

# HIGHWOODS PROPERTIES INC

## FORM 8-K (Current report filing)

Filed 5/2/2007 For Period Ending 5/2/2007

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

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# SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

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## FORM 8-K

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

**Date of Report (Date of earliest event reported): May 2, 2007**

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

(Exact name of registrant specified in its charter)

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**Maryland**  
(State of Incorporation)

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

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

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### **HIGHWOODS REALTY LIMITED PARTNERSHIP**

(Exact name of registrant specified in its charter)

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**North Carolina**  
(State of Incorporation)

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

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

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

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

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

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

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

On May 1, 2007, we issued a press release announcing financial information for the quarter ended March 31, 2007. This press release is attached as Exhibit 99.1. In addition, we posted on our web site supplemental information regarding our operations for the quarter ended March 31, 2007, a copy of which is attached as Exhibit 99.2.

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

(c) Exhibits

<u>No.</u>	<u>Description</u>
99.1	Press release dated May 1, 2007
99.2	Supplemental operating information for the quarter ended March 31, 2007

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## SIGNATURES

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

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

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

### **HIGHWOODS REALTY LIMITED PARTNERSHIP**

By: Highwoods Properties, Inc., its general partner

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

Dated: May 2, 2007

**FOR IMMEDIATE RELEASE**

Ref: 07-XX

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

**Highwoods Properties Reports First Quarter 2007 Results*****\$0.91 FFO per Diluted Share*****Increases Full Year 2007 FFO Guidance  
to \$2.65 to \$2.70 per Share**

**Raleigh, NC – May 1, 2007 – Highwoods Properties, Inc. (NYSE: HIW)** , the largest owner and operator of suburban office properties in the Southeast, today reported results for the quarter ended March 31, 2007.

Ed Fritsch, President and CEO, stated, *“We continue to make significant progress towards achieving the annual and long-term goals of our Strategic Plan. At the end of the first quarter, in-service occupancy was 90.2%, up 250 basis points from the first quarter of 2006. Net operating income from continuing operations was up \$4.6 million, or 7.2%, compared to first quarter of 2006, and on a same property basis net operating income increased 2.3%. Our robust \$415 million development pipeline is 54% pre-leased and is expected to generate, on average, stabilized cash yields of between 9% and 10%.”*

Year-to-date through April 30, 2007, the Company has:

- Commenced \$39 million of development that is 31% pre-leased;
- Delivered \$44 million of development that is 70% leased;
- Signed 468,000 square feet of development leases;
- Sold \$71 million of non-differentiating assets at an average cap rate of 6.4%;
- Sold 102 acres of non-core land for \$29 million, for gains of \$16 million (\$0.26 per share);
- Issued \$400 million, ten-year unsecured notes with a 5.85% coupon;
- Announced the redemption of \$40 million of 8% preferred stock to occur on May 29, 2007;
- Retired \$80 million of 7.9% secured debt, unencumbering \$179 million of assets; and
- Finalized a prior year insurance claim, which resulted in a \$4.1 million gain (\$0.07 per share) that is included in Funds from Operations (“FFO”).

*“Since putting our Strategic Plan in place in January 2005, we have increased occupancy 520 basis points and commenced \$471 million of development that is 58% leased and which is expected to generate average stabilized cash yields of between 9% and 10%. We have also disposed of \$668 million of non-core and non-differentiating properties, sold \$87 million of non-core land for gains of \$31 million and paid off \$287 million of high coupon debt and preferred stock,”* added Mr. Fritsch.

Mr. Fritsch also noted that FFO guidance for full year 2007 was raised from \$2.53 to \$2.65 per diluted share to \$2.65 to \$2.70 per diluted share. Guidance was increased primarily due to \$3.4 million of land sale gains, or \$0.06 per diluted share, recorded in March, largely from the sale of 41 acres of non-core land for \$10.3 million. In addition, in the first quarter the Company recorded a \$4.1 million gain, \$0.07 per diluted share, from finalization of a prior year insurance claim. The low end of February’s FFO guidance included a land sale gain of \$0.20 per diluted share that was recorded in January.

### First Quarter Financial Results

For the first quarter of 2007, the Company reported net income available for common stockholders of \$48.4 million, or \$0.85 per diluted share. This compares to net income available for common stockholders of \$7.6 million, or \$0.14 per diluted share, for the first quarter of 2006.

FFO for the first quarter of 2007 was \$56.6 million, or \$0.91 per diluted share, compared to FFO of \$35.8 million, or \$0.59 per diluted share, for the first quarter of 2006.

Included in 2007 and 2006 first quarter net income available for common stockholders were the following items:

	3 Months Ended 3/31/07		3 Months Ended 3/31/06	
	(000)	Per Share	(000)	Per Share
Land sale gains	\$15,835	\$ 0.26	\$ 3,040	\$ 0.05
Lease termination income (1)	657	0.01	885	0.01
Straight line rental income	1,572	0.03	2,521	0.04
Capitalized interest	2,147	0.03	601	0.01
Gains on sales of depreciable assets (2)	27,809	0.45	3,164	0.05
Gain on insurance claim	4,128	0.07	—	—
Preferred stock redemption charge	—	—	(1,803)	(0.03)

(1) 2007 includes \$0.6 million (\$0.01 per share) net effect from a lease termination in an unconsolidated joint venture.

(2) 2007 includes \$7.2 million (\$0.12 per share) from joint venture sales. Gains on sales of depreciable assets are excluded in the calculation of FFO.

### First Quarter 2007 Operating Highlights

- Second generation leasing activity in Highwoods’ portfolio was 956,000 square feet, including 726,000 square feet of office space, 189,000 square feet of industrial space and 41,000 square feet of retail space.
- Straight-line (GAAP) rental rates for the 130 office leases signed in the first quarter increased 6.6% from straight line rental rates under the previous leases, while cash rents declined 4.5%. Excluding two of these leases, a 74,000 square foot, ten-year lease in Columbia (at a non-core building listed for sale) and the 102,000 square foot US Airways seven-year renewal in the Triad, office cash rents on signed leases declined less than 1.0%.

- Average in-place cash rental rates across the Company's portfolio increased 4.8% compared to the first quarter of 2006. Average in-place cash rental rates across the Company's office portfolio were up 5.3% from a year ago. (See page 17 of first quarter Supplemental.)
- Office tenant improvements and leasing commissions for signed second generation leases as a percentage of term base rent (netting out free rent) were 12.6%.
- The weighted average term for second generation office leases signed was 5.0 years, greater than the prior five quarter average of 4.7 years.
- Same property NOI from continuing operations, which includes straight line rent and term fees, increased 2.3% from the first quarter of 2006. Exclusive of straight line rent and term fees, same property NOI from continuing operations increased 6.0%. Cash revenues on a same property basis increased 6.2% over the first quarter of 2006.

### Funds from Operations Outlook

For 2007, the Company now expects FFO per diluted share to be in the range of \$2.65 to \$2.70. The Company's FFO estimate reflects management's view of current and future market conditions, including assumptions with respect to rental rates, occupancy levels, operating and general and administrative expenses, interest rates, land sale gains, and the potential impact of development deliveries and property dispositions and acquisitions. This estimate assumes 62.0 million diluted shares outstanding and excludes a preferred stock redemption charge of \$0.02 per share that will be recorded in the second quarter as a result of the Company's announced redemption of \$40 million of 8% preferred stock to occur on May 29, 2007. This estimate also excludes any gains or impairments associated with potential depreciable property dispositions, as well as any one-time, non-recurring charges or credits that may occur during the remainder of the year. Factors that could cause actual 2007 FFO results to differ materially from Highwoods' current expectations are discussed below and are also detailed in the Company's 2006 Annual Report on Form 10-K.

Management's outlook for 2007 is based on the following operating assumptions:

	Low	High
Year End Occupancy	91.0%	92.5%
Same Property GAAP NOI Growth	1.5%	2.5%
G&A	\$37.0M	\$38.5M
Termination Fees	\$ 1.0M	\$ 3.0M
Land Sale Gains	\$16.0M	\$16.5M
Dispositions	\$ 100M	\$ 150M
Acquisitions	\$ 10M	\$ 30M

### Supplemental Information

A copy of the Company's first quarter 2007 Supplemental Information that includes financial, leasing and operational statistics is available in the "Investor Relations/Quarterly Earnings" section of the Company's Web site at [www.highwoods.com](http://www.highwoods.com). You may also obtain a copy of all Supplemental Information published by the Company by contacting Highwoods Investor Relations at 919-431-1529/ 800-256-2963 or by e-mail to [HIW-IR@highwoods.com](mailto:HIW-IR@highwoods.com). If you would like to receive future Supplemental Information packages by e-mail, please contact the Investor Relations department as noted above or by written request to: Investor Relations Department, Highwoods Properties, Inc., 3100 Smoketree Court, Suite 600, Raleigh, NC 27604.

## Conference Call

On Wednesday, May 2, at 11:00 a.m. Eastern time, Highwoods will host a teleconference call to discuss the matters outlined in this press release. For US/Canada callers, dial (888) 202-5268 and international callers dial (706) 643-7509. A live listen-only Web cast can be accessed through the Company's Web site at [www.highwoods.com](http://www.highwoods.com) under the "Investor Relations" section.

Telephone, Web and Pod cast replays will be available two hours after the completion of the call. The telephone replay will be available for one week beginning at 2:00 p.m. Eastern time. Dial-in numbers for the replay are (800) 642-1687 US/Canada, (706) 645-9291 international. The conference ID is 3335228.

## Non-GAAP Information

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

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

The calculation of FFO as defined by the National Association of Real Estate Investment Trusts is as follows:

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



- Plus or minus adjustments for depreciation and amortization and gains/(losses) on sales and minority interest related to discontinued operations.

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

**Net operating income from continuing operations ("NOI"):** The Company defines NOI as "Rental and other revenues" from continuing operations less "Rental property and other expenses" from continuing operations. Management believes that NOI is a useful supplemental measure of the Company's property operating performance because it provides a performance measure of the revenues and expenses directly involved in owning real estate assets, and provides a perspective not immediately apparent from net income or FFO. Other REITs may use different methodologies to calculate NOI and accordingly the Company's NOI may not be comparable to other REITs. The Company's NOI calculations are reconciled to "Income before disposition of property, insurance gain, minority interest and equity in earnings of unconsolidated affiliates" and to "Rental and other revenues" and "Rental property and other expenses" in a table included with this release.

**Same Property NOI from continuing operations:** The Company defines same property NOI as NOI for the Company's in-service properties included in continuing operations that were wholly-owned during the entirety of the periods presented (from January 1, 2006 to March 31, 2007). The Company's same property NOI calculations are reconciled to NOI in a table included with this release.

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## About the Company

Highwoods Properties, Inc., a member of the S&P MidCap 400 Index, is a fully integrated, self-administered real estate investment trust ("REIT") that provides leasing, management, development, construction and other customer-related services for its properties and for third parties. At March 31, 2007, the Company owned or had an interest in 385 in-service office, industrial and retail properties encompassing approximately 33.9 million square feet. Highwoods also owned 625 acres of development land. Highwoods is based in Raleigh, North Carolina, and its properties and development land are located in Florida, Georgia, Iowa, Kansas, Missouri, North Carolina, South Carolina, Tennessee and Virginia. For more information about Highwoods Properties, please visit our Web site at [www.highwoods.com](http://www.highwoods.com).

Certain matters discussed in this press release, such as expected 2007 operational results and the related assumptions underlying our expected operational results, are forward-looking statements within the meaning of the federal securities laws. These statements are distinguished by use of the words "will", "expect", "intends" and words of similar meaning. Although Highwoods believes that the expectations reflected in such forward-looking statements are based upon reasonable assumptions, it can give no assurance that its expectations will be achieved.

Factors that could cause actual results to differ materially from Highwoods' current expectations include, among others, the following: the financial condition of our customers could deteriorate; unwaived defaults, if any, under our debt instruments could result in an acceleration of some of our outstanding debt; speculative development by others could result in excessive supply of office properties relative to customer demand; development, acquisition, reinvestment, disposition or joint venture projects may not be completed as quickly or on as favorable terms as anticipated; we may not be able to lease or re-lease space quickly or on as favorable terms as old leases; unexpected difficulties in obtaining additional capital to satisfy our future cash needs or unexpected increases in interest rates would increase our debt service costs; and others detailed in the Company's 2006 Annual Report on Form 10-K and subsequent SEC reports.

## Tables Follow

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

	Three Months Ended March 31,	
	2007	2006
<b>Rental and other revenues</b>	\$108,742	\$101,079
<b>Operating expenses:</b>		
Rental property and other expenses	39,134	36,117
Depreciation and amortization	29,741	27,644
General and administrative	10,911	8,692
Total operating expenses	79,786	72,453
<b>Interest expense:</b>		
Contractual	22,689	23,810
Amortization of deferred financing costs	566	744
Financing obligations	992	942
	24,247	25,496
<b>Other income:</b>		
Interest and other income	1,518	1,977
	1,518	1,977
<b>Income before disposition of property, insurance gain, minority interest and equity in earnings of unconsolidated affiliates</b>	6,227	5,107
Gains on disposition of property, net	16,743	4,310
Gain from property insurance settlement	4,128	—
Minority interest	(2,629)	(535)
Equity in earnings of unconsolidated affiliates	9,717	2,083
<b>Income from continuing operations</b>	34,186	10,965
Discontinued operations:		
Income from discontinued operations, net of minority interest	110	1,423
Gains on sales of discontinued operations, net of minority interest	18,262	1,758
	18,372	3,181
<b>Net income</b>	52,558	14,146
Dividends on preferred stock	(4,113)	(4,724)
Excess of preferred stock redemption cost over carrying value	—	(1,803)
<b>Net income available for common stockholders</b>	\$ 48,445	\$ 7,619
<b>Net income per common share - basic:</b>		
Income from continuing operations	\$ 0.53	\$ 0.08
Income from discontinued operations	0.33	0.06
Net Income	\$ 0.86	\$ 0.14
Weighted average common shares outstanding - basic	56,040	53,813
<b>Net Income per common share - diluted:</b>		
Income from continuing operations	\$ 0.53	\$ 0.08
Income from discontinued operations	0.32	0.06
Net income	\$ 0.85	\$ 0.14
Weighted average common shares outstanding - diluted	61,900	60,588

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

	March 31, 2007	December 31, 2006
<b>Assets:</b>		<i>(Note 1)</i>
Real estate assets, at cost:		
Land	\$ 350,245	\$ 345,548
Buildings and tenant improvements	2,615,830	2,573,032
Development in process	108,074	101,899
Land held for development	108,843	111,988
	<u>3,182,992</u>	<u>3,132,467</u>
Less-accumulated depreciation	(609,148)	(588,307)
Net real estate assets	2,573,844	2,544,160
Real estate and other assets, net, held for sale	5,519	34,944
Cash and cash equivalents	17,004	16,690
Restricted cash	1,692	2,027
Accounts receivable, net	24,830	23,347
Notes receivable, net	7,295	7,871
Accrued straight-line rents receivable, net	69,920	68,364
Investment in unconsolidated affiliates	61,763	60,359
Deferred financing and leasing costs, net	68,885	66,352
Prepaid expenses and other assets	19,952	20,739
Total Assets	<u>\$2,850,704</u>	<u>\$2,844,853</u>
<b>Liabilities, Minority Interest and Stockholders' Equity:</b>		
Mortgages and notes payable	\$1,487,509	\$1,465,129
Accounts payable, accrued expenses and other liabilities	139,858	156,737
Financing obligations	35,529	35,530
Total Liabilities	1,662,896	1,657,396
Minority interest	70,369	79,726
Stockholders' Equity:		
Preferred stock	197,445	197,445
Common stock	567	562
Additional paid-in capital	1,435,679	1,449,337
Distributions in excess of net earnings	(514,879)	(538,098)
Accumulated other comprehensive loss	(1,373)	(1,515)
Total Stockholders' Equity	1,117,439	1,107,731
Total Liabilities, Minority Interest and Stockholders' Equity	<u>\$2,850,704</u>	<u>\$2,844,853</u>

(1) Certain amounts were reclassified to conform to the current period presentation.

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

	Three Months Ended March 31,	
	2007	2006
<b>Funds from operations:</b>		
Net income	\$ 52,558	\$14,146
Dividends to preferred stockholders	(4,113)	(4,724)
Excess of preferred stock redemption cost over carrying value	—	(1,803)
<b>Net income available for common stockholders</b>	<b>48,445</b>	<b>7,619</b>
Add/(deduct):		
Depreciation and amortization of real estate assets	29,104	26,808
(Gains) on disposition of depreciable properties	(908)	(1,270)
Minority interest from the Operating Partnership in income from operations	2,449	444
Unconsolidated affiliates:		
Depreciation and amortization of real estate assets	2,866	2,675
(Gains) on disposition of depreciable properties	(7,158)	—
Discontinued operations:		
Depreciation and amortization of real estate assets	5	1,106
(Gains) on disposition of depreciable properties	(19,743)	(1,894)
Minority interest from the Operating Partnership in income from discontinued operations	1,490	280
<b>Funds from operations</b>	<b>\$ 56,550</b>	<b>\$35,768</b>
<b>Funds from operations per share - diluted:</b>		
Net income available for common stockholders	\$ 0.85	\$ 0.14
Add/(deduct):		
Depreciation and amortization of real estate assets	0.47	0.44
(Gains) on disposition of depreciable properties	(0.01)	(0.02)
Unconsolidated affiliates:		
Depreciation and amortization of real estate assets	0.04	0.04
(Gains) on disposition of depreciable properties	(0.12)	—
Discontinued operations:		
Depreciation and amortization of real estate assets	—	0.02
(Gains) on disposition of depreciable properties	(0.32)	(0.03)
<b>Funds from operations</b>	<b>\$ 0.91</b>	<b>\$ 0.59</b>
<b>Weighted average shares outstanding - diluted</b>	<b>61,900</b>	<b>60,588</b>

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

	Three Months Ended March 31,	
	2007	2006
<b>Income before disposition of property, insurance gain, minority interest and equity in earnings of unconsolidated affiliates</b>	\$ 6,227	\$ 5,107
Interest and other income	(1,518)	(1,977)
Interest expense	24,247	25,496
General and administrative expense	10,911	8,692
Depreciation and amortization expense	29,741	27,644
<b>Net operating income from continuing operations</b>	69,608	64,962
Non same property net operating income	5,256	2,047
<b>Total same property net operating income from continuing operations</b>	<u>\$ 64,352</u>	<u>\$ 62,915</u>
Rental and other revenues	\$108,742	\$101,079
Rental property and other expenses	39,134	36,117
<b>Total net operating income from continuing operations</b>	69,608	64,962
Non same property net operating income	5,256	2,047
<b>Total same property net operating income from continuing operations</b>	<u>\$ 64,352</u>	<u>\$ 62,915</u>



Supplemental Information  
March 31, 2007

**Supplemental Information**  
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**March 31, 2007**

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The information within refers to all Highwoods Properties' wholly-owned entities, except pages 30 to 35, unless noted otherwise. Wholly-owned entities include properties classified as both continuing operations and discontinued operations.

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

Highwoods Properties, Inc.

## Summary

Amounts in thousands, except per share amounts and ratios

	<i>Three Months Ended</i>				
	<u>03/31/07</u>	<u>12/31/06</u>	<u>09/30/06</u>	<u>06/30/06</u>	<u>03/31/06</u>
<b>Shares and units:</b>					
Common shares outstanding at end of period	<b>56,711</b>	56,211	55,635	54,131	54,142
Common units outstanding at end of period	<b>4,115</b>	4,733	5,014	5,234	5,401
Weighted average common shares outstanding - basic	<b>56,040</b>	55,740	54,470	53,879	53,813
Weighted average common shares outstanding - diluted	<b>61,900</b>	62,365	61,457	60,387	60,588
<b>Share price:</b>					
At end of period	<b>\$ 39.49</b>	\$ 40.76	\$ 37.21	\$ 36.18	\$ 33.73
High close during period	<b>46.95</b>	41.31	38.15	36.18	34.77
Low close during period	<b>37.99</b>	36.40	35.39	29.56	29.20
<b>Financial information:</b>					
Land sale gains, net of (impairments)	<b>\$15,835</b>	\$ 6,974	\$ 2,103	\$ (74)	\$ 3,040
Lease termination income	<b>41</b>	618	249	1,304	885
Straight line rental income	<b>1,572</b>	2,401	2,006	1,664	2,521
Capitalized interest	<b>2,147</b>	1,770	1,701	930	601
Impairments on depreciable properties	<b>—</b>	—	2,600	—	—
Gains on sales of depreciable properties	<b>20,651</b>	10,925	3,712	1,395	3,164
Gain from insurance settlement	<b>4,128</b>	—	—	—	—
Total debt/ total assets 1/	<b>53.4%</b>	52.7%	52.9%	53.2%	52.7%
Total debt/ total market capitalization 1/	<b>36.9%</b>	35.9%	37.9%	39.1%	40.2%
<b>Funds from operations per share - diluted</b>	<b>\$ 0.91</b>	\$ 0.71	\$ 0.53	\$ 0.54	\$ 0.59
<b>Funds from operations per share - diluted, excluding certain items 2/</b>	<b>\$ 0.91</b>	\$ 0.71	\$ 0.59	\$ 0.55	\$ 0.62
<b>Wholly - owned property information:</b>					
<b>In-Service rentable square feet:</b>					
Office	<b>19,154</b>	19,244	19,507	19,704	19,691
Industrial	<b>6,280</b>	6,281	6,605	6,706	6,706
Retail	<b>1,326</b>	1,327	1,431	1,408	1,408
Total	<b><u>26,760</u></b>	<u>26,852</u>	<u>27,543</u>	<u>27,818</u>	<u>27,805</u>
<b>In-Service occupancy:</b>					
Office	<b>89.3%</b>	89.0%	88.1%	87.1%	87.1%
Industrial	<b>91.9%</b>	91.7%	91.8%	89.5%	88.0%
Retail	<b>95.4%</b>	95.7%	96.2%	95.3%	95.7%
Total	<b><u>90.2%</u></b>	<u>90.0%</u>	<u>89.4%</u>	<u>88.1%</u>	<u>87.7%</u>

1/ Includes financing obligations.

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



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## Corporate Information

### **Board of Directors**

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

### **Corporate Officers**

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

President, Chief Executive Officer and Director

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

Executive Vice President and Chief Operating Officer

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

Vice President, Chief Financial Officer

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

Treasurer

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

Vice President, Compliance and Internal Audit

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

Vice President, Investments

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

Chief Information Officer

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

Vice President, General Counsel and Secretary

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

Vice President, Strategy

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

Vice President, Investor Relations and Corporate Communications

### **Research Coverage**

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

John Stewart - 212-538-3183

#### **Deutsche Banc Securities**

Lou Taylor - 212-469-4912

#### **Green Street Advisors**

Cedric Lachance - 949-640-8780

#### **Morgan Stanley**

David Cohen - 212-761-8564

#### **Smith Barney Citigroup**

Jonathan Litt - 212-816-0231

#### **Stifel Nicolaus**

John Guinee - 410-454-5520

**Wachovia Securities**  
Chris Haley - 443-263-6773  
  
Highwoods Properties, Inc.

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## Corporate Information

### **Divisional Officers**

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

Gene H. Anderson - Senior Vice President

Atlanta, GA

*James V. Bacchetta, Vice President*

Piedmont Triad, NC

*Mark W. Shumaker, Vice President*

#### **Orlando/Tampa**

Michael F. Beale - Senior Vice President

Orlando, FL

*Michael F. Beale, Senior Vice President*

Tampa, FL

*Dan Woodward, Vice President*

#### **Raleigh**

Raleigh, NC

*Thomas "Skip" Hill, Vice President*

#### **Richmond**

Richmond, VA

*Paul W. Kreckman, Vice President*

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

W. Brian Reames - Senior Vice President

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

*W. Brian Reames, Senior Vice President*

Memphis, TN

*Steven L. Guinn, Vice President*

#### **Kansas City**

Kansas City, MO

*Barrett Brady, Senior Vice President*

### **Corporate Headquarters**

Highwoods Properties, Inc.

3100 Smoketree Court, Suite 600

Raleigh, NC 27604

919-872-4924

### **Stock Exchange**

NYSE      Trading Symbol: HIW

### **Investor Relations Contact**

Tabitha Zane

Vice President, Investor Relations and Corporate Communications

Phone: 919-431-1529

Fax: 919-431-1439

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

### **Information Request**

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

Phone: 919-431-1521

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

**The Company**

Highwoods Properties, Inc., a member of the S&P MidCap 400 Index, is a fully integrated, self-administered and self-managed equity real estate investment trust (“REIT”) that provides leasing, management, development, construction and other customer-related services for its properties and for third parties. As of March 31, 2007, the Company owned or had an interest in 385 in-service office, industrial and retail properties encompassing approximately 33.9 million square feet. Highwoods also owns 625 acres of development land. Highwoods is based in Raleigh, North Carolina, and its properties and development land are located in Florida, Georgia, Iowa, Kansas, Maryland, Missouri, North Carolina, South Carolina, Tennessee and Virginia. For more information about Highwoods Properties, please visit our website at [www.highwoods.com](http://www.highwoods.com).



Highwoods Properties, Inc.

# Consolidated Statements of Income

Amounts in thousands, except per share amounts

	Three Months Ended				
	03/31/07	12/31/06	09/30/06	06/30/06	03/31/06
<b>Rental and other revenues</b>	<b>\$108,742</b>	<b>\$108,508</b>	<b>\$104,328</b>	<b>\$102,883</b>	<b>\$101,079</b>
<b>Operating expenses:</b>					
Rental property and other expenses	39,134	41,352	39,218	36,905	36,117
Depreciation and amortization	29,741	30,206	28,460	28,625	27,644
Impairment of assets held for use	—	—	2,600	—	—
General and administrative	10,911	11,011	8,546	9,060	8,692
Total operating expenses	<u>79,786</u>	<u>82,569</u>	<u>78,824</u>	<u>74,590</u>	<u>72,453</u>
<b>Interest expense:</b>					
Contractual	22,689	22,374	23,809	24,236	23,810
Amortization of deferred financing costs	566	492	557	582	744
Financing obligations	992	972	850	1,398	942
	<u>24,247</u>	<u>23,838</u>	<u>25,216</u>	<u>26,216</u>	<u>25,496</u>
<b>Other income/(expense):</b>					
Interest and other income	1,518	2,709	1,178	1,146	1,977
Settlement of tenant bankruptcy claim	—	1,581	—	—	—
Loss on debt extinguishments	—	(27)	—	(467)	—
	<u>1,518</u>	<u>4,263</u>	<u>1,178</u>	<u>679</u>	<u>1,977</u>
<b>Income before disposition of property, minority interest and equity in earnings of unconsolidated affiliates</b>	<b>6,227</b>	<b>6,364</b>	<b>1,466</b>	<b>2,756</b>	<b>5,107</b>
Gains on disposition of property, net	16,743	7,862	2,977	1,008	4,310
Gain from property insurance settlement	4,128	—	—	—	—
Minority interest	(2,629)	(1,088)	(247)	(356)	(535)
Equity in earnings of unconsolidated affiliates	9,717	1,492	1,342	1,924	2,083
<b>Income from continuing operations</b>	<b>34,186</b>	<b>14,630</b>	<b>5,538</b>	<b>5,332</b>	<b>10,965</b>
Discontinued operations:					
Income from discontinued operations, net of minority interest	110	566	776	656	1,423
Gains on sales of discontinued operations, net of minority interest	18,262	9,220	2,595	285	1,758
	<u>18,372</u>	<u>9,786</u>	<u>3,371</u>	<u>941</u>	<u>3,181</u>
<b>Net income</b>	<b>52,558</b>	<b>24,416</b>	<b>8,909</b>	<b>6,273</b>	<b>14,146</b>
Dividends on preferred stock	(4,113)	(4,113)	(4,113)	(4,113)	(4,724)
Excess of preferred stock redemption cost over carrying value	—	—	—	—	(1,803)
<b>Net income available for common stockholders</b>	<b>\$ 48,445</b>	<b>\$ 20,303</b>	<b>\$ 4,796</b>	<b>\$ 2,160</b>	<b>\$ 7,619</b>
<b>Net income per common share - diluted:</b>					
Income from continuing operations	\$ 0.53	\$ 0.18	\$ 0.03	\$ 0.02	\$ 0.08
Income from discontinued operations	0.32	0.17	0.06	0.02	0.06
Net income	<u>\$ 0.85</u>	<u>\$ 0.35</u>	<u>\$ 0.09</u>	<u>\$ 0.04</u>	<u>\$ 0.14</u>
Weighted average common shares outstanding - diluted	<u>61,900</u>	<u>62,365</u>	<u>61,457</u>	<u>60,387</u>	<u>60,588</u>
Dividends declared and paid per common share	<u>\$ 0.425</u>	<u>\$ 0.425</u>	<u>\$ 0.425</u>	<u>\$ 0.425</u>	<u>\$ 0.425</u>

**Statement of Funds from Operations  
and Additional Information**

*Amounts in thousands, except per share amounts*

	<i>Three Months Ended</i>				
	<u>03/31/07</u>	<u>12/31/06</u>	<u>09/30/06</u>	<u>06/30/06</u>	<u>03/31/06</u>
<b>Funds from operations:</b>					
Net income	\$ 52,558	\$ 24,416	\$ 8,909	\$ 6,273	\$14,146
Dividends to preferred stockholders	(4,113)	(4,113)	(4,113)	(4,113)	(4,724)
Excess of preferred stock redemption cost over carrying value	—	—	—	—	(1,803)
Net income applicable to common stockholders	48,445	20,303	4,796	2,160	7,619
Add/(deduct):					
Depreciation and amortization of real estate assets	29,104	29,458	27,699	27,883	26,808
(Gains) on disposition of depreciable properties	(908)	(888)	(874)	(1,082)	(1,270)
Minority interest from the Operating Partnership in income from operations	2,449	929	130	118	444
Unconsolidated affiliates:					
Depreciation and amortization of real estate assets	2,866	3,048	2,790	2,678	2,675
(Gains) on disposition of depreciable properties	(7,158)	—	—	—	—
Discontinued operations:					
Depreciation and amortization of real estate assets	5	460	817	1,003	1,106
(Gains) on disposition of depreciable properties	(19,743)	(10,037)	(2,838)	(313)	(1,894)
Minority interest from the Operating Partnership in income from discontinued operations	1,490	867	318	92	280
Funds from operations	<u>\$ 56,550</u>	<u>\$ 44,140</u>	<u>\$32,838</u>	<u>\$32,539</u>	<u>\$35,768</u>
<b>Funds from operations per share - diluted</b>					
Net income applicable to common shares	\$ 0.85	\$ 0.35	\$ 0.09	\$ 0.04	\$ 0.14
Add/(deduct):					
Depreciation and amortization of real estate assets	0.47	0.47	0.45	0.46	0.44
(Gains) on disposition of depreciable properties	(0.01)	(0.01)	(0.01)	(0.02)	(0.02)
Unconsolidated affiliates:					
Depreciation and amortization of real estate assets	0.04	0.05	0.04	0.05	0.04
(Gains) on disposition of depreciable properties	(0.12)	—	—	—	—
Discontinued operations:					
Depreciation and amortization of real estate assets	—	0.01	0.01	0.02	0.02
(Gains) on disposition of depreciable properties	(0.32)	(0.16)	(0.05)	(0.01)	(0.03)
Funds from operations	<u>\$ 0.91</u>	<u>\$ 0.71</u>	<u>\$ 0.53</u>	<u>\$ 0.54</u>	<u>\$ 0.59</u>
Weighted average shares outstanding - diluted	<u>61,900</u>	<u>62,365</u>	<u>61,457</u>	<u>60,387</u>	<u>60,588</u>
<b>Additional information: 1/</b>					
Funds from operations, excluding certain items 2/	<u>\$ 56,550</u>	<u>\$ 44,167</u>	<u>\$36,162</u>	<u>\$33,006</u>	<u>\$37,571</u>
Funds from operations per share, excluding certain items 2/	<u>\$ 0.91</u>	<u>\$ 0.71</u>	<u>\$ 0.59</u>	<u>\$ 0.55</u>	<u>\$ 0.62</u>
Straight line rental income	\$ (1,572)				
Amortization of lease incentives	222				
Depreciation of non-real estate assets	470				
Amortization of stock-based compensation	1,132				
Amortization of deferred financing costs	566				
Amortization of accumulated other comprehensive loss	142				
Harborview non-cash FMV charge	134				
Non-incremental revenue generating capital expenditures paid:					
Building improvements	(4,359)				
2nd generation tenant improvements	(10,650)				
2nd generation lease commissions	(3,884)				
Common dividends and unit distributions paid	(25,766)				

1/ Increase or (decrease) to cash flows.

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

## Consolidated Balance Sheets

Dollars in thousands

	03/31/07	12/31/06 (1)
<b>Assets:</b>		
Real estate assets, at cost:		
Land	\$ 350,245	\$ 345,548
Buildings and tenant improvements	2,615,830	2,573,032
Development in process	108,074	101,899
Land held for development	108,843	111,988
	3,182,992	3,132,467
Less-accumulated depreciation	(609,148)	(588,307)
Net real estate assets	2,573,844	2,544,160
Real estate and other assets, net, held for sale	5,519	34,944
Cash and cash equivalents	17,004	16,690
Restricted cash	1,692	2,027
Accounts receivable, net	24,830	23,347
Notes receivable, net	7,295	7,871
Accrued straight-line rents receivable, net	69,920	68,364
Investment in unconsolidated affiliates	61,763	60,359
Deferred financing and leasing costs, net	68,885	66,352
Prepaid expenses and other	19,952	20,739
Total Assets	<u>\$2,850,704</u>	<u>\$2,844,853</u>
<b>Liabilities, Minority Interest and Stockholders' Equity:</b>		
Mortgages and notes payable	\$1,487,509	\$1,465,129
Accounts payable, accrued expenses and other liabilities	139,858	156,737
Financing obligations	35,529	35,530
Total Liabilities	1,662,896	1,657,396
Minority interest	70,369	79,726
Stockholders' Equity:		
Preferred stock	197,445	197,445
Common stock	567	562
Additional paid-in capital	1,435,679	1,449,337
Distributions in excess of net earnings	(514,879)	(538,098)
Accumulated other comprehensive loss	(1,373)	(1,515)
Total Stockholders' Equity	<u>1,117,439</u>	<u>1,107,731</u>
Total Liabilities, Minority Interest and Stockholders' Equity	<u>\$2,850,704</u>	<u>\$2,844,853</u>

(1) Certain amounts were reclassified to confirm to the current period presentation.

**Estimated Net Asset Value Ranges**  
**As Released on February 14, 2007 – See Note Below**

*Dollars in thousands, except per share amounts*

**Note:** The following table sets forth information that was reported in our Supplemental issued February 14, 2007 and has not been updated to reflect facts or circumstances or changes in financial and operating assumptions that may have occurred subsequent to such date. This information is based on a range of estimated capitalization rates and projected net operating income, among other things, and is not intended to be an asset-by-asset or enterprise valuation.

<b>NOI Cap Rates:</b>			
Office	6.50%	6.75%	7.00%
Retail	5.25%	5.50%	5.75%
Industrial/Other	6.75%	7.00%	7.25%
<b>Weighted average</b>	<b>6.36%</b>	<b>6.61%</b>	<b>6.86%</b>
<b>Wholly-Owned Properties Projected Net Operating Income 1/</b>			
Office	\$ 209,693	\$ 209,693	\$ 209,693
Retail	27,764	27,764	27,764
Industrial/Other	22,038	22,038	22,038
Total Net Operating Income	\$ 259,495	\$ 259,495	\$ 259,495
<b>Wholly-Owned Properties Capitalized Value</b>			
Office	\$3,226,046	\$3,106,563	\$2,995,614
Retail	528,838	504,800	482,852
Industrial/Other	326,489	314,829	303,972
Total capitalized value - wholly owned properties	<u>\$4,081,373</u>	<u>\$3,926,192</u>	<u>\$3,782,439</u>
<b>Highwoods' Share of Joint Ventures (Includes Consolidated JVs)</b>			
Net operating income - projected	\$ 34,608	\$ 34,608	\$ 34,608
Capitalization rates	6.50%	6.75%	7.00%
Capitalized value - joint venture interests	<u>\$ 532,431</u>	<u>\$ 512,711</u>	<u>\$ 494,400</u>
<b>Total In-Service Property Value</b>	<b><u>\$4,613,804</u></b>	<b><u>\$4,438,903</u></b>	<b><u>\$4,276,839</u></b>
<b>Value of Other income</b>			
Development, leasing and management fees	\$ 6,061	\$ 6,061	\$ 6,061
Capitalization rate	20%	20%	20%
Value of other income	<u>\$ 30,306</u>	<u>\$ 30,306</u>	<u>\$ 30,306</u>
<b>Add Other assets:</b>			
Development pipeline investment at 135% of cost 2/	\$ 204,555	\$ 204,555	\$ 204,555
Low occupancy assets at NBV 3/	80,478	80,478	80,478
Property held for sale at net sales price	68,801	68,801	68,801
Land held for development at market value	139,009	139,009	139,009
Cash and cash equivalents	14,388	14,388	14,388
Restricted cash	1,764	1,764	1,764
Accounts receivable, net	23,200	23,200	23,200
Notes receivable and prepaid expenses	25,035	25,035	25,035
Other assets total	<u>\$ 557,229</u>	<u>\$ 557,229</u>	<u>\$ 557,229</u>
<b>Gross Value of Assets</b>	<b><u>\$5,201,339</u></b>	<b><u>\$5,026,438</u></b>	<b><u>\$4,864,374</u></b>
<b>Deductions:</b>			
Total liabilities	\$ 157,709	\$ 157,709	\$ 157,709
Mortgages and notes payable, at estimated fair value	1,445,554	1,445,554	1,445,554
Preferred stock, at redemption value	197,445	197,445	197,445
Highwoods' share of joint ventures liabilities	281,565	281,565	281,565
<b>Estimated Net Asset Value</b>	<b><u>\$3,119,065</u></b>	<b><u>\$2,944,164</u></b>	<b><u>\$2,782,100</u></b>
Estimated diluted common shares and operating units for 2007	62,600	62,600	62,600
<b>Estimated Net Asset Value Per Share</b>	<b><u>\$ 49.83</u></b>	<b><u>\$ 47.03</u></b>	<b><u>\$ 44.44</u></b>

1/ NOI excludes straight line income, lease termination fee income, NOI related to completed not stabilized developments, and NOI on certain low occupancy assets.

2/ Represents average increase in value based on projected development yields on cost compared to projected market valuations.

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



## Components of Discontinued Operations

*Dollars in thousands*

	<i>Three Months Ended</i>				
	<u>03/31/07</u>	<u>12/31/06</u>	<u>09/30/06</u>	<u>06/30/06</u>	<u>03/31/06</u>
<b>Rental and other revenues</b>	<b>\$ 242</b>	<b>\$ 2,106</b>	<b>\$3,521</b>	<b>\$2,967</b>	<b>\$4,382</b>
<b>Operating expenses:</b>					
Rental property and other expenses	<b>125</b>	952	1,515	1,163	1,624
Depreciation and amortization	<b>5</b>	460	817	1,003	1,106
General and administrative	<b>—</b>	12	75	—	—
Total operating expenses	<b>130</b>	1,424	2,407	2,166	2,730
<b>Interest expense</b>	<b>—</b>	78	277	102	103
<b>Other income</b>	<b>7</b>	12	14	21	18
<b>Income before minority interest and gains on sales of discontinued operations</b>	<b>119</b>	616	851	720	1,567
Minority interest in discontinued operations	<b>(9)</b>	(50)	(75)	(64)	(144)
<b>Income from discontinued operations before gains on sales of discontinued operations</b>	<b>110</b>	566	776	656	1,423
Gains on sales of discontinued operations	<b>19,743</b>	10,037	2,838	313	1,894
Minority interest in discontinued operations	<b>(1,481)</b>	(817)	(243)	(28)	(136)
<b>Gains on sales of discontinued operations, net of minority interest</b>	<b>18,262</b>	9,220	2,595	285	1,758
<b>Total discontinued operations</b>	<b>\$18,372</b>	<b>\$ 9,786</b>	<b>\$3,371</b>	<b>\$ 941</b>	<b>\$3,181</b>

## Capitalization

*Dollars, shares, and units in thousands*

	03/31/07	12/31/06	09/30/06	06/30/06	03/31/06
<b>Long-Term Debt (see pages 7 &amp; 8):</b>	<b><u>\$1,487,509</u></b>	<b><u>\$1,465,129</u></b>	<b><u>\$1,461,105</u></b>	<b><u>\$1,466,839</u></b>	<b><u>\$1,450,251</u></b>
<b>Financing Obligations:</b>	<b><u>\$ 35,529</u></b>	<b><u>\$ 35,530</u></b>	<b><u>\$ 36,098</u></b>	<b><u>\$ 36,002</u></b>	<b><u>\$ 34,282</u></b>
<b>Preferred Stock (at liquidation value):</b>					
Series A 8 5/8% Perpetual Preferred Stock	\$ 104,945	\$ 104,945	\$ 104,945	\$ 104,945	\$ 104,945
Series B 8% Perpetual Preferred Stock	<u>92,500</u>	<u>92,500</u>	<u>92,500</u>	<u>92,500</u>	<u>92,500</u>
Total preferred stock	<b><u>\$ 197,445</u></b>	<b><u>\$ 197,445</u></b>	<b><u>\$ 197,445</u></b>	<b><u>\$ 197,445</u></b>	<b><u>\$ 197,445</u></b>
<b>Common Shares and Units Outstanding:</b>					
Common stock outstanding	56,711	56,211	55,635	54,131	54,142
Minority interest partnership units	<u>4,115</u>	<u>4,733</u>	<u>5,014</u>	<u>5,234</u>	<u>5,401</u>
Total common shares and units outstanding	<b>60,826</b>	<b>60,944</b>	<b>60,649</b>	<b>59,365</b>	<b>59,543</b>
Stock price at period end	\$ 39.49	\$ 40.76	\$ 37.21	\$ 36.18	\$ 33.73
Market value of common equity	<b><u>\$2,402,019</u></b>	<b><u>\$2,484,077</u></b>	<b><u>\$2,256,749</u></b>	<b><u>\$2,147,826</u></b>	<b><u>\$2,008,385</u></b>
Total market capitalization with debt and obligations	<b><u>\$4,122,502</u></b>	<b><u>\$4,182,181</u></b>	<b><u>\$3,951,397</u></b>	<b><u>\$3,848,112</u></b>	<b><u>\$3,690,363</u></b>

*See pages 30 to 35 for information regarding Highwoods' Joint Ventures.*

## Long-Term Debt Summary

Dollars in thousands

	03/31/07	12/31/06	09/30/06	06/30/06	03/31/06
<b>Balances Outstanding:</b>					
<b>Secured:</b>					
Conventional fixed rate 1/	\$ 662,036	\$ 730,732	\$ 691,662	\$ 695,832	\$ 699,949
Variable rate debt	13,688	10,897	12,943	13,007	12,302
Secured total	<u>675,724</u>	<u>741,629</u>	<u>704,605</u>	<u>708,839</u>	<u>712,251</u>
<b>Unsecured:</b>					
Fixed rate bonds and notes 2/	750,000	350,000	460,000	460,000	460,000
Variable rate debt	—	—	—	—	100,000
Credit facility	63,000	373,500	296,500	298,000	178,000
Unsecured total	<u>813,000</u>	<u>723,500</u>	<u>756,500</u>	<u>758,000</u>	<u>738,000</u>
Total 2/	<u><u>\$1,488,724</u></u>	<u><u>\$1,465,129</u></u>	<u><u>\$1,461,105</u></u>	<u><u>\$1,466,839</u></u>	<u><u>\$1,450,251</u></u>
<b>End of Period Weighted Average Interest Rates:</b>					
<b>Secured:</b>					
Conventional fixed rate	6.63%	6.78%	6.92%	6.93%	6.93%
Variable rate debt	6.55%	6.55%	5.93%	5.85%	5.43%
Secured total	<u>6.63%</u>	<u>6.78%</u>	<u>6.91%</u>	<u>6.91%</u>	<u>6.90%</u>
<b>Unsecured:</b>					
Fixed rate bonds	6.61%	7.48%	7.37%	7.37%	7.37%
Variable rate debt	—	—	—	—	5.80%
Credit facility	6.12%	6.14%	6.22%	5.96%	5.81%
Unsecured total	<u>6.57%</u>	<u>6.79%</u>	<u>6.92%</u>	<u>6.81%</u>	<u>6.78%</u>
Average	<u><u>6.60%</u></u>	<u><u>6.78%</u></u>	<u><u>6.91%</u></u>	<u><u>6.86%</u></u>	<u><u>6.84%</u></u>

### Maturity Schedule:

Year	Future Maturities of Debt		Total Debt 3/	Average Interest Rate
	Secured Debt 3/	Unsecured Debt		
2007	\$ 13,688	\$ —	\$ 13,688	6.90%
2008	—	100,000	100,000	7.13%
2009	139,681	113,000	252,681	7.45%
2010	—	—	—	—
2011	—	—	—	—
2012	212,800	—	212,800	6.94%
2013	271,615	—	271,615	5.90%
2014	37,940	—	37,940	5.79%
2015	—	—	—	—
2016	—	—	—	—
Thereafter	—	600,000	600,000	6.40%
Total maturities	<u>\$ 675,724</u>	<u>\$ 813,000</u>	<u>\$1,488,724</u>	<u>6.60%</u>

Weighted average maturity = 6.6 years

1/ Includes a \$22.8 million loan related to a consolidated 20% owned joint venture (Harborview) and \$37.9 million in loans at March 31, 2007 related to a consolidated 50% joint venture (Markel).

2/ Represents stated amounts and thus excludes \$1,215K original issue discount on bonds issued March, 2007.

3/ All periods exclude annual principal amortization.

## Long-Term Debt Detail

Dollars in thousands

				Undepreciated
	Rate	Maturity Date	Loan Balance 03/31/07	Book Value of Assets Secured
Secured Loans				
Lender				
Northwestern Mutual	7.05%	Jan-12	\$ 190,000	\$ 290,083
Northwestern Mutual	6.03%	Mar-13	137,240	168,898
Massachusetts Mutual Life Ins. Co. 1/	5.68%	Dec-13	122,707	201,213
Monumental Life Ins. Co. 2/	7.77%	Nov-09	82,084	201,036
Monumental Life Ins. Co. 2/	7.87%	Nov-09	51,791	—
Metropolitan Life Ins. Co. 3/	6.06%	Oct-12	22,800	38,953
PNC/Regions/Wachovia 4/	6.55%	Oct-07	13,688	17,915
Principal Life Insurance Company 5/	5.79%	Jan-14	11,631	14,888
Principal Life Insurance Company 5/	5.79%	Jan-14	11,631	18,781
Massachusetts Mutual Life Ins. Co. 1/	6.48%	Dec-13	10,818	—
Principal Life Insurance Company 5/	5.74%	Jan-14	9,173	14,282
Principal Life Insurance Company 5/	5.89%	Jan-14	5,506	7,514
Lutheran Brotherhood	6.75%	Apr-09	3,777	8,020
Security Life of Denver	8.85%	Aug-09	2,029	9,384
American United Life	9.00%	Jun-13	849	3,321
	6.63%		675,724	\$ 994,288
Unsecured Bonds				
Bonds	7.13%	Feb-08	100,000	
Bonds	8.13%	Jan-09	50,000	
Bonds 6/ 7/	5.85%	Mar-17	400,000	
Bonds	7.50%	Apr-18	200,000	
	6.61%		750,000	
Unsecured Loans				
Credit facility 8/	6.12%	May-09	63,000	
Total Debt	6.60%		\$1,488,724	

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

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

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

4/ Floating rate loan based on one month libor. Loan was paid off on April 10, 2007.

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

6/ Face value of bonds.

7/ Represents stated amounts and thus excludes \$1,215K original issue discount on bonds issued March, 2007.

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

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

(Rentable Square Feet)

	03/31/07	12/31/06	09/30/06	06/30/06	03/31/06
<b>Office Industrial &amp; Retail</b>					
<b>In-Service:</b>					
Office 2/	19,154,000	19,244,000	19,507,000	19,704,000	19,691,000
Industrial	6,280,000	6,281,000	6,605,000	6,706,000	6,706,000
Retail 3/	1,326,000	1,327,000	1,431,000	1,408,000	1,408,000
Total 4/	26,760,000	26,852,000	27,543,000	27,818,000	27,805,000
<b>Development Completed - Not Stabilized:</b>					
Office 2/	600,000	504,000	311,000	153,000	—
Industrial	418,000	418,000	—	—	—
Retail	—	—	—	—	9,600
Total	1,018,000	922,000	311,000	153,000	9,600
<b>Development - In Process:</b>					
Office 2/	1,166,000	1,357,000	1,405,000	1,268,000	1,026,000
Industrial	383,000	383,000	681,000	418,000	418,000
Retail	—	—	—	23,000	23,000
Total	1,549,000	1,740,000	2,086,000	1,709,000	1,467,000
<b>Total:</b>					
Office 2/	20,920,000	21,105,000	21,223,000	21,125,000	20,717,000
Industrial	7,081,000	7,082,000	7,286,000	7,124,000	7,124,000
Retail 3/	1,326,000	1,327,000	1,431,000	1,431,000	1,440,600
Total 4/	29,327,000	29,514,000	29,940,000	29,680,000	29,281,600
<b>Same Property</b>					
Office 2/	18,909,000	18,909,000	18,909,000	18,909,000	18,909,000
Industrial	6,280,000	6,280,000	6,280,000	6,280,000	6,280,000
Retail	1,304,000	1,304,000	1,304,000	1,304,000	1,304,000
Total	26,493,000	26,493,000	26,493,000	26,493,000	26,493,000
<b>Percent Leased/Pre-Leased:</b>					
<b>In-Service:</b>					
Office	89.3%	89.0%	88.1%	87.1%	87.1%
Industrial	91.9%	91.7%	91.8%	89.5%	88.0%
Retail	95.4%	95.7%	96.2%	95.3%	95.7%
Total	90.2%	90.0%	89.4%	88.1%	87.7%
<b>Development Completed - Not Stabilized:</b>					
Office	62.8%	62.8%	52.3%	17.0%	—
Industrial	44.0%	44.0%	—	—	—
Retail	—	—	—	—	88.0%
Total	55.1%	54.3%	52.3%	17.0%	88.0%
<b>Development - In Process:</b>					
Office	55.0%	55.3%	58.4%	53.7%	57.1%
Industrial	50.1%	0.0%	27.0%	44.0%	43.8%
Retail	—	—	—	100.0%	100.0%
Total	53.8%	43.1%	48.2%	51.9%	54.0%
<b>Same Property</b>					
Office	89.1%	89.1%	88.3%	87.4%	87.4%
Industrial	91.9%	91.7%	91.5%	89.9%	88.2%
Retail	95.3%	95.7%	96.2%	95.1%	95.3%
Total	90.1%	90.0%	89.4%	88.3%	88.0%

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

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

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

4/ Excludes for sale residential units and minor for rent apartment buildings.

**Portfolio Summary**  
(Continued)

As of March 31, 2007

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

Market	Rentable Square Feet	Occupancy	Percentage of Annualized Cash Revenue 2/			
			Office	Industrial	Retail	Total
Atlanta	5,514,000	92.7%	10.5%	3.8%	—	14.3%
Raleigh 3/	3,554,000	86.6%	13.9%	—	—	13.9%
Kansas City	2,224,000 4/	89.9%	4.3%	—	9.5%	13.8%
Tampa	2,418,000	98.2%	13.7%	—	—	13.7%
Nashville	2,875,000	92.4%	13.2%	—	—	13.2%
Piedmont Triad 5/	5,195,000	88.3%	6.9%	3.7%	—	10.6%
Richmond	2,024,000	89.8%	8.9%	—	—	8.9%
Memphis	1,276,000	92.8%	5.8%	—	—	5.8%
Greenville	1,109,000	77.2%	3.5%	0.1%	—	3.6%
Orlando	218,000	98.9%	1.2%	—	—	1.2%
Columbia	253,000	71.0%	0.5%	—	—	0.5%
Other	100,000	73.6%	0.5%	—	—	0.5%
<b>Total</b>	<b>26,760,000</b>	<b>90.2%</b>	<b>82.9%</b>	<b>7.6%</b>	<b>9.5%</b>	<b>100.0%</b>

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

Market	Rentable	Occupancy	Percentage of Annualized Cash Revenue 2/ 6/				
	Square Feet		Office	Industrial	Retail	Multi-Family	Total
Atlanta	6,349,000	93.2%	10.8%	3.4%	—	—	14.2%
Kansas City	2,942,000 4/	88.8%	4.8%	—	8.4%	—	13.2%
Raleigh	3,732,000	87.2%	12.6%	—	—	—	12.6%
Tampa	2,623,000	98.4%	12.3%	—	—	—	12.3%
Nashville	2,875,000	92.4%	11.6%	—	—	—	11.6%
Piedmont Triad	5,559,000	89.1%	6.5%	3.3%	—	—	9.8%
Richmond	2,437,000	91.5%	8.4%	—	—	—	8.4%
Memphis	1,276,000	92.8%	5.1%	—	—	—	5.1%
Des Moines	2,474,000	93.7%	3.4%	0.5%	0.1%	0.4%	4.4%
Orlando	1,905,000	93.2%	4.2%	—	—	—	4.2%
Greenville	1,109,000	77.2%	3.1%	0.1%	—	—	3.2%
Other	210,000	87.4%	0.5%	—	—	—	0.5%
Columbia	253,000	71.0%	0.4%	—	—	—	0.4%
Charlotte	148,000	100.0%	0.1%	—	—	—	0.1%
Total	33,892,000	91.0%	83.8%	7.3%	8.5%	0.4%	100.0%

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

2/ Annualized Cash Revenue is March, 2007 cash rental revenue (base rent plus operating expense pass through revenue excluding straight-line rental income) multiplied by 12.

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

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

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

6/ Includes Highwoods' share of Joint Venture Annualized Rental Revenue, see page 33.

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

As of March 31, 2007

Market	Office Properties 1/			Industrial		
	Rentable Square Feet	Occupancy	Percentage	Rentable Square Feet	Occupancy	Percentage
			of Office Annualized			of Industrial
			Cash Revenue 2/			Annualized Cash Revenue 2/
Raleigh	3,554,000	86.6%	16.9%	—	—	—
Tampa	2,418,000	98.2%	16.5%	—	—	—
Nashville	2,875,000	92.4%	15.9%	—	—	—
Atlanta	2,460,000	89.4%	12.7%	3,054,000	95.4%	49.8%
Richmond	2,024,000	89.8%	10.7%	—	—	—
Piedmont Triad	2,076,000	84.6%	8.3%	3,119,000	90.8%	49.0%
Memphis	1,276,000	92.8%	7.0%	—	—	—
Kansas City	894,000	82.0%	5.2%	4,000	46.5%	0.1%
Greenville	1,006,000	82.5%	4.2%	103,000	25.4%	1.1%
Orlando	218,000	98.9%	1.4%	—	—	—
Columbia	253,000	71.0%	0.6%	—	—	—
Other	100,000	73.6%	0.6%	—	—	—
	<u>19,154,000</u>	<u>89.3%</u>	<u>100.0%</u>	<u>6,280,000</u>	<u>91.9%</u>	<u>100.0%</u>

Market	Retail		
	Rentable Square Feet	Occupancy	Percentage
			of Retail Annualized
			Cash Revenue 2/
Kansas City 3/	<u>1,326,000</u>	<u>95.4%</u>	<u>100.0%</u>
	<u>1,326,000</u>	<u>95.4%</u>	<u>100.0%</u>

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

2/ Annualized Cash Revenue is March, 2007 cash rental revenue (base rent plus operating expense pass through revenue excluding straight-line rental income) multiplied by 12.

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

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

Market	Measurement	03/31/07	12/31/06	09/30/06	06/30/06	03/31/06
Atlanta	Rentable Square Feet	<b>5,514,000</b>	5,515,000	5,584,000	5,584,000	5,584,000
	Occupancy	<b>92.7%</b>	94.0%	92.4%	91.8%	91.1%
	Current Properties 2/	<b>92.7%</b>	94.0%	92.7%	92.1%	91.3%
Columbia	Rentable Square Feet	<b>253,000</b>	252,000	252,000	252,000	252,000
	Occupancy	<b>71.0%</b>	48.7%	49.4%	49.8%	41.4%
	Current Properties 2/	<b>71.0%</b>	48.7%	49.4%	49.8%	41.4%
Greenville	Rentable Square Feet	<b>1,109,000</b>	1,109,000	1,109,000	1,110,000	1,106,000
	Occupancy	<b>77.2%</b>	75.3%	75.0%	68.8%	73.4%
	Current Properties 2/	<b>77.2%</b>	75.3%	75.0%	68.9%	73.2%
Kansas City 3/	Rentable Square Feet	<b>2,224,000</b>	2,224,000	2,329,000	2,306,000	2,306,000
	Occupancy	<b>89.9%</b>	90.1%	90.7%	89.9%	90.4%
	Current Properties 2/	<b>89.8%</b>	90.0%	90.3%	89.5%	89.8%
Memphis	Rentable Square Feet	<b>1,276,000</b>	1,197,000	1,197,000	1,197,000	1,197,000
	Occupancy	<b>92.8%</b>	91.8%	91.9%	89.7%	90.0%
	Current Properties 2/	<b>92.3%</b>	91.8%	91.9%	89.7%	89.9%
Nashville	Rentable Square Feet	<b>2,875,000</b>	2,876,000	2,875,000	2,874,000	2,874,000
	Occupancy	<b>92.4%</b>	91.6%	92.8%	90.8%	90.6%
	Current Properties 2/	<b>92.4%</b>	91.6%	92.8%	90.8%	90.6%
Orlando	Rentable Square Feet	<b>218,000</b>	218,000	218,000	218,000	218,000
	Occupancy	<b>98.9%</b>	100.0%	100.0%	100.0%	99.5%
	Current Properties 2/	<b>98.9%</b>	100.0%	100.0%	100.0%	99.5%
Piedmont Triad	Rentable Square Feet	<b>5,195,000</b>	5,195,000	5,589,000	5,598,000	5,589,000
	Occupancy	<b>88.3%</b>	88.7%	89.9%	88.6%	86.7%
	Current Properties 2/	<b>88.3%</b>	88.6%	89.5%	88.6%	86.8%
Raleigh	Rentable Square Feet	<b>3,554,000</b>	3,810,000	3,812,000	4,101,000	4,102,000
	Occupancy	<b>86.6%</b>	86.1%	82.6%	83.0%	82.7%
	Current Properties 2/	<b>86.6%</b>	86.1%	82.6%	82.7%	82.6%
Richmond	Rentable Square Feet	<b>2,024,000</b>	2,024,000	1,954,000	1,954,000	1,954,000
	Occupancy	<b>89.8%</b>	89.8%	88.6%	88.0%	91.3%
	Current Properties 2/	<b>89.4%</b>	89.5%	88.5%	88.0%	91.2%
Tampa	Rentable Square Feet	<b>2,418,000</b>	2,332,000	2,524,000	2,524,000	2,523,000
	Occupancy	<b>98.2%</b>	97.7%	96.0%	93.6%	91.9%
	Current Properties 2/	<b>98.1%</b>	97.7%	96.8%	95.5%	93.3%
Total 4/	Rentable Square Feet	<b>26,660,000</b>	26,752,000	27,443,000	27,718,000	27,705,000
	Occupancy	<b>90.2%</b>	90.0%	89.4%	88.1%	87.7%
	Current Properties 2/	<b>90.1%</b>	90.0%	89.4%	88.3%	88.0%

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

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

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

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



**Leasing Statistics  
Office Portfolio 1/**

	Three Months Ended					
	3/31/07 2/	12/31/06 3/	9/30/06 4/	6/30/06 5/	3/31/06 6/	Average
Net Effective Rents Related to Re-Leased Space:						
Number of lease transactions (signed leases)	130	137	140	141	188	147
Rentable square footage leased	726,080	868,941	915,289	950,460	944,222	880,998
Square footage of Renewal Deals	451,125	601,796	681,640	486,998	528,275	549,967
Renewed square footage (% of total)	62.1%	69.3%	74.5%	51.2%	55.9%	62.4%
New Leases square footage (% of total)	37.9%	30.7%	25.5%	48.8%	44.1%	37.6%
Weighted average per rentable square foot over the lease term:						
Base rent	\$ 18.25	\$ 19.72	\$ 19.23	\$ 17.29	\$ 18.06	\$ 18.51
Tenant improvements	(1.70)	(1.77)	(1.56)	(1.71)	(1.52)	(1.65)
Leasing commissions 7/	(0.59)	(0.56)	(0.46)	(0.48)	(0.62)	(0.54)
Rent concessions	(0.06)	(0.22)	(0.11)	(0.22)	(0.31)	(0.18)
Effective rent	15.90	17.17	17.10	14.88	15.61	16.14
Expense stop	(5.06)	(5.45)	(5.04)	(5.53)	(5.57)	(5.33)
Equivalent effective net rent	\$ 10.84	\$ 11.72	\$ 12.06	\$ 9.35	\$ 10.04	\$ 10.81
Weighted average term in years	5.0	5.2	4.5	4.5	4.3	4.7
Capital Expenditures Related to Re-leased Space:						
Tenant Improvements:						
Total dollars committed under signed leases	\$7,604,253	\$ 9,392,949	\$ 7,994,295	\$ 8,416,490	\$7,270,758	\$ 8,135,749
Rentable square feet	726,080	868,941	915,289	950,460	944,222	880,998
Per rentable square foot	\$ 10.47	\$ 10.81	\$ 8.73	\$ 8.86	\$ 7.70	\$ 9.23
Leasing Commissions:						
Total dollars committed under signed leases 7/	\$2,107,213	\$ 2,256,508	\$ 2,144,582	\$ 2,198,017	\$2,363,857	\$ 2,214,035
Rentable square feet	726,080	868,941	915,289	950,460	944,222	880,998
Per rentable square foot	\$ 2.90	\$ 2.60	\$ 2.34	\$ 2.31	\$ 2.50	\$ 2.51
Total:						
Total dollars committed under signed leases	\$9,711,466	\$11,649,457	\$10,138,877	\$10,614,507	\$9,634,615	\$10,349,784
Rentable square feet	726,080	868,941	915,289	950,460	944,222	880,998
Per rentable square foot	\$ 13.38	\$ 13.41	\$ 11.08	\$ 11.17	\$ 10.20	\$ 11.75

- 1/ Excludes properties recorded on our Balance Sheet that relate to 50% or less owned joint ventures properties that are consolidated under GAAP.
- 2/ Includes 98K square feet of leases that start in 2009 or later.
- 3/ Includes 17K square feet of leases that start in 2009 or later.
- 4/ Includes 179K square feet of leases that start in 2008 or later.
- 5/ Includes 74K square feet of leases that start in 2008 or later.
- 6/ Includes 82K square feet of leases that start in 2008 or later.
- 7/ Excludes a full allocation of internal leasing costs.

**Leasing Statistics  
Industrial Portfolio**

	Three Months Ended					
	3/31/07	12/31/06	9/30/06	6/30/06 1/	3/31/06 2/	Average
Net Effective Rents Related to Re-Leased Space:						
Number of lease transactions (signed leases)	14	17	23	36	22	22
Rentable square footage leased	188,562	539,939	485,936	974,807	300,496	497,948
Square footage of Renewal Deals	175,579	315,423	237,061	543,537	165,621	287,444
Renewed square footage (% of total)	93.1%	58.4%	48.8%	55.8%	55.1%	57.7%
New Leases square footage (% of total)	6.9%	41.6%	51.2%	44.2%	44.9%	42.3%
Weighted average per rentable square foot over the lease term:						
Base rent	\$ 4.63	\$ 3.81	\$ 4.13	\$ 3.44	\$ 4.46	\$ 4.09
Tenant improvements	(0.20)	(0.45)	(0.31)	(0.17)	(0.79)	(0.38)
Leasing commissions 3/	(0.04)	(0.14)	(0.09)	(0.07)	(0.15)	(0.10)
Rent concessions	(0.02)	(0.05)	(0.11)	(0.01)	(0.13)	(0.06)
Effective rent	4.37	3.17	3.62	3.19	3.39	3.55
Expense stop	(0.24)	(0.08)	(0.17)	(0.10)	(0.17)	(0.15)
Equivalent effective net rent	\$ 4.13	\$ 3.09	\$ 3.45	\$ 3.09	\$ 3.22	\$ 3.40
Weighted average term in years	2.5	5.2	3.8	2.9	3.5	3.6
Capital Expenditures Related to Re-leased Space:						
Tenant Improvements:						
Total dollars committed under signed leases	\$142,102	\$1,323,790	\$732,593	\$ 895,575	\$1,032,151	\$ 825,242
Rentable square feet	188,562	539,939	485,936	974,807	300,496	497,948
Per rentable square foot	\$ 0.75	\$ 2.45	\$ 1.51	\$ 0.92	\$ 3.43	\$ 1.66
Leasing Commissions:						
Total dollars committed under signed leases 3/	\$ 23,647	\$ 433,927	\$109,087	\$ 144,376	\$ 191,615	\$ 180,530
Rentable square feet	188,562	539,939	485,936	974,807	300,496	497,948
Per rentable square foot	\$ 0.13	\$ 0.80	\$ 0.22	\$ 0.15	\$ 0.64	\$ 0.36
Total:						
Total dollars committed under signed leases	\$165,749	\$1,757,717	\$841,680	\$1,039,951	\$1,223,766	\$1,005,773
Rentable square feet	188,562	539,939	485,936	974,807	300,496	497,948
Per rentable square foot	\$ 0.88	\$ 3.26	\$ 1.73	\$ 1.07	\$ 4.07	\$ 2.02

1/ Includes 14K square feet of leases that start in 2008 or later.

2/ Includes 10K square feet of leases that start in 2008 or later.

3/ Excludes a full allocation of internal leasing costs.

**Leasing Statistics  
Retail Portfolio**

	Three Months Ended					
	3/31/07 1/	12/31/06	09/30/06	06/30/06	3/31/06	Average
<b>Net Effective Rents Related to Re-Leased Space:</b>						
Number of lease transactions (signed leases)	9	8	8	5	12	8
Rentable square footage leased	41,357	23,748	26,472	13,573	49,479	30,926
Square footage of Renewal Deals	39,171	9,855	17,179	3,919	36,129	21,251
Renewed square footage (% of total)	94.7%	41.5%	64.9%	28.9%	73.0%	68.7%
New Leases square footage (% of total)	5.3%	58.5%	35.1%	71.1%	27.0%	31.3%
<b>Weighted average per rentable square foot over the lease term:</b>						
Base rent	\$ 23.23	\$ 18.27	\$ 24.75	\$ 30.32	\$ 19.22	\$ 23.16
Tenant improvements	(0.12)	(0.08)	(1.40)	(4.28)	(0.41)	(1.26)
Leasing commissions 2/	(0.24)	(0.41)	(0.61)	(1.04)	(0.28)	(0.52)
Rent concessions	0.00	(0.20)	0.00	0.00	(0.06)	(0.05)
<b>Effective rent</b>	<b>22.87</b>	<b>17.58</b>	<b>22.74</b>	<b>25.00</b>	<b>18.47</b>	<b>21.33</b>
Expense stop	0.00	0.00	0.00	0.00	0.00	0.00
<b>Equivalent effective net rent</b>	<b>\$ 22.87</b>	<b>\$ 17.58</b>	<b>\$ 22.74</b>	<b>\$ 25.00</b>	<b>\$ 18.47</b>	<b>\$ 21.33</b>
<b>Weighted average term in years</b>	<b>4.2</b>	<b>8.6</b>	<b>5.2</b>	<b>10.8</b>	<b>11.1</b>	<b>8.0</b>
<b>Capital Expenditures Related to Re-leased Space:</b>						
<b>Tenant Improvements:</b>						
Total dollars committed under signed leases	\$27,507	\$15,000	\$288,272	\$838,555	\$186,372	\$271,141
Rentable square feet	41,357	23,748	26,472	13,573	49,479	30,926
Per rentable square foot	\$ 0.67	\$ 0.63	\$ 10.89	\$ 61.78	\$ 3.77	\$ 8.77
<b>Leasing Commissions:</b>						
Total dollars committed under signed leases 2/	\$ 1,981	\$ 1,981	\$ 46,048	\$ 63,681	\$ 42,804	\$ 31,299
Rentable square feet	41,357	23,748	26,472	13,573	49,479	30,926
Per rentable square foot	\$ 0.05	\$ 0.08	\$ 1.74	\$ 4.69	\$ 0.87	\$ 1.01
<b>Total:</b>						
Total dollars committed under signed leases	\$29,488	\$16,981	\$334,320	\$902,236	\$229,176	\$302,440
Rentable square feet	41,357	23,748	26,472	13,573	49,479	30,926
Per rentable square foot	\$ 0.71	\$ 0.72	\$ 12.63	\$ 66.47	\$ 4.63	\$ 9.78

1/ Includes 17K square feet of leases that start in 2009 or later.

2/ Excludes a full allocation of internal leasing costs.

## Leasing Statistics by Market

For the Three Months ended As of 3/31/07

### Office Portfolio 1/

Market	Rentable Square Feet	Average	GAAP Rental Rate	TI's Per SF	Lease Commissions Per SF 2/
	Leased	Term			
Raleigh	165,459	4.9	\$21.18	\$ 9.29	\$ 1.61
Piedmont Triad	142,775	6.0	13.87	7.60	2.78
Columbia	136,457	7.9	15.61	25.12	6.98
Richmond	107,345	3.1	18.62	6.12	1.14
Nashville	60,875	3.4	18.14	4.64	1.40
Tampa	40,630	4.3	25.49	6.42	1.56
Memphis	29,389	2.8	20.88	7.92	1.58
Kansas City	26,983	3.4	19.95	1.05	2.86
Atlanta	15,548	2.6	18.47	5.89	1.87
Other	619	3.0	16.70	0.00	2.51
	<b>726,080</b>	<b>5.0</b>	<b>\$18.19</b>	<b>\$10.47</b>	<b>\$ 2.90</b>

### Industrial Portfolio

Market	Rentable Square Feet	Average	GAAP Rental Rate	TI's Per SF	Lease Commissions Per SF 2/
	Leased	Term			
Piedmont Triad	145,924	2.2	\$ 4.91	\$ 0.97	\$ 0.08
Atlanta	42,638	3.6	3.62	0.00	0.26
	<b>188,562</b>	<b>2.5</b>	<b>\$ 4.61</b>	<b>\$ 0.75</b>	<b>\$ 0.13</b>

### Retail Portfolio

Market	Rentable Square Feet	Average	GAAP Rental Rate	TI's Per SF	Lease Commissions Per SF
	Leased	Term			
Kansas City	41,357	4.2	\$23.23	\$ 0.67	\$ 0.05
	<b>41,357</b>	<b>4.2</b>	<b>\$23.23</b>	<b>\$ 0.67</b>	<b>\$ 0.05</b>

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

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

## Rental Rate Comparisons by Market

For the Three Months ended As of 3/31/07

### Office Portfolio 1/

Market	Rentable Square Feet	Current	Previous	Percentage Change
	Leased	Rent	Rent	Rent
Raleigh	165,459	\$21.18	\$18.64	13.6%
Piedmont Triad	142,775	13.87	13.22	4.9%
Columbia	136,457	15.61	16.26	-4.0%
Richmond	107,345	18.62	17.53	6.2%
Nashville	60,875	18.14	17.81	1.8%
Tampa	40,630	25.49	21.44	18.9%
Memphis	29,389	20.88	19.00	9.9%
Kansas City	26,983	19.95	19.38	2.9%
Atlanta	15,548	18.47	18.18	1.6%
Other	619	16.70	19.21	-13.0%
GAAP Rent Growth	<b>726,080</b>	<b>\$18.19</b>	<b>\$17.06</b>	<b>6.6%</b>
Cash Rent Growth	<b>726,080</b>	<b>\$18.00</b>	<b>\$18.85</b>	<b>-4.5%</b>

### Industrial Portfolio

Market	Rentable Square Feet	Current	Previous	Percentage Change
	Leased	Rent	Rent	Rent
Piedmont Triad	145,924	\$ 4.91	\$ 4.62	6.4%
Atlanta	42,638	3.62	3.87	-6.4%
GAAP Rent Growth	<b>188,562</b>	<b>\$ 4.61</b>	<b>\$ 4.44</b>	<b>3.8%</b>
Cash Rent Growth	<b>188,562</b>	<b>\$ 4.59</b>	<b>\$ 4.62</b>	<b>-0.7%</b>

### Retail Portfolio

Market	Rentable Square Feet	Current	Previous	Percentage Change
	Leased	Rent	Rent 2/	Rent
Kansas City	41,357	\$23.23	\$21.68	7.1%
GAAP Rent Growth	<b>41,357</b>	<b>\$23.23</b>	<b>\$21.68</b>	<b>7.1%</b>
Cash Rent Growth	<b>41,357</b>	<b>\$23.33</b>	<b>\$22.54</b>	<b>3.5%</b>

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

Type	03/31/07	03/31/06	03/31/05	03/31/04	03/31/03
Office	\$18.99	\$18.04	\$17.53	\$17.54	\$17.22
Industrial	5.11	5.08	4.73	4.61	4.61
Retail 2/	30.04	27.98	27.01	24.27	26.69
<b>Weighted average rate</b>	<b>\$16.19</b>	<b>\$15.45</b>	<b>\$15.08</b>	<b>\$14.77</b>	<b>\$14.04</b>
<b>Annual % growth rate</b>	<b>4.8%</b>	<b>2.5%</b>	<b>2.1%</b>	<b>5.2%</b>	

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

2/ Excludes percentage rent.

3/ Average cash rental rates represent March, 2007 cash rental revenue (base rent plus operating expense pass through revenue excluding straight-line rental income) multiplied by 12 and divided by the related leased square feet.

## Lease Expirations

March 31, 2007

*Dollars in thousands*

Year	Rentable Square Feet Expiring	Percent of Rentable Square Feet	Annualized Cash Revenue 1/	Average Rental Rate	Percent of Annualized Cash Revenue 1/
<b>Office: 2/</b>					
2007 /3	1,053,629	6.1%	\$ 20,236	\$19.21	6.1%
2008	2,047,492	11.8%	37,930	18.53	11.5%
2009	2,771,673	16.0%	54,178	19.55	16.5%
2010	2,310,028	13.3%	48,090	20.82	14.6%
2011	2,786,737	16.0%	52,017	18.67	15.8%
2012	1,989,944	11.5%	38,007	19.10	11.5%
2013	823,962	4.7%	15,532	18.85	4.7%
2014	602,672	3.5%	12,223	20.28	3.7%
2015	812,171	4.7%	15,821	19.48	4.8%
2016	729,773	4.2%	13,339	18.28	4.0%
2017 and thereafter	1,429,556	8.2%	22,269	15.58	6.8%
	<b><u>17,357,637</u></b>	<b><u>100.0%</u></b>	<b><u>\$329,642</u></b>	<b><u>\$18.99</u></b>	<b><u>100.0%</u></b>
<b>Industrial:</b>					
2007 /4	597,385	10.0%	\$ 3,718	\$ 6.22	12.2%
2008	1,306,053	22.0%	6,213	4.76	20.4%
2009	961,855	16.2%	5,250	5.46	17.3%
2010	594,237	10.0%	3,080	5.18	10.1%
2011	675,002	11.3%	3,578	5.30	11.8%
2012	279,825	4.7%	1,202	4.30	4.0%
2013	210,052	3.5%	1,171	5.57	3.8%
2014	221,965	3.7%	1,175	5.29	3.9%
2015	233,882	3.9%	697	2.98	2.3%
2016	264,597	4.4%	972	3.67	3.2%
2017 and thereafter	612,240	10.3%	3,360	5.49	11.0%
	<b><u>5,957,093</u></b>	<b><u>100.0%</u></b>	<b><u>\$ 30,416</u></b>	<b><u>\$ 5.11</u></b>	<b><u>100.0%</u></b>

1/ Annualized Cash Revenue is March, 2007 cash rental revenue (base rent plus operating expense pass through revenue excluding straight-line rental income) multiplied by 12.

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

3/ Includes 95,000 square feet of leases that are on a month to month basis or 0.5% of total annualized revenue.

4/ Includes 92,000 square feet of leases that are on a month to month basis or 0.1% of total annualized revenue.

Note: 2007 and beyond expirations that have been renewed are reflected above based on the renewal expiration date.

## Lease Expirations

March 31, 2007

(Continued)

Dollars in thousands

Year	Rentable Square Feet Expiring	Percent of Rentable Square Feet	Annualized Cash Revenue 1/	Average Rental Rate	Percent of Annualized Cash Revenue 1/
<b>Retail:</b>					
2007 2/	37,350	3.0%	\$ 926	\$24.79	2.4%
2008	123,286	9.7%	3,575	29.00	9.4%
2009	142,504	11.3%	4,044	28.38	10.6%
2010	100,805	8.0%	3,763	37.33	9.9%
2011	75,164	5.9%	2,224	29.59	5.9%
2012	153,014	12.1%	4,629	30.25	12.2%
2013	62,767	5.0%	2,506	39.93	6.6%
2014	79,410	6.3%	1,485	18.70	3.9%
2015	127,995	10.1%	4,146	32.39	10.9%
2016	67,224	5.3%	2,665	39.64	7.0%
2017 and thereafter	295,245	23.3%	8,030	27.20	21.2%
	<b><u>1,264,764</u></b>	<b><u>100.0%</u></b>	<b><u>\$ 37,993</u></b>	<b><u>\$30.04</u></b>	<b><u>100.0%</u></b>
<b>Total:</b>					
2007 3/ 4/	1,688,364	6.9%	\$ 24,880	\$14.74	6.3%
2008	3,476,831	14.1%	47,718	13.72	12.0%
2009	3,876,032	15.7%	63,472	16.38	15.9%
2010	3,005,070	12.2%	54,933	18.28	13.8%
2011	3,536,903	14.4%	57,819	16.35	14.5%
2012	2,422,783	9.9%	43,838	18.09	11.0%
2013	1,096,781	4.5%	19,209	17.51	4.8%
2014	904,047	3.7%	14,883	16.46	3.7%
2015	1,174,048	4.8%	20,664	17.60	5.2%
2016	1,061,594	4.3%	16,976	15.99	4.3%
2017 and thereafter	2,337,041	9.5%	33,659	14.40	8.5%
	<b><u>24,579,494</u></b>	<b><u>100.0%</u></b>	<b><u>\$398,051</u></b>	<b><u>\$16.19</u></b>	<b><u>100.0%</u></b>

1/ Annualized Cash Revenue is March, 2007 cash rental revenue (base rent plus operating expense pass through revenue excluding straight-line rental income) multiplied by 12.

2/ Includes 8,000 square feet of leases that are on a month to month basis or 0.0% of total annualized revenue.

3/ Includes 195,000 square feet of leases that are on a month to month basis or 0.7% of total annualized revenue.

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

Note: 2007 and beyond expirations that have been renewed are reflected above based on the renewal expiration date.

# Office Lease Expirations by Market by Quarter 1/

Dollars in thousands

		Three Months Ended				
		06/30/07 2/	09/30/07	12/31/07	03/31/08	Total
Atlanta	RSF	74,155	165,123	6,115	325,688	571,081
	% of Total Office RSF	0.4%	1.0%	0.0%	1.9%	3.3%
	Annualized Cash Revenue 3/	\$ 1,537	\$ 2,904	\$ 92	\$ 5,406	\$ 9,939
	% of Total Office Annl Cash Rev	0.5%	0.9%	0.0%	1.6%	3.0%
Columbia	RSF	36,386	0	3,258	12,494	52,138
	% of Total Office RSF	0.2%	0.0%	0.0%	0.1%	0.3%
	Annualized Cash Revenue 3/	\$ 245	\$ —	\$ 61	\$ 216	\$ 522
	% of Total Office Annl Cash Rev	0.1%	0.0%	0.0%	0.1%	0.2%
Greenville	RSF	10,965	5,201	0	37,994	54,160
	% of Total Office RSF	0.1%	0.0%	0.0%	0.2%	0.3%
	Annualized Cash Revenue 3/	\$ 191	\$ 115	\$ —	\$ 706	\$ 1,012
	% of Total Office Annl Cash Rev	0.1%	0.0%	0.0%	0.2%	0.3%
Kansas City	RSF	31,745	20,813	20,702	19,851	93,111
	% of Total Office RSF	0.2%	0.1%	0.1%	0.1%	0.5%
	Annualized Cash Revenue 3/	\$ 733	\$ 435	\$ 448	\$ 415	\$ 2,031
	% of Total Office Annl Cash Rev	0.2%	0.1%	0.1%	0.1%	0.6%
Memphis	RSF	15,310	18,629	12,849	59,619	106,407
	% of Total Office RSF	0.1%	0.1%	0.1%	0.3%	0.6%
	Annualized Cash Revenue 3/	\$ 302	\$ 374	\$ 261	\$ 1,282	\$ 2,219
	% of Total Office Annl Cash Rev	0.1%	0.1%	0.1%	0.4%	0.7%
Nashville	RSF	96,808	61,514	8,824	54,876	222,022
	% of Total Office RSF	0.6%	0.4%	0.1%	0.3%	1.3%
	Annualized Cash Revenue 3/	\$ 1,489	\$ 1,248	\$ 175	\$ 1,111	\$ 4,023
	% of Total Office Annl Cash Rev	0.5%	0.4%	0.1%	0.3%	1.2%
Orlando	RSF	11,607	1,358	6,340	6,133	25,438
	% of Total Office RSF	0.1%	0.0%	0.0%	0.0%	0.1%
	Annualized Cash Revenue 3/	\$ 237	\$ 33	\$ 189	\$ 166	\$ 625
	% of Total Office Annl Cash Rev	0.1%	0.0%	0.1%	0.1%	0.2%
Piedmont Triad	RSF	45,524	13,611	34,674	181,039	274,848
	% of Total Office RSF	0.3%	0.1%	0.2%	1.0%	1.6%
	Annualized Cash Revenue 3/	\$ 800	\$ 280	\$ 539	\$ 3,008	\$ 4,627
	% of Total Office Annl Cash Rev	0.2%	0.1%	0.2%	0.9%	1.4%
Raleigh	RSF	64,576	72,895	37,114	112,916	287,501
	% of Total Office RSF	0.3%	0.4%	0.2%	0.7%	1.6%
	Annualized Cash Revenue 3/	\$ 1,342	\$ 1,496	\$ 753	\$ 1,757	\$ 5,348
	% of Total Office Annl Cash Rev	0.4%	0.5%	0.2%	0.5%	1.6%
Richmond	RSF	29,761	29,231	27,587	116,039	202,618
	% of Total Office RSF	0.2%	0.2%	0.2%	0.7%	1.2%
	Annualized Cash Revenue 3/	\$ 572	\$ 548	\$ 556	\$ 2,406	\$ 4,082
	% of Total Office Annl Cash Rev	0.2%	0.2%	0.2%	0.7%	1.2%
Tampa	RSF	22,796	24,820	28,406	48,302	124,324
	% of Total Office RSF	0.1%	0.1%	0.2%	0.3%	0.7%
	Annualized Cash Revenue 3/	\$ 605	\$ 611	\$ 699	\$ 1,207	\$ 3,122
	% of Total Office Annl Cash Rev	0.2%	0.2%	0.2%	0.4%	0.9%
Other	RSF	13,802	1,130	0	1,351	16,283
	% of Total Office RSF	0.1%	0.0%	0.0%	0.0%	0.1%
	Annualized Cash Revenue 3/	\$ 344	\$ 24	\$ —	\$ 36	\$ 404
	% of Total Office Annl Cash Rev	0.1%	0.0%	0.0%	0.0%	0.1%
Total	RSF	453,435	414,325	185,869	976,302	2,029,931
	% of Total Office RSF	2.6%	2.4%	1.1%	5.6%	11.6%
	Annualized Cash Revenue 3/	\$ 8,397	\$ 8,068	\$ 3,773	\$ 17,716	\$ 37,954
	% of Total Office Annl Cash Rev	2.5%	2.4%	1.1%	5.4%	11.5%

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

2/ Includes 95,000 square feet of leases that are on a month to month basis or 0.5% of total annualized revenue.

3/ Annualized Cash Revenue is March, 2007 cash rental revenue (base rent plus operating expense pass through revenue excluding straight-line rental income) multiplied by 12.





## Industrial Lease Expirations by Market by Quarter

Dollars in thousands

		<i>Three Months Ended</i>				
		<u>06/30/07 1/</u>	<u>09/30/07</u>	<u>12/31/07</u>	<u>03/31/08</u>	<u>Total</u>
Atlanta	RSF	87,752	33,600	55,039	175,353	351,744
	% of Total Industrial RSF	1.5%	0.6%	0.9%	2.9%	5.9%
	Annualized Cash Revenue 2/	\$ 431	\$ 124	\$ 280	\$ 803	\$ 1,638
	% of Total Industrial Annl Cash Rev	1.5%	0.4%	0.9%	2.6%	5.4%
Greenville	RSF	16,081	0	0	0	16,081
	% of Total Industrial RSF	0.3%	0.0%	0.0%	0.0%	0.3%
	Annualized Cash Revenue 2/	\$ 221	\$ —	\$ —	\$ —	\$ 221
	% of Total Industrial Annl Cash Rev	0.7%	0.0%	0.0%	0.0%	0.7%
Kansas City	RSF	0	0	0	0	0
	% of Total Industrial RSF	0.0%	0.0%	0.0%	0.0%	0.0%
	Annualized Cash Revenue 2/	\$ —	\$ —	\$ —	\$ —	\$ —
	% of Total Industrial Annl Cash Rev	0.0%	0.0%	0.0%	0.0%	0.0%
Piedmont Triad	RSF	231,691	116,022	57,200	367,078	771,991
	% of Total Industrial RSF	3.9%	1.9%	1.0%	6.2%	13.0%
	Annualized Cash Revenue 2/	\$ 938	\$ 1,275	\$ 448	\$ 1,584	\$ 4,245
	% of Total Industrial Annl Cash Rev	3.1%	4.2%	1.5%	5.2%	14.0%
Total	RSF	335,524	149,622	112,239	542,431	1,139,816
	% of Total Industrial RSF	5.6%	2.5%	1.9%	9.1%	19.1%
	Annualized Cash Revenue 2/	\$ 1,590	\$ 1,399	\$ 728	\$ 2,387	\$ 6,104
	% of Total Industrial Annl Cash Rev	5.3%	4.6%	2.4%	7.8%	20.1%

1/ Includes 92,000 square feet of leases that are on a month to month basis or 0.1% of total annualized revenue.

2/ Annualized Cash Revenue is March, 2007 cash rental revenue (base rent plus operating expense pass through revenue excluding straight-line rental income) multiplied by 12.

# Office Lease Expirations by Market by Year 1/

Dollars in thousands

		2007 2/	2008	2009	2010	Thereafter
Atlanta	RSF	245,393	385,148	341,290	85,500	1,141,721
	% of Total Office RSF	1.4%	2.2%	2.0%	0.5%	6.6%
	Annualized Cash Revenue 3/	\$ 4,533	\$ 6,677	\$ 5,882	\$ 1,809	\$ 22,856
	% of Total Office Annl Cash Rev	1.4%	2.0%	1.8%	0.5%	6.9%
Columbia	RSF	39,644	33,601	8,409	6,475	91,573
	% of Total Office RSF	0.2%	0.2%	0.0%	0.0%	0.5%
	Annualized Cash Revenue 3/	\$ 307	\$ 522	\$ 131	\$ 105	\$ 785
	% of Total Office Annl Cash Rev	0.1%	0.2%	0.0%	0.0%	0.2%
Greenville	RSF	16,166	78,679	60,122	62,986	612,649
	% of Total Office RSF	0.1%	0.5%	0.3%	0.4%	3.5%
	Annualized Cash Revenue 3/	\$ 307	\$ 1,487	\$ 1,013	\$ 1,055	\$ 9,955
	% of Total Office Annl Cash Rev	0.1%	0.5%	0.3%	0.3%	3.0%
Kansas City	RSF	73,260	83,129	124,572	110,795	341,793
	% of Total Office RSF	0.4%	0.5%	0.7%	0.6%	2.0%
	Annualized Cash Revenue 3/	\$ 1,617	\$ 1,726	\$ 2,481	\$ 2,930	\$ 8,314
	% of Total Office Annl Cash Rev	0.5%	0.5%	0.8%	0.9%	2.5%
Memphis	RSF	46,788	144,151	226,858	211,037	554,516
	% of Total Office RSF	0.3%	0.8%	1.3%	1.2%	3.2%
	Annualized Cash Revenue 3/	\$ 936	\$ 3,070	\$ 4,519	\$ 4,351	\$ 10,047
	% of Total Office Annl Cash Rev	0.3%	0.9%	1.4%	1.3%	3.0%
Nashville	RSF	167,146	200,081	675,991	463,446	1,211,953
	% of Total Office RSF	1.0%	1.2%	3.9%	2.7%	7.0%
	Annualized Cash Revenue 3/	\$ 2,912	\$ 4,014	\$ 13,191	\$ 9,194	\$ 23,176
	% of Total Office Annl Cash Rev	0.9%	1.2%	4.0%	2.8%	7.0%
Orlando	RSF	19,305	6,133	6,788	79,163	104,154
	% of Total Office RSF	0.1%	0.0%	0.0%	0.5%	0.6%
	Annualized Cash Revenue 3/	\$ 459	\$ 166	\$ 174	\$ 1,768	\$ 2,263
	% of Total Office Annl Cash Rev	0.1%	0.1%	0.1%	0.5%	0.7%
Piedmont Triad	RSF	93,809	248,228	135,423	206,869	1,071,889
	% of Total Office RSF	0.5%	1.4%	0.8%	1.2%	6.2%
	Annualized Cash Revenue 3/	\$ 1,619	\$ 4,096	\$ 2,217	\$ 3,145	\$ 16,418
	% of Total Office Annl Cash Rev	0.5%	1.2%	0.7%	1.0%	5.0%
Raleigh	RSF	174,585	421,095	553,176	347,710	1,687,273
	% of Total Office RSF	1.0%	2.4%	3.2%	2.0%	9.7%
	Annualized Cash Revenue 3/	\$ 3,589	\$ 6,545	\$ 11,239	\$ 6,396	\$ 28,043
	% of Total Office Annl Cash Rev	1.1%	2.0%	3.4%	1.9%	8.5%
Richmond	RSF	86,579	252,247	217,845	222,287	1,129,819
	% of Total Office RSF	0.5%	1.5%	1.3%	1.3%	6.5%
	Annualized Cash Revenue 3/	\$ 1,676	\$ 4,974	\$ 4,148	\$ 4,104	\$ 20,414
	% of Total Office Annl Cash Rev	0.5%	1.5%	1.3%	1.2%	6.2%
Tampa	RSF	76,022	178,682	414,414	485,781	1,219,984
	% of Total Office RSF	0.4%	1.0%	2.4%	2.8%	7.0%
	Annualized Cash Revenue 3/	\$ 1,914	\$ 4,110	\$ 9,056	\$ 12,602	\$ 26,778
	% of Total Office Annl Cash Rev	0.6%	1.2%	2.7%	3.8%	8.1%
Other	RSF	14,932	16,318	6,785	27,979	7,491
	% of Total Office RSF	0.1%	0.1%	0.0%	0.2%	0.0%
	Annualized Cash Revenue 3/	\$ 368	\$ 545	\$ 129	\$ 632	\$ 160
	% of Total Office Annl Cash Rev	0.1%	0.2%	0.0%	0.2%	0.0%
Total	RSF	1,053,629	2,047,492	2,771,673	2,310,028	9,174,815
	% of Total Office RSF	6.1%	11.8%	16.0%	13.3%	52.9%
	Annualized Cash Revenue 3/	\$ 20,237	\$ 37,932	\$ 54,180	\$ 48,091	\$ 169,209
	% of Total Office Annl Cash Rev	6.1%	11.5%	16.4%	14.6%	51.3%

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

2/ Includes 95,000 square feet of leases that are on a month to month basis or 0.5% of total annualized revenue.

3/ Annualized Cash Revenue is March, 2007 cash rental revenue (base rent plus operating expense pass through revenue excluding straight-line rental income) multiplied by 12.

## Industrial Lease Expirations by Market by Year

*Dollars in thousands*

		2007 1/	2008	2009	2010	Thereafter
Atlanta	RSF	176,391	575,710	340,555	294,369	1,526,246
	% of Total Industrial RSF	3.0%	9.7%	5.7%	4.9%	25.6%
	Annualized Cash Revenue 2/	\$ 834	\$ 2,997	\$ 2,145	\$ 1,634	\$ 7,565
	% of Total Industrial Annl Cash Rev	2.7%	9.9%	7.1%	5.4%	24.9%
Greenville	RSF	16,081	5,350	4,794	0	0
	% of Total Industrial RSF	0.3%	0.1%	0.1%	0.0%	0.0%
	Annualized Cash Revenue 2/	\$ 221	\$ 60	\$ 42	\$ —	\$ —
	% of Total Industrial Annl Cash Rev	0.7%	0.2%	0.1%	0.0%	0.0%
Kansas City	RSF	0	0	1,756	0	0
	% of Total Industrial RSF	0.0%	0.0%	0.0%	0.0%	0.0%
	Annualized Cash Revenue 2/	\$ —	\$ —	\$ 20	\$ —	\$ —
	% of Total Industrial Annl Cash Rev	0.0%	0.0%	0.1%	0.0%	0.0%
Piedmont Triad	RSF	404,913	724,993	614,750	299,868	971,317
	% of Total Industrial RSF	6.8%	12.2%	10.3%	5.0%	16.3%
	Annualized Cash Revenue 2/	\$ 2,662	\$ 3,155	\$ 3,043	\$ 1,446	\$ 4,592
	% of Total Industrial Annl Cash Rev	8.8%	10.4%	10.0%	4.8%	15.1%
Total	RSF	597,385	1,306,053	961,855	594,237	2,497,563
	% of Total Industrial RSF	10.0%	21.9%	16.1%	10.0%	41.9%
	Annualized Cash Revenue 2/	\$ 3,717	\$ 6,212	\$ 5,250	\$ 3,080	\$ 12,157
	% of Total Industrial Annl Cash Rev	12.2%	20.4%	17.3%	10.1%	40.0%

1/ Includes 92,000 square feet of leases that are on a month to month basis or 0.1% of total annualized revenue.

2/ Annualized Cash Revenue is March, 2007 cash rental revenue (base rent plus operating expense pass through revenue excluding straight-line rental income) multiplied by 12.

## Customer Diversification 1/

March 31, 2007

*Dollars in thousands*

### Top 20 Customers

Customer	RSF	Annualized Cash Revenue 2/	Percent of Annualized Cash Revenue 2/	Average Remaining Lease Term in Years
Federal Government	1,454,338	\$ 26,769	6.72%	8.0
AT&T	672,986	13,168	3.31%	1.8
Price Waterhouse Coopers	332,931	8,819	2.22%	3.1
State Of Georgia	367,986	7,414	1.86%	2.9
T-Mobile USA	205,855	5,606	1.41%	6.6
Metropolitan Life Insurance	262,586	5,040	1.27%	9.7
Lockton Companies	156,255	4,089	1.03%	7.9
Volvo	278,940	3,919	0.98%	3.0
Syniverse Technologies	198,750	3,869	0.97%	9.6
Northern Telecom	246,000	3,651	0.92%	0.9
SCI Services 3/	162,784	3,574	0.90%	10.3
BB&T	209,237	3,263	0.82%	5.3
US Airways	182,775	3,169	0.80%	4.4
Fluor Enterprises	168,908	2,659	0.67%	4.6
Jacobs Engineering Group	181,794	2,644	0.66%	8.8
Vanderbilt University	126,617	2,432	0.61%	8.5
Lifepoint Corporate Services	122,703	2,384	0.60%	4.3
Wachovia	97,792	2,219	0.56%	3.1
Icon Clinical Research	110,909	2,100	0.53%	5.9
The Art Institute of Tampa	91,123	1,970	0.49%	7.8
	<u>5,631,269</u>	<u>\$108,758</u>	<u>27.33%</u>	<u>5.8</u>

### By Industry

Category	Percent of Annualized Cash Revenue 2/
Professional, Scientific, and Technical Services	19.9%
Finance/Banking	10.2%
Insurance	9.5%
Government/Public Administration	9.2%
Retail Trade	7.9%
Telecommunication	7.2%
Manufacturing	7.0%
Wholesale Trade	6.0%
Health Care and Social Assistance	5.6%
Real Estate Rental and Leasing	3.6%
Information	2.8%
Accommodation and Food Services	2.7%
Transportation and Warehousing	2.6%
Administrative and Support Services	2.3%
Other Services (except Public Administration)	2.3%
Educational Services	1.2%
	<u>100.0%</u>

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

2/ Annualized Cash Revenue is March, 2007 cash rental revenue (base rent plus operating expense pass through revenue excluding straight-line rental income) multiplied by 12.

3/ Morgan Stanley acquired SCI Services (Saxon Capital, Inc.) on December 4, 2006.

## Same Property Performance

*Dollars in thousands*

	Three months ended March 31,		Percentage Change
	2007	2006	
Rental revenues	\$ 100,654	\$ 94,803	6.2%
Straight line rent	715	2,253	-68.3%
Lease termination fees	38	672	-94.3%
Operating expenses	(37,055)	(34,813)	-6.4%
Net operating income	\$ 64,352	\$ 62,915	2.3%
Average occupancy	89.7%	88.6%	1.2%
Rentable square feet	26,493,000	26,493,000	

Market	First Quarter: 2007 vs 2006	
	NOI	Occupancy
	Percentage Change	Percentage Change
Atlanta	4.7%	2.2%
Columbia	141.1%	57.7%
Greenville	4.4%	4.8%
Kansas City	0.2%	-0.6%
Memphis	3.1%	1.8%
Nashville	-4.0%	-0.4%
Orlando	-3.3%	3.6%
Piedmont Triad	-5.7%	-2.5%
Raleigh	6.8%	4.4%
Richmond	-3.8%	-2.5%
Tampa	15.6%	5.9%
	2.3%	1.2%

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## Acquisition Activity

*Dollars in thousands*

						Total
Name		<u>Market</u>	<u>Type</u>	<u>Date Acquired</u>	<u>Square Footage</u>	<u>Cost</u>
<b>First quarter 2007:</b>						
None						

Highwoods Properties, Inc.

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## Disposition Activity

*Dollars in thousands*

Name	Market	Type 1/	Date Sold	Square Footage	Occupancy	Gross Sales Price 2/
<b>First quarter 2007:</b>						
1740-90 Century Center	Atlanta	O	01/17/07	69,000	N/A 3/	\$ 9,530
Red Oak	Raleigh	O	02/02/07	65,000	68.6%	
Laurel	Raleigh	O	02/02/07	40,000	85.2%	
Global Software	Raleigh	O	02/02/07	93,000	90.4%	
Magnolia	Raleigh	O	02/02/07	59,000	68.1%	
				<u>257,000</u>	<u>79.0%</u>	<u>\$30,416</u>
<b>First quarter totals - wholly-owned</b>				<b><u>326,000</u></b>	<b><u>79.0%</u></b>	<b><u>\$39,946</u></b>
Weston Lakeside 4/	Raleigh	M	02/22/07	322 Units	N/A	\$22,500
3404 North Duke Street 5/	Raleigh	O	03/12/07	67,000	100.0%	
4020 North Roxboro Road 5/	Raleigh	O	03/12/07	42,000	100.0%	
4101 North Roxboro Road 5/	Raleigh	O	03/12/07	56,000	100.0%	
Fairfield I 5/	Raleigh	O	03/12/07	51,000	100.0%	
Fairfield II 5/	Raleigh	O	03/12/07	60,000	96.9%	
				<u>276,000</u>	<u>99.3%</u>	<u>\$ 7,801</u>
<b>First quarter totals - joint ventures</b>						<b><u>\$30,301</u></b>
<b>First quarter grand total (including pro rata share of joint ventures dispositions)</b>						<b><u>\$70,247</u></b>

1/ The letters "O" and "M" represent Office and Multifamily, respectively.

2/ Amounts for joint ventures reflect Highwoods pro-rata share only.

3/ This property was scheduled for demolition after its disposition. All tenants vacated this property and it was removed from Highwoods' in-service portfolio prior to 12/31/06.

4/ The Weston Lakeside properties were owned by a 50% owned joint venture.

5/ These were 22.81% owned properties through the DLF 98/29 joint venture.



## Development Activity

Dollars in thousands

### In - Process

		Type	Rentable Square Feet	Anticipated	Investment		Estimated Completion	Estimated Stabilization
Property	Market	1/		Total Investment	@ 03/31/07	Pre- Leasing	Date	Date
Office:								
Dept. of Homeland Security	Atlanta	O	91,000	\$ 21,700	\$ 12,804	100%	3Q 07	3Q 07
Healthways	Nashville	O	255,000	58,300	23,102	100%	2Q08	2Q 08
Berkshire	Orlando	O	99,000	13,197	10,110	16%	2Q 07	2Q 08
Centregreen V	Raleigh	O	98,000	15,662	2,634	51%	1Q 08	3Q 09
Glenlake VI	Raleigh	O	122,000	23,208	2,650	15%	1Q 08	3Q 09
RBC Plaza 2/	Raleigh	O	292,000	76,056	10,604	65%	4Q 08	4Q 09
Highwoods Baycenter I	Tampa	O	209,000	42,024	27,245	10%	3Q 07	4Q 08
Total or Weighted Average			<u>1,166,000</u>	<u>\$250,147</u>	<u>\$ 89,149</u>	<u>55%</u>		
Industrial:								
Newpoint V	Atlanta	I	263,000	\$ 12,312	\$ 8,931	73%	2Q 07	2Q 08
Enterprise III	Piedmont Triad	I	120,000	5,502	1,087	0%	3Q 07	4Q 08
Total or Weighted Average			<u>383,000</u>	<u>\$ 17,814</u>	<u>\$ 10,018</u>	<u>50%</u>		
For Sale Residential: 3/						340		
RBC Plaza Condominiums 4/	Raleigh	RC	139 Units	<u>\$ 42,380</u>	<u>\$ 3,804</u>	<u>Reservations</u>	4Q 08	2Q 09
In-Process Total or Weighted Average 4/			<u>1,549,000</u>	<u>\$310,341</u>	<u>\$102,971</u>	<u>54%</u>		
Completed Not Stabilized 5/								
Office:								
Glenlake Four	Raleigh	O	158,000	\$ 26,286	\$ 22,921	72%	3Q 06	1Q 08
Cordoba 6/	Kansas City	O	46,000	6,790	5,061	50%	4Q 06	1Q 08
Stony Point IV	Richmond	O	107,000	13,125	11,993	86%	4Q 06	4Q 07
3330 Healy Rd 6/	Piedmont Triad	O	40,000	4,859	3,969	0%	4Q 06	2Q 07
North Shore Commons B	Richmond	O	96,000	13,586	10,979	9%	1Q 07	2Q 08
Cool Springs III	Nashville	O	153,000	22,500	19,038	91%	2Q 06	4Q 07
Total or Weighted Average			<u>600,000</u>	<u>\$ 87,146</u>	<u>\$ 73,961</u>	<u>63%</u>		
Industrial:								
Enterprise II	Piedmont Triad	I	418,000	<u>\$ 15,137</u>	<u>\$ 13,790</u>	<u>44%</u>	4Q 06	4Q 08
Completed Not Stabilized Total or Weighted Average			<u>1,018,000</u>	<u>\$102,283</u>	<u>\$ 87,751</u>	<u>55%</u>		
Grand Total or Weighted Average			<u>2,567,000</u>	<u>\$412,624</u>	<u>\$190,722</u>	<u>54%</u>		

### Placed in Service

Property	Market	Type	In-Service Date	Rentable Square Feet	Investment	
		1/		@ 03/31/07	Occ %	
ThyssenKrupp	Memphis	O	1/10/2007	78,000	\$ 9,369	100%
Highwoods Preserve VII 7/	Tampa	O	2/1/2007	115,000	19,414	100%
Total or Weighted Average				193,000	\$ 28,783	100%

1/ The Letters "O", "I", "R" and "RC" represent: Office, Industrial, Retail and For Sale Residential Condominiums, respectively.

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

3/ In January 2007 the Company executed a Joint Venture agreement for this development. The Company will have a 93% interest and will consolidate this Joint Venture. The investment amounts shown represent the Company's 93% share.

4/ There are currently 340 reservations for the 139 units. Reservations are fully refundable until mid 2007 at which time binding sales contracts will be accepted and non-refundable deposits will be retained. Condo Units and Reservations numbers are not part of In-Process Total or Weighted Average for SF & Pre-Leasing percentage.

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

6/ Redevelopment property, the investment amounts shown include original Land and Building basis, in addition to the incremental redevelopment costs.

7/ 29,000 sf is leased but will not be occupied until 4Q 08.



**Development Land**  
**March 31, 2007**

*Dollars in thousands*

Market	Usable Acres	Total Estimated Market Value
Research Triangle	235	\$ 47,626
Atlanta	140	18,440
Triad	69	16,118
Richmond	44	10,330
Baltimore	39	11,824
Nashville	26	8,345
Tampa	23	8,790
Memphis	21	4,733
Orlando	14	10,800
Greenville	12	1,800
Kansas City	2	3,100
<b>Total 1/ 2/</b>	<b><u>625</u></b>	<b><u>\$ 141,906</u></b>

1/ Developable square footage on core land holdings, which constitute 421 of the total 625 acres, is approximately 4.3 million of office space and 1.6 million of industrial space.

2/ Includes 33 acres (\$6 million based on expected gross proceeds) included in property held for sale at March 31, 2007.

# **Unconsolidated Joint Ventures Assets, Debt and Liabilities**

March 31, 2007

*Dollars in thousands*

Joint Venture	Type 1/	Own %	Venture's Books		
			Total Assets	Debt	Total Liabilities
Board of Trade Investment Co.	O	49.0%	\$ 7,203	\$ 96	\$ 400
Dallas County Partners I, LP	O/ I	50.0%	38,164	50,032	52,433
Dallas County Partners II, LP	O	50.0%	15,135	17,921	19,045
Dallas County Partners III, LP	O	50.0%	49	—	23
Fountain Three	O/I /R	50.0%	29,086	32,841	34,594
RRHWoods , LLC	O/ M	50.0%	90,183	81,139	84,613
Kessinger/Hunter, LLC	—	26.5%	8,575	—	632
4600 Madison Associates, LP	O	12.5%	19,389	14,220	15,088
Highwoods DLF 98/29, LP	O	22.8%	128,160	48,779	50,927
Highwoods DLF 97/26 DLF 99/32, LP	O	42.9%	106,817	56,494	59,828
Concourse Center Associates, LLC	O	50.0%	13,584	9,075	9,234
Plaza Colonnade, LLC	O/R	50.0%	73,993	67,357	68,344
Highwoods KC Glenridge Office, LP	O	40.0%	23,086	16,500	16,992
Highwoods KC Glenridge Land, LP	O	40.0%	796	—	83
Highwoods KC Orlando, LLC	O	40.0%	209,808	143,000	149,452
Weston Lakeside, LLC	M	50.0%	245	—	3
<b>Total</b>			<b>\$ 764,273</b>	<b>\$537,454</b>	<b>\$ 561,691</b>

Joint Venture	Type 1/	Own %	Highwoods' Share of Joint Venture		
			Total Assets	Debt	Total Liabilities
Board of Trade Investment Co.	O	49.00%	\$ 3,529	\$ 47	\$ 196
Dallas County Partners I, LP	O/ I	50.00%	19,082	25,016	26,217
Dallas County Partners II, LP	O	50.00%	7,568	8,961	9,523
Dallas County Partners III, LP	O	50.00%	25	—	12
Fountain Three	O/I /R	50.00%	14,543	16,421	17,297
RRHWoods , LLC	O/ M	50.00%	45,092	40,570	42,307
Kessinger/Hunter, LLC	—	26.50%	2,272	—	167
4600 Madison Associates, LP	O	12.50%	2,424	1,778	1,886
Highwoods DLF 98/29, LP	O	22.81%	29,233	11,126	11,616
Highwoods DLF 97/26 DLF 99/32, LP	O	42.93%	45,857	24,253	25,684
Concourse Center Associates, LLC	O	50.00%	6,792	4,538	4,617
Plaza Colonnade, LLC	O/R	50.00%	36,997	33,679	34,172
Highwoods KC Glenridge Office, LP	O	40.00%	9,234	6,600	6,797
Highwoods KC Glenridge Land, LP	O	40.00%	318	—	33
Highwoods KC Orlando, LLC	O	40.00%	83,923	57,200	59,781
Weston Lakeside, LLC	M	50.00%	123	—	2
<b>Total 2/</b>			<b>\$ 307,012</b>	<b>\$230,189</b>	<b>\$ 240,307</b>

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

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

**Unconsolidated Joint Ventures Income**  
For the Three Months Ended March 31, 2007

Dollars in thousands

Joint Venture	Own %	Venture's Books					Net Income/	
		Revenue	Operating Exp	Interest	Depr/Amort	Gain on Sale	(Loss)	
Board of Trade Investment Co.	49.00%	\$ 648	\$ 440	\$ 3	\$ 96	\$ —	\$ 109	
Dallas County Partners I, LP	50.00%	3,022	1,533	791	552	—	146	
Dallas County Partners II, LP	50.00%	1,542	674	463	175	—	230	
Dallas County Partners III, LP	50.00%	50	56	—	1	—	(7)	
Fountain Three	50.00%	1,858	881	562	394	—	21	
RRHWoods, LLC	50.00%	4,056	2,250	1,030	1,065	—	(289)	
Kessinger/Hunter, LLC	26.50%	1,927	1,281	—	158	—	488	
4600 Madison Associates, LP	12.50%	1,256	606	248	459	—	(57)	
Highwoods DLF 98/29, LP	22.80%	7,388	1,425	1,030	774	9,311	13,470	
Highwoods DLF 97/26 DLF 99/32, LP	42.93%	4,011	1,316	1,094	987	—	614	
Concourse Center Associates, LLC	50.00%	531	136	165	81	—	149	
Plaza Colonnade, LLC	50.00%	2,336	925	983	529	—	(101)	
Highwoods KC Glenridge Office, LP	40.00%	984	408	197	158	—	221	
Highwoods KC Glenridge Land, LP	40.00%	—	2	—	—	—	(2)	
Highwoods KC Orlando, LLC	40.00%	8,189	3,029	1,873	1,750	—	1,537	
Weston Lakeside, LLC	50.00%	222	201	193	329	11,310	10,809	
<b>Total</b>		<b>\$38,020</b>	<b>\$ 15,163</b>	<b>\$8,632</b>	<b>\$ 7,508</b>	<b>\$ 20,621</b>	<b>\$ 27,338</b>	

Joint Venture	Own %	Highwoods' Share of Joint Venture					Net Income/	
		Revenue	Operating Exp	Interest	Depr/Amort	Gain on Sale	(Loss)	
Board of Trade Investment Co.	49.00%	\$ 318	\$ 216	\$ 1	\$ 47	\$ —	\$ 54	
Dallas County Partners I, LP	50.00%	1,510	766	395	276	—	73	
Dallas County Partners II, LP	50.00%	771	337	231	88	—	115	
Dallas County Partners III, LP	50.00%	25	27	—	1	—	(3)	
Fountain Three	50.00%	928	441	281	197	—	9	
RRHWoods, LLC	50.00%	2,027	1,125	515	533	—	(146)	
Kessinger/Hunter, LLC	26.50%	511	339	—	42	—	130	
4600 Madison Associates, LP	12.50%	156	76	30	57	—	(7)	
Highwoods DLF 98/29, LP	22.81%	1,685	325	235	177	2,124	3,072	
Highwoods DLF 97/26 DLF 99/32, LP	42.93%	1,722	565	471	424	—	262	
Concourse Center Associates, LLC	50.00%	266	67	83	40	—	76	
Plaza Colonnade, LLC	50.00%	1,168	463	492	265	—	(52)	
Highwoods KC Glenridge Office, LP	40.00%	394	163	79	63	—	89	
Highwoods KC Glenridge Land, LP	40.00%	—	2	—	—	—	(2)	
Highwoods KC Orlando, LLC	40.00%	3,276	1,211	750	700	—	615	
Weston Lakeside, LLC 1/	50.00%	111	101	97	165	5,035	4,783	
<b>Total 2/ 3/</b>		<b>\$14,868</b>	<b>\$ 6,224</b>	<b>\$3,660</b>	<b>\$ 3,075</b>	<b>\$ 7,159</b>	<b>\$ 9,068</b>	

- 1/ Highwoods' share of Gain on Sale is less than 50% for Weston Lakeside, LLC due to the preferred return to Crosland as the developer.
- 2/ Highwoods' share of Depreciation and Amortization from these tables will not equal Depreciation and Amortization of Real Estate Assets for Unconsolidated Affiliates on the Statement of Funds from Operations due to various purchase accounting and related adjustments, which are not reflected in the Joint Ventures' stand-alone financial statements.
- 3/ Highwoods' share of Net Income from these tables will not equal Equity in Earnings of Unconsolidated Affiliates on the Consolidated Income Statement due to various purchase accounting and related adjustments, which are not reflected in the Joint Ventures' stand-alone financial statements.

# Joint Ventures Long-Term Debt Detail 1/

Dollars in thousands

Joint Venture	Own %	Lender	Interest Rate	Maturity Date	Loan Balance 03/31/07
Dallas County Partners I, LP	50.0%	Massachusetts Mutual Life Ins. Co.	6.19%	Aug-18	\$ 42,629
Dallas County Partners I, LP	50.0%	Thrivent	8.45%	Aug-10	1,615
Dallas County Partners I, LP	50.0%	Regions	6.30%	Jun-14	3,535
Dallas County Partners I, LP	50.0%	Sun Life	5.92%	Feb-16	1,068
Dallas County Partners I, LP	50.0%	Bankers Trust	8.00%	Jul-11	1,185
			6.31%		50,032
Dallas County Partners II, LP	50.0%	Principal Life Insurance Company	10.19%	Jun-13	17,921
Fountain Three	50.0%	Massachusetts Mutual Life Ins. Co.	6.19%	Aug-18	17,015
Fountain Three	50.0%	Thrivent	7.95%	Oct-10	3,575
Fountain Three	50.0%	Thrivent	7.30%	Apr-09	3,375
Fountain Three	50.0%	Lehman Brothers	8.02%	Jul-09	3,528
Fountain Three	50.0%	Thrivent	7.00%	Sep-12	5,347
			6.82%		32,840
RRHWoods, LLC	50.0%	Industrial Revenue Bonds	3.64%	Nov-15	23,000
RRHWoods, LLC	50.0%	Bank of America	6.80%	Sep-12	26,727
RRHWoods, LLC	50.0%	Industrial Revenue Bonds	2.99%	Sep-15	6,000
RRHWoods, LLC	50.0%	Industrial Revenue Bonds	1.01%	Nov-15	5,500
RRHWoods, LLC	50.0%	Massachusetts Mutual Life Ins. Co.	6.19%	Aug-18	4,708
RRHWoods, LLC	50.0%	Massachusetts Mutual Life Ins. Co.	5.85%	Mar-16	7,600
RRHWoods, LLC	50.0%	UNUM Life Insurance Company	5.67%	Mar-17	4,070
RRHWoods, LLC	50.0%	Regions	6.30%	Jun-14	3,535
			5.03%		81,140
Plaza Colonnade, LLC	50.0%	Met Life	5.72%	Jan-17	49,242
Plaza Colonnade, LLC	50.0%	Tax Incremental Financing	5.38%	Mar-10	1,818
Plaza Colonnade, LLC	50.0%	Tax Incremental Financing	6.00%	Mar-16	4,394
Plaza Colonnade, LLC	50.0%	Tax Incremental Financing	5.90%	Mar-24	11,903
			5.76%		67,357
4600 Madison Associates, LLC	12.5%	State Farm	6.85%	Apr-18	14,220
Board of Trade Investment Company	49.0%	KC Board of Trade Clearing Corp.	7.75%	Sep-07	96
Highwoods DLF 98/29, LP	22.8%	USG Annuity & Life Company	6.78%	Apr-11	48,779
Highwoods DLF 97/26 DLF 99/32, LP	42.9%	Massachusetts Mutual Life Ins. Co.	7.66%	May-12	56,494
Concourse Center Associates, LLC	50.0%	Lincoln National Life Insurance Co.	6.95%	Jul-10	9,075
Highwoods KC Orlando, LLC	40.0%	Met Life	5.21%	Jul-14	143,000
Highwoods KC Glenridge Office	40.0%	Wachovia	4.84%	Jun-14	16,500
			6.07%		288,164
			<b>6.08%</b>		<b>\$537,454</b>
Highwoods' share of the above					<b>\$230,189</b>

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

## Joint Ventures Portfolio Summary

As of March 31, 2007

### Summary by Location:

Market	Rentable Square Feet 1/	Occupancy 2/	Percentage of Annualized Cash Revenue Highwoods' Share Only 3/				Total
			Office	Industrial	Retail	Multi-Family	
Des Moines	2,474,000	93.7%	29.1%	4.0%	1.0%	3.4%	37.5%
Orlando	1,687,000	92.5%	27.0%	—	—	—	27.0%
Atlanta	835,000	96.4%	13.2%	—	—	—	13.2%
Kansas City	718,000	85.1%	8.7%	—	—	—	8.7%
Richmond	413,000	100.0%	5.1%	—	—	—	5.1%
Raleigh	178,000	100.0%	1.6%	—	—	—	1.6%
Piedmont Triad	364,000	100.0%	3.6%	—	—	—	3.6%
Tampa	205,000	100.0%	2.0%	—	—	—	2.0%
Charlotte	148,000	100.0%	0.8%	—	—	—	0.8%
Other	110,000	100.0%	0.5%	—	—	—	0.5%
Total 4/	<u>7,132,000</u>	<u>94.1%</u>	<u>91.6%</u>	<u>4.0%</u>	<u>1.0%</u>	<u>3.4%</u>	<u>100.0%</u>

1/ Excludes Des Moines' apartment units.

2/ Excludes Des Moines' apartment occupancy percentage of 95.9%.

3/ Annualized Cash Revenue is March, 2007 cash rental revenue (base rent plus operating expense pass through revenue excluding straight-line rental income) multiplied by 12.

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

**Joint Ventures Lease Expirations**  
**March 31, 2007**

*Dollars in thousands*

Year	Rentable Square Feet Expiring	Percent of Rentable Square Feet	Annualized Cash Revenue 1/	Average Rental Rate	Percent of Annualized Cash Revenue 1/
<b>Total</b>					
2007	462,964	6.9%	\$ 8,860	\$19.14	6.9%
2008	1,297,537	19.4%	23,735	18.29	18.6%
2009	649,587	9.7%	13,258	20.41	10.4%
2010	658,156	9.8%	12,055	18.32	9.4%
2011	878,395	13.1%	16,237	18.48	12.7%
2012	461,599	6.9%	9,724	21.07	7.6%
2013	947,782	14.1%	17,435	18.40	13.6%
2014	395,532	5.9%	8,874	22.44	6.9%
2015	556,965	8.3%	9,465	16.99	7.4%
2016	76,970	1.1%	975	12.67	0.8%
2017 and thereafter	319,235	4.8%	7,296	22.85	5.7%
	<b><u>6,704,722</u></b>	<b><u>100.0%</u></b>	<b><u>\$127,914</u></b>	<b><u>\$19.08</u></b>	<b><u>100.0%</u></b>

1/ Annualized Cash Revenue is March, 2007 cash rental revenue (base rent plus operating expense pass through revenue excluding straight-line rental income) multiplied by 12.



## Joint Venture Development Activity

*Dollars in thousands*

### Completed Not Stabilized

<u>Property</u>	<u>% Ownership</u>	<u>Market</u>	<u>Rentable Square Feet</u>	<u>Anticipated Total Investment</u>	<u>Investment @ 03/31/07</u>	<u>Pre- Leasing</u>	<u>Estimated Completion Date</u>	<u>Estimated Stabilization Date</u>
Brickstone	50%	Des Moines	31,000	\$ 5,149	\$ 4,521	35%	4Q 06	4Q 07
<b>Completed Not Stabilized Total</b>				<u>\$ 5,149</u>	<u>\$ 4,521</u>			
Highwoods' Share of the above				<u>\$ 2,575</u>	<u>\$ 2,261</u>			

Highwoods Properties, Inc.