available for common stockholders of \$15.0 million, or \$0.24 per diluted share. Net income available for common stockholders for the fourth quarter of 2007 was \$12.6 million, or \$0.22 per diluted share.

FFO in 2008 and 2007 included charges related to impairments on non-core depreciable assets and preferred stock redemption charges as noted in the tables below:

	3 Months Ended 12/31/08		3 Months Ended 12/31/07	
	(000)	Per Share	(000)	Per Share
FFO, as reported	\$ 13,166	\$ 0.20	\$ 39,775	\$ 0.65
Impairments on depreciable assets	32,442	0.48	0	0.00
FFO as adjusted to exclude these items	\$ 45,608	\$ 0.68	\$ 39,775	\$ 0.65

  

	12 Months Ended 12/31/08		12 Months Ended 12/31/07	
	(000)	Per Share	(000)	Per Share
FFO, as reported	\$143,472	\$ 2.27	\$168,094	\$ 2.73
Impairments on depreciable assets	32,442	0.51	384	0.01
Preferred stock redemption/repurchase charges	108	0.00	2,285	0.04
FFO as adjusted to exclude these items	\$176,022	\$ 2.78	\$170,763	\$ 2.77

The following items were included in the determination of net income (loss) available for common shareholders for the three and twelve months ended December 31, 2008 and 2007:

	3 Months Ended 12/31/08		3 Months Ended 12/31/07	
	(000)	Per Share	(000)	Per Share
Impairments on depreciable assets	\$(32,442)	\$ (0.48)	\$ 0	\$ 0.00
Land sale gains net of (losses/impairments)	(1,565)	(0.02)	(419)	(0.01)
Gains on for-sale residential condominiums, net of partner's interest	4,301	0.06	0	0.00
Lease termination income	216	0.00	840	0.01
Straight line rental income	701	0.01	4,048	0.07
Capitalized interest	1,399	0.02	2,489	0.04
Gains on sales of depreciable assets (1)	6,685	0.10	8,623	0.14

- (1) Unlike impairments, gains on sales of depreciable assets are excluded in the calculation of FFO as defined by the National Association of Real Estate Investment Trusts (NAREIT).

	12 Months Ended 12/31/08		12 Months Ended 12/31/07	
	(000)	Per Share	(000)	Per Share
Impairments on depreciable assets	\$(32,442)	\$ (0.51)	\$ (384)	\$ (0.01)
Preferred stock redemption/repurchase charges	(108)	(0.00)	(2,285)	(0.04)
Land sale gains net of (losses/impairments)	251	0.00	15,821	0.26
Gains on for-sale residential condominiums, net of partner's interest	4,301	0.07	0	0.00
Lease termination income	2,578	0.04	3,233	0.05
Straight line rental income	5,964	0.09	7,418	0.12
Capitalized interest	8,312	0.13	9,743	0.16
Gains on sales of depreciable assets (1)	18,611	0.29	45,971	0.75
Gain on property insurance claim	0	0.00	4,128	0.07
Release of FASB FIN 48 tax liability (2)	0	0.00	1,473	0.02

(1) Unlike impairments, gains on sales of depreciable assets are excluded in the calculation of FFO as defined by NAREIT.

(2) This item is excluded in the calculation of FFO.

#### Fourth Quarter and Full Year 2008 Operating Highlights

- First and second generation leasing activity in the fourth quarter was approximately 1.3 million square feet. Second generation leasing included 868,233 square feet of office space, 297,789 square feet of industrial space and 57,245 square feet of retail space. For the full year, the Company leased approximately 4.7 million square feet of first and second generation space.
- In the fourth quarter of 2008, average in-place cash rental rates across the Company's total portfolio and office portfolio increased 5.6% and 5.3%, respectively, compared to the same period in 2007. Since the fourth quarter of 2004, average in-place cash rental rates across the Company's total portfolio and office portfolio have increased 16.4% and 15.2%, respectively.
- Straight-line (GAAP) rental rates for signed office leases in the fourth quarter increased 9.7% from straight line rental rates under the previous leases. For the full year, straight-line rental rates for signed office leases increased 9.1%. Cash rents for office leases signed in the fourth quarter declined 2.9% and for the full year cash rents for signed office leases declined 3.1%.
- Office tenant improvements and leasing commissions for signed second generation leases as a percentage of base rent over the entire lease term (netting out free rent) were 8.7% in the fourth quarter, compared to the five-quarter average of 9.0%.
- In the fourth quarter, two development projects totaling \$60 million were placed in service that were, on average, 90% leased. For the full year, nine projects totaling \$150 million were placed in service that were, on average, 89% leased.
- Fourth quarter dispositions totaled \$20.9 million and consisted of three non-core office buildings in Nashville encompassing 193,000 square feet. These buildings were, on average, 30 years old and 83.7% occupied. In total, the Company sold \$56.7 million of non-core buildings in 2008.

## Funds from Operations Outlook

For 2009, the Company expects FFO per diluted share to be in the range of \$2.53 to \$2.72. This estimate reflects management's view of current and future market conditions, including assumptions with respect to rental rates, occupancy levels, operating and general and administrative expenses, interest rates, gains from land and condominium sales and the timing and impact of development deliveries and acquisitions. This estimate also includes expected dilution from projected property dispositions and expected higher costs from projected debt financings in 2009, which collectively are expected to reduce FFO per diluted share by \$0.12 to \$0.18. FFO guidance excludes any gains or impairments associated with depreciable properties or joint venture interests, as well as unusual charges or credits that may occur during the year. FFO guidance is based on 67.6 million diluted shares outstanding. Factors that could cause actual 2009 FFO results to differ materially from Highwoods' current expectations are discussed below and are also detailed in the Company's 2007 Annual Report on Form 10-K.

Management's outlook for 2009 is based on the following operating assumptions:

	<u>Low</u>	<u>High</u>
Year End Occupancy	87.0%	90.0%
Cash NOI Growth	-1.5%	+1.0%
G&A Expenses	\$ 34.0M	\$ 36.0M
Lease Termination Income	\$ 1.0M	\$ 3.0M
Gains from Land and Residential Condominium Sales	\$ 2.0M	\$ 4.0M
Straight Line Rental Income	\$ 3.0M	\$ 5.0M
Dispositions	\$ 50M	\$ 100M
Acquisitions	\$ 0M	\$ 100M
Development Starts	\$ 0M	\$ 50M

## Supplemental Information

A copy of the Company's fourth quarter 2008 Supplemental Information that includes financial, leasing and operational statistics is available in the "Investor Relations/Quarterly Earnings" section of the Company's Web site at [www.highwoods.com](http://www.highwoods.com). You may also obtain a copy of all Supplemental Information published by the Company by contacting Highwoods Investor Relations at 919-431-1529/ 800-256-2963 or by e-mail to [HIW-IR@highwoods.com](mailto: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

On Thursday, February 12, at 11:00 a.m. Eastern time, Highwoods will host a teleconference call to discuss the matters outlined in this press release. For US/Canada callers, dial (800) 920-5548. A live, listen-only Web cast can be accessed through the Company's Web site at [www.highwoods.com](http://www.highwoods.com) under the "Investor Relations" section.

A replay of the call will be available on the Investor Relations section of Highwoods web site at [www.highwoods.com](http://www.highwoods.com).

## Non-GAAP Information

Funds from Operations (“FFO”): We believe that FFO and FFO per share are beneficial to management and investors and are important indicators of the performance of any equity REIT. Because FFO and FFO per share calculations exclude such factors as depreciation and amortization of real estate assets and gains or losses from sales of operating real estate assets (which can vary among owners of identical assets in similar conditions based on historical cost accounting and useful life estimates), they facilitate comparisons of operating performance between periods and between other REITs. Our management believes that historical cost accounting for real estate assets in accordance with GAAP implicitly assumes that the value of real estate assets diminishes predictably over time. Since real estate values have historically risen or fallen with market conditions, many industry investors and analysts have considered the presentation of operating results for real estate companies that use historical cost accounting to be insufficient by themselves. As a result, management believes that the use of FFO and FFO per share, together with the required GAAP presentations, provide a more complete understanding of our performance relative to our competitors and a more informed and appropriate basis on which to make decisions involving operating, financing and investing activities.

FFO and FFO per share as disclosed by other REITs may not be comparable to our calculation of FFO and FFO per share as described below. FFO and FFO per share are non-GAAP financial measures and therefore do not represent net income or net income per share as defined by GAAP. Net income and net income per share as defined by GAAP are the most relevant measures in determining our operating performance because FFO and FFO per share include adjustments that investors may deem subjective, such as adding back expenses such as depreciation and amortization. Furthermore, FFO per share does not depict the amount that accrues directly to the stockholders’ benefit. Accordingly, FFO and FFO per share should never be considered as alternatives to net income or net income per share as indicators of our operating performance.

The calculation of FFO as defined by NAREIT as follows:

- Net income (loss) computed in accordance with GAAP;
- Less dividends to holders of preferred stock and less excess of preferred stock redemption cost over carrying value;
- Plus depreciation and amortization of assets uniquely significant to the real estate industry;
- Less gains, or plus losses, from sales of depreciable operating properties (but excluding impairment losses) and excluding items that are classified as extraordinary items under GAAP;
- Plus or minus adjustments for unconsolidated partnerships and joint ventures (to reflect Funds from Operations on the same basis); and
- Plus or minus adjustments for depreciation and amortization and gains/(losses) on sales and minority interest related to discontinued operations.

In calculating FFO, the Company also adds back minority interest in the income from its operating partnership, which we believe is consistent with standard industry practice for REITs that operate through an UPREIT structure. The Company believes that it is important to present FFO on an as-converted basis since all of the operating partnership units not owned by the Company are redeemable on a one-for-one basis for shares of the Company’s common stock. The Company’s FFO calculations are reconciled to net income in a table included with this release.

Net operating income from continuing operations (“NOI”): The Company defines NOI as “Rental and other revenues” from continuing operations less “Rental property and other expenses” from continuing operations. Management believes that NOI is a useful supplemental measure of the Company’s property operating performance because it provides a performance measure of the revenues and expenses directly involved in owning real estate assets, and provides a perspective not immediately apparent from net income or FFO. Other REITs may use different methodologies to calculate NOI and accordingly the Company’s NOI may not be comparable to other REITs. The Company’s NOI

calculations are reconciled to “Income before disposition of property, insurance gain, minority interest and equity in earnings of unconsolidated affiliates” and to “Rental and other revenues” and “Rental property and other expenses” in a table included with this release.

Same property NOI from continuing operations: The Company defines same property NOI as NOI for the Company’s in-service properties included in continuing operations that were wholly-owned during the entirety of the periods presented (from January 1, 2007 to December 31, 2008). The Company’s same property NOI calculations are reconciled to NOI in a table included with this release.

### **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. At December 31, 2008, the Company owned or had an interest in 383 in-service office, industrial and retail properties encompassing approximately 35.3 million square feet. Highwoods also owned 580 acres of development land. Highwoods is based in Raleigh, North Carolina, and its properties and development land are located in Florida, Georgia, Iowa, Kansas, Missouri, Mississippi, North Carolina, South Carolina, Tennessee and Virginia. For more information about Highwoods Properties, please visit our Web site at [www.highwoods.com](http://www.highwoods.com).

Certain matters discussed in this press release, such as expected 2009 financial and operational results and the related assumptions underlying our expected results, are forward-looking statements within the meaning of the federal securities laws. These statements are distinguished by use of the words “will”, “expect”, “intend” 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; speculative development by others could result in excessive supply of properties relative to customer demand; development, acquisition, reinvestment, disposition or joint venture projects may not be completed as quickly or on as favorable terms as anticipated; we may not be able to lease or re-lease space as quickly as anticipated or on as favorable terms as old leases; difficulties in obtaining additional capital to satisfy our future cash needs or increases in interest rates could adversely impact our ability to fund important business initiatives and increase our debt service costs; our Southeastern and Midwestern markets may suffer declines in economic growth; our banking and joint venture partners may suffer financial difficulties that adversely impact their ability to satisfy their contractual obligations to us; and others detailed in the Company’s 2007 Annual Report on Form 10-K and subsequent SEC reports.

### **Tables Follow**



**Highwoods Properties, Inc.**  
**Consolidated Statements of Income**  
(Unaudited and in thousands, except per share amounts)

	Three Months Ended December 31,		Year Ended December 31,	
	2008	2007	2008	2007
<b>Rental and other revenues</b>	\$117,103	\$113,082	\$461,003	\$428,446
<b>Operating expenses:</b>				
Rental property and other expenses	44,132	40,478	165,733	153,407
Depreciation and amortization	32,862	30,309	126,767	120,254
Impairment of assets held for use	32,846	—	32,846	789
General and administrative	8,681	10,142	38,043	41,570
Total operating expenses	118,521	80,929	363,389	316,020
<b>Interest expenses:</b>				
Contractual	23,055	24,478	92,858	93,992
Amortization of deferred financing costs	678	624	2,716	2,415
Financing obligations	631	962	2,918	3,930
	24,364	26,064	98,492	100,337
<b>Other income:</b>				
Interest and other income	419	1,304	3,832	6,393
	419	1,304	3,832	6,393
<b>Income/(loss) before disposition of property and condominiums, insurance gain, minority interest and equity in earnings of unconsolidated affiliates</b>	(25,363)	7,393	2,954	18,482
Net gains/(losses) on disposition of property	(1,071)	190	781	20,562
Gains on for-sale residential condominiums	5,617	—	5,617	—
Gain from property insurance settlement	—	—	—	4,128
Minority interests	(75)	(439)	(2,334)	(3,547)
Equity in earnings of unconsolidated affiliates	1,155	180	5,878	13,110
<b>Income/(loss) from continuing operations</b>	(19,737)	7,324	12,896	52,735
Discontinued operations:				
Income from discontinued operations, net of minority interest	194	655	1,773	4,525
Net gains on sales of discontinued operations, net of minority interest	6,198	7,479	17,323	32,012
Release of FASB FIN 48 tax liability	—	—	—	1,473
	6,392	8,134	19,096	38,010
<b>Net income/(loss)</b>	(13,345)	15,458	31,992	90,745
Dividends on preferred stock	(1,677)	(2,838)	(9,804)	(13,477)
Excess of preferred stock redemption/repurchase cost over carrying value	—	—	(108)	(2,285)
<b>Net income/(loss) available for common stockholders</b>	<u>\$ (15,022)</u>	<u>\$ 12,620</u>	<u>\$ 22,080</u>	<u>\$ 74,983</u>
<b>Net income/(loss) per common share - basic:</b>				
Income/(loss) from continuing operations	\$ (0.34)	\$ 0.08	\$ 0.05	\$ 0.66
Income from discontinued operations	0.10	0.14	0.33	0.67
Net income/(loss)	<u>\$ (0.24)</u>	<u>\$ 0.22</u>	<u>\$ 0.38</u>	<u>\$ 1.33</u>
Weighted average common shares outstanding - basic	63,038	56,640	58,803	56,444
<b>Net income/(loss) per common share - diluted:</b>				
Income/(loss) from continuing operations	\$ (0.34)	\$ 0.08	\$ 0.05	\$ 0.65
Income from discontinued operations	0.10	0.14	0.32	0.66
Net income/(loss)	<u>\$ (0.24)</u>	<u>\$ 0.22</u>	<u>\$ 0.37</u>	<u>\$ 1.31</u>
Weighted average common shares outstanding - diluted	63,038	61,347	63,238	61,547

**Highwoods Properties, Inc.**  
**Consolidated Balance Sheets**  
*(Unaudited and in thousands)*

	December 31, 2008	December 31, 2007
<b>Assets:</b>		
Real estate assets, at cost:		
Land	\$ 352,872	\$ 357,841
Buildings and tenant improvements	2,819,844	2,708,989
Development in process	61,938	101,661
Land held for development	98,946	103,365
	<u>3,333,600</u>	<u>3,271,856</u>
Less-accumulated depreciation	(714,224)	(649,765)
Net real estate assets	2,619,376	2,622,091
For-sale residential condominiums	24,284	—
Real estate and other assets, net, held for sale	1,242	10,466
Cash and cash equivalents	13,757	3,140
Restricted cash	2,258	15,896
Accounts receivable, net	23,687	23,521
Notes receivable, net	3,602	5,226
Accrued straight-line rents receivable, net	79,979	74,427
Investment in unconsolidated affiliates	67,723	58,046
Deferred financing and leasing costs, net	73,216	72,188
Prepaid expenses and other assets	37,046	41,954
Total Assets	<u>\$2,946,170</u>	<u>\$2,926,955</u>
<b>Liabilities, Minority Interest and Stockholders' Equity:</b>		
Mortgages and notes payable	\$1,604,685	\$1,641,987
Accounts payable, accrued expenses and other liabilities	135,609	157,766
Financing obligations	34,174	35,071
Total Liabilities	1,774,468	1,834,824
Minority interest in the Operating Partnership	65,635	63,294
Minority interest in consolidated affiliates	6,176	6,804
Stockholders' Equity:		
Preferred stock	81,592	135,437
Common stock	636	572
Additional paid-in capital	1,661,736	1,448,055
Distributions in excess of net earnings	(639,281)	(561,093)
Accumulated other comprehensive loss	(4,792)	(938)
Total Stockholders' Equity	<u>1,099,891</u>	<u>1,022,033</u>
Total Liabilities, Minority Interest and Stockholders' Equity	<u>\$2,946,170</u>	<u>\$2,926,955</u>

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

	Three Months Ended December 31,		Year Ended December 31,	
	2008	2007	2008	2007
<b>Funds from operations:</b>				
Net income/(loss)	\$(13,345)	\$15,458	\$ 31,992	\$ 90,745
Dividends on preferred stock	(1,677)	(2,838)	(9,804)	(13,477)
Excess of preferred stock redemption/repurchase cost over carrying value	—	—	(108)	(2,285)
<b>Net income/(loss) available for common stockholders</b>	<b>(15,022)</b>	<b>12,620</b>	<b>22,080</b>	<b>74,983</b>
Add/(deduct):				
Depreciation and amortization of real estate assets	32,389	29,733	124,822	117,836
(Gains) on disposition of depreciable properties	(90)	(609)	(126)	(3,952)
Minority interest from the Operating Partnership in income from continuing operations	(1,376)	278	293	2,868
Unconsolidated affiliates:				
Depreciation and amortization of real estate assets	3,285	4,587	12,751	13,438
(Gains) on disposition of depreciable properties	—	—	—	(7,158)
Discontinued operations:				
Depreciation and amortization of real estate assets	166	598	853	3,610
(Gains) on disposition of depreciable properties	(6,595)	(8,014)	(18,485)	(34,861)
Minority interest in income from discontinued operations	409	582	1,284	2,803
Release of FASB FIN 48 tax liability	—	—	—	(1,473)
<b>Funds from operations</b>	<b><u>\$ 13,166</u></b>	<b><u>\$39,775</u></b>	<b><u>\$143,472</u></b>	<b><u>\$168,094</u></b>
<b>Funds from operations per share - diluted:</b>				
Net income/(loss) available for common stockholders	\$ (0.24)	\$ 0.22	\$ 0.37	\$ 1.31
Add/(deduct):				
Depreciation and amortization of real estate assets	0.49	0.48	1.98	1.91
(Gains) on disposition of depreciable properties	—	(0.01)	—	(0.06)
Unconsolidated affiliates:				
Depreciation and amortization of real estate assets	0.05	0.08	0.20	0.22
(Gains) on disposition of depreciable properties	—	—	—	(0.12)
Discontinued operations:				
Depreciation and amortization of real estate assets	—	0.01	0.01	0.06
(Gains) on disposition of depreciable properties	(0.10)	(0.13)	(0.29)	(0.57)
Release of FASB FIN 48 tax liability	—	—	—	(0.02)
<b>Funds from operations</b>	<b><u>\$ 0.20</u></b>	<b><u>\$ 0.65</u></b>	<b><u>\$ 2.27</u></b>	<b><u>\$ 2.73</u></b>
<b>Weighted average shares outstanding - diluted</b>	<b><u>67,308</u></b>	<b><u>61,347</u></b>	<b><u>63,238</u></b>	<b><u>61,547</u></b>

**Highwoods Properties, Inc.**  
**Net Operating Income Reconciliation**  
*(Unaudited and in thousands)*

	Three Months Ended December 31,		Year Ended December 31,	
	2008	2007	2008	2007
<b>Income/(loss) before disposition of property, insurance gain, minority interest and equity in earnings of unconsolidated affiliates</b>	\$ (25,363)	\$ 7,393	\$ 2,954	\$ 18,482
Other income/(expense)	(419)	(1,304)	(3,832)	(6,393)
Interest expense	24,364	26,064	98,492	100,337
General and administrative expense	8,681	10,142	38,043	41,570
Impairment of assets held for use	32,846	—	32,846	789
Depreciation and amortization expense	32,862	30,309	126,767	120,254
<b>Net operating income from continuing operations</b>	<b>72,971</b>	<b>72,604</b>	<b>295,270</b>	<b>275,039</b>
Less - non same property and other net operating income	12,091	8,593	43,008	25,027
<b>Total same property net operating income from continuing operations</b>	<b>\$ 60,880</b>	<b>\$ 64,011</b>	<b>\$252,262</b>	<b>\$250,012</b>
Rental and other revenues	\$117,103	\$113,082	\$461,003	\$428,446
Rental property and other expenses	44,132	40,478	165,733	153,407
<b>Total net operating income from continuing operations</b>	<b>72,971</b>	<b>72,604</b>	<b>295,270</b>	<b>275,039</b>
Less - non same property and other net operating income	12,091	8,593	43,008	25,027
<b>Total same property net operating income from continuing operations</b>	<b>\$ 60,880</b>	<b>\$ 64,011</b>	<b>\$252,262</b>	<b>\$250,012</b>



Supplemental Information  
December 31, 2008

**Supplemental Information**  
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**December 31, 2008**

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The information within refers to all Highwoods Properties' wholly-owned entities, except pages 30 to 36, unless noted otherwise. Wholly-owned entities include properties classified as both continuing operations and discontinued operations.

All financial information contained in this document is unaudited. In addition, 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 other risks listed at the end of our fourth quarter earnings press release and detailed from time to time in the Company's SEC reports. Highwoods assumes no obligation to update or supplement forward-looking statements that become untrue because of subsequent events.

This supplemental also includes non-GAAP financial measures, such as Funds From Operations (FFO) and net operating income (NOI). Definitions of FFO and NOI and an explanation of management's view of the usefulness and risks of FFO and NOI can be found toward the end of the third quarter earnings press release.

## Summary

*Amounts in thousands, except per share amounts*

	<i>Three Months Ended</i>				
	<u>12/31/08</u>	<u>09/30/08</u>	<u>06/30/08</u>	<u>03/31/08</u>	<u>12/31/07</u>
<b>Shares and units:</b>					
Common shares outstanding at end of period	63,572	63,545	57,632	57,309	57,167
Common units outstanding at end of period	4,067	3,906	3,933	3,951	4,057
Weighted average common shares outstanding—basic	63,038	58,497	56,940	56,729	56,640
Weighted average common shares outstanding—diluted	67,308	62,938	61,492	61,050	61,347
<b>Share price:</b>					
At end of period	\$ 27.36	\$ 35.56	\$ 31.42	\$ 31.07	\$ 29.38
High close during period	34.29	37.94	37.38	32.34	38.26
Low close during period	15.59	29.88	31.42	26.67	28.89
<b>Financial information:</b>					
Land sale gains, net of (impairments)	\$ (1,565)	\$ 1,727	\$ 89	\$ —	\$ (419)
Gains on for-sale residential condominiums, net of partner's interest	4,301	—	—	—	—
Lease termination income	216	436	26	1,900	840
Straight line rental income	701	967	1,892	2,404	4,048
Capitalized interest	1,399	2,106	2,221	2,585	2,489
Impairments on depreciable properties	(32,442)	—	—	—	—
Gains on sales of depreciable properties	6,685	3,155	5,045	3,726	8,623
<b>Funds from operations per share—diluted</b>	<b>\$ 0.20</b>	<b>\$ 0.71</b>	<b>\$ 0.69</b>	<b>\$ 0.71</b>	<b>\$ 0.65</b>
<b>Funds from operations per share—diluted, excluding certain items</b>					
1/	\$ 0.68	\$ 0.71	\$ 0.69	\$ 0.71	\$ 0.65
<b>Wholly-owned property information:</b>					
<b>In-Service rentable square feet:</b>					
Office	19,556	19,416	19,416	19,565	19,260
Industrial	6,467	6,049	6,299	6,036	6,036
Retail	1,350	1,342	1,343	1,314	1,317
Total	<u>27,373</u>	<u>26,807</u>	<u>27,058</u>	<u>26,915</u>	<u>26,613</u>
<b>In-Service occupancy:</b>					
Office	90.2%	90.4%	90.8%	90.4%	91.1%
Industrial	92.6%	95.2%	91.4%	91.0%	94.2%
Retail	94.6%	93.6%	93.5%	92.9%	94.9%
Total	<u>91.0%</u>	<u>91.6%</u>	<u>91.1%</u>	<u>90.7%</u>	<u>92.0%</u>

1/ Excludes impairments on depreciable assets and preferred stock redemption/repurchase charges.

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## Corporate Information

### Board of Directors

Thomas W. Adler  
Gene H. Anderson  
Edward J. Fritsch  
David J. Hartzell, Ph.D.  
Lawrence S. Kaplan  
Sherry A. Kellett  
L. Glenn Orr Jr.  
O. Temple Sloan Jr., Chairman

### Corporate Officers

#### **Edward J. Fritsch**

President, Chief Executive Officer and Director

#### **Michael E. Harris**

Executive Vice President and Chief Operating Officer

#### **Terry L. Stevens**

Senior Vice President, Chief Financial Officer

#### **Daniel L. Clemmens**

Vice President, Chief Accounting Officer

#### **S. Hugh Esleeck**

Treasurer

#### **Peter T. Jardine**

Vice President, Corporate Marketing

#### **Carman J. Liuzzo**

Vice President, Investments

#### **Art H. McCann**

Chief Information Officer

#### **Jeffrey D. Miller**

Vice President, General Counsel and  
Secretary

#### **Kevin E. Penn**

Vice President, Strategy

#### **Michael D. Starchville**

Vice President, Asset Management

#### **Tabitha N. Zane**

Vice President, Investor Relations and  
Corporate Communications

Highwoods Properties, Inc.

### Research Coverage

#### **Credit Suisse—North America**

Steve Benyik—212-538-0239

#### **Citigroup Global Markets**

Michael Bilerman—212-816-1383

#### **Deutsche Banc Securities**

Lou Taylor—212-469-4912

#### **Friedman, Billings, Ramsey & Co., Inc.**

Wilkes Graham—703-312-9737

#### **Green Street Advisors**

Cedric Lachance—949-640-8780

#### **RW Baird**

Chris Lucas—703-821-5780

#### **Stifel Nicolaus**

John Guinee—443-224-1307

Erin Aslakson—443-224-1350

#### **UBS Securities**

Jamie Feldman—212-713-4932

#### **Wachovia Securities**

Chris Haley - 443-263-6773

#### **Macquarie Research**

Nick Pirsos—212-231-2457



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## Corporate Information

### Divisional Officers

#### Atlanta/Piedmont Triad

Gene H. Anderson—Senior Vice President

Atlanta, GA

*James V. Bacchetta, Vice President*

Piedmont Triad, NC

*E. F. “Rick” Dehnert, Vice President*

#### Orlando, FL

*Steven J. Garrity, Vice President*

#### Tampa, FL

*Daniel E. Woodward, Vice President*

#### Raleigh, NC

*Thomas “Skip” Hill, Vice President*

#### Richmond, VA

*Paul W. Kreckman, Vice President*

#### Nashville/Memphis/Greenville

W. Brian Reames—Senior Vice President

Nashville, TN and Greenville, SC

*W. Brian Reames, Senior Vice President*

Memphis, TN

*Steven L. Guinn, Vice President*

#### Kansas City, MO

*Glenn E. Stephenson, 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

Vice President, Investor Relations and Corporate Communications

Phone: 919-431-1529

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E-mail: [tabitha.zane@highwoods.com](mailto:tabitha.zane@highwoods.com)

### 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 Corporate Communications/IR Specialist at:

Phone: 919-431-1529

Email: [HIW-IR@highwoods.com](mailto:HIW-IR@highwoods.com)

### The Company

Highwoods Properties, Inc., a member of the S&P MidCap 400 Index, is a fully integrated, self-administered and self-managed equity 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, 2008, the Company owned or had an interest in 383 in-service office, industrial and retail properties encompassing approximately 35.3 million square feet. Highwoods also wholly-owned 580 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, Mississippi, Missouri, North Carolina, South Carolina, Tennessee, and Virginia. For more information about Highwoods Properties, please visit our website at [www.highwoods.com](http://www.highwoods.com).



# Consolidated Statements of Income

Amounts in thousands, except per share amounts

	Year Ended		Three Months Ended				
	12/31/08	12/31/07	12/31/08	09/30/08	06/30/08	03/31/08	12/31/07
<b>Rental and other revenues</b>	<b>\$461,003</b>	<b>\$428,446</b>	<b>\$117,103</b>	<b>\$115,451</b>	<b>\$115,015</b>	<b>\$113,434</b>	<b>\$113,082</b>
<b>Operating expenses:</b>							
Rental property and other expenses	165,733	153,407	44,132	41,795	41,229	38,577	40,478
Depreciation and amortization	126,767	120,254	32,862	31,939	31,217	30,749	30,309
Impairment of assets held for use	32,846	789	32,846	—	—	—	—
General and administrative	38,043	41,570	8,681	8,885	10,766	9,711	10,142
Total operating expenses	363,389	316,020	118,521	82,619	83,212	79,037	80,929
<b>Interest expenses:</b>							
Contractual	92,858	93,992	23,055	22,995	23,345	23,463	24,478
Amortization of deferred financing costs	2,716	2,415	678	714	686	638	624
Financing obligations	2,918	3,930	631	783	764	740	962
	98,492	100,337	24,364	24,492	24,795	24,841	26,064
<b>Other income:</b>							
Interest and other income	3,832	6,393	419	1,017	1,601	795	1,304
	3,832	6,393	419	1,017	1,601	795	1,304
<b>Income/(loss) before disposition of property and condominiums, insurance gain, minority interest and equity in earnings of unconsolidated affiliates</b>	<b>2,954</b>	<b>18,482</b>	<b>(25,363)</b>	<b>9,357</b>	<b>8,609</b>	<b>10,351</b>	<b>7,393</b>
Net gains/(losses) on disposition of property	781	20,562	(1,071)	1,745	107	—	190
Gains on for-sale residential condominiums 1/	5,617	—	5,617	—	—	—	—
Gain from property insurance settlement	—	4,128	—	—	—	—	—
Minority interests	(2,334)	(3,547)	(75)	(799)	(656)	(804)	(439)
Equity in earnings of unconsolidated affiliates	5,878	13,110	1,155	1,214	1,520	1,989	180
<b>Income/(loss) from continuing operations</b>	<b>12,896</b>	<b>52,735</b>	<b>(19,737)</b>	<b>11,517</b>	<b>9,580</b>	<b>11,536</b>	<b>7,324</b>
Discontinued operations:							
Income from discontinued operations, net of minority interest	1,773	4,525	194	254	701	624	655
Net gains on sales of discontinued operations, net of minority interest	17,323	32,012	6,198	2,940	4,702	3,483	7,479
Release of FASB FIN 48 tax liability	—	1,473	—	—	—	—	—
	19,096	38,010	6,392	3,194	5,403	4,107	8,134
<b>Net income/(loss)</b>	<b>31,992</b>	<b>90,745</b>	<b>(13,345)</b>	<b>14,711</b>	<b>14,983</b>	<b>15,643</b>	<b>15,458</b>
Dividends on preferred stock	(9,804)	(13,477)	(1,677)	(2,451)	(2,838)	(2,838)	(2,838)
Excess of preferred stock redemption cost over carrying value	(108)	(2,285)	—	(108)	—	—	—
<b>Net income/(loss) available for common stockholders</b>	<b>\$ 22,080</b>	<b>\$ 74,983</b>	<b>\$ (15,022)</b>	<b>\$ 12,152</b>	<b>\$ 12,145</b>	<b>\$ 12,805</b>	<b>\$ 12,620</b>
<b>Net income/(loss) per common share—diluted:</b>							
Income/(loss) from continuing operations	\$ 0.05	\$ 0.65	\$ (0.34)	\$ 0.15	\$ 0.12	\$ 0.15	\$ 0.08
Income from discontinued operations	0.32	0.66	0.10	0.06	0.09	0.07	0.14
Net income/(loss)	\$ 0.37	\$ 1.31	\$ (0.24)	\$ 0.21	\$ 0.21	\$ 0.22	\$ 0.22
Weighted average common shares outstanding—diluted	63,238	61,547	63,038	62,938	61,492	61,050	61,347
Dividends declared and paid per common share	\$ 1.700	\$ 1.700	\$ 0.425	\$ 0.425	\$ 0.425	\$ 0.425	\$ 0.425

1/ After deducting our partner's share, which is reflected in "Minority interest", net gains to the Company were \$4,301.

**Funds from Operations  
and Additional Information**

*Amounts in thousands, except per share amounts*

	<i>Year Ended</i>		<i>Three Months Ended</i>				
	12/31/08	12/31/07	12/31/08	09/30/08	06/30/08	03/31/08	12/31/07
<b>Funds from operations:</b>							
Net income/(loss)	\$ 31,992	\$ 90,745	\$(13,345)	\$14,711	\$14,983	\$15,643	\$15,458
Dividends on preferred stock	(9,804)	(13,477)	(1,677)	(2,451)	(2,838)	(2,838)	(2,838)
Excess of preferred stock redemption cost over carrying value	(108)	(2,285)	—	(108)	—	—	—
Net income/(loss) available for common stockholders	22,080	74,983	(15,022)	12,152	12,145	12,805	12,620
Add/(deduct):							
Depreciation and amortization of real estate assets	124,822	117,836	32,389	31,469	30,772	30,192	29,733
(Gains) on disposition of depreciable properties	(126)	(3,952)	(90)	(18)	(18)	—	(609)
Minority interest from the Operating Partnership in income from continuing operations	293	2,868	(1,376)	598	465	606	278
Unconsolidated affiliates:							
Depreciation and amortization of real estate assets	12,751	13,438	3,285	3,136	3,395	2,935	4,587
(Gains) on disposition of depreciable properties	—	(7,158)	—	—	—	—	—
Discontinued operations:							
Depreciation and amortization of real estate assets	853	3,610	166	170	157	360	598
(Gains) on disposition of depreciable properties	(18,485)	(34,861)	(6,595)	(3,137)	(5,027)	(3,726)	(8,014)
Release of FASB FIN 48 tax liability	—	(1,473)	—	—	—	—	—
Minority interest in income from discontinued operations	1,284	2,803	409	214	374	287	582
Funds from operations	<u>\$ 143,472</u>	<u>\$168,094</u>	<u>\$ 13,166</u>	<u>\$44,584</u>	<u>\$42,263</u>	<u>\$43,459</u>	<u>\$39,775</u>
<b>Funds from operations per share—diluted</b>							
Net income/(loss) available for common stockholders	\$ 0.37	\$ 1.31	\$ (0.24)	\$ 0.21	\$ 0.21	\$ 0.22	\$ 0.22
Add/(deduct):							
Depreciation and amortization of real estate assets	1.98	1.91	0.49	0.50	0.50	0.49	0.48
(Gains) on disposition of depreciable properties	—	(0.06)	—	—	—	—	(0.01)
Unconsolidated affiliates:							
Depreciation and amortization of real estate assets	0.20	0.22	0.05	0.05	0.06	0.05	0.08
(Gains) on disposition of depreciable properties	—	(0.12)	—	—	—	—	—
Discontinued operations:							
Depreciation and amortization of real estate assets	0.01	0.06	—	—	—	0.01	0.01
(Gains) on disposition of depreciable properties	(0.29)	(0.57)	(0.10)	(0.05)	(0.08)	(0.06)	(0.13)
Release of FASB FIN 48 tax liability	—	(0.02)	—	—	—	—	—
Funds from operations	<u>\$ 2.27</u>	<u>\$ 2.73</u>	<u>\$ 0.20</u>	<u>\$ 0.71</u>	<u>\$ 0.69</u>	<u>\$ 0.71</u>	<u>\$ 0.65</u>
Weighted average shares outstanding—diluted	<u>63,238</u>	<u>61,547</u>	<u>67,308</u>	<u>62,938</u>	<u>61,492</u>	<u>61,050</u>	<u>61,347</u>
<b>Additional information: 1/</b>							
Funds from operations, excluding certain items 2/	<u>\$ 176,022</u>	<u>\$170,763</u>	<u>\$ 45,608</u>	<u>\$44,692</u>	<u>\$42,263</u>	<u>\$43,459</u>	<u>\$39,775</u>
Funds from operations per share, excluding certain items 2/	<u>\$ 2.78</u>	<u>\$ 2.77</u>	<u>\$ 0.68</u>	<u>\$ 0.71</u>	<u>\$ 0.69</u>	<u>\$ 0.71</u>	<u>\$ 0.65</u>
Straight line rental income	\$ (5,964)						
Amortization of lease incentives	1,041						
Depreciation of non-real estate assets	1,312						
Ground lease straight line rent	165						
Amortization of stock-based compensation	6,717						
Amortization of deferred financing costs	2,717						
Amortization of accumulated other comprehensive loss	181						
Harborview non-cash FMV charge	(140)						

Non-incremental revenue generating capital expenditures paid: 3/	
Building improvements	(22,202)
2nd generation tenant improvements	(27,076)
2nd generation lease commissions	(12,177)
Common dividends and unit distributions paid	(106,957)

- 1/ Increase or (decrease) to cash flows.
- 2/ Excludes impairments on depreciable assets and preferred stock redemption/repurchase charges.
- 3/ Excludes capital expenditures paid for buildings sold prior to December 31, 2008.

# Consolidated Balance Sheets

Dollars in thousands

	12/31/08	12/31/07
<b>Assets:</b>		
Real estate assets, at cost:		
Land	\$ 352,872	\$ 357,841
Buildings and tenant improvements	2,819,844	2,708,989
Development in process	61,938	101,661
Land held for development	98,946	103,365
	<u>3,333,600</u>	<u>3,271,856</u>
Less-accumulated depreciation	(714,224)	(649,765)
Net real estate assets	2,619,376	2,622,091
For-sale residential condominiums	24,284	—
Real estate and other assets, net, held for sale	1,242	10,466
Cash and cash equivalents	13,757	3,140
Restricted cash	2,258	15,896
Accounts receivable, net	23,687	23,521
Notes receivable, net	3,602	5,226
Accrued straight-line rents receivable, net	79,979	74,427
Investment in unconsolidated affiliates	67,723	58,046
Deferred financing and leasing costs, net	73,216	72,188
Prepaid expenses and other assets	37,046	41,954
Total Assets	<u>\$2,946,170</u>	<u>\$2,926,955</u>
<b>Liabilities, Minority Interest and Stockholders' Equity:</b>		
Mortgages and notes payable	\$1,604,685	\$1,641,987
Accounts payable, accrued expenses and other liabilities	135,609	157,766
Financing obligations	34,174	35,071
Total Liabilities	1,774,468	1,834,824
Minority interest in the Operating Partnership	65,635	63,294
Minority interest in consolidated affiliates	6,176	6,804
Stockholders' Equity:		
Preferred stock	81,592	135,437
Common stock	636	572
Additional paid-in capital	1,661,736	1,448,055
Distributions in excess of net earnings	(639,281)	(561,093)
Accumulated other comprehensive loss	(4,792)	(938)
Total Stockholders' Equity	1,099,891	1,022,033
Total Liabilities, Minority Interest and Stockholders' Equity	<u>\$2,946,170</u>	<u>\$2,926,955</u>

## Components of Net Asset Value

*Dollars in thousands*

Note: The purpose of providing the following information at the beginning of each year is to enable readers to derive their own estimate of net asset value. The Company updates this information annually based on management's assumptions regarding projected current year net operating income as of the date of initial publication and will not be updated to reflect any facts, circumstances or changes in financial or operating assumptions that may occur during the year. This information is not intended to be an asset-by-asset or enterprise valuation.

<b>Consolidated Properties Projected Net Operating Income (NOI) 1/</b>	
Office	\$ 230,671
Retail	28,914
Industrial/Other	20,404
Deduct Partner's Share of Consolidated JV's (Office)	(5,529)
Total Net Operating Income	<u>\$ 274,460</u>
<b>Highwoods' Share of Unconsolidated Joint Ventures Projected NOI</b>	
Office	<u>\$ 30,577</u>
<b>Other income</b>	
Development, leasing and management fees	<u>\$ 4,502</u>
<b>Add Other assets:</b>	
Development investment at cost	\$ 204,299
Assets not fairly valued by capitalized NOI valuation method 2/	108,822
Property held for sale at net sales price	1,400
Land held for development at market value	142,802
Cash and cash equivalents	13,757
Highwoods share of unconsolidated JV's cash and cash equivalents	20,032
Restricted cash	2,258
Accounts receivable, net	23,687
Notes receivable and prepaid expenses	40,648
Deduct partner's share of Consolidated JV's other assets	(1,218)
Other assets total	<u>\$ 556,487</u>
<b>Deductions:</b>	
Total liabilities	\$ 135,609
Mortgages and notes payable	1,604,685
Deduct partner's share of Consolidated JV's liabilities and mortgages	(36,811)
Market value of debt adjustment 3/	(271,860)
Preferred stock, at liquidation value	81,592
Highwoods' share of unconsolidated joint ventures liabilities	259,778
	<u>\$1,772,993</u>
Estimated diluted common shares and common units for 2009 (000's)	<u>67,639</u>

1/ Projected 2009 NOI excludes straight line income, lease termination fee income, NOI related to completed not stabilized developments, and NOI related to assets undervalued by capitalized NOI method.

2/ Consolidated Properties projected 2009 NOI is adjusted to eliminate the net NOI for properties for which a NOI capitalization approach is not appropriate. For these assets, an alternative methodology has been applied.

3/ In accordance with prior practice, we included an adjustment to mark our debt and bonds to estimated fair value as of December 31, 2008.

## Components of Discontinued Operations

*Dollars in thousands*

	<i>Year Ended</i>		<i>Three Months Ended</i>				
	<u>12/31/08</u>	<u>12/31/07</u>	<u>12/31/08</u>	<u>09/30/08</u>	<u>06/30/08</u>	<u>03/31/08</u>	<u>12/31/07</u>
<b>Rental and other revenues</b>	<b>\$ 4,860</b>	\$15,697	<b>\$ 670</b>	\$ 826	\$1,512	\$1,852	\$2,726
<b>Operating expenses:</b>							
Rental property and other expenses	<b>2,135</b>	7,273	<b>306</b>	387	609	833	1,447
Depreciation and amortization	<b>853</b>	3,610	<b>166</b>	170	157	360	598
Total operating expenses	<b>2,988</b>	10,883	<b>472</b>	557	766	1,193	2,045
<b>Other income</b>	<b>23</b>	49	<b>8</b>	2	4	9	21
<b>Income before minority interest and gains on sales of discontinued operations</b>	<b>1,895</b>	4,863	<b>206</b>	271	750	668	702
Minority interest in discontinued operations	<b>(122)</b>	(338)	<b>(12)</b>	(17)	(49)	(44)	(47)
<b>Income from discontinued operations before gains on sales of discontinued operations</b>	<b>1,773</b>	4,525	<b>194</b>	254	701	624	655
Net gains on sales of discontinued operations	<b>18,485</b>	34,477	<b>6,595</b>	3,137	5,027	3,726	8,014
Minority interest in discontinued operations	<b>(1,162)</b>	(2,465)	<b>(397)</b>	(197)	(325)	(243)	(535)
<b>Net gains on sales of discontinued operations, net of minority interest</b>	<b>17,323</b>	32,012	<b>6,198</b>	2,940	4,702	3,483	7,479
<b>Net income from discontinued operations before release of FASB FIN 48 tax liability</b>	<b>19,096</b>	36,537	<b>6,392</b>	3,194	5,403	4,107	8,134
<b>Release of FASB FIN 48 tax liability</b>	<b>—</b>	1,473	<b>—</b>	—	—	—	—
<b>Net income from discontinued operations</b>	<b><u>\$19,096</u></b>	<u>\$38,010</u>	<b><u>\$6,392</u></b>	<u>\$3,194</u>	<u>\$5,403</u>	<u>\$4,107</u>	<u>\$8,134</u>

Highwoods Properties, Inc.

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12/31/08

## Capitalization

*Dollars, shares, and units in thousands*

	<u>12/31/08</u>	<u>9/30/08</u>	<u>6/30/08</u>	<u>3/31/08</u>	<u>12/31/07</u>
<b>Long-Term Debt (see pages 7 &amp; 8):</b>	<b><u>\$1,604,685</u></b>	<b><u>\$1,588,954</u></b>	<b><u>\$1,732,082</u></b>	<b><u>\$1,703,238</u></b>	<b><u>\$1,641,987</u></b>
<b>Financing Obligations:</b>	<b><u>\$ 34,174</u></b>	<b><u>\$ 35,195</u></b>	<b><u>\$ 35,145</u></b>	<b><u>\$ 35,296</u></b>	<b><u>\$ 35,071</u></b>
<b>Preferred Stock (at liquidation value):</b>					
Series A 8 5/8% Perpetual Preferred Stock	<b><u>\$ 29,092</u></b>	<b><u>\$ 29,092</u></b>	<b><u>\$ 82,937</u></b>	<b><u>\$ 82,937</u></b>	<b><u>\$ 82,937</u></b>
Series B 8% Perpetual Preferred Stock	<b><u>52,500</u></b>	<b><u>52,500</u></b>	<b><u>52,500</u></b>	<b><u>52,500</u></b>	<b><u>52,500</u></b>
Total preferred stock	<b><u>\$ 81,592</u></b>	<b><u>\$ 81,592</u></b>	<b><u>\$ 135,437</u></b>	<b><u>\$ 135,437</u></b>	<b><u>\$ 135,437</u></b>
<b>Common Shares and Units Outstanding:</b>					
Common stock outstanding	<b><u>63,572</u></b>	<b><u>63,545</u></b>	<b><u>57,632</u></b>	<b><u>57,309</u></b>	<b><u>57,167</u></b>
Minority interest partnership units	<b><u>4,067</u></b>	<b><u>3,906</u></b>	<b><u>3,933</u></b>	<b><u>3,951</u></b>	<b><u>4,057</u></b>
Total common shares and units outstanding	<b><u>67,639</u></b>	<b><u>67,451</u></b>	<b><u>61,565</u></b>	<b><u>61,260</u></b>	<b><u>61,224</u></b>
Stock price at period end	<b><u>\$ 27.36</u></b>	<b><u>\$ 35.56</u></b>	<b><u>\$ 31.42</u></b>	<b><u>\$ 31.07</u></b>	<b><u>\$ 29.38</u></b>
Market value of common equity	<b><u>\$1,850,603</u></b>	<b><u>\$2,398,558</u></b>	<b><u>\$1,934,372</u></b>	<b><u>\$1,903,348</u></b>	<b><u>\$1,798,761</u></b>
Total market capitalization with debt and obligations	<b><u>\$3,571,054</u></b>	<b><u>\$4,104,299</u></b>	<b><u>\$3,837,036</u></b>	<b><u>\$3,777,319</u></b>	<b><u>\$3,611,256</u></b>

*See pages 30 to 36 for information regarding Highwoods' Joint Ventures.*



## Long-Term Debt Summary

*Dollars in thousands*

	12/31/08	9/30/08	6/30/08	3/31/08	12/31/07
<b>Balances Outstanding:</b>					
<b>Secured:</b>					
Conventional fixed rate 1/	\$ 634,317	\$ 638,032	\$ 640,557	\$ 643,041	\$ 645,500
Variable rate debt	20,869	31,954	47,087	26,890	19,811
Secured total	<u>655,186</u>	<u>669,986</u>	<u>687,644</u>	<u>669,931</u>	<u>665,311</u>
<b>Unsecured:</b>					
Fixed rate bonds and notes	648,999	648,968	648,938	648,907	748,876
Bank term loan	137,500	137,500	137,500	137,500	—
Credit facility	163,000	132,500	258,000	246,900	227,800
Unsecured total	<u>949,499</u>	<u>918,968</u>	<u>1,044,438</u>	<u>1,033,307</u>	<u>976,676</u>
Total	<u>\$1,604,685</u>	<u>\$1,588,954</u>	<u>\$1,732,082</u>	<u>\$1,703,238</u>	<u>\$1,641,987</u>

### End of Period Weighted Average Interest Rates:

<b>Secured:</b>					
Conventional fixed rate	6.61%	6.62%	6.61%	6.62%	6.62%
Variable rate debt	1.73%	3.94%	4.01%	4.34%	6.61%
Secured total	<u>6.45%</u>	<u>6.49%</u>	<u>6.44%</u>	<u>6.50%</u>	<u>6.62%</u>
<b>Unsecured:</b>					
Fixed rate bonds	6.53%	6.53%	6.53%	6.53%	6.61%
Bank term loan	2.66%	4.38%	3.53%	3.71%	—
Credit facility	2.39%	4.02%	3.43%	3.65%	5.80%
Unsecured total	<u>5.26%</u>	<u>5.85%</u>	<u>5.37%</u>	<u>5.47%</u>	<u>6.42%</u>
Average	<u>5.75%</u>	<u>6.12%</u>	<u>5.79%</u>	<u>5.88%</u>	<u>6.50%</u>

### Maturity Schedule:

Year	Future Maturities of Debt		Total Debt 2/	Average Interest Rate
	Secured Debt 2/	Unsecured Debt		
2009	\$ 118,370	\$ 213,000	\$ 331,370	5.13%
2010	16,605	—	16,605	1.33%
2011	—	137,500	137,500	2.66%
2012	212,331	—	212,331	6.95%
2013	262,952	—	262,952	5.90%
2014	36,629	—	36,629	5.79%
2015	—	—	—	—
2016	8,299	—	8,299	7.65%
2017	—	398,999	398,999	5.85%
2018	—	200,000	200,000	7.50%
Total maturities	<u>\$ 655,186</u>	<u>\$ 949,499</u>	<u>\$1,604,685</u>	<u>5.75%</u>

Weighted average maturity = 4.8 years

1/ Includes a \$22.3 million loan related to a consolidated 20% owned joint venture (Harborview) and \$36.6 million in loans at December 31, 2008 related to a consolidated 50% joint venture (Markel).

2/ All periods exclude annual principal amortization.

## Long-Term Debt Detail

*Dollars in thousands*

### Secured Loans

Lender	Rate	Maturity Date	Loan	Undepreciated
			Balance 12/31/08	Book Value of Assets Secured
Northwestern Mutual	7.05%	Jan-12	\$ 190,000	\$ 301,885
Northwestern Mutual	6.03%	Mar-13	133,241	183,327
Massachusetts Mutual Life Ins. Co. 1/	5.68%	Dec-13	118,535	213,725
Monumental Life Ins. Co. 2/	7.77%	Nov-09	78,016	187,700
Monumental Life Ins. Co. 2/	7.87%	Nov-09	30,685	
Metropolitan Life Ins. Co. 3/	6.06%	Oct-12	22,331	39,126
PNC/Regions/Union Bank of California/U.S. Bank 4/	1.33%	Dec-10	16,605	18,938
Principal Life Insurance Company 5/	5.79%	Jan-14	11,229	14,408
Principal Life Insurance Company 5/	5.79%	Jan-14	11,229	18,781
Massachusetts Mutual Life Ins. Co. 1/	6.48%	Dec-13	10,517	
Principal Life Insurance Company 5/	5.74%	Jan-14	8,853	14,162
Union Realty Co.	7.65%	Feb-16	8,299	15,973
Principal Life Insurance Company 5/	5.89%	Jan-14	5,318	7,514
Royal Bank of Canada 4/	3.30%	Dec-09	4,264	24,284
Lutheran Brotherhood	6.75%	Apr-09	3,558	8,196
Security Life of Denver	8.85%	Aug-09	1,848	9,693
American United Life	9.00%	Jun-13	658	3,325
	<u>6.45%</u>		<u>655,186</u>	<u>\$ 1,061,037</u>

### Unsecured Bonds

Bonds	5.85%	Mar-17	398,999	
Bonds	7.50%	Apr-18	200,000	
Bonds 6/	8.13%	Jan-09	50,000	
	<u>6.53%</u>		<u>648,995</u>	

### Unsecured Loans

Credit facility 4/	2.39%	May-09	163,000	
Bank term loan 4/	2.66%	Feb-11	137,500	
	<u>2.51%</u>		<u>300,500</u>	

### Total Debt

	<u>5.75%</u>		<u>\$1,604,685</u>	
--	--------------	--	--------------------	--

*Note: Credit facility maturity date excludes one-year extension option which management exercised on February 5, 2009.*

### Revolving Credit Facility

Name of Lender	Total Commitment	Amount Outstanding	Unfunded Commitment
		at 12/31/08	at 12/31/08
Bank of America, N.A.	\$ 50,000	\$ 18,111	\$ 31,889
Branch Banking and Trust Co.	50,000	18,111	31,889
Wachovia Bank, N.A. 7/	50,000	18,111	31,889
Wells Fargo Bank, N.A.	50,000	18,111	31,889
Emigrant Bank	35,000	12,678	22,322
Eurohypo AG, New York Branch	35,000	12,678	22,322
PNC Bank, N.A.	30,000	10,866	19,134
Regions Bank	30,000	10,866	19,134
Comerica Bank	25,000	9,055	15,945
RBC Bank	25,000	9,055	15,945
Union Bank of California, N.A.	25,000	9,055	15,945
US Bank	20,000	7,246	12,754
First Horizon Bank	15,000	5,434	9,566
Chevy Chase Bank	10,000	3,622	6,378
	<u>\$ 450,000</u>	<u>\$ 163,000</u>	<u>\$ 287,000</u>

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

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

- 3/ *Loan relates to a consolidated 20% owned joint venture (Harborview).*
- 4/ *Floating rate loans based on one month libor.*
- 5/ *Loans relate to a consolidated 50% owned joint venture (Markel).*
- 6/ *Paid off on 1/15/2009.*
- 7/ *Wells Fargo acquired Wachovia effective December 31, 2008.*

**Portfolio Summary—Wholly-Owned Properties Only 1/**

*(Rentable Square Feet)*

	12/31/08	9/30/08	6/30/08	3/31/08	12/31/07
<b>Office Industrial &amp; Retail</b>					
<b>In-Service:</b>					
Office 2/	19,556,000	19,416,000	19,416,000	19,565,000	19,260,000
Industrial	6,467,000	6,049,000	6,299,000	6,036,000	6,036,000
Retail 3/	1,350,000	1,342,000	1,343,000	1,314,000	1,317,000
Total 4/	<u>27,373,000</u>	<u>26,807,000</u>	<u>27,058,000</u>	<u>26,915,000</u>	<u>26,613,000</u>
<b>Development Completed—Not Stabilized:</b>					
Office 2/	665,000	873,000	428,000	524,000	607,000
Industrial	—	418,000	418,000	681,000	681,000
Retail	—	—	—	—	—
Total	<u>665,000</u>	<u>1,291,000</u>	<u>846,000</u>	<u>1,205,000</u>	<u>1,288,000</u>
<b>Development—In Process:</b>					
Office 2/	358,000	358,000	803,000	717,000	887,000
Industrial	200,000	200,000	200,000	200,000	—
Retail	—	—	—	—	30,000
Total	<u>558,000</u>	<u>558,000</u>	<u>1,003,000</u>	<u>917,000</u>	<u>917,000</u>
<b>Total:</b>					
Office 2/	20,579,000	20,647,000	20,647,000	20,806,000	20,754,000
Industrial	6,667,000	6,667,000	6,917,000	6,917,000	6,717,000
Retail 3/	1,350,000	1,342,000	1,343,000	1,314,000	1,347,000
Total 4/	<u>28,596,000</u>	<u>28,656,000</u>	<u>28,907,000</u>	<u>29,037,000</u>	<u>28,818,000</u>
<b>Same Property</b>					
Office 2/	18,020,000	18,020,000	18,020,000	18,020,000	18,020,000
Industrial	5,666,000	5,666,000	5,666,000	5,666,000	5,666,000
Retail	1,319,000	1,319,000	1,319,000	1,319,000	1,319,000
Total	<u>25,005,000</u>	<u>25,005,000</u>	<u>25,005,000</u>	<u>25,005,000</u>	<u>25,005,000</u>

**Percent Leased/Pre-Leased:**

<b>In-Service:</b>					
Office	90.2%	90.3%	90.8%	90.4%	91.1%
Industrial	92.6%	95.2%	91.4%	91.0%	94.2%
Retail	94.6%	93.6%	93.5%	92.9%	94.9%
Total	<u>91.0%</u>	<u>91.6%</u>	<u>91.1%</u>	<u>90.7%</u>	<u>92.0%</u>
<b>Development Completed—Not Stabilized:</b>					
Office	64.2%	69.4%	73.6%	67.4%	75.9%
Industrial	—	91.0%	72.0%	78.2%	78.2%
Retail	—	—	—	—	—
Total	<u>64.2%</u>	<u>76.4%</u>	<u>72.8%</u>	<u>73.5%</u>	<u>77.1%</u>
<b>Development—In Process:</b>					
Office	65.7%	65.7%	63.5%	65.7%	59.9%
Industrial	50.0%	50.0%	50.0%	50.0%	—
Retail	—	—	—	—	100.0%
Total	<u>60.1%</u>	<u>60.1%</u>	<u>60.8%</u>	<u>62.3%</u>	<u>61.2%</u>
<b>Same Property</b>					
Office	90.1%	90.3%	90.8%	90.6%	91.3%
Industrial	92.8%	95.5%	91.1%	90.5%	93.9%
Retail	94.4%	93.7%	93.6%	93.2%	95.4%
Total	<u>90.9%</u>	<u>91.7%</u>	<u>91.0%</u>	<u>90.7%</u>	<u>92.1%</u>

1/ Excludes properties recorded on our Balance Sheet that relate to 50% or less owned joint ventures properties that are consolidated under GAAP.

2/ Substantially all of our Office properties are located in suburban markets.

3/ Excludes 426,000 square feet of basement space in the Country Club Plaza and other Kansas City Retail properties.

4/     *Excludes minor for rent apartment buildings.*

Highwoods Properties, Inc.

**Portfolio Summary**  
(Continued)

As of December 31, 2008

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

Market	Rentable Square Feet	Occupancy	Percentage of Annualized Cash Revenue 2/			
			Office	Industrial	Retail	Total
Raleigh 3/	3,711,000	88.6%	16.4%	—	—	16.4%
Atlanta	5,552,000	93.4%	10.1%	3.8%	—	13.9%
Nashville	2,988,000	95.0%	13.7%	—	—	13.7%
Tampa	2,627,000	91.6%	13.6%	—	—	13.6%
Kansas City	1,953,000 4/	92.3%	3.4%	0.0%	9.0%	12.4%
Piedmont Triad 5/	5,526,000	86.1%	6.0%	3.4%	0.2%	9.6%
Richmond	2,229,000	90.8%	8.6%	—	—	8.6%
Memphis	1,473,000	92.5%	6.1%	—	—	6.1%
Greenville	897,000	94.4%	3.4%	—	—	3.4%
Orlando	317,000	98.4%	1.7%	—	—	1.7%
Other	100,000	84.3%	0.6%	—	—	0.6%
Total	<u>27,373,000</u>	<u>91.0%</u>	<u>83.6%</u>	<u>7.2%</u>	<u>9.2%</u>	<u>100.0%</u>

**Summary by Location, Including Joint Venture Properties:**

Market	Rentable Square Feet	Occupancy	Percentage of Annualized Cash Revenue 2/ 6/				Total
			Office	Industrial	Retail	Multi-Family	
Raleigh	4,525,000	88.9%	15.3%	—	—	—	15.3%
Atlanta	6,387,000	93.1%	10.2%	3.3%	—	—	13.5%
Nashville	2,988,000	95.0%	12.2%	—	—	—	12.2%
Tampa	2,832,000	91.8%	12.3%	—	—	—	12.3%
Kansas City	2,667,000 4/	89.8%	4.0%	0.0%	8.0%	—	12.0%
Piedmont Triad	5,890,000	83.5%	5.6%	3.0%	0.2%	—	8.8%
Richmond	2,642,000	92.2%	8.2%	—	—	—	8.2%
Memphis	1,473,000	92.5%	5.4%	—	—	—	5.4%
Orlando	2,169,000	90.3%	4.6%	—	—	—	4.6%
Des Moines	2,505,000	87.1%	3.0%	0.5%	0.1%	0.4%	4.0%
Greenville	897,000	94.5%	3.0%	—	—	—	3.0%
Other	210,000	92.5%	0.6%	—	—	—	0.6%
Charlotte	148,000	100.0%	0.1%	—	—	—	0.1%
Total	<u>35,333,000</u>	<u>90.2%</u>	<u>84.5%</u>	<u>6.8%</u>	<u>8.3%</u>	<u>0.4%</u>	<u>100.0%</u>

1/ Excludes properties recorded on our Balance Sheet that relate to 50% or less owned joint ventures properties that are consolidated under GAAP.

2/ Annualized Cash Revenue is December, 2008 cash rental revenue (base rent plus operating expense pass through revenue excluding straight-line rental income) multiplied by 12.

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

4/ Excludes 426,000 square feet of basement space in the Country Club Plaza and other Kansas City Retail properties.

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

6/ Includes Highwoods' share of Joint Venture Annualized Cash Revenue, see page 34.

**Portfolio Summary—Wholly-Owned Properties Only**  
(Continued)

As of December 31, 2008

Market	Office Properties 1/			Industrial		
	Rentable Square Feet	Occupancy	Percentage	Rentable Square Feet	Occupancy	Percentage
			of Office Annualized			of Industrial
			Cash Revenue 2/			Annualized Cash Revenue 2/
Raleigh	3,711,000	88.6%	19.5%	—	—	—
Nashville	2,988,000	95.0%	16.4%	—	—	—
Tampa	2,627,000	91.6%	16.3%	—	—	—
Atlanta	2,470,000	90.9%	12.1%	3,082,000	95.3%	52.4%
Richmond	2,229,000	90.8%	10.3%	—	—	—
Memphis	1,473,000	92.5%	7.3%	—	—	—
Piedmont Triad	2,105,000	79.3%	7.2%	3,381,000	90.2%	47.5%
Kansas City	639,000	88.3%	4.1%	4,000	46.5%	0.1%
Greenville	897,000	94.4%	4.1%	—	—	—
Orlando	317,000	98.4%	2.0%	—	—	—
Other	100,000	84.3%	0.7%	—	—	—
	<u>19,556,000</u>	<u>90.2%</u>	<u>100.0%</u>	<u>6,467,000</u>	<u>92.6%</u>	<u>100.0%</u>

  

Market	Retail		
	Rentable Square Feet	Occupancy	Percentage
			of Retail Annualized
			Cash Revenue 2/
Kansas City 3/	1,310,000	94.4%	97.6%
Piedmont Triad	40,000	100.0%	2.4%
	<u>1,350,000</u>	<u>94.6%</u>	<u>100.0%</u>

1/ Excludes properties recorded on our Balance Sheet that relate to 50% or less owned joint ventures properties that are consolidated under GAAP.

2/ Annualized Cash Revenue is December, 2008 cash rental revenue (base rent plus operating expense pass through revenue excluding straight-line rental income) multiplied by 12.

3/ Excludes 426,000 square feet of basement space in the Country Club Plaza and other Kansas City Retail properties.

# Occupancy Trends—Office, Industrial and Retail Properties 1/

Market	Measurement	12/31/08	9/30/08	6/30/08	3/31/08	12/31/07
Atlanta	Rentable Square Feet	<b>5,552,000</b>	5,552,000	5,552,000	5,289,000	5,289,000
	Occupancy	<b>93.4%</b>	93.2%	92.0%	91.6%	93.0%
	Current Properties 2/	<b>93.6%</b>	93.5%	92.2%	91.6%	93.0%
Greenville	Rentable Square Feet	<b>897,000</b>	897,000	897,000	897,000	897,000
	Occupancy	<b>94.4%</b>	94.4%	91.4%	86.4%	85.6%
	Current Properties 2/	<b>94.4%</b>	94.4%	91.4%	86.4%	85.6%
Kansas City 3/	Rentable Square Feet	<b>1,953,000</b>	1,955,000	1,956,000	2,229,000	2,215,000
	Occupancy	<b>92.3%</b>	91.6%	91.3%	88.8%	89.4%
	Current Properties 2/	<b>92.5%</b>	91.8%	91.6%	91.0%	92.1%
Memphis	Rentable Square Feet	<b>1,473,000</b>	1,337,000	1,337,000	1,276,000	1,276,000
	Occupancy	<b>92.5%</b>	93.0%	93.5%	93.8%	94.9%
	Current Properties 2/	<b>92.4%</b>	92.6%	93.2%	93.8%	94.9%
Nashville	Rentable Square Feet	<b>2,988,000</b>	3,181,000	3,181,000	3,184,000	3,184,000
	Occupancy	<b>95.0%</b>	94.8%	94.9%	95.0%	95.1%
	Current Properties 2/	<b>95.0%</b>	95.7%	95.6%	95.8%	95.9%
Orlando	Rentable Square Feet	<b>317,000</b>	317,000	317,000	317,000	218,000
	Occupancy	<b>98.4%</b>	98.4%	98.4%	96.9%	100.0%
	Current Properties 2/	<b>97.6%</b>	97.6%	97.6%	95.4%	100.0%
Piedmont Triad	Rentable Square Feet	<b>5,526,000</b>	5,108,000	5,358,000	5,358,000	5,328,000
	Occupancy	<b>86.1%</b>	88.4%	85.9%	85.2%	89.3%
	Current Properties 2/	<b>85.6%</b>	88.3%	85.1%	84.4%	88.8%
Raleigh	Rentable Square Feet	<b>3,711,000</b>	3,711,000	3,711,000	3,712,000	3,554,000
	Occupancy	<b>88.6%</b>	89.9%	89.7%	90.3%	91.5%
	Current Properties 2/	<b>88.8%</b>	90.3%	90.1%	90.8%	91.5%
Richmond	Rentable Square Feet	<b>2,229,000</b>	2,230,000	2,230,000	2,135,000	2,134,000
	Occupancy	<b>90.8%</b>	90.0%	92.1%	93.5%	92.5%
	Current Properties 2/	<b>91.6%</b>	91.4%	93.6%	93.5%	92.6%
Tampa	Rentable Square Feet	<b>2,627,000</b>	2,419,000	2,419,000	2,418,000	2,418,000
	Occupancy	<b>91.6%</b>	92.2%	94.5%	94.7%	95.0%
	Current Properties 2/	<b>92.4%</b>	92.2%	94.5%	94.7%	94.9%
Total 4/	Rentable Square Feet	<b>27,273,000</b>	26,707,000	26,958,000	26,815,000	26,513,000
	Occupancy	<b>91.0%</b>	91.6%	91.1%	90.7%	92.0%
	Current Properties 2/	<b>91.1%</b>	91.9%	91.2%	90.8%	92.2%

1/ Excludes properties recorded on our Balance Sheet that relate to 50% or less owned joint ventures properties that are consolidated under GAAP.

2/ Only includes properties that were owned and in-service for all periods shown.

3/ Excludes 426,000 square feet of basement space in the Country Club Plaza and other Kansas City Retail properties.

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



**Leasing Statistics  
Office Portfolio 1/**

	Three Months Ended					
	12/31/08 2/	9/30/08 3/	6/30/08 4/	3/31/08 5/	12/31/07 6/	Average
Net Effective Rents Related to Re-leased Space:						
Number of lease transactions (signed leases)	129	96	113	126	126	118
Rentable square footage leased	868,233	471,486	997,600	602,049	920,405	771,955
Square footage of Renewal Deals	703,690	330,751	913,530	385,756	730,702	612,886
Renewed square footage (% of total)	81.0%	70.2%	91.6%	64.1%	79.4%	79.4%
New Leases square footage (% of total)	19.0%	29.8%	8.4%	35.9%	20.6%	20.6%
Weighted average per rentable square foot over the lease term:						
Base rent	\$ 21.21	\$ 20.84	\$ 22.47	\$ 19.82	\$ 19.35	\$ 20.74
Tenant improvements	(1.21)	(1.35)	(1.16)	(1.10)	(1.64)	(1.29)
Leasing commissions 7/	(0.60)	(0.51)	(0.63)	(0.44)	(0.62)	(0.56)
Rent concessions	(0.35)	(0.22)	(0.28)	(0.13)	(0.19)	(0.23)
Effective rent	19.05	18.76	20.40	18.15	16.90	18.66
Expense stop	(6.07)	(6.64)	(7.12)	(5.90)	(6.05)	(6.36)
Equivalent effective net rent	\$ 12.98	\$ 12.12	\$ 13.28	\$ 12.25	\$ 10.85	\$ 12.30
Weighted average term in years	4.7	4.5	3.2	4.0	4.4	4.1
Capital Expenditures Related to Re-leased Space:						
Tenant Improvements:						
Total dollars committed under signed leases	\$5,973,249	\$3,041,354	\$5,224,995	\$3,504,078	\$ 7,696,269	\$5,087,989
Rentable square feet	868,233	471,486	997,600	602,049	920,405	771,955
Per rentable square foot	\$ 6.88	\$ 6.45	\$ 5.24	\$ 5.82	\$ 8.36	\$ 6.59
Leasing Commissions:						
Total dollars committed under signed leases 7/	\$2,463,135	\$ 970,896	\$2,300,840	\$1,190,054	\$ 2,719,401	\$1,928,865
Rentable square feet	868,233	471,486	997,600	602,049	920,405	771,955
Per rentable square foot	\$ 2.84	\$ 2.06	\$ 2.31	\$ 1.98	\$ 2.95	\$ 2.50
Total:						
Total dollars committed under signed leases	\$8,436,384	\$4,012,250	\$7,525,835	\$4,694,132	\$10,415,670	\$7,016,854
Rentable square feet	868,233	471,486	997,600	602,049	920,405	771,955
Per rentable square foot	\$ 9.72	\$ 8.51	\$ 7.54	\$ 7.80	\$ 11.32	\$ 9.09

1/ Excludes properties recorded on our Balance Sheet that relate to 50% or less owned joint ventures properties that are consolidated under GAAP.

2/ Includes 38K square feet of leases that start in 2011 or later.

3/ Includes 62K square feet of leases that start in 2010 or later.

4/ Includes 346K square feet of leases that start in 2010 or later.

5/ Includes 84K square feet of leases that start in 2010 or later.

6/ Includes 91K square feet of leases that start in 2010 or later.

7/ Excludes a full allocation of internal leasing costs.

**Leasing Statistics  
Industrial Portfolio**

	Three Months Ended					
	12/31/08	9/30/08 1/	6/30/08	3/31/08	12/31/07	Average
Net Effective Rents Related to Re-leased Space:						
Number of lease transactions (signed leases)	14	14	14	7	10	12
Rentable square footage leased	297,789	358,284	367,684	158,324	694,808	375,378
Square footage of Renewal Deals	249,927	294,376	155,126	150,170	538,836	277,687
Renewed square footage (% of total)	83.9%	82.2%	42.2%	94.8%	77.6%	74.0%
New Leases square footage (% of total)	16.1%	17.8%	57.8%	5.2%	22.4%	26.0%
Weighted average per rentable square foot over the lease term:						
Base rent	\$ 4.37	\$ 4.50	\$ 3.85	\$ 5.95	\$ 4.03	\$ 4.54
Tenant improvements	(0.26)	(0.45)	(0.18)	(0.07)	(0.04)	(0.20)
Leasing commissions 2/	(0.08)	(0.09)	(0.10)	0.00	(0.05)	(0.06)
Rent concessions	(0.01)	(0.01)	0.00	0.00	0.00	0.00
Effective rent	4.02	3.95	3.57	5.88	3.94	4.28
Expense stop	(0.08)	(0.05)	(0.19)	(0.10)	(0.05)	(0.09)
Equivalent effective net rent	\$ 3.94	\$ 3.90	\$ 3.38	\$ 5.78	\$ 3.89	\$ 4.19
Weighted average term in years	3.7	3.0	1.8	3.3	2.6	2.9
Capital Expenditures Related to Re-leased Space:						
Tenant Improvements:						
Total dollars committed under signed leases	\$420,373	\$385,175	\$269,635	\$ 50,537	\$ 40,925	\$233,329
Rentable square feet	297,789	358,284	367,684	158,324	694,808	375,378
Per rentable square foot	\$ 1.41	\$ 1.08	\$ 0.73	\$ 0.32	\$ 0.06	\$ 0.62
Leasing Commissions:						
Total dollars committed under signed leases 2/	\$ 71,111	\$142,626	\$ 62,837	\$ 1,918	\$136,633	\$ 83,025
Rentable square feet	297,789	358,284	367,684	158,324	694,808	375,378
Per rentable square foot	\$ 0.24	\$ 0.40	\$ 0.17	\$ 0.01	\$ 0.20	\$ 0.22
Total:						
Total dollars committed under signed leases	\$491,484	\$527,801	\$332,471	\$ 52,455	\$177,558	\$316,354
Rentable square feet	297,789	358,284	367,684	158,324	694,808	375,378
Per rentable square foot	\$ 1.65	\$ 1.47	\$ 0.90	\$ 0.33	\$ 0.26	\$ 0.84

1/ Includes 256K square feet of leases that start in 2010 or later.

2/ Excludes a full allocation of internal leasing costs.

**Leasing Statistics  
Retail Portfolio**

	Three Months Ended					
	12/31/08 1/	9/30/08	6/30/08 2/	3/31/08	12/31/07 3/	Average
Net Effective Rents Related to Re-leased Space:						
Number of lease transactions (signed leases)	13	3	6	7	12	8
Rentable square footage leased	57,245	7,719	15,839	30,942	44,509	31,251
Square footage of Renewal Deals	53,385	2,898	14,162	18,826	37,318	25,318
Renewed square footage (% of total)	93.3%	37.5%	89.4%	60.8%	83.8%	81.0%
New Leases square footage (% of total)	6.7%	62.5%	10.6%	39.2%	16.2%	19.0%
Weighted average per rentable square foot over the lease term:						
Base rent	\$ 18.46	\$25.81	\$ 27.61	\$ 31.80	\$ 20.44	\$ 24.82
Tenant improvements	(0.65)	0.00	(1.52)	(0.40)	(1.46)	(0.81)
Leasing commissions 4/	(0.04)	(0.15)	(0.67)	(0.54)	(0.26)	(0.33)
Rent concessions	(0.05)	0.00	0.00	(1.47)	0.00	(0.30)
Effective rent	17.72	25.66	25.42	29.39	18.72	23.38
Expense stop	0.00	0.00	0.00	0.00	0.00	0.00
Equivalent effective net rent	\$ 17.72	\$25.66	\$ 25.42	\$ 29.39	\$ 18.72	\$ 23.38
Weighted average term in years	7.6	8.6	7.7	8.6	5.6	7.6
Capital Expenditures Related to Re-leased Space:						
Tenant Improvements:						
Total dollars committed under signed leases	\$344,272	\$ —	\$177,176	\$161,500	\$509,473	\$238,484
Rentable square feet	57,245	7,719	15,839	30,942	44,509	31,251
Per rentable square foot	\$ 6.01	\$ —	\$ 11.19	\$ 5.22	\$ 11.45	\$ 7.63
Leasing Commissions:						
Total dollars committed under signed leases 4/	\$ 20,072	\$1,165	\$ 5,794	\$123,220	\$ 21,542	\$ 34,359
Rentable square feet	57,245	7,719	15,839	30,942	44,509	31,251
Per rentable square foot	\$ 0.35	\$ 0.15	\$ 0.37	\$ 3.98	\$ 0.48	\$ 1.10
Total:						
Total dollars committed under signed leases	\$364,344	\$1,165	\$182,970	\$284,720	\$531,015	\$272,843
Rentable square feet	57,245	7,719	15,839	30,942	44,509	31,251
Per rentable square foot	\$ 6.36	\$ 0.15	\$ 11.55	\$ 9.20	\$ 11.93	\$ 8.73

1/ Includes 5K square feet of leases that start in 2011 or later.

2/ Includes 3K square feet of leases that start in 2010 or later.

3/ Includes 9K square feet of leases that start in 2010 or later.

4/ Excludes a full allocation of internal leasing costs.

## Leasing Statistics by Market

For the Three Months Ended As of 12/31/08

### Office Portfolio 1/

Market	Rentable Square Feet	Average	GAAP Rental Rate	TI's Per SF	Lease Commissions Per SF 2/ 3/
	Leased	Term			
Raleigh	299,167	5.7	\$21.23	\$ 5.67	\$ 2.95
Nashville	175,139	4.7	21.05	7.30	3.21
Richmond	122,833	3.7	19.65	6.53	2.50
Tampa	102,141	3.5	24.11	7.96	2.89
Memphis	64,479	5.0	20.93	11.09	3.02
Piedmont Triad	34,802	2.9	17.61	2.19	1.69
Other	32,076	5.0	15.68	7.16	0.05
Atlanta	24,393	3.5	19.56	10.59	3.11
Kansas City	8,509	3.3	22.37	11.11	4.33
Orlando	4,694	2.0	14.93	2.00	0.00
	<b>868,233</b>	<b>4.7</b>	<b>\$20.86</b>	<b>\$ 6.88</b>	<b>\$ 2.84</b>

### Industrial Portfolio

Market	Rentable Square Feet	Average	GAAP Rental Rate	TI's Per SF	Lease Commissions Per SF 2/ 3/
	Leased	Term			
Piedmont Triad	279,806	3.6	\$4.36	\$1.36	\$ 0.18
Atlanta	17,983	5.0	4.39	2.14	1.10
	<b>297,789</b>	<b>3.7</b>	<b>\$4.36</b>	<b>\$1.41</b>	<b>\$ 0.24</b>

### Retail Portfolio

Market	Rentable Square Feet	Average	GAAP Rental Rate	TI's Per SF	Lease Commissions Per SF 2/ 3/
	Leased	Term			
Kansas City	57,245	7.6	\$18.41	\$6.01	\$ 0.35
	<b>57,245</b>	<b>7.6</b>	<b>\$18.41</b>	<b>\$6.01</b>	<b>\$ 0.35</b>

1/ Excludes properties recorded on our Balance Sheet that relate to 50% or less owned joint ventures properties that are consolidated under GAAP.

2/ Lease commissions by market per square foot excludes capitalized internal leasing costs.

3/ The amount of capitalized internal leasing cost not allocated to individual deals or product types was \$722K.

## Rental Rate Comparisons by Market

For the Three Months Ended As of 12/31/08

### Office Portfolio 1/

	Rentable Square Feet	Current	Previous	Percentage Change Rent
Market	Leased	Rent	Rent	
Raleigh	299,167	\$21.23	\$19.34	9.8%
Nashville	175,139	21.05	18.55	13.5%
Richmond	122,833	19.65	18.96	3.6%
Tampa	102,141	24.11	20.93	15.2%
Memphis	64,479	20.93	19.79	5.8%
Piedmont Triad	34,802	17.61	16.70	5.4%
Other	32,076	15.68	13.25	18.4%
Atlanta	24,393	19.56	19.89	-1.7%
Kansas City	8,509	22.37	21.76	2.8%
Orlando	4,694	14.93	14.71	1.5%
GAAP Rent Growth	<u>868,233</u>	<u>\$20.86</u>	<u>\$19.02</u>	<u>9.7%</u>
Cash Rent Growth	<u>868,233</u>	<u>\$20.05</u>	<u>\$20.66</u>	<u>-2.9%</u>

### Industrial Portfolio

	Rentable Square Feet	Current	Previous	Percentage Change Rent
Market	Leased	Rent	Rent	
Piedmont Triad	279,806	\$ 4.36	\$ 4.04	8.0%
Atlanta	17,983	4.39	3.58	22.5%
GAAP Rent Growth	<u>297,789</u>	<u>\$ 4.36</u>	<u>\$ 4.01</u>	<u>8.8%</u>
Cash Rent Growth	<u>297,789</u>	<u>\$ 4.25</u>	<u>\$ 5.42</u>	<u>-21.5%</u>

### Retail Portfolio

	Rentable Square Feet	Current	Previous	Percentage Change Rent
Market	Leased	Rent	Rent 2/	
Kansas City	57,245	\$18.41	\$15.07	22.2%
GAAP Rent Growth	<u>57,245</u>	<u>\$18.41</u>	<u>\$15.07</u>	<u>22.2%</u>
Cash Rent Growth	<u>57,245</u>	<u>\$17.89</u>	<u>\$16.22</u>	<u>10.3%</u>

### Average Cash Rental Rates for All In Place Leases at: 1/ 3/

Type	12/31/08	12/31/07	12/31/06	12/31/05	12/31/04
Office	\$20.15	\$19.14	\$18.57	\$17.57	\$17.49
Industrial	5.22	5.07	5.14	4.76	4.59
Retail 2/	31.41	31.20	29.66	27.61	26.35
Weighted average rate	<u>\$17.18</u>	<u>\$16.27</u>	<u>\$15.89</u>	<u>\$14.99</u>	<u>\$14.76</u>
Annual % growth rate	<u>5.6%</u>	<u>2.4%</u>	<u>6.0%</u>	<u>1.6%</u>	

1/ Excludes properties recorded on our Balance Sheet that relate to 50% or less owned joint ventures properties that are consolidated under GAAP.

2/ Excludes percentage rent.

3/ Average cash rental rates represent December, 2008 cash rental revenue (base rent plus operating expense pass through revenue excluding straight-line rental income) multiplied by 12 and divided by the related leased square feet.

## Lease Expirations

December 31, 2008

*Dollars in thousands*

<u>Year</u>	<u>Rentable Square Feet Expiring</u>	<u>Percent of Rentable Square Feet</u>	<u>Annualized Cash Revenue 1/</u>	<u>Average Rental Rate</u>	<u>Percent of Annualized Cash Revenue 1/</u>
<b>Office: 2/</b>					
2009 /3	1,905,484	10.6%	\$ 38,282	\$20.09	10.6%
2010	2,003,395	11.1%	40,951	20.44	11.3%
2011	2,641,415	14.6%	51,930	19.66	14.3%
2012	2,445,060	13.6%	50,544	20.67	13.9%
2013	2,473,836	13.8%	49,458	19.99	13.6%
2014	1,858,582	10.3%	37,532	20.19	10.4%
2015	1,166,516	6.5%	23,951	20.53	6.6%
2016	785,679	4.4%	14,676	18.68	4.1%
2017	982,741	5.5%	19,814	20.16	5.5%
2018	519,332	2.9%	9,863	18.99	2.7%
2019 and thereafter	1,202,570	6.7%	25,352	21.08	7.0%
	<b><u>17,984,610</u></b>	<b><u>100.0%</u></b>	<b><u>\$362,353</u></b>	<b><u>\$20.15</u></b>	<b><u>100.0%</u></b>
<b>Industrial:</b>					
2009 /4	1,408,570	23.5%	\$ 6,696	\$ 4.75	21.5%
2010	810,964	13.5%	4,323	5.33	13.8%
2011	942,453	15.8%	5,357	5.68	17.2%
2012	430,580	7.2%	2,632	6.11	8.4%
2013	622,840	10.4%	3,836	6.16	12.3%
2014	512,806	8.6%	2,757	5.38	8.8%
2015	271,382	4.5%	1,198	4.41	3.8%
2016	264,597	4.4%	1,055	3.99	3.4%
2017	22,000	0.4%	109	4.95	0.3%
2018	71,884	1.2%	240	3.34	0.8%
2019 and thereafter	629,440	10.5%	3,038	4.83	9.7%
	<b><u>5,987,516</u></b>	<b><u>100.0%</u></b>	<b><u>\$ 31,241</u></b>	<b><u>\$ 5.22</u></b>	<b><u>100.0%</u></b>

1/ Annualized Cash Revenue is December, 2008 cash rental revenue (base rent plus operating expense pass through revenue excluding straight-line rental income) multiplied by 12.

2/ Excludes properties recorded on our Balance Sheet that relate to 50% or less owned joint ventures properties that are consolidated under GAAP.

3/ Includes 44,000 square feet of leases that are on a month to month basis or 0.2% of total annualized revenue.

4/ Includes 113,000 square feet of leases that are on a month to month basis or 0.1% of total annualized revenue.

Note: 2009 and beyond expirations that have been renewed are reflected above based on the renewal expiration date.

# Lease Expirations

December 31, 2008  
(Continued)

Dollars in thousands

Year	Rentable Square Feet Expiring	Percent of Rentable Square Feet	Annualized Cash Revenue 1/	Average Rental Rate	Percent of Annualized Cash Revenue 1/
<b>Retail:</b>					
2009 2/	156,664	12.3%	\$ 4,243	\$27.08	10.6%
2010	93,405	7.3%	3,552	38.03	8.9%
2011	54,981	4.3%	1,892	34.41	4.7%
2012	165,979	13.0%	5,223	31.47	13.0%
2013	80,760	6.3%	3,039	37.63	7.6%
2014	108,911	8.5%	2,838	26.06	7.1%
2015	147,301	11.5%	4,750	32.25	11.9%
2016	69,166	5.4%	2,773	40.09	6.9%
2017	107,946	8.5%	2,733	25.32	6.8%
2018	61,341	4.8%	2,022	32.96	5.0%
2019 and thereafter	229,783	18.1%	7,019	30.55	17.5%
	<u>1,276,237</u>	<u>100.0%</u>	<u>\$ 40,084</u>	<u>\$31.41</u>	<u>100.0%</u>
<b>Total:</b>					
2009 3/ 4/	3,470,718	13.7%	\$ 49,221	\$14.18	11.3%
2010	2,907,764	11.5%	48,826	16.79	11.3%
2011	3,638,849	14.5%	59,179	16.26	13.6%
2012	3,041,619	12.0%	58,399	19.20	13.5%
2013	3,177,436	12.6%	56,333	17.73	13.0%
2014	2,480,299	9.8%	43,127	17.39	9.9%
2015	1,585,199	6.3%	29,899	18.86	6.9%
2016	1,119,442	4.4%	18,504	16.53	4.3%
2017	1,112,687	4.4%	22,656	20.36	5.2%
2018	652,557	2.6%	12,125	18.58	2.8%
2019 and thereafter	2,061,793	8.2%	35,409	17.17	8.2%
	<u>25,248,363</u>	<u>100.0%</u>	<u>\$433,678</u>	<u>\$17.18</u>	<u>100.0%</u>

1/ Annualized Cash Revenue is December, 2008 cash rental revenue (base rent plus operating expense pass through revenue excluding straight-line rental income) multiplied by 12.

2/ Includes 17,000 square feet of leases that are on a month to month basis or 0.1% of total annualized revenue.

3/ Includes 174,000 square feet of leases that are on a month to month basis or 0.4% of total annualized revenue.

4/ Excludes properties recorded on our Balance Sheet that relate to 50% or less owned joint ventures properties that are consolidated under GAAP.

Note: 2009 and beyond expirations that have been renewed are reflected above based on the renewal expiration date.

# Office Lease Expirations by Market by Quarter 1/

Dollars in thousands

		Three Months Ended				
		3/31/09 2/	6/30/09	9/30/09	12/31/09	Total
Atlanta	RSF	63,528	64,921	167,806	14,915	311,170
	% of Total Office RSF	0.4%	0.4%	0.9%	0.1%	1.7%
	Annualized Cash Revenue	3/ \$ 989	\$ 936	\$ 3,016	\$ 265	\$ 5,206
	% of Total Office Annl Cash Rev	0.3%	0.3%	0.8%	0.1%	1.4%
Greenville	RSF	20,118	29,135	0	10,989	60,242
	% of Total Office RSF	0.1%	0.2%	0.0%	0.1%	0.3%
	Annualized Cash Revenue	3/ \$ 334	\$ 492	\$ —	\$ 202	\$ 1,028
	% of Total Office Annl Cash Rev	0.1%	0.1%	0.0%	0.1%	0.3%
Kansas City	RSF	15,318	6,748	9,499	9,987	41,552
	% of Total Office RSF	0.1%	0.0%	0.1%	0.1%	0.2%
	Annualized Cash Revenue	3/ \$ 391	\$ 169	\$ 220	\$ 244	\$ 1,024
	% of Total Office Annl Cash Rev	0.1%	0.0%	0.1%	0.1%	0.3%
Memphis	RSF	39,974	15,348	38,475	79,664	173,461
	% of Total Office RSF	0.2%	0.1%	0.2%	0.4%	1.0%
	Annualized Cash Revenue	3/ \$ 830	\$ 315	\$ 732	\$ 1,636	\$ 3,513
	% of Total Office Annl Cash Rev	0.2%	0.1%	0.2%	0.5%	1.0%
Nashville	RSF	58,805	34,518	217,090	85,131	395,544
	% of Total Office RSF	0.3%	0.2%	1.2%	0.5%	2.2%
	Annualized Cash Revenue	3/ \$ 1,201	\$ 752	\$ 4,787	\$ 1,701	\$ 8,441
	% of Total Office Annl Cash Rev	0.3%	0.2%	1.3%	0.5%	2.3%
Orlando	RSF	0	6,788	0	4,733	11,521
	% of Total Office RSF	0.0%	0.0%	0.0%	0.0%	0.1%
	Annualized Cash Revenue	3/ \$ —	\$ 181	\$ —	\$ 125	\$ 306
	% of Total Office Annl Cash Rev	0.0%	0.0%	0.0%	0.0%	0.1%
Piedmont Triad	RSF	20,960	19,989	69,986	8,590	119,525
	% of Total Office RSF	0.1%	0.1%	0.4%	0.0%	0.7%
	Annualized Cash Revenue	3/ \$ 415	\$ 306	\$ 1,057	\$ 151	\$ 1,929
	% of Total Office Annl Cash Rev	0.1%	0.1%	0.3%	0.0%	0.5%
Raleigh	RSF	210,950	9,372	73,971	101,236	395,529
	% of Total Office RSF	1.1%	0.1%	0.4%	0.6%	2.1%
	Annualized Cash Revenue	3/ \$ 4,076	\$ 178	\$ 1,488	\$ 2,386	\$ 8,128
	% of Total Office Annl Cash Rev	1.1%	0.0%	0.4%	0.7%	2.2%
Richmond	RSF	77,533	25,219	47,422	29,549	179,723
	% of Total Office RSF	0.4%	0.1%	0.3%	0.2%	1.0%
	Annualized Cash Revenue	3/ \$ 1,598	\$ 438	\$ 894	\$ 592	\$ 3,522
	% of Total Office Annl Cash Rev	0.4%	0.1%	0.2%	0.2%	1.0%
Tampa	RSF	105,427	12,082	11,024	81,899	210,432
	% of Total Office RSF	0.6%	0.1%	0.1%	0.5%	1.2%
	Annualized Cash Revenue	3/ \$ 2,522	\$ 271	\$ 273	\$ 1,963	\$ 5,029
	% of Total Office Annl Cash Rev	0.7%	0.1%	0.1%	0.5%	1.4%
Other	RSF	6,166	0	619	0	6,785
	% of Total Office RSF	0.0%	0.0%	0.0%	0.0%	0.0%
	Annualized Cash Revenue	3/ \$ 146	\$ —	\$ 11	\$ —	\$ 157
	% of Total Office Annl Cash Rev	0.0%	0.0%	0.0%	0.0%	0.0%
Total	RSF	618,779	224,120	635,892	426,693	1,905,484
	% of Total Office RSF	3.4%	1.2%	3.5%	2.4%	10.5%
	Annualized Cash Revenue	3/ \$ 12,502	\$ 4,038	\$ 12,478	\$ 9,265	\$ 38,283
	% of Total Office Annl Cash Rev	3.5%	1.1%	3.4%	2.6%	10.6%

1/ Excludes properties recorded on our Balance Sheet that relate to 50% or less owned joint ventures properties that are consolidated under GAAP.

2/ Includes 44,000 square feet of leases that are on a month to month basis or 0.2% of total annualized revenue.

3/ Annualized Cash Revenue is December, 2008 cash rental revenue (base rent plus operating expense pass through revenue excluding straight-line rental income) multiplied by 12.





# Industrial Lease Expirations by Market by Quarter

Dollars in thousands

		Three Months Ended				
		3/31/09 1/	6/30/09	9/30/09	12/31/09	Total
Atlanta	RSF	150,499	34,300	108,791	40,617	334,207
	% of Total Industrial RSF	2.5%	0.6%	1.8%	0.7%	5.6%
	Annualized Cash Revenue	2/ \$ 825	\$ 215	\$ 855	\$ 255	\$ 2,150
	% of Total Industrial Annl Cash Rev	2.7%	0.7%	2.7%	0.8%	6.9%
Kansas City	RSF	1,756	0	0	0	1,756
	% of Total Industrial RSF	0.0%	0.0%	0.0%	0.0%	0.0%
	Annualized Cash Revenue	2/ \$ 20	\$ —	\$ —	\$ —	\$ 20
	% of Total Industrial Annl Cash Rev	0.1%	0.0%	0.0%	0.0%	0.1%
Piedmont Triad	RSF	565,088	470,320	4,314	32,885	1,072,607
	% of Total Industrial RSF	9.4%	7.9%	0.1%	0.5%	17.9%
	Annualized Cash Revenue	2/ \$ 2,692	\$ 1,472	\$ 41	\$ 321	\$ 4,526
	% of Total Industrial Annl Cash Rev	8.6%	4.7%	0.1%	1.0%	14.5%
Total	RSF	717,343	504,620	113,105	73,502	1,408,570
	% of Total Industrial RSF	12.0%	8.4%	1.9%	1.2%	23.5%
	Annualized Cash Revenue	2/ \$ 3,537	\$ 1,687	\$ 896	\$ 576	\$ 6,696
	% of Total Industrial Annl Cash Rev	11.4%	5.4%	2.9%	1.8%	21.5%

1/ Includes 113,000 square feet of leases that are on a month to month basis or 0.1% of total annualized revenue.

2/ Annualized Cash Revenue is December, 2008 cash rental revenue (base rent plus operating expense pass through revenue excluding straight-line rental income) multiplied by 12.

# Office Lease Expirations by Market by Year 1/

Dollars in thousands

			2009 2/	2010	2011	2012	Thereafter
Atlanta	RSF		311,170	92,676	289,729	341,462	1,211,816
	% of Total Office RSF		1.7%	0.5%	1.6%	1.9%	6.7%
	Annualized Cash Revenue	3/	\$ 5,206	\$ 1,770	\$ 6,343	\$ 7,529	\$ 23,005
	% of Total Office Annl Cash Rev		1.4%	0.5%	1.8%	2.1%	6.3%
Greenville	RSF		60,242	57,236	104,244	242,769	383,058
	% of Total Office RSF		0.3%	0.3%	0.6%	1.3%	2.1%
	Annualized Cash Revenue	3/	\$ 1,029	\$ 971	\$ 1,903	\$ 4,106	\$ 6,750
	% of Total Office Annl Cash Rev		0.3%	0.3%	0.5%	1.1%	1.9%
Kansas City	RSF		41,552	106,132	79,417	71,842	265,294
	% of Total Office RSF		0.2%	0.6%	0.4%	0.4%	1.5%
	Annualized Cash Revenue	3/	\$ 1,024	\$ 3,081	\$ 2,035	\$ 1,763	\$ 7,040
	% of Total Office Annl Cash Rev		0.3%	0.9%	0.6%	0.5%	1.9%
Memphis	RSF		173,461	207,320	171,742	166,206	644,282
	% of Total Office RSF		1.0%	1.2%	1.0%	0.9%	3.6%
	Annualized Cash Revenue	3/	\$ 3,512	\$ 4,330	\$ 3,540	\$ 3,332	\$ 11,714
	% of Total Office Annl Cash Rev		1.0%	1.2%	1.0%	0.9%	3.2%
Nashville	RSF		395,544	433,476	401,260	292,963	1,324,345
	% of Total Office RSF		2.2%	2.4%	2.2%	1.6%	7.4%
	Annualized Cash Revenue	3/	\$ 8,439	\$ 8,886	\$ 8,275	\$ 6,346	\$ 27,640
	% of Total Office Annl Cash Rev		2.3%	2.5%	2.3%	1.8%	7.6%
Orlando	RSF		11,521	77,080	111,007	9,999	101,677
	% of Total Office RSF		0.1%	0.4%	0.6%	0.1%	0.6%
	Annualized Cash Revenue	3/	\$ 306	\$ 1,802	\$ 2,431	\$ 251	\$ 2,377
	% of Total Office Annl Cash Rev		0.1%	0.5%	0.7%	0.1%	0.7%
Piedmont Triad	RSF		119,525	232,395	426,979	404,056	487,264
	% of Total Office RSF		0.7%	1.3%	2.4%	2.2%	2.7%
	Annualized Cash Revenue	3/	\$ 1,930	\$ 3,697	\$ 6,287	\$ 7,715	\$ 6,320
	% of Total Office Annl Cash Rev		0.5%	1.0%	1.7%	2.1%	1.7%
Raleigh	RSF		395,529	328,984	567,279	399,562	1,929,586
	% of Total Office RSF		2.2%	1.8%	3.2%	2.2%	10.7%
	Annualized Cash Revenue	3/	\$ 8,128	\$ 6,167	\$ 11,438	\$ 7,914	\$ 37,485
	% of Total Office Annl Cash Rev		2.2%	1.7%	3.2%	2.2%	10.3%
Richmond	RSF		179,723	243,789	399,746	258,748	940,527
	% of Total Office RSF		1.0%	1.4%	2.2%	1.4%	5.2%
	Annualized Cash Revenue	3/	\$ 3,522	\$ 4,695	\$ 7,541	\$ 4,919	\$ 16,489
	% of Total Office Annl Cash Rev		1.0%	1.3%	2.1%	1.4%	4.6%
Tampa	RSF		210,432	223,018	88,432	257,453	1,626,872
	% of Total Office RSF		1.2%	1.2%	0.5%	1.4%	9.0%
	Annualized Cash Revenue	3/	\$ 5,028	\$ 5,515	\$ 2,080	\$ 6,669	\$ 39,653
	% of Total Office Annl Cash Rev		1.4%	1.5%	0.6%	1.8%	10.9%
Other	RSF		6,785	1,289	1,580	0	74,535
	% of Total Office RSF		0.0%	0.0%	0.0%	0.0%	0.4%
	Annualized Cash Revenue	3/	\$ 157	\$ 36	\$ 57	\$ —	\$ 2,174
	% of Total Office Annl Cash Rev		0.0%	0.0%	0.0%	0.0%	0.6%
Total	RSF		1,905,484	2,003,395	2,641,415	2,445,060	8,989,256
	% of Total Office RSF		10.6%	11.1%	14.7%	13.6%	50.0%
	Annualized Cash Revenue	3/	\$ 38,281	\$ 40,950	\$ 51,930	\$ 50,544	\$ 180,647
	% of Total Office Annl Cash Rev		10.6%	11.3%	14.3%	13.9%	49.9%

1/ Excludes properties recorded on our Balance Sheet that relate to 50% or less owned joint ventures properties that are consolidated under GAAP.

2/ Includes 44,000 square feet of leases that are on a month to month basis or 0.2% of total annualized revenue.

3/ Annualized Cash Revenue is December, 2008 cash rental revenue (base rent plus operating expense pass through revenue excluding straight-line rental income) multiplied by 12.



# Industrial Lease Expirations by Market by Year

Dollars in thousands

			2009 1/	2010	2011	2012	Thereafter
Atlanta	RSF		334,207	316,221	575,416	296,179	1,414,216
	% of Total Industrial RSF		5.6%	5.3%	9.6%	4.9%	23.6%
	Annualized Cash Revenue	2/	\$ 2,150	\$ 1,904	\$ 3,164	\$ 1,748	\$ 7,406
	% of Total Industrial Annl Cash Rev		6.9%	6.1%	10.1%	5.6%	23.7%
Kansas City	RSF		1,756	0	0	0	0
	% of Total Industrial RSF		0.0%	0.0%	0.0%	0.0%	0.0%
	Annualized Cash Revenue	2/	\$ 20	\$ —	\$ —	\$ —	\$ —
	% of Total Industrial Annl Cash Rev		0.1%	0.0%	0.0%	0.0%	0.0%
Piedmont Triad	RSF		1,072,607	494,743	367,037	134,401	980,733
	% of Total Industrial RSF		17.9%	8.3%	6.1%	2.2%	16.4%
	Annualized Cash Revenue	2/	\$ 4,527	\$ 2,419	\$ 2,193	\$ 884	\$ 4,826
	% of Total Industrial Annl Cash Rev		14.5%	7.7%	7.0%	2.8%	15.4%
Total	RSF		1,408,570	810,964	942,453	430,580	2,394,949
	% of Total Industrial RSF		23.5%	13.5%	15.7%	7.2%	40.0%
	Annualized Cash Revenue	2/	\$ 6,697	\$ 4,323	\$ 5,357	\$ 2,632	\$ 12,232
	% of Total Industrial Annl Cash Rev		21.4%	13.8%	17.1%	8.4%	39.2%

1/ Includes 113,000 square feet of leases that are on a month to month basis or 0.1% of total annualized revenue.

2/ Annualized Cash Revenue is December, 2008 cash rental revenue (base rent plus operating expense pass through revenue excluding straight-line rental income) multiplied by 12.

## Customer Diversification 1/

December 31, 2008

*Dollars in thousands*

### Top 20 Customers

Customer	RSF	Annualized Cash Revenue 2/	Percent of Annualized Cash Revenue 2/	Average Remaining Lease Term in Years
Federal Government	1,645,591	\$ 32,524	7.50%	7.9
AT&T	896,611	15,062	3.47%	4.4
Price Waterhouse Coopers	400,178	11,014	2.54%	3.7
State of Georgia 3/	367,986	7,862	1.81%	1.8
Healthways	282,132	6,260	1.44%	13.4
T-Mobile USA	207,517	5,740	1.32%	5.0
Metropolitan Life Insurance	267,787	5,428	1.25%	8.9
Lockton Companies	160,561	4,402	1.02%	6.2
BB&T	258,363	4,237	0.98%	4.2
Syniverse Technologies	198,750	4,026	0.93%	7.8
RBC Bank	171,138	3,979	0.92%	17.1
Fluor Enterprises	209,474	3,737	0.86%	3.1
SCI Services 4/	162,784	3,668	0.85%	8.6
Wells Fargo/Wachovia 5/	129,389	3,039	0.70%	2.2
Vanderbilt University	144,161	2,911	0.67%	6.8
Jacobs Engineering Group	181,794	2,858	0.66%	6.7
Lifepoint Corporate Services	139,625	2,836	0.65%	2.5
Icon Clinical Research	110,909	2,580	0.59%	4.7
Talecris Biotherapeutics	122,870	2,417	0.56%	3.5
Hilton Grand Vacations	97,325	2,112	0.49%	2.7
	<u>6,154,945</u>	<u>\$126,692</u>	<u>29.21%</u>	<u>6.3</u>

### By Industry

Category	Percent of Annualized Cash Revenue 2/
Professional, Scientific, and Technical Services	20.6%
Government/Public Administration	9.8%
Finance/Banking	9.7%
Insurance	8.8%
Retail Trade	7.3%
Health Care and Social Assistance	6.5%
Manufacturing	6.4%
Wholesale Trade	6.4%
Telecommunication	6.2%
Real Estate Rental and Leasing	3.7%
Information	3.0%
Administrative and Support Services	2.9%
Accommodation and Food Services	2.7%
Other Services (except Public Administration)	2.2%
Transportation and Warehousing	2.1%
Educational Services	1.7%
	<u>100.0%</u>

1/ Excludes properties recorded on our Balance Sheet that relate to 50% or less owned joint ventures properties that are consolidated under GAAP.

2/ Annualized Cash Revenue is December, 2008 cash rental revenue (base rent plus operating expense pass through revenue excluding straight-line rental income) multiplied by 12.

3/ Includes 123,000 square feet of annually renewable leases.

4/ SCI Services (Saxon Capital, Inc.) is a wholly owned subsidiary of Morgan Stanley.

5/ Wells Fargo acquired Wachovia effective December 31, 2008.



## Same Property Performance

*Dollars and Square Feet in thousands*

	Three months ended December 31,		Percentage
	2008	2007	Change
Rental revenues 1/	\$101,252	\$ 99,237	2.0%
Operating expenses	(39,634)	(38,113)	-4.0%
	<b>61,618</b>	<b>61,124</b>	<b>0.8%</b>
Straight line rent	(953)	2,068	-146.1%
	<b>60,665</b>	<b>63,192</b>	<b>-4.0%</b>
Lease termination fees	215	819	-73.7%
<b>Net operating income</b>	<b>\$ 60,880</b>	<b>\$ 64,011</b>	<b>-4.9%</b>
Average occupancy	91.2%	91.5%	-0.3%
Rentable square feet	25,005	25,005	

  

	Twelve months ended December 31,		Percentage
	2008	2007	Change
Rental revenues 1/	\$ 402,650	\$ 391,173	2.9%
Operating expenses	(151,704)	(145,798)	-4.1%
	<b>250,946</b>	<b>245,375</b>	<b>2.3%</b>
Straight line rent	(1,259)	2,952	-142.6%
	<b>249,687</b>	<b>248,327</b>	<b>0.5%</b>
Lease termination fees	2,575	1,685	52.8%
<b>Net operating income</b>	<b>\$ 252,262</b>	<b>\$ 250,012</b>	<b>0.9%</b>
Average occupancy	91.2%	90.7%	0.6%
Rentable square feet	25,005	25,005	

Market	Fourth Quarter: 2008 vs 2007		December YTD: 2008 vs 2007	
	NOI 2/ Percentage Change	Occupancy Percentage Change	NOI 2/ Percentage Change	Occupancy Percentage Change
Atlanta	-14.4%	0.6%	-7.8%	0.0%
Greenville	32.3%	12.2%	16.2%	7.4%
Kansas City	1.0%	0.4%	-1.7%	-0.6%
Memphis	-1.5%	-2.0%	3.3%	0.2%
Nashville	-3.6%	-0.3%	4.8%	2.4%
Orlando	-12.6%	-2.4%	-5.5%	-1.9%
Piedmont Triad	-13.8%	-1.7%	-6.1%	-1.3%
Raleigh	-7.1%	-1.1%	4.7%	2.7%
Richmond	0.0%	-0.5%	2.9%	2.2%
Tampa	-1.5%	-3.1%	1.5%	-2.9%
	<b>-4.0%</b>	<b>-0.3%</b>	<b>0.5%</b>	<b>0.6%</b>

1/ Excludes straight line rents and lease termination fees.

2/ Includes straight line rents and excludes lease termination fees.



## Disposition Activity

*Dollars in thousands*

<u>Name</u>	<u>Market</u>	<u>Type 1/</u>	<u>Date Sold</u>	<u>Square Footage</u>	<u>Occupancy</u>	<u>Gross Sales Price</u>
<b>First quarter 2008:</b>						
Parkway Medical	Kansas City	O	02/15/08	30,000	81.4%	\$ 6,050
<b>First quarter totals</b>				<b><u>30,000</u></b>	<b><u>81.4%</u></b>	<b><u>\$ 6,050</u></b>
<b>Second quarter 2008:</b>						
Fairway North & West	Kansas City	O	04/02/08	130,000	74.6%	\$ 11,676
Corinth Office	Kansas City	O	06/20/08	141,000	75.3%	9,950
<b>Second quarter totals</b>				<b><u>271,000</u></b>	<b><u>74.9%</u></b>	<b><u>\$ 21,626</u></b>
<b>Third quarter 2008:</b>						
Chesapeake	Winston-Salem	I	07/20/08	250,000	100.0%	\$ 8,150
<b>Third quarter totals</b>				<b><u>250,000</u></b>	<b><u>100.0%</u></b>	<b><u>\$ 8,150</u></b>
<b>Fourth quarter 2008:</b>						
Eastpark I, II & III	Nashville	O	12/31/08	193,000	83.7%	\$ 20,850
<b>Fourth quarter totals</b>				<b><u>193,000</u></b>	<b><u>83.7%</u></b>	<b><u>\$ 20,850</u></b>
<b>2008 totals</b>				<b><u>744,000</u></b>	<b><u>85.9%</u></b>	<b><u>\$ 56,676</u></b>

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

## Development Activity

Dollars in thousands

Property	Market	Type	Rentable Square Feet	Anticipated	Investment	Pre Leased %	Estimated Completion	Estimated Stabilization
				Total Investment	@ 12/31/08		Date	Date
In - Process								
Office:								
FAA	Atlanta	O	100,000	\$ 18,071	\$ 11,382	100%	2Q 09	2Q 09
Jackson FBI	Jackson, MS	O	110,000	34,900	18,938	100%	2Q 09	2Q 09
Triad Centre III	Memphis	O	148,000	29,187	13,745	17%	3Q 09	2Q 11
Total or Weighted Average			<u>358,000</u>	<u>\$ 82,158</u>	<u>\$ 44,065</u>	<u>66%</u>		
					\$ Weighted %	<u>70%</u>		
Industrial:								
River Point IV	Atlanta	I	200,000	\$ 10,435	\$ 8,628	50%	1Q 09	2Q 10
			<u>200,000</u>	<u>\$ 10,435</u>	<u>\$ 8,628</u>	<u>50%</u>		
In-Process Total or Weighted Average			<u>558,000</u>	<u>\$ 92,593</u>	<u>\$ 52,693</u>	<u>60%</u>		
					\$ Weighted %	<u>68%</u>		
Completed Not Stabilized 1/								
Office:								
Cool Springs IV	Nashville	O	153,000	\$ 27,597	\$ 21,054	8%	3Q 08	1Q 10
Centregreen V	Raleigh	O	98,000	15,662	13,853	75%	1Q 08	3Q 09
Glenlake VI	Raleigh	O	122,000	24,448	22,872	57%	1Q 08	3Q 09
RBC Plaza 2/	Raleigh	O	292,000	76,056	69,543	93%	3Q 08	4Q 09
Total or Weighted Average			<u>665,000</u>	<u>\$143,763</u>	<u>\$ 127,322</u>	<u>64%</u>		
					\$ Weighted %	<u>69%</u>		
Grand Total or Weighted Average			<u>1,223,000</u>	<u>\$236,356</u>	<u>\$ 180,015</u>	<u>62%</u>		
					\$ Weighted %	<u>68%</u>		

### Placed in Service in 4Q

Property	Market	Type	Rentable Square Feet	Anticipated	Investment	Pre Leased %	Occ %	In-Service
				Total Investment	@ 12/31/08			Date
Enterprise II	Piedmont Triad	I	418,000	\$ 17,222	\$ 16,049	91%	91%	12/01/08
Highwoods Baycenter I	Tampa	O	208,000	43,100	42,285	88%	82%	12/01/08
<b>Total or Weighted Average</b>			<u>626,000</u>	<u>\$ 60,322</u>	<u>\$ 58,334</u>	<u>90%</u>	<u>88%</u>	
					<b>\$ Weighted %</b>	<b>89%</b>	<b>85%</b>	

### For-Sale Residential Condominiums

	Units For Sale	Units Sold	Gross Sale	
			Proceeds	Gain 4/
RBC Plaza Condominiums 3/	66	73	\$ 30,529	\$4,843

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

2/ Includes ancillary retail space on the ground level of approximately 11,000 square feet.

3/ In January 2007 the Company executed a Joint Venture agreement for this development. The Company has a 93% interest and consolidates this Joint Venture.

4/ Gain is net of Partner's interest.

**Development Land**  
**December 31, 2008**

*Dollars in thousands*

<b>Market</b>	<b>Usable Acres</b>	<b>Total Estimated Market Value</b>
Atlanta	233	\$ 31,979
Raleigh	190	43,574
Greensboro	47	10,155
Richmond	33	8,325
Tampa	20	15,409
Nashville	16	8,100
Memphis	15	3,496
Orlando	15	16,364
Baltimore	7	1,800
Winston-Salem	3	1,500
Kansas City	1	2,100
<b>Total 1/ 2/ 3/</b>	<b><u>580</u></b>	<b><u>\$ 142,802</u></b>

- 1/ Includes 75 acres currently undergoing infrastructure improvements, and thus classified as *Development in Process* on our consolidated balance sheet.
- 2/ Developable square footage on core land holdings, which constitute 490 of the total 580 acres, is approximately 5.1 million of office space and 2.5 million of industrial space.
- 3/ Includes 4.4 acres (\$1.4 million based on expected gross proceeds) included in property held for sale at December 31, 2008.

## Acquisition Activity

*Dollars in thousands*

<u>Name</u>	<u>Market</u>	<u>Type</u>	<u>Date Acquired</u>	<u>Square Footage</u>	<u>Total Cost</u>
<b>First quarter 2008:</b>					
None					
<b>Second quarter 2008:</b>					
None					
<b>Third quarter 2008:</b>					
None					
<b>Fourth quarter 2008:</b>					
Penn Marc	Memphis	O	10/15/08	135,000	\$14,968
<b>Fourth quarter totals</b>				<b>135,000</b>	<b>14,968</b>
<b>2008 totals</b>				<b>135,000</b>	<b>\$14,968</b>

1/     *The letter “O” represents Office.*

Highwoods Properties, Inc.

**Unconsolidated Joint Ventures Assets, Debt and Liabilities**  
December 31, 2008

*Dollars in thousands*

Joint Venture	Type 1/	Own %	Venture's Books		
			Total Assets	Debt	Total Liabilities
Board of Trade Investment Co.	O	49.00%	\$ 7,288	\$ —	\$ 373
Dallas County Partners I, LP	O/ I	50.00%	30,925	48,349	51,562
Dallas County Partners II, LP	O	50.00%	13,954	14,779	16,291
Dallas County Partners III, LP	O	50.00%	129	—	41
Fountain Three	O/I /R	50.00%	25,180	32,314	34,777
RRHWoods, LLC	O/M	50.00%	85,587	80,829	85,228
Kessinger/Hunter, LLC	—	26.50%	7,650	—	473
4600 Madison Associates, LP	O	12.50%	17,803	12,625	13,345
Highwoods DLF 98/29, LP	O	22.81%	146,221	74,730	79,678
Highwoods DLF 97/26 DLF 99/32, LP	O	42.93%	97,379	54,846	57,463
Concourse Center Associates, LLC	O	50.00%	13,207	8,679	8,785
Plaza Colonnade, LLC	O/R	50.00%	71,113	65,690	66,756
Highwoods KC Glenridge Office, LP	O	40.00%	22,825	16,364	17,030
Highwoods KC Glenridge Land, LP	O	40.00%	780	—	109
Highwoods KC Orlando, LLC	O	40.00%	201,101	139,440	146,249
Highwoods DLF Forum, LLC	O	25.00%	119,108	67,500	71,533
<b>Total</b>			<b>\$ 860,250</b>	<b>\$ 616,145</b>	<b>\$ 649,693</b>

Joint Venture	Type 1/	Own %	Highwoods' Share of Joint Venture		
			Total Assets	Debt	Total Liabilities
Board of Trade Investment Co.	O	49.00%	\$ 3,571	\$ —	\$ 183
Dallas County Partners I, LP	O/ I	50.00%	15,463	24,175	25,781
Dallas County Partners II, LP	O	50.00%	6,977	7,390	8,146
Dallas County Partners III, LP	O	50.00%	65	—	21
Fountain Three	O/I /R	50.00%	12,590	16,157	17,389
RRHWoods, LLC	O/M	50.00%	42,794	40,415	42,614
Kessinger/Hunter, LLC	—	26.50%	2,027	—	125
4600 Madison Associates, LP	O	12.50%	2,225	1,578	1,668
Highwoods DLF 98/29, LP	O	22.81%	33,353	17,046	18,175
Highwoods DLF 97/26 DLF 99/32, LP	O	42.93%	41,805	23,546	24,669
Concourse Center Associates, LLC	O	50.00%	6,604	4,340	4,393
Plaza Colonnade, LLC	O/R	50.00%	35,557	32,845	33,378
Highwoods KC Glenridge Office, LP	O	40.00%	9,130	6,546	6,812
Highwoods KC Glenridge Land, LP	O	40.00%	312	—	44
Highwoods KC Orlando, LLC	O	40.00%	80,440	55,776	58,500
Highwoods DLF Forum, LLC	O	25.00%	29,772	16,872	17,880
<b>Total 2/</b>			<b>\$ 322,685</b>	<b>\$ 246,686</b>	<b>\$ 259,778</b>

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

2/ Highwoods' 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 as well as negative investment balances reclassified to Liabilities, which are not reflected in the Joint Ventures' stand-alone financial statements.

**Unconsolidated Joint Ventures Income**  
For the Three Months Ended December 31, 2008

*Dollars in thousands*

Joint Venture	Own %	Venture's Books				Net Income/
		Revenue	Operating Exp	Interest	Depr/Amort	(Loss)
Board of Trade Investment Co.	49.00%	\$ 581	\$ 379	\$ —	\$ 138	\$ 64
Dallas County Partners I, LP	50.00%	2,713	1,732	759	448	(226)
Dallas County Partners II, LP	50.00%	1,670	819	369	217	265
Dallas County Partners III, LP	50.00%	59	59	—	(3)	3
Fountain Three	50.00%	1,919	1,012	522	327	58
RRHWoods, LLC	50.00%	4,440	2,636	943	1,059	(198)
Kessinger/Hunter, LLC	26.50%	4,205	3,659	—	152	394
4600 Madison Associates, LP	12.50%	1,333	698	221	404	10
Highwoods DLF 98/29, LP	22.81%	4,903	1,754	1,244	1,225	680
Highwoods DLF 97/26 DLF 99/32, LP	42.93%	3,581	1,596	1,062	1,011	(88)
Concourse Center Associates, LLC	50.00%	498	153	159	78	108
Plaza Colonnade, LLC	50.00%	2,562	950	962	556	94
Highwoods KC Glenridge Office, LP	40.00%	805	508	210	174	(87)
Highwoods KC Glenridge Land, LP	40.00%	—	2	—	—	(2)
Highwoods KC Orlando, LLC	40.00%	8,163	3,546	1,838	1,872	907
Highwoods DLF Forum, LLC	25.00%	3,474	1,189	878	1,459	(52)
<b>Total</b>		<b>\$40,906</b>	<b>\$ 20,692</b>	<b>\$9,167</b>	<b>\$ 9,117</b>	<b>\$ 1,930</b>

Joint Venture	Own %	Highwoods' Share of Joint Venture				Net Income/
		Revenue	Operating Exp	Interest	Depr/Amort	(Loss)
Board of Trade Investment Co.	49.00%	\$ 285	\$ 186	\$ —	\$ 67	\$ 32
Dallas County Partners I, LP	50.00%	1,356	866	379	224	(113)
Dallas County Partners II, LP	50.00%	835	409	185	109	132
Dallas County Partners III, LP	50.00%	30	29	—	(2)	3
Fountain Three	50.00%	960	506	261	164	29
RRHWoods, LLC	50.00%	2,220	1,318	471	530	(99)
Kessinger/Hunter, LLC	26.50%	1,114	970	—	41	103
4600 Madison Associates, LP	12.50%	167	87	27	51	2
Highwoods DLF 98/29, LP	22.81%	1,118	400	284	280	154
Highwoods DLF 97/26 DLF 99/32, LP	42.93%	1,537	685	456	434	(38)
Concourse Center Associates, LLC	50.00%	249	76	80	39	54
Plaza Colonnade, LLC	50.00%	1,281	475	481	278	47
Highwoods KC Glenridge Office, LP	40.00%	322	203	84	69	(34)
Highwoods KC Glenridge Land, LP	40.00%	—	1	—	—	(1)
Highwoods KC Orlando, LLC	40.00%	3,265	1,418	735	749	363
Highwoods DLF Forum, LLC	25.00%	868	297	220	365	(14)
<b>Total 1/ 2/</b>		<b>\$15,607</b>	<b>\$ 7,926</b>	<b>\$3,663</b>	<b>\$ 3,398</b>	<b>\$ 620</b>

- 1/ *Highwoods' share of Depreciation and 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' 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, 2008

*Dollars in thousands*

Joint Venture	Own %	Venture's Books				Net Income/
		Revenue	Operating Exp	Interest	Depr/Amort	(Loss)
Board of Trade Investment Co.	49.00%	\$ 2,324	\$ 1,567	\$ —	\$ 562	\$ 195
Dallas County Partners I, LP	50.00%	11,018	6,800	3,078	1,891	(751)
Dallas County Partners II, LP	50.00%	6,784	3,346	1,595	865	978
Dallas County Partners III, LP	50.00%	253	232	—	2	19
Fountain Three	50.00%	8,065	3,943	2,115	1,651	356
RRHWoods, LLC	50.00%	17,657	10,155	3,826	4,257	(581)
Kessinger/Hunter, LLC	26.50%	16,457	14,557	—	602	1,298
4600 Madison Associates, LP	12.50%	5,111	2,426	913	1,606	166
Highwoods DLF 98/29, LP	22.81%	19,412	6,817	4,972	5,111	2,512
Highwoods DLF 97/26 DLF 99/32, LP	42.93%	15,826	6,245	4,277	3,832	1,472
Concourse Center Associates, LLC	50.00%	1,939	572	639	310	418
Plaza Colonnade, LLC	50.00%	9,988	3,678	3,853	2,197	260
Highwoods KC Glenridge Office, LP	40.00%	3,343	1,797	837	768	(59)
Highwoods KC Glenridge Land, LP	40.00%	—	9	—	—	(9)
Highwoods KC Orlando, LLC	40.00%	33,025	13,863	7,401	7,435	4,326
Highwoods DLF Forum, LLC	25.00%	10,364	3,640	2,611	4,246	(133)
<b>Total</b>		<b>\$161,566</b>	<b>\$ 79,647</b>	<b>\$36,117</b>	<b>\$ 35,335</b>	<b>\$ 10,467</b>

Joint Venture	Own %	Highwoods' Share of Joint Venture				Net Income/
		Revenue	Operating Exp	Interest	Depr/Amort	(Loss)
Board of Trade Investment Co.	49.00%	\$ 1,139	\$ 768	\$ —	\$ 275	\$ 96
Dallas County Partners I, LP	50.00%	5,509	3,400	1,539	946	(376)
Dallas County Partners II, LP	50.00%	3,392	1,673	798	433	488
Dallas County Partners III, LP	50.00%	127	116	—	1	10
Fountain Three	50.00%	4,033	1,972	1,058	826	177
RRHWoods, LLC	50.00%	8,829	5,078	1,913	2,129	(291)
Kessinger/Hunter, LLC	26.50%	4,361	3,858	—	160	343
4600 Madison Associates, LP	12.50%	639	303	114	201	21
Highwoods DLF 98/29, LP	22.81%	4,428	1,555	1,134	1,166	573
Highwoods DLF 97/26 DLF 99/32, LP	42.93%	6,794	2,681	1,836	1,645	632
Concourse Center Associates, LLC	50.00%	970	286	320	155	209
Plaza Colonnade, LLC	50.00%	4,994	1,839	1,927	1,099	129
Highwoods KC Glenridge Office, LP	40.00%	1,337	719	335	307	(24)
Highwoods KC Glenridge Land, LP	40.00%	—	4	—	—	(4)
Highwoods KC Orlando, LLC	40.00%	13,210	5,545	2,960	2,974	1,731
Highwoods DLF Forum, LLC	25.00%	2,591	910	653	1,062	(34)
<b>Total 1/ 2/</b>		<b>\$62,353</b>	<b>\$ 30,707</b>	<b>\$14,587</b>	<b>\$ 13,379</b>	<b>\$ 3,680</b>

1/ Highwoods' share of Depreciation and 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' 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 1/**

*Dollars in thousands*

<u>Joint Venture</u>	<u>Own %</u>	<u>Lender</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Loan Balance 12/31/08</u>
Dallas County Partners I, LP	50.0%	Massachusetts Mutual Life Ins. Co.	6.19%	Aug-18	\$ 41,245
Dallas County Partners I, LP	50.0%	Regions	6.30%	Jun-14	3,410
Dallas County Partners I, LP	50.0%	Thrivent	8.45%	Aug-10	1,546
Dallas County Partners I, LP	50.0%	Bankers Trust	8.00%	Jul-11	1,137
Dallas County Partners I, LP	50.0%	Sun Life	5.92%	Feb-16	1,011
			6.31%		48,349
Dallas County Partners II, LP	50.0%	Principal Life Insurance Company	10.19%	Jun-13	14,779
Fountain Three	50.0%	Massachusetts Mutual Life Ins. Co.	6.19%	Aug-18	16,462
Fountain Three	50.0%	Thrivent	7.00%	Sep-12	5,129
Fountain Three	50.0%	Thrivent	6.01%	Oct-10	3,642
Fountain Three	50.0%	Thrivent	6.01%	Apr-09	3,642
Fountain Three	50.0%	Lehman Brothers	8.02%	Jul-09	3,439
			6.47%		32,314
RRHWoods, LLC	50.0%	Bank of America	6.80%	Sep-12	26,078
RRHWoods, LLC	50.0%	Industrial Revenue Bonds /2	2.14%	Nov-15	23,000
RRHWoods, LLC	50.0%	Massachusetts Mutual Life Ins. Co.	5.85%	Mar-16	8,352
RRHWoods, LLC	50.0%	Industrial Revenue Bonds /2	2.14%	Sep-15	6,000
RRHWoods, LLC	50.0%	Industrial Revenue Bonds /2	2.49%	Nov-15	5,500
RRHWoods, LLC	50.0%	Massachusetts Mutual Life Ins. Co.	6.19%	Aug-18	4,555
RRHWoods, LLC	50.0%	UNUM Life Insurance Company	5.67%	Mar-17	3,934
RRHWoods, LLC	50.0%	Regions	6.30%	Jun-14	3,410
			4.63%		80,829
Plaza Colonnade, LLC	50.0%	Met Life	5.72%	Jan-17	48,005
Plaza Colonnade, LLC	50.0%	Tax Incremental Financing	5.90%	Mar-24	11,620
Plaza Colonnade, LLC	50.0%	Tax Incremental Financing	6.00%	Mar-16	4,290
Plaza Colonnade, LLC	50.0%	Tax Incremental Financing	5.38%	Mar-10	1,775
			5.76%		65,690
Highwoods KC Orlando, LLC	40.0%	Met Life	5.21%	Jul-14	139,440
Highwoods DLF Forum, LLC	25.0%	Jackson National Life Insurance Company	5.13%	Nov-13	67,500
Highwoods DLF 97/26 DLF 99/32, LP	42.9%	Massachusetts Mutual Life Ins. Co.	7.66%	May-12	54,846
Highwoods DLF 98/29, LP	22.8%	USG Annuity & Life Company	6.78%	Apr-11	47,080
Highwoods DLF 98/29, LP	22.8%	Goldman Sachs	6.11%	Jul-17	27,650
Highwoods KC Glenridge Office	40.0%	Wachovia	4.84%	May-14	16,364
4600 Madison Associates, LLC	12.5%	State Farm	6.85%	Apr-18	12,625
Concourse Center Associates, LLC	50.0%	Lincoln National Life Insurance Co.	6.95%	Jul-10	8,679
			5.90%		374,184
			<b>5.88%</b>		<b>\$616,145</b>
Highwoods' share of the above					<b>\$246,686</b>

1/ Excludes loans related to two "consolidated" joint ventures.

2/ Floating rate loan based on market rates.



## Joint Ventures Portfolio Summary

As of December 31, 2008

### Summary by Location:

Market	Rentable Square Feet	Occupancy	Percentage of Annualized Cash Revenue Highwoods' Share Only 1/				Total
			Office	Industrial	Retail	Multi-Family	
Des Moines 2/	2,505,000	87.1%	27.0%	4.3%	0.7%	3.3%	35.3%
Orlando	1,852,000	89.0%	27.6%	—	—	—	27.6%
Atlanta	835,000	91.7%	11.0%	—	—	—	11.0%
Kansas City	714,000	83.1%	8.5%	—	—	—	8.5%
Raleigh	814,000	90.4%	7.3%	—	—	—	7.3%
Richmond	413,000	100.0%	5.1%	—	—	—	5.1%
Piedmont Triad	364,000	43.0%	2.1%	—	—	—	2.1%
Tampa	205,000	94.2%	1.9%	—	—	—	1.9%
Charlotte	148,000	100.0%	0.7%	—	—	—	0.7%
Other	110,000	100.0%	0.5%	—	—	—	0.5%
Total 3/	<u>7,960,000</u>	<u>87.3%</u>	<u>91.7%</u>	<u>4.3%</u>	<u>0.7%</u>	<u>3.3%</u>	<u>100.0%</u>

1/ Annualized Cash Revenue is December, 2008 cash rental revenue (base rent plus operating expense pass through revenue excluding straight-line rental income) multiplied by 12.

2/ Excludes 418 apartment units and related occupancy percentage of 90.4%.

3/ Includes 618,000 square feet of properties in joint ventures that are consolidated.

# Joint Ventures Lease Expirations

December 31, 2008

Dollars in thousands

<u>Year</u>	<u>Rentable Square Feet Expiring 1/</u>	<u>Percent of Rentable Square Feet 1/</u>	<u>Annualized Cash Revenue 2/</u>	<u>Average Rental Rate</u>	<u>Percent of Annualized Cash Revenue 2/</u>
<b>Total</b>					
2009	747,832	10.8%	\$ 15,737	\$21.04	11.3%
2010	818,824	11.8%	15,810	19.31	11.4%
2011	1,111,252	16.0%	22,314	20.08	16.1%
2012	592,906	8.5%	12,510	21.10	9.0%
2013	1,321,137	19.0%	25,204	19.08	18.0%
2014	698,579	10.1%	14,682	21.02	10.6%
2015	714,465	10.3%	13,297	18.61	9.6%
2016	53,508	0.8%	1,363	25.47	1.0%
2017	523,678	7.5%	11,652	22.25	8.4%
2018	78,634	1.1%	1,803	22.93	1.3%
2019 and thereafter	281,340	4.1%	4,635	16.47	3.3%
	<b><u>6,942,155</u></b>	<b><u>100.0%</u></b>	<b><u>\$139,007</u></b>	<b><u>\$20.02</u></b>	<b><u>100.0%</u></b>

1/ Includes square feet expiring in properties in joint ventures that are consolidated.

2/ Annualized Cash Revenue is December, 2008 cash rental revenue (base rent plus operating expense pass through revenue excluding straight-line rental income) multiplied by 12.

## Joint Venture Acquisition and Disposition Activity

*Dollars in thousands*

### Acquisitions

<u>Name</u>	<u>Market</u>	<u>Type</u>	<u>Date Acquired</u>	<u>Square Footage</u>	<u>Total Cost 2/</u>
<b>First quarter 2008:</b>					
None					
<b>Second quarter 2008:</b>					
Forum	Raleigh	O	04/03/08	635,000	\$28,000
<b>Third quarter 2008:</b>					
None					
<b>Fourth quarter 2008:</b>					
None					

### Dispositions

<u>Name</u>	<u>Market</u>	<u>Type</u>	<u>Date Sold</u>	<u>Square Footage</u>	<u>Occupancy</u>	<u>Gross Sales Price</u>
<b>First quarter 2008:</b>						
None						
<b>Second quarter 2008:</b>						
None						
<b>Third quarter 2008:</b>						
None						
<b>Fourth quarter 2008:</b>						
None						

- 1/    *The letters "O" represents Office.*  
2/    *Reflects Highwoods pro-rata share only.*

Highwoods Properties, Inc.	36	12/31/08
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