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# SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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## FORM 8-K

### CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): February 24, 2004

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## HIGHWOODS PROPERTIES, INC.

(Exact name of registrant specified in its charter)

**Maryland**  
(State of Incorporation)

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

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

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

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

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**Item 12. Results of Operations and Financial Condition**

On February 24, 2004, Highwoods Properties, Inc., the general partner of Highwoods Realty Limited Partnership, issued a press release announcing the results of operations and financial condition of Highwoods Properties, Inc. for the year ended December 31, 2003. This press release is attached hereto as Exhibit 99.1. In addition, we posted on our web site supplemental information regarding our operations for the year ended December 31, 2003, a copy of which is attached hereto as as Exhibit 99.2.

**Exhibit****Description**

- |      | <u>Description</u>   |
|------|--|
| 99.1 | Press Release, dated February 24, 2004, announcing the results of operations and financial condition of Highwoods Properties, Inc. for the year ended December 31, 2003. |
| 99.2 | Supplemental operating and Financial Information of Highwoods Properties, Inc. for the year ended December 31, 2003.   |

**SIGNATURES**

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

H IGHWOODS P ROPERTIES , I NC .

By: /s/ TERRY L. S TEVENS

Terry L. Stevens  
Vice President, Chief Financial Officer and Treasurer

Dated: February 25, 2004



FOR IMMEDIATE RELEASE

Ref: 04-06

**Contact:** Tabitha Zane  
Sr. Director, Investor Relations  
919-431-1529

### Highwoods Properties Reports Fourth Quarter and Year End Results

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**Raleigh, NC – February 24, 2004 – Highwoods Properties, Inc. (NYSE: HIW)**, the largest owner and operator of suburban office properties in the Southeast, today reported net income available for common stockholders of \$5.2 million, or \$0.10 per diluted share, for the quarter ended December 31, 2003 compared to net income of \$16.3 million, or \$0.30 per diluted share, for the same quarter last year. Funds from operations (“FFO”) after minority interest was \$32.6 million, or \$0.61 per diluted share, for the quarter ended December 31, 2003. This compares to FFO of \$39.9 million, or \$0.75 per diluted share, for the same period a year ago.

For the year ended December 31, 2003 the Company reported net income available for common stockholders of \$24.8 million, or \$0.47 per diluted share versus \$62.6 million, or \$1.17 per diluted share, for 2002. FFO for the full year 2003 was \$133.1 million, or \$2.49 per diluted share. In comparison, FFO for the full year 2002 was \$162.4 million, or \$3.04 per share.

The Company’s FFO results for 2003 were reduced by \$0.11 as a result of two factors. First, in connection with the SEC’s adoption of Regulation G, which governs the presentation of non-GAAP financial measures, the Company revised its definition of FFO for 2003 and all periods presented relating to the add back of non real estate depreciation and amortization. The revision changed FFO for all of 2003 and 2002 by \$0.06 and \$0.05 per share, respectively. The impact on the fourth quarters of 2003 and 2002 was \$0.01 per share in each of those years. Second, as previously reported, full year 2003 FFO was reduced by \$0.05 per share as a result of a Financial Reporting Alert issued by the National Association of Real Estate Investment Trusts stating that impairment write-downs of depreciable assets must be included in FFO. There were no asset impairments in the fourth quarter of 2003. A reconciliation of FFO to GAAP net income is included in the financial tables. (See also “Non-GAAP Information” below)

Commenting on the quarter Ronald P. Gibson, chief executive officer of Highwoods said, “ Although leasing activity remained strong in the fourth quarter as it has throughout the year, the operating environment remains challenging in the face of weak job growth. Our focus this year remains on growing occupancy, enhancing operating efficiencies and managing leasing costs.”

#### **Fourth Quarter and Year End Highlights**

- Fourth quarter second generation leasing activity in Highwoods' portfolio totaled 2.2 million square feet, 44% of which was office space. For the full year the Company leased 7.5 million square feet, a 34% increase from total leasing activity in 2002. Occupancy in the Company's 34.9 million square foot in-service portfolio at December 31, 2003 was 81.5% as compared to 81.2% at September 30, 2003 and 82.2% at year-end 2002.
- Rental revenues from continuing operations were \$107.9 million, a slight increase from fourth quarter 2002 rental revenues of \$107.2 million. For the full year rental revenues from continuing operations declined 2.5% to \$422.1 million.
- Cash available for distribution ("CAD") was \$19.8 million versus CAD of \$31.7 million for the fourth quarter of 2002. Full year CAD was \$96.8 million compared to \$164.4 million for 2002. A reconciliation of CAD to GAAP net income is included in the financial tables. See also "Non-GAAP Information" below.
- As reported in January 2004, the Company was awarded a 112,000 square foot build-to-suit contract with a 15-year lease term by the General Services Administration to develop a field office for the Federal Bureau of Investigation, an independent agency of the United States Government, in Tampa, Florida. This is the second government build-to-suit project Highwoods has been awarded in the last six months.

#### **Asset Repositioning**

As previously reported, in the fourth quarter, the Company sold 16 properties encompassing 2.0 million square feet, 96% of which was industrial space, and 82.7 acres of land for a total of \$74.3 million. The average occupancy of the assets sold in the fourth quarter was 98.8%.

Total asset sales in 2003 were \$202.0 million and included 3.3 million square feet of office and industrial space and 121.1 acres of land. In addition, during the fourth quarter Highwoods contributed three in-service office properties containing 291,000 square feet of space to its existing joint venture with Markel Corporation. These three properties, which were 98.6% leased, were valued at \$35.6 million. Highwoods and Markel will each continue to own a 50% interest in the joint venture.

On July 31, 2003 the Company announced that it had entered into an option agreement to acquire Miller Global's 80% interest in the assets in the MG-HIW Orlando joint venture on or before March 24, 2004 for approximately \$62.5 million. The assets in this joint venture consist of five properties encompassing 1.3 million square feet and are encumbered by \$136.2 million of debt. In January 2004 the Company signed a Letter of Intent with Dreilander-Fonds (DLF), a European investment firm, under which DLF will acquire a 60% equity interest in the Orlando properties for approximately \$45.5 million. The Company currently has two existing joint ventures with DLF. The Company expects to acquire Miller Global's interest next month and close the transaction with DLF no later than the end of the third quarter.

## Outlook

Based upon recent operating trends and changes related to the timing of anticipated acquisitions and dispositions, the Company is lowering its FFO guidance. In November 2003, when 2004 guidance was originally provided the Company anticipated FFO would be between \$2.50 and \$2.65, including a \$0.05 reduction to FFO as a result of the Company revising its definition of FFO relating to the add back of non real estate depreciation and amortization. The Company now expects FFO for 2004 to be between \$2.40 and \$2.50 per share. Projections for 2004 exclude any potential asset gains or impairments associated with operating property dispositions currently contemplated or otherwise.

These forward-looking statements are subject to risks and uncertainties that exist in Highwoods' operations and business environment. See the Company's cautionary language regarding forward-looking statements set forth at the bottom of this release.

## Non-GAAP Information

We believe that FFO is one of several indicators of the performance of an equity REIT. FFO can facilitate comparisons of operating performance between periods and between other REITs because it excludes factors, such as depreciation, amortization and gains and losses from sales of real estate assets, which are based on historical cost and may be of limited relevance in evaluating current performance. FFO as disclosed by other REITs may not be comparable to our calculation of FFO. Our calculation of FFO is consistent with FFO as defined by NAREIT. CAD is another useful financial performance measure of an equity REIT. CAD provides an additional basis to evaluate the ability of a REIT to incur and service debt, fund acquisitions and other capital expenditures and pay distributions. CAD does not measure whether cash flow is sufficient to fund all cash needs. FFO and CAD are non-GAAP financial measures and do not represent net income or cash flows from operating, investing or financing activities as defined by GAAP. They should not be considered as alternatives to net income as an indicator of our operating performance or to cash flows as a measure of liquidity.

FFO is defined by NAREIT as net income or loss, excluding gains or losses from sales of depreciated property, plus operating property depreciation and amortization and adjustments for minority interest and unconsolidated companies on the same basis.

CAD is defined as FFO reduced by non-revenue enhancing capital expenditures for building improvements and tenant improvements and lease commissions related to second-generation space. In addition, CAD includes both recurring and nonrecurring operating results. As a result, nonrecurring items that are not defined as "extraordinary" under GAAP are reflected in the calculation of CAD. In addition, nonrecurring items included in the calculation of CAD for periods ended after March 28, 2003 meet the requirements of Item 10(e) of Regulation S-K, as amended January 22, 2003.

## **Supplemental Information**

A copy of the Company's fourth quarter 2003 Supplemental Information that includes detailed operating and financial information is available in the "Investor Relations/Quarterly Earnings" section of the Company's Web site at [www.highwoods.com](http://www.highwoods.com). The Supplemental Information, together with this release, has been furnished to the Securities and Exchange Commission on Form 8-K. You may also obtain a copy of the Supplemental Information by contacting Highwoods Investor Relations at 919-875-6717 / 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 or fax, 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**

Highwoods will conduct a conference call to discuss the results of its fourth quarter and year end on Wednesday, February 25, 2004, at 10:00 a.m. Eastern Time. All interested parties are invited to listen to the call. The dial-in number is (888) 202-5268 domestic, (706) 643-7509 international. The call will also be available live on our web site at [www.highwoods.com](http://www.highwoods.com) under the "Investor Relations" section.

Telephone and web cast replays will be available two hours after the completion of the call. The telephone replay will be available for one week beginning at 1:00 p.m. Eastern Time. Dial-in numbers for the replay are (800) 642-1687 US/Canada, (706) 645-9291 International. The conference ID is 4787469.

## **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. As of December 31, 2003, the Company owned or had an interest in 530 in-service office, industrial and retail properties encompassing approximately 41.7 million square feet. Highwoods also owns approximately 1,305 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 the effect of tenant bankruptcies on our operations, expected leasing and financing activities, financial and operating performance and share repurchases and the cost and timing of expected development projects and asset dispositions, are forward-looking statements within the meaning of the federal securities laws. These statements are distinguished by use of the words "will", "expect", "intends" and words of similar meaning. Although Highwoods believes that the expectations reflected in such forward-looking statements are based upon reasonable assumptions, it can give no assurance that its expectations will be achieved.

Factors that could cause actual results to differ materially from Highwoods' current expectations are detailed in the Company's 2002 Annual Report on Form 10-K and subsequent SEC reports and include, among others, the following: the financial condition of our customers could deteriorate; speculative development by others could result in excessive supply of office properties relative to customer demand; we may not be able to lease or re-lease space quickly or on as favorable terms as old leases; and unexpected difficulties in obtaining additional capital to satisfy our future cash needs or unexpected increases in interest rates would increase our debt service costs.

**Financial tables follow.**

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

	Three Months Ended December 31,		Year Ended December 31,	
	2003	2002	2003	2002
<b>Rental revenue</b>	\$107,901	\$107,153	\$422,062	\$433,065
<b>Operating expenses:</b>				
Rental property	38,321	34,553	147,380	137,713
Depreciation and amortization	34,054	35,366	129,225	121,749
General and administrative (includes \$3,700 of nonrecurring compensation expense in 2002)	6,671	6,026	24,815	24,576
Litigation expense	—	—	—	2,700
Total operating expenses	79,046	75,945	301,420	286,738
<b>Interest expense:</b>				
Contractual	27,575	29,751	111,193	109,512
Amortization of deferred financing costs	876	366	3,078	1,393
	28,451	30,117	114,271	110,905
<b>Other income:</b>				
Interest and other income	3,343	4,781	11,916	13,562
Equity in earnings of unconsolidated affiliates	1,848	1,765	4,750	8,063
	5,191	6,546	16,666	21,625
<b>Income before gain/(loss) on disposition of land and depreciable assets, minority interest and discontinued operations</b>	5,595	7,637	23,037	57,047
Gain on disposition of land	397	396	3,739	6,894
(Loss)/gain on disposition and impairment of depreciable assets, net	—	(548)	37	4,502
<b>Income before minority interest and discontinued operations</b>	5,992	7,485	26,813	68,443
Minority interest	(628)	(852)	(3,003)	(8,296)
<b>Income from continuing operations</b>	5,364	6,633	23,810	60,147
Discontinued operations:				
Income from discontinued operations, net of minority interest	2,462	4,822	14,326	21,707
Gain on sale of discontinued operations, net of minority interest	5,104	12,562	17,559	11,607
	7,566	17,384	31,885	33,314
<b>Net income</b>	12,930	24,017	55,695	93,461
Dividends on preferred stock	(7,713)	(7,713)	(30,852)	(30,852)
<b>Net income available for common stockholders</b>	\$ 5,217	\$ 16,304	\$ 24,843	\$ 62,609
<b>Net income per common share - diluted:</b>				
(Loss)/income from continuing operations	\$ (0.05)	\$ (0.02)	\$ (0.13)	\$ 0.55
Income from discontinued operations	0.15	0.32	0.60	0.62
Net income	\$ 0.10	\$ 0.30	\$ 0.47	\$ 1.17
Weighted average common shares outstanding - diluted	53,651	53,407	53,409	53,485



**Highwoods Properties, Inc.**  
**Funds from Operations and Cash Available for Distributions**  
*(In thousands, except per share amounts and ratios)*

	Three Months Ended				Year Ended			
	2003		2002		2003		2002	
	Amount	Per Share Diluted	Amount	Per Share Diluted	Amount	Per Share Diluted	Amount	Per Share Diluted
<b>Funds from operations:</b>								
Net income	\$ 12,930		\$ 24,017		\$ 55,695		\$ 93,461	
Dividends to preferred shareholders	(7,713)		(7,713)		(30,852)		(30,852)	
Net income applicable to common shares	5,217	\$ 0.10	16,304	\$ 0.30	24,843	\$ 0.47	62,609	\$ 1.17
Add/(Deduct):								
Depreciation and amortization of real estate assets (1)	33,244	0.62	34,517	0.65	125,779	2.35	118,367	2.22
Gain/(loss) on disposition of depreciable real estate assets (2)	—	—	197	—	(37)	—	(14,421)	(0.27)
Minority interest in income from operations	628	0.01	852	0.02	3,003	0.06	8,296	0.16
Unconsolidated affiliates:								
Depreciation and amortization of real estate assets (1)	2,086	0.04	2,554	0.05	9,225	0.17	9,619	0.18
Discontinued operations:								
Depreciation and amortization of real estate assets	99	—	2,650	0.05	2,918	0.05	12,028	0.22
Gain on sale, net of minority interest (2)	(5,104)	(0.10)	(12,562)	(0.24)	(17,847)	(0.33)	(15,191)	(0.28)
Minority interest in income from discontinued operations	293	0.01	635	0.01	1,792	0.03	2,909	0.05
Funds from operations before amounts allocable to minority interest (3)	36,463	0.68	45,147	0.84	149,676	2.80	184,216	3.45
Minority interest in funds from operations	(3,865)	(0.07)	(5,255)	(0.09)	(16,554)	(0.31)	(21,811)	(0.41)
Funds from operations applicable to common shares (3)	\$ 32,598	\$ 0.61	\$ 39,892	\$ 0.75	\$ 133,122	\$ 2.49	\$ 162,405	\$ 3.04
<b>Cash available for distribution:</b>								
Funds from operations before amounts allocable to minority interest	\$ 36,463		\$ 45,147		\$ 149,676		\$ 184,216	
Add/(Deduct):								
Rental income from straight-line rents	(688)		(1,132)		(5,189)		(3,672)	
Amortization of intangible lease assets	305		—		517		—	
Depreciation of non-real estate assets (1)	810		849		3,446		3,382	
Impairment charges	—		351		2,701		13,503	
Amortization of deferred financing costs	876		366		3,078		1,393	
Non-recurring compensation expense	—		—		—		3,700	
Litigation expense	—		—		—		2,700	
Non-incremental revenue generating capital expenditures:								
Building improvements paid	(2,384)		(3,086)		(12,409)		(7,947)	
Second generation tenant improvements paid	(9,802)		(7,796)		(27,810)		(20,531)	
Second generation lease commissions paid	(5,793)		(2,968)		(17,258)		(12,321)	
	(17,979)		(13,850)		(57,477)		(40,799)	
Cash available for distribution	\$ 19,787		\$ 31,731		\$ 96,752		\$ 164,423	
<b>Dividend payout data:</b>								
Dividends paid per common share/common unit - diluted	\$ 0.425		\$ 0.585		\$ 1.860		\$ 2.340	

Funds from operations	69.7%	78.0%	74.7%	77.0%
Cash available for distribution	128.9%	111.4%	115.4%	86.3%
Weighted average shares outstanding - diluted	53,651	53,407	53,409	53,485
Weighted average shares/units outstanding - diluted	59,990	60,437	60,034	60,631
<b>Net cash provided by/(used in):</b>				
Operating activities	\$ 28,360	\$ 28,128	\$ 157,120	\$ 201,107
Investing activities	64,535	110,308	65,511	195,587
Financing activities	(87,414)	(141,417)	(215,084)	(386,253)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>\$ 5,481</b>	<b>\$ (2,981)</b>	<b>\$ 7,547</b>	<b>\$ 10,441</b>

- (1) In connection with the SEC's adoption of Regulation G, which governs the presentation of non-GAAP financial measures in documents filed with the SEC, the Company revised its definition of FFO for 2003 and all periods presented relating to the add-back of non-real estate depreciation and amortization. The change reduced FFO before amounts allocable to minority interest by \$810,000 or \$0.01 per share for the fourth quarter of 2003 and by \$849,000 or \$0.01 per share for the fourth quarter of 2002. For the full year 2003, the impact was \$3.4 million, or \$0.06 per share, and for the full year 2002, the input was \$3.4 million or \$0.05 per share.

**Highwoods Properties, Inc.**  
**Funds from Operations and Cash Available for Distributions (continued)**  
*(In thousands, except per share amounts and ratios)*

- (2) In October 2003, NAREIT issued a Financial Reporting Alert that changed its current implementation guidance for FFO regarding impairment charges. Accordingly, impairment charges related to depreciable assets have now been included in FFO for the periods presented. The following is a reconciliation of gain/(loss) on disposition of depreciable assets included in the FFO calculation and gain/(loss) on disposition of depreciable assets included in the Company's Consolidated Statements of Income for the three months and year ended December 31, 2003 and 2002:

	Three Months Ended December 31,		Year Ended December 31,	
	2003	2002	2003	2002
Continuing Operations:				
Gain/(loss) on disposition of depreciable assets per FFO calculation	\$ —	\$ (197)	\$ 37	\$14,421
Impairment charges	—	(351)	—	(9,919)
Gain/(loss) on disposition and impairment of depreciable assets, net per Consolidated Statements of Income	\$ —	\$ (548)	\$ 37	\$ 4,502
Discontinued Operations:				
Gain/(loss) on disposition of depreciable assets per FFO calculation	\$5,104	\$12,562	\$17,847	\$15,191
Impairment charges	—	—	(288)	(3,584)
Gain/(loss) on disposition and impairment of depreciable assets, net per Consolidated Statements of Income	\$5,104	\$12,562	\$17,559	\$11,607

In addition to the impairment charges detailed above, FFO for the year ended December 31, 2003 also excludes a \$2.4 million impairment charge included in the Company's equity in earnings of unconsolidated affiliates related to the acquisition of certain assets of the MG-HIW, LLC joint venture by the Company.

- (3) As a result of the FASB's "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections" ("SFAS 145"), losses on the extinguishment of debt will no longer be classified as an extraordinary item in the Company's Consolidated Statements of Income. Therefore, the calculation of FFO no longer includes an add-back of this amount. FFO before amounts allocable to minority interest for the year ended December 31, 2002 was decreased by \$687,000, which represents a loss on the extinguishment of debt incurred during those periods. There were no losses on the extinguishment of debt incurred in 2003.

As a result of the changes to the FFO calculation as outlined in footnotes (1), (2) and (3) FFO has been reduced by the following in dollars and per share amounts:

	Three Months Ended December 31,		Year Ended December 31,	
	2003	2002	2003	2002
FFO in dollars before amounts allocable to minority interest	\$ (810)	\$(1,200)	\$(6,147)	\$(17,572)
FFO per share	\$(0.01)	\$ (0.02)	\$ (0.11)	\$ (0.29)

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

	December 31,	
	2003	2002
<b>Assets:</b>		
Real estate assets, at cost:		
Land and improvements	\$ 397,131	\$ 395,556
Buildings and tenant improvements	2,903,147	2,834,670
Development in process	6,899	6,420
Land held for development	191,158	164,341
Furniture, fixtures and equipment	21,818	20,966
	<u>3,520,153</u>	<u>3,421,953</u>
Less-accumulated depreciation	(537,851)	(455,685)
Net real estate assets	2,982,302	2,966,268
Property held for sale	65,724	166,703
Cash and cash equivalents	18,564	11,017
Restricted cash	6,320	8,582
Accounts receivable, net	17,827	13,578
Notes receivable	24,623	31,057
Accrued straight-line rents receivable	51,189	48,777
Investment in unconsolidated affiliates	74,665	79,504
Other assets:		
Deferred leasing costs	110,362	99,895
Deferred financing costs	46,198	26,120
Prepaid expenses and other	13,799	15,295
	<u>170,359</u>	<u>141,310</u>
Less-accumulated amortization	(84,764)	(71,427)
Other assets, net	85,595	69,883
Total Assets	<u>\$3,326,809</u>	<u>\$3,395,369</u>
<b>Liabilities and Stockholders' Equity:</b>		
Mortgages and notes payable	\$1,558,758	\$1,528,720
Accounts payable, accrued expenses and other liabilities	111,772	120,614
	<u>1,670,530</u>	<u>1,649,334</u>
Total Liabilities	1,670,530	1,649,334
Minority interest	165,250	188,563
Stockholders' Equity:		
Preferred stock	377,445	377,445
Common stock	535	534
Additional paid-in capital	1,393,103	1,390,043
Distributions in excess of net earnings	(271,971)	(197,647)
Accumulated other comprehensive loss	(3,650)	(9,204)
Deferred compensation	(4,433)	(3,699)
	<u>1,491,029</u>	<u>1,557,472</u>
Total Stockholders' Equity	1,491,029	1,557,472
Total Liabilities and Stockholders' Equity	<u>\$3,326,809</u>	<u>\$3,395,369</u>



Supplemental Operating and Financial Information  
December 31, 2003

**Supplemental Information**  
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**December 31, 2003**

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The information within refers to all Highwoods Properties' consolidated entities, except pages 32 to 38 unless noted otherwise.

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

## Summary

*Dollars in thousands, except per share amounts*

	<i>Three Months Ended</i>		
	<u>12/31/03</u>	<u>12/31/02</u>	<u>Change F/(U)</u>
<b>Operations</b>			
Revenue from continuing operations	\$ 107,901	\$ 107,153	\$ 748
Rental property expense from continuing operations	38,321	34,553	(3,768)
Net operating income from continuing operations	\$ 69,580	\$ 72,600	\$ (3,020)
Revenue from discontinued operations	\$ 3,895	\$ 11,737	\$ (7,842)
Rental property expense from discontinued operations	1,052	3,206	2,154
Net operating income from discontinued operations	\$ 2,843	\$ 8,531	\$ (5,688)
Interest and other income	\$ 3,343	\$ 4,781	\$ (1,438)
Equity in earnings of unconsolidated affiliates	1,848	1,765	83
General and administrative	6,671	6,026	(645)
G&A as a % of revenue and other income	5.7 %	4.8 %	-0.9 %
<b>EBITDA calculation</b>			
Net income	\$ 12,930	\$ 24,017	\$ (11,087)
Addback depreciation and amortization	34,153	38,016	\$ (3,863)
Addback interest expense	28,451	30,546	\$ (2,095)
EBITDA	\$ 75,534	\$ 92,579	\$ (17,045)
Interest expense from continuing operations	\$ 28,451	\$ 30,117	\$ 1,666
Interest expense from discontinued operations	—	429	429
EBITDA/Interest expense	2.65	3.03	(0.38)
EBITDA/Interest expense + preferred dividends	2.09	2.42	(0.33)
Net income	\$ 12,930	\$ 24,017	\$ (11,087)
Funds from operations	32,598	39,892	(7,294)
Cash available for distribution	19,787	31,731	(11,944)
Per share - diluted:			
Net income	\$ 0.10	\$ 0.30	\$ (0.20)
Funds from operations	0.61	0.75	(0.14)
Dividends paid	0.425	0.585	(0.16)
Dividends paid as % of funds from operations	69.7 %	78.0 %	8.3 %
Dividends paid as % of cash available for distribution	128.9 %	111.4 %	-17.5 %
	<u>12/31/03</u>	<u>12/31/02</u>	<u>Change</u>
<b>Capitalization</b>			
Total assets	\$ 3,326,809	\$ 3,395,369	\$ (68,560)
Market capitalization:			
Total debt	1,558,758	1,528,720	30,038
Market value of common equity	1,893,241	1,711,733	181,508
Total market capitalization	\$ 3,451,999	\$ 3,240,453	\$ 211,546
Total Debt/Total Assets	46.9 %	45.0 %	-1.9 %
	<u>12/31/03</u>	<u>12/31/02</u>	<u>Change F/(U)</u>
<b>Portfolio</b>			
Total In-Service Square Footage	34,922,000	37,112,000	(2,190,000)
Occupancy	81.5 %	84.0 %	-2.5 %
Same Property NOI	\$ 60,966	\$ 67,219	\$ (6,253)

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## Corporate Information

### **Board of Directors**

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Thomas W. Adler  
Gene H. Anderson  
Kay N. Callison  
Edward J. Fritsch  
Ronald P. Gibson  
William E. Graham Jr.  
Lawrence S. Kaplan  
L. Glenn Orr Jr.  
O. Temple Sloan Jr., Chairman  
Willard H. Smith Jr.  
John L. Turner  
F. William Vandiver, Jr.

### **Senior Management Team**

**Ronald P. Gibson**  
Chief Executive Officer and Director

**Edward J. Fritsch**  
President, Chief Operating Officer  
and Director

**Gene H. Anderson**  
Senior Vice President and Director

**Michael F. Beale**  
Senior Vice President

**Michael E. Harris**  
Senior Vice President

**Carman J. Liuzzo**  
Vice President, Investments and  
Strategic Analysis

**Mack D. Pridgen III**  
Vice President, General Counsel and  
Secretary

**Terry L. Stevens**  
Vice President, Chief Financial Officer  
and Treasurer

Highwoods Properties, Inc.

### **Research Coverage**

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**Banc of America Securities**  
Lee Schalop - 212-847-5677

**Davenport & Company, LLC**  
Rob Norfleet - 804-780-2170

**Deutsche Banc Securities**  
Lou Taylor - 212-469-4912

**Green Street Advisors**  
John Lutzius - 949-640-8780

**Legg Mason**  
David Fick - 410-454-5018

**McDonald Investments, Inc.**  
Anatole Pevnev - 216-263-4783

**Morgan Stanley Dean Witter**  
Gregory Whyte - 212-761-6331

**Prudential Equity Group**  
Jim Sullivan - 212-778-2515

**Smith Barney Citigroup**  
Jonathan Litt - 212-816-0231

**UBS Warburg**  
Keith Mills - 212-713-3098

**Wachovia Securities**  
Chris Haley - 443-263-6773



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## Corporate Information

### Divisional Offices

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

Gene H. Anderson - Regional Manager

Atlanta, GA

*Gene H. Anderson, Senior Vice President*

Piedmont Triad, NC

*Mark W. Shumaker, Vice President*

#### **Orlando/Tampa**

Michael F. Beale - Regional Manager

Orlando, FL

*Michael F. Beale, Senior Vice President*

Tampa, FL

*Stephen A. Meyers, Vice President*

#### **Research Triangle/Richmond**

Research Triangle, NC

*Robert G. Cutlip, Vice President*

Richmond, VA

*Paul W. Kreckman, Vice President*

#### **Kansas City/Charlotte/Memphis/ Nashville**

Michael E. Harris - Regional Manager

Kansas City, MO

*Barrett Brady, Senior Vice President*

Charlotte, NC

*Thomas F. Cochran, Senior Vice President*

Memphis, TN

*Michael E. Harris, Senior Vice President*

Nashville, TN

*W. Brian Reames, 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  
Sr. Director, Investor Relations  
Phone: 919-431-1529  
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E-mail: [tabitha.zane@highwoods.com](mailto:tabitha.zane@highwoods.com)

### Information Request

To request a standard Investor Relations package, Annual Report or to be added to our e-mail or fax list, please contact the Investor Relations Coordinator at:  
Phone: 919-875-6717 or 800-256-2963  
Email: [HIW-IR@highwoods.com](mailto:HIW-IR@highwoods.com)

### The Company

Highwoods Properties, Inc., a member of the S&P MidCap 400 Index, is a fully integrated, self-administered real estate investment trust ("REIT") that provides leasing, management, development, construction and other customer-related services for its properites and for third parties. As of December 31, 2003, the Company owned or had an interest in 530 in-service office, industrial and retail properties encompassing approximately 41.7 million square feet. Highwoods also owns approximately 1,305 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).



# Consolidated Statements of Income

Dollars in thousands, except per share amounts

	Year Ended		Three Months Ended				
	12/31/03	12/31/02	12/31/03	09/30/03	06/30/03	03/31/03	12/31/02
<b>Rental revenue</b>	<b>\$422,062</b>	\$433,065	<b>\$107,901</b>	\$106,536	\$103,657	\$103,968	\$107,153
<b>Operating expenses:</b>							
Rental property	<b>147,380</b>	137,713	<b>38,321</b>	37,060	36,119	35,880	34,553
Depreciation and amortization	<b>129,225</b>	121,749	<b>34,054</b>	31,350	31,892	31,929	35,366
General and administrative (includes \$3,700 of nonrecurring compensation expense in the year ended 12/31/02)	<b>24,815</b>	24,576	<b>6,671</b>	6,276	6,524	5,344	6,026
Litigation expense	<b>—</b>	2,700	<b>—</b>	—	—	—	—
Total operating expenses	<b>301,420</b>	286,738	<b>79,046</b>	74,686	74,535	73,153	75,945
<b>Interest expense:</b>							
Contractual	<b>111,193</b>	109,512	<b>27,575</b>	28,122	27,822	27,674	29,751
Amortization of deferred financing costs	<b>3,078</b>	1,393	<b>876</b>	819	757	626	366
	<b>114,271</b>	110,905	<b>28,451</b>	28,941	28,579	28,300	30,117
<b>Other income:</b>							
Interest and other income	<b>11,916</b>	13,562	<b>3,343</b>	2,506	3,208	2,859	4,781
Equity in earnings/(loss) of unconsolidated affiliates	<b>4,750</b>	8,063	<b>1,848</b>	1,626	(485)	1,761	1,765
	<b>16,666</b>	21,625	<b>5,191</b>	4,132	2,723	4,620	6,546
<b>Income before gain/(loss) on disposition of land and depreciable assets, minority interest and discontinued operations</b>	<b>23,037</b>	57,047	<b>5,595</b>	7,041	3,266	7,135	7,637
Gain on disposition of land	<b>3,739</b>	6,894	<b>397</b>	1,067	1,412	863	396
(Loss)/gain on disposition and impairment of depreciable assets, net	<b>37</b>	4,502	<b>—</b>	(203)	220	20	(548)
<b>Income before minority interest and discontinued operations</b>	<b>26,813</b>	68,443	<b>5,992</b>	7,905	4,898	8,018	7,485
Minority interest	<b>(3,003)</b>	(8,296)	<b>(628)</b>	(842)	(572)	(961)	(852)
<b>Income from continuing operations</b>	<b>23,810</b>	60,147	<b>5,364</b>	7,063	4,326	7,057	6,633
Discontinued operations:							
Income from discontinued operations, net of minority int	<b>14,326</b>	21,707	<b>2,462</b>	3,130	4,449	4,285	4,822
Gain/(loss) on sale of discontinued operations, net of minority int	<b>17,559</b>	11,607	<b>5,104</b>	11,280	1,345	(170)	12,562
	<b>31,885</b>	33,314	<b>7,566</b>	14,410	5,794	4,115	17,384
<b>Net income</b>	<b>55,695</b>	93,461	<b>12,930</b>	21,473	10,120	11,172	24,017
Dividends on preferred stock	<b>(30,852)</b>	(30,852)	<b>(7,713)</b>	(7,713)	(7,713)	(7,713)	(7,713)
<b>Net income available for common stockholders</b>	<b>\$ 24,843</b>	\$ 62,609	<b>\$ 5,217</b>	\$ 13,760	\$ 2,407	\$ 3,459	\$ 16,304
<b>Net income per common share - diluted:</b>							
(Loss)/income from continuing operations	<b>\$ (0.13)</b>	\$ 0.55	<b>\$ (0.05)</b>	\$ (0.01)	\$ (0.06)	\$ (0.01)	\$ (0.02)
Income from discontinued operations	<b>\$ 0.60</b>	\$ 0.62	<b>\$ 0.15</b>	\$ 0.27	\$ 0.11	\$ 0.07	\$ 0.32
Net income	<b>\$ 0.47</b>	\$ 1.17	<b>\$ 0.10</b>	\$ 0.26	\$ 0.05	\$ 0.06	\$ 0.30
Weighted average common shares outstanding - diluted	53,409	53,485	53,651	53,261	53,315	53,475	53,407
Rental property expenses / rental revenue	34.9%	31.8%	35.5%	34.8%	34.8%	34.5%	32.2%

## Statement of Funds from Operations

*Dollars in thousands, except per share amounts*

	Year Ended		Three Months Ended				
	12/31/03	12/31/02	12/31/03	09/30/03	06/30/03	03/31/03	12/31/02
<b>Funds from operations:</b>							
Net income	\$ 55,695	\$ 93,461	\$ 12,930	\$ 21,473	\$ 10,120	\$ 11,172	\$ 24,017
Dividends to preferred shareholders	(30,852)	(30,852)	(7,713)	(7,713)	(7,713)	(7,713)	(7,713)
Net income applicable to common shares	<b>24,843</b>	62,609	<b>5,217</b>	13,760	2,407	3,459	16,304
Add/(Deduct):							
Depreciation and amortization of real estate assets 1/	125,779	118,367	33,244	30,368	31,058	31,109	34,517
Gain/(loss) on disposition of depreciable assets 2/	(37)	(14,421)	—	203	(220)	(20)	197
Minority interest in income from continuing operations	3,003	8,296	628	842	572	961	852
Unconsolidated affiliates:							
Depreciation and amortization of real estate assets 1/	9,225	9,619	2,086	2,235	2,489	2,415	2,554
Discontinued operations:							
Depreciation and amortization of real estate assets 1/	2,918	12,028	99	565	889	1,365	2,650
Gain on sale, net of minority interest 2/	(17,847)	(15,191)	(5,104)	(11,280)	(1,345)	(118)	(12,562)
Minority interest in income from discontinued operations	1,792	2,909	293	387	560	552	635
Funds from operations before amounts allocable to min int 3/	<b>149,676</b>	184,216	<b>36,463</b>	37,080	36,410	39,723	45,147
Minority interest in funds from operations	(16,554)	(21,811)	(3,865)	(4,083)	(4,074)	(4,532)	(5,255)
Funds from operations applicable to common shares 3/	<b>\$133,122</b>	\$162,405	<b>\$ 32,598</b>	\$ 32,997	\$ 32,336	\$ 35,191	\$ 39,892
<b>Cash available for distribution:</b>							
Funds from operations before amounts allocable to min int 3/	<b>\$149,676</b>	\$184,216	<b>\$ 36,463</b>	\$ 37,080	\$ 36,410	\$ 39,723	\$ 45,147
Add/(Deduct):							
Rental income from straight-line rents	(5,189)	(3,672)	(688)	(1,136)	(1,680)	(1,685)	(1,132)
Amortization of intangible lease assets	517	—	305	212	—	—	—
Depreciation of non-real estate assets 1/	3,446	3,382	810	982	834	820	849
Impairment charges	2,701	13,503	—	—	2,413	288	351
Amortization of deferred financing costs	3,078	1,393	876	819	757	626	366
Non-recurring compensation expense	—	3,700	—	—	—	—	—
Litigation expense	—	2,700	—	—	—	—	—
Non-incremental revenue generating capital expenditures paid:							
Building improvements	(12,409)	(7,947)	(2,384)	(4,500)	(2,734)	(2,791)	(3,086)
2nd generation tenant improvements	(27,810)	(20,531)	(9,802)	(6,588)	(6,932)	(4,488)	(7,796)
2nd generation lease commissions	(17,258)	(12,321)	(5,793)	(4,551)	(3,546)	(3,368)	(2,968)
	<b>(57,477)</b>	(40,799)	<b>(17,979)</b>	(15,639)	(13,212)	(10,647)	(13,850)
Cash available for distribution	<b>\$ 96,752</b>	\$164,423	<b>\$ 19,787</b>	\$ 22,318	\$ 25,522	\$ 29,125	\$ 31,731
<b>Funds from operations per share - diluted</b>							
Net income applicable to common shares	\$ 0.47	\$ 1.17	\$ 0.10	\$ 0.26	\$ 0.05	\$ 0.06	\$ 0.30
Add/(Deduct):							
Depreciation and amortization of real estate assets 1/	2.35	2.22	0.62	0.57	0.58	0.58	0.65
Gain/(loss) on disposition of depreciable assets 2/	—	(0.27)	—	—	—	—	—
Minority interest in income from operations	0.06	0.16	0.01	0.02	0.01	0.02	0.02
Unconsolidated affiliates:							
Depreciation and amortization of real estate assets 1/	0.17	0.18	0.04	0.04	0.04	0.05	0.05
Discontinued operations:							
Depreciation and amortization of real estate							

assets	<b>0.05</b>	0.22	—	0.01	0.02	0.02	0.05
Gain on sale, net of minority interest 2/	<b>(0.33)</b>	(0.28)	<b>(0.10)</b>	(0.21)	(0.02)	—	(0.24)
Minority interest in income from discontinued operations	<b>0.03</b>	0.05	<b>0.01</b>	0.01	—	0.01	0.01
Funds from operations before amounts allocable to min int 3/	<b>2.80</b>	3.45	<b>0.68</b>	0.70	0.68	0.74	0.84
Minority interest in funds from operations	<b>(0.31)</b>	(0.41)	<b>(0.07)</b>	(0.08)	(0.08)	(0.08)	(0.09)
Funds from operations applicable to common shares 3/	<b>\$ 2.49</b>	\$ 3.04	<b>\$ 0.61</b>	\$ 0.62	\$ 0.60	\$ 0.66	\$ 0.75
Weighted average shares outstanding - diluted	<b>53,409</b>	53,485	<b>53,651</b>	53,261	53,315	53,475	53,407
Weighted average shares/units outstanding - diluted	<b>60,034</b>	60,631	<b>59,990</b>	59,830	60,028	60,360	60,437
<b>Dividend payout data:</b>							
Dividends paid per common share/common unit - diluted:	<b>\$ 1.860</b>	\$ 2.340	<b>\$ 0.425</b>	\$ 0.425	\$ 0.425	\$ 0.585	\$ 0.585
Funds from operations	<b>74.7%</b>	77.0%	<b>69.7%</b>	68.5%	70.8%	88.6%	78.0%
Cash available for distribution	<b>115.4%</b>	86.3%	<b>128.9%</b>	113.9%	100.0%	121.2%	111.4%

## Notes to FFO Table, Net Cash Flow and Capital Expenditures

Dollars in thousands, except per share amounts

- 1/ In connection with the SEC's adoption of Regulation G, which governs the presentation of non-GAAP financial measures in documents filed with the SEC, the Company revised its definition of FFO for 2003 and all periods presented relating to the add-back of non-real estate depreciation and amortization. The Company's revised definition is in accordance with the definition provided by NAREIT. The change reduced FFO before amounts allocable to minority interest by \$3.4 million, or \$0.06 per share for the full year 2003 and \$3.4 million, or \$0.05 per share for the full year 2002. For the fourth quarter of 2003, the impact was \$810,000, or \$0.01 per share and for the fourth quarter of 2002, the impact was \$849,000, or \$0.01 per share. For the first through third quarters of 2003, the change was \$820,000, or \$0.01 per share, \$834,000, or \$0.02 per share and \$982,000, or \$0.02 per share, respectively.
- 2/ In October 2003, NAREIT issued a Financial Reporting Alert that changed its current implementation guidance for FFO regarding impairment charges. Accordingly, impairment charges related to depreciable assets have now been included in FFO for the periods presented. The following is a reconciliation of gain/(loss) on disposition of depreciable assets included in the FFO calculation and gain/(loss) on disposition of depreciable assets included in the Company's Consolidated Statements of Income for all periods presented:

	Year Ended		Three Months Ended				
	12/31/03	12/31/02	12/31/03	09/30/03	06/30/03	03/31/03	12/31/02
<b>Continuing Operations:</b>							
Gain/(loss) on disposition of depreciable assets per FFO calculation	\$ 37	\$ 14,421	\$ —	\$ (203)	\$ 220	\$ 20	\$ (197)
Impairment charges	—	(9,919)	—	—	—	—	(351)
Gain/(loss) on disposition and impairment of depreciable assets, net per Consolidated Statements of Income	\$ 37	\$ 4,502	\$ —	\$ (203)	\$ 220	\$ 20	\$ (548)
<b>Discontinued Operations:</b>							
Gain/(loss) on disposition of depreciable assets per FFO calculation	\$ 17,847	\$ 15,191	\$ 5,104	\$ 11,280	\$ 1,345	\$ 118	\$ 12,562
Impairment charges	(288)	(3,584)	—	—	—	(288)	—
Gain/(loss) on disposition and impairment of depreciable assets, net per Consolidated Statements of Income	\$ 17,559	\$ 11,607	\$ 5,104	\$ 11,280	\$ 1,345	\$ (170)	\$ 12,562

In addition to the impairment charges detailed above, FFO for the year ended December 31, 2003 also excludes a \$2.4 million impairment charge included in the Company's equity in earnings of unconsolidated affiliates related to the acquisition of certain assets of the MG-HIW, LLC joint venture by the Company.

- 3/ As a result of the FASB's "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections" ("SFAS 145"), losses on the extinguishment of debt will no longer be classified as an extraordinary item in the Company's Consolidated Statements of Income. Therefore, the calculation of FFO will no longer include an add-back of this amount. Accordingly, FFO before amounts allocable to minority interest for the year ended December 31, 2002 was decreased by \$687,000, which represents a loss on the extinguishment of debt incurred during those periods. There were no losses on the extinguishment of debt incurred in 2003.

As a result of the changes to the FFO calculation as outlined in footnotes 1/, 2/ and 3/, FFO has been reduced by the following in dollars and per share amounts:

FFO in dollars before amounts allocable to minority interest	\$ (6,147)	\$ (17,572)	\$ (810)	\$ (982)	\$ (3,247)	\$ (1,108)	\$ (1,200)
FFO per share	\$ (0.11)	\$ (0.29)	\$ (0.01)	\$ (0.02)	\$ (0.06)	\$ (0.02)	\$ (0.02)
<b>Net cash provided by/(used in):</b>							
Operating activities	\$ 157,120	\$ 201,107	\$ 28,360	\$ 54,887	\$ 35,067	\$ 38,806	\$ 28,128
Investing activities	65,511	195,587	64,535	14,599	6,565	(20,188)	110,308
Financing activities	(215,084)	(386,253)	(87,414)	(69,428)	(47,811)	(10,431)	(141,417)
Net increase/(decrease) in cash and cash equivalents	\$ 7,547	\$ 10,441	\$ 5,481	\$ 58	\$ (6,179)	\$ 8,187	\$ (2,981)

	<i>Year Ended</i>	
	12/31/03	12/31/02
<b>Supplemental Capital Expenditure Disclosure</b>		
Development cost:		
Shell construction and predevelopment costs	\$ 8,419	\$ 40,910
1st generation tenant improvements	15,625	15,270
1st generation lease commissions	2,549	4,569
Nonrecurring property renovation cost	15,994	11,195
Acquisitions	102,442	15,511
Furniture, Fixtures and Equipment	853	2,616
	<b>\$ 145,882</b>	<b>\$ 90,071</b>
Non-incremental revenue generating capital expenditures paid:	57,477	40,799
Total per the Statement of Cash Flows	<b>\$ 203,359</b>	<b>\$ 130,870</b>

## Consolidated Balance Sheets

*Dollars in thousands*

	12/31/03	09/30/03	06/30/03	03/31/03	12/31/02
<b>Assets:</b>					
Real estate assets, at cost:					
Land and improvements	\$ 397,131	\$ 397,278	\$ 383,022	\$ 393,758	\$ 395,556
Buildings and tenant improvements	2,903,147	2,885,818	2,784,406	2,853,010	2,834,670
Development in process	6,899	11,168	9,158	4,651	6,420
Land held for development	191,158	174,418	158,855	162,088	164,341
Furniture, fixtures and equipment	21,818	21,605	21,223	21,150	20,966
	<b>3,520,153</b>	<b>3,490,287</b>	<b>3,356,664</b>	<b>3,434,657</b>	<b>3,421,953</b>
Less-accumulated depreciation	(537,851)	(511,614)	(499,280)	(485,301)	(455,685)
Net real estate assets	<b>2,982,302</b>	<b>2,978,673</b>	<b>2,857,384</b>	<b>2,949,356</b>	<b>2,966,268</b>
Property held for sale	65,724	163,590	235,402	173,085	166,703
Cash and cash equivalents	18,564	13,083	13,025	19,204	11,017
Restricted cash	6,320	6,810	3,163	2,943	8,582
Accounts receivable, net	17,827	12,570	13,902	12,723	13,578
Notes receivable	24,623	18,920	27,617	32,077	31,057
Accrued straight-line rents receivable	51,189	51,592	51,703	50,462	48,777
Investment in unconsolidated affiliates	74,665	73,372	76,499	78,229	79,504
Other assets:					
Deferred leasing costs	110,362	105,199	100,360	99,548	99,895
Deferred financing costs	46,198	44,506	42,544	42,548	26,120
Prepaid expenses and other	13,799	16,341	16,882	16,388	15,295
	<b>170,359</b>	<b>166,046</b>	<b>159,786</b>	<b>158,484</b>	<b>141,310</b>
Less-accumulated amortization	(84,764)	(81,134)	(76,448)	(73,531)	(71,427)
Other assets, net	<b>85,595</b>	<b>84,912</b>	<b>83,338</b>	<b>84,953</b>	<b>69,883</b>
Total Assets	<b>\$3,326,809</b>	<b>\$3,403,522</b>	<b>\$3,362,033</b>	<b>\$3,403,032</b>	<b>\$3,395,369</b>
<b>Liabilities and Stockholders' Equity:</b>					
Mortgages and notes payable	\$1,558,758	\$1,612,483	\$1,579,265	\$1,580,301	\$1,528,720
Accounts payable, accrued expenses and other liabilities	111,772	118,192	102,949	108,808	120,614
Total Liabilities	<b>1,670,530</b>	<b>1,730,675</b>	<b>1,682,214</b>	<b>1,689,109</b>	<b>1,649,334</b>
Minority interest	165,250	174,058	177,104	183,297	188,563
<b>Stockholders' Equity:</b>					
Preferred stock	377,445	377,445	377,445	377,445	377,445
Common stock	535	531	531	535	534
Additional paid-in capital	1,393,103	1,384,129	1,383,568	1,392,118	1,390,043
Distributions in excess of net earnings	(271,971)	(254,546)	(245,751)	(225,430)	(197,647)
Accumulated other comprehensive loss	(3,650)	(4,002)	(7,831)	(8,767)	(9,204)
Deferred compensation	(4,433)	(4,768)	(5,247)	(5,275)	(3,699)
Total Stockholders' Equity	<b>1,491,029</b>	<b>1,498,789</b>	<b>1,502,715</b>	<b>1,530,626</b>	<b>1,557,472</b>
Total Liabilities and Stockholders' Equity	<b>\$3,326,809</b>	<b>\$3,403,522</b>	<b>\$3,362,033</b>	<b>\$3,403,032</b>	<b>\$3,395,369</b>
<b>Ratios</b>					
Total Debt/Total Assets	46.9%	47.4%	47.0%	46.4%	45.0%

## Estimated Net Asset Value

December 31, 2003

*Dollars in thousands, except per share amounts*

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

Office	9.00%	9.25%	9.50%
Retail	7.75%	8.00%	8.25%
Industrial/Other	8.75%	9.00%	9.25%
	<hr/>	<hr/>	<hr/>
<b>Weighted average</b>	<b>8.84%</b>	<b>9.09%</b>	<b>9.34%</b>
 <b>Wholly Owned Properties Net Operating Income YTD (1)</b>			
Office 2/ 3/	\$ 217,151	\$ 217,151	\$ 217,151
Retail	26,516	26,516	26,516
Industrial/Other 4/	26,076	26,076	26,076
	<hr/>	<hr/>	<hr/>
Total Net Operating Income	\$ 269,743	\$ 269,743	\$ 269,743
 <b>Wholly Owned Properties Net Operating Income Annualized</b>			
Office	\$ 223,786	\$ 223,786	\$ 223,786
Retail	26,516	26,516	26,516
Industrial/Other	26,076	26,076	26,076
	<hr/>	<hr/>	<hr/>
Total Net Operating Income	\$ 276,378	\$ 276,378	\$ 276,378
 <b>Wholly Owned Properties Capitalized Value</b>			
Office	\$2,486,511	\$2,419,308	\$2,355,642
Retail	342,142	331,450	321,406
Industrial/Other	298,011	289,733	281,903
	<hr/>	<hr/>	<hr/>
	\$3,126,664	\$3,040,491	\$2,958,951
 <b>Highwoods' Share of Joint Ventures</b>			
Net Operating Income YTD	\$ 26,684	\$ 26,684	\$ 26,684
	<hr/>	<hr/>	<hr/>
Net Operating Income Annualized	\$ 25,025	\$ 25,025	\$ 25,025
Capitalization Rates	9.00%	9.25%	9.50%
	<hr/>	<hr/>	<hr/>
Capitalized Value	\$ 278,056	\$ 270,541	\$ 263,421
	<hr/>	<hr/>	<hr/>
<b>Value of Highwoods Preserve at \$80 per square foot 5/</b>	<b>\$ 65,280</b>	<b>\$ 65,280</b>	<b>\$ 65,280</b>
	<hr/>	<hr/>	<hr/>
Total In-Service Property Value	\$3,470,000	\$3,376,312	\$3,287,652
	<hr/>	<hr/>	<hr/>
 <b>Value of Other income</b>			
Annualized Development, Leasing and Management Fees	\$ 6,560	\$ 6,560	\$ 6,560
Capitalization Rate	20%	20%	20%
	<hr/>	<hr/>	<hr/>
Value of Other income	\$ 32,800	\$ 32,800	\$ 32,800
	<hr/>	<hr/>	<hr/>
 <b>Add Other assets:</b>			
Development Pipeline Investment	\$ 18,954	\$ 18,954	\$ 18,954
Property Held for Sale, at Net Sales Price	90,266	90,266	90,266
Land held for development at Book Value	191,158	191,158	191,158
Cash and cash equivalents	18,564	18,564	18,564
Restricted cash	6,320	6,320	6,320
Accounts receivable, net	17,827	17,827	17,827
Notes receivable	24,623	24,623	24,623
	<hr/>	<hr/>	<hr/>
Other assets total	\$ 367,712	\$ 367,712	\$ 367,712
	<hr/>	<hr/>	<hr/>



Gross Value of Assets	\$3,870,512	\$3,776,824	\$3,688,164
	<b><u>          </u></b>	<b><u>          </u></b>	<b><u>          </u></b>
<b>Deductions:</b>			
Total Liabilities	\$1,670,530	\$1,670,530	\$1,670,530
Preferred stock	377,445	377,445	377,445
Highwoods' Share of Joint Ventures Liabilities	199,593	199,593	199,593
	<b><u>          </u></b>	<b><u>          </u></b>	<b><u>          </u></b>
<b>Estimated Net Asset Value</b>	<b>\$1,622,944</b>	<b>\$1,529,256</b>	<b>\$1,440,596</b>
	<b><u>          </u></b>	<b><u>          </u></b>	<b><u>          </u></b>
Total diluted common shares and operating units	59,724	59,724	59,724
	<b><u>          </u></b>	<b><u>          </u></b>	<b><u>          </u></b>
<b>Estimated Net Asset Value Per Share</b>	<b>\$ 27.17</b>	<b>\$ 25.61</b>	<b>\$ 24.12</b>
	<b><u>          </u></b>	<b><u>          </u></b>	<b><u>          </u></b>

- 1/ Excludes straight-line rent of \$5.2 million and the intra period impact of the net operating income related to acquisitions and dispositions
- 2/ Added back the \$2.5 million operating loss at Highwoods Preserve
- 3/ Deducted \$497,000 for the operating income on the completed but not stabilized development projects
- 4/ Deducted \$117,000 for the operating income on the completed but not stabilized development project
- 5/ Highwoods Preserve is an 816,000 square foot office campus in Tampa that Worldcom vacated 12/31/02.

**Combined Financial Information**  
Highwoods Properties and Unconsolidated Joint Ventures

*Dollars in thousands*

	<b>Highwoods Properties Inc.</b>	<b>Highwoods' Share of Joint Ventures</b>	<b>Total</b>
		(see pages 32 - 34)	
<b>Statement of Operations:</b>			
<b><u>For the three months ended December 31, 2003</u></b>			
<b>Revenue:</b>			
Rental property revenue	\$ 107,901	\$ 11,164	\$ 119,065
<b>Expenses:</b>			
Rental property expense	38,321	4,814	43,135
Depreciation and amortization	34,054	2,086	36,140
General and administrative	6,671	—	6,671
Interest expense:			
Contractual	27,575	2,571	30,146
Amortization of deferred financing costs	876	—	876
	28,451	2,571	31,022
Other income	5,191	—	5,191
<b>Income from continuing operations before gains</b>	<b>\$ 5,595</b>	<b>\$ 1,693</b>	<b>\$ 7,288</b>
Net income	\$ 12,930	1,848	\$ 14,778
Deduct equity in earnings of unconsolidated affiliates	(1,848)	—	(1,848)
Addback depreciation and amortization	34,153	2,086	36,239
Addback interest expense	28,451	2,571	31,022
<b>EBITDA</b>	<b>\$ 73,686</b>	<b>\$ 6,505</b>	<b>\$ 80,191</b>
EBITDA /Interest Expense			2.58
<b><u>For the year ended December 31, 2003</u></b>			
<b>Revenue:</b>			
Rental property revenue	\$ 422,062	\$ 46,307	\$ 468,369
<b>Expenses:</b>			
Rental property expense	147,380	19,623	167,003
Depreciation and amortization	129,225	9,225	138,450
General and administrative	24,815	—	24,815
Interest expense:			
Contractual	111,193	10,941	122,134
Amortization of deferred financing costs	3,078	—	3,078
	114,271	10,941	125,212
Other income	16,666	—	16,666
<b>Income from continuing operations before gains</b>	<b>\$ 23,037</b>	<b>\$ 6,518</b>	<b>\$ 29,555</b>
Net income	\$ 55,695	\$ 4,750	\$ 60,445
Deduct equity in earnings of unconsolidated affiliates	(4,750)	—	(4,750)
Addback depreciation and amortization	132,143	9,225	141,368
Addback interest expense	115,271	10,941	126,212
<b>EBITDA</b>	<b>\$ 298,359</b>	<b>\$ 24,916</b>	<b>\$ 323,275</b>
EBITDA /Interest Expense			2.56
<b><u>As of December 31, 2003</u></b>			
<b>Balance Sheet Information:</b>			
Total Assets 1/	\$ 3,252,144	\$ 279,055	\$3,531,199
Debt	1,558,758	190,541	1,749,299

Total Liabilities	1,670,530	199,593	<b>1,870,123</b>
Total Debt/Total Assets			<b><u>49.5%</u></b>

1/     *Excludes investment in unconsolidated affiliates*

## Components of Discontinued Operations

*Dollars in thousands, except per share amounts*

	Year Ended		Three Months Ended				
	12/31/03	12/31/02	12/31/03	09/30/03	06/30/03	03/31/03	12/31/02
Rental revenue	\$27,015	\$53,437	\$3,895	\$ 5,671	\$8,485	\$8,964	\$11,737
Operating expenses:							
Rental property	7,080	15,108	1,052	1,471	2,187	2,370	3,206
Depreciation and amortization	2,918	12,028	99	565	889	1,365	2,650
Interest expense	1,000	1,919	—	143	428	429	429
Total operating expenses	10,998	29,055	1,151	2,179	3,504	4,164	6,285
Interest and other income	101	234	11	25	28	37	5
	101	234	11	25	28	37	5
Income before gain/(loss) on disposition of depreciable assets and minority interest	16,118	24,616	2,755	3,517	5,009	4,837	5,457
Minority interest	(1,792)	(2,909)	(293)	(387)	(560)	(552)	(635)
Income from discontinued operations, net of minority interest	14,326	21,707	2,462	3,130	4,449	4,285	4,822
Gain/(loss) on disposition of discontinued operations	19,710	13,122	5,711	12,676	1,515	(192)	14,202
Minority Interest	(2,151)	(1,515)	(607)	(1,396)	(170)	22	(1,640)
Gain on disposition of discontinued operations, net of minority interest	17,559	11,607	5,104	11,280	1,345	(170)	12,562
Total discontinued operations	\$31,885	\$33,314	\$7,566	\$14,410	\$5,794	\$4,115	\$17,384

## Capitalization

*Dollars, shares and units in thousands*

	12/31/03	09/30/03	06/30/03	03/31/03	12/31/02
<b>Long-Term Debt (see page 9 &amp; 10)</b>	<b>\$1,558,758</b>	\$1,612,483	\$1,579,265	\$1,580,301	\$1,528,720
<b>Preferred Stock:</b>					
Series A 8 <sup>5</sup> / 8 % Perpetual Preferred Stock	\$ 104,945	\$ 104,945	\$ 104,945	\$ 104,945	\$ 104,945
Series B 8% Perpetual Preferred Stock	172,500	172,500	172,500	172,500	172,500
Series D 8% Perpetual Preferred Stock	100,000	100,000	100,000	100,000	100,000
Total preferred stock	<b>\$ 377,445</b>	\$ 377,445	\$ 377,445	\$ 377,445	\$ 377,445
<b>Shares and Units Outstanding:</b>					
Common stock outstanding	53,474	53,103	53,072	53,484	53,400
Minority interest partnership units	6,203	6,505	6,625	6,848	6,975
Total shares and units outstanding	<b>59,677</b>	59,608	59,697	60,332	60,375
Stock price at period end	\$ 25.40	\$ 23.86	\$ 22.30	\$ 20.44	\$ 22.10
Market value of equity	<b>\$1,893,241</b>	\$1,799,692	\$1,708,688	\$1,610,631	\$1,711,733
Total market capitalization with debt	<b>\$3,451,999</b>	\$3,412,175	\$3,287,953	\$3,190,932	\$3,240,453

*See pages 32 to 38 for information regarding Highwoods' Joint Ventures*

## Long-Term Debt Summary

*Dollars in thousands*

### Balances Outstanding:

#### Secured:

	12/31/03	09/30/03	06/30/03	03/31/03	12/31/02
Conventional fixed rate	\$ 755,049	\$ 631,203	\$ 653,092	\$ 656,060	\$ 515,411
Variable rate debt	68,709	68,780	4,173	4,241	4,309
Secured total	<u>\$ 823,758</u>	<u>\$ 699,983</u>	<u>\$ 657,265</u>	<u>\$ 660,301</u>	<u>\$ 519,720</u>

#### Unsecured:

Fixed rate bonds and notes	\$ 560,000	\$ 806,500	\$ 806,500	\$ 806,500	\$ 931,500
Variable rate debt	120,000	20,000	20,000	20,000	20,000
Credit facility	55,000	86,000	95,500	93,500	57,500
Unsecured total	<u>\$ 735,000</u>	<u>\$ 912,500</u>	<u>\$ 922,000</u>	<u>\$ 920,000</u>	<u>\$1,009,000</u>
Total	<u>\$1,558,758</u>	<u>\$1,612,483</u>	<u>\$1,579,265</u>	<u>\$1,580,301</u>	<u>\$1,528,720</u>

### Average Interest Rates:

#### Secured:

Conventional fixed rate	7.2%	7.5%	7.6%	7.6%	8.0%
Variable rate debt	3.1%	3.2%	3.6%	3.7%	3.9%
Secured total	<u>6.9%</u>	<u>7.1%</u>	<u>7.5%</u>	<u>7.5%</u>	<u>7.9%</u>

#### Unsecured:

Fixed rate bonds	7.3%	7.4%	7.4%	7.4%	7.3%
Variable rate debt	2.5%	2.1%	2.5%	2.6%	2.8%
Credit facility	2.2%	2.3%	2.1%	2.3%	2.8%
Unsecured total	<u>6.2%</u>	<u>6.8%</u>	<u>6.7%</u>	<u>6.9%</u>	<u>6.5%</u>
Average	<u>6.5%</u>	<u>6.9%</u>	<u>7.1%</u>	<u>7.1%</u>	<u>7.0%</u>

### Capitalized Interest:

\$ 204	\$ 276	\$ 349	\$ 366	\$ (1,325)
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### Maturity Schedule:

Future Maturities of Debt				
Year	Secured Debt 1/	Unsecured Debt	Total Debt 1/	Average Interest Rate
2004	\$ —	\$ —	\$ —	—
2005	69,647	120,000	189,647	4.7%
2006	71,191	165,000 <sup>2/</sup>	236,191	4.8%
2007	79,496	—	79,496	7.9%
2008	—	100,000	100,000	7.1%
2009	184,898	50,000	234,898	7.9%
2010	140,498	—	140,498	7.8%
2011	—	100,000	100,000	7.2%
2012	—	—	—	—
2013	272,348	—	272,348	5.9%
Thereafter	5,680	200,000	205,680	7.5%
Total maturities	<u>\$ 823,758</u>	<u>\$ 735,000</u>	<u>\$1,558,758</u>	<u>6.5%</u>

Weighted average maturity = 7.0 years

1/ Excludes annual principal amortization

2/     *Included in the \$165.0 million of unsecured debt maturities is \$55.0 million related to the credit facility which matures in 2006.*

## Long-Term Debt Detail

*Dollars in thousands*

### Secured Loans In Excess of \$10 Million

<u>Lender</u>	<u>Blended Rate</u>	<u>Maturity Date</u>	<u>Loan Balance 12/31/03</u>	<u>Undepreciated</u>
				<u>Book Value of Assets Secured</u>
Monumental Life Insurance Company	7.8%	Nov-09	\$176,726	\$ 248,777
Northwestern Mutual Life	6.0%	Feb-13	143,713	185,364
Northwestern Mutual Life	7.8%	Nov-10	140,498	269,365
Mass Mutual	5.7%	Dec-13	127,500	183,135
Northwestern Mutual Life	8.2%	Jan-07	66,896	135,099
GECC	3.1%	Jan-06	64,676	84,567
Principal Life Insurance Company	8.6%	Apr-05	42,391	102,706
Principal Life Insurance Company	8.2%	Jul-05	27,257	68,649
	6.8%		\$789,657	\$ 1,277,662
All Other Secured Loans (12)	7.4%		\$ 34,101	\$ 82,767
Total Secured Loans	7.1%		\$823,758	\$ 1,360,429

### Unsecured Bonds

Bonds	7.0%	Dec-06	\$110,000	
Bonds	7.1%	Feb-08	100,000	
Bonds	8.1%	Jan-09	50,000	
Xpos 1/	7.2%	Jun-11	100,000	
Bonds	7.5%	Apr-18	200,000	
	7.4%		\$560,000	

1/ Remarket date is 6/15/2004

Highwoods Properties, Inc.

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12/31/03



## Portfolio Summary

(Rentable Square Feet)

	12/31/03	09/30/03	06/30/03	03/31/03	12/31/02
<b>Office Industrial &amp; Retail</b>					
<b>In-Service:</b>					
Office 1/	25,303,000	25,710,000	25,052,000	25,387,000	25,342,000
Industrial	8,092,000	9,934,000	10,243,000	10,243,000	10,242,000
Retail 2/	1,527,000	1,527,000	1,527,000	1,527,000	1,528,000
Total	34,922,000	37,171,000	36,822,000	37,157,000	37,112,000
<b>Development Completed – Not Stabilized:</b>					
Office 1/	140,000	140,000	140,000	100,000	231,000
Industrial	—	60,000	60,000	60,000	60,000
Retail	—	—	—	—	—
Total	140,000	200,000	200,000	160,000	291,000
<b>Development – In Process:</b>					
Office 1/	112,000	—	—	40,000	40,000
Industrial	350,000	350,000	—	—	—
Retail	—	—	—	—	—
Total	462,000	350,000	—	40,000	40,000
<b>Total:</b>					
Office 1/	25,555,000	25,850,000	25,192,000	25,527,000	25,613,000
Industrial	8,442,000	10,344,000	10,303,000	10,303,000	10,302,000
Retail 2/	1,527,000	1,527,000	1,527,000	1,527,000	1,528,000
Total	35,524,000	37,721,000	37,022,000	37,357,000	37,443,000
<b>Same Store</b>					
Office 1/	22,034,000	22,034,000	22,034,000	22,034,000	22,034,000
Industrial	7,897,000	7,897,000	7,897,000	7,897,000	7,897,000
Retail	1,505,000	1,505,000	1,505,000	1,505,000	1,505,000
Total	31,436,000	31,436,000	31,436,000	31,436,000	31,436,000

### Percent Leased/Pre-Leased:

<b>In-Service:</b>					
Office	79.2%	79.4%	80.5%	80.9%	82.3% 3/
Industrial	85.7%	88.0%	88.7%	86.8%	86.2%
Retail	96.3%	96.3%	96.8%	96.5%	97.0%
Total	81.5%	82.4%	83.4%	83.2%	84.0% 3/
<b>Development Completed – Not Stabilized:</b>					
Office	36.0%	30.0%	30.0%	42.0%	61.3%
Industrial	—	50.0%	50.0%	50.0%	50.0%
Retail	—	—	—	—	—
Total	36.0%	36.0%	36.0%	45.0%	59.0%
<b>Development - In Process:</b>					
Office	100.0%	—	—	0.0%	0.0%
Industrial	100.0%	100.0%	—	—	—
Retail	—	—	—	—	—

Total	<b>100.0%</b>	100.0%	—	0.0%	0.0%
<b>Same Store</b>					
Office	<b>79.7%</b>	80.1%	81.3%	81.9%	83.3% 4/
Industrial	<b>86.1%</b>	85.6%	86.8%	85.5%	84.9%
Retail	<b>96.3%</b>	96.3%	96.7%	96.6%	97.1%
Total	<b>82.1%</b>	82.2%	83.4%	83.5%	84.3% 4/

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

2/ Excludes basement space in the Country Club Plaza property of 418,000 square feet.

3/ The occupancy percentages have been reduced as a result of the rejection of the 816,000 square foot Intermedia(Worldcom) lease on 12/31/02. The impact on Office occupancy and Total occupancy was 3.2% and 2.2%, respectively.

4/ The occupancy percentages have been reduced as a result of the rejection of the 816,000 square foot Intermedia(Worldcom) lease on 12/31/02. Only 631,000 square feet of this lease was related to Same Store Properties. The impact on Office occupancy and Total occupancy was 2.8% and 1.8%, respectively.

## Portfolio Summary

(Continued)

As of December 31, 2003

### Summary by Location:

Market	Rentable Square Feet	Occupancy	Percentage of Annualized Revenue 1/			
			Office	Industrial	Retail	Total
Research Triangle 2/	4,706,000	80.8%	15.7%	0.2%	—	15.9%
Atlanta	6,919,000	78.4%	11.5%	3.3%	—	14.8%
Tampa	4,441,000	63.4% 3/	13.0%	—	—	13.0%
Kansas City	2,433,0004/	92.7%	4.1%	0.0%	8.6%	12.7%
Nashville	2,869,000	91.5%	11.2%	—	—	11.2%
Piedmont Triad 5/	6,688,000	90.0%	6.4%	4.0%	—	10.4%
Richmond	1,852,000	91.5%	7.1%	—	—	7.1%
Charlotte	1,655,000	79.6%	4.4%	0.3%	—	4.7%
Memphis	1,216,000	81.0%	4.6%	—	—	4.6%
Greenville	1,318,000	80.2%	3.7%	0.1%	—	3.8%
Columbia	426,000	57.9%	0.8%	—	—	0.8%
Orlando	299,000	44.9%	0.6%	—	—	0.6%
Other	100,000	64.1%	0.4%	—	—	0.4%
Total	34,922,000	81.5% 6/	83.5%	7.9%	8.6%	100.0%

### Summary by Location, Including Unconsolidated Joint Venture Properties:

Market	Rentable Square Feet	Occupancy	Percentage of Annualized Revenue 1/7/				Total
			Office	Industrial	Retail	Multi-Family	
Research Triangle 2/	5,161,000	82.4%	14.7%	0.2%	—	—	14.9%
Atlanta	7,569,000	79.1%	11.5%	3.0%	—	—	14.5%
Tampa	4,646,000	64.7%	12.1%	—	—	—	12.1%
Kansas City	2,857,000	91.9%	4.1%	0.0%	7.8%	—	11.9%
Nashville	2,869,000	91.5%	10.2%	—	—	—	10.2%
Piedmont Triad 3/	7,052,000	90.6%	6.2%	3.6%	—	—	9.8%
Richmond	2,264,000	92.9%	7.4%	—	—	—	7.4%
Charlotte	1,803,000	81.3%	4.1%	0.2%	—	—	4.3%
Memphis	1,216,000	81.0%	4.2%	—	—	—	4.2%
Des Moines	2,245,000	95.3%	3.0%	0.4%	0.1%	0.4%	3.9%
Greenville	1,318,000	80.3%	3.4%	0.1%	—	—	3.5%
Orlando	2,063,000	79.7%	2.1%	—	—	—	2.1%
Columbia	426,000	57.8%	0.8%	—	—	—	0.8%
Other	210,000	82.9%	0.4%	—	—	—	0.4%
Total	41,699,000	83.2%	84.2%	7.5%	7.9%	0.4%	100.0%

1/ Annualized Revenue is December 2003 rental revenue (base rent plus operating expense pass throughs) multiplied by 12.

2/ Research Triangle Market = Raleigh, Durham metropolitan area

3/ Tampa's occupancy would be 77.8% if the 816,000 SF Highwoods Preserve campus where Intermedia(Worldcom) rejected it's lease was excluded.

4/ Excludes basement space in the Country Club Plaza property of 418,000 square feet

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

6/ Total occupancy would be 83.4% if the 816,000 SF Highwoods Preserve campus where Intermedia(Worldcom) rejected it's lease was excluded.

7/ Includes Highwoods' share of Joint Venture Annualized Rental Revenue, see page 36



**Portfolio Summary**  
(Continued)

As of December 31, 2003

Market	Office Properties			Industrial		
	Rentable Square Feet	Occupancy	Percentage of Office Annualized Revenue 1/	Rentable Square Feet	Occupancy	Percentage of Industrial Annualized Revenue 1/
Research Triangle	4,605,000	80.7%	18.9%	101,000	86%	2.5%
Tampa	4,441,000	63.4%	15.6%	—	—	—
Atlanta	3,568,000	78.6%	13.8%	3,351,000	78%	41.7%
Nashville	2,869,000	91.5%	13.4%	—	—	—
Richmond	1,852,000	91.5%	8.5%	—	—	—
Piedmont Triad	2,318,000	84.7%	7.6%	4,370,000	93%	50.4%
Memphis	1,216,000	81.0%	5.5%	—	—	—
Charlotte	1,492,000	80.5%	5.3%	163,000	72%	3.4%
Kansas City	902,000	86.6%	4.9%	4,000	100%	0.1%
Greenville	1,215,000	82.6%	4.4%	103,000	52%	1.9%
Columbia	426,000	57.9%	1.0%	—	—	—
Orlando	299,000	44.9%	0.7%	—	—	—
Other	100,000	64.1%	0.4%	—	—	—
	25,303,000	79.2%	100.0%	8,092,000	85.7%	100.0%
Market	Retail					
	Rentable Square Feet	Occupancy	Percentage of Retail Annualized Revenue 1/			
Kansas City 2/	1,527,000	96.3%	100.0%			
	1,527,000	96.3%	100.0%			

1/ Annualized Revenue is December 2003 rental revenue (base rent plus operating expense pass throughs) multiplied by 12.

2/ Excludes basement space in the Country Club Plaza property of 418,000 square feet.

## Occupancy Trends - Office, Industrial and Retail Properties

Market	Measurement	12/31/2003	09/30/03	06/30/03	03/31/03	12/31/02
Atlanta	Rentable Square Feet	<b>6,919,000</b>	6,860,000	6,729,000	6,729,000	6,728,000
	Occupancy	<b>78.4%</b>	80.7%	82.5%	82.0%	83.0%
	Current Properties 4/	<b>78.4%</b>	80.3%	82.1%	81.4%	81.5%
Charlotte	Rentable Square Feet	<b>1,655,000</b>	1,727,000	1,729,000	1,729,000	1,729,000
	Occupancy	<b>79.6%</b>	79.5%	79.8%	79.1%	84.0%
	Current Properties 4/	<b>79.6%</b>	78.5%	78.9%	78.2%	83.3%
Columbia	Rentable Square Feet	<b>426,000</b>	426,000	426,000	426,000	426,000
	Occupancy	<b>57.9%</b>	57.2%	60.2%	60.2%	67.4%
	Current Properties 4/	<b>57.9%</b>	57.2%	60.2%	60.2%	67.4%
Greenville	Rentable Square Feet	<b>1,318,000</b>	1,318,000	1,511,000	1,511,000	1,511,000
	Occupancy	<b>80.2%</b>	81.5%	84.0%	85.8%	86.8%
	Current Properties 4/	<b>80.2%</b>	81.5%	81.7%	83.8%	84.9%
Kansas City 1/	Rentable Square Feet	<b>2,433,000</b>	2,512,000	2,511,000	2,511,000	2,512,000
	Occupancy	<b>92.7%</b>	92.1%	93.1%	93.3%	94.5%
	Current Properties 4/	<b>92.7%</b>	92.7%	93.6%	93.9%	95.0%
Memphis	Rentable Square Feet	<b>1,216,000</b>	1,216,000	1,216,000	1,216,000	1,215,000
	Occupancy	<b>81.0%</b>	79.8%	80.5%	81.5%	80.8%
	Current Properties 4/	<b>81.0%</b>	79.8%	80.5%	81.5%	80.8%
Nashville	Rentable Square Feet	<b>2,869,000</b>	2,865,000	2,865,000	2,864,000	2,733,000
	Occupancy	<b>91.5%</b>	88.7%	87.0%	86.0%	87.7%
	Current Properties 4/	<b>91.5%</b>	88.7%	87.0%	86.0%	84.3%
Orlando	Rentable Square Feet	<b>299,000</b>	299,000	340,000	340,000	340,000
	Occupancy	<b>44.9%</b>	46.9%	48.8%	48.8%	47.6%
	Current Properties 4/	<b>44.9%</b>	46.9%	46.9%	46.9%	46.9%
Piedmont Triad	Rentable Square Feet	<b>6,688,000</b>	8,208,000	8,368,000	8,371,000	8,371,000
	Occupancy	<b>90.0%</b>	90.6%	90.0%	89.4%	88.9%
	Current Properties 4/	<b>90.0%</b>	88.9%	88.9%	88.3%	87.9%
Research Triangle	Rentable Square Feet	<b>4,706,000</b>	4,706,000	4,032,000	4,188,000	4,340,000
	Occupancy	<b>80.8%</b>	79.7%	81.2%	80.3%	81.9%
	Current Properties 4/	<b>80.8%</b>	79.7%	80.5%	79.7%	82.1%
Richmond	Rentable Square Feet	<b>1,852,000</b>	2,526,000	2,825,000	2,829,000	2,764,000
	Occupancy	<b>91.5%</b>	92.8%	93.9%	94.6%	95.0%
	Current Properties 4/	<b>91.5%</b>	90.4%	91.3%	92.4%	89.1%
Tampa	Rentable Square Feet	<b>4,441,000</b>	4,408,000	4,170,000	4,262,000	4,262,000
	Occupancy	<b>63.4%</b>	64.2%	66.4%	66.5%	67.1% 2/
	Current Properties 4/	<b>63.4%</b>	64.3%	67.0%	66.6%	67.0%
Total 3/	Rentable Square Feet	<b>34,822,000</b>	37,071,000	36,722,000	36,976,000	36,931,000
	Occupancy	<b>81.5%</b>	82.4%	83.4%	83.2%	84.0% 2/
	Current Properties 4/	<b>81.5%</b>	81.2%	82.1%	81.8%	82.2%

1/ Excludes basement space in the Country Club Plaza property of 418,000 square feet.

2/ The occupancy percentages have been reduced as a result of the rejection of the 816,000 square foot Intermedia(Worldcom) lease on 12/31/02. The impact on Tampa's occupancy and Total occupancy was 19.1% and 2.2%, respectively.

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

4/ Only properties that were owned and in-service on December 31, 2003 are included for each quarter shown.

## Leasing Statistics

### Office Portfolio

	Three Months Ended					
	12/31/03	09/30/03	06/30/03	03/31/03	12/31/02	Average
<b>Net Effective Rents Related to Re-Leased Space:</b>						
Number of lease transactions (signed leases)	179	225	216	166	194	196
Rentable square footage leased	962,636	1,074,270	1,097,633	1,081,692	1,035,837	1,050,414
Square footage of Renewal Deals	614,969	629,353	891,772	822,005	748,258	741,271
Renewed square footage (% of total)	63.9%	58.6%	81.2%	76.0%	72.2%	70.6%
New Leases square footage (% of total)	36.1%	41.4%	18.8%	24.0%	27.8%	29.4%
Average per rentable square foot over the lease term:						
Base rent	\$ 16.12	\$ 17.34	\$ 16.93	\$ 16.08	\$ 17.38	\$ 16.77
Tenant improvements	(1.09)	(1.54)	(1.33)	(0.85)	(1.58)	(1.28)
Leasing commissions 1/	(0.64)	(0.55)	(0.59)	(0.54)	(0.65)	(0.59)
Rent concessions	(0.35)	(0.24)	(0.16)	(0.14)	(0.43)	(0.26)
<b>Effective rent</b>	<b>14.04</b>	<b>15.01</b>	<b>14.85</b>	<b>14.55</b>	<b>14.72</b>	<b>14.64</b>
Expense stop	(5.35)	(5.45)	(4.69)	(4.76)	(5.08)	(5.07)
<b>Equivalent effective net rent</b>	<b>\$ 8.69</b>	<b>\$ 9.56</b>	<b>\$ 10.16</b>	<b>\$ 9.79</b>	<b>\$ 9.64</b>	<b>\$ 9.57</b>
Average term in years	4.1	5.5	3.8	3.5	4.2	4.2
<b>Capital Expenditures Related to Re-leased Space:</b>						
<b>Tenant Improvements:</b>						
Total dollars committed under signed leases	\$5,355,637	\$ 9,120,612	\$7,125,673	\$4,474,184	\$ 8,004,279	\$6,816,077
Rentable square feet	962,636	1,074,270	1,097,633	1,081,692	1,035,837	1,050,414
Per rentable square foot	\$ 5.56	\$ 8.49	\$ 6.49	\$ 4.14	\$ 7.73	\$ 6.49
<b>Leasing Commissions:</b>						
Total dollars committed under signed leases	\$2,102,659	\$ 2,175,162	\$1,803,423	\$1,658,231	\$ 2,255,691	\$1,999,033
Rentable square feet	962,636	1,074,270	1,097,633	1,081,692	1,035,837	1,050,414
Per rentable square foot	\$ 2.18	\$ 2.02	\$ 1.64	\$ 1.53	\$ 2.18	\$ 1.90
<b>Total:</b>						
Total dollars committed under signed leases	\$7,458,296	\$11,295,774	\$8,929,097	\$6,132,415	\$10,259,970	\$8,815,110
Rentable square feet	962,636	1,074,270	1,097,633	1,081,692	1,035,837	1,050,414
Per rentable square foot	\$ 7.75	\$ 10.51	\$ 8.13	\$ 5.67	\$ 9.91	\$ 8.39

1/ Excludes a full allocation of internal marketing costs

## Leasing Statistics

### Industrial Portfolio

	Three Months Ended					
	12/31/03	09/30/03	06/30/03	03/31/03	12/31/02	Average
<b>Net Effective Rents Related to Re-Leased Space:</b>						
Number of lease transactions (signed leases)	36	22	41	35	45	36
Rentable square footage leased	1,131,281	638,376	540,891	857,482	530,945	739,795
Square footage of Renewal Deals	968,879	555,933	403,716	639,683	301,435	573,929
Renewed square footage (% of total)	85.6%	87.1%	74.6%	74.6%	56.8%	77.6%
New Leases square footage (% of total)	14.4%	12.9%	25.4%	25.4%	43.2%	22.4%
Average per rentable square foot over the lease term:						
Base rent	\$ 3.79	\$ 3.52	\$ 4.46	\$ 3.70	\$ 4.45	\$ 3.98
Tenant improvements	(0.08)	(0.20)	(0.28)	(0.32)	(0.51)	(0.28)
Leasing commissions 1/	(0.08)	(0.08)	(0.12)	(0.11)	(0.12)	(0.10)
Rent concessions	(0.05)	(0.06)	(0.07)	(0.01)	(0.09)	(0.06)
<b>Effective rent</b>	<b>3.58</b>	<b>3.18</b>	<b>3.99</b>	<b>3.26</b>	<b>3.73</b>	<b>3.54</b>
Expense stop	(0.20)	(0.09)	(0.49)	(0.25)	(0.32)	(0.27)
<b>Equivalent effective net rent</b>	<b>\$ 3.38</b>	<b>\$ 3.09</b>	<b>\$ 3.50</b>	<b>\$ 3.01</b>	<b>\$ 3.41</b>	<b>\$ 3.27</b>
<b>Average term in years</b>	<b>3.2</b>	<b>4.5</b>	<b>3.5</b>	<b>2.6</b>	<b>3.8</b>	<b>3.5</b>
<b>Capital Expenditures Related to Re-leased Space:</b>						
<b>Tenant Improvements:</b>						
Total dollars committed under signed leases	\$ 517,025	\$675,982	\$701,259	\$791,737	\$1,172,142	\$ 771,629
Rentable square feet	1,131,281	638,376	540,891	857,482	530,945	739,795
Per rentable square foot	\$ 0.46	\$ 1.06	\$ 1.30	\$ 0.92	\$ 2.21	\$ 1.04
<b>Leasing Commissions:</b>						
Total dollars committed under signed leases	\$ 338,143	\$242,605	\$298,582	\$178,385	\$ 199,076	\$ 251,358
Rentable square feet	1,131,281	638,376	540,891	857,482	530,945	739,795
Per rentable square foot	\$ 0.30	\$ 0.38	\$ 0.55	\$ 0.21	\$ 0.37	\$ 0.34
<b>Total:</b>						
Total dollars committed under signed leases	\$ 855,168	\$918,587	\$999,841	\$970,122	\$1,371,218	\$1,022,987
Rentable square feet	1,131,281	638,376	540,891	857,482	530,945	739,795
Per rentable square foot	\$ 0.76	\$ 1.44	\$ 1.85	\$ 1.13	\$ 2.58	\$ 1.38

1/ Excludes a full allocation of internal marketing costs



## Leasing Statistics

### Retail Portfolio

	Three Months Ended					Average
	12/31/03	09/30/03	06/30/03	03/31/03	12/31/02	
<b>Net Effective Rents Related to Re-Leased Space:</b>						
Number of lease transactions (signed leases)	9	6	9	10	18	10
Rentable square footage leased	75,947	12,920	25,772	22,774	36,085	34,700
Square footage of Renewal Deals	53,541	—	8,631	7,814	19,295	17,856
Renewed square footage (% of total)	70.5%	—	33.5%	34.3%	53.5%	51.5%
New Leases square footage (% of total)	29.5%	100.0%	66.5%	65.7%	46.5%	48.5%
Average per rentable square foot over the lease term:						
Base rent	\$ 12.30	\$ 17.25	\$ 26.51	\$ 23.03	\$ 19.19	\$ 19.66
Tenant improvements	(0.31)	(2.51)	(0.86)	(1.54)	(1.22)	(1.29)
Leasing commissions 1/	(0.14)	(1.28)	(0.70)	(1.09)	(0.82)	(0.81)
Rent concessions	0.00	0.00	0.00	0.00	(0.01)	0.00
<b>Effective rent</b>	<b>11.85</b>	<b>13.46</b>	<b>24.95</b>	<b>20.40</b>	<b>17.14</b>	<b>17.56</b>
Expense stop	0.00	0.00	0.00	0.00	0.00	0.00
<b>Equivalent effective net rent</b>	<b>\$ 11.85</b>	<b>\$ 13.46</b>	<b>\$ 24.95</b>	<b>\$ 20.40</b>	<b>\$ 17.14</b>	<b>\$ 17.56</b>
<b>Average term in years</b>	<b>6.8</b>	<b>4.8</b>	<b>9.9</b>	<b>6.9</b>	<b>6.0</b>	<b>6.9</b>
<b>Capital Expenditures Related to Re-leased Space:</b>						
<b>Tenant Improvements:</b>						
Total dollars committed under signed leases	\$239,110	\$158,000	\$195,055	\$513,000	\$351,023	\$291,238
Rentable square feet	75,947	12,920	25,772	22,774	36,085	34,700
Per rentable square foot	\$ 3.15	\$ 12.23	\$ 7.57	\$ 22.53	\$ 9.73	\$ 8.39
<b>Leasing Commissions:</b>						
Total dollars committed under signed leases	\$ 17,212	\$ 36,392	\$100,464	\$109,066	\$127,964	\$ 78,220
Rentable square feet	75,947	12,920	25,772	22,774	36,085	34,700
Per rentable square foot	\$ 0.23	\$ 2.82	\$ 3.90	\$ 4.79	\$ 3.55	\$ 2.25
<b>Total:</b>						
Total dollars committed under signed leases	\$256,322	\$194,392	\$295,519	\$622,066	\$478,987	\$369,457
Rentable square feet	75,947	12,920	25,772	22,774	36,085	34,700
Per rentable square foot	\$ 3.38	\$ 15.05	\$ 11.47	\$ 27.31	\$ 13.27	\$ 10.65

1/ Excludes a full allocation of internal marketing costs

## Leasing Statistics by Market

For the Three Months ended December 31, 2003

### Office Portfolio

Market	Rentable Square Feet Leased	Average Term	GAAP Rental Rate	TI's Per SF	Lease Commissions Per SF 1/
Research Triangle	167,062	3.6	\$16.54	\$9.30	\$ 1.87
Piedmont Triad	161,332	3.3	8.52	1.18	0.64
Tampa	150,292	5.0	17.78	7.66	2.73
Atlanta	148,482	2.6	14.83	1.21	1.04
Nashville	112,293	5.1	16.76	7.20	2.30
Memphis	58,787	6.6	20.57	8.24	2.00
Kansas City	57,494	5.2	22.31	3.78	6.09
Charlotte	54,463	3.8	14.17	9.43	2.12
Richmond	39,179	3.6	16.95	5.66	1.31
Columbia	5,772	4.0	16.35	6.07	1.61
Orlando	4,432	4.3	25.99	0.00	0.00
Greenville	3,048	3.7	17.18	0.00	1.91
	<b>962,636</b>	<b>4.1</b>	<b>\$15.77</b>	<b>\$5.56</b>	<b>\$ 1.96</b>

### Industrial Portfolio

Market	Rentable Square Feet Leased	Average Term	GAAP Rental Rate	TI's Per SF	Lease Commissions Per SF 1/
Piedmont Triad	988,760	2.9	\$ 3.42	\$0.16	\$ 0.15
Atlanta	104,389	6.5	4.87	3.26	1.37
Research Triangle	19,877	1.4	8.03	0.33	0.00
Charlotte	12,455	2.0	7.77	1.15	0.18
Greenville	5,800	0.5	12.00	0.00	0.24
	<b>1,131,281</b>	<b>3.2</b>	<b>\$ 3.74</b>	<b>\$0.46</b>	<b>\$ 0.26</b>

### Retail Portfolio

Market	Rentable Square Feet Leased	Average Term	GAAP Rental Rate	TI's Per SF	Lease Commissions Per SF 1/
Kansas City	75,947	6.8	\$12.30	\$3.15	\$ 0.23
	<b>75,947</b>	<b>6.8</b>	<b>\$12.30</b>	<b>\$3.15</b>	<b>\$ 0.23</b>

1/ Total lease commissions per SF (square foot) excludes all internal charges from Leasing Departments, which are not allocated to individual leases.

## Rental Rate Comparisons by Market

For the Three Months ended December 31, 2003

### Office Portfolio

Market	Rentable Square Feet Leased	GAAP Rent	Previous GAAP Rent	Percentage Change GAAP Rent
Research Triangle	167,062	\$ 16.54	\$ 19.07	-13.3%
Piedmont Triad	161,332	8.52	8.18	4.2%
Tampa	150,292	17.78	19.03	-6.6%
Atlanta	148,482	14.83	16.25	-8.7%
Nashville	112,293	16.76	18.52	-9.5%
Memphis	58,787	20.57	18.89	8.9%
Kansas City	57,494	22.31	21.03	6.1%
Charlotte	54,463	14.17	16.18	-12.4%
Richmond	39,179	16.95	17.34	-2.2%
Columbia	5,772	16.35	17.15	-4.7%
Orlando	4,432	25.99	15.25	70.4%
Greenville	3,048	17.18	16.05	7.1%
	<b>962,636</b>	<b>\$ 15.77</b>	<b>\$ 16.60</b>	<b>-5.0%</b>

### Industrial Portfolio

Market	Rentable Square Feet Leased	GAAP Rent	Previous GAAP Rent	Percentage Change GAAP Rent
Piedmont Triad	988,760	\$ 3.42	\$ 3.34	2.4%
Atlanta	104,389	4.87	5.21	-6.5%
Research Triangle	19,877	8.03	7.80	3.0%
Charlotte	12,455	7.77	9.04	-14.1%
Greenville	5,800	12.00	9.30	29.0%
	<b>1,131,281</b>	<b>\$ 3.74</b>	<b>\$ 3.68</b>	<b>1.7%</b>

### Retail Portfolio

Market	Rentable Square Feet Leased	GAAP Rent	Previous GAAP Rent	Percentage Change GAAP Rent
Kansas City	75,947	\$ 12.30	\$ 9.95	23.7%
	<b>75,947</b>	<b>\$ 12.30</b>	<b>\$ 9.95</b>	<b>23.7%</b>

## Lease Expirations

December 31, 2003

*Dollars in thousands*

Year	Rentable Square Feet Expiring	Percent of Rentable Square Feet	Annualized Revenue 1/	Average Rental Rate	Percent of Annualized Revenue 1/
<b>Office:</b>					
2004 2/	2,803,876	14.0%	\$ 51,010	\$18.19	14.6%
2005	3,538,106	17.6%	63,790	18.03	18.1%
2006	3,095,699	15.4%	56,911	18.38	16.3%
2007	1,779,659	8.9%	29,637	16.65	8.5%
2008	3,117,531	15.5%	48,556	15.58	13.9%
2009	1,802,308	9.0%	28,596	15.87	8.2%
2010	1,243,677	6.2%	24,500	19.70	7.0%
2011	1,092,047	5.4%	20,816	19.06	5.9%
2012	522,042	2.6%	10,738	20.57	3.1%
2013	548,879	2.7%	9,266	16.88	2.6%
2014 and thereafter	543,880	2.7%	6,191	11.38	1.8%
	<b>20,087,704</b>	<b>100.0%</b>	<b>\$350,011</b>	<b>\$17.42</b>	<b>100.0%</b>
<b>Industrial:</b>					
2004 3/	1,652,551	23.8%	\$ 7,970	\$ 4.82	24.2%
2005	1,289,760	18.6%	5,926	4.59	18.0%
2006	887,007	12.8%	4,447	5.01	13.5%
2007	1,677,694	24.2%	7,283	4.34	22.2%
2008	384,012	5.5%	1,862	4.85	5.7%
2009	380,349	5.5%	2,408	6.33	7.3%
2010	104,570	1.5%	432	4.13	1.3%
2011	66,342	1.0%	356	5.37	1.1%
2012	44,447	0.6%	261	5.87	0.8%
2013	102,384	1.5%	612	5.98	1.9%
2014 and thereafter	348,394	5.0%	1,301	3.73	4.0%
	<b>6,937,510</b>	<b>100.0%</b>	<b>\$ 32,858</b>	<b>\$ 4.74</b>	<b>100.0%</b>

1/ Annualized Revenue is December 2003 rental revenue (base rent plus operating expense pass throughs) multiplied by 12.

2/ Includes 96,000 square feet of leases that are on a month to month basis or 0.4% of total annualized revenue

3/ Includes 165,000 square feet of leases that are on a month to month basis or 0.2% of total annualized revenue

Note: 2004 and beyond expirations that have been renewed are reflected above based on the renewal's expiration date.

# Lease Expirations

December 31, 2003

(Continued)

Dollars in thousands

Year	Rentable Square Feet Expiring	Percent of Rentable Square Feet	Annualized Revenue 1/	Average Rental Rate	Percent of Annualized Revenue 1/
<b>Retail:</b>					
2004 2/	201,846	13.7%	\$ 2,697	\$13.36	7.5%
2005	152,280	10.4%	2,929	19.23	8.2%
2006	91,821	6.3%	2,239	24.38	6.2%
2007	92,813	6.3%	2,390	25.75	6.7%
2008	144,700	9.9%	4,585	31.69	12.8%
2009	169,809	11.6%	4,881	28.74	13.6%
2010	85,386	5.8%	2,343	27.44	6.5%
2011	57,783	3.9%	1,869	32.35	5.2%
2012	97,132	6.6%	2,233	22.99	6.2%
2013	132,377	9.0%	3,355	25.34	9.3%
2014 and thereafter	242,083	16.5%	6,372	26.32	17.8%
	<b>1,468,030</b>	<b>100.0%</b>	<b>\$ 35,893</b>	<b>\$24.45</b>	<b>100.0%</b>
<b>Total:</b>					
2004 3/	4,658,273	16.3%	61,677	13.24	14.7%
2005	4,980,146	17.4%	72,645	14.59	17.3%
2006	4,074,527	14.3%	63,597	15.61	15.2%
2007	3,550,166	12.5%	39,310	11.07	9.4%
2008	3,646,243	12.8%	55,003	15.08	13.1%
2009	2,352,466	8.3%	35,885	15.25	8.6%
2010	1,433,633	5.0%	27,275	19.03	6.5%
2011	1,216,172	4.3%	23,041	18.95	5.5%
2012	663,621	2.3%	13,232	19.94	3.2%
2013	783,640	2.8%	13,233	16.89	3.2%
2014 and thereafter	1,134,357	4.0%	13,864	12.22	3.3%
	<b>28,493,244</b>	<b>100.0%</b>	<b>\$418,762</b>	<b>\$14.70</b>	<b>100.0%</b>

1/ Annualized Revenue is December 2003 rental revenue (base rent plus operating expense pass throughs) multiplied by 12.

2/ Includes 34,000 square feet of leases that are on a month to month basis or 0.1% of total annualized revenue

3/ Includes 295,000 square feet of leases that are on a month to month basis or 0.7% of total annualized revenue

Note: 2004 and beyond expirations that have been renewed are reflected above based on the renewal's expiration date.

# Office Lease Expirations by Market by Quarter

Dollars in thousands

		Three Months Ended					Total
		3/31/04 1/	06/30/04	09/30/04	12/31/04		
Atlanta	RSF	94,338	60,882	196,423	48,420	400,063	
	% of Total Office RSF	0.5%	0.3%	1.0%	0.2%	2.0%	
	Annualized Revenue	2/ \$ 1,458	\$ 1,204	\$ 3,158	\$ 671	\$ 6,491	
Charlotte	% of Total Office Annl Rev	0.4%	0.3%	0.9%	0.2%	1.9%	
	RSF	31,686	121,954	52,788	33,564	239,992	
	% of Total Office RSF	0.2%	0.6%	0.3%	0.2%	1.2%	
Columbia	Annualized Revenue	2/ \$ 542	\$ 2,135	\$ 851	\$ 587	\$ 4,115	
	% of Total Office Annl Rev	0.2%	0.6%	0.2%	0.2%	1.2%	
	RSF	8,615	3,611	21,973	0	34,199	
Greenville	% of Total Office RSF	0.0%	0.0%	0.1%	0.0%	0.2%	
	Annualized Revenue	2/ \$ 152	\$ 69	\$ 400	\$ —	\$ 621	
	% of Total Office Annl Rev	0.0%	0.0%	0.1%	0.0%	0.2%	
Kansas City	RSF	3,588	12,334	6,071	1,065	23,058	
	% of Total Office RSF	0.0%	0.1%	0.0%	0.0%	0.1%	
	Annualized Revenue	2/ \$ 60	\$ 221	\$ 103	\$ 18	\$ 402	
Memphis	% of Total Office Annl Rev	0.0%	0.1%	0.0%	0.0%	0.1%	
	RSF	51,827	7,812	28,972	17,448	106,059	
	% of Total Office RSF	0.3%	0.0%	0.1%	0.1%	0.5%	
Nashville	Annualized Revenue	2/ \$ 1,038	\$ 160	\$ 528	\$ 333	\$ 2,059	
	% of Total Office Annl Rev	0.3%	0.0%	0.2%	0.1%	0.6%	
	RSF	28,463	7,651	57,449	30,365	123,928	
Orlando	% of Total Office RSF	0.1%	0.0%	0.3%	0.2%	0.6%	
	Annualized Revenue	2/ \$ 451	\$ 153	\$ 1,096	\$ 594	\$ 2,294	
	% of Total Office Annl Rev	0.1%	0.0%	0.3%	0.2%	0.7%	
Piedmont Triad	RSF	116,517	50,311	49,843	53,181	269,852	
	% of Total Office RSF	0.6%	0.3%	0.2%	0.3%	1.3%	
	Annualized Revenue	2/ \$ 2,504	\$ 1,103	\$ 988	\$ 1,063	\$ 5,658	
Research Triangle	% of Total Office Annl Rev	0.7%	0.3%	0.3%	0.3%	1.6%	
	RSF	15,158	12,502	0	10,447	38,107	
	% of Total Office RSF	0.1%	0.1%	0.0%	0.1%	0.2%	
Richmond	Annualized Revenue	2/ \$ 197	\$ 230	\$ —	\$ 188	\$ 615	
	% of Total Office Annl Rev	0.1%	0.1%	0.0%	0.1%	0.2%	
	RSF	103,171	29,614	39,723	10,565	183,073	
Tampa	% of Total Office RSF	0.5%	0.1%	0.2%	0.1%	0.9%	
	Annualized Revenue	2/ \$ 1,165	\$ 479	\$ 663	\$ 179	\$ 2,486	
	% of Total Office Annl Rev	0.3%	0.1%	0.2%	0.1%	0.7%	
Other	RSF	113,421	141,588	123,041	134,602	512,652	
	% of Total Office RSF	0.5%	0.7%	0.6%	0.7%	2.5%	
	Annualized Revenue	2/ \$ 2,131	\$ 2,635	\$ 2,354	\$ 2,633	\$ 9,753	
Total	% of Total Office Annl Rev	0.6%	0.8%	0.7%	0.8%	2.8%	
	RSF	89,007	102,817	30,904	21,339	244,067	
	% of Total Office RSF	0.4%	0.5%	0.2%	0.1%	1.2%	
Total	Annualized Revenue	2/ \$ 1,668	\$ 1,939	\$ 526	\$ 374	\$ 4,507	
	% of Total Office Annl Rev	0.5%	0.6%	0.2%	0.1%	1.3%	
	RSF	95,559	196,774	134,795	193,652	620,780	
Total	% of Total Office RSF	0.5%	1.0%	0.7%	1.0%	3.1%	
	Annualized Revenue	2/ \$ 1,819	\$ 3,404	\$ 3,112	\$ 3,483	\$ 11,818	
	% of Total Office Annl Rev	0.5%	1.0%	0.9%	1.0%	3.4%	
Total	RSF	8,046	0	0	0	8,046	
	% of Total Office RSF	0.0%	0.0%	0.0%	0.0%	0.0%	
	Annualized Revenue	2/ \$ 192	\$ —	\$ —	\$ —	\$ 192	
Total	% of Total Office Annl Rev	0.1%	0.0%	0.0%	0.0%	0.1%	
	RSF	759,396	747,850	741,982	554,648	2,803,876	
	% of Total Office RSF	3.7%	3.7%	3.7%	2.8%	13.9%	
Total	Annualized Revenue	2/ \$ 13,377	\$ 13,732	\$ 13,779	\$ 10,123	\$ 51,011	
	% of Total Office Annl Rev	3.8%	3.9%	3.9%	2.9%	14.6%	

1/ Includes 96,000 square feet of leases that are on a month to month basis or 0.4% of total annualized revenue

2/ Annualized Revenue is December 2003 rental revenue (base rent plus operating expense pass throughs) multiplied by 12.



# Industrial Lease Expirations by Market by Quarter

Dollars in thousands

		Three Months Ended				Total
		3/31/04 1/	06/30/04	09/30/04	12/31/04	
Atlanta	RSF	73,679	165,277	251,087	88,037	578,080
	% of Total Industrial RSF	1.1%	2.4%	3.6%	1.3%	8.3%
	Annualized Revenue	2/ \$ 400	\$ 923	\$ 1,246	\$ 451	\$ 3,020
	% of Total Industrial Annl Rev	1.3%	2.8%	3.8%	1.4%	9.2%
Charlotte	RSF	15,522	12,958	4,881	5,288	38,649
	% of Total Industrial RSF	0.2%	0.2%	0.1%	0.1%	0.6%
	Annualized Revenue	2/ \$ 173	\$ 140	\$ 58	\$ 44	\$ 415
	% of Total Industrial Annl Rev	0.5%	0.4%	0.2%	0.1%	1.3%
Greenville	RSF	0	5,800	26,859	0	32,659
	% of Total Industrial RSF	0.0%	0.1%	0.4%	0.0%	0.5%
	Annualized Revenue	2/ \$ —	\$ 70	\$ 291	\$ —	\$ 361
	% of Total Industrial Annl Rev	0.0%	0.2%	0.9%	0.0%	1.1%
Kansas City	RSF	3,774	0	0	0	3,774
	% of Total Industrial RSF	0.1%	0.0%	0.0%	0.0%	0.1%
	Annualized Revenue	2/ \$ 20	\$ —	\$ —	\$ —	\$ 20
	% of Total Industrial Annl Rev	0.1%	0.0%	0.0%	0.0%	0.1%
Piedmont Triad	RSF	421,308	37,839	176,201	340,008	975,356
	% of Total Industrial RSF	6.1%	0.5%	2.5%	4.9%	14.1%
	Annualized Revenue	2/ \$ 1,525	\$ 301	\$ 785	\$ 1,311	\$ 3,922
	% of Total Industrial Annl Rev	4.6%	0.9%	2.4%	4.0%	11.9%
Research Triangle	RSF	7,747	0	6,128	10,158	24,033
	% of Total Industrial RSF	0.1%	0.0%	0.1%	0.1%	0.3%
	Annualized Revenue	2/ \$ 82	\$ —	\$ 51	\$ 101	\$ 234
	% of Total Industrial Annl Rev	0.2%	0.0%	0.2%	0.3%	0.7%
Total	RSF	522,030	221,874	465,156	443,491	1,652,551
	% of Total Industrial RSF	7.5%	3.2%	6.7%	6.4%	23.8%
	Annualized Revenue	2/ \$ 2,200	\$ 1,434	\$ 2,431	\$ 1,907	\$ 7,972
	% of Total Industrial Annl Rev	6.7%	4.4%	7.4%	5.8%	24.3%

1/ Includes 165,000 square feet of leases that are on a month to month basis or 0.2% of total annualized revenue

2/ Annualized Revenue is December 2003 rental revenue (base rent plus operating expense pass throughs) multiplied by 12.



# Office Lease Expirations by Market by Year

Dollars in thousands

			2004 1/	2005	2006	2007	Thereafter
Atlanta	RSF		400,063	446,404	264,720	161,073	1,534,177
	% of Total Office RSF		2.0%	2.2%	1.3%	0.8%	7.6%
	Annualized Revenue	2/	\$ 6,491	\$ 7,254	\$ 4,036	\$ 2,346	\$ 28,081
Charlotte	% of Total Office Annl Rev		1.9%	2.1%	1.2%	0.7%	8.0%
	RSF		239,992	309,523	175,911	111,865	363,493
	% of Total Office RSF		1.2%	1.5%	0.9%	0.6%	1.8%
Columbia	Annualized Revenue	2/	\$ 4,115	\$ 5,434	\$ 2,706	\$ 1,671	\$ 4,642
	% of Total Office Annl Rev		1.2%	1.6%	0.8%	0.5%	1.3%
	RSF		34,199	45,532	42,389	48,842	75,255
Greenville	% of Total Office RSF		0.2%	0.2%	0.2%	0.2%	0.4%
	Annualized Revenue	2/	\$ 620	\$ 852	\$ 659	\$ 204	\$ 1,174
	% of Total Office Annl Rev		0.2%	0.2%	0.2%	0.1%	0.3%
Kansas City	RSF		23,058	333,705	238,253	98,387	310,211
	% of Total Office RSF		0.1%	1.7%	1.2%	0.5%	1.5%
	Annualized Revenue	2/	\$ 403	\$ 4,105	\$ 4,330	\$ 1,462	\$ 5,244
Memphis	% of Total Office Annl Rev		0.1%	1.2%	1.2%	0.4%	1.5%
	RSF		106,059	144,752	150,585	70,400	309,053
	% of Total Office RSF		0.5%	0.7%	0.7%	0.4%	1.5%
Nashville	Annualized Revenue	2/	\$ 2,061	\$ 3,000	\$ 3,283	\$ 1,490	\$ 7,447
	% of Total Office Annl Rev		0.6%	0.9%	0.9%	0.4%	2.1%
	RSF		123,928	225,300	118,453	92,198	425,193
Orlando	% of Total Office RSF		0.6%	1.1%	0.6%	0.5%	2.1%
	Annualized Revenue	2/	\$ 2,294	\$ 4,578	\$ 2,646	\$ 1,714	\$ 8,142
	% of Total Office Annl Rev		0.7%	1.3%	0.8%	0.5%	2.3%
Piedmont Triad	RSF		269,852	468,598	461,040	188,915	1,235,794
	% of Total Office RSF		1.3%	2.3%	2.3%	0.9%	6.2%
	Annualized Revenue	2/	\$ 5,657	\$ 9,281	\$ 9,128	\$ 3,639	\$ 19,261
Research Triangle	% of Total Office Annl Rev		1.6%	2.7%	2.6%	1.0%	5.5%
	RSF		38,107	0	1,024	4,694	90,443
	% of Total Office RSF		0.2%	0.0%	0.0%	0.0%	0.5%
Richmond	Annualized Revenue	2/	\$ 614	\$ —	\$ 15	\$ 82	\$ 1,653
	% of Total Office Annl Rev		0.2%	0.0%	0.0%	0.0%	0.5%
	RSF		183,073	298,811	165,675	261,041	1,055,576
Tampa	% of Total Office RSF		0.9%	1.5%	0.8%	1.3%	5.3%
	Annualized Revenue	2/	\$ 2,486	\$ 4,883	\$ 2,816	\$ 3,097	\$ 13,491
	% of Total Office Annl Rev		0.7%	1.4%	0.8%	0.9%	3.9%
Other	RSF		512,652	612,017	836,425	310,341	1,495,528
	% of Total Office RSF		2.6%	3.0%	4.2%	1.5%	7.4%
	Annualized Revenue	2/	\$ 9,751	\$ 11,613	\$ 14,753	\$ 6,185	\$ 23,362
Total	% of Total Office Annl Rev		2.8%	3.3%	4.2%	1.8%	6.7%
	RSF		244,067	344,208	251,458	248,287	607,025
	% of Total Office RSF		1.2%	1.7%	1.3%	1.2%	3.0%
Total	Annualized Revenue	2/	\$ 4,507	\$ 6,157	\$ 4,826	\$ 3,997	\$ 10,324
	% of Total Office Annl Rev		1.3%	1.8%	1.4%	1.1%	2.9%
	RSF		620,780	288,775	376,385	176,571	1,353,599
Total	% of Total Office RSF		3.1%	1.4%	1.9%	0.9%	6.7%
	Annualized Revenue	2/	\$ 11,817	\$ 6,209	\$ 7,407	\$ 3,581	\$ 25,448
	% of Total Office Annl Rev		3.4%	1.8%	2.1%	1.0%	7.3%
Total	RSF		8,046	20,481	13,381	7,045	15,017
	% of Total Office RSF		0.0%	0.1%	0.1%	0.0%	0.1%
	Annualized Revenue	2/	\$ 192	\$ 423	\$ 306	\$ 167	\$ 396
Total	% of Total Office Annl Rev		0.1%	0.1%	0.1%	0.0%	0.1%
	RSF		2,803,876	3,538,106	3,095,699	1,779,659	8,870,364
	% of Total Office RSF		14.0%	17.6%	15.4%	8.9%	44.2%
Total	Annualized Revenue	2/	\$ 51,008	\$ 63,789	\$ 56,911	\$ 29,635	\$ 148,665
	% of Total Office Annl Rev		14.6%	18.2%	16.3%	8.5%	42.5%

1/ Includes 96,000 square feet of leases that are on a month to month basis or 0.4% of total annualized revenue

2/ Annualized Revenue is December 2003 rental revenue (base rent plus operating expense pass throughs) multiplied by 12.



# Industrial Lease Expirations by Market by Year

Dollars in thousands

			2004 1/	2005	2006	2007	Thereafter
Atlanta	RSF		578,080	538,691	301,269	567,097	632,730
	% of Total Industrial RSF		8.3%	7.8%	4.3%	8.2%	9.1%
	Annualized Revenue	2/	\$ 3,019	\$ 2,805	\$ 1,844	\$ 2,866	\$ 3,155
	% of Total Industrial Annl Rev		9.2%	8.5%	5.6%	8.7%	9.6%
Charlotte	RSF		38,649	20,815	35,906	19,181	2,340
	% of Total Industrial RSF		0.6%	0.3%	0.5%	0.3%	0.0%
	Annualized Revenue	2/	\$ 415	\$ 215	\$ 293	\$ 180	\$ 19
	% of Total Industrial Annl Rev		1.3%	0.7%	0.9%	0.5%	0.1%
Greenville	RSF		32,659	0	16,081	0	5,350
	% of Total Industrial RSF		0.5%	0.0%	0.2%	0.0%	0.1%
	Annualized Revenue	2/	\$ 360	\$ —	\$ 195	\$ —	\$ 56
	% of Total Industrial Annl Rev		1.1%	0.0%	0.6%	0.0%	0.2%
Kansas City	RSF		3,774	0	0	0	0
	% of Total Industrial RSF		0.1%	0.0%	0.0%	0.0%	0.0%
	Annualized Revenue	2/	\$ 20	\$ —	\$ —	\$ —	\$ —
	% of Total Industrial Annl Rev		0.1%	0.0%	0.0%	0.0%	0.0%
Piedmont Triad	RSF		975,356	694,793	529,072	1,091,416	767,751
	% of Total Industrial RSF		14.1%	10.0%	7.6%	15.7%	11.1%
	Annualized Revenue	2/	\$ 3,922	\$ 2,601	\$ 2,068	\$ 4,237	\$ 3,779
	% of Total Industrial Annl Rev		11.9%	7.9%	6.3%	12.9%	11.5%
Research Triangle	RSF		24,033	35,461	4,679	0	22,327
	% of Total Industrial RSF		0.3%	0.5%	0.1%	0.0%	0.3%
	Annualized Revenue	2/	\$ 233	\$ 304	\$ 46	\$ —	\$ 225
	% of Total Industrial Annl Rev		0.7%	0.9%	0.1%	0.0%	0.7%
Total	RSF		1,652,551	1,289,760	887,007	1,677,694	1,430,498
	% of Total Industrial RSF		23.8%	18.6%	12.8%	24.2%	20.6%
	Annualized Revenue	2/	\$ 7,969	\$ 5,925	\$ 4,446	\$ 7,283	\$ 7,234
	% of Total Industrial Annl Rev		24.3%	18.0%	13.5%	22.2%	22.0%

1/ Includes 165,000 square feet of leases that are on a month to month basis or 0.2% of total annualized revenue

2/ Annualized Revenue is December 2003 rental revenue (base rent plus operating expense pass throughs) multiplied by 12.

## Customer Diversification

December 31, 2003

*Dollars in thousands*

### Top 20 Customers

Customer	RSF	Annualized Revenue 1/	Percent of Annualized Revenue 1/	Average Remaining Lease Term in Years
Federal Government	639,883	\$ 13,971	3.34%	6.6
AT&T	612,092	11,493	2.74%	3.6
Price Waterhouse Coopers	297,795	6,957	1.66%	6.3
State Of Georgia	359,565	6,858	1.64%	5.4
Sara Lee	1,198,534	4,697	1.12%	3.6
IBM	194,934	4,097	0.98%	1.9
Northern Telecom	246,000	3,651	0.87%	4.2
Volvo	267,717	3,431	0.82%	5.5
Lockton Companies	132,718	3,294	0.79%	11.2
US Airways	295,046	3,217	0.77%	4.0
BB&T	241,075	3,186	0.76%	7.2
ITC Deltacom	147,379	2,947	0.70%	1.4
Hartford Insurance	129,641	2,861	0.68%	2.2
T-Mobile USA	120,561	2,801	0.67%	2.5
WorldCom and Affiliates	144,623	2,787	0.67%	2.5
Bank of America	146,842	2,705	0.65%	5.3
Ikon	181,361	2,531	0.60%	3.9
Carlton Fields	95,771	2,435	0.58%	0.5
Ford Motor Company	125,989	2,426	0.58%	6.1
CHS Professional Services	145,781	2,380	0.57%	3.3
	5,723,307	\$ 88,725	21.19%	4.7

2/ ITC Deltacom (formerly Business Telecom) is located in a property that, as of December 31, 2003, is under contract for sale. The sale is projected for either the first or second quarter of 2004.

### By Industry

Category	Percent of Annualized Revenue 1/
Professional, Scientific, and Technical Services	22.4%
Insurance	10.3%
Manufacturing	8.3%
Telecommunication	7.9%
Finance/Banking	8.2%
Retail Trade	7.6%
Administrative and Support Services	5.4%
Health Care and Social Assistance	5.2%
Wholesale Trade	4.6%
Government/Public Administration	5.2%
Transportation and Warehousing	3.2%
Real Estate Rental and Leasing	2.9%
Information	2.7%
Accommodation and Food Services	2.6%
Other Services (except Public Administration)	2.6%
Educational Services	0.9%
	100.0%

1/ Annualized Revenue is December 2003 rental revenue (base rent plus operating expense pass throughs) multiplied by 12.



## Same Property Performance

*Dollars in thousands*

	Includes Highwoods Preserve 1/			Excludes Highwoods Preserve 1/		
	Three months ended December 31,		Percentage Change	Three months ended December 31,		Percentage Change
	2003	2002		2003	2002	
Rental revenues	\$ 95,806	\$ 102,645	-6.7%	\$ 95,811	\$ 98,955	-3.2%
Operating expenses	(34,840)	(35,426)	1.7%	(34,216)	(34,932)	2.0%
Net operating income	\$ 60,966	\$ 67,219	-9.3%	\$ 61,595	\$ 64,023	-3.8%
Average Occupancy	83.9%	87.4%	-4.0%	86.0%	87.0%	-1.1%
Rentable Square Feet	31,436,000	31,436,000		30,620,000	30,620,000	
	Twelve months ended December 31,		Percentage Change	Twelve months ended December 31,		Percentage Change
	2003	2002		2003	2002	
Rental revenues	\$ 389,489	\$ 416,514	-6.5%	\$ 389,503	\$ 401,842	-3.1%
Operating expenses	(136,821)	(135,199)	-1.2%	(134,336)	(133,213)	-0.8%
Net operating income	\$ 252,668	\$ 281,315	-10.2%	\$ 255,167	\$ 268,629	-5.0%
Average Occupancy	84.2%	88.3%	-4.6%	86.4%	88.0%	-1.8%
Rentable Square Feet	31,436,000	31,436,000		30,620,000	30,620,000	

Market	Includes Highwoods Preserve 1/		Excludes Highwoods Preserve 1/	
	2002 to 2003	2002 to 2003	2002 to 2003	2002 to 2003
	4th Quarter NOI Change	YTD NOI Change	4th Quarter NOI Change	YTD NOI Change
Atlanta	-9.3%	-11.5%	-9.3%	-11.5%
Charlotte	-13.8%	-13.3%	-13.8%	-13.3%
Columbia	-60.2%	-26.5%	-60.2%	-26.5%
Greenville	2.1%	2.4%	2.1%	2.4%
Kansas City	-3.0%	1.8%	-3.0%	1.8%
Memphis	9.6%	-4.8%	9.6%	-4.8%
Nashville	3.0%	2.4%	3.0%	2.4%
Orlando	8.3%	1.8%	8.3%	1.8%
Piedmont Triad	-4.8%	-5.9%	-4.8%	-5.9%
Research Triangle	-1.8%	-6.1%	-1.8%	-6.1%
Richmond	2.4%	0.6%	2.4%	0.6%
Tampa	-43.4%	-41.1%	-9.6%	-8.5%
	-9.3%	-10.2%	-3.8%	-5.0%

1/ Highwoods Preserve is the 816,000 square foot office campus in Tampa that Worldcom vacated 12/31/02.

## Acquisition Activity

*Dollars in thousands*

Name	Market	Type 1/	Date Acquired	Square Footage	Cost
<b>First quarter 2003:</b>					
Colonnade	Richmond	O	01/21/03	66,000	\$ 7,000
<b>Second quarter 2003:</b>					
None					
<b>Third quarter 2003:</b>					
Highwoods Ctr at Deerfield I	Atlanta	O	07/29/03	50,000	
Highwoods Ctr at Deerfield II	Atlanta	O	07/29/03	67,000	
HIW Ctr II at Peachtree Corners	Atlanta	O	07/29/03	109,000	
4101 Research Commons	Research Triangle	O	07/29/03	74,000	
4201 Research Commons	Research Triangle	O	07/29/03	90,000	
4301 Research Commons	Research Triangle	O	07/29/03	91,000	
4501 Research Commons	Research Triangle	O	07/29/03	57,000	
Concourse	Research Triangle	O	07/29/03	132,000	
Lake Plaza East	Research Triangle	O	07/29/03	72,000	
Situs I	Research Triangle	O	07/29/03	59,000	
Situs II	Research Triangle	O	07/29/03	60,000	
Situs III	Research Triangle	O	07/29/03	39,000	
Anchor Glass Building	Tampa	O	07/29/03	100,000	
Bayshore Place	Tampa	O	07/29/03	83,000	
Tower Place	Tampa	O	07/29/03	182,000	
Subtotal				1,265,000	\$ 137,350 2/
HIW Ctr III at Peachtree Corners	Atlanta	O	07/29/03	54,000	\$ 2,149 3/
<b>Fourth quarter 2003:</b>					
Watermark 13	Tampa	O	12/18/03	44,000	\$ 2,233
				1,429,000	\$ 148,732

1/ The letter "O" represents Office

2/ We purchased our partner's 80% interest in these MG-HIW properties.

3/ We purchased our partner's 50% interest in this Peachtree III property.

## Disposition Activity

*Dollars in thousands*

Name	Market	Type 1/	Date Sold	Square Footage	Sales Price
<b>First quarter 2003:</b>					
none					
<b>Second quarter 2003:</b>					
Greenbriar Business Center	Hampton Roads	O	04/07/03	81,000	\$ 7,000
Madison Park - Building 5610	Piedmont Triad	O	04/14/03	3,000	775
Highwoods Plaza	Tampa	O	04/30/03	66,000	7,050
Summit Executive Centre	Tampa	O	05/01/03	36,000	2,900
Aspen, Cypress, Cedar East and Cedar West	Research Triangle	O	06/26/03	156,000	11,425
<b>Third quarter 2003:</b>					
5125 Fulton Industrial Blvd	Atlanta	I	07/10/03	149,000	4,788
Capital One	Richmond	O	07/16/03	298,000	38,122
Bay View Office Centre	Tampa	O	07/23/03	73,000	7,400
Verizon Wireless	Greenville	O	07/31/03	193,000	21,502
Countryside Place	Tampa	O	08/29/03	54,000	5,650
Interlachen Village	Orlando	O	09/16/03	41,000	3,900
Holden Road	Piedmont Triad	I	09/30/03	160,000	5,800
<b>Fourth quarter 2003:</b>					
Brookwood Day Care Center	Tampa	O	10/07/03	8,000	465
Prairie Village Office Center	Kansas City	O	11/12/03	78,000	4,050
Industrial Portfolio	Piedmont Triad/Richmond	I	12/12/03	1,902,000	59,300
				3,298,000	\$180,127

## Assets Contributed to Joint Ventures

Name	Market	Type 1/	Date Contributed	Square Footage	Sales Price
<b>First quarter 2003:</b>					
none					
<b>Second quarter 2003:</b>					
none					
<b>Third quarter 2003:</b>					
none					
<b>Fourth quarter 2003:</b>					
Markel Plaza	Richmond	O	12/24/03	121,000	\$15,738
Markel-American	Richmond	O	12/29/03	103,000	12,417
Innsbrook Centre	Richmond	O	12/29/03	67,000	7,444
				291,000	\$35,599

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



## Development Activity

*Dollars in thousands*

Property	Market	Type 1/	Rentable Square Feet	Anticipated		Pre- Leasing	Estimated Completion  Date	Estimated Stabilization  Date
				Total Investment	Investment			
				@ 12/31/03				
<b>In-Process</b>								
NARA	Atlanta	I	350,000	\$ 20,387	\$ 4,140	100%	3Q04	4Q05
FBI	Tampa	O	112,000	26,634	1,204	100%	4Q05	4Q05
			<u>462,000</u>	<u>\$ 47,021</u>	<u>\$ 5,344</u>	<u>100%</u>		
<b>Completed Not Stabilized 2/</b>								
Catawba	Research Triangle	O	40,000	\$ 4,030	\$ 2,908	0%	2Q03	2Q04
801 Raleigh Corporate Center	Research Triangle	O	100,000	12,016	10,702	51%	4Q02	2Q04
			<u>140,000</u>	<u>\$ 16,046</u>	<u>\$ 13,610</u>	<u>36%</u>		
Total or Weighted Average								

### Developed for Sale

	Market	Type 1/	Rentable Square Feet	Anticipated		Pre- Sales	Estimated Completion Date
				Total Investment	Investment @ 12/31/03		
Grove Park Condominiums	Richmond	O	65,000	\$ 6,163	\$ 3,593	68%	Q104

### Placed In Service

Property	Market	Type 1/	In-Service Date	Rentable Square Feet	Investment @ 12/31/03	Quarter 4 2003 NOI 3/	Occ %	Leasing %
Tradeport V	Atlanta	I	12/1/2003	60,000	\$ 2,819	\$ 28	50%	50%

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

2/ These properties contributed \$92,000 in Net Operating Income (Property Revenue - Property Expense) in Q4 2003.

3/ NOI = Net Operating Income (Property Revenue - Property Expense)

## Development Land

December 31, 2003

*Dollars in thousands*

Market	Acres	Developable Square Footage			Total Estimated Market Value
		Office	Retail	Industrial	
<b>On Balance Sheet:</b>					
Research Triangle	392	3,000,000	—	162,000	\$ 64,400
Atlanta	258	270,000	1,100,000	1,040,000	35,300
Piedmont Triad	166	787,000	37,000	1,252,000	18,300
Baltimore	97	1,102,000	—	—	12,300
Kansas City 1/	89	725,000	216,000	—	19,700
Charlotte	79	1,151,000	—	—	12,600
Richmond	50	688,000	—	—	9,500
Nashville	50	830,000	—	—	11,800
Orlando	43	862,000	—	—	13,700
Tampa	35	522,000	—	15,000	12,500
Memphis	22	288,000	—	—	4,200
Greenville	12	150,000	—	—	1,800
Jacksonville	10	80,000	—	—	1,100
Columbia	2	20,000	—	—	300
	<b>1,305</b>	<b>10,475,000</b>	<b>1,353,000</b>	<b>2,469,000</b>	<b>\$ 217,500</b>
<b>Deferred or optioned:</b>					
Atlanta	25	—	500,000	—	
Research Triangle	25	562,870	—	—	
Richmond	11	91,000	—	—	
Memphis	—	—	—	—	
Piedmont Triad	—	—	—	—	
Nashville	—	—	—	—	
Charlotte	—	—	—	—	
	<b>61</b>	<b>653,870</b>	<b>500,000</b>	<b>—</b>	
<b>Total</b>	<b>1,366</b>	<b>11,128,870</b>	<b>1,853,000</b>	<b>2,469,000</b>	

1/ Includes 27 acres of residential land

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

December 31, 2003

*Dollars in thousands*

Joint Venture	Type 1/	Own%	Venture's Books		
			Total Assets	Debt	Total Liabilities
Board of Trade Investment Co.	O	49.0%	\$ 7,829	\$ 749	\$ 815
Dallas County Partners I, LP	O/ I	50.0%	42,383	38,000	40,402
Dallas County Partners II, LP	O	50.0%	18,255	22,465	23,934
Dallas County Partners III, LP	O	50.0%	76	—	25
Fountain Three	O/I /R	50.0%	34,524	29,924	31,860
RRHWoods, LLC	O/ M	50.0%	81,327	67,307	70,707
Kessinger/Hunter, LLC	—	26.5%	8,478	—	(96)
4600 Madison Associates, LP	O	12.5%	21,684	16,721	17,060
Highwoods DLF 98/29, LP	O	22.8%	140,192	67,241	69,522
Highwoods DLF 97/26 DLF 99/32, LP	O	42.9%	115,854	59,027	61,841
Highwoods-Markel Assoc., LLC	O	50.0%	51,661	40,000	41,128
MG-HIW, LLC	O	20.0%	197,191	136,207	141,854
MG-HIW Metrowest I, LLC	O	50.0%	1,601	—	—
MG-HIW Metrowest II, LLC	O	50.0%	11,460	7,326	7,636
Concourse Center Assoc., LLC	O	50.0%	14,489	9,695	9,933
Plaza Colonnade, LLC	O/R	50.0%	26,086	16,496	17,437
SF-HIW Harborview Plaza, LP	O	20.0%	40,895	22,800	23,886
<b>Total</b>			<b>\$ 813,985</b>	<b>\$533,958</b>	<b>\$ 557,944</b>

Joint Venture	Type 1/	Own%	Highwoods' Share of Joint Venture		
			Total Assets	Debt	Total Liabilities
Board of Trade Investment Co.	O	49.0%	\$ 3,836	\$ 367	\$ 399
Dallas County Partners I, LP	O/ I	50.0%	21,191	19,000	20,201
Dallas County Partners II, LP	O	50.0%	9,128	11,232	11,967
Dallas County Partners III, LP	O	50.0%	38	—	13
Fountain Three	O/I /R	50.0%	17,262	14,962	15,930
RRHWoods, LLC	O/ M	50.0%	40,664	33,653	35,354
Kessinger/Hunter, LLC	—	26.5%	2,247	—	(25)
4600 Madison Associates, LP	O	12.5%	2,710	2,090	2,133
Highwoods DLF 98/29, LP	O	22.8%	31,978	15,338	15,858
Highwoods DLF 97/26 DLF 99/32, LP	O	42.9%	49,736	25,340	26,548
Highwoods-Markel Assoc., LLC	O	50.0%	25,831	20,000	20,564
MG-HIW, LLC	O	20.0%	39,438	27,241	28,371
MG-HIW Metrowest I, LLC	O	50.0%	800	—	—
MG-HIW Metrowest II, LLC	O	50.0%	5,730	3,663	3,818
Concourse Center Assoc., LLC	O	50.0%	7,244	4,847	4,966
Plaza Colonnade, LLC	O/R	50.0%	13,043	8,248	8,719
SF-HIW Harborview Plaza, LP	O	20.0%	8,179	4,560	4,777
<b>Total</b>			<b>\$ 279,055</b>	<b>\$190,541</b>	<b>\$ 199,593</b>

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

**Unconsolidated Joint Ventures Income**  
For the three months ended December 31, 2003

*Dollars in thousands*

Joint Venture	Own %	Venture's Books				
		Operating Exp		Depr/Amort		Net Income
		Revenue		Interest		
Board of Trade Investment Co.	49.0%	\$ 604	\$ 413	\$ 15	\$ 104	\$ 72
Dallas County Partners I, LP	50.0%	2,539	1,340	680	500	19
Dallas County Partners II, LP	50.0%	1,588	793	568	206	21
Dallas County Partners III, LP	50.0%	59	34	—	1	24
Fountain Three	50.0%	1,765	783	533	375	74
RRHWoods, LLC	50.0%	3,482	1,913	531	913	125
Kessinger/Hunter, LLC	26.5%	1,889	1,191	—	176	522
4600 Madison Associates, LP	12.5%	1,315	614	290	441	(30)
Highwoods DLF 98/29, LP	22.8%	4,868	1,377	1,141	872	1,478
Highwoods DLF 97/26 DLF 99/32, LP	42.9%	3,811	1,031	1,143	1,055	582
Highwoods-Markel Assoc., LLC	50.0%	879	534	334	167	(156)
MG-HIW, LLC	20.0%	7,061	2,827	1,273	340	2,621
MG-HIW Metrowest I, LLC	50.0%	—	2	—	—	(2)
MG-HIW Metrowest II, LLC	50.0%	194	87	45	97	(35)
Concourse Center Assoc., LLC	50.0%	526	141	209	76	100
Plaza Colonnade, LLC	50.0%	2	2	—	1	(1)
SF-HIW Harborview Plaza, LP	20.0%	2,632	432	351	217	1,632
<b>Total</b>		<b>\$33,214</b>	<b>\$ 13,514</b>	<b>\$7,113</b>	<b>\$ 5,541</b>	<b>\$ 7,046</b>

Joint Venture	Own %	Highwoods' Share of Joint Venture				
		Operating Exp		Depr/Amort		Net Income
		Revenue		Interest		
Board of Trade Investment Co.	49.0%	\$ 296	\$ 202	\$ 7	\$ 51	\$ 36
Dallas County Partners I, LP	50.0%	1,270	669	340	250	11
Dallas County Partners II, LP	50.0%	794	397	284	103	10
Dallas County Partners III, LP	50.0%	30	17	—	1	12
Fountain Three	50.0%	883	391	267	188	37
RRHWoods, LLC	50.0%	1,741	956	266	457	62
Kessinger/Hunter, LLC	26.5%	501	316	—	47	138
4600 Madison Associates, LP	12.5%	164	77	36	55	(4)
Highwoods DLF 98/29, LP	22.8%	1,110	313	260	199	338
Highwoods DLF 97/26 DLF 99/32, LP	42.9%	1,636	442	491	453	250
Highwoods-Markel Assoc., LLC	50.0%	440	267	167	84	(78)
MG-HIW, LLC	20.0%	1,412	564	255	67	526
MG-HIW Metrowest I, LLC	50.0%	—	1	—	—	(1)
MG-HIW Metrowest II, LLC	50.0%	97	44	23	49	(19)
Concourse Center Assoc., LLC	50.0%	263	71	105	38	49
Plaza Colonnade, LLC	50.0%	1	1	—	1	(1)
SF-HIW Harborview Plaza, LP	20.0%	526	86	70	43	327
<b>Total 1/</b>		<b>\$11,164</b>	<b>\$ 4,814</b>	<b>\$2,571</b>	<b>\$ 2,086</b>	<b>\$ 1,693</b>

1/ Highwoods' Share of JV income shown above does not include the amortization of a \$155K deferred gain.

# Unconsolidated Joint Ventures Income

For the year ended December 31, 2003

Dollars in thousands

Joint Venture	Own %	Venture's Books				
		Operating Exp		Depr/Amort	Net Income	
		Revenue	Interest			
Board of Trade Investment Co.	49.0%	\$ 2,373	\$ 1,604	\$ 65	\$ 408	\$ 296
Dallas County Partners I, LP	50.0%	10,287	5,362	2,758	1,912	255
Dallas County Partners II, LP	50.0%	6,167	2,707	2,343	822	295
Dallas County Partners III, LP	50.0%	264	147	—	5	112
Fountain Three	50.0%	6,939	3,129	2,220	1,535	55
RRHWoods, LLC	50.0%	14,401	7,464	2,510	3,458	969
Kessinger/Hunter, LLC	26.5%	6,402	4,728	—	716	958
4600 Madison Associates, LP	12.5%	5,437	2,211	1,166	1,785	275
Highwoods DLF 98/29, LP	22.8%	19,359	5,518	4,589	3,464	5,788
Highwoods DLF 97/26 DLF 99/32, LP	42.9%	15,893	4,376	4,591	4,034	2,892
Highwoods-Markel Assoc., LLC	50.0%	3,342	1,834	1,135	632	(259)
MG-HIW, LLC 1/	20.0%	39,922	15,081	7,475	6,634	10,732
MG-HIW Peachtree Corners III, LLC	50.0%	214	74	72	73	(5)
MG-HIW Metrowest I, LLC	50.0%	—	28	—	—	(28)
MG-HIW Metrowest II, LLC	50.0%	635	411	169	349	(294)
Concourse Center Assoc., LLC	50.0%	2,082	542	726	305	509
Plaza Colonnade, LLC	50.0%	11	2	—	3	5
SF-HIW Harborview Plaza, LP	20.0%	6,840	1,720	1,403	866	2,851
Total		\$140,568	\$ 56,938	\$31,222	\$ 27,002	\$ 25,406

Joint Venture	Own %	Highwoods' Share of Joint Venture				
		Operating Exp		Depr/Amort	Net Income	
		Revenue	Interest			
Board of Trade Investment Co. 2/	49.0%	\$ 1,163	\$ 786	\$ 32	\$ 200	\$ 145
Dallas County Partners I, LP	50.0%	5,144	2,681	1,379	956	128
Dallas County Partners II, LP	50.0%	3,084	1,354	1,172	411	147
Dallas County Partners III, LP	50.0%	132	74	—	3	55
Fountain Three	50.0%	3,470	1,565	1,110	768	27
RRHWoods, LLC	50.0%	7,202	3,689	1,255	1,772	486
Kessinger/Hunter, LLC	26.5%	1,697	1,253	—	190	254
4600 Madison Associates, LP	12.5%	680	276	147	222	35
Highwoods DLF 98/29, LP	22.8%	4,416	1,259	1,047	790	1,320
Highwoods DLF 97/26 DLF 99/32, LP	42.9%	6,824	1,879	1,971	1,731	1,243
Highwoods-Markel Assoc., LLC	50.0%	1,671	917	568	316	(130)
MG-HIW, LLC 1/	20.0%	7,985	3,017	1,495	1,326	2,147
MG-HIW Peachtree Corners III, LLC	50.0%	107	37	36	37	(3)
MG-HIW Metrowest I, LLC	50.0%	—	14	—	—	(14)
MG-HIW Metrowest II, LLC	50.0%	318	206	85	175	(148)
Concourse Center Assoc., LLC	50.0%	1,041	271	363	153	254
Plaza Colonnade, LLC	50.0%	5	1	—	2	2
SF-HIW Harborview Plaza, LP	20.0%	1,368	344	281	173	570
Total 3/		\$46,307	\$ 19,623	\$10,941	\$ 9,225	\$ 6,518

1/ Net income EXCLUDES \$12.1MM impairment charge at the partnership level of which Highwoods' share is \$2.4MM.

2/ Excludes a \$6K audit adjustment to reduce the provision for income taxes related to a prior year

3/ Highwoods' Share of JV income shown above does not include the amortization of a \$639K deferred gain.

## Unconsolidated Joint Ventures Long-Term Debt Detail

*Dollars in thousands*

Joint Venture	Own %	Lender	Interest Rate	Maturity Date	Loan Balance 12/31/03
Dallas County Partners I, LP	50.0%	various 1/	7.1%	various 1/	\$ 38,900
Dallas County Partners II, LP	50.0%	Principal Life Insurance Company	10.2%	Jun-13	22,465
Fountain Three	50.0%	John Hancock Life Insurance Co.	7.8%	Jan-08	6,205
	50.0%	various 2/	7.5%	various 2/	23,719
Total Fountain Three			7.5%		29,924
RRHWoods, LLC	50.0%	Industrial Revenue Bonds	1.0% 3/	Nov-15	23,000
	50.0%	Bank of America	6.8%	Sep-12	8,388
	50.0%	Bank of America	6.8%	Sep-12	6,399
	50.0%	Industrial Revenue Bonds	1.0% 3/	Sep-15	6,000
	50.0%	various 4/	5.2% 3/	various 4/	22,620
Total RRHWoods, LLC			3.7%		66,407
Highwoods DLF 98/29	22.8%	USG Annuity & Life Company	6.8%	May-11	67,241
Highwoods DLF 97/26 DLF 99/32	42.9%	Massachusetts Mutual Life Ins. Co.	7.7%	May-12	59,027
MG-HIW, LLC	20.0%	GE Capital	3.1% 3/	Jan-06	136,207
MG-HIW Metrowest II, LLC	50.0%	Wachovia	2.7% 3/	Feb-05	7,326
4600 Madison Associates, LP	12.5%	State Farm	6.9%	Apr-18	16,721
Board of Trade Investment Co.	49.0%	KC Board of Trade Clearing Corp.	7.8%	Sep-07	749
Concourse Center Assoc., LLC	50.0%	Lincoln National Life Insurance Co.	7.0%	Jul-10	9,695
Highwoods-Markel Assoc., LLC	50.0%	Innsbrook Centre	5.9%	Jan-14	5,800
	50.0%	Essex	5.8%	Jan-14	12,263
	50.0%	Markel-American	5.7%	Jan-14	9,675
	50.0%	Markel Plaza	5.8%	Jan-14	12,263
Total Highwoods-Markel Assoc., LLC					40,001
SF-HIW Harborview Plaza, LP	20.0%	Met Life	6.1%	Oct-12	22,800
Plaza Colonnade, LLC	50.0%	Wells Fargo	3.2%	Feb-06	16,496
Total Secured Loans					<b>\$533,959</b>
Highwoods' Share of the above					<b>\$190,541</b>

1/ Includes 16 fixed rate loans under \$4 million with maturities ranging from January 2006 to July 2011

2/ Includes 6 fixed rate loans under \$6 million with maturities ranging from May 2008 to September 2012

3/ The floating rate loans' interest rates are based on December 31, 2003's rates.

4/ Includes 5 fixed rate loans under \$6 million maturing between October 2007 to September 2012 and a floating rate loan under \$6 million that matures in November 2015

## Portfolio Summary Unconsolidated Joint Ventures

*As of December 31, 2003*

### Summary by Location:

Market	Rentable Square Feet 1/	Occupancy 2/	Percentage of Annualized Revenue - Highwoods' Share Only 3/				
			Office	Industrial	Retail	Multi- Family	Total
Des Moines	2,245,000	95.3%	33.5%	4.2%	1.2%	4.3%	43.2%
Orlando	1,764,000	85.6%	17.9%	—	—	—	17.9%
Atlanta	650,000	86.7%	11.8%	—	—	—	11.8%
Research Triangle	455,000	98.7%	4.2%	—	—	—	4.2%
Kansas City	427,000	87.6%	4.2%	—	—	—	4.2%
Piedmont Triad	364,000	100.0%	4.7%	—	—	—	4.7%
Tampa	205,000	92.1%	2.5%	—	—	—	2.5%
Charlotte	148,000	100.0%	1.0%	—	—	—	1.0%
Richmond	412,000	99.0%	9.9%	—	—	—	9.9%
Other	110,000	100.0%	0.6%	—	—	—	0.6%
Total	6,780,000	92.2%	90.3%	4.2%	1.2%	4.3%	100.0%

1/ Excludes Des Moines' apartment units

2/ Excludes Des Moines' apartment occupancy percentage of 90%

3/ Annualized Rental Revenue is December 2003 rental revenue (base rent plus operating expense pass throughs) multiplied by 12.

# Unconsolidated Joint Ventures Lease Expirations

December 31, 2003

Dollars in thousands

<u>Year</u>		<u>Rentable Square Feet Expiring</u>	<u>Percent of Rentable Square Feet</u>	<u>Annualized Revenue 1/</u>	<u>Average Rental Rate</u>	<u>Percent of Annualized Revenue 1/</u>
<b>Total</b>						
	2004	690,418	10.8%	\$ 11,528	\$16.70	10.1%
	2005	696,500	10.9%	11,975	17.19	10.5%
	2006	771,276	12.0%	13,454	17.44	11.8%
	2007	350,407	5.5%	7,281	20.78	6.4%
	2008	1,030,504	16.1%	16,451	15.96	14.5%
	2009	620,109	9.7%	12,093	19.50	10.6%
	2010	328,045	5.1%	4,587	13.98	4.0%
	2011	427,781	6.7%	9,134	21.35	8.0%
	2012	296,741	4.6%	6,876	23.17	6.0%
	2013	652,343	10.2%	11,629	17.83	10.2%
	2014 and thereafter	540,319	8.4%	9,023	16.70	7.9%
		<b>6,404,443</b>	<b>100.0%</b>	<b>\$114,031</b>	<b>\$17.80</b>	<b>100.0%</b>

1/ Annualized Revenue is December 2003 rental revenue (base rent plus operating expense pass throughs) multiplied by 12.



## Unconsolidated Joint Ventures Development

*Dollars in thousands*

Property	% Ownership	Market	Rentable Square Feet	Anticipated	Investment	Pre-Leasing	Estimated Completion	Estimated Stabilization
				Total Investment	@ 12/31/03		Date	Date
Plaza Colonade, LLC 1/	50%	Kansas City	285,000	\$ 69,700	\$ 25,827	59%	Q304	Q305
Summit	50%	Des Moines	36,000	3,559	716	72%	Q304	Q305
Pinehurst	50%	Des Moines	36,000	3,559	592	36%	Q304	Q305
Highwoods' Share of the above			<b>357,000</b>	<b>\$ 38,409</b>	<b>\$ 13,568</b>	<b>58%</b>		

1/ Includes \$14.1 million in investment cost that will be funded by tax increment financing