

# HIGHWOODS PROPERTIES INC

## FORM 8-K

(Unscheduled Material Events)

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

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# SECURITIES AND EXCHANGE COMMISSION

Washington, 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): July 31, 2003

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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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On July 31, 2003, 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 quarter ended June 30, 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 quarter ended June 30, 2003, a copy of which is attached hereto as as Exhibit 99.2.

## SIGNATURES

Dated: July 31, 2003



**HIGHWOODS  
PROPERTIES**  
*Celebrating 25 Years of Excellence*

**Contact:** Tabitha Zane *or* Carman Liuzzo  
Sr. Director, Investor Relations Chief Financial Officer  
919-431-1529 919-875-6605

### *Year-to-Date Asset Sales of \$83.6 Million and MG-HIW Assets Acquired*

While we are encouraged by our portfolio's results this quarter, we are still cautious in our outlook. Job growth, a prerequisite for increasing office demand, remains non-existent, the economy is weak and there is still substantial unused space in our markets. In this challenging environment, we will continue focusing our efforts on leasing space, controlling expenses and repositioning assets that generate excellent returns for our shareholders."

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## Second Quarter Highlights

- Highwoods' 36.8 million-square foot in-service portfolio was 83.4% occupied at June 30, 2003. This represents a 20 basis point increase from the first quarter of 2003.
- Second generation leasing activity in the Highwoods portfolio totaled 1.7 million square feet, 66.0% of which was in the Company's office portfolio. In the first two quarters of 2003 the Company leased 3.6 million square feet.
- Straight-line rent for office leases increased 0.9% over the comparable space straight-line rent.
- Rental revenues from continuing operations were \$105.7 million, a 2.0% decline from the second quarter of 2002 when rental revenues operations were \$107.9 million.
- On a cash basis, same property rental revenues declined 5.3% from a year ago to \$103.7 million and same property net operating income declined 8.6% for the comparable period. The decline in same property net operating income would have been 4.2% without the effect of the WorldCom lease rejection at Highwoods Preserve in Tampa.
- Cash available for distribution ("CAD") was \$25.5 million versus CAD of \$47.3 million for the second quarter of 2002. A reconciliation of second quarter CAD to GAAP net income is included in the financial tables. See also "Non-GAAP Information" below.
- The Company repurchased 648,264 common shares and partnership units at a weighted-average price of \$20.84 per unit. Since commencement of its initial share repurchase program in December 1999, Highwoods has repurchased 12.2 million shares of common stock and Highwoods Realty Limited Partnership common partnership units at a weighted-average price of \$24.02 per share/unit for a total purchase price of \$294.2 million. The Company has 5.3 million shares/units remaining under its authorized share/unit repurchase program.

## Asset Repositioning

In the second quarter, the Company sold \$30.8 million of assets including 8 office properties encompassing 342,000 square feet and 5.8 acres of land. In addition, in July the Company sold \$50.4 million of assets. Year-to-date the Company has repositioned \$83.6 million of assets and currently has assets under letter of intent or contract for sale of \$143.0 million.

The Company also announced that it has acquired the assets in the Company's MG-HIW joint venture in Atlanta, Research Triangle and Tampa, which includes 15 properties encompassing 1.3 million square feet. Miller Global HIW 20, LLC received \$28.1 million for its 80.0% interest in these properties. In addition, the Company has repaid \$41.4 million of debt related to these assets and assumed \$64.7 million of debt. In total, these properties are being valued at \$138.3 million with other net assets being valued at \$2.9 million.

"This is a very positive transaction for our company. In addition to acquiring high quality assets at a favorable price, we will utilize a portion of this transaction to efficiently complete 1031 exchanges related to \$65 million of assets sold," said Mr. Gibson.

The Company also entered into an option agreement to acquire Miller Global's 80% interest in the assets in the Orlando joint venture on or before March 24, 2004.

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## Outlook

Based on its current outlook, the Company estimates that full-year FFO will be between \$2.60 to \$2.70 per share based on average portfolio occupancy of 82% to 84%. This is consistent with the guidance the Company provided in its April conference call.

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 consider funds from operations ("FFO") and cash available for distributions ("CAD") to be useful financial performance measures of the operating performance of an equity REIT. Together with net income and cash flows from operating, investing and financing activities, FFO and CAD provide an additional basis to evaluate the ability of a REIT to incur and service debt, fund acquisitions and other capital expenditures and pay stockholder's distributions. FFO and CAD 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 and CAD do 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. Our calculation of FFO is consistent with FFO as defined by the National Association of Real Estate Investment Trusts (NAREIT).

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 second quarter 2003 Supplemental Information that includes detailed operating and financial information is available in the "Investor Relations" 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 second quarter on Friday, August 1, 2003, 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.

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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 1479387.

### **About the Company**

Highwoods Properties, Inc. is a fully integrated, self-administered real estate investment trust ("REIT") that provides leasing, management, development, construction and other customer-related services for its properties and for third parties. As of June 30, 2003, the Company owned or had an interest in 564 in-service office, industrial and retail properties encompassing approximately 44.6 million square feet. Highwoods also owns approximately 1,360 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 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 include general economic conditions, local real estate conditions, deterioration in the financial condition of our tenants, our ability to lease or re-lease space quickly or on favorable terms, changes in the cost of materials and labor used in construction projects, and the other risks detailed in the Company's Annual Report on Form 10-K for the year ended December 31, 2002 and subsequent SEC reports.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
<b>Rental revenue</b>	\$105,659	\$107,863	\$211,629	\$221,108
<b>Operating expenses:</b>				
Rental property	36,870	34,248	73,524	69,733
Depreciation and amortization	32,412	28,955	64,856	57,666
Interest expense:				
Contractual	27,822	26,687	55,496	52,291
Amortization of deferred financing costs	757	341	1,383	680
	28,579	27,028	56,879	52,971
General and administrative includes \$3,514 and \$3,700 of nonrecurring compensation expense in the three and six months ended 6/30/02, respectively	6,524	9,047	11,868	14,403
Total operating expenses	104,385	99,278	207,127	194,773
<b>Other income:</b>				
Interest and other income	3,229	2,695	6,116	6,033
Equity in (loss)/earnings of unconsolidated affiliates	(485)	2,475	1,276	5,039
	2,744	5,170	7,392	11,072
Income before gain on disposition of land and depreciable assets, minority interest and discontinued operations	4,018	13,755	11,894	37,407
Gain on disposition of land	1,412	5,989	2,275	5,757
Gain on disposition of depreciable assets	220	4,203	240	5,379
Income before minority interest and discontinued operations	5,650	23,947	14,409	48,543
<b>Minority interest</b>	(656)	(2,851)	(1,702)	(5,845)
Income from continuing operations	4,994	21,096	12,707	42,698
<b>Discontinued operations:</b>				
Income from discontinued operations, net of minority interest	3,781	4,768	7,410	10,038
Gain on sale of discontinued operations, net of minority interest	1,345	1,886	1,175	1,886
	5,126	6,654	8,585	11,924
Net income	10,120	27,750	21,292	54,622
Dividends on preferred shares	(7,713)	(7,713)	(15,426)	(15,426)
Net income available for common stockholders	\$ 2,407	\$ 20,037	\$ 5,866	\$ 39,196
<b>Net income per common share-diluted:</b>				
(Loss)/income from continuing operations	\$ (0.05)	\$ 0.25	\$ (0.05)	\$ 0.51
Income from discontinued operations	0.10	0.12	0.16	0.22
Net income	\$ 0.05	\$ 0.37	\$ 0.11	\$ 0.73
Weighted average common shares outstanding—diluted	53,315	53,691	53,395	53,512

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
<b>Funds from operations:</b>				
Net income	\$ 10,120	\$ 27,750	\$ 21,292	\$ 54,622
Add/(Deduct):				
Depreciation and amortization	32,412	28,955	64,856	57,666
Gain on disposition of depreciable assets	(220)	(4,203)	(240)	(5,379)
Minority interest	656	2,851	1,702	5,845
Dividends to preferred shareholders	(7,713)	(7,713)	(15,426)	(15,426)
Unconsolidated affiliates:				
Depreciation and amortization	2,489	2,149	4,904	4,633
Loss on disposition of depreciable assets	2,413	—	2,413	—
Discontinued operations:				
Depreciation and amortization	369	2,613	1,219	5,268
Gain on sale, net of minority interest	(1,345)	(1,886)	(1,175)	(1,886)
Minority interest in income	476	631	943	1,364
	<u>39,657</u>	<u>51,147</u>	<u>80,488</u>	<u>106,707</u>
<b>Cash available for distribution:</b>				
Add/(Deduct):				
Rental income from straight-line rents	(1,680)	1,049(1)	(3,365)	(1,318)
Non-recurring compensation expense	—	3,514	—	3,700
Amortization of deferred financing costs	757	341	1,383	680
Non-incremental revenue generating capital expenditures:				
Building improvements paid	(2,734)	(2,370)	(5,525)	(3,121)
Second generation tenant improvements paid	(6,932)	(3,380)	(11,420)	(6,911)
Second generation lease commissions paid	(3,546)	(3,049)	(6,914)	(5,659)
	<u>(13,212)</u>	<u>(8,799)</u>	<u>(23,859)</u>	<u>(15,691)</u>
	<u>\$ 25,522</u>	<u>\$ 47,252</u>	<u>\$ 54,647</u>	<u>\$ 94,078</u>
<b>Per common share/common unit-diluted:</b>				
Funds from operations	<u>\$ 0.66</u>	<u>\$ 0.84</u>	<u>\$ 1.34</u>	<u>\$ 1.76</u>
Dividends paid	<u>\$ 0.425</u>	<u>\$ 0.585</u>	<u>\$ 1.01</u>	<u>\$ 1.17</u>
<b>Dividend payout ratios:</b>				
Funds from operations	<u>64.3%</u>	<u>69.6%</u>	<u>75.5%</u>	<u>66.6%</u>
Cash available for distribution	<u>100.0%</u>	<u>75.3%</u>	<u>111.3%</u>	<u>75.6%</u>
Weighted average shares/units outstanding-basic	<u>59,983</u>	<u>60,363</u>	<u>60,147</u>	<u>60,316</u>
Weighted average shares/units outstanding-diluted	<u>60,028</u>	<u>60,849</u>	<u>60,193</u>	<u>60,767</u>
<b>Net cash provided by/(used in):</b>				
Operating activities	<u>\$ 35,067</u>	<u>\$ 54,868</u>	<u>\$ 73,873</u>	<u>\$ 97,690</u>
Investing activities	<u>\$ 6,565</u>	<u>\$ 54,361</u>	<u>\$(13,623)</u>	<u>\$ 66,799</u>
Financing activities	<u>\$(47,811)</u>	<u>\$(98,898)</u>	<u>\$(58,242)</u>	<u>\$(150,871)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<u>\$ (6,179)</u>	<u>\$ 10,331</u>	<u>\$ 2,008</u>	<u>\$ 13,618</u>

(1) Includes a \$3.1 million write-off of straight-line rent receivables from WorldCom.

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

	<u>06/30/2003</u>	<u>12/31/2002</u>	<u>06/30/2002</u>
<b>Assets:</b>			
Real estate assets, at cost:			
Land and improvements	\$ 383,520	\$ 386,051	\$ 432,153
Buildings and tenant improvements	2,808,274	2,792,306	2,865,516
Development in process	9,499	6,729	54,333
Land held for development	172,153	162,762	175,139
Furniture, fixtures and equipment	21,223	20,966	19,842
	<u>3,394,669</u>	<u>3,368,814</u>	<u>3,546,983</u>
Less-accumulated depreciation	(503,077)	(455,337)	(423,875)
	<u>2,891,592</u>	<u>2,913,477</u>	<u>3,123,108</u>
Net real estate assets	2,891,592	2,913,477	3,123,108
Property held for sale	201,143	221,720	167,173
Cash and cash equivalents	13,025	11,017	14,194
Restricted cash	3,163	8,582	4,556
Accounts receivable, net	13,902	13,578	16,211
Notes receivable	27,617	31,057	33,181
Accrued straight-line rents receivable	51,703	48,777	49,407
Investment in unconsolidated affiliates	76,499	79,504	79,603
Other assets:			
Deferred leasing costs	100,462	97,143	107,536
Deferred financing costs	42,544	26,120	25,916
Prepaid expenses and other	16,882	15,295	12,086
	<u>159,888</u>	<u>138,558</u>	<u>145,538</u>
Less-accumulated amortization	(76,499)	(70,901)	(67,206)
	<u>83,389</u>	<u>67,657</u>	<u>78,332</u>
Other assets, net	83,389	67,657	78,332
Total Assets	<u>\$3,362,033</u>	<u>\$3,395,369</u>	<u>\$3,565,765</u>
<b>Liabilities and Stockholders' Equity:</b>			
Mortgages and notes payable	\$1,579,265	\$1,528,720	\$1,675,358
Accounts payable, accrued expenses and other liabilities	102,949	120,614	99,275
	<u>1,682,214</u>	<u>1,649,334</u>	<u>1,774,633</u>
Total liabilities	1,682,214	1,649,334	1,774,633
Minority interest	177,104	188,563	192,879
<b>Stockholders' Equity:</b>			
Preferred stock	377,445	377,445	377,445
Common stock	531	534	534
Additional paid-in capital	1,383,568	1,390,043	1,390,238
Distributions in excess of net earnings	(245,751)	(197,647)	(157,223)
Accumulated other comprehensive loss	(7,831)	(9,204)	(8,260)
Deferred compensation	(5,247)	(3,699)	(4,481)
	<u>1,502,715</u>	<u>1,557,472</u>	<u>1,598,253</u>
Total Stockholders' Equity	1,502,715	1,557,472	1,598,253
Total Liabilities and Stockholders' Equity	<u>\$3,362,033</u>	<u>\$3,395,369</u>	<u>\$3,565,765</u>

**EXHIBIT 99.2**



Supplemental Operating and Financial Information  
June 30, 2003

**Supplemental Information**  
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**June 30, 2003**

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The information within refers to all Highwoods Properties' consolidated entities, except pages 31 to 37 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

	Three Months Ended		
	06/30/03	06/30/02	Change F/(U)
<b>Operations</b>			
Revenue from continuing operations	\$ 105,659	\$ 107,863	\$ (2,204)
Rental Property Expense from continuing operations	36,870	34,248	(2,622)
Net Operating Income from continuing operations	\$ 68,789	\$ 73,615	\$ (4,826)
Revenue from discontinued operations	\$ 6,483	\$ 11,514	\$ (5,031)
Property Expense from discontinued operations	1,436	3,146	1,710
Net Operating Income from discontinued operations	\$ 5,047	\$ 8,368	\$ (3,321)
Interest and other income	\$ 3,229	\$ 2,695	\$ 534
Equity in earnings of unconsolidated affiliates	(485)	2,475	(2,960)
General and administrative	6,524	9,047	2,523
G&A as a % of Revenue and Other Income	5.7 %	7.3 %	1.6 %
<b>EBITDA calculation</b>			
Net Income before extraordinary item	\$ 10,120	\$ 27,750	\$ 17,630
Addback Depreciation and amortization	32,781	31,568	(1,213)
Addback Interest Expense	29,007	27,458	(1,549)
EBITDA	\$ 71,908	\$ 86,776	\$ (14,868)
Interest Expense from continuing operations	\$ 28,579	\$ 27,028	\$ (1,551)
Interest Expense from discontinued operations	428	430	2
EBITDA/Interest Expense	2.48	3.16	(0.68 )
EBITDA/Interest Expense + Preferred Dividends	1.96	2.47	(0.51 )
Net Income	\$ 10,120	\$ 27,750	\$ (17,630)
Funds from Operation	39,657	51,147	(11,490)
Cash available for distribution	25,522	47,252	(21,730)
Per Share—Diluted:			
Net Income	\$ 0.05	\$ 0.37	\$ (0.32)
Funds from operations	0.66	0.84	(0.18)
Dividends paid	0.425	0.585	(0.16)
Dividends paid as % of funds from operations	64.3 %	69.6 %	5.3 %
Dividends paid as % of cash available for distribution	100.0 %	75.3 %	-24.7 %
	06/30/03	06/30/02	Change F/(U)
<b>Capitalization</b>			
Total Assets	\$ 3,362,033	\$ 3,565,765	\$ (203,732)
Market Capitalization:			
Total Debt	1,579,265	1,675,358	(96,093)
Market Value of Common Equity	1,708,688	1,949,561	(240,873)
Total Market Capitalization	\$ 3,287,953	\$ 3,624,919	\$ (336,966)
Total Debt/Total Assets	47.0 %	47.0 %	0.0 %
	06/30/03	06/30/02	Change F/(U)
<b>Portfolio</b>			
Total Square Footage	36,822,000	37,906,000	(1,084,000)
Occupancy	83.4 %	86.2 %	-2.8 %
Same Property NOI	\$ 68,352	\$ 74,814	\$ (6,462)

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## Corporate Information

### **Board of Directors**

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**

President, Chief Executive Officer and Director

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

Executive Vice President, Chief Operating  
Officer, Director and Secretary

#### **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, Chief Financial Officer  
and Treasurer

#### **Mack D. Pridgen III**

Vice President, General Counsel and  
Assistant Secretary

### **Research Coverage**

#### **Banc of America Securities**

Lee Schalop - 212-847-5677

#### **Davenport & Company, LLC**

Rob Norfleet - 804-780-2170

#### **Deutsche Banc Alex. Brown**

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 Securities**

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

*Edward J. Fritsch, Executive 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

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### 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. is a fully integrated, self-administered real estate investment trust ("REIT") that provides leasing, management, development, construction and other customer-related services for its properties and for third parties. As of June 30, 2003, the Company owns or has an interest in 564 in-service office, industrial and retail properties encompassing approximately 44.6 million square feet. Highwoods also owns approximately 1,360 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*

	Six Months Ended		Three Months Ended				
	06/30/03	06/30/02	06/30/03	03/31/03	12/31/02	09/30/02	06/30/02
<b>Rental revenue</b>	<b>\$211,629</b>	\$221,108	<b>\$105,659</b>	\$105,970	\$109,127	\$110,926	\$107,863
<b>Operating expenses:</b>							
Rental property	<b>73,524</b>	69,733	<b>36,870</b>	36,654	35,275	35,552	34,248
Depreciation and amortization	<b>64,856</b>	57,666	<b>32,412</b>	32,444	35,850	30,146	28,955
Interest expense:							
Contractual	<b>55,496</b>	52,291	<b>27,822</b>	27,674	29,751	27,092	26,687
Amortization of deferred financing costs	<b>1,383</b>	680	<b>757</b>	626	366	347	341
	<b>56,879</b>	52,971	<b>28,579</b>	28,300	30,117	27,439	27,028
General and administrative includes \$3,700 and \$3,514 of nonrecurring compensation expense in the six and three months ended 6/30/02, respectively	<b>11,868</b>	14,403	<b>6,524</b>	5,344	6,026	4,147	9,047
Litigation reserve	—	—	—	—	—	2,700	—
Total operating expenses	<b>207,127</b>	194,773	<b>104,385</b>	102,742	107,268	99,984	99,278
Other income:							
Interest and other income	<b>6,116</b>	6,033	<b>3,229</b>	2,887	4,791	2,804	2,695
Equity in earnings/(loss) of unconsolidated affiliates	<b>1,276</b>	5,039	<b>(485)</b>	1,761	1,765	1,259	2,475
	<b>7,392</b>	11,072	<b>2,744</b>	4,648	6,556	4,063	5,170
Income before gain/(loss) on disposition of land and depreciable assets, minority interest, discontinued operations and extraordinary item	<b>11,894</b>	37,407	<b>4,018</b>	7,876	8,415	15,005	13,755
Gain on disposition of land	<b>2,275</b>	5,757	<b>1,412</b>	863	396	741	5,989
Gain/(loss) on disposition of depreciable assets	<b>240</b>	5,379	<b>220</b>	20	(197)	171	4,203
Income before minority interest, discontinued operations and extraordinary item	<b>14,409</b>	48,543	<b>5,650</b>	8,759	8,614	15,917	23,947
Minority interest	<b>(1,702)</b>	(5,845)	<b>(656)</b>	(1,046)	(983)	(1,969)	(2,851)
Income from continuing operations	<b>12,707</b>	42,698	<b>4,994</b>	7,713	7,631	13,948	21,096
Discontinued operations:							
Income from discontinued operations, net of minority int	<b>7,410</b>	10,038	<b>3,781</b>	3,629	4,134	4,535	4,768
Gain on sale of discontinued operations, net of minority int	<b>1,175</b>	1,886	<b>1,345</b>	(170)	12,252	(3,283)	1,886
	<b>8,585</b>	11,924	<b>5,126</b>	3,459	16,386	1,252	6,654
Net income before extraordinary item	<b>21,292</b>	54,622	<b>10,120</b>	11,172	24,017	15,200	27,750
Extraordinary item – loss on early extinguishment of debt	—	—	—	—	—	(378)	—
Net income	<b>21,292</b>	54,622	<b>10,120</b>	11,172	24,017	14,822	27,750
Dividends on preferred shares	<b>(15,426)</b>	(15,426)	<b>(7,713)</b>	(7,713)	(7,713)	(7,713)	(7,713)
Net income available for common stockholders	<b>\$ 5,866</b>	\$ 39,196	<b>\$ 2,407</b>	\$ 3,459	\$ 16,304	\$ 7,109	\$ 20,037
<b>Net income per common share-diluted:</b>							
(Loss)/income from continuing operations	<b>\$ (0.05)</b>	\$ 0.51	<b>\$ (0.05)</b>	\$ —	\$ (0.00)	\$ 0.12	\$ 0.25
Income from discontinued operations	<b>\$ 0.16</b>	\$ 0.22	<b>\$ 0.10</b>	\$ 0.06	\$ 0.30	\$ 0.03	\$ 0.12
Extraordinary item – loss on early extinguishment of debt	<b>\$ —</b>	\$ —	<b>\$ —</b>	\$ —	\$ —	\$ (0.01)	\$ —

Net income	<b>\$ 0.11</b>	\$ 0.73	<b>\$ 0.05</b>	\$ 0.06	\$ 0.30	\$ 0.14	\$ 0.37
Weighted average common shares outstanding – diluted	<b>53,395</b>	53,512	<b>53,315</b>	53,475	53,407	53,604	53,691
Rental property expenses / Rental revenue	<b>34.7%</b>	31.5%	<b>34.9%</b>	34.6%	32.3%	32.1%	31.8%

## Statement of Funds from Operations

*Dollars in thousands, except per share amounts*

	Six Months Ended		Three Months Ended				
	06/30/03	06/30/02	06/30/03	03/31/03	12/31/02	09/30/02	06/30/02
<b>Funds from operations:</b>							
Net income	\$ 21,292	\$ 54,622	\$ 10,120	\$ 11,172	\$ 24,017	\$ 14,822	\$ 27,750
Add/(Deduct):							
Depreciation and amortization	64,856	57,666	32,412	32,444	35,850	30,146	28,955
Gain/(loss) on disposition of depreciable assets	(240)	(5,379)	(220)	(20)	197	(171)	(4,203)
Minority interest	1,702	5,845	656	1,046	983	1,969	2,851
Extraordinary item – loss on early extinguishment of debt	—	—	—	—	—	378	—
Dividends to preferred shareholders	(15,426)	(15,426)	(7,713)	(7,713)	(7,713)	(7,713)	(7,713)
Unconsolidated affiliates:							
Depreciation and amortization	4,904	4,633	2,489	2,415	2,554	2,432	2,149
Loss on disposition of depreciable assets	2,413	—	2,413	—	—	—	—
Loss on early extinguishment of debt	—	—	—	—	—	309	—
Discontinued operations:							
Depreciation and amortization	1,219	5,268	369	850	2,166	2,681	2,613
Gain/(loss) on sale, net of minority interest	(1,175)	(1,886)	(1,345)	170	(12,252)	3,283	(1,886)
Minority interest in income	943	1,364	476	467	545	598	631
Funds from operations	80,488	106,707	39,657	40,831	46,347	48,734	51,147
<b>Cash available for distribution:</b>							
Add/(Deduct):							
Rental income from straight-line rents	(3,365)	(1,318)	(1,680)	(1,685)	(1,132)	(1,222)	1,049
Non-recurring compensation expense	—	3,700	—	—	—	—	3,514
Litigation reserve	—	—	—	—	—	2,700	—
Amortization of deferred financing costs	1,383	680	757	626	366	347	341
Non-incremental revenue generating capital expenditures paid:							
Building improvements	(5,525)	(3,121)	(2,734)	(2,791)	(3,086)	(1,740)	(2,370)
2nd generation tenant improvements	(11,420)	(6,911)	(6,932)	(4,488)	(7,796)	(5,824)	(3,380)
2nd generation lease commissions	(6,914)	(5,659)	(3,546)	(3,368)	(2,968)	(3,694)	(3,049)
	(23,859)	(15,691)	(13,212)	(10,647)	(13,850)	(11,258)	(8,799)
Cash available for distribution	\$ 54,647	\$ 94,078	\$ 25,522	\$ 29,125	\$ 31,731	\$ 39,301	\$ 47,252
Weighted average share/units outstanding-diluted	60,193	60,767	60,028	60,360	60,437	60,653	60,849
<b>Per common share/common unit-diluted:</b>							
Funds from operations	\$ 1.34	\$ 1.76	\$ 0.66	\$ 0.68	\$ 0.77	\$ 0.80	\$ 0.84
Dividends paid	\$ 1.010	\$ 1.170	\$ 0.425	\$ 0.585	\$ 0.585	\$ 0.585	\$ 0.585
<b>Dividend payout ratios:</b>							
Funds from operations	75.5%	66.6%	64.3%	86.5%	76.3%	72.8%	69.6%
Cash available for distribution	111.3%	75.6%	100.0%	121.2%	111.4%	90.3%	75.3%
<b>Ratios:</b>							
FFO growth from prior year	-24%	-8%	-21%	-25%	-16%	-6%	-6%
<b>Net cash provided by/(used in):</b>							
Operating activities	\$ 73,873	\$ 97,690	\$ 35,067	\$ 38,806	\$ 30,312	\$ 73,483	\$ 54,868
Investing activities	(13,623)	66,799	6,565	(20,188)	110,308	18,480	54,361
Financing activities	(58,242)	(150,871)	(47,811)	(10,431)	(143,601)	(92,159)	(98,898)
Net increase/(decrease) in cash and cash equivalents	\$ 2,008	\$ 13,618	\$ (6,179)	\$ 8,187	\$ (2,981)	\$ (196)	\$ 10,331

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**Supplemental Capital Expenditure Disclosure**

Development cost:

Shell construction and predevelopment costs	\$ 1,457	\$ 27,660
1st generation tenant improvements	8,441	7,180
1st generation lease commissions	1,482	3,557
Nonrecurring property renovation cost	5,137	1,111
Acquisitions	15,787	7,625
Furniture Fixture and Equipment	280	444

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**\$ 32,584    \$ 47,577**Non-incremental revenue generating capital  
expenditures paid:

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**23,859    15,691**

Total per the Statement of Cash Flows

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**\$ 56,443    \$ 63,268**

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## Consolidated Balance Sheets

*Dollars in thousands*

	06/30/03	03/31/03	12/31/02	09/30/02	06/30/02
<b>Assets:</b>					
Real estate assets, at cost:					
Land and improvements	\$ 383,520	\$ 383,216	\$ 386,051	\$ 417,086	\$ 432,153
Buildings and tenant improvements	2,808,274	2,799,117	2,792,306	2,807,266	2,865,516
Development in process	9,499	7,663	6,729	39,919	54,333
Land held for development	172,153	161,952	162,762	158,248	175,139
Furniture, fixtures and equipment	21,223	21,150	20,966	20,479	19,842
	<b>3,394,669</b>	<b>3,373,098</b>	<b>3,368,814</b>	<b>3,442,998</b>	<b>3,546,983</b>
Less-accumulated depreciation	(503,077)	(481,333)	(455,337)	(441,140)	(423,875)
Net real estate assets	<b>2,891,592</b>	<b>2,891,765</b>	<b>2,913,477</b>	<b>3,001,858</b>	<b>3,123,108</b>
Property held for sale	201,143	232,756	221,720	245,481	167,173
Cash and cash equivalents	13,025	19,204	11,017	13,998	14,194
Restricted cash	3,163	2,943	8,582	2,702	4,556
Accounts receivable, net of allowance	13,902	12,723	13,578	19,298	16,211
Notes receivable	27,617	32,077	31,057	31,914	33,181
Accrued straight-line rents receivable	51,703	50,462	48,777	50,191	49,407
Investment in unconsolidated affiliates	76,499	78,229	79,504	80,825	79,603
Other assets:					
Deferred leasing costs	100,462	96,752	97,143	103,699	107,536
Deferred financing costs	42,544	42,548	26,120	25,964	25,916
Prepaid expenses and other	16,882	16,388	15,295	13,400	12,086
	<b>159,888</b>	<b>155,688</b>	<b>138,558</b>	<b>143,063</b>	<b>145,538</b>
Less-accumulated amortization	(76,499)	(72,815)	(70,901)	(70,375)	(67,206)
Other assets, net	<b>83,389</b>	<b>82,873</b>	<b>67,657</b>	<b>72,688</b>	<b>78,332</b>
Total Assets	<b>\$3,362,033</b>	<b>\$3,403,032</b>	<b>\$3,395,369</b>	<b>\$3,518,955</b>	<b>\$3,565,765</b>
<b>Liabilities and Stockholders' Equity</b>					
Mortgages and notes payable	\$1,579,265	\$1,580,301	\$1,528,720	\$1,626,362	\$1,675,358
Accounts payable, accrued expenses and other liabilities	102,949	108,808	120,614	131,087	99,275
Total Liabilities	<b>1,682,214</b>	<b>1,689,109</b>	<b>1,649,334</b>	<b>1,757,449</b>	<b>1,774,633</b>
Minority interest	177,104	183,297	188,563	191,114	192,879
<b>Stockholders' Equity:</b>					
Preferred stock	377,445	377,445	377,445	377,445	377,445
Common stock	531	535	534	534	534
Additional paid-in capital	1,383,568	1,392,118	1,390,043	1,389,595	1,390,238
Distributions in excess of net earnings	(245,751)	(225,430)	(197,647)	(182,719)	(157,223)
Accumulated other comprehensive loss	(7,831)	(8,767)	(9,204)	(10,418)	(8,260)
Deferred compensation	(5,247)	(5,275)	(3,699)	(4,045)	(4,481)
Total Stockholders' Equity	<b>1,502,715</b>	<b>1,530,626</b>	<b>1,557,472</b>	<b>1,570,392</b>	<b>1,598,253</b>
Total Liabilities and Stockholders' Equity	<b>\$3,362,033</b>	<b>\$3,403,032</b>	<b>\$3,395,369</b>	<b>\$3,518,955</b>	<b>\$3,565,765</b>
<b>Ratios</b>					
Total Debt/Total Assets	47.0%	46.4%	45.0%	46.2%	47.0%

# Estimated Net Asset Value

June 30, 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	9.25%	9.50%	9.75%
Retail	8.00%	8.25%	8.50%
Industrial/Other	9.00%	9.25%	9.50%
<b>Weighted average</b>	9.08%	9.33%	9.58%
<b>Wholly Owned Properties Net Operating Income YTD</b>			
Office 1/ 2/	\$ 110,784	\$ 110,784	\$ 110,784
Retail	14,375	14,375	14,375
Industrial/Other 3/	13,777	13,777	13,777
Total Net Operating Income	\$ 138,936	\$ 138,936	\$ 138,936
<b>Wholly Owned Properties Net Operating Income Annualized</b>			
Office	\$ 221,568	\$ 221,568	\$ 221,568
Retail	28,750	28,750	28,750
Industrial/Other	27,554	27,554	27,554
Total Net Operating Income	\$ 277,872	\$ 277,872	\$ 277,872
<b>Wholly Owned Properties Capitalized Value</b>			
Office	\$2,395,330	\$2,332,295	\$2,272,492
Retail	359,375	348,485	338,235
Industrial/Other	306,156	297,881	290,042
	\$3,060,860	\$2,978,661	\$2,900,770
<b>Highwoods' Share of Joint Ventures</b>			
Net Operating Income YTD	\$ 13,995	\$ 13,995	\$ 13,995
Net Operating Income Annualized	\$ 27,990	\$ 27,990	\$ 27,990
Capitalization Rates	9.25%	9.50%	9.75%
Capitalized Value	\$ 302,595	\$ 294,632	\$ 287,077
<b>Value of Highwoods Preserve at \$80 per square foot 4/</b>			
	\$ 65,280	\$ 65,280	\$ 65,280
Total In-Service Property Value	\$3,428,735	\$3,338,572	\$3,253,127
<b>Value of Other income</b>			
Annualized Development, Leasing and Management Fees	\$ 6,560	\$ 6,560	\$ 6,560
Capitalization Rate	20%	20%	20%
Value of Other income	\$ 32,800	\$ 32,800	\$ 32,800
<b>Add Other assets:</b>			
Development Pipeline Investment	\$ 16,222	\$ 16,222	\$ 16,222
Property Held for Sale, at Net Sales Price	234,737	234,737	234,737
Land held for development at Book Value	172,153	172,153	172,153
Cash and cash equivalents	13,025	13,025	13,025
Restricted cash	3,163	3,163	3,163
Accounts receivable, net	13,902	13,902	13,902
Notes receivable	27,617	27,617	27,617
Other assets total	\$ 480,819	\$ 480,819	\$ 480,819
Gross Value of Assets	\$3,942,354	\$3,852,191	\$3,766,746
<b>Deductions:</b>			
Total Liabilities	\$1,682,214	\$1,682,214	\$1,682,214

Preferred stock	377,445	377,445	377,445
Highwoods’ Share of Joint Ventures Liabilities	202,661	202,661	202,661
<b>Estimated Net Asset Value</b>	<b>\$1,680,034</b>	<b>\$1,589,871</b>	<b>\$1,504,426</b>
Total diluted common shares and operating units	59,744	59,744	59,744
<b>Estimated Net Asset Value Per Share</b>	<b>\$ 28.12</b>	<b>\$ 26.61</b>	<b>\$ 25.18</b>

- 1/    *Added back the \$1.2 million operating loss at Highwoods Preserve*
- 2/    *Deducted \$294,000 for the operating income on the completed but not stabilized development projects*
- 3/    *Deducted \$82,000 for the operating income on the completed but not stabilized development project*
- 4/    *Highwoods Preserve is a 816,000 sf office campus in Tampa that Worldcom vacated 12/31/02*

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

*Dollars in thousands*

	Highwoods Properties Inc.	Highwoods' Share of Joint Ventures	Total
		(see pages 31 - 33)	
<b>Statement of Operations:</b>			
<b><u>For the three months ended June 30, 2003</u></b>			
<b>Revenue:</b>			
Rental property revenue	\$ 105,659	\$ 12,159	\$ 117,818
<b>Expenses:</b>			
Rental property expense	36,870	5,024	41,894
Depreciation and amortization	32,412	2,489	34,901
Interest expense:			
Contractual	27,822	2,884	30,706
Amortization of deferred financing costs	757	—	757
	28,579	2,884	31,463
General and administrative	6,524	—	6,524
Other Income/(Expenses)	2,744	—	2,744
<b>Income from continuing operations</b>	<b>\$ 4,018</b>	<b>\$ 1,762</b>	<b>\$ 5,780</b>
Net Income before extraordinary item	\$ 10,120	(485)	\$ 9,635
Addback Equity in loss of unconsolidated affiliates	485		485
Addback Depreciation and amortization	32,781	2,489	35,270
Addback Interest Expense	29,007	2,884	31,891
EBITDA	\$ 72,393	\$ 4,888	\$ 77,281
EBITDA /Interest Expense			2.42
<b><u>For the six months ended June 30, 2003</u></b>			
<b>Revenue:</b>			
Rental property revenue	\$ 211,629	\$ 23,956	\$ 235,585
<b>Expenses:</b>			
Rental property expense	73,524	9,961	83,485
Depreciation and amortization	64,856	4,904	69,760
Interest expense:			
Contractual	55,496	5,732	61,228
Amortization of deferred financing costs	1,383	—	1,383
	56,879	5,732	62,611
General and administrative	11,868	—	11,868
Other Income/(Expenses)	7,392	—	7,392
<b>Income from continuing operations</b>	<b>\$ 11,894</b>	<b>\$ 3,359</b>	<b>\$ 15,253</b>
Net Income	\$ 21,292	\$ 1,276	\$ 22,568
Deduct Equity in earnings/(loss) of unconsolidated affiliates	(1,276)		(1,276)
Addback Depreciation and amortization	66,075	4,904	70,979
Addback Interest Expense	57,736	5,732	63,468
EBITDA			\$ 143,827
EBITDA /Interest Expense			2.49
<b><u>As of June 30, 2003</u></b>			
<b>Balance Sheet Information:</b>			
Total Assets 1/	\$3,285,534	\$ 285,163	\$3,570,697
Debt	1,579,265	192,864	1,772,129
Total Liabilities	1,682,214	202,661	1,884,875
Total Debt/Total Assets			49.6%

1/ *Excludes investment in unconsolidated affiliates*

## Components of Discontinued Operations

*Dollars in thousands, except per share amounts*

	<i>Six Months Ended</i>		<i>Three Months Ended</i>				
	<u>06/30/03</u>	<u>06/30/02</u>	<u>06/30/03</u>	<u>03/31/03</u>			
					<u>12/31/02</u>	<u>09/30/02</u>	<u>06/30/02</u>
<b>Rental revenue</b>	<b>\$13,445</b>	\$23,672	<b>\$6,483</b>	\$6,962	\$ 9,762	\$11,906	\$11,514
<b>Operating expenses:</b>							
Rental property	<b>3,032</b>	6,293	<b>1,436</b>	1,596	2,484	3,484	3,146
Depreciation and amortization	<b>1,219</b>	5,268	<b>369</b>	850	2,166	2,681	2,613
Interest expense	<b>857</b>	860	<b>428</b>	429	429	630	430
	<u></u>	<u></u>	<u></u>	<u></u>	<u></u>	<u></u>	<u></u>
Total operating expense	<b>5,108</b>	12,421	<b>2,233</b>	2,875	5,079	6,795	6,189
	<u></u>	<u></u>	<u></u>	<u></u>	<u></u>	<u></u>	<u></u>
Interest and other income	<b>16</b>	151	<b>7</b>	9	(4)	22	74
	<u></u>	<u></u>	<u></u>	<u></u>	<u></u>	<u></u>	<u></u>
	<b>16</b>	151	<b>7</b>	9	(4)	22	74
	<u></u>	<u></u>	<u></u>	<u></u>	<u></u>	<u></u>	<u></u>
Income before gain/(loss) on disposition of depreciable assets and minority interest	<b>8,353</b>	11,402	<b>4,257</b>	4,096	4,679	5,133	5,399
Minority interest	<b>(943)</b>	(1,364)	<b>(476)</b>	(467)	(545)	(598)	(631)
	<u></u>	<u></u>	<u></u>	<u></u>	<u></u>	<u></u>	<u></u>
Income from discontinued operations, net of minority interest	<b>7,410</b>	10,038	<b>3,781</b>	3,629	4,134	4,535	4,768
	<u></u>	<u></u>	<u></u>	<u></u>	<u></u>	<u></u>	<u></u>
Gain/(loss) on sale of discontinued operations	<b>1,323</b>	2,136	<b>1,515</b>	(192)	13,851	(3,716)	2,136
Minority Interest	<b>(148)</b>	(250)	<b>(170)</b>	22	(1,599)	433	(250)
	<u></u>	<u></u>	<u></u>	<u></u>	<u></u>	<u></u>	<u></u>
Gain on sale of discontinued operations, net of minority interest	<b>1,175</b>	1,886	<b>1,345</b>	(170)	12,252	(3,283)	1,886
	<u></u>	<u></u>	<u></u>	<u></u>	<u></u>	<u></u>	<u></u>
Total discontinued operations	<b>\$ 8,585</b>	\$11,924	<b>\$5,126</b>	\$3,459	\$16,386	\$ 1,252	\$ 6,654
	<u></u>	<u></u>	<u></u>	<u></u>	<u></u>	<u></u>	<u></u>

## Capitalization

*Dollars in thousands*

	06/30/03	03/31/03	12/31/02	09/30/02	06/30/02
<b>Long-Term Debt (see page 8 &amp; 9)</b>	<b>\$1,579,265</b>	\$1,580,301	\$1,528,720	\$1,626,362	\$1,675,358
<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	53,072	53,484	53,400	53,387	53,417
Minority interest partnership units	6,625	6,848	6,975	7,042	7,049
Total shares and units outstanding	<b>59,697</b>	60,332	60,375	60,429	60,466
Stock price at period end	\$ 22.30	\$ 20.44	\$ 22.10	\$ 23.40	\$ 26.00
Market value of equity	<b>\$1,708,688</b>	\$1,610,631	\$1,711,733	\$1,791,484	\$1,949,561
Total market capitalization with debt	<b>\$3,287,953</b>	\$3,190,932	\$3,240,453	\$3,417,846	\$3,624,919

*See pages 31 to 37 for information regarding Highwoods' Joint Ventures*

## Long-Term Debt Summary

*Dollars in thousands*

	06/30/03	03/31/03	12/31/02	09/30/02	06/30/02
<b>Balances Outstanding:</b>					
<b>Secured:</b>					
Conventional fixed rate	\$ 653,092	\$ 656,060	\$ 515,411	\$ 517,859	\$ 512,145
Variable rate debt	4,173	4,241	4,309	5,503	32,213
Secured total	<u>\$ 657,265</u>	<u>\$ 660,301</u>	<u>\$ 519,720</u>	<u>\$ 523,362</u>	<u>\$ 544,358</u>
<b>Unsecured:</b>					
Fixed rate bonds and notes	\$ 806,500	\$ 806,500	\$ 931,500	\$ 931,500	\$ 931,500
Variable rate debt	20,000	20,000	20,000	20,000	—
Credit facility	95,500	93,500	57,500	151,500	199,500
Unsecured total	<u>\$ 922,000</u>	<u>\$ 920,000</u>	<u>\$1,009,000</u>	<u>\$1,103,000</u>	<u>\$1,131,000</u>
Total	<u><b>\$1,579,265</b></u>	<u><b>\$1,580,301</b></u>	<u><b>\$1,528,720</b></u>	<u><b>\$1,626,362</b></u>	<u><b>\$1,675,358</b></u>
<b>Average Interest Rates:</b>					
<b>Secured:</b>					
Conventional fixed rate	7.6%	7.6%	8.0%	8.0%	8.0%
Variable rate debt	3.6%	3.7%	3.9%	3.4%	3.1%
Secured total	<u>7.5%</u>	<u>7.5%</u>	<u>7.9%</u>	<u>7.7%</u>	<u>7.8%</u>
<b>Unsecured:</b>					
Fixed rate bonds	7.4%	7.4%	7.3%	7.3%	7.3%
Variable rate debt	2.5%	2.6%	2.8%	—	7.3%
Credit facility	2.1%	2.3%	2.8%	2.7%	2.8%
Unsecured total	<u>6.7%</u>	<u>6.9%</u>	<u>6.5%</u>	<u>6.5%</u>	<u>6.4%</u>
Average	<u>7.1%</u>	<u>7.1%</u>	<u>7.0%</u>	<u>6.9%</u>	<u>6.9%</u>
<b>Capitalized Interest:</b>	<u>\$ 349</u>	<u>\$ 366</u>	<u>\$ (1,325)</u>	<u>\$ 1,724</u>	<u>\$ 2,622</u>

### Maturity Schedule:

<i>Future Maturities of Debt</i>				
Year	Secured Debt 1/	Unsecured Debt	Total Debt 1/	Average Interest Rate
2003	\$ —	\$ 246,500	\$ 246,500	7.5%
2004	—	—	—	—
2005	70,585	20,000	90,585	7.1%
2006	6,694	205,500 2/	212,194	4.8%
2007	80,629	—	80,629	7.9%
2008	—	100,000	100,000	7.1%
2009	205,547	50,000	255,547	8.0%
2010	142,263	—	142,263	7.8%
2011	—	100,000	100,000	7.2%
2012	—	—	—	—
Thereafter	151,547	200,000	351,547	6.9%
Total maturities	<u>\$ 657,265</u>	<u>\$ 922,000</u>	<u>\$1,579,265</u>	<u>7.1%</u>

Weighted average maturity = 6.0 years

1/ Excludes annual principal amortization

2/ Included in the \$205.5 million of unsecured debt maturities is \$95.5 million related to the credit facility which now matures in 2006.



## Long-Term Debt Detail

*Dollars in thousands*

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

<b>Lender</b>	<b>Blended Rate</b>	<b>Maturity Date</b>	<b>Loan Balance 06/30/03</b>	<b>Undepreciated Book Value of Assets Secured</b>
Monumental Life Insurance Company	7.8%	Nov-09	\$178,371	\$ 249,050
Northwestern Mutual Life	6.0%	Feb-13	144,585	184,953
Northwestern Mutual Life	7.8%	Nov-10	141,677	263,729
Northwestern Mutual Life	8.2%	Jan-07	67,678	132,584
Principal Life Insurance Company	8.6%	Apr-05	42,947	101,773
Principal Life Insurance Company	8.2%	Jul-05	27,638	68,288
Cigna Corporation	9.1%	Mar-09	18,915	19,095
	7.5%		\$621,811	\$ 1,019,472
All Other Secured Loans (16)	7.4%		\$ 35,454	\$ 81,948
Total Secured Loans	7.5%		\$657,265	\$ 1,101,420

### **Unsecured Bonds**

Bonds	6.8%	Dec-03	\$100,000	
Bonds	8.0%	Dec-03	146,500	
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%		\$806,500	

1/ Remarket date is 6/15/2004

## Portfolio Summary

(Rentable Square Feet)

	06/30/03	03/31/03	12/31/02	09/30/02	06/30/02
<b>Office Industrial &amp; Retail</b>					
<b>In-Service:</b>					
Office	25,052,000	25,387,000	25,342,000	25,861,000	25,787,000
Industrial	10,243,000	10,243,000	10,242,000	10,468,000	10,468,000
Retail 1/	1,527,000	1,527,000	1,528,000	1,650,000	1,651,000
Total	36,822,000	37,157,000	37,112,000	37,979,000	37,906,000
<b>Development Completed – Not Stabilized:</b>					
Office	140,000	100,000	231,000	568,000	735,000
Industrial	60,000	60,000	60,000	136,000	136,000
Retail	—	—	—	20,000	20,000
Total	200,000	160,000	291,000	724,000	891,000
<b>Development – In Process:</b>					
Office	—	40,000	40,000	100,000	201,000
Industrial	—	—	—	60,000	60,000
Retail	—	—	—	—	—
Total	—	40,000	40,000	160,000	261,000
<b>Total:</b>					
Office	25,192,000	25,527,000	25,613,000	26,529,000	26,723,000
Industrial	10,303,000	10,303,000	10,302,000	10,664,000	10,664,000
Retail 1/	1,527,000	1,527,000	1,528,000	1,670,000	1,671,000
Total	37,022,000	37,357,000	37,443,000	38,863,000	39,058,000
<b>Same Store</b>					
Office	23,149,000	23,484,000	22,450,000	23,408,000	23,400,000
Industrial	10,044,000	10,044,000	9,679,000	10,041,000	10,041,000
Retail	1,507,000	1,507,000	1,509,000	1,650,000	1,651,000
Total	34,700,000	35,035,000	33,638,000	35,099,000	35,092,000

### Percent Leased/Pre-Leased:

<b>In-Service:</b>					
Office	80.5%	80.9%	82.3%	2/ 86.3%	86.7%
Industrial	88.7%	86.8%	86.2%	86.2%	83.5%
Retail	96.8%	96.5%	97.0%	95.4%	95.6%
Total	83.4%	83.2%	84.0%	2/ 86.7%	86.2%
<b>Development Completed – Not Stabilized:</b>					
Office	30.0%	42.0%	61.3%	17.3%	28.7%
Industrial	50.0%	50.0%	50.0%	29.0%	29.0%
Retail	—	—	—	90.0%	90.0%
Total	36.0%	45.0%	59.0%	21.5%	30.1%
<b>Development – In Process:</b>					
Office	—	0.0%	0.0%	42.0%	70.1%
Industrial	—	—	—	20.0%	—
Retail	—	—	—	—	—
Total	—	0.0%	0.0%	33.8%	54.0%

		2001	2002	2003	2004	2005
<b>Same Store</b>						
Office		<b>81.9%</b>	82.1%	84.3%	3/ 87.0%	87.7%
Industrial		<b>88.9%</b>	87.0%	87.1%	86.3%	83.4%
Retail		<b>96.7%</b>	96.6%	97.1%	95.4%	95.6%
<b>Total</b>		<b>84.6%</b>	84.1%	85.7%	3/ 87.2%	86.9%

1/ Excludes basement space in the Country Club Plaza property of 474,000 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 Office occupancy and Total occupancy was 3.2% and 2.2%, respectively.

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. 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 June 30, 2003

### Summary by Location:

Market	Rentable Square Feet	Occupancy	Percentage of Annualized Revenue 1/				Total
			Office	Industrial	Retail		
Atlanta	6,729,000	82.5%	11.0%	3.4%	—		14.4%
Research Triangle	4,032,000	81.2%	13.0%	0.2%	—		13.2%
Kansas City	2,511,000	2/ 93.1%	4.3%	—	8.7%		13.0%
Tampa	4,170,000	66.4%	12.1%	—	—		12.1%
Piedmont Triad	8,368,000	90.0%	6.1%	5.2%	—		11.3%
Nashville	2,865,000	87.0%	10.9%	—	—		10.9%
Richmond	2,825,000	93.9%	9.0%	0.5%	—		9.5%
Charlotte	1,729,000	79.8%	4.4%	0.3%	—		4.7%
Memphis	1,216,000	80.5%	4.4%	—	—		4.4%
Greenville	1,511,000	84.0%	4.1%	0.2%	—		4.3%
Columbia	426,000	60.2%	1.1%	—	—		1.1%
Orlando	340,000	48.8%	0.7%	—	—		0.7%
Other	100,000	64.1%	0.4%	—	—		0.4%
Total	36,822,000	83.4%	81.5%	9.8%	8.7%		100.0%

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

Market	Rentable Square Feet	Occupancy	Percentage of Annualized Revenue 1/3/					Total
			Office	Industrial	Retail	Multi-Family		
Atlanta	7,660,000	83.4%	11.3%	3.1%	—	—		14.4%
Research Triangle	5,157,000	81.8%	12.6%	0.2%	—	—		12.8%
Kansas City	2,938,000	92.4%	4.3%	—	7.9%	—		12.2%
Tampa	4,741,000	68.7%	11.5%	—	—	—		11.5%
Piedmont Triad	8,732,000	90.4%	6.0%	4.7%	—	—		10.7%
Nashville	2,865,000	87.0%	9.9%	—	—	—		9.9%
Richmond	2,946,000	94.1%	8.4%	0.4%	—	—		8.8%
Charlotte	1,877,000	81.4%	4.1%	0.3%	—	—		4.4%
Greenville	1,511,000	84.0%	3.8%	0.2%	—	—		4.0%
Memphis	1,216,000	80.5%	4.0%	—	—	—		4.0%
Des Moines	2,245,000	93.4%	2.9%	0.4%	0.1%	0.4%		3.8%
Orlando	2,103,000	78.7%	2.1%	—	—	—		2.1%
Columbia	426,000	60.2%	1.0%	—	—	—		1.0%
Other	210,000	82.9%	0.4%	—	—	—		0.4%
Total	44,627,000	84.5%	82.3%	9.3%	8.0%	0.4%		100.0%

1/ Annualized Revenue is June 2003 rental revenue (base rent plus operating expense pass throughs) multiplied by 12, excludes the revenue associated with the rejected 816,000 square foot Intermedia(Worldcom) lease on 12/31/02.

2/ Excludes basement space in the Country Club Plaza property of 474,000 square feet

3/ Includes Highwoods' share of Joint Venture Annualized Rental Revenue, see page 35

**Portfolio Summary**  
(Continued)

As of June 30, 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	3,931,000	80.8%	16.0%	101,000	96.2%	2.2%
Tampa	4,170,000	66.4%	14.8%	—	—	—
Atlanta	3,289,000	82.8%	13.5%	3,440,000	82.1%	34.7%
Nashville	2,865,000	87.0%	13.4%	—	—	—
Richmond	2,443,000	92.9%	11.1%	382,000	100.0%	4.7%
Piedmont Triad	2,318,000	84.1%	7.5%	6,050,000	92.2%	53.6%
Memphis	1,216,000	80.5%	5.4%	—	—	—
Charlotte	1,566,000	80.2%	5.4%	163,000	75.3%	2.9%
Kansas City	980,000	87.2%	5.3%	4,000	100.0%	0.0%
Greenville	1,408,000	85.0%	5.1%	103,000	70.0%	1.9%
Columbia	426,000	60.2%	1.3%	—	—	—
Orlando	340,000	48.8%	0.8%	—	—	—
Other	100,000	64.1%	0.4%	—	—	—
	<b>25,052,000</b>	<b>80.5%</b>	<b>100.0%</b>	<b>10,243,000</b>	<b>88.7%</b>	<b>100.0%</b>
Market	Retail					
	Rentable Square Feet	Occupancy	Percentage of Retail Annualized Revenue 1/			
Kansas City 2/	1,527,000	96.8%	100.0%			
	<b>1,527,000</b>	<b>96.8%</b>	<b>100.0%</b>			

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

2/ Excludes basement space in the Country Club Plaza property of 474,000 square feet.

## Occupancy Trends – Office, Industrial and Retail Properties

Market	Measurement	06/30/03	03/31/03	12/31/02	09/30/02	06/30/02
Atlanta	Rentable Square Feet	<b>6,729,000</b>	6,729,000	6,728,000	6,592,000	6,484,000
	Occupancy	<b>82.5%</b>	82.0%	83.0%	83.7%	84.9%
Charlotte	Rentable Square Feet	<b>1,729,000</b>	1,729,000	1,729,000	2,075,000	2,075,000
	Occupancy	<b>79.8%</b>	79.1%	84.0%	87.2%	69.5%
Columbia	Rentable Square Feet	<b>426,000</b>	426,000	426,000	426,000	426,000
	Occupancy	<b>60.2%</b>	60.2%	67.4%	62.9%	63.0%
Greenville	Rentable Square Feet	<b>1,511,000</b>	1,511,000	1,511,000	1,527,000	1,409,000
	Occupancy	<b>84.0%</b>	85.8%	86.8%	85.7%	86.2%
Kansas City 1/	Rentable Square Feet	<b>2,511,000</b>	2,511,000	2,512,000	2,690,000	2,692,000
	Occupancy	<b>93.1%</b>	93.3%	94.5%	91.7%	92.4%
Memphis	Rentable Square Feet	<b>1,216,000</b>	1,216,000	1,215,000	1,135,000	1,135,000
	Occupancy	<b>80.5%</b>	81.5%	80.8%	85.7%	85.9%
Nashville	Rentable Square Feet	<b>2,865,000</b>	2,864,000	2,733,000	3,045,000	2,991,000
	Occupancy	<b>87.0%</b>	86.0%	87.7%	88.5%	86.9%
Orlando	Rentable Square Feet	<b>340,000</b>	340,000	340,000	664,000	664,000
	Occupancy	<b>48.8%</b>	48.8%	47.6%	69.7%	68.4%
Piedmont Triad	Rentable Square Feet	<b>8,368,000</b>	8,371,000	8,371,000	8,273,000	8,273,000
	Occupancy	<b>90.0%</b>	89.4%	88.9%	88.8%	88.9%
Research Triangle	Rentable Square Feet	<b>4,032,000</b>	4,188,000	4,340,000	4,120,000	4,118,000
	Occupancy	<b>81.2%</b>	80.3%	81.9%	82.8%	86.4%
Richmond	Rentable Square Feet	<b>2,825,000</b>	2,829,000	2,764,000	2,989,000	2,990,000
	Occupancy	<b>93.9%</b>	94.6%	95.0%	95.1%	94.1%
Tampa	Rentable Square Feet	<b>4,170,000</b>	4,262,000	4,262,000	4,262,000	4,467,000
	Occupancy	<b>66.4%</b>	66.5%	67.1%	2/ 86.4%	86.3%
Total 3/	Rentable Square Feet	<b>36,722,000</b>	36,976,000	36,931,000	37,798,000	37,724,000
	Occupancy	<b>83.4%</b>	83.2%	84.0%	2/ 86.7%	86.2%

1/ Excludes basement space in the Country Club Plaza property of 474,000 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 feet of buildings held for sale

**Leasing Statistics**  
**Office Portfolio**

	Three Months Ended					
	06/30/03	03/31/03	12/31/02	09/30/02	06/30/02	Average
<b>Net Effective Rents Related to Re-Leased Space:</b>						
Number of lease transactions (signed leases)	<b>216</b>	166	194	184	162	<b>184</b>
Rentable square footage leased	<b>1,097,633</b>	1,081,692	1,035,837	882,115	874,467	<b>994,349</b>
Average per rentable square foot over the lease term:						
Base rent	\$ <b>16.93</b>	\$ 16.08	\$ 17.38	\$ 17.26	\$ 16.86	\$ <b>16.90</b>
Tenant improvements	<b>(1.33)</b>	(0.85)	(1.58)	(1.06)	(0.86)	<b>(1.14)</b>
Leasing commissions	<b>(0.59)</b>	(0.54)	(0.65)	(0.60)	(0.56)	<b>(0.59)</b>
Rent concessions	<b>(0.16)</b>	(0.14)	(0.43)	(0.22)	(0.14)	<b>(0.22)</b>
<b>Effective rent</b>	<b>14.85</b>	<b>14.55</b>	<b>14.72</b>	<b>15.38</b>	<b>15.30</b>	<b>14.95</b>
Expense stop	<b>(4.69)</b>	(4.76)	(5.08)	(5.54)	(5.17)	<b>(5.05)</b>
<b>Equivalent effective net rent</b>	<b>\$ 10.16</b>	<b>\$ 9.79</b>	<b>\$ 9.64</b>	<b>\$ 9.84</b>	<b>\$ 10.13</b>	<b>\$ 9.90</b>
Average term in years	<b>3.8</b>	<b>3.5</b>	<b>4.2</b>	<b>3.6</b>	<b>4.1</b>	<b>3.8</b>
<b>Capital Expenditures Related to Re-leased Space:</b>						
<b>Tenant Improvements:</b>						
Total dollars committed under signed leases	<b>\$7,125,673</b>	\$4,474,184	\$ 8,004,279	\$4,396,259	\$3,481,988	<b>\$5,496,477</b>
Rentable square feet	<b>1,097,633</b>	1,081,692	1,035,837	882,115	874,467	<b>994,349</b>
Per rentable square foot	<b>\$ 6.49</b>	<b>\$ 4.14</b>	<b>\$ 7.73</b>	<b>\$ 4.98</b>	<b>\$ 3.98</b>	<b>\$ 5.53</b>
<b>Leasing Commissions:</b>						
Total dollars committed under signed leases	<b>\$1,803,423</b>	\$1,658,231	\$ 2,255,691	\$1,352,691	\$1,272,854	<b>\$1,668,578</b>
Rentable square feet	<b>1,097,633</b>	1,081,692	1,035,837	882,115	874,467	<b>994,349</b>
Per rentable square foot	<b>\$ 1.64</b>	<b>\$ 1.53</b>	<b>\$ 2.18</b>	<b>\$ 1.53</b>	<b>\$ 1.46</b>	<b>\$ 1.68</b>
<b>Total:</b>						
Total dollars committed under signed leases	<b>\$8,929,097</b>	\$6,132,415	\$10,259,970	\$5,748,950	\$4,754,842	<b>\$7,165,055</b>
Rentable square feet	<b>1,097,633</b>	1,081,692	1,035,837	882,115	874,467	<b>994,349</b>
Per rentable square foot	<b>\$ 8.13</b>	<b>\$ 5.67</b>	<b>\$ 9.91</b>	<b>\$ 6.52</b>	<b>\$ 5.44</b>	<b>\$ 7.21</b>

**Leasing Statistics**  
**Industrial Portfolio**

	Three Months Ended					Average
	06/30/03	03/31/03	12/31/02	09/30/02	06/30/02	
<b>Net Effective Rents Related to Re-Leased Space:</b>						
Number of lease transactions (signed leases)	41	35	45	45	32	40
Rentable square footage leased	540,891	857,482	530,945	593,188	1,005,765	705,654
Average per rentable square foot over the lease term:						
Base rent	\$ 4.46	\$ 3.70	\$ 4.45	\$ 4.37	\$ 3.58	\$ 4.11
Tenant improvements	(0.28)	(0.32)	(0.51)	(0.23)	(0.29)	(0.33)
Leasing commissions	(0.12)	(0.11)	(0.12)	(0.14)	(0.14)	(0.13)
Rent concessions	(0.07)	(0.01)	(0.09)	(0.02)	(0.03)	(0.04)
<b>Effective rent</b>	<b>3.99</b>	<b>3.26</b>	<b>3.73</b>	<b>3.98</b>	<b>3.12</b>	<b>3.61</b>
Expense stop	(0.49)	(0.25)	(0.32)	(0.39)	(0.09)	(0.31)
<b>Equivalent effective net rent</b>	<b>\$ 3.50</b>	<b>\$ 3.01</b>	<b>\$ 3.41</b>	<b>\$ 3.59</b>	<b>\$ 3.03</b>	<b>\$ 3.30</b>
<b>Average term in years</b>	<b>3.5</b>	<b>2.6</b>	<b>3.8</b>	<b>1.6</b>	<b>6.3</b>	<b>3.5</b>
<b>Capital Expenditures Related to Re-leased Space:</b>						
<b>Tenant Improvements:</b>						
Total dollars committed under signed leases	\$701,259	\$791,737	\$1,172,142	\$522,115	\$2,088,547	\$1,055,160
Rentable square feet	540,891	857,482	530,945	593,188	1,005,765	705,654
Per rentable square foot	\$ 1.30	\$ 0.92	\$ 2.21	\$ 0.88	\$ 2.08	\$ 1.50
<b>Leasing Commissions:</b>						
Total dollars committed under signed leases	\$298,582	\$178,385	\$ 199,076	\$141,694	\$ 797,939	\$ 323,135
Rentable square feet	540,891	857,482	530,945	593,188	1,005,765	705,654
Per rentable square foot	\$ 0.55	\$ 0.21	\$ 0.37	\$ 0.24	\$ 0.79	\$ 0.46
<b>Total:</b>						
Total dollars committed under signed leases	\$999,841	\$970,122	\$1,371,218	\$663,809	\$2,886,486	\$1,378,295
Rentable square feet	540,891	857,482	530,945	593,188	1,005,765	705,654
Per rentable square foot	\$ 1.85	\$ 1.13	\$ 2.58	\$ 1.12	\$ 2.87	\$ 1.95

**Leasing Statistics**  
**Retail Portfolio**

	Three Months Ended					Average
	06/30/03	03/31/03	12/31/02	09/30/02	06/30/02	
<b>Net Effective Rents Related to Re-Leased Space:</b>						
Number of lease transactions (signed leases)	<b>9</b>	10	18	13	13	<b>13</b>
Rentable square footage leased	<b>25,772</b>	22,774	36,085	28,267	52,527	<b>33,085</b>
Average per rentable square foot over the lease term:						
Base rent	<b>\$ 26.51</b>	\$ 23.03	\$ 19.19	\$ 20.14	\$ 18.15	<b>\$ 21.40</b>
Tenant improvements	<b>(0.86)</b>	(1.54)	(1.22)	(0.60)	(1.83)	<b>(1.21)</b>
Leasing commissions	<b>(0.70)</b>	(1.09)	(0.82)	(0.88)	(0.65)	<b>(0.83)</b>
Rent concessions	<b>0.00</b>	0.00	(0.01)	0.00	(0.03)	<b>(0.01)</b>
<b>Effective rent</b>	<b>24.95</b>	<b>20.40</b>	<b>17.14</b>	<b>18.66</b>	<b>15.64</b>	<b>19.35</b>
Expense stop	<b>0.00</b>	0.00	0.00	0.00	(1.02)	<b>(0.20)</b>
<b>Equivalent effective net rent</b>	<b>\$ 24.95</b>	<b>\$ 20.40</b>	<b>\$ 17.14</b>	<b>\$ 18.66</b>	<b>\$ 14.62</b>	<b>\$ 19.15</b>
<b>Average term in years</b>	<b>9.9</b>	<b>6.9</b>	<b>6.0</b>	<b>5.6</b>	<b>7.0</b>	<b>7.1</b>
<b>Capital Expenditures Related to Re-leased Space:</b>						
<b>Tenant Improvements:</b>						
Total dollars committed under signed leases	<b>\$195,055</b>	\$513,000	\$351,023	\$121,500	\$1,077,825	<b>\$451,681</b>
Rentable square feet	<b>25,772</b>	22,774	36,085	28,267	52,527	<b>33,085</b>
Per rentable square foot	<b>\$ 7.57</b>	<b>\$ 22.53</b>	<b>\$ 9.73</b>	<b>\$ 4.30</b>	<b>\$ 20.52</b>	<b>\$ 13.65</b>
<b>Leasing Commissions:</b>						
Total dollars committed under signed leases	<b>\$100,464</b>	\$109,066	\$127,964	\$ 91,405	\$ 151,268	<b>\$116,033</b>
Rentable square feet	<b>25,772</b>	22,774	36,085	28,267	52,527	<b>33,085</b>
Per rentable square foot	<b>\$ 3.90</b>	<b>\$ 4.79</b>	<b>\$ 3.55</b>	<b>\$ 3.23</b>	<b>\$ 2.88</b>	<b>\$ 3.51</b>
<b>Total:</b>						
Total dollars committed under signed leases	<b>\$295,519</b>	\$622,066	\$478,987	\$212,905	\$1,229,093	<b>\$567,714</b>
Rentable square feet	<b>25,772</b>	22,774	36,085	28,267	52,527	<b>33,085</b>
Per rentable square foot	<b>\$ 11.47</b>	<b>\$ 27.31</b>	<b>\$ 13.27</b>	<b>\$ 7.53</b>	<b>\$ 23.40</b>	<b>\$ 17.16</b>

## Leasing Statistics by Market

For the Three Months Ended June 30, 2003

### Office Portfolio

Market	Rentable Square Feet Leased	Average Term	GAAP Rental Rate	TI's Per SF	Lease Commissions Per SF 1/
Research Triangle	283,108	2.2	\$16.26	\$ 3.15	\$ 0.68
Tampa	188,351	4.4	17.25	9.28	1.64
Atlanta	179,462	5.6	17.36	9.01	1.13
Piedmont Triad	103,617	3.3	14.26	4.41	0.38
Nashville	86,902	4.6	17.69	6.99	1.72
Charlotte	63,748	4.0	18.35	8.18	2.04
Richmond	58,043	2.9	18.29	3.88	1.41
Columbia	41,651	3.2	16.03	5.88	3.76
Kansas City	33,753	4.4	20.78	10.78	4.61
Memphis	28,575	4.4	19.16	12.34	1.89
Greenville	20,438	4.8	17.80	4.64	3.19
Orlando	9,985	0.8	9.14	0.08	0.00
	<b>1,097,633</b>	<b>3.8</b>	<b>\$16.93</b>	<b>\$ 6.49</b>	<b>\$ 1.40</b>

### Industrial Portfolio

Market	Rentable Square Feet Leased	Average Term	GAAP Rental Rate	TI's Per SF	Lease Commissions Per SF 1/
Atlanta	246,801	4.4	\$4.67	\$1.83	\$ 0.65
Piedmont Triad	235,588	2.2	4.06	0.78	0.18
Richmond	46,068	5.0	4.53	0.65	1.13
Charlotte	8,076	2.8	7.25	4.65	0.34
Research Triangle	2,340	1.0	8.00	0.00	0.00
Kansas City	2,018	1.0	8.00	0.00	0.00
	<b>540,891</b>	<b>3.5</b>	<b>\$4.46</b>	<b>\$1.30</b>	<b>\$ 0.48</b>

### Retail Portfolio

Market	Rentable Square Feet Leased	Average Term	GAAP Rental Rate	TI's Per SF	Lease Commissions Per SF 1/
Kansas City	25,772	9.9	\$26.51	\$7.57	\$ 3.51
	<b>25,772</b>	<b>9.9</b>	<b>\$26.51</b>	<b>\$7.57</b>	<b>\$ 3.51</b>

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

**Rental Rate Comparisons by Market**  
For the Three Months Ended June 30, 2003

**Office Portfolio**

Market	Rentable Square Feet	First Year Cash Rent 1/	Previous Year	Percentage Change	
				Cash Rent	Straight Line Rent
	Leased		Cash Rent		
Research Triangle	283,108	\$ 15.96	\$ 16.64	-4.1%	1.3%
Tampa	188,351	16.48	18.94	-13.0%	0.1%
Atlanta	179,462	17.49	16.60	5.3%	7.3%
Piedmont Triad	103,617	13.99	14.79	-5.4%	-1.6%
Nashville	86,902	16.32	19.26	-15.2%	-4.2%
Charlotte	63,748	17.54	18.81	-6.7%	-0.3%
Richmond	58,043	17.75	18.05	-1.7%	6.2%
Columbia	41,651	16.03	19.45	-17.6%	-14.8%
Kansas City	33,753	19.75	19.49	1.3%	6.7%
Memphis	28,575	16.28	19.38	-16.0%	1.8%
Greenville	20,438	17.01	17.96	-5.3%	4.7%
Orlando	9,985	9.10	8.86	2.7%	4.2%
	<b>1,097,633</b>	<b>\$ 16.40</b>	<b>\$ 17.47</b>	<b>-6.2%</b>	<b>0.9%</b>

**Industrial Portfolio**

Market	Rentable Square Feet	First Year Cash Rent 1/	Previous Year	Percentage Change	
				Cash Rent	Straight Line Rent
	Leased		Cash Rent		
Atlanta	246,801	\$ 4.39	\$ 5.63	-22.0%	-8.0%
Piedmont Triad	235,588	3.90	4.37	-10.8%	-7.4%
Richmond	46,068	5.33	5.67	-6.0%	-1.5%
Charlotte	8,076	8.52	8.77	-2.9%	-0.2%
Research Triangle	2,340	8.00	7.75	3.2%	3.2%
Kansas City	2,018	9.86	9.45	4.3%	6.6%
	<b>540,891</b>	<b>\$ 4.36</b>	<b>\$ 5.16</b>	<b>-15.5%</b>	<b>-7.1%</b>

**Retail Portfolio**

Market	Rentable Square Feet	First Year Cash Rent 1/	Previous Year	Percentage Change	
				Cash Rent	Straight Line Rent
	Leased		Cash Rent		
Kansas City	25,772	\$ 23.65	\$ 19.90	18.9%	35.3%
	<b>25,772</b>	<b>\$ 23.65</b>	<b>\$ 19.90</b>	<b>18.9%</b>	<b>35.3%</b>

1/ First Year Cash Rent = Base Rent less concessions

## Lease Expirations

June 30, 2003

*Dollars in thousands*

Year	Number of Leases	Rentable Square Feet Expiring	Percent of Rentable Square Feet	Annualized Revenue 1/	Average Rental Rate	Percent of Annualized Revenue 1/
<b>Office:</b>						
Remainder of 2003 2/	395	2,162,605	10.7%	\$ 37,222	\$17.21	10.6%
2004	500	2,658,294	13.2%	47,751	17.96	13.6%
2005	569	3,456,136	17.0%	61,025	17.66	17.4%
2006	410	2,960,536	14.7%	53,888	18.20	15.4%
2007	233	1,605,839	8.0%	27,294	17.00	7.8%
2008	205	2,448,868	12.1%	36,807	15.03	10.5%
2009	62	1,588,366	7.9%	27,411	17.26	7.8%
2010	52	990,449	4.9%	20,293	20.49	5.8%
2011	43	952,981	4.7%	19,178	20.12	5.5%
2012	33	710,786	3.5%	12,350	17.38	3.5%
2013 and thereafter	113	663,267	3.3%	7,336	11.06	2.1%
	<b>2,615</b>	<b>20,198,127</b>	<b>100.0%</b>	<b>\$350,555</b>	<b>\$17.36</b>	<b>100.0%</b>
<b>Industrial:</b>						
Remainder of 2003 3/	70	949,838	10.4%	\$ 4,541	\$ 4.78	11.0%
2004	111	2,632,595	28.9%	10,709	4.07	25.9%
2005	77	1,278,426	14.0%	5,712	4.47	13.8%
2006	63	982,829	10.8%	4,780	4.86	11.5%
2007	47	1,859,017	20.4%	8,329	4.48	20.1%
2008	25	537,796	5.9%	2,447	4.55	5.9%
2009	8	318,813	3.5%	2,395	7.51	5.8%
2010	4	71,708	0.8%	504	7.03	1.2%
2011	2	35,475	0.4%	178	5.02	0.4%
2012	2	44,447	0.5%	258	5.80	0.6%
2013 and thereafter	17	402,003	4.4%	1,592	3.96	3.8%
	<b>426</b>	<b>9,112,947</b>	<b>100.0%</b>	<b>\$ 41,445</b>	<b>\$ 4.55</b>	<b>100.0%</b>

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

2/ Includes 203,000 square feet of leases that are on a month to month basis or 0.8% of total annualized revenue

3/ Includes 402,000 square feet of leases that are on a month to month basis or 0.4% of total annualized revenue

# Lease Expirations

June 30, 2003

(Continued)

Dollars in thousands

Year	Number of Leases	Rentable Square Feet Expiring	Percent of Rentable Square Feet	Annualized Revenue 1/	Average Rental Rate	Percent of Annualized Revenue 1/
<b>Retail:</b>						
Remainder of 2003 2/	21	71,678	4.9%	\$ 1,139	\$15.89	3.1%
2004	34	143,766	9.7%	2,197	15.28	5.9%
2005	47	154,079	10.4%	3,258	21.14	8.7%
2006	31	91,139	6.2%	2,294	25.17	6.1%
2007	37	118,131	8.0%	2,766	23.41	7.4%
2008	36	137,025	9.3%	4,511	32.92	12.1%
2009	23	158,274	10.7%	4,045	25.56	10.8%
2010	17	85,386	5.8%	1,897	22.22	5.1%
2011	16	57,783	3.9%	2,028	35.10	5.4%
2012	13	77,862	5.3%	1,931	24.80	5.2%
2013 and thereafter	31	382,749	25.8%	11,238	29.36	30.2%
	<b>306</b>	<b>1,477,872</b>	<b>100.0%</b>	<b>\$ 37,304</b>	<b>\$25.24</b>	<b>100.0%</b>
<b>Total:</b>						
Remainder of 2003 3/	486	3,184,121	10.3%	\$ 42,902	\$13.47	10.0%
2004	645	5,434,655	17.8%	60,657	11.16	14.1%
2005	693	4,888,641	15.9%	69,995	14.32	16.3%
2006	504	4,034,504	13.1%	60,962	15.11	14.2%
2007	317	3,582,987	11.6%	38,389	10.71	8.9%
2008	266	3,123,689	10.1%	43,765	14.01	10.2%
2009	93	2,065,453	6.7%	33,851	16.39	7.9%
2010	73	1,147,543	3.7%	22,694	19.78	5.3%
2011	61	1,046,239	3.4%	21,384	20.44	5.0%
2012	48	833,095	2.7%	14,539	17.45	3.4%
2013 and thereafter	161	1,448,019	4.7%	20,166	13.93	4.7%
	<b>3,347</b>	<b>30,788,946</b>	<b>100.0%</b>	<b>\$429,304</b>	<b>\$13.94</b>	<b>100.0%</b>

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

2/ Includes 41,000 square feet of leases that are on a month to month basis or 0.1% of total annualized revenue

3/ Includes 646,000 square feet of leases that are on a month to month basis or 1.3% of total annualized revenue

# Office Lease Expirations by Market by Quarter

Dollars in thousands

		Three Months Ended					
		9/30/2003 1/	12/31/03	03/31/04	06/30/04	Total	
Atlanta	RSF	265,413	285,394	60,843	34,135	645,785	
	% of Total Office RSF	1.3%	1.4%	0.3%	0.2%	3.2%	
	Annualized Revenue	2/ \$ 4,493	\$ 5,444	\$ 953	\$ 681	\$ 11,571	
	% of Total Office Annl Rev	1.3%	1.6%	0.3%	0.2%	3.3%	
Charlotte	RSF	28,176	249,742	42,442	61,232	381,592	
	% of Total Office RSF	0.1%	1.2%	0.2%	0.3%	1.9%	
	Annualized Revenue	2/ \$ 507	\$ 3,635	\$ 720	\$ 908	\$ 5,770	
	% of Total Office Annl Rev	0.1%	1.0%	0.2%	0.3%	1.6%	
Columbia	RSF	0	68,957	8,615	3,611	81,183	
	% of Total Office RSF	0.0%	0.3%	0.0%	0.0%	0.4%	
	Annualized Revenue	2/ \$ —	\$ 1,453	\$ 152	\$ 69	\$ 1,674	
	% of Total Office Annl Rev	0.0%	0.4%	0.0%	0.0%	0.5%	
Greenville	RSF	23,287	374	1,827	12,334	37,822	
	% of Total Office RSF	0.1%	0.0%	0.0%	0.1%	0.2%	
	Annualized Revenue	2/ \$ 426	\$ 6	\$ 32	\$ 226	\$ 690	
	% of Total Office Annl Rev	0.1%	0.0%	0.0%	0.1%	0.2%	
Kansas City	RSF	62,218	39,648	47,850	21,048	170,764	
	% of Total Office RSF	0.3%	0.2%	0.2%	0.1%	0.8%	
	Annualized Revenue	2/ \$ 1,217	\$ 749	\$ 976	\$ 367	\$ 3,309	
	% of Total Office Annl Rev	0.3%	0.2%	0.3%	0.1%	0.9%	
Memphis	RSF	35,261	30,640	72,568	22,452	160,921	
	% of Total Office RSF	0.2%	0.2%	0.4%	0.1%	0.8%	
	Annualized Revenue	2/ \$ 631	\$ 649	\$ 1,245	\$ 438	\$ 2,963	
	% of Total Office Annl Rev	0.2%	0.2%	0.4%	0.1%	0.8%	
Nashville	RSF	55,008	31,896	106,306	62,092	255,302	
	% of Total Office RSF	0.3%	0.2%	0.5%	0.3%	1.3%	
	Annualized Revenue	2/ \$ 1,214	\$ 673	\$ 2,350	\$ 1,341	\$ 5,578	
	% of Total Office Annl Rev	0.3%	0.2%	0.7%	0.4%	1.6%	
Orlando	RSF	8,697	6,823	9,735	16,452	41,707	
	% of Total Office RSF	0.0%	0.0%	0.0%	0.1%	0.2%	
	Annualized Revenue	2/ \$ 140	\$ 118	\$ 96	\$ 285	\$ 639	
	% of Total Office Annl Rev	0.0%	0.0%	0.0%	0.1%	0.2%	
Piedmont Triad	RSF	54,827	21,727	38,193	126,922	241,669	
	% of Total Office RSF	0.3%	0.1%	0.2%	0.6%	1.2%	
	Annualized Revenue	2/ \$ 937	\$ 314	\$ 696	\$ 1,189	\$ 3,136	
	% of Total Office Annl Rev	0.3%	0.1%	0.2%	0.3%	0.9%	
Research Triangle	RSF	131,830	112,219	132,077	116,013	492,139	
	% of Total Office RSF	0.6%	0.6%	0.7%	0.6%	2.4%	
	Annualized Revenue	2/ \$ 2,443	\$ 1,945	\$ 2,436	\$ 2,258	\$ 9,082	
	% of Total Office Annl Rev	0.7%	0.6%	0.7%	0.6%	2.6%	
Richmond	RSF	96,877	68,547	36,162	144,494	346,080	
	% of Total Office RSF	0.5%	0.3%	0.2%	0.7%	1.7%	
	Annualized Revenue	2/ \$ 1,653	\$ 1,221	\$ 732	\$ 2,641	\$ 6,247	
	% of Total Office Annl Rev	0.5%	0.3%	0.2%	0.8%	1.8%	
Tampa	RSF	404,754	79,001	54,984	166,258	704,997	
	% of Total Office RSF	2.0%	0.4%	0.3%	0.8%	3.5%	
	Annualized Revenue	2/ \$ 6,066	\$ 1,256	\$ 1,093	\$ 2,842	\$ 11,257	
	% of Total Office Annl Rev	1.7%	0.4%	0.3%	0.8%	3.2%	
Other	RSF	0	1,289	0	0	1,289	
	% of Total Office RSF	0.0%	0.0%	0.0%	0.0%	0.0%	
	Annualized Revenue	2/ \$ —	\$ 32	\$ —	\$ —	\$ 32	
	% of Total Office Annl Rev	0.0%	0.0%	0.0%	0.0%	0.0%	

Total	RSF		1,166,348	996,257	611,602	787,043	3,561,250
	% of Total Office RSF		5.7%	4.9%	3.0%	3.9%	17.6%
	Annualized Revenue	2/	\$ 19,727	\$ 17,495	\$ 11,481	\$ 13,245	\$ 61,948
	% of Total Office Annl Rev		5.6%	5.0%	3.3%	3.8%	17.7%

1/ Includes 203,000 square feet of leases that are on a month to month basis or 0.8% of total annualized revenue

2/ Annualized Revenue is June 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					
		9/30/2003 1/	12/31/03	03/31/04	06/30/04	Total	
Atlanta	RSF	203,968	82,152	66,227	161,813	514,160	
	% of Total Industrial RSF	2.2%	0.9%	0.7%	1.8%	5.6%	
	Annualized Revenue	2/ \$ 1,156	\$ 491	\$ 384	\$ 926	\$ 2,957	
	% of Total Industrial Annl Rev	2.8%	1.2%	0.9%	2.2%	7.2%	
Charlotte	RSF	20,878	5,650	7,605	12,958	47,091	
	% of Total Industrial RSF	0.2%	0.1%	0.1%	0.1%	0.5%	
	Annualized Revenue	2/ \$ 199	\$ 68	\$ 82	\$ 140	\$ 489	
	% of Total Industrial Annl Rev	0.5%	0.2%	0.2%	0.3%	1.2%	
Greenville	RSF	0	24,096	0	0	24,096	
	% of Total Industrial RSF	0.0%	0.3%	0.0%	0.0%	0.3%	
	Annualized Revenue	2/ \$ —	\$ 270	\$ —	\$ —	\$ 270	
	% of Total Industrial Annl Rev	0.0%	0.7%	0.0%	0.0%	0.7%	
Kansas City	RSF	0	0	3,774	0	3,774	
	% of Total Industrial RSF	0.0%	0.0%	0.0%	0.0%	0.0%	
	Annualized Revenue	2/ \$ —	\$ —	\$ 20	\$ —	\$ 20	
	% of Total Industrial Annl Rev	0.0%	0.0%	0.0%	0.0%	0.0%	
Piedmont Triad	RSF	383,438	161,729	97,058	918,973	1,561,198	
	% of Total Industrial RSF	4.2%	1.8%	1.1%	10.1%	17.1%	
	Annualized Revenue	2/ \$ 1,292	\$ 659	\$ 468	\$ 3,037	\$ 5,456	
	% of Total Industrial Annl Rev	3.1%	1.6%	1.1%	7.3%	13.2%	
Research Triangle	RSF	0	12,859	0	4,922	17,781	
	% of Total Industrial RSF	0.0%	0.1%	0.0%	0.1%	0.2%	
	Annualized Revenue	2/ \$ —	\$ 134	\$ —	\$ 44	\$ 178	
	% of Total Industrial Annl Rev	0.0%	0.3%	0.0%	0.1%	0.4%	
Richmond	RSF	9,000	46,068	0	15,000	70,068	
	% of Total Industrial RSF	0.1%	0.5%	0.0%	0.2%	0.8%	
	Annualized Revenue	2/ \$ 12	\$ 261	\$ —	\$ 89	\$ 362	
	% of Total Industrial Annl Rev	0.0%	0.6%	0.0%	0.2%	0.9%	
Total	RSF	617,284	332,554	174,664	1,113,666	2,238,168	
	% of Total Industrial RSF	6.8%	3.6%	1.9%	12.2%	24.6%	
	Annualized Revenue	2/ \$ 2,659	\$ 1,883	\$ 954	\$ 4,236	\$ 9,732	
	% of Total Industrial Annl Rev	6.5%	4.5%	2.3%	10.2%	23.5%	

1/ Includes 402,000 square feet of leases that are on a month to month basis or 0.4% of total annualized revenue

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

# Office Lease Expirations by Market by Year

Dollars in thousands

			Remainder of 2003 1/	2004	2005	2006	Thereafter
Atlanta	RSF		550,807	181,510	369,439	220,078	1,402,996
	% of Total Office RSF		2.7%	0.9%	1.8%	1.1%	6.9%
	Annualized Revenue	2/	\$ 9,937	\$ 3,038	\$ 6,361	\$ 3,359	\$ 24,593
	% of Total Office Annl Rev		2.8%	0.9%	1.8%	1.0%	7.0%
Charlotte	RSF		277,918	194,440	303,916	168,082	311,813
	% of Total Office RSF		1.4%	1.0%	1.5%	0.8%	1.5%
	Annualized Revenue	2/	\$ 4,142	\$ 3,210	\$ 4,802	\$ 2,495	\$ 4,343
	% of Total Office Annl Rev		1.2%	0.9%	1.4%	0.7%	1.2%
Columbia	RSF		68,957	31,949	48,288	37,273	69,524
	% of Total Office RSF		0.3%	0.2%	0.2%	0.2%	0.3%
	Annualized Revenue	2/	\$ 1,453	\$ 574	\$ 887	\$ 661	\$ 1,054
	% of Total Office Annl Rev		0.4%	0.2%	0.3%	0.2%	0.3%
Greenville	RSF		23,661	18,381	333,705	238,253	583,683
	% of Total Office RSF		0.1%	0.1%	1.7%	1.2%	2.9%
	Annualized Revenue	2/	\$ 432	\$ 392	\$ 4,140	\$ 4,526	\$ 8,247
	% of Total Office Annl Rev		0.1%	0.1%	1.2%	1.3%	2.4%
Kansas City	RSF		101,866	124,025	167,176	144,611	317,623
	% of Total Office RSF		0.5%	0.6%	0.8%	0.7%	1.6%
	Annualized Revenue	2/	\$ 1,966	\$ 2,320	\$ 3,729	\$ 3,082	\$ 7,511
	% of Total Office Annl Rev		0.6%	0.7%	1.1%	0.9%	2.1%
Memphis	RSF		65,901	184,472	204,675	128,592	394,892
	% of Total Office RSF		0.3%	0.9%	1.0%	0.6%	2.0%
	Annualized Revenue	2/	\$ 1,280	\$ 3,415	\$ 4,106	\$ 2,595	\$ 7,707
	% of Total Office Annl Rev		0.4%	1.0%	1.2%	0.7%	2.2%
Nashville	RSF		86,904	276,285	591,115	464,975	1,072,169
	% of Total Office RSF		0.4%	1.4%	2.9%	2.3%	5.3%
	Annualized Revenue	2/	\$ 1,887	\$ 5,799	\$ 11,530	\$ 9,075	\$ 18,565
	% of Total Office Annl Rev		0.5%	1.7%	3.3%	2.6%	5.3%
Orlando	RSF		15,520	41,506	3,000	7,498	98,187
	% of Total Office RSF		0.1%	0.2%	0.0%	0.0%	0.5%
	Annualized Revenue	2/	\$ 259	\$ 633	\$ 42	\$ 98	\$ 1,764
	% of Total Office Annl Rev		0.1%	0.2%	0.0%	0.0%	0.5%
Piedmont Triad	RSF		76,554	305,443	302,279	135,126	1,131,063
	% of Total Office RSF		0.4%	1.5%	1.5%	0.7%	5.6%
	Annualized Revenue	2/	\$ 1,251	\$ 3,582	\$ 4,777	\$ 2,296	\$ 14,399
	% of Total Office Annl Rev		0.4%	1.0%	1.4%	0.7%	4.1%
Research Triangle	RSF		244,049	504,855	478,833	799,185	1,191,370
	% of Total Office RSF		1.2%	2.5%	2.4%	4.0%	5.9%
	Annualized Revenue	2/	\$ 4,387	\$ 9,722	\$ 8,800	\$ 13,630	\$ 19,602
	% of Total Office Annl Rev		1.3%	2.8%	2.5%	3.9%	5.6%
Richmond	RSF		165,424	238,663	422,549	229,613	1,214,050
	% of Total Office RSF		0.8%	1.2%	2.1%	1.1%	6.0%
	Annualized Revenue	2/	\$ 2,875	\$ 4,406	\$ 7,078	\$ 4,557	\$ 19,837
	% of Total Office Annl Rev		0.8%	1.3%	2.0%	1.3%	5.7%
Tampa	RSF		483,755	556,765	210,680	373,869	1,144,367
	% of Total Office RSF		2.4%	2.8%	1.0%	1.9%	5.7%
	Annualized Revenue	2/	\$ 7,322	\$ 10,659	\$ 4,360	\$ 7,193	\$ 22,291
	% of Total Office Annl Rev		2.1%	3.0%	1.2%	2.1%	6.4%
Other	RSF		1,289	0	20,481	13,381	28,819
	% of Total Office RSF		0.0%	0.0%	0.1%	0.1%	0.1%
	Annualized Revenue	2/	\$ 32	\$ —	\$ 413	\$ 320	\$ 758
	% of Total Office Annl Rev		0.0%	0.0%	0.1%	0.1%	0.2%
Total	RSF		2,162,605	2,658,294	3,456,136	2,960,536	8,960,556

% of Total Office RSF			10.7%		13.2%		17.1%		14.7%		44.4%
Annualized Revenue	2/	\$	37,223	\$	47,750	\$	61,025	\$	53,887	\$	150,671
% of Total Office Annl Rev			10.6%		13.6%		17.4%		15.4%		43.0%

1/ Includes 203,000 square feet of leases that are on a month to month basis or 0.8% of total annualized revenue

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

# Industrial Lease Expirations by Market by Year

Dollars in thousands

				Remainder of 2003 1/	2004	2005	2006	Thereafter
Atlanta	RSF			286,120	505,924	545,817	321,547	1,195,517
	% of Total Industrial RSF			3.1%	5.6%	6.0%	3.5%	13.1%
	Annualized Revenue	2/	\$	1,646	\$ 2,724	\$ 2,531	\$ 1,862	\$ 5,639
	% of Total Industrial Annl Rev			4.0%	6.6%	6.1%	4.5%	13.6%
Charlotte	RSF			26,528	27,760	18,201	29,993	20,081
	% of Total Industrial RSF			0.3%	0.3%	0.2%	0.3%	0.2%
	Annualized Revenue	2/	\$	267	\$ 295	\$ 197	\$ 239	\$ 199
	% of Total Industrial Annl Rev			0.6%	0.7%	0.5%	0.6%	0.5%
Greenville	RSF			24,096	26,859	0	16,081	5,350
	% of Total Industrial RSF			0.3%	0.3%	0.0%	0.2%	0.1%
	Annualized Revenue	2/	\$	270	\$ 283	\$ —	\$ 195	\$ 56
	% of Total Industrial Annl Rev			0.7%	0.7%	0.0%	0.5%	0.1%
Kansas City	RSF			0	3,774	0	0	0
	% of Total Industrial RSF			0.0%	0.0%	0.0%	0.0%	0.0%
	Annualized Revenue	2/	\$	—	\$ 20	\$ —	\$ —	\$ —
	% of Total Industrial Annl Rev			0.0%	0.0%	0.0%	0.0%	0.0%
Piedmont Triad	RSF			545,167	2,012,100	631,827	551,002	1,840,236
	% of Total Industrial RSF			6.0%	22.1%	6.9%	6.0%	20.2%
	Annualized Revenue	2/	\$	1,951	\$ 7,026	\$ 2,409	\$ 2,162	\$ 8,635
	% of Total Industrial Annl Rev			4.7%	17.0%	5.8%	5.2%	20.8%
Research Triangle	RSF			12,859	16,096	41,396	2,339	24,675
	% of Total Industrial RSF			0.1%	0.2%	0.5%	0.0%	0.3%
	Annualized Revenue	2/	\$	134	\$ 141	\$ 352	\$ 23	\$ 249
	% of Total Industrial Annl Rev			0.3%	0.3%	0.8%	0.1%	0.6%
Richmond	RSF			55,068	40,082	41,185	61,867	183,400
	% of Total Industrial RSF			0.6%	0.4%	0.5%	0.7%	2.0%
	Annualized Revenue	2/	\$	273	\$ 220	\$ 224	\$ 297	\$ 925
	% of Total Industrial Annl Rev			0.7%	0.5%	0.5%	0.7%	2.2%
Total	RSF			949,838	2,632,595	1,278,426	982,829	3,269,259
	% of Total Industrial RSF			10.4%	28.9%	14.0%	10.8%	35.9%
	Annualized Revenue	2/	\$	4,541	\$ 10,709	\$ 5,713	\$ 4,778	\$ 15,703
	% of Total Industrial Annl Rev			11.0%	25.8%	13.8%	11.5%	37.9%

1/ Includes 402,000 square feet of leases that are on a month to month basis or 0.4% of total annualized revenue

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

## Customer Diversification

June 30, 2003

*Dollars in thousands*

### Top 20 Customers

Customer	Number Of Leases	RSF	Annualized	Percent of	Average
			Revenue 1/	Annualized	Remaining
				Revenue 1/	Lease
					Term in Years
Federal Government	58	607,026	\$ 12,478	2.96%	5.2
AT&T	8	617,477	11,646	2.77%	4.4
Price Waterhouse Coopers	6	297,795	6,879	1.63%	6.8
State of Georgia	9	349,690	6,640	1.58%	5.7
Capital One Services	6	361,968	6,390	1.52%	5.4
Sara Lee	10	1,230,534	4,591	1.09%	2.0
IBM	7	215,737	4,566	1.08%	2.2
Bell South	9	176,960	3,706	0.88%	1.0
Northern Telecom	1	246,000	3,651	0.87%	4.7
Volvo	7	264,717	3,305	0.78%	5.9
US Airways	5	295,046	3,216	0.76%	4.5
Lockton Companies	1	127,485	3,159	0.75%	11.7
Business Telecom	5	147,379	2,945	0.70%	1.9
Bank of America	22	145,668	2,943	0.70%	3.8
Hartford Insurance	6	134,021	2,918	0.69%	2.8
WorldCom and Affiliates	14	145,063	2,866	0.68%	2.8
T-Mobile USA	3	120,561	2,791	0.66%	3.0
BB&T	8	241,075	2,618	0.62%	7.5
Ikon	7	181,361	2,458	0.58%	4.4
Carlton Fields	2	95,771	2,429	0.58%	1.0
	194	6,001,334	\$ 92,195	21.88%	4.6

### By Industry

Category	Percent of
	Annualized
	Revenue 1/
Professional, Scientific, and Technical Services	21.6%
Insurance	9.4%
Finance/Banking	9.1%
Manufacturing	9.1%
Telecommunication	8.9%
Retail Trade	7.8%
Administrative and Support Services	5.2%
Wholesale Trade	5.0%
Government/Public Administration	4.8%
Health Care and Social Assistance	4.2%
Real Estate Rental and Leasing	3.4%
Transportation and Warehousing	3.1%
Accommodation and Food Services	2.7%
Information	2.6%
Other Services (except Public Administration)	1.9%
Educational Services	1.0%
	100.0%

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



## Same Property Performance

*Dollars in thousands*

	Three months ended June 30,		Percentage
	2003	2002	Change
Rental revenues	\$ 103,745	\$ 109,596	-5.3%
Operating expenses	(35,393)	(34,782)	-1.8%
Net operating income	\$ 68,352	\$ 74,814	-8.6% <sup>1/</sup>
Average Occupancy	84.6%	88.2%	-4.1%
Rentable Square Feet	34,700,000	34,700,000	

	Six months ended June 30,		Percentage
	2003	2002	Change
Rental revenues	\$ 207,901	\$ 220,911	-5.9%
Operating expenses	(70,307)	(68,129)	-3.2%
Net operating income	\$ 137,594	\$ 152,782	-9.9% <sup>2/</sup>
Average Occupancy	84.7%	88.9%	-4.7%
Rentable Square Feet	34,700,000	34,700,000	

Market	2002 to 2003 2nd Quarter NOI Change	2002 to 2003 YTD NOI Change
Atlanta	-14.8%	-12.4%
Charlotte	-9.1%	-8.2%
Columbia	-1.4%	-17.6%
Greenville	-1.0%	2.0%
Kansas City	9.5%	7.0%
Memphis	-6.6%	-8.2%
Nashville	4.1%	1.2%
Orlando	-1.7%	-5.6%
Piedmont Triad	-7.4%	-7.5%
Research Triangle	-3.6%	-7.4%
Richmond	-2.5%	-1.3%
Tampa	-38.0% <sup>3/</sup>	-40.4% <sup>4/</sup>
	-8.6% <sup>1/</sup>	-9.9% <sup>2/</sup>

<sup>1/</sup> Excluding Highwoods Preserve (the 816,000sf office campus in Tampa that Worldcom vacated 12/31/02) the NOI change would have been -4.2%

<sup>2/</sup> Excluding Highwoods Preserve the NOI change would have been -5.1%

<sup>3/</sup> Excluding Highwoods Preserve the NOI change would have been -6.9%

<sup>4/</sup> Excluding Highwoods Preserve the NOI change would have been -8.4%

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## Acquisition Activity

*Dollars in thousands*

<u>Name</u>	<u>Market</u>	<u>Type 1/</u>	<u>Date Acquired</u>	<u>Square Footage</u>	<u>Cost</u>
<b>First quarter 2003:</b> Colonade	Richmond	O	01/21/03	66,000	\$7,000

**Second quarter 2003:**

None

1/ The letter “O” represents Office

## 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
				342,000	\$29,150

## Assets Contributed to Joint Ventures

	Market	Type 1/	Date Contributed	Square Footage	Sales Price
<b>First quarter 2003:</b>					
none					
<b>Second quarter 2003:</b>					
none					

1/ The letter “O” represents Office

## Development

*Dollars in thousands*

Property	Market	Type 1/	Anticipated				Estimated Completion Date	Estimated Stabilization Date
			Rentable Square Feet	Total Investment	Investment @ 06/30/03	Pre-Leasing		
<b>Completed Not Stabilized 2/</b>								
Catawba	Research Triangle	O	40,000	\$ 4,030	\$ 3,209	0%	2Q03	2Q04
801 Raleigh Corporate Center 2/	Research Triangle	O	100,000	12,016	10,291	42%	4Q02	2Q04
Tradeport V	Atlanta	I	60,000	2,913	2,722	50%	4Q02	4Q03
Total or Weighted Average			200,000	\$ 18,959	\$ 16,222	36%		

## Placed In Service

Property	Market	Type 1/	In-Service Date	Rentable Square Feet	Investment	Quarter 2 2003 NOI 3/	Occ %	Leasing %
					@ 06/30/03			
Seven Springs I	Nashville	O	03/31/2003	131,000	\$ 15,649	\$ (25)	14%	76%

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

2/ These properties contributed \$190,000 in Net Operating Income (Property Revenue – Property Expense) in Q2 2003.

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

## Development Land

June 30, 2003

*Dollars in thousands*

Market	Acres	Developable Square Footage			Total Estimated Market Value
		Office	Retail	Industrial	
On Balance Sheet:					
Research Triangle	408	2,965,000	—	162,000	\$ 63,600
Atlanta	225	270,000	1,100,000	1,040,000	35,200
Piedmont Triad	166	787,000	37,000	1,252,000	18,300
Kansas City 1/	109	725,000	216,000	—	20,200
Baltimore	101	1,102,000	—	—	13,200
Richmond	93	688,000	—	700,000	15,900
Charlotte	87	1,384,000	—	—	14,900
Nashville	50	830,000	—	—	11,800
Orlando	43	862,000	—	—	13,700
Tampa	32	522,000	—	15,000	5,400
Memphis	22	288,000	—	—	4,200
Greenville	12	150,000	—	—	1,800
Jacksonville	10	80,000	—	—	1,100
Columbia	2	20,000	—	—	300
	1,360	10,673,000	1,353,000	3,169,000	\$ 219,600
Deferred or optioned:					
Atlanta	25	—	500,000	—	
Research Triangle	32	731,000	—	—	
Richmond	11	91,000	—	—	
	68	822,000	500,000	—	
Total	1,428	11,495,000	1,853,000	3,169,000	

1/ Includes 27 acres of residential land

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

June 30, 2003

*Dollars in thousands*

Joint Venture	Type 1/	Own%	Venture's Books		
			Total Assets	Debt	Total Liabilities
Dallas County Partners I, LP	O/ I	50.0%	\$ 42,549	\$ 38,461	\$ 41,314
Dallas County Partners II, LP	O	50.0%	18,623	23,040	24,369
Dallas County Partners III, LP	O	50.0%	48	—	40
Fountain Three	O/ I / R	50.0%	34,895	30,452	32,605
RRHWoods, LLC	O/ M	50.0%	81,285	66,584	70,241
Dreilander-Fonds 98/29	O	22.8%	140,834	67,733	70,003
Dreilander-Fonds 97/26 Dreilander-Fonds 99/32	O	42.9%	117,218	59,364	62,101
MG-HIW, LLC	O	20.0%	340,246	242,240	250,038
MG-HIW Metrowest I, LLC	O	50.0%	1,601	—	14
MG-HIW Peachtree Corners, LLC	O	50.0%	5,334	4,286	4,337
MG-HIW Metrowest II, LLC	O	50.0%	9,879	5,819	6,021
4600 Madison Associates, LP	O	12.5%	22,412	17,059	17,585
Board of Trade Investment Co.	O	49.0%	8,117	835	1,208
Concourse Center Associates, LLC	O	50.0%	14,646	9,778	10,072
Plaza Colonnade, LLC	O/R	50.0%	11,236	2,727	3,587
Highwoods-Markel Assoc., LLC	O	50.0%	14,822	11,610	11,758
SF-HIW Harborview Plaza, LP	O	20.0%	40,547	22,800	24,702
Kessinger/Hunter, LLC	—	26.5%	8,749	—	428
<b>Total</b>			<b>\$ 913,041</b>	<b>\$602,788</b>	<b>\$ 630,423</b>

Joint Venture	Type 1/	Own%	Highwoods' Share of Joint Venture		
			Total Assets	Debt	Total Liabilities
Dallas County Partners I, LP	O/ I	50.0%	\$ 21,275	\$ 19,231	\$ 20,657
Dallas County Partners II, LP	O	50.0%	9,312	11,520	12,185
Dallas County Partners III, LP	O	50.0%	24	—	20
Fountain Three	O/ I / R	50.0%	17,448	15,226	16,303
RRHWoods, LLC	O/ M	50.0%	40,643	33,292	35,121
Dreilander-Fonds 98/29	O	22.8%	32,124	15,450	15,968
Dreilander-Fonds 97/26 Dreilander-Fonds 99/32	O	42.9%	50,322	25,485	26,660
MG-HIW, LLC	O	20.0%	68,049	48,448	50,008
MG-HIW Metrowest I, LLC	O	50.0%	801	—	7
MG-HIW Peachtree Corners, LLC	O	50.0%	2,667	2,143	2,169
MG-HIW Metrowest II, LLC	O	50.0%	4,940	2,910	3,011
4600 Madison Associates, LP	O	12.5%	2,802	2,132	2,198
Board of Trade Investment Co.	O	49.0%	3,977	409	592
Concourse Center Associates, LLC	O	50.0%	7,323	4,889	5,036
Plaza Colonnade, LLC	O/R	50.0%	5,618	1,364	1,794
Highwoods-Markel Assoc., LLC	O	50.0%	7,411	5,805	5,879
SF-HIW Harborview Plaza, LP	O	20.0%	8,109	4,560	4,940
Kessinger/Hunter, LLC	—	26.5%	2,318	—	113
<b>Total</b>			<b>\$ 285,163</b>	<b>\$192,864</b>	<b>\$ 202,661</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 June 30, 2003

*Dollars in thousands*

Joint Venture	Own %	Venture's Books				Net Income	
		Oper Exp					
		Revenue		Interest	Depr/Amort		
Dallas County Partners I, LP	50.0%	\$ 2,885	\$ 1,310	\$ 694	\$ 509	\$ 372	
Dallas County Partners II, LP	50.0%	1,557	605	592	206	154	
Dallas County Partners III, LP	50.0%	84	37	—	1	46	
Fountain Three	50.0%	1,799	755	569	440	35	
RRHWoods, LLC	50.0%	3,442	1,815	674	871	82	
Dreilander-Fonds 98/29	22.8%	5,031	1,399	1,149	866	1,617	
Dreilander-Fonds 99/32 & 97/26	42.9%	3,925	1,092	1,149	1,006	678	
MG-HIW, LLC	20.0%	12,282	4,589	2,315	2,386	2,992	1/
MG-HIW Metrowest I, LLC	50.0%	—	8	—	—	(8)	
MG-HIW Rocky Point, LLC	50.0%	—	—	—	—	—	
MG-HIW Peachtree Corners, LLC	50.0%	141	37	37	25	42	
MG-HIW Metrowest II, LLC	50.0%	143	114	39	83	(93)	
4600 Madison Associates, LP	12.5%	1,347	531	296	448	72	
Board of Trade Investment Co.	49.0%	607	396	17	100	94	
Concourse Center Assoc., LLC	50.0%	502	131	173	76	122	
Highwoods-Markel Assoc., LLC	50.0%	824	422	319	156	(73)	
Kessinger/Hunter, LLC	28.3%	1,530	1,237	—	171	122	
SF-HIW Harborview Plaza, LP	20.0%	1,387	442	351	217	377	
Plaza Colonnade, LLC	50.0%	4	—	—	1	3	
Total		\$37,490	\$14,920	\$8,374	\$ 7,562	\$ 6,634	

Joint Venture	Own %	Highwoods' Share of Joint Venture				
		Operating Exp		Depr/Amort		Net Income
		Revenue		Interest		
Dallas County Partners I, LP	50.0%	\$ 1,443	\$ 655	\$ 347	\$ 254	\$ 187
Dallas County Partners II, LP	50.0%	779	303	296	103	77
Dallas County Partners III, LP	50.0%	42	19	—	1	22
Fountain Three	50.0%	900	378	285	220	17
RRHWoods, LLC	50.0%	1,722	908	337	436	41
Highwoods DLF 98/29	22.8%	1,148	319	262	198	369
Highwoods DLF 97/26 DLF 99/32	42.9%	1,685	469	493	432	291
MG-HIW, LLC	20.0%	2,457	918	463	477	599 1/
MG-HIW Metrowest I, LLC	50.0%	—	4	—	—	(4)
MH-HIW Rocky Point, LLC	50.0%	—	—	—	—	—
MG-HIW Peachtree Corners III, LLC	50.0%	71	19	19	13	20
MG-HIW Metrowest II, LLC	50.0%	72	57	20	42	(47)
4600 Madison Associates	12.5%	168	66	37	56	9
Board of Trade Investment Co.	49.0%	297	194	8	49	46
Concourse Center Assoc., LLC	50.0%	251	66	87	38	60
Highwoods-Markel Assoc., LLC	50.0%	412	211	160	78	(37)
Kessinger/Hunter & Company	28.3%	433	350	—	48	35
SF-HIW Harborview Plaza, LP	20.0%	277	88	70	43	76
Plaza Colonnade, LLC	50.0%	2	—	—	1	1
Total 2/		\$12,159	\$ 5,024	\$2,884	\$ 2,489	\$ 1,762

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

2/ Highwoods' Share of JV income shown above does not include the amortization of a \$166K deferred gain

## Unconsolidated Joint Ventures Income

For the Six Months Ended June 30, 2003

Dollars in thousands

Joint Venture	Own %	Venture's Books				
		Operating Exp			Net Income	
		Revenue		Interest	Depr/Amort	
Dallas County Partners I, LP	50.0%	\$ 5,236	\$ 2,682	\$ 1,389	\$ 980	\$ 185
Dallas County Partners II, LP	50.0%	3,123	1,294	1,190	411	228
Dallas County Partners III, LP	50.0%	144	75	—	2	67
Fountain Three	50.0%	3,562	1,514	1,141	796	111
RRHWoods, LLC	50.0%	6,949	3,606	1,346	1,706	291
Dreilander-Fonds 98/29	22.8%	9,673	2,747	2,303	1,728	2,895
Dreilander-Fonds 99/32 & 97/26	42.9%	8,106	2,215	2,302	2,007	1,582
MG-HIW, LLC	20.0%	24,573	8,975	4,643	4,729	6,226 1/
MG-HIW Metrowest I, LLC	50.0%	—	16	—	—	(16)
MG-HIW Rocky Point, LLC	50.0%	—	—	—	—	—
MG-HIW Peachtree Corners, LLC	50.0%	175	62	62	43	8
MG-HIW Metrowest II, LLC	50.0%	266	223	83	162	(202)
4600 Madison Associates, LP	12.5%	2,840	1,078	595	887	280
Board of Trade Investment Co.	49.0%	1,215	791	34	200	190
Concourse Center Assoc., LLC	50.0%	1,028	269	346	151	262
Highwoods-Markel Assoc., LLC	50.0%	1,636	861	558	299	(82)
Kessinger/Hunter, LLC	28.3%	2,927	2,396	—	331	200
SF-HIW Harborview Plaza, LP	20.0%	2,806	850	701	433	822
Plaza Colonnade, LLC	50.0%	8	—	—	2	6
Total		\$74,267	\$ 29,654	\$16,693	\$ 14,867	\$ 13,053

Joint Venture	Own %	Highwoods' Share of Joint Venture				
		Operating Exp				Net Income
		Revenue		Interest	Depr/Amort	
Dallas County Partners I, LP	50.0%	\$ 2,618	\$ 1,341	\$ 695	\$ 490	\$ 92
Dallas County Partners II, LP	50.0%	1,562	647	595	206	114
Dallas County Partners III, LP	50.0%	72	38	—	1	33
Fountain Three	50.0%	1,781	757	571	398	55
RRHWoods, LLC	50.0%	3,476	1,760	673	895	148
Highwoods DLF 98/29	22.8%	2,206	627	525	394	660
Highwoods DLF 97/26 DLF 99/32	42.9%	3,481	951	988	861	681
MG-HIW, LLC	20.0%	4,916	1,795	929	945	1,247 1/
MG-HIW Metrowest I, LLC	50.0%	—	8	—	—	(8)
MH-HIW Rocky Point, LLC	50.0%	—	—	—	—	—
MG-HIW Peachtree Corners III, LLC	50.0%	88	31	31	22	4
MG-HIW Metrowest II, LLC	50.0%	133	112	42	81	(102)
4600 Madison Associates	12.5%	355	135	74	111	35
Board of Trade Investment Co. 2/	49.0%	595	388	17	98	92
Concourse Center Assoc., LLC	50.0%	514	135	173	76	130
Highwoods-Markel Assoc., LLC	50.0%	818	431	279	150	(42)
Kessinger/Hunter & Company	26.5%	776	635	—	88	53
SF-HIW Harborview Plaza, LP	20.0%	561	170	140	87	164
Plaza Colonnade, LLC	50.0%	4	—	—	1	3
<b>Total 3/</b>		<b>\$23,956</b>	<b>\$ 9,961</b>	<b>\$ 5,732</b>	<b>\$ 4,904</b>	<b>\$ 3,359</b>

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

2/ Does not include 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 \$324K deferred gain

## Unconsolidated Joint Ventures Long-Term Debt Detail

*Dollars in thousands*

Joint Venture	Own %	Lender	Interest Rate	Maturity Date	Loan Balance 06/30/03
Dallas County Partners I, LP	50.0%	various 1/	7.2%	various 1/	\$ 38,461
Dallas County Partners II, LP	50.0%	Principal Life Insurance Company	10.2%	Jun-13	23,040
Fountain Three	50.0%	John Hancock Life Insurance Co.	7.8%	Jan-08	6,274
	50.0%	various 2/	7.5%	various 2/	24,178
Total Fountain Three			7.5%		30,452
RRHWoods, LLC	50.0%	Industrial Revenue Bonds	2.9%	3/ Nov-15	23,000
	50.0%	CIGNA	6.8%	Sep-12	8,429
	50.0%	Industrial Revenue Bonds	4.5%	3/ Sep-15	6,000
	50.0%	various 4/	5.9%	3/ various 4/	29,155
Total RRHWoods, LLC			4.8%		66,584
Dreilander-Fonds 98/29	22.8%	USG Annuity & Life Company	6.8%	May-11	67,733
Dreilander-Fonds 97/26 Dreilander-Fonds 99/32	42.9%	Massachusetts Mutual Life Ins. Co.	7.7%	May-12	59,364
MG-HIW, LLC	20.0%	GE Capital	3.3%	3/ Jan-06	242,240
MG-HIW Peachtree Corners, LLC	50.0%	Highwoods Finance, LLC	3.1%	3/ Jul-03	4,286
MG-HIW Metrowest II, LLC	50.0%	Wachovia	2.9%	3/ Feb-05	5,819
4600 Madison Associates, LP	12.5%	State Farm	6.9%	Apr-18	17,059
Board of Trade Investment Co.	49.0%	KC Board of Trade Clearing Corp.	7.8%	Sep-07	835
Concourse Center Associates, LLC	50.0%	Lincoln National Life Insurance Co.	7.0%	Jul-10	9,778
Highwoods-Markel Assoc., LLC	50.0%	First Community Bank	7.9%	Apr-11	9,987
	50.0%	First Community Bank	8.6%	Apr-10	1,623
Total Highwoods-Markel Assoc., LLC			8.0%		11,610
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	2,727
Total Secured Loans					<b>\$602,788</b>
Highwoods' Share of the above					<b>\$192,864</b>

1/ includes 15 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 June 30, 2003's rates.

4/ includes 6 fixed rate loans under \$6 million maturing between October 2002 to September 2012 and 2 floating rate loans under \$6 million with maturities ranging from January 2004 to November 2015

## Portfolio Summary Unconsolidated Joint Ventures

As of June 30, 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	93.4%	32.5%	4.0%	1.1%	4.3%	41.9%
Orlando	1,764,000	84.4%	17.0%	—	—	—	17.0%
Atlanta	930,000	89.9%	14.7%	—	—	—	14.7%
Research Triangle	1,125,000	84.0%	7.6%	—	—	—	7.6%
Tampa	571,000	85.3%	5.7%	—	—	—	5.7%
Piedmont Triad	364,000	100.0%	4.6%	—	—	—	4.6%
Kansas City	427,000	88.2%	4.4%	—	—	—	4.4%
Richmond	121,000	100.0%	2.5%	—	—	—	2.5%
Charlotte	148,000	100.0%	1.0%	—	—	—	1.0%
Other	110,000	100.0%	0.6%	—	—	—	0.6%
Total	7,805,000	89.4%	90.6%	4.0%	1.1%	4.3%	100.0%

1/ Excludes Des Moines' apartment units.

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

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

# Unconsolidated Joint Venture Lease Expirations

June 30, 2003

Dollars in thousands

<u>Year</u>		<u>Number of Leases</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>							
	Remainder of 2003	100	330,307	4.7%	\$ 6,645	\$20.12	5.3%
	2004	111	641,562	9.1%	13,092	20.41	10.4%
	2005	126	901,378	12.8%	16,192	17.96	13.0%
	2006	108	989,075	14.1%	15,888	16.06	12.6%
	2007	59	381,086	5.4%	7,988	20.96	6.3%
	2008	53	1,165,598	16.6%	17,140	14.71	13.6%
	2009	17	576,400	8.2%	10,019	17.38	8.0%
	2010	27	407,731	5.8%	6,471	15.87	5.1%
	2011	12	427,781	6.1%	9,203	21.51	7.3%
	2012	20	323,546	4.6%	7,360	22.75	5.8%
	2013 and thereafter	29	887,726	12.6%	15,866	17.87	12.6%
		<b>662</b>	<b>7,032,190</b>	<b>100.0%</b>	<b>\$125,865</b>	<b>\$17.90</b>	<b>100.0%</b>

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

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## Unconsolidated Joint Ventures Development

*Dollars in thousands*

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Property	% Ownership	Market	Rentable Square Feet	Anticipated	Investment	Pre- Leasing	Estimated	Estimated
				Total Investment	@ 06/30/03		Completion	Stabilization
							Date	Date
Plaza Colonnade, LLC 1/	50%	Kansas City	285,000	\$ 69,700	\$ 11,236	59%	Q304	Q305
Highwoods' Share of the above			<b>142,500</b>	<b>\$ 34,850</b>	<b>\$ 5,618</b>	<b>59%</b>		

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

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