

HIGHWOODS PROPERTIES INC

FORM 424B5

(Prospectus filed pursuant to Rule 424(b)(5))

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Telephone	919-872-4924
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Industry	Real Estate Operations
Sector	Services
Fiscal Year	12/31

PROSPECTUS SUPPLEMENT
(To Prospectus dated January 22, 1998)

859,424 Shares

HIGHWOODS PROPERTIES, INC. (logo)

Common Stock

Highwoods Properties, Inc. (the "Company") is a self-administered and self-managed equity real estate investment trust ("REIT") that began operations through a predecessor in 1978. The Company is one of the largest owners and operators of office and industrial properties in the Southeast. As of December 31, 1997, the Company owned 481 properties (the "Properties") encompassing approximately 30.7 million rentable square feet located in 19 markets in North Carolina, Florida, Tennessee, Georgia, Virginia, South Carolina, Maryland and Alabama. The Properties consist of 342 office properties and 139 industrial (including 73 service center) properties and are leased to approximately 3,100 tenants. As of December 31, 1997, the Properties were 94% leased.

All of the shares of common stock, par value \$.01 per share, of the Company (the "Common Stock") offered hereby (the "Offering") are being sold by the Company. The Common Stock is listed on the New York Stock Exchange (the "NYSE") under the symbol "HIW." On February 12, 1998, the last reported sale price of the Common Stock on the NYSE was \$34 3/4. See "Price Range of Common Stock and Distribution History."

See "Risk Factors" beginning on page 3 in the accompanying Prospectus for certain factors to be considered in connection with an investment in the Common Stock.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS SUPPLEMENT OR THE ACCOMPANYING PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The Underwriter has agreed to purchase the shares of Common Stock from the Company at a price of \$33.01 per share, resulting in aggregate proceeds to the Company of \$28,369,586 before payment of expenses by the Company estimated at \$50,000, subject to the terms and conditions of the Underwriting Agreement. The Underwriter intends to deposit the shares of Common Stock, valued at the last reported sale price, with the trustee of National Equity Trust Equity Portfolio Series 2 (REIT Portfolio) (the "Trust") in exchange for units in the Trust. The Company has agreed to indemnify the Underwriter against certain liabilities, including liabilities under the Securities Act of 1933, as amended. See "Underwriting."

The shares of Common Stock are offered by the Underwriter, subject to prior sale, when, as and if delivered to and accepted by the Underwriter, subject to approval of certain legal matters by counsel for the Underwriter. It is expected that delivery of the shares of Common Stock will be made through the facilities of The Depository Trust Company, New York, New York, on or about February 18, 1998.

Prudential Securities Incorporated

February 12, 1998

Unless the context otherwise requires, the terms (i) "Company" shall mean Highwoods Properties, Inc., predecessors of Highwoods Properties, Inc., and those entities owned or controlled by Highwoods Properties, Inc., including Highwoods/Forsyth Limited Partnership (the "Operating Partnership") and (ii) "Properties" shall mean the 342 office and 139 industrial (including 73 service center) properties owned by the Company as of December 31, 1997. All information regarding the Properties excludes the 21 properties acquired after December 31, 1997.

Certain matters discussed in this Prospectus Supplement, the attached Prospectus, and the information incorporated by reference herein and therein including, without limitation, strategic initiatives, may constitute forward-looking statements for purposes of the Securities Act of 1933, as amended (the "Securities Act"), and the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and as such may involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company and the Operating Partnership to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Important factors that could cause the actual results, performance or achievements of the Company and the Operating Partnership to differ materially from the Company's and the Operating Partnership's expectations are disclosed or incorporated by reference in this Prospectus Supplement and the attached Prospectus ("Cautionary Statements"), including, without limitation, those statements made in conjunction with the forward-looking statements included herein. All forward-looking statements attributable to the Company and the Operating Partnership are expressly qualified in their entirety by the Cautionary Statements.

THE COMPANY

General

The Company is a self-administered and self-managed equity REIT that began operations through a predecessor in 1978. Following its initial public offering (the "IPO") in 1994, the Company established itself as one of the largest owners and operators of suburban office and industrial properties in the Southeast. As of December 31, 1997, the Company owned 481 properties located in 19 markets in North Carolina, Florida, Tennessee, Georgia, Virginia, South Carolina, Maryland and Alabama.

The Properties consist of 342 office properties and 139 industrial (including 73 service center) properties, contain an aggregate of approximately 30.7 million rentable square feet and are leased to approximately 3,100 tenants. At December 31, 1997, the Properties were 94% leased. An additional 32 properties (the "Development Projects"), which will encompass approximately 3.3 million rentable square feet, were under development in North Carolina, Florida, Virginia, Tennessee, Georgia, Maryland and South Carolina as of December 31, 1997. The Company also owned 729 acres (and had agreed to purchase an additional 472 acres) of land for future development (collectively, the "Development Land") as of December 31, 1997. The Development Land is zoned and available for office and/or industrial development; substantially all of the Development Land has utility infrastructure already in place. Operating Strategy

The Company believes that it will continue to benefit from the following factors:

Diversification. Since its IPO in 1994, the Company has significantly reduced its dependence on any particular market, property type or tenant. At the time of the IPO, the Company's portfolio consisted almost exclusively of office properties in the Raleigh-Durham, North Carolina area (the "Research Triangle"). As of December 31, 1997, the Company's in-service portfolio had expanded from 41 North Carolina properties (40 of which were in the area) to 481 properties in 19 markets concentrated in the Southeast. Based on December 1997 results, approximately 32% of the rental revenue from the Properties is derived from properties in North Carolina (18% in the Research Triangle).

In October 1997, the Company significantly expanded its Florida operations through its business combination with Associated Capital Properties, Inc. ("ACP"). In February 1997, the Company made a significant investment in the suburban Atlanta market with the acquisition of the Century Center Office Park and a business combination with Anderson Properties, Inc. The Company first entered the Atlanta market, as well as four markets in Florida and six other markets, through its September 1996 merger with Crocker Realty

Trust, Inc ("Crocker"). Prior to its merger with Crocker, the Company expanded into Winston-Salem/Greensboro, North Carolina (the "Piedmont Triad") and Charlotte, North Carolina through a merger with Forsyth Properties, Inc. ("Forsyth") and also completed significant business combinations in Richmond, Virginia and Nashville, Tennessee. The Company has focused on markets that, like the Research Triangle, have strong demographic and economic characteristics.

The Company's strategy has been to assemble a portfolio of properties that enables the Company to offer buildings with a variety of cost, tenant finish and amenity choices that satisfy the facility needs of a wide range of tenants seeking commercial space. This strategy led, in part, to the Company's combination with Forsyth in February 1995, which added industrial and service center properties (as well as additional office properties) to its suburban office portfolio. Today, based on December 1997 results, approximately 91% of the Company's rental revenue is derived from office properties and 9% is derived from industrial properties.

The Company has also reduced its dependence on any particular tenant or tenants in any particular industry. Its tenants represent a diverse cross-section of the economy. As of December 31, 1997, the 20 largest tenants of the Properties represented approximately 21.3% of the combined rental revenue from the Properties, and the largest single tenant accounted for approximately 3.7% of such revenue. See "The Properties." Acquisition and Development Opportunities. The Company seeks to acquire suburban office and industrial properties at prices below replacement cost that offer attractive returns, including acquisitions of underperforming, high quality properties in situations offering opportunities for the Company to improve such properties' operating performance. The Company will also continue to engage in the selective development of office and industrial projects, primarily in suburban business parks, and intends to focus on build-to-suit projects and projects where the Company has identified sufficient demand. In build-to-suit development, the buildings are significantly pre-leased to one or more tenants prior to construction. Build-to-suit projects often foster strong long-term relationships between the Company and the tenant, creating future development opportunities as the facility needs of the tenant increase.

The Company believes that it has several advantages over many of its competitors in pursuing development and acquisition opportunities. The Company has the flexibility to fund acquisitions and development projects from numerous sources, including the private and public debt markets, proceeds from its private and public equity offerings, its \$430 million aggregate amount of unsecured revolving loans, other bank and institutional borrowings and the issuance of common partnership interests ("Common Units") in the Operating Partnership. Frequently, the Company acquires properties through the exchange of Common Units for the property owner's equity in the acquired properties. Each Common Unit received by these property owners is redeemable for cash from the Operating Partnership or, at the Company's option, shares of Common Stock. In connection with these transactions, the Company may also assume outstanding indebtedness associated with the acquired properties. The Company believes that this acquisition method may enable it to acquire properties at attractive prices from property owners wishing to enter into tax-deferred transactions. To date, Common Units have constituted all or part of the consideration for 235 properties comprising 16.4 million rentable square feet. As of December 31, 1997, only 1,200 Common Units had been redeemed for cash, totaling \$35,000.

Another advantage is the Company's commercially zoned and unencumbered Development Land in existing business parks. As of December 31, 1997, the Company owned 729 acres (and had agreed to purchase an additional 472 acres) of Development Land, substantially all of which has utility infrastructure already in place.

The Company's development and acquisition activities also benefit from its local market presence and knowledge. The Company's property-level officers have on average over 18 years of real estate experience in their respective markets. Because of this experience, the Company is in a better position to evaluate acquisition and development opportunities. In addition, the Company's relationships with its tenants and those tenants at properties for which it conducts third-party fee based services may lead to development projects when these tenants or their affiliates seek new space. Also, its relationships with other property owners for whom it provides third-party management services generate acquisition opportunities.

Managed Growth Strategy. The Company's strategy has been to focus its real estate activities in markets where it believes its extensive local knowledge gives it a competitive advantage over other real estate developers and operators. As the Company has expanded into new markets, it has continued to maintain this localized approach by combining with local real estate operators with many years of development and management experience in their respective markets. Also, in making its acquisitions, the Company has sought to employ those property-level managers who are experienced with the real estate operations and the local market relating to the acquired properties, so that approximately three-quarters of the rentable square footage of the Properties was either developed by the Company or is managed on a day-to-day basis by personnel that previously managed, leased and/or developed those Properties prior to their acquisition by the Company.

Efficient, Customer Service-Oriented Organization. The Company provides a complete line of real estate services to its tenants and third parties. The Company believes that its in-house development, acquisition, construction management, leasing and management services allow it to respond to the many demands of its existing and potential tenant base, and enable it to provide its tenants cost-effective services such as build-to-suit construction and space modification, including tenant improvements and expansions. In addition, the breadth of the Company's capabilities and resources provides it with market information not generally available. The Company believes that the operating efficiencies achieved through its fully integrated organization also provide a competitive advantage in setting its lease rates and pricing other services.

Flexible and Conservative Capital Structure. The Company is committed to maintaining a flexible and conservative capital structure that: (i) allows growth through development and acquisition opportunities; (ii) provides access to the private and public equity and debt markets on favorable terms; and (iii) promotes future earnings growth.

The Company and the Operating Partnership have demonstrated a strong and consistent ability to access the private and public equity and debt markets. Since the IPO, the Company has completed six public offerings and two private placements of its Common Stock, one public offering of 8 5/8% Series A Cumulative Redeemable Preferred Shares (the "Series A Preferred Shares") and one public offering of 8% Series B Cumulative Redeemable Preferred Shares (the "Series B Preferred Shares"), raising total net proceeds of \$1.3 billion, which were contributed to the Operating Partnership in exchange for additional partnership interests as required by the Operating Partnership Agreement. On December 2, 1996, the Operating Partnership issued \$100 million of 6 3/4% notes due December 1, 2003 and \$110 million of 7% notes due December 1, 2006. On February 2, 1998, the Operating Partnership issued \$125 million of 6.835% MandatOry Par Put Remarketed SecuritiesSM ("MOPPRSSM") due February 1, 2013 and \$100 million of 7 1/8% notes due February 1, 2008.

On June 24, 1997, a trust formed by the Operating Partnership sold \$100 million of X-POSSM, which represent fractional undivided beneficial interests in the trust. The assets of the trust consist of, among other things, \$100 million of Exercisable Put Option Notes due June 15, 2011 issued by the Operating Partnership (the "Put Option Notes"). The X-POSSM bear an interest rate of 7.19% and mature on June 15, 2004, representing an effective borrowing cost of 7.09%, net of a related put option and certain interest rate protection agreement costs. Under certain circumstances, the Put Option Notes could also become subject to early maturity on June 15, 2004.

In addition, the Company has two unsecured revolving lines of credit aggregating \$430 million (the "Revolving Loans") with a syndicate of lenders. Interest accrues on borrowings under a \$280 million Revolving Loan at an average interest rate of LIBOR plus 100 basis points and under a \$150 million Revolving Loan at an average interest rate of LIBOR plus 90 basis points. As of February 10, 1998, interest on the outstanding balance on the Revolving Loans was payable monthly at a weighted average interest rate of 6.59%.

RECENT DEVELOPMENTS

Recent Acquisitions

Business Combination with Associated Capital Properties, Inc. In October of 1997, the Company completed a business combination with ACP (the "ACP Transaction") and acquired a portfolio of 84 office properties located in Florida (the "ACP Properties"). The ACP Transaction involved 84 office properties encompassing 6.4 million rentable square feet and approximately 50 acres of land for development with a build-out capacity of 1.9 million square feet. At December 31, 1997, the ACP Properties were approximately 92% leased to approximately 1,100 tenants including IBM, the state of Florida, Prudential, Price Waterhouse, AT&T, GTE, Prosource, Lockheed Martin, NationsBank and Accustaff. Seventy-nine of the ACP Properties are located in suburban submarkets, with the remaining properties located in the central business districts of Orlando, Jacksonville and West Palm Beach.

The cost of the ACP Transaction was valued at \$617 million and consisted of the issuance of 2,955,238 Common Units (valued at \$32.50 per Common Unit), the assumption of approximately \$481 million of mortgage debt (\$391 million of which was paid off by the Company on the date of closing), the issuance of 117,617 shares of Common Stock (valued at \$32.50 per share), a capital expense reserve of \$11 million and a cash payment of approximately \$24 million. All Common Units and Common Stock issued in the transaction are subject to restrictions on transfer or redemption that will expire over a three-year period. All lockup restrictions on the transfer of such Common Units or Common Stock issued to ACP and its affiliates expire in the event of a change of control of the Company or a material adverse change in the financial condition of the Company. Such restrictions also expire if James R. Heistand, the former president of ACP, is not appointed or elected as a director of the Company by October 7, 1998. Also in connection with the ACP Transaction, the Company issued to certain affiliates of ACP warrants to purchase 1,479,290 shares of the Common Stock at \$32.50 per share, exercisable after October 1, 2002.

Upon completion of the ACP Transaction, Mr. Heistand became a regional vice president of the Company responsible for its Florida operations and became an advisory member of the Company's investment committee. Mr. Heistand is expected to join the Company's Board of Directors and become a voting member of the investment committee this year. Mr. Heistand has over 19 years of commercial real estate experience in Florida. Over 100 employees of ACP have joined the Company, including the two other members of ACP's senior management team, Allen C. de Olazarra and Dale Johannes.

Riparius Transaction. In closings on December 23, 1997 and January 8, 1998, the Company completed a business combination with Riparius Development Corporation in Baltimore, Maryland involving the acquisition of a portfolio of five office properties encompassing 369,000 square feet, two office development projects encompassing 235,000 square feet, 11 acres of development land and 101 additional acres of development land to be acquired over the next three years (the "Riparius Transaction"). As of December 31, 1997, the in-service properties acquired in the Riparius Transaction were 99% leased. The cost of the Riparius Transaction consisted of a cash payment of \$43.6 million. In addition, the Company has assumed the two office development projects with an anticipated cost of \$26.2 million expected to be paid in 1998, and will pay out \$23.9 million over the next three years for the 101 additional acres of development land.

Garcia Transaction. On February 4, 1998, the Company acquired substantially all of a portfolio consisting of 14 office properties encompassing 787,000 rentable square feet, six service center properties encompassing 471,000 square feet and 66 acres of development land in Tampa, Florida (the "Garcia Transaction"). As of December 31, 1997, the properties acquired in the Garcia Transaction were 92% leased. The cost of the Garcia Transaction consists of a cash payment of approximately \$87 million and the assumption of approximately \$24 million in secured debt. The Company expects to close on the one remaining property by April 4, 1998.

Other Recent Acquisitions. In addition to the properties acquired in the ACP Transaction, the Riparius Transaction and the Garcia Transaction, the Company acquired 21 office properties encompassing approximately 1.9 million rentable square feet and one office re-development project comprising 309,000 square feet for an aggregate of \$196.0 million during the fourth quarter of 1997 and two office properties encompassing 227,000 rentable square feet for an aggregate of \$25 million since December 31, 1997.

Pending Acquisitions

Business Combination with J.C. Nichols Company. On December 22, 1997, the Company entered into a merger agreement (the "Merger Agreement") with J.C. Nichols Company, a publicly traded Kansas City real estate operating company ("J.C. Nichols"), pursuant to which the Company would acquire J.C. Nichols with the view that the Operating Partnership would combine its property operations with J.C. Nichols (the "J.C. Nichols Transaction"). J.C. Nichols is subject to the information requirements of the Securities Exchange Act of 1934, as amended, and, in accordance therewith, files reports and other information with the Securities and Exchange Commission.

J.C. Nichols owns or has an ownership interest in 27 office properties encompassing approximately 1.5 million rentable square feet, 13 industrial properties encompassing approximately 337,000 square feet, 33 retail properties encompassing approximately 2.5 million rentable square feet and 16 multifamily communities with 1,816 apartment units in Kansas City, Missouri and Kansas. Additionally, J.C. Nichols has an ownership interest in 21 office properties encompassing approximately 1.3 million rentable square feet, one industrial property encompassing approximately 200,000 rentable square feet and one multifamily community with 418 apartment units in Des Moines, Iowa. As of December 31, 1997, the properties to be acquired in the J.C. Nichols Transaction were 95% leased.

Consummation of the J.C. Nichols Transaction is subject, among other things, to the approval of 66 2/3% of the shareholders of J.C. Nichols. Under the terms of the Merger Agreement, the Company would acquire all of the outstanding common stock, \$.01 par value, of J.C. Nichols ("J.C. Nichols Common Stock"). Under the Merger Agreement, J.C. Nichols shareholders may elect to receive either 1.84 shares of Common Stock or \$65 in cash for each share of J.C. Nichols Common Stock. However, the cash payment to J.C. Nichols shareholders cannot exceed 40% of the total consideration and the Company may limit the amount of Common Stock issued to 75% of the total consideration. The exchange ratio is fixed and reflects the average closing price of the Common Stock over the 20 trading days preceding the effective date of the Merger Agreement. The cost of the J.C. Nichols Transaction under the Merger Agreement is approximately \$570 million, including assumed debt of approximately \$250 million, net of cash of approximately \$65 million. If J.C. Nichols enters into a business combination with a third party or otherwise terminates the J.C. Nichols Transaction, such third party or J.C. Nichols may be required to pay the Company a break-up fee of up to \$14.7 million plus expenses of \$2.5 million. Under certain other circumstances, if the J.C. Nichols Transaction is terminated, the terminating party may be required to pay expenses of \$2.5 million to the non-terminating party.

No assurance can be given that all or part of the J.C. Nichols Transaction will be consummated or that, if consummated, it will follow the terms set forth in the Merger Agreement. As of the date hereof, certain third parties have expressed an interest to J.C. Nichols and/or certain of its shareholders in purchasing all or a portion of the outstanding J.C. Nichols Common Stock at a price in excess of \$65 per share. No assurance can be given that a third party will not make an offer to J.C. Nichols or its shareholders to purchase all or a portion of the outstanding J.C. Nichols Common Stock at a price in excess of \$65 per share or that the board of directors of J.C. Nichols would reject any such offer.

The properties to be acquired in the J.C. Nichols Transaction include the Country Club Plaza in Kansas City, which covers 15 square blocks and includes 1.0 million square feet of retail space, 1.1 million square feet of office space and 462 apartment units. As of December 31, 1997, the Country Club Plaza was approximately 96% leased. The Country Club Plaza is presently undergoing a \$62 million expansion and restoration expected to add 800,000 square feet of retail, office, hotel and residential space. Additionally, the Company intends to implement an additional \$240 million of development in the Country Club Plaza previously planned by J.C. Nichols.

Assuming completion of the J.C. Nichols Transaction, the Company and the Operating Partnership would succeed to the interests of J.C. Nichols in a strategic alliance with Kessinger/Hunter & Company, Inc. ("Kessinger/Hunter") pursuant to which Kessinger/Hunter manages and leases the office, industrial and retail properties presently owned by J.C. Nichols in the greater Kansas City metropolitan area. J.C. Nichols currently has a 30% ownership interest in the strategic alliance with Kessinger/Hunter and has two additional options to acquire up to a 65% ownership in the strategic alliance. Assuming completion of the J.C. Nichols Transaction, the Company and the Operating Partnership would also succeed to the interests of J.C.

Nichols in a strategic alliance with R&R Investors, Ltd. pursuant to which R&R Investors, Ltd. manages and leases the properties in which J.C. Nichols has an ownership interest in Des Moines. J.C. Nichols has an ownership interest of 50% or more in each of the properties in Des Moines with R&R Investors, Ltd. or its principal.

Assuming completion of the J.C. Nichols Transaction, J.C. Nichols would retain its name and operate as a division, Barrett Brady, president and chief executive officer of J.C. Nichols, would become a senior vice president of the Company responsible for its Midwest operations and approximately 100 employees of J.C. Nichols would be expected to join the Company. In addition, the Company would expand its board of directors to include one independent director selected by J.C. Nichols.

Other Acquisition Activity. The Company's investment committee continually evaluates potential acquisition opportunities in both its existing markets and in new markets. Accordingly, at any particular time, the Company is likely to be involved in negotiations (at various stages) to acquire one or more properties or portfolios.

Financing Activities and Liquidity

Set forth below is a summary description of the recent financing activities of the Company and the Operating Partnership:

Concurrent Common Stock Offering. On February 12, 1998, the Company entered into an agreement to sell an additional 694,180 shares of Common Stock in an underwritten offering for net proceeds of approximately \$22.9 million (the "Concurrent Common Stock Offering"). The Company expects to use all of the net proceeds from the Concurrent Common Stock Offering to pay down indebtedness outstanding on its Revolving Loans. The Concurrent Common Stock Offering is expected to close February 18, 1998.

February 1998 Debt Offering. On February 2, 1998, the Operating Partnership sold \$125 million of 6.835% MandatOry Par Put Remarketed SecuritiesSM ("MOPPRSSM") due February 1, 2013 and \$100 million of 7 1/8% notes due February 1, 2008 (the "February 1998 Debt Offering").

January 1998 Offering. On January 27, 1998, the Company sold 2,000,000 shares of Common Stock in an underwritten public offering (the "January 1998 Offering") for net proceeds of approximately \$68.2 million.

October 1997 Offering. On October 1, 1997, the Company sold 7,500,000 shares of Common Stock in an underwritten public offering for net proceeds of approximately \$249 million. The underwriters exercised a portion of their over-allotment option for 1,000,000 shares of Common Stock on October 6, 1997, raising additional net proceeds of \$33.2 million (together with the sale on October 1, 1997, the "October 1997 Offering.")

Development Activity

The Company has 32 properties under development in nine markets totaling approximately 3.3 million rentable square feet. The following table summarizes these Development Projects as of December 31, 1997:

Name	Location	Rentable Square Feet	Estimated Costs	Cost at 12/31/97	Pre-Leasing Percentage*	Estimated Completion
(dollars in thousands)						
Office Properties:						
Ridgefield III	Asheville	57,000	\$ 5,485	\$ 1,638	0%	2Q98
2400 Century Center	Atlanta	135,000	16,195	6,527	0	2Q98
10 Glenlakes	Atlanta	254,000	35,135	3,360	0	4Q98
Automatic Data Processing	Baltimore	110,000	12,400	3,367	100	3Q98
Riparius Center at Owings Mills	Baltimore	125,000	13,800	2,393	0	2Q99
BB&T**	Greenville	70,908	5,851	81	100	2Q98
Patewood VI	Greenville	107,000	11,360	5,202	19	2Q98
Colonnade	Memphis	89,000	9,400	5,592	73	2Q98
Southwind C	Memphis	73,703	7,657	1,245	34	4Q98
Harpeth V	Nashville	65,300	6,900	3,108	47	1Q98
Lakeview Ridge II	Nashville	61,300	6,000	2,879	70	1Q98
Southpointe	Nashville	103,700	10,878	4,254	26	2Q98
Concourse Center One	Piedmont Triad	85,500	8,415	--	0	1Q99
RMIC	Piedmont Triad	90,000	7,650	3,971	100	2Q98
Clintrials	Research Triangle	178,000	21,490	12,034	100	2Q98
Situs II	Research Triangle	59,300	5,857	1,218	0	2Q98
Highwoods Centre	Research Triangle	76,000	8,327	960	36	3Q98
Overlook	Research Triangle	97,000	10,307	1,083	0	4Q98
Red Oak	Research Triangle	65,000	6,394	568	0	3Q98
Rexwoods V	Research Triangle	60,507	7,444	5,894	70	1Q98
Markel-American	Richmond	106,200	10,650	5,226	52	2Q98
Highwoods V	Richmond	67,200	6,620	1,096	100	2Q98
Interstate Corporate Center**	Tampa	309,000	8,600	40	23	4Q98
Intermedia (Sabal) Phase I	Tampa	120,500	12,500	1,331	100	4Q98
Intermedia (Sabal) Phase II	Tampa	120,500	13,000	662	100	1Q00
Office Total or Weighted Average		2,686,618	\$ 268,315	\$ 73,729	43%	
Industrial Properties:						
Chastain II & III	Atlanta	122,000	\$ 4,686	\$ 1,359	0%	3Q98
Newpoint	Atlanta	118,800	4,660	3,224	20	1Q98
Tradeport 1	Atlanta	87,000	3,070	1,608	0	1Q98
Tradeport 2	Atlanta	87,000	3,070	1,608	0	1Q98
Air Park South Warehouse I	Piedmont Triad	100,000	2,929	545	90	1Q98
Airport Center II	Richmond	70,200	3,197	2,732	54	1Q98
Industrial Total or Weighted Average		585,000	\$ 21,612	\$ 11,076	26%	
Total or Weighted Average of all Development Projects		3,271,618	\$ 289,927	\$ 84,805	40%	
Summary By Estimated Completion Date:						
First Quarter 1998		650,107	\$ 37,270	\$ 21,598	41%	
Second Quarter 1998		1,063,308	111,436	46,839	54	
Third Quarter 1998		373,000	31,807	6,254	37	
Fourth Quarter 1998		854,203	74,199	7,059	25	
First Quarter 1999		85,500	8,415	--	0	
Second Quarter 1999		125,000	13,800	2,393	0	
First Quarter 2000		120,500	13,000	662	100	
		3,271,618	\$ 289,927	\$ 84,805	40%	

* Includes letters of intent ** Redevelopment projects

General

The following table sets forth certain information about the Properties at December 31, 1997 in each of the Company's 19 markets:

	Office Properties	Industrial Properties (1)	Total or Weighted Average
Total Annualized Rental Revenue (2).....	\$ 331,936,875	\$34,632,270	\$ 366,569,145
Total rentable square feet.....	23,841,565	6,879,289	30,720,854
Percent leased.....	94%(3)	93%(4)	94%
Weighted average age (years).....	12.2(5)	11.4	12.0

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Tenants

As of December 31, 1997, the Properties were leased to approximately 3,100 tenants, which engage in a wide variety of businesses. The following table sets forth information concerning the 20 largest tenants of the Properties as of December 31, 1997:

Tenant	Number of Leases	Annualized Rental Revenue (1)	Percent of Total Annualized Rental Revenue
1. IBM.....	13	\$ 13,546,185	3.7%
2. Federal Government.....	45	12,059,353	3.3
3. AT&T.....	16	6,985,351	1.9
4. Bell South.....	45	6,340,084	1.7
5. State of Florida.....	22	5,215,070	1.4
6. GTE.....	6	2,995,422	0.8
7. NationsBank.....	21	2,953,191	0.8
8. First Citizens Bank & Trust.....	8	2,887,811	0.8
9. Bluecross & Blue Shield of South Carolina.....	10	2,554,517	0.7
10. MCI.....	10	2,458,637	0.7
11. Prudential.....	13	2,412,640	0.7
12. Jacobs-Sirrene Engineers, Inc.....	1	2,235,550	0.6
13. Price Waterhouse.....	3	2,047,953	0.6
14. US Airways.....	4	2,033,940	0.6
15. Alex Brown & Sons.....	1	1,943,070	0.5
16. H.L.P. Health Plan of Florida.....	2	1,913,005	0.5
17. The Martin Agency, Inc.....	1	1,863,504	0.5
18. Northern Telecom Inc.....	2	1,849,118	0.5
19. BB&T.....	4	1,845,501	0.5
20. Clintrials.....	4	1,812,206	0.5
Total.....	231	\$ 77,952,108	21.3%

(1) Annualized Rental Revenue is December 1997 rental revenue (base rent plus operating expense pass throughs) multiplied by 12. Lease Expirations of the Properties

The following table sets forth scheduled lease expirations for leases in place at the Properties as of December 31, 1997, for each of the next 10 years beginning with the year ended December 31, 1998, assuming no tenant exercises renewal options or is terminated due to default:

Lease Expiring	Number of Leases Expiring	Rentable Square Feet Subject to Expiring Leases	Percentage of Total Leased Square Feet Represented by Expiring Leases	Annualized Rental Revenue Under Expiring Leases (1)	Percentage of Total Annualized Rental Revenue Represented by Expiring Leases
1998.....	1,107	5,472,375	19.1%	\$ 66,586,351	18.1%
1999.....	766	4,359,990	15.3	53,830,301	14.7
2000.....	807	4,755,495	16.7	61,416,484	16.8
2001.....	471	3,674,386	12.9	50,688,383	13.8
2002.....	464	4,291,018	15.1	52,199,700	14.2
2003.....	95	1,327,060	4.7	18,953,266	5.2
2004.....	60	1,085,193	3.8	17,442,729	4.8
2005.....	43	851,618	3.0	10,790,905	2.9
2006.....	29	1,044,053	3.7	12,819,041	3.5
2007.....	18	535,012	1.9	7,273,331	2.0
Thereafter.....	26	1,078,579	3.8	14,568,654	4.0
Total.....	3,886	28,474,779	100.0%	\$366,569,145	100.0%

(1) Annualized Rental Revenue is December 1997 rental revenue (base rent plus operating expense pass throughs) multiplied by 12.

USE OF PROCEEDS

The net cash proceeds to the Company from the sale of the shares of Common Stock offered in the Offering are approximately \$28.3 million. The Company intends to use all of the net proceeds of the Offering to pay down indebtedness currently outstanding on its Revolving Loans.

PRICE RANGE OF COMMON STOCK AND DISTRIBUTION HISTORY The Common Stock has been traded on the NYSE under the symbol "HIW" since its initial public offering in June 1994. The following table sets forth the high and low closing sales prices per share reported on the NYSE for the periods indicated and the distributions paid per share for each such period.

Period or Quarter	Closing Price Per Share		Distributions Per Share
	High	Low	
June 7, 1994 through June 30, 1994.....	\$ 21 1/2	\$ 19 7/8	\$.075 (1)
Third Quarter 1994.....	21	20	.425
Fourth Quarter 1994.....	21 5/8	18 3/4	.425
First Quarter 1995.....	22	20	.425
Second Quarter 1995.....	25 1/2	21 1/4	.450
Third Quarter 1995.....	26 7/8	23 7/8	.450
Fourth Quarter 1995.....	28 3/8	25 1/2	.450
First Quarter 1996.....	30 1/2	27 3/4	.450
Second Quarter 1996.....	30 1/4	26 7/8	.480
Third Quarter 1996.....	30 3/8	27	.480
Fourth Quarter 1996.....	33 3/4	28 1/2	.480
First Quarter 1997.....	35 1/2	33	.480
Second Quarter 1997.....	33 1/2	30	.510
Third Quarter 1997.....	35 13/16	31 1/16	.510
Fourth Quarter 1997.....	37 3/8	33	.510 (2)
January 1, 1998 through February 12, 1998.....	37 7/16	34 3/4	--

(1) No distribution was paid during this period. The accrued distribution of \$.075 per share was paid on November 16, 1994 at the time the Company paid its initial distribution for the period from inception to September 30, 1994.

(2) On January 26, 1998, the Board of Directors of the Company declared a quarterly distribution of \$.51 per share payable on February 18, 1998 to stockholders of record on February 5, 1998. On February 12, 1998, the last reported sale price of the Common Stock on the NYSE was \$34 3/4 per share. On February 12, 1998, the Company had 995 stockholders of record. The Company intends to continue to declare quarterly distributions on its Common Stock. However, no assurances can be given as to the amounts of future distributions as such distributions are subject to the Company's cash flow from operations, earnings, financial condition, capital requirements and such other factors as the Company's Board of Directors deems relevant. The Company has determined that 100% of the per share distribution for 1994, 93% of the per share distribution for 1995, 81% of the per share distribution for 1996 and 70% of the per share distribution for 1997 represented ordinary income to the stockholders for income tax purposes. No assurance can be given that such percentage will not change in future years. The Company has adopted a program for the reinvestment of distributions under which holders of Common Stock may elect automatically to reinvest distributions in additional Common Stock. The Company may, from time to time, repurchase Common Stock in the open market for purposes of fulfilling its obligations under this distribution reinvestment program or may elect to issue additional Common Stock.

CAPITALIZATION

The following table sets forth the capitalization of the Company as of September 30, 1997 and on a pro forma basis assuming (i) the issuance and sale of the 859,424 shares of Common Stock offered hereby and the use of the net proceeds therefrom as described in "Use of Proceeds," (ii) the October 1997 Offering, (iii) the ACP Transaction, (iv) the Selected Fourth Quarter 1997 Transactions (as defined in "Selected Financial Data"), (v) the Garcia Transaction, (vi) the January 1998 Offering, (vii) the February 1998 Debt Offering and (viii) the Concurrent Common Stock Offering all occurred as of September 30, 1997. The capitalization table should be read in conjunction with the Company's historical financial statements and notes thereto incorporated by reference herein and the pro forma financial statements and notes thereto included in the Company's Current Report on Form 8-K dated January 22, 1998 incorporated by reference herein.

	September 30, 1997	
	Historical	Pro Forma
	(in thousands)	
Debt:		
Revolving Loans.....	\$ 59,000	\$--
Mortgage notes.....	280,188	401,561
6 3/4% Notes due 2003.....	100,000	100,000
7% Notes due 2006.....	110,000	110,000
7 1/8% Notes due 2008.....	--	100,000
6.835% MandatOry Par Put Remarketed Securities due 2013.....	--	125,000
Exercisable Put Option Notes due 2011 (1).....	100,000	100,000
	-----	-----
Total debt.....	649,188	936,561
	-----	-----
Minority interest in the Operating Partnership.....	174,913	280,924
Stockholders' equity:		
Preferred Stock, \$.01 par value; 10,000,000 authorized		
8 5/8% Series A Cumulative Redeemable Preferred Shares		
(liquidation preference \$1,000 per share), 125,000 shares issued		
and outstanding.....	125,000	125,000
8% Series B Cumulative Redeemable Preferred Shares (liquidation		
preference \$25 per share), 6,900,000 shares issued and		
outstanding.....	172,500	172,500
Common Stock, \$.01 par value; 100,000,000 authorized, 37,948,435		
shares and 50,119,656 shares, respectively, issued and outstanding		
(2).....	379	501
Additional paid-in capital.....	839,912	1,245,290
Accumulated deficit.....	(23,279)	(23,279)
	-----	-----
Total stockholders' equity.....	1,114,512	1,520,012
	-----	-----
Total capitalization.....	\$1,938,613	\$2,737,497
	-----	-----

(1) On June 24, 1997, a trust formed by the Operating Partnership sold \$100 million of Exercisable Put Option Securities ("X-POSSM"), which represent fractional undivided beneficial interests in the trust. The assets of the trust consist of, among other things, \$100 million of Exercisable Put Option Notes due June 15, 2011 issued by the Operating Partnership (the "Put Option Notes"). The X-POSSM bear an interest rate of 7.19% and mature on June 15, 2004, representing an effective borrowing cost of 7.09%, net of a related put option and certain interest rate protection agreement costs. Under certain circumstances, the Put Option Notes could also become subject to early maturity on June 15, 2004.

(2) Excludes (a) 7,083,996 (historical) and 10,551,053 (pro forma) shares of Common Stock that may be issued upon redemption of Common Units (which are redeemable by the holder for cash or, at the Company's option, shares of Common Stock on a one-for-one basis) issued in connection with the formation of the Company and subsequent property acquisitions, including the ACP Transaction, (b) 2,500,000 shares of Common Stock reserved for issuance upon exercise of options granted pursuant to the Amended and Restated 1994 Stock Option Plan, (c) 1,839,290 shares of Common Stock that may be issued upon the exercise of outstanding warrants granted to certain officers in connection with certain property acquisitions, (d) 354,000 shares of Common Stock that may be issued upon redemption of Common Units that may be issued in connection with certain property acquisitions and (e) 40,542 shares of Common Stock that may be issued pursuant to earn-out provisions in an acquisition agreement.

SELECTED FINANCIAL DATA

The following table sets forth selected financial and operating data for the Company on a historical and a pro forma basis. The pro forma operating data for the year ended December 31, 1996 has been derived by the application of pro forma adjustments to the Company's audited consolidated financial statements incorporated herein by reference and assumes that the following transactions all occurred as of January 1, 1996: (i) the merger with Eakin & Smith, Inc. and its affiliates, (ii) the issuance of 11,500,000 and 250,000 shares of Common Stock (the "Summer 1996 Offerings"), (iii) the merger with Crocker, (iv) the issuance of the 6 3/4% notes due 2003 and the 7% notes due 2006, (v) the issuance of 2,587,500, 611,626, 344,732 and 137,198 shares of Common Stock (the "December 1996 Offerings"), (vi) the acquisition of Century Center Office Park and an affiliated property portfolio (the "Century Center Transaction"), (vii) the merger with Anderson Properties, Inc. and its affiliates (the "Anderson Transaction"), (viii) the issuance of 125,000 Series A Preferred Shares (the "Series A Preferred Offering"), (ix) the X-POSSM Offering, (x) the issuance of 1,800,000 shares of Common Stock (the "August 1997 Offering"), (xi) the ACP Transaction, (xii) the Series B Preferred Offering, (xiii) the October 1997 Offering, (xiv) the Selected Fourth Quarter 1997 Transactions, (xv) the Garcia Transaction, (xvi) the January 1998 Offering and (xvii) the February 1998 Debt Offering. The pro forma balance sheet data as of September 30, 1997 has been derived by the application of pro forma adjustments to the Company's unaudited consolidated financial statements incorporated herein by reference and assumes that the ACP Transaction, the October 1997 Offering, the Selected Fourth Quarter 1997 Transactions, the Garcia Transaction, the January 1998 Offering and the February 1998 Debt Offering occurred as of September 30, 1997. The pro forma operating data for the nine months ended September 30, 1997 has been derived by the application of pro forma adjustments to the Company's unaudited consolidated financial statements incorporated herein by reference and assumes that the Century Center Transaction, the Anderson Transaction, the Series A Preferred Offering, the X-POSSM Offering, the August 1997 Offering, the ACP Transaction, the Series B Preferred Offering, the October 1997 Offering, the Selected Fourth Quarter 1997 Transactions, the Garcia Transaction, the January 1998 Offering and the February 1998 Debt Offering occurred as of January 1, 1996. The pro forma information is based upon certain assumptions that are set forth in the notes hereto included herein and in the pro forma financial statements incorporated by reference herein. The pro forma financial information is unaudited and is not necessarily indicative of what the financial position and results of operations of the Company would have been as of and for the periods indicated nor does it purport to represent the future financial position and results of operations for future periods. "Selected Fourth Quarter 1997 Transactions" include the Riparius Transaction and the following property acquisitions: (i) Winners Circle in Nashville, TN; (ii) the Shelton portfolio in the Piedmont Triad; (iii) NationsBank Plaza in Greenville, SC; (iv) Exchange Plaza in Atlanta, GA; (v) Cypress West in Tampa, FL; (vi) Marnier Square in Tampa, FL; (vii) Zurn in Tampa, FL; and (viii) Avion in Ft. Lauderdale, FL. The following information should be read in conjunction with the financial statements and notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" incorporated by reference herein and the pro forma financial statements and notes thereto included in the Company's Current Report on Form 8-K dated January 22, 1998 incorporated by reference herein.

	Pro Forma			Pro Forma		
	Nine Months Ended September 30, 1997	Nine Months Ended September 30, 1997 1996		Year Ended December 31, 1996	Year Ended December 31, 1996	Year Ended December 31, 1995
(dollars in thousands except per share amounts)						
Operating Data:						
Total revenue.....	\$ 271,822	\$ 183,214	\$ 87,766	\$ 320,677	\$ 137,926	\$ 73,522
Rental property operating expenses						
(1).....	86,053	48,995	22,210	119,774	35,313	17,049
General and administrative.....	6,694	6,694	3,766	6,137	5,666	2,737
Interest expense.....	51,154	34,771	15,074	62,705	26,610	13,720
Depreciation and amortization.....	44,154	31,051	13,357	53,835	22,095	11,082
Income before minority interest.....	83,767	61,703	33,359	78,226	48,242	28,934
Minority interest.....	(14,994)	(9,872)	(5,205)	(14,002)	(6,782)	(4,937)
Income before extraordinary item....	68,773	51,831	28,154	64,224	41,460	23,997
Extraordinary item-loss on early extinguishment of debt.....	--	(4,665)	(2,140)	--	(2,140)	(875)
Net income.....	68,773	47,166	26,014	64,224	39,320	23,122
Dividends on preferred stock.....	(18,436)	(6,972)	--	(24,581)	--	--
Net income available for common stockholders.....	\$ 50,337	\$ 40,194	\$ 26,014	\$ 39,643	\$ 39,320	\$ 23,122
Net income per common share.....	\$ 1.04	\$ 1.12	\$ 1.10	\$ 0.82	\$ 1.51	\$ 1.49
Balance Sheet Data						
(at end of period):						
Real estate, net of accumulated depreciation.....	\$ 2,610,643	\$ 1,730,906	\$ 1,320,758	\$ --	\$ 1,377,874	\$ 593,066
Total assets.....	2,740,768	1,980,178	1,380,910	--	1,443,440	621,134
Total mortgages and notes payable...	936,561	649,188	597,734	--	555,876	182,736
Other Data:						
FFO(2).....	109,485	85,782	46,929	107,763	70,337	40,016
Number of in-service properties.....	501	369	280	501	292	191
Total rentable square feet.....	31,979,000	21,904,000	16,700,000	31,979,000	17,455,000	9,215,000

(1) Rental property operating expenses include salaries, real estate taxes, insurance, repairs and maintenance, property management, security, utilities, leasing, development, and construction expenses.

(2) Funds From Operations ("FFO") is defined as net income, computed in accordance with generally accepted accounting principles ("GAAP"), excluding gains (losses) from debt restructuring and sales of property, plus depreciation and amortization and after adjustments for unconsolidated partnerships and joint ventures. Management generally considers FFO to be a useful financial performance measurement of an equity REIT because, together with net income and cash flows, FFO provides investors with an additional basis to evaluate the ability of a REIT to incur and service debt and to fund acquisitions and other capital expenditures. FFO does not represent net income or cash flows from operating, investing or financing activities as defined by GAAP. It should not be considered as an alternative to net income as an indicator of the Company's operating performance or to cash flows as a measure of liquidity. FFO does not measure whether cash flow is sufficient to fund all cash needs including principal amortization, capital improvements and distributions to stockholders. Further, funds from operations statistics as disclosed by other REITs may not be comparable to the Company's calculation of FFO.

UNDERWRITING

Subject to the terms and conditions contained in the terms agreement and the related underwriting agreement (collectively, the "Underwriting Agreement"), the Company has agreed to sell to Prudential Securities Incorporated (the "Underwriter"), and the Underwriter has agreed to purchase from the Company, the 859,424 shares of Common Stock offered hereby at a price of \$33.01 per share.

The Underwriting Agreement provides that the obligation of the Underwriter to pay for and accept delivery of the shares of Common Stock is subject to approval of certain legal matters by counsel and to certain other conditions. The Underwriter is obligated to take and pay for all of the shares of Common Stock offered hereby if any such shares are taken.

The Underwriter intends to deposit the shares of Common Stock, valued at the last reported sale price, with the trustee of the National Equity Trust Equity Portfolio Series 2 (REIT Portfolio) (the "Trust"), a registered unit investment trust under the Investment Company Act of 1940, as amended, in exchange for units in the Trust. The Underwriter is acting as sponsor and depositor of the Trust and is therefore considered an affiliate of the Trust.

The Company has agreed to indemnify the Underwriter against certain liabilities, including liabilities under the Securities Act of 1933, as amended, or to contribute to payments the Underwriter may be required to make in respect thereof.

In the ordinary course of its business, the Underwriter provides investment banking, advisory and other financial services to the Company and the Operating Partnership for which it receives customary fees.

LEGAL MATTERS Certain legal matters will be passed upon for the Company by Alston & Bird LLP, Raleigh, North Carolina. Certain legal matters related to the Offering will be passed upon for the Underwriter by Andrews & Kurth L.L.P., Washington, D.C.

No dealer, salesperson or any other person has been authorized to give any information or to make any representations other than those contained or incorporated by reference in this Prospectus Supplement and the accompanying Prospectus in connection with the offer made by this Prospectus Supplement and the accompanying Prospectus and, if given or made, such information or representations must not be relied upon as having been authorized by the Company or the Underwriter. This Prospectus Supplement and the accompanying Prospectus do not constitute an offer to sell, or the solicitation of any offer to buy, any security other than the shares of Common Stock by anyone in any jurisdiction in which such offer or solicitation is not authorized, or in which the person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation. Neither the delivery of this Prospectus Supplement and the accompanying Prospectus nor any sale made hereunder shall, under any circumstances, create any implication that information contained herein and therein is correct as of any time subsequent to the date hereof.

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859,424 Shares

**HIGHWOODS
PROPERTIES, INC.**
(logo)

Common Stock

PROSPECTUS SUPPLEMENT

Prudential Securities Incorporated

February 12, 1998

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