

HIGHWOODS PROPERTIES INC

FORM 10-K (Annual Report)

Filed 3/25/2002 For Period Ending 12/31/2001

| | |
|-------------|--|
| 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 |

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

[X] Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange
Act of 1934 For the fiscal year ended December 31, 2001

OR

[] Transition Report Pursuant to Section 13 or 15(d) of the Securities
Exchange Act of 1934 For the transition period from to

Commission file number 1-13100

HIGHWOODS PROPERTIES, INC.

(Exact name of registrant as specified in its charter)

Maryland 56-1871668
(State or other jurisdiction (I.R.S. Employer Identification No.)
of incorporation or organization)

3100 Smoketree Court, Suite 600
Raleigh, N.C. 27604
(Address of principal executive offices) (Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

| Title of Each Class | Name of Each Exchange on Which Registered |
|---|--|
| Common stock, \$.01 par value..... | New York Stock Exchange |
| 8 5/8% Series A Cumulative Redeemable Preferred Shares | New York Stock Exchange |
| 8% Series B Cumulative Redeemable Preferred Shares.... | New York Stock Exchange |
| Depository Shares Each Representing a 1/10 Fractional Interest in an 8% Series D Cumulative Redeemable Preferred Share..... | New York Stock Exchange |

Securities registered pursuant to Section 12(g) of the Act:

NONE

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment of this Form 10-K. []

The aggregate market value of the shares of common stock held by non-affiliates (based upon the closing sale price on the New York Stock Exchange) on February 26, 2002 was \$1,412,352,570. As of February 26, 2002, there were 52,897,100 shares of common stock, \$.01 par value, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement in connection with its Annual Meeting of Shareholders to be held May 20, 2002, are incorporated by reference in Part III, Items 10, 11, 12 and 13, of the Form 10-K.

HIGHWOODS PROPERTIES, INC.

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PART I

We refer to (1) Highwoods Properties, Inc. as the "Company," (2) Highwoods Realty Limited Partnership as the "Operating Partnership," (3) the Company's common stock as "Common Stock" and (4) the Operating Partnership's common partnership interests as "Common Units."

ITEM 1. BUSINESS

GENERAL

The Company is a self-administered and self-managed equity REIT that began operations through a predecessor in 1978. Since the Company's initial public offering in 1994, we have evolved into one of the largest owners and operators of suburban office, industrial and retail properties in the southeastern and midwestern United States. At December 31, 2001, we:

- . owned 498 in-service office, industrial and retail properties, encompassing approximately 37.2 million rentable square feet and 213 apartment units;
- . owned an interest (50% or less) in 74 in-service office and industrial properties, encompassing approximately 7.2 million rentable square feet and 418 apartment units;
- . owned 1,327 acres of undeveloped land suitable for future development; and
- . were developing an additional 25 properties, which will encompass approximately 2.8 million rentable square feet (including three properties encompassing 347,000 rentable square feet that we are developing with our joint venture partners).

The following summarizes our capital recycling program during the past three years ending December 31, 2001:

| | 2001 | 2000 | 1999 | Total |
|---|---------|---------|---------|----------|
| | ----- | ----- | ----- | ----- |
| Office, Industrial and Retail Properties (rentable square feet in thousands) | | | | |
| Dispositions /(1)/ | (268) | (4,743) | (7,595) | (12,606) |
| Contributions to Joint Ventures /(1)/ | (118) | (2,199) | (1,198) | (3,515) |
| Developments Placed In-Service | 1,351 | 3,480 | 2,167 | 6,998 |
| Acquisitions | 72 | 669 | 960 | 1,701 |
| | ----- | ----- | ----- | ----- |
| Net Change in Wholly-owned In-Service Properties | 1,037 | (2,793) | (5,666) | (7,422) |
| | ===== | ===== | ===== | ===== |
| Apartment Properties (in units) | | | | |
| Dispositions | (1,672) | -- | -- | (1,672) |
| | ===== | ===== | ===== | ===== |
| ----- | | | | |

/(1)/ Excludes wholly-owned development properties sold or contributed to joint ventures.

In addition to the above property activity, we repurchased \$148.8 million, \$101.8 million and \$25.5 million of Common Stock and Common Units during 2001, 2000 and 1999, respectively, and \$18.5 million of Preferred Stock during 2001.

The Company conducts substantially all of its activities through, and substantially all of its interests in the properties are held directly or indirectly by, the Operating Partnership. The Company is the sole general partner of the Operating Partnership. At December 31, 2001, the Company owned 87.7% of the Common Units in the Operating Partnership. Limited partners (including certain officers and directors of the Company) own the remaining Common Units. Holders of Common Units may redeem them for the cash value of one share of the Company's Common Stock or, at the Company's option, one share (subject to certain adjustments) of Common Stock.

The Company was incorporated in Maryland in 1994. The Operating Partnership was formed in North Carolina in 1994. Our executive offices are located at 3100 Smoketree Court, Suite 600, Raleigh, North Carolina 27604, and our telephone number is (919) 872-4924. We maintain offices in each of our primary markets.

OPERATING STRATEGY

Diversification. Since the Company's initial public offering in 1994, we have significantly reduced our dependence on any particular market, property type or tenant. We initially owned only a limited number of office properties in North Carolina, most of which were in the Research Triangle. Today, with our various joint venture partners, our portfolio includes office, industrial and retail properties, development projects and development land throughout the Southeast and Midwest.

Development and Acquisition Opportunities. We generally seek to engage in the development of office and industrial projects in our existing geographic markets, primarily in suburban business parks. We intend to focus our development efforts on build-to-suit projects and projects where we have identified sufficient demand. In build-to-suit development, the building is significantly pre-leased to one or more tenants prior to construction. Build-to-suit projects often foster strong long-term relationships with tenants, creating future development opportunities as the facility needs of tenants increase. We believe our commercially zoned and unencumbered development land in existing business parks is an advantage we have over many of our competitors in pursuing development opportunities.

We also seek to acquire selective suburban office and industrial properties in our existing geographic markets at prices below replacement cost that offer attractive returns. These would include acquisitions of underperforming, high-quality properties in our existing markets that offer us opportunities to improve such properties' operating performance.

Managed Growth Strategy. Our strategy has been to focus our real estate activities in markets where we believe our extensive local knowledge gives us a competitive advantage over other real estate developers and operators. As we expanded into new markets, we have continued to maintain this localized approach by combining with local real estate operators with many years of development and management experience in their respective markets. Our capital recycling activities also benefit from our local market presence and knowledge. Our property-level officers have significant real estate experience in their respective markets. Because of this experience, we are in a better position to evaluate capital recycling opportunities. In addition, our relationships with our tenants and those tenants at properties for which we conduct third-party fee-based services may lead to development projects when these tenants seek new space.

Efficient, Customer Service-Oriented Organization. We provide a complete line of real estate services to our tenants and third parties. We believe that our in-house development, acquisition, construction management, leasing and management services allow us to respond to the many demands of our existing and potential tenant base. We provide our tenants cost-effective services such as build-to-suit construction and space modification, including tenant improvements and expansions. In addition, the breadth of our capabilities and resources provides us with market information not generally available. We believe that the operating efficiencies achieved through our fully integrated organization also provide a competitive advantage in setting our lease rates and pricing other services.

Flexible Capital Structure. We are committed to maintaining a flexible capital structure that: (1) allows growth through development and acquisition opportunities; (2) promotes future earnings growth; and (3) provides access to the private and public equity and debt markets on favorable terms. Accordingly, we expect to meet our long-term liquidity requirements, including funding our existing and future development activity, through a combination of any one or more of:

- . borrowings under our unsecured and secured revolving credit facilities;
- . the issuance of unsecured debt;
- . the issuance of secured debt;
- . the issuance of equity securities by both the Company and the Operating Partnership;
- . the selective disposition of non-core assets; and
- . the sale or contribution of our wholly-owned properties, development projects and development land to strategic joint ventures formed with unrelated investors.

CAPITAL RECYCLING PROGRAM

The following table summarizes our capital recycling program during 2001 (\$ in thousands):

ACQUISITION ACTIVITY

| Property ----- | Market ----- | Building Type /(1)/ | Date Acquired | Rentable Square Feet | Initial Cost |
|-------------------|-----------------|------------------------|------------------|-------------------------|-----------------|
| University Center | Charlotte | O | 1/17/01 | 72,000 | \$ 1,513 |
| Total | | | | 72,000 | \$ 1,513 |
| | | | | ===== | ===== |

DISPOSITION ACTIVITY

| Property ----- | Market ----- | Building Type /(1)/ | Date Sold | Rentable Square Feet | Sales Price |
|---------------------|-----------------|------------------------|--------------|-------------------------|----------------|
| Regency House | Kansas City | M | 2/13/01 | N/A | \$ 12,000 |
| Sulgrave | Kansas City | M | 2/13/01 | N/A | 25,900 |
| Lakefront Plaza One | Norfolk | O | 3/2/01 | 76,000 | 8,400 |
| Coach House North | Kansas City | M | 5/31/01 | N/A | 10,200 |
| Coach House South | Kansas City | M | 5/31/01 | N/A | 27,900 |
| Coach Lamp | Kansas City | M | 5/31/01 | N/A | 6,800 |
| Corinth Place | Kansas City | M | 5/31/01 | N/A | 5,400 |
| 5100 Indiana Avenue | Piedmont Triad | I | 6/27/01 | 88,000 | 2,200 |
| Expo Building | Tampa | O | 8/15/01 | 26,000 | 1,300 |
| Kirby Centre | Memphis | O | 9/27/01 | 32,000 | 2,800 |
| Corinth Gardens | Kansas City | M | 9/28/01 | N/A | 2,200 |
| Corinth Paddock | Kansas City | M | 9/28/01 | N/A | 7,800 |
| Kenilworth | Kansas City | M | 9/28/01 | N/A | 17,100 |
| Mission Valley | Kansas City | M | 9/28/01 | N/A | 4,300 |
| Clearwater Pointe | Tampa | O | 9/28/01 | 26,000 | 1,700 |
| Robinhood | Piedmont Triad | O | 11/29/01 | 20,000 | 1,800 |
| Total | | | | 268,000 | \$ 137,800 |
| | | | | ===== | ===== |

JOINT VENTURE ACTIVITY

| Property ----- | Market ----- | Building Type/(1)/ | Date Contributed | Rentable square Feet | Sales Price |
|------------------------------|-------------------|-----------------------|---------------------|-------------------------|----------------|
| Situs III | Research Triangle | O | 7/30/01 | 39,000 | \$ 5,100 |
| ECPI/Concourse Center One | Piedmont Triad | O | 12/19/01 | 118,000 | 14,280 |
| Total | | | | 157,000 | \$ 19,380 |
| | | | | ----- | ----- |

/(1)/ O = Office
I = Industrial
M = Multifamily

DEVELOPMENT ACTIVITY

The following wholly-owned development projects were placed in service during 2001 (\$ in thousands):

Placed In-Service

| Name | Market | Building Type/(1)/ | Month Placed In-Service | Number of Properties | Rentable Square Feet | Cost to Date |
|--------------------------------------|-------------------|-----------------------|-------------------------------|-------------------------|-------------------------|-----------------|
| ---- | ----- | ----- | ----- | ----- | ----- | ----- |
| Centre Green One | Research Triangle | O | 02/01 | 1 | 97,000 | \$ 11,082 |
| Valencia Place | Kansas City | O | 02/01 | 1 | 250,000 | 39,685 |
| Maplewood | Research Triangle | O | 04/01 | 1 | 36,000 | 3,978 |
| Tradeport Place III | Atlanta | I | 05/01 | 1 | 122,000 | 4,787 |
| ParkWest Two | Research Triangle | O | 05/01 | 1 | 48,000 | 3,856 |
| Highwoods Preserve V | Tampa | O | 07/01 | 1 | 185,000 | 24,400 |
| Romac | Tampa | O | 09/01 | 1 | 128,000 | 14,078 |
| Highwoods Center III at Tradeport | Atlanta | O | 11/01 | 1 | 43,000 | 3,533 |
| Shadow Creek | Memphis | O | 12/01 | 1 | 80,000 | 8,628 |
| Tradeport Place IV | Atlanta | I | 12/01 | 1 | 122,000 | 3,964 |
| Deerfield III | Atlanta | O | 12/01 | 1 | 54,000 | 4,306 |
| Enterprise Center I | Piedmont Triad | I | 12/01 | 1 | 120,000 | 3,695 |
| Highwoods Plaza | Tampa | O | 12/01 | 1 | 66,000 | 6,866 |
| | | | | ---- | ----- | ----- |
| Total | | | | 13 | 1,351,000 | \$ 132,858 |
| | | | | === | ===== | ===== |

/(1)/ O = Office

I = Industrial

As of December 31, 2001, we were developing 19 suburban office properties, two industrial properties, and one retail property totaling 2.4 million rentable square feet of office, industrial and retail space. The following table summarizes these development projects. In addition to the properties described in this table, we are developing with our joint venture partners (and therefore, are not included in the following table) three additional properties totaling 347,000 rentable square feet. At December 31, 2001, these three development projects had an aggregate budgeted cost of \$45.8 million and were 58.0% pre-leased.

IN-PROCESS

| Name | Market | Rentable Square Feet | Estimated Cost | Cost at 12/31/01 | Pre-Leasing Percentage/(1)/ | Estimated Completion | Estimated Stabilization/(2)/ |
|---|-------------------|-------------------------|-------------------|---------------------|--------------------------------|-------------------------|---------------------------------|
| ---- | ----- | ----- | ----- | ----- | ----- | ----- | ----- |
| (\$ in thousands) | | | | | | | |
| Office: | | | | | | | |
| Verizon Wireless | Greenville | 193,000 | \$16,356 | \$16,124 | 100% | 1Q02 | 1Q02 |
| International Place 3 | Memphis | 214,000 | 34,272 | 26,761 | 100 | 2Q02 | 2Q02 |
| 1825 Century Center/(3)/ | Atlanta | 101,000 | 16,254 | 2,560 | 100 | 3Q02 | 3Q02 |
| Seven Springs I | Nashville | 131,000 | 15,556 | 11,719 | 4 | 1Q02 | 1Q03 |
| 801 Raleigh Corporate Center /(3)/ | Research Triangle | 100,000 | 12,016 | 1,396 | 40 | 4Q02 | 2Q04 |
| | | ----- | ----- | ----- | ---- | ---- | ---- |
| Total or Weighted Average of all In-Process Development Projects | | 739,000 | \$94,454 | \$58,560 | 75% | | |
| | | ===== | ===== | ===== | ==== | | |

/(1)/ Letters of intent comprise 5.0% of the total pre-leasing percentage. /(2)/ We generally consider a development project to be stabilized upon the earlier of the first date such project is at least 95% occupied or one year from the date of completion.

/(3)/ We are developing these properties for a third party and own an option to purchase each property.

COMPLETED-NOT STABILIZED

| Name | Market | Rentable Square Feet | Estimated Cost | Cost at 12/31/01 | Percent Leased/ Pre-leased/(1)/ | Estimated Completion | Estimated Stabilization/(2)/ |
|---|-------------------|-------------------------|-------------------|---------------------|---------------------------------------|-------------------------|---------------------------------|
| ---- | ----- | ----- | ----- | ----- | ----- | ----- | ----- |
| (\$ in thousands) | | | | | | | |
| Office: | | | | | | | |
| 380 Park Place | Tampa | 82,000 | \$ 9,697 | \$ 9,591 | 93% | 1Q01 | 1Q02 |
| Innslake | Richmond | 65,000 | 7,192 | 7,102 | 100 | 4Q01 | 2Q02 |
| Met Life Building at Brookfield | Greenville | 117,000 | 13,220 | 12,502 | 84 | 3Q01 | 2Q02 |
| Cool Springs II | Nashville | 205,000 | 22,718 | 19,280 | 70 | 2Q01 | 2Q02 |
| Highwoods Tower II | Research Triangle | 167,000 | 25,134 | 22,065 | 94 | 1Q01 | 2Q02 |
| Hickory Trace | Nashville | 52,000 | 5,933 | 5,578 | 53 | 3Q01 | 3Q02 |
| ParkWest One | Research Triangle | 46,000 | 4,364 | 4,036 | 74 | 2Q01 | 3Q02 |
| North Shore Commons A | Richmond | 115,000 | 13,084 | 12,479 | 79 | 2Q01 | 3Q02 |
| Stony Point III | Richmond | 107,000 | 11,425 | 11,040 | 73 | 2Q01 | 3Q02 |
| Shadow Creek II | Memphis | 81,000 | 8,750 | 6,919 | 19 | 4Q01 | 4Q02 |
| Highwoods Park at Jefferson Village | Piedmont Triad | 98,000 | 11,290 | 9,370 | 4 | 4Q01 | 4Q02 |
| Centre Green Two | Research Triangle | 97,000 | 11,596 | 9,872 | 31 | 2Q01 | 1Q03 |
| Centre Green Four | Research Triangle | 100,000 | 11,764 | 9,186 | 50 | 4Q01 | 2Q03 |
| GlenLake One | Research Triangle | 158,000 | 22,417 | 17,801 | -- | 4Q01 | 2Q03 |
| | | ----- | ----- | ----- | --- | | |
| Completed-Not Stabilized Office Total or Weighted Average | | 1,490,000 | \$178,584 | \$156,821 | 58% | | |
| | | ===== | ===== | ===== | === | | |
| Industrial: | | | | | | | |
| Holden Road | Piedmont Triad | 64,000 | \$ 2,014 | \$ 1,872 | 60% | 1Q01 | 2Q02 |
| Newpoint IV | Atlanta | 136,000 | 5,288 | 4,182 | 29 | 4Q01 | 4Q02 |
| | | ----- | ----- | ----- | --- | | |
| Completed-Not Stabilized Industrial Total or Weighted Average | | 200,000 | \$ 7,302 | \$ 6,054 | 39% | | |
| | | ===== | ===== | ===== | === | | |
| Retail: | | | | | | | |
| Granada Shops | Kansas City | 20,000 | \$ 4,680 | \$ 4,131 | 90% | 4Q01 | 4Q02 |
| | | ----- | ----- | ----- | --- | | |
| Completed-Not Stabilized Retail Total or Weighted Average | | 20,000 | \$ 4,680 | \$ 4,131 | 90% | | |
| | | ===== | ===== | ===== | === | | |
| Total or Weighted Average of all Completed-Not Stabilized Development Projects | | 1,710,000 | \$190,566 | \$167,006 | 57% | | |
| | | ===== | ===== | ===== | === | | |
| Total or Weighted Average of all Development Projects | | 2,449,000 | \$285,020 | \$225,566 | 62% | | |
| | | ===== | ===== | ===== | === | | |

/(1)/ Letters of intent comprise 5.0% of the total pre-leasing percentage.

/(2)/ We generally consider a development project to be stabilized upon the earlier of the first date such project is at least 95% occupied or one year from the date of completion.

DEVELOPMENT ANALYSIS

| | Rentable Square Feet | Estimated Cost | Pre-Leasing Percentage/(1)/ |
|---|---------------------------------------|------------------------------|--------------------------------|
| | ----- | ----- | ----- |
| | (\$ in thousands) | | |
| Summary By Estimated Stabilization Date | | | |
| First Quarter 2002..... | 275,000 | \$ 26,053 | 98% |
| Second Quarter 2002..... | 832,000 | 104,550 | 86 |
| Third Quarter 2002..... | 421,000 | 51,060 | 79 |
| Fourth Quarter 2002..... | 335,000 | 30,008 | 23 |
| First Quarter 2003..... | 228,000 | 27,152 | 15 |
| Second Quarter 2003..... | 258,000 | 34,181 | 19 |
| Second Quarter 2004..... | 100,000 | 12,016 | 40 |
| | ----- | ----- | --- |
| Total or Weighted Average..... | 2,449,000 | \$ 285,020 | 62% |
| | ===== | ===== | === |
| Summary by Market: | | | |
| Atlanta..... | 237,000 | \$ 21,542 | 59% |
| Greenville..... | 310,000 | 29,576 | 94 |
| Kansas City..... | 20,000 | 4,680 | 90 |
| Memphis..... | 295,000 | 43,022 | 78 |
| Nashville..... | 388,000 | 44,207 | 45 |
| Piedmont Triad..... | 162,000 | 13,304 | 26 |
| Research Triangle..... | 668,000 | 87,291 | 47 |
| Richmond..... | 287,000 | 31,701 | 82 |
| Tampa..... | 82,000 | 9,697 | 93 |
| | ----- | ----- | --- |
| Total or Weighted Average..... | 2,449,000 | \$ 285,020 | 62% |
| | ===== | ===== | === |
| Build-to-Suit..... | 508,000 | \$ 66,882 | 100% |
| Multi-tenant..... | 1,941,000 | 218,138 | 52 |
| | ----- | ----- | --- |
| Total or Weighted Average..... | 2,449,000 | \$ 285,020 | 62% |
| | ===== | ===== | === |
| | Average Rentable Square Feet | Average Estimated Cost | Average Pre-Leasing/(1)/ |
| | ----- | ----- | ----- |
| | (\$ in thousands) | | |
| Average Per Property By Type: | | | |
| Office..... | 117,316 | \$ 14,370 | 64% |
| Industrial..... | 100,000 | 3,651 | 39 |
| Retail..... | 20,000 | 4,680 | 90 |
| | ----- | ----- | --- |
| Weighted Average..... | 111,318 | \$ 12,955 | 62% |
| | ===== | ===== | === |

/(1)/ Letters of intent comprise 5.0% of the total pre-leasing percentage.

COMPETITION

Our properties compete for tenants with similar properties located in our markets primarily on the basis of location, rent, services provided and the design and condition of the facilities. We also compete with other REITs, financial institutions, pension funds, partnerships, individual investors and others when attempting to acquire and develop properties.

EMPLOYEES

As of December 31, 2001, the Company employed 540 persons.

RISK FACTORS

An investment in our capital stock involves various risks. All investors should carefully consider the following risk factors in conjunction with the other information contained in this annual report before purchasing our securities. If any of these risks actually occur, our business, operating results, prospects and financial condition could be harmed.

Adverse conditions in the real estate market may impair our ability to make distributions to you. Events or conditions which are beyond our control may adversely affect our ability to generate revenues in excess of operating expenses, including debt service and capital expenditures. Such events or conditions could include:

- . general and regional economic conditions, particularly in the southeastern region of the United States;
- . changes in interest rate levels and the availability of financing;
- . increases in operating costs, including real estate taxes and insurance premiums, due to inflation and other factors, which may not necessarily be offset by increased rents; and
- . inability of a significant number of tenants to pay rent.

Future acquisitions may fail to perform in accordance with our expectations and may require development and renovation costs exceeding our estimates. In the normal course of business, we typically evaluate potential acquisitions, enter into non-binding letters of intent, and may, at any time, enter into contracts to acquire and may acquire additional properties. However, changing market conditions, including competition from others, may diminish our opportunities for making attractive acquisitions. Once made, our investments may fail to perform in accordance with our expectations. In addition, the renovation and improvement costs we incur in bringing an acquired property up to market standards may exceed our estimates. Although we anticipate financing future acquisitions and renovations through a combination of advances under our revolving loans and other forms of secured or unsecured financing, no assurance can be given that we will have the financial resources to make suitable acquisitions or renovations. If new developments are financed through construction loans, there is a risk that, upon completion of construction, permanent financing for newly developed properties may not be available or may be available only on disadvantageous terms.

In addition to acquisitions, we periodically consider developing and constructing properties. Risks associated with development and construction activities include:

- . the unavailability of favorable financing;
- . construction costs exceeding original estimates;
- . construction and lease-up delays resulting in increased debt service expense and construction costs; and
- . insufficient occupancy rates and rents at a newly completed property causing a property to be unprofitable.

Development activities are also subject to risks relating to our inability to obtain, or delays in obtaining, all necessary zoning, land-use, building, occupancy and other required governmental and utility company authorizations.

Because holders of our Common Units, including some of our officers and directors, may suffer adverse tax consequences upon the sale of some of our properties, we may sometimes make decisions that are not in your best interest. Holders of Common Units may suffer adverse tax consequences upon certain of our properties' sales. Therefore, holders of Common Units, including certain of our officers and directors, may have different objectives regarding the appropriate pricing and timing of a property's sale. Although we are the sole general partner of the Operating Partnership and have the exclusive authority to sell an individual property, officers and directors who hold Common Units may influence us not to sell certain properties even if such sale might be financially advantageous to stockholders.

The success of our joint venture activity depends upon our ability to work effectively with financially sound partners. Instead of owning properties directly, we have invested, and may continue to invest, as a partner or a co-venturer. Under certain circumstances, this type of investment may involve risks not otherwise present, including the possibility that a partner or co-venturer might become bankrupt or that a partner or co-venturer might have business interests or goals inconsistent with ours. Also, such a partner or co-venturer may take action contrary to our instructions or requests or contrary to provisions in our joint venture agreements that could harm us, including jeopardize our qualification as a REIT. We may also risk an impasse on decisions because neither the partner nor the co-venturer would have full control over the partnership or joint venture.

Our insurance coverage on our properties may be inadequate. We currently carry comprehensive insurance on all of our properties, including insurance for liability, fire and flood. Our existing insurance policies expire in July 2002. In addition, insurance companies may no longer offer coverage against certain types of losses, such as losses due to terrorist acts and toxic mold, or, if offered, these types of insurance may be prohibitively expensive. If any or all of the foregoing should occur, we may not have insurance coverage against certain types of losses and/or there may be decreases in the limits of insurance available. Should an uninsured loss or a loss in excess of our insured limits occur, we could lose all or a portion of the capital we have invested in a property or properties, as well as the anticipated future revenue from the property or properties. If any of our properties were to experience a catastrophic loss, it could seriously disrupt our operations, delay revenue and result in large expenses to repair or rebuild the property. Such events could adversely affect our ability to make distributions to our stockholders.

We may be unable to repay or refinance our existing indebtedness. We are subject to risks normally associated with debt financing, such as the insufficiency of cash flow to meet required payment obligations and the inability to refinance existing indebtedness. A portion of our existing indebtedness will become due in the next several years. If our debt cannot be paid, refinanced or extended at maturity, in addition to our failure to repay our debt, we may not be able to make distributions to stockholders at expected levels or at all. Furthermore, if any refinancing is done at higher interest rates, the increased interest expense could adversely affect our cash flow and ability to make distributions to stockholders. If we do not meet our mortgage financing obligations, any properties securing such indebtedness could be foreclosed on, which would have a material adverse effect on our cash flow and ability to make distributions and, depending on the number of properties foreclosed on, could threaten our continued viability.

We may be subject to taxation as a regular corporation if we fail to maintain our REIT status. Our failure to qualify as a REIT would have serious adverse consequences to our stockholders. Many of the requirements for taxation as a REIT, however, are highly technical and complex. The determination that we are a REIT requires an analysis of various factual matters and circumstances that may not be totally within our control. For example, to qualify as a REIT, at least 95% of our gross income must come from certain sources that are itemized in the REIT tax laws. We are also required to distribute to stockholders at least 90% of our REIT taxable income, excluding capital gains. The fact that we hold our assets through the Operating Partnership and its subsidiaries further complicates the application of the REIT requirements. Even a technical or inadvertent mistake could jeopardize our REIT status. Furthermore, Congress and the IRS might change the tax laws and regulations, and the courts might issue new rulings that make it more difficult, or impossible, for us to remain qualified as a REIT.

If we fail to qualify as a REIT, we would be subject to federal income tax at regular corporate rates. Also, unless the IRS granted us relief under certain statutory provisions, we would remain disqualified as a REIT for four years following the year we first failed to qualify. If we failed to qualify as a REIT, we would have to pay significant income taxes and would therefore have less money available for investments or for distributions to stockholders. This would likely have a significant adverse effect on the value of our securities. In addition, we would no longer be required to make any distributions to stockholders.

We may need to borrow money or sell assets in order to make required distributions. In order to make the distributions required to maintain our REIT status, we may need to borrow funds. To obtain the favorable tax treatment associated with REIT qualification, we generally will be required to distribute to stockholders at least 90% of our annual REIT taxable income, excluding net capital gain. We intend to make distributions to stockholders to comply with the distribution provisions of the Internal Revenue Code and to avoid income and other taxes. Differences in timing between the receipt of income and the payment of expenses in arriving at taxable income and the effect of required debt amortization payments could require us to borrow funds on a short-term basis or liquidate funds on adverse terms to meet the REIT qualification distribution requirements.

Because provisions contained in Maryland law, our charter and our bylaws may have an anti-takeover effect, investors may be prevented from receiving a "control premium" for their shares. Provisions contained in our charter and bylaws, as well as Maryland general corporation law, may have anti-takeover effects that delay, defer or prevent a takeover attempt, which may prevent stockholders from receiving a "control premium" for their shares. For example, these provisions may defer or prevent tender offers for our common stock or purchases of large blocks of our common stock, thereby limiting the opportunities for our stockholders to receive a premium for their common stock over then-prevailing market prices. These provisions include the following:

. Ownership limit. Our charter prohibits direct or constructive ownership by any person of more than 9.8% of our outstanding capital stock. Any attempt to own or transfer shares of our capital stock in excess of the ownership limit without the consent of our board of directors will be void.

. Preferred stock. Our charter authorizes our board of directors to issue preferred stock in one or more classes and to establish the preferences and rights of any class of preferred stock issued. These actions can be taken without soliciting stockholder approval. The issuance of preferred stock could have the effect of delaying or preventing someone from taking control of us, even if a change in control were in our stockholders' best interests.

. Staggered board. Our board of directors is divided into three classes. As a result each director serves for a three-year term. This staggering of our board may discourage offers for us or make an acquisition of us more difficult, even when an acquisition is in the best interest of our stockholders.

. Maryland control share acquisition statute. Maryland law limits the voting rights of "control shares" of a corporation in the event of a "control share acquisition."

. Maryland unsolicited takeover statute. Under Maryland law, our board of directors could adopt various anti-takeover provisions without the consent of stockholders. The adoption of such measures could discourage offers for us or make an acquisition of us more difficult, even when an acquisition is in the best interest of our stockholders.

. Anti-Takeover Protections of Operating Partnership Agreement. The Operating Partnership Agreement contains certain provisions that may require a potential acquiror to maintain the Operating Partnership structure and maintain the limited partners' right to continue to hold Common Units with future redemption rights. These provisions might limit the possibility of a change of control transaction involving the Company, even if such a transaction would be in your best interest.

. Dilutive Effect of Shareholders' Rights Plan. On October 4, 1997, our board of directors adopted a Shareholders' Rights Plan and declared a distribution of one preferred share purchase right for each outstanding share of Common Stock. The rights were issued on October 16, 1997 to each stockholder of record on such date. Since the rights would cause substantial dilution to a person or group that attempts to acquire us on terms of which our board of directors does not approve, such rights could discourage offers for us or make an acquisition of us more difficult, even when an acquisition is in the best interest of our stockholders. The rights should not interfere with any merger or other business combination the board of directors approves since we may redeem the rights for \$.01 per right, prior to the time that a person or group has acquired beneficial ownership of 15% or more of the Common Stock.

ITEM 2. PROPERTIES

GENERAL

As of December 31, 2001, we owned 498 in-service office, industrial and retail properties, encompassing approximately 37.2 million rentable square feet, and 213 apartment units. The following table sets forth information about our wholly-owned in-service properties at December 31, 2001:

| | Rentable | | Percentage of December 2001 Rental Revenue | | | |
|-----------------------|------------------|-----------|--|------------|--------|--------|
| | Square Feet/(1)/ | Occupancy | Office | Industrial | Retail | Total |
| Piedmont Triad..... | 8,233,000 | 92.3% | 6.5% | 4.4% | -- | 10.9% |
| Atlanta..... | 6,484,000 | 89.9 | 9.9 | 3.3 | -- | 13.2 |
| Tampa..... | 4,383,000 | 93.5 | 15.3 | 0.3 | -- | 15.6 |
| Research Triangle.... | 3,923,000 | 91.9 | 12.6 | 0.2 | -- | 12.8 |
| Kansas City..... | 2,857,000 | 94.7 | 4.7 | -- | 7.8% | 12.5 |
| Nashville..... | 2,787,000 | 90.3 | 10.4 | -- | -- | 10.4 |
| Richmond..... | 2,703,000 | 98.4 | 8.4 | 0.4 | -- | 8.8 |
| Charlotte..... | 2,229,000 | 89.1 | 4.5 | 0.6 | -- | 5.1 |
| Greenville..... | 1,216,000 | 86.5 | 3.3 | 0.2 | -- | 3.5 |
| Memphis..... | 1,134,000 | 91.1 | 4.1 | -- | -- | 4.1 |
| Orlando..... | 664,000 | 90.5 | 1.3 | -- | -- | 1.3 |
| Columbia..... | 426,000 | 77.6 | 1.2 | -- | -- | 1.2 |
| Other..... | 182,000 | 99.4 | 0.6 | -- | -- | 0.6 |
| Total | 37,221,000 | 91.9% | 82.8% | 9.4% | 7.8% | 100.0% |
| | ===== | ===== | ===== | ===== | ===== | ===== |

/(1)/ Excludes Kansas City's basement space.

The following table sets forth information about our wholly-owned in-service and development properties as of December 31, 2001 and 2000:

| | December 31, 2001 | | December 31, 2000 | |
|--------------------------------|-------------------------|----------------------------------|-------------------------|----------------------------------|
| | Rentable Square Feet | Percent Leased/ Pre-Leased | Rentable Square Feet | Percent Leased/ Pre-Leased |
| In-Service | | | | |
| Office..... | 24,945,000 | 91.9% | 24,177,000 | 94.0% |
| Industrial..... | 10,640,000 | 91.9 | 10,357,000 | 95.0 |
| Retail /(1)/..... | 1,636,000 | 96.0 | 1,649,000 | 94.4 |
| | ----- | ----- | ----- | ----- |
| Total or Weighted Average..... | 37,221,000 | 91.9% | 36,183,000 | 94.1% |
| | ===== | ===== | ===== | ===== |
| Development | | | | |
| Completed -- Not Stabilized | | | | |
| Office..... | 1,490,000 | 58.4% | 547,000 | 84.0% |
| Industrial..... | 200,000 | 39.2 | 122,000 | 90.0 |
| Retail..... | 20,000 | 90.0 | -- | -- |
| | ----- | ----- | ----- | ----- |
| Total or Weighted Average..... | 1,710,000 | 56.5% | 669,000 | 85.0% |
| | ===== | ===== | ===== | ===== |
| In-Process | | | | |
| Office..... | 739,000 | 74.9% | 1,998,000 | 56.0% |
| Industrial..... | -- | -- | 186,000 | 14.0 |
| Retail..... | -- | -- | -- | -- |
| | ----- | ----- | ----- | ----- |
| Total or Weighted Average..... | 739,000 | 74.9% | 2,184,000 | 53.0% |
| | ===== | ===== | ===== | ===== |
| Total | | | | |
| Office..... | 27,174,000 | | 26,722,000 | |
| Industrial..... | 10,840,000 | | 10,665,000 | |
| Retail /(1)/..... | 1,656,000 | | 1,649,000 | |
| | ----- | | ----- | |
| Total..... | 39,670,000 | | 39,036,000 | |
| | ===== | | ===== | |

/(1)/ Excludes Kansas City's basement space.

Tenants

The following table sets forth information concerning the 20 largest tenants of our wholly-owned properties as of December 31, 2001:

| Tenant ----- | Number of Leases ----- | Annualized Rental Revenue /(1)/ | Annualized Rental Revenue |
|-------------------------------------|------------------------------|------------------------------------|------------------------------|
| | | ----- | ----- |
| | | (\$ in thousands) | |
| AT&T..... | 12 | \$ 14,432 | 3.0% |
| Intermedia Communications /(2)/.... | 5 | 14,329 | 2.9 |
| Federal Government..... | 56 | 11,761 | 2.4 |
| Capital One Services..... | 9 | 10,150 | 2.1 |
| Caterpillar Financial Services..... | 1 | 7,677 | 1.6 |
| IBM..... | 7 | 7,513 | 1.5 |
| State of Georgia..... | 10 | 6,888 | 1.4 |
| PricewaterhouseCoopers..... | 7 | 6,841 | 1.4 |
| US Air..... | 9 | 6,621 | 1.4 |
| Northern Telecom, Inc..... | 3 | 5,331 | 1.1 |
| WorldCom..... | 17 | 4,711 | 1.0 |
| Bell South..... | 13 | 4,652 | 1.0 |
| Sara Lee..... | 8 | 4,384 | 0.9 |
| DST Realty, Inc..... | 12 | 3,223 | 0.7 |
| BB&T..... | 9 | 3,160 | 0.6 |
| Lockton Companies, Inc..... | 1 | 3,060 | 0.6 |
| Volvo..... | 5 | 2,946 | 0.6 |
| International Paper Co..... | 10 | 2,886 | 0.6 |
| Romac..... | 1 | 2,867 | 0.6 |
| Business Telecom, Inc..... | 4 | 2,775 | 0.6 |
| | --- | ----- | ----- |
| Total..... | 199 | \$ 126,207 | 26.0% |
| | == | ===== | ===== |

/(1)/ Annualized Rental Revenue is December 2001 rental revenue (base rent plus operating expense pass-throughs) multiplied by 12. /(2)/ A wholly-owned subsidiary of WorldCom.

The following tables set forth information about leasing activities at our wholly-owned in-service properties (excluding apartment units) for the years ended December 31, 2001, 2000 and 1999.

| | 2001 | | |
|--|---------------|--------------|--------------|
| | Office | Industrial | Retail |
| Net Effective Rents Related to Re-Leased Space: | | | |
| Number of lease transactions (signed leases) | 538 | 107 | 44 |
| Rentable square footage leased..... | 2,782,331 | 1,524,276 | 125,992 |
| Average per rentable square foot over the lease term:..... | | | |
| Base rent | \$ 17.24 | \$ 4.99 | \$ 21.06 |
| Tenant improvements..... | (1.10) | (0.27) | (1.16) |
| Leasing commissions..... | (0.70) | (0.11) | (0.61) |
| Rent concessions | (0.06) | - | (0.06) |
| Effective rent..... | \$ 15.38 | \$ 4.61 | \$ 19.23 |
| Expense stop /(1)/..... | (3.84) | (0.43) | - |
| Equivalent effective net rent..... | \$ 11.54 | \$ 4.18 | \$ 19.23 |
| Average term in years..... | 4.8 | 2.6 | 7.5 |
| Rental Rate Trends: | | | |
| Average final rate with expense | | | |
| Pass-throughs..... | \$ 15.66 | \$ 4.76 | \$ 14.08 |
| Average first year cash rental rate..... | \$ 16.34 | \$ 4.73 | \$ 18.06 |
| Percentage increase..... | 4.34% | (0.80%) | 28.26% |
| Capital Expenditures Related to Re-leased Space: | | | |
| Tenant Improvements: | | | |
| Total dollars committed under signed leases..... | \$ 7,648,567 | \$ 468,962 | \$ 424,192 |
| Rentable square feet..... | 2,782,331 | 1,524,276 | 125,992 |
| Per rentable square foot..... | \$ 2.75 | \$ 0.31 | \$ 3.37 |
| Leasing Commissions: | | | |
| Total dollars committed under Signed leases..... | \$ 7,648,567 | \$ 468,962 | \$ 424,192 |
| Rentable square feet..... | 2,782,331 | 1,524,276 | 125,992 |
| Per rentable square foot..... | \$ 2.75 | \$ 0.31 | \$ 3.37 |
| Total: | | | |
| Total dollars committed under Signed leases..... | \$ 24,883,337 | \$ 2,004,013 | \$ 1,950,745 |
| Rentable square feet..... | 2,782,331 | 1,524,276 | 125,992 |
| Per rentable square foot..... | \$ 8.94 | \$ 1.31 | \$ 15.48 |
| 2000 | | | |
| | Office | Industrial | Retail |
| Net Effective Rents Related to Re-Leased Space: | | | |
| Number of lease transactions (signed leases) | 801 | 174 | 71 |
| Rentable square footage leased..... | 4,166,054 | 2,373,244 | 162,866 |
| Average per rentable square foot over the lease term: | | | |
| Base rent..... | \$ 17.05 | \$ 4.64 | \$ 21.99 |
| Tenant improvements..... | (1.20) | (0.24) | (1.41) |
| Leasing commissions..... | (0.50) | (0.12) | (0.60) |
| Rent concessions..... | (0.03) | - | - |
| Effective rent..... | \$ 15.32 | \$ 4.28 | \$ 19.98 |
| Expense stop /(1)/..... | (4.76) | (0.23) | (0.03) |
| Equivalent effective net rent..... | \$ 10.56 | \$ 4.05 | \$ 19.95 |
| Average term in years..... | 4.6 | 4.1 | 7.0 |
| Rental Rate Trends: | | | |
| Average final rate with expense | | | |
| Pass-throughs..... | \$ 15.56 | \$ 4.16 | \$ 15.71 |
| Average first year cash rental rate..... | \$ 16.33 | \$ 4.46 | \$ 19.89 |

| | | | |
|--|---------------|--------------|--------------|
| Percentage increase..... | 4.90% | 7.20% | 26.60% |
| Capital Expenditures Related to Re-leased Space: | | | |
| Tenant Improvements: | | | |
| Total dollars committed under | | | |
| signed leases..... | \$ 24,215,684 | \$ 2,279,129 | \$ 2,252,002 |
| Rentable square feet..... | 4,166,054 | 2,373,244 | 162,866 |
| Per rentable square foot..... | \$ 5.81 | \$ 0.96 | \$ 13.83 |
| Leasing Commissions: | | | |
| Total dollars committed under | | | |
| Signed leases..... | \$ 9,398,696 | \$ 1,203,586 | \$ 530,437 |
| Rentable square feet..... | 4,166,054 | 2,373,244 | 162,866 |
| Per rentable square foot..... | \$ 2.26 | \$ 0.51 | \$ 3.26 |
| Total: | | | |
| Total dollars committed under | | | |
| Signed leases..... | \$ 33,614,380 | \$ 3,482,715 | \$ 2,782,439 |
| Rentable square feet..... | 4,166,054 | 2,373,244 | 162,866 |
| Per rentable square foot..... | \$ 8.07 | \$ 1.47 | \$ 17.08 |

| | | | |
|---|-----------|------------|----------|
| | 1999 | | |
| | Office | Industrial | Retail |
| Net Effective Rents Related to Re-Leased Space: | | | |
| Number of lease transactions (signed leases) | 1,051 | 249 | 101 |
| Rentable square footage leased..... | 5,086,408 | 2,786,017 | 378,304 |
| Average per rentable square foot over the | | | |
| lease term: | | | |
| Base rent..... | \$ 15.58 | \$ 5.35 | \$ 17.24 |
| Tenant improvements..... | (0.82) | (0.28) | (1.02) |
| Leasing commissions..... | (0.39) | (0.13) | (0.44) |
| Rent concessions..... | (0.03) | (0.01) | (0.01) |
| Effective rent..... | \$ 14.34 | \$ 4.93 | \$ 15.77 |
| Expense stop /(1)/..... | (4.19) | (0.28) | (0.07) |
| Equivalent effective net rent..... | \$ 10.15 | \$ 4.65 | \$ 15.70 |
| Average term in years..... | 4.6 | 3.7 | 6.4 |
| Rental Rate Trends: | | | |
| Average final rate with expense | | | |
| Pass-throughs..... | \$ 15.13 | \$ 5.05 | \$ 12.21 |
| Average first year cash rental rate..... | \$ 15.68 | \$ 5.24 | \$ 16.28 |
| Percentage increase..... | 3.64% | 3.76% | 33.33% |

| | | | |
|--|---------------|--------------|--------------|
| Capital Expenditures Related to Re-leased Space: | | | |
| Tenant Improvements: | | | |
| Total dollars committed under | | | |
| signed leases..... | \$ 21,748,441 | \$ 3,621,621 | \$ 4,589,543 |
| Rentable square feet..... | 5,086,408 | 2,786,017 | 378,304 |
| Per rentable square foot..... | \$ 4.28 | \$ 1.30 | \$ 12.13 |
| Leasing Commissions: | | | |
| Total dollars committed under | | | |
| Signed leases..... | \$ 8,990,333 | \$ 1,336,828 | \$ 1,069,227 |
| Rentable square feet..... | 5,086,408 | 2,786,017 | 378,304 |
| Per rentable square foot..... | \$ 1.77 | \$ 0.48 | \$ 2.83 |
| Total: | | | |
| Total dollars committed under | | | |
| Signed leases..... | \$ 30,738,774 | \$ 4,958,449 | \$ 5,658,770 |
| Rentable square feet..... | 5,086,408 | 2,786,017 | 378,304 |
| Per rentable square foot..... | \$ 6.04 | \$ 1.78 | \$ 14.96 |

maintenance) for which we will not be reimbursed by our tenants.

The following tables set forth scheduled lease expirations for executed leases at our wholly-owned properties (excluding apartment units) as of December 31, 2001, assuming no tenant exercises renewal options.

OFFICE PROPERTIES:

| Lease Expiring | Number of Leases Expiring | Rentable Square Feet Subject to Expiring Leases | Percentage of Leased Square Footage Represented by Expiring Leases | Annual Rents Under Expiring Leases /(1)/ | Average Annual Rental Rate Per Square Foot for Expirations | Percentage of Leased Rents Represented by Expiring Leases |
|-------------------|---------------------------------|--|--|---|---|--|
| ----- | ----- | ----- | ----- | ----- | ----- | ----- |
| | | | | (\$ in thousands) | | |
| 2002 | 697 | 3,246,295 | 13.9% | \$ 54,591 | \$16.82 | 13.6% |
| 2003 | 563 | 3,659,444 | 15.8 | 62,603 | 17.11 | 15.6 |
| 2004 | 468 | 2,798,023 | 12.0 | 48,934 | 17.49 | 12.2 |
| 2005 | 451 | 3,131,115 | 13.4 | 54,953 | 17.55 | 13.6 |
| 2006 | 419 | 2,783,494 | 12.0 | 48,503 | 17.43 | 12.0 |
| 2007 | 66 | 942,377 | 4.0 | 14,936 | 15.85 | 3.7 |
| 2008 | 86 | 1,859,431 | 8.0 | 28,101 | 15.11 | 7.0 |
| 2009 | 26 | 1,136,417 | 4.9 | 18,990 | 16.71 | 4.7 |
| 2010 | 41 | 1,419,478 | 6.1 | 26,317 | 18.54 | 6.5 |
| 2011 | 38 | 882,132 | 3.8 | 18,044 | 20.45 | 4.5 |
| Thereafter | 84 | 1,428,058 | 6.1 | 26,665 | 18.67 | 6.6 |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| | 2,939 | 23,286,264 | 100.0% | \$402,637 | \$17.29 | 100.0% |
| | ===== | ===== | ===== | ===== | ===== | ===== |

INDUSTRIAL PROPERTIES:

| Lease Expiring | Number of Leases Expiring | Rentable Square Feet Subject to Expiring Leases | Percentage of Leased Square Footage Represented by Expiring Leases | Annual Rents Under Expiring Leases /(1)/ | Average Annual Rental Rate Per Square Foot for Expirations | Percentage of Leased Rents Represented by Expiring Leases |
|-------------------|---------------------------------|--|--|---|---|--|
| ----- | ----- | ----- | ----- | ----- | ----- | ----- |
| | | | | (\$ in thousands) | | |
| 2002 | 133 | 2,104,382 | 21.9% | \$ 9,337 | \$4.44 | 20.5% |
| 2003 | 117 | 1,284,888 | 13.3 | 6,701 | 5.22 | 14.6 |
| 2004 | 89 | 2,544,294 | 26.5 | 10,254 | 4.03 | 22.5 |
| 2005 | 42 | 725,542 | 7.5 | 4,253 | 5.86 | 9.3 |
| 2006 | 39 | 757,279 | 7.9 | 4,585 | 6.05 | 10.0 |
| 2007 | 16 | 1,177,306 | 12.2 | 4,903 | 4.16 | 10.7 |
| 2008 | 8 | 252,274 | 2.6 | 1,611 | 6.39 | 3.5 |
| 2009 | 6 | 268,813 | 2.8 | 1,890 | 7.03 | 4.1 |
| 2010 | 4 | 182,746 | 1.9 | 1,063 | 5.82 | 2.3 |
| 2011 | 1 | 33,555 | 0.3 | 159 | 4.74 | 0.3 |
| Thereafter | 11 | 297,519 | 3.1 | 986 | 3.31 | 2.2 |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| | 466 | 9,628,598 | 100.0% | \$ 45,742 | \$4.75 | 100.0% |
| | ===== | ===== | ===== | ===== | ===== | ===== |

/(1)/ Annual Rents Under Expiring Leases are December 2001 rental revenue (base rent plus operating expense pass-throughs) multiplied by 12.

RETAIL PROPERTIES:

| Lease Expiring | Number of Leases Expiring | Rentable Square Feet Subject to Expiring Leases | Percentage of Leased Square Footage Represented by Expiring Leases | Annual Rents Under Expiring Leases /(1)/ | Average Annual Rental Rate Per Square Foot for Expirations | Percentage of Leased Rents Represented by Expiring Leases |
|-------------------|---------------------------------|--|--|---|---|--|
| ----- | ----- | ----- | ----- | ----- | ----- | ----- |
| | | | | (\$ in thousands) | | |
| 2002 | 40 | 106,061 | 6.8% | \$ 1,631 | \$15.38 | 4.3% |
| 2003 | 48 | 128,732 | 8.2 | 2,973 | 23.09 | 7.9 |
| 2004 | 35 | 154,003 | 9.8 | 2,202 | 14.30 | 5.8 |
| 2005 | 51 | 161,312 | 10.3 | 3,119 | 19.34 | 8.3 |
| 2006 | 34 | 106,658 | 6.8 | 2,658 | 24.92 | 7.0 |
| 2007 | 25 | 85,895 | 5.5 | 1,891 | 22.02 | 5.0 |
| 2008 | 24 | 108,038 | 6.9 | 3,764 | 34.84 | 10.0 |
| 2009 | 17 | 138,661 | 8.9 | 2,813 | 20.29 | 7.4 |
| 2010 | 20 | 125,470 | 8.0 | 3,195 | 25.46 | 8.5 |
| 2011 | 15 | 82,880 | 5.3 | 1,798 | 21.69 | 4.8 |
| Thereafter | 29 | 366,356 | 23.5 | 11,720 | 31.99 | 31.0 |
| | ---- | ----- | ----- | ----- | ----- | ----- |
| | 338 | 1,564,066 | 100.0% | \$37,764 | \$24.14 | 100.0% |
| | ===== | ===== | ===== | ===== | ===== | ===== |

TOTAL:

| Lease Expiring | Number of Leases Expiring | Rentable Square Feet Subject to Expiring Leases | Percentage of Leased Square Footage Represented by Expiring Leases | Annual Rents Under Expiring Leases /(1)/ | Average Annual Rental Rate Per Square Foot for Expirations | Percentage of Leased Rents Represented by Expiring Leases |
|-------------------|---------------------------------|--|--|---|---|--|
| ----- | ----- | ----- | ----- | ----- | ----- | ----- |
| | | | | (\$ in thousands) | | |
| 2002 | 870 | 5,456,738 | 15.8% | \$ 65,559 | \$12.01 | 13.5% |
| 2003 | 728 | 5,073,064 | 14.7 | 72,277 | 14.25 | 14.8 |
| 2004 | 592 | 5,496,320 | 15.9 | 61,390 | 11.17 | 12.6 |
| 2005 | 544 | 4,017,969 | 11.7 | 62,325 | 15.51 | 12.8 |
| 2006 | 492 | 3,647,431 | 10.6 | 55,746 | 15.28 | 11.5 |
| 2007 | 107 | 2,205,578 | 6.4 | 21,730 | 9.85 | 4.5 |
| 2008 | 118 | 2,219,743 | 6.4 | 33,476 | 15.08 | 6.9 |
| 2009 | 49 | 1,543,891 | 4.5 | 23,693 | 15.35 | 4.9 |
| 2010 | 65 | 1,727,694 | 5.0 | 30,575 | 17.70 | 6.3 |
| 2011 | 54 | 998,567 | 2.9 | 20,001 | 20.03 | 4.1 |
| Thereafter | 124 | 2,091,933 | 6.1 | 39,371 | 18.82 | 8.1 |
| | ---- | ----- | ----- | ----- | ----- | ----- |
| | 3,743 | 34,478,928 | 100.0% | \$486,143 | \$14.10 | 100.0% |
| | ===== | ===== | ===== | ===== | ===== | ===== |

/(1)/ Annual Rents Under Expiring Leases are December 2001 rental revenue (base rent plus operating expense pass-throughs) multiplied by 12.

DEVELOPMENT LAND

We estimate that we can develop approximately 13.7 million square feet of office, industrial and retail space on our wholly-owned development land. All of this development land is zoned and available for office, industrial or retail development, substantially all of which has utility infrastructure already in place. We believe that our commercially zoned and unencumbered land in existing business parks gives us a development advantage over other commercial real estate development companies in many of our markets. Any future development, however, is dependent on the demand for industrial or office space in the area, the availability of favorable financing and other factors, and no assurance can be given that any construction will take place on the development land. In addition, if construction is undertaken on the development land, we will be subject to the risks associated with construction activities, including the risk that occupancy rates and rents at a newly completed property may not be sufficient to make the property profitable, construction costs may exceed original estimates and construction and lease-up may not be completed on schedule, resulting in increased debt service expense and construction expense.

ITEM 3. LEGAL PROCEEDINGS

We are a party to a variety of legal proceedings arising in the ordinary course of our business. We believe that we are adequately covered by insurance and indemnification agreements. Accordingly, none of such proceedings are expected to have a material adverse effect on our business, financial condition and results of operations.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

ITEM X. EXECUTIVE OFFICERS OF THE REGISTRANT

The following table sets forth information with respect to our executive officers:

| Name ---- | Age --- | Position and Background ----- |
|---------------------|------------|--|
| Ronald P. Gibson | 57 | Director, President and Chief Executive Officer. Mr. Gibson is one of our founders and has served as president or managing partner of our predecessor since its formation in 1978. |
| Edward J. Fritsch | 43 | Director, Executive Vice President, Chief Operating Officer and Secretary. Mr. Fritsch joined us in 1982 and was a partner of our predecessor. |
| Gene H. Anderson | 56 | Director and Senior Vice President. Mr. Anderson manages the operations of our Georgia properties and the Piedmont Triad division of North Carolina. Mr. Anderson was the founder and president of Anderson Properties, Inc. prior to its merger with the Company. |
| Michael F. Beale | 48 | Senior Vice President. Mr. Beale is responsible for our operations in Florida. Prior to joining us in 2000, Mr. Beale was vice president of Koger Equity, Inc. |
| Michael E. Harris | 52 | Senior Vice President. Mr. Harris is responsible for our operations in Tennessee, Missouri, Kansas and Charlotte. Mr. Harris was executive vice president of Crocker Realty Trust prior to its merger with us. Before joining Crocker Realty Trust, Mr. Harris served as senior vice president, general counsel and chief financial officer of Towermarc Corporation, a privately owned real estate development firm. |
| Marcus H. Jackson | 45 | Senior Vice President. Mr. Jackson is responsible for our operations in Virginia and the Research Triangle division of North Carolina. Prior to joining us in 1998, Mr. Jackson was senior vice president of Compass Development and Construction Services. |
| Carman J. Liuzzo | 41 | Vice President, Chief Financial Officer and Treasurer. Prior to joining us in 1994, Mr. Liuzzo was vice president and chief accounting officer for Boddie-Noell Enterprises, Inc. and Boddie-Noell Restaurant Properties, Inc. Mr. Liuzzo is a certified public accountant. |
| Mack D. Pridgen III | 52 | Vice President and General Counsel. Prior to joining us in 1997, Mr. Pridgen was a partner with Smith Helms Mulliss & Moore, L.L.P. |

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER

MATTERS

The Common Stock has been traded on the New York Stock Exchange ("NYSE") under the symbol "HIW" since the Company's initial public offering. The following table sets forth the quarterly high and low stock prices per share reported on the NYSE for the quarters indicated and the distributions paid per share during such quarter.

| Quarter Ended: | 2001 | | | 2000 | | |
|-------------------|----------|----------|--------------|----------|----------|--------------|
| | High | Low | Distribution | High | Low | Distribution |
| March 31 | \$ 25.99 | \$ 24.00 | \$.57 | \$ 23.50 | \$ 20.25 | \$.555 |
| June 30 | 26.65 | 24.15 | .57 | 25.94 | 21.31 | .555 |
| September 30 | 26.67 | 23.45 | .585 | 27.19 | 23.50 | .57 |
| December 31 | 26.42 | 23.52 | .585 | 24.94 | 21.25 | .57 |

On February 26, 2002, the last reported stock price of the Common Stock on the NYSE was \$26.70 per share and the Company had 1,474 stockholders of record.

The Company intends to continue to pay regular quarterly distributions to holders of shares of Common Stock and holders of Common Units. Although the Company intends to maintain its current distribution rate, future distributions by the Company will be at the discretion of the Board of Directors and will depend on the actual funds from operations of the Company, its financial condition, capital requirements, the annual distribution requirements under the REIT provisions of the Internal Revenue Code and such other factors as the Board of Directors deems relevant.

During 2001, the Company's Common Stock distributions totaled \$125,380,000, \$8,924,000 of which represented return of capital for income tax purposes. In accordance with the 1999 Tax Relief Extension Act, the 95.0% distribution requirement was reduced to 90.0% beginning in 2001. The minimum distribution per share of Common Stock required to maintain REIT status (excluding any distribution of net capital gains) was approximately \$1.52 per share in 2001 and \$1.54 per share in 2000.

The Company has instituted a Dividend Reinvestment and Stock Purchase Plan under which holders of Common Stock may elect to automatically reinvest their distributions in additional shares of Common Stock and may make optional cash payments for additional shares of Common Stock. The Company may issue additional shares of Common Stock or repurchase Common Stock in the open market for purposes of satisfying its obligations under the Dividend Reinvestment and Stock Purchase Plan.

In August 1997, the Company instituted an Employee Stock Purchase Plan for all active employees. At the end of each three-month offering period, each participant's account balance is applied to acquire shares of Common Stock at 85.0% of the market value of the Common Stock, calculated as the lower of the average closing price on the NYSE on the five consecutive days preceding the first day of the quarter or the five days preceding the last day of the quarter. A participant may contribute up to 25.0% of their pay. During 2001, employees purchased 40,935 shares of Common Stock under the Employee Stock Purchase Plan.

ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth selected financial and operating information for the Company as of and for the years ended December 31, 2001, 2000, 1999, 1998 and 1997 (\$ in thousands, except per share amounts):

| | 2001 | 2000 | 1999 | 1998 | 1997 |
|---|--------------|--------------|--------------|--------------|--------------|
| | ----- | ----- | ----- | ----- | ----- |
| Operating Data: | | | | | |
| Total revenue..... | \$ 540,615 | \$ 566,431 | \$ 584,935 | \$ 512,471 | \$ 274,470 |
| Rental property operating expenses..... | 154,942 | 159,767 | 174,075 | 154,323 | 76,743 |
| General and administrative..... | 21,404 | 21,864 | 22,345 | 20,776 | 10,216 |
| Interest expense..... | 108,501 | 112,827 | 117,134 | 97,011 | 47,394 |
| Depreciation and amortization..... | 121,067 | 119,443 | 112,347 | 91,705 | 47,533 |
| | ----- | ----- | ----- | ----- | ----- |
| Income before cost of unsuccessful transactions, Gain on disposition of land and depreciable assets, minority interest and extraordinary item..... | 134,701 | 152,530 | 159,034 | 148,656 | 92,584 |
| Cost of unsuccessful transactions..... | - | - | (1,500) | - | - |
| Gain on disposition of land and depreciable assets..... | 16,172 | 4,659 | 8,679 | 1,716 | - |
| | ----- | ----- | ----- | ----- | ----- |
| Income before minority interest and Extraordinary item..... | 150,873 | 157,189 | 166,213 | 150,372 | 92,584 |
| Minority interest..... | (18,948) | (18,991) | (20,779) | (24,335) | (15,106) |
| | ----- | ----- | ----- | ----- | ----- |
| Income before extraordinary item..... | 131,925 | 138,198 | 145,434 | 126,037 | 77,478 |
| Extraordinary item-loss on early Extinguishment of debt..... | (714) | (4,711) | (7,341) | (387) | (5,799) |
| | ----- | ----- | ----- | ----- | ----- |
| Net income..... | 131,211 | 133,487 | 138,093 | 125,650 | 71,679 |
| Dividends on preferred stock..... | (31,500) | (32,580) | (32,580) | (30,092) | (13,117) |
| | ----- | ----- | ----- | ----- | ----- |
| Net income available for common shareholders... | \$ 99,711 | \$ 100,907 | \$ 105,513 | \$ 95,558 | \$ 58,562 |
| | ===== | ===== | ===== | ===== | ===== |
| Net income per common share - basic..... | \$ 1.84 | \$ 1.70 | \$ 1.72 | \$ 1.74 | \$ 1.51 |
| | ===== | ===== | ===== | ===== | ===== |
| Net income per common share - diluted..... | \$ 1.83 | \$ 1.70 | \$ 1.71 | \$ 1.74 | \$ 1.50 |
| | ===== | ===== | ===== | ===== | ===== |
| Distributions declared per common share..... | \$ 2.31 | \$ 2.25 | \$ 2.19 | \$ 2.10 | \$ 1.98 |
| | ===== | ===== | ===== | ===== | ===== |
| Balance Sheet Data (at end of period): | | | | | |
| Net real estate assets..... | \$ 3,280,155 | \$ 3,128,259 | \$ 3,673,338 | \$ 3,924,192 | \$ 2,614,654 |
| Total assets..... | 3,648,286 | 3,701,602 | 4,016,197 | 4,314,333 | 2,722,306 |
| Total mortgages and notes payable..... | 1,719,230 | 1,587,019 | 1,766,177 | 2,008,716 | 978,558 |
| Other Data: | | | | | |
| Number of in-service properties..... | 498 | 493 | 563 | 658 | 481 |
| Total rentable square feet..... | 37,221,000 | 36,183,000 | 38,976,000 | 44,642,000 | 30,721,000 |

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis in conjunction with the accompanying consolidated financial statements and related notes contained elsewhere in this Annual Report on Form 10-K.

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

Some of the information in this Annual Report on Form 10-K may contain forward-looking statements. Such statements include, in particular, statements about our plans, strategies and prospects under this section and under the heading "Business". You can identify forward-looking statements by our use of forward-looking terminology such as "may," "will," "expect," "anticipate," "estimate," "continue" or other similar words. Although we believe that our plans, intentions and expectations reflected in or suggested by such forward-looking statements are reasonable, we cannot assure you that our plans, intentions or expectations will be achieved. When considering such forward-looking statements, you should keep in mind the following important factors that could cause our actual results to differ materially from those contained in any forward-looking statement:

- . speculative development activity by our competitors in our existing markets could result in an excessive supply of office, industrial and retail properties relative to tenant demand;
- . the financial condition of our tenants could deteriorate;
- . the costs of our development projects could exceed our original estimates;
- . we may not be able to complete development, acquisition, reinvestment, disposition or joint venture projects as quickly or on as favorable terms as anticipated;
- . we may not be able to lease or release space quickly or on as favorable terms as old leases;
- . we may have incorrectly assessed the environmental condition of our properties;
- . an unexpected increase in interest rates would increase our debt service costs;
- . we may not be able to continue to meet our long-term liquidity requirements on favorable terms;
- . we could lose key executive officers; and
- . our southeastern and midwestern markets may suffer additional declines in economic growth.

This list of risks and uncertainties, however, is not intended to be exhaustive. You should also review the other cautionary statements we make in "Business - Risk Factors" set forth elsewhere in this Annual Report.

Given these uncertainties, we caution you not to place undue reliance on forward-looking statements. We undertake no obligation to publicly release the results of any revisions to these forward-looking statements that may be made to reflect any future events or circumstances or to reflect the occurrence of unanticipated events.

OVERVIEW

We are a self-administered and self-managed equity REIT that began operations through a predecessor in 1978. Since the Company's initial public offering in 1994, we have evolved into one of the largest owners and operators of suburban office, industrial and retail properties in the southeastern and midwestern United States. At December 31, 2001, we:

- . owned 498 in-service office, industrial and retail properties, encompassing approximately 37.2 million rentable square feet and 213 apartment units;

. owned an interest (50% or less) in 74 in-service office and industrial properties, encompassing approximately 7.2 million rentable square feet and 418 apartment units;

. owned 1,327 acres (and have agreed to purchase an additional eight acres over the next year) of undeveloped land suitable for future development; and

. were developing an additional 25 properties, which will encompass approximately 2.8 million rentable square feet (including three properties encompassing 347,000 rentable square feet that we are developing with our joint venture partners).

The following summarizes our capital recycling program during the past three years ending December 31, 2001:

| | 2001 | 2000 | 1999 | Total |
|---|---------|---------|---------|----------|
| | ----- | ----- | ----- | ----- |
| Office, Industrial and Retail Properties (rentable square feet in thousands) | | | | |
| Dispositions /(1)/..... | (268) | (4,743) | (7,595) | (12,606) |
| Contributions to Joint Ventures /(1)/.. | (118) | (2,199) | (1,198) | (3,515) |
| Developments Placed In-Service..... | 1,351 | 3,480 | 2,167 | 6,998 |
| Acquisitions..... | 72 | 669 | 960 | 1,701 |
| | ----- | ----- | ----- | ----- |
| Net Change in Wholly-owned In-Service Properties..... | 1,037 | (2,793) | (5,666) | (7,422) |
| | ===== | ===== | ===== | ===== |
| Apartment Properties (in units) | | | | |
| Dispositions..... | (1,672) | -- | -- | (1,672) |
| | ===== | ===== | ===== | ===== |
| ----- | | | | |

/(1)/ Excludes wholly-owned development properties sold or contributed to joint ventures.

In addition to the above property activity, we repurchased \$148.8 million, \$101.8 million and \$25.5 million of Common Stock and Common Units during 2001, 2000 and 1999, respectively, and \$18.5 million of Preferred Stock during 2001.

The Company conducts substantially all of its activities through, and substantially all of its interests in the properties are held directly or indirectly by, the Operating Partnership. The Company is the sole general partner of the Operating Partnership. At December 31, 2001, the Company owned 87.7% of the Common Units in the Operating Partnership.

RESULTS OF OPERATIONS

The following table sets forth information regarding our results of operations for the years ended December 31, 2001, 2000 and 1999 (\$ in millions):

| | Year Ended December 31, | | | 2001 | 2000 |
|---|-------------------------|---------|---------|-----------|-----------|
| | 2001 | 2000 | 1999 | \$ Change | \$ Change |
| Revenue: | | | | | |
| Rental property..... | \$ 506.8 | \$543.4 | \$566.8 | \$ (36.6) | \$ (23.4) |
| Equity in earnings of unconsolidated affiliates.. | 8.9 | 3.8 | 1.2 | 5.1 | 2.6 |
| Interest and other income..... | 24.9 | 19.2 | 16.9 | 5.7 | 2.3 |
| Total revenue | 540.6 | 566.4 | 584.9 | (25.8) | (18.5) |
| Operating expenses:..... | | | | | |
| Rental property..... | 154.9 | 159.8 | 174.1 | (4.9) | (14.3) |
| Depreciation and amortization..... | 121.1 | 119.4 | 112.3 | 1.7 | 7.1 |
| Interest expense: | | | | | |
| Contractual..... | 106.5 | 110.3 | 114.3 | (3.8) | (4.0) |
| Amortization of deferred financing costs..... | 2.0 | 2.5 | 2.8 | (0.5) | (0.3) |
| | 108.5 | 112.8 | 117.1 | (4.3) | (4.3) |
| General and administrative..... | 21.4 | 21.9 | 22.4 | (0.5) | (0.5) |
| Income before gain on disposition of land and depreciable assets, minority interest and extraordinary item..... | 134.7 | 152.5 | 159.0 | (17.8) | (6.5) |
| Cost of unsuccessful transactions..... | -- | -- | (1.5) | -- | 1.5 |
| Gain on disposition of land and depreciable assets..... | 16.2 | 4.7 | 8.7 | 11.5 | (4.0) |
| Income before minority interest and extraordinary item..... | 150.9 | 157.2 | 166.2 | (6.3) | (9.0) |
| Minority interest..... | (19.0) | (19.0) | (20.8) | -- | 1.8 |
| Income before extraordinary item | 131.9 | 138.2 | 145.4 | (6.3) | (7.2) |
| Extraordinary item -- loss on early extinguishment of debt..... | (0.7) | (4.7) | (7.3) | 4.0 | 2.6 |
| Net income..... | 131.2 | 133.5 | 138.1 | (2.3) | (4.6) |
| Dividends on preferred shares..... | (31.5) | (32.6) | (32.6) | 1.1 | -- |
| Net income available for common Shareholders..... | \$ 99.7 | \$100.9 | \$105.5 | \$ (1.2) | \$ (4.6) |

Comparison of 2001 to 2000. Revenues from rental operations decreased \$36.6 million, or 6.7%, from \$543.4 million for the year ended December 31, 2000 to \$506.8 million for the year ended December 31, 2001. The decrease was primarily a result of the changes in our property portfolio as a result of our capital recycling program and a decrease in the average occupancy rates from 93.8% in 2000 to 92.9% in 2001, offset in part by an increase in rental rates on new leases and rollovers. Additionally, due to lower expected economic growth and increasing market vacancy rates in our core markets, we expect a slight decline in occupancy during 2002. Our in-service wholly-owned portfolio increased from 36.2 million square feet at December 31, 2000 to 37.2 million square feet at December 31, 2001.

Same property rental revenues, which are the revenues of the 449 in-service properties wholly-owned on January 1, 2000, increased \$6.7 million, or 1.66%, for the year ended December 31, 2001, compared to the year ended December 31, 2000. This increase was primarily a result of scheduled increases in rental rates on existing leases, an overall increase in rental rates on new leases and rollovers and an increase in recoveries from tenants. Partially offsetting the increase in rental revenue was a decrease in termination fees from \$4.0 million in 2000 to \$2.5 million in 2001. In addition, same store straight-line rent declined from \$6.3 million in 2000 to \$4.4 million in 2001. Same store average occupancy declined from 94.2% in 2000 to 93.2% in 2001.

During the year ended December 31, 2001, 689 second generation leases representing 4.4 million square feet of office, industrial and retail space were executed at an average rate per square foot which was 4.7% higher than the average rate per square foot on the previous leases.

Rental revenue is comprised of base rent, including termination fees, recoveries from tenants and parking and other income. Base rental revenue is recognized on a straight-line basis over the terms of the respective leases. Accrued straight-line rents receivable represents the amount by which straight-line rental revenue exceeds rents

currently billed in accordance with lease agreements. Recoveries from tenants represent reimbursements for certain costs as provided in the lease agreements. These costs generally include real estate taxes, utilities, insurance, common area maintenance and other recoverable costs.

Equity in earnings of unconsolidated affiliates increased \$5.1 million from \$3.8 million for the year ended December 31, 2000 to \$8.9 million for the year ended December 31, 2001. The increase was primarily a result of the inclusion of a full year of earnings in 2001 for two joint ventures that were formed with unrelated investors during May and December of 2000. We account for our investments in unconsolidated joint ventures using the equity method of accounting because we do not control these joint venture entities. These investments are initially recorded at cost, as investments in unconsolidated affiliates, and are subsequently adjusted for equity in earnings and cash contributions and distributions. Any difference between the carrying amount of these investments on our balance sheet and the underlying equity in net assets is amortized as an adjustment to equity in earnings of unconsolidated affiliates over 40 years.

Interest and other income increased \$5.7 million, or 29.7%, from \$19.2 million for the year ended December 31, 2000 to \$24.9 million for the year ended December 31, 2001. The increase resulted from additional interest income and leasing and management fees earned from our joint ventures during 2001, partly offset by an adjustment related to the adoption of SFAS 133 (see Consolidated Financial Statements Note #8) along with other income generated from our apartments which were sold during 2001.

Rental operating expenses (real estate taxes, utilities, insurance, repairs and maintenance and other property-related expenses) decreased \$4.9 million, or 3.1%, from \$159.8 million for the year ended December 31, 2000 to \$154.9 million for the year ended December 31, 2001. The decrease was primarily a result of the net decrease in our property portfolio as a result of our capital recycling program along with a decrease in variable expenses related to lower average occupancy. Rental operating expenses as a percentage of related revenues increased from 29.4% for the year ended December 31, 2000 to 30.6% for the year ended December 31, 2001.

Same property rental property expenses, which are the expenses of the 449 in-service properties wholly-owned on January 1, 2000, increased \$5.3 million, or 4.4 %, for the year ended December 31, 2001, compared to the year ended December 31, 2000. This increase was primarily a result of increases in real estate taxes, utilities and small increases in various other rental expense accounts. The increase in real estate taxes is primarily due to higher property tax assessments.

Depreciation and amortization for the years ended December 31, 2001 and 2000 totaled \$121.1 million and \$119.4 million, respectively. The increase of \$1.7 million, or 1.4%, was due to an increase in the amortization of leasing commissions and tenant improvements, partly offset by a decrease in the depreciation on buildings that resulted from owning fewer properties as a result of our capital recycling program during 2001 and 2000.

Interest expense decreased \$4.3 million, or 3.8 %, from \$ 112.8 million for the year ended December 31, 2000 to \$108.5 million for the year ended December 31, 2001. The decrease was primarily attributable to the decrease in the weighted average interest rates for the entire year of 2001, partly offset by an increase in the average outstanding debt in 2001. Interest expense for the years ended December 31, 2001 and 2000 included \$2.0 million and \$2.5 million, respectively, of amortization of deferred financing costs and the costs related to our interest rate hedge contracts.

General and administrative expenses as a percentage of total revenues was 4.0% in 2001 and 3.9% in 2000.

Costs directly related to the development of rental properties are capitalized. Capitalized development costs include interest, wages, property taxes, insurance and other project costs incurred during the period of development. Capitalized interest for the years ended December 31, 2001 and 2000 was \$16.9 million and \$23.7 million, respectively.

Gain on dispositions of assets increased \$11.5 million from \$4.7 million for the year ended December 31, 2000 to \$16.2 million for the year ended December 31, 2001. During 2001, the primary source of the gain was the disposition of 1,672 apartment units. During 2000, the Jacksonville portfolio was sold at a loss, which was offset by gains recognized on joint venture transactions along with dispositions of land and office, industrial, and retail properties.

Income before minority interest and extraordinary item equaled \$150.9 million and \$157.2 million for the years ended December 31, 2001 and 2000, respectively. The Company's net income allocated to minority interest totaled \$19.0 million for the years ended December 31, 2001 and 2000, respectively. The Company recorded \$31.5 million and \$32.6 million in preferred stock dividends for each of the years ended December 31, 2001 and 2000, respectively. The decrease was a result of the \$18.5 million repurchase by the Company of its preferred stock during 2001.

Comparison of 2000 to 1999. Revenues from rental operations decreased \$23.4 million, or 4.1%, from \$566.8 million for the year ended December 31, 1999 to \$543.4 million for the year ended December 31, 2000. The decrease was primarily a result of the changes in our portfolio as a result of our capital recycling program, which was partially offset by an increase in rental rates on new leases and rollovers and a slight increase in average occupancy from 93.2% in 1999 to 93.8% in 2000. Our in-service wholly-owned portfolio decreased from 39.0 million square feet at December 31, 1999 to 36.2 million square feet at December 31, 2000.

Same property rental property revenues, which are the revenues of the 443 in-service properties wholly-owned on January 1, 1999, increased \$6.3 million, or 1.7 %, for the year ended December 31, 2000, compared to the year ended December 31, 1999. This increase was primarily a result of scheduled increases in rental rates on existing leases, an overall increase in rental rates on new leases and rollovers and an increase in termination fees from \$3.0 million in 1999 to \$4.0 million in 2000. Partially offsetting the increase in rental revenues was a decrease in same property straight-line rent from \$7.0 million in 1999 to \$6.3 million in 2000. Same store average occupancy remained flat at 93.2% for 2000 and 1999.

During the year ended December 31, 2000, 1,046 second generation leases representing 6.3 million square feet of office, industrial and retail space were executed at an average rate per square foot which was 5.9% higher than the average rate per square foot on the expired leases.

Equity in earnings of unconsolidated affiliates increased \$2.6 million from \$1.2 million for the year ended December 31, 1999 to \$3.8 million for the year ended December 31, 2000. The increase was primarily a result of the inclusion of a full year of earnings for a joint venture that was formed with unrelated investors during 1999 and a partial year of earnings for a joint venture formed with unrelated investors during 2000.

Interest and other income increased \$2.3 million, or 13.6%, from \$16.9 million for the year ended December 31, 1999 to \$19.2 million for the year ended December 31, 2000. The increase resulted from additional interest income related to a \$30.0 million note receivable that was recorded as a result of certain property dispositions in June 1999 and an increase in development fee income in 2000 related to a joint venture.

Rental operating expenses decreased \$14.3 million, or 8.2%, from \$174.1 million for the year ended December 31, 1999 to \$159.8 million for the year ended December 31, 2000. The decrease was primarily a result of the net decrease in our property portfolio as a result of our capital recycling program. Rental operating expenses as a percentage of related revenues decreased from 30.7% for the year ended December 31, 1999 to 29.4% for the year ended December 31, 2000.

Same property rental property expenses, which are the expenses of the 443 in-service properties wholly-owned on January 1, 1999, increased \$1.6 million, or 1.4 %, for the year ended December 31, 2000, compared to the year ended December 31, 1999. This increase was primarily a result of small increases in various rental expense accounts.

Depreciation and amortization for the years ended December 31, 2000 and 1999 totaled \$119.4 million and \$112.3 million, respectively. The increase of \$7.1 million, or 6.3%, was due to an increase in amortization of leasing commissions and tenant improvements, partly offset by a decrease in depreciation on buildings that resulted from owning fewer buildings as a result of our capital recycling program during 1999 and 2000.

Interest expense decreased \$4.3 million, or 3.7%, from \$117.1 million for the year ended December 31, 1999 to \$112.8 million for the year ended December 31, 2000. The decrease was primarily attributable to the decrease in the outstanding debt for the entire year of 2000. Interest expense for the years ended December 31, 2000 and 1999 included \$2.5 million and \$2.8 million, respectively, of amortization of deferred financing costs and the costs related

to our interest rate hedge contracts. Capitalized interest for the years ended December 31, 2000 and 1999 was \$23.7 million and \$29.1 million, respectively.

General and administrative expenses as a percentage of total revenues was 3.8% in 1999 and 3.9% in 2000.

Gain on dispositions of assets decreased \$4.0 million from \$8.7 million for the year ended December 31, 1999 to \$4.7 million for the year ended December 31, 2000. During 2000, the Jacksonville portfolio was sold at a loss, which was offset by gains on joint venture transactions along with dispositions of land and office, industrial, and retail properties. During 1999, the sale of the Baltimore portfolio along with other office, industrial and retail properties generated a gain, which was offset by a slight loss on the disposition of the South Florida portfolio.

Income before minority interest and extraordinary item equaled \$157.2 million and \$166.2 million for the years ended December 31, 2000 and 1999, respectively. The Company's net income allocated to minority interest totaled \$19.0 million and \$20.8 million for the years ended December 31, 2000 and 1999, respectively. The Company recorded \$32.6 million in preferred stock dividends for each of the years ended December 31, 2000 and 1999.

LIQUIDITY AND CAPITAL RESOURCES

Statement of Cash Flows. The following table sets forth the changes in the Company's cash flows from 2000 to 2001 (\$ in thousands):

| | Year Ended December 31, | | |
|---|-------------------------|------------|------------|
| | 2001 | 2000 | Change |
| Cash Provided By Operating Activities | \$ 247,564 | \$ 256,400 | \$ (8,836) |
| Cash (Used in)/Provided By Investing Activities | (139,645) | 286,212 | (425,857) |
| Cash Used in Financing Activities | (212,123) | (472,328) | 260,205 |

The decrease in cash provided by operating activities was primarily the result of our capital recycling program and a decrease in average occupancy rates for our wholly-owned portfolio. Real estate taxes were higher in 2001 primarily due to higher property assessments. The level of net cash provided by operating activities is also affected by the timing of receipt of revenues and payment of expenses.

The increase in cash used for investing activities was primarily a result of a decrease of \$568.6 million in the proceeds from the disposition of real estate assets in 2001, partly offset by the collection of advances from subsidiaries of \$27.6 million in 2001, the collection of notes receivables in the amount of \$37.2 million in 2001 and the reduction in additions to real estate assets of \$71.3 million in 2001.

The decrease in cash used in financing activities was primarily a result of a decrease of \$307.4 million in net repayments on the unsecured revolving loan, mortgages and notes payable in 2001 and a \$10.1 million decrease in the payment of distributions on the Common Stock and Common Units and the payment of dividends on the Preferred Stock, partly offset by an increase of \$47.0 million related to the repurchase of Common Stock and Common Units and an increase of \$18.5 million related to the repurchase of Preferred Stock during 2001.

Capitalization. Based on our total market capitalization of \$3.66 billion at December 31, 2001 (at the December 31, 2001 stock price of \$25.95 and assuming the redemption for shares of Common Stock of the 7.4 million Common Units of minority interest in the Operating Partnership), our debt represented approximately 47.0% of our total market capitalization. Our total indebtedness at December 31, 2001 was \$1.72 billion and was comprised of \$540.1 million of secured indebtedness with a weighted average interest rate of 8.0% and \$1.2 billion of unsecured indebtedness with a weighted average interest rate of 6.4%. We do not intend to reserve funds to retire existing secured or unsecured debt upon maturity. For a more complete discussion of our long-term liquidity needs, see "Current and Future Cash Needs."

The following table sets forth the maturity schedule of our long-term debt as of December 31, 2001 (\$ in thousands):

| | Total | 1 Year | 2-3 Years | 4-5 Years | 6 or more Years |
|----------------------------------|-------------|----------|--------------|--------------|--------------------|
| Fixed Rate Debt: | | | | | |
| Unsecured: | | | | | |
| MOPPRS /(1)/..... | \$ 125,000 | \$ -- | \$ -- | \$ -- | \$ 125,000 |
| Put Option Notes /(2)/..... | 100,000 | -- | -- | -- | 100,000 |
| Notes..... | 706,500 | -- | 246,500 | 110,000 | 350,000 |
| Term Loan..... | 19,165 | 19,165 | -- | -- | -- |
| Secured: | | | | | |
| Mortgages and loans payable..... | 536,143 | 27,664 | 23,853 | 91,901 | 392,725 |
| Total Fixed Rate Debt..... | 1,486,808 | 46,829 | 270,353 | 201,901 | 967,725 |
| Variable Rate Debt: | | | | | |
| Unsecured: | | | | | |
| Revolving Loan..... | 228,500 | -- | 228,500 | -- | -- |
| Secured: | | | | | |
| Revolving Loan..... | 3,922 | -- | 3,922 | -- | -- |
| Total Variable Rate Debt | 232,422 | -- | 232,422 | -- | -- |
| Total Long Term Debt..... | \$1,719,230 | \$46,829 | \$502,775 | \$201,901 | \$ 967,725 |

/(1)/ On February 2, 1998, the Operating Partnership sold \$125.0 million of MandatOry Par Put Remarketed Securities ("MOPPRS") due February 1, 2013. The MOPPRS bear an interest rate of 6.835% from the date of issuance through January 31, 2003. After January 31, 2003, the interest rate to maturity on such MOPPRS will be 5.715% plus the applicable spread determined as of January 31, 2003. In connection with the initial issuance of the MOPPRS, a counter party was granted a remarketing option to purchase the MOPPRS from the holders thereof on January 31, 2003 at 100.0% of the principal amount. If the counter party elects not to exercise this option, the Operating Partnership would be required to repurchase the MOPPRS from the holders on January 31, 2003 at 100.0% of the principal amount plus accrued and unpaid interest.

/(2)/ On June 24, 1997, a trust formed by the Operating Partnership sold \$100.0 million of Exercisable Put Option Securities due June 15, 2004 ("X-POS"), which represent fractional undivided beneficial interest in the trust. The assets of the trust consist of, among other things, \$100.0 million of Exercisable Put Option Notes due June 15, 2011 (the "Put Option Notes"), issued by the Operating Partnership. The Put Option Notes bear an interest rate of 7.19% from the date of issuance through June 15, 2004. After June 15, 2004, the interest rate to maturity on such Put Option Notes will be 6.39% plus the applicable spread determined as of June 15, 2004. In connection with the initial issuance of the Put Option Notes, a counter party was granted an option to purchase the Put Option Notes from the trust on June 15, 2004 at 100.0% of the principal amount. If the counter party elects not to exercise this option, the Operating Partnership would be required to repurchase the Put Option Notes from the Trust on June 15, 2004 at 100.0% of the principal amount plus accrued and unpaid interest.

We currently have a \$300.0 million unsecured revolving loan (with \$228.5 million outstanding at December 31, 2001) that matures in December 2003 and a \$55.2 million secured revolving loan (with \$3.9 million outstanding at December 31, 2001) that matures in March 2003. Our unsecured revolving loan also includes a \$150.0 million competitive sub-facility. Depending upon the corporate credit ratings assigned to us from time to time by the various rating agencies, our unsecured revolving loan bears variable rate interest at a spread above LIBOR ranging from 0.70% to 1.55% and our secured revolving loan bears variable rate interest at a spread above LIBOR ranging from 0.55% to 1.50%. We currently have a credit rating of BBB- assigned by Standard & Poor's, a credit rating of BBB assigned by Fitch Inc. and a credit rating of Baa2 assigned by Moody's Investor Service. As a result, interest currently accrues on borrowings under our unsecured revolving loan at an average rate of LIBOR plus 85 basis points and under our secured revolving loan at an average rate of LIBOR plus 75 basis points. In addition, we are currently required to pay an annual facility fee equal to .20% of the total commitment under the unsecured revolving loan.

The terms of each of our revolving loans and the indenture that governs our outstanding notes require us to comply with various operating and financial covenants and performance ratios. We are currently in compliance with all such requirements. In addition, based on our current expectation of future operating performance, we expect to remain in compliance for the foreseeable future.

Joint Ventures. During the past several years, we have formed various joint ventures with unrelated investors. We have retained minority equity interests ranging from 12.50% to 50.00% in these joint ventures. As required by GAAP, we have accounted for our joint venture activity using the equity method of accounting, as we do not control these joint ventures. As a result, the assets and liabilities of our joint ventures are not included on our balance sheet. Our joint ventures have approximately \$587.6 million of outstanding debt. All of the joint venture debt is nonrecourse to the Company except (1) in the case of customary exceptions pertaining to such matters as misuse of funds, environmental conditions and material misrepresentations and (2) with respect to \$8.7 million of construction debt related to the MG-HIW Rocky Point, LLC, which has been initially guaranteed in part by the Company subject to a pro rata indemnity from the Company's joint venture partner. The Company's guarantee of the MG-HIW Rocky Point, LLC debt represented 50.0% of the outstanding loan balance at December 31, 2001 and will decrease to 15.0% in the first quarter of 2002.

Interest Rate Hedging Activities. To meet in part our long-term liquidity requirements, we borrow funds at a combination of fixed and variable rates. Borrowings under our two revolving loans bear interest at variable rates. Our long-term debt, which consists of long-term financings and the unsecured issuance of debt securities, typically bears interest at fixed rates. In addition, we have assumed fixed rate and variable rate debt in connection with acquiring properties. Our interest rate risk management objective is to limit the impact of interest rate changes on earnings and cash flows and to lower our overall borrowing costs. To achieve these objectives, from time to time we enter into interest rate hedge contracts such as collars, swaps, caps and treasury lock agreements in order to mitigate our interest rate risk with respect to various debt instruments. We do not hold or issue these derivative contracts for trading or speculative purposes.

The following table sets forth information regarding our interest rate hedge contract as of December 31, 2001 (\$ in thousands):

| Type of Hedge | Notional Amount | Maturity Date | Reference Rate | Fixed Rate | Fair Market Value |
|---------------|-----------------|---------------|-----------------------|------------|-------------------|
| Swap | \$ 19,165 | 6/10/02 | 1-Month LIBOR + 0.75% | 6.95% | \$ (411) |

The interest rate on all of our variable rate debt is adjusted at one- and three-month intervals, subject to settlements under these contracts. We also enter into treasury lock agreements from time to time in order to limit our exposure to an increase in interest rates with respect to future debt offerings. Net payments to counterparties under interest rate hedge contracts were \$1.0 million during 2001 and were recorded as additional interest expense.

Current and Future Cash Needs. Historically, rental revenue has been the principal source of funds to meet our short-term liquidity requirements, which primarily consist of operating expenses, debt service, stockholder distributions and ordinary course capital expenditures. In addition, construction management, maintenance, leasing and management fees have provided sources of cash flow. We presently have no plans for major capital improvements to the existing properties, other than normal recurring building improvements, tenant improvements and lease commissions.

In addition to the requirements discussed above, our short-term (within the next 12 months) liquidity requirements also include the funding of approximately \$55.0 million of our existing development activity. See "Business -- Development Activity." We expect to fund our short-term liquidity requirements through a combination of working capital, cash flows from operations and the following:

- . borrowings under our unsecured revolving loan (up to \$74.6 million of availability, as of March 12, 2002);
- . borrowings under our secured revolving loan (up to \$46.4 million of availability, as of March 12, 2002);
- . the selective disposition of non-core assets;

- . the sale or contribution of some of our wholly-owned properties, development projects and development land to strategic joint ventures to be formed with unrelated investors, which will have the net effect of generating additional capital through such sale or contributions; and
- . the issuance of secured debt (at December 31, 2001, we had \$2.7 billion of unencumbered real estate assets at cost).

Our long-term liquidity needs generally include the funding of existing and future development activity, selective asset acquisitions and the retirement of mortgage debt, amounts outstanding under the two revolving loans and long-term unsecured debt. We remain committed to maintaining a flexible capital structure. Accordingly, we expect to meet our long-term liquidity needs through a combination of (1) the issuance by the Operating Partnership of additional unsecured debt securities, (2) the issuance of additional equity securities by the Company and the Operating Partnership as well as (3) the sources described above with respect to our short-term liquidity. We expect to use such sources to meet our long-term liquidity requirements either through direct payments or repayment of borrowings under the unsecured revolving loan. We do not intend to reserve funds to retire existing secured or unsecured indebtedness upon maturity. Instead, we will seek to refinance such debt at maturity or retire such debt through the issuance of equity or debt securities.

We anticipate that our available cash and cash equivalents and cash flows from operating activities, with cash available from borrowings and other sources, will be adequate to meet our capital and liquidity in both the short and long term. However, if these sources of funds are insufficient or unavailable, the Company's ability to make the expected distributions to stockholders discussed below and satisfy other cash payments may be adversely affected.

Distributions to Stockholders. To maintain qualification as a REIT, the Company must distribute to stockholders at least 90% of REIT taxable income. In accordance with the 1999 Tax Relief Extension Act, the 95% distribution requirement was reduced to 90% beginning in 2001. The Company expects to use its cash flow from operating activities for distributions to stockholders and for payment of recurring, non-incremental revenue-generating expenditures. The following factors will affect cash flows from operating activities and, accordingly, influence the decisions of the Board of Directors regarding distributions: (1) debt service requirements after taking into account the repayment and restructuring of certain indebtedness; (2) scheduled increases in base rents of existing leases; (3) changes in rents attributable to the renewal of existing leases or replacement leases; (4) changes in occupancy rates at existing properties and procurement of leases for newly acquired or developed properties; and (5) operating expenses and capital replacement needs.

Share and Unit Repurchase Program. On April 25, 2001, we announced that the Company's Board of Directors authorized the repurchase of up to an additional 5.0 million shares of Common Stock and Common Units. As of February 19, 2002, the Company had repurchased 1.4 million shares of Common Stock and Common Units at a weighted average purchase price of \$24.49 per share and a total purchase price of \$33.1 million under this new repurchase program. In determining whether or not to repurchase additional capital stock, we will consider, among other factors, the effect of repurchases on our liquidity and the price of our Common Stock.

On June 19, 2001, the Company repurchased in a privately negotiated transaction 20,055 Series A Preferred Shares at \$922.50 per share, for a total purchase price of \$18.5 million. For each Series A Preferred Share repurchased by the Company, one equivalent Series A Preferred Unit in the Operating Partnership was retired.

Disposition Activity. As part of our ongoing capital recycling program, since December 31, 2001 through February 19, 2002, we have sold 128,000 square feet of office properties and 43.0 acres of development land for gross proceeds of \$22.1 million. In addition, at February 19, 2002, we had 396,000 square feet of office properties and 165.0 acres of land under contract for sale in various transactions totaling \$96.2 million. These transactions are subject to customary closing conditions, including due diligence and documentation, and are expected to close during the first and second quarters of 2002. However, we can provide no assurance that all or parts of these transactions will be consummated.

When properties are identified as held for sale, we discontinue depreciation and estimate the net proceeds expected from the disposition of such properties. If, in our opinion, the net sales price of the properties that have been identified for sale is less than the net book value of the properties, a valuation allowance is established. Additionally, on a periodic basis, we assess whether there are any indicators that the value of our real estate

properties may be impaired. A property's value is impaired only if our estimate of the aggregate future cash flows (undiscounted and without interest charges) to be generated by the property are less than the carrying value of the property. To the extent impairment has occurred, the loss is measured as the excess of the carrying amount of the property over the fair value of the property. We do not believe that the value of any of our rental properties is impaired.

IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

On June 29, 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 141, "Business Combinations," and No. 142, "Goodwill and Other Intangible Assets." The provisions of SFAS No. 141 apply to all business combinations initiated after June 30, 2001. SFAS No. 142 becomes effective beginning January 1, 2002. We do not anticipate that these standards will have a material adverse effect on our liquidity, financial position or results of operations.

In October 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment of Disposal of Long-Lived Assets," which addresses financial accounting and reporting for the impairment of disposal of long-lived assets. This standard harmonizes the accounting for impaired assets and resolves some of the implementation issues as originally described in SFAS No. 121. The new standard becomes effective for the year ending December 31, 2002. We do not expect this pronouncement to have a material impact on our liquidity, financial position or results of operations.

FUNDS FROM OPERATIONS AND CASH AVAILABLE FOR DISTRIBUTIONS

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

FFO and cash available for distributions should not be considered as alternatives to net income as an indication of our performance or to cash flows as a measure of liquidity. FFO equals net income (computed in accordance with GAAP) excluding gains (or losses) from debt restructuring and sales of property, plus depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. Amortization of deferred financing costs and depreciation of non-real estate assets are not added back to net income in arriving at FFO. In addition, FFO includes both recurring and non-recurring operating results. As a result, non-recurring items that are not defined as "extraordinary" under GAAP are reflected in the calculation of FFO. Gains and losses from the sale of depreciable operating property are excluded from the calculation of FFO.

Cash available for distribution is defined as funds from operations reduced by non-revenue enhancing capital expenditures for building improvements and tenant improvements and lease commissions related to second generation space.

FFO and cash available for distribution for the years ended December 31, 2001, 2000 and 1999 are summarized in the following table (\$ in thousands):

| | Year Ended December 31 | | |
|---|------------------------|------------|------------|
| | 2001 | 2000 | 1999 |
| FFO: | | | |
| Income before minority interest and extraordinary item..... | \$ 150,873 | \$ 157,189 | \$ 166,213 |
| Add/(Deduct): | | | |
| Dividends to preferred shareholders..... | (31,500) | (32,580) | (32,580) |
| Transition loss upon adoption of FAS 133..... | 556 | -- | -- |
| Cost of unsuccessful transactions..... | -- | -- | 1,500 |
| Severance costs and other division closing expenses..... | -- | -- | 1,813 |
| Gain on disposition of land and depreciable assets..... | (16,172) | (4,659) | (8,679) |
| Gain on disposition of land..... | 4,702 | 6,449 | -- |
| Depreciation and amortization..... | 121,067 | 119,443 | 112,347 |
| Depreciation on unconsolidated subsidiaries..... | 8,483 | 5,581 | 3,618 |
| FFO..... | 238,009 | 251,423 | 244,232 |
| Cash Available for Distribution: | | | |
| Add/(Deduct): | | | |
| Rental income from straight-line rents..... | (11,257) | (14,892) | (14,983) |
| Amortization of deferred financing costs..... | 2,005 | 2,512 | 2,823 |
| Non-incremental revenue generating capital expenditures /(1)/: | | | |
| Building improvements paid..... | (8,345) | (10,566) | (10,056) |
| Second generation tenant improvements paid..... | (19,704) | (22,287) | (25,043) |
| Second generation lease commissions paid..... | (15,697) | (13,033) | (13,653) |
| Cash available for distribution..... | \$ 185,011 | \$ 193,157 | \$ 183,320 |
| Weighted average shares/units outstanding /(2)/ -- basic | 61,839 | 67,544 | 70,671 |
| Weighted average shares/units outstanding /(2)/ -- diluted..... | 62,182 | 67,715 | 70,757 |
| Dividend payout ratios: | | | |
| FFO..... | 60.3% | 60.6% | 63.5% |
| Cash available for distribution..... | 77.6% | 78.9% | 85.7% |

/(1)/ Amounts represent cash expenditures.

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

INFLATION

In the last five years, inflation has not had a significant impact on us because of the relatively low inflation rate in our geographic areas of operation. Most of the leases require the tenants to pay their share of increases in operating expenses, including common area maintenance, real estate taxes and insurance, thereby reducing our exposure to inflation.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The effects of potential changes in interest rates are discussed below. Our market risk discussion includes "forward-looking statements" and represents an estimate of possible changes in fair value or future earnings that would occur assuming hypothetical future movements in interest rates. These disclosures are not precise indicators of expected future losses, but only indicators of reasonably possible losses. As a result, actual future results may differ materially from those presented. See "Management's Discussion and Analysis of Results of Operations -- Liquidity and Capital Resources" and the notes to the consolidated financial statements for a description of our accounting policies and other information related to these financial instruments.

To meet in part our long-term liquidity requirements, we borrow funds at a combination of fixed and variable rates. Borrowings under our two revolving loans bear interest at variable rates. Our long-term debt, which consists of secured and unsecured long-term financings and the issuance of unsecured debt securities, typically bears interest at fixed rates. In addition, we have assumed fixed rate and variable rate debt in connection with acquiring properties. Our interest rate risk management objective is to limit the impact of interest rate changes on earnings and cash flows and to lower our overall borrowing costs. To achieve these objectives, from time to time we enter into interest rate hedge contracts such as collars, swaps, caps and treasury lock agreements in order to mitigate our interest rate risk with respect to various debt instruments. We do not hold or issue these derivative contracts for trading or speculative purposes.

Variable Rate Debt. As of December 31, 2001, the Company had approximately \$232.4 million of variable rate debt outstanding that was not protected by interest rate hedge contracts. If the weighted average interest rate on this variable rate debt is 100 basis points higher or lower during the 12 months ended December 31, 2002, our interest expense would be increased or decreased approximately \$2.3 million.

Interest Rate Hedge Contract. For a discussion of our interest rate hedge contract in effect at December 31, 2001, see "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources -- Capitalization." If interest rates increase by 100 basis points, the aggregate fair market value of this interest rate hedge contract as of December 31, 2001 would increase by approximately \$83,668. If interest rates decrease by 100 basis points, the aggregate fair market value of this interest rate hedge contract as of December 31, 2001 would decrease by approximately \$83,804.

In addition, we are exposed to certain losses in the event of nonperformance by the counterparty under the hedge contract. We expect the counterparty, which is a major financial institution, to perform fully under this contract. However, if the counterparty was to default on its obligation under the interest rate hedge contract, we could be required to pay the full rates on our debt, even if such rates were in excess of the rate in the contract.

ITEM 8. FINANCIAL STATEMENTS

See page F-1 of the financial report included herein.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE
None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The section under the heading "Election of Directors" of the Proxy Statement for the Annual Meeting of Stockholders to be held May 20, 2002 is incorporated herein by reference for information on directors of the Company. See ITEM X in Part I hereof for information regarding executive officers of the Company.

ITEM 11. EXECUTIVE COMPENSATION

The section under the heading "Election of Directors" entitled "Compensation of Directors" of the Proxy Statement and the section titled "Executive Compensation" of the Proxy Statement are incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The section under the heading "Voting Securities and Principal Stockholders" of the Proxy Statement is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The section under the heading "Related Party Transactions" of the Proxy Statement is incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) List of Documents Filed as a Part of this Report

1. Consolidated Financial Statements and Report of Independent Auditors See Index on Page F-1

2. Exhibits

| Ex. | FN | Description |
|------|--------|---|
| 2.1 | /(1)/ | Operating Agreement of MG-HIW, LLC, entered into as of December 1, 2000, by and among Miller Global HIW 20, LLC and the Operating Partnership |
| 3.1 | /(2)/ | Amended and Restated Articles of Incorporation of the Company |
| 3.2 | /(3)/ | Amended and Restated Bylaws of the Company |
| 4.1 | /(3)/ | Specimen of certificate representing shares of Common Stock |
| 4.2 | /(4)/ | Indenture among the Operating Partnership, the Company and First Union National Bank of North Carolina dated as of December 1, 1996 |
| 4.3 | /(5)/ | Specimen of certificate representing 8 5/8% Series A Cumulative Redeemable Preferred Shares |
| 4.4 | /(6)/ | Specimen of certificate representing 8% Series B Cumulative Redeemable Preferred Shares |
| 4.5 | /(7)/ | Specimen of certificate representing 8% Series D Cumulative Redeemable Preferred Shares |
| 4.6 | /(7)/ | Specimen of Depositary Receipt evidencing the Depositary Shares each representing 1/10 of an 8% Series D Cumulative Redeemable Preferred Share |
| 4.7 | /(7)/ | Deposit Agreement, dated April 23, 1998, between the Company and First Union National Bank, as preferred share depositary |
| 4.8 | /(8)/ | Rights Agreement, dated as of October 6, 1997, between the Company and First Union National Bank, as rights agent |
| 4.9 | /(9)/ | Agreement to furnish certain instruments defining the rights of long-term debt holders |
| 10.1 | /(3)/ | Amended and Restated Agreement of Limited Partnership of the Operating Partnership |
| 10.2 | /(5)/ | Amendment to Amended and Restated Agreement of Limited Partnership of the Operating Partnership with respect to Series A Preferred Units |
| 10.3 | /(6)/ | Amendment to Amended and Restated Agreement of Limited Partnership of the Operating Partnership with respect to Series B Preferred Units |
| 10.4 | /(7)/ | Amendment to Amended and Restated Agreement of Limited Partnership of the Operating Partnership with respect to Series D Preferred Units |
| 10.5 | /(10)/ | Amendment to Amended and Restated Agreement of Limited Partnership of the Operating Partnership with respect to certain rights of limited partners upon a change of control |
| 10.6 | /(11)/ | Form of Registration Rights and Lockup Agreement among the Company and the Holders named therein, which agreement is signed by all Common Unit holders |
| 10.7 | /(12)/ | Amended and Restated 1994 Stock Option Plan |
| 10.8 | /(9)/ | 1997 Performance Award Plan |
| 10.9 | /(13)/ | Form of Executive Supplemental Employment Agreement between the Company and Named Executive Officers |

| Ex. | FN | Description |
|-------|--------|--|
| 10.10 | /(14)/ | Form of warrants to purchase Common Stock of the Company issued to John L. Turner, William T. Wilson III and John E. Reece II |
| 10.11 | /(15)/ | Form of warrants to purchase Common Stock of the Company issued to W. Brian Reames, John W. Eakin and Thomas S. Smith |
| 10.12 | /(16)/ | 1999 Shareholder Value Plan |
| 10.13 | /(1)/ | Credit Agreement among Highwoods Realty Limited Partnership, Highwoods Properties, Inc., the Subsidiaries named therein and the Lenders named therein, dated as of December 13, 2000 |
| 21 | /(13)/ | Schedule of subsidiaries of the Company |
| 23 | | Consent of Ernst & Young LLP |

/(1)/ Filed as part of the Company's Current Report on Form 8-K dated December 14, 2000 and incorporated herein by reference.

/(2)/ Filed as part of the Company's Current Report on Form 8-K dated September 25, 1997 and amended by articles supplementary filed as part of the Company's Current Report on Form 8-K dated October 4, 1997 and articles supplementary filed as part of the Company's Current Report on Form 8-K dated April 20, 1998, each of which is incorporated herein by reference.

/(3)/ Filed as part of Registration Statement 33-76952 with the SEC and incorporated herein by reference.

/(4)/ Filed as part of the Operating Partnership's Current Report on Form 8-K dated December 2, 1996 and incorporated herein by reference.

/(5)/ Filed as part of the Company's Current Report on Form 8-K dated February 12, 1997 and incorporated herein by reference.

/(6)/ Filed as part of the Company's Current Report on Form 8-K dated September 25, 1997 and incorporated herein by reference.

/(7)/ Filed as part of the Company's Current Report on Form 8-K dated April 20, 1998 and incorporated herein by reference.

/(8)/ Filed as part of the Company's Current Report on Form 8-K dated October 4, 1997 and incorporated herein by reference.

/(9)/ Filed as part of the Company's Annual Report on Form 10-K for the year ended December 31, 1997 and incorporated herein by reference.

/(10)/ Filed as part of the Operating Partnership's Quarterly Report on Form 10-Q for the quarter ended June 30, 1997 and incorporated herein by reference.

/(11)/ Filed as part of the Company's Annual Report on Form 10-K for the year ended December 31, 1995 and incorporated herein by reference.

/(12)/ Filed as part of the Company's proxy statement on Schedule 14A relating to the 1997 Annual Meeting of Stockholders.

/(13)/ Filed as part of the Company's Annual Report on Form 10-K for the year ended December 31, 1998 and incorporated herein by reference.

/(14)/ Filed as part of Registration Statement 33-88364 with the SEC and incorporated herein by reference.

/(15)/ Filed as part of the Company's Current Report on Form 8-K dated April 1, 1996 and incorporated herein by reference.

/(16)/ Filed as part of the Company's Annual Report on Form 10-K for the year ended December 31, 1999 and incorporated herein by reference.

The Company will provide copies of any exhibit, upon written request, at a cost of \$.05 per page.

(b) Reports on Form 8-K - None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Raleigh, State of North Carolina, on March 15, 2002.

HIGHWOODS PROPERTIES, INC.

By: /s/ RONALD P. GIBSON

*Ronald P. Gibson, President and
 Chief Executive Officer*

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons in the capacities and on the dates indicated.

| Signature ----- | Title ----- | Date ----- |
|---|--|----------------|
| /s/ O. Temple Sloan, Jr. ----- O. Temple Sloan, Jr. | Chairman of the Board of Directors | March 15, 2002 |
| /s/ Ronald P. Gibson ----- Ronald P. Gibson | President, Chief Executive Officer and Director | March 15, 2002 |
| /s/ Edward J. Fritsch ----- Edward J. Fritsch | Executive Vice President, Chief Operating Officer, Secretary and Director | March 15, 2002 |
| /s/ John L. Turner ----- John L. Turner | Vice Chairman of the Board and Director | March 15, 2002 |
| /s/ Gene H. Anderson ----- Gene H. Anderson | Senior Vice President and Director | March 15, 2002 |
| /s/ Thomas W. Adler ----- Thomas W. Adler | Director | March 15, 2002 |
| /s/ Kay N. Callison ----- Kay N. Callison | Director | March 15, 2002 |
| /s/ William E. Graham, Jr. ----- William E. Graham, Jr. | Director | March 15, 2002 |
| /s/ Lawrence S. Kaplan ----- Lawrence S. Kaplan | Director | March 15, 2002 |
| /s/ L. Glenn Orr, Jr. ----- L. Glenn Orr, Jr. | Director | March 15, 2002 |
| /s/ Willard H. Smith, Jr. ----- Willard H. Smith Jr. | Director | March 15, 2002 |
| /s/ Carman J. Liuzzo ----- Carman J. Liuzzo | Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer) and Treasurer | March 15, 2002 |

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All other schedules are omitted because they are not applicable, or
because the required information is included in the financial statements or

notes thereto.

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Highwoods Properties, Inc.

We have audited the accompanying consolidated balance sheets of Highwoods Properties, Inc. as of December 31, 2001 and 2000, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2001. Our audits also included the financial statement schedule listed in the Index at Item 14(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Highwoods Properties, Inc. at December 31, 2001 and 2000, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/S/ ERNST & YOUNG LLP

*Raleigh, North Carolina
February 19, 2002*

HIGHWOODS PROPERTIES, INC.

Consolidated Balance Sheets

(\$ in thousands, except per share amounts)

| | December 31, | |
|---|---------------------|---------------------|
| | 2001 | 2000 |
| Assets | | |
| Real estate assets, at cost: | | |
| Land and improvements..... | \$ 442,467 | \$ 421,270 |
| Buildings and tenant improvements..... | 2,942,260 | 2,742,946 |
| Development in process..... | 108,118 | 87,622 |
| Land held for development..... | 153,468 | 145,598 |
| Furniture, fixtures and equipment..... | 19,398 | 11,433 |
| | 3,665,711 | 3,408,869 |
| Less -- accumulated depreciation..... | (385,556) | (280,610) |
| Net real estate assets..... | 3,280,155 | 3,128,259 |
| Property held for sale..... | 82,031 | 127,824 |
| Cash and cash equivalents..... | 576 | 104,780 |
| Restricted cash..... | 5,685 | 2,192 |
| Accounts receivable, net of allowance of \$1,087 and \$825 at December 31, 2001 and 2000, respectively..... | 23,659 | 23,205 |
| Advances to related parties..... | 788 | 28,358 |
| Notes receivable..... | 43,761 | 80,918 |
| Accrued straight-line rents receivable..... | 49,078 | 39,295 |
| Investment in unconsolidated affiliates..... | 83,393 | 78,423 |
| Other assets: | | |
| Deferred leasing costs..... | 102,502 | 83,269 |
| Deferred financing costs..... | 26,121 | 43,110 |
| Prepaid expenses and other..... | 10,461 | 11,878 |
| | 139,084 | 138,257 |
| Less -- accumulated amortization..... | (59,924) | (49,909) |
| Other assets, net..... | 79,160 | 88,348 |
| Total Assets..... | \$ 3,648,286 | \$ 3,701,602 |
| | ===== | ===== |
| Liabilities and Stockholders' Equity | | |
| Mortgages and notes payable..... | \$ 1,719,230 | \$ 1,587,019 |
| Accounts payable, accrued expenses and other liabilities..... | 120,235 | 109,824 |
| | 1,839,465 | 1,696,843 |
| Minority interest..... | 203,181 | 213,214 |
| Stockholders' equity: | | |
| Preferred stock, \$.01 par value, authorized 50,000,000 shares; | | |
| 8 5/8% Series A Cumulative Redeemable Preferred Shares (liquidation preference \$1,000 per share), 104,945 and 125,000 shares issued and outstanding at December 31, 2001 and 2000, respectively..... | 104,945 | 125,000 |
| 8% Series B Cumulative Redeemable Preferred Shares (liquidation preference \$25 per share), 6,900,000 shares issued and outstanding at December 31, 2001 and 2000..... | 172,500 | 172,500 |
| 8% Series D Cumulative Redeemable Preferred Shares (liquidation preference \$250 per share), 400,000 shares issued and outstanding at December 31, 2001 and 2000..... | 100,000 | 100,000 |
| Common stock, \$.01 par value, 200,000,000 authorized shares; 52,891,822 and 58,124,205 shares issued and outstanding at December 31, 2001 and 2000..... | 529 | 581 |
| Additional paid-in capital..... | 1,376,546 | 1,506,161 |
| Distributions in excess of net earnings..... | (135,878) | (110,209) |
| Accumulated other comprehensive loss..... | (9,441) | - |
| Deferred compensation -- restricted stock..... | (3,561) | (2,488) |
| | 1,605,640 | 1,791,545 |
| Total Stockholders' Equity..... | 1,605,640 | 1,791,545 |
| | ===== | ===== |
| Total Liabilities and Stockholders' Equity..... | \$ 3,648,286 | \$ 3,701,602 |
| | ===== | ===== |

See accompanying notes to consolidated financial statements.

HIGHWOODS PROPERTIES, INC.

Consolidated Statements of Income

(\$ in thousands, except per share amounts)

For the Years Ended December 31, 2001, 2000 and 1999

| | 2001 | 2000 | 1999 |
|--|------------|------------|------------|
| | ----- | ----- | ----- |
| Revenue: | | | |
| Rental property..... | \$ 506,850 | \$ 543,383 | \$ 566,816 |
| Equity in earnings of unconsolidated affiliates..... | 8,911 | 3,863 | 1,185 |
| Interest and other income..... | 24,854 | 19,185 | 16,934 |
| | ----- | ----- | ----- |
| Total revenue..... | 540,615 | 566,431 | 584,935 |
| Operating expenses: | | | |
| Rental property..... | 154,942 | 159,767 | 174,075 |
| Depreciation and amortization..... | 121,067 | 119,443 | 112,347 |
| Interest expense: | | | |
| Contractual..... | 106,496 | 110,315 | 114,311 |
| Amortization of deferred financing costs..... | 2,005 | 2,512 | 2,823 |
| | ----- | ----- | ----- |
| General and administrative..... | 108,501 | 112,827 | 117,134 |
| | 21,404 | 21,864 | 22,345 |
| | ----- | ----- | ----- |
| Income before cost of unsuccessful transactions, gain on disposition of land and depreciable assets, minority interest and extraordinary item..... | 134,701 | 152,530 | 159,034 |
| Cost of unsuccessful transactions..... | - | - | (1,500) |
| Gain on disposition of land and depreciable assets..... | 16,172 | 4,659 | 8,679 |
| | ----- | ----- | ----- |
| Income before minority interest and extraordinary item..... | 150,873 | 157,189 | 166,213 |
| Minority interest..... | (18,948) | (18,991) | (20,779) |
| | ----- | ----- | ----- |
| Income before extraordinary item..... | 131,925 | 138,198 | 145,434 |
| Extraordinary item -- loss on early extinguishment of debt..... | (714) | (4,711) | (7,341) |
| | ----- | ----- | ----- |
| Net income..... | 131,211 | 133,487 | 138,093 |
| Dividends on preferred shares..... | (31,500) | (32,580) | (32,580) |
| | ----- | ----- | ----- |
| Net income available for common shareholders..... | \$ 99,711 | \$ 100,907 | \$ 105,513 |
| | ===== | ===== | ===== |
| Net income per common share -- basic: | | | |
| Income before extraordinary item..... | \$ 1.85 | \$ 1.78 | \$ 1.84 |
| Extraordinary item -- loss on early extinguishment of debt..... | (0.01) | (0.08) | (0.12) |
| | ----- | ----- | ----- |
| Net income..... | \$ 1.84 | \$ 1.70 | \$ 1.72 |
| | ===== | ===== | ===== |
| Weighted average common shares outstanding -- basic..... | 54,228 | 59,175 | 61,443 |
| | ===== | ===== | ===== |
| Net income per common share -- diluted: | | | |
| Income before extraordinary item..... | \$ 1.84 | \$ 1.78 | \$ 1.83 |
| Extraordinary item -- loss on early extinguishment of debt..... | (0.01) | (0.08) | (0.12) |
| | ----- | ----- | ----- |
| Net income..... | \$ 1.83 | \$ 1.70 | \$ 1.71 |
| | ===== | ===== | ===== |
| Weighted average common shares outstanding -- diluted..... | 54,571 | 59,347 | 61,529 |
| | ===== | ===== | ===== |

See accompanying notes to consolidated financial statements.

HIGHWOODS PROPERTIES, INC.
Consolidated Statements of Stockholders' Equity

(\$ in thousands, except for number of common shares)

For the Years Ended December 31, 2001, 2000 and 1999

| | Number of Common Shares | Common Stock | Series A Preferred | Series B Preferred | Series D Preferred | Additional Paid-In Capital | Deferred Compen- sation | Accumulated Other Compre- hensive Loss | Retained Earnings (Distributions in Excess of Net Earnings) | Total |
|--|-------------------------------|-----------------|-----------------------|-----------------------|-----------------------|----------------------------------|-------------------------------|--|---|--------------|
| Balance at December 31, 1998.... | 59,865,259 | \$ 599 | \$125,000 | \$172,500 | \$100,000 | \$1,546,592 | \$ - | \$ - | \$ (48,692) | \$ 1,895,999 |
| Issuance of Common Stock..... | 1,191,462 | 12 | - | - | - | 23,079 | - | - | - | 23,091 |
| Common Stock dividends..... | - | - | - | - | - | - | - | - | (134,341) | (134,341) |
| Preferred Stock dividends..... | - | - | - | - | - | - | - | - | (32,580) | (32,580) |
| Net Income..... | - | - | - | - | - | - | - | - | 138,093 | 138,093 |
| Shares issued upon redemption of Common Units..... | 1,258,316 | 12 | - | - | - | 40,606 | - | - | - | 40,618 |
| Forward Equity Transaction..... | - | - | - | - | - | (12,783) | - | - | - | (12,783) |
| Retirement of Common Stock..... | (246,424) | (2) | - | - | - | - | - | - | (150) | (152) |
| Repurchase of Common Stock..... | (1,150,000) | (12) | - | - | - | (25,463) | - | - | - | (25,475) |
| Balance at December 31, 1999.... | 60,918,613 | 609 | 125,000 | 172,500 | 100,000 | 1,572,031 | - | - | (77,670) | 1,892,470 |
| Issuance of Common Stock..... | 81,733 | - | - | - | - | 749 | - | - | - | 749 |
| Common Stock dividends..... | - | - | - | - | - | - | - | - | (133,446) | (133,446) |
| Preferred Stock dividends..... | - | - | - | - | - | - | - | - | (32,580) | (32,580) |
| Issuance of Restricted Stock.... | 104,945 | 1 | - | - | - | 2,557 | (3,049) | - | - | (491) |
| Amortization of Deferred Compensation..... | - | - | - | - | - | - | 561 | - | - | 561 |
| Repurchase of Common Stock..... | (2,981,086) | (29) | - | - | - | (69,176) | - | - | - | (69,205) |
| Net Income..... | - | - | - | - | - | - | - | - | 133,487 | 133,487 |
| Balance at December 31, 2000.... | 58,124,205 | 581 | 125,000 | 172,500 | 100,000 | 1,506,161 | (2,488) | - | (110,209) | 1,791,545 |
| Issuance of Common Stock..... | 72,256 | - | - | - | - | 1,424 | - | - | - | 1,424 |
| Common Stock dividends..... | - | - | - | - | - | - | - | - | (125,380) | (125,380) |
| Preferred Stock dividends..... | - | - | - | - | - | - | - | - | (31,500) | (31,500) |
| Issuance of Restricted Stock.... | 84,661 | - | - | - | - | 2,109 | (2,109) | - | - | - |
| Amortization of Deferred Compensation..... | - | - | - | - | - | - | 1,036 | - | - | 1,036 |
| Repurchase of Common Stock..... | (5,389,300) | (52) | - | - | - | (134,702) | - | - | - | (134,754) |
| Repurchase of Preferred Stock..... | - | - | (20,055) | - | - | 1,554 | - | - | - | (18,501) |
| Accumulated Other Comprehensive Loss... | - | - | - | - | - | - | - | (9,441) | - | (9,441) |
| Net Income..... | - | - | - | - | - | - | - | - | 131,211 | 131,211 |
| Balance at December 31, 2001.... | 52,891,822 | \$ 529 | \$104,945 | \$172,500 | \$100,000 | \$1,376,546 | \$(3,561) | \$(9,441) | \$(135,878) | \$ 1,605,640 |

See accompanying notes to consolidated financial statements.

HIGHWOODS PROPERTIES, INC.

Consolidated Statements of Cash Flows

(\$ in thousands)

For the Years Ended December 31, 2001, 2000 and 1999

| | 2001 | 2000 | 1999 |
|---|------------|------------|------------|
| | ----- | ----- | ----- |
| Operating activities: | | | |
| Net income..... | \$ 131,211 | \$ 133,487 | \$ 138,093 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation..... | 107,179 | 108,119 | 101,534 |
| Amortization..... | 15,893 | 13,836 | 13,636 |
| Amortization of deferred compensation..... | 1,036 | 561 | - |
| Equity in earnings of unconsolidated affiliates..... | (8,911) | (3,863) | (1,185) |
| Loss on early extinguishment of debt..... | 714 | 4,711 | 7,341 |
| Minority interest..... | 18,948 | 18,991 | 20,779 |
| Gain on disposition of land and depreciable assets..... | (16,172) | (4,659) | (8,679) |
| Transition loss upon adoption of SFAS 133..... | 556 | - | - |
| Loss on ineffective portion of derivative instruments..... | 559 | - | - |
| Changes in operating assets and liabilities: | | | |
| Accounts receivable..... | (454) | (1,156) | 5,039 |
| Prepaid expenses and other assets..... | (2,076) | 3,386 | 742 |
| Accrued straight-line rents receivable..... | (11,257) | (14,892) | (14,983) |
| Accounts payable, accrued expenses and other liabilities..... | 10,338 | (2,121) | (29,700) |
| | ----- | ----- | ----- |
| Net cash provided by operating activities..... | 247,564 | 256,400 | 232,617 |
| | ----- | ----- | ----- |
| Investing activities: | | | |
| Proceeds from disposition of real estate assets..... | 161,389 | 729,945 | 696,379 |
| Additions to real estate assets..... | (351,983) | (423,245) | (511,056) |
| (Advances to)/Repayments from subsidiaries..... | 27,570 | (12,464) | (4,676) |
| Distributions from unconsolidated affiliates..... | 9,722 | 3,030 | 1,685 |
| (Advances)/Repayments of notes receivable..... | 37,157 | (15,557) | (18,016) |
| Other investing activities..... | (23,500) | 4,503 | (3,953) |
| | ----- | ----- | ----- |
| Net cash (used in)/provided by investing activities..... | (139,645) | 286,212 | 160,363 |
| | ----- | ----- | ----- |
| Financing activities: | | | |
| Distributions paid on common stock and common units..... | (142,889) | (151,890) | (154,088) |
| Dividends paid on preferred stock..... | (31,500) | (32,580) | (32,580) |
| Repurchase of preferred stock..... | (18,501) | - | - |
| Net proceeds from the sale of common stock..... | 1,424 | 749 | 17,551 |
| Repurchase of common stock and units..... | (148,787) | (101,813) | (25,475) |
| Payment of prepayment penalties..... | (714) | (4,711) | (7,341) |
| Borrowings on revolving loans..... | 594,000 | 546,000 | 529,500 |
| Repayment of revolving loans..... | (365,500) | (775,000) | (725,000) |
| Borrowings on mortgages and notes payable..... | 76,707 | 218,162 | 332,693 |
| Repayment of mortgages and notes payable..... | (176,918) | (168,260) | (321,261) |
| Net change in deferred financing costs..... | 555 | (2,985) | (3,928) |
| | ----- | ----- | ----- |
| Net cash used in financing activities..... | (212,123) | (472,328) | (389,929) |
| | ----- | ----- | ----- |
| Net (decrease)/increase in cash and cash equivalents..... | (104,204) | 70,284 | 3,051 |
| Cash and cash equivalents at beginning of the period..... | 104,780 | 34,496 | 31,445 |
| | ----- | ----- | ----- |
| Cash and cash equivalents at end of the period..... | \$ 576 | \$ 104,780 | \$ 34,496 |
| | ===== | ===== | ===== |
| Supplemental disclosure of cash flow information: | | | |
| Cash paid for interest..... | \$ 125,624 | \$ 134,976 | \$ 150,364 |
| | ===== | ===== | ===== |

See accompanying notes to consolidated financial statements.

HIGHWOODS PROPERTIES, INC.

Consolidated Statements of Cash Flows -- Continued

(\$ in thousands)

For the Years Ended December 31, 2001, 2000 and 1999

Supplemental disclosure of non-cash investing and financing activities:

The following summarizes the net assets contributed by holders of common partnership interests ("Common Units") in Highwoods Realty Limited Partnership (the "Operating Partnership") other than Highwoods Properties, Inc. (the "Company") or acquired subject to mortgage notes payable:

| | 2001 | 2000 | 1999 |
|--|----------|-------------|-------------|
| | ----- | ----- | ----- |
| Assets: | | | |
| Net real estate assets..... | \$ 6,516 | \$ (56,055) | \$ (78,012) |
| Cash and cash equivalents..... | 40 | -- | (4,719) |
| Accounts receivable and other..... | -- | -- | (2,975) |
| Investment in unconsolidated affiliates..... | -- | 48,054 | 13,830 |
| Notes receivable..... | -- | 6,372 | 32,695 |
| | ----- | ----- | ----- |
| Total Assets..... | \$ 6,556 | \$ (1,629) | \$ (39,181) |
| | ===== | ===== | ===== |
| Liabilities: | | | |
| Mortgages and notes payable..... | 3,922 | -- | (58,531) |
| Accounts payable, accrued expenses and other liabilities.. | 73 | -- | 7,604 |
| | ----- | ----- | ----- |
| Total Liabilities..... | 3,995 | -- | (50,927) |
| | ----- | ----- | ----- |
| Net Assets..... | \$ 2,561 | \$ (1,629) | \$ 11,746 |
| | ===== | ===== | ===== |

See accompanying notes to consolidated financial statements.

HIGHWOODS PROPERTIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2001

1. DESCRIPTION OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF THE COMPANY

Highwoods Properties, Inc. (the "Company") is a self-administered and self-managed real estate investment trust ("REIT") that operates in the southeastern and midwestern United States. The Company's wholly-owned assets include: 498 in-service office, industrial and retail properties; 213 apartment units; 1,327 acres of undeveloped land suitable for future development; and an additional 20 properties under development.

The Company conducts substantially all of its activities through, and substantially all of its interests in the properties are held directly or indirectly by, Highwoods Realty Limited Partnership (the "Operating Partnership"). The Company is the sole general partner of the Operating Partnership. At December 31, 2001, the Company owned 87.7% of the common partnership interests ("Common Units") in the Operating Partnership. Limited partners (including certain officers and directors of the Company) own the remaining Common Units. Holders of Common Units may redeem them for the cash value of one share of the Company's common stock, \$.01 par value (the "Common Stock"), or, at the Company's option, one share (subject to certain adjustments) of Common Stock.

Generally one year after issuance, the Operating Partnership is obligated to redeem each Common Unit at the request of the holder thereof for cash equal to the fair market value of one share of the Company's Common Stock at the time of such redemption, provided that the Company at its option may elect to acquire any such Common Unit presented for redemption for cash or one share of Common Stock. When a Common Unit holder redeems a Common Unit for a share of Common Stock or cash, the minority interest will be reduced and the Company's share in the Operating Partnership will be increased. The Common Units owned by the Company are not redeemable for cash.

BASIS OF PRESENTATION

The consolidated financial statements include the accounts of the Company and the Operating Partnership and its majority-owned affiliates. All significant intercompany balances and transactions have been eliminated in the consolidated financial statements.

The Company has elected and expects to continue to qualify as a REIT under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended. Therefore, no provision has been made for income taxes related to REIT taxable income to be distributed to stockholders.

Minority interest represents Common Units in the Operating Partnership owned by various individuals and entities other than the Company. The Operating Partnership is the entity that owns substantially all of the Company's properties and through which the Company, as the sole general partner, conducts substantially all of its operations. Per share information is calculated using the weighted average number of shares of Common Stock outstanding (including common share equivalents). In addition, minority interest includes equity of consolidated real estate partnerships which are owned by various individuals and entities other than the Company.

The extraordinary loss represents the payment of prepayment penalties and the writeoff of loan origination fees related to the early extinguishment of debt and is shown net of the minority interest's share in the loss.

REAL ESTATE ASSETS

All capitalizable costs related to the improvement or replacement of commercial real estate properties are capitalized. Depreciation is computed using the straight-line method over the estimated useful life of 40 years for buildings and improvements and five to seven years for furniture, fixtures and equipment. Tenant improvements are amortized over the life of the respective leases, using the straight-line method. Real estate assets are stated at the lower of cost or fair value, if impaired.

HIGHWOODS PROPERTIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (Continued)

1. DESCRIPTION OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES -- Continued

The Company evaluates its real estate assets upon the occurrence of significant adverse changes in their operations to assess whether any impairment indicators are present that affect the recovery of the recorded value. If any real estate assets are considered impaired, a loss is provided to reduce the carrying value of the property to its estimated fair value. As of December 31, 2001, none of the Company's assets were considered impaired.

As of December 31, 2001, the Company had 524,000 square feet of office properties and 208 acres of land under contract for sale in various transactions totaling \$118.3 million. These real estate assets have a carrying value of \$82.0 million and have been classified as assets held for sale in the accompanying financial statements.

CASH EQUIVALENTS

The Company considers highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

RESTRICTED CASH

Restricted cash includes security deposits for the Company's commercial properties and construction-related escrows. In addition, the Company maintains escrow and reserve funds for debt service, real estate taxes and property insurance established pursuant to certain mortgage financing arrangements.

INVESTMENTS IN UNCONSOLIDATED AFFILIATES

As required by GAAP, investments in unconsolidated affiliates are accounted for using the equity method of accounting because the Company does not control these joint venture entities. These investments are initially recorded at cost, as investments in unconsolidated affiliates, and are subsequently adjusted for equity in earnings and cash contributions and distributions. Any difference between the carrying amount of these investments on the Company's balance sheet and the underlying equity in net assets is amortized as an adjustment to equity in earnings of unconsolidated affiliates over 40 years.

REVENUE RECOGNITION

Minimum rental income is recognized on a straight-line basis over the term of the lease. Unpaid rents are included in accounts receivable. Certain lease agreements provide for the reimbursement of real estate taxes, insurance, advertising and certain common area maintenance costs. These additional rents are recorded on the accrual basis. All rent and other receivables from tenants are due from commercial building tenants located in the properties.

DEFERRED LEASE FEES AND LOAN COSTS

Lease fees, concessions and loan costs are capitalized at cost and amortized over the life of the related lease or loan term, respectively.

INCOME TAXES

The Company is a REIT for federal income tax purposes. A corporate REIT is a legal entity that holds real estate assets, and through distributions to stockholders, is permitted to reduce or avoid the payment of Federal income taxes at the corporate level. As of December 31, 2001, to maintain qualification as a REIT, the Company was required to distribute to stockholders at least 90% of REIT taxable income, excluding capital gains.

No provision has been made for income taxes because the Company qualified as a REIT, distributed the necessary amount of taxable income and, therefore, incurred no income tax expense during the period.

HIGHWOODS PROPERTIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (Continued)

1. DESCRIPTION OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES -- Continued

CONCENTRATION OF CREDIT RISK

Management of the Company performs ongoing credit evaluations of its tenants. As of December 31, 2001, the wholly-owned properties (excluding apartment units) were leased to 2,974 tenants in 14 geographic locations. The Company's tenants engage in a wide variety of businesses. There is no dependence upon any single tenant.

STOCK COMPENSATION

The Company grants stock options for a fixed number of shares to employees with an exercise price equal to the fair value of the shares at the date of grant. As described in Note 11, the Company has elected to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25") and related interpretations in accounting for its employee stock options.

USE OF ESTIMATES

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

On June 29, 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 141, "Business Combinations," and No. 142, "Goodwill and Other Intangible Assets." The provisions of SFAS No. 141 apply to all business combinations initiated after June 30, 2001. SFAS No. 142 becomes effective beginning January 1, 2002. Adoption of these standards is not expected to have a material adverse effect on the Company's liquidity, financial position or results of operations.

In October 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment of Disposal of Long-Lived Assets," which addresses financial accounting and reporting for the impairment of disposal of long-lived assets. This standard harmonizes the accounting for impaired assets and resolves some of the implementation issues as originally described in SFAS No. 121. The new standard becomes effective for the year ending December 31, 2002. Adoption of this pronouncement is not expected to have a material impact on the Company's liquidity, financial position or results of operations.

RECLASSIFICATIONS

Certain amounts in the December 31, 2000 and 1999 Financial Statements have been reclassified to conform to the December 31, 2001 presentation. These reclassifications had no material effect on net income or stockholders' equity as previously reported.

2. INVESTMENTS IN UNCONSOLIDATED AFFILIATES

During the past several years, the Company has formed various joint ventures with unrelated investors. The Company has retained minority equity interests ranging from 12.50% to 50.00% in these joint ventures. In accordance with GAAP, the Company has accounted for its joint venture activity using the equity method of accounting, as the Company does not control these joint ventures. As a result, the assets and liabilities of the Company's joint ventures are not included on its balance sheet. The Company's joint ventures have approximately \$587.6 million of outstanding debt. All of the joint venture debt is non-recourse to the Company except (1) in the case of customary exceptions pertaining to such matters as misuse of funds, environmental conditions and material misrepresentations and (2) with respect to \$8.7 million of construction debt related to the MG-HIW Rocky Point,

HIGHWOODS PROPERTIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (Continued)

2. INVESTMENTS IN UNCONSOLIDATED AFFILIATES - Continued

LLC, which has been initially guaranteed in part by the Company subject to a pro rata indemnity from the Company's joint venture partner. The Company's guarantee of the MG-HIW Rocky Point, LLC debt represented 50.0% of the outstanding loan balance at December 31, 2001 and will decrease to 15.0% in the first quarter of 2002.

The following is a summary of the various joint ventures in which the Company has a minority equity interest, including the names of the unrelated investors, the value of the property contributed to the joint venture, the debt obtained by the joint venture, the cash proceeds received by the Company and the ownership percentage of the Company in each joint venture.

In connection with its merger with J.C. Nichols in July of 1998, the Company acquired a 49.0% interest in Board of Trade Investment Company, a 30.0% interest in Kessinger Hunter, LLC, and a 12.50% interest in 4600 Madison Associates, L.P. The Company is the sole and exclusive property manager of the Board of Trade Investment Company and the 4600 Madison Associates, L.P. joint ventures, for which it received \$123,202, \$124,396 and \$150,737 in fees in 2001, 2000 and 1999, respectively. In addition, Kessinger Hunter, LLC is the sole and exclusive property manager, leasing and sales agent and provides certain construction related services for certain wholly-owned properties of the Company, and received \$5.8 million, \$7.1 million and \$5.7 million for these related services from the Company in 2001, 2000 and 1999, respectively. The Company has adopted the equity method of accounting for these joint ventures.

In addition, in connection with its merger with J.C. Nichols Company in July 1998, the Company succeeded to the interests of J.C. Nichols in a strategic alliance with R&R Investors, Ltd. pursuant to which R&R Investors manages and leases certain joint venture properties located in the Des Moines area. As a result of the merger, the Company acquired an ownership interest of 50.0% or more in a series of nine joint ventures with R&R Investors (the "Des Moines Joint Ventures"). Certain of these properties were previously included in the Company's consolidated financial statements. On June 2, 1999, the Company agreed with R&R Investors to reorganize its respective ownership interests in the Des Moines Joint Ventures such that each would own a 50.0% interest. Accordingly, the Company has adopted the equity method of accounting for its investment in each of the Des Moines Joint Ventures as a result of such reorganization. The impact of the reorganization was immaterial to the consolidated financial statements of the Company.

On March 15, 1999, the Company closed a transaction with Schweiz-Deutschland-USA Dreilander Beteiligung Objekt DLF 98/29-Walker Fink-KG ("DLF"), pursuant to which the Company sold or contributed certain office properties valued at approximately \$142.0 million to a newly created limited partnership (the "DLF I Joint Venture"). DLF contributed approximately \$56.0 million for a 77.19% interest in the DLF I Joint Venture, and the DLF I Joint Venture borrowed approximately \$71.0 million from third-party lenders. The Company retained the remaining 22.81% interest in the DLF I Joint Venture, received net cash proceeds of approximately \$124.0 million and is the sole and exclusive property manager and leasing agent of the DLF I Joint Venture's properties, for which the Company received fees of \$808,926, \$762,670 and \$607,000 in 2001, 2000 and 1999, respectively. The Company has adopted the equity method of accounting for its investment in this joint venture.

On May 9, 2000, the Company closed a transaction with Dreilander-Fonds 97/26 and 99/32 ("DLF II") pursuant to which the Company contributed five in-service office properties encompassing 570,000 rentable square feet and a 246,000-square-foot development project valued at approximately \$110.0 million to a newly created limited partnership (the "DLF II Joint Venture"). DLF II contributed \$24.0 million in cash for a 40.0% ownership interest in the DLF II Joint Venture and the DLF II Joint Venture borrowed approximately \$50.0 million from a third-party lender. The Company initially retained the remaining 60.0% interest in the DLF II Joint Venture and received net cash proceeds of approximately \$73.0 million. During 2001 and 2000, DLF II contributed an additional \$10.7 million in cash to the DLF II Joint Venture. As a result, the Company decreased its ownership percentage to 42.93% as of December 31, 2001. The Company is the sole and exclusive property manager and leasing agent of the DLF II Joint Venture's properties, for which the Company received fees of \$491,200 and \$208,600 in 2001 and 2000, respectively. The Company has adopted the equity method of accounting for this joint venture.

HIGHWOODS PROPERTIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (Continued)

2. INVESTMENTS IN UNCONSOLIDATED AFFILIATES - Continued

On December 19, 2000, the Company formed various joint ventures with Denver-based Miller Global Properties, LLC ("Miller Global"). In the first joint venture, the Company sold or contributed 19 in-service office properties encompassing approximately 2.5 million rentable square feet valued at approximately \$335.0 million to a newly created limited liability company. As part of the formation of the first joint venture, Miller Global contributed approximately \$85.0 million in cash for an 80.0% ownership interest and the joint venture borrowed approximately \$238.8 million from a third-party lender. The Company retained a 20.0% ownership interest and received net cash proceeds of approximately \$307.0 million. During 2001, the Company contributed a 39,000 square feet development project to the first joint venture for \$5.1 million. The Company retained a 20.0% interest and the joint venture borrowed an additional \$3.7 million under its existing debt agreement with a third party. In the remaining joint ventures, the Company contributed approximately \$7.5 million of development land to various newly created limited liability companies. These joint ventures expect to develop four properties encompassing 435,000 rentable square feet with a budgeted cost of approximately \$61.0 million. The Company and Miller Global each own 50.0% of these joint ventures. The Company is the sole and exclusive developer of these properties, and received \$553,270 and \$263,549 in development fees in 2001 and 2000, respectively. In addition, the Company is the sole and exclusive property manager and leasing agent for the properties in all of these joint ventures and received fees of \$1.5 million and \$73,793 in 2001 and 2000, respectively. The Company has adopted the equity method of accounting for all of the joint ventures with Miller Global.

In connection with one of the joint ventures with Miller Global, the Company guaranteed Miller Global, which has an 80.0% interest in the joint venture, a minimum internal rate of return on \$50.0 million of Miller Global's equity. If the minimum internal rate of return is not achieved upon the sale of the assets or winding up of the joint venture, Miller Global would receive a disproportionately greater interest of the cash proceeds related to the assets subject to the internal rate of return guarantee. Based upon the current operating performance of the assets and the Company's estimate of the residual value of the subject assets, the estimated internal rate of return for Miller Global with respect to those assets exceeds the minimum required return. As a result, the Company does not currently expect that its interest in the joint venture will be adjusted upon the sale of the subject assets or the winding up of the joint venture as a result of the internal rate of return guarantee.

Additionally, during 1999 and 2001, the Company closed two transactions with Highwoods-Markel Associates, LLC and Concourse Center Associates, LLC pursuant to which the Company sold or contributed certain office properties to newly created limited partnerships. Unrelated investors contributed cash for a 50.0% ownership interest in the joint ventures. The Company retained the remaining 50.0% interest, received net cash proceeds and is the sole and exclusive property manager and leasing agent of the joint venture's properties, for which the Company received fees of \$53,636 and \$31,152 in 2001 and 2000, respectively. The Company has adopted the equity method of accounting for both of these joint ventures.

HIGHWOODS PROPERTIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (Continued)

2. INVESTMENTS IN UNCONSOLIDATED AFFILIATES -- Continued

The following tables set forth information regarding the Company's joint venture activity as recorded on the joint venture's books at December 31, 2001 and 2000 (\$ in thousands):

| | | December 31, 2001 | | | | December 31, 2000 | | |
|------------------------------------|------------------|-------------------|------------|----------------------|-----------------|-------------------|----------------------|--|
| | Percent Owned | Total Assets | Debt | Total Liabilities | Total Assets | Debt | Total Liabilities | |
| Balance Sheet Data: | | | | | | | | |
| Board of Trade | | | | | | | | |
| Investment Company..... | 49.00% | \$ 7,372 | \$ 1,076 | \$ 1,258 | \$ 7,634 | \$ 1,222 | \$ 1,479 | |
| Dallas County Partners /(1)/..... | 50.00% | 44,786 | 35,495 | 40,967 | 44,041 | 34,568 | 40,055 | |
| Dallas County Partners II /(1)/... | 50.00% | 19,891 | 24,601 | 25,778 | 17,881 | 25,517 | 26,747 | |
| Fountain Three /(1)/..... | 50.00% | 37,218 | 26,049 | 33,200 | 30,159 | 22,630 | 26,485 | |
| Kessinger/Hunter, LLC..... | 30.00% | 16,225 | -- | 802 | 15,914 | -- | 678 | |
| 4600 Madison Associates, LP..... | 12.50% | 23,972 | 17,955 | 18,624 | 24,980 | 18,538 | 19,135 | |
| Schweiz-Deutschland-USA | | | | | | | | |
| DreilanderBeteiligung | | | | | | | | |
| Objekt DLF 98/29-Walker Fink-KG. | 22.81% | 143,960 | 69,113 | 70,979 | 144,737 | 69,958 | 71,506 | |
| Dreilander-Fonds 97/26 and 99/32.. | 42.93%/(2)/ | 122,820 | 60,000 | 62,422 | 119,129 | 56,485 | 58,000 | |
| RRHWoods, LLC /(1)/..... | 50.00% | 82,740 | 66,038 | 69,098 | 82,704 | 67,539 | 70,965 | |
| Highwoods-Markel Associates, LLC.. | 50.00% | 16,436 | 11,625 | 12,563 | 16,977 | 11,625 | 12,525 | |
| MG-HIW, LLC..... | 20.00% | 353,531 | 242,240 | 247,950 | 347,358 | 238,567 | 240,956 | |
| MG-HIW Peachtree Corners III, LLC. | 50.00% | 3,503 | 2,299 | 2,445 | 2,667 | 1,572 | 1,572 | |
| MG-HIW Rocky Point, LLC..... | 50.00% | 28,212 | 17,322 | 19,695 | 4,595 | -- | 261 | |
| MG-HIW Metrowest I, LLC..... | 50.00% | 1,600 | -- | -- | 1,506 | -- | -- | |
| MG-HIW Metrowest II, LLC..... | 50.00% | 8,683 | 3,763 | 4,034 | 3,764 | -- | 821 | |
| Concourse Center Associates, LLC | 50.00% | 14,551 | 10,000 | 10,016 | -- | -- | -- | |
| Total | | \$ 925,500 | \$ 587,576 | \$ 619,831 | \$ 864,046 | \$ 548,221 | \$ 571,185 | |

For the Year Ended December 31, 2001

| | Revenue | Operating Expense | Interest | Depr/ Amort | Net Income/ (Loss) |
|------------------------------------|------------|----------------------|-----------|----------------|-----------------------|
| Income Statement Data: | | | | | |
| Board of Trade | | | | | |
| Investment Company..... | \$ 2,524 | \$ 1,666 | \$ 90 | \$ 311 | \$ 457 |
| Dallas County Partners /(1)/..... | 11,148 | 4,905 | 2,715 | 1,883 | 1,645 |
| Dallas County Partners II /(1)/... | 7,614 | 2,750 | 2,550 | 1,066 | 1,248 |
| Fountain Three /(1)/..... | 6,747 | 2,912 | 2,109 | 1,676 | 50 |
| Kessinger/Hunter, LLC..... | 12,897 | 10,210 | -- | 469 | 2,218 |
| 4600 Madison Associates, LP..... | 4,726 | 2,084 | 1,294 | 1,589 | (241) |
| Schweiz-Deutschland-USA | | | | | |
| DreilanderBeteiligung | | | | | |
| Objekt DLF 98/29-Walker | | | | | |
| Fink-KG..... | 20,305 | 5,474 | 4,712 | 3,288 | 6,831 |
| Dreilander-Fonds 97/26 | | | | | |
| and 99/32..... | 17,691 | 4,159 | 4,589 | 3,239 | 5,704 |
| RRHWoods, LLC /(1)/..... | 14,632 | 6,950 | 3,454 | 3,298 | 930 |
| Highwoods-Markel | | | | | |
| Associates, LLC..... | 3,215 | 1,811 | 965 | 668 | (229) |
| MG-HIW, LLC..... | 50,457 | 17,584 | 15,418 | 8,701 | 8,754 |
| MG-HIW Peachtree | | | | | |
| Corners III, LLC..... | 1 | 38 | -- | -- | (37) |
| MG-HIW Rocky Point, LLC..... | 18 | -- | -- | -- | 18 |
| MG-HIW Metrowest I, LLC..... | -- | 21 | -- | -- | (21) |
| MG-HIW Metrowest II, LLC..... | 52 | 67 | -- | 26 | (41) |
| Concourse Center | | | | | |
| Associates, LLC..... | 66 | 16 | 41 | -- | 9 |
| Total | \$ 152,093 | \$ 60,647 | \$ 37,937 | \$ 26,214 | \$ 27,295 |
| | ===== | ===== | ===== | ===== | ===== |

For the Year Ended December 31, 2000

| | Revenue | Operating Expense | Interest | Depr/ Amort | Net Income/ (Loss) |
|-------------------------|----------|----------------------|----------|----------------|-----------------------|
| Income Statement Data: | | | | | |
| Board of Trade | | | | | |
| Investment Company..... | \$ 2,688 | \$ 1,708 | \$ 95 | \$ 274 | \$ 611 |

| | | | | | |
|-------------------------------------|-----------|-----------|-----------|-----------|-----------|
| Dallas County Partners /(1)/..... | 9,375 | 4,567 | 2,555 | 1,762 | 491 |
| Dallas County Partners II /(1)/.... | 5,752 | 2,329 | 2,640 | 1,062 | (279) |
| Fountain Three /(1)/..... | 5,779 | 2,191 | 1,739 | 1,333 | 516 |
| Kessinger/Hunter, LLC..... | 13,146 | 10,004 | -- | 519 | 2,623 |
| 4600 Madison Associates, LP..... | 4,438 | 1,885 | 1,343 | 1,516 | (306) |
| Schweiz-Deutschland-USA | | | | | |
| DreilanderBeteiligung | | | | | |
| Objekt DLF 98/29-Walker | | | | | |
| Fink-KG..... | 19,889 | 5,074 | 4,768 | 3,156 | 6,891 |
| Dreilander-Fonds 97/26 | | | | | |
| and 99/32..... | 8,021 | 1,913 | 1,999 | 1,390 | 2,719 |
| RRHWoods, LLC /(1)/..... | 12,422 | 6,367 | 4,034 | 3,243 | (1,222) |
| Highwoods-Markel | | | | | |
| Associates, LLC..... | 2,592 | 786 | 793 | 289 | 724 |
| MG-HIW, LLC..... | 1,610 | 563 | 811 | 289 | (53) |
| MG-HIW Peachtree | | | | | |
| Corners III, LLC..... | -- | -- | -- | -- | -- |
| MG-HIW Rocky Point, LLC..... | -- | -- | -- | -- | -- |
| MG-HIW Metrowest I, LLC..... | -- | -- | -- | -- | -- |
| MG-HIW Metrowest II, LLC..... | -- | -- | -- | -- | -- |
| Concourse Center | | | | | |
| Associates, LLC..... | -- | -- | -- | -- | -- |
| | ----- | ----- | ----- | ----- | ----- |
| Total | \$ 85,712 | \$ 37,387 | \$ 20,777 | \$ 14,833 | \$ 12,715 |
| | ===== | ===== | ===== | ===== | ===== |

/(1)/ Des Moines Joint Ventures

/(2)/ The Company decreased its ownership percentage from 47.05% at December 31, 2000 to 42.93% at December 31, 2001.

HIGHWOODS PROPERTIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (Continued)

3. MORTGAGES AND NOTES PAYABLE

The Company's mortgages and notes payable consisted of the following at December 31, 2001 and 2000:

| | 2001 | 2000 |
|--|-------------------|-------------|
| | ----- | ----- |
| | (\$ in thousands) | |
| Mortgage and loans payable: | | |
| 9.0% mortgage loan due 2005 | \$ 36,929 | \$ 37,697 |
| 8.1% mortgage loan due 2005 | 28,693 | 29,328 |
| 8.2% mortgage loan due 2007 | 69,868 | 71,183 |
| 7.8% mortgage loan due 2009 | 91,449 | 92,840 |
| 7.9% mortgage loan due 2009 | 91,491 | 92,861 |
| 7.8% mortgage loan due 2010 | 134,966 | 136,836 |
| 6.0% to 10.5% mortgage loans due between | | |
| 2001 and 2022 | 82,747 | 129,736 |
| Industrial Revenue Bonds due 2015 | -- | 37,000 |
| Variable rate mortgage loan due 2001 | -- | 8,199 |
| Secured Revolving Loan due 2003 | 3,922 | -- |
| | ----- | ----- |
| | 540,065 | 635,680 |
| | ----- | ----- |
| Unsecured indebtedness: | | |
| 6.75% notes due 2003 | \$ 100,000 | \$ 100,000 |
| 8.0% notes due 2003 | 146,500 | 146,500 |
| 7.0% notes due 2006 | 110,000 | 110,000 |
| 7.125% notes due 2008 | 100,000 | 100,000 |
| 8.125% notes due 2009 | 50,000 | 50,000 |
| Put Option Notes due 2011 /(1)/ | 100,000 | 100,000 |
| MOPPRS due 2013 /(2)/ | 125,000 | 125,000 |
| 7.5% notes due 2018 | 200,000 | 200,000 |
| Term loan due 2002 | 19,165 | 19,839 |
| Unsecured Revolving Loan due 2003 | 228,500 | -- |
| | ----- | ----- |
| | 1,179,165 | 951,339 |
| | ----- | ----- |
| Total | \$1,719,230 | \$1,587,019 |
| | ===== | ===== |

The aggregate maturities of the mortgages and notes payable at December 31, 2001 are as follows:

| Year of Maturity | Principal Amount |
|------------------|-------------------|
| ----- | ----- |
| | (\$ in thousands) |
| 2002..... | \$ 46,829 |
| 2003..... | 490,044 /(2)/ |
| 2004..... | 12,731 /(1)/ |
| 2005..... | 79,605 |
| 2006..... | 122,296 |
| Thereafter..... | 967,725 |
| | ----- |
| | \$ 1,719,230 |
| | ===== |
| ----- | |

/(1)/ On June 24, 1997, a trust formed by the Operating Partnership sold \$100.0 million of Exercisable Put Option Securities due June 15, 2004 ("X-POS"), which represent fractional undivided beneficial interest in the trust. The assets of the trust consist of, among other things, \$100.0 million of Exercisable Put Option Notes due June 15, 2011 (the "Put Option Notes"), issued by the Operating Partnership. The Put Option Notes bear an interest rate of 7.19% from the date of issuance through June 15, 2004. After June 15, 2004, the interest rate to maturity on such Put Option Notes will be 6.39% plus the applicable spread determined as of June 15, 2004. In connection with the initial issuance of the Put Option Notes, a counterparty was granted an option to purchase the Put Option Notes from the trust on June 15, 2004 at 100.0% of the principal amount. If the counterparty elects not to exercise this option, the Operating Partnership would be required to repurchase the Put Option Notes from the trust on June 15, 2004 at 100.0% of the principal amount plus accrued and unpaid interest.

/(2)/ On February 2, 1998, the Operating Partnership sold \$125.0 million of MandatOry Par Put Remarketed Securities ("MOPPRS") due February 1, 2013. The MOPPRS bear an interest rate of 6.835% from the date of issuance through

HIGHWOODS PROPERTIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (Continued)

3. MORTGAGES AND NOTES PAYABLE -- Continued

January 31, 2003. After January 31, 2003, the interest rate to maturity on such MOPPRS will be 5.715% plus the applicable spread determined as of January 31, 2003. In connection with the initial issuance of the MOPPRS, a counterparty was granted a remarketing option to purchase the MOPPRS from the holders thereof on January 31, 2003 at 100.0% of the principal amount. If the counterparty elects not to exercise this option, the Operating Partnership would be required to repurchase the MOPPRS from the holders on January 31, 2003 at 100.0% of the principal amount plus accrued and unpaid interest.

SECURED INDEBTEDNESS

The mortgage and loans payable and the secured revolving loan were secured by real estate assets with an aggregate carrying value of \$923.0 million at December 31, 2001.

UNSECURED INDEBTEDNESS

The Operating Partnership's unsecured notes of \$931.5 million bear coupon interest rates from 6.75% to 8.125% with interest payable semi-annually in arrears. The premium and discount related to the issuance of the unsecured notes is being amortized over the life of the respective notes as an adjustment to interest expense. All of the unsecured notes, except for the MOPPRS and Put Option Notes, are redeemable at any time at the option of the Company, subject to certain conditions including the payment of make-whole amounts.

The Company currently has a \$300.0 million unsecured revolving loan (with \$228.5 million outstanding at December 31, 2001) that matures in December 2003 and a \$55.2 million secured revolving loan (with \$3.9 million outstanding at December 31, 2001) that matures in March 2003. The Company's unsecured revolving loan also includes a \$150.0 million competitive sub-facility. Depending upon the corporate credit ratings assigned to the Company from time to time by the various rating agencies, the Company's unsecured revolving loan bears variable rate interest at a spread above LIBOR ranging from 0.70% to 1.55% and the Company's secured revolving loan bears variable rate interest at a spread above LIBOR ranging from 0.55% to 1.50%. The Company currently has a credit rating of BBB- assigned by Standard & Poor's, a credit rating of BBB assigned by Fitch Inc. and a credit rating of Baa2 assigned by Moody's Investor Service. As a result, interest currently accrues on borrowings under the Company's unsecured revolving loan at an average rate of LIBOR plus 85 basis points and under the Company's secured revolving loan at an average rate of LIBOR plus 75 basis points. In addition, the Company is currently required to pay an annual facility fee equal to .20% of the total commitment on the unsecured revolving loan.

The terms of each of the Company's revolving loans and the indenture that governs the Operating Partnership's outstanding unsecured notes require the Company to comply with various operating and financial covenants and performance ratios. The Company is currently in compliance with all such requirements.

INTEREST RATE HEDGE CONTRACTS

To meet in part its long-term liquidity requirements, the Company borrows funds at a combination of fixed and variable rates. Borrowings under the two revolving loans bear interest at variable rates. The Company's long-term debt, which consists of secured and unsecured long-term financings and the issuance of unsecured debt securities, typically bears interest at fixed rates. In addition, the Company has assumed fixed rate and variable rate debt in connection with acquiring properties. The Company's interest rate risk management objective is to limit the impact of interest rate changes on earnings and cash flows and to lower its overall borrowing costs. To achieve these objectives, from time to time the Company enters into interest rate hedge contracts such as collars, swaps, caps and treasury lock agreements in order to mitigate its interest rate risk with respect to various debt instruments. The Company does not hold or issue these derivative contracts for trading or speculative purposes.

HIGHWOODS PROPERTIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (Continued)

3. MORTGAGES AND NOTES PAYABLE -- Continued

The following table sets forth information regarding the Company's interest rate hedge contract as of December 31, 2001 (\$ in thousands):

| Type of Hedge ----- | Notional Amount ----- | Maturity Date ----- | Reference Rate ----- | Fixed Rate ----- | Fair Market Value ----- |
|------------------------|-----------------------------|---------------------------|-------------------------|------------------------|-------------------------------|
| Swap | \$19,165 | 6/10/02 | 1-Month LIBOR + 0.75% | 6.95% | \$ (411) |

The interest rate on all of the Company's variable rate debt is adjusted at one- and three-month intervals, subject to settlements under these contracts. Net (receipts)/payments made to counterparties under interest rate hedge contracts were \$1,003,159, (\$206,894) and \$304,720 in 2001, 2000 and 1999, respectively, and were recorded as increases/(decreases) to interest expense.

In addition, the Company is exposed to certain losses in the event of non-performance by the counterparty under the interest rate hedge contract. The Company expects the counterparty, which is a major financial institution, to perform fully under the contract. However, if the counterparty was to default on its obligations under the interest rate hedge contract, the Company could be required to pay the full rates on its debt, even if such rates were in excess of the rate in the contract.

OTHER INFORMATION

Total interest capitalized was approximately \$16,947,000, \$23,669,000, and \$29,147,000 in 2001, 2000 and 1999, respectively.

4. EMPLOYEE BENEFIT PLANS

MANAGEMENT COMPENSATION PROGRAM

The Company's executive officers participate in an annual cash incentive bonus program whereby they are eligible for cash bonuses based on a percentage of their annual base salary as of the prior December. Each executive's target level bonus is determined by competitive analysis and the executive's ability to influence overall performance of the Company and, assuming certain levels of the Company's performance, ranges from 40.0% to 85.0% of base salary depending on position in the Company. The eligible bonus percentage for each executive is determined by a weighted average of the Company's actual performance versus its annual plan using the following measures: return on invested capital; growth in funds from operations ("FFO") per share; property level cash flow as a percentage of plan; general and administrative expenses as a percentage of revenue; and growth in same store net operating income. To the extent this weighted average is less than or exceeds the Company's targeted performance level, the bonus percentage paid is proportionally reduced or increased on a predetermined scale. Depending on the Company's performance, annual incentive bonuses could range from zero to 200.0% of an executive's target level bonus. Bonuses are accrued in the year earned and are included in accrued expenses in the Consolidated Balance Sheets.

Beginning on January 1, 1999, the Company established an executive compensation program which allows executive officers to participate in a long term incentive plan which includes annual grants of stock options, restricted shares and grants of units in the Shareholder Value Plan. The stock options vest ratably over four years. The restricted shares vest 50.0% after three years and 50.0% after five years. The restricted share awards are recorded at market value on the date of grant as unearned compensation expense and amortized over the restriction periods. Generally, recipients are eligible to receive dividends on restricted stock issued. Restricted stock and annual expense information is as follows:

HIGHWOODS PROPERTIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (Continued)

4. EMPLOYEE BENEFIT PLANS - Continued

| | 2001 |
|--|-------------|
| | ----- |
| Restricted shares outstanding at January 1, 2001..... | 104,945 |
| Number of restricted shares awarded..... | 89,910 |
| Restricted shares repurchased or cancelled..... | (5,249) |
| | ----- |
| Restricted shares outstanding at December 31, 2001.... | 189,606 |
| | ===== |
| Annual expense, net..... | \$1,036,000 |
| | ===== |
| Average fair value per share..... | \$ 24.82 |
| | ===== |

The Shareholder Value Plan rewards the executive officers of the Company when the total shareholder returns measured by increases in the market value of the Common Stock plus the dividends on those shares exceeds a comparable index of the Company's peers over a three year period. The payout for this program is determined by the Company's percent change in shareholder return compared to the composite index of its peer group. If the Company's performance is not at least 100.0% of the peer group index, no payout is made. To the extent performance exceeds the peer group, the payout increases. A new three year plan cycle begins each year under this program.

In September 2000, the Company established a deferred compensation plan pursuant to which various executive officers could elect to defer a portion of the compensation that would otherwise be paid to the executive officer for investment in units of phantom stock. The maximum amount any executive officer can elect to defer for investment in units of phantom stock in any year is 25.0% each of his gross base salary and annual incentive bonus. At the end of each calendar quarter, any executive officer that elects to defer compensation in such a manner is credited with units of phantom stock at a 15.0% discount. Payouts will generally be made five years after the end of the calendar year in which units of phantom stock were credited. The units of phantom stock are recorded at market value at the date of grant as unearned compensation and amortized over the five year period.

401(K) SAVINGS PLAN

The Company has a 401(k) savings plan covering substantially all employees who meet certain age and employment criteria. The Company matches the first 6.0% of compensation deferred at the rate of 75.0% of employee contributions. During 2001, 2000 and 1999, the Company contributed \$648,509, \$955,303 and \$763,319, respectively, to the 401(k) savings plan. Administrative expenses of the plan are paid by the Company.

EMPLOYEE STOCK PURCHASE PLAN

In August 1997, the Company instituted an Employee Stock Purchase Plan for all active employees. At the end of each three-month offering period, each participant's account balance is applied to acquire shares of Common Stock at 85.0% of the market value of the Common Stock, calculated as the lower of the average closing price on the New York Stock Exchange on the five consecutive days preceding the first day of the quarter or the five days preceding the last day of the quarter. A participant can contribute up to 25.0% of their pay. Employees purchased 40,935 and 55,593 shares of Common Stock under the Employee Stock Purchase Plan during the years ended December 31, 2001 and 2000, respectively.

5. RENTAL INCOME

The Company's real estate assets are leased to tenants under operating leases, substantially all of which expire over the next 10 years. The minimum rental amounts under the leases are generally either subject to scheduled fixed increases or adjustments based on the Consumer Price Index. Generally, the leases also require that the tenants reimburse the Company for increases in certain costs above the base year costs.

HIGHWOODS PROPERTIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (Continued)

5. RENTAL INCOME - Continued

Expected future minimum rents to be received over the next five years and thereafter from tenants for leases in effect at December 31, 2001, are as follows (\$ in thousands):

| | |
|-----------------|--------------|
| 2002..... | \$ 428,611 |
| 2003..... | 377,999 |
| 2004..... | 321,962 |
| 2005..... | 264,185 |
| 2006..... | 209,805 |
| Thereafter..... | 728,696 |
| | ----- |
| | \$ 2,331,258 |
| | ===== |

6. RELATED PARTY TRANSACTIONS

On December 8, 1998, the Company purchased the Bluegrass Valley office development project from a limited liability company controlled by an executive officer and director of the Company for approximately \$2.5 million. On July 16, 1999, the Company purchased development land and an option to purchase other development land in the Bluegrass Valley office development project from the same limited liability company controlled by the same executive officer and director of the Company for approximately \$4.6 million in Common Units.

During 2000, the Company sold certain properties encompassing 2.0 million square feet to an entity controlled by a former executive officer and director for approximately \$169.0 million, consisting of cash, shares of Common Stock, Common Units and the waiver and/or termination of certain outstanding obligations existing under various agreements between the Company and such former executive officer and director.

The Company has advanced \$788,000 to an officer and director related to certain expenses paid by the Company on behalf of the officer and director.

7. STOCKHOLDERS' EQUITY

COMMON STOCK DISTRIBUTIONS

Distributions paid on Common Stock were \$2.31, \$2.25 and \$2.19 per share for the years ended December 31, 2001, 2000 and 1999, respectively.

For federal income tax purposes, the following table summarizes the estimated taxability of distributions paid:

| | 2001 | 2000 | 1999 |
|------------------------|---------|---------|---------|
| | ----- | ----- | ----- |
| Per share: | | | |
| Ordinary income..... | \$ 1.81 | \$ 1.67 | \$ 1.70 |
| Capital gains..... | .33 | .58 | .49 |
| Return of capital..... | .17 | -- | -- |
| | ----- | ----- | ----- |
| Total..... | \$ 2.31 | \$ 2.25 | \$ 2.19 |
| | ===== | ===== | ===== |

The Company's tax returns for the year ended December 31, 2001 have not been filed, and the taxability information for 2001 is based upon the best available data. The Company's tax returns have not been examined by the IRS, and therefore the taxability of distributions is subject to change.

As of December 31, 2001, the tax basis of the Company's assets was \$2.8 billion.

On January 29, 2002, the Board of Directors declared a Common Stock distribution of \$.585 per share payable on February 21, 2002, to stockholders of record on February 8, 2002.

HIGHWOODS PROPERTIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (Continued)

7. STOCKHOLDERS' EQUITY -- Continued

PREFERRED STOCK

On February 12, 1997, the Company issued 125,000 8 5/8% Series A Cumulative Redeemable Preferred Shares (the "Series A Preferred Shares"). The Series A Preferred Shares are non-voting and have a liquidation preference of \$1,000 per share for an aggregate liquidation preference of \$125.0 million plus accrued and unpaid dividends. The net proceeds (after underwriting commission and other offering costs) of the Series A Preferred Shares issued were \$121.8 million. Holders of the Series A Preferred Shares are entitled to receive, when, as and if declared by the Company's Board of Directors, out of funds legally available for payment of distributions, cumulative preferential cash distributions at a rate of 8 5/8% of the liquidation preference per annum (equivalent to \$86.25 per share). On or after February 12, 2027, the Series A Preferred Shares may be redeemed for cash at the option of the Company. The redemption price (other than the portion thereof consisting of accrued and unpaid distributions) is payable solely out of the sale proceeds of other capital shares of the Company, which may include shares of other series of preferred stock. Of the \$86.25 distribution paid per Series A Preferred Share in 2000, \$67.14 will be taxed as ordinary income and \$19.11 will be taxed as capital gain. On June 19, 2001, the Company repurchased in a privately negotiated transaction 20,055 of these shares at \$922.50 per share, for a total purchase price of \$18.5 million. For each Series A Preferred Share repurchased by the Company, one equivalent Series A Preferred Unit is retired.

On September 25, 1997, the Company issued 6,900,000 8% Series B Cumulative Redeemable Preferred Shares (the "Series B Preferred Shares"). The Series B Preferred Shares are non-voting and have a liquidation preference of \$25 per share for an aggregate liquidation preference of \$172.5 million plus accrued and unpaid dividends. The net proceeds (after underwriting commission and other offering costs) of the Series B Preferred Shares issued were \$166.3 million. Holders of the Series B Preferred Shares are entitled to receive, when, as and if declared by the Company's Board of Directors, out of funds legally available for payment of distributions, cumulative preferential cash distributions at a rate of 8% of the liquidation preference per annum (equivalent to \$2.00 per share). On or after September 25, 2002, the Series B Preferred Shares may be redeemed for cash at the option of the Company. The redemption price (other than the portion thereof consisting of accrued and unpaid distributions) is payable solely out of the sale proceeds of other capital shares of the Company, which may include shares of other series of preferred stock. Of the \$2.00 distribution paid per Series B Preferred Share 2000, \$1.56 will be taxed as ordinary income and \$0.44 will be taxed as capital gain.

On April 23, 1998, the Company issued 4,000,000 depository shares (the "Series D Depository Shares"), each representing a 1/10 fractional interest in an 8% Series D Cumulative Redeemable Preferred Share (the "Series D Preferred Shares"). The Series D Preferred Shares are non-voting and have a liquidation preference of \$250 per share for an aggregate liquidation preference of \$100 million plus accrued and unpaid dividends. The net proceeds (after underwriting commission and other offering costs) of the Series D Preferred Shares issued were \$96.8 million. Holders of Series D Preferred Shares are entitled to receive, when, as and if declared by the Company's Board of Directors, out of funds legally available for payment of distributions, cumulative preferential cash distributions at a rate of 8% of the liquidation preference per annum (equivalent to \$20.00 per share). On or after April 23, 2003, the Series D Preferred Shares may be redeemed for cash at the option of the Company. The redemption price (other than the portion thereof consisting of accrued and unpaid distributions) is payable solely out of the sale proceeds of other capital shares of the Company, which may include shares of other series of preferred stock. Of the \$20.00 distribution paid per Series D Preferred Share in 2000, \$15.57 will be taxed as ordinary income and \$4.43 will be taxed as capital gain.

SHAREHOLDER RIGHTS PLAN

On October 4, 1997, the Board declared a dividend on one preferred share purchase right ("Right") for each outstanding share of Common Stock to be distributed to all holders of record of the Common Stock on October 16, 1997. The Rights attach to shares of Common Stock subsequently issued. Each Right entitles the registered holder to purchase one-hundredth of a participating preferred share for an exercise price of \$140.00 per one-hundredth of a participating preferred share, subject to adjustment as provided in the rights agreement. The Rights will generally be

HIGHWOODS PROPERTIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (Continued)

7. STOCKHOLDERS' EQUITY -- Continued

exercisable only if a person or group acquires 15% or more of the Common Stock or announces a tender offer for 15% or more of the Common Stock. The Rights will expire on October 6, 2007, unless the expiration date of the Rights is extended, and the Rights are subject to redemption at a price of \$0.01 per Right under certain circumstances.

DIVIDEND REINVESTMENT PLAN

The Company has instituted a Dividend Reinvestment and Stock Purchase Plan under which holders of Common Stock may elect to automatically reinvest their distributions in additional shares of Common Stock and may make optional cash payments for additional shares of Common Stock. The Company may issue additional shares of Common Stock or repurchase Common Stock in the open market for purposes of financing its obligations under the Dividend Reinvestment and Stock Purchase Plan.

EQUITY SETTLEMENT

On August 28, 1997, the Company entered into a purchase agreement with UBS AG, London Branch ("UB-LB") involving the sale of 1.8 million shares of Common Stock and a related forward contract providing for certain purchase price adjustments. The forward contract (as amended) generally provided that if the market price was less than a certain amount, referred to as the "Forward Price," the Company would be required to pay UB-LB the difference times 1.8 million. (Similarly, if the Market Price of a share of Common Stock was above the Forward Price, UB-LB was required to pay the Company the difference in shares of Common Stock.)

On February 28, 1999, the Company and UB-LB amended the forward contract. Pursuant to the amendment, UB-LB applied \$12.8 million in Company collateral to "buy down" the Forward Price by approximately \$7.10 and the Company issued 161,924 shares of Common Stock to UB-LB as an interim settlement payment. On June 9, 1999, the Company settled the transaction. In connection with the settlement, 246,424 shares of Common Stock were returned and canceled.

STOCK REPURCHASES

On April 25, 2001, the Company announced that its Board of Directors has authorized the repurchase of up to an additional 5.0 million shares of Common Stock and Common Units. As of February 19, 2002, the Company has repurchased 1.4 million shares of Common Stock and Common Units at a weighted purchase price of \$24.49 per share and a total purchase price of \$33.1 million under this new repurchase program. In determining whether or not to repurchase additional capital stock, the Company will consider, among other factors, the effect of the repurchases on its liquidity and the price of its Common Stock. On June 19, 2001, the Company repurchased in a privately negotiated transaction 20,055 Series A Preferred Shares at \$922.50 per share, for a total purchase price of \$18.5 million. For each Series A Preferred Share repurchased by the Company, one equivalent Series A Preferred Unit in the Operating Partnership was retired.

8. DERIVATIVE FINANCIAL INSTRUMENTS

On January 1, 2001, the Company adopted Financial Accounting Standards Board Statement (SFAS) No. 133/138, "Accounting for Derivative Instruments and Hedging Activities", as amended. This statement requires the Company to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through income. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of the derivative will either be offset against the change in fair value of the hedged assets, liabilities or firm commitments through earnings, or recognized in Accumulated Other Comprehensive Loss ("AOCL") until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value is recognized in earnings. In connection with the adoption of SFAS 133/138 in January 2001, the Company recorded a net transition adjustment of \$555,962 of unrealized loss in interest and other income and a net transition adjustment of \$125,000

HIGHWOODS PROPERTIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (Continued)

8. DERIVATIVE FINANCIAL INSTRUMENTS -- Continued

in AOCL. Adoption of the standard also resulted in the Company recognizing \$127,000 of derivative instrument liabilities and a reclassification of approximately \$10.6 million of deferred financing costs from past cashflow hedging relationships from other assets to AOCL.

The Company's interest rate risk management objective is to limit the impact of interest rate changes on earnings and cashflows and to lower overall borrowing costs. To achieve these objectives, the Company enters into interest rate hedge contracts such as collars, swaps, caps and treasury lock agreements in order to mitigate the Company's interest rate risk with respect to various debt instruments. The Company does not hold these derivatives for trading or speculative purposes.

On the date that the Company enters into a derivative contract, it designates the derivative as (1) a hedge of the variability of cash flows that are to be received or paid in connection with a recognized liability (a "cash flow" hedge), or (2) an instrument that is held as a non-hedge derivative. Changes in the fair value of highly effective cash flow hedges, to the extent that the hedge is effective, are recorded in accumulated other comprehensive loss, until earnings are affected by the hedged transaction (i.e. until periodic settlements of a variable-rate liability are recorded in earnings). Any hedge ineffectiveness (which represents the amount by which the changes in the fair value of the derivative exceed the variability in the cash flows of the transaction) is recorded in current-period earnings. Changes in the fair value of non-hedging instruments are reported in current-period earnings.

The Company formally documents all relationships between hedging instruments and hedged items, as well as its risk-management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives that are designated as cash flow hedges to (1) specific assets and liabilities on the balance sheet or (2) forecasted transactions. The Company also assesses and documents, both at the hedging instrument's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows associated with the hedged items. When it is determined that a derivative is not (or has ceased to be) highly effective as a hedge, the Company discontinues hedge accounting prospectively.

All of the Company's derivatives are designated as cashflow hedges at December 31, 2001. The effective portion of the cumulative loss on the derivative instruments was \$9.4 million at December 31, 2001 and was reported as a component of AOCL in stockholders' equity and recognized into earnings in the same period or periods during which the hedged transaction affects earnings (as the underlying debt is paid down). The Company expects that the portion of the cumulative loss recorded in AOCL at December 31, 2001 associated with the derivative instruments which will be recognized within the next 12 months will be approximately \$1.6 million. The ineffective portion of the Company's derivatives' changes in fair value has resulted in a loss of \$554,000 for the year ended December 31, 2001 which is included in interest and other income on the Consolidated Statements of Income.

Derivative liabilities totaling approximately \$411,000 related to the Company's interest rate swap agreement, with a notional amount of \$19.2 million, are recorded in accounts payable, accrued expenses and other liabilities in the Consolidated Balance Sheets at December 31, 2001. The fair value of our interest rate swap agreement was \$(411,000) at December 31, 2001. For the majority of financial instruments including most derivatives, long-term investments and long-term debt, standard market conventions and techniques such as discounted cash flow analysis, option pricing models, replacement cost and termination cost are used to determine fair value. All methods of assessing fair value result in a general approximation of value, and such value may never actually be realized.

HIGHWOODS PROPERTIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (Continued)

9. ACCUMULATED OTHER COMPREHENSIVE LOSS

Accumulated other comprehensive loss represents net income plus the results of certain non-stockholders' equity changes not reflected in the Consolidated Statements of Income. The components of accumulated other comprehensive loss are as follows (\$ in thousands):

| | December 31, 2001 | December 31, 2000 |
|--|----------------------|----------------------|
| | ----- | ----- |
| Net Income..... | \$131,211 | \$133,487 |
| Accumulated other comprehensive loss: | | |
| Unrealized derivative losses on cashflow hedges..... | (411) | -- |
| Reclassification of past hedging relationships..... | (10,597) | -- |
| Amortization of past hedging relationships..... | 1,567 | -- |
| | ----- | ----- |
| Total accumulated comprehensive loss..... | (9,441) | -- |
| | ----- | ----- |
| Total comprehensive income..... | \$121,770 | \$133,487 |
| | ===== | ===== |

10. EARNINGS PER SHARE

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

The following table sets forth the computation of basic and diluted earnings per share:

| | 2001 | 2000 | 1999 |
|--|---|---------------|---------------|
| | ----- | ----- | ----- |
| | (\$ in thousands, except per share amounts) | | |
| Numerator: | | | |
| Income before minority interest and extraordinary item..... | \$ 150,873 | \$ 157,189 | \$ 166,213 |
| Non-convertible preferred stock dividends /(4)/..... | (31,500) | (32,580) | (32,580) |
| Minority interest..... | (18,948) | (18,991) | (20,779) |
| General partner's portion of extraordinary item..... | (714) | (4,711) | (7,341) |
| | ----- | ----- | ----- |
| Numerator for basic earnings per share -- income available to common shareholders..... | \$ 99,711 | \$ 100,907 | \$ 105,513 |
| Effect of dilutive securities: | | | |
| Minority interest..... | -- | -- | -- |
| Minority interest portion of extraordinary item..... | -- | -- | -- |
| | ----- | ----- | ----- |
| | -- | -- | -- |
| Numerator for diluted earnings per share -- net income available to common shareholders - after assumed conversions..... | \$ 99,711 | \$ 100,907 | \$ 105,513 |
| Denominator: | | | |
| Denominator for basic earnings per share -- weighted average shares..... | 54,228 | 59,175 | 61,443 |
| Effect of dilutive securities: | | | |
| Employee stock options /(4)/..... | 337 | 162 | 78 |
| Warrants /(4)/..... | 6 | 10 | 8 |
| Common Units converted..... | -- | -- | -- |
| | ----- | ----- | ----- |
| Dilutive potential common shares..... | 343 | 172 | 86 |
| Denominator for diluted earnings per share -- adjusted weighted average shares and assumed conversions..... | 54,571 | 59,347 | 61,529 |
| Basic earnings per share..... | \$ 1.84 | \$ 1.70 | \$ 1.72 |
| | ===== | ===== | ===== |
| Diluted earnings per share..... | \$ 1.83 /(1)/ | \$ 1.70 /(2)/ | \$ 1.71 /(3)/ |
| | ===== | ===== | ===== |

HIGHWOODS PROPERTIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (Continued)

10. EARNINGS PER SHARE -- Continued

- /(1)/ 7.6 million Common Units and the related \$18.9 million in minority interest, net of \$88,000 of the minority interest's portion of the extraordinary item, were excluded from the dilutive earnings per share calculation due to the anti-dilutive effect.
- /(2)/ 8.4 million Common Units and the related \$19.0 million in minority interest, net of \$584,000 of the minority interest's portion of the extraordinary item, were excluded from the dilutive earnings per share calculation due to the anti-dilutive effect.
- /(3)/ 9.3 million Common Units and the related \$20.8 million in minority interest, net of \$959,000 of the minority interest's portion of the extraordinary item, were excluded from the dilutive earnings per share calculation due to the anti-dilutive effect.
- /(4)/ For additional disclosures regarding outstanding preferred stock, the employee stock options and the warrants, see Notes 4, 7 and 11.

The number of potentially convertible shares of common stock related to warrants and stock options are as follows:

| | December 31, 2001 | December 31, 2000 |
|---|----------------------|----------------------|
| Outstanding warrants..... | 843,035 | 843,035 |
| Outstanding stock options..... | 3,854,624 | 3,273,658 |
| Possible future issuance under stock option plan..... | 1,776,587 | 2,401,540 |
| | ----- | ----- |
| | 6,474,246 | 6,518,233 |
| | ===== | ===== |

As of December 31, 2001, the Company had 147,108,178 common shares available to be issued.

11. STOCK OPTIONS AND WARRANTS

As of December 31, 2001, 6,000,000 shares of the Company's authorized Common Stock were reserved for issuance upon the exercise of options under the Amended and Restated 1994 Stock Option Plan. Options generally vest over a four- or five-year period beginning with the date of grant.

In 1995, the Financial Accounting Standards Board issued a Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation," ("SFAS 123"). SFAS 123 recommends the use of a fair value based method of accounting for an employee stock option whereby compensation cost is measured at the grant date on the fair value of the award and is recognized over the service period (generally the vesting period of the award). However, SFAS 123 specifically allows an entity to continue to measure compensation cost under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25") so long as pro forma disclosures of net income and earnings per share are made as if SFAS 123 had been adopted. The Company has elected to follow APB 25 and related interpretations in accounting for its employee stock options because the Company believes that the models available to estimate the fair value of employee stock options do not provide a reliable single measure of the fair value of employee stock options. Moreover, such models required the input of highly subjective assumptions, which can materially affect the fair value estimates. APB 25 requires the recognition of compensation expense at the date of grant equal to the difference between the option price and the value of the underlying stock. Because the exercise price of the Company's employee stock options equals the market price of the underlying stock on the date of grant, the Company records no compensation expense for the award of employee stock options.

Under SFAS 123, a public entity must estimate the fair value of a stock option by using an option-pricing model that takes into account as of the grant date the exercise price and expected life of the options, the current price of the underlying stock and its expected volatility, expected dividends on the stock, and the risk-free interest rate for the expected term of the option. SFAS 123 provides examples of possible pricing models and includes the Black-

11. STOCK OPTIONS AND WARRANTS -- Continued

Because SFAS 123 is applicable only to options granted subsequent to December 31, 1994, only options granted subsequent to that date were valued using this Black-Scholes model. The fair value of the options granted in 2001 was estimated at the dates of the grant using the following weighted average assumptions: risk-free interest rates ranging between 5.76% and 6.11%, dividend yield of 9.00%, expected volatility of 17.2% and a weighted average expected life of the options of four years. The fair value of the options granted in 2000 was estimated at the dates of grant using the following weighted average assumptions: risk-free interest rates ranging between 5.78% and 6.67%, dividend yield of 10.91%, expected volatility of 21.5% and a weighted average expected life of the options of five years. The fair value of the options granted in 1999 was estimated at the dates of grant using the following weighted average assumptions: risk-free interest rates ranging between 4.21% and 6.81%, dividend yield of 10.65%, expected volatility of 22.0% and a weighted average expected life of the options of five years. Had the compensation cost for the Company's stock option plans been determined based on the fair value at the dates of grant for awards in 2001, 2000 and 1999 consistent with the provisions of SFAS 123, the Company's net income and net income per share would have decreased to the pro forma amounts indicated below:

The following table summarizes information about employees' and Board of Directors' stock options outstanding at December 31, 2001, 2000 and 1999:

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HIGHWOODS PROPERTIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (Continued)

11. STOCK OPTIONS AND WARRANTS -- Continued

| | Options Exercisable | |
|------------------------|---------------------|--|
| | Number of Shares | Weighted Average Exercise Price |
| December 31, 1999..... | 1,227,004 | \$ 26.47 |
| December 31, 2000..... | 1,242,629 | \$ 24.45 |
| December 31, 2001..... | 1,712,626 | \$ 23.76 |

Exercise prices for options outstanding as of December 31, 2001 ranged from \$9.54 to \$30.70. The weighted average remaining contractual life of those options is 7.1 years. Using the Black-Scholes options valuation model, the weighted average fair value of options granted during 2001, 2000 and 1999 was \$1.11, \$0.90 and \$0.68, respectively.

WARRANTS

In connection with various acquisitions in 1997, 1996 and 1995, the Company issued warrants to purchase shares of Common Stock.

The following table sets forth information regarding warrants outstanding as of December 31, 2001:

| Date of Issuance | Number of Warrants | Exercise Price |
|--------------------|-----------------------|-------------------|
| February 1995..... | 35,000 | \$ 21.00 |
| April 1996..... | 150,000 | \$ 28.00 |
| October 1997..... | 538,035 | \$ 32.50 |
| December 1997..... | 120,000 | \$ 34.13 |
| Total..... | 843,035 | ===== |

The warrants granted in February 1995, April 1996 and December 1997 expire 10 years from the respective dates of issuance. All warrants are exercisable from the dates of issuance. The warrants granted in October 1997 do not have an expiration date.

12. COMMITMENTS AND CONTINGENCIES

LAND LEASES

Certain properties in the Company's wholly-owned portfolio are subject to land leases expiring through 2082. Rental payments on these leases are adjusted annually based on either the consumer price index or on a predetermined schedule.

For three properties, the Company has the option to purchase the leased land during the lease term at the greater of 85% of appraised value or \$35,000 per acre.

For one property, the Company has the option to purchase the leased land at any time during the lease term. The purchase price ranges from \$1,800,000 to \$2,200,000 depending on the exercise date.

HIGHWOODS PROPERTIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (Continued)

12. COMMITMENTS AND CONTINGENCIES -- Continued

The obligation for future minimum lease payments is as follows (\$ in thousands):

| | | |
|-----------------|----|--------|
| 2002..... | \$ | 1,221 |
| 2003..... | | 1,203 |
| 2004..... | | 1,204 |
| 2005..... | | 1,206 |
| 2006..... | | 1,183 |
| Thereafter..... | | 47,639 |
| | | ----- |
| | \$ | 53,656 |
| | | ===== |

LITIGATION

The Company is a party to a variety of legal proceedings arising in the ordinary course of its business. The Company believes that it is adequately covered by insurance and indemnification agreements. Accordingly, none of such proceedings are expected to have a material adverse effect on the Company's business, financial condition and results of operations.

CONTRACTS

The Company has entered into construction contracts totaling \$101.7 million as of December 31, 2001. The amounts remaining to be paid under these contracts as of December 31, 2001 totaled \$30.5 million.

The Company has entered into various contracts under which it is committed to acquire eight acres of land over a three year period for an aggregate purchase price of approximately \$628,000.

CAPITAL EXPENDITURES

The Company presently has no plans for major capital improvements to the existing properties, other than normal recurring building improvements, tenant improvements and lease commissions.

ENVIRONMENTAL MATTERS

Substantially all of the Company's in-service properties have been subjected to Phase I environmental assessments (and, in certain instances, Phase II environmental assessments). Such assessments and/or updates have not revealed, nor is management aware of, any environmental liability that management believes would have a material adverse effect on the accompanying consolidated financial statements.

13. DISCLOSURE ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The following disclosures of estimated fair values were determined by management using available market information and appropriate valuation methodologies. Considerable judgment is necessary to interpret market data and develop estimated fair values. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that the Company could realize upon disposition of the financial instruments. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair values. The carrying amounts and estimated fair values of the Company's financial instruments at December 31, 2001 were as follows:

HIGHWOODS PROPERTIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (Continued)

13. DISCLOSURE ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS - Continued

| | Carrying Amount | Fair Value |
|------------------------------------|--------------------|----------------|
| | ----- | ----- |
| | (\$ in thousands) | |
| Cash and cash equivalents..... | \$ 576 | \$ 576 |
| Accounts and notes receivable..... | \$ 67,420 | \$ 67,420 |
| Mortgages and notes payable..... | \$ (1,719,230) | \$ (1,714,534) |
| Interest rate hedge contract..... | \$ (411) | \$ (411) |

The fair values for the Company's fixed rate mortgages and notes payable were estimated using discounted cash flow analysis, based on the Company's estimated incremental borrowing rate at December 31, 2001, for similar types of borrowing arrangements. The carrying amounts of the Company's variable rate borrowings approximate fair value.

The fair value of the Company's interest rate hedge contract represents the estimated amount the Company would receive or pay to terminate or replace the financial instrument at current market rates.

Disclosures about the fair value of financial instruments are based on relevant information available to the Company at December 31, 2001. Although management is not aware of any factors that would have a material effect on the fair value amounts reported herein, such amounts have not been revalued since that date and current estimates of fair value may significantly differ from the amounts presented herein.

14. ACQUISITIONS AND DISPOSITIONS

During 1999, the Company sold approximately 3.3 million rentable square feet of office and industrial properties, 49 acres of development land in the South Florida area and 36 in-service central Florida office properties encompassing 2.1 million rentable square feet for gross proceeds of approximately \$488.3 million. In addition, the Company sold approximately 2.9 million rentable square feet of office and industrial properties for gross proceeds of \$208.1 million. The Company recorded a gain of \$8.7 million related to these dispositions.

During 2000, the Company contributed to joint ventures or sold approximately 8.2 million rentable square feet of office, industrial and retail properties and 272 acres of development land for gross proceeds of \$801.1 million. The Company recorded a gain of \$4.7 million related to these dispositions.

During 2001, the Company contributed to joint ventures or sold approximately 425,000 rentable square feet of office and industrial properties, 215.7 acres of development land and 1,672 Apartment Units for gross proceeds of \$180.3 million. The Company recorded a gain of \$16.2 million related to these dispositions. Since December 31, 2001 through February 19, 2002, the Company has sold 128,000 square feet of office properties and 43.0 acres of development land for gross proceeds of \$22.1 million.

15. SEGMENT INFORMATION

The sole business of the Company is the acquisition, development and operation of rental real estate properties. The Company operates office, industrial and retail properties and apartment units. There are no material intersegment transactions.

The Company's chief operating decision maker ("CDM") assesses and measures operating results based upon property level net operating income. The operating results for the individual assets within each property type have been aggregated since the CDM evaluates operating results and allocates resources on a property-by-property basis within the various property types.

HIGHWOODS PROPERTIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (Continued)

15. SEGMENT INFORMATION -- Continued

The accounting policies of the segments are the same as those described in Note 1. Further, all operations are within the United States and no tenant comprises more than 10% of consolidated revenues. The following table summarizes the rental income, net operating income and assets for each reportable segment for the years ended December 31, 2001, 2000 and 1999 (\$ in thousands):

| | Year Ended December 31 | | |
|---|------------------------|-------------|-------------|
| | 2001 | 2000 | 1999 |
| Rental Income: | | | |
| Office segment..... | \$ 413,539 | \$ 445,223 | \$ 466,027 |
| Industrial segment..... | 47,046 | 44,559 | 51,168 |
| Retail segment..... | 37,734 | 36,127 | 32,799 |
| Apartment segment..... | 8,531 | 17,474 | 16,822 |
| Total Rental Income..... | \$ 506,850 | \$ 543,383 | \$ 566,816 |
| | ===== | ===== | ===== |
| Net Operating Income: | | | |
| Office segment..... | 282,734 | \$ 310,955 | \$ 319,209 |
| Industrial segment..... | 38,940 | 37,417 | 42,361 |
| Retail segment..... | 25,319 | 25,054 | 21,685 |
| Apartment segment..... | 4,915 | 10,190 | 9,486 |
| Total Net Operating Income..... | \$ 351,908 | \$ 383,616 | \$ 392,741 |
| Reconciliation to income before minority interest and extraordinary item: | | | |
| Equity in earnings of unconsolidated affiliates..... | 8,911 | 3,863 | 1,185 |
| Cost of unsuccessful transactions..... | -- | -- | (1,500) |
| Gain on disposition of land and depreciable assets..... | 16,172 | 4,659 | 8,679 |
| Interest and other income..... | 24,854 | 19,185 | 16,934 |
| Interest expense..... | (108,501) | (112,827) | (117,134) |
| General and administrative expenses..... | (21,404) | (21,864) | (22,345) |
| Depreciation and amortization..... | (121,067) | (119,443) | (112,347) |
| Income before minority interest and extraordinary item..... | \$ 150,873 | \$ 157,189 | \$ 166,213 |
| | ===== | ===== | ===== |
| At December 31 | | | |
| | 2001 | 2000 | 1999 |
| Total Assets: | | | |
| Office segment..... | \$2,859,876 | \$2,661,914 | \$3,002,953 |
| Industrial segment..... | 343,606 | 299,660 | 435,022 |
| Retail segment..... | 263,622 | 273,023 | 258,853 |
| Apartment segment..... | 10,397 | 118,144 | 118,549 |
| Corporate and other..... | 170,785 | 348,861 | 200,820 |
| Total Assets..... | \$3,648,286 | \$3,701,602 | \$4,016,197 |
| | ===== | ===== | ===== |

HIGHWOODS PROPERTIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (Continued)

16. SELECTED QUARTERLY FINANCIAL DATA (Unaudited):

Selected quarterly financial data for the years ended December 31, 2001 and 2000 are as follows (\$ in thousands):

| | For the year ended December 31, 2001 | | | | |
|---|--------------------------------------|----------------|---------------|----------------|------------|
| | First Quarter | Second Quarter | Third Quarter | Fourth Quarter | Total |
| Total Revenue..... | \$ 137,267 | \$ 135,566 | \$ 134,141 | \$ 133,641 | \$ 540,615 |
| Income before gain on disposition of land and depreciable assets, minority interest and extraordinary item..... | 36,954 | 35,707 | 35,452 | 26,588 | 134,701 |
| Gain on disposition of land and depreciable assets..... | 7,071 | 5,670 | 3,357 | 74 | 16,172 |
| Income before minority interest and extraordinary item..... | 44,025 | 41,377 | 38,809 | 26,662 | 150,873 |
| Minority interest..... | (5,251) | (5,095) | (4,820) | (3,782) | (18,948) |
| Extraordinary item -- loss on early extinguishment of debt..... | (193) | (325) | -- | (196) | (714) |
| Net income..... | 38,581 | 35,957 | 33,989 | 22,684 | 131,211 |
| Dividends on preferred stock..... | (8,145) | (7,929) | (7,713) | (7,713) | (31,500) |
| Net income available for common shareholders..... | \$ 30,436 | \$ 28,028 | \$ 26,276 | \$ 14,971 | \$ 99,711 |
| Net income per common share -- basic: | | | | | |
| Income before extraordinary item..... | \$ 0.54 | \$ 0.53 | \$ 0.49 | \$ 0.29 | \$ 1.85 |
| Extraordinary item -- loss on early extinguishment of debt..... | -- | (0.01) | -- | -- | (0.01) |
| Net income..... | \$ 0.54 | \$ 0.52 | \$ 0.49 | \$ 0.29 | \$ 1.84 |
| Net income per common share -- diluted: | | | | | |
| Income before extraordinary item..... | \$ 0.54 | \$ 0.52 | \$ 0.49 | \$ 0.29 | \$ 1.84 |
| Extraordinary item -- loss on early extinguishment of debt..... | -- | (0.01) | -- | -- | (0.01) |
| Net income..... | \$ 0.54 | \$ 0.51 | \$ 0.49 | \$ 0.29 | \$ 1.83 |

HIGHWOODS PROPERTIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (Continued)

16. SELECTED QUARTERLY FINANCIAL DATA (Unaudited): -- Continued

(\$ in thousands)

| | For the year ended December 31, 2000 | | | | |
|--|--------------------------------------|----------------|---------------|----------------|------------|
| | First Quarter | Second Quarter | Third Quarter | Fourth Quarter | Total |
| Total Revenue..... | \$ 141,159 | \$ 145,121 | \$ 138,986 | \$ 141,165 | \$ 566,431 |
| Income before cost of unsuccessful transactions, gain/(loss) on disposition of assets, minority interest and extraordinary item..... | 40,506 | 40,537 | 35,938 | 35,549 | 152,530 |
| Gain/(loss) on disposition of assets.... | 6,946 | (26,062) | 10,552 | 13,223 | 4,659 |
| Income before minority interest and extraordinary item..... | 47,452 | 14,475 | 46,490 | 48,772 | 157,189 |
| Minority interest..... | (6,020) | (1,822) | (5,298) | (5,851) | (18,991) |
| Extraordinary item -- loss on early extinguishment of debt..... | (195) | (839) | (3,310) | (367) | (4,711) |
| Net income..... | 41,237 | 11,814 | 37,882 | 42,554 | 133,487 |
| Dividends on preferred stock..... | (8,145) | (8,145) | (8,145) | (8,145) | (32,580) |
| Net income available for common shareholders..... | \$ 33,092 | \$ 3,669 | \$ 29,737 | \$ 34,409 | \$ 100,907 |
| Net income per common share -- basic: | | | | | |
| Income before extraordinary item..... | \$ 0.55 | \$ 0.08 | \$ 0.56 | \$ 0.59 | \$ 1.78 |
| Extraordinary item -- loss on early extinguishment of debt..... | -- | (0.01) | (0.06) | (0.01) | (0.08) |
| Net income..... | \$ 0.55 | \$ 0.07 | \$ 0.50 | \$ 0.58 | \$ 1.70 |
| Net income per common share -- diluted: | | | | | |
| Income before extraordinary item..... | \$ 0.55 | \$ 0.08 | \$ 0.56 | \$ 0.59 | \$ 1.78 |
| Extraordinary item -- loss on early extinguishment of debt..... | -- | (0.01) | (0.06) | (0.01) | (0.08) |
| Net income..... | \$ 0.55 | \$ 0.07 | \$ 0.50 | \$ 0.58 | \$ 1.70 |

HIGHWOODS PROPERTIES, INC.

SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION

12/31/2001

(In Thousands)

| Description | JDE | City | 2001 Encumbrance | Initial Cost | | Cost Capitalized subsequent to Acquisition | |
|-----------------------------------|-------|---------|---------------------|--------------|----------------------------|---|----------------------------|
| | | | | Land | Building & Improvements | Land | Building & Improvements |
| Atlanta, GA | | | | | | | |
| Two Point Royal | 20060 | Atlanta | | 1,793 | 14,951 | - | 373 |
| 400 North Business Park | 20070 | Atlanta | | 979 | 6,112 | - | 241 |
| 50 Glenlake | 20080 | Atlanta | | 2,500 | 20,000 | - | 285 |
| 6348 Northeast Expressway | 20090 | Atlanta | | 277 | 1,629 | - | 107 |
| 6438 Northeast Expressway | 20100 | Atlanta | | 181 | 2,225 | - | 122 |
| Bluegrass Lakes I | 20110 | Atlanta | | 816 | 3,775 | - | (11) |
| Bluegrass Place I | 20130 | Atlanta | | 491 | 2,016 | - | 30 |
| Bluegrass Place II | 20140 | Atlanta | | 412 | 2,529 | - | 41 |
| Bluegrass Valley | 20150 | Atlanta | | 1,363 | - | - | 3,641 |
| Bluegrass Land Site V10 | 20160 | Atlanta | | 1,823 | - | - | - |
| Bluegrass Land Site V14 | 20170 | Atlanta | | 2,365 | - | - | - |
| 1700 Century Circle | 28330 | Atlanta | | - | 2,456 | - | - |
| 1700 Century Center | 20180 | Atlanta | | 1,115 | 3,148 | - | 567 |
| 1800 Century Boulevard | 20190 | Atlanta | | 1,441 | 28,939 | - | 857 |
| 1875 Century Boulevard | 20200 | Atlanta | | - | 8,790 | - | 483 |
| 1900 Century Boulevard | 20210 | Atlanta | | - | 4,721 | - | 815 |
| 2200 Century Parkway | 20220 | Atlanta | | - | 14,274 | - | 1,667 |
| 2400 Century Center | 20230 | Atlanta | | - | 14,970 | - | 50 |
| 2600 Century Parkway | 20240 | Atlanta | | - | 10,254 | - | 1,162 |
| 2635 Century Parkway | 20250 | Atlanta | | - | 21,083 | - | 1,379 |
| 2800 Century Parkway | 20260 | Atlanta | | - | 19,963 | - | 670 |
| Chattahoochee Avenue | 20270 | Atlanta | | 248 | 1,817 | - | 285 |
| Chastain Place I | 20280 | Atlanta | | 472 | 3,011 | - | 952 |
| Chastain Place II | 20290 | Atlanta | | 607 | 2,097 | - | 16 |
| Chastain Place III | 20300 | Atlanta | | 539 | 1,662 | - | (1) |
| Corporate Lakes | 20320 | Atlanta | | 1,275 | 7,227 | - | 589 |
| Cosmopolitan North | 20330 | Atlanta | | 2,855 | 4,155 | - | 1,328 |
| Century Plaza I | 20340 | Atlanta | | 1,290 | 8,425 | - | 1,091 |
| Century Plaza II | 20350 | Atlanta | | 1,380 | 7,589 | - | 363 |
| Century Plaza III | 20360 | Atlanta | | 570 | - | 293 | - |
| EKA Chemical | 20400 | Atlanta | | 609 | 9,883 | - | 3 |
| 1035 Fred Drive | 20410 | Atlanta | | 270 | 1,239 | - | 38 |
| 5125 Fulton Industrial Drive | 20430 | Atlanta | | 578 | 3,116 | - | 92 |
| Gwinnett Distribution Center | 20470 | Atlanta | | 1,128 | 5,943 | - | 415 |
| Kennestone Corporate Center | 20480 | Atlanta | | 518 | 4,874 | - | 309 |
| La Vista Business Park | 20490 | Atlanta | | 821 | 5,244 | - | 673 |
| Norcross I & II | 20500 | Atlanta | | 326 | 1,979 | - | 103 |
| Nortel | 20510 | Atlanta | | 3,342 | 32,109 | - | 14 |
| Newpoint Place I | 20520 | Atlanta | | 825 | 3,799 | - | 20 |
| Newpoint Place II | 20530 | Atlanta | | 1,436 | 3,321 | 47 | 1,536 |
| Newpoint Place III | 20540 | Atlanta | | 661 | 1,866 | - | 705 |
| Newpoint Place Land | 20550 | Atlanta | | 187 | - | 1,141 | 10 |
| Oakbrook I | 20570 | Atlanta | (6) | 873 | 4,948 | - | 273 |
| Oakbrook II | 20580 | Atlanta | (6) | 1,579 | 8,388 | - | 1,299 |
| Oakbrook III | 20590 | Atlanta | (6) | 1,480 | 8,388 | - | 339 |
| Oakbrook IV | 20600 | Atlanta | (6) | 953 | 5,400 | - | 401 |
| Oakbrook V | 20610 | Atlanta | (6) | 2,206 | 12,501 | - | 898 |
| Oakbrook Summit | 20620 | Atlanta | | 950 | 6,572 | - | 706 |
| Oxford Lake Business Center | 20630 | Atlanta | | 855 | 7,014 | - | 259 |
| Peachtree Corners Land | 20650 | Atlanta | | 1,232 | - | - | - |
| Southside Distribution Center | 20690 | Atlanta | | 810 | 1,219 | - | 3,391 |
| Highwoods Center I at Tradeport | 20720 | Atlanta | | 305 | 3,299 | - | 118 |
| Highwoods Center II at Tradeport | 20710 | Atlanta | | 635 | 3,474 | - | 757 |
| Highwoods Center III at Tradeport | 28590 | Atlanta | | 402 | 2,121 | 3 | 123 |
| Tradeport Land | 20730 | Atlanta | | 5,726 | - | - | 23 |

Gross Amount at Which
Carried at Close of Period

Life on
Which

| | Land | Building & Improvements | Total (12) | Accumulated Depreciation | Date of Construction | Depreciation is Computed |
|---------------------------|-------|----------------------------|------------|-----------------------------|-------------------------|-----------------------------|
| Atlanta, GA | | | | | | |
| Two Point Royal | 1,793 | 15,324 | 17,117 | 1,634 | 1997 | 5-40 yrs. |
| 400 North Business Park | 979 | 6,353 | 7,332 | 794 | 1985 | 5-40 yrs. |
| 50 Glenlake | 2,500 | 20,285 | 22,785 | 2,193 | 1997 | 5-40 yrs. |
| 6348 Northeast Expressway | 277 | 1,736 | 2,013 | 217 | 1978 | 5-40 yrs. |
| 6438 Northeast Expressway | 181 | 2,347 | 2,528 | 295 | 1981 | 5-40 yrs. |
| Bluegrass Lakes I | 816 | 3,764 | 4,580 | 477 | 1999 | 5-40 yrs. |
| Bluegrass Place I | 491 | 2,046 | 2,537 | 225 | 1995 | 5-40 yrs. |
| Bluegrass Place II | 412 | 2,570 | 2,982 | 282 | 1996 | 5-40 yrs. |
| Bluegrass Valley | 1,363 | 3,641 | 5,004 | 232 | 2000 | 5-40 yrs. |
| Bluegrass Land Site V10 | 1,823 | - | 1,823 | - | 1999 | 5-40 yrs. |
| Bluegrass Land Site V14 | 2,365 | - | 2,365 | - | 1999 | 5-40 yrs. |
| 1700 Century Circle | - | 2,456 | 2,456 | 64 | 1983 | 5-40 yrs. |
| 1700 Century Center | 1,115 | 3,715 | 4,830 | 732 | 1972 | 5-40 yrs. |

| | | | | | | |
|-----------------------------------|-------|--------|--------|-------|------|-----------|
| 1800 Century Boulevard | 1,441 | 29,796 | 31,237 | 3,829 | 1975 | 5-40 yrs. |
| 1875 Century Boulevard | - | 9,273 | 9,273 | 1,222 | 1976 | 5-40 yrs. |
| 1900 Century Boulevard | - | 5,536 | 5,536 | 932 | 1971 | 5-40 yrs. |
| 2200 Century Parkway | - | 15,941 | 15,941 | 2,397 | 1971 | 5-40 yrs. |
| 2400 Century Center | - | 15,020 | 15,020 | 2,588 | 1998 | 5-40 yrs. |
| 2600 Century Parkway | - | 11,416 | 11,416 | 1,503 | 1973 | 5-40 yrs. |
| 2635 Century Parkway | - | 22,462 | 22,462 | 3,048 | 1980 | 5-40 yrs. |
| 2800 Century Parkway | - | 20,633 | 20,633 | 2,555 | 1983 | 5-40 yrs. |
| Chattahoochee Avenue | 248 | 2,102 | 2,350 | 415 | 1970 | 5-40 yrs. |
| Chastain Place I | 472 | 3,963 | 4,435 | 987 | 1997 | 5-40 yrs. |
| Chastain Place II | 607 | 2,113 | 2,720 | 435 | 1998 | 5-40 yrs. |
| Chastain Place III | 539 | 1,661 | 2,200 | 284 | 1999 | 5-40 yrs. |
| Corporate Lakes | 1,275 | 7,816 | 9,091 | 1,204 | 1988 | 5-40 yrs. |
| Cosmopolitan North | 2,855 | 5,483 | 8,338 | 1,039 | 1980 | 5-40 yrs. |
| Century Plaza I | 1,290 | 9,516 | 10,806 | 589 | 1981 | 5-40 yrs. |
| Century Plaza II | 1,380 | 7,952 | 9,332 | 487 | 1984 | 5-40 yrs. |
| Century Plaza III | 863 | - | 863 | - | 1984 | 5-40 yrs. |
| EKA Chemical | 609 | 9,886 | 10,495 | 937 | 1998 | 5-40 yrs. |
| 1035 Fred Drive | 270 | 1,277 | 1,547 | 159 | 1973 | 5-40 yrs. |
| 5125 Fulton Industrial Drive | 578 | 3,208 | 3,786 | 423 | 1973 | 5-40 yrs. |
| Gwinnett Distribution Center | 1,128 | 6,358 | 7,486 | 876 | 1991 | 5-40 yrs. |
| Kennestone Corporate Center | 518 | 5,183 | 5,701 | 664 | 1985 | 5-40 yrs. |
| La Vista Business Park | 821 | 5,917 | 6,738 | 882 | 1973 | 5-40 yrs. |
| Norcross I & II | 326 | 2,082 | 2,408 | 262 | 1970 | 5-40 yrs. |
| Nortel | 3,342 | 32,123 | 35,465 | 3,045 | 1998 | 5-40 yrs. |
| Newpoint Place I | 825 | 3,819 | 4,644 | 1,006 | 1998 | 5-40 yrs. |
| Newpoint Place II | 1,483 | 4,857 | 6,340 | 417 | 1999 | 5-40 yrs. |
| Newpoint Place III | 661 | 2,571 | 3,232 | 456 | 1998 | 5-40 yrs. |
| Newpoint Place Land | 1,328 | 10 | 1,338 | - | N/A | N/A |
| Oakbrook I | 873 | 5,221 | 6,094 | 759 | 1981 | 5-40 yrs. |
| Oakbrook II | 1,579 | 9,687 | 11,266 | 1,787 | 1983 | 5-40 yrs. |
| Oakbrook III | 1,480 | 8,727 | 10,207 | 1,325 | 1984 | 5-40 yrs. |
| Oakbrook IV | 953 | 5,801 | 6,754 | 831 | 1985 | 5-40 yrs. |
| Oakbrook V | 2,206 | 13,399 | 15,605 | 2,114 | 1985 | 5-40 yrs. |
| Oakbrook Summit | 950 | 7,278 | 8,228 | 1,048 | 1981 | 5-40 yrs. |
| Oxford Lake Business Center | 855 | 7,273 | 8,128 | 858 | 1985 | 5-40 yrs. |
| Peachtree Corners Land | 1,232 | - | 1,232 | - | N/A | N/A |
| Southside Distribution Center | 810 | 4,610 | 5,420 | 571 | 1988 | 5-40 yrs. |
| Highwoods Center I at Tradeport | 305 | 3,417 | 3,722 | 550 | 1999 | 5-40 yrs. |
| Highwoods Center II at Tradeport | 635 | 4,231 | 4,866 | 503 | 1999 | 5-40 yrs. |
| Highwoods Center III at Tradeport | 405 | 2,244 | 2,649 | 7 | 2001 | 5-40 yrs. |
| Tradeport Land | 5,726 | 23 | 5,749 | 1 | N/A | N/A |

| Description | JDE | City | 2001 Encumbrance | Initial Cost | | Cost Capitalized subsequent to Acquisition | |
|---|--------|----------------------------|---------------------|-----------------------------|----------------------------|---|----------------------------|
| | | | | Land | Building & Improvements | Land | Building & Improvements |
| | | | | | | | |
| Tradeport Place I | 20740 | Atlanta | | 557 | 2,669 | - | 184 |
| Tradeport Place II | 20750 | Atlanta | | 557 | 3,456 | - | 59 |
| Tradeport Place III | 20760 | Atlanta | | - | - | 668 | 3,835 |
| Tradeport Place IV | 28260 | Atlanta | | 661 | 3,182 | - | (12) |
| Baltimore, MD | | | | | | | |
| Sportsman Club Land | 20770 | Baltimore | | 24,700 | - | - | - |
| Charlotte, NC | | | | | | | |
| Ridgefield | 20030 | Charlotte | | 793 | - | - | - |
| 4101 Stuart Andrew Boulevard | 20800 | Charlotte | | 70 | 510 | - | 265 |
| 4105 Stuart Andrew Boulevard | 20810 | Charlotte | | 26 | 189 | - | 34 |
| 4109 Stuart Andrew Boulevard | 20820 | Charlotte | | 87 | 636 | - | 72 |
| 4201 Stuart Andrew Boulevard | 20830 | Charlotte | | 110 | 809 | - | 88 |
| 4205 Stuart Andrew Boulevard | 20840 | Charlotte | | 134 | 979 | - | 63 |
| 4209 Stuart Andrew Boulevard | 20850 | Charlotte | | 91 | 665 | - | 106 |
| 4215 Stuart Andrew Boulevard | 20860 | Charlotte | | 133 | 978 | - | 94 |
| 4301 Stuart Andrew Boulevard | 20870 | Charlotte | | 232 | 1,702 | - | 171 |
| 4321 Stuart Andrew Boulevard | 20880 | Charlotte | | 73 | 534 | - | 42 |
| 4601 Park Square | 20890 | Charlotte | | 2,601 | 7,802 | - | 322 |
| Alston & Bird | 20900 | Charlotte | | 2,362 | 5,379 | 4 | 40 |
| First Citizens Building | 20910 | Charlotte | | 647 | 5,528 | - | 699 |
| Twin Lakes Distribution Center | 20920 | Charlotte | | 2,816 | 6,570 | - | 1 |
| Mallard Creek I | 20930 | Charlotte | | 1,248 | 4,142 | - | 605 |
| Mallard Creek III | 20940 | Charlotte | | 845 | 4,762 | - | 140 |
| Mallard Creek IV | 20950 | Charlotte | | 348 | 1,152 | - | 4 |
| Mallard Creek V | 20960 | Charlotte | | 1,665 | 8,738 | - | 2,145 |
| Mallard Creek VI | 20970 | Charlotte | | 839 | - | - | - |
| Oakhill Land | 20990 | Charlotte | | 2,796 | - | - | - |
| Oakhill Business Park English Oak | 21000 | Charlotte | (6) | 750 | 4,248 | - | 300 |
| Oakhill Business Park Laurel Oak | 21010 | Charlotte | (6) | 471 | 2,671 | - | 405 |
| Oakhill Business Park Live Oak | 21020 | Charlotte | | 1,403 | 5,611 | - | 1,152 |
| Oakhill Business Park Scarlet Oak | 21030 | Charlotte | (6) | 1,073 | 6,078 | - | 545 |
| Oakhill Business Park Twin Oak | 21040 | Charlotte | (6) | 1,243 | 7,044 | - | 653 |
| Oakhill Business Park Willow Oak | 21050 | Charlotte | (6) | 442 | 2,505 | - | 890 |
| Oakhill Business Park Water Oak | 21060 | Charlotte | (6) | 1,623 | 9,196 | - | 933 |
| Pinebrook | 21070 | Charlotte | | 846 | 4,607 | - | 387 |
| One Parkway Plaza Building | 21080 | Charlotte | | 1,110 | 4,741 | - | 884 |
| Two Parkway Plaza Building | 21090 | Charlotte | | 1,694 | 6,777 | - | 1,428 |
| Three Parkway Plaza Building | 21100 | Charlotte | (3) | 1,570 | 6,282 | - | 815 |
| Six Parkway Plaza Building | 21110 | Charlotte | | - | 2,438 | - | 531 |
| Seven Parkway Plaza Building | 21120 | Charlotte | | - | 4,648 | - | 253 |
| Eight Parkway Plaza Building | 21130 | Charlotte | | - | 4,698 | - | 203 |
| Nine Parkway Plaza Building | 21140 | Charlotte | | - | 6,008 | - | 40 |
| Eleven Parkway Plaza Building | 21150 | Charlotte | | - | 2,328 | 160 | 219 |
| Twelve Parkway Plaza Building | 21160 | Charlotte | | 112 | 1,489 | - | 302 |
| Fourteen Parkway Plaza Building | 21170 | Charlotte | | 483 | 6,077 | - | 963 |
| 385 Land | 22420 | Charlotte | | 1,801 | - | - | - |
| University Center | 28400 | Charlotte | | 1,296 | 216 | - | (7) |
| University Center - Land | 28410 | Charlotte | | 7,840 | - | - | - |
| Oakhill Land | 28700 | Charlotte | | 1,148 | - | - | - |
| Columbia, SC | | | | | | | |
| Centerpoint I | 21270 | Columbia | | 1,313 | 7,441 | - | 437 |
| Centerpoint II | 21280 | Columbia | | 1,183 | 8,724 | 1 | 12 |
| Centerpoint V | 21290 | Columbia | | 265 | 1,279 | - | 341 |
| Centerpoint VI | 21300 | Columbia | | 276 | - | - | - |
| Fontaine I | 21310 | Columbia | | 1,219 | 6,907 | - | 1,842 |
| Fontaine II | 21320 | Columbia | | 941 | 5,335 | - | 792 |
| Fontaine III | 21330 | Columbia | | 853 | 4,833 | - | 94 |
| Fontaine V | 21340 | Columbia | | 395 | 2,237 | - | 19 |
| Piedmont Triad, NC | | | | | | | |
| Concourse Center 1 | 21360 | Piedmont Triad | | 946 | 7,646 | - | - |
| ECPI | 21370 | Piedmont Triad | | 431 | 2,522 | (946) | (7,646) |
| Bissell Land | 21380 | Piedmont Triad | | 990 | - | (431) | (2,522) |
| 6348 Burnt Poplar | 21390 | Piedmont Triad | | 721 | 2,883 | - | 26 |
| 6350 Burnt Poplar | 21400 | Piedmont Triad | | 339 | 1,365 | - | 64 |
| Chimney Rock A/B | 21410 | Piedmont Triad | | 1,610 | 3,757 | 1 | 510 |
| Chimney Rock C | 21420 | Piedmont Triad | | 604 | 1,408 | - | 6 |
| Gross Amount at Which Carried at Close of Period | | | | | | | |
| | Land | Building & Improvements | Total(12) | Accumulated Depreciation | Date of Construction | Depreciation is Computed | Life on Which |
| Tradeport Place I | 557 | 2,853 | 3,410 | 420 | 1999 | 5-40 yrs. | |
| Tradeport II | 557 | 3,515 | 4,072 | 581 | 1999 | 5-40 yrs. | |
| Tradeport III | 668 | 3,835 | 4,503 | 275 | 1999 | 5-40 yrs. | |
| Tradeport IV | 661 | 3,170 | 3,831 | - | 2001 | 5-40 yrs. | |
| Baltimore, MD | | | | | | | |
| Sportsman Club Land | 24,700 | - | 24,700 | - | N/A | N/A | |

| | | | | | | |
|-----------------------------------|-------|--------|--------|-------|------|-----------|
| Charlotte, NC | | | | | | |
| Ridgefield | 793 | - | 793 | - | N/A | N/A |
| 4101 Stuart Andrew Boulevard | 70 | 775 | 845 | 266 | 1984 | 5-40 yrs. |
| 4105 Stuart Andrew Boulevard | 26 | 223 | 249 | 52 | 1984 | 5-40 yrs. |
| 4109 Stuart Andrew Boulevard | 87 | 708 | 795 | 136 | 1984 | 5-40 yrs. |
| 4201 Stuart Andrew Boulevard | 110 | 897 | 1,007 | 174 | 1982 | 5-40 yrs. |
| 4205 Stuart Andrew Boulevard | 134 | 1,042 | 1,176 | 199 | 1982 | 5-40 yrs. |
| 4209 Stuart Andrew Boulevard | 91 | 771 | 862 | 168 | 1982 | 5-40 yrs. |
| 4215 Stuart Andrew Boulevard | 133 | 1,072 | 1,205 | 210 | 1982 | 5-40 yrs. |
| 4301 Stuart Andrew Boulevard | 232 | 1,873 | 2,105 | 359 | 1982 | 5-40 yrs. |
| 4321 Stuart Andrew Boulevard | 73 | 576 | 649 | 108 | 1982 | 5-40 yrs. |
| 4601 Park Square | 2,601 | 8,124 | 10,725 | 792 | 1972 | 5-40 yrs. |
| Alston & Bird | 2,366 | 5,419 | 7,785 | 534 | 1965 | 5-40 yrs. |
| First Citizens Building | 647 | 6,227 | 6,874 | 1,390 | 1989 | 5-40 yrs. |
| Twin Lakes Distribution Center | 2,816 | 6,571 | 9,387 | 588 | 1991 | 5-40 yrs. |
| Mallard Creek I | 1,248 | 4,747 | 5,995 | 501 | 1986 | 5-40 yrs. |
| Mallard Creek III | 845 | 4,902 | 5,747 | 469 | 1990 | 5-40 yrs. |
| Mallard Creek IV | 348 | 1,156 | 1,504 | 105 | 1993 | 5-40 yrs. |
| Mallard Creek V | 1,665 | 10,883 | 12,548 | 1,023 | 1999 | 5-40 yrs. |
| Mallard Creek VI | 839 | - | 839 | - | N/A | N/A |
| Oakhill Land | 2,796 | - | 2,796 | - | N/A | N/A |
| Oakhill Business Park English Oak | 750 | 4,548 | 5,298 | 644 | 1984 | 5-40 yrs. |
| Oakhill Business Park Laurel Oak | 471 | 3,076 | 3,547 | 554 | 1984 | 5-40 yrs. |
| Oakhill Business Park Live Oak | 1,403 | 6,763 | 8,166 | 1,211 | 1989 | 5-40 yrs. |
| Oakhill Business Park Scarlet Oak | 1,073 | 6,623 | 7,696 | 1,051 | 1982 | 5-40 yrs. |
| Oakhill Business Park Twin Oak | 1,243 | 7,697 | 8,940 | 1,191 | 1985 | 5-40 yrs. |
| Oakhill Business Park Willow Oak | 442 | 3,395 | 3,837 | 813 | 1982 | 5-40 yrs. |
| Oakhill Business Park Water Oak | 1,623 | 10,129 | 11,752 | 1,794 | 1985 | 5-40 yrs. |
| Pinebrook | 846 | 4,994 | 5,840 | 654 | 1986 | 5-40 yrs. |
| One Parkway Plaza Building | 1,110 | 5,625 | 6,735 | 997 | 1982 | 5-40 yrs. |
| Two Parkway Plaza Building | 1,694 | 8,205 | 9,899 | 2,043 | 1983 | 5-40 yrs. |
| Three Parkway Plaza Building | 1,570 | 7,097 | 8,667 | 1,378 | 1984 | 5-40 yrs. |
| Six Parkway Plaza Building | - | 2,969 | 2,969 | 746 | 1996 | 5-40 yrs. |
| Seven Parkway Plaza Building | - | 4,901 | 4,901 | 757 | 1985 | 5-40 yrs. |
| Eight Parkway Plaza Building | - | 4,901 | 4,901 | 747 | 1986 | 5-40 yrs. |
| Nine Parkway Plaza Building | - | 6,048 | 6,048 | 918 | 1984 | 5-40 yrs. |
| Eleven Parkway Plaza | 160 | 2,547 | 2,707 | 387 | 1999 | 5-40 yrs. |
| Twelve Parkway Plaza | 112 | 1,791 | 1,903 | 203 | 1999 | 5-40 yrs. |
| Fourteen Parkway Plaza Building | 483 | 7,040 | 7,523 | 733 | 1999 | 5-40 yrs. |
| 385 Land | 1,801 | - | 1,801 | - | N/A | N/A |
| University Center | 1,296 | 209 | 1,505 | 4 | 2001 | 5-40 yrs. |
| University Center - Land | 7,840 | - | 7,840 | - | N/A | N/A |
| Oakhill Land | 1,148 | - | 1,148 | - | N/A | N/A |
| Columbia, SC | | | | | | |
| Centerpoint I | 1,313 | 7,878 | 9,191 | 1,118 | 1988 | 5-40 yrs. |
| Centerpoint II | 1,184 | 8,736 | 9,920 | 1,530 | 1996 | 5-40 yrs. |
| Centerpoint V | 265 | 1,620 | 1,885 | 356 | 1997 | 5-40 yrs. |
| Centerpoint VI | 276 | - | 276 | - | N/A | N/A |
| Fontaine I | 1,219 | 8,749 | 9,968 | 1,089 | 1985 | 5-40 yrs. |
| Fontaine II | 941 | 6,127 | 7,068 | 1,416 | 1987 | 5-40 yrs. |
| Fontaine III | 853 | 4,927 | 5,780 | 696 | 1988 | 5-40 yrs. |
| Fontaine V | 395 | 2,256 | 2,651 | 298 | 1990 | 5-40 yrs. |
| Piedmont Triad, NC | | | | | | |
| Concourse Center 1 | - | - | - | - | 1999 | 5-40 yrs. |
| ECPI | - | - | - | - | 2000 | 5-40 yrs. |
| Bissell Land | - | - | - | - | N/A | N/A |
| 6348 Burnt Poplar | 721 | 2,909 | 3,630 | 501 | 1990 | 5-40 yrs. |
| 6350 Burnt Poplar | 339 | 1,429 | 1,768 | 250 | 1992 | 5-40 yrs. |
| Chimney Rock A/B | 1,611 | 4,267 | 5,878 | 445 | 1981 | 5-40 yrs. |
| Chimney Rock C | 604 | 1,414 | 2,018 | 136 | 1983 | 5-40 yrs. |

| Description | JDE | City | 2001 Encumbrance | Initial Cost | | Cost Capitalized subsequent to Acquisition | |
|---------------------------------|-------|----------------|---------------------|--------------|----------------------------|---|----------------------------|
| | | | | Land | Building & Improvements | Land | Building & Improvements |
| | | | | | | | |
| Chimney Rock D | 21430 | Piedmont Triad | | 236 | 550 | - | 53 |
| Chimney Rock E | 21440 | Piedmont Triad | | 1,692 | 3,948 | 1 | 55 |
| Chimney Rock F | 21450 | Piedmont Triad | | 1,431 | 3,338 | 1 | 3 |
| Chimney Rock G | 21460 | Piedmont Triad | | 1,044 | 2,435 | 1 | 12 |
| Deep River Corporate Center | 21470 | Piedmont Triad | | 1,033 | 5,855 | - | 318 |
| Airpark East-Copier Consultants | 21480 | Piedmont Triad | (2) | 252 | 1,008 | (29) | 124 |
| Airpark East-Building 1 | 21490 | Piedmont Triad | (2) | 377 | 1,510 | - | 160 |
| Airpark East-Building 2 | 21500 | Piedmont Triad | (2) | 461 | 1,842 | - | 31 |
| Airpark East-Building 3 | 21510 | Piedmont Triad | (2) | 321 | 1,283 | - | 153 |
| Airpark East-HewlettPackard | 21520 | Piedmont Triad | (2) | 149 | 727 | 315 | 337 |
| Airpark East-Inacom Building | 21530 | Piedmont Triad | (2) | 106 | 478 | 159 | 294 |
| Airpark East-Simplex | 21540 | Piedmont Triad | (2) | 103 | 526 | 168 | 260 |
| Airpark East-Building A | 21550 | Piedmont Triad | (2) | 541 | 2,913 | (33) | 676 |
| Airpark East-Building B | 21560 | Piedmont Triad | (2) | 779 | 3,200 | (43) | 433 |
| Airpark East-Building C | 21570 | Piedmont Triad | (2) | 2,384 | 9,535 | - | 1,721 |
| Airpark East-Building D | 21580 | Piedmont Triad | (2) | 271 | 3,213 | 579 | 730 |
| Airpark East-Service Center 1 | 21610 | Piedmont Triad | (2) | 275 | 1,099 | (39) | 134 |
| Airpark East-Service Center 2 | 21620 | Piedmont Triad | (2) | 222 | 889 | (31) | 119 |
| Airpark East-Service Center 3 | 21630 | Piedmont Triad | (2) | 304 | 1,214 | - | 65 |
| Airpark East-Service Center 4 | 21640 | Piedmont Triad | (2) | 224 | 898 | - | 186 |
| Airpark East-Service Court | 21650 | Piedmont Triad | (2) | 194 | 774 | (24) | 57 |
| Airpark East-Warehouse 1 | 21660 | Piedmont Triad | (2) | 384 | 1,535 | (29) | 99 |
| Airpark East-Warehouse 2 | 21670 | Piedmont Triad | (2) | 372 | 1,488 | - | 99 |
| Airpark East-Warehouse 3 | 21680 | Piedmont Triad | (2) | 370 | 1,480 | (30) | 55 |
| Airpark East-Warehouse 4 | 21690 | Piedmont Triad | (2) | 657 | 2,628 | - | 182 |
| Airpark East-Highland | 21700 | Piedmont Triad | (2) | 175 | 699 | (30) | 376 |
| Inman Road Land | 21830 | Piedmont Triad | | 2,363 | - | - | - |
| 7906 Industrial Village Road | 21840 | Piedmont Triad | | 62 | 455 | - | 23 |
| 7908 Industrial Village Road | 21850 | Piedmont Triad | | 62 | 455 | - | 34 |
| 7910 Industrial Village Road | 21860 | Piedmont Triad | | 62 | 455 | - | 50 |
| Jefferson Pilot Land | 21870 | Piedmont Triad | | 11,199 | - | - | - |
| Airpark North-DC1 | 21880 | Piedmont Triad | (2) | 723 | 2,891 | 134 | 229 |
| Airpark North-DC2 | 21890 | Piedmont Triad | (2) | 1,094 | 4,375 | 203 | 107 |
| Airpark North-DC3 | 21900 | Piedmont Triad | (2) | 378 | 1,511 | 70 | 215 |
| Airpark North-DC4 | 21910 | Piedmont Triad | (2) | 377 | 1,508 | 70 | 141 |
| Airpark North Land | 21920 | Piedmont Triad | | 804 | - | (804) | - |
| 2606 Phoenix Drive-100 Series | 21940 | Piedmont Triad | | 63 | 466 | - | 3 |
| 2606 Phoenix Drive-200 Series | 21950 | Piedmont Triad | | 63 | 466 | - | 89 |
| 2606 Phoenix Drive-300 Series | 21960 | Piedmont Triad | | 31 | 229 | - | 125 |
| 2606 Phoenix Drive-400 Series | 21970 | Piedmont Triad | | 52 | 382 | - | 23 |
| 2606 Phoenix Drive-500 Series | 21980 | Piedmont Triad | | 64 | 471 | - | 24 |
| 2606 Phoenix Drive-600 Series | 21990 | Piedmont Triad | | 78 | 575 | - | 31 |
| 2606 Phoenix Drive-700 Series | 22000 | Piedmont Triad | | - | 533 | - | 203 |
| 2606 Phoenix Drive-800 Series | 22010 | Piedmont Triad | | | 2,308 | | 214 |
| Highwoods Park Building 1 | 28670 | Piedmont Triad | | 1,980 | 7,273 | 12 | 237 |
| 500 Radar Road | 22110 | Piedmont Triad | | 202 | 1,484 | - | 124 |
| 502 Radar Road | 22120 | Piedmont Triad | | 39 | 285 | - | 80 |
| 504 Radar Road | 22130 | Piedmont Triad | | 39 | 285 | - | 15 |
| 506 Radar Road | 22140 | Piedmont Triad | | 39 | 285 | - | 14 |
| Regency One-Piedmont Center | 22150 | Piedmont Triad | | 515 | 2,347 | - | 578 |
| Regency Two-Piedmont Center | 22160 | Piedmont Triad | | 435 | 1,859 | - | 531 |
| Sears Cenfact | 22170 | Piedmont Triad | | 861 | 3,446 | (31) | 348 |
| Airpark South Warehouse 1 | 22210 | Piedmont Triad | | 537 | 2,934 | 8 | (423) |
| Airpark South Warehouse 2 | 22220 | Piedmont Triad | | 733 | 2,548 | 11 | (36) |
| Airpark South Warehouse 3 | 22230 | Piedmont Triad | | 599 | 2,365 | - | - |
| Airpark South Warehouse 4 | 22240 | Piedmont Triad | | 489 | 2,175 | 7 | 244 |
| Airpark South Warehouse 6 | 22250 | Piedmont Triad | | 1,690 | 3,915 | 26 | 6 |
| Airpark West 1 | 22270 | Piedmont Triad | (3) | 954 | 3,817 | - | 847 |
| Airpark West 2 | 22280 | Piedmont Triad | (3) | 887 | 3,536 | (3) | 528 |
| Airpark West 4 | 22290 | Piedmont Triad | (3) | 226 | 903 | - | 186 |
| Airpark West 5 | 22300 | Piedmont Triad | (3) | 242 | 966 | - | 160 |
| Airpark West 6 | 22310 | Piedmont Triad | (3) | 326 | 1,308 | - | 163 |
| 7327 West Friendly Avenue | 22320 | Piedmont Triad | | 60 | 441 | - | 22 |
| 7339 West Friendly Avenue | 22330 | Piedmont Triad | | 63 | 465 | - | 41 |
| 7341 West Friendly Avenue | 22340 | Piedmont Triad | | 113 | 831 | - | 134 |
| 7343 West Friendly Avenue | 22350 | Piedmont Triad | | 72 | 531 | - | 27 |
| 7345 West Friendly Avenue | 22360 | Piedmont Triad | | 66 | 485 | - | 25 |
| 7347 West Friendly Avenue | 22370 | Piedmont Triad | | 97 | 709 | - | 84 |
| 7349 West Friendly Avenue | 22380 | Piedmont Triad | | 53 | 388 | - | 17 |
| 7351 West Friendly Avenue | 22390 | Piedmont Triad | | 106 | 778 | - | 30 |

Gross Amount at Which
Carried at Close of Period

Life on
Which

| Description | Land | Building & Improvements | Total(12) | Accumulated Depreciation | Date of Construction | Depreciation is Computed |
|---------------------------------|-------|----------------------------|-----------|-----------------------------|-------------------------|-----------------------------|
| Chimney Rock D | 236 | 603 | 839 | 98 | 1983 | 5-40 yrs. |
| Chimney Rock E | 1,693 | 4,003 | 5,696 | 384 | 1985 | 5-40 yrs. |
| Chimney Rock F | 1,432 | 3,341 | 4,773 | 319 | 1987 | 5-40 yrs. |
| Chimney Rock G | 1,045 | 2,447 | 3,492 | 232 | 1987 | 5-40 yrs. |
| Deep River Corporate Center | 1,033 | 6,173 | 7,206 | 997 | 1989 | 5-40 yrs. |
| Airpark East-Copier Consultants | 223 | 1,132 | 1,355 | 212 | 1990 | 5-40 yrs. |
| Airpark East-Building 1 | 377 | 1,670 | 2,047 | 331 | 1990 | 5-40 yrs. |
| Airpark East-Building 2 | 461 | 1,873 | 2,334 | 325 | 1986 | 5-40 yrs. |
| Airpark East-Building 3 | 321 | 1,436 | 1,757 | 282 | 1986 | 5-40 yrs. |

| | | | | | | |
|-------------------------------|--------|--------|--------|-------|------|-----------|
| Airpark East-HewlettPackard | 464 | 1,064 | 1,528 | 280 | 1996 | 5-40 yrs. |
| Airpark East-Inacom Building | 265 | 772 | 1,037 | 252 | 1996 | 5-40 yrs. |
| Airpark East-Simplex | 271 | 786 | 1,057 | 213 | 1997 | 5-40 yrs. |
| Airpark East-Building A | 508 | 3,589 | 4,097 | 833 | 1986 | 5-40 yrs. |
| Airpark East-Building B | 736 | 3,633 | 4,369 | 808 | 1988 | 5-40 yrs. |
| Airpark East-Building C | 2,384 | 11,256 | 13,640 | 2,093 | 1990 | 5-40 yrs. |
| Airpark East-Building D | 850 | 3,943 | 4,793 | 993 | 1997 | 5-40 yrs. |
| Airpark East-Service Center 1 | 236 | 1,233 | 1,469 | 284 | 1985 | 5-40 yrs. |
| Airpark East-Service Center 2 | 191 | 1,008 | 1,199 | 199 | 1985 | 5-40 yrs. |
| Airpark East-Service Center 3 | 304 | 1,279 | 1,583 | 263 | 1985 | 5-40 yrs. |
| Airpark East-Service Center 4 | 224 | 1,084 | 1,308 | 219 | 1985 | 5-40 yrs. |
| Airpark East-Service Court | 170 | 831 | 1,001 | 169 | 1990 | 5-40 yrs. |
| Airpark East-Warehouse 1 | 355 | 1,634 | 1,989 | 306 | 1985 | 5-40 yrs. |
| Airpark East-Warehouse 2 | 372 | 1,587 | 1,959 | 314 | 1985 | 5-40 yrs. |
| Airpark East-Warehouse 3 | 340 | 1,535 | 1,875 | 276 | 1986 | 5-40 yrs. |
| Airpark East-Warehouse 4 | 657 | 2,810 | 3,467 | 547 | 1988 | 5-40 yrs. |
| Airpark East-Highland | 145 | 1,075 | 1,220 | 147 | 1990 | 5-40 yrs. |
| Inman Road Land | 2,363 | - | 2,363 | - | N/A | N/A |
| 7906 Industrial Village Road | 62 | 478 | 540 | 78 | 1985 | 5-40 yrs. |
| 7908 Industrial Village Road | 62 | 489 | 551 | 95 | 1985 | 5-40 yrs. |
| 7910 Industrial Village Road | 62 | 505 | 567 | 93 | 1985 | 5-40 yrs. |
| Jefferson Pilot Land | 11,199 | - | 11,199 | - | N/A | N/A |
| Airpark North - DC1 | 857 | 3,120 | 3,977 | 552 | 1986 | 5-40 yrs. |
| Airpark North - DC2 | 1,297 | 4,482 | 5,779 | 793 | 1987 | 5-40 yrs. |
| Airpark North - DC3 | 448 | 1,726 | 2,174 | 427 | 1988 | 5-40 yrs. |
| Airpark North - DC4 | 447 | 1,649 | 2,096 | 346 | 1988 | 5-40 yrs. |
| Airpark North Land | - | - | - | - | N/A | N/A |
| 2606 Phoenix Drive-100 Series | 63 | 469 | 532 | 75 | 1989 | 5-40 yrs. |
| 2606 Phoenix Drive-200 Series | 63 | 555 | 618 | 100 | 1989 | 5-40 yrs. |
| 2606 Phoenix Drive-300 Series | 31 | 354 | 385 | 81 | 1989 | 5-40 yrs. |
| 2606 Phoenix Drive-400 Series | 52 | 405 | 457 | 72 | 1989 | 5-40 yrs. |
| 2606 Phoenix Drive-500 Series | 64 | 495 | 559 | 94 | 1989 | 5-40 yrs. |
| 2606 Phoenix Drive-600 Series | 78 | 606 | 684 | 115 | 1989 | 5-40 yrs. |
| 2606 Phoenix Drive-700 Series | - | 736 | 736 | 132 | 1988 | 5-40 yrs. |
| 2606 Phoenix Drive-800 Series | - | 2,522 | 2,522 | 65 | | 5-40 yrs. |
| Highwoods Park Building 1 | 1,992 | 7,510 | 9,502 | 23 | 2001 | 5-40 yrs. |
| 500 Radar Road | 202 | 1,608 | 1,810 | 309 | 1981 | 5-40 yrs. |
| 502 Radar Road | 39 | 365 | 404 | 99 | 1986 | 5-40 yrs. |
| 504 Radar Road | 39 | 300 | 339 | 53 | 1986 | 5-40 yrs. |
| 506 Radar Road | 39 | 299 | 338 | 51 | 1986 | 5-40 yrs. |
| Regency One-Piedmont Center | 515 | 2,925 | 3,440 | 635 | 1996 | 5-40 yrs. |
| Regency Two-Piedmont Center | 435 | 2,390 | 2,825 | 714 | 1996 | 5-40 yrs. |
| Sears Cenfact | 830 | 3,794 | 4,624 | 637 | 1989 | 5-40 yrs. |
| Airpark South Warehouse 1 | 545 | 2,511 | 3,056 | 385 | 1998 | 5-40 yrs. |
| Airpark South Warehouse 2 | 744 | 2,512 | 3,256 | 160 | 1999 | 5-40 yrs. |
| Airpark South Warehouse 3 | 599 | 2,365 | 2,964 | 115 | 1999 | 5-40 yrs. |
| Airpark South Warehouse 4 | 496 | 2,419 | 2,915 | 290 | 1999 | 5-40 yrs. |
| Airpark South Warehouse 6 | 1,716 | 3,921 | 5,637 | 275 | 1999 | 5-40 yrs. |
| Airpark West 1 | 954 | 4,664 | 5,618 | 1,078 | 1984 | 5-40 yrs. |
| Airpark West 2 | 884 | 4,064 | 4,948 | 1,026 | 1985 | 5-40 yrs. |
| Airpark West 4 | 226 | 1,089 | 1,315 | 255 | 1985 | 5-40 yrs. |
| Airpark West 5 | 242 | 1,126 | 1,368 | 243 | 1985 | 5-40 yrs. |
| Airpark West 6 | 326 | 1,471 | 1,797 | 329 | 1985 | 5-40 yrs. |
| 7327 West Friendly Avenue | 60 | 463 | 523 | 75 | 1987 | 5-40 yrs. |
| 7339 West Friendly Avenue | 63 | 506 | 569 | 93 | 1989 | 5-40 yrs. |
| 7341 West Friendly Avenue | 113 | 965 | 1,078 | 195 | 1988 | 5-40 yrs. |
| 7343 West Friendly Avenue | 72 | 558 | 630 | 96 | 1988 | 5-40 yrs. |
| 7345 West Friendly Avenue | 66 | 510 | 576 | 88 | 1988 | 5-40 yrs. |
| 7347 West Friendly Avenue | 97 | 793 | 890 | 172 | 1988 | 5-40 yrs. |
| 7349 West Friendly Avenue | 53 | 405 | 458 | 73 | 1988 | 5-40 yrs. |
| 7351 West Friendly Avenue | 106 | 808 | 914 | 143 | 1988 | 5-40 yrs. |

| Description | JDE | City | Encumbrance | Initial Cost | | Cost Capitalized subsequent to Acquisition | |
|---|-------|----------------|-------------|--------------|--------------|--|--------------|
| | | | | 2001 | Building & | Land | Building & |
| | | | | Land | Improvements | | Improvements |
| 7353 West Friendly Avenue | 22400 | Piedmont Triad | | 123 | 901 | - | 16 |
| 7355 West Friendly Avenue | 22410 | Piedmont Triad | | 72 | 525 | - | 23 |
| 150 Stratford | 26180 | Piedmont Triad | | 2,777 | 11,459 | - | 536 |
| ALO | 26190 | Piedmont Triad | | 177 | 986 | - | 8 |
| Chesapeake | 26200 | Piedmont Triad | (3) | 1,236 | 4,944 | - | 7 |
| Forsyth Corporate Center | 26210 | Piedmont Triad | (6) | 326 | 1,850 | - | 678 |
| The Knollwood-370 | 26230 | Piedmont Triad | (2) | 1,819 | 7,451 | - | 513 |
| The Knollwood-380 | 26240 | Piedmont Triad | (2) | 2,977 | 11,912 | - | 903 |
| The Knollwood -380 Retail | 26260 | Piedmont Triad | (2) | - | 1 | - | 141 |
| Robinhood | 26280 | Piedmont Triad | | 290 | 1,159 | (290) | (1,159) |
| 101 Stratford | 26290 | Piedmont Triad | | 1,205 | 6,810 | - | 620 |
| 160 Stratford - Land | 28370 | Piedmont Triad | | 1,327 | - | - | - |
| Consolidated Center/ Building I | 26300 | Piedmont Triad | | 625 | 2,126 | - | 89 |
| Consolidated Center/ Building II | 26310 | Piedmont Triad | | 625 | 4,376 | - | 151 |
| Consolidated Center/ Building III | 26320 | Piedmont Triad | | 680 | 3,522 | - | 55 |
| Consolidated Center/ Building IV | 26330 | Piedmont Triad | | 376 | 1,624 | - | 216 |
| 5100 Indiana Avenue | 26440 | Piedmont Triad | | 490 | 1,143 | (490) | (1,143) |
| Madison Park - Building 5610 | 26460 | Piedmont Triad | | 211 | 493 | - | - |
| Madison Park - Building 5620 | 26470 | Piedmont Triad | | 941 | 2,196 | - | 1 |
| Madison Park - Building 5630 | 26480 | Piedmont Triad | | 1,486 | 3,468 | - | 25 |
| Madison Park - Building 5635 | 26490 | Piedmont Triad | | 893 | 2,083 | - | 441 |
| Madison Park - Building 5640 | 26500 | Piedmont Triad | | 3,632 | 8,476 | - | 35 |
| Madison Park - Building 5650 | 26510 | Piedmont Triad | | 1,081 | 2,522 | - | 1 |
| Madison Park - Building 5660 | 26520 | Piedmont Triad | | 1,910 | 4,456 | - | 10 |
| Madison Park - Building 5655 | 26530 | Piedmont Triad | | 5,891 | 13,753 | - | 1 |
| 711 Almondridge | 26550 | Piedmont Triad | | 301 | 702 | - | 26 |
| 710 Almondridge | 26560 | Piedmont Triad | | 1,809 | 4,221 | 523 | 5,284 |
| 500 Northridge | 26570 | Piedmont Triad | | 1,789 | 4,174 | - | 6 |
| 520 Northridge | 26580 | Piedmont Triad | | 1,645 | 3,876 | - | 243 |
| 531 Northridge Warehouse | 26590 | Piedmont Triad | | 4,992 | 11,648 | - | 174 |
| 531 Northridge Office | 26600 | Piedmont Triad | | 766 | 1,788 | - | 1 |
| 540 Northridge | 26610 | Piedmont Triad | | 2,038 | 4,755 | - | 479 |
| 550 Northridge | 26620 | Piedmont Triad | | 472 | 1,102 | - | 154 |
| US Airways | 26630 | Piedmont Triad | (6) | 2,625 | 14,824 | - | 209 |
| University Commercial Center-Landmark 3 | 26660 | Piedmont Triad | | 429 | 1,771 | - | 171 |
| University Commercial Center-Archer 4 | 26670 | Piedmont Triad | | 514 | 2,058 | - | 201 |
| University Commercial Center-Service Center 1 | 26680 | Piedmont Triad | | 276 | 1,155 | - | 93 |
| University Commercial Center-Service Center 2 | 26690 | Piedmont Triad | | 215 | 859 | - | 127 |
| University Commercial Center-Service Center 3 | 26700 | Piedmont Triad | | 167 | 668 | - | 149 |
| University Commercial Center-Warehouse 1 | 26710 | Piedmont Triad | | 203 | 812 | - | 9 |
| University Commercial Center-Warehouse 2 | 26720 | Piedmont Triad | | 196 | 786 | - | 14 |
| Westpoint Business Park-BMF | 26730 | Piedmont Triad | | 795 | 3,181 | - | 4 |
| Westpoint Business Park-Luwabahnson | 26740 | Piedmont Triad | | 346 | 1,384 | - | 1 |
| Westpoint Business Park-3 & 4 | 26750 | Piedmont Triad | | 120 | 480 | - | 38 |
| Westpoint Business Park Land | 26760 | Piedmont Triad | | 1,861 | - | - | 1 |
| Westpoint Business Park-Wp 11 | 26780 | Piedmont Triad | | 393 | 1,570 | - | 86 |
| Westpoint Business Park-Wp 12 | 26790 | Piedmont Triad | | 382 | 1,531 | - | 72 |
| Westpoint Business Park-Wp 13 | 26800 | Piedmont Triad | | 297 | 1,192 | - | 43 |
| Westpoint Business Park-Fairchild | 26810 | Piedmont Triad | | 640 | 2,577 | - | 25 |
| Westpoint Business Park-Warehouse 5 | 26820 | Piedmont Triad | | 178 | 590 | - | 529 |
| Enterprise Warehouse I | 28420 | Piedmont Triad | | 487 | 2,960 | - | 23 |
| Brigham Road - Land | 28710 | Piedmont Triad | | 7,249 | - | - | - |
| Greenville, SC | | | | | | | |
| 385 Land | 22420 | Greenville | | 1,800 | - | - | - |
| Bank of America Plaza | 22430 | Greenville | | 642 | 9,349 | - | 2,042 |
| MetLife @ Brookfield | 28490 | Greenville | | 1,023 | 8,336 | 8 | 1,868 |
| Brookfield Plaza | 22440 | Greenville | (6) | 1,489 | 8,437 | - | 1,024 |
| Brookfield-Jacobs-Sirrine | 22450 | Greenville | | 3,022 | 17,125 | - | 24 |
| Brookfield YMCA | 22460 | Greenville | | 33 | 189 | - | 19 |
| IKON at Patewood | 22470 | Greenville | | 1,413 | 1,401 | - | 2,783 |
| Patewood I | 22480 | Greenville | | 942 | 5,016 | - | 72 |
| Patewood II | 22490 | Greenville | | 942 | 5,018 | - | 285 |
| Patewood III | 22500 | Greenville | (6) | 835 | 4,733 | - | 158 |
| Patewood IV | 22510 | Greenville | (6) | 1,210 | 6,856 | - | 132 |
| Patewood V | 22520 | Greenville | (6) | 1,677 | 9,503 | - | 110 |
| Patewood VI | 22530 | Greenville | | 2,375 | 9,643 | - | (25) |
| 770 Pelham Road | 22540 | Greenville | | 705 | 2,778 | - | 52 |
| Patewood Business Center | 22550 | Greenville | | 1,312 | 7,436 | - | 332 |

| Description | JDE | City | Gross Amount at Which Carried at Close of Period | | Total(12) | Accumulated Depreciation | Date of Construction | Life on Which Depreciation is Computed |
|---------------------------|-------|----------------|--|-------------------------|-----------|--------------------------|----------------------|--|
| | | | Land | Building & Improvements | | | | |
| | | | | | | | | |
| 7353 West Friendly Avenue | 22400 | Piedmont Triad | 123 | 917 | 1,040 | 149 | 1988 | 5-40 yrs. |
| 7355 West Friendly Avenue | 22410 | Piedmont Triad | 72 | 548 | 620 | 93 | 1988 | 5-40 yrs. |
| 150 Stratford | 26180 | Piedmont Triad | 2,777 | 11,995 | 14,772 | 2,199 | 1991 | 5-40 yrs. |
| ALO | 26190 | Piedmont Triad | 177 | 994 | 1,171 | 38 | 1998 | 5-40 yrs. |
| Chesapeake | 26200 | Piedmont Triad | 1,236 | 4,951 | 6,187 | 853 | 1993 | 5-40 yrs. |
| Forsyth Corporate Center | 26210 | Piedmont Triad | 326 | 2,528 | 2,854 | 590 | 1985 | 5-40 yrs. |
| The Knollwood-370 | 26230 | Piedmont Triad | 1,819 | 7,964 | 9,783 | 1,535 | 1994 | 5-40 yrs. |
| The Knollwood-380 | 26240 | Piedmont Triad | 2,977 | 12,815 | 15,792 | 2,481 | 1990 | 5-40 yrs. |
| The Knollwood -380 Retail | 26260 | Piedmont Triad | - | 142 | 142 | 70 | 1995 | 5-40 yrs. |
| Robinhood | 26280 | Piedmont Triad | - | - | - | - | 1989 | 5-40 yrs. |
| 101 Stratford | 26290 | Piedmont Triad | 1,205 | 7,430 | 8,635 | 792 | 1986 | 5-40 yrs. |
| 160 Stratford - Land | 28370 | Piedmont Triad | 1,327 | - | 1,327 | - | N/A | N/A |

| | | | | | | | | | |
|---|-------|------------|-------|-------|--------|--------|-------|----------|-----------|
| Consolidated Center/ Building I | 26300 | Piedmont | Triad | 625 | 2,215 | 2,840 | 236 | 1983 | 5-40 yrs. |
| Consolidated Center/ Building II | 26310 | Piedmont | Triad | 625 | 4,527 | 5,152 | 497 | 1983 | 5-40 yrs. |
| Consolidated Center/ Building III | 26320 | Piedmont | Triad | 680 | 3,577 | 4,257 | 369 | 1989 | 5-40 yrs. |
| Consolidated Center/ Building IV | 26330 | Piedmont | Triad | 376 | 1,840 | 2,216 | 282 | 1989 | 5-40 yrs. |
| 5100 Indiana Avenue | 26440 | Piedmont | Triad | - | - | - | - | 1982 | 5-40 yrs. |
| Madison Park - Building 5610 | 26460 | Piedmont | Triad | 211 | 493 | 704 | 44 | 1988 | 5-40 yrs. |
| Madison Park - Building 5620 | 26470 | Piedmont | Triad | 941 | 2,197 | 3,138 | 196 | 1983 | 5-40 yrs. |
| Madison Park - Building 5630 | 26480 | Piedmont | Triad | 1,486 | 3,493 | 4,979 | 310 | 1983 | 5-40 yrs. |
| Madison Park - Building 5635 | 26490 | Piedmont | Triad | 893 | 2,524 | 3,417 | 372 | 1986 | 5-40 yrs. |
| Madison Park - Building 5640 | 26500 | Piedmont | Triad | 3,632 | 8,511 | 12,143 | 758 | 1985 | 5-40 yrs. |
| Madison Park - Building 5650 | 26510 | Piedmont | Triad | 1,081 | 2,523 | 3,604 | 226 | 1984 | 5-40 yrs. |
| Madison Park - Building 5660 | 26520 | Piedmont | Triad | 1,910 | 4,466 | 6,376 | 398 | 1984 | 5-40 yrs. |
| Madison Park - Building 5655 | 26530 | Piedmont | Triad | 5,891 | 13,754 | 19,645 | 1,230 | 1987 | 5-40 yrs. |
| 711 Almondridge | 26550 | Piedmont | Triad | 301 | 728 | 1,029 | 80 | 1988 | 5-40 yrs. |
| 710 Almondridge | 26560 | Piedmont | Triad | 2,332 | 9,505 | 11,837 | 538 | 1989 | 5-40 yrs. |
| 500 Northridge | 26570 | Piedmont | Triad | 1,789 | 4,180 | 5,969 | 382 | 1988 | 5-40 yrs. |
| 520 Northridge | 26580 | Piedmont | Triad | 1,645 | 4,119 | 5,764 | 394 | 1988 | 5-40 yrs. |
| 531 Northridge Warehouse | 26590 | Piedmont | Triad | 4,992 | 11,822 | 16,814 | 1,055 | 1989 | 5-40 yrs. |
| 531 Northridge Office | 26600 | Piedmont | Triad | 766 | 1,789 | 2,555 | 162 | 1989 | 5-40 yrs. |
| 540 Northridge | 26610 | Piedmont | Triad | 2,038 | 5,234 | 7,272 | 444 | 1987 | 5-40 yrs. |
| 550 Northridge | 26620 | Piedmont | Triad | 472 | 1,256 | 1,728 | 185 | 1989 | 5-40 yrs. |
| US Airways | 26630 | Piedmont | Triad | 2,625 | 15,033 | 17,658 | 1,554 | 970-1987 | 5-40 yrs. |
| University Commercial Center- Landmark 3 | 26660 | Piedmont | Triad | 429 | 1,942 | 2,371 | 377 | 1985 | 5-40 yrs. |
| University Commercial Center- Archer 4 | 26670 | Piedmont | Triad | 514 | 2,259 | 2,773 | 463 | 1986 | 5-40 yrs. |
| University Commercial Center- Service Center 1 | 26680 | Piedmont | Triad | 276 | 1,248 | 1,524 | 249 | 1983 | 5-40 yrs. |
| University Commercial Center- Service Center 2 | 26690 | Piedmont | Triad | 215 | 986 | 1,201 | 224 | 1983 | 5-40 yrs. |
| University Commercial Center- Service Center 3 | 26700 | Piedmont | Triad | 167 | 817 | 984 | 143 | 1984 | 5-40 yrs. |
| University Commercial Center- Warehouse 1 | 26710 | Piedmont | Triad | 203 | 821 | 1,024 | 141 | 1983 | 5-40 yrs. |
| University Commercial Center- Warehouse 2 | 26720 | Piedmont | Triad | 196 | 800 | 996 | 138 | 1983 | 5-40 yrs. |
| Westpoint Business Park-BMF | 26730 | Piedmont | Triad | 795 | 3,185 | 3,980 | 547 | 1986 | 5-40 yrs. |
| Westpoint Business Park- Luwabahnson | 26740 | Piedmont | Triad | 346 | 1,385 | 1,731 | 239 | 1990 | 5-40 yrs. |
| Westpoint Business Park-3 & 4 | 26750 | Piedmont | Triad | 120 | 518 | 638 | 94 | 1988 | 5-40 yrs. |
| Westpoint Business Park Land | 26760 | Piedmont | Triad | 1,861 | 1 | 1,862 | - | | 5-40 yrs. |
| Westpoint Business Park-Wp 11 | 26780 | Piedmont | Triad | 393 | 1,656 | 2,049 | 311 | 1988 | 5-40 yrs. |
| Westpoint Business Park-Wp 12 | 26790 | Piedmont | Triad | 382 | 1,603 | 1,985 | 280 | 1988 | 5-40 yrs. |
| Westpoint Business Park-Wp 13 | 26800 | Piedmont | Triad | 297 | 1,235 | 1,532 | 213 | 1988 | 5-40 yrs. |
| Westpoint Business Park-Fairchild | 26810 | Piedmont | Triad | 640 | 2,602 | 3,242 | 446 | 1990 | 5-40 yrs. |
| Westpoint Business Park-Warehouse5 | 26820 | Piedmont | Triad | 178 | 1,119 | 1,297 | 348 | 1995 | 5-40 yrs. |
| Enterprise Warehouse I | 28420 | Piedmont | Triad | 487 | 2,983 | 3,470 | - | | 5-40 yrs. |
| Brigham Road - Land | 28710 | Piedmont | Triad | 7,249 | - | 7,249 | - | N/A | N/A |
| Greenville, SC | | | | | | | | | |
| 385 Land | 22420 | Greenville | | 1,800 | - | 1,800 | - | N/A | N/A |
| Bank of America Plaza | 22430 | Greenville | | 642 | 11,391 | 12,033 | 1,709 | 1973 | 5-40 yrs. |
| MetLife @ Brookfield | 28490 | Greenville | | 1,031 | 10,204 | 11,235 | 105 | 2001 | 5-40 yrs. |
| Brookfield Plaza | 22440 | Greenville | | 1,489 | 9,461 | 10,950 | 1,614 | 1987 | 5-40 yrs. |
| Brookfield-Jacobs-Sirrine | 22450 | Greenville | | 3,022 | 17,149 | 20,171 | 2,278 | 1990 | 5-40 yrs. |
| Brookfield YMCA | 22460 | Greenville | | 33 | 208 | 241 | 39 | 1990 | 5-40 yrs. |
| IKON at Patewood | 22470 | Greenville | | 1,413 | 4,184 | 5,597 | 816 | 1998 | 5-40 yrs. |
| Patewood I | 22480 | Greenville | | 942 | 5,088 | 6,030 | 627 | 1985 | 5-40 yrs. |
| Patewood II | 22490 | Greenville | | 942 | 5,303 | 6,245 | 731 | 1987 | 5-40 yrs. |
| Patewood III | 22500 | Greenville | | 835 | 4,891 | 5,726 | 777 | 1989 | 5-40 yrs. |
| Patewood IV | 22510 | Greenville | | 1,210 | 6,988 | 8,198 | 916 | 1989 | 5-40 yrs. |
| Patewood V | 22520 | Greenville | | 1,677 | 9,613 | 11,290 | 1,353 | 1990 | 5-40 yrs. |
| Patewood VI | 22530 | Greenville | | 2,375 | 9,618 | 11,993 | 1,615 | 1999 | 5-40 yrs. |
| 770 Pelham Road | 22540 | Greenville | | 705 | 2,830 | 3,535 | 274 | 1989 | 5-40 yrs. |
| Patewood Business Center | 22550 | Greenville | | 1,312 | 7,768 | 9,080 | 1,140 | 1983 | 5-40 yrs. |

| Description | JDE | City | 2001 Encumbrance | Initial Cost | | Cost Capitalized subsequent to Acquisition | |
|--|---|----------------------------|---------------------|-----------------------------|----------------------------|---|----------------------------|
| | | | | Land | Building & Improvements | Land | Building & Improvements |
| | | | | | | | |
| Highwoods Properties (HPI) | | | | | | | |
| HPI Rental Houses | 27980 | Kansas City | | - | 949 | - | 39 |
| HPI St. Charles Apartments | 27990 | Kansas City | | 29 | 165 | - | (11) |
| HPI 4900 Main St | 28010 | Kansas City | | 3,202 | - | - | - |
| HPI Challenger | 28030 | Kansas City | 19,000 | 19,095 | - | - | - |
| HPI JCN Land | 28040 | Kansas City | | 871 | - | - | - |
| Highwood Services Inc. (HSI) | | | | | | | |
| Romac | 28140 | Tampa | | 1,256 | 17,950 | - | - |
| International Place 3 | 22880 | Memphis | | - | 25,761 | - | - |
| Jacksonville, FL | | | | | | | |
| 9A Land | 22640 | Jacksonville | | 4,446 | - | - | - |
| Belfort Park VI - Land | 22700 | Jacksonville | | 594 | - | - | - |
| Belfort Park VII - Land | 22710 | Jacksonville | | 1,941 | - | - | - |
| Shawnee Mission, KS | | | | | | | |
| Corinth Square North Shops | 26900 | Shawnee Mission | (4) | 2,693 | 10,772 | - | 630 |
| Corinth Shops South | 26910 | Shawnee Mission | (4) | 1,043 | 4,172 | - | 125 |
| Fairway Shops | 26930 | Shawnee Mission | 2,533 | 673 | 2,694 | - | 191 |
| Prairie Village Rest & Bank | 27050 | Shawnee Mission | | - | - | - | 1,372 |
| Prairie Village Shops | 27060 | Shawnee Mission | | 3,289 | 13,157 | - | 3,042 |
| Shannon Valley Shopping Center | 27120 | Shawnee Mission | 6,091 | 1,669 | 6,678 | - | 1,877 |
| Brymar Building | 27470 | Shawnee Mission | | 329 | 1,317 | - | 23 |
| Corinth Executive Building | 27490 | Shawnee Mission | | 514 | 2,054 | - | 675 |
| Corinth Office Building | 27510 | Shawnee Mission | 774 | 529 | 2,116 | - | 365 |
| Fairway North | 27540 | Shawnee Mission | | 753 | 3,013 | - | 468 |
| Fairway West | 27550 | Shawnee Mission | 2,775 | 851 | 3,402 | - | 425 |
| Land - Kansas | 27630 | Shawnee Mission | | 14,893 | - | - | - |
| Nichols Building | 27670 | Shawnee Mission | 820 | 490 | 1,959 | - | 210 |
| Prairie Village Office Center | 27760 | Shawnee Mission | | 749 | 2,997 | - | 364 |
| Kansas City, MO | | | | | | | |
| 4900 Main | 27410 | Kansas City | | - | 12,809 | - | 167 |
| 63rd & Brookside | 27420 | Kansas City | | 71 | 283 | - | 29 |
| Brookside Shopping Center | 26850 | Kansas City | | 2,002 | 8,602 | 154 | 875 |
| Coach House North | 27230 | Kansas City | | 1,604 | 9,092 | (1,604) | (9,092) |
| Coach House South | 27240 | Kansas City | | 3,707 | 21,008 | (3,707) | (21,008) |
| Coach Lamp | 27250 | Kansas City | | 870 | 4,929 | (870) | (4,929) |
| Colonial Shops | 26880 | Kansas City | | 138 | 550 | - | 78 |
| Corinth Gardens | 27220 | Kansas City | | 283 | 1,603 | (283) | (1,603) |
| Corinth Paddock | 27260 | Kansas City | | 1,050 | 5,949 | (1,050) | (5,949) |
| Corinth Place | 27270 | Kansas City | | 639 | 3,623 | (639) | (3,623) |
| Country Club Plaza - 48th & Penn | 26830 | Kansas City | (5) | 418 | 3,765 | - | 1,866 |
| Country Club Plaza - Balcony Office | 27440 | Kansas City | (5) | 65 | 585 | - | 211 |
| Country Club Plaza - Balcony Retail | 26840 | Kansas City | (5) | 889 | 8,002 | - | 4,756 |
| Country Club Plaza - Court of the Penguins | 26870 | Kansas City | (5) | 566 | 5,091 | - | 2,464 |
| Country Club Plaza - Esplanade Office | 27530 | Kansas City | (5) | 375 | 3,374 | - | 295 |
| Country Club Plaza - Esplanade Retail | 26920 | Kansas City | (5) | 748 | 6,734 | - | 3,587 |
| Country Club Plaza - Halls Block | 26970 | Kansas City | (5) | 275 | 2,478 | - | 2,647 |
| Country Club Plaza - Macy Block | 26990 | Kansas City | (5) | 504 | 4,536 | - | 1,680 |
| Country Club Plaza - Millcreek Office | 27650 | Kansas City | (5) | 79 | 717 | - | 234 |
| Country Club Plaza - Millcreek Retail | 27000 | Kansas City | (5) | 602 | 5,422 | - | 2,310 |
| Country Club Plaza - Nichols Block Office | 27680 | Kansas City | (5) | 74 | 668 | - | 83 |
| Country Club Plaza - Nichols Retail | 27010 | Kansas City | (5) | 600 | 5,402 | - | 1,809 |
| Country Club Plaza - Plaza Central | 27030 | Kansas City | (5) | 405 | 3,649 | - | (1,774) |
| Country Club Plaza - Seville Shops West | 27100 | Kansas City | (5) | 300 | 2,696 | - | 12,788 |
| Country Club Plaza - Seville Square | 27110 | Kansas City | (5) | - | 20,973 | - | 2,048 |
| Country Club Plaza - Swanson Block | 27130 | Kansas City | (5) | 949 | 8,537 | - | 2,975 |
| Country Club Plaza - Theatre Office | 27950 | Kansas City | (5) | 242 | 2,179 | - | 497 |
| Country Club Plaza - Theatre Retail | 27150 | Kansas City | (5) | 1,197 | 10,769 | - | 6,136 |
| Country Club Plaza - Time Office | 27960 | Kansas City | (5) | 199 | 1,792 | - | 676 |
| Country Club Plaza - Time Retail | 27160 | Kansas City | (5) | 1,292 | 11,627 | - | 3,673 |
| Country Club Plaza - Triangle Block | 27170 | Kansas City | (5) | 308 | 2,771 | - | (79) |
| Country Club Plaza - Valencia Place Office | 27970 | Kansas City | (5) | 1,530 | 27,548 | - | 8,552 |
| Country Club Plaza - Valencia Place Retail | 27190 | Kansas City | (5) | - | 2,245 | 441 | 15,041 |
| Ground Leases Retail KH | 26950 | Kansas City | | 677 | - | - | - |
| Kenilworth | 27290 | Kansas City | | 2,160 | 12,240 | (2,160) | (12,240) |
| Land - Missouri | 27660 | Kansas City | | 3,794 | 190 | (434) | - |
| Land Under Ground Leases Retail | 26940 | Kansas City | | 9,789 | 114 | (8,688) | (114) |
| | Gross Amount at Which Carried at Close of Period | | | | | | Life on Which |
| | | | | | | | |
| Description | Land | Building & Improvements | Total(12) | Accumulated Depreciation | Date of Construction | Depreciation is Computed | |
| Highwoods Properties (HPI) | | | | | | | |
| HPI Rental Houses | - | 988 | 988 | 83 | 1960 | 5-40 yrs. | |
| HPI St. Charles Apartments | 29 | 154 | 183 | 14 | 1922 | 5-40 yrs. | |
| HPI 4900 Main St | 3,202 | - | 3,202 | - | N/A | 5-40 yrs. | |
| HPI Challenger | 19,095 | - | 19,095 | - | N/A | 5-40 yrs. | |
| HPI JCN Land | 871 | - | 871 | - | N/A | N/A | |
| Highwood Services Inc. (HSI) | | | | | | | |
| Romac | 1,256 | 17,950 | 19,206 | - | 2001 | 5-40 yrs. | |
| International Place 3 | - | 25,761 | 25,761 | - | 2001 | 5-40 yrs. | |

| | | | | | | |
|--|--------|--------|--------|-------|------|-----------|
| Jacksonville, FL | | | | | | |
| 9A Land | 4,446 | - | 4,446 | - | N/A | N/A |
| Belfort Park VI - Land | 594 | - | 594 | - | N/A | N/A |
| Belfort Park VII - Land | 1,941 | - | 1,941 | - | N/A | N/A |
| Shawnee Mission, KS | | | | | | |
| Corinth Square North Shops | 2,693 | 11,402 | 14,095 | 1,017 | 1962 | 5-40 yrs. |
| Corinth Shops South | 1,043 | 4,297 | 5,340 | 384 | 1953 | 5-40 yrs. |
| Fairway Shops | 673 | 2,885 | 3,558 | 305 | 1940 | 5-40 yrs. |
| Prairie Village Rest & Bank | - | 1,372 | 1,372 | 44 | 1948 | 5-40 yrs. |
| Prairie Village Shops | 3,289 | 16,199 | 19,488 | 1,474 | 1948 | 5-40 yrs. |
| Shannon Valley Shopping Center | 1,669 | 8,555 | 10,224 | 912 | 1988 | 5-40 yrs. |
| Brymar Building | 329 | 1,340 | 1,669 | 128 | 1968 | 5-40 yrs. |
| Corinth Executive Building | 514 | 2,729 | 3,243 | 308 | 1973 | 5-40 yrs. |
| Corinth Office Building | 529 | 2,481 | 3,010 | 213 | 1960 | 5-40 yrs. |
| Fairway North | 753 | 3,481 | 4,234 | 404 | 1985 | 5-40 yrs. |
| Fairway West | 851 | 3,827 | 4,678 | 443 | 1983 | 5-40 yrs. |
| Land - Kansas | 14,893 | - | 14,893 | - | N/A | N/A |
| Nichols Building | 490 | 2,169 | 2,659 | 237 | 1978 | 5-40 yrs. |
| Prairie Village Office Center | 749 | 3,361 | 4,110 | 350 | 1960 | 5-40 yrs. |
| Kansas City, MO | | | | | | |
| 4900 Main | - | 12,976 | 12,976 | 1,199 | 1986 | 5-40 yrs. |
| 63rd & Brookside | 71 | 312 | 383 | 31 | 1919 | 5-40 yrs. |
| Brookside Shopping Center | 2,156 | 9,477 | 11,633 | 833 | 1919 | 5-40 yrs. |
| Coach House North | - | - | - | - | 1986 | 5-40 yrs. |
| Coach House South | - | - | - | - | 1984 | 5-40 yrs. |
| Coach Lamp | - | - | - | - | 1961 | 5-40 yrs. |
| Colonial Shops | 138 | 628 | 766 | 64 | 1907 | 5-40 yrs. |
| Corinth Gardens | - | - | - | - | 1961 | 5-40 yrs. |
| Corinth Paddock | - | - | - | - | 1973 | 5-40 yrs. |
| Corinth Place | - | - | - | - | 1987 | 5-40 yrs. |
| Country Club Plaza - 48th & Penn | 418 | 5,631 | 6,049 | 597 | 1948 | 5-40 yrs. |
| Country Club Plaza - Balcony Office | 65 | 796 | 861 | 87 | 1928 | 5-40 yrs. |
| Country Club Plaza - Balcony Retail | 889 | 12,758 | 13,647 | 1,081 | 1925 | 5-40 yrs. |
| Country Club Plaza - Court of the Penguins | 566 | 7,555 | 8,121 | 677 | 1945 | 5-40 yrs. |
| Country Club Plaza - Esplanade Office | 375 | 3,669 | 4,044 | 309 | 1945 | 5-40 yrs. |
| Country Club Plaza - Esplanade Retail | 748 | 10,321 | 11,069 | 902 | 1928 | 5-40 yrs. |
| Country Club Plaza - Halls Block | 275 | 5,125 | 5,400 | 280 | 1964 | 5-40 yrs. |
| Country Club Plaza - Macy Block | 504 | 6,216 | 6,720 | 513 | 1926 | 5-40 yrs. |
| Country Club Plaza - Millcreek Office | 79 | 951 | 1,030 | 97 | 1925 | 5-40 yrs. |
| Country Club Plaza - Millcreek Retail | 602 | 7,732 | 8,334 | 865 | 1920 | 5-40 yrs. |
| Country Club Plaza - Nichols Block Office | 74 | 751 | 825 | 95 | 1938 | 5-40 yrs. |
| Country Club Plaza - Nichols Retail | 600 | 7,211 | 7,811 | 616 | 1930 | 5-40 yrs. |
| Country Club Plaza - Plaza Central | 405 | 1,875 | 2,280 | 653 | 1958 | 5-40 yrs. |
| Country Club Plaza - Seville Shops West | 300 | 15,484 | 15,784 | 1,119 | 1999 | 5-40 yrs. |
| Country Club Plaza - Seville Square | - | 23,021 | 23,021 | 1,356 | 1999 | 5-40 yrs. |
| Country Club Plaza - Swanson Block | 949 | 11,512 | 12,461 | 969 | 1967 | 5-40 yrs. |
| Country Club Plaza - Theatre Office | 242 | 2,676 | 2,918 | 255 | 1928 | 5-40 yrs. |
| Country Club Plaza - Theatre Retail | 1,197 | 16,905 | 18,102 | 1,572 | 1928 | 5-40 yrs. |
| Country Club Plaza - Time Office | 199 | 2,468 | 2,667 | 226 | 1945 | 5-40 yrs. |
| Country Club Plaza - Time Retail | 1,292 | 15,300 | 16,592 | 1,336 | 1929 | 5-40 yrs. |
| Country Club Plaza - Triangle Block | 308 | 2,692 | 3,000 | 387 | 1925 | 5-40 yrs. |
| Country Club Plaza - Valencia Place Office | 1,530 | 36,100 | 37,630 | 1,750 | 1999 | 5-40 yrs. |
| Country Club Plaza - Valencia Place Retail | 441 | 17,286 | 17,727 | 673 | 1999 | 5-40 yrs. |
| Ground Leases Retail KH | 677 | - | 677 | - | N/A | N/A |
| Kenilworth | - | - | - | - | 1965 | 5-40 yrs. |
| Land - Missouri | 3,360 | 190 | 3,550 | 16 | N/A | 5-40 yrs. |
| Land Under Ground Leases Retail | 1,101 | - | 1,101 | - | N/A | N/A |

| Description | JDE | City | 2001 Encumbrance | Initial Cost | | Cost Capitalized subsequent to Acquisition | |
|---|----------------------------|-------------|-----------------------------|-------------------------|-----------------------------|---|----------------------------|
| | | | | Land | Building & Improvements | Land | Building & Improvements |
| Mission Valley | 27310 | Kansas City | | 576 | 3,266 | (576) | (3,266) |
| Neptune Apartments | 27320 | Kansas City | 4,298 | 1,073 | 6,079 | - | 215 |
| One Ward Parkway | 27720 | Kansas City | | 666 | 2,663 | - | 651 |
| Park Plaza | 27740 | Kansas City | (5) | 1,352 | 5,409 | - | 1,275 |
| Parklane | 27330 | Kansas City | | 273 | 1,548 | - | 135 |
| Parkway Building | 27770 | Kansas City | | 395 | 1,578 | - | 289 |
| Plaza Savings South | 27040 | Kansas City | (5) | 357 | 3,211 | - | 2,690 |
| Red Bridge Shops | 27080 | Kansas City | | 1,091 | 4,364 | - | 642 |
| Regency House | 27350 | Kansas City | | 1,853 | 10,500 | (1,853) | (10,500) |
| Somerset | 27920 | Kansas City | | 30 | 122 | - | - |
| Sulgrave | 27370 | Kansas City | | 2,621 | 14,855 | (2,621) | (14,855) |
| Two Brush Creek | 27940 | Kansas City | | 961 | 3,845 | - | 285 |
| Wornall Road Apartments | 27400 | Kansas City | | 30 | 171 | - | 21 |
| Memphis, TN | | | | | | | |
| Atrium I & II | 22810 | Memphis | | 1,530 | 6,121 | 40 | 512 |
| Centrum | 22820 | Memphis | | 1,013 | 5,488 | - | 354 |
| The Colonnade | 22830 | Memphis | | 1,300 | 7,994 | - | 1 |
| Hickory Hill Medical Plaza | 22840 | Memphis | | 398 | 2,256 | - | 131 |
| 3400 Players Club Parkway | 22850 | Memphis | (6) | 1,005 | 5,515 | - | 10 |
| International Place 2 | 22860 | Memphis | | 4,847 | 27,469 | - | 1,301 |
| Kirby Centre | 22870 | Memphis | | 525 | 2,973 | (525) | (2,973) |
| 6000 Poplar Ave | 28290 | Memphis | | 2,340 | 11,385 | - | (85) |
| 6060 Poplar Ave | 28300 | Memphis | | 1,980 | 8,677 | - | 26 |
| Shadow Creek I | 28310 | Memphis | | 973 | 5,493 | - | 1,537 |
| Shadow Creek II | 28650 | Memphis | | 723 | 6,041 | 11 | (247) |
| Southwind Building A | 22890 | Memphis | | 996 | 5,643 | - | 295 |
| Southwind Building B | 22900 | Memphis | | 1,356 | 7,684 | - | 422 |
| Southwind Building C | 22920 | Memphis | (6) | 1,070 | 5,924 | - | - |
| Southwind Building D | 22910 | Memphis | | 744 | 6,232 | - | (36) |
| Norfolk, VA | | | | | | | |
| Greenbrier Business Center | 22570 | Norfolk | | 936 | 5,305 | - | 177 |
| Hampton Center Two | 22590 | Norfolk | | 945 | 6,567 | (945) | (6,567) |
| Riverside II | 22580 | Norfolk | | 2 | 9,148 | 964 | (9,148) |
| Nashville, TN | | | | | | | |
| 3322 West End | 22930 | Nashville | | 3,021 | 27,266 | 4 | 507 |
| 3401 Westend | 22940 | Nashville | | 6,103 | 23,343 | (1,147) | (594) |
| 5310 Maryland Way | 22950 | Nashville | | 1,923 | 7,360 | (368) | (1,036) |
| Hickory Trace | 22960 | Nashville | | 1,164 | 4,321 | - | 245 |
| SouthPointe | 22970 | Nashville | | 1,655 | 9,059 | - | (1) |
| BNA Corporate Center | 22980 | Nashville | 10,814 | - | 22,588 | - | (1,554) |
| Caterpillar Financial Center | 22990 | Nashville | | 5,120 | 31,553 | - | 10,946 |
| Century City Plaza I | 23000 | Nashville | | 903 | 3,612 | - | 642 |
| Cool Springs Land | 23010 | Nashville | | 7,645 | - | - | - |
| Cool Springs I | 23030 | Nashville | | 1,983 | 13,854 | - | 1,345 |
| Cool Springs II | 23020 | Nashville | | 2,285 | 15,535 | - | 837 |
| Eastpark I, II, & III | 23040 | Nashville | | 3,137 | 11,842 | (766) | (475) |
| Highwoods Plaza I | 23090 | Nashville | | 1,772 | 9,029 | - | 241 |
| Highwoods Plaza II | 23100 | Nashville | | 1,448 | 6,948 | - | 1,590 |
| Harpeth on the Green II | 23110 | Nashville | | 1,419 | 5,677 | 1 | 769 |
| Harpeth on the Green III | 23120 | Nashville | | 1,658 | 6,633 | 2 | 500 |
| Harpeth on the Green IV | 23130 | Nashville | | 1,709 | 6,835 | 5 | 904 |
| Harpeth on The Green V | 23140 | Nashville | | 662 | 5,771 | - | 23 |
| Lakeview Ridge I | 23150 | Nashville | | 2,179 | 7,545 | (411) | (1,107) |
| Lakeview Ridge II | 23160 | Nashville | | 605 | 5,883 | - | (40) |
| Lakeview Ridge III | 23170 | Nashville | | 1,073 | 9,708 | - | 2,099 |
| The Ramparts at Brentwood | 28320 | Nashville | | 2,394 | 12,806 | - | (516) |
| Seven Springs - Land I | 28500 | Nashville | | 3,115 | - | - | - |
| Seven Springs - Land II | 28620 | Nashville | | 1,778 | - | - | - |
| Sparrow Building | 23190 | Nashville | | 1,262 | 5,047 | - | 318 |
| Winners Circle | 23210 | Nashville | | 1,495 | 7,072 | 2 | 645 |
| Westwood South | 23220 | Nashville | | 2,106 | 10,517 | - | 670 |
| Orlando, FL | | | | | | | |
| Sunport Center | 23230 | Orlando | | 1,505 | 9,777 | - | 107 |
| Oakridge Office Park | 23240 | Orlando | | 4,700 | 18,761 | - | 853 |
| Gross Amount at Which Carried at Close of Period | | | | Life on Which | | | |
| ----- | | | | ----- | | | |
| Land | Building & Improvements | Total(12) | Accumulated Depreciation | Date of Construction | Depreciation is Computed | | |
| ----- | ----- | ----- | ----- | ----- | ----- | | |
| Mission Valley | - | - | - | 1964 | 5-40 yrs. | | |
| Neptune Apartments | 1,073 | 6,294 | 7,367 | 1988 | 5-40 yrs. | | |
| One Ward Parkway | 666 | 3,314 | 3,980 | 1980 | 5-40 yrs. | | |
| Park Plaza | 1,352 | 6,684 | 8,036 | 1983 | 5-40 yrs. | | |
| Parklane | 273 | 1,683 | 1,956 | 1924 | 5-40 yrs. | | |
| Parkway Building | 395 | 1,867 | 2,262 | 1906-1910 | 5-40 yrs. | | |
| Plaza Savings South | 357 | 5,901 | 6,258 | 1948 | 5-40 yrs. | | |
| Red Bridge Shops | 1,091 | 5,006 | 6,097 | 1959 | 5-40 yrs. | | |
| Regency House | - | - | - | 1960 | 5-40 yrs. | | |
| Somerset | 30 | 122 | 152 | 1998 | 5-40 yrs. | | |

| | | | | | | |
|------------------------------|-------|--------|--------|-------|-----------|-----------|
| Sulgrave | - | - | - | - | 1967 | 5-40 yrs. |
| Two Brush Creek | 961 | 4,130 | 5,091 | 428 | 1983 | 5-40 yrs. |
| Wornall Road Apartments | 30 | 192 | 222 | 16 | 1918 | 5-40 yrs. |
| Memphis, TN | | | | | | |
| Atrium I & II | 1,570 | 6,633 | 8,203 | 898 | 1984 | 5-40 yrs. |
| Centrum | 1,013 | 5,842 | 6,855 | 726 | 1979 | 5-40 yrs. |
| The Colonnade | 1,300 | 7,995 | 9,295 | 1,313 | 1998 | 5-40 yrs. |
| Hickory Hill Medical Plaza | 398 | 2,387 | 2,785 | 327 | 1988 | 5-40 yrs. |
| 3400 Players Club Parkway | 1,005 | 5,525 | 6,530 | 1,204 | 1997 | 5-40 yrs. |
| International Place 2 | 4,847 | 28,770 | 33,617 | 4,423 | 1988 | 5-40 yrs. |
| Kirby Centre | - | - | - | - | 1984 | 5-40 yrs. |
| 6000 Poplar Ave | 2,340 | 11,300 | 13,640 | 301 | 1985 | 5-40 yrs. |
| 6060 Poplar Ave | 1,980 | 8,703 | 10,683 | 235 | 1987 | 5-40 yrs. |
| Shadow Creek I | 973 | 7,030 | 8,003 | 380 | 2000 | 5-40 yrs. |
| Shadow Creek II | 734 | 5,794 | 6,528 | 19 | 2001 | 5-40 yrs. |
| Southwind Building A | 996 | 5,938 | 6,934 | 882 | 1991 | 5-40 yrs. |
| Southwind Building B | 1,356 | 8,106 | 9,462 | 1,230 | 1990 | 5-40 yrs. |
| Southwind Building C | 1,070 | 5,924 | 6,994 | 690 | 1998 | 5-40 yrs. |
| Southwind Building D | 744 | 6,196 | 6,940 | 746 | 1999 | 5-40 yrs. |
| Norfolk, VA | | | | | | |
| Greenbrier Business Center | 936 | 5,482 | 6,418 | 744 | 1984 | 5-40 yrs. |
| Hampton Center Two | - | - | - | - | 1999 | 5-40 yrs. |
| Riverside II | 966 | - | 966 | - | 1999 | 5-40 yrs. |
| Nashville, TN | | | | | | |
| 3322 West End | 3,025 | 27,773 | 30,798 | 1,546 | 1986 | 5-40 yrs. |
| 3401 Westend | 4,956 | 22,749 | 27,705 | 3,845 | 1982 | 5-40 yrs. |
| 5310 Maryland Way | 1,555 | 6,324 | 7,879 | 898 | 1994 | 5-40 yrs. |
| Hickory Trace | 1,164 | 4,566 | 5,730 | 41 | N/A | N/A |
| SouthPointe | 1,655 | 9,058 | 10,713 | 1,859 | 1998 | 5-40 yrs. |
| BNA Corporate Center | - | 21,034 | 21,034 | 3,309 | 1985 | 5-40 yrs. |
| Caterpillar Financial Center | 5,120 | 42,499 | 47,619 | 2,213 | 1999 | 5-40 yrs. |
| Century City Plaza I | 903 | 4,254 | 5,157 | 801 | 1987 | 5-40 yrs. |
| Cool Springs Land | 7,645 | - | 7,645 | - | N/A | N/A |
| Cool Springs II | 2,285 | 16,372 | 18,657 | 306 | N/A | N/A |
| Cool Springs I | 1,983 | 15,199 | 17,182 | 2,052 | 1999 | 5-40 yrs. |
| Eastpark I, II, & III | 2,371 | 11,367 | 13,738 | 1,953 | 1978 | 5-40 yrs. |
| Highwoods Plaza I | 1,772 | 9,270 | 11,042 | 2,199 | 1996 | 5-40 yrs. |
| Highwoods Plaza II | 1,448 | 8,538 | 9,986 | 2,131 | 1997 | 5-40 yrs. |
| Harpeth on the Green II | 1,420 | 6,446 | 7,866 | 979 | 1984 | 5-40 yrs. |
| Harpeth on the Green III | 1,660 | 7,133 | 8,793 | 1,054 | 1987 | 5-40 yrs. |
| Harpeth on the Green IV | 1,714 | 7,739 | 9,453 | 1,282 | 1989 | 5-40 yrs. |
| Harpeth on The Green V | 662 | 5,794 | 6,456 | 1,176 | 1998 | 5-40 yrs. |
| Lakeview Ridge I | 1,768 | 6,438 | 8,206 | 928 | 1986 | 5-40 yrs. |
| Lakeview Ridge II | 605 | 5,843 | 6,448 | 1,288 | 1998 | 5-40 yrs. |
| Lakeview Ridge III | 1,073 | 11,807 | 12,880 | 1,168 | 1999 | 5-40 yrs. |
| The Ramparts at Brentwood | 2,394 | 12,290 | 14,684 | 284 | 1986 | 5-40 yrs. |
| Seven Springs - Land I | 3,115 | - | 3,115 | - | N/A | N/A |
| Seven Springs - Land II | 1,778 | - | 1,778 | - | N/A | N/A |
| Sparrow Building | 1,262 | 5,365 | 6,627 | 710 | 1982 | 5-40 yrs. |
| Winners Circle | 1,497 | 7,717 | 9,214 | 848 | 1987 | 5-40 yrs. |
| Westwood South | 2,106 | 11,187 | 13,293 | 1,314 | 1999 | 5-40 yrs. |
| Orlando, FL | | | | | | |
| Sunport Center | 1,505 | 9,884 | 11,389 | 1,050 | 1990 | 5-40 yrs. |
| Oakridge Office Park | 4,700 | 19,614 | 24,314 | 2,201 | 1966-1992 | 5-40 yrs. |

| Description | JDE | City | 2001 Encumbrance | Initial Cost | | Cost Capitalized subsequent to Acquisition | |
|---|-------|-------------------|---------------------|--------------|----------------------------|---|----------------------------|
| | | | | Land | Building & Improvements | Land | Building & Improvements |
| | | | | | | | |
| Lake Mary Land | 23340 | Orlando | | 9,156 | - | | 5 |
| In Charge Institute | 23380 | Orlando | | 501 | 2,085 | - | 708 |
| MetroWest Center Land | 23390 | Orlando | | 1,344 | 7,618 | - | 441 |
| Hard Rock Cafe | 23460 | Orlando | | 1,305 | 3,570 | (1,305) | (2,409) |
| MetroWest Land | 23470 | Orlando | | 3,044 | - | - | - |
| Capital Plaza Land | 23520 | Orlando | | 3,075 | - | - | - |
| Interlachen Village | 23560 | Orlando | 1,995 | 1,100 | 2,689 | - | 143 |
| Research Triangle, NC | | | | | | | |
| Corporate Property | 11000 | Research Triangle | | | | 21,769 | 31,738 |
| Blue Ridge I | 23610 | Research Triangle | | 722 | 4,538 | - | 1,096 |
| Blue Ridge II | 23600 | Research Triangle | | 463 | 1,485 | - | (6) |
| 3600 Glenwood Avenue | 23640 | Research Triangle | | - | 10,994 | - | - |
| 3645 Trust Drive - One North Commerce Center | 23650 | Research Triangle | | 520 | 2,949 | 268 | 460 |
| 3737 Glenwood Avenue | 23660 | Research Triangle | | - | 15,889 | - | 2,438 |
| 4401 Research Commons | 23720 | Research Triangle | | 1,249 | 8,929 | - | 6,265 |
| 4800 North Park | 23740 | Research Triangle | | 2,678 | 17,673 | - | 1,454 |
| 4900 North Park | 23750 | Research Triangle | 1,274 | 770 | 1,989 | - | 301 |
| 5000 North Park | 23760 | Research Triangle | (6) | 1,010 | 4,697 | - | 1,752 |
| 5200 Greens Dairy-One North Commerce Center | 23770 | Research Triangle | | 169 | 959 | - | 168 |
| 5220 Greens Dairy-One North Commerce Center | 23780 | Research Triangle | | 382 | 2,165 | - | 292 |
| Amica | 23810 | Research Triangle | | 289 | 1,517 | - | 91 |
| Arcadis | 28580 | Research Triangle | | 828 | - | - | - |
| Arrowwood | 23820 | Research Triangle | | 955 | 3,406 | - | 665 |
| Aspen Building | 23830 | Research Triangle | | 560 | 2,088 | - | 556 |
| 4300 Six Forks Road | 23850 | Research Triangle | | - | 15,504 | - | 4,263 |
| Capital Center Land | 23870 | Research Triangle | | 851 | - | - | - |
| Cedar East | 23880 | Research Triangle | | 563 | 2,491 | - | 501 |
| Cedar West | 23890 | Research Triangle | | 563 | 2,475 | - | 784 |
| CentreGreen One - Weston | 28200 | Research Triangle | | 1,677 | 7,133 | 70 | 1,632 |
| CentreGreen Two - Weston | 28440 | Research Triangle | | 1,763 | 7,478 | 42 | 467 |
| CentreGreen Three Land - Weston | 28690 | Research Triangle | | 2,226 | - | - | - |
| CentreGreen Five Land - Weston | 28680 | Research Triangle | | 3,402 | - | - | - |
| Inveresk Land Parcel 2 | 23900 | Research Triangle | | 657 | - | - | - |
| Inveresk Land Parcel 3 | 23910 | Research Triangle | | 548 | - | - | - |
| Cape Fear | 23950 | Research Triangle | | 131 | - | - | 2,715 |
| Creekstone Crossings | 23960 | Research Triangle | | 728 | 3,841 | - | 274 |
| Catawba | 23980 | Research Triangle | | 125 | 1,635 | - | 355 |
| Cottonwood | 23990 | Research Triangle | | 609 | 3,253 | - | 33 |
| Cypress | 24000 | Research Triangle | | 567 | 1,729 | - | 441 |
| GlenLake Land | 28120 | Research Triangle | | 3,860 | - | - | - |
| Dogwood | 24010 | Research Triangle | | 766 | 2,777 | - | 23 |
| EPA Annex | 24020 | Research Triangle | | 2,601 | 10,920 | - | 183 |
| Global Software | 24040 | Research Triangle | (6) | 465 | 7,471 | - | 93 |
| Hawthorn | 24050 | Research Triangle | | 904 | 3,782 | - | 274 |
| Pulse Athletic Club at Highwoods | 24060 | Research Triangle | | 142 | 524 | - | 2,516 |
| Holiday Inn Reservations Center | 24070 | Research Triangle | | 867 | 2,735 | - | 135 |
| Healthsource | 24090 | Research Triangle | | 1,294 | 10,593 | 10 | 1,696 |
| Highwoods Tower One | 24100 | Research Triangle | (6) | 203 | 16,914 | - | 890 |
| Highwoods Tower Two | 24110 | Research Triangle | | 365 | 20,164 | - | 1,651 |
| Highwoods Centre-Weston | 24120 | Research Triangle | | 532 | 7,902 | - | (128) |
| Ironwood | 24130 | Research Triangle | | 319 | 1,276 | - | 451 |
| Kaiser | 24140 | Research Triangle | | 133 | 3,625 | - | 873 |
| Laurel | 24150 | Research Triangle | | 884 | 2,524 | - | 689 |
| Highwoods Office Center North Land | 24170 | Research Triangle | | 1,458 | 49 | - | - |
| Highwoods Office Center South Land | 24180 | Research Triangle | | 4,917 | - | - | - |
| Leatherwood | 24190 | Research Triangle | | 213 | 851 | - | 509 |
| Maplewood | 24210 | Research Triangle | | 149 | 2,928 | - | 662 |
| Creekstone Park | 24230 | Research Triangle | | 796 | - | (647) | - |
| Northpark - Wake Forest | 24240 | Research Triangle | | 405 | - | 93 | 3,982 |
| Northpark Land - Wake Forest | 24250 | Research Triangle | | 1,586 | - | - | - |
| ParkWest One - Weston | 28450 | Research Triangle | | 374 | 2,938 | 4 | 314 |
| ParkWest Two - Weston | 28460 | Research Triangle | | 488 | 2,642 | 4 | 490 |
| ParkWest Three - Land - Weston | 28470 | Research Triangle | | 465 | - | - | - |
| Phase I - One North Commerce Center | 24260 | Research Triangle | | 768 | 4,353 | - | 482 |
| W Building - One North Commerce Center | 24270 | Research Triangle | | 1,163 | 6,592 | - | 1,795 |
| Overlook | 24280 | Research Triangle | | 398 | 10,401 | - | 668 |
| Pamlico | 24290 | Research Triangle | | 269 | - | 20 | 11,087 |
| Raleigh Corp Center Lot D | 24320 | Research Triangle | | 1,211 | - | - | - |
| Red Oak | 24330 | Research Triangle | | 389 | 6,086 | - | 436 |

Gross Amount at Which
Carried at Close of Period

| Description | Land | Building & Improvements | Total(12) | Accumulated Depreciation | Date of Construction | Life on Which Depreciation is Computed |
|-----------------------|-------|----------------------------|-----------|-----------------------------|-------------------------|---|
| Lake Mary Land | 9,156 | 5 | 9,161 | 1 | N/A | N/A |
| In Charge Institute | 501 | 2,793 | 3,294 | 164 | 2000 | 5-40 yrs. |
| MetroWest Center Land | 1,344 | 8,059 | 9,403 | 1,147 | 1988 | 5-40 yrs. |
| Hard Rock Cafe | - | 1,161 | 1,161 | - | 1998 | 5-40 yrs. |
| MetroWest Land | 3,044 | - | 3,044 | - | N/A | N/A |
| Capital Plaza Land | 3,075 | - | 3,075 | - | N/A | N/A |
| Interlachen Village | 1,100 | 2,832 | 3,932 | 327 | 1987 | 5-40 yrs. |

| | | | | | | |
|--|--------|--------|--------|-------|------|-----------|
| Research Triangle, NC | | | | | | |
| Corporate Property | 21,769 | 31,738 | 53,507 | 6,238 | - | 5-40 yrs. |
| Blue Ridge II | 463 | 1,479 | 1,942 | 570 | 1988 | 5-40 yrs. |
| Blue Ridge I | 722 | 5,634 | 6,356 | 1,398 | 1982 | 5-40 yrs. |
| 3600 Glenwood Avenue | - | 10,994 | 10,994 | 1,317 | 1986 | 5-40 yrs. |
| 3645 Trust Drive - One North Commerce Center | 788 | 3,409 | 4,197 | 461 | 1984 | 5-40 yrs. |
| 3737 Glenwood Avenue | - | 18,327 | 18,327 | 1,344 | 1999 | 5-40 yrs. |
| 4401 Research Commons | 1,249 | 15,194 | 16,443 | 5,616 | 1987 | 5-40 yrs. |
| 4800 North Park | 2,678 | 19,127 | 21,805 | 3,699 | 1985 | 5-40 yrs. |
| 4900 North Park | 770 | 2,290 | 3,060 | 566 | 1984 | 5-40 yrs. |
| 5000 North Park | 1,010 | 6,449 | 7,459 | 1,700 | 1980 | 5-40 yrs. |
| 5200 Greens Dairy-One North Commerce Center | 169 | 1,127 | 1,296 | 172 | 1984 | 5-40 yrs. |
| 5220 Greens Dairy-One North Commerce Center | 382 | 2,457 | 2,839 | 409 | 1984 | 5-40 yrs. |
| Amica | 289 | 1,608 | 1,897 | 369 | 1983 | 5-40 yrs. |
| Arcadis | 828 | - | 828 | - | N/A | N/A |
| Arrowwood | 955 | 4,071 | 5,026 | 1,048 | 1979 | 5-40 yrs. |
| Aspen Building | 560 | 2,644 | 3,204 | 679 | 1980 | 5-40 yrs. |
| 4300 Six Forks Road | - | 19,767 | 19,767 | 1,859 | 1995 | 5-40 yrs. |
| Capital Center Land | 851 | - | 851 | - | N/A | N/A |
| Cedar East | 563 | 2,992 | 3,555 | 710 | 1981 | 5-40 yrs. |
| Cedar West | 563 | 3,259 | 3,822 | 929 | 1981 | 5-40 yrs. |
| CentreGreen One - Weston | 1,747 | 8,765 | 10,512 | 545 | 2000 | 5-40 yrs. |
| CentreGreen Two - Weston | 1,805 | 7,945 | 9,750 | 180 | 2001 | 5-40 yrs. |
| CentreGreen Three Land - Weston | 2,226 | - | 2,226 | - | N/A | N/A |
| CentreGreen Five Land - Weston | 3,402 | - | 3,402 | - | N/A | N/A |
| Inveresk Land Parcel 2 | 657 | - | 657 | - | N/A | N/A |
| Inveresk Land Parcel 3 | 548 | - | 548 | - | N/A | N/A |
| Cape Fear | 131 | 2,715 | 2,846 | 1,888 | 1979 | 5-40 yrs. |
| Creekstone Crossings | 728 | 4,115 | 4,843 | 703 | 1990 | 5-40 yrs. |
| Catawba | 125 | 1,990 | 2,115 | 1,295 | 1980 | 5-40 yrs. |
| Cottonwood | 609 | 3,286 | 3,895 | 631 | 1983 | 5-40 yrs. |
| Cypress | 567 | 2,170 | 2,737 | 539 | 1980 | 5-40 yrs. |
| GlenLake Land | 3,860 | - | 3,860 | - | N/A | N/A |
| Dogwood | 766 | 2,800 | 3,566 | 532 | 1983 | 5-40 yrs. |
| EPA Annex | 2,601 | 11,103 | 13,704 | 1,917 | 1966 | 5-40 yrs. |
| Global Software | 465 | 7,564 | 8,029 | 2,073 | 1996 | 5-40 yrs. |
| Hawthorn | 904 | 4,056 | 4,960 | 2,186 | 1987 | 5-40 yrs. |
| Pulse Athletic Club at Highwoods | 142 | 3,040 | 3,182 | 521 | 1998 | 5-40 yrs. |
| Holiday Inn Reservations Center | 867 | 2,870 | 3,737 | 570 | 1984 | 5-40 yrs. |
| Healthsource | 1,304 | 12,289 | 13,593 | 2,075 | 1996 | 5-40 yrs. |
| Highwoods Tower One | 203 | 17,804 | 18,007 | 4,989 | 1991 | 5-40 yrs. |
| Highwoods Tower Two | 365 | 21,815 | 22,180 | 516 | 2001 | 5-40 yrs. |
| Highwoods Centre-Weston | 532 | 7,774 | 8,306 | 1,161 | 1998 | 5-40 yrs. |
| Ironwood | 319 | 1,727 | 2,046 | 496 | 1978 | 5-40 yrs. |
| Kaiser | 133 | 4,498 | 4,631 | 1,944 | 1988 | 5-40 yrs. |
| Laurel | 884 | 3,213 | 4,097 | 690 | 1982 | 5-40 yrs. |
| Highwoods Office Center North Land | 1,458 | 49 | 1,507 | 17 | N/A | N/A |
| Highwoods Office Center South Land | 4,917 | - | 4,917 | - | N/A | N/A |
| Leatherwood | 213 | 1,360 | 1,573 | 459 | 1979 | 5-40 yrs. |
| Maplewood | 149 | 3,590 | 3,739 | 122 | N/A | 5-40 yrs. |
| Creekstone Park | 149 | - | 149 | - | N/A | N/A |
| Northpark - Wake Forest | 498 | 3,982 | 4,480 | 734 | 1997 | 5-40 yrs. |
| Northpark Land - Wake Forest | 1,586 | - | 1,586 | - | N/A | N/A |
| ParkWest One - Weston | 378 | 3,252 | 3,630 | 51 | 2001 | 5-40 yrs. |
| ParkWest Two - Weston | 492 | 3,132 | 3,624 | 99 | 2001 | 5-40 yrs. |
| ParkWest Three - Land - Weston | 465 | - | 465 | - | N/A | N/A |
| Phase I - One North Commerce Center | 768 | 4,835 | 5,603 | 761 | 1981 | 5-40 yrs. |
| W Building - One North Commerce Center | 1,163 | 8,387 | 9,550 | 1,543 | 1983 | 5-40 yrs. |
| Overlook | 398 | 11,069 | 11,467 | 1,371 | 1999 | 5-40 yrs. |
| Pamlico | 289 | 11,087 | 11,376 | 3,890 | 1980 | 5-40 yrs. |
| Raleigh Corp Center Lot D | 1,211 | - | 1,211 | - | N/A | N/A |
| Red Oak | 389 | 6,522 | 6,911 | 825 | 1999 | 5-40 yrs. |

| Description | JDE | City | 2001 Encumbrance | Initial Cost | | Cost Capitalized subsequent to Acquisition | |
|-------------------------------|-------|-------------------|---------------------|--------------|----------------------------|---|----------------------------|
| | | | | Land | Building & Improvements | Land | Building & Improvements |
| Rexwoods Center I | 24350 | Research Triangle | (3) | 775 | - | 103 | 3,917 |
| Rexwoods Center II | 24360 | Research Triangle | | 355 | - | 7 | 1,905 |
| Rexwoods Center III | 24370 | Research Triangle | | 886 | - | 34 | 2,923 |
| Rexwoods Center IV | 24380 | Research Triangle | (3) | 586 | - | - | 3,676 |
| Rexwoods Center V | 24390 | Research Triangle | (6) | 1,301 | 5,979 | - | 93 |
| Riverbirch | 24400 | Research Triangle | (6) | 448 | - | 21 | 4,565 |
| Six Forks Center I | 24430 | Research Triangle | | 666 | 2,663 | - | 600 |
| Six Forks Center II | 24440 | Research Triangle | | 1,086 | 4,345 | - | 929 |
| Six Forks Center III | 24450 | Research Triangle | (6) | 862 | 4,411 | - | 587 |
| Smoketree Tower | 24460 | Research Triangle | | 2,353 | 11,802 | - | 2,275 |
| South Square I | 24470 | Research Triangle | | 606 | 3,785 | - | 1,063 |
| South Square II | 24480 | Research Triangle | | 525 | 4,710 | - | 427 |
| Sycamore | 24490 | Research Triangle | (6) | 255 | 5,830 | - | 73 |
| Weston - Land | 24540 | Research Triangle | | 6,337 | - | - | - |
| Willow Oak | 24550 | Research Triangle | (6) | 458 | 4,685 | - | 1,875 |
| Richmond, VA | | | | | | | |
| Airport Center I | 24570 | Richmond | | 708 | 4,374 | - | 1,016 |
| Airport Center II | 24580 | Richmond | | 362 | 2,896 | - | 310 |
| Capital One Building I | 24590 | Richmond | | 1,278 | 10,690 | - | 314 |
| Capital One Building II | 24600 | Richmond | | 477 | 3,946 | - | 243 |
| Capital One Building III | 24610 | Richmond | | 1,278 | 11,515 | - | (171) |
| Capital One Parking Deck | 24620 | Richmond | | - | 2,288 | - | 141 |
| 1309 E. Cary Street | 24630 | Richmond | | 171 | 685 | - | 100 |
| 4900 Cox Road | 24640 | Richmond | | 1,324 | 5,305 | - | 675 |
| Technology Park 1 | 24650 | Richmond | | 541 | 2,166 | - | 391 |
| Development Opportunity Strip | 28340 | Richmond | | 45 | - | - | - |
| East Shore I | 24660 | Richmond | | - | 1,254 | 953 | 5,301 |
| East Shore II | 24670 | Richmond | | 907 | 6,662 | - | 114 |
| East Shore III | 24680 | Richmond | | - | 2,220 | 1,319 | 4,520 |
| East Shore IV | 28390 | Richmond | | 2,345 | - | 261 | - |
| Grove Park I | 24690 | Richmond | | 349 | 2,685 | 364 | 3,159 |
| Grove Park II | 24700 | Richmond | | 983 | - | - | - |
| Highwoods Distribution Center | 24710 | Richmond | | 517 | 5,714 | - | 545 |
| Highwoods One | 24720 | Richmond | (6) | 1,846 | 8,613 | - | 2,008 |
| Highwoods Two | 24730 | Richmond | | 785 | 5,170 | - | 1,375 |
| Highwoods Five | 24760 | Richmond | | 806 | 4,948 | - | 947 |
| Sadler & Cox Land | 24770 | Richmond | | 1,745 | - | - | - |
| Highwoods Plaza | 24790 | Richmond | | 907 | 4,937 | - | 1,025 |
| Highwoods Commons | 24800 | Richmond | | 547 | 4,342 | (26) | (42) |
| Innsbrook Centre | 24810 | Richmond | | 914 | 6,768 | - | 216 |
| Innslake Center | 28560 | Richmond | | 791 | 4,730 | - | 587 |
| Liberty Mutual | 24820 | Richmond | 3,067 | 1,205 | 4,819 | - | 680 |
| Mercer Plaza | 24830 | Richmond | | 1,556 | 12,350 | - | 1 |
| Markel American | 24840 | Richmond | | 1,372 | 8,667 | - | 949 |
| North Park | 24850 | Richmond | | 2,163 | 8,659 | - | 655 |
| North Shore Commons A | 24860 | Richmond | | 1,344 | 10,447 | - | 1,085 |
| North Shore Commons B - Land | 24870 | Richmond | | 1,810 | - | - | - |
| North Shore Commons C - Land | 24880 | Richmond | | 1,667 | - | - | - |
| Hamilton Beach | 24890 | Richmond | | 1,086 | 4,344 | - | 475 |
| Pavillion - Richmond | 24900 | Richmond | | 401 | - | (401) | - |
| One Shockoe Plaza | 24910 | Richmond | | - | 19,324 | - | (3,954) |
| Pickles Land | 28240 | Richmond | | 1,276 | - | - | - |
| Stony Point I | 24930 | Richmond | | 1,384 | 11,445 | - | 1,251 |
| Stony Point II | 24940 | Richmond | | 1,561 | 10,949 | - | 1,773 |
| Stony Point III | 28430 | Richmond | | 1,181 | 8,131 | - | 1,059 |
| Stony Point F Land | 24950 | Richmond | | 2,589 | - | - | - |
| Technology Park 2 | 24960 | Richmond | | 264 | 1,058 | - | 99 |
| Vantage Place A | 24980 | Richmond | | 203 | 811 | - | 178 |
| Vantage Place B | 24990 | Richmond | | 233 | 931 | - | 152 |
| Vantage Place C | 25000 | Richmond | | 235 | 940 | - | 186 |
| Vantage Place D | 25010 | Richmond | | 218 | 873 | - | 211 |
| Vantage Pointe | 25020 | Richmond | | 1,089 | 4,354 | - | 599 |
| Waterfront Plaza | 25030 | Richmond | | 585 | 2,347 | - | 750 |
| West Shore I | 25040 | Richmond | | 358 | 1,431 | - | 69 |
| West Shore II | 25050 | Richmond | | 545 | 2,181 | - | 57 |
| West Shore III | 25060 | Richmond | | 961 | 3,601 | - | 1,370 |
| Virginia Mutual | 28250 | Richmond | | 1,301 | 6,034 | - | (219) |

South Florida

Gross Amount at Which
Carried at Close of Period

Life on
Which

| | Land | Building & Improvements | Total (12) | Accumulated Depreciation | Date of Construction | Depreciation is Computed |
|----------------------|-------|----------------------------|------------|-----------------------------|-------------------------|-----------------------------|
| Rexwoods Center I | 878 | 3,917 | 4,795 | 1,257 | 1990 | 5-40 yrs. |
| Rexwoods Center II | 362 | 1,905 | 2,267 | 418 | 1993 | 5-40 yrs. |
| Rexwoods Center III | 920 | 2,923 | 3,843 | 794 | 1992 | 5-40 yrs. |
| Rexwoods Center IV | 586 | 3,676 | 4,262 | 1,111 | 1995 | 5-40 yrs. |
| Rexwoods Center V | 1,301 | 6,072 | 7,373 | 1,110 | 1998 | 5-40 yrs. |
| Riverbirch | 469 | 4,565 | 5,034 | 1,678 | 1987 | 5-40 yrs. |
| Six Forks Center I | 666 | 3,263 | 3,929 | 623 | 1982 | 5-40 yrs. |
| Six Forks Center II | 1,086 | 5,274 | 6,360 | 923 | 1983 | 5-40 yrs. |
| Six Forks Center III | 862 | 4,998 | 5,860 | 1,065 | 1987 | 5-40 yrs. |

| | | | | | | |
|-------------------------------|-------|--------|--------|-------|------|-----------|
| Smoketree Tower | 2,353 | 14,077 | 16,430 | 3,351 | 1984 | 5-40 yrs. |
| South Square I | 606 | 4,848 | 5,454 | 1,030 | 1988 | 5-40 yrs. |
| South Square II | 525 | 5,137 | 5,662 | 1,069 | 1989 | 5-40 yrs. |
| Sycamore | 255 | 5,903 | 6,158 | 1,333 | 1997 | 5-40 yrs. |
| Weston - Land | 6,337 | - | 6,337 | - | N/A | N/A |
| Willow Oak | 458 | 6,560 | 7,018 | 2,161 | 1995 | 5-40 yrs. |
| Richmond, VA | | | | | | |
| Airport Center I | 708 | 5,390 | 6,098 | 949 | 1997 | 5-40 yrs. |
| Airport Center II | 362 | 3,206 | 3,568 | 371 | 1998 | 5-40 yrs. |
| Capital One Building I | 1,278 | 11,004 | 12,282 | 984 | 1999 | 5-40 yrs. |
| Capital One Building II | 477 | 4,189 | 4,666 | 349 | 1999 | 5-40 yrs. |
| Capital One Building III | 1,278 | 11,344 | 12,622 | 913 | 1999 | 5-40 yrs. |
| Capital One Parking Deck | - | 2,429 | 2,429 | 139 | 1999 | 5-40 yrs. |
| 1309 E. Cary Street | 171 | 785 | 956 | 139 | 1987 | 5-40 yrs. |
| 4900 Cox Road | 1,324 | 5,980 | 7,304 | 867 | 1991 | 5-40 yrs. |
| Technology Park 1 | 541 | 2,557 | 3,098 | 476 | 1991 | 5-40 yrs. |
| Development Opportunity Strip | 45 | - | 45 | - | N/A | N/A |
| East Shore I | 953 | 6,555 | 7,508 | 327 | N/A | N/A |
| East Shore II | 907 | 6,776 | 7,683 | 902 | 1999 | 5-40 yrs. |
| East Shore III | 1,319 | 6,740 | 8,059 | 380 | 1999 | 5-40 yrs. |
| East Shore IV | 2,606 | - | 2,606 | - | N/A | N/A |
| Grove Park I | 713 | 5,844 | 6,557 | 1,104 | 1997 | 5-40 yrs. |
| Grove Park II | 983 | - | 983 | - | N/A | N/A |
| Highwoods Distribution Center | 517 | 6,259 | 6,776 | 563 | 1999 | 5-40 yrs. |
| Highwoods One | 1,846 | 10,621 | 12,467 | 2,499 | 1996 | 5-40 yrs. |
| Highwoods Two | 785 | 6,545 | 7,330 | 1,204 | 1997 | 5-40 yrs. |
| Highwoods Five | 806 | 5,895 | 6,701 | 888 | 1998 | 5-40 yrs. |
| Sadler & Cox Land | 1,745 | - | 1,745 | - | N/A | N/A |
| Highwoods Plaza | 907 | 5,962 | 6,869 | 264 | 2000 | 5-40 yrs. |
| Highwoods Commons | 521 | 4,300 | 4,821 | 435 | 1999 | 5-40 yrs. |
| Innsbrook Centre | 914 | 6,984 | 7,898 | 353 | 1989 | 5-40 yrs. |
| Innslake Center | 791 | 5,317 | 6,108 | 15 | 2001 | 5-40 yrs. |
| Liberty Mutual | 1,205 | 5,499 | 6,704 | 966 | 1990 | 5-40 yrs. |
| Mercer Plaza | 1,556 | 12,351 | 13,907 | 637 | 1984 | 5-40 yrs. |
| Markel American | 1,372 | 9,616 | 10,988 | 1,120 | 1998 | 5-40 yrs. |
| North Park | 2,163 | 9,314 | 11,477 | 1,437 | 1989 | 5-40 yrs. |
| North Shore Commons A | 1,344 | 11,532 | 12,876 | 218 | | 5-40 yrs. |
| North Shore Commons B - Land | 1,810 | - | 1,810 | - | N/A | N/A |
| North Shore Commons C - Land | 1,667 | - | 1,667 | - | N/A | N/A |
| Hamilton Beach | 1,086 | 4,819 | 5,905 | 784 | 1986 | 5-40 yrs. |
| Pavillion - Richmond | - | - | - | - | N/A | N/A |
| One Shockoe Plaza | - | 15,370 | 15,370 | 2,310 | 1996 | 5-40 yrs. |
| Pickles Land | 1,276 | - | 1,276 | - | N/A | N/A |
| Stony Point I | 1,384 | 12,696 | 14,080 | 1,640 | 1990 | 5-40 yrs. |
| Stony Point II | 1,561 | 12,722 | 14,283 | 1,306 | 1999 | 5-40 yrs. |
| Stony Point III | 1,181 | 9,190 | 10,371 | 193 | | 5-40 yrs. |
| Stony Point F Land | 2,589 | - | 2,589 | - | N/A | N/A |
| Technology Park 2 | 264 | 1,157 | 1,421 | 205 | 1991 | 5-40 yrs. |
| Vantage Place A | 203 | 989 | 1,192 | 236 | 1987 | 5-40 yrs. |
| Vantage Place B | 233 | 1,083 | 1,316 | 246 | 1988 | 5-40 yrs. |
| Vantage Place C | 235 | 1,126 | 1,361 | 245 | 1987 | 5-40 yrs. |
| Vantage Place D | 218 | 1,084 | 1,302 | 269 | 1988 | 5-40 yrs. |
| Vantage Pointe | 1,089 | 4,953 | 6,042 | 904 | 1990 | 5-40 yrs. |
| Waterfront Plaza | 585 | 3,097 | 3,682 | 706 | 1988 | 5-40 yrs. |
| West Shore I | 358 | 1,500 | 1,858 | 234 | 1995 | 5-40 yrs. |
| West Shore II | 545 | 2,238 | 2,783 | 328 | 1995 | 5-40 yrs. |
| West Shore III | 961 | 4,971 | 5,932 | 1,039 | 1997 | 5-40 yrs. |
| Virginia Mutual | 1,301 | 5,815 | 7,116 | 196 | 1996 | 5-40 yrs. |

South Florida

| Description | JDE | City | 2001 Encumbrance | Initial Cost | | Cost Capitalized subsequent to Acquisition | |
|----------------------------------|-------|---------------|---------------------|--------------|----------------------------|---|----------------------------|
| | | | | Land | Building & Improvements | Land | Building & Improvements |
| The 1800 Eller Drive Building | 25080 | South Florida | | - | 9,724 | - | 491 |
| Tampa, FL | | | | | | | |
| 5400 Gray Street | 25100 | Tampa | | 350 | 295 | | 5 |
| Atrium | 25120 | Tampa | | 1,639 | 9,286 | (287) | 2,230 |
| Bay View Commons Land | 25200 | Tampa | | 200 | - | - | - |
| Bay View Office Centre | 25210 | Tampa | | 1,304 | 5,964 | - | 396 |
| Bay Vista Gardens | 25220 | Tampa | | 447 | 4,777 | - | 26 |
| Bay Vista Gardens II | 25230 | Tampa | | 1,328 | 6,981 | 134 | 396 |
| Bay Vista Office Building | 25250 | Tampa | | 935 | 4,480 | - | 516 |
| Bay Vista Retail | 25260 | Tampa | | 283 | 1,135 | - | 116 |
| Countryside Place | 25270 | Tampa | | 843 | 3,731 | - | 146 |
| Clearwater Point | 25280 | Tampa | | 317 | 1,531 | (317) | (1,531) |
| Cypress Center Land | 25320 | Tampa | | 1,456 | - | - | - |
| Cypress Commons | 25330 | Tampa | | 1,211 | 11,488 | - | 120 |
| Cypress Center I | 25340 | Tampa | | 3,171 | 12,635 | - | 13 |
| Cypress Center III | 25350 | Tampa | | 1,190 | 7,690 | - | 18 |
| Cypress West | 25360 | Tampa | 2,020 | 615 | 4,988 | - | 775 |
| Brookwood Day Care Center | 25370 | Tampa | | 61 | 347 | - | 28 |
| Expo Building | 25380 | Tampa | | 171 | 969 | (171) | (969) |
| Feathersound Corporate Center II | 25400 | Tampa | 2,191 | 800 | 7,282 | - | 550 |
| Firemans Fund Building | 25410 | Tampa | | 500 | 4,107 | - | 103 |
| Fireman's Fund Land | 25420 | Tampa | | 1,002 | - | - | - |
| Federated Land | 25450 | Tampa | | 6,028 | - | (6,028) | - |
| Horizon | 25460 | Tampa | (1) | - | 6,114 | - | 554 |
| Highwoods Preserve I | 25470 | Tampa | | - | 2,268 | 1,618 | 23,368 |
| Highwoods Preserve II | 25480 | Tampa | | 42 | 274 | - | 1,517 |
| Highwoods Preserve III | 25490 | Tampa | | - | 1,524 | 1,488 | 21,140 |
| Highwoods Preserve IV | 25500 | Tampa | | 1,639 | 16,355 | - | 8,576 |
| Highwoods Preserve V | 25510 | Tampa | | 1,440 | 21,189 | - | (68) |
| Highwoods Plaza | 25530 | Tampa | | 545 | 4,650 | - | 1,462 |
| Highwoods Preserve Land | 25540 | Tampa | | 5,403 | - | - | - |
| Romac | 28140 | Tampa | | - | - | - | - |
| LakePointe I | 25640 | Tampa | (1) | 2,000 | 20,376 | - | 6,324 |
| LakePointe II | 25660 | Tampa | (1) | 2,100 | 31,390 | - | 552 |
| Lakeside | 25650 | Tampa | (1) | - | 7,272 | - | 123 |
| Northside Square Office | 25720 | Tampa | | 601 | 3,601 | - | 220 |
| Northside Square Office/Retail | 25730 | Tampa | | 800 | 2,808 | - | 86 |
| One Harbour Place | 28180 | Tampa | (3) | 2,015 | 25,252 | - | 531 |
| Parkside | 25740 | Tampa | (1) | - | 9,193 | - | 373 |
| Pavilion | 25750 | Tampa | (1) | - | 16,022 | - | 516 |
| Pavilion Parking Garage | 25760 | Tampa | | - | 5,618 | - | - |
| 380 Park Place | 25770 | Tampa | | 1,508 | 6,782 | - | 722 |
| REO Building | 25790 | Tampa | | 795 | 4,484 | - | 292 |
| Registry I | 25800 | Tampa | | 744 | 4,216 | - | 648 |
| Registry II | 25810 | Tampa | | 908 | 5,147 | - | 532 |
| Registry Square | 25820 | Tampa | | 344 | 1,951 | - | 167 |
| Sabal Business Center I | 25840 | Tampa | | 375 | 2,127 | - | 234 |
| Sabal Business Center II | 25850 | Tampa | | 342 | 1,935 | - | 142 |
| Sabal Business Center III | 25860 | Tampa | | 290 | 1,642 | - | 49 |
| Sabal Business Center IV | 25870 | Tampa | | 819 | 4,638 | - | 222 |
| Sabal Business Center V | 25880 | Tampa | | 1,026 | 5,813 | - | 242 |
| Sabal Business Center VI | 25890 | Tampa | | 1,609 | 9,116 | - | 101 |
| Sabal Business Center VII | 25900 | Tampa | | 1,519 | 8,605 | - | 81 |
| Sabal Lake Building | 25910 | Tampa | | 572 | 3,241 | - | 152 |
| Sabal Industrial Park Land | 25920 | Tampa | | 488 | - | - | - |
| Sabal Park Plaza | 25930 | Tampa | | 611 | 3,460 | - | 416 |
| Sabal Tech Center | 25940 | Tampa | | 548 | 3,107 | - | 97 |
| Summit Office Building | 25950 | Tampa | | 579 | 2,749 | - | 13 |
| Spectrum | 25960 | Tampa | (1) | 1,450 | 14,173 | - | 298 |
| Sabal Pavilion I | 25970 | Tampa | | 660 | 8,633 | 304 | 2,686 |
| Sabal Pavilion II | 25980 | Tampa | | 533 | - | - | - |
| USF&G | 26130 | Tampa | | 1,366 | 7,742 | - | 1,391 |
| Westshore Square | 26140 | Tampa | 2,721 | 1,130 | 5,155 | - | 224 |
| | | | | 653,279 | 2,674,368 | (6,978) | 300,851 |

| Description | Gross Amount at Which Carried at Close of Period | | | Life on Which | | |
|-------------------------------|---|----------------------------|-----------|-----------------------------|-------------------------|-----------------------------|
| | Land | Building & Improvements | Total(12) | Accumulated Depreciation | Date of Construction | Depreciation is Computed |
| The 1800 Eller Drive Building | - | 10,215 | 10,215 | 573 | 1983 | 5-40 yrs. |
| Tampa, FL | | | | | | |
| 5400 Gray Street | 350 | 300 | 650 | 32 | 1973 | 5-40 yrs. |
| Atrium | 1,352 | 11,516 | 12,868 | 1,463 | 1989 | 5-40 yrs. |
| Bay View Commons Land | 200 | - | 200 | - | N/A | N/A |
| Bay View Office Centre | 1,304 | 6,360 | 7,664 | 660 | 1982 | 5-40 yrs. |
| Bay Vista Gardens | 447 | 4,803 | 5,250 | 471 | 1982 | 5-40 yrs. |
| Bay Vista Gardens II | 1,462 | 7,377 | 8,839 | 960 | 1997 | 5-40 yrs. |
| Bay Vista Office Building | 935 | 4,996 | 5,931 | 648 | 1982 | 5-40 yrs. |
| Bay Vista Retail | 283 | 1,251 | 1,534 | 140 | 1987 | 5-40 yrs. |
| Countryside Place | 843 | 3,877 | 4,720 | 449 | 1988 | 5-40 yrs. |
| Clearwater Point | - | - | - | - | 1981 | 5-40 yrs. |

| | | | | | | |
|----------------------------------|---------|-----------|-----------|---------|------|-----------|
| Cypress Center Land | 1,456 | - | 1,456 | - | N/A | N/A |
| Cypress Commons | 1,211 | 11,608 | 12,819 | 1,912 | 1985 | 5-40 yrs. |
| Cypress Center I | 3,171 | 12,648 | 15,819 | 2,411 | 1982 | 5-40 yrs. |
| Cypress Center III | 1,190 | 7,708 | 8,898 | 533 | 1983 | 5-40 yrs. |
| Cypress West | 615 | 5,763 | 6,378 | 708 | 1985 | 5-40 yrs. |
| Brookwood Day Care Center | 61 | 375 | 436 | 53 | 1986 | 5-40 yrs. |
| Expo Building | - | - | - | - | 1981 | 5-40 yrs. |
| Feathersound Corporate Center II | 800 | 7,832 | 8,632 | 1,018 | 1986 | 5-40 yrs. |
| Firemans Fund Building | 500 | 4,210 | 4,710 | 478 | 1982 | 5-40 yrs. |
| Fireman's Fund Land | 1,002 | - | 1,002 | - | N/A | N/A |
| Federated Land | - | - | - | - | N/A | N/A |
| Horizon | - | 6,668 | 6,668 | 708 | 1980 | 5-40 yrs. |
| Highwoods Preserve I | 1,618 | 25,636 | 27,254 | 1,439 | 1999 | 5-40 yrs. |
| Highwoods Preserve II | 42 | 1,791 | 1,833 | 153 | 2001 | 5-40 yrs. |
| Highwoods Preserve III | 1,488 | 22,664 | 24,152 | 1,027 | 1999 | 5-40 yrs. |
| Highwoods Preserve IV | 1,639 | 24,931 | 26,570 | 764 | 1999 | 5-40 yrs. |
| Highwoods Preserve V | 1,440 | 21,121 | 22,561 | 270 | 2001 | 5-40 yrs. |
| Highwoods Plaza | 545 | 6,112 | 6,657 | 226 | 1999 | 5-40 yrs. |
| Highwoods Preserve Land | 5,403 | - | 5,403 | - | N/A | N/A |
| Romac | - | - | - | - | N/A | N/A |
| LakePointe I | 2,000 | 26,700 | 28,700 | 1,728 | 1999 | 5-40 yrs. |
| Lakeside | - | 7,395 | 7,395 | 776 | 1978 | 5-40 yrs. |
| LakePointe II | 2,100 | 31,942 | 34,042 | 3,431 | 1986 | 5-40 yrs. |
| Northside Square Office | 601 | 3,821 | 4,422 | 439 | 1986 | 5-40 yrs. |
| Northside Square Office/Retail | 800 | 2,894 | 3,694 | 317 | 1986 | 5-40 yrs. |
| One Harbour Place | 2,015 | 25,783 | 27,798 | 977 | 1985 | 5-40 yrs. |
| Parkside | - | 9,566 | 9,566 | 1,007 | 1979 | 5-40 yrs. |
| Pavilion | - | 16,538 | 16,538 | 1,742 | 1982 | 5-40 yrs. |
| Pavilion Parking Garage | - | 5,618 | 5,618 | 308 | 1999 | 5-40 yrs. |
| 380 Park Place | 1,508 | 7,504 | 9,012 | 152 | N/A | N/A |
| REO Building | 795 | 4,776 | 5,571 | 529 | 1983 | 5-40 yrs. |
| Registry I | 744 | 4,864 | 5,608 | 718 | 1985 | 5-40 yrs. |
| Registry II | 908 | 5,679 | 6,587 | 852 | 1987 | 5-40 yrs. |
| Registry Square | 344 | 2,118 | 2,462 | 293 | 1988 | 5-40 yrs. |
| Sabal Business Center I | 375 | 2,361 | 2,736 | 355 | 1982 | 5-40 yrs. |
| Sabal Business Center II | 342 | 2,077 | 2,419 | 349 | 1984 | 5-40 yrs. |
| Sabal Business Center III | 290 | 1,691 | 1,981 | 236 | 1984 | 5-40 yrs. |
| Sabal Business Center IV | 819 | 4,860 | 5,679 | 655 | 1984 | 5-40 yrs. |
| Sabal Business Center V | 1,026 | 6,055 | 7,081 | 826 | 1988 | 5-40 yrs. |
| Sabal Business Center VI | 1,609 | 9,217 | 10,826 | 1,227 | 1988 | 5-40 yrs. |
| Sabal Business Center VII | 1,519 | 8,686 | 10,205 | 1,153 | 1990 | 5-40 yrs. |
| Sabal Lake Building | 572 | 3,393 | 3,965 | 529 | 1986 | 5-40 yrs. |
| Sabal Industrial Park Land | 488 | - | 488 | - | N/A | N/A |
| Sabal Park Plaza | 611 | 3,876 | 4,487 | 768 | 1987 | 5-40 yrs. |
| Sabal Tech Center | 548 | 3,204 | 3,752 | 425 | 1989 | 5-40 yrs. |
| Summit Office Building | 579 | 2,762 | 3,341 | 269 | 1988 | 5-40 yrs. |
| Spectrum | 1,450 | 14,471 | 15,921 | 1,625 | 1984 | 5-40 yrs. |
| Sabal Pavilion I | 964 | 11,319 | 12,283 | 921 | 1998 | 5-40 yrs. |
| Sabal Pavilion II | 533 | - | 533 | - | N/A | N/a |
| USF&G | 1,366 | 9,133 | 10,499 | 1,802 | 1988 | 5-40 yrs. |
| Westshore Square | 1,130 | 5,379 | 6,509 | 535 | 1976 | 5-40 yrs. |
| | 646,301 | 2,975,219 | 3,621,520 | 377,201 | | |
| ===== | | | | | | |

| | | | | | | Initial Cost | |
|---|--------------|----------------------------|--------------|-------------|--------------|--------------|--------------|
| | | | | | | ----- | ----- |
| Description | | JDE | City | 2001 | | Land | Building & |
| | | | | Encumbrance | | | Improvements |
| ----- | | ----- | ----- | ----- | | ----- | ----- |
| (1) These assets are pledged as collateral for a \$69,868,000 first mortgage loan. | | | | | | | |
| (2) These assets are pledged as collateral for an \$44,479,000 first mortgage loan. | | | | | | | |
| (3) These assets are pledged as collateral for a \$28,693,000 first mortgage loan. | | | | | | | |
| (4) These assets are pledged as collateral for a \$7,504,000 first mortgage loan. | | | | | | | |
| (5) These assets are pledged as collateral for a \$134,966,000 first mortgage loan. | | | | | | | |
| (6) These assets are pledged as collateral for a \$182,939,000 first mortgage loan. | | | | | | | |
| Cost Capitalized subsequent | | Gross Amount at Which | | | | Life on | |
| to Acquisition | | Carried at Close of Period | | | | Which | |
| ----- | | ----- | | | | | |
| Land | Building & | Land | Building & | Total (12) | Accumulated | Date of | Depreciation |
| | Improvements | | Improvements | | Depreciation | Construction | is Computed |
| ----- | ----- | ----- | ----- | ----- | ----- | ----- | ----- |

HIGHWOODS PROPERTIES INC.

NOTE TO SCHEDULE III (In Thousands)

As of December 31, 2001, 2000, and 1999

A summary of activity for Real estate and accumulated depreciation is as follows

| | December 31, | | |
|--|--------------|-----------|-----------|
| | 2001 | 2000 | 1999 |
| Real Estate: | | | |
| Balance at beginning of year | 3,443,117 | 3,768,234 | 4,025,472 |
| Additions | | | |
| Acquisitions, Development and Improvements | 336,678 | 403,012 | 507,475 |
| Cost of real estate sold | (158,275) | (728,129) | (764,713) |
| Balance at close of year (a) | 3,621,520 | 3,443,117 | 3,768,234 |
| | ===== | ===== | ===== |
| Accumulated Depreciation | | | |
| Balance at beginning of year | 280,772 | 237,979 | 167,989 |
| Depreciation expense | 104,789 | 103,435 | 99,386 |
| Real estate sold | (8,360) | (60,642) | (29,396) |
| Balance at close of year (b) | 377,201 | 280,772 | 237,979 |
| | ===== | ===== | ===== |

(a) Reconciliation of total cost to balance sheet caption at December 31, 2001, 2000, and 1999 (in Thousands)

| | 2001 | 2000 | 1999 |
|---|-----------|-----------|-----------|
| Total per schedule III | 3,621,520 | 3,443,117 | 3,768,234 |
| Constuction in progress exclusive of land included in schedule III | 108,118 | 87,622 | 186,925 |
| Furniture, fixtures and equipment | 19,398 | 11,433 | 7,917 |
| Property held for sale | (83,325) | (133,303) | (51,603) |
| Total real estate assets at cost | 3,665,711 | 3,408,869 | 3,911,473 |
| | ===== | ===== | ===== |

(b) Reconciliation of total Accumulated Depreciation to balance sheet caption at December 31, 2001, 2000, and 1999 (in Thousands)

| | 2001 | 2000 | 1999 |
|---|---------|---------|---------|
| Total per Schedule III | 377,201 | 280,772 | 237,979 |
| Accumulated Depreciation - furniture, fixtures and equipment..... | 9,649 | 5,317 | 2,799 |
| Property held for sale | (1,294) | (5,479) | (2,643) |
| Total accumulated depreciation | 385,556 | 280,610 | 238,135 |
| | ===== | ===== | ===== |

EXHIBIT 23

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statements (Form S-3 Nos. 333-51671-01, 333-51759 and 333-61913, and Form S-8 Nos. 333-38878, 333-12117, 333-29759 and 333-55901) and related Prospectuses of Highwoods Properties, Inc. and in the Registration Statement (Form S-3 No. 333-51671) and related Prospectus of Highwoods Realty Limited Partnership of our report dated February 19, 2002 with respect to the consolidated financial statement and schedule of Highwoods Properties, Inc. included in the Annual Report (Form 10-K) for the year ended December 31, 2001.

/s/ ERNST & YOUNG LLP

*Raleigh, North Carolina
March 21, 2002*

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