

HIGHWOODS PROPERTIES INC

FORM 8-K

(Unscheduled Material Events)

Filed 10/31/2003 For Period Ending 10/31/2003

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

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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): October 31, 2003

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

Item 12. Results of Operations and Financial Condition

On October 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 September 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 September 30, 2003, a copy of which is attached hereto as Exhibit 99.2.

<u>Exhibit</u>	<u>Description</u>
99.1	Press Release, dated October 31, 2003, announcing the results of operations and financial condition of Highwoods Properties, Inc. for the nine months ended September 30, 2003.
99.2	Supplemental operating and Financial Information of Highwoods Properties, Inc. for the nine months ended September 30, 2003.

SIGNATURES

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

HIGHWOODS PROPERTIES, INC.

By: /s/ CARMAN J. LIUZZO

Carman J. Liuzzo
Vice President, Chief Financial Officer and Treasurer

Dated: October 31, 2003

Exhibit 99.1

[LOGO OF HIGHWOODS PROPERTIES]

FOR IMMEDIATE RELEASE

Contact:	Tabitha Zane	<i>or</i>	Carman Liuzzo
	Sr. Director, Investor Relations		Chief Financial Officer
	919-431-1529		909-875-6605

Highwoods Properties Reports Third Quarter Results

\$0.64 Per Share Funds from Operations

***Announces Debt Refinancing Plan, Anticipates Annual Interest Savings of
\$8.9 Million or \$0.15 Cents Per Share***

Raleigh, NC – October 30, 2003 – Highwoods Properties, Inc. (NYSE: HIW), the largest owner and operator of suburban office properties in the Southeast, today reported net income available for common stockholders of \$13.8 million, or \$0.26 per diluted share, for the quarter ended September 30, 2003 compared to \$7.1 million, or \$0.14 per diluted share, for the same period last year.

Funds from operations (“FFO”) before minority interest was \$38.1 million, or \$0.64 per diluted share, for the quarter ended September 30, 2003. This compares to FFO of \$44.7 million, or \$0.74 per diluted share, for the same period a year ago. A reconciliation of FFO to GAAP net income is included in the financial tables. (See also “Non-GAAP Information” below)

Ronald P. Gibson, president and chief executive officer of Highwoods said, “ The third quarter met our expectations with continued strong leasing activity totaling 1.8 million square feet. This is also the fourth consecutive quarter that we have leased in excess of one million square feet of office space. We are also pleased that office straight-line rents have held steady and are up 1.0% for the first nine months of the year. It is also important to note that the decline in occupancy in our portfolio was not the result of any deterioration in our markets but rather was primarily due to three factors; an expected move-out of a larger tenant in Tampa formerly occupying 153,000 square feet, the disposition of higher occupied assets and the acquisition of the 80.0% occupied MG-HIW assets.”

Third Quarter Highlights

- Second generation leasing activity in the Highwoods portfolio totaled 1.7 million square feet, 62.3% of which was in the Company's office portfolio. In the first three quarters of 2003, the Company has leased 5.4 million square feet.
- Rental revenues from continuing operations were \$107.0 million, a 2.3% decline from the third quarter of 2002 when rental revenues operations were \$109.5 million.
- On a cash basis, same property rental revenues declined 6.4% from a year ago to \$100.5 million and same property net operating income declined 9.8% for the comparable period. The decline in same property net operating income would have been 5.1% without the effect of the WorldCom lease rejection at Highwoods Preserve in Tampa.
- Cash available for distribution ("CAD") was \$22.3 million versus CAD of \$38.6 million for the third quarter of 2002. A reconciliation of CAD to GAAP net income is included in the financial tables. See also "Non-GAAP Information" below.
- The Company was awarded a 350,000 square foot build-to-suit contract by the National Archives and Records Administration, an independent agency of the United States Government.

Debt Refinancing Plan

On December 1, 2003, \$146.5 million of the Company's 8.0% Notes and \$100.0 million of the Company's 6.75% Notes will mature. A portion of this debt totaling \$127.5 million is expected to be refinanced with 10-year secured debt at an effective rate of 5.25%. The Company also plans to enter into a \$100.0 million 2-year unsecured term loan with a floating rate that will initially be set at 1.3% over LIBOR. The remaining \$19.0 million is expected to be repaid with proceeds from asset sales or with funds from the Company's \$250.0 million senior credit facility.

Although the 10-year secured loan and the 2-year unsecured loan have been approved by the lending institutions, they are each subject to definitive documentation. Assuming the Company is successful in obtaining financing on the terms described above, the Company anticipates annual interest savings of approximately \$8.9 million, or \$0.15 per share.

Asset Repositioning

In the third quarter, the Company sold \$93.2 million of assets, including seven office and industrial properties encompassing 968,000 square feet, and 21.1 acres of land. Through October 24, 2003 the Company has repositioned \$128.8 million of assets and currently has assets under contract or letter of intent with an aggregate sales price of \$175.0 million and a net book value of \$145.5 million. On July 29, 2003, the Company completed the acquisition of 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.

Outlook

The Company anticipates that fourth quarter 2003 FFO will be between \$0.62 and \$0.64 per share, which would bring FFO for the full year to between \$2.60 and \$2.62 per share before the adjustments to FFO to exclude the impairment write-downs of depreciable real estate assets and losses on the extinguishment of debt (See the first paragraph under "Non-GAAP Information"). This range is consistent with the guidance provided by the Company in April of 2003. Excluding impairment write-downs of depreciable real estate assets and losses on the extinguishment of debt, which lowered FFO in the first six months of 2003 by \$0.05, FFO for 2003 will be between \$2.55 and \$2.57. For 2004 the Company anticipates that FFO will be between \$2.55 and \$2.70 per share.

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

In early October, the National Association of Real Estate Investment Trusts ("NAREIT") issued a Financial Reporting Alert stating that impairment write-downs of depreciable real estate assets must be excluded from FFO. Additionally, under the provisions of Financial Accounting Standards Board Statement No. 145, losses on the extinguishment of debt incurred in the third quarter of 2002 are no longer considered extraordinary items and must be excluded from FFO. As a result of these developments, FFO per share was reduced by approximately \$0.05 for the nine-month period ending September 30, 2003 and \$0.23 for the full year 2002. These developments had no impact on the current quarter's FFO per share.

We consider FFO and 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 NAREIT.

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 third quarter 2003 Supplemental Information that includes detailed operating and financial information is available in the "Investor Relations/Quarterly Earnings" section of the Company's Web site at www.highwoods.com. 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. 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 third quarter on Friday, October 31, 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 under the "Investor Relations" section.

Telephone and web cast replays will be available two hours after the completion of the call. The telephone replay will be available for one week beginning at 1:00 p.m. Eastern Time. Dial-in numbers for the replay are (800) 642-1687 US/Canada, (706) 645-9291 international. The conference ID is 2462351.

About the Company

Highwoods Properties, Inc., a member of the S&P MidCap 400 Index, is a fully integrated, self-administered real estate investment trust ("REIT") that provides leasing, management, development, construction and other customer-related services for its properties and for third parties. As of September 30, 2003, the Company owned or had an interest in 545 in-service office, industrial and retail properties encompassing approximately 43.7 million square feet. Highwoods also owns approximately 1,377 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.

Certain matters discussed in this press release, such as the effect of tenant bankruptcies on our operations, expected leasing and financing activities, financial and operating performance and share repurchases and the cost and timing of expected development projects and asset dispositions, are forward-looking statements within the meaning of the federal securities laws. These statements are distinguished by use of the words "will", "expect", "intends" and words of similar meaning. Although Highwoods believes that the expectations reflected in such forward-looking statements are based upon reasonable assumptions, it can give no assurance that its expectations will be achieved.

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

Financial tables follow.

####

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
Rental revenue	\$106,991	\$109,521	\$315,720	\$327,984
Operating expenses:				
Rental property	37,184	34,976	109,579	103,618
Depreciation and amortization	31,543	29,872	95,774	86,996
Interest expense:				
Contractual	28,122	27,470	83,618	79,761
Amortization of deferred financing costs	819	347	2,202	1,027
	28,941	27,817	85,820	80,788
General and administrative (includes \$3,700 of nonrecurring compensation expense in the nine months ended September 30, 2002)	6,276	4,147	18,144	18,550
Litigation reserve	—	2,700	—	2,700
Total operating expenses	103,944	99,512	309,317	292,652
Other income:				
Interest and other income	2,506	2,766	8,574	8,783
Equity in earnings of unconsolidated affiliates	1,626	1,259	2,902	6,298
	4,132	4,025	11,476	15,081
Income before gain/(loss) on disposition of land and depreciable assets, minority interest and discontinued operations	7,179	14,034	17,879	50,413
Gain on disposition of land	1,067	741	3,342	6,498
(Loss)/gain on disposition of depreciable assets	(203)	(329)	37	5,050
Income before minority interest and discontinued operations	8,043	14,446	21,258	61,961
Minority interest	(857)	(1,841)	(2,424)	(7,564)
Income from continuing operations	7,186	12,605	18,834	54,397
Discontinued operations:				
Income from discontinued operations, net of minority interest	3,007	5,058	11,476	16,002
Gain/(loss) on sale of discontinued operations, net of minority interest	11,280	(2,841)	12,455	(955)
	14,287	2,217	23,931	15,047
Net income	21,473	14,822	42,765	69,444
Dividends on preferred shares	(7,713)	(7,713)	(23,139)	(23,139)
Net income available for common stockholders	\$ 13,760	\$ 7,109	\$ 19,626	\$ 46,305
Net income per common share-diluted:				
(Loss)/income from continuing operations	\$ (0.01)	\$ 0.09	\$ (0.08)	\$ 0.58
Income from discontinued operations	0.27	0.05	0.45	0.29
Net income	\$ 0.26	\$ 0.14	\$ 0.37	\$ 0.87
Weighted average common shares outstanding—diluted	53,261	53,604	53,342	53,544

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
Funds from operations:				
Net income	\$ 21,473	\$ 14,822	\$ 42,765	\$ 69,444
Add/(Deduct):				
Depreciation and amortization	31,543	29,872	95,774	86,996
Gain/(loss) on disposition of depreciable assets	203(1)	(171)(1)	(37)(1)	(14,618)(1)
Minority interest	857	1,841	2,424	7,564
Dividends to preferred shareholders	(7,713)	(7,713)	(23,139)	(23,139)
Unconsolidated affiliates:				
Depreciation and amortization	2,235	2,432	7,139	7,065
Discontinued operations:				
Depreciation and amortization	372	2,955	2,216	8,765
Gain on sale, net of minority interest	(11,280)(1)	(12)(1)	(12,743)(1)	(2,629)(1)
Minority interest in income	372	668	1,450	2,154
Funds from operations	38,062	44,694(2)	115,849	141,602(2)
Cash available for distribution:				
Add/(Deduct):				
Rental income from straight-line rents	(1,136)	(1,222)	(4,501)	(2,540)
Amortization of intangible lease assets	212	—	212	—
Impairment charges	—	3,353	2,701	13,152
Amortization of deferred financing costs	819	347	2,202	1,027
Non-recurring compensation expense	—	—	—	3,700
Litigation reserve	—	2,700	—	2,700
Non-incremental revenue generating capital expenditures:				
Building improvements paid	(4,500)	(1,740)	(10,025)	(4,861)
Second generation tenant improvements paid	(6,588)	(5,824)	(18,008)	(12,735)
Second generation lease commissions paid	(4,551)	(3,694)	(11,465)	(9,353)
	(15,639)	(11,258)	(39,498)	(26,949)
Cash available for distribution	\$ 22,318	\$ 38,614	\$ 76,965	\$ 132,692
Per common share/common unit-diluted:				
Funds from operations	\$ 0.64	\$ 0.74	\$ 1.93	\$ 2.33
Dividends paid	\$ 0.425	\$ 0.585	\$ 1.435	\$ 1.755
Dividend payout ratios:				
Funds from operations	66.8%	79.4%	74.4%	75.3%
Cash available for distribution	113.9%	91.9%	112.0%	80.3%
Weighted average shares/units outstanding-diluted	59,830	60,653	60,063	60,730
Net cash provided by/(used in):				
Operating activities	\$ 54,887	\$ 75,289	\$ 128,760	\$ 172,979
Investing activities	14,599	18,480	976	85,279
Financing activities	(69,428)	(93,965)	(127,670)	(244,836)
Net increase/(decrease) in cash and cash equivalents	\$ 58	\$ (196)	\$ 2,066	\$ 13,422

In October 2003, NAREIT issued a Financial Reporting Alert that changed its current implementation guidance for FFO regarding impairment charges. Accordingly, impairment charges have been excluded from gain/(loss) on disposition of depreciable assets in the calculation of FFO. In addition, as a result of the FASB's "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections" ("SFAS 145"), losses on the extinguishment of debt will no longer be classified as an extraordinary item in the Company's Consolidated Statements of Income. Therefore, the calculation of FFO no longer includes an add-back of this amount. See page 2 of this table for a reconciliation of gains/(losses) to the Company's Consolidated Statements of Income and the impact these changes have had

on FFO, in dollars and per share amounts, for all periods presented.

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

- (1) The following is a reconciliation of gain/(loss) on disposition of depreciable assets included in the FFO calculation and gain/(loss) on disposition of depreciable assets included in the Company's Consolidated Statements of Income for the three and nine months ended September 30, 2003 and 2002:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
Continuing Operations:				
Gain/(loss) on disposition of depreciable assets per FFO calculation	\$ (203)	\$ 171	\$ 37	\$ 14,618
Impairment charges	—	(500)	—	(9,568)
Gain/(loss) on disposition of depreciable assets per Consolidated Statements of Income	\$ (203)	\$ (329)	\$ 37	\$ 5,050
Discontinued Operations:				
Gain/(loss) on disposition of depreciable assets per FFO calculation	\$11,280	\$ 12	\$12,743	\$ 2,629
Impairment charges	—	(2,853)	(288)	(3,584)
Gain/(loss) on disposition of depreciable assets per Consolidated Statements of Income	\$11,280	\$ (2,841)	\$12,455	\$ (955)

In addition to the impairment charges detailed above, FFO for the nine months ended September 30, 2003 also excludes a \$2.4 million impairment charge included in the Company's equity in earnings of unconsolidated affiliates related to the acquisition of certain assets of the MG-HIW, LLC joint venture by the Company

- (2) FFO for the three and nine months ended September 30, 2002 was decreased by \$687,000, which represents a loss on the extinguishment of debt incurred during those periods. There were no losses on the extinguishment of debt incurred in 2003.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
FFO in dollars	\$ —	\$ (4,040)	\$ (2,701)	\$ (13,839)
FFO per share	\$ —	\$ (0.07)	\$ (0.05)	\$ (0.23)

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

	<u>09/30/2003</u>	<u>12/31/2002</u>	<u>09/30/2002</u>
Assets:			
Real estate assets, at cost:			
Land and improvements	\$ 399,359	\$ 392,135	\$ 413,291
Buildings and tenant improvements	2,904,268	2,823,834	2,798,650
Development in process	11,159	6,419	39,633
Land held for development	177,982	163,789	153,395
Furniture, fixtures and equipment	21,605	20,966	20,479
	<u>3,514,373</u>	<u>3,407,143</u>	<u>3,425,448</u>
Less-accumulated depreciation	(517,779)	(457,863)	(437,454)
Net real estate assets	2,996,594	2,949,280	2,987,994
Property held for sale	145,548	183,828	257,826
Cash and cash equivalents	13,083	11,017	13,998
Restricted cash	6,810	8,582	2,702
Accounts receivable, net	12,570	13,578	19,298
Notes receivable	18,920	31,057	31,914
Accrued straight-line rents receivable	51,592	48,777	50,191
Investment in unconsolidated affiliates	73,372	79,504	80,825
Other assets:			
Deferred leasing costs	105,642	99,802	104,866
Deferred financing costs	44,506	26,120	25,964
Prepaid expenses and other	16,341	15,295	13,400
	<u>166,489</u>	<u>141,217</u>	<u>144,230</u>
Less-accumulated amortization	(81,456)	(71,471)	(70,023)
Other assets, net	85,033	69,746	74,207
Total Assets	<u>\$3,403,522</u>	<u>\$3,395,369</u>	<u>\$3,518,955</u>
Liabilities and Stockholders' Equity:			
Mortgages and notes payable	\$1,612,483	\$1,528,720	\$1,626,362
Accounts payable, accrued expenses and other liabilities	118,192	120,614	131,087
Total Liabilities	<u>1,730,675</u>	<u>1,649,334</u>	<u>1,757,449</u>
Minority interest	174,058	188,563	191,114
Stockholders' Equity:			
Preferred stock	377,445	377,445	377,445
Common stock	531	534	534
Additional paid-in capital	1,384,129	1,390,043	1,389,595
Distributions in excess of net earnings	(254,546)	(197,647)	(182,719)
Accumulated other comprehensive loss	(4,002)	(9,204)	(10,418)
Deferred compensation	(4,768)	(3,699)	(4,045)
Total Stockholders' Equity	<u>1,498,789</u>	<u>1,557,472</u>	<u>1,570,392</u>
Total Liabilities and Stockholders' Equity	<u>\$3,403,522</u>	<u>\$3,395,369</u>	<u>\$3,518,955</u>

EXHIBIT 99.2



Supplemental Operating and Financial Information
September 30, 2003

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

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

Summary

Dollars in thousands, except per share amounts

	Three Months Ended		
	09/30/03	09/30/02	Change F/(U)
Operations			
Revenue from continuing operations	\$ 106,991	\$ 109,521	\$ (2,530)
Rental Property Expense from continuing operations	37,184	34,976	(2,208)
Net Operating Income from continuing operations	\$ 69,807	\$ 74,545	\$ (4,738)
Revenue from discontinued operations	\$ 5,216	\$ 13,311	\$ (8,095)
Property Expense from discontinued operations	1,347	4,060	2,713
Net Operating Income from discontinued operations	\$ 3,869	\$ 9,251	\$ (5,382)
Interest and other income	\$ 2,506	\$ 2,766	\$ (260)
Equity in earnings of unconsolidated affiliates	1,626	1,259	367
General and Administrative	6,276	4,147	(2,129)
G&A as a % of Revenue and Other Income	5.4 %	3.3 %	-2.1 %
EBITDA calculation			
Net Income	\$ 21,473	\$ 14,822	\$ 6,651
Addback Depreciation and Amortization	31,915	32,827	\$ (912)
Addback Interest Expense	29,084	28,447	\$ 637
EBITDA	\$ 82,472	\$ 76,096	\$ 6,376
Interest Expense from continuing operations	\$ 28,941	\$ 27,817	\$ (1,124)
Interest Expense from discontinued operations	143	630	487
EBITDA/Interest Expense	2.84	2.68	0.16
EBITDA/Interest Expense + Preferred Dividends	2.24	2.10	0.14
Net Income	\$ 21,473	\$ 14,822	\$ 6,651
Funds from Operation	38,062	44,694	(6,632)
Cash available for distribution	22,318	38,614	(16,296)
Per Share—Diluted:			
Net Income	\$ 0.26	\$ 0.14	\$ 0.12
Funds from operations	0.64	0.74	(0.10)
Dividends paid	0.425	0.585	(0.16)
Dividends paid as % of funds from operations	66.8 %	79.4 %	12.6 %
Dividends paid as % of cash available for distribution	113.9 %	91.9 %	-22.0 %
	09/30/03	09/30/02	Change
Capitalization			
Total Assets	\$ 3,403,522	\$ 3,518,955	\$(115,433)
Market Capitalization:			
Total Debt	1,612,483	1,626,362	(13,879)
Market Value of Common Equity	1,799,692	1,791,484	8,208
Total Market Capitalization	\$ 3,412,175	\$ 3,417,846	\$ (5,671)
Total Debt/Total Assets	47.4 %	46.2 %	-1.2 %
	09/30/03	09/30/02	Change F/(U)
Portfolio			
Total In-Service Square Footage	37,171,000	37,979,000	(808,000)
Occupancy	82.4 %	86.7 %	-4.3 %
Same Property NOI	\$ 65,634	\$ 72,750	\$ (7,116)

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

Corporate Information

Divisional Offices

Atlanta/Piedmont Triad

Gene H. Anderson - Regional Manager

Atlanta, GA

Gene H. Anderson, Senior Vice President

Piedmont Triad, NC

Mark W. Shumaker, Vice President

Orlando/Tampa

Michael F. Beale - Regional Manager

Orlando, FL

Michael F. Beale, Senior Vice President

Tampa, FL

Stephen A. Meyers, Vice President

Research Triangle/Richmond

Research Triangle, NC

Robert G. Cutlip, Vice President

Richmond, VA

Paul W. Kreckman, Vice President

Kansas City/Charlotte/Memphis/ Nashville

Michael E. Harris - Regional Manager

Kansas City, MO

Barrett Brady, Senior Vice President

Charlotte, NC

Thomas F. Cochran, Senior Vice President

Memphis, TN

Michael E. Harris, Senior Vice President

Nashville, TN

W. Brian Reames, Vice President

Corporate Headquarters

Highwoods Properties, Inc.

3100 Smoketree Court, Suite 600

Raleigh, NC 27604

919-872-4924

Stock Exchange

NYSE

Trading Symbol: HIW

Investor Relations Contact

Tabitha Zane

Sr. Director, Investor Relations

Phone: 919-431-1529

Fax: 919-876-6929

E-mail: tabitha.zane@highwoods.com

Information Request

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

Phone: 919-875-6717 or 800-256-2963

Email: HIW-IR@highwoods.com

The Company

Highwoods Properties, Inc. a member of the S&P Mid Cap 400 Index, is a fully integrated, self-administered real estate investment trust ("REIT") that provides leasing, management, development, construction and other customer-related services for its properties and for third parties. As of September 30, 2003, the Company owns or has an interest in 545 in-service office, industrial and retail properties encompassing approximately 43.7 million square feet. Highwoods also owns approximately 1,377 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.



Consolidated Statements of Income

Dollars in thousands, except per share amounts

	Nine Months Ended		Three Months Ended				
	09/30/03	09/30/02	09/30/03	06/30/03	03/31/03	12/31/02	09/30/02
Rental revenue	\$315,720	\$327,984	\$106,991	\$104,218	\$104,511	\$107,679	\$109,521
Operating expenses:							
Rental property	109,579	103,618	37,184	36,310	36,085	34,731	34,976
Depreciation and amortization	95,774	86,996	31,543	32,101	32,130	35,570	29,872
Interest expense:							
Contractual	83,618	79,761	28,122	27,822	27,674	29,751	27,470
Amortization of deferred financing costs	2,202	1,027	819	757	626	366	347
	85,820	80,788	28,941	28,579	28,300	30,117	27,817
General and administrative (includes \$3,700 of nonrecurring compensation expense in the nine months ended 9/30/02)	18,144	18,550	6,276	6,524	5,344	6,026	4,147
Litigation reserve	—	2,700	—	—	—	—	2,700
Total operating expenses	309,317	292,652	103,944	103,514	101,859	106,444	99,512
Other income:							
Interest and other income	8,574	8,783	2,506	3,209	2,859	4,783	2,766
Equity in earnings/(loss) of unconsolidated affiliates	2,902	6,298	1,626	(485)	1,761	1,765	1,259
	11,476	15,081	4,132	2,724	4,620	6,548	4,025
Income before gain/(loss) on disposition of land and depreciable assets, minority interest and discontinued operations	17,879	50,413	7,179	3,428	7,272	7,783	14,034
Gain on disposition of land	3,342	6,498	1,067	1,412	863	396	741
Gain/(loss) on disposition of depreciable assets	37	5,050	(203)	220	20	(548)	(329)
Income before minority interest and discontinued operations	21,258	61,961	8,043	5,060	8,155	7,631	14,446
Minority interest	(2,424)	(7,564)	(857)	(590)	(977)	(869)	(1,841)
Income from continuing operations	18,834	54,397	7,186	4,470	7,178	6,762	12,605
Discontinued operations:							
Income from discontinued operations, net of minority int	11,476	16,002	3,007	4,305	4,164	4,693	5,058
Gain/(loss) on sale of discontinued operations, net of minority int	12,455	(955)	11,280	1,345	(170)	12,562	(2,841)
	23,931	15,047	14,287	5,650	3,994	17,255	2,217
Net income	42,765	69,444	21,473	10,120	11,172	24,017	14,822
Dividends on preferred shares	(23,139)	(23,139)	(7,713)	(7,713)	(7,713)	(7,713)	(7,713)
Net income available for common stockholders	\$ 19,626	\$ 46,305	\$ 13,760	\$ 2,407	\$ 3,459	\$ 16,304	\$ 7,109
Net income per common share-diluted:							
(Loss)/income from continuing operations	\$ (0.08)	\$ 0.58	\$ (0.01)	\$ (0.06)	\$ (0.01)	\$ (0.02)	\$ 0.09
Income from discontinued operations	\$ 0.45	\$ 0.29	\$ 0.27	\$ 0.11	\$ 0.07	\$ 0.32	\$ 0.05
Net income	\$ 0.37	\$ 0.87	\$ 0.26	\$ 0.05	\$ 0.06	\$ 0.30	\$ 0.14
Weighted average common shares outstanding – diluted	53,342	53,544	53,261	53,315	53,475	53,407	53,604

Rental property expenses / rental revenue	34.7%	31.6%	34.8%	34.8%	34.5%	32.3%	31.9%
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Statement of Funds from Operations

Dollars in thousands, except per share amounts

	Nine Months Ended		Three Months Ended				
	09/30/03	09/30/02	09/30/03	06/30/03	03/31/03	12/31/02	09/30/02
Funds from operations:							
Net income	\$ 42,765	\$ 69,444	\$ 21,473	\$ 10,120	\$ 11,172	\$ 24,017	\$ 14,822
Add/(Deduct):							
Depreciation and amortization	95,774	86,996	31,543	32,101	32,130	35,570	29,872
Gain/(loss) on disposition of depreciable assets 1/	(37)	(14,618)	203	(220)	(20)	197	(171)
Minority interest	2,424	7,564	857	590	977	869	1,841
Dividends to preferred shareholders	(23,139)	(23,139)	(7,713)	(7,713)	(7,713)	(7,713)	(7,713)
Unconsolidated affiliates:							
Depreciation and amortization	7,139	7,065	2,235	2,489	2,415	2,554	2,432
Discontinued operations:							
Depreciation and amortization	2,216	8,765	372	680	1,164	2,446	2,955
Gain on sale, net of minority interest 1/	(12,743)	(2,629)	(11,280)	(1,345)	(118)	(12,562)	(12)
Minority interest in income	1,450	2,154	372	542	536	618	668
Funds from operations 2/	115,849	141,602	38,062	37,244	40,543	45,996	44,694
Cash available for distribution:							
Add/(Deduct):							
Rental income from straight-line rents	(4,501)	(2,540)	(1,136)	(1,680)	(1,685)	(1,132)	(1,222)
Amortization of intangible lease assets	212	—	212	—	—	—	—
Impairment charges	2,701	13,152	—	2,413	288	351	3,353
Amortization of deferred financing costs	2,202	1,027	819	757	626	366	347
Non-recurring compensation expense	—	3,700	—	—	—	—	—
Litigation reserve	—	2,700	—	—	—	—	2,700
Non-incremental revenue generating capital expenditures paid:							
Building improvements	(10,025)	(4,861)	(4,500)	(2,734)	(2,791)	(3,086)	(1,740)
2nd generation tenant improvements	(18,008)	(12,735)	(6,588)	(6,932)	(4,488)	(7,796)	(5,824)
2nd generation lease commissions	(11,465)	(9,353)	(4,551)	(3,546)	(3,368)	(2,968)	(3,694)
	(39,498)	(26,949)	(15,639)	(13,212)	(10,647)	(13,850)	(11,258)
Cash available for distribution	\$ 76,965	\$ 132,692	\$ 22,318	\$ 25,522	\$ 29,125	\$ 31,731	\$ 38,614
Weighted average share/units outstanding-diluted	60,063	60,730	59,830	60,028	60,360	60,437	60,653
Per common share/common unit-diluted:							
Funds from operations	\$ 1.93	\$ 2.33	\$ 0.64	\$ 0.62	\$ 0.67	\$ 0.76	\$ 0.74
Dividends paid	\$ 1.435	\$ 1.755	\$ 0.425	\$ 0.425	\$ 0.585	\$ 0.585	\$ 0.585
Dividend payout ratios:							
Funds from operations	74.4%	75.3%	66.8%	68.5%	87.1%	76.9%	79.4%
Cash available for distribution	112.0%	80.3%	113.9%	100.0%	121.2%	111.4%	91.9%

1/ In October 2003, NAREIT issued a Financial Reporting Alert that changed its current implementation guidance for FFO regarding impairment charges. Accordingly, impairment charges have been excluded from the gain/(loss) on disposition of depreciable assets. The following is a reconciliation of gain/(loss) on disposition of depreciable assets included in the FFO calculation and gain/(loss) on disposition of depreciable assets included in the Consolidated Statements of Income for all periods presented above:

Continuing Operations:							
Gain/(loss) on disposition of depreciable assets per FFO above	\$ 37	\$ 14,618	\$ (203)	\$ 220	\$ 20	\$ (197)	\$ 171
Impairment charges	—	(9,568)	—	—	—	(351)	(500)
Gain/(loss) on disposition of depreciable assets per							

Consolidated Statements of Income	\$ 37	\$ 5,050	\$ (203)	\$ 220	\$ 20	\$ (548)	\$ (329)
Discontinued Operations:							
Gain/(loss) on disposition of depreciable assets per FFO above	\$ 12,743	\$ 2,629	\$ 11,280	\$ 1,345	\$ 118	\$ 12,562	\$ 12
Impairment charges	(288)	(3,584)	—	—	(288)	—	(2,853)
Gain/(loss) on disposition of depreciable assets per Consolidated Statements of Income	\$ 12,455	\$ (955)	\$ 11,280	\$ 1,345	\$ (170)	\$ 12,562	\$ (2,841)

In addition to the impairment charges detailed above, FFO for the nine months ended September 30, 2003 also excludes a \$2.4 million impairment charge included in the Company's equity in earnings of unconsolidated affiliates related to the acquisition of the MG-HIW LLC joint venture by the Company.

- 2/ As a result of the implementation of FASB's Statement No. 145, "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections" ("SFAS 145"), losses on the extinguishment of debt will no longer be classified as an extraordinary item in the Consolidated Statements of Income. Therefore, the calculation of FFO will no longer include an add-back of this amount. Accordingly, FFO for the three and nine months ended September 30, 2002 was decreased by \$687,000, which represents losses on the extinguishment of debt incurred during those periods. There were no losses on the extinguishment of debt incurred in 2003.

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

FFO in dollars	\$ (2,701)	\$ (13,839)	\$ —	\$ —	\$ (288)	\$ (351)	\$ (4,040)
FFO per share	\$ (0.05)	\$ (0.23)	\$ —	\$ —	\$ (0.005)	\$ (0.01)	\$ (0.07)

Net Cash Flow and Capital Expenditures

Dollars in thousands, except per share amounts

	<i>Nine Months Ended</i>		<i>Three Months Ended</i>				
	<u>09/30/03</u>	<u>09/30/02</u>	<u>09/30/03</u>	<u>06/30/03</u>	<u>03/31/03</u>	<u>12/31/02</u>	<u>09/30/02</u>
Net cash provided by/(used in):							
Operating activities	\$ 128,760	\$ 172,979	\$ 54,887	\$ 35,067	\$ 38,806	\$ 28,506	\$ 75,289
Investing activities	976	85,279	14,599	6,565	(20,188)	110,308	18,480
Financing activities	(127,670)	(244,836)	(69,428)	(47,811)	(10,431)	(141,795)	(93,965)
Net increase/(decrease) in cash and cash equivalents	\$ 2,066	\$ 13,422	\$ 58	\$ (6,179)	\$ 8,187	\$ (2,981)	\$ (196)

	<i>Nine Months Ended</i>	
	<u>09/30/03</u>	<u>09/30/02</u>
Supplemental Capital Expenditure Disclosure		
Development cost:		
Shell construction and predevelopment costs	\$ 5,207	\$ 38,935
1st generation tenant improvements	12,540	16,194
1st generation lease commissions	2,352	4,190
Nonrecurring property renovation cost	12,379	2,773
Acquisitions	90,839	7,625
Furniture Fixtures and Equipment	639	2,190
	<u>\$ 123,956</u>	<u>\$ 71,907</u>
Non-incremental revenue generating capital expenditures paid:	<u>39,498</u>	<u>26,949</u>
Total per the Statement of Cash Flows	\$ 163,454	\$ 98,856

Consolidated Balance Sheets

Dollars in thousands

	09/30/03	06/30/03	03/31/03	12/31/02	09/30/02
Assets:					
Real estate assets, at cost:					
Land and improvements	\$ 399,359	\$ 383,125	\$ 389,300	\$ 392,135	\$ 413,291
Buildings and tenant improvements	2,904,268	2,785,239	2,830,631	2,823,834	2,798,650
Development in process	11,159	9,167	7,374	6,419	39,633
Land held for development	177,982	171,973	166,862	163,789	153,395
Furniture, fixtures and equipment	21,605	21,223	21,150	20,966	20,479
	<u>3,514,373</u>	<u>3,370,727</u>	<u>3,415,317</u>	<u>3,407,143</u>	<u>3,425,448</u>
Less-accumulated depreciation	(517,779)	(499,545)	(484,085)	(457,863)	(437,454)
Net real estate assets	<u>2,996,594</u>	<u>2,871,182</u>	<u>2,931,232</u>	<u>2,949,280</u>	<u>2,987,994</u>
Property held for sale	145,548	221,604	191,237	183,828	257,826
Cash and cash equivalents	13,083	13,025	19,204	11,017	13,998
Restricted cash	6,810	3,163	2,943	8,582	2,702
Accounts receivable, net	12,570	13,902	12,723	13,578	19,298
Notes receivable	18,920	27,617	32,077	31,057	31,914
Accrued straight-line rents receivable	51,592	51,703	50,462	48,777	50,191
Investment in unconsolidated affiliates	73,372	76,499	78,229	79,504	80,825
Other assets:					
Deferred leasing costs	105,642	100,338	99,434	99,802	104,866
Deferred financing costs	44,506	42,544	42,548	26,120	25,964
Prepaid expenses and other	16,341	16,882	16,388	15,295	13,400
	<u>166,489</u>	<u>159,764</u>	<u>158,370</u>	<u>141,217</u>	<u>144,230</u>
Less-accumulated amortization	(81,456)	(76,426)	(73,445)	(71,471)	(70,023)
Other assets, net	<u>85,033</u>	<u>83,338</u>	<u>84,925</u>	<u>69,746</u>	<u>74,207</u>
Total Assets	<u>\$3,403,522</u>	<u>\$3,362,033</u>	<u>\$3,403,032</u>	<u>\$3,395,369</u>	<u>\$3,518,955</u>
Liabilities and Stockholders' Equity					
Mortgages and notes payable	\$1,612,483	\$1,579,265	\$1,580,301	\$1,528,720	\$1,626,362
Accounts payable, accrued expenses and other liabilities	118,192	102,949	108,808	120,614	131,087
Total Liabilities	<u>1,730,675</u>	<u>1,682,214</u>	<u>1,689,109</u>	<u>1,649,334</u>	<u>1,757,449</u>
Minority interest	174,058	177,104	183,297	188,563	191,114
Stockholders' Equity:					
Preferred stock	377,445	377,445	377,445	377,445	377,445
Common stock	531	531	535	534	534
Additional paid-in capital	1,384,129	1,383,568	1,392,118	1,390,043	1,389,595
Distributions in excess of net earnings	(254,546)	(245,751)	(225,430)	(197,647)	(182,719)
Accumulated other comprehensive loss	(4,002)	(7,831)	(8,767)	(9,204)	(10,418)
Deferred compensation	(4,768)	(5,247)	(5,275)	(3,699)	(4,045)
Total Stockholders' Equity	<u>1,498,789</u>	<u>1,502,715</u>	<u>1,530,626</u>	<u>1,557,472</u>	<u>1,570,392</u>
Total Liabilities and Stockholders' Equity	<u>\$3,403,522</u>	<u>\$3,362,033</u>	<u>\$3,403,032</u>	<u>\$3,395,369</u>	<u>\$3,518,955</u>
Ratios					
Total Debt/Total Assets	47.4%	47.0%	46.4%	45.0%	46.2%

Estimated Net Asset Value

September 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%
Weighted average	9.09%	9.34%	9.59%
Wholly Owned Properties Net Operating Income YTD			
Office 1/ 2/	\$ 165,705	\$ 165,705	\$ 165,705
Retail	20,498	20,498	20,498
Industrial/Other 3/	20,765	20,765	20,765
Total Net Operating Income	\$ 206,968	\$ 206,968	\$ 206,968
Wholly Owned Properties Net Operating Income Annualized			
Office	\$ 230,073	\$ 230,073	\$ 230,073
Retail	27,331	27,331	27,331
Industrial/Other	27,687	27,687	27,687
Total Net Operating Income	\$ 285,090	\$ 285,090	\$ 285,090
Wholly Owned Properties Capitalized Value			
Office	\$2,487,276	\$2,421,821	\$2,359,723
Retail	341,633	331,281	321,537
Industrial/Other	307,630	299,315	291,439
	\$3,136,539	\$3,052,417	\$2,972,699
Highwoods' Share of Joint Ventures			
Net Operating Income YTD	\$ 20,335	\$ 20,335	\$ 20,335
Net Operating Income Annualized	\$ 25,454	\$ 25,454	\$ 25,454
Capitalization Rates	9.25%	9.50%	9.75%
Capitalized Value	\$ 275,182	\$ 267,940	\$ 261,070
Value of Highwoods Preserve at \$80 per square foot 6/	\$ 65,280	\$ 65,280	\$ 65,280
Total In-Service Property Value	\$3,477,001	\$3,385,638	\$3,299,049
Value of Other income			
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
Add Other assets:			
Development Pipeline Investment	\$ 17,344	\$ 17,344	\$ 17,344
Property Held for Sale, at Net Sales Price	175,044	175,044	175,044
Land held for development at Book Value	177,982	177,982	177,982
Cash and cash equivalents	13,083	13,083	13,083
Restricted cash	6,810	6,810	6,810
Accounts receivable, net	12,570	12,570	12,570
Notes receivable	18,920	18,920	18,920
Other assets total	\$ 421,753	\$ 421,753	\$ 421,753
Gross Value of Assets	\$3,931,554	\$3,840,191	\$3,753,602
Deductions:			
Total Liabilities	\$1,730,675	\$1,730,675	\$1,730,675

Preferred stock	377,445	377,445	377,445
Highwoods' Share of Joint Ventures Liabilities	181,176	181,176	181,176
Estimated Net Asset Value	\$1,642,258	\$1,550,895	\$1,464,306
Total diluted common shares and operating units	59,655	59,655	59,655
Estimated Net Asset Value Per Share	\$ 27.53	\$ 26.00	\$ 24.55

- 1/ Added back the \$1.9 million operating loss at Highwoods Preserve
- 2/ Deducted \$497,000 for the operating income on the completed but not stabilized development projects
- 3/ Deducted \$117,000 for the operating income on the completed but not stabilized development project
- 4/ Highwoods Preserve is an 816,000 square foot office campus in Tampa that Worldcom vacated 12/31/02.

Combined Financial Information
Highwoods Properties and Unconsolidated Joint Ventures

Dollars in thousands

	Highwoods Properties Inc.	Highwoods' Share of Joint Ventures	Total
		(see pages 32 - 34)	
Statement of Operations:			
For the three months ended September 30, 2003			
Revenue:			
Rental property revenue	\$ 106,991	\$ 11,188	\$ 118,179
Expenses:			
Rental property expense	37,184	4,845	42,029
Depreciation and amortization	31,543	2,235	33,778
Interest expense:			
Contractual	28,122	2,642	30,764
Amortization of deferred financing costs	819	—	819
	28,941	2,642	31,583
General and administrative	6,276	—	6,276
Other Income/(Expenses)	4,132	—	4,132
Income from continuing operations before gains	\$ 7,179	\$ 1,466	\$ 8,645
Net Income	\$ 21,473	1,626	\$ 23,099
Deduct equity in earnings of unconsolidated affiliates	(1,626)		(1,626)
Addback Depreciation and amortization	31,915	2,235	34,150
Addback Interest Expense	29,084	2,642	31,726
EBITDA	\$ 80,846	\$ 6,503	\$ 87,349
EBITDA /Interest Expense			2.75
For the nine months ended September 30, 2003			
Revenue:			
Rental property revenue	\$ 315,720	\$ 35,146	\$ 350,866
Expenses:			
Rental property expense	109,579	14,811	124,390
Depreciation and amortization	95,774	7,139	102,913
Interest expense:			
Contractual	83,618	8,372	91,990
Amortization of deferred financing costs	2,202	—	2,202
	85,820	8,372	94,192
General and administrative	18,144	—	18,144
Other Income/(Expenses)	11,476	—	11,476
Income from continuing operations before gains	\$ 17,879	\$ 4,824	\$ 22,703
Net Income	\$ 42,765	\$ 2,902	\$ 45,667
Deduct Equity in earnings of unconsolidated affiliates	(2,902)		(2,902)
Addback Depreciation and amortization	97,990	7,139	105,129
Addback Interest Expense	86,820	8,372	95,192
EBITDA	\$ 224,673	\$ 18,413	\$ 243,086
EBITDA /Interest Expense			2.55
As of September 30, 2003			
Balance Sheet Information:			
Total Assets 1/	\$3,330,150	\$ 257,182	\$3,587,332
Debt	1,612,483	172,708	1,785,191
Total Liabilities	1,730,675	181,176	1,911,851
Total Debt/Total Assets			49.8%

1/ Excludes investment in unconsolidated affiliates

Components of Discontinued Operations

Dollars in thousands, except per share amounts

	<i>Nine Months Ended</i>		<i>Three Months Ended</i>				
	<u>09/30/03</u>	<u>09/30/02</u>	<u>09/30/03</u>	06/30/03	03/31/03	<u>12/31/02</u>	<u>09/30/02</u>
				<u> </u>	<u> </u>		
Rental revenue	\$21,561	\$39,628	\$ 5,216	\$7,924	\$8,421	\$11,210	\$13,311
Operating expenses:							
Rental property	5,508	11,444	1,347	1,996	2,165	3,028	4,060
Depreciation and amortization	2,216	8,765	372	680	1,164	2,446	2,955
Interest expense	1,000	1,490	143	428	429	429	630
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total operating expenses	8,724	21,699	1,862	3,104	3,758	5,903	7,645
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Interest and other income	89	227	25	27	37	4	60
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	89	227	25	27	37	4	60
	<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	12,926	18,156	3,379	4,847	4,700	5,311	5,726
Minority interest	(1,450)	(2,154)	(372)	(542)	(536)	(618)	(668)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Income from discontinued operations, net of minority interest	11,476	16,002	3,007	4,305	4,164	4,693	5,058
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Gain/(loss) on disposition of discontinued operations	13,999	(1,080)	12,676	1,515	(192)	14,202	(3,216)
Minority Interest	(1,544)	125	(1,396)	(170)	22	(1,640)	375
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Gain on disposition of discontinued operations, net of minority interest	12,455	(955)	11,280	1,345	(170)	12,562	(2,841)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total discontinued operations	\$23,931	\$15,047	\$14,287	\$5,650	\$3,994	\$17,255	\$ 2,217
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Capitalization

Dollars in thousands

	09/30/03	06/30/03	03/31/03	12/31/02	09/30/02
Long-Term Debt (see page 9 & 10)	\$ 1,612,483	\$ 1,579,265	\$ 1,580,301	\$ 1,528,720	\$ 1,626,362
Preferred Stock:					
Series A 8 ⁵ / 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	\$ 377,445	\$ 377,445	\$ 377,445	\$ 377,445	\$ 377,445
Shares and Units Outstanding:					
Common stock outstanding	53,103	53,072	53,484	53,400	53,387
Minority interest partnership units	6,505	6,625	6,848	6,975	7,042
Total shares and units outstanding	59,608	59,697	60,332	60,375	60,429
Stock price at period end	\$ 23.86	\$ 22.30	\$ 20.44	\$ 22.10	\$ 23.40
Market value of equity	\$ 1,799,692	\$ 1,708,688	\$ 1,610,631	\$ 1,711,733	\$ 1,791,484
Total market capitalization with debt	\$ 3,412,175	\$ 3,287,953	\$ 3,190,932	\$ 3,240,453	\$ 3,417,846

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

Long-Term Debt Summary

Dollars in thousands

	09/30/03	06/30/03	03/31/03	12/31/02	09/30/02
Balances Outstanding:					
Secured:					
Conventional fixed rate	\$ 631,203	\$ 653,092	\$ 656,060	\$ 515,411	\$ 517,859
Variable rate debt	68,780	4,173	4,241	4,309	5,503
Secured total	\$ 699,983	\$ 657,265	\$ 660,301	\$ 519,720	\$ 523,362
Unsecured:					
Fixed rate bonds and notes	\$ 806,500	\$ 806,500	\$ 806,500	\$ 931,500	\$ 931,500
Variable rate debt	20,000	20,000	20,000	20,000	20,000
Credit facility	86,000	95,500	93,500	57,500	151,500
Unsecured total	\$ 912,500	\$ 922,000	\$ 920,000	\$1,009,000	\$1,103,000
Total	\$1,612,483	\$1,579,265	\$1,580,301	\$1,528,720	\$1,626,362
Average Interest Rates:					
Secured:					
Conventional fixed rate	7.5%	7.6%	7.6%	8.0%	8.0%
Variable rate debt	3.2%	3.6%	3.7%	3.9%	3.4%
Secured total	7.1%	7.5%	7.5%	7.9%	7.7%
Unsecured:					
Fixed rate bonds	7.4%	7.4%	7.4%	7.3%	7.3%
Variable rate debt	2.1%	2.5%	2.6%	2.8%	—
Credit facility	2.3%	2.1%	2.3%	2.8%	2.7%
Unsecured total	6.8%	6.7%	6.9%	6.5%	6.5%
Average	6.9%	7.1%	7.1%	7.0%	6.9%
Capitalized Interest:	\$ 276	\$ 349	\$ 366	\$ (1,325)	\$ 1,724

Maturity Schedule:

Year	Future Maturities of Debt			Average Interest Rate
	Secured Debt 1/	Unsecured Debt	Total Debt 1/	
2003	\$ —	\$ 246,500	\$ 246,500	7.5%
2004	—	—	—	—
2005	70,121	20,000	90,121	7.0%
2006	71,282	196,000 2/	267,282	4.6%
2007	80,076	—	80,076	7.9%
2008	—	100,000	100,000	7.1%
2009	185,774	50,000	235,774	7.9%
2010	141,678	—	141,678	7.8%
2011	—	100,000	100,000	7.2%
2012	—	—	—	—
Thereafter	151,052	200,000	351,052	6.9%
Total maturities	\$ 699,983	\$ 912,500	\$1,612,483	6.9%

Weighted average maturity = 5.9 years

1/ Excludes annual principal amortization

2/ Included in the \$196.0 million of unsecured debt maturities is \$86.0 million related to the credit facility which matures in 2006.

Long-Term Debt Detail

Dollars in thousands

Secured Loans In Excess of \$10 Million

<u>Lender</u>	<u>Blended Rate</u>	<u>Maturity Date</u>	<u>Loan Balance 09/30/03</u>	<u>Undepreciated Book Value of Assets Secured</u>
Monumental Life Insurance Company	7.8%	Nov-09	\$177,557	\$ 248,118
Northwestern Mutual Life	6.0%	Feb-13	144,164	185,101
Northwestern Mutual Life	7.8%	Nov-10	141,108	267,022
Northwestern Mutual Life	8.2%	Jan-07	67,298	133,331
GECC	3.1%	Jan-06	64,676	83,110
Principal Life Insurance Company	8.6%	Apr-05	42,672	102,809
Principal Life Insurance Company	8.2%	Jul-05	27,449	68,310
	7.1%		\$664,924	\$ 1,087,801
All Other Secured Loans (16)	7.4%		\$ 35,059	\$ 82,205
Total Secured Loans	7.1%		\$699,983	\$ 1,170,006

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)

	09/30/03	06/30/03	03/31/03	12/31/02	09/30/02
Office Industrial & Retail					
In-Service:					
Office	25,710,000	25,052,000	25,387,000	25,342,000	25,861,000
Industrial	9,934,000	10,243,000	10,243,000	10,242,000	10,468,000
Retail 1/	1,527,000	1,527,000	1,527,000	1,528,000	1,650,000
Total	37,171,000	36,822,000	37,157,000	37,112,000	37,979,000
Development Completed – Not Stabilized:					
Office	140,000	140,000	100,000	231,000	568,000
Industrial	60,000	60,000	60,000	60,000	136,000
Retail	—	—	—	—	20,000
Total	200,000	200,000	160,000	291,000	724,000
Development – In Process:					
Office	—	—	40,000	40,000	100,000
Industrial	350,000	—	—	—	60,000
Retail	—	—	—	—	—
Total	350,000	—	40,000	40,000	160,000
Total:					
Office	25,850,000	25,192,000	25,527,000	25,613,000	26,529,000
Industrial	10,344,000	10,303,000	10,303,000	10,302,000	10,664,000
Retail 1/	1,527,000	1,527,000	1,527,000	1,528,000	1,670,000
Total	37,721,000	37,022,000	37,357,000	37,443,000	38,863,000
Same Store					
Office	22,488,000	23,149,000	23,484,000	22,450,000	23,408,000
Industrial	9,798,000	10,044,000	10,044,000	9,679,000	10,041,000
Retail	1,507,000	1,507,000	1,507,000	1,509,000	1,650,000
Total	33,793,000	34,700,000	35,035,000	33,638,000	35,099,000
Percent Leased/Pre-Leased:					
In-Service:					
Office	79.4%	80.5%	80.9%	82.3%	2/ 86.3%
Industrial	88.0%	88.7%	86.8%	86.2%	86.2%
Retail	96.3%	96.8%	96.5%	97.0%	95.4%
Total	82.4%	83.4%	83.2%	84.0%	2/ 86.7%
Development Completed – Not Stabilized:					
Office	30.0%	30.0%	42.0%	61.3%	17.3%
Industrial	50.0%	50.0%	50.0%	50.0%	29.0%
Retail	—	—	—	—	90.0%
Total	36.0%	36.0%	45.0%	59.0%	21.5%
Development – In Process:					
Office	100.0%	—	0.0%	0.0%	42.0%
Industrial	—	—	—	—	20.0%
Retail	—	—	—	—	—

Total	100.0%	—	0.0%	0.0%	33.8%
Same Store					
Office	80.4%	81.9%	82.1%	84.3%	3/ 87.0%
Industrial	88.1%	88.9%	87.0%	87.1%	86.3%
Retail	96.3%	96.7%	96.6%	97.1%	95.4%
Total	83.3%	84.6%	84.1%	85.7%	3/ 87.2%

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 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 September 30, 2003

Summary by Location:

Market	Rentable Square Feet	Occupancy	Percentage of Annualized Revenue 1/				Total
			Office	Industrial	Retail		
Research Triangle	4,706,000	79.7%	15.2%	0.2%	—		15.4%
Atlanta	6,860,000	80.7%	11.2%	3.1%	—		14.3%
Kansas City	2,512,000 2/	92.1%	4.2%	—	8.3%		12.5%
Tampa	4,408,000	64.2%	12.4%	—	—		12.4%
Piedmont Triad	8,208,000	90.6%	6.1%	5.1%	—		11.2%
Nashville	2,865,000	88.7%	11.2%	—	—		11.2%
Richmond	2,526,000	92.8%	7.7%	0.5%	—		8.2%
Charlotte	1,727,000	79.5%	4.4%	0.2%	—		4.6%
Memphis	1,216,000	79.8%	4.3%	—	—		4.3%
Greenville	1,318,000	81.5%	3.7%	0.2%	—		3.9%
Columbia	426,000	57.2%	1.0%	—	—		1.0%
Orlando	299,000	46.9%	0.6%	—	—		0.6%
Other	100,000	64.1%	0.4%	—	—		0.4%
Total	37,171,000	82.4%	82.4%	9.3%	8.3%		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	
Research Triangle	5,161,000	81.4%	14.3%	0.2%	—	—	14.5%
Atlanta	7,510,000	81.2%	11.4%	2.8%	—	—	14.2%
Kansas City	2,939,000	91.4%	4.2%	—	7.6%	—	11.8%
Tampa	4,613,000	65.5%	11.6%	—	—	—	11.6%
Piedmont Triad	8,572,000	91.0%	6.0%	4.7%	—	—	10.7%
Nashville	2,865,000	88.7%	10.3%	—	—	—	10.3%
Richmond	2,647,000	93.1%	7.3%	0.4%	—	—	7.7%
Charlotte	1,875,000	81.1%	4.2%	0.2%	—	—	4.4%
Memphis	1,216,000	79.8%	4.0%	—	—	—	4.0%
Des Moines	2,245,000	92.5%	2.9%	0.4%	0.1%	0.4%	3.8%
Greenville	1,318,000	81.5%	3.4%	0.2%	—	—	3.6%
Orlando	2,063,000	79.3%	2.1%	—	—	—	2.1%
Columbia	426,000	57.2%	0.9%	—	—	—	0.9%
Other	210,000	82.9%	0.4%	—	—	—	0.4%
Total	43,660,000	83.6%	83.0%	8.9%	7.7%	0.4%	100.0%

1/ Annualized Revenue is September 2003 rental revenue (base rent plus operating expense pass throughs) multiplied by 12 and 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 36

Portfolio Summary
(Continued)

As of September 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	4,605,000	79.6%	18.5%	101,000	85.5%	2.0%
Tampa	4,408,000	64.2%	15.1%	—	—	—
Atlanta	3,569,000	82.4%	13.6%	3,291,000	78.9%	33.1%
Nashville	2,865,000	88.7%	13.6%	—	—	—
Richmond	2,144,000	91.5%	9.3%	382,000	100.0%	4.9%
Piedmont Triad	2,318,000	84.0%	7.4%	5,890,000	93.2%	55.2%
Charlotte	1,564,000	80.6%	5.4%	163,000	68.9%	2.7%
Memphis	1,216,000	79.8%	5.3%	—	—	—
Kansas City	981,000	85.4%	5.1%	4,000	100.0%	0.1%
Greenville	1,215,000	82.5%	4.4%	103,000	70.0%	2.0%
Columbia	426,000	57.2%	1.2%	—	—	—
Orlando	299,000	46.9%	0.7%	—	—	—
Other	100,000	64.1%	0.4%	—	—	—
	25,710,000	79.4%	100.0%	9,934,000	88.0%	100.0%
Market	Retail					
	Rentable Square Feet	Occupancy	Percentage of Retail Annualized Revenue 1/			
Kansas City 2/	1,527,000	96.3%	100.0%			
	1,527,000	96.3%	100.0%			

1/ Annualized Revenue is September 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	09/30/03	06/30/03	03/31/03	12/31/02	09/30/02
Atlanta	Rentable Square Feet	6,860,000	6,729,000	6,729,000	6,728,000	6,592,000
	Occupancy	80.7%	82.5%	82.0%	83.0%	83.7%
Charlotte	Rentable Square Feet	1,727,000	1,729,000	1,729,000	1,729,000	2,075,000
	Occupancy	79.5%	79.8%	79.1%	84.0%	87.2%
Columbia	Rentable Square Feet	426,000	426,000	426,000	426,000	426,000
	Occupancy	57.2%	60.2%	60.2%	67.4%	62.9%
Greenville	Rentable Square Feet	1,318,000	1,511,000	1,511,000	1,511,000	1,527,000
	Occupancy	81.5%	84.0%	85.8%	86.8%	85.7%
Kansas						
City 1/	Rentable Square Feet	2,512,000	2,511,000	2,511,000	2,512,000	2,690,000
	Occupancy	92.1%	93.1%	93.3%	94.5%	91.7%
Memphis	Rentable Square Feet	1,216,000	1,216,000	1,216,000	1,215,000	1,135,000
	Occupancy	79.8%	80.5%	81.5%	80.8%	85.7%
Nashville	Rentable Square Feet	2,865,000	2,865,000	2,864,000	2,733,000	3,045,000
	Occupancy	88.7%	87.0%	86.0%	87.7%	88.5%
Orlando	Rentable Square Feet	299,000	340,000	340,000	340,000	664,000
	Occupancy	46.9%	48.8%	48.8%	47.6%	69.7%
Piedmont						
Triad	Rentable Square Feet	8,208,000	8,368,000	8,371,000	8,371,000	8,273,000
	Occupancy	90.6%	90.0%	89.4%	88.9%	88.8%
Research						
Triangle	Rentable Square Feet	4,706,000	4,032,000	4,188,000	4,340,000	4,120,000
	Occupancy	79.7%	81.2%	80.3%	81.9%	82.8%
Richmond	Rentable Square Feet	2,526,000	2,825,000	2,829,000	2,764,000	2,989,000
	Occupancy	92.8%	93.9%	94.6%	95.0%	95.1%
Tampa	Rentable Square Feet	4,408,000	4,170,000	4,262,000	4,262,000	4,262,000
	Occupancy	64.2%	66.4%	66.5%	67.1%	2/ 86.4%
Total 3/	Rentable Square Feet	37,071,000	36,722,000	36,976,000	36,931,000	37,798,000
	Occupancy	82.4%	83.4%	83.2%	84.0%	2/ 86.7%

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					
	09/30/03	06/30/03	03/31/03	12/31/02	09/30/02	Average
Net Effective Rents Related to Re-Leased Space:						
Number of lease transactions (signed leases)	225	216	166	194	184	197
Rentable square footage leased	1,074,270	1,097,633	1,081,692	1,035,837	882,115	1,034,309
Square footage of Renewal Deals	629,353	891,772	822,005	748,258	666,398	751,557
Renewed square footage (% of total)	58.6%	81.2%	76.0%	72.2%	75.5%	72.7%
New Leases square footage (% of total)	41.4%	18.8%	24.0%	27.8%	24.5%	27.3%
Average per rentable square foot over the lease term:						
Base rent	\$ 17.34	\$ 16.93	\$ 16.08	\$ 17.38	\$ 17.26	\$ 17.00
Tenant improvements	(1.54)	(1.33)	(0.85)	(1.58)	(1.06)	(1.27)
Leasing commissions 1/	(0.55)	(0.59)	(0.54)	(0.65)	(0.60)	(0.59)
Rent concessions	(0.24)	(0.16)	(0.14)	(0.43)	(0.22)	(0.24)
Effective rent	15.01	14.85	14.55	14.72	15.38	14.90
Expense stop	(5.45)	(4.69)	(4.76)	(5.08)	(5.54)	(5.10)
Equivalent effective net rent	\$ 9.56	\$ 10.16	\$ 9.79	\$ 9.64	\$ 9.84	\$ 9.80
Average term in years	5.5	3.8	3.5	4.2	3.6	4.1
Capital Expenditures Related to Re-leased Space:						
Tenant Improvements:						
Total dollars committed under signed leases	\$ 9,120,612	\$7,125,673	\$4,474,184	\$ 8,004,279	\$4,396,259	\$6,624,202
Rentable square feet	1,074,270	1,097,633	1,081,692	1,035,837	882,115	1,034,309
Per rentable square foot	\$ 8.49	\$ 6.49	\$ 4.14	\$ 7.73	\$ 4.98	\$ 6.40
Leasing Commissions:						
Total dollars committed under signed leases	\$ 2,175,162	\$1,803,423	\$1,658,231	\$ 2,255,691	\$1,352,691	\$1,849,040
Rentable square feet	1,074,270	1,097,633	1,081,692	1,035,837	882,115	1,034,309
Per rentable square foot	\$ 2.02	\$ 1.64	\$ 1.53	\$ 2.18	\$ 1.53	\$ 1.79
Total:						
Total dollars committed under signed leases	\$11,295,774	\$8,929,097	\$6,132,415	\$10,259,970	\$5,748,950	\$8,473,241
Rentable square feet	1,074,270	1,097,633	1,081,692	1,035,837	882,115	1,034,309
Per rentable square foot	\$ 10.51	\$ 8.13	\$ 5.67	\$ 9.91	\$ 6.52	\$ 8.19

1/ Excludes a full allocation of internal marketing cost

Leasing Statistics
Industrial Portfolio

	Three Months Ended					
	09/30/03	06/30/03	03/31/03	12/31/02	09/30/02	Average
Net Effective Rents Related to Re-Leased Space:						
Number of lease transactions (signed leases)	22	41	35	45	45	38
Rentable square footage leased	638,376	540,891	857,482	530,945	593,188	632,176
Square footage of Renewal Deals	555,933	403,716	639,683	301,435	432,040	466,561
Renewed square footage (% of total)	87.1%	74.6%	74.6%	56.8%	72.8%	73.8%
New Leases square footage (% of total)	12.9%	25.4%	25.4%	43.2%	27.2%	26.2%
Average per rentable square foot over the lease term:						
Base rent	\$ 3.52	\$ 4.46	\$ 3.70	\$ 4.45	\$ 4.37	\$ 4.10
Tenant improvements	(0.20)	(0.28)	(0.32)	(0.51)	(0.23)	(0.31)
Leasing commissions 1/	(0.08)	(0.12)	(0.11)	(0.12)	(0.14)	(0.11)
Rent concessions	(0.06)	(0.07)	(0.01)	(0.09)	(0.02)	(0.05)
Effective rent	3.18	3.99	3.26	3.73	3.98	3.63
Expense stop	(0.09)	(0.49)	(0.25)	(0.32)	(0.39)	(0.31)
Equivalent effective net rent	\$ 3.09	\$ 3.50	\$ 3.01	\$ 3.41	\$ 3.59	\$ 3.32
Average term in years	4.5	3.5	2.6	3.8	1.6	3.2
Capital Expenditures Related to Re-leased Space:						
Tenant Improvements:						
Total dollars committed under signed leases	\$675,982	\$701,259	\$791,737	\$1,172,142	\$522,115	\$772,647
Rentable square feet	638,376	540,891	857,482	530,945	593,188	632,176
Per rentable square foot	\$ 1.06	\$ 1.30	\$ 0.92	\$ 2.21	\$ 0.88	\$ 1.22
Leasing Commissions:						
Total dollars committed under signed leases	\$242,605	\$298,582	\$178,385	\$ 199,076	\$141,694	\$212,069
Rentable square feet	638,376	540,891	857,482	530,945	593,188	632,176
Per rentable square foot	\$ 0.38	\$ 0.55	\$ 0.21	\$ 0.37	\$ 0.24	\$ 0.34
Total:						
Total dollars committed under signed leases	\$918,587	\$999,841	\$970,122	\$1,371,218	\$663,809	\$984,715
Rentable square feet	638,376	540,891	857,482	530,945	593,188	632,176
Per rentable square foot	\$ 1.44	\$ 1.85	\$ 1.13	\$ 2.58	\$ 1.12	\$ 1.56

1/ Excludes a full allocation of internal marketing cost

Leasing Statistics
Retail Portfolio

	Three Months Ended					
	09/30/03	06/30/03	03/31/03	12/31/02	09/30/02	Average
Net Effective Rents Related to Re-Leased Space:						
Number of lease transactions (signed leases)	6	9	10	18	13	11
Rentable square footage leased	12,920	25,772	22,774	36,085	28,267	25,164
Square footage of Renewal Deals	—	8,631	7,814	19,295	8,527	8,853
Renewed square footage (% of total)	—	33.5%	34.3%	53.5%	30.2%	35.2%
New Leases square footage (% of total)	100.0%	66.5%	65.7%	46.5%	69.8%	64.8%
Average per rentable square foot over the lease term:						
Base rent	\$ 17.25	\$ 26.51	\$ 23.03	\$ 19.19	\$ 20.14	\$ 21.22
Tenant improvements	(2.51)	(0.86)	(1.54)	(1.22)	(0.60)	(1.35)
Leasing commissions 1/	(1.28)	(0.70)	(1.09)	(0.82)	(0.88)	(0.95)
Rent concessions	0.00	0.00	0.00	(0.01)	0.00	0.00
Effective rent	13.46	24.95	20.40	17.14	18.66	18.92
Expense stop	0.00	0.00	0.00	0.00	0.00	0.00
Equivalent effective net rent	\$ 13.46	\$ 24.95	\$ 20.40	\$ 17.14	\$ 18.66	\$ 18.92
Average term in years	4.8	9.9	6.9	6.0	5.6	6.6
Capital Expenditures Related to Re-leased Space:						
Tenant Improvements:						
Total dollars committed under signed leases	\$158,000	\$195,055	\$513,000	\$351,023	\$121,500	\$267,716
Rentable square feet	12,920	25,772	22,774	36,085	28,267	25,164
Per rentable square foot	\$ 12.23	\$ 7.57	\$ 22.53	\$ 9.73	\$ 4.30	\$ 10.64
Leasing Commissions:						
Total dollars committed under signed leases	\$ 36,392	\$100,464	\$109,066	\$127,964	\$ 91,405	\$ 93,058
Rentable square feet	12,920	25,772	22,774	36,085	28,267	25,164
Per rentable square foot	\$ 2.82	\$ 3.90	\$ 4.79	\$ 3.55	\$ 3.23	\$ 3.70
Total:						
Total dollars committed under signed leases	\$194,392	\$295,519	\$622,066	\$478,987	\$212,905	\$360,774
Rentable square feet	12,920	25,772	22,774	36,085	28,267	25,164
Per rentable square foot	\$ 15.05	\$ 11.47	\$ 27.31	\$ 13.27	\$ 7.53	\$ 14.34

1/ Excludes a full allocation of internal marketing cost

Leasing Statistics by Market

For the Three Months Ended September 30, 2003

Office Portfolio

Market	Rentable Square Feet Leased	Average Term	GAAP Rental Rate	TI's Per SF	Lease Commissions Per SF 1/
Atlanta	216,783	8.6	\$17.64	\$ 7.92	\$ 0.27
Research Triangle	185,860	3.6	17.88	5.87	1.18
Tampa	163,190	6.1	16.55	15.12	4.31
Nashville	123,774	6.6	16.78	10.35	2.86
Charlotte	114,349	4.3	14.58	7.92	1.75
Richmond	108,896	3.8	17.35	3.98	1.33
Piedmont Triad	59,965	3.4	16.87	4.46	0.18
Memphis	52,235	3.9	20.03	12.26	2.11
Kansas City	26,612	4.0	17.01	5.61	3.09
Columbia	14,516	4.2	16.37	7.71	2.22
Orlando	5,000	4.4	13.83	8.46	1.38
Greenville	3,090	2.9	17.12	4.10	1.52
	1,074,270	5.5	\$17.10	\$ 9.97	\$ 1.79

Industrial Portfolio

Market	Rentable Square Feet Leased	Average Term	GAAP Rental Rate	TI's Per SF	Lease Commissions Per SF 1/
Piedmont Triad	558,668	4.7	\$ 3.31	\$ 1.19	0.37
Atlanta	78,568	3.1	4.36	0.18	\$ 0.31
Charlotte	1,140	1.0	11.25	0.00	0.00
	638,376	4.5	\$ 3.46	\$ 1.06	\$ 0.36

Retail Portfolio

Market	Rentable Square Feet Leased	Average Term	GAAP Rental Rate	TI's Per SF	Lease Commissions Per SF 1/
Kansas City	12,920	4.8	\$17.25	\$12.23	\$ 2.82
	12,920	4.8	\$17.25	\$12.23	\$ 2.82

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

Rental Rate Comparisons by Market

For the Three Months Ended September 30, 2003

Office Portfolio

Market	Rentable Square Feet Leased	GAAP Rent	Previous GAAP Rent	Percentage Change	
				GAAP Rent	Cash Rent
Atlanta	216,783	\$ 17.64	\$ 18.56	-5.0%	-10.8%
Research Triangle	185,860	17.88	18.83	-5.0%	-16.1%
Tampa	163,190	16.55	12.74	29.9%	-6.5%
Nashville	123,774	16.78	19.47	-13.8%	-17.6%
Charlotte	114,349	14.58	14.58	0.0%	-13.4%
Richmond	108,896	17.35	17.58	-1.3%	-6.8%
Piedmont Triad	59,965	16.87	16.36	3.1%	-7.5%
Memphis	52,235	20.03	19.31	3.7%	1.3%
Kansas City	26,612	17.01	18.02	-5.6%	-9.6%
Columbia	14,516	16.37	17.03	-3.9%	-26.7%
Orlando	5,000	13.83	13.35	3.6%	-5.8%
Greenville	3,090	17.12	16.55	3.4%	1.0%
	1,074,270	\$ 17.10	\$ 17.22	-0.7%	-11.3%

Industrial Portfolio

Market	Rentable Square Feet Leased	GAAP Rent	Previous GAAP Rent	Percentage Change	
				GAAP Rent	Cash Rent
Piedmont Triad	558,668	\$ 3.31	\$ 3.70	-10.6%	-14.2%
Atlanta	78,568	4.36	4.85	-10.1%	-16.3%
Charlotte	1,140	11.25	11.25	0.0%	0.0%
	638,376	\$ 3.46	\$ 3.86	-10.3%	-14.4%

Retail Portfolio

Market	Rentable Square Feet Leased	GAAP Rent	Previous Year GAAP Rent	Percentage Change	
				GAAP Rent	Cash Rent
Kansas City	12,920	\$ 17.25	\$ 14.60	18.2%	11.6%
	12,920	\$ 17.25	\$ 14.60	18.2%	11.6%

Lease Expirations
September 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>
Office:						
Remainder of 2003 2/	243	1,239,154	6.1%	\$ 19,969	\$16.12	5.6%
2004	558	2,968,185	14.5%	52,894	17.82	14.8%
2005	577	3,516,754	17.2%	64,119	18.23	18.0%
2006	477	3,180,926	15.6%	58,094	18.26	16.3%
2007	247	1,772,002	8.7%	30,078	16.97	8.4%
2008	259	2,933,595	14.4%	44,365	15.12	12.4%
2009	66	1,336,949	6.5%	23,298	17.43	6.5%
2010	65	1,164,362	5.7%	23,541	20.22	6.6%
2011	45	962,737	4.7%	19,624	20.38	5.5%
2012	34	522,042	2.6%	10,711	20.52	3.0%
2013 and thereafter	129	823,730	4.0%	10,319	12.53	2.9%
	2,700	20,420,436	100.0%	\$357,012	\$17.48	100.0%
Industrial:						
Remainder of 2003 3/	41	544,587	6.2%	\$ 2,818	\$ 5.17	7.0%
2004	112	2,754,339	31.4%	11,120	4.04	27.6%
2005	71	1,258,609	14.4%	6,119	4.86	15.2%
2006	62	977,099	11.2%	4,815	4.93	12.0%
2007	44	1,660,231	18.9%	7,720	4.65	19.2%
2008	22	471,011	5.4%	2,659	5.65	6.6%
2009	8	311,813	3.6%	2,026	6.50	5.0%
2010	5	96,156	1.1%	512	5.32	1.3%
2011	2	35,475	0.4%	181	5.10	0.4%
2012	2	44,447	0.5%	261	5.87	0.6%
2013 and thereafter	19	603,113	6.9%	2,058	3.41	5.1%
	388	8,756,880	100.0%	\$ 40,289	\$ 4.60	100.0%

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

2/ Includes 185,000 square feet of leases that are on a month to month basis or 0.7% of total annualized revenue

3/ Includes 282,000 square feet of leases that are on a month to month basis or 0.3% of total annualized revenue

Lease Expirations
September 30, 2003
(Continued)

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>
Retail:						
Remainder of 2003 2/	17	66,116	4.5%	\$ 810	\$12.25	2.3%
2004	35	153,397	10.4%	2,482	16.18	6.9%
2005	46	151,645	10.3%	3,247	21.41	9.1%
2006	31	91,139	6.2%	2,313	25.38	6.5%
2007	36	116,920	8.0%	2,691	23.02	7.5%
2008	41	141,235	9.6%	4,839	34.26	13.5%
2009	25	160,258	10.9%	3,713	23.17	10.4%
2010	17	85,386	5.8%	2,344	27.45	6.6%
2011	15	57,783	3.9%	1,931	33.42	5.4%
2012	13	77,862	5.3%	1,943	24.95	5.4%
2013 and thereafter	29	366,839	25.1%	9,431	25.71	26.4%
	305	1,468,580	100.0%	\$ 35,744	\$24.34	100.0%
Total:						
Remainder of 2003 3/	301	1,849,857	6.0%	\$ 23,597	\$12.76	5.4%
2004	705	5,875,921	19.1%	66,496	11.32	15.4%
2005	694	4,927,008	16.1%	73,485	14.91	17.0%
2006	570	4,249,164	13.9%	65,222	15.35	15.1%
2007	327	3,549,153	11.6%	40,489	11.41	9.3%
2008	322	3,545,841	11.6%	51,863	14.63	12.0%
2009	99	1,809,020	5.9%	29,037	16.05	6.7%
2010	87	1,345,904	4.4%	26,397	19.61	6.1%
2011	62	1,055,995	3.4%	21,736	20.58	5.0%
2012	49	644,351	2.1%	12,915	20.04	3.0%
2013 and thereafter	177	1,793,682	5.9%	21,808	12.16	5.0%
	3,393	30,645,896	100.0%	\$433,045	\$14.13	100.0%

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

2/ Includes 42,000 square feet of leases that are on a month to month basis or 0.0% of total annualized revenue

3/ Includes 509,000 square feet of leases that are on a month to month basis or 1.0% of total annualized revenue

Office Lease Expirations by Market by Quarter

Dollars in thousands

		Three Months Ended					
		12/31/2003 1/	03/31/04	06/30/04	09/30/04	Total	
Atlanta	RSF	310,179	68,052	45,091	204,619	627,941	
	% of Total Office RSF	1.5%	0.3%	0.2%	1.0%	3.1%	
	Annualized Revenue 2/	\$ 5,909	\$ 1,012	\$ 799	\$ 3,269	\$ 10,989	
	% of Total Office Annl Rev	1.7%	0.3%	0.2%	0.9%	3.1%	
Charlotte	RSF	193,835	48,272	61,232	59,803	363,142	
	% of Total Office RSF	0.9%	0.2%	0.3%	0.3%	1.8%	
	Annualized Revenue 2/	\$ 2,527	\$ 828	\$ 908	\$ 917	\$ 5,180	
	% of Total Office Annl Rev	0.7%	0.2%	0.3%	0.3%	1.5%	
Columbia	RSF	57,060	8,615	3,611	21,973	91,259	
	% of Total Office RSF	0.3%	0.0%	0.0%	0.1%	0.4%	
	Annualized Revenue 2/	\$ 1,227	\$ 152	\$ 69	\$ 400	\$ 1,848	
	% of Total Office Annl Rev	0.3%	0.0%	0.0%	0.1%	0.5%	
Greenville	RSF	494	3,094	12,334	6,071	21,993	
	% of Total Office RSF	0.0%	0.0%	0.1%	0.0%	0.1%	
	Annualized Revenue 2/	\$ 8	\$ 52	\$ 226	\$ 103	\$ 389	
	% of Total Office Annl Rev	0.0%	0.0%	0.1%	0.0%	0.1%	
Kansas City	RSF	55,801	47,640	21,048	37,792	162,281	
	% of Total Office RSF	0.3%	0.2%	0.1%	0.2%	0.8%	
	Annualized Revenue 2/	\$ 1,004	\$ 1,006	\$ 367	\$ 642	\$ 3,019	
	% of Total Office Annl Rev	0.3%	0.3%	0.1%	0.2%	0.8%	
Memphis	RSF	28,765	73,962	22,452	57,449	182,628	
	% of Total Office RSF	0.1%	0.4%	0.1%	0.3%	0.9%	
	Annualized Revenue 2/	\$ 585	\$ 1,273	\$ 440	\$ 1,013	\$ 3,311	
	% of Total Office Annl Rev	0.2%	0.4%	0.1%	0.3%	0.9%	
Nashville	RSF	47,108	176,200	59,865	48,853	332,026	
	% of Total Office RSF	0.2%	0.9%	0.3%	0.2%	1.6%	
	Annualized Revenue 2/	\$ 753	\$ 3,516	\$ 1,300	\$ 968	\$ 6,537	
	% of Total Office Annl Rev	0.2%	1.0%	0.4%	0.3%	1.8%	
Orlando	RSF	12,820	8,335	12,502	0	33,657	
	% of Total Office RSF	0.1%	0.0%	0.1%	0.0%	0.2%	
	Annualized Revenue 2/	\$ 259	\$ 78	\$ 230	\$ —	\$ 567	
	% of Total Office Annl Rev	0.1%	0.0%	0.1%	0.0%	0.2%	
Piedmont Triad	RSF	41,365	21,271	126,922	122,730	312,288	
	% of Total Office RSF	0.2%	0.1%	0.6%	0.6%	1.5%	
	Annualized Revenue 2/	\$ 571	\$ 417	\$ 1,194	\$ 1,396	\$ 3,578	
	% of Total Office Annl Rev	0.2%	0.1%	0.3%	0.4%	1.0%	
Research Triangle	RSF	218,048	153,740	138,895	170,650	681,333	
	% of Total Office RSF	1.0%	0.8%	0.7%	0.8%	3.3%	
	Annualized Revenue 2/	\$ 3,510	\$ 2,891	\$ 2,747	\$ 3,240	\$ 12,388	
	% of Total Office Annl Rev	1.0%	0.8%	0.8%	0.9%	3.5%	
Richmond	RSF	86,407	36,772	138,821	32,455	294,455	
	% of Total Office RSF	0.4%	0.2%	0.7%	0.2%	1.4%	
	Annualized Revenue 2/	\$ 1,517	\$ 740	\$ 2,541	\$ 555	\$ 5,353	
	% of Total Office Annl Rev	0.4%	0.2%	0.7%	0.2%	1.5%	
Tampa	RSF	184,888	56,698	162,133	133,090	536,809	
	% of Total Office RSF	0.9%	0.3%	0.8%	0.7%	2.6%	
	Annualized Revenue 2/	\$ 2,061	\$ 1,133	\$ 2,769	\$ 3,101	\$ 9,064	
	% of Total Office Annl Rev	0.6%	0.3%	0.8%	0.9%	2.5%	
Other	RSF	2,384	0	0	0	2,384	
	% of Total Office RSF	0.0%	0.0%	0.0%	0.0%	0.0%	
	Annualized Revenue 2/	\$ 38	\$ —	\$ —	\$ —	\$ 38	
	% of Total Office Annl Rev	0.0%	0.0%	0.0%	0.0%	0.0%	

Total	RSF		1,239,154	702,651	804,906	895,485	3,642,196
	% of Total Office RSF		6.0%	3.4%	3.9%	4.4%	17.8%
	Annualized Revenue	2/	\$ 19,969	\$ 13,098	\$ 13,590	\$ 15,604	\$ 62,261
	% of Total Office Annl Rev		5.6%	3.7%	3.8%	4.4%	17.4%

1/ Includes 185,000 square feet of leases that are on a month to month basis or 0.7% of total annualized revenue

2/ Annualized Revenue is September 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				
		12/31/2003 1/	03/31/04	06/30/04	09/30/04	Total
Atlanta	RSF	174,875	71,317	161,813	251,087	659,092
	% of Total Industrial RSF	2.0%	0.8%	1.8%	2.9%	7.5%
	Annualized Revenue 2/	\$ 1,018	\$ 366	\$ 940	\$ 1,113	\$ 3,437
	% of Total Industrial Annl Rev	2.6%	0.9%	2.3%	2.8%	8.6%
Charlotte	RSF	10,567	7,605	12,958	4,881	36,011
	% of Total Industrial RSF	0.1%	0.1%	0.1%	0.1%	0.4%
	Annualized Revenue 2/	\$ 124	\$ 82	\$ 140	\$ 58	\$ 404
	% of Total Industrial Annl Rev	0.3%	0.2%	0.3%	0.1%	1.0%
Greenville	RSF	24,096	0	0	26,859	50,955
	% of Total Industrial RSF	0.3%	0.0%	0.0%	0.3%	0.6%
	Annualized Revenue 2/	\$ 278	\$ —	\$ —	\$ 291	\$ 569
	% of Total Industrial Annl Rev	0.7%	0.0%	0.0%	0.7%	1.4%
Kansas City	RSF	0	3,774	0	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	267,122	328,022	716,743	657,701	1,969,588
	% of Total Industrial RSF	3.1%	3.7%	8.2%	7.5%	22.5%
	Annualized Revenue 2/	\$ 993	\$ 1,121	\$ 2,399	\$ 2,365	\$ 6,878
	% of Total Industrial Annl Rev	2.5%	2.8%	6.0%	5.9%	17.1%
Research Triangle	RSF	12,859	0	4,922	6,128	23,909
	% of Total Industrial RSF	0.1%	0.0%	0.1%	0.1%	0.3%
	Annualized Revenue 2/	\$ 134	\$ —	\$ 44	\$ 51	\$ 229
	% of Total Industrial Annl Rev	0.3%	0.0%	0.1%	0.1%	0.6%
Richmond	RSF	55,068	0	15,000	25,082	95,150
	% of Total Industrial RSF	0.6%	0.0%	0.2%	0.3%	1.1%
	Annualized Revenue 2/	\$ 273	\$ —	\$ 89	\$ 144	\$ 506
	% of Total Industrial Annl Rev	0.7%	0.0%	0.2%	0.4%	1.3%
Total	RSF	544,587	410,718	911,436	971,738	2,838,479
	% of Total Industrial RSF	6.2%	4.7%	10.4%	11.1%	32.4%
	Annualized Revenue 2/	\$ 2,820	\$ 1,589	\$ 3,612	\$ 4,022	\$ 12,043
	% of Total Industrial Annl Rev	7.0%	3.9%	9.0%	10.0%	29.9%

1/ Includes 282,000 square feet of leases that are on a month to month basis or 0.3% of total annualized revenue

2/ Annualized Revenue is September 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			310,179	361,472	412,286	1,598,647
	% of Total Office RSF			1.5%	1.8%	2.0%	7.8%
	Annualized Revenue	2/	\$	5,909	\$ 5,728	\$ 7,179	\$ 26,075
	% of Total Office Annl Rev			1.7%	1.6%	2.0%	7.3%
Charlotte	RSF			193,835	197,993	306,222	393,434
	% of Total Office RSF			0.9%	1.0%	1.5%	1.9%
	Annualized Revenue	2/	\$	2,527	\$ 3,179	\$ 5,367	\$ 5,620
	% of Total Office Annl Rev			0.7%	0.9%	1.5%	1.6%
Columbia	RSF			57,060	34,199	45,532	69,524
	% of Total Office RSF			0.3%	0.2%	0.2%	0.3%
	Annualized Revenue	2/	\$	1,227	\$ 620	\$ 851	\$ 1,074
	% of Total Office Annl Rev			0.3%	0.2%	0.2%	0.3%
Greenville	RSF			494	22,564	333,705	407,649
	% of Total Office RSF			0.0%	0.1%	1.6%	2.0%
	Annualized Revenue	2/	\$	8	\$ 462	\$ 4,150	\$ 6,685
	% of Total Office Annl Rev			0.0%	0.1%	1.2%	1.9%
Kansas City	RSF			55,801	126,000	167,938	336,452
	% of Total Office RSF			0.3%	0.6%	0.8%	1.6%
	Annualized Revenue	2/	\$	1,004	\$ 2,376	\$ 3,751	\$ 7,666
	% of Total Office Annl Rev			0.3%	0.7%	1.1%	2.1%
Memphis	RSF			28,765	190,005	204,675	428,683
	% of Total Office RSF			0.1%	0.9%	1.0%	2.1%
	Annualized Revenue	2/	\$	585	\$ 3,447	\$ 4,194	\$ 8,368
	% of Total Office Annl Rev			0.2%	1.0%	1.2%	2.3%
Nashville	RSF			47,108	347,269	510,980	1,146,189
	% of Total Office RSF			0.2%	1.7%	2.5%	5.6%
	Annualized Revenue	2/	\$	753	\$ 7,017	\$ 10,225	\$ 20,973
	% of Total Office Annl Rev			0.2%	2.0%	2.9%	5.9%
Orlando	RSF			12,820	31,284	0	95,137
	% of Total Office RSF			0.1%	0.2%	0.0%	0.5%
	Annualized Revenue	2/	\$	259	\$ 488	\$ —	\$ 1,735
	% of Total Office Annl Rev			0.1%	0.1%	0.0%	0.5%
Piedmont Triad	RSF			41,365	280,223	293,910	1,158,251
	% of Total Office RSF			0.2%	1.4%	1.4%	5.7%
	Annualized Revenue	2/	\$	571	\$ 3,090	\$ 4,818	\$ 15,170
	% of Total Office Annl Rev			0.2%	0.9%	1.3%	4.2%
Research Triangle	RSF			218,048	605,080	532,089	1,467,923
	% of Total Office RSF			1.1%	3.0%	2.6%	7.2%
	Annualized Revenue	2/	\$	3,509	\$ 11,638	\$ 10,286	\$ 25,120
	% of Total Office Annl Rev			1.0%	3.3%	2.9%	7.0%
Richmond	RSF			86,407	243,555	428,469	961,056
	% of Total Office RSF			0.4%	1.2%	2.1%	4.7%
	Annualized Revenue	2/	\$	1,517	\$ 4,478	\$ 7,293	\$ 15,374
	% of Total Office Annl Rev			0.4%	1.3%	2.0%	4.3%
Tampa	RSF			184,888	528,541	260,467	1,424,748
	% of Total Office RSF			0.9%	2.6%	1.3%	7.0%
	Annualized Revenue	2/	\$	2,061	\$ 10,371	\$ 5,582	\$ 27,321
	% of Total Office Annl Rev			0.6%	2.9%	1.6%	7.7%
Other	RSF			2,384	0	20,481	27,724
	% of Total Office RSF			0.0%	0.0%	0.1%	0.1%
	Annualized Revenue	2/	\$	38	\$ —	\$ 423	\$ 758
	% of Total Office Annl Rev			0.0%	0.0%	0.1%	0.2%

Total	RSF			1,239,154	2,968,185	3,516,754	3,180,926	9,515,417
	% of Total Office RSF			6.1%	14.5%	17.2%	15.6%	46.6%
	Annualized Revenue	2/	\$	19,968	\$ 52,894	\$ 64,119	\$ 58,094	\$ 161,939
	% of Total Office Annl Rev			5.6%	14.8%	18.0%	16.3%	45.4%

1/ Includes 185,000 square feet of leases that are on a month to month basis or 0.7% of total annualized revenue

2/ Annualized Revenue is September 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			174,875	572,254	526,691	322,468	1,013,539
	% of Total Industrial RSF			2.0%	6.5%	6.0%	3.7%	11.6%
	Annualized Revenue	2/	\$	1,017	\$ 2,858	\$ 2,688	\$ 1,920	\$ 4,873
	% of Total Industrial Annl Rev			2.5%	7.1%	6.7%	4.8%	12.1%
Charlotte	RSF			10,567	28,900	18,201	33,166	20,081
	% of Total Industrial RSF			0.1%	0.3%	0.2%	0.4%	0.2%
	Annualized Revenue	2/	\$	124	\$ 311	\$ 197	\$ 239	\$ 199
	% of Total Industrial Annl Rev			0.3%	0.8%	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/	\$	278	\$ 291	\$ —	\$ 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			267,122	2,066,374	637,071	541,178	1,980,131
	% of Total Industrial RSF			3.1%	23.6%	7.3%	6.2%	22.6%
	Annualized Revenue	2/	\$	993	\$ 7,265	\$ 2,704	\$ 2,138	\$ 9,156
	% of Total Industrial Annl Rev			2.5%	18.0%	6.7%	5.3%	22.7%
Research Triangle	RSF			12,859	16,096	35,461	2,339	19,745
	% of Total Industrial RSF			0.1%	0.2%	0.4%	0.0%	0.2%
	Annualized Revenue	2/	\$	134	\$ 143	\$ 304	\$ 23	\$ 200
	% of Total Industrial Annl Rev			0.3%	0.4%	0.8%	0.1%	0.5%
Richmond	RSF			55,068	40,082	41,185	61,867	183,400
	% of Total Industrial RSF			0.6%	0.5%	0.5%	0.7%	2.1%
	Annualized Revenue	2/	\$	273	\$ 233	\$ 225	\$ 299	\$ 934
	% of Total Industrial Annl Rev			0.7%	0.6%	0.6%	0.7%	2.3%
Total	RSF			544,587	2,754,339	1,258,609	977,099	3,222,246
	% of Total Industrial RSF			6.2%	31.5%	14.4%	11.2%	36.8%
	Annualized Revenue	2/	\$	2,819	\$ 11,121	\$ 6,118	\$ 4,814	\$ 15,418
	% of Total Industrial Annl Rev			7.0%	27.6%	15.2%	11.9%	38.3%

1/ Includes 282,000 square feet of leases that are on a month to month basis or 0.3% of total annualized revenue

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

Customer Diversification

September 30, 2003

Dollars in thousands

Top 20 Customers

Customer	Number Of Leases	RSF	Annualized Revenue 1/	Percent of Annualized Revenue 1/	Average Remaining Lease Term in Years
Federal Government	60	626,943	\$ 12,948	2.99%	5.1
AT&T	8	612,092	11,493	2.65%	4.2
Price Waterhouse Coopers	6	297,795	6,879	1.59%	6.6
State Of Georgia	10	359,565	6,858	1.58%	5.6
Sara Lee	10	1,230,534	4,789	1.11%	1.8
IBM	7	215,737	4,566	1.05%	2.0
Volvo	7	264,717	3,721	0.86%	5.5
Bell South	7	175,106	3,654	0.84%	1.1
Northern Telecom	1	246,000	3,651	0.84%	4.4
Lockton Companies	10	132,718	3,294	0.76%	11.4
US Airways	5	295,046	3,216	0.74%	4.2
BB&T	8	241,075	3,167	0.73%	7.4
Bank of America	23	146,842	2,979	0.69%	3.5
Business Telecom	5	147,379	2,945	0.68%	1.7
WorldCom and Affiliates	13	144,623	2,858	0.66%	2.6
T-Mobile USA	3	120,561	2,806	0.65%	2.7
Ikon	7	181,361	2,530	0.58%	4.1
Carlton	2	95,771	2,435	0.56%	0.8
Ford Motor Company	2	125,989	2,425	0.56%	6.4
CHS Professional Services	17	138,888	2,314	0.53%	3.4
	211	5,798,742	\$ 89,528	20.65%	4.4

By Industry

Category	Percent of Annualized Revenue 1/
Professional, Scientific, and Technical Services	21.9%
Insurance	9.8%
Manufacturing	9.4%
Telecommunication	8.5%
Finance/Banking	7.8%
Retail Trade	7.4%
Administrative and Support Services	5.5%
Health Care and Social Assistance	5.0%
Wholesale Trade	5.0%
Government/Public Administration	4.8%
Transportation and Warehousing	3.2%
Real Estate Rental and Leasing	2.9%
Information	2.8%
Accommodation and Food Services	2.7%
Other Services (except Public Administration)	2.5%
Educational Services	0.8%
	100.0%

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

Same Property Performance

Dollars in thousands

	Includes Highwoods Preserve 1/			Excludes Highwoods Preserve 1/		
	Three months ended September 30,		Percentage Change	Three months ended September 30,		Percentage Change
	2003	2002		2003	2002	
Rental revenues	\$ 100,461	\$ 107,334	-6.4%	\$ 100,465	\$ 103,660	-3.1%
Operating expenses	(34,827)	(34,584)	-0.7%	(34,170)	(33,808)	-1.1%
Net operating income	\$ 65,634	\$ 72,750	-9.8%	\$ 66,295	\$ 69,852	-5.1%
Average Occupancy	83.9%	87.4%	-4.0%	86.0%	87.0%	-1.1%
Rentable Square Feet	33,793,000	33,793,000		32,977,000	32,977,000	
	Nine months ended September 30,		Percentage Change	Nine months ended September 30,		Percentage Change
	2003	2002		2003	2002	
Rental revenues	\$ 303,020	\$ 323,120	-6.2%	\$ 303,029	\$ 312,138	-2.9%
Operating expenses	(103,532)	(101,246)	-2.3%	(101,672)	(99,753)	-1.9%
Net operating income	\$ 199,488	\$ 221,874	-10.1%	\$ 201,357	\$ 212,385	-5.2%
Average Occupancy	84.2%	88.3%	-4.6%	86.4%	88.0%	-1.8%
Rentable Square Feet	33,793,000	33,793,000		32,977,000	32,977,000	

Market	Includes Highwoods Preserve 1/		Excludes Highwoods Preserve 1/	
	2002 to 2003 3rd Quarter NOI Change	2002 to 2003 YTD NOI Change	2002 to 2003 3rd Quarter NOI Change	2002 to 2003 YTD NOI Change
Atlanta	-11.3%	-12.2%	-11.3%	-12.2%
Charlotte	-19.5%	-13.1%	-19.5%	-13.1%
Columbia	-21.2%	-18.7%	-21.2%	-18.7%
Greenville	3.7%	2.5%	3.7%	2.5%
Kansas City	-2.8%	3.7%	-2.8%	3.7%
Memphis	-9.9%	-8.8%	-9.9%	-8.8%
Nashville	4.3%	2.2%	4.3%	2.2%
Orlando	6.3%	-0.3%	6.3%	-0.3%
Piedmont Triad	-0.9%	-5.6%	-0.9%	-5.6%
Research Triangle	-7.6%	-7.5%	-7.6%	-7.5%
Richmond	-0.1%	-0.4%	-0.1%	-0.4%
Tampa	-37.5%	-40.3%	-6.3%	-8.2%
	-9.8%	-10.1%	-5.1%	-5.2%

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

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>	
First quarter 2003:						
Colonade	Richmond	O	01/21/03	66,000	\$ 7,000	
Second quarter 2003:						
None						
Third quarter 2003:						
Highwoods Ctr at Deerfield I	Atlanta	O	07/29/03	50,000		
Highwoods Ctr at Deerfield II	Atlanta	O	07/29/03	67,000		
HIW Ctr II at Peachtree Corners	Atlanta	O	07/29/03	109,000		
4101 Research Commons	Research Triangle	O	07/29/03	74,000		
4201 Research Commons	Research Triangle	O	07/29/03	90,000		
4301 Research Commons	Research Triangle	O	07/29/03	91,000		
4501 Research Commons	Research Triangle	O	07/29/03	57,000		
Concourse	Research Triangle	O	07/29/03	132,000		
Lake Plaza East	Research Triangle	O	07/29/03	72,000		
Situs I	Research Triangle	O	07/29/03	59,000		
Situs II	Research Triangle	O	07/29/03	60,000		
Situs III	Research Triangle	O	07/29/03	39,000		
Anchor Glass Building	Tampa	O	07/29/03	100,000		
Bayshore Place	Tampa	O	07/29/03	83,000		
Tower Place	Tampa	O	07/29/03	182,000		
Subtotal				1,265,000	\$137,350	2/
HIW Ctr III at Peachtree Corners	Atlanta	O	07/29/03	54,000	\$ 2,149	3/
				1,385,000	\$146,499	

1/ The letter "O" represents Office

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

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

Disposition Activity

Dollars in thousands

Name	Market	Type 1/	Date Sold	Square Footage	Sales Price
First quarter 2003:					
none					
Second quarter 2003:					
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
Third quarter 2003:					
5125 Fulton Industrial Blvd	Atlanta	I	07/10/03	149,000	4,788
Capital One	Richmond	O	07/16/03	298,000	38,122
Bay View Office Centre	Tampa	O	07/23/03	73,000	7,400
Verizon Wireless	Greenville	O	07/31/03	193,000	21,502
Countryside Place	Tampa	O	08/29/03	54,000	5,650
Interlachen Village	Orlando	O	09/16/03	41,000	3,900
Holden Road	Piedmont Triad	I	09/30/03	160,000	5,800
				1,310,000	\$116,312

Assets Contributed to Joint Ventures

Name	Market	Type 1/	Date Contributed	Square Footage	Sales Price
First quarter 2003:					
none					
Second quarter 2003:					
none					
Third quarter 2003:					
none					

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

Development Activity

Dollars in thousands

Property	Market	Type 1/	Rentable Square Feet	Anticipated	Investment	Pre- Leasing	Estimated Completion Date	Estimated Stabilization
				Total Investment	@ 09/30/03			Date
In-Process								
NARA	Atlanta	I	350,000	\$ 20,345	\$ 1,209	100%	3Q04	4Q04
			350,000	\$ 20,345	\$ 1,209	100%		
Completed Not Stabilized 2/								
Catawba	Research Triangle	O	40,000	\$ 4,030	\$ 2,908	0%	2Q03	2Q04
801 Raleigh Corporate Center	Research Triangle	O	100,000	12,016	10,451	42%	4Q02	2Q04
Tradeport V	Atlanta	I	60,000	2,913	2,776	30%	4Q02	4Q03
Total or Weighted Average			200,000	\$ 18,959	\$ 16,135	30%		

Developed for Sale

	Market	Type 1/ _____	Rentable Square Feet	Anticipated		Pre- Sales	Estimated Completion Date
				Total Investment	Investment @ 09/30/03		
Grove Park Condominiums	Richmond	O	65,000	\$ 6,163	\$ 1,500	66%	Q104

Placed in Service

Property	Market	Type 1/ _____	In-Service Date	Rentable Square Feet	Investment @ 09/30/03	Quarter 3 2003 NOI 3/	Occ %	Leasing %
Seven Springs I	Nashville	O	3/31/2003	131,000	\$ 15,649	\$313	67%	76%

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

2/ These properties contributed \$273,000 in Net Operating Income (Property Revenue – Property Expense) in Q3 2003.

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

Development Land

September 30, 2003

Dollars in thousands

Market	Acres	Developable Square Footage			Total Estimated Market Value
		Office	Retail	Industrial	
On Balance Sheet:					
Research Triangle	415	3,100,000	—	162,000	\$ 66,500
Atlanta	258	270,000	1,100,000	1,040,000	35,300
Piedmont Triad	166	787,000	37,000	1,252,000	18,300
Kansas City 1/	98	725,000	216,000	—	20,200
Baltimore	97	1,102,000	—	—	12,300
Richmond	93	688,000	—	700,000	15,900
Charlotte	79	1,231,000	—	—	13,400
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
	1,377	10,655,000	1,353,000	3,169,000	\$ 220,200
Deferred or optioned:					
Atlanta	25	—	500,000	—	
Research Triangle	25	562,870	—	—	
Richmond	11	91,000	—	—	
	61	653,870	500,000	—	
Total	1,438	11,308,870	1,853,000	3,169,000	

1/ Includes 27 acres of residential land

Unconsolidated Joint Ventures Assets, Debt and Liabilities

September 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%	\$ 41,799	\$ 38,234	\$ 40,573
Dallas County Partners II, LP	O	50.0%	18,085	22,756	23,786
Dallas County Partners III, LP	O	50.0%	74	—	33
Fountain Three	O/ I / R	50.0%	34,368	30,191	32,058
RRHWoods , LLC	O/ M	50.0%	80,975	66,499	69,478
Highwoods DLF 98/29	O	22.8%	140,708	67,489	69,881
Highwoods DLF 97/26 DLF 99/32	O	42.9%	116,637	59,197	61,702
MG-HIW, LLC	O	20.0%	198,018	136,207	142,144
MG-HIW Metrowest I, LLC	O	50.0%	1,601	—	22
MG-HIW Metrowest II, LLC	O	50.0%	10,329	6,257	6,529
4600 Madison Assoc., LP	O	12.5%	22,400	16,891	17,547
Board of Trade Investment Co.	O	49.0%	8,083	792	1,141
Concourse Center Assoc., LLC	O	50.0%	14,560	9,737	10,025
Plaza Colonnade, LLC	O/R	50.0%	19,226	9,936	10,577
Highwoods-Markel Assoc., LLC	O	50.0%	15,625	11,588	12,023
SF-HIW Harborview Plaza, LP	O	20.0%	40,586	22,800	24,681
Kessinger/Hunter, LLC	—	26.5%	8,337	—	284
Total			\$ 771,411	\$498,574	\$ 522,484

Joint Venture	Type 1/	Own %	Highwoods' Share of Joint Venture		
			Total Assets	Debt	Total Liabilities
Dallas County Partners I, LP	O/ I	50.0%	\$ 20,900	\$ 19,117	\$ 20,287
Dallas County Partners II, LP	O	50.0%	9,043	11,378	11,893
Dallas County Partners III, LP	O	50.0%	37	—	17
Fountain Three	O/ I / R	50.0%	17,184	15,096	16,029
RRHWoods , LLC	O/M	50.0%	40,488	33,250	34,739
Highwoods DLF 98/29	O	22.8%	32,095	15,394	15,940
Highwoods DLF 97/26 DLF 99/32	O	42.9%	50,072	25,413	26,489
MG-HIW, LLC	O	20.0%	39,604	27,241	28,429
MG-HIW Metrowest I, LLC	O	50.0%	801	—	11
MG-HIW Metrowest II, LLC	O	50.0%	5,165	3,129	3,265
4600 Madison Assoc., LP	O	12.5%	2,800	2,111	2,193
Board of Trade Investment Co.	O	49.0%	3,961	388	559
Concourse Center Assoc., LLC	O	50.0%	7,280	4,869	5,013
Plaza Colonnade, LLC	O/R	50.0%	9,613	4,968	5,289
Highwoods-Markel Assoc., LLC	O	50.0%	7,813	5,794	6,012
SF-HIW Harborview Plaza, LP	O	20.0%	8,117	4,560	4,936
Kessinger/Hunter, LLC	—	26.5%	2,209	—	75
Total			\$ 257,182	\$172,708	\$ 181,176

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 September 30, 2003

Dollars in thousands

Joint Venture	Own %	Venture's Books				
		Revenue	Oper Exp	Interest	Depr/Amort	Net Income
Dallas County Partners I, LP	50.0%	\$ 2,512	\$ 1,340	\$ 690	\$ 432	\$ 50
Dallas County Partners II, LP	50.0%	1,455	620	585	206	44
Dallas County Partners III, LP	50.0%	61	38	—	1	22
Fountain Three	50.0%	1,612	832	546	364	(130)
RRHWoods , LLC	50.0%	3,970	1,945	633	839	553
Highwoods DLF 98/29	22.8%	4,818	1,395	1,145	864	1,414
Highwoods DLF 97/26 DLF 99/32	42.9%	3,976	1,130	1,146	972	728
MG-HIW, LLC	20.0%	8,288	3,279	1,559	1,566	1,884
MG-HIW Metrowest I, LLC	50.0%	—	10	—	—	(10)
MG-HIW Peachtree Corners III, LLC	50.0%	44	14	10	33	(13)
MG-HIW Metrowest II, LLC	50.0%	175	102	42	90	(59)
4600 Madison Assoc., LP	12.5%	1,282	519	293	444	26
Board of Trade Investment Co.	49.0%	553	400	16	104	33
Concourse Center Assoc., LLC	50.0%	528	132	172	76	148
Highwoods-Markel Assoc., LLC	50.0%	826	439	243	165	(21)
Kessinger/Hunter, LLC	26.5%	1,581	1,140	—	209	232
SF-HIW Harborview Plaza, LP	20.0%	1,402	438	351	217	396
Plaza Colonnade, LLC	50.0%	2	2	—	1	(1)
Total		\$33,085	\$13,775	\$7,431	\$ 6,583	\$ 5,296

Joint Venture	Own %	Highwoods' Share of Joint Venture				
		Revenue	Operating Exp	Interest	Depr/Amort	Net Income
Dallas County Partners I, LP	50.0%	\$ 1,256	\$ 669	\$ 345	\$ 216	\$ 26
Dallas County Partners II, LP	50.0%	728	310	293	103	22
Dallas County Partners III, LP	50.0%	31	19	—	1	11
Fountain Three	50.0%	806	416	273	182	(65)
RRHWoods , LLC	50.0%	1,985	972	317	419	277
Highwoods DLF 98/29	22.8%	1,099	318	261	197	323
Highwoods DLF 97/26 DLF 99/32	42.9%	1,707	485	492	416	314
MG-HIW, LLC	20.0%	1,658	655	312	312	379
MG-HIW Metrowest I, LLC	50.0%	—	5	—	—	(5)
MG-HIW Peachtree Corners III, LLC	50.0%	22	7	5	17	(7)
MG-HIW Metrowest II, LLC	50.0%	88	51	21	45	(29)
4600 Madison Assoc., LP	12.5%	160	65	37	56	2
Board of Trade Investment Co.	49.0%	271	196	8	51	16
Concourse Center Assoc., LLC	50.0%	264	66	86	38	74
Highwoods-Markel Assoc., LLC	50.0%	413	220	122	83	(12)
Kessinger/Hunter , LLC	26.5%	419	302	—	55	62
SF-HIW Harborview Plaza, LP	20.0%	280	88	70	43	79
Plaza Colonnade, LLC	50.0%	1	1	—	1	(1)
Total 1/		\$11,188	\$ 4,845	\$2,642	\$ 2,235	\$ 1,466

1/ Highwoods' Share of JV income shown above does not include the amortization of a \$160K deferred gain.

Unconsolidated Joint Ventures Income
For the Nine Months Ended September 30, 2003

Dollars in thousands

Joint Venture	Own %	Venture's Books				
		Operating Exp		Interest	Depr/Amort	Net Income
		Revenue				
Dallas County Partners I, LP	50.0%	\$ 7,749	\$ 4,022	\$ 2,079	\$ 1,412	\$ 236
Dallas County Partners II, LP	50.0%	4,579	1,914	1,775	617	273
Dallas County Partners III, LP	50.0%	205	113	—	3	89
Fountain Three	50.0%	5,174	2,346	1,687	1,160	(19)
RRHWoods , LLC	50.0%	10,918	5,551	1,979	2,545	843
Highwoods DLF 98/29	22.8%	14,492	4,142	3,448	2,592	4,310
Highwoods DLF 97/26 DLF 99/32	42.9%	12,082	3,345	3,448	2,979	2,310
MG-HIW, LLC 1/	20.0%	32,862	12,254	6,202	6,295	8,111
MG-HIW Metrowest I, LLC	50.0%	—	26	—	—	(26)
MG-HIW Peachtree Corners III, LLC	50.0%	219	75	73	76	(5)
MG-HIW Metrowest II, LLC	50.0%	441	325	124	252	(260)
4600 Madison Assoc., LP	12.5%	4,122	1,597	888	1,331	306
Board of Trade Investment Co.	49.0%	1,768	1,191	50	304	223
Concourse Center Assoc., LLC	50.0%	1,556	401	518	227	410
Highwoods-Markel Assoc., LLC	50.0%	2,462	1,300	800	464	(102)
Kessinger/Hunter, LLC	26.5%	4,513	3,536	—	540	437
SF-HIW Harborview Plaza, LP	20.0%	4,208	1,288	1,052	650	1,218
Plaza Colonnade, LLC	50.0%	10	2	—	3	5
Total		\$107,360	\$ 43,428	\$24,123	\$ 21,450	\$ 18,359

Joint Venture	Own %	Highwoods' Share of Joint Venture				
		Operating Exp		Interest	Depr/Amort	Net Income
		Revenue				
Dallas County Partners I, LP	50.0%	\$ 3,875	\$ 2,011	\$1,040	\$ 706	\$ 118
Dallas County Partners II, LP	50.0%	2,290	957	888	309	136
Dallas County Partners III, LP	50.0%	103	57	—	2	44
Fountain Three	50.0%	2,587	1,173	844	580	(10)
RRHWoods , LLC	50.0%	5,460	2,734	990	1,315	421
Highwoods DLF 98/29	22.8%	3,306	945	786	591	984
Highwoods DLF 97/26 DLF 99/32	42.9%	5,188	1,437	1,480	1,278	993
MG-HIW, LLC 1/	20.0%	6,573	2,452	1,240	1,258	1,623
MG-HIW Metrowest I, LLC	50.0%	—	13	—	—	(13)
MG-HIW Peachtree Corners III, LLC	50.0%	110	38	37	38	(3)
MG-HIW Metrowest II, LLC	50.0%	221	163	62	126	(130)
4600 Madison Assoc., LP	12.5%	515	200	111	166	38
Board of Trade Investment Co. 2/	49.0%	866	584	25	149	108
Concourse Center Assoc., LLC	50.0%	778	201	259	114	204
Highwoods-Markel Assoc., LLC	50.0%	1,231	650	400	232	(51)
Kessinger/Hunter, LLC	26.5%	1,196	937	—	143	116
SF-HIW Harborview Plaza, LP	20.0%	842	258	210	130	244
Plaza Colonnade, LLC	50.0%	5	1	—	2	2
Total 3/		\$35,146	\$ 14,811	\$8,372	\$ 7,139	\$ 4,824

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

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

3/ *Highwoods' Share of JV income shown above does not include the amortization of a \$485K deferred gain .*

Unconsolidated Joint Ventures Long-Term Debt Detail

Dollars in thousands

Joint Venture	Own %	Lender	Interest Rate	Maturity Date	Loan Balance 09/30/03
Dallas County Partners I, LP	50.0%	various 1/	7.2%	various 1/	\$ 38,234
Dallas County Partners II, LP	50.0%	Principal Life Insurance Company	10.2%	Jun-13	22,756
Fountain Three	50.0%	John Hancock Life Insurance Co.	7.8%	Jan-08	6,240
	50.0%	various 2/	7.5%	various 2/	23,951
Total Fountain Three			7.5%		30,191
RRHWoods, LLC	50.0%	Industrial Revenue Bonds	1.0% 3/	Nov-15	23,000
	50.0%	Bank of America	6.8%	Sep-12	8,410
	50.0%	Bank of America	6.8%	Sep-12	6,415
	50.0%	Industrial Revenue Bonds	1.0% 3/	Sep-15	6,000
	50.0%	various 4/	5.22% 3/	various 4/	22,674
Total RRHWoods, LLC			3.7%		66,499
Highwoods DLF 98/29	22.8%	USG Annuity & Life Company	6.8%	May-11	67,489
Highwoods DLF 97/26 DLF 99/32	42.9%	Massachusetts Mutual Life Ins. Co.	7.7%	May-12	59,197
MG-HIW, LLC	20.0%	GE Capital	3.1% 3/	Jan-06	136,207
MG-HIW Metrowest II, LLC	50.0%	Wachovia	2.7% 3/	Feb-05	6,257
4600 Madison Assoc., LP	12.5%	State Farm	6.9%	Apr-18	16,891
Board of Trade Investment Co.	49.0%	KC Board of Trade Clearing Corp.	7.8%	Sep-07	792
Concourse Center Assoc., LLC	50.0%	Lincoln National Life Insurance Co.	7.0%	Jul-10	9,737
Highwoods-Markel Assoc., LLC	50.0%	First Community Bank	7.9%	Apr-11	9,968
	50.0%	First Community Bank	8.6%	Apr-10	1,620
Total Highwoods-Markel Assoc., LLC			8.0%		11,588
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	9,936
Total Secured Loans					\$498,574
Highwoods' Share of the above					\$172,708

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 September 30, 2003's rates.

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

Portfolio Summary Unconsolidated Joint Ventures

As of September 30, 2003

Summary by Location:

Market	Rentable Square Feet 1/	Occupancy 2/	Percentage of Annualized Revenue – Highwoods' Share Only 3/				Total
			Office	Industrial	Retail	Multi-Family	
Des Moines	2,245,000	92.5%	35.4%	4.4%	1.3%	5.2%	46.3%
Orlando	1,764,000	84.8%	19.6%	—	—	—	19.6%
Atlanta	650,000	85.7%	12.8%	—	—	—	12.8%
Research Triangle	455,000	98.7%	4.5%	—	—	—	4.5%
Kansas City	427,000	87.4%	4.7%	—	—	—	4.7%
Piedmont Triad	364,000	100.0%	5.1%	—	—	—	5.1%
Tampa	205,000	92.1%	2.6%	—	—	—	2.6%
Charlotte	148,000	100.0%	1.0%	—	—	—	1.0%
Richmond	121,000	100.0%	2.7%	—	—	—	2.7%
Other	110,000	100.0%	0.7%	—	—	—	0.7%
Total	6,489,000	90.7%	89.1%	4.4%	1.3%	5.2%	100.0%

1/ Excludes Des Moines' apartment units

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

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

Unconsolidated Joint Ventures Lease Expirations

September 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/
Total						
Remainder of 2003	61	180,018	3.0%	\$ 3,761	\$20.89	3.5%
2004	80	443,284	7.5%	8,878	20.03	8.2%
2005	101	696,031	11.7%	11,977	17.21	11.1%
2006	93	885,242	14.9%	13,786	15.57	12.7%
2007	45	297,388	5.0%	5,804	19.52	5.4%
2008	59	1,024,449	17.2%	15,944	15.56	14.7%
2009	17	577,365	9.7%	11,165	19.34	10.3%
2010	20	285,639	4.8%	5,172	18.11	4.8%
2011	12	427,781	7.2%	9,134	21.35	8.5%
2012	16	295,741	5.0%	6,833	23.11	6.3%
2013 and thereafter	25	831,285	14.0%	15,627	18.80	14.5%
	529	5,944,223	100.0%	\$108,081	\$18.18	100.0%

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

Unconsolidated Joint Ventures Development

Dollars in thousands

Property	% Ownership	Market	Rentable Square Feet	Anticipated	Investment	Pre-Leasing	Estimated Completion Date	Estimated Stabilization Date
				Total Investment	@ 09/30/03			
Plaza Colonade, LLC 1/	50%	Kansas City	285,000	\$ 69,700	\$ 18,968	59%	Q304	Q305
Highwoods' Share of the above			142,500	\$ 34,850	\$ 9,484	59%		

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

End of Filing