

# HIGHWOODS PROPERTIES INC

## FORM 10-Q (Quarterly Report)

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Address	3100 SMOKETREE CT STE 600 RALEIGH, North Carolina 27604
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Industry	Real Estate Operations
Sector	Services
Fiscal Year	12/31

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**SECURITIES AND EXCHANGE COMMISSION**  
WASHINGTON, D.C. 20549

**FORM 10-Q**

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

For the quarterly period ended March 31, 2000

*Commission file number: 001-13100*

**HIGHWOODS PROPERTIES, INC.**

(Exact name of registrant as specified in its charter)

MARYLAND  
(State or other jurisdiction of  
incorporation or organization)

56-1871668  
(I.R.S. Employer  
Identification Number)

**3100 SMOKETREE COURT, SUITE 600, RALEIGH, N.C.**  
(Address of principal executive office)

27604  
(Zip Code)

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

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

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The Company has only one class of common stock, par value \$.01 per share, with 59,546,734 shares outstanding as of May 5, 2000.

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# HIGHWOODS PROPERTIES, INC.

## QUARTERLY REPORT FOR THE PERIOD ENDED MARCH 31, 2000

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## **PART I -- FINANCIAL INFORMATION**

### **ITEM 1. FINANCIAL STATEMENTS**

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

The information furnished in the accompanying balance sheets, statements of income, statements of stockholders' equity and statements of cash flows reflect all adjustments (consisting of normal recurring accruals) that are, in our opinion, necessary for a fair presentation of the aforementioned financial statements for the interim period.

The aforementioned financial statements should be read in conjunction with the notes to consolidated financial statements and Management's Discussion and Analysis of Financial Condition and Results of Operations included herein and our 1999 Annual Report on Form 10-K.

# HIGHWOODS PROPERTIES, INC.

## CONSOLIDATED BALANCE SHEETS

(IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

	MARCH 31, 2000	DECEMBER 31, 1999
	----- (UNAUDITED)	-----
ASSETS		
Real estate assets, at cost:		
Land and improvements .....	\$ 507,631	\$ 491,273
Buildings and tenant improvements .....	3,184,482	3,056,962
Development in process .....	85,705	186,925
Land held for development .....	165,387	168,396
Furniture, fixtures and equipment .....	8,406	7,917
	-----	-----
	3,951,611	3,911,473
Less -- accumulated depreciation .....	(265,941)	(238,135)
	-----	-----
Net real estate assets .....	3,685,670	3,673,338
Property held for sale .....	38,235	48,960
Cash and cash equivalents .....	23,783	34,496
Restricted cash .....	1,738	1,842
Accounts receivable, net .....	22,226	22,847
Advances to related parties .....	13,859	15,096
Notes receivable .....	63,242	58,241
Accrued straight-line rents receivable .....	39,512	35,951
Investment in unconsolidated affiliates .....	40,601	38,977
Other assets:		
Deferred leasing costs .....	77,318	66,783
Deferred financing costs .....	40,543	40,125
Prepaid expenses and other .....	15,144	15,614
	-----	-----
	133,005	122,522
Less -- accumulated amortization .....	(40,520)	(36,073)
	-----	-----
Other assets, net .....	92,485	86,449
	-----	-----
Total Assets .....	\$4,021,351	\$4,016,197
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Mortgages and Notes payable .....	\$1,811,998	\$1,766,117
Accounts payable, accrued expenses and other liabilities .....	104,871	111,945
	-----	-----
Total Liabilities .....	1,916,869	1,878,062
Minority interest .....	241,424	245,665
Stockholders' Equity:		
Preferred stock, \$.01 par value, authorized 50,000,000 shares:		
8 5/8% Series A Cumulative Redeemable Preferred Shares		
(liquidation preference \$1,000 per share), 125,000 shares issued		
and outstanding at March 31, 2000 and December 31, 1999 .....	125,000	125,000
8% Series B Cumulative Redeemable Preferred Shares		
(liquidation preference \$25 per share), 6,900,000 shares issued and outstanding		
at March 31, 2000 and December 31, 1999 .....	172,500	172,500
8% Series D Cumulative Redeemable Preferred Shares		
(liquidation preference \$250 per share), 400,000 shares issued and outstanding		
at March 31, 2000 and December 31, 1999 .....	100,000	100,000
Common stock, \$.01 par value, authorized 200,000,000 shares; issued 62,098,434		
(includes 2,466,700 shares in treasury) and 62,068,613 (includes 1,150,000		
shares in treasury) at March 31, 2000 and December 31, 1999, respectively .....	621	621
Additional paid-in capital .....	1,598,076	1,597,494
Distributions in excess of net income .....	(78,251)	(77,670)
Less Treasury Stock at cost, 2,466,700 shares at March 31, 2000 and 1,150,000		
shares at December 31, 1999 .....	(53,924)	(25,475)
Deferred compensation -- restricted stock .....	(964)	--
	-----	-----
Total Stockholders' Equity .....	1,863,058	1,892,470
	-----	-----
Total Liabilities and Stockholders' Equity .....	\$4,021,351	\$4,016,197
	=====	=====

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

# HIGHWOODS PROPERTIES, INC.

## CONSOLIDATED STATEMENTS OF INCOME

(UNAUDITED AND IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

	THREE MONTHS ENDED MARCH 31,	
	2000	1999
REVENUE:		
Rental property .....	\$135,901	\$146,721
Equity in earnings of unconsolidated affiliates .....	943	197
Interest and other income .....	4,315	5,287
	-----	-----
Total Revenue .....	141,159	152,205
OPERATING EXPENSES:		
Rental property .....	39,461	45,345
Depreciation and amortization .....	28,328	28,156
Interest expense:		
Contractual .....	27,047	31,842
Amortization of deferred financing costs .....	721	778
	-----	-----
General and administrative .....	27,768	32,620
	5,096	5,793
	-----	-----
Income before gain on disposition of assets, minority interest and extraordinary item .....	40,506	40,291
Gain on disposition of assets .....	6,946	569
	-----	-----
Income before minority interest and extraordinary item .....	47,452	40,860
MINORITY INTEREST .....	(6,020)	(5,826)
	-----	-----
Income before extraordinary item .....	41,432	35,034
EXTRAORDINARY ITEM -- LOSS ON EARLY EXTINGUISHMENT OF DEBT .....	(195)	--
	-----	-----
Net income .....	41,237	35,034
DIVIDENDS ON PREFERRED STOCK .....	(8,145)	(8,145)
	-----	-----
Net income available for common shareholders .....	\$ 33,092	\$ 26,889
	=====	=====
NET INCOME PER COMMON SHARE -- BASIC:		
Income before extraordinary item .....	\$ 0.55	\$ 0.45
Extraordinary item -- loss on early extinguishment of debt .....	--	--
	-----	-----
Net income .....	\$ 0.55	\$ 0.45
	=====	=====
Weighted average common shares outstanding -- basic .....	60,406	60,272
	=====	=====
NET INCOME PER COMMON SHARE -- DILUTED:		
Income before extraordinary item .....	\$ 0.55	\$ 0.45
Extraordinary item loss on early extinguishment of debt .....	--	--
	-----	-----
Net income .....	\$ 0.55	\$ 0.45
	=====	=====
Weighted average common shares outstanding -- diluted .....	60,492	60,409
	=====	=====

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

# HIGHWOODS PROPERTIES, INC.

## CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY FOR THE THREE MONTHS ENDED MARCH 31, 2000 (UNAUDITED)

(\$ IN THOUSANDS)

	NUMBER OF COMMON SHARES	COMMON STOCK	SERIES A PREFERRED	SERIES B PREFERRED	SERIES D PREFERRED
Balance at December 31, 1999 .....	60,918,613	\$621	\$125,000	\$172,500	\$100,000
Issuance of Common Stock .....	6,854	--	--	--	--
Common Stock Dividends .....	--	--	--	--	--
Preferred Stock Dividends .....	--	--	--	--	--
Deferred Compensation- restricted stock .....	22,967	--	--	--	--
Purchase of Treasury Stock .....	(1,316,700)	--	--	--	--
Net Income .....	--	--	--	--	--
Balance at March 31, 2000 .....	59,631,734	\$621	\$125,000	\$172,500	\$100,000
	=====	=====	=====	=====	=====

	TREASURY STOCK	ADDITIONAL PAID-IN CAPITAL	DEFERRED COMPENSATION	RETAINED EARNINGS (DISTRIBUTIONS IN EXCESS OF NET EARNINGS)	TOTAL
Balance at December 31, 1999 .....	\$ (25,475)	\$1,597,494	\$ --	\$ (77,670)	\$1,892,470
Issuance of Common Stock .....	--	107	--	--	107
Common Stock Dividends .....	--	--	--	(33,673)	(33,673)
Preferred Stock Dividends .....	--	--	--	(8,145)	(8,145)
Issuance of restricted stock .....	--	475	(964)	--	(489)
Purchase of Treasury Stock .....	(28,449)	--	--	--	(28,449)
Net Income .....	--	--	--	41,237	41,237
Balance at March 31, 2000 .....	\$ (53,924)	\$1,598,076	\$ (964)	\$ (78,251)	\$1,863,058
	=====	=====	=====	=====	=====

# HIGHWOODS PROPERTIES, INC.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED AND IN THOUSANDS)

	THREE MONTHS ENDED MARCH 31,	
	2000	1999
<b>OPERATING ACTIVITIES:</b>		
Net income .....	\$ 41,237	\$ 35,034
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization .....	28,328	28,156
Minority interest .....	6,020	5,826
Loss on early extinguishment of debt .....	195	--
Gain on disposition of assets .....	(6,946)	(569)
Changes in operating assets and liabilities .....	(9,507)	(18,056)
Net cash provided by operating activities .....	59,327	50,391
<b>INVESTING ACTIVITIES:</b>		
Additions to real estate assets .....	(49,066)	(122,860)
Cash paid in exchange for partnership net assets .....	--	(1,008)
Proceeds from disposition of real estate assets .....	20,666	124,463
Repayment of advances from subsidiaries .....	1,237	7,254
Other .....	(6,368)	(30,467)
Net cash used in investing activities .....	(33,531)	(22,618)
<b>FINANCING ACTIVITIES:</b>		
Distributions paid on common stock and common units .....	(38,438)	(38,072)
Dividends paid on preferred stock .....	(8,145)	(8,145)
Payment of prepayment penalties .....	(195)	--
Borrowings on mortgages and notes payable .....	72,215	4,385
Repayment of mortgages and notes payable .....	(67,334)	(3,252)
Borrowings on revolving loans .....	129,000	95,000
Payments on revolving loans .....	(88,000)	(74,000)
Net proceeds from the sale of common stock .....	107	7,850
Purchase of treasury stock and units .....	(35,301)	--
Net payment of deferred financing costs .....	(418)	(4,659)
Net cash used in financing activities .....	(36,509)	(20,893)
Net increase/(decrease) in cash and cash equivalents .....	(10,713)	6,880
Cash and cash equivalents at beginning of the period .....	34,496	31,445
Cash and cash equivalents at end of the period .....	\$ 23,783	\$ 38,325
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Cash paid for interest .....	\$ 24,583	\$ 30,207

**SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.**



**HIGHWOODS PROPERTIES, INC.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(UNAUDITED AND IN THOUSANDS)

**SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES**

The following summarizes the net assets contributed by holders of Common Units in the Operating Partnership or acquired subject to mortgage notes payable:

	THREE MONTHS ENDED MARCH 31,	
	2000	1999
ASSETS:		
Rental property and equipment, net .....	\$ 1,356	\$2,241
LIABILITIES:		
Mortgages and notes payable .....	--	--
	-----	-----
Net assets .....	\$ 1,356	\$2,241
	=====	=====

**SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.**

# HIGHWOODS PROPERTIES, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2000  
(UNAUDITED)

### 1. BASIS OF PRESENTATION

The consolidated financial statements include the accounts of the Company and the Operating Partnership and our majority controlled affiliates. All significant intercompany balances and transactions have been eliminated.

The extraordinary loss represents the write-off of loan origination fees and prepayment penalties paid on the early extinguishment of debt, net of the minority interest.

The Company has elected and expects to continue to qualify as a REIT under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended.

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement No. 133, ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES, which is required to be adopted in fiscal years beginning after June 15, 1999. In June 1999, FASB issued Statement No. 137, ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES -- DEFERRAL OF THE FASB STATEMENT NO. 133, which stipulates the required adoption date to be all fiscal years beginning after June 15, 2000. Statement No. 133 requires us to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through income. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of derivatives will either be offset against the change in fair value of the hedged assets, liabilities or firm commitments through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value will be immediately recognized in earnings. The fair market value of our derivatives is discussed in Item 2.

Minority interest in the Company represents Common Units owned by various individuals and entities and not the Company in the Operating Partnership, the entity that owns substantially all of the Company's properties and through which the Company, as the sole general partner, conducts substantially all of its operations. Per share information is calculated using the weighted average number of shares outstanding (including common share equivalents). In addition, minority interest includes equity of consolidated real estate partnerships which are owned by various individuals and entities and not the Company.

### 2. SEGMENT INFORMATION

Our sole business is the acquisition, development and operation of rental real estate properties. We operate office, industrial and retail properties and apartment units. There are no material inter-segment transactions.

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

The accounting policies of the segments are the same as those described in note 1. Further, all operations are within the United States and no tenant comprises more than 10% of consolidated revenues. The following table summarizes the rental income, net operating income and assets for each reportable segment for the quarter ended March 31, 2000 and 1999.

	THREE MONTHS ENDED MARCH 31,	
	2000	1999
	(IN THOUSANDS)	
RENTAL INCOME:		
Office segment .....	\$ 109,837	\$ 121,208
Industrial segment .....	13,115	13,054
Retail segment .....	8,395	7,568
Apartment segment .....	4,554	4,891
	-----	-----
TOTAL RENTAL INCOME .....	\$ 135,901	\$ 146,721
	=====	=====
NET OPERATING INCOME:		
Office segment .....	\$ 76,723	\$ 82,709
Industrial segment .....	10,851	10,943
Retail segment .....	6,049	5,069
Apartment segment .....	2,817	2,655
	-----	-----
TOTAL NET OPERATING INCOME .....	\$ 96,440	\$ 101,376
Reconciliation to income before minority interest and extraordinary item:		
Equity in income of unconsolidated affiliates .....	943	197
Gain on disposition of assets .....	6,946	569
Interest and other income .....	4,315	5,287
Interest expense .....	(27,768)	(32,620)
General and administrative expenses .....	(5,096)	(5,793)
Depreciation and amortization .....	(28,328)	(28,156)
	-----	-----
Income before minority interest and extraordinary item .....	\$ 47,452	\$ 40,860
	=====	=====
TOTAL ASSETS:		
Office segment .....	\$2,996,001	\$3,229,735
Industrial segment .....	438,389	490,452
Retail segment .....	272,664	256,869
Apartment segment .....	115,387	136,339
Corporate and other .....	198,910	195,699
	-----	-----
TOTAL ASSETS .....	\$4,021,351	\$4,309,094
	=====	=====

### 3. LEGAL CONTINGENCIES

On October 2, 1998, John Flake, a former stockholder of J.C. Nichols, filed a putative class action lawsuit on behalf of himself and the other former stockholders of J.C. Nichols in the United States District Court for the District of Kansas against J.C. Nichols, certain of its former officers and directors and the Company. The complaint alleges, among other things, that in connection with the merger of J.C. Nichols and the Company (1) J.C. Nichols and the named directors and officers of J.C. Nichols breached their fiduciary duties to J.C. Nichols' stockholders, (2) J.C. Nichols and the named directors and officers of J.C. Nichols breached their fiduciary duties to members of the J.C. Nichols Company Employee Stock Ownership Trust, (3) all defendants participated in the dissemination of a proxy statement containing materially false and misleading statements and omissions of material facts in violation of Section 14(a) of the Securities Exchange Act of 1934 and (4) the Company filed a registration statement with the SEC containing materially false and misleading statements and omissions of material facts in violation of Sections 11 and 12(2) of the Securities Act of 1933. The plaintiff seeks equitable relief and monetary damages. We believe that the defendants have meritorious defenses to the plaintiffs' allegations and intend to vigorously defend this litigation. By order dated June 18, 1999, the court granted in part and denied in part our motion to dismiss. The court has granted the plaintiff's motion seeking certification of the proposed class of plaintiffs with respect to the remaining claims. Discovery in this matter has now been completed, and we are seeking summary judgment and dismissal of all claims asserted by the plaintiff. Plaintiff John Flake passed away on or about April 2, 2000, and plaintiff's counsel has moved to substitute his estate as the representative plaintiff in this action. We do not oppose that motion. Due to the inherent uncertainties of

the litigation process and the judicial system, we are not able to predict the outcome of this litigation. At this time we do not expect the result of this litigation to have a material adverse effect on our business, financial condition and results of operations.

## **ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following discussion should be read in conjunction with all of the financial statements appearing elsewhere in the report. The following discussion is based primarily on the consolidated financial statements of the Company.

### **RESULTS OF OPERATIONS**

**THREE MONTHS ENDED MARCH 31, 2000.** Revenues from rental operations decreased \$10.8 million, or 7.4%, from \$146.7 million for the three months ended March 31, 1999 to \$135.9 million for the comparable period in 2000. The decrease is primarily a result of the disposition of 8.0 million square feet of majority owned office, industrial and retail properties and 418 apartment units, offset in part by the completion of 3.6 million square feet of development activity during the last nine months of 1999 and the first three months of 2000. Our in-service portfolio decreased from 43.6 million square feet at March 31, 1999 to 40.2 million square feet at March 31, 2000. However, same property revenues, which are the revenues of the 526 in-service properties owned on January 1, 1999, increased 3.0% for the three months ended March 31, 2000, compared to the same three months of 1999.

During the three months ended March 31, 2000, 277 leases representing 2.2 million square feet of office, industrial and retail space were executed at an average rate per square foot which was 6.8% higher than the average rate per square foot on the expired leases.

Interest and other income decreased \$1.0 million, or 18.9%, from \$5.3 million for the three months ended March 31, 1999 to \$4.3 million for the comparable period in 2000. The decrease was a result of lower cash balances in 2000.

Rental operating expenses decreased \$5.8 million, or 12.8%, from \$45.3 million for the three months ended March 31, 1999 to \$39.5 million for the comparable period in 2000. The decrease is a result of the disposition of 8.0 million square feet of majority owned office, industrial and retail properties and 418 apartment units, offset in part by the completion of 3.6 million square feet of development activity during the last nine months of 1999 and the first three months of 2000. Rental operating expenses as a percentage of related revenues decreased from 30.9% for the three months ended March 31, 1999 to 29.0% for the comparable period in 2000.

Depreciation and amortization for the three months ended March 31, 2000 and 1999 was \$28.3 million and \$28.2 million, respectively. Interest expense decreased \$4.8 million, or 14.7%, from \$32.6 million for the three months ended March 31, 1999 to \$27.8 million for the comparable period in 2000. The decrease is attributable to the decrease in the outstanding debt for the entire quarter. Interest expense for the three months ended March 31, 2000 and 1999 included \$721,000 and \$778,000 of amortization of non-cash deferred financing costs and the costs related to the Company's interest rate hedge contracts. General and administrative expenses decreased from 3.8% of total revenue for the three months ended March 31, 1999 to 3.6% for the comparable period in 2000.

Net income before minority interest and extraordinary item equaled \$47.5 million and \$40.9 million for the three months ended March 31, 2000 and 1999, respectively. The Company's net income allocated to minority interest totaled \$6.0 million and \$5.8 million for the three months ended March 31, 2000 and 1999, respectively. The Company recorded \$8.1 million in preferred stock dividends for the three months ended March 31, 2000 and 1999.

### **LIQUIDITY AND CAPITAL RESOURCES**

**STATEMENT OF CASH FLOWS.** For the three months ended March 31, 2000, cash provided by operating activities increased by \$8.9 million, or 17.7%, to \$59.3 million, as compared to \$50.4 million for the same period in 1999. The increase is primarily due to the decrease in the payment of real estate taxes as a result of the dispositions in 1999 and 2000. Cash used for investing activities increased by \$10.9 million, to \$33.5 million, for the

first three months of 2000, as compared to \$22.6 million for the same period in 1999. The increase is due to a decline in disposition activity during the first three months of 2000 as compared to the same period in 1999 offset by the decrease in additions to real estate assets from 1999 to 2000. Cash used in financing activities increased by \$15.6 million to \$36.5 million for the first three months of 2000, as compared to \$20.9 million for the same period in 1999. Payments of distributions increased by \$366,000 to \$38.4 million for the first three months of 2000, as compared with \$38.1 million for the same period in 1999. The increase is due to a 3% increase in the distribution rate. Preferred stock dividend payments were \$8.1 million for the first three months of 2000 and 1999.

**CAPITALIZATION.** The Company's total indebtedness at March 31, 2000 totaled \$1.8 billion and was comprised of \$587.0 million of secured indebtedness with a weighted average interest rate of 7.9% and \$1.2 billion of unsecured indebtedness with a weighted average interest rate of 7.3%. Except as stated below, all of the mortgage and notes payable outstanding at March 31, 2000 were either fixed rate obligations or variable rate obligations covered by interest rate hedge contracts. A portion of our Revolving Loan and approximately \$39.0 million of floating rate notes payable assumed upon consummation of the merger with J.C. Nichols were not covered by interest rate hedge contracts on March 31, 2000.

Based on the Company's total market capitalization of \$3.7 billion at March 31, 2000, (at the March 31, 2000 stock price of \$21.38 and assuming the redemption for shares of Common Stock of the 9.0 million Common Units of minority interest in the Operating Partnership), the Company's debt represented approximately 49.0% of its total market capitalization.

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

The following table sets forth information regarding our interest rate hedge contracts as of March 31, 2000 (\$ in thousands):

TYPE OF HEDGE	NOTIONAL AMOUNT	MATURITY DATE	REFERENCE RATE	FIXED RATE	FAIR MARKET VALUE
Swap	\$20,339	6/10/02	1-Month LIBOR + 0.75%	6.95%	\$ (323)
Collar	80,000	10/15/01	1-Month LIBOR	5.60 - 6.25%	720

We enter into swaps, collars and caps to limit our exposure to an increase in variable interest rates, particularly with respect to amounts outstanding under our Revolving Loan. The interest rate on all of our variable rate debt is adjusted at one- and three-month intervals, subject to settlements under these contracts. We also enter into treasury lock agreements from time to time in order to limit our exposure to an increase in interest rates with respect to future debt offerings.

In addition, we are exposed to certain losses in the event of nonperformance by the counterparties under the interest rate hedge contracts. We expect the counterparties, which are major financial institutions, to perform fully under these contracts. However, if the counterparties were to default on their obligations under the interest rate hedge contracts, we could be required to pay the full rates on our debt, even if such rates were in excess of the rates in the contracts.

**CURRENT AND FUTURE CASH NEEDS.** Historically, rental revenue has been the principal source of funds to pay operating expenses, debt service, stockholder distributions and capital expenditures, excluding nonrecurring capital expenditures. In addition, construction management, maintenance, leasing and management fees have provided sources of cash flow. We presently have no plans for major capital improvements to the existing in-service properties, other than normal recurring building improvements, tenant improvements and lease commissions. We expect to meet our short-term liquidity requirements generally through working capital and net cash provided by operating activities along with the Revolving Loan.

Our short-term (within the next 12 months) liquidity needs also include, among other things, the funding of approximately \$152.9 million of our existing development activity. We expect to fund our short-term liquidity needs through a combination of:

- o additional borrowings under our Revolving Loan (approximately \$175 million was available as of March 31, 2000);
- o the issuance of secured debt;
- o the selective disposition of non-core assets; and
- o the sale or contribution of some of our wholly owned properties to strategic joint ventures to be formed with selected partners interested in investing with us, which will have the net effect of generating additional capital through such sale or contributions.

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

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

**DISTRIBUTIONS TO STOCKHOLDERS.** In order to qualify as a REIT for Federal income tax purposes, the Company is required to make distributions to its stockholders of at least 95% of REIT taxable income. The Company expects to use its cash flow from operating activities for distributions to stockholders and for payment of recurring, non-incremental revenue-generating expenditures. The following factors will affect cash flows from operating activities and, accordingly, influence the decisions of the Board of Directors regarding distributions: (1) debt service requirements after taking into account the repayment and restructuring of certain indebtedness; (2) scheduled increases in base rents of existing leases; (3) changes in rents attributable to the renewal of existing leases or replacement leases; (4) changes in occupancy rates at existing properties and procurement of leases for newly acquired or developed properties; and (5) operating expenses and capital replacement needs.

## **RECENT DEVELOPMENTS**

**STOCK REPURCHASE.** From January 1, 2000 to May 4, 2000, the Company repurchased 1,739,949 shares of Common Stock and Common Units at a weighted average price of \$21.77 per share/unit, for a total purchase price of \$37.9 million.

**PENDING DISPOSITION ACTIVITY.** We currently have 3.3 million rentable square feet of properties under contract for sale in various transactions totaling \$259.7 million. Additionally, 563,000 rentable square feet of properties are under various letters of intent for sale at \$77.3 million. These transactions are subject to customary closing conditions, including due diligence and documentation, and are expected to close during the second and third quarters of 2000. However, we can provide no assurance that all or parts of these transactions will be consummated.

We expect to use a portion of the net proceeds from our recent and pending disposition activity to reinvest in tax-deferred exchange transactions under

Section 1031 of the Internal Revenue Code. We expect to reinvest a portion of the net proceeds from pending disposition activity to acquire in tax-deferred exchange transactions in-service properties, development land and development projects located in core markets and in sub-markets where we have a strong presence. For an exchange to qualify for tax-deferred treatment under Section 1031, the

net proceeds from the sale of a property must be held by an escrow agent until applied toward the purchase of real estate qualifying for gain deferral. Given the competition for properties meeting our investment criteria, there may be some delay in reinvesting such proceeds. Delays in reinvesting such proceeds will reduce our income from operations. In addition, the use of net proceeds from dispositions to fund development activity, either through direct payments or repayment of borrowings under our Revolving Loan, will reduce our income from operations until such development projects are placed in service.

## **POSSIBLE ENVIRONMENTAL LIABILITIES**

In connection with owning or operating our properties, we may be liable for certain costs due to possible environmental liabilities. Under various laws, ordinances and regulations, such as the Comprehensive Environmental Response Compensation and Liability Act, and common law, an owner or operator of real estate is liable for the costs to remove or remediate certain hazardous or toxic chemicals or substances on or in the property. Owners or operators are also liable for certain other costs, including governmental fines and injuries to persons and property. Such laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the presence of the hazardous or toxic chemicals or substances. The presence of such substances, or the failure to remediate such substances properly, may adversely affect the owner's or operator's ability to sell or rent such property or to borrow using such property as collateral. Persons who arrange for the disposal, treatment or transportation of hazardous or toxic chemicals or substances may also be liable for the same types of costs at a disposal, treatment or storage facility, whether or not that person owns or operates that facility.

Certain environmental laws also impose liability for releasing asbestos-containing materials. Third parties may seek recovery from owners or operators of real property for personal injuries associated with asbestos-containing materials. A number of our properties have asbestos-containing materials or material that we presume to be asbestos-containing materials. In connection with owning and operating our properties, we may be liable for such costs.

In addition, it is not unusual for property owners to encounter on-site contamination caused by off-site sources. The presence of hazardous or toxic chemicals or substances at a site close to a property could require the property owner to participate in remediation activities or could adversely affect the value of the property. Contamination from adjacent properties has migrated onto at least three of our properties; however, based on current information, we do not believe that any significant remedial action is necessary at these affected sites.

As of the date hereof, we have obtained Phase I environmental assessments (and, in certain instances, Phase II environmental assessments) on substantially all of our in-service properties. These assessments have not revealed, nor are we aware of, any environmental liability at our properties that we believe would materially adversely affect our financial position, operations or liquidity taken as a whole. This projection, however, could be incorrect depending on certain factors. For example, material environmental liabilities may have arisen after the assessments were performed or our assessments may not have revealed all environmental liabilities or may have underestimated the scope and severity of environmental conditions observed. There may also be unknown environmental liabilities at properties for which we have not obtained a Phase I environmental assessment or have not yet obtained a Phase II environmental assessment. In addition, we base our assumptions regarding environmental conditions, including groundwater flow and the existence and source of contamination, on readily available sampling data. We cannot guarantee that such data is reliable in all cases. Moreover, we cannot provide any assurances (1) that future laws, ordinances or regulations will not impose a material environmental liability or (2) that tenants, the condition of land or operations in the vicinity of our properties or unrelated third parties will not affect the current environmental condition of our properties.

Some tenants use or generate hazardous substances in the ordinary course of their respective businesses. In their leases, we require these tenants to comply with all applicable laws and to be responsible to us for any damages resulting from their use of the property. We are not aware of any material environmental problems resulting from tenants' use or generation of hazardous or toxic chemicals or substances. We cannot provide any assurances, however, that all tenants will comply with the terms of their leases or remain solvent. If tenants do not comply or do not remain solvent, we may at some point be responsible for contamination caused by such tenants.

## **IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS**

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement No. 133, ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES, which is required to be adopted in fiscal years beginning after June 15, 1999. In June 1999, FASB issued Statement No. 137, ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES -- DEFERRAL OF THE FASB STATEMENT NO. 133, which stipulates the required adoption date to be all fiscal years beginning after June 15, 2000. Statement No. 133 requires us to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through income. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of derivatives will either be offset against the change in fair value of the hedged assets, liabilities or firm commitments through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value will be immediately recognized in earnings. The fair market value of our derivatives is discussed in Item 2.

## **COMPLIANCE WITH THE AMERICANS WITH DISABILITIES ACT**

Under the Americans with Disabilities Act (the "ADA"), all public accommodations and commercial facilities are required to meet certain federal requirements related to access and use by disabled persons. These requirements became effective in 1992. Compliance with the ADA requirements could require removal of access barriers, and noncompliance could result in imposition of fines by the U.S. government or an award of damages to private litigants. Although we believe that our properties are substantially in compliance with these requirements, we may incur additional costs to comply with the ADA. Although we believe that such costs will not have a material adverse effect on us, if required changes involve a greater expenditure than we currently anticipate, our results of operations, liquidity and capital resources could be materially adversely affected.

## **FUNDS FROM OPERATIONS AND CASH AVAILABLE FOR DISTRIBUTIONS**

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

FFO equals net income (computed in accordance with generally accepted accounting principles ("GAAP")) excluding gains (or losses) from debt restructuring and sales of property, plus depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. In March 1995, the National Association of Real Estate Investment Trusts ("NAREIT") issued a clarification of the definition of FFO. The clarification provides that amortization of deferred financing costs and depreciation of non-real estate assets are no longer to be added back to net income in arriving at FFO. In October 1999, NAREIT issued an additional clarification effective as of January 1, 2000 stipulating that FFO should include both recurring and non-recurring operating results. Consistent with this clarification, non-recurring items that are not defined as "extraordinary" under GAAP will be reflected in the calculation of FFO. Gains and losses from the sale of depreciable operating property will continue to be excluded from the calculation of FFO.

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



FFO and Cash available for distribution for the three month periods ended March 31, 2000 and 1999 are summarized in the following table (in thousands):

	THREE MONTHS ENDED MARCH 31,	
	2000	1999
FUNDS FROM OPERATIONS:		
Income before minority interest and extraordinary item .....	\$ 47,452	\$ 40,860
Add/(Deduct):		
Dividends on preferred stock .....	(8,145)	(8,145)
Gain on disposition of assets .....	(6,946)	(569)
Depreciation and amortization .....	28,328	28,156
Depreciation on unconsolidated affiliates .....	878	477
FUNDS FROM OPERATIONS BEFORE MINORITY INTEREST .....	61,567	60,779
CASH AVAILABLE FOR DISTRIBUTION:		
Add/(Deduct):		
Rental income from straight-line rents .....	(3,800)	(3,985)
Amortization of deferred financing costs .....	721	778
Non-incremental revenue generating capital expenditures (1):		
Building improvements paid .....	(1,369)	(1,518)
Second generation tenant improvements paid .....	(4,782)	(6,009)
Second generation lease commissions paid .....	(3,131)	(3,531)
CASH AVAILABLE FOR DISTRIBUTION .....	\$ 49,206	\$ 46,514
Weighted average common shares/common units outstanding -- basic (2) .....	69,256	70,114
Weighted average common shares/common units outstanding -- diluted (2) .....	69,341	70,251
DIVIDEND PAYOUT RATIOS:		
Funds from operations .....	62.5%	62.4%
Cash available for distribution .....	78.2%	81.6%

(1) Amounts represent cash expenditures.

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

On April 24, 2000, the Company's Board of Directors declared a cash dividend for the first quarter ended March 31, 2000 of \$.555 per share (\$2.22 on an annualized basis) payable on May 17, 2000 to stockholders of record on May 4, 2000.

## DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

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

- o our markets could suffer unexpected increases in development of office, industrial and retail properties;
- o the financial condition of our tenants could deteriorate;
- o the costs of our development projects could exceed our original estimates;

o we may not be able to complete development, acquisition, reinvestment, disposition or joint venture projects as quickly or on as favorable terms as anticipated;

o we may not be able to lease or release space quickly or on as favorable terms as old leases;

o we may have incorrectly assessed the environmental condition of our properties;

o an unexpected increase in interest rates would increase our debt service costs;

o we may not be able to continue to meet our long-term liquidity requirements on favorable terms;

o we could lose key executive officers; and

o our southeastern markets may suffer an unexpected decline in economic growth or increase in unemployment rates.

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

## PROPERTY INFORMATION

The following table sets forth certain information with respect to our majority owned in-service and development properties (excluding apartment units) as of March 31, 2000 and 1999:

MARCH 31, 2000	RENTABLE SQUARE FEET	PERCENT LEASED/ PRE-LEASED
-----	-----	-----
IN-SERVICE:		
Office .....	27,517,000	94%
Industrial .....	11,153,000	93%
Retail .....	1,543,000	95%
	-----	---
Total or Weighted Average .....	40,213,000	94%
	=====	==
REDEVELOPMENT:		
Office .....	N/A	N/A
Industrial .....	N/A	N/A
	-----	---
Total or Weighted Average .....	N/A	N/A
	=====	====
DEVELOPMENT:		
COMPLETED -- NOT STABILIZED		
Office .....	1,745,000	69%
Industrial .....	297,000	60%
Retail .....	180,000	94%
	-----	---
Total or Weighted Average .....	2,222,000	70%
	=====	====
IN PROCESS		
Office .....	1,101,000	78%
Industrial .....	284,000	57%
Retail .....	--	--
	-----	---
Total or Weighted Average .....	1,385,000	74%
	=====	====
TOTAL:		
Office .....	30,363,000	
Industrial .....	11,734,000	
Retail .....	1,723,000	
	-----	
Total .....	43,820,000	
	=====	
MARCH 31, 1999		
-----		
IN-SERVICE:		
Office .....	30,032,000	94%
Industrial .....	11,883,000	91%
Retail .....	1,661,000	91%
	-----	---
Total or Weighted Average .....	43,576,000	93%
	=====	====
REDEVELOPMENT:		
Office .....	207,000	49%
Industrial .....	194,000	1%
	-----	---
Total or Weighted Average .....	401,000	26%
	=====	====
DEVELOPMENT:		
COMPLETED -- NOT STABILIZED		
Office .....	1,564,000	79%
Industrial .....	777,000	87%
Retail .....	--	--
	-----	---
Total or Weighted Average .....	2,341,000	82%
	=====	====
IN PROCESS		
Office .....	3,764,000	64%
Industrial .....	131,000	50%
Retail .....	200,000	65%
	-----	---
Total or Weighted Average .....	4,095,000	63%
	=====	====
TOTAL:		
Office .....	35,567,000	
Industrial .....	12,985,000	
Retail .....	1,861,000	
	-----	
Total .....	50,413,000	
	=====	



The following table sets forth certain information with respect to our properties under development as of March 31, 2000 (\$ in thousands):

## IN-PROCESS

NAME	LOCATION	RENTABLE SQUARE FEET	ESTIMATED COSTS
-----			
OFFICE:			
Genus	Orlando	30,000	\$ 3,307
iXL	Richmond	59,000	7,153
Intermedia Building 4	Tampa	211,000	29,773
ECPI Build-to-suit	Piedmont Triad	30,000	3,020
Jones Apparel Expansion	Piedmont Triad	209,000	6,071
Deerfield III	Atlanta	54,000	5,276
Highwoods Plaza	Tampa	66,000	7,505
Intermedia Building 5	Tampa	185,000	27,633
Maplewood	Research Triangle	36,000	3,901
Highwoods Centre @ Peachtree Corners III	Atlanta	54,000	5,140
Highwoods Tower II	Research Triangle	167,000	25,134
-----			
In-Process Office Total or Weighted Average		1,101,000	\$123,913
=====			
INDUSTRIAL:			
Bluegrass Valley I	Atlanta	135,000	\$ 5,664
ALO	Piedmont Triad	27,000	1,055
Tradeport Place III	Atlanta	122,000	4,780
-----			
In-Process Industrial Total or Weighted Average		284,000	\$ 11,499
=====			
Total or Weighted Average of all In-Process Development Projects		1,385,000	\$135,412
=====			

NAME	COST AT 3/31/00	PRE-LEASING PERCENTAGE (1)	ESTIMATED COMPLETION	ESTIMATED STABILIZATION (2)
-----				
OFFICE:				
Genus	\$ 667	100%	3Q00	3Q00
iXL	1,448	100%	3Q00	3Q00
Intermedia Building 4	10,333	100%	3Q00	3Q00
ECPI Build-to-suit	1,018	100%	3Q00	4Q00
Jones Apparel Expansion	--	100%	4Q00	4Q00
Deerfield III	1,010	28%	4Q00	3Q01
Highwoods Plaza	811	20%	4Q00	3Q01
Intermedia Building 5	3,231	100%	3Q01	3Q01
Maplewood	266	0%	1Q01	1Q02
Highwoods Centre @ Peachtree Corners III	1,085	0%	2Q01	2Q02
Highwoods Tower II	2,875	72%	1Q01	2Q02
-----				
In-Process Office Total or Weighted Average	\$22,744	78%		
=====				
INDUSTRIAL:				
Bluegrass Valley I	\$ 3,630	100%	2Q00	2Q00
ALO	675	100%	2Q00	2Q00
Tradeport Place III	730	0%	4Q00	4Q01
-----				
In-Process Industrial Total or Weighted Average	\$ 5,035	57%		
=====				
Total or Weighted Average of all In-Process Development Projects	\$27,779	74%		
=====				

(1) Includes the effect of letters of intent.

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



# COMPLETED -- NOT STABILIZED

NAME	LOCATION	RENTABLE SQUARE FEET	ESTIMATED COSTS
-----			
OFFICE:			
Parkway Plaza 14	Charlotte	90,000	\$ 7,690
Belfort Park C1	Jacksonville	50,000	4,830
Belfort Park C2	Jacksonville	36,000	2,730
4101 Research Commons	Research Triangle	73,000	9,311
Stony Point II	Richmond	140,000	13,881
Deerfield II	Atlanta	67,000	6,994
Highwoods Center II @ Tradeport	Atlanta	54,000	4,825
Highwoods Centre @ Peachtree Corners II	Atlanta	109,000	9,238
3737 Glenwood Ave.	Research Triangle	108,000	16,700
Mallard Creek V	Charlotte	118,000	12,262
Valencia Place	Kansas City	241,000	34,850
Lakeview Ridge III	Nashville	131,000	13,100
Lakepoint II	Tampa	225,000	30,874
Capital Plaza	Orlando	303,000	53,000
		-----	-----
Completed-Not Stabilized Office Total or Weighted Average		1,745,000 =====	\$220,285 =====
INDUSTRIAL:			
HIW Distribution Center	Richmond	166,000	\$ 6,487
Newpoint II	Atlanta	131,000	5,167
		-----	-----
Completed-Not Stabilized Industrial Total or Weighted Average		297,000 =====	\$ 11,654 =====
RETAIL:			
Seville Square	Kansas City	99,000	\$ 21,000
Valencia Place	Kansas City	81,000	16,650
		-----	-----
Completed-Not Stabilized Retail Total or Weighted Average		180,000 =====	\$ 37,650 =====
Total or Weighted Average of all Completed-Not Stabilized Development Projects		2,222,000 =====	\$269,589 =====
Total or Weighted Average of all Development Projects		3,607,000 =====	\$405,001 =====

NAME	COST AT 3/31/00	PRE-LEASING PERCENTAGE(1)	ESTIMATED COMPLETION	ESTIMATED STABILIZATION(2)
-----				
OFFICE:				
Parkway Plaza 14	\$ 6,988	76%	2Q99	2Q00
Belfort Park C1	2,056	50%	3Q99	2Q00
Belfort Park C2	2,721	0%	3Q99	2Q00
4101 Research Commons	8,427	71%	3Q99	2Q00
Stony Point II	13,011	78%	2Q99	2Q00
Deerfield II	4,927	100%	3Q99	3Q00
Highwoods Center II @ Tradeport	4,456	100%	3Q99	3Q00
Highwoods Centre @ Peachtree Corners II	6,955	60%	3Q99	3Q00
3737 Glenwood Ave.	17,340	82%	3Q99	3Q00
Mallard Creek V	11,001	49%	4Q99	4Q00
Valencia Place	25,140	84%	1Q00	4Q00
Lakeview Ridge III	11,433	71%	2Q99	4Q00
Lakepoint II	25,236	90%	4Q99	4Q00
Capital Plaza	28,960	42%	1Q00	4Q01
		-----	---	
Completed-Not Stabilized Office Total or Weighted Average		\$168,651 =====	69% ===	
INDUSTRIAL:				
HIW Distribution Center	\$ 6,559	82%	2Q99	2Q00
Newpoint II	4,999	33%	3Q99	4Q00

Completed-Not Stabilized	-----	---		----
Industrial Total or Weighted				
Average	\$ 11,558	60%		
	=====	===		
RETAIL:				
Seville Square	\$ 20,831	100%	2Q99	3Q00
Valencia Place	8,450	86%	1Q00	4Q00
	-----	---		
Completed-Not Stabilized				
Retail Total or Weighted				
Average	\$ 29,281	94%		
	=====	===		
Total or Weighted Average of				
all Completed-Not Stabilized				
Development Projects	\$209,490	70%		
	=====	===		
Total or Weighted Average of				
all Development Projects	\$237,269	72%		
	=====	===		

---

(1) Includes the effect of letters of intent.

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



DEVELOPMENT ANALYSIS	RENTABLE SQUARE FEET	ESTIMATED COSTS	PRE-LEASING PERCENTAGE (1)
	-----	-----	-----
	(\$ IN THOUSANDS)		
SUMMARY BY ESTIMATED STABILIZATION DATE:			
Second Quarter 2000 .....	717,000	\$ 51,648	77%
Third Quarter 2000 .....	737,000	98,990	91%
Fourth Quarter 2000 .....	1,166,000	121,994	78%
Third Quarter 2001 .....	305,000	40,414	65%
Fourth Quarter 2001 .....	425,000	57,780	30%
First Quarter 2002 .....	36,000	3,901	0%
Second Quarter 2002 .....	221,000	30,274	54%
	-----	-----	---
Total or Weighted Average .....	3,607,000	\$405,001	72%
	=====	=====	==
SUMMARY BY MARKET:			
Atlanta .....	726,000	\$ 47,084	50%
Charlotte .....	208,000	19,952	61%
Jacksonville .....	86,000	7,560	29%
Kansas City .....	421,000	72,500	88%
Nashville .....	131,000	13,100	71%
Orlando .....	333,000	56,307	47%
Piedmont Triad .....	266,000	10,146	100%
Research Triangle .....	384,000	55,046	68%
Richmond .....	365,000	27,521	83%
Tampa .....	687,000	95,785	89%
	-----	-----	---
Total or Weighted Average .....	3,607,000	\$405,001	72%
	=====	=====	==
Build-to-Suit .....	751,000	\$ 78,012	100%
Multi-tenant .....	2,856,000	326,989	64%
	-----	-----	---
Total or Weighted Average .....	3,607,000	\$405,001	72%
	=====	=====	==

	RENTABLE SQUARE FEET	ESTIMATED COSTS	PRE-LEASING(1)
	-----	-----	-----
	(\$ IN THOUSANDS)		
PER PROPERTY TYPE:			
Office .....	113,840	\$13,768	73%
Industrial .....	116,200	4,631	59%
Retail .....	90,000	18,825	94%
	-----	-----	---
All .....	112,719	\$12,656	72%
	=====	=====	==

(1) Includes the effect of letters of intent.

The following tables set forth certain information about our leasing activities at our majority-owned in service properties (excluding apartment units) for the three months ended March 31, 2000 and December 31, September 30 and June 30, 1999.

OFFICE LEASING STATISTICS THREE MONTHS ENDED					
	3/31/00	12/31/99	9/30/99	6/30/99	AVERAGE
NET EFFECTIVE RENTS RELATED TO RE-LEASED SPACE:					
Number of lease transactions (signed leases)	207	251	234	290	246
Rentable square footage leased	931,686	1,337,611	1,015,789	1,326,838	1,152,981
Average per rentable square foot over the lease term:					
Base rent	\$ 17.04	\$ 17.28	\$ 14.61	\$ 15.60	\$ 16.13
Tenant improvements	( 1.07)	( 0.90)	( 0.70)	( 0.84)	( 0.88)
Leasing commissions	( 0.40)	( 0.36)	( 0.38)	( 0.38)	( 0.38)
Rent concessions	( 0.04)	( 0.04)	( 0.03)	( 0.03)	( 0.04)
Effective rent	15.53	15.98	13.50	14.35	14.83
Expense stop(1)	( 5.00)	( 5.09)	( 3.92)	( 4.21)	( 4.56)
Equivalent effective net rent	\$ 10.53	\$ 10.89	\$ 9.58	\$ 10.14	\$ 10.27
Average term in years	4	5	4	4	4
CAPITAL EXPENDITURES RELATED TO RE-LEASED SPACE:					
Tenant Improvements:					
Total dollars committed under signed leases	\$4,756,023	\$6,224,907	\$3,602,102	\$5,073,153	\$4,914,046
Rentable square feet	931,686	1,337,611	1,015,789	1,326,838	1,152,981
Per rentable square foot	\$ 5.10	\$ 4.65	\$ 3.55	\$ 3.82	\$ 4.26
LEASING COMMISSIONS:					
Total dollars committed under signed leases	\$1,505,559	\$2,151,399	\$1,560,041	\$2,230,915	\$1,861,978
Rentable square feet	931,686	1,337,611	1,015,789	1,326,838	1,152,981
Per rentable square foot	\$ 1.62	\$ 1.61	\$ 1.54	\$ 1.68	\$ 1.61
TOTAL:					
Total dollars committed under signed leases	\$6,261,582	\$8,376,306	\$5,162,143	\$7,304,068	\$6,776,024
Rentable square feet	931,686	1,337,611	1,015,789	1,326,838	1,152,981
Per rentable square foot	\$ 6.72	\$ 6.26	\$ 5.08	\$ 5.50	\$ 5.88
RENTAL RATE TRENDS:					
Average final rate with expense pass throughs	\$ 15.79	\$ 16.96	\$ 14.09	\$ 15.20	\$ 15.51
Average first year cash rental rate	\$ 16.76	\$ 17.16	\$ 14.93	\$ 15.61	\$ 16.11
Percentage increase	6.11%	1.16%	5.94%	2.70%	3.88%

(1) "Expense stop" represents operating expenses (generally including taxes, utilities, routine building expense and common area maintenance) for which we will not be reimbursed by our tenants.

INDUSTRIAL LEASING STATISTICS  
THREE MONTHS ENDED

	3/31/00	12/31/99	9/30/99	6/30/99	AVERAGE
NET EFFECTIVE RENTS RELATED TO RE-LEASED SPACE:					
Number of lease transactions (signed leases)	66	64	50	63	61
Rentable square footage leased	1,305,697	543,522	815,044	589,835	813,525
Average per rentable square foot over the lease term:					
Base rent	\$ 4.34	\$ 5.85	\$ 4.86	\$ 5.55	\$ 5.15
Tenant improvements	(0.19)	(0.38)	(0.14)	(0.37)	(0.27)
Leasing commissions	(0.11)	(0.11)	(0.10)	(0.22)	(0.14)
Rent concessions	--	(0.01)	--	(0.01)	(0.01)
Effective rent	4.04	5.35	4.62	4.95	4.73
Expense stop(1)	(0.14)	(0.39)	(0.18)	(0.28)	(0.25)
Equivalent effective net rent	\$ 3.90	\$ 4.96	\$ 4.44	\$ 4.67	\$ 4.48
Average term in years	5	4	3	4	4
CAPITAL EXPENDITURES RELATED TO RE-LEASED SPACE:					
TENANT IMPROVEMENTS:					
Total dollars committed under signed leases	\$ 966,338	\$1,042,852	\$692,497	\$1,064,618	\$ 941,576
Rentable square feet	1,305,697	543,522	815,044	589,835	813,525
Per rentable square foot	\$ 0.74	\$ 1.92	\$ 0.85	\$ 1.80	\$ 1.16
LEASING COMMISSIONS:					
Total dollars committed under signed leases	\$ 671,182	\$ 222,728	\$271,184	\$ 527,815	\$ 423,227
Rentable square feet	1,305,697	543,522	815,044	589,835	813,525
Per rentable square foot	\$ 0.51	\$ 0.41	\$ 0.33	\$ 0.89	\$ 0.52
TOTAL:					
Total dollars committed under signed leases	\$1,637,520	\$1,265,580	\$963,681	\$1,592,433	\$1,364,804
Rentable square feet	1,305,697	543,522	815,044	589,835	813,525
Per rentable square foot	\$ 1.25	\$ 2.33	\$ 1.18	\$ 2.70	\$ 1.68
RENTAL RATE TRENDS:					
Average final rate with expense pass throughs	\$ 3.91	\$ 5.50	\$ 4.63	\$ 5.17	\$ 4.80
Average first year cash rental rate	\$ 4.19	\$ 5.66	\$ 4.78	\$ 5.62	\$ 5.06
Percentage increase	6.98%	2.84%	3.39%	8.70%	5.39%

(1) "Expense stop" represents operating expenses (generally including taxes, utilities, routine building expense and common area maintainance) for which we will not be reimbursed by our tenants.

RETAIL LEASING STATISTICS  
THREE MONTHS ENDED

	3/31/00	12/31/99	9/30/99	6/30/99	AVERAGE
NET EFFECTIVE RENTS RELATED TO RE-LEASED SPACE:					
Number of lease transactions (signed leases)	20	28	19	29	24
Rentable square footage leased	37,556	85,476	70,706	159,484	88,306
Average per rentable square foot over the lease term:					
Base rent	\$ 19.81	\$ 14.54	\$ 24.58	\$ 14.48	\$ 18.35
Tenant improvements	( 0.60)	( 1.51)	( 0.66)	( 1.46)	( 1.06)
Leasing commissions	( 0.76)	( 0.59)	( 0.37)	( 0.39)	( 0.53)
Rent concessions	--	--	--	( 0.02)	( 0.01)
Effective rent	18.45	12.44	23.55	12.61	16.75
Expense stop(1)	--	--	--	--	--
Equivalent effective net rent	\$ 18.45	\$ 12.44	\$ 23.55	\$ 12.61	\$ 16.75
Average term in years	5	8	5	6	6
CAPITAL EXPENDITURES RELATED TO RE-LEASED SPACE:					
TENANT IMPROVEMENTS:					
Total dollars committed under signed leases	\$ 82,365	\$1,119,000	\$437,735	\$2,784,277	\$1,105,844
Rentable square feet	37,556	85,476	70,706	159,484	88,306
Per rentable square foot	\$ 2.19	\$ 13.09	\$ 6.19	\$ 17.46	\$ 12.52
LEASING COMMISSIONS:					
Total dollars committed under signed leases	\$145,060	\$ 397,123	\$124,241	\$ 393,991	\$ 265,104
Rentable square feet	37,556	85,476	70,706	159,484	88,306
Per rentable square foot	\$ 3.86	\$ 4.65	\$ 1.76	\$ 2.47	\$ 3.00
TOTAL:					
Total dollars committed under signed leases	\$227,425	\$1,516,123	\$561,976	\$3,178,268	\$1,370,948
Rentable square feet	37,556	85,476	70,706	159,484	88,306
Per rentable square foot	\$ 6.06	\$ 17.74	\$ 7.95	\$ 19.93	\$ 15.53
RENTAL RATE TRENDS:					
Average final rate with expense pass throughs	\$ 15.20	\$ 8.87	\$ 19.12	\$ 9.91	\$ 13.28
Average first year cash rental rate	\$ 18.68	\$ 12.41	\$ 22.30	\$ 14.20	\$ 16.90
Percentage increase	22.83%	39.86%	16.63%	43.29%	27.26%

(1) "Expense stop" represents operating expenses (generally including taxes, utilities, routine building expense and common area maintainance) for which we will not be reimbursed by our tenants.

The following tables set forth scheduled lease expirations for executed leases at our majority-owned in-service properties (excluding apartment units) as of March 31, 2000 assuming no tenant exercises renewal options.

# **OFFICE PROPERTIES:**

YEAR OF LEASE EXPIRATION	NUMBER OF LEASES	TOTAL RENTABLE SQUARE FEET EXPIRING	PERCENTAGE OF LEASED SQUARE FOOTAGE REPRESENTED BY EXPIRING LEASES	ANNUAL RENTS UNDER EXPIRING LEASES (1) (IN THOUSANDS)	AVERAGE ANNUAL RENTAL RATE PER SQUARE FOOT FOR EXPIRATIONS	PERCENTAGE OF LEASED RENTS REPRESENTED BY EXPIRING LEASES
Remainder of 2000	739	2,892,834	11.0%	\$ 47,458	\$ 16.41	11.0%
2001	616	3,647,336	13.9%	60,088	16.47	13.9%
2002	659	3,754,306	14.3%	62,286	16.59	14.5%
2003	479	3,829,634	14.6%	64,444	16.83	15.0%
2004	416	2,956,205	11.2%	50,553	17.10	11.7%
2005	185	1,952,100	7.4%	28,942	14.83	6.7%
2006	67	1,696,629	6.4%	28,321	16.69	6.6%
2007	36	951,057	3.6%	14,815	15.58	3.4%
2008	55	1,595,267	6.1%	22,416	14.05	5.2%
2009	27	1,059,043	4.0%	17,697	16.71	4.1%
2010 and thereafter	97	1,979,592	7.5%	33,952	17.15	7.9%
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	3,376	26,314,003	100.0%	\$430,972	\$ 16.38	100.0%
	=====	=====	=====	=====	=====	=====

# **INDUSTRIAL PROPERTIES:**

YEAR OF LEASE EXPIRATION	NUMBER OF LEASES	TOTAL RENTABLE SQUARE FEET EXPIRING	PERCENTAGE OF LEASED SQUARE FOOTAGE REPRESENTED BY EXPIRING LEASES	ANNUAL RENTS UNDER EXPIRING LEASES (1) (IN THOUSANDS)	AVERAGE ANNUAL RENTAL RATE PER SQUARE FOOT FOR EXPIRATIONS	PERCENTAGE OF LEASED RENTS REPRESENTED BY EXPIRING LEASES
Remainder of 2000	159	1,691,496	16.2%	\$ 8,180	\$ 4.84	15.4%
2001	155	1,916,374	18.4%	9,964	5.20	18.8%
2002	144	1,866,223	17.9%	8,508	4.56	16.0%
2003	72	870,837	8.4%	4,916	5.65	9.3%
2004	69	2,255,314	21.7%	9,843	4.36	18.6%
2005	25	398,474	3.8%	2,473	6.21	4.7%
2006	11	356,062	3.4%	2,251	6.32	4.2%
2007	8	202,648	1.9%	1,423	7.02	2.7%
2008	6	247,737	2.4%	2,006	8.10	3.8%
2009	9	375,896	3.6%	2,624	6.98	4.9%
2010 and thereafter	10	236,613	2.3%	850	3.59	1.6%
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	668	10,417,674	100.0%	\$53,038	\$ 5.09	100.0%
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(1) Annual Rents is March 2000 rental revenue (base rent plus operating expense pass throughs) multiplied by 12.

**RETAIL PROPERTIES:**

YEAR OF LEASE EXPIRATION	NUMBER OF LEASES	TOTAL RENTABLE SQUARE FEET EXPIRING	PERCENTAGE OF LEASED SQUARE FOOTAGE REPRESENTED BY EXPIRING LEASES	ANNUAL RENTS UNDER EXPIRING LEASES (1) (IN THOUSANDS)	AVERAGE ANNUAL RENTAL RATE PER SQUARE FOOT FOR EXPIRATIONS	PERCENTAGE OF LEASED RENTS REPRESENTED BY EXPIRING LEASES
Remainder of 2000	63	171,515	11.0%	\$ 2,523	\$ 14.71	8.6%
2001	49	115,552	7.4%	3,059	26.47	10.4%
2002	45	135,732	8.7%	2,333	17.19	7.9%
2003	44	117,934	7.6%	2,530	21.45	8.6%
2004	35	212,990	13.8%	2,462	11.56	8.4%
2005	27	74,184	4.8%	1,937	26.11	6.6%
2006	22	72,134	4.6%	1,645	22.80	5.6%
2007	10	52,542	3.4%	952	18.12	3.2%
2008	15	107,595	6.9%	3,421	31.80	11.6%
2009	24	174,501	11.2%	3,274	18.76	11.1%
2010 and thereafter	17	318,489	20.6%	5,337	16.76	18.0%
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	351	1,553,168	100.0%	\$29,473	\$ 18.98	100.0%
	===	=====	=====	=====	=====	=====

**TOTAL:**

YEAR OF LEASE EXPIRATION	NUMBER OF LEASES	TOTAL RENTABLE SQUARE FEET EXPIRING	PERCENTAGE OF LEASED SQUARE FOOTAGE REPRESENTED BY EXPIRING LEASES	ANNUAL RENTS UNDER EXPIRING LEASES (1) (IN THOUSANDS)	AVERAGE ANNUAL RENTAL RATE PER SQUARE FOOT FOR EXPIRATIONS	PERCENTAGE OF LEASED RENTS REPRESENTED BY EXPIRING LEASES
Remainder of 2000	961	4,755,845	12.4%	\$ 58,161	\$ 12.23	11.3%
2001	820	5,679,262	14.8%	73,111	12.87	14.3%
2002	848	5,756,261	15.0%	73,127	12.70	14.3%
2003	595	4,818,405	12.6%	71,890	14.92	14.0%
2004	520	5,424,509	14.2%	62,858	11.59	12.2%
2005	237	2,424,758	6.3%	33,352	13.75	6.5%
2006	100	2,124,825	5.6%	32,217	15.16	6.3%
2007	54	1,206,247	3.2%	17,190	14.25	3.3%
2008	76	1,950,599	5.1%	27,843	14.27	5.4%
2009	60	1,609,440	4.2%	23,595	14.66	4.6%
2010 and thereafter	124	2,534,694	6.6%	40,139	15.84	7.8%
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	4,395	38,284,845	100.0%	\$513,483	\$ 13.41	100.0%
	=====	=====	=====	=====	=====	=====

(1) Annual Rents is March 2000 rental revenue (base rent plus operating expense pass throughs) multiplied by 12.

**INFLATION**

Historically inflation has not had a significant impact on our operations because of the relatively low inflation rate in our geographic areas of operation. Most of the leases require the tenants to pay their pro rata share of increased incremental operating expenses, including common area maintenance, real estate taxes and insurance, thereby reducing our exposure to increases in operating expenses resulting from inflation. In addition, many of the leases are for terms of less than seven years, which may enable us to replace existing leases with new leases at a higher base rent if rents on the existing leases are below the market rate.

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

THE EFFECTS OF POTENTIAL CHANGES IN INTEREST RATES ARE DISCUSSED BELOW. OUR MARKET RISK DISCUSSION INCLUDES "FORWARD-LOOKING STATEMENTS" AND REPRESENTS AN ESTIMATE OF POSSIBLE CHANGES IN FAIR VALUE OR FUTURE EARNINGS THAT WOULD OCCUR ASSUMING HYPOTHETICAL FUTURE MOVEMENTS IN INTEREST RATES. THESE DISCLOSURES ARE NOT PRECISE INDICATORS OF EXPECTED FUTURE LOSSES, BUT ONLY INDICATORS OF REASONABLY POSSIBLE LOSSES. AS A RESULT, ACTUAL FUTURE RESULTS MAY DIFFER MATERIALLY FROM THOSE PRESENTED. SEE "MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS -- LIQUIDITY AND CAPITAL RESOURCES" FOR A DESCRIPTION OF OUR ACCOUNTING POLICIES AND OTHER INFORMATION RELATED TO THESE FINANCIAL INSTRUMENTS.

#### INTEREST RATE RISK

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

**CERTAIN VARIABLE RATE DEBT.** As of March 31, 2000, the Company had approximately \$228.9 million of variable rate debt outstanding that was not protected by interest rate hedge contracts. If the weighted average interest rate on this variable rate debt is 100 basis points higher or lower during the 12 months ended March 31, 2001, our interest expense would be increased or decreased approximately \$2.3 million. In addition, as of March 31, 2000, we had \$80.0 million of additional variable rate debt outstanding that was protected by an interest rate collar that effectively keeps the interest rate within a range of 65 basis points. We do not believe that a 100 basis point increase or decrease in interest rates would materially affect our interest expense with respect to this \$80.0 million of debt.

**INTEREST RATE HEDGE CONTRACTS.** For a discussion of our interest rate hedge contracts in effect at March 31, 2000, see "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources -- CAPITALIZATION." If interest rates increase by 100 basis points, the aggregate fair market value of these interest rate hedge contracts as of March 31, 2000 would increase by approximately \$1.4 million. If interest rates decrease by 100 basis points, the aggregate fair market value of these interest rate hedge contracts as of March 31, 2000 would decrease by approximately \$1.2 million.

In addition, we are exposed to certain losses in the event of nonperformance by the counterparties under the hedge contracts. We expect the counterparties, which are major financial institutions, to perform fully under these contracts. However, if the counterparties were to default on their obligations under the interest rate hedge contracts, we could be required to pay the full rates on our debt, even if such rates were in excess of the rates in the contracts.

## PART II -- OTHER INFORMATION

### Item 1. Legal Proceedings

On October 2, 1998, John Flake, a former stockholder of J.C. Nichols, filed a putative class action lawsuit on behalf of himself and the other former stockholders of J.C. Nichols in the United States District Court for the District of Kansas against J.C. Nichols, certain of its former officers and directors and the Company. The complaint alleges, among other things, that in connection with the merger of J.C. Nichols and the Company (1) J.C. Nichols and the named directors and officers of J.C. Nichols breached their fiduciary duties to J.C. Nichols' stockholders, (2) J.C. Nichols and the named directors and officers of J.C. Nichols breached their fiduciary duties to members of the J.C. Nichols Company Employee Stock Ownership Trust, (3) all defendants participated in the dissemination of a proxy statement containing materially false and misleading statements and omissions of material facts in violation of Section 14(a) of the Securities Exchange Act of 1934 and (4) the Company filed a registration statement with the SEC containing materially false and misleading statements and omissions of material facts in violation of Sections 11 and 12(2) of the Securities Act of 1933. The plaintiff seeks equitable relief and monetary damages. We believe that the defendants have meritorious defenses to the plaintiffs' allegations and intend to vigorously defend this litigation. By order dated June 18, 1999, the court granted in part and denied in part our motion to dismiss. The court has granted the plaintiff's motion seeking certification of the proposed class of plaintiffs with respect to the remaining claims. Discovery in this matter has now been completed, and we are seeking summary judgment and dismissal of all claims asserted by the plaintiff. Plaintiff John Flake passed away on or about April 2, 2000, and plaintiff's counsel has moved to substitute his estate as the representative plaintiff in this action. We do not oppose that motion. Due to the inherent uncertainties of the litigation process and the judicial system, we are not able to predict the outcome of this litigation. At this time we do not expect the result of this litigation to have a material adverse effect on our business, financial condition and results of operations.

### Item 2. Changes in Securities and Use of Proceeds -- NA

### Item 3. Defaults Upon Senior Securities -- NA

### Item 4. Submission of Matters to a Vote of Security Holders -- NA

### Item 5. Other Information -- NA

### Item 6. Exhibits and Reports on Form 8-K

#### (a) Exhibits

EXHIBIT NO.	DESCRIPTION
27	Financial Data Schedule

#### (b) Reports on Form 8-K

We filed a current report on Form 8-K dated February 24, 2000 reporting under Item 5 that the Company had repurchased shares of Common Stock and Common Units.



## 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.

### HIGHWOODS PROPERTIES, INC.

/s/ RONALD P. GIBSON

-----  
RONALD P. GIBSON  
PRESIDENT AND CHIEF EXECUTIVE OFFICER

/s/ CARMAN J. LIUZZO

-----  
CARMAN J. LIUZZO  
CHIEF FINANCIAL OFFICER  
(PRINCIPAL ACCOUNTING OFFICER)

Date: May 5, 2000

## ARTICLE 5

MULTIPLIER: 1,000

PERIOD TYPE	3 MOS
FISCAL YEAR END	DEC 31 2000
PERIOD START	JAN 01 2000
PERIOD END	MAR 31 2000
CASH	25,521
SECURITIES	0
RECEIVABLES	100,169
ALLOWANCES	842
INVENTORY	0
CURRENT ASSETS	76,750
PP&E	3,951,611
DEPRECIATION	265,941
TOTAL ASSETS	4,021,351
CURRENT LIABILITIES	104,871
BONDS	1,811,998
PREFERRED MANDATORY	0
PREFERRED	397,500
COMMON	0
OTHER SE	1,706,967
TOTAL LIABILITY AND EQUITY	4,021,351
SALES	135,901
TOTAL REVENUES	141,159
CGS	39,461
TOTAL COSTS	67,789
OTHER EXPENSES	5,096
LOSS PROVISION	0
INTEREST EXPENSE	27,768
INCOME PRETAX	41,432
INCOME TAX	0
INCOME CONTINUING	41,432
DISCONTINUED	0
EXTRAORDINARY	(195)
CHANGES	0
NET INCOME	33,092
EPS BASIC	0.55
EPS DILUTED	0.55

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