

# HIGHWOODS PROPERTIES INC

## FORM 8-K (Current report filing)

Filed 11/3/2006 For Period Ending 11/3/2006

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

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# SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

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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): November 3, 2006**

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### **HIGHWOODS PROPERTIES, INC.**

(Exact name of registrant specified in its charter)

**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)

**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))
-

**Item 2.02. Results of Operations and Financial Condition.**

On November 2, 2006, we issued a press release announcing financial information for the quarter ended September 30, 2006. 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 September 30, 2006, a copy of which is attached as Exhibit 99.2.

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

(c) Exhibits

<u>No.</u>	<u>Description</u>
99.1	Press release dated November 2, 2006
99.2	Supplemental operating information for the quarter ended September 30, 2006

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## 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/ Terry L. Stevens                                  
Terry L. Stevens  
Vice President and Chief Financial Officer

### **HIGHWOODS REALTY LIMITED PARTNERSHIP**

By: Highwoods Properties, Inc., its general partner

By:                                 /s/ Terry L. Stevens                                  
Terry L. Stevens  
Vice President and Chief Financial Officer

Dated: November 2, 2006



**FOR IMMEDIATE RELEASE**

Ref: 06-XX

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

## Highwoods Properties Reports Third Quarter Financial and Operational Results

*\$0.59 of FFO per Diluted Share Reported for Third Quarter 2006  
\$2.42 to \$2.44 FFO per Diluted Share Now Expected for Full Year 2006  
(As Adjusted to Exclude Impairment on Depreciable Assets,  
Preferred Stock Redemption Charge, and Other Charges)*

*89.4% Occupancy – Up 360 bps Year-over-Year  
4.8% Office GAAP Rent Increase*

**Raleigh, NC – November 2, 2006 – Highwoods Properties, Inc. (NYSE: HIW)** , the largest owner and operator of suburban office properties in the Southeast, today reported financial and operational results for the third quarter and nine months ended September 30, 2006.

Ed Fritsch, President and CEO stated, *“Third quarter results were strong with 89.4% total occupancy at September 30, 2006, up 130 basis points from June 30, 2006 and 360 basis points year over year. We continue to grow our development pipeline, breaking ground on a 263,000 square foot industrial building in Atlanta in September. Our total development pipeline is currently a healthy \$418 million and is 49% pre-leased.”*

*“Subsequent to the close of the third quarter, we completed the sale of 95 acres of non-core land in Atlanta for gross proceeds of \$22.5 million, resulting in a net gain of approximately \$7.4 million, or \$0.12 per share. This gain will be reflected in fourth quarter Funds from Operations (“FFO”). We now expect 2006 full-year FFO, as adjusted to exclude impairment on depreciable assets, preferred stock redemption charge and other charges, to be between \$2.42 and \$2.44 per diluted share, compared to our previous FFO guidance of \$2.28 to \$2.42 per diluted share.”*

For the third quarter of 2006, the Company reported net income available for common stockholders of \$4.8 million, or \$0.09 per diluted share. Net income available for common stockholders for the third quarter of 2005 was \$11.9 million, or \$0.22 per diluted share.

For the nine months ended September 30, 2006, net income available for common stockholders was \$14.6 million, or \$0.26 per diluted share, compared to net income available for common stockholders of \$29.1 million, or \$0.54 per diluted share, for the nine months ended September 30, 2005. Net income for both the three and nine months ended September 30, 2005 was positively impacted by significantly higher gains on sales of properties recorded during those periods compared to the same periods of 2006.

(more)

FFO for the third quarter of 2006 was \$32.8 million, or \$0.53 per diluted share, compared to \$29.0 million, or \$0.48 per diluted share, for the third quarter of 2005. For the nine months ended September 30, 2006, FFO was \$101.1 million, or \$1.66 per diluted share, compared to FFO of \$101.5 million, or \$1.68 per diluted share for the first nine months of 2005.

FFO for these periods in both 2006 and 2005 included charges related to impairments on depreciable assets, preferred stock redemption charge and other charges, as noted in the table below:

	3 Months Ended 9/30/06		3 Months Ended 9/30/05	
	(000)	Per Share	(000)	Per Share
FFO, as reported	\$ 32,838	\$ 0.53	\$ 29,003	\$ 0.48
Impairments on depreciable assets	2,600	0.04	4,415	0.07
Preferred stock redemption charge	0	0.00	4,272	0.07
Losses on debt extinguishments	724	0.01	323	0.01
Severance costs – Charlotte sale	0	0.00	254	0.00
FFO as adjusted to exclude these items	<u>\$ 36,162</u>	<u>\$ 0.59(1)</u>	<u>\$ 38,267</u>	<u>\$ 0.63</u>

	9 Months Ended 9/30/06		9 Months Ended 9/30/05	
	(000)	Per Share	(000)	Per Share
FFO, as reported	\$101,145	\$ 1.66	\$101,532	\$ 1.68
Impairments on depreciable assets	2,600	0.04	5,112	0.08
Preferred stock redemption charge	1,803	0.03	4,272	0.07
Losses on debt extinguishments	1,191	0.02	453	0.01
Severance costs – Charlotte sale	0	0.00	567	0.01
FFO as adjusted to exclude these items	<u>\$106,739</u>	<u>\$ 1.76(1)</u>	<u>\$111,936</u>	<u>\$ 1.85</u>

(1) Total per share amounts do not equal the sum of the individual items due to rounding.

Included in 2006 and 2005 third quarter and nine month net income were the following additional items:

	3 Months Ended 9/30/06		3 Months Ended 9/30/05	
	(000)	Per Share	(000)	Per Share
Land sale gains, net of impairments	\$2,103	\$ 0.03	\$ 4,740	\$ 0.08
Lease termination income	\$ 249	\$ 0.00	\$ 709	\$ 0.01
Straight line rental income	\$2,006	\$ 0.03	\$ 1,689	\$ 0.03
Capitalized interest	\$1,701	\$ 0.03	\$ 843	\$ 0.01
Gain on sales of depreciable assets (1)	\$3,712	\$ 0.06	\$16,146	\$ 0.27

	9 Months Ended 9/30/06		9 Months Ended 9/30/05	
	(000)	Per Share	(000)	Per Share
Land sale gains, net of impairments	\$5,069	\$ 0.08	\$ 2,549	\$ 0.04
Lease termination income	\$2,438(2)	\$ 0.04	\$ 5,726	\$ 0.09
Straight line rental income	\$6,191(2)	\$ 0.10	\$ 5,857	\$ 0.10
Capitalized interest	\$3,232	\$ 0.05	\$ 2,159	\$ 0.04
Gain on sales of depreciable assets (1)	\$8,271	\$ 0.14	\$34,015	\$ 0.56

(more)

(1) Gains on sales of depreciable assets are excluded in the calculation of FFO.

- (2) Lease termination income in second quarter 2006 included \$850,000 related to Harborview, a 20% owned consolidated joint venture. Straight line rental income was reduced by \$295,000 to eliminate accrued straight line rent receivables from the same tenant that terminated its lease early. On a net basis after deducting our partner's 80% share in these lease termination effects as financing obligation interest, the contribution to FFO in the nine months ended September 30, 2006 was \$111,000, or less than \$0.002 per share.

### Third Quarter 2006 Operating Highlights

- Second generation leasing activity in Highwoods' portfolio was 1.4 million square feet, including 915,289 square feet of office space, 485,936 square feet of industrial space and 26,472 square feet of retail space.
- Straight-line (GAAP) rental rates for signed office leases increased 4.8% from straight line rental rates under the previous leases, ahead of the Company's 2006 expectations of flat to down 2%. Cash rents for office leases signed in the third quarter declined 4.2%, continuing a steadily improving trend from the first and second quarters of 2006 when cash rents for newly signed office leases declined 6.3% and 5.5%, respectively.
- Office tenant improvements and leasing commissions for signed second generation leases as a percentage of term base rent (netting out free rent) were 10.6% compared to the five-quarter average of 11.7%. On a dollar per square foot basis, tenant improvements and leasing commissions were \$11.08, in line with the Company's 2006 expectations.
- On August 9<sup>th</sup>, the Company announced that its \$350 million, three-year unsecured revolving credit facility was syndicated with a group of 15 banks and upsized to \$450 million. Interest on the new facility, which is scheduled to mature on May 1, 2009, was reduced from LIBOR plus 105 basis points to LIBOR plus 80 basis points.
- Five single-story flex properties in Raleigh encompassing 292,000 square feet were sold for gross proceeds of \$22.8 million and a gain of \$2.8 million.

Mr. Fritsch added, *"We continue to pursue our strategy of disposing of older, non-differentiating assets. For the first nine months of the year, we sold \$177 million of properties at an average cap rate of 7.2% that were, on average, 19 years old. Since January 2005, the Company has sold \$558 million of non-core, non-differentiating properties, using a portion of the proceeds to pay-off \$381 million of high-coupon debt and preferred stock."*

*"Our focus also remains on selling non-core land. From January 2005 through today, we have sold 345 acres in nine markets for gross proceeds of \$58 million, contributing \$0.26 to FFO per diluted share."*

### 2006 Development Activity

The Company's current development pipeline, both wholly-owned and joint ventured, is now \$418 million. Since January 1, 2006, the Company has commenced 12 new developments in nine markets representing \$345 million of value-creating projects that are currently 45% pre-leased.

Mr. Fritsch noted, *"Our development pipeline includes four fully-leased build-to-suit office projects, one of which is for the United States government. Since January 2005, we have commenced \$420 million of development, already exceeding the high-end of our year-end 2007 goal of \$300 million to \$400 million of development starts."*

(more)

## **Funds from Operations Outlook**

Based on year-to-date operational results, a land sale gain of approximately \$7.4 million that closed in October 2006, and a preliminary review of fourth quarter operational activity, the Company now expects 2006 full-year FFO, as adjusted to exclude \$0.10 per diluted share in the aggregate for impairment on depreciable assets, preferred stock redemption charge and other charges, to be between \$2.42 and \$2.44 per diluted share. This estimate continues to reflect management's view of current and future market conditions, including assumptions with respect to rental rates, occupancy levels, operating expenses, land sale gains, asset dispositions and acquisitions and development. This estimate also excludes any future impairment associated with operating property dispositions as well as any unusual or non-recurring credits or charges that may occur in the fourth quarter. Factors that could cause actual results to differ materially from Highwoods' current expectations are discussed below and are also detailed in the Company's 2005 Annual Report on Form 10-K.

## **SEC Update**

The Company noted there has been no change in the status of the formal investigation by the SEC.

## **Supplemental Information**

A copy of the Company's third quarter 2006 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 919-431-1521/ 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 Friday, November 3, 2006 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 (888) 202-5268 and international callers dial (706) 643-7509. A live listen-only Web cast can be accessed through the Company's Web site at [www.highwoods.com](http://www.highwoods.com) under the "Investor Relations" section.

Telephone, Web and Pod cast replays will be available two hours after the completion of the call. The telephone replay will be available for one week beginning at 2:00 p.m. Eastern time. Dial-in numbers for the replay are (800) 642-1687 US/Canada, (706) 645-9291 international. The conference ID is 8305164.

## **Non-GAAP Information**

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.

(more)



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 the National Association of Real Estate Investment Trusts is 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 are redeemable on a one-for-one basis for shares of the Company's common stock.

### **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 September 30, 2006, the Company owned or had an interest in 414 in-service office, industrial and retail properties encompassing approximately 34.9 million square feet. Highwoods also owns 798 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, 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 2006 operational results and the related assumptions underlying our expected operational results, are forward-looking statements within the meaning of the federal securities laws. These statements are distinguished by use of the words "will", "expect", "intends" and words of similar meaning. Although Highwoods believes that the expectations reflected in such forward-looking statements are based upon reasonable assumptions, it can give no assurance that its expectations will be achieved.

(more)

Factors that could cause actual results to differ materially from Highwoods' current expectations include, among others, the following: the financial condition of our customers could deteriorate; unwaived defaults, if any, under our debt instruments could result in an acceleration of some of our outstanding debt; speculative development by others could result in excessive supply of office properties relative to customer demand; we may not be able to lease or re-lease space quickly or on as favorable terms as old leases; unexpected difficulties in obtaining additional capital to satisfy our future cash needs or unexpected increases in interest rates would increase our debt service costs; and others detailed in the Company's 2005 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 September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
<b>Rental and other revenues</b>	\$106,291	\$100,051	\$313,933	\$300,970
<b>Operating expenses:</b>				
Rental property and other expenses	40,086	37,005	114,592	105,456
Depreciation and amortization	29,056	27,666	86,565	84,350
Impairment of assets held for use	2,600	4,415	2,600	7,587
General and administrative	8,546	7,513	26,298	23,859
Total operating expenses	<u>80,288</u>	<u>76,599</u>	<u>230,055</u>	<u>221,252</u>
<b>Interest expense:</b>				
Contractual	23,809	24,239	71,855	74,032
Amortization of deferred financing costs	557	823	1,883	2,508
Financing obligations	850	1,073	3,190	4,118
	<u>25,216</u>	<u>26,135</u>	<u>76,928</u>	<u>80,658</u>
<b>Other income/(expense):</b>				
Interest and other income	1,189	2,119	4,336	5,453
Loss on debt extinguishments	—	(323)	(467)	(453)
	<u>1,189</u>	<u>1,796</u>	<u>3,869</u>	<u>5,000</u>
<b>Income/(loss) before disposition of property, minority interest and equity in earnings of unconsolidated affiliates</b>	1,976	(887)	10,819	4,060
Gains on disposition of property	2,977	9,693	8,295	11,479
Minority interest	(292)	63	(1,272)	398
Equity in earnings of unconsolidated affiliates	1,342	2,060	5,349	6,964
<b>Income from continuing operations</b>	6,003	10,929	23,191	22,901
Discontinued operations:				
Income from discontinued operations, net of minority interest	311	1,800	1,499	7,693
Net gains and (impairments) on sales of discontinued operations, net of minority interest	2,595	10,142	4,638	24,865
	<u>2,906</u>	<u>11,942</u>	<u>6,137</u>	<u>32,558</u>
<b>Net income</b>	8,909	22,871	29,328	55,459
Dividends on preferred stock	(4,113)	(6,699)	(12,950)	(22,125)
Excess of preferred stock redemption cost over carrying value	—	(4,272)	(1,803)	(4,272)
<b>Net income available for common stockholders</b>	<u>\$ 4,796</u>	<u>\$ 11,900</u>	<u>\$ 14,575</u>	<u>\$ 29,062</u>
<b>Net income per common share - basic:</b>				
Income/(loss) from continuing operations	\$ 0.04	\$ —	\$ 0.16	\$ (0.07)
Income from discontinued operations	0.05	0.22	0.11	0.61
Net Income	<u>\$ 0.09</u>	<u>\$ 0.22</u>	<u>\$ 0.27</u>	<u>\$ 0.54</u>
Weighted average common shares outstanding - basic	<u>54,470</u>	<u>53,768</u>	<u>54,069</u>	<u>53,725</u>
<b>Net Income per common share - diluted:</b>				
Income/(loss) from continuing operations	\$ 0.04	\$ —	\$ 0.15	\$ (0.07)
Income from discontinued operations	0.05	0.22	0.11	0.61
Net income	<u>\$ 0.09</u>	<u>\$ 0.22</u>	<u>\$ 0.26</u>	<u>\$ 0.54</u>
Weighted average common shares outstanding - diluted	<u>61,457</u>	<u>53,768</u>	<u>60,786</u>	<u>53,725</u>

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

	September 30,	December 31,
	2006	2005
<b>Assets:</b>		
Real estate assets, at cost:		
Land	\$ 347,426	\$ 341,509
Buildings and tenant improvements	2,567,469	2,510,968
Development in process	80,943	19,434
Land held for development	118,036	134,844
Furniture, fixtures and equipment	23,706	22,467
	3,137,580	3,029,222
Less-accumulated depreciation	(606,633)	(561,558)
Net real estate assets	2,530,947	2,467,664
Real estate and other assets, net, held for sale	46,952	187,770
Cash and cash equivalents	7,524	1,212
Restricted cash	2,138	16,223
Accounts receivable, net	21,759	24,201
Notes receivable, net	8,125	9,232
Accrued straight-line rents receivable, net	67,081	60,729
Investments in unconsolidated affiliates	61,795	69,247
Deferred financing and leasing costs, net	65,085	59,374
Prepaid expenses and other	16,300	13,326
Total Assets	<u>\$2,827,706</u>	<u>\$2,908,978</u>
<b>Liabilities, Minority Interest and Stockholders' Equity:</b>		
Mortgages and notes payable	\$1,461,105	\$1,471,616
Accounts payable, accrued expenses and other liabilities	141,718	127,455
Financing obligations	36,098	34,154
Total Liabilities	1,638,921	1,633,225
Minority interest	84,252	94,134
Stockholders' Equity:		
Preferred stock	197,445	247,445
Common stock	556	540
Additional paid-in capital	1,442,759	1,419,683
Distributions in excess of net earnings	(534,546)	(479,901)
Accumulated other comprehensive loss	(1,681)	(2,212)
Deferred compensation	—	(3,936)
Total Stockholders' Equity	<u>1,104,533</u>	<u>1,181,619</u>
Total Liabilities, Minority Interest and Stockholders' Equity	<u>\$2,827,706</u>	<u>\$2,908,978</u>

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
<b>Funds from operations:</b>				
Net income	\$ 8,909	\$ 22,871	\$ 29,328	\$ 55,459
Dividends to preferred stockholders	(4,113)	(6,699)	(12,950)	(22,125)
Excess of preferred stock redemption cost over carrying value	—	(4,272)	(1,803)	(4,272)
<b>Net income applicable to common stockholders</b>	<b>4,796</b>	<b>11,900</b>	<b>14,575</b>	<b>29,062</b>
Add/(deduct):				
Depreciation and amortization of real estate assets	28,295	27,020	84,226	82,323
(Gain) on disposition of depreciable real estate assets	(874)	(4,953)	(3,226)	(5,758)
Minority interest from the Operating Partnership in income/(loss) from operations	175	(63)	826	(398)
Unconsolidated affiliates:				
Depreciation and amortization of real estate assets	2,790	2,779	8,143	8,047
Discontinued operations:				
Depreciation and amortization of real estate assets	221	2,276	1,090	12,986
(Gain) on sale	(2,838)	(11,193)	(5,045)	(28,257)
Minority interest from the Operating Partnership in income from discontinued operations	273	1,237	556	3,527
<b>Funds from operations</b>	<b>\$32,838</b>	<b>\$ 29,003</b>	<b>\$101,145</b>	<b>\$101,532</b>
<b>Funds from operations per share - diluted:</b>				
Net income applicable to common shares	\$ 0.09	\$ 0.22	\$ 0.26	\$ 0.54
Add/(deduct):				
Depreciation and amortization of real estate assets	0.46	0.44	1.39	1.36
(Gain) on disposition of depreciable real estate assets	(0.01)	(0.08)	(0.05)	(0.10)
Unconsolidated affiliates:				
Depreciation and amortization of real estate assets	0.04	0.05	0.13	0.13
Discontinued operations:				
Depreciation and amortization of real estate assets	—	0.04	0.02	0.22
(Gain) on sale	(0.05)	(0.19)	(0.09)	(0.47)
<b>Funds from operations</b>	<b>\$ 0.53</b>	<b>\$ 0.48</b>	<b>\$ 1.66</b>	<b>\$ 1.68</b>
<b>Weighted average shares outstanding - diluted</b>	<b>61,457</b>	<b>60,486</b>	<b>60,786</b>	<b>60,358</b>



Supplemental Information  
September 30, 2006

**Supplemental Information**  
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The information within refers to all Highwoods Properties' wholly-owned entities, except pages 29 to 35, unless noted otherwise.

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 the other risks detailed from time to time in the Company's SEC reports.

## Summary

Amounts in thousands, except per share amounts and ratios

	Three Months Ended				
	09/30/06	06/30/06	03/31/06	12/31/05	09/30/05
<b>Shares and Units:</b>					
Common shares outstanding at end of period	55,635	54,131	54,151	54,029	54,030
Common units outstanding at end of period	5,014	5,234	5,401	5,450	5,493
Weighted average common shares outstanding - basic	54,470	53,879	53,813	53,774	53,768
Weighted average common shares outstanding - diluted	61,457	60,387	60,588	60,125	60,486
<b>Share price:</b>					
At end of period	\$ 37.21	\$ 36.18	\$ 33.73	\$ 28.45	\$ 29.51
High close during period	38.15	36.18	34.77	29.74	31.75
Low close during period	35.39	29.56	29.20	27.15	28.82
<b>Financial information:</b>					
Land sale gains, net of (impairments)	\$ 2,103	\$ (74)	\$ 3,040	\$ 759	\$ 4,740
Lease termination income	249	1,304	885	485	709
Straight line rental income	2,006	1,664	2,521	1,639	1,689
Capitalized interest	1,701	930	601	740	843
Impairments on depreciable properties	2,600	—	—	7,677	4,415
Gain on sale of depreciable properties	3,712	1,395	3,164	7,805	16,146
Total debt/ total assets 2/	52.9%	53.2%	52.7%	51.8%	50.8%
Total debt/ total market capitalization 2/	37.9%	39.1%	40.2%	43.7%	42.4%
<b>Funds from operations per share - diluted</b>	<b>\$ 0.53</b>	<b>\$ 0.54</b>	<b>\$ 0.59</b>	<b>\$ 0.43</b>	<b>\$ 0.48</b>
<b>Funds from operations per share - diluted, excluding certain items 1/</b>	<b>\$ 0.59</b>	<b>\$ 0.55</b>	<b>\$ 0.62</b>	<b>\$ 0.56</b>	<b>\$ 0.63</b>
<b>Wholly - owned property information:</b>					
<b>In-Service rentable square feet:</b>					
Office	19,507	19,704	19,691	21,412	21,432
Industrial	6,605	6,706	6,706	6,977	6,977
Retail	1,431	1,408	1,408	1,416	1,417
Total	<u>27,543</u>	<u>27,818</u>	<u>27,805</u>	<u>29,805</u>	<u>29,826</u>
<b>In-Service occupancy:</b>					
Office	88.1%	87.1%	87.1%	87.5%	85.0%
Industrial	91.8%	89.5%	88.0%	92.4%	86.2%
Retail	96.2%	95.3%	95.7%	97.5%	96.4%
Total	<u>89.4%</u>	<u>88.1%</u>	<u>87.7%</u>	<u>89.1%</u>	<u>85.8%</u>

1/ Excludes impairments on depreciable assets, losses on debt extinguishments, severance costs and preferred stock redemption charges

2/ Includes financing obligations



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## Corporate Information

### **Board of Directors**

Thomas W. Adler  
Gene H. Anderson  
Kay N. Callison  
Edward J. Fritsch  
Lawrence S. Kaplan  
Sherry Kellett  
L. Glenn Orr Jr.  
O. Temple Sloan Jr., Chairman  
F. William Vandiver, Jr.

### **Corporate Officers**

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

President, Chief Executive Officer and Director

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

Executive Vice President and Chief Operating Officer

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

Vice President, Chief Financial Officer

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

Treasurer

#### **Julie M. Kelly**

Vice President, Compliance and Internal Audit

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

Vice President, Investments

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

Chief Information Officer and

Vice President, Strategy

#### **Mack D. Pridgen III**

Vice President, General Counsel and  
Secretary

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

Vice President, Investor Relations and  
Corporate Communications

### **Research Coverage**

#### **Credit Suisse - North America**

John Stewart - 212-538-3183

#### **Deutsche Banc Securities**

Lou Taylor - 212-469-4912

#### **Green Street Advisors**

Jim Sullivan - 949-640-8780

#### **Morgan Stanley Dean Witter**

David Cohen - 212-761-8564

#### **Smith Barney Citigroup**

Jonathan Litt - 212-816-0231

#### **Stifel Nicolaus**

John Guinee - 410-454-5520

#### **Wachovia Securities**

Chris Haley - 443-263-6773

Highwoods Properties, Inc.

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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

*Mark W. Shumaker, Vice President*

#### **Orlando/Tampa**

Michael F. Beale - Senior Vice President

Orlando, FL

*Michael F. Beale, Senior Vice President*

Tampa, FL

*Dan Woodward, Vice President*

#### **Raleigh**

Raleigh, NC

*Thomas "Skip" Hill, Vice President*

#### **Richmond**

Richmond, VA

*Paul W. Kreckman, Vice President*

#### **Nashville/Memphis/Columbia/Greenville**

W. Brian Reames - Senior Vice President

Nashville, TN; Columbia, SC; and Greenville, SC

*W. Brian Reames, Senior Vice President*

Memphis, TN

*Steven L. Guinn, Vice President*

#### **Kansas City**

Kansas City, MO

*Barrett Brady, Senior Vice President*

### **Corporate Headquarters**

Highwoods Properties, Inc.

3100 Smoketree Court, Suite 600

Raleigh, NC 27604

919-872-4924

### **Stock Exchange**

NYSE Trading Symbol: HIW

### **Investor Relations Contact**

Tabitha Zane

Vice President, Investor Relations and Corporate Communications

Phone: 919-431-1529

Fax: 919-431-1439

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: 919-431-1521

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 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 September 30, 2006, the Company owned or had an interest in 414 in-service office, industrial and retail properties encompassing approximately 34.9 million square feet. Highwoods also owns 798 acres of development land. Highwoods is based in Raleigh, North Carolina, and its properties and development land are located in Florida, Georgia, Iowa, Kansas, Maryland, Missouri, North Carolina, South Carolina, Tennessee and Virginia. For more information about Highwoods Properties, please visit our Web site at [www.highwoods.com](http://www.highwoods.com).



# Consolidated Statements of Income

Amounts in thousands, except per share amounts

	Nine Months Ended		Three Months Ended				
	09/30/06	09/30/05	09/30/06	06/30/06	03/31/06	12/31/05	09/30/05
<b>Rental and other revenues</b>	<b>\$313,933</b>	<b>\$300,970</b>	<b>\$106,291</b>	<b>\$104,663</b>	<b>\$102,979</b>	<b>\$102,665</b>	<b>\$100,051</b>
<b>Operating expenses:</b>							
Rental property and other expenses	114,592	105,456	40,086	37,623	36,883	39,100	37,005
Depreciation and amortization	86,565	84,350	29,056	29,221	28,288	27,783	27,666
Impairment of assets held for use	2,600	7,587	2,600	—	—	—	4,415
General and administrative	26,298	23,859	8,546	9,060	8,692	9,204	7,513
Total operating expenses	230,055	221,252	80,288	75,904	73,863	76,087	76,599
<b>Interest expense:</b>							
Contractual	71,855	74,032	23,809	24,236	23,810	24,645	24,239
Amortization of deferred financing costs	1,883	2,508	557	582	744	864	823
Financing obligations	3,190	4,118	850	1,398	942	914	1,073
	76,928	80,658	25,216	26,216	25,496	26,423	26,135
<b>Other income/(expense):</b>							
Interest and other income	4,336	5,453	1,189	1,160	1,987	1,638	2,119
Loss on debt extinguishment	(467)	(453)	—	(467)	—	—	(323)
	3,869	5,000	1,189	693	1,987	1,638	1,796
<b>Income/(loss) before disposition of property, minority interest and equity in earnings of unconsolidated affiliates</b>	<b>10,819</b>	<b>4,060</b>	<b>1,976</b>	<b>3,236</b>	<b>5,607</b>	<b>1,793</b>	<b>(887)</b>
Gains on disposition of property	8,295	11,479	2,977	1,008	4,310	2,693	9,693
Minority interest	(1,272)	398	(292)	(399)	(581)	(122)	63
Equity in earnings of unconsolidated affiliates	5,349	6,964	1,342	1,924	2,083	2,339	2,060
<b>Income from continuing operations</b>	<b>23,191</b>	<b>22,901</b>	<b>6,003</b>	<b>5,769</b>	<b>11,419</b>	<b>6,703</b>	<b>10,929</b>
Discontinued operations:							
Income from discontinued operations, net of minority interest	1,499	7,693	311	219	969	1,935	1,800
Net gains and (impairments) on sales of discontinued operations, net of minority interest	4,638	24,865	2,595	285	1,758	(1,639)	10,142
	6,137	32,558	2,906	504	2,727	296	11,942
<b>Net income</b>	<b>29,328</b>	<b>55,459</b>	<b>8,909</b>	<b>6,273</b>	<b>14,146</b>	<b>6,999</b>	<b>22,871</b>
Dividends on preferred stock	(12,950)	(22,125)	(4,113)	(4,113)	(4,724)	(5,113)	(6,699)
Excess of preferred stock redemption cost over carrying value	(1,803)	(4,272)	—	—	(1,803)	—	(4,272)
<b>Net income available for common stockholders</b>	<b>\$ 14,575</b>	<b>\$ 29,062</b>	<b>\$ 4,796</b>	<b>\$ 2,160</b>	<b>\$ 7,619</b>	<b>\$ 1,886</b>	<b>\$ 11,900</b>
<b>Net income per common share - diluted:</b>							
Income/(loss) from continuing operations	\$ 0.15	\$ (0.07)	\$ 0.04	\$ 0.03	\$ 0.09	\$ 0.03	\$ —
Income from discontinued operations	\$ 0.11	\$ 0.61	\$ 0.05	\$ 0.01	\$ 0.05	\$ —	\$ 0.22
Net income	\$ 0.26	\$ 0.54	\$ 0.09	\$ 0.04	\$ 0.14	\$ 0.03	\$ 0.22
Weighted average common shares outstanding - diluted	60,786	53,725	61,457	60,387	60,588	60,125	53,768
Dividends declared per common share	\$ 1.275	\$ 1.275	\$ 0.425	\$ 0.425	\$ 0.425	\$ 0.425	\$ 0.425

# Statement of Funds from Operations and Additional Information

Amounts in thousands, except per share amounts

	Nine Months Ended		Three Months Ended				
	09/30/06	09/30/05	09/30/06	06/30/06	03/31/06	12/31/05	09/30/05
<b>Funds from operations:</b>							
Net income	\$ 29,328	\$ 55,459	\$ 8,909	\$ 6,273	\$14,146	\$ 6,999	\$ 22,871
Dividends to preferred stockholders	(12,950)	(22,125)	(4,113)	(4,113)	(4,724)	(5,113)	(6,699)
Excess of preferred stock redemption cost over carrying value	(1,803)	(4,272)	—	—	(1,803)	—	(4,272)
Net income applicable to common stockholders	14,575	29,062	4,796	2,160	7,619	1,886	11,900
Add/(Deduct):							
Depreciation and amortization of real estate assets	84,226	82,323	28,295	28,479	27,452	27,176	27,020
(Gain) on disposition of depreciable real estate assets	(3,226)	(5,758)	(874)	(1,082)	(1,270)	(1,934)	(4,953)
Minority interest from the Operating Partnership in income/(loss) from operations	826	(398)	175	161	490	122	(63)
Unconsolidated affiliates:							
Depreciation and amortization of real estate assets	8,143	8,047	2,790	2,678	2,675	2,942	2,779
Discontinued operations:							
Depreciation and amortization of real estate assets	1,090	12,986	221	407	462	1,338	2,276
(Gain) on sale	(5,045)	(28,257)	(2,838)	(313)	(1,894)	(5,871)	(11,193)
Minority interest from the Operating Partnership in income from discontinued operations	556	3,527	273	49	234	30	1,237
Funds from operations	<u>\$101,145</u>	<u>\$101,532</u>	<u>\$32,838</u>	<u>\$32,539</u>	<u>\$35,768</u>	<u>\$25,689</u>	<u>\$ 29,003</u>
<b>Funds from operations per share - diluted</b>							
Net income applicable to common shares	\$ 0.26	\$ 0.54	\$ 0.09	\$ 0.04	\$ 0.14	\$ 0.03	\$ 0.22
Add/(Deduct):							
Depreciation and amortization of real estate assets	1.39	1.36	0.46	0.47	0.45	0.45	0.44
Gains on disposition of depreciable real estate assets	(0.05)	(0.10)	(0.01)	(0.02)	(0.02)	(0.03)	(0.08)
Unconsolidated affiliates:							
Depreciation and amortization of real estate assets	0.13	0.13	0.04	0.05	0.04	0.05	0.05
Discontinued operations:							
Depreciation and amortization of real estate assets	0.02	0.22	—	0.01	0.01	0.02	0.04
Gain on sale	(0.09)	(0.47)	(0.05)	(0.01)	(0.03)	(0.09)	(0.19)
Funds from operations	<u>\$ 1.66</u>	<u>\$ 1.68</u>	<u>\$ 0.53</u>	<u>\$ 0.54</u>	<u>\$ 0.59</u>	<u>\$ 0.43</u>	<u>\$ 0.48</u>
Weighted average shares outstanding - diluted	<u>60,786</u>	<u>60,358</u>	<u>61,457</u>	<u>60,387</u>	<u>60,588</u>	<u>60,125</u>	<u>60,486</u>
<b>Additional information: 1/</b>							
Funds from operations, excluding certain items 2/	<u>\$106,739</u>	<u>\$111,936</u>	<u>\$36,162</u>	<u>\$33,006</u>	<u>\$37,571</u>	<u>\$33,869</u>	<u>\$ 38,267</u>
Straight line rental income	\$ (6,191)						
Amortization of lease incentives	623						
Depreciation of non-real estate assets	1,811						
Amortization of stock-based compensation	2,933						
Amortization of deferred financing costs	1,883						
Non-incremental revenue generating capital expenditures paid:							
Building improvements	(14,120)						
2nd generation tenant improvements	(26,599)						
2nd generation lease commissions	(14,234)						
Common dividends and unit distributions paid	(75,916)						

1/ Increase or (decrease) to cash flows

2/ Excludes impairments on depreciable assets, losses on debt extinguishments, severance costs and preferred stock redemption charges

# Consolidated Balance Sheets

Dollars in thousands

	09/30/06	12/31/05
<b>Assets:</b>		
Real estate assets, at cost:		
Land	\$ 347,426	\$ 341,509
Buildings and tenant improvements	2,567,469	2,510,968
Development in process	80,943	19,434
Land held for development	118,036	134,844
Furniture, fixtures and equipment	23,706	22,467
	<u>3,137,580</u>	<u>3,029,222</u>
Less-accumulated depreciation	(606,633)	(561,558)
Net real estate assets	<u>2,530,947</u>	<u>2,467,664</u>
Real estate and other assets, net, held for sale	46,952	187,770
Cash and cash equivalents	7,524	1,212
Restricted cash	2,138	16,223
Accounts receivable, net	21,759	24,201
Notes receivable, net	8,125	9,232
Accrued straight-line rents receivable, net	67,081	60,729
Investment in unconsolidated affiliates	61,795	69,247
Deferred financing and leasing costs, net	65,085	59,374
Prepaid expenses and other	16,300	13,326
Total Assets	<u>\$2,827,706</u>	<u>\$2,908,978</u>
<b>Liabilities, Minority Interest and Stockholders' Equity:</b>		
Mortgages and notes payable	\$1,461,105	\$1,471,616
Accounts payable, accrued expenses and other liabilities	141,718	127,455
Financing obligations	36,098	34,154
Total Liabilities	<u>1,638,921</u>	<u>1,633,225</u>
Minority interest	84,252	94,134
Stockholders' Equity:		
Preferred stock	197,445	247,445
Common stock	556	540
Additional paid-in capital	1,442,759	1,419,683
Distributions in excess of net earnings	(534,546)	(479,901)
Accumulated other comprehensive loss	(1,681)	(2,212)
Deferred compensation	—	(3,936)
Total Stockholders' Equity	<u>1,104,533</u>	<u>1,181,619</u>
Total Liabilities, Minority Interest and Stockholders' Equity	<u>\$2,827,706</u>	<u>\$2,908,978</u>

**Estimated Net Asset Value  
September 30, 2006**

*Dollars in thousands, except per share amounts*

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

<b>NOI Cap Rates:</b>			
Office	7.25%	7.50%	7.75%
Retail	5.75%	6.00%	6.25%
Industrial/Other	7.50%	7.75%	8.00%
<b>Weighted average</b>	<b>7.08%</b>	<b>7.33%</b>	<b>7.58%</b>
<b>Consolidated Properties YTD Net Operating Income 1/</b>			
Office	\$ 156,389	\$ 156,389	\$ 156,389
Retail	19,875	19,875	19,875
Industrial/Other	16,267	16,267	16,267
Total Net Operating Income	\$ 192,531	\$ 192,531	\$ 192,531
<b>Consolidated Properties YTD Net Operating Income Annualized</b>			
Office	\$ 208,519	\$ 208,519	\$ 208,519
Retail	26,500	26,500	26,500
Industrial/Other	21,689	21,689	21,689
Total Net Operating Income	\$ 256,708	\$ 256,708	\$ 256,708
<b>Consolidated Properties Capitalized Value</b>			
Office	\$2,876,120	\$2,780,249	\$2,690,563
Retail	460,870	441,667	424,000
Industrial/Other	289,191	279,862	271,117
Total Capitalized Value - wholly owned properties	<u>\$3,626,180</u>	<u>\$3,501,778</u>	<u>\$3,385,680</u>
<b>Highwoods' Share of Joint Ventures</b>			
Net Operating Income YTD	\$ 24,001	\$ 24,001	\$ 24,001
Net Operating Income Annualized	\$ 32,001	\$ 32,001	\$ 32,001
Capitalization Rates	7.25%	7.50%	7.75%
Capitalized Value - joint venture interests	<u>\$ 441,398</u>	<u>\$ 426,684</u>	<u>\$ 412,920</u>
<b>Total In-Service Property Value</b>	<b><u>\$4,067,578</u></b>	<b><u>\$3,928,462</u></b>	<b><u>\$3,798,601</u></b>
<b>Value of Other income</b>			
Annualized Development, Leasing and Management Fees	\$ 5,435	\$ 5,435	\$ 5,435
Capitalization Rate	20%	20%	20%
Value of Other income	<u>\$ 27,173</u>	<u>\$ 27,173</u>	<u>\$ 27,173</u>
<b>Add Other assets:</b>			
Development pipeline investment at 125% of Cost	\$ 146,567	\$ 146,567	\$ 146,567
Low occupancy assets at NBV 2/	61,535	61,535	61,535
Property held for sale at net sales price	75,454	75,454	75,454
Land held for development at market value	150,346	150,346	150,346
Cash and cash equivalents	7,524	7,524	7,524
Restricted cash	2,138	2,138	2,138
Accounts receivable, net	21,759	21,759	21,759
Notes receivable and prepaid expenses	24,425	24,425	24,425
Other assets total	<u>\$ 489,748</u>	<u>\$ 489,748</u>	<u>\$ 489,748</u>
<b>Gross Value of Assets</b>	<b><u>\$4,584,499</u></b>	<b><u>\$4,445,384</u></b>	<b><u>\$4,315,522</u></b>
<b>Deductions:</b>			
Total liabilities	\$ 141,718	\$ 141,718	\$ 141,718
Mortgages and notes payable, at estimated fair value	1,515,882	1,515,882	1,515,882
Preferred stock, at redemption value	197,445	197,445	197,445
Partner's Interest in Markel, Vinings and Harborview 3/	47,794	44,944	42,278
Highwoods' share of joint ventures liabilities	255,107	255,107	255,107
<b>Estimated Net Asset Value</b>	<b><u>\$2,426,553</u></b>	<b><u>\$2,290,288</u></b>	<b><u>\$2,163,093</u></b>
Total diluted common shares and operating units	61,457	61,457	61,457
<b>Estimated Net Asset Value Per Share</b>	<b><u>\$ 39.48</u></b>	<b><u>\$ 37.27</u></b>	<b><u>\$ 35.20</u></b>

1/ NOI excludes straight line income, lease termination fee income, and NOI related to completed not stabilized developments.

2/ Consolidated Properties NOI is adjusted to eliminate the net NOI for certain low occupancy properties for which a NOI capitalization approach is not appropriate. For those low occupancy assets, their net book value (after depreciation) is added as an estimate of their current valuation.

3/     *This adjustment is to eliminate the partners' proportionate share of the estimated net equity after debt related to these consolidated joint ventures.*



## Components of Discontinued Operations

Dollars in thousands

	<i>Nine Months Ended</i>		<i>Three Months Ended</i>				
	<u>09/30/06</u>	<u>09/30/05</u>	<u>09/30/06</u>	<u>06/30/06</u>	<u>03/31/06</u>	<u>12/31/05</u>	<u>09/30/05</u>
<b>Rental and other revenues</b>	<b>\$5,227</b>	<b>\$40,375</b>	<b>\$1,558</b>	<b>\$1,187</b>	<b>\$2,482</b>	<b>\$ 6,678</b>	<b>\$ 8,717</b>
<b>Operating expenses:</b>							
Rental property and other expenses	<b>1,950</b>	17,078	<b>647</b>	445	858	3,099	3,962
Depreciation and amortization	<b>1,090</b>	12,986	<b>221</b>	407	462	1,338	2,276
General and administrative	<b>75</b>	849	<b>75</b>	—	—	10	298
Total operating expenses	<b>3,115</b>	30,913	<b>943</b>	852	1,320	4,447	6,536
<b>Interest expense</b>	<b>482</b>	1,072	<b>277</b>	102	103	146	251
<b>Other income</b>	<b>18</b>	135	<b>3</b>	7	8	47	56
<b>Income before minority interest in the Operating Partnership and net gains on sale and (impairment) of discontinued operations</b>	<b>1,648</b>	8,525	<b>341</b>	240	1,067	2,132	1,986
Minority interest in discontinued operations	<b>(149)</b>	(832)	<b>(30)</b>	(21)	(98)	(197)	(186)
<b>Income from discontinued operations, net of minority interest in the Operating Partnership</b>	<b>1,499</b>	7,693	<b>311</b>	219	969	1,935	1,800
Net gains on sale and (impairment) of discontinued operations	<b>5,045</b>	27,560	<b>2,838</b>	313	1,894	(1,806)	11,193
Minority interest in discontinued operations	<b>(407)</b>	(2,695)	<b>(243)</b>	(28)	(136)	167	(1,051)
<b>Net gains on sale and (impairment) of discontinued operations, net of minority interest in the Operating Partnership</b>	<b>4,638</b>	24,865	<b>2,595</b>	285	1,758	(1,639)	10,142
<b>Total discontinued operations</b>	<b>\$6,137</b>	<b>\$32,558</b>	<b>\$2,906</b>	<b>\$ 504</b>	<b>\$2,727</b>	<b>\$ 296</b>	<b>\$11,942</b>

## Capitalization

*Dollars, shares, and units in thousands*

	09/30/06	06/30/06	03/31/06	12/31/05	09/30/05
<b>Long-Term Debt (see pages 7 &amp; 8):</b>	<b>\$1,461,105</b>	\$1,466,839	\$1,450,251	\$1,471,616	\$1,441,081
<b>Financing Obligations:</b>	<b>\$ 36,098</b>	\$ 36,002	\$ 34,282	\$ 34,154	\$ 34,952
<b>Preferred Stock (at redemption value):</b>					
Series A 8 5/8% Perpetual Preferred Stock	\$ 104,945	\$ 104,945	\$ 104,945	\$ 104,945	\$ 104,945
Series B 8% Perpetual Preferred Stock	92,500	92,500	92,500	142,500	142,500
Total preferred stock	<u>\$ 197,445</u>	<u>\$ 197,445</u>	<u>\$ 197,445</u>	<u>\$ 247,445</u>	<u>\$ 247,445</u>
<b>Common Shares and Units Outstanding:</b>					
Common stock outstanding	55,635	54,131	54,142	54,029	54,030
Minority interest partnership units	5,014	5,234	5,401	5,450	5,493
Total common shares and units outstanding	<u>60,649</u>	<u>59,365</u>	<u>59,543</u>	<u>59,479</u>	<u>59,523</u>
Stock price at period end	\$ 37.21	\$ 36.18	\$ 33.73	\$ 28.45	\$ 29.51
Market value of common equity	<u>\$2,256,749</u>	<u>\$2,147,826</u>	<u>\$2,008,385</u>	<u>\$1,692,178</u>	<u>\$1,756,524</u>
Total market capitalization with debt and obligations	<u><u>\$3,951,397</u></u>	<u><u>\$3,848,112</u></u>	<u><u>\$3,690,363</u></u>	<u><u>\$3,445,393</u></u>	<u><u>\$3,480,002</u></u>

*See pages 29 to 35 for information regarding Highwoods' Joint Ventures*

## Long-Term Debt Summary

Dollars in thousands

	09/30/06	06/30/06	03/31/06	12/31/05	09/30/05
<b>Balances Outstanding:</b>					
<b>Secured:</b>					
Conventional fixed rate 1/	\$ 691,662	\$ 695,832	\$ 699,951	\$ 667,137	\$ 676,855
Variable rate debt 2/	12,943	13,007	12,302	53,978	46,226
Secured total	<u>704,605</u>	<u>708,839</u>	<u>712,253</u>	<u>721,115</u>	<u>723,081</u>
<b>Unsecured:</b>					
Fixed rate bonds and notes	460,000	460,000	460,000	460,000	460,000
Variable rate debt	—	—	100,000	100,000	100,000
Credit facility	296,500	298,000	178,000	190,500	158,000
Unsecured total	<u>756,500</u>	<u>758,000</u>	<u>738,000</u>	<u>750,500</u>	<u>718,000</u>
Total	<u><u>\$1,461,105</u></u>	<u><u>\$1,466,839</u></u>	<u><u>\$1,450,253</u></u>	<u><u>\$1,471,615</u></u>	<u><u>\$1,441,081</u></u>
<b>Average Interest Rates:</b>					
<b>Secured:</b>					
Conventional fixed rate	6.9%	6.9%	6.9%	7.0%	7.0%
Variable rate debt	5.9%	5.8%	5.4%	5.5%	5.0%
Secured total	<u>6.9%</u>	<u>6.9%</u>	<u>6.9%</u>	<u>6.9%</u>	<u>6.9%</u>
<b>Unsecured:</b>					
Fixed rate bonds	7.4%	7.4%	7.4%	7.4%	7.4%
Variable rate debt	—	—	5.8%	5.4%	5.4%
Credit facility	6.2%	6.0%	5.8%	5.4%	4.9%
Unsecured total	<u>6.9%</u>	<u>6.8%</u>	<u>6.8%</u>	<u>6.6%</u>	<u>6.5%</u>
Average	<u><u>6.9%</u></u>	<u><u>6.9%</u></u>	<u><u>6.8%</u></u>	<u><u>6.7%</u></u>	<u><u>6.7%</u></u>

### Maturity Schedule:

Year	Future Maturities of Debt			Average Interest Rate
	Secured Debt 3/	Unsecured Debt	Total Debt 3/	
2006	\$ —	\$ 110,000	\$ 110,000	7.0%
2007	79,963	—	79,963	7.9%
2008	—	100,000	100,000	7.1%
2009 4/	151,545	346,500	498,045	6.9%
2010	133,039	—	133,039	7.8%
2011	—	—	—	—
2012	22,800	—	22,800	6.1%
2013	273,971	—	273,971	5.9%
2014	38,291	—	38,291	5.8%
2015	—	—	—	—
Thereafter	4,996	200,000	204,996	7.5%
Total maturities	<u>\$ 704,605</u>	<u>\$ 756,500</u>	<u>\$1,461,105</u>	<u>6.9%</u>

Weighted average maturity = 4.75 years

1/ Includes a \$22.8 million loan related to a consolidated 20% owned joint venture (Harborview) and \$38.3 million in loans at September 30, 2006 related to a consolidated 50% joint venture (Markel)

2/ Includes a \$9.7 million construction loan at September 30, 2006 related to a consolidated 50% owned joint venture (Vinings).

3/ All periods exclude annual principal amortization.

4/ The \$346.5 million of unsecured debt maturities includes \$296.5 million related to the credit facility which matures in 2009 (excludes one-year extension option).

## Long-Term Debt Detail

*Dollars in thousands*

### Secured Loans

<u>Lender</u>	<u>Rate</u>	<u>Maturity Date</u>	<u>Loan Balance 09/30/06</u>	<u>Undepreciated Book Value of Assets Secured</u>
Monumental Life Ins. Co.	7.8%	Nov-09	\$ 145,634	\$ 201,381
Northwestern Mutual	6.0%	Mar-13	138,349	171,126
Northwestern Mutual	7.8%	Nov-10	133,039	288,911
Massachusetts Mutual Life Ins. Co. 1/	5.7%	Dec-13	123,826	194,310
Northwestern Mutual	8.2%	Feb-07	61,938	139,338
Metropolitan Life Ins. Co. 2/	6.1%	Oct-12	22,800	40,076
Principal Life Insurance Company 3/	5.8%	Jan-14	11,738	15,155
Principal Life Insurance Company 3/	5.8%	Jan-14	11,738	18,957
Massachusetts Mutual Life Ins. Co. 1/	6.5%	Dec-13	10,897	14,674
Central Carolina Bank 4/ 5/	5.3%	Dec-07	9,660	11,262
Principal Life Insurance Company 3/	5.7%	Jan-14	9,258	15,996
Principal Life Insurance Company 3/	5.9%	Jan-14	5,556	7,514
PFL Life Ins. Co. 6/	8.1%	Jun-07	5,082	23,572
Ohio National 7/	8.0%	Nov-17	4,996	11,219
Lutheran Brotherhood	6.8%	Apr-09	3,835	7,938
PFL Life Ins. Co. 6/ 8/	7.5%	Jun-07	3,283	—
Security Life of Denver	8.9%	Aug-09	2,077	9,517
American United Life	9.0%	Jun-13	899	3,381
	6.9%		704,605	\$ 1,174,327

### Unsecured Bonds

Bonds	7.0%	Dec-06	110,000	
Bonds	7.1%	Feb-08	100,000	
Bonds	8.1%	Jan-09	50,000	
Bonds	7.5%	Apr-18	200,000	
	7.4%		460,000	

### Unsecured Loans

Credit facility 5/	6.0%	May-09	296,500	
<b>Total Debt</b>	<u>6.9%</u>		<u>\$1,461,105</u>	

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

2/ Loan relates to a consolidated 20% owned joint venture (Harborview).

3/ Loans relate to a consolidated 50% owned joint venture (Markel).

4/ Loan relates to a consolidated 50% owned joint venture (Vinings).

5/ Floating rate loan based on one month libor. Maturity date excludes one-year extension option.

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

7/ Related property sold October 26, 2006

8/ Floating rate loan based on ninety day libor.

# Portfolio Summary - Wholly-Owned Properties Only 1/

(Rentable Square Feet)

	09/30/06	06/30/06	03/31/06	12/31/05	09/30/05
<b>Office Industrial &amp; Retail</b>					
<b>In-Service:</b>					
Office 2/	19,507,000	19,704,000	19,691,000	21,412,000	21,432,000
Industrial	6,605,000	6,706,000	6,706,000	6,977,000	6,977,000
Retail 3/	1,431,000	1,408,000	1,408,000	1,416,000	1,417,000
Total	27,543,000	27,818,000	27,805,000	29,805,000	29,826,000
<b>Development Completed - Not Stabilized:</b>					
Office 2/	311,000	153,000	—	—	—
Industrial	—	—	—	—	—
Retail	—	—	9,600	9,600	9,600
Total	311,000	153,000	9,600	9,600	9,600
<b>Development - In Process:</b>					
Office 2/	1,405,000	1,268,000	1,026,000	533,000	780,000
Industrial	681,000	418,000	418,000	—	—
Retail	—	23,000	23,000	—	—
Total	2,086,000	1,709,000	1,467,000	533,000	780,000
<b>Total:</b>					
Office 2/	21,223,000	21,125,000	20,717,000	21,945,000	22,212,000
Industrial	7,286,000	7,124,000	7,124,000	6,977,000	6,977,000
Retail 3/	1,431,000	1,431,000	1,440,600	1,425,600	1,426,600
Total	29,940,000	29,680,000	29,281,600	30,347,600	30,615,600
<b>Same Property</b>					
Office 2/	19,130,000	19,130,000	19,130,000	19,130,000	19,130,000
Industrial	6,251,000	6,251,000	6,251,000	6,251,000	6,251,000
Retail	1,408,000	1,408,000	1,408,000	1,408,000	1,408,000
Total	26,789,000	26,789,000	26,789,000	26,789,000	26,789,000
<b>Percent Leased/Pre-Leased:</b>					
<b>In-Service:</b>					
Office	88.1%	87.1%	87.1%	87.5%	85.0%
Industrial	91.8%	89.5%	88.0%	92.4%	86.2%
Retail	96.2%	95.3%	95.7%	97.5%	96.4%
Total	89.4%	88.1%	87.7%	89.1%	85.8%
<b>Development Completed - Not Stabilized:</b>					
Office	52.3%	17.0%	—	—	—
Industrial	—	—	—	—	—
Retail	—	—	88.0%	87.0%	87.0%
Total	52.3%	17.0%	88.0%	87.0%	87.0%
<b>Development - In Process:</b>					
Office	58.4%	53.7%	57.1%	37.2%	57.1%
Industrial	27.0%	44.0%	43.8%	—	—
Retail	—	100.0%	100.0%	—	—
Total	48.2%	51.9%	54.0%	37.2%	57.1%
<b>Same Property</b>					
Office	87.8%	86.8%	86.7%	88.2%	86.6%
Industrial	91.3%	89.4%	87.7%	93.2%	87.2%
Retail	96.2%	95.3%	95.7%	98.1%	97.0%
Total	89.1%	87.8%	87.4%	89.9%	87.3%

1/ Excludes properties recorded on our Balance Sheet that (1) were sold but accounted for as Financings or Profit Sharing arrangements under FAS 66 or (2) related to joint ventures properties that are consolidated under GAAP

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

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

**Portfolio Summary**  
(Continued)

As of September 30, 2006

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

Market	Rentable Square Feet	Occupancy	Percentage of Annualized Revenue 2/			
			Office	Industrial	Retail	Total
Raleigh /3	3,812,000	82.6%	14.6%	—	—	14.6%
Atlanta	5,584,000	92.4%	10.6%	4.0%	—	14.6%
Kansas City	2,329,000 4/	90.7%	4.4%	—	10.0%	14.4%
Nashville	2,875,000	92.8%	13.2%	—	—	13.2%
Tampa	2,524,000	96.0%	12.8%	—	—	12.8%
Piedmont Triad /5	5,589,000	89.9%	7.2%	3.9%	—	11.1%
Richmond	1,954,000	88.6%	8.3%	—	—	8.3%
Memphis	1,197,000	91.9%	5.5%	—	—	5.5%
Greenville	1,109,000	75.0%	3.2%	0.1%	—	3.3%
Orlando	218,000	100.0%	1.2%	—	—	1.2%
Columbia	252,000	49.4%	0.5%	—	—	0.5%
Other	100,000	75.1%	0.5%	—	—	0.5%
<b>Total</b>	<b>27,543,000</b>	<b>89.4%</b>	<b>82.0%</b>	<b>8.0%</b>	<b>10.0%</b>	<b>100.0%</b>

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

Market	Rentable Square Feet	Occupancy	Percentage of Annualized Revenue 2/ 6/				Total
			Office	Industrial	Retail	Multi-Family	
Atlanta	6,419,000	92.7%	10.9%	3.5%	—	—	14.4%
Kansas City	3,050,000 4/	88.6%	4.9%	—	8.8%	—	13.7%
Raleigh	4,267,000	84.4%	13.3%	—	—	—	13.3%
Nashville	2,875,000	92.8%	11.6%	—	—	—	11.6%
Tampa	2,729,000	96.4%	11.5%	—	—	—	11.5%
Piedmont Triad	5,953,000	90.5%	6.8%	3.4%	—	—	10.2%
Richmond	2,367,000	90.5%	7.9%	—	—	—	7.9%
Memphis	1,197,000	91.9%	4.9%	—	—	—	4.9%
Orlando	1,903,000	95.0%	4.3%	—	—	—	4.3%
Des Moines	2,399,000	93.9%	3.3%	0.5%	0.1%	0.4%	4.3%
Greenville	1,109,000	75.0%	2.8%	0.1%	—	—	2.9%
Other	210,000	88.1%	0.5%	—	—	—	0.5%
Columbia	252,000	49.4%	0.4%	—	—	—	0.4%
Charlotte	148,000	100.0%	0.1%	—	—	—	0.1%
<b>Total</b>	<b>34,878,000</b>	<b>90.4%</b>	<b>83.2%</b>	<b>7.5%</b>	<b>8.9%</b>	<b>0.4%</b>	<b>100.0%</b>

1/ Excludes properties recorded on our Balance Sheet that (1) were sold but accounted for as Financings or Profit Sharing arrangements under FAS 66 or (2) related to joint ventures properties that are consolidated under GAAP

2/ Annualized Revenue is September, 2006 rental revenue (base rent plus operating expense pass through revenue) multiplied by 12.

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

4/ Excludes 430,000 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 Rental Revenue, see page 33

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

As of September 30, 2006

Market	Office Properties 1/			Industrial		
	Rentable Square Feet	Occupancy	Percentage of Office Annualized Revenue 2/	Rentable Square Feet	Occupancy	Percentage of Industrial Annualized Revenue 2/
Raleigh	3,812,000	82.6%	18.0%	—	—	—
Nashville	2,875,000	92.8%	16.1%	—	—	—
Tampa	2,524,000	96.0%	15.6%	—	—	—
Atlanta	2,529,000	86.3%	12.9%	3,055,000	97.4%	50.5%
Richmond	1,954,000	88.6%	10.2%	—	—	—
Piedmont Triad	2,146,000	91.7%	8.7%	3,443,000	88.8%	48.4%
Memphis	1,197,000	91.9%	6.7%	—	—	—
Kansas City	894,000	82.0%	5.3%	4,000	46.5%	0.1%
Greenville	1,006,000	80.1%	3.8%	103,000	25.4%	1.0%
Orlando	218,000	100.0%	1.5%	—	—	—
Columbia	252,000	49.4%	0.6%	—	—	—
Other	100,000	75.1%	0.6%	—	—	—
	<u>19,507,000</u>	<u>88.1%</u>	<u>100.0%</u>	<u>6,605,000</u>	<u>91.8%</u>	<u>100.0%</u>

Market	Retail		
	Rentable Square Feet	Occupancy	Percentage of Retail Annualized Revenue 2/
Kansas City 3/	<u>1,431,000</u>	<u>96.2%</u>	<u>100.0%</u>
	<u>1,431,000</u>	<u>96.2%</u>	<u>100.0%</u>

1/ Excludes properties recorded on our Balance Sheet that (1) were sold but accounted for as Financings or Profit Sharing arrangements under FAS 66 or (2) related to joint ventures properties that are consolidated under GAAP

2/ Annualized Revenue is September, 2006 rental revenue (base rent plus operating expense pass through revenue) multiplied by 12.

3/ Excludes 430,000 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	09/30/06	06/30/06	03/31/06	12/31/05	09/30/05
Atlanta	Rentable Square Feet	<b>5,584,000</b>	5,584,000	5,584,000	6,806,000	6,818,000
	Occupancy	<b>92.4%</b>	91.8%	91.1%	87.4%	83.3%
	Current Properties 2/	<b>92.2%</b>	91.6%	91.0%	90.8%	88.0%
Columbia	Rentable Square Feet	<b>252,000</b>	252,000	252,000	426,000	426,000
	Occupancy	<b>49.4%</b>	49.8%	41.4%	58.9%	62.0%
	Current Properties 2/	<b>49.4%</b>	49.8%	41.4%	38.2%	42.0%
Greenville	Rentable Square Feet	<b>1,109,000</b>	1,110,000	1,106,000	1,105,000	1,105,000
	Occupancy	<b>75.0%</b>	68.8%	73.4%	73.0%	71.2%
	Current Properties 2/	<b>75.0%</b>	68.8%	73.2%	72.7%	70.9%
Kansas City 3/	Rentable Square Feet	<b>2,329,000</b>	2,306,000	2,306,000	2,314,000	2,315,000
	Occupancy	<b>90.7%</b>	89.9%	90.4%	92.2%	91.7%
	Current Properties 2/	<b>90.6%</b>	89.9%	90.4%	92.5%	92.1%
Memphis	Rentable Square Feet	<b>1,197,000</b>	1,197,000	1,197,000	1,197,000	1,216,000
	Occupancy	<b>91.9%</b>	89.7%	90.0%	88.8%	83.8%
	Current Properties 2/	<b>91.9%</b>	89.7%	89.9%	88.8%	83.8%
Nashville	Rentable Square Feet	<b>2,875,000</b>	2,874,000	2,874,000	2,874,000	2,874,000
	Occupancy	<b>92.8%</b>	90.8%	90.6%	94.0%	95.6%
	Current Properties 2/	<b>92.8%</b>	90.8%	90.6%	94.0%	95.6%
Orlando	Rentable Square Feet	<b>218,000</b>	218,000	218,000	218,000	218,000
	Occupancy	<b>100.0%</b>	100.0%	99.5%	100.0%	100.0%
	Current Properties 2/	<b>100.0%</b>	100.0%	99.5%	100.0%	100.0%
Piedmont Triad	Rentable Square Feet	<b>5,589,000</b>	5,598,000	5,589,000	5,589,000	5,589,000
	Occupancy	<b>89.9%</b>	88.6%	86.7%	93.1%	89.1%
	Current Properties 2/	<b>89.9%</b>	88.8%	86.9%	93.3%	89.2%
Raleigh	Rentable Square Feet	<b>3,812,000</b>	4,101,000	4,102,000	4,232,000	4,358,000
	Occupancy	<b>82.6%</b>	83.0%	82.7%	87.5%	85.5%
	Current Properties 2/	<b>82.6%</b>	82.6%	82.6%	87.6%	86.6%
Richmond	Rentable Square Feet	<b>1,954,000</b>	1,954,000	1,954,000	1,955,000	1,955,000
	Occupancy	<b>88.6%</b>	88.0%	91.3%	94.4%	93.1%
	Current Properties 2/	<b>88.6%</b>	88.0%	91.3%	94.4%	93.2%
Tampa	Rentable Square Feet	<b>2,524,000</b>	2,524,000	2,523,000	2,989,000	2,851,000
	Occupancy	<b>96.0%</b>	93.6%	91.9%	87.6%	76.7%
	Current Properties 2/	<b>95.8%</b>	93.3%	91.4%	88.9%	77.5%
Total 4/	Rentable Square Feet	<b>27,443,000</b>	27,718,000	27,705,000	29,705,000	29,725,000
	Occupancy	<b>89.4%</b>	88.1%	87.7%	89.1%	85.8%
	Current Properties 2/	<b>89.3%</b>	87.8%	87.4%	89.9%	87.3%

1/ Excludes properties recorded on our Balance Sheet that (1) were sold but accounted for as Financings or Profit Sharing arrangements under FAS 66 or (2) related to joint ventures properties that are consolidated under GAAP

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

3/ Excludes 430,000 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					
	9/30/06 2/	6/30/06 3/	3/31/06 4/	12/31/05 5/	9/30/05 6/	Average
Net Effective Rents Related to Re-Leased Space:						
Number of lease transactions (signed leases)	140	141	188	171	180	164
Rentable square footage leased	915,289	950,460	944,222	1,169,148	1,069,468	1,009,717
Square footage of Renewal Deals	681,640	486,998	528,275	890,582	826,512	682,801
Renewed square footage (% of total)	74.5%	51.2%	55.9%	76.2%	77.3%	67.6%
New Leases square footage (% of total)	25.5%	48.8%	44.1%	23.8%	22.7%	32.4%
Weighted average per rentable square foot over the lease term:						
Base rent	\$ 19.23	\$ 17.29	\$ 18.06	\$ 17.37	\$ 17.71	\$ 17.93
Tenant improvements	(1.56)	(1.71)	(1.52)	(1.67)	(1.10)	(1.51)
Leasing commissions 7/	(0.46)	(0.48)	(0.62)	(0.66)	(0.57)	(0.56)
Rent concessions	(0.11)	(0.22)	(0.31)	(0.27)	(0.27)	(0.24)
Effective rent	17.10	14.88	15.61	14.77	15.77	15.62
Expense stop	(5.04)	(5.53)	(5.57)	(4.79)	(4.85)	(5.16)
Equivalent effective net rent	\$ 12.06	\$ 9.35	\$ 10.04	\$ 9.98	\$ 10.92	\$ 10.46
Weighted average term in years	4.5	4.5	4.3	5.0	3.8	4.4
Capital Expenditures Related to Re-leased Space:						
Tenant Improvements:						
Total dollars committed under signed leases	\$ 7,994,295	\$ 8,416,490	\$7,270,758	\$10,506,779	\$5,996,413	\$ 8,036,947
Rentable square feet	915,289	950,460	944,222	1,169,148	1,069,468	1,009,717
Per rentable square foot	\$ 8.73	\$ 8.86	\$ 7.70	\$ 8.99	\$ 5.61	\$ 7.96
Leasing Commissions:						
Total dollars committed under signed leases 7/	\$ 2,144,582	\$ 2,198,017	\$2,363,857	\$ 3,551,312	\$2,398,139	\$ 2,531,181
Rentable square feet	915,289	950,460	944,222	1,169,148	1,069,468	1,009,717
Per rentable square foot	\$ 2.34	\$ 2.31	\$ 2.50	\$ 3.04	\$ 2.24	\$ 2.51
Total:						
Total dollars committed under signed leases	\$10,138,877	\$10,614,507	\$9,634,615	\$14,058,091	\$8,394,552	\$10,568,128
Rentable square feet	915,289	950,460	944,222	1,169,148	1,069,468	1,009,717
Per rentable square foot	\$ 11.08	\$ 11.17	\$ 10.20	\$ 12.02	\$ 7.85	\$ 10.47

1/ Excludes properties recorded on our Balance Sheet that (1) were sold but accounted for as Financings or Profit Sharing arrangements under FAS 66 or (2) related to joint ventures properties that are consolidated under GAAP

2/ Includes 179K square feet of leases that start in 2008 or later

3/ Includes 74K square feet of leases that start in 2008 or later

4/ Includes 82K square feet of leases that start in 2008 or later

5/ Includes 171K square feet of leases that start in 2008 or later

6/ Includes 115K square feet of leases that start in 2008 or later

7/ Excludes a full allocation of internal leasing costs

**Leasing Statistics  
Industrial Portfolio**

	Three Months Ended					
	9/30/06	6/30/06 1/	3/31/06 2/	12/31/05 3/	9/30/05 4/	Average
Net Effective Rents Related to Re-Leased Space:						
Number of lease transactions (signed leases)	23	36	22	29	32	28
Rentable square footage leased	485,936	974,807	300,496	532,917	498,819	558,595
Square footage of Renewal Deals	237,061	543,537	165,621	274,174	349,405	313,960
Renewed square footage (% of total)	48.8%	55.8%	55.1%	51.4%	70.0%	56.2%
New Leases square footage (% of total)	51.2%	44.2%	44.9%	48.6%	30.0%	43.8%
Weighted average per rentable square foot over the lease term:						
Base rent	\$ 4.13	\$ 3.44	\$ 4.46	\$ 4.14	\$ 4.19	\$ 4.07
Tenant improvements	(0.31)	(0.17)	(0.79)	(0.32)	(0.45)	(0.41)
Leasing commissions 5/	(0.09)	(0.07)	(0.15)	(0.14)	(0.06)	(0.10)
Rent concessions	(0.11)	(0.01)	(0.13)	(0.09)	(0.02)	(0.07)
Effective rent	3.62	3.19	3.39	3.59	3.66	3.49
Expense stop	(0.17)	(0.10)	(0.17)	(0.15)	(0.38)	(0.19)
Equivalent effective net rent	\$ 3.45	\$ 3.09	\$ 3.22	\$ 3.44	\$ 3.28	\$ 3.30
Weighted average term in years	3.8	2.9	3.5	3.9	4.1	3.6
Capital Expenditures Related to Re-leased Space:						
Tenant Improvements:						
Total dollars committed under signed leases	\$732,593	\$ 895,575	\$1,032,151	\$ 796,212	\$1,256,241	\$ 942,554
Rentable square feet	485,936	974,807	300,496	532,917	498,819	558,595
Per rentable square foot	\$ 1.51	\$ 0.92	\$ 3.43	\$ 1.49	\$ 2.52	\$ 1.69
Leasing Commissions:						
Total dollars committed under signed leases 5/	\$109,087	\$ 144,376	\$ 191,615	\$ 355,767	\$ 185,669	\$ 197,303
Rentable square feet	485,936	974,807	300,496	532,917	498,819	558,595
Per rentable square foot	\$ 0.22	\$ 0.15	\$ 0.64	\$ 0.67	\$ 0.37	\$ 0.35
Total:						
Total dollars committed under signed leases	\$841,680	\$1,039,951	\$1,223,766	\$1,151,979	\$1,441,910	\$1,139,857
Rentable square feet	485,936	974,807	300,496	532,917	498,819	558,595
Per rentable square foot	\$ 1.73	\$ 1.07	\$ 4.07	\$ 2.16	\$ 2.89	\$ 2.04

- 1/ Includes 14K square feet of leases that start in 2008 or later  
2/ Includes 10K square feet of leases that start in 2008 or later  
3/ Includes 12K square feet of leases that start in 2008 or later  
4/ Includes 113K square feet of leases that start in 2008 or later  
5/ Excludes a full allocation of internal leasing costs

**Leasing Statistics  
Retail Portfolio**

	Three Months Ended					
	09/30/06	06/30/06	3/31/06	12/31/05	9/30/05	Average
Net Effective Rents Related to Re-Leased Space:						
Number of lease transactions (signed leases)	8	5	12	9	7	8
Rentable square footage leased	26,472	13,573	49,479	19,320	10,721	23,913
Square footage of Renewal Deals	17,179	3,919	36,129	2,729	6,502	13,292
Renewed square footage (% of total)	64.9%	28.9%	73.0%	14.1%	60.6%	55.6%
New Leases square footage (% of total)	35.1%	71.1%	27.0%	85.9%	39.4%	44.4%
Weighted average per rentable square foot over the lease term:						
Base rent	\$ 24.75	\$ 30.32	\$ 19.22	\$ 23.03	\$ 17.61	\$ 22.99
Tenant improvements	(1.40)	(4.28)	(0.41)	(1.33)	(1.21)	(1.73)
Leasing commissions 1/	(0.61)	(1.04)	(0.28)	(0.60)	(1.11)	(0.73)
Rent concessions	0.00	0.00	(0.06)	(0.35)	(0.08)	(0.10)
Effective rent	22.74	25.00	18.47	20.75	15.21	20.43
Expense stop	0.00	0.00	0.00	0.00	0.00	0.00
Equivalent effective net rent	\$ 22.74	\$ 25.00	\$ 18.47	\$ 20.75	\$ 15.21	\$ 20.43
Weighted average term in years	5.2	10.8	11.1	6.1	4.3	7.5
Capital Expenditures Related to Re-leased Space:						
Tenant Improvements:						
Total dollars committed under signed leases	\$288,272	\$838,555	\$186,372	\$251,252	\$62,187	\$325,328
Rentable square feet	26,472	13,573	49,479	19,320	10,721	23,913
Per rentable square foot	\$ 10.89	\$ 61.78	\$ 3.77	\$ 13.00	\$ 5.80	\$ 13.60
Leasing Commissions:						
Total dollars committed under signed leases 1/	\$ 46,048	\$ 63,681	\$ 42,804	\$ 13,721	\$12,026	\$ 35,656
Rentable square feet	26,472	13,573	49,479	19,320	10,721	23,913
Per rentable square foot	\$ 1.74	\$ 4.69	\$ 0.87	\$ 0.71	\$ 1.12	\$ 1.49
Total:						
Total dollars committed under signed leases	\$334,320	\$902,236	\$229,176	\$264,973	\$74,213	\$360,984
Rentable square feet	26,472	13,573	49,479	19,320	10,721	23,913
Per rentable square foot	\$ 12.63	\$ 66.47	\$ 4.63	\$ 13.71	\$ 6.92	\$ 15.10

1/ Excludes a full allocation of internal leasing costs

## Leasing Statistics by Market

For the Three Months ended September 30, 2006

### Office Portfolio 1/

Market	Rentable Square Feet Leased	Average Term	GAAP Rental Rate	TI's Per SF	Lease Commissions Per SF 2/
Raleigh	292,757	3.5	\$19.93	\$ 6.94	\$ 1.51
Nashville	142,134	7.0	20.01	8.81	4.04
Piedmont Triad	102,234	4.7	13.91	5.31	0.15
Richmond	93,800	5.8	19.36	12.29	3.65
Memphis	85,140	3.6	20.11	4.39	1.48
Atlanta	69,015	2.7	18.58	8.07	1.61
Greenville	59,716	4.7	18.34	22.15	4.70
Kansas City	39,651	4.2	19.07	11.91	3.66
Tampa	24,377	4.5	23.77	10.24	2.14
Orlando	6,465	5.0	24.42	6.00	0.00
	<b>915,289</b>	<b>4.5</b>	<b>\$19.12</b>	<b>\$ 8.73</b>	<b>\$ 2.34</b>

### Industrial Portfolio

Market	Rentable Square Feet Leased	Average Term	GAAP Rental Rate	TI's Per SF	Lease Commissions Per SF 2/
Piedmont Triad	285,523	2.2	\$4.44	\$1.67	\$ 0.15
Atlanta	200,413	6.1	3.42	1.28	0.30
	<b>485,936</b>	<b>3.8</b>	<b>\$4.02</b>	<b>\$1.51</b>	<b>\$ 0.22</b>

### Retail Portfolio

Market	Rentable Square Feet Leased	Average Term	GAAP Rental Rate	TI's Per SF	Lease Commissions Per SF
Kansas City	26,472	5.2	\$24.75	\$10.89	\$ 1.74
	<b>26,472</b>	<b>5.2</b>	<b>\$24.75</b>	<b>\$10.89</b>	<b>\$ 1.74</b>

1/ Excludes properties recorded on our Balance Sheet that (1) were sold but accounted for as Financings or Profit Sharing arrangements under FAS 66 or (2) related to joint ventures properties that are consolidated under GAAP

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

## Rental Rate Comparisons by Market

For the Three Months ended September 30, 2006

### Office Portfolio 1/

Market	Rentable Square Feet Leased	Current Rent	Previous Rent	Percentage Change Rent
Raleigh	292,757	\$19.93	\$18.78	6.1%
Nashville	142,134	20.01	18.71	6.9%
Piedmont Triad	102,234	13.91	13.12	6.0%
Richmond	93,800	19.36	17.89	8.2%
Memphis	85,140	20.11	19.20	4.7%
Atlanta	69,015	18.58	19.23	-3.4%
Greenville	59,716	18.34	18.50	-0.9%
Kansas City	39,651	19.07	19.86	-4.0%
Tampa	24,377	23.77	21.82	9.0%
Orlando	6,465	24.42	25.48	-4.2%
GAAP Rent Growth	<b>915,289</b>	<b>\$19.12</b>	<b>\$18.25</b>	<b>4.8%</b>
Cash Rent Growth	<b>915,289</b>	<b>\$18.47</b>	<b>\$19.28</b>	<b>-4.2%</b>

### Industrial Portfolio

Market	Rentable Square Feet Leased	Current Rent	Previous Rent	Percentage Change Rent
Piedmont Triad	285,523	\$ 4.44	\$ 3.72	19.3%
Atlanta	200,413	3.42	4.14	-17.4%
GAAP Rent Growth	<b>485,936</b>	<b>\$ 4.02</b>	<b>\$ 3.98</b>	<b>1.0%</b>
Cash Rent Growth	<b>485,936</b>	<b>\$ 3.95</b>	<b>\$ 4.18</b>	<b>-5.5%</b>

### Retail Portfolio

Market	Rentable Square Feet Leased	Current Rent	Previous Rent	Percentage Change Rent
Kansas City	26,472	\$24.75	\$25.81	-4.1%
GAAP Rent Growth	<b>26,472</b>	<b>\$24.75</b>	<b>\$25.81</b>	<b>-4.1%</b>
Cash Rent Growth	<b>26,472</b>	<b>\$24.46</b>	<b>\$26.09</b>	<b>-6.3%</b>

1/ Excludes properties recorded on our Balance Sheet that (1) were sold but accounted for as Financings or Profit Sharing arrangements under FAS 66 or (2) related to joint ventures properties that are consolidated under GAAP

## Lease Expirations

September 30, 2006

*Dollars in thousands*

Year	Rentable Square Feet Expiring	Percent of Rentable Square Feet	Annualized Revenue 1/	Average Rental Rate	Percent of Annualized Revenue 1/
<b>Office: 2/</b>					
2006 /3	512,551	3.0%	\$ 9,305	\$18.15	2.9%
2007	1,572,972	9.1%	28,499	18.12	9.0%
2008	2,353,360	13.7%	42,636	18.12	13.5%
2009	2,743,935	15.9%	51,667	18.83	16.4%
2010	2,312,777	13.4%	46,700	20.19	14.8%
2011	2,741,387	15.9%	48,443	17.67	15.3%
2012	1,434,917	8.3%	27,247	18.99	8.6%
2013	687,508	4.0%	11,588	16.86	3.7%
2014	473,737	2.7%	9,962	21.03	3.2%
2015	652,611	3.8%	13,285	20.36	4.2%
2016 and thereafter	1,749,804	10.2%	26,381	15.08	8.4%
	<b><u>17,235,559</u></b>	<b><u>100.0%</u></b>	<b><u>\$315,713</u></b>	<b><u>\$18.32</u></b>	<b><u>100.0%</u></b>
<b>Industrial:</b>					
2006 /4	519,636	8.6%	\$ 2,103	\$ 4.05	6.9%
2007	1,002,872	16.5%	5,870	5.85	19.1%
2008	1,290,892	21.3%	5,894	4.57	19.1%
2009	728,793	12.0%	4,384	6.02	14.3%
2010	574,113	9.5%	3,091	5.38	10.1%
2011	535,106	8.8%	2,403	4.49	7.8%
2012	247,355	4.1%	1,323	5.35	4.3%
2013	210,689	3.5%	1,128	5.35	3.7%
2014	212,965	3.5%	1,151	5.40	3.8%
2015	169,882	2.8%	695	4.09	2.3%
2016 and thereafter	567,890	9.4%	2,638	4.65	8.6%
	<b><u>6,060,193</u></b>	<b><u>100.0%</u></b>	<b><u>\$ 30,680</u></b>	<b><u>\$ 5.06</u></b>	<b><u>100.0%</u></b>

- 1/ Annualized Revenue is September, 2006 rental revenue (base rent plus operating expense pass through revenue) multiplied by 12.  
2/ Excludes properties recorded on our Balance Sheet that (1) were sold but accounted for as Financings or Profit Sharing arrangements under FAS 66 or (2) related to joint ventures properties that are consolidated under GAAP  
3/ Includes 91,000 square feet of leases that are on a month to month basis or 0.4% of total annualized revenue  
4/ Includes 108,000 square feet of leases that are on a month to month basis or 0.1% of total annualized revenue

*Note: 2006 and beyond expirations that have been renewed are reflected above based on the renewal expiration date.*

# Lease Expirations

September 30, 2006

(Continued)

Dollars in thousands

Year	Rentable Square Feet Expiring	Percent of Rentable Square Feet	Annualized Revenue 1/	Average Rental Rate	Percent of Annualized Revenue 1/
<b>Retail:</b>					
2006 2/	24,365	1.8%	\$ 653	\$26.80	1.7%
2007	78,854	5.8%	2,304	29.22	6.0%
2008	132,595	9.7%	3,692	27.84	9.6%
2009	181,896	13.3%	4,729	26.00	12.3%
2010	99,390	7.3%	3,412	34.33	8.9%
2011	72,512	5.3%	2,110	29.10	5.5%
2012	145,542	10.7%	4,312	29.63	11.2%
2013	107,006	7.8%	2,617	24.46	6.8%
2014	79,410	5.8%	1,465	18.45	3.8%
2015	132,384	9.7%	4,263	32.20	11.1%
2016 and thereafter	310,585	22.8%	8,842	28.47	23.1%
	<b><u>1,364,539</u></b>	<b><u>100.0%</u></b>	<b><u>\$ 38,399</u></b>	<b><u>\$28.14</u></b>	<b><u>100.0%</u></b>
<b>Total:</b>					
2006 3/4/	1,056,552	4.3%	\$ 12,061	\$11.42	3.1%
2007	2,654,698	10.8%	36,673	13.81	9.5%
2008	3,776,847	15.2%	52,222	13.83	13.6%
2009	3,654,624	14.8%	60,780	16.63	15.9%
2010	2,986,280	12.1%	53,203	17.82	13.8%
2011	3,349,005	13.6%	52,956	15.81	13.8%
2012	1,827,814	7.4%	32,882	17.99	8.5%
2013	1,005,203	4.1%	15,333	15.25	4.0%
2014	766,112	3.1%	12,578	16.42	3.3%
2015	954,877	3.9%	18,243	19.11	4.7%
2016 and thereafter	2,628,279	10.7%	37,861	14.41	9.8%
	<b><u>24,660,291</u></b>	<b><u>100.0%</u></b>	<b><u>\$384,792</u></b>	<b><u>\$15.60</u></b>	<b><u>100.0%</u></b>

1/ Annualized Revenue is September, 2006 rental revenue (base rent plus operating expense pass through revenue) multiplied by 12.

2/ Includes 20,000 square feet of leases that are on a month to month basis or 0.1% of total annualized revenue

3/ Includes 219,000 square feet of leases that are on a month to month basis or 0.6% of total annualized revenue

4/ Excludes properties recorded on our Balance Sheet that (1) were sold but accounted for as Financings or Profit Sharing arrangements under FAS 66 or (2) related to joint ventures properties that are consolidated under GAAP

Note: 2006 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				Total
		12/31/06 2/	03/31/07	06/30/07	09/30/07	
Atlanta	RSF	45,999	44,917	13,512	169,055	273,483
	% of Total Office RSF	0.3%	0.3%	0.1%	1.0%	1.6%
	Annualized Revenue 3/	\$ 404	\$ 740	\$ 128	\$ 2,938	\$ 4,210
	% of Total Office Annl Rev	0.1%	0.2%	0.0%	0.9%	1.3%
Columbia	RSF	2,831	0	0	0	2,831
	% of Total Office RSF	0.0%	0.0%	0.0%	0.0%	0.0%
	Annualized Revenue 3/	\$ 42	\$ —	\$ —	\$ —	\$ 42
	% of Total Office Annl Rev	0.0%	0.0%	0.0%	0.0%	0.0%
Greenville	RSF	68,740	1,708	4,849	5,201	80,498
	% of Total Office RSF	0.4%	0.0%	0.0%	0.0%	0.5%
	Annualized Revenue 3/	\$ 537	\$ 32	\$ 87	\$ 108	\$ 764
	% of Total Office Annl Rev	0.2%	0.0%	0.0%	0.0%	0.2%
Kansas City	RSF	52,411	30,080	18,670	15,551	116,712
	% of Total Office RSF	0.3%	0.2%	0.1%	0.1%	0.7%
	Annualized Revenue 3/	\$ 1,090	\$ 625	\$ 455	\$ 297	\$ 2,467
	% of Total Office Annl Rev	0.3%	0.2%	0.1%	0.1%	0.8%
Memphis	RSF	20,894	47,239	9,554	18,629	96,316
	% of Total Office RSF	0.1%	0.3%	0.1%	0.1%	0.6%
	Annualized Revenue 3/	\$ 158	\$ 933	\$ 165	\$ 374	\$ 1,630
	% of Total Office Annl Rev	0.1%	0.3%	0.1%	0.1%	0.5%
Nashville	RSF	128,706	33,720	111,414	80,436	354,276
	% of Total Office RSF	0.7%	0.2%	0.6%	0.5%	2.1%
	Annualized Revenue 3/	\$ 2,706	\$ 694	\$ 1,690	\$ 1,628	\$ 6,718
	% of Total Office Annl Rev	0.9%	0.2%	0.5%	0.5%	2.1%
Orlando	RSF	0	2,389	11,607	1,358	15,354
	% of Total Office RSF	0.0%	0.0%	0.1%	0.0%	0.1%
	Annualized Revenue 3/	\$ —	\$ 62	\$ 203	\$ 32	\$ 297
	% of Total Office Annl Rev	0.0%	0.0%	0.1%	0.0%	0.1%
Piedmont Triad	RSF	44,610	192,238	34,933	53,240	325,021
	% of Total Office RSF	0.3%	1.1%	0.2%	0.3%	1.9%
	Annualized Revenue 3/	\$ 656	\$ 2,569	\$ 619	\$ 681	\$ 4,525
	% of Total Office Annl Rev	0.2%	0.8%	0.2%	0.2%	1.4%
Raleigh	RSF	73,132	101,490	44,751	80,190	299,563
	% of Total Office RSF	0.4%	0.6%	0.3%	0.5%	1.7%
	Annualized Revenue 3/	\$ 2,360	\$ 2,030	\$ 797	\$ 1,585	\$ 6,772
	% of Total Office Annl Rev	0.7%	0.6%	0.3%	0.5%	2.1%
Richmond	RSF	55,844	43,924	52,979	30,460	183,207
	% of Total Office RSF	0.3%	0.3%	0.3%	0.2%	1.1%
	Annualized Revenue 3/	\$ 1,144	\$ 892	\$ 893	\$ 564	\$ 3,493
	% of Total Office Annl Rev	0.4%	0.3%	0.3%	0.2%	1.1%
Tampa	RSF	18,289	23,922	20,489	27,524	90,224
	% of Total Office RSF	0.1%	0.1%	0.1%	0.2%	0.5%
	Annualized Revenue 3/	\$ 205	\$ 534	\$ 473	\$ 652	\$ 1,864
	% of Total Office Annl Rev	0.1%	0.2%	0.1%	0.2%	0.6%
Other	RSF	1,095	0	12,707	1,130	14,932
	% of Total Office RSF	0.0%	0.0%	0.1%	0.0%	0.1%
	Annualized Revenue 3/	\$ 5	\$ —	\$ 334	\$ 23	\$ 362
	% of Total Office Annl Rev	0.0%	0.0%	0.1%	0.0%	0.1%
Total	RSF	512,551	521,627	335,465	482,774	1,852,417
	% of Total Office RSF	2.9%	3.0%	2.0%	2.8%	10.7%
	Annualized Revenue 3/	\$ 9,307	\$ 9,111	\$ 5,844	\$ 8,882	\$ 33,144
	% of Total Office Annl Rev	3.0%	2.9%	1.9%	2.8%	10.5%

1/ Excludes properties recorded on our Balance Sheet that (1) were sold but accounted for as Financings or Profit Sharing arrangements under FAS 66 or (2) related to joint ventures properties that are consolidated under GAAP



- 2/ *Includes 91,000 square feet of leases that are on a month to month basis or 0.4% of total annualized revenue*
- 3/ *Annualized Revenue is September, 2006 rental revenue (base rent plus operating expense pass through revenue) multiplied by 12.*

## Industrial Lease Expirations by Market by Quarter

Dollars in thousands

		<i>Three Months Ended</i>				<b>Total</b>
		<u>12/31/06 1/</u>	<u>03/31/07</u>	<u>06/30/07</u>	<u>09/30/07</u>	
Atlanta	RSF	128,859	247,828	36,576	33,600	446,863
	% of Total Industrial RSF	2.1%	4.1%	0.6%	0.6%	7.4%
	Annualized Revenue 2/	\$ 611	\$ 1,420	\$ 177	\$ 123	\$ 2,331
	% of Total Industrial Annl Rev	2.0%	4.6%	0.6%	0.4%	7.6%
Greenville	RSF	0	0	16,081	0	16,081
	% of Total Industrial RSF	0.0%	0.0%	0.3%	0.0%	0.3%
	Annualized Revenue 2/	\$ —	\$ —	\$ 212	\$ —	\$ 212
	% of Total Industrial Annl Rev	0.0%	0.0%	0.7%	0.0%	0.7%
Kansas City	RSF	0	0	0	0	0
	% of Total Industrial RSF	0.0%	0.0%	0.0%	0.0%	0.0%
	Annualized Revenue 2/	\$ —	\$ —	\$ —	\$ —	\$ —
	% of Total Industrial Annl Rev	0.0%	0.0%	0.0%	0.0%	0.0%
Piedmont Triad	RSF	390,777	138,048	214,706	164,674	908,205
	% of Total Industrial RSF	6.4%	2.3%	3.5%	2.7%	15.0%
	Annualized Revenue 2/	\$ 1,493	\$ 797	\$ 959	\$ 1,337	\$ 4,586
	% of Total Industrial Annl Rev	4.9%	2.6%	3.1%	4.4%	14.9%
Raleigh	RSF	0	0	0	0	0
	% of Total Industrial RSF	0.0%	0.0%	0.0%	0.0%	0.0%
	Annualized Revenue 2/	\$ —	\$ —	\$ —	\$ —	\$ —
	% of Total Industrial Annl Rev	0.0%	0.0%	0.0%	0.0%	0.0%
Total	RSF	519,636	385,876	267,363	198,274	1,371,149
	% of Total Industrial RSF	8.6%	6.4%	4.4%	3.3%	22.6%
	Annualized Revenue 2/	\$ 2,104	\$ 2,217	\$ 1,348	\$ 1,460	\$ 7,129
	% of Total Industrial Annl Rev	6.9%	7.2%	4.4%	4.8%	23.3%

1/ Includes 108,000 square feet of leases that are on a month to month basis or 0.1% of total annualized revenue

2/ Annualized Revenue is September, 2006 rental revenue (base rent plus operating expense pass through revenue) multiplied by 12.

# Office Lease Expirations by Market by Year 1/

Dollars in thousands

		2006 2/	2007	2008	2009	Thereafter
Atlanta	RSF	45,999	254,633	455,714	337,708	1,088,689
	% of Total Office RSF	0.3%	1.5%	2.6%	2.0%	6.3%
	Annualized Revenue 3/	\$ 404	\$ 4,447	\$ 7,521	\$ 5,825	\$ 22,681
	% of Total Office Annl Rev	0.1%	1.4%	2.4%	1.8%	7.2%
Columbia	RSF	2,831	3,258	69,987	8,409	40,054
	% of Total Office RSF	0.0%	0.0%	0.4%	0.0%	0.2%
	Annualized Revenue 3/	\$ 42	\$ 56	\$ 1,068	\$ 128	\$ 550
	% of Total Office Annl Rev	0.0%	0.0%	0.3%	0.0%	0.2%
Greenville	RSF	68,740	11,758	99,410	60,122	565,667
	% of Total Office RSF	0.4%	0.1%	0.6%	0.3%	3.3%
	Annualized Revenue 3/	\$ 537	\$ 227	\$ 1,840	\$ 721	\$ 8,805
	% of Total Office Annl Rev	0.2%	0.1%	0.6%	0.2%	2.8%
Kansas City	RSF	52,411	79,443	75,884	104,489	420,710
	% of Total Office RSF	0.3%	0.5%	0.4%	0.6%	2.4%
	Annualized Revenue 3/	\$ 1,090	\$ 1,689	\$ 1,577	\$ 2,139	\$ 10,371
	% of Total Office Annl Rev	0.3%	0.5%	0.5%	0.7%	3.3%
Memphis	RSF	20,894	88,213	121,947	221,026	648,453
	% of Total Office RSF	0.1%	0.5%	0.7%	1.3%	3.8%
	Annualized Revenue 3/	\$ 158	\$ 1,730	\$ 2,557	\$ 4,140	\$ 12,656
	% of Total Office Annl Rev	0.1%	0.5%	0.8%	1.3%	4.0%
Nashville	RSF	128,706	237,647	226,798	659,083	1,428,384
	% of Total Office RSF	0.7%	1.4%	1.3%	3.8%	8.3%
	Annualized Revenue 3/	\$ 2,706	\$ 4,245	\$ 4,474	\$ 12,506	\$ 26,977
	% of Total Office Annl Rev	0.9%	1.3%	1.4%	4.0%	8.5%
Orlando	RSF	0	21,694	6,133	6,788	183,317
	% of Total Office RSF	0.0%	0.1%	0.0%	0.0%	1.1%
	Annualized Revenue 3/	\$ —	\$ 453	\$ 153	\$ 157	\$ 3,870
	% of Total Office Annl Rev	0.0%	0.1%	0.0%	0.0%	1.2%
Piedmont Triad	RSF	44,610	315,085	389,959	134,668	1,083,260
	% of Total Office RSF	0.3%	1.8%	2.3%	0.8%	6.3%
	Annualized Revenue 3/	\$ 656	\$ 4,384	\$ 6,282	\$ 2,102	\$ 14,150
	% of Total Office Annl Rev	0.2%	1.4%	2.0%	0.7%	4.5%
Raleigh	RSF	73,132	274,402	409,942	542,987	1,892,884
	% of Total Office RSF	0.4%	1.6%	2.4%	3.2%	11.0%
	Annualized Revenue 3/	\$ 2,359	\$ 5,374	\$ 7,280	\$ 10,676	\$ 30,764
	% of Total Office Annl Rev	0.7%	1.7%	2.3%	3.4%	9.7%
Richmond	RSF	55,844	156,127	236,357	221,541	1,060,447
	% of Total Office RSF	0.3%	0.9%	1.4%	1.3%	6.2%
	Annualized Revenue 3/	\$ 1,144	\$ 2,910	\$ 4,549	\$ 4,121	\$ 19,329
	% of Total Office Annl Rev	0.4%	0.9%	1.4%	1.3%	6.1%
Tampa	RSF	18,289	116,875	242,866	440,948	1,605,406
	% of Total Office RSF	0.1%	0.7%	1.4%	2.6%	9.3%
	Annualized Revenue 3/	\$ 205	\$ 2,628	\$ 4,842	\$ 9,038	\$ 32,674
	% of Total Office Annl Rev	0.1%	0.8%	1.5%	2.9%	10.3%
Other	RSF	1,095	13,837	18,363	6,166	35,470
	% of Total Office RSF	0.0%	0.1%	0.1%	0.0%	0.2%
	Annualized Revenue 3/	\$ 5	\$ 357	\$ 492	\$ 114	\$ 775
	% of Total Office Annl Rev	0.0%	0.1%	0.2%	0.0%	0.2%
Total	RSF	512,551	1,572,972	2,353,360	2,743,935	10,052,741
	% of Total Office RSF	3.0%	9.1%	13.7%	15.9%	58.3%
	Annualized Revenue 3/	\$ 9,306	\$ 28,500	\$ 42,635	\$ 51,667	\$ 183,602
	% of Total Office Annl Rev	2.9%	9.0%	13.5%	16.4%	58.2%

1/ Excludes properties recorded on our Balance Sheet that (1) were sold but accounted for as Financings or Profit Sharing arrangements under FAS 66 or (2) related to joint ventures properties that are consolidated under GAAP

- 2/ *Includes 91,000 square feet of leases that are on a month to month basis or 0.4% of total annualized revenue*
- 3/ *Annualized Revenue is September, 2006 rental revenue (base rent plus operating expense pass through revenue) multiplied by 12.*

## Industrial Lease Expirations by Market by Year

*Dollars in thousands*

		2006 1/	2007	2008	2009	Thereafter
Atlanta	RSF	128,859	373,043	575,710	302,155	1,594,376
	% of Total Industrial RSF	2.1%	6.2%	9.5%	5.0%	26.3%
	Annualized Revenue 2/	\$ 610	\$ 1,994	\$ 2,918	\$ 1,877	\$ 8,110
	% of Total Industrial Annl Rev	2.0%	6.5%	9.5%	6.1%	26.4%
Greenville	RSF	0	16,081	5,350	4,794	0
	% of Total Industrial RSF	0.0%	0.3%	0.1%	0.1%	0.0%
	Annualized Revenue 2/	\$ —	\$ 212	\$ 61	\$ 38	\$ —
	% of Total Industrial Annl Rev	0.0%	0.7%	0.2%	0.1%	0.0%
Kansas City	RSF	0	0	0	1,756	0
	% of Total Industrial RSF	0.0%	0.0%	0.0%	0.0%	0.0%
	Annualized Revenue 2/	\$ —	\$ —	\$ —	\$ 20	\$ —
	% of Total Industrial Annl Rev	0.0%	0.0%	0.0%	0.1%	0.0%
Piedmont Triad	RSF	390,777	613,748	709,832	420,088	923,624
	% of Total Industrial RSF	6.4%	10.1%	11.7%	6.9%	15.2%
	Annualized Revenue 2/	\$ 1,493	\$ 3,665	\$ 2,915	\$ 2,448	\$ 4,320
	% of Total Industrial Annl Rev	4.9%	11.9%	9.5%	8.0%	14.1%
Raleigh	RSF	0	0	0	0	0
	% of Total Industrial RSF	0.0%	0.0%	0.0%	0.0%	0.0%
	Annualized Revenue 2/	\$ —	\$ —	\$ —	\$ —	\$ —
	% of Total Industrial Annl Rev	0.0%	0.0%	0.0%	0.0%	0.0%
Total	RSF	519,636	1,002,872	1,290,892	728,793	2,518,000
	% of Total Industrial RSF	8.6%	16.5%	21.3%	12.0%	41.5%
	Annualized Revenue 2/	\$ 2,103	\$ 5,871	\$ 5,894	\$ 4,383	\$ 12,430
	% of Total Industrial Annl Rev	6.9%	19.1%	19.2%	14.3%	40.5%

1/ Includes 108,000 square feet of leases that are on a month to month basis or 0.1% of total annualized revenue

2/ Annualized Revenue is September, 2006 rental revenue (base rent plus operating expense pass through revenue) multiplied by 12.

**Customer Diversification 1/  
September 30, 2006**

*Dollars in thousands*

**Top 20 Customers**

<b>Customer</b>	<b>RSF</b>	<b>Annualized Revenue 2/</b>	<b>Percent of Annualized Revenue 2/</b>	<b>Average Remaining Lease Term in Years</b>
Federal Government	1,454,050	\$ 25,926	6.75%	8.5
AT&T	537,529	10,425	2.71%	2.4
Price Waterhouse Coopers	332,931	8,408	2.19%	3.6
State Of Georgia	356,175	7,036	1.83%	3.6
T-Mobile USA	205,855	5,221	1.36%	7.3
US Airways	293,007	4,356	1.13%	1.0
Volvo	278,940	3,972	1.03%	2.7
Lockton Companies	145,651	3,736	0.97%	8.4
Northern Telecom	246,000	3,651	0.95%	1.4
SCI Services, Inc.	162,784	3,499	0.91%	10.8
Metropolitan Life Insurance	174,944	3,398	0.88%	7.3
BB&T	197,893	2,930	0.76%	5.8
Jacobs Engineering Group	181,794	2,446	0.64%	9.4
Lifepoint Corporate Services	120,112	2,299	0.60%	4.8
Vanderbilt University	121,897	2,251	0.59%	9.0
Icon Clinical Research	101,249	2,217	0.58%	5.7
Wachovia	98,531	2,173	0.57%	2.3
The Martin Agency	118,518	2,038	0.53%	10.5
Infineon Technologies	110,572	2,001	0.52%	6.3
First Citizens Bank & Trust	49,677	1,995	0.52%	0.4
	<u>5,288,109</u>	<u>\$ 99,978</u>	<u>26.02%</u>	<u>5.8</u>

**By Industry**

<b>Category</b>	<b>Percent of Annualized Revenue 2/</b>
Professional, Scientific, and Technical Services	21.0%
Insurance	9.4%
Government/Public Administration	9.4%
Finance/Banking	9.3%
Retail Trade	7.6%
Telecommunication	7.0%
Manufacturing	6.8%
Health Care and Social Assistance	6.0%
Wholesale Trade	5.8%
Real Estate Rental and Leasing	3.8%
Transportation and Warehousing	3.1%
Accommodation and Food Services	2.8%
Administrative and Support Services	2.6%
Other Services (except Public Administration)	2.5%
Information	1.9%
Educational Services	1.0%
	<u>100.0%</u>

1/ Excludes properties recorded on our Balance Sheet that (1) were sold but accounted for as Financings or Profit Sharing arrangements under FAS 66 or (2) related to joint ventures properties that are consolidated under GAAP

2/ Annualized Revenue is September, 2006 rental revenue (base rent plus operating expense pass through revenue) multiplied by 12.

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## Acquisition Activity

*Dollars in thousands*

						Total
Name		<u>Market</u>	<u>Type</u>	<u>Date Acquired</u>	<u>Square Footage</u>	<u>Cost</u>
<b>First quarter 2006:</b>						
None						
<b>Second quarter 2006:</b>						
None						
<b>Third quarter 2006:</b>						
None						

## Disposition Activity

*Dollars in thousands*

						Gross Sales
Name	Market	Type 1/	Date Sold	Square Footage	Occupancy	Price
First quarter 2006:						
Office properties	Atlanta/Columbia/Tampa	O	01/09/06	1,596,000	74.9%	
Industrial properties	Atlanta	I	01/09/06	271,000	72.8%	
				1,867,000	74.6%	\$141,000
Concourse	Raleigh	O	03/30/06	132,000	77.2%	12,900
First quarter totals				1,999,000	74.8%	\$153,900
Second quarter 2006:						
None				—	— %	\$ —
Third quarter 2006:						
Office properties	Raleigh	O	08/29/06	191,000	94.2%	
Industrial properties	Raleigh	I	08/29/06	101,000	63.8%	
				292,000	83.7%	\$ 22,800
Third quarter totals				292,000	83.7%	22,800
2006 totals				2,291,000	75.9%	\$176,700

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



## Development Activity

Dollars in thousands

Property	Market	Type 1/	Rentable Square Feet	Anticipated Total Investment	Investment @ 09/30/06	Pre- Leasing	Estimated Completion Date	Estimated Stabilization Date
<b>In - Process</b>								
<b>Office:</b>								
Dept. of Homeland Security	Atlanta	O	91,000	\$ 21,700	\$ 4,189	100%	3Q 07	3Q 07
Cordoba 2/	Kansas City	O	24,000	6,021	3,998	0%	4Q 06	1Q 08
ThyssenKrupp	Memphis	O	78,000	8,800	6,234	100%	1Q 07	1Q 07
Healthways	Nashville	O	255,000	58,300	7,427	100%	2Q 08	2Q 08
Berkshire	Orlando	O	99,000	13,197	4,588	4%	1Q 07	2Q 08
RBC Plaza 3/	Raleigh	O	292,000	76,056	2,851	64%	4Q08	4Q09
3330 Healy Rd 2/	Piedmont Triad	O	40,000	3,600	3,462	0%	4Q 06	2Q 07
North Shore Commons B	Richmond	O	95,000	13,586	5,001	0%	2Q 07	2Q 08
Stony Point IV	Richmond	O	107,000	13,125	9,498	85%	4Q 06	4Q 07
Highwoods Preserve VII	Tampa	O	115,000	21,245	13,663	100%	1Q 07	4Q 08
Highwoods Bay Center I	Tampa	O	209,000	41,174	5,057	0%	3Q 07	4Q 08
Total or Weighted Average			<u>1,405,000</u>	<u>\$276,804</u>	<u>\$ 65,968</u>	<u>58%</u>		
<b>Industrial:</b>								
New Point V	Atlanta	I	263,000	\$ 11,620	\$ 2,583	0%	2Q 07	2Q 08
Enterprise II	Piedmont Triad	I	418,000	14,400	11,895	44%	4Q 06	4Q 08
Total or Weighted Average			<u>681,000</u>	<u>\$ 26,020</u>	<u>\$ 14,478</u>	<u>27%</u>		
<b>In-Process Total or Weighted Average</b>			<u><b>2,086,000</b></u>	<u><b>\$302,824</b></u>	<u><b>\$ 80,446</b></u>	<u><b>48%</b></u>		
<b>Completed Not Stabilized 4/</b>								
<b>Office:</b>								
Glenlake Four	Raleigh	O	158,000	\$ 27,150	\$ 21,222	68%	3Q 06	1Q 08
Cool Springs III	Nashville	O	153,000	21,640	14,968	34%	2Q 06	4Q 07
Total or Weighted Average			<u>311,000</u>	<u>\$ 48,790</u>	<u>\$ 36,190</u>	<u>51%</u>		
<b>Grand Total or Weighted Average</b>			<u><b>2,397,000</b></u>	<u><b>\$351,614</b></u>	<u><b>\$116,636</b></u>	<u><b>49%</b></u>		

### Placed In Service

Property	Market	Type 1/	In-Service Date	Rentable Square Feet	Investment @ 09/30/06	Occ %	Leasing %
Cordoba 2/	Kansas City	R	9/1/2006	23,000	\$ 6,409	100%	100%
Griffith Rd./Boutique Shops	Piedmont Triad	R	6/1/2006	9,600	2,614	100%	100%
Total or Weighted Average				<u>32,600</u>	<u>\$ 9,023</u>	<u>100%</u>	<u>100%</u>

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

2/ Redevelopment property

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

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

**Development Land**  
**September 30, 2006**

*Dollars in thousands*

Market	Usable Acres	Total Estimated Market Value
Research Triangle	252	\$ 52,171
Atlanta	206	39,668
Triad	78	17,179
Kansas City 1/	44	19,100
Richmond	43	9,350
Charlotte	41	9,854
Baltimore	39	10,941
Nashville	25	7,386
Tampa	23	8,825
Memphis	21	5,100
Orlando	14	12,000
Greenville	12	1,800
<b>Total 2/ 3/</b>	<b><u>798</u></b>	<b><u>\$ 193,374</u></b>

1/ Includes 27 acres of residential land

2/ Developable square footage on core land holdings, which constitute 394 of the total 798 acres, is approximately 4.0 million of office space and 1.1 million of industrial space.

3/ Includes 161 acres (\$43,028,000 based on expected gross proceeds) included in property held for sale at September 30, 2006.

**Unconsolidated Joint Ventures Assets, Debt and Liabilities**  
September 30, 2006

*Dollars in thousands*

Joint Venture	Type 1/	Own%	Venture's Books		
			Total Assets	Debt	Total Liabilities
Board of Trade Investment Co.	O	49.0%	\$ 8,360	\$ 207	\$ 695
Dallas County Partners I, LP	O/I	50.0%	38,810	50,483	52,610
Dallas County Partners II, LP	O	50.0%	15,244	18,721	19,772
Dallas County Partners III, LP	O	50.0%	35	—	23
Fountain Three	O/I/R	50.0%	29,212	33,171	34,799
RRHWoods , LLC	O/M	50.0%	86,742	77,326	80,727
Kessinger/Hunter, LLC	—	26.5%	8,807	—	334
4600 Madison Associates, LP	O	12.5%	19,545	14,642	15,285
Highwoods DLF 98/29, LP	O	22.8%	131,932	64,218	67,252
Highwoods DLF 97/26 DLF 99/32, LP	O	42.9%	108,915	56,926	60,705
Concourse Center Associates, LLC	O	50.0%	13,817	9,180	9,486
Plaza Colonnade, LLC	O/R	50.0%	75,544	68,068	69,709
Highwoods KC Glenridge Office, LP	O	40.0%	23,589	16,500	17,000
Highwoods KC Glenridge Land, LP	O	40.0%	794	—	91
Highwoods KC Orlando, LLC	O	40.0%	213,966	143,000	152,032
Weston Lakeside, LLC	M	50.0%	24,206	16,809	20,302
<b>Total</b>			<b>\$ 799,518</b>	<b>\$569,251</b>	<b>\$ 600,822</b>

Joint Venture	Type 1/	Own%	Highwoods' Share of Joint Venture		
			Total Assets	Debt	Total Liabilities
Board of Trade Investment Co.	O	49.00%	\$ 4,096	\$ 101	\$ 341
Dallas County Partners I, LP	O/I	50.00%	19,405	25,242	26,305
Dallas County Partners II, LP	O	50.00%	7,622	9,361	9,886
Dallas County Partners III, LP	O	50.00%	18	—	12
Fountain Three	O/I/R	50.00%	14,606	16,586	17,400
RRHWoods, LLC 2/	O/M	50.00%	43,371	38,663	40,364
Kessinger/Hunter, LLC	—	26.50%	2,334	—	89
4600 Madison Associates, LP	O	12.50%	2,443	1,830	1,911
Highwoods DLF 98/29, LP 2/	O	22.81%	30,094	14,648	15,340
Highwoods DLF 97/26 DLF 99/32, LP 2/	O	42.93%	46,757	24,438	26,061
Concourse Center Associates, LLC 2/	O	50.00%	6,909	4,590	4,743
Plaza Colonnade, LLC	O/R	50.00%	37,772	34,034	34,855
Highwoods KC Glenridge Office, LP	O	40.00%	9,436	6,600	6,800
Highwoods KC Glenridge Land, LP	O	40.00%	318	—	36
Highwoods KC Orlando, LLC 2/	O	40.00%	85,586	57,200	60,813
Weston Lakeside, LLC 2/	M	50.00%	12,103	8,405	10,151
<b>Total</b>			<b>\$ 322,870</b>	<b>\$241,698</b>	<b>\$ 255,107</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 September 30, 2006

Dollars in thousands

Joint Venture	Own%	Venture's Books					Net Income/ (Loss)
		Revenue	Operating Exp	Interest	Depr/Amort	Loss on Debt Extinguishment	
Board of Trade Investment Co.	49.00%	\$ 680	\$ 474	\$ 5	\$ 124	\$ —	\$ 77
Dallas County Partners I, LP	50.00%	3,176	1,685	663	581	1,029	(782)
Dallas County Partners II, LP	50.00%	1,571	716	483	186	—	186
Dallas County Partners III, LP	50.00%	56	58	—	1	—	(3)
Fountain Three	50.00%	1,888	854	525	410	407	(308)
RRHWoods , LLC	50.00%	4,125	2,328	991	1,016	12	(222)
Kessinger/Hunter, LLC	26.50%	1,804	1,325	—	160	—	319
4600 Madison Associates, LP	12.50%	1,183	540	255	406	—	(18)
Highwoods DLF 98/29, LP	22.80%	5,325	1,786	1,090	901	—	1,548
Highwoods DLF 97/26 DLF 99/32, LP	42.93%	4,289	1,456	1,102	1,001	—	730
Concourse Center Associates, LLC	50.00%	530	139	168	83	—	140
Plaza Colonnade, LLC	50.00%	2,226	894	996	524	—	(188)
Highwoods KC Glenridge Office, LP	40.00%	911	420	210	162	—	119
Highwoods KC Glenridge Land, LP	40.00%	—	1	—	—	—	(1)
Highwoods KC Orlando, LLC	40.00%	8,192	3,244	1,881	2,105	—	962
Weston Lakeside, LLC	50.00%	—	—	—	—	—	—
<b>Total</b>		<b>\$35,956</b>	<b>\$ 15,920</b>	<b>\$8,369</b>	<b>\$ 7,660</b>	<b>\$ 1,448</b>	<b>\$ 2,559</b>

Joint Venture	Own%	Highwoods' Share of Joint Venture					Net Income/ (Loss)
		Revenue	Operating Exp	Interest	Depr/Amort	Loss on Debt Extinguishment	
Board of Trade Investment Co.	49.00%	\$ 333	\$ 232	\$ 2	\$ 61	\$ —	\$ 38
Dallas County Partners I, LP	50.00%	1,588	843	332	291	514	(392)
Dallas County Partners II, LP	50.00%	786	358	242	93	—	93
Dallas County Partners III, LP	50.00%	28	29	—	1	—	(2)
Fountain Three	50.00%	944	427	263	205	204	(155)
RRHWoods , LLC 1/ 2/	50.00%	2,063	1,164	496	508	6	(111)
Kessinger/Hunter, LLC	26.50%	478	351	—	42	—	85
4600 Madison Associates, LP	12.50%	148	68	32	51	—	(3)
Highwoods DLF 98/29, LP 1/ 2/	22.81%	1,215	407	249	206	—	353
Highwoods DLF 97/26 DLF 99/32, LP 1/ 2/	42.93%	1,841	625	473	430	—	313
Concourse Center Associates, LLC 1/ 2/	50.00%	265	70	84	42	—	69
Plaza Colonnade, LLC	50.00%	1,113	447	498	262	—	(94)
Highwoods KC Glenridge Office, LP	40.00%	364	168	84	65	—	47
Highwoods KC Glenridge Land, LP	40.00%	—	—	—	—	—	—
Highwoods KC Orlando, LLC 1/ 2/	40.00%	3,277	1,298	752	842	—	385
Weston Lakeside, LLC	50.00%	—	—	—	—	—	—
<b>Total</b>		<b>\$14,443</b>	<b>\$ 6,487</b>	<b>\$3,507</b>	<b>\$ 3,099</b>	<b>\$ 724</b>	<b>\$ 626</b>

- 1/ Highwoods' share of Depreciation/Amortization from these tables will not equal Depreciation and Amortization of Real Estate Assets for Unconsolidated Affiliates on the Statement of Funds from Operations due to various purchase accounting and related adjustments, which are not reflected in the Joint Ventures' stand-alone financial statements.
- 2/ Highwoods' 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 Nine Months Ended September 30, 2006

Dollars in thousands

Joint Venture	Own%	Venture's Books					Net Income/
		Revenue	Operating Exp	Interest	Depr/Amort	Loss on Debt Extinguishment	(Loss)
Board of Trade Investment Co.	49.00%	\$ 2,023	\$ 1,459	\$ 17	\$ 413	\$ —	\$ 134
Dallas County Partners I, LP	50.00%	8,833	4,421	2,071	1,675	1,029	(363)
Dallas County Partners II, LP	50.00%	4,492	1,913	1,479	557	—	543
Dallas County Partners III, LP	50.00%	165	165	—	4	—	(4)
Fountain Three	50.00%	5,569	2,564	1,526	1,210	407	(138)
RRHWoods , LLC	50.00%	11,475	6,428	2,875	2,734	12	(574)
Kessinger/Hunter, LLC	26.50%	5,371	3,906	—	480	—	985
4600 Madison Associates, LP	12.50%	3,532	1,640	775	1,201	—	(84)
Highwoods DLF 98/29, LP	22.80%	15,502	4,917	3,286	2,664	—	4,635
Highwoods DLF 97/26 DLF 99/32, LP	42.93%	12,429	3,889	3,318	3,026	—	2,196
Concourse Center Associates, LLC	50.00%	1,591	397	503	249	—	442
Plaza Colonnade, LLC	50.00%	6,490	2,585	2,982	1,570	—	(647)
Highwoods KC Glenridge Office, LP	40.00%	2,776	1,199	617	484	—	476
Highwoods KC Glenridge Land, LP	40.00%	—	21	2	—	—	(23)
Highwoods KC Orlando, LLC	40.00%	23,583	9,257	5,643	6,032	—	2,651
Weston Lakeside, LLC	50.00%	—	—	—	—	—	—
<b>Total</b>		<b>\$103,831</b>	<b>\$ 44,761</b>	<b>\$25,094</b>	<b>\$ 22,299</b>	<b>\$ 1,448</b>	<b>\$ 10,229</b>

Joint Venture	Own%	Highwoods' Share of Joint Venture					Net Income/
		Revenue	Operating Exp	Interest	Depr/Amort	Loss on Debt Extinguishment	(Loss)
Board of Trade Investment Co.	49.00%	\$ 991	\$ 715	\$ 8	\$ 202	\$ —	\$ 66
Dallas County Partners I, LP	50.00%	4,417	2,211	1,036	838	514	(182)
Dallas County Partners II, LP	50.00%	2,246	957	740	279	—	270
Dallas County Partners III, LP	50.00%	83	83	—	2	—	(2)
Fountain Three	50.00%	2,785	1,282	763	605	204	(69)
RRHWoods , LLC 1/ 2/	50.00%	5,738	3,214	1,438	1,367	6	(287)
Kessinger/Hunter, LLC	26.50%	1,423	1,035	—	127	—	261
4600 Madison Associates, LP	12.50%	442	205	97	150	—	(10)
Highwoods DLF 98/29, LP 1/ 2/	22.81%	3,536	1,122	750	608	—	1,056
Highwoods DLF 97/26 DLF 99/32, LP 1/ 2/	42.93%	5,336	1,670	1,424	1,299	—	943
Concourse Center Associates, LLC 1/ 2/	50.00%	796	199	252	125	—	220
Plaza Colonnade, LLC	50.00%	3,245	1,293	1,491	785	—	(324)
Highwoods KC Glenridge Office, LP	40.00%	1,110	480	247	194	—	189
Highwoods KC Glenridge Land, LP	40.00%	—	8	1	—	—	(9)
Highwoods KC Orlando, LLC 1/ 2/	40.00%	9,433	3,703	2,257	2,413	—	1,060
Weston Lakeside, LLC	50.00%	—	—	—	—	—	—
<b>Total</b>		<b>\$ 41,581</b>	<b>\$ 18,177</b>	<b>\$10,504</b>	<b>\$ 8,994</b>	<b>\$ 724</b>	<b>\$ 3,182</b>

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

Joint Venture	Own %	Lender	Interest Rate	Maturity Date	Loan Balance 09/30/06
Dallas County Partners I, LP	50.0%	Massachusetts Mutual Life Ins. Co.	6.2%	Aug-18	\$ 42,998
Dallas County Partners I, LP	50.0%	Thrivent	8.5%	Aug-10	1,633
Dallas County Partners I, LP	50.0%	Regions	6.3%	Jun-14	3,570
Dallas County Partners I, LP	50.0%	Sun Life	5.9%	Feb-16	1,085
Dallas County Partners I, LP	50.0%	Bankers Trust	8.0%	Jul-11	1,197
			6.3%		50,483
Dallas County Partners II, LP	50.0%	Principal Life Insurance Company	10.2%	Jun-13	18,721
Fountain Three	50.0%	Massachusetts Mutual Life Ins. Co.	6.2%	Aug-18	17,163
Fountain Three	50.0%	Thrivent	8.0%	Oct-10	3,621
Fountain Three	50.0%	Thrivent	7.3%	Apr-09	3,429
Fountain Three	50.0%	Lehman Brothers	8.0%	Jul-09	3,553
Fountain Three	50.0%	Thrivent	7.0%	Sep-12	5,405
			6.8%		33,171
RRHWoods, LLC	50.0%	Industrial Revenue Bonds	1.0%	Nov-15	23,000
RRHWoods, LLC	50.0%	Bank of America	6.8%	Sep-12	26,908
RRHWoods, LLC	50.0%	Industrial Revenue Bonds	1.0%	Sep-15	6,000
RRHWoods, LLC	50.0%	Industrial Revenue Bonds	1.1%	Nov-15	5,500
RRHWoods, LLC	50.0%	Massachusetts Mutual Life Ins. Co.	6.2%	Aug-18	4,748
RRHWoods, LLC	50.0%	Massachusetts Mutual Life Ins. Co.	5.9%	Mar-16	7,600
RRHWoods, LLC	50.0%	Regions	6.3%	Jun-14	3,570
			4.1%		77,326
Plaza Colonnade, LLC	50.0%	Met Life	5.7%	Jan-17	49,573
Plaza Colonnade, LLC	50.0%	Tax Incremental Financing	5.4%	Mar-10	1,818
Plaza Colonnade, LLC	50.0%	Tax Incremental Financing	6.0%	Mar-16	4,394
Plaza Colonnade, LLC	50.0%	Tax Incremental Financing	5.9%	Mar-24	12,283
			5.8%		68,068
4600 Madison Associates, LLC	12.5%	State Farm	6.9%	Apr-18	14,642
Board of Trade Investment Company	49.0%	KC Board of Trade Clearing Corp.	7.8%	Sep-07	207
Highwoods DLF 98/29, LP	22.8%	USG Annuity & Life Company	6.8%	Apr-11	64,218
Highwoods DLF 97/26 DLF 99/32, LP	42.9%	Massachusetts Mutual Life Ins. Co.	7.7%	May-12	56,926
Concourse Center Associates, LLC		Lincoln National Life Insurance			
	50.0%	Co.	7.0%	Jul-10	9,180
Highwoods KC Orlando, LLC	40.0%	Met Life	5.2%	Jul-14	143,000
Highwoods KC Glenridge Office	40.0%	Wachovia	4.8%	Jun-14	16,500
Weston Lakeside, LLC	50.0%	Wachovia	7.1%	Jul-10	16,809
			6.2%		321,482
			6.0%		\$569,251
Highwoods' Share of the above					\$241,698

1/ Excludes loans related to certain "consolidated" joint ventures

## Joint Ventures Portfolio Summary

As of September 30, 2006

### Summary by Location:

Market	Rentable Square Feet 1/	Occupancy 2/	Percentage of Annualized Revenue - Highwoods' Share Only 3/				
			Office	Industrial	Retail	Multi-Family	Total
Des Moines	2,399,000	93.9%	28.4%	4.0%	1.0%	3.3%	36.7%
Orlando	1,685,000	94.3%	26.9%	—	—	—	26.9%
Atlanta	835,000	95.2%	12.4%	—	—	—	12.4%
Kansas City	721,000	81.9%	8.7%	—	—	—	8.7%
Richmond	413,000	100.0%	5.0%	—	—	—	5.0%
Piedmont Triad	364,000	100.0%	3.6%	—	—	—	3.6%
Raleigh	455,000	99.6%	3.7%	—	—	—	3.7%
Tampa	205,000	100.0%	1.7%	—	—	—	1.7%
Charlotte	148,000	100.0%	0.8%	—	—	—	0.8%
Other	110,000	100.0%	0.5%	—	—	—	0.5%
Total 4/	<u>7,335,000</u>	<u>94.3%</u>	<u>91.7%</u>	<u>4.0%</u>	<u>1.0%</u>	<u>3.3%</u>	<u>100.0%</u>

1/ Excludes Des Moines' apartment units

2/ Excludes Des Moines' apartment occupancy percentage of 97.4%

3/ Annualized Rental Revenue is September, 2006 rental revenue (base rent plus operating expense pass through revenue) multiplied by 12.

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

# Joint Ventures Lease Expirations

September 30, 2006

Dollars in thousands

	Year	Rentable Square Feet Expiring	Percent of Rentable Square Feet	Annualized Revenue 1/	Average Rental Rate	Percent of Annualized Revenue 1/
<b>Total</b>						
	2006	155,267	2.2%	\$ 3,249	\$ 20.93	2.5%
	2007	523,446	7.5%	10,130	19.35	7.8%
	2008	1,408,912	20.3%	24,477	17.37	18.8%
	2009	1,048,377	15.1%	20,728	19.77	16.0%
	2010	711,833	10.3%	12,044	16.92	9.3%
	2011	824,794	11.9%	14,257	17.29	11.0%
	2012	461,296	6.7%	9,728	21.09	7.5%
	2013	770,442	11.1%	14,810	19.22	11.4%
	2014	328,565	4.7%	7,299	22.21	5.6%
	2015	586,362	8.5%	9,619	16.40	7.4%
	2016 and thereafter	115,245	1.7%	3,567	30.95	2.7%
		<b><u>6,934,539</u></b>	<b><u>100.0%</u></b>	<b><u>\$129,908</u></b>	<b><u>\$ 18.73</u></b>	<b><u>100.0%</u></b>

1/ Annualized Revenue is September, 2006 rental revenue (base rent plus operating expense pass through revenue) multiplied by 12.



## Joint Ventures Development

Dollars in thousands

### For Lease Office and Residential

Property	% Ownership	Market	Rentable Square Feet	Anticipated	Investment	Pre-Leasing	Estimated Completion	Estimated Stabilization
				Total Investment	@ 09/30/06		Date	Date
Sonoma	50%	Des Moines	76,000	\$ 9,641	\$ 9,350	82%	2Q 05	4Q 06
Brickstone	50%	Des Moines	31,000	5,149	2,607	35%	4Q 06	4Q 07
The Vinings at University Center 1/ 2/	50%	Charlotte	156 Units	11,300	11,328	97%	1Q 06	3Q 06
Weston Lakeside 2/	50%	Raleigh	332 Units	33,200	24,206	1%	1Q 07	1Q 08
Total or Weighted Average 3/			<b>107,000</b>	<b>\$ 59,290</b>	<b>\$ 47,491</b>	<b>68%</b>		
Highwoods' Share of the above				<b>\$ 29,645</b>	<b>\$ 23,746</b>			

### For Sale Residential

Property	% Ownership	Market	Rentable Square Feet	Anticipated	Investment	Reserva-	Estimated Completion	Estimated Stabilization
				Total Investment	@ 09/30/06	tions	Date	Date
RBC Plaza 2/ 4/ 5/	93%	Raleigh	139 Units	\$ 45,570	\$ —	267	4Q 08	2Q 09
Highwoods' Share of the above				<b>\$ 42,380</b>	<b>\$ —</b>			

- 1/ The Vinings at University Center is currently a fifty percent owned joint venture consolidated under the provisions of FIN 46.
- 2/ Estimated Completion Date is the date the last unit is expected to be delivered
- 3/ Pre-leasing percentage does not include multi-family
- 4/ Highwoods will provide 93% of the anticipated equity requirement; however, its economic interest may be less due to the other Partner's promoted interest in the project.
- 5/ There are currently 267 reservations for the 139 units. Reservations are fully refundable until 3Q 07 at which time binding sales contracts will be accepted and non-refundable deposits will be retained.