

# HIGHWOODS PROPERTIES INC

## FORM 8-K (Current report filing)

Filed 8/7/2006 For Period Ending 8/7/2006

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): August 7, 2006**

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

(Exact name of registrant specified in its charter)

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**Maryland**  
(State of Incorporation)

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

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

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### **HIGHWOODS REALTY LIMITED PARTNERSHIP**

(Exact name of registrant specified in its charter)

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**North Carolina**  
(State of Incorporation)

**000-21731**  
(Commission File Number)

**56-1869557**  
(IRS Employer Identification No.)

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

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

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

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
-

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

On August 7, 2006, we issued a press release announcing operational information for the quarter ended June 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 June 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 August 7, 2006
99.2	Supplemental operating information for the quarter ended June 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: August 7, 2006

**FOR IMMEDIATE RELEASE****Ref: 06-26**

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

**Highwoods Properties Reports  
Second Quarter 2006 Operational Results**

*1.9 million square feet leased  
Occupancy increases to 88.1%*

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**Raleigh, NC – August 7, 2006 – Highwoods Properties, Inc. (NYSE: HIW)** , the largest owner and operator of suburban office properties in the Southeast, today reported operational results for the quarter ended June 30, 2006.

Total occupancy in the Company's wholly-owned portfolio at June 30, 2006 was 88.1%, a 400 basis point increase from June 30, 2005 and a 40 basis point increase from the first quarter of 2006. Occupancy in the Company's office portfolio, which contributes 82% of annual revenue, increased 360 basis points year over year and was unchanged from the previous quarter.

Ed Fritsch, President and Chief Executive Officer of Highwoods Properties, stated *"We had a solid second quarter with almost two million square feet of second generation office and industrial space leased. Our development pipeline currently stands at a robust \$361 million and includes 18 projects in 11 markets. Since April 1, 2006, we have added five wholly-owned Class "A" office projects that are 60% pre-leased."*

**Second Quarter 2006 Operating Highlights**

- Second generation leasing activity in Highwoods' portfolio was over 1.9 million square feet, including 950,460 square feet of office space, 974,807 square feet of industrial space and 13,573 square feet of retail space.
- Straight-line (GAAP) rental rates for signed office leases increased 1.8% from straight line rental rates under the previous leases, ahead of the Company's 2006 expectations. Cash rents for office leases signed in the first quarter declined 5.5%, in line with the Company's expectations and a modest improvement from the first quarter of 2006 when cash rents for newly signed office leases declined 6.3%
- Office tenant improvements and leasing commissions as a percentage of term base rent (netting out free rent) were 12.8% compared to the five-quarter average of 12.0%. On a dollar per square foot basis, tenant improvements and leasing commissions were \$11.17, in line with our 2006 expectations.
- On May 3<sup>rd</sup>, the Company announced that it had obtained a new, \$350 million three-year unsecured revolving credit facility, which replaced its previous \$250 million unsecured revolving credit facility and a \$100 million bank term loan.

## 2006 Development Activity

The Company's development pipeline is now \$361 million. Since January 1, 2006, the Company has announced and/or commenced eight new wholly-owned developments in seven markets representing \$197.5 million of value creating projects. These new projects are detailed in the table below:

<u>Market</u>	<u>RSF</u>	<u>Total Investment</u>	<u>Pre-Leased</u>
Tampa (O)	324,000	\$ 62,400,000	35%
Nashville (O)	255,000	\$ 58,300,000	100%
Atlanta (O)	91,000	\$ 21,700,000	100%
Triad (I)	418,000	\$ 14,400,000	44%
Kansas City (O&R)	47,000	\$ 13,900,000	49%
Richmond (O)	95,000	\$ 13,600,000	0%
Orlando (O)	99,000	\$ 13,200,000	0%
<b>Total</b>	<b>1,329,000</b>	<b>\$197,500,000</b>	<b>50%</b>

Mr. Fritsch noted, "Our development pipeline includes four fully leased build-to-suit office projects, one of which is for the United States government. We continue to focus our efforts on building properties in well-leased, highly desirable submarkets where available inventory is scarce and demand is resilient."

## SEC Update

The Company noted that there has been no change in the status of the formal investigation by the SEC. Management continues to cooperate fully and remains confident and comfortable with the information provided to the SEC.

## Funds from Operations Outlook

The Company also reaffirmed its guidance for 2006 FFO of \$2.28 to \$2.42 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 excludes any gains or impairments associated with potential operating property dispositions, as well as any unusual or non-recurring credits or charges that may occur during the year. It also excludes a reduction of \$1.8 million, or \$0.03 per share, related to the redemption of \$50 million of 8.0% Series B Preferred Shares on February 23, 2006. 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.

## Non-GAAP Information

We believe that FFO and FFO per share are beneficial to management and investors as important indicators of the performance of an equity REIT. FFO and FFO per share can facilitate comparisons of operating performance between periods and between other REITs because they exclude factors, such as depreciation, amortization and gains and losses from sales of real estate assets, which can vary among owners of identical assets in similar condition based on historical cost accounting and useful life estimates. FFO and FFO per share as disclosed by other REITs may not be comparable to our calculations of FFO and FFO per share. FFO and FFO per share are non-GAAP financial measures and do not represent net income or cash flows from operating, investing or financing activities as defined by GAAP. They should not be considered as alternatives to net income as indicators of our operating performance or to cash flows as measures of liquidity. Furthermore, FFO per share does not depict the amount that accrues directly to the stockholders' benefit.

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

**Supplemental Information**

A copy of the Company's second quarter 2006 Supplemental Information that includes 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 Tuesday, August 8, 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 and Web cast replays and a Pod cast will be available two hours after the completion of the call. The replays 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 3168158.

**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 June 30, 2006, the Company owned or had an interest in 418 in-service office, industrial and retail properties encompassing approximately 35.1 million square feet. Highwoods also owns 830 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).

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

Factors that could cause actual results to differ materially from Highwoods' current expectations include, among others, the following: the financial condition of our customers could deteriorate; unwaived defaults, if any, under our debt instruments could result in an acceleration of some of our outstanding debt; speculative development by others could result in excessive supply of office properties relative to customer demand; we may not be able to lease or re-lease space quickly or on as favorable terms as old leases; unexpected difficulties in obtaining additional capital to satisfy our future cash needs or unexpected increases in interest rates would increase our debt service costs; and others detailed in the Company's 2005 Annual Report on Form 10-K and subsequent SEC reports.



Supplemental Information  
June 30, 2006



**Supplemental Information**  
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**June 30, 2006**

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The information within refers to all Highwoods Properties' wholly-owned entities, except pages 24 to 27, unless noted otherwise.

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

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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

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## Corporate Information

### **Divisional Officers**

#### **Atlanta/Piedmont Triad**

Gene H. Anderson - Regional Manager  
Atlanta, GA  
*Gene H. Anderson, Senior Vice President*  
  
Piedmont Triad, NC  
*Mark W. Shumaker, Vice President*

#### **Orlando/Tampa**

Michael F. Beale - Regional Manager  
Orlando, FL  
*Michael F. Beale, Senior Vice President*  
  
Tampa, FL  
*Dan Woodward, Vice President*

#### **Raleigh**

Raleigh, NC  
*Thomas "Skip" Hill, Vice President*

#### **Richmond**

Richmond, VA  
*Paul W. Kreckman, Vice President*

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

W. Brian Reames - Regional Manager  
Nashville, TN  
*W. Brian Reames, Senior Vice President*  
  
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: 919-876-6929  
E-mail: 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

### **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 June 30, 2006, the Company owned or had an interest in 418 in-service office, industrial and retail properties encompassing approximately 35.1 million square feet. Highwoods also owns 830 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).



## Capitalization

*Dollars, shares, and units in thousands*

	06/30/06	03/31/06	12/31/05	09/30/05	06/30/05
<b>Long-Term Debt (see pages 2 &amp; 3):</b>	<b>\$1,466,839</b>	\$1,450,253	\$1,471,615	\$1,441,081	\$1,559,352
Eastshore Debt 1/	—	—	—	—	19,800
<b>Total debt per the balance sheet</b>	<b>1,466,839</b>	<b>1,450,253</b>	<b>1,471,615</b>	<b>1,441,081</b>	<b>1,579,152</b>
<b>Finance Obligations:</b>	<b>\$ 34,410</b>	\$ 33,833	\$ 33,706	\$ 34,746	\$ 43,168
<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	42,500	92,500	142,500	142,500	172,500
Series D 8% Perpetual Preferred Stock	—	—	—	—	100,000
<b>Total preferred stock</b>	<b>\$ 147,445</b>	<b>\$ 197,445</b>	<b>\$ 247,445</b>	<b>\$ 247,445</b>	<b>\$ 377,445</b>
<b>Shares and Units Outstanding:</b>					
Common stock outstanding	54,131	54,142	54,029	54,030	54,037
Minority interest partnership units	5,234	5,401	5,450	5,493	5,668
<b>Total shares and units outstanding</b>	<b>59,365</b>	<b>59,543</b>	<b>59,479</b>	<b>59,523</b>	<b>59,705</b>
Stock price at period end	\$ 36.18	\$ 33.73	\$ 28.45	\$ 29.51	\$ 29.76
<b>Market value of common equity</b>	<b>\$2,147,826</b>	<b>\$2,008,385</b>	<b>\$1,692,178</b>	<b>\$1,756,524</b>	<b>\$1,776,821</b>
<b>Total market capitalization with debt and obligations</b>	<b>\$3,796,520</b>	<b>\$3,689,916</b>	<b>\$3,444,944</b>	<b>\$3,479,796</b>	<b>\$3,756,786</b>

1/ This debt is the 100% obligation of an entity that Highwoods has no ownership interest in but which had been consolidated according to GAAP. The value of this debt is not included in "total market capitalization with debt and obligations." These properties are no longer consolidated as of 9/30/05.

See pages 24 to 27 for information regarding Highwoods' Joint Ventures

## Long-Term Debt Summary

*Dollars in thousands*

	06/30/06	03/31/06	12/31/05	09/30/05	06/30/05
<b>Balances Outstanding:</b>					
<b>Secured:</b>					
Conventional fixed rate 1/	\$ 695,832	\$ 699,951	\$ 667,137	\$ 676,855	\$ 709,948
Variable rate debt 2/	13,007	12,302	53,978	46,226	84,404
Secured total	<u>\$ 708,839</u>	<u>\$ 712,253</u>	<u>\$ 721,115</u>	<u>\$ 723,081</u>	<u>\$ 794,352</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	120,000
Credit facility	298,000	178,000	190,500	158,000	185,000
Unsecured total	<u>\$ 758,000</u>	<u>\$ 738,000</u>	<u>\$ 750,500</u>	<u>\$ 718,000</u>	<u>\$ 765,000</u>
Total	<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>	<u><u>\$1,559,352</u></u>
<b>Average Interest Rates:</b>					
<b>Secured:</b>					
Conventional fixed rate	6.9%	6.9%	7.0%	7.0%	7.1%
Variable rate debt	5.8%	5.4%	5.5%	5.0%	4.9%
Secured total	<u>6.9%</u>	<u>6.9%</u>	<u>6.9%</u>	<u>6.9%</u>	<u>6.8%</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%	4.7%
Credit facility	6.0%	5.8%	5.4%	4.9%	4.3%
Unsecured total	<u>6.8%</u>	<u>6.8%</u>	<u>6.6%</u>	<u>6.5%</u>	<u>6.2%</u>
Average	<u><u>6.9%</u></u>	<u><u>6.8%</u></u>	<u><u>6.7%</u></u>	<u><u>6.7%</u></u>	<u><u>6.5%</u></u>

### Maturity Schedule:

Year	Future Maturities of Debt		Total Debt 3/	Average Interest Rate
	Secured Debt 3/	Unsecured Debt		
2006	\$ —	\$ 110,000	\$ 110,000	7.0%
2007	80,627	—	80,627	7.8%
2008	—	100,000	100,000	7.1%
2009 4/	153,030	348,000	501,030	6.7%
2010	133,765	—	133,765	7.8%
2011	—	—	—	—
2012	22,800	—	22,800	6.1%
2013	275,089	—	275,089	5.9%
2014	38,463	—	38,463	5.8%
2015	—	—	—	—
Thereafter	5,065	200,000	205,065	7.5%
Total maturities	<u>\$ 708,839</u>	<u>\$ 758,000</u>	<u>\$1,466,839</u>	<u>6.9%</u>

Weighted average maturity = 4.3 years

1/ Includes a \$22.8 million loan related to a consolidated 20% owned joint venture (Harborview) and \$38.5 million in loans at June 30, 2006 related to a consolidated 50% joint venture (Markel)

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

3/ All periods exclude annual principal amortization.

4/ The \$348.0 million of unsecured debt maturities includes \$298.0 million related to the credit facility which matures in 2009.

## Long-Term Debt Detail

Dollars in thousands

### Secured Loans

#### Lender

	Rate	Maturity Date	Loan Balance 06/30/06	Undepreciated Book Value of Assets Secured
Monumental Life Ins. Co.	7.8%	Nov-09	\$ 147,065	\$ 198,172
Northwestern Mutual	6.0%	Mar-13	138,857	168,929
Northwestern Mutual	7.8%	Nov-10	133,765	282,365
Massachusetts Mutual Life Ins. Co. 1/	5.7%	Dec-13	124,374	185,704
Northwestern Mutual	8.2%	Feb-07	62,426	134,832
Metropolitan Life Ins. Co. 2/	6.1%	Oct-12	22,800	38,712
Principal Life Insurance Company 3/	5.8%	Jan-14	11,791	14,880
Principal Life Insurance Company 3/	5.8%	Jan-14	11,791	18,781
Massachusetts Mutual Life Ins. Co. 1/	6.5%	Dec-13	10,936	15,638
Central Carolina Bank 4/ 5/	5.3%	Jan-08	9,660	11,262
Principal Life Insurance Company 3/	5.7%	Jan-14	9,300	14,564
Principal Life Insurance Company 3/	5.9%	Jan-14	5,581	7,514
PFL Life Ins. Co. 6/	8.1%	Jun-07	5,194	23,417
Ohio National	8.0%	Nov-17	5,065	11,206
Lutheran Brotherhood	6.8%	Apr-09	3,863	7,927
PFL Life Ins. Co. 6/ 7/	7.5%	Jun-07	3,347	—
Security Life of Denver	8.9%	Aug-09	2,101	9,362
American United Life	9.0%	Jun-13	923	3,322
	6.9%		\$ 708,839	\$ 1,146,587

### 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%	Jul-06	\$ 298,000	
<b>Total Debt</b>	<u>6.9%</u>		<u>\$1,466,839</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.  
6/ These two loans are secured by the same assets.  
7/ Floating rate loan based on ninety day libor.

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

(Rentable Square Feet)

	06/30/06	03/31/06	12/31/05	09/30/05	06/30/05
<b>Office Industrial &amp; Retail</b>					
<b>In-Service:</b>					
Office 2/	19,704,000	19,691,000	21,412,000	21,432,000	23,849,000
Industrial	6,706,000	6,706,000	6,977,000	6,977,000	6,623,000
Retail 3/	1,408,000	1,408,000	1,416,000	1,417,000	1,417,000
Total	27,818,000	27,805,000	29,805,000	29,826,000	31,889,000
<b>Development Completed - Not Stabilized:</b>					
Office 2/	153,000	—	—	—	—
Industrial	—	—	—	—	353,000
Retail	—	9,600	9,600	9,600	9,600
Total	153,000	9,600	9,600	9,600	362,600
<b>Development - In Process:</b>					
Office 2/	1,268,000	1,026,000	533,000	780,000	710,000
Industrial	418,000	418,000	—	—	—
Retail	23,000	23,000	—	—	—
Total	1,709,000	1,467,000	533,000	780,000	710,000
<b>Total:</b>					
Office 2/	21,125,000	20,717,000	21,945,000	22,212,000	24,559,000
Industrial	7,124,000	7,124,000	6,977,000	6,977,000	6,976,000
Retail 3/	1,431,000	1,440,600	1,425,600	1,426,600	1,426,600
Total	29,680,000	29,281,600	30,347,600	30,615,600	32,961,600
<b>Same Property</b>					
Office 2/	19,328,000	19,328,000	19,328,000	19,328,000	19,328,000
Industrial	6,352,000	6,352,000	6,352,000	6,352,000	6,352,000
Retail	1,408,000	1,408,000	1,408,000	1,408,000	1,408,000
Total	27,088,000	27,088,000	27,088,000	27,088,000	27,088,000
<b>Percent Leased/Pre-Leased:</b>					
<b>In-Service:</b>					
Office	87.1%	87.1%	87.5%	85.0%	83.5%
Industrial	89.5%	88.0%	92.4%	86.2%	83.8%
Retail	95.3%	95.7%	97.5%	96.4%	96.0%
Total	88.1%	87.7%	89.1%	85.8%	84.1%
<b>Development Completed - Not Stabilized:</b>					
Office	17.0%	—	—	—	—
Industrial	—	—	—	—	100.0%
Retail	—	88.0%	87.0%	87.0%	87.0%
Total	17.0%	88.0%	87.0%	87.0%	99.7%
<b>Development - In Process:</b>					
Office	53.7%	57.1%	37.2%	57.1%	60.8%
Industrial	44.0%	43.8%	—	—	—
Retail	100.0%	100.0%	—	—	—
Total	51.9%	54.0%	37.2%	57.1%	60.8%
<b>Same Property</b>					
Office	86.9%	86.8%	88.3%	86.6%	86.1%
Industrial	89.0%	87.3%	92.8%	86.9%	84.4%
Retail	95.3%	95.7%	98.1%	97.0%	96.6%
Total	87.8%	87.4%	89.8%	87.2%	86.3%

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 June 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	4,101,000	83.0%	14.7%	0.2%	—	14.9%
Atlanta	5,584,000	91.8%	10.6%	4.0%	—	14.6%
Kansas City	2,306,000 4/	89.9%	4.5%	—	9.9%	14.4%
Nashville	2,874,000	90.8%	13.3%	—	—	13.3%
Tampa	2,524,000	93.6%	12.6%	—	—	12.6%
Piedmont Triad /5	5,598,000	88.6%	7.5%	3.8%	—	11.3%
Richmond	1,954,000	88.0%	8.0%	—	—	8.0%
Memphis	1,197,000	89.7%	5.4%	—	—	5.4%
Greenville	1,110,000	68.8%	3.2%	0.1%	—	3.3%
Orlando	218,000	100.0%	1.2%	—	—	1.2%
Columbia	252,000	49.8%	0.5%	—	—	0.5%
Other	100,000	76.2%	0.5%	—	—	0.5%
<b>Total</b>	<b>27,818,000</b>	<b>88.1%</b>	<b>82.0%</b>	<b>8.1%</b>	<b>9.9%</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	92.3%	10.9%	3.5%	—	—	14.4%
Kansas City	3,030,000 4/	87.9%	5.0%	—	8.7%	—	13.7%
Raleigh	4,556,000	84.7%	13.4%	0.1%	—	—	13.5%
Nashville	2,874,000	90.8%	11.7%	—	—	—	11.7%
Tampa	2,729,000	94.1%	11.3%	—	—	—	11.3%
Piedmont Triad	5,962,000	89.3%	7.0%	3.3%	—	—	10.3%
Richmond	2,367,000	90.1%	7.7%	—	—	—	7.7%
Memphis	1,197,000	89.7%	4.8%	—	—	—	4.8%
Orlando	1,903,000	94.0%	4.3%	—	—	—	4.3%
Des Moines	2,315,000	92.5%	3.3%	0.5%	0.1%	0.4%	4.3%
Greenville	1,110,000	68.8%	2.9%	0.1%	—	—	3.0%
Other	210,000	88.6%	0.5%	—	—	—	0.5%
Columbia	252,000	49.8%	0.4%	—	—	—	0.4%
Charlotte	148,000	100.0%	0.1%	—	—	—	0.1%
<b>Total</b>	<b>35,072,000</b>	<b>89.3%</b>	<b>83.3%</b>	<b>7.5%</b>	<b>8.8%</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 June, 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 25



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

As of June 30, 2006

Market	Office Properties			Industrial		
	Rentable Square Feet	Occupancy	Percentage	Rentable Square Feet	Occupancy	Percentage
			of Office Annualized Revenue 2/			of Industrial Annualized Revenue 2/
Raleigh	4,000,000	83.5%	18.0%	101,000	63.0%	1.9%
Nashville	2,874,000	90.8%	16.1%	—	—	—
Tampa	2,524,000	93.6%	15.3%	—	—	—
Atlanta	2,529,000	86.9%	13.0%	3,055,000	95.9%	50.0%
Richmond	1,954,000	88.0%	9.8%	—	—	—
Piedmont Triad	2,155,000	92.0%	9.1%	3,443,000	86.6%	47.1%
Memphis	1,197,000	89.7%	6.6%	—	—	—
Kansas City	894,000	81.4%	5.4%	4,000	100.0%	0.1%
Greenville	1,007,000	73.2%	4.0%	103,000	25.4%	0.9%
Orlando	218,000	100.0%	1.5%	—	—	—
Columbia	252,000	49.8%	0.6%	—	—	—
Other	100,000	76.2%	0.6%	—	—	—
	<u>19,704,000</u>	<u>87.1%</u>	<u>100.0%</u>	<u>6,706,000</u>	<u>89.5%</u>	<u>100.0%</u>

Market	Retail		
	Rentable Square Feet	Occupancy	Percentage
			of Retail Annualized Revenue 2/
Kansas City 3/	1,408,000	95.3%	100.0%
	<u>1,408,000</u>	<u>95.3%</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 June, 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	06/30/06	03/31/06	12/31/05	09/30/05	06/30/05
Atlanta	Rentable Square Feet	<b>5,584,000</b>	5,584,000	6,806,000	6,818,000	6,465,000
	Occupancy	<b>91.8%</b>	91.1%	87.4%	83.3%	81.9%
	Current Properties 2/	<b>91.1%</b>	90.3%	90.1%	88.0%	86.7%
Charlotte	Rentable Square Feet	—	—	—	—	1,492,000
	Occupancy	—	—	—	—	66.9%
	Current Properties 2/	—	—	—	—	—
Columbia	Rentable Square Feet	<b>252,000</b>	252,000	426,000	426,000	426,000
	Occupancy	<b>49.8%</b>	41.4%	58.9%	62.0%	61.6%
	Current Properties 2/	<b>49.8%</b>	41.4%	38.2%	42.0%	40.8%
Greenville	Rentable Square Feet	<b>1,110,000</b>	1,106,000	1,105,000	1,105,000	1,105,000
	Occupancy	<b>68.8%</b>	73.4%	73.0%	71.2%	75.5%
	Current Properties 2/	<b>68.8%</b>	73.1%	72.7%	70.9%	75.2%
Kansas City 3/	Rentable Square Feet	<b>2,306,000</b>	2,306,000	2,314,000	2,315,000	2,315,000
	Occupancy	<b>89.9%</b>	90.4%	92.2%	91.7%	91.4%
	Current Properties 2/	<b>89.9%</b>	90.4%	92.5%	92.1%	91.7%
Memphis	Rentable Square Feet	<b>1,197,000</b>	1,197,000	1,197,000	1,216,000	1,216,000
	Occupancy	<b>89.7%</b>	90.0%	88.8%	83.8%	82.3%
	Current Properties 2/	<b>89.7%</b>	89.9%	88.8%	83.8%	82.3%
Nashville	Rentable Square Feet	<b>2,874,000</b>	2,874,000	2,874,000	2,874,000	2,873,000
	Occupancy	<b>90.8%</b>	90.6%	94.0%	95.6%	95.1%
	Current Properties 2/	<b>90.8%</b>	90.6%	94.0%	95.6%	95.0%
Orlando	Rentable Square Feet	<b>218,000</b>	218,000	218,000	218,000	218,000
	Occupancy	<b>100.0%</b>	99.5%	100.0%	100.0%	96.8%
	Current Properties 2/	<b>100.0%</b>	99.5%	100.0%	100.0%	96.9%
Piedmont Triad	Rentable Square Feet	<b>5,598,000</b>	5,589,000	5,589,000	5,589,000	5,593,000
	Occupancy	<b>88.6%</b>	86.7%	93.1%	89.1%	88.3%
	Current Properties 2/	<b>88.6%</b>	86.7%	93.1%	89.1%	88.4%
Raleigh	Rentable Square Feet	<b>4,101,000</b>	4,102,000	4,232,000	4,358,000	4,432,000
	Occupancy	<b>83.0%</b>	82.7%	87.5%	85.5%	83.8%
	Current Properties 2/	<b>83.0%</b>	82.7%	87.7%	86.6%	85.1%
Richmond	Rentable Square Feet	<b>1,954,000</b>	1,954,000	1,955,000	1,955,000	1,841,000
	Occupancy	<b>88.0%</b>	91.3%	94.4%	93.1%	93.2%
	Current Properties 2/	<b>87.2%</b>	90.7%	94.1%	92.7%	93.2%
Tampa	Rentable Square Feet	<b>2,524,000</b>	2,523,000	2,989,000	2,851,000	3,813,000
	Occupancy	<b>93.6%</b>	91.9%	87.6%	76.7%	77.2%
	Current Properties 2/	<b>93.3%</b>	91.4%	88.9%	77.5%	73.7%
Total 4/	Rentable Square Feet	<b>27,718,000</b>	27,705,000	29,705,000	29,725,000	31,789,000
	Occupancy	<b>88.1%</b>	87.7%	89.1%	85.8%	84.1%
	Current Properties 2/	<b>87.8%</b>	87.4%	89.9%	87.3%	86.3%

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					
	6/30/06 2/	3/31/06 3/	12/31/05 4/	9/30/05 5/	6/30/05 6/	Average
Net Effective Rents Related to Re-Leased Space:						
Number of lease transactions (signed leases)	141	188	171	180	223	181
Rentable square footage leased	950,460	944,222	1,169,148	1,069,468	1,155,513	1,057,762
Square footage of Renewal Deals	486,998	528,275	890,582	826,512	785,827	703,639
Renewed square footage (% of total)	51.2%	55.9%	76.2%	77.3%	68.0%	66.5%
New Leases square footage (% of total)	48.8%	44.1%	23.8%	22.7%	32.0%	33.5%
Weighted average per rentable square foot over the lease term:						
Base rent	\$ 17.29	\$ 18.06	\$ 17.37	\$ 17.71	\$ 17.31	\$ 17.55
Tenant improvements	(1.71)	(1.52)	(1.67)	(1.10)	(1.45)	(1.49)
Leasing commissions 7/	(0.48)	(0.62)	(0.66)	(0.57)	(0.60)	(0.59)
Rent concessions	(0.22)	(0.31)	(0.27)	(0.27)	(0.31)	(0.28)
Effective rent	14.88	15.61	14.77	15.77	14.95	15.19
Expense stop	(5.53)	(5.57)	(4.79)	(4.85)	(5.33)	(5.21)
Equivalent effective net rent	\$ 9.35	\$ 10.04	\$ 9.98	\$ 10.92	\$ 9.62	\$ 9.98
Weighted average term in years	4.5	4.3	5.0	3.8	4.1	4.3
Capital Expenditures Related to Re-leased Space:						
Tenant Improvements:						
Total dollars committed under signed leases	\$ 8,416,490	\$7,270,758	\$10,506,779	\$5,996,413	\$ 8,869,553	\$ 8,211,999
Rentable square feet	950,460	944,222	1,169,148	1,069,468	1,155,513	1,057,762
Per rentable square foot	\$ 8.86	\$ 7.70	\$ 8.99	\$ 5.61	\$ 7.68	\$ 7.76
Leasing Commissions:						
Total dollars committed under signed leases 7/	\$ 2,198,017	\$2,363,857	\$ 3,551,312	\$2,398,139	\$ 2,629,936	\$ 2,628,252
Rentable square feet	950,460	944,222	1,169,148	1,069,468	1,155,513	1,057,762
Per rentable square foot	\$ 2.31	\$ 2.50	\$ 3.04	\$ 2.24	\$ 2.28	\$ 2.48
Total:						
Total dollars committed under signed leases	\$10,614,507	\$9,634,615	\$14,058,091	\$8,394,552	\$11,499,489	\$10,840,251
Rentable square feet	950,460	944,222	1,169,148	1,069,468	1,155,513	1,057,762
Per rentable square foot	\$ 11.17	\$ 10.20	\$ 12.02	\$ 7.85	\$ 9.95	\$ 10.25

- 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 74K square feet of leases that start in 2008 or later
- 3/ Includes 82K square feet of leases that start in 2008 or later
- 4/ Includes 171K square feet of leases that start in 2008 or later
- 5/ Includes 115K square feet of leases that start in 2008 or later
- 6/ Includes 68K 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					
	6/30/06 1/	3/31/06 2/	12/31/05 3/	9/30/05 4/	6/30/05 5/	Average
<b>Net Effective Rents Related to Re-Leased Space:</b>						
Number of lease transactions (signed leases)	36	22	29	32	30	30
Rentable square footage leased	974,807	300,496	532,917	498,819	359,342	533,276
Square footage of Renewal Deals	543,537	165,621	274,174	349,405	224,203	311,388
Renewed square footage (% of total)	55.8%	55.1%	51.4%	70.0%	62.4%	58.4%
New Leases square footage (% of total)	44.2%	44.9%	48.6%	30.0%	37.6%	41.6%
<b>Weighted average per rentable square foot over the lease term:</b>						
Base rent	\$ 3.44	\$ 4.46	\$ 4.14	\$ 4.19	\$ 5.16	\$ 4.28
Tenant improvements	(0.17)	(0.79)	(0.32)	(0.45)	(0.51)	(0.45)
Leasing commissions 6/	(0.07)	(0.15)	(0.14)	(0.06)	(0.12)	(0.11)
Rent concessions	(0.01)	(0.13)	(0.09)	(0.02)	(0.16)	(0.08)
Effective rent	3.19	3.39	3.59	3.66	4.37	3.64
Expense stop	(0.10)	(0.17)	(0.15)	(0.38)	(0.31)	(0.22)
Equivalent effective net rent	\$ 3.09	\$ 3.22	\$ 3.44	\$ 3.28	\$ 4.06	\$ 3.42
Weighted average term in years	2.9	3.5	3.9	4.1	3.7	3.6
<b>Capital Expenditures Related to Re-leased Space:</b>						
<b>Tenant Improvements:</b>						
Total dollars committed under signed leases	\$ 895,575	\$1,032,151	\$ 796,212	\$1,256,241	\$ 917,527	\$ 979,541
Rentable square feet	974,807	300,496	532,917	498,819	359,342	533,276
Per rentable square foot	\$ 0.92	\$ 3.43	\$ 1.49	\$ 2.52	\$ 2.55	\$ 1.84
<b>Leasing Commissions:</b>						
Total dollars committed under signed leases 6/	\$ 144,376	\$ 191,615	\$ 355,767	\$ 185,669	\$ 172,719	\$ 210,029
Rentable square feet	974,807	300,496	532,917	498,819	359,342	533,276
Per rentable square foot	\$ 0.15	\$ 0.64	\$ 0.67	\$ 0.37	\$ 0.48	\$ 0.39
<b>Total:</b>						
Total dollars committed under signed leases	\$1,039,951	\$1,223,766	\$1,151,979	\$1,441,910	\$1,090,246	\$1,189,570
Rentable square feet	974,807	300,496	532,917	498,819	359,342	533,276
Per rentable square foot	\$ 1.07	\$ 4.07	\$ 2.16	\$ 2.89	\$ 3.03	\$ 2.23

- 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/ Includes 4K square feet of leases that start in 2008 or later  
6/ Excludes a full allocation of internal leasing costs

**Leasing Statistics  
Retail Portfolio**

	Three Months Ended					
	06/30/06	3/31/06	12/31/05	9/30/05	6/30/05 1/	Average
<b>Net Effective Rents Related to Re-Leased Space:</b>						
Number of lease transactions (signed leases)	5	12	9	7	10	9
Rentable square footage leased	13,573	49,479	19,320	10,721	39,723	26,563
Square footage of Renewal Deals	3,919	36,129	2,729	6,502	36,118	17,079
Renewed square footage (% of total)	28.9%	73.0%	14.1%	60.6%	90.9%	64.3%
New Leases square footage (% of total)	71.1%	27.0%	85.9%	39.4%	9.1%	35.7%
<b>Weighted average per rentable square foot over the lease term:</b>						
Base rent	\$ 30.32	\$ 19.22	\$ 23.03	\$ 17.61	\$ 21.49	\$ 22.33
Tenant improvements	(4.28)	(0.41)	(1.33)	(1.21)	(1.64)	(1.77)
Leasing commissions 2/	(1.04)	(0.28)	(0.60)	(1.11)	(0.40)	(0.69)
Rent concessions	0.00	(0.06)	(0.35)	(0.08)	0.00	(0.10)
<b>Effective rent</b>	<b>25.00</b>	<b>18.47</b>	<b>20.75</b>	<b>15.21</b>	<b>19.45</b>	<b>19.77</b>
Expense stop	0.00	0.00	0.00	0.00	0.00	0.00
<b>Equivalent effective net rent</b>	<b>\$ 25.00</b>	<b>\$ 18.47</b>	<b>\$ 20.75</b>	<b>\$ 15.21</b>	<b>\$ 19.45</b>	<b>\$ 19.77</b>
<b>Weighted average term in years</b>	<b>10.8</b>	<b>11.1</b>	<b>6.1</b>	<b>4.3</b>	<b>8.7</b>	<b>8.2</b>
<b>Capital Expenditures Related to Re-leased Space:</b>						
<b>Tenant Improvements:</b>						
Total dollars committed under signed leases	\$838,555	\$186,372	\$251,252	\$62,187	\$695,152	\$406,704
Rentable square feet	13,573	49,479	19,320	10,721	39,723	26,563
Per rentable square foot	\$ 61.78	\$ 3.77	\$ 13.00	\$ 5.80	\$ 17.50	\$ 15.31
<b>Leasing Commissions:</b>						
Total dollars committed under signed leases 2/	\$ 63,681	\$ 42,804	\$ 13,721	\$12,026	\$ 43,041	\$ 35,055
Rentable square feet	13,573	49,479	19,320	10,721	39,723	26,563
Per rentable square foot	\$ 4.69	\$ 0.87	\$ 0.71	\$ 1.12	\$ 1.08	\$ 1.32
<b>Total:</b>						
Total dollars committed under signed leases	\$902,236	\$229,176	\$264,973	\$74,213	\$738,193	\$441,758
Rentable square feet	13,573	49,479	19,320	10,721	39,723	26,563
Per rentable square foot	\$ 66.47	\$ 4.63	\$ 13.71	\$ 6.92	\$ 18.58	\$ 16.63

1/ Includes 16K square feet of leases that start in 2008 or later

2/ Excludes a full allocation of internal leasing costs

## Leasing Statistics by Market

For the Three Months ended June 30, 2006

### Office Portfolio 1/

<u>Market</u>	Rentable Square Feet	Average	GAAP Rental Rate	TI's Per SF	Lease Commissions Per SF 2/
	Leased	Term			
Piedmont Triad	204,563	4.5	\$11.64	\$ 1.71	\$ 1.62
Atlanta	160,038	3.5	18.16	6.82	1.45
Greenville	135,473	5.2	17.19	23.57	5.32
Raleigh	105,750	5.3	16.66	8.69	1.69
Nashville	99,807	4.0	19.66	5.46	2.37
Memphis	78,818	4.2	21.06	13.98	0.76
Richmond	73,798	5.6	19.80	7.98	2.86
Tampa	72,901	4.1	18.63	6.94	1.61
Kansas City	17,732	3.5	20.75	6.12	3.29
Other	1,580	5.0	22.63	8.47	7.92
	<b>950,460</b>	<b>4.5</b>	<b>\$17.07</b>	<b>\$ 8.86</b>	<b>\$ 2.31</b>

### Industrial Portfolio

<u>Market</u>	Rentable Square Feet	Average	GAAP Rental Rate	TI's Per SF	Lease Commissions Per SF 2/
	Leased	Term			
Piedmont Triad	872,662	2.9	\$ 3.11	\$ 0.85	\$ 0.06
Atlanta	81,103	2.8	5.77	1.14	0.78
Raleigh	16,248	2.9	7.70	1.90	1.29
Greenville	4,794	3.3	7.62	6.00	0.99
	<b>974,807</b>	<b>2.9</b>	<b>\$ 3.43</b>	<b>\$ 0.92</b>	<b>\$ 0.15</b>

### Retail Portfolio

<u>Market</u>	Rentable Square Feet	Average	GAAP Rental Rate	TI's Per SF	Lease Commissions Per SF
	Leased	Term			
Kansas City	13,573	10.8	\$30.32	\$61.78	\$ 4.69
	<b>13,573</b>	<b>10.8</b>	<b>\$30.32</b>	<b>\$61.78</b>	<b>\$ 4.69</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 June 30, 2006

**Office Portfolio 1/**

	Rentable Square Feet	Current	Previous	Percentage Change Rent
<u>Market</u>	<u>Leased</u>	<u>Rent</u>	<u>Rent</u>	
Piedmont Triad	204,563	\$11.64	\$11.76	-1.0%
Atlanta	160,038	18.16	18.08	0.4%
Greenville	135,473	17.19	16.82	2.2%
Raleigh	105,750	16.66	16.89	-1.3%
Nashville	99,807	19.66	19.07	3.1%
Memphis	78,818	21.06	19.74	6.7%
Richmond	73,798	19.80	19.02	4.1%
Tampa	72,901	18.63	18.18	2.5%
Kansas City	17,732	20.75	19.96	3.9%
Other	1,580	22.63	21.25	6.5%
GAAP Rent Growth	<b>950,460</b>	<b>\$17.07</b>	<b>\$16.77</b>	<b>1.8%</b>
Cash Rent Growth	<b>950,460</b>	<b>\$16.83</b>	<b>\$17.82</b>	<b>-5.5%</b>

**Industrial Portfolio**

	Rentable Square Feet	Current	Previous	Percentage Change Rent
<u>Market</u>	<u>Leased</u>	<u>Rent</u>	<u>Rent</u>	
Piedmont Triad	872,662	\$ 3.11	\$ 3.32	-6.3%
Atlanta	81,103	5.77	5.44	6.0%
Raleigh	16,248	7.70	8.59	-10.3%
Greenville	4,794	7.62	10.12	-24.7%
GAAP Rent Growth	<b>974,807</b>	<b>\$ 3.43</b>	<b>\$ 3.61</b>	<b>-5.1%</b>
Cash Rent Growth	<b>974,807</b>	<b>\$ 3.35</b>	<b>\$ 3.66</b>	<b>-8.5%</b>

**Retail Portfolio**

	Rentable Square Feet	Current	Previous	Percentage Change Rent
<u>Market</u>	<u>Leased</u>	<u>Rent</u>	<u>Rent</u>	
Kansas City	13,573	\$30.32	\$22.01	37.8%
GAAP Rent Growth	<b>13,573</b>	<b>\$30.32</b>	<b>\$22.01</b>	<b>37.8%</b>
Cash Rent Growth	<b>13,573</b>	<b>\$28.55</b>	<b>\$21.47</b>	<b>32.9%</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

June 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	1,085,764	6.3%	\$ 17,428	\$16.05	5.6%
2007	1,783,334	10.4%	32,362	18.15	10.4%
2008	2,535,661	14.8%	44,837	17.68	14.4%
2009	2,595,675	15.1%	48,507	18.69	15.5%
2010	2,275,909	13.3%	45,538	20.01	14.6%
2011	2,315,561	13.5%	42,455	18.33	13.6%
2012	1,256,999	7.3%	24,759	19.70	7.9%
2013	631,911	3.7%	10,836	17.15	3.5%
2014	433,175	2.5%	9,213	21.27	3.0%
2015	635,493	3.7%	12,694	19.98	4.1%
2016 and thereafter	1,621,660	9.4%	23,228	14.32	7.4%
	<b><u>17,171,142</u></b>	<b><u>100.0%</u></b>	<b><u>\$311,857</u></b>	<b><u>\$18.16</u></b>	<b><u>100.0%</u></b>
<b>Industrial:</b>					
2006 /4	598,027	10.0%	\$ 2,574	\$ 4.30	8.4%
2007	1,070,433	17.8%	6,136	5.73	20.0%
2008	1,274,570	21.3%	5,891	4.62	19.2%
2009	744,945	12.4%	4,453	5.98	14.5%
2010	518,113	8.6%	2,672	5.16	8.7%
2011	497,642	8.3%	2,175	4.37	7.1%
2012	230,189	3.8%	1,193	5.18	3.9%
2013	210,689	3.5%	1,098	5.21	3.6%
2014	210,439	3.5%	1,126	5.35	3.7%
2015	137,882	2.3%	695	5.04	2.3%
2016 and thereafter	511,330	8.5%	2,636	5.16	8.6%
	<b><u>6,004,259</u></b>	<b><u>100.0%</u></b>	<b><u>\$ 30,649</u></b>	<b><u>\$ 5.10</u></b>	<b><u>100.0%</u></b>

1/ Annualized Revenue is June, 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 169,000 square feet of leases that are on a month to month basis or 0.7% of total annualized revenue

4/ Includes 84,000 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

June 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/	46,697	3.5%	\$ 1,252	\$26.81	3.3%
2007	75,664	5.6%	2,271	30.01	6.0%
2008	130,910	9.8%	3,744	28.60	9.9%
2009	180,311	13.4%	4,664	25.87	12.4%
2010	99,390	7.4%	3,416	34.37	9.1%
2011	61,112	4.6%	1,714	28.05	4.5%
2012	143,771	10.7%	4,252	29.57	11.3%
2013	107,006	8.0%	2,613	24.42	6.9%
2014	79,410	5.9%	1,465	18.45	3.9%
2015	132,384	9.9%	4,258	32.16	11.3%
2016 and thereafter	285,608	21.2%	8,032	28.12	21.4%
	<b>1,342,263</b>	<b>100.0%</b>	<b>\$ 37,681</b>	<b>\$28.07</b>	<b>100.0%</b>
<b>Total:</b>					
2006 3/4/	1,730,488	7.1%	\$ 21,254	\$12.28	5.6%
2007	2,929,431	11.9%	40,769	13.92	10.7%
2008	3,941,141	16.0%	54,472	13.82	14.3%
2009	3,520,931	14.4%	57,624	16.37	15.3%
2010	2,893,412	11.8%	51,626	17.84	13.6%
2011	2,874,315	11.7%	46,344	16.12	12.2%
2012	1,630,959	6.7%	30,204	18.52	7.9%
2013	949,606	3.9%	14,547	15.32	3.8%
2014	723,024	2.9%	11,804	16.33	3.1%
2015	905,759	3.7%	17,647	19.48	4.6%
2016 and thereafter	2,418,598	9.9%	33,896	14.01	8.9%
	<b>24,517,664</b>	<b>100.0%</b>	<b>\$380,187</b>	<b>\$15.51</b>	<b>100.0%</b>

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

2/ Includes 14,000 square feet of leases that are on a month to month basis or 0.1% of total annualized revenue

3/ Includes 267,000 square feet of leases that are on a month to month basis or 0.9% 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				
		9/30/06 2/	12/31/06	03/31/07	06/30/07	Total
Atlanta	RSF	102,122	19,441	44,917	5,954	172,434
	% of Total Office RSF	0.6%	0.1%	0.3%	0.0%	1.0%
	Annualized Revenue	3/ \$ 1,389	\$ 372	\$ 739	\$ 113	\$ 2,613
	% of Total Office Annl Rev	0.4%	0.1%	0.2%	0.0%	0.8%
Columbia	RSF	831	2,831	0	0	3,662
	% of Total Office RSF	0.0%	0.0%	0.0%	0.0%	0.0%
	Annualized Revenue	3/ \$ 13	\$ 42	\$ —	\$ —	\$ 55
	% of Total Office Annl Rev	0.0%	0.0%	0.0%	0.0%	0.0%
Greenville	RSF	72,468	28,545	1,708	4,849	107,570
	% of Total Office RSF	0.4%	0.2%	0.0%	0.0%	0.6%
	Annualized Revenue	3/ \$ 1,425	\$ 535	\$ 32	\$ 87	\$ 2,079
	% of Total Office Annl Rev	0.5%	0.2%	0.0%	0.0%	0.7%
Kansas City	RSF	36,411	40,701	30,080	38,839	146,031
	% of Total Office RSF	0.2%	0.2%	0.2%	0.2%	0.9%
	Annualized Revenue	3/ \$ 793	\$ 869	\$ 629	\$ 854	\$ 3,145
	% of Total Office Annl Rev	0.3%	0.3%	0.2%	0.3%	1.0%
Memphis	RSF	20,879	15,266	61,224	26,430	123,799
	% of Total Office RSF	0.1%	0.1%	0.4%	0.2%	0.7%
	Annualized Revenue	3/ \$ 352	\$ 338	\$ 1,130	\$ 517	\$ 2,337
	% of Total Office Annl Rev	0.1%	0.1%	0.4%	0.2%	0.7%
Nashville	RSF	57,505	160,188	33,720	138,173	389,586
	% of Total Office RSF	0.3%	0.9%	0.2%	0.8%	2.3%
	Annualized Revenue	3/ \$ 1,205	\$ 3,314	\$ 694	\$ 2,387	\$ 7,600
	% of Total Office Annl Rev	0.4%	1.1%	0.2%	0.8%	2.4%
Orlando	RSF	0	6,465	2,389	11,607	20,461
	% of Total Office RSF	0.0%	0.0%	0.0%	0.1%	0.1%
	Annualized Revenue	3/ \$ —	\$ 183	\$ 62	\$ 203	\$ 448
	% of Total Office Annl Rev	0.0%	0.1%	0.0%	0.1%	0.1%
Piedmont Triad	RSF	227,218	30,152	224,302	42,901	524,573
	% of Total Office RSF	1.3%	0.2%	1.3%	0.2%	3.1%
	Annualized Revenue	3/ \$ 2,312	\$ 473	\$ 2,892	\$ 720	\$ 6,397
	% of Total Office Annl Rev	0.7%	0.2%	0.9%	0.2%	2.1%
Raleigh	RSF	162,955	13,018	141,286	50,501	367,760
	% of Total Office RSF	0.9%	0.1%	0.8%	0.3%	2.1%
	Annualized Revenue	3/ \$ 2,052	\$ 112	\$ 2,831	\$ 910	\$ 5,905
	% of Total Office Annl Rev	0.7%	0.0%	0.9%	0.3%	1.9%
Richmond	RSF	33,817	36,938	43,924	52,748	167,427
	% of Total Office RSF	0.2%	0.2%	0.3%	0.3%	1.0%
	Annualized Revenue	3/ \$ 684	\$ 586	\$ 892	\$ 891	\$ 3,053
	% of Total Office Annl Rev	0.2%	0.2%	0.3%	0.3%	1.0%
Tampa	RSF	3,321	13,597	23,922	20,489	61,329
	% of Total Office RSF	0.0%	0.1%	0.1%	0.1%	0.4%
	Annualized Revenue	3/ \$ 89	\$ 286	\$ 528	\$ 472	\$ 1,375
	% of Total Office Annl Rev	0.0%	0.1%	0.2%	0.2%	0.4%
Other	RSF	1,095	0	0	12,707	13,802
	% of Total Office RSF	0.0%	0.0%	0.0%	0.1%	0.1%
	Annualized Revenue	3/ \$ 5	\$ —	\$ —	\$ 334	\$ 339
	% of Total Office Annl Rev	0.0%	0.0%	0.0%	0.1%	0.1%
Total	RSF	718,622	367,142	607,472	405,198	2,098,434
	% of Total Office RSF	4.1%	2.1%	3.5%	2.4%	12.2%
	Annualized Revenue	3/ \$ 10,319	\$ 7,110	\$ 10,429	\$ 7,488	\$ 35,346
	% of Total Office Annl Rev	3.3%	2.3%	3.3%	2.4%	11.3%

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/ Includes 169,000 square feet of leases that are on a month to month basis or 0.7% of total annualized revenue*

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

# Industrial Lease Expirations by Market by Quarter

Dollars in thousands

		Three Months Ended				
		9/30/06 1/	12/31/06	03/31/07	06/30/07	Total
Atlanta	RSF	112,496	69,763	275,828	36,576	494,663
	% of Total Industrial RSF	1.9%	1.2%	4.6%	0.6%	8.2%
	Annualized Revenue	2/ \$ 395	\$ 489	\$ 1,542	\$ 210	\$ 2,636
	% of Total Industrial Annl Rev	1.3%	1.6%	5.0%	0.7%	8.7%
Greenville	RSF	0	0	0	16,081	16,081
	% of Total Industrial RSF	0.0%	0.0%	0.0%	0.3%	0.3%
	Annualized Revenue	2/ \$ —	\$ —	\$ —	\$ 212	\$ 212
	% of Total Industrial Annl Rev	0.0%	0.0%	0.0%	0.7%	0.7%
Kansas City	RSF	2,018	0	0	0	2,018
	% of Total Industrial RSF	0.0%	0.0%	0.0%	0.0%	0.0%
	Annualized Revenue	2/ \$ 17	\$ —	\$ —	\$ —	\$ 17
	% of Total Industrial Annl Rev	0.1%	0.0%	0.0%	0.0%	0.1%
Piedmont Triad	RSF	168,386	240,252	188,048	214,706	811,392
	% of Total Industrial RSF	2.8%	4.0%	3.1%	3.6%	13.5%
	Annualized Revenue	2/ \$ 754	\$ 866	\$ 1,016	\$ 951	\$ 3,587
	% of Total Industrial Annl Rev	2.5%	2.8%	3.3%	3.1%	11.7%
Raleigh	RSF	5,112	0	3,550	0	8,662
	% of Total Industrial RSF	0.1%	0.0%	0.1%	0.0%	0.1%
	Annualized Revenue	2/ \$ 53	\$ —	\$ 36	\$ —	\$ 89
	% of Total Industrial Annl Rev	0.2%	0.0%	0.1%	0.0%	0.3%
Total	RSF	288,012	310,015	467,426	267,363	1,332,816
	% of Total Industrial RSF	4.8%	5.2%	7.8%	4.5%	22.2%
	Annualized Revenue	2/ \$ 1,219	\$ 1,355	\$ 2,594	\$ 1,373	\$ 6,541
	% of Total Industrial Annl Rev	4.0%	4.4%	8.5%	4.5%	21.4%

1/ Includes 84,000 square feet of leases that are on a month to month basis or 0.1% of total annualized revenue

2/ Annualized Revenue is June, 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		121,563	227,987	446,367	336,826	1,065,164
	% of Total Office RSF		0.7%	1.3%	2.6%	2.0%	6.2%
	Annualized Revenue	3/ \$	1,761	\$ 4,020	\$ 7,184	\$ 5,706	\$ 21,731
	% of Total Office Annl Rev		0.6%	1.3%	2.3%	1.8%	7.0%
Columbia	RSF		3,662	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/ \$	54	\$ 56	\$ 1,047	\$ 128	\$ 549
	% of Total Office Annl Rev		0.0%	0.0%	0.3%	0.0%	0.2%
Greenville	RSF		101,013	11,758	99,410	49,133	475,962
	% of Total Office RSF		0.6%	0.1%	0.6%	0.3%	2.8%
	Annualized Revenue	3/ \$	1,960	\$ 227	\$ 1,831	\$ 721	\$ 7,613
	% of Total Office Annl Rev		0.6%	0.1%	0.6%	0.2%	2.4%
Kansas City	RSF		77,112	98,091	76,660	96,387	378,771
	% of Total Office RSF		0.4%	0.6%	0.4%	0.6%	2.2%
	Annualized Revenue	3/ \$	1,661	\$ 2,061	\$ 1,586	\$ 1,974	\$ 9,640
	% of Total Office Annl Rev		0.5%	0.7%	0.5%	0.6%	3.1%
Memphis	RSF		36,145	118,522	157,018	217,729	545,061
	% of Total Office RSF		0.2%	0.7%	0.9%	1.3%	3.2%
	Annualized Revenue	3/ \$	690	\$ 2,213	\$ 2,940	\$ 4,002	\$ 10,731
	% of Total Office Annl Rev		0.2%	0.7%	0.9%	1.3%	3.4%
Nashville	RSF		217,693	265,025	205,615	650,797	1,270,955
	% of Total Office RSF		1.3%	1.5%	1.2%	3.8%	7.4%
	Annualized Revenue	3/ \$	4,520	\$ 4,931	\$ 4,078	\$ 12,361	\$ 24,534
	% of Total Office Annl Rev		1.4%	1.6%	1.3%	4.0%	7.9%
Orlando	RSF		6,465	21,694	6,133	6,788	176,852
	% of Total Office RSF		0.0%	0.1%	0.0%	0.0%	1.0%
	Annualized Revenue	3/ \$	183	\$ 448	\$ 153	\$ 157	\$ 3,672
	% of Total Office Annl Rev		0.1%	0.1%	0.0%	0.1%	1.2%
Piedmont Triad	RSF		257,370	357,210	400,114	118,149	848,490
	% of Total Office RSF		1.5%	2.1%	2.3%	0.7%	4.9%
	Annualized Revenue	3/ \$	2,785	\$ 4,840	\$ 6,331	\$ 1,820	\$ 12,564
	% of Total Office Annl Rev		0.9%	1.6%	2.0%	0.6%	4.0%
Raleigh	RSF		175,973	393,305	530,792	472,757	1,768,229
	% of Total Office RSF		1.0%	2.3%	3.1%	2.8%	10.3%
	Annualized Revenue	3/ \$	2,163	\$ 7,730	\$ 9,017	\$ 8,950	\$ 28,455
	% of Total Office Annl Rev		0.7%	2.5%	2.9%	2.9%	9.1%
Richmond	RSF		70,755	155,772	278,984	189,025	1,024,627
	% of Total Office RSF		0.4%	0.9%	1.6%	1.1%	6.0%
	Annualized Revenue	3/ \$	1,270	\$ 2,893	\$ 5,315	\$ 3,509	\$ 17,501
	% of Total Office Annl Rev		0.4%	0.9%	1.7%	1.1%	5.6%
Tampa	RSF		16,918	116,875	245,132	443,509	1,541,073
	% of Total Office RSF		0.1%	0.7%	1.4%	2.6%	9.0%
	Annualized Revenue	3/ \$	375	\$ 2,586	\$ 4,835	\$ 9,067	\$ 30,970
	% of Total Office Annl Rev		0.1%	0.8%	1.6%	2.9%	9.9%
Other	RSF		1,095	13,837	19,449	6,166	35,470
	% of Total Office RSF		0.0%	0.1%	0.1%	0.0%	0.2%
	Annualized Revenue	3/ \$	5	\$ 357	\$ 521	\$ 114	\$ 765
	% of Total Office Annl Rev		0.0%	0.1%	0.2%	0.0%	0.2%
Total	RSF		1,085,764	1,783,334	2,535,661	2,595,675	9,170,708
	% of Total Office RSF		6.3%	10.4%	14.8%	15.1%	53.4%
	Annualized Revenue	3/ \$	17,427	\$ 32,362	\$ 44,838	\$ 48,509	\$ 168,725
	% of Total Office Annl Rev		5.6%	10.4%	14.4%	15.6%	54.1%

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 169,000 square feet of leases that are on a month to month basis or 0.7% of total annualized revenue*
- 3/ *Annualized Revenue is June, 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		182,259	401,043	540,510	297,155	1,509,563
	% of Total Industrial RSF		3.0%	6.7%	9.0%	4.9%	25.1%
	Annualized Revenue	2/ \$	884	\$ 2,147	\$ 2,747	\$ 1,811	\$ 7,738
	% of Total Industrial Annl Rev 2.9%		7.0%	9.0%	5.9%	25.2%	
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	\$ —	\$ —
	% of Total Industrial Annl Rev 0.0%		0.7%	0.2%	0.0%	0.0%	
Kansas City	RSF		2,018	0	0	1,756	0
	% of Total Industrial RSF		0.0%	0.0%	0.0%	0.0%	0.0%
	Annualized Revenue	2/ \$	17	\$ —	\$ —	\$ 20	\$ —
	% of Total Industrial Annl Rev 0.1%		0.0%	0.0%	0.1%	0.0%	
Piedmont Triad	RSF		408,638	649,759	713,522	413,314	794,785
	% of Total Industrial RSF		6.8%	10.8%	11.9%	6.9%	13.2%
	Annualized Revenue	2/ \$	1,620	\$ 3,740	\$ 2,936	\$ 2,391	\$ 3,754
	% of Total Industrial Annl Rev 5.3%		12.2%	9.6%	7.8%	12.2%	
Raleigh	RSF		5,112	3,550	15,188	27,926	11,936
	% of Total Industrial RSF		0.1%	0.1%	0.3%	0.5%	0.2%
	Annualized Revenue	2/ \$	53	\$ 36	\$ 147	\$ 231	\$ 103
	% of Total Industrial Annl Rev 0.2%		0.1%	0.5%	0.8%	0.3%	
Total	RSF		598,027	1,070,433	1,274,570	744,945	2,316,284
	% of Total Industrial RSF		10.0%	17.8%	21.2%	12.4%	38.6%
	Annualized Revenue	2/ \$	2,574	\$ 6,135	\$ 5,891	\$ 4,453	\$ 11,595
	% of Total Industrial Annl Rev 8.4%		20.0%	19.2%	14.5%	37.8%	

1/ Includes 84,000 square feet of leases that are on a month to month basis or 0.1% of total annualized revenue

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

# Customer Diversification 1/

June 30, 2006

Dollars in thousands

## Top 20 Customers

Customer	RSF	Annualized Revenue 2/	Percent of Annualized Revenue 2/	Average Remaining Lease Term in Years
Federal Government	1,454,977	\$ 26,029	6.85%	8.6
AT&T	537,529	10,424	2.74%	2.6
Price Waterhouse Coopers	332,931	8,408	2.21%	3.8
State Of Georgia	356,175	6,839	1.80%	3.5
T-Mobile USA	205,855	5,221	1.37%	7.5
US Airways	293,007	4,281	1.13%	1.2
Volvo	278,940	3,826	1.01%	3.1
Lockton Companies	145,651	3,736	0.98%	8.7
Northern Telecom	246,000	3,651	0.96%	1.7
SCI Services, Inc.	162,784	3,455	0.91%	11.1
Metropolitan Life Insurance	174,944	3,398	0.89%	7.6
BB&T	197,893	2,889	0.76%	6.0
Jacobs Engineering Group	164,417	2,446	0.64%	9.7
Vanderbilt University	119,746	2,308	0.61%	9.3
Lifepoint Corporate Services	120,112	2,299	0.60%	5.1
Icon Clinical Research	101,249	2,185	0.57%	6.2
Wachovia	98,531	2,157	0.57%	3.7
The Martin Agency	118,518	2,038	0.54%	10.8
Infineon Technologies	110,572	2,001	0.53%	6.6
Cingular Wireless	118,607	1,928	0.51%	2.3
	<u>5,338,438</u>	<u>\$ 99,519</u>	<u>26.18%</u>	<u>6.1</u>

## By Industry

Category	Percent of Annualized Revenue 2/
Professional, Scientific, and Technical Services	20.9%
Insurance	9.7%
Government/Public Administration	9.5%
Finance/Banking	8.6%
Retail Trade	7.7%
Telecommunication	7.5%
Manufacturing	7.1%
Health Care and Social Assistance	5.9%
Wholesale Trade	5.6%
Real Estate Rental and Leasing	3.8%
Transportation and Warehousing	3.2%
Accommodation and Food Services	2.8%
Administrative and Support Services	2.5%
Other Services (except Public Administration)	2.5%
Information	1.6%
Educational Services	1.1%
	<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 June, 2006 rental revenue (base rent plus operating expense pass through revenue) multiplied by 12.



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## Acquisition Activity

*Dollars in thousands*

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

<b>Second quarter 2006:</b>					
None					

Highwoods Properties, Inc.

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## 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						
2006 totals				1,999,000	74.8%	\$153,900

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 @ 06/30/06	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	\$ 2,244	100%	3Q 07	3Q 07
Cordoba /2	Kansas City	O	24,000	3,546	1,150	0%	4Q 06	1Q 08
ThyssenKrupp	Memphis	O	78,000	8,800	4,187	100%	1Q 07	1Q 07
Healthways	Nashville	O	255,000	58,300	5,983	100%	2Q 08	2Q 08
Berkshire	Orlando	O	99,000	13,197	2,643	0%	1Q 07	2Q 08
3330 Healy Rd /2	Piedmont Triad	O	40,000	3,600	3,044	0%	4Q 06	2Q 07
Glenlake Four	Raleigh	O	158,000	27,150	16,392	50%	3Q 06	1Q 08
Stony Point IV	Richmond	O	104,000	13,125	5,964	60%	4Q 06	4Q 07
North Shore Commons B	Richmond	O	95,000	13,586	2,767	0%	2Q 07	1Q 08
Highwoods Preserve VII	Tampa	O	115,000	21,245	3,463	100%	1Q 07	4Q 08
Highwoods Bay Center I	Tampa	O	209,000	41,174	5,490	0%	3Q 07	4Q 08
Total or Weighted Average			<u>1,268,000</u>	<u>\$225,423</u>	<u>\$ 53,327</u>	<u>54%</u>		
<b>Industrial:</b>								
Enterprise II	Piedmont Triad	I	418,000	\$ 14,400	\$ 6,604	44%	3Q 06	4Q 08
Total or Weighted Average			<u>418,000</u>	<u>\$ 14,400</u>	<u>\$ 6,604</u>	<u>44%</u>		
<b>Retail:</b>								
Cordoba /2	Kansas City	R	23,000	\$ 10,328	\$ 5,476	100%	4Q 06	4Q 06
Total or Weighted Average			<u>23,000</u>	<u>\$ 10,328</u>	<u>\$ 5,476</u>	<u>100%</u>		
<b>In-Process Total or Weighted Average</b>			<u><b>1,709,000</b></u>	<u><b>\$250,151</b></u>	<u><b>\$ 65,407</b></u>	<u><b>52%</b></u>		
<b>Completed Not Stabilized 3/</b>								
<b>Office:</b>								
Cool Springs III	Nashville	O	153,000	\$ 21,640	\$ 13,216	17%	2Q 06	4Q 07
Total or Weighted Average			<u>153,000</u>	<u>\$ 21,640</u>	<u>\$ 13,216</u>	<u>17%</u>		
<b>Grand Total or Weighted Average</b>			<u><b>1,862,000</b></u>	<u><b>\$271,791</b></u>	<u><b>\$ 78,623</b></u>	<u><b>49%</b></u>		

### Placed In Service

Property	Market	Type 1/	In-Service Date	Rentable Square Feet	Investment @ 06/30/06	Leasing Occ %	Leasing %
Griffith Rd./Boutique Shops	Piedmont Triad	R	6/1/2006	9,600	\$ 2,493	100%	100%
Total or Weighted Average				<u>9,600</u>	<u>\$ 2,493</u>	<u>100%</u>	<u>100%</u>

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

2/ Redevelopment property

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

**Development Land**  
**June 30, 2006**

*Dollars in thousands*

	Usable	Total
Market	Acres	Estimated Market Value
Research Triangle	260	\$ 55,597
Atlanta	227	43,186
Triad	78	17,179
Richmond	43	10,380
Baltimore	39	11,041
Kansas City 1/	44	23,540
Charlotte	41	10,000
Nashville	25	7,386
Tampa	26	11,254
Orlando	14	12,350
Memphis	21	5,100
Greenville	12	1,800
<b>Total 2/</b>	<b><u>830</u></b>	<b><u>\$ 208,813</u></b>

1/ Includes 27 acres of residential land

2/ Developable square footage on core land holdings, which constitute 423 of the total 830 acres, is approximately 4.3 million of office space and 1.4 million of industrial space.

# Joint Ventures Long-Term Debt Detail 1/

Dollars in thousands

Joint Venture	Own %	Lender	Interest	Maturity Date	Loan Balance 06/30/06
			Rate		
Dallas County Partners I, LP	50.0%	American Express	7.0%	Sep-09	3,403
Dallas County Partners I, LP	50.0%	American Express	6.9%	Jun-09	7,195
Dallas County Partners I, LP	50.0%	John Hancock Life Insurance Co.	7.6%	Mar-08	2,788
Dallas County Partners I, LP	50.0%	Orix	7.1%	Oct-08	2,936
Dallas County Partners I, LP	50.0%	State Farm	7.9%	Sep-06	2,893
Dallas County Partners I, LP	50.0%	State Farm	7.5%	May-07	4,196
Dallas County Partners I, LP	50.0%	Bank of America	5.7%	Oct-07	3,875
Dallas County Partners I, LP	50.0%	State Farm	7.5%	Dec-07	4,842
Dallas County Partners I, LP	50.0%	Thrivent	8.5%	Aug-10	1,642
Dallas County Partners I, LP	50.0%	Regions	6.3%	Jun-14	3,586
Dallas County Partners I, LP	50.0%	Sun Life	7.2%	Jan-06	1,093
Dallas County Partners I, LP	50.0%	Bankers Trust	8.0%	Jul-11	1,203
			7.1%		39,652
Dallas County Partners II, LP	50.0%	Principal Life Insurance Company	10.2%	Jun-13	19,106
Fountain Three	50.0%	John Hancock Life Insurance Co.	7.8%	Jan-08	5,815
Fountain Three	50.0%	American Express	6.9%	Jun-09	3,846
Fountain Three	50.0%	Thrivent	8.0%	Oct-10	3,643
Fountain Three	50.0%	Thrivent	7.3%	Apr-09	3,456
Fountain Three	50.0%	Wells Fargo	8.2%	May-08	1,277
Fountain Three	50.0%	Lehman Brothers	8.0%	Jul-09	3,564
Fountain Three	50.0%	Thrivent	7.0%	Sep-12	5,433
			7.5%		27,034
RRHWoods, LLC	50.0%	Industrial Revenue Bonds	1.0%	Nov-15	23,000
RRHWoods, LLC	50.0%	Bank of America	6.8%	Sep-12	26,988
RRHWoods, LLC	50.0%	Industrial Revenue Bonds	1.0%	Sep-15	6,000
RRHWoods, LLC	50.0%	Industrial Revenue Bonds	1.1%	Nov-15	5,500
RRHWoods, LLC	50.0%	Bank of America	5.7%	Oct-07	3,927
RRHWoods, LLC	50.0%	Massachusetts Mutual Life Ins. Co.	5.9%	Mar-16	7,600
RRHWoods, LLC	50.0%	Regions	6.3%	Jun-14	3,586
			4.0%		76,601
Plaza Colonnade, LLC	50.0%	Met Life	5.7%	Jan-17	49,735
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%		68,230
4600 Madison Associates, LLC	12.5%	State Farm	6.9%	Apr-18	14,847
Board of Trade Investment Company	49.0%	KC Board of Trade Clearing Corp.	7.8%	Sep-07	261
Highwoods DLF 98/29, LP	22.8%	USG Annuity & Life Company	6.8%	Apr-11	64,516
Highwoods DLF 97/26 DLF 99/32, LP	42.9%	Massachusetts Mutual Life Ins. Co.	7.7%	May-12	57,136
Concourse Center Associates, LLC	50.0%	Lincoln National Life Insurance Co.	7.0%	Jul-10	9,231
Highwoods KC Orlando, LLC	40.0%	Met Life	5.2%	Jul-14	143,000
Highwoods KC Glenridge Office	40.0%	Wachovia	3.2%	Jun-14	25,173
			5.9%		314,164
			6.0%		\$544,787
Highwoods' Share of the above					\$228,407

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

## Joint Ventures Portfolio Summary

As of June 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	2,315,000	92.5%	27.4%	4.1%	1.0%	3.2%	35.7%
Orlando	1,685,000	93.3%	26.9%	—	—	—	26.9%
Atlanta	835,000	95.2%	12.8%	—	—	—	12.8%
Kansas City	724,000	81.6%	8.6%	—	—	—	8.6%
Richmond	413,000	100.0%	5.1%	—	—	—	5.1%
Piedmont Triad	364,000	100.0%	3.9%	—	—	—	3.9%
Raleigh	455,000	99.6%	3.7%	—	—	—	3.7%
Tampa	205,000	100.0%	2.0%	—	—	—	2.0%
Charlotte	148,000	100.0%	0.8%	—	—	—	0.8%
Other	110,000	100.0%	0.5%	—	—	—	0.5%
Total 4/	<u>7,254,000</u>	<u>93.6%</u>	<u>91.7%</u>	<u>4.1%</u>	<u>1.0%</u>	<u>3.2%</u>	<u>100.0%</u>

1/ Excludes Des Moines' apartment units

2/ Excludes Des Moines' apartment occupancy percentage of 95.5%

3/ Annualized Rental Revenue is June, 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

June 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	351,145	5.1%	\$ 6,461	\$18.40	5.0%
2007	419,163	6.1%	8,494	20.26	6.6%
2008	1,378,956	20.0%	23,103	16.75	18.0%
2009	933,638	13.5%	18,747	20.08	14.7%
2010	733,652	10.6%	12,845	17.51	10.0%
2011	812,894	11.8%	13,771	16.94	10.7%
2012	397,885	5.8%	8,450	21.24	6.6%
2013	757,431	11.0%	14,939	19.72	11.6%
2014	390,606	5.7%	8,659	22.17	6.7%
2015	546,434	7.9%	8,833	16.16	6.9%
2016 and thereafter	172,213	2.5%	4,151	24.10	3.2%
	<b><u>6,894,017</u></b>	<b><u>100.0%</u></b>	<b><u>\$128,453</u></b>	<b><u>\$18.63</u></b>	<b><u>100.0%</u></b>

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

## Joint Ventures Development

*Dollars in thousands*

<u>Property</u>	<u>% Ownership</u>	<u>Market</u>	<u>Rentable Square Feet</u>	<u>Anticipated</u>	<u>Investment</u>	<u>Pre- Leasing</u>	<u>Estimated</u>	<u>Estimated</u>
				<u>Total</u>	<u>@ 06/30/06</u>		<u>Completion</u>	<u>Stabilization</u>
				<u>Investment</u>			<u>Date</u>	<u>Date</u>
Sonoma	50%	Des Moines	75,000	\$ 9,364	\$ 9,072	68%	2Q 05	4Q 06
The Vinings at University Center 1/ 2/	50%	Charlotte	156 Units	11,300	11,141	89%	1Q 06	3Q 06
Brickstone	50%	Des Moines	31,000	5,149	634	35%	4Q 06	4Q 07
Weston Lakeside 2/	50%	Raleigh	332 Units	33,181	14,834	0%	1Q 07	1Q 08
Total or Weighted Average 3/			<u>106,000</u>	<u>\$ 58,994</u>	<u>\$ 35,681</u>	<u>58%</u>		
Highwoods' Share of the above				<u>\$ 29,497</u>	<u>\$ 17,840</u>			

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*