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# SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

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## FORM 8-K

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

**Date of Report (Date of earliest event reported): February 15, 2007**

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### **HIGHWOODS PROPERTIES, INC.**

(Exact name of registrant specified in its charter)

**Maryland**  
(State of Incorporation)

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

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

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### **HIGHWOODS REALTY LIMITED PARTNERSHIP**

(Exact name of registrant specified in its charter)

**North Carolina**  
(State of Incorporation)

**000-21731**  
(Commission File Number)

**56-1869557**  
(IRS Employer Identification No.)

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

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrants under any of the following provisions:

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**Item 2.02. Results of Operations and Financial Condition.**

On February 14, 2007, we issued a press release announcing financial information for the quarter ended December 31, 2006. This press release is attached as Exhibit 99.1. In addition, we posted on our web site supplemental information regarding our operations for the quarter ended December 31, 2006, a copy of which is attached as Exhibit 99.2.

**Item 9.01. Financial Statements and Exhibits.**

(c) Exhibits

<u>No.</u>	<u>Description</u>
99.1	Press release dated February 14, 2007
99.2	Supplemental operating information for the quarter ended December 31, 2006

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

**HIGHWOODS PROPERTIES, INC.**

By: /s/ Terry L. Stevens  
Terry L. Stevens  
Vice President and Chief Financial Officer

## HIGHWOODS REALTY LIMITED PARTNERSHIP

By: Highwoods Properties, Inc., its general partner

By: /s/ Terry L. Stevens  
Terry L. Stevens  
Vice President and Chief Financial Officer

Dated: February 15, 2007



**FOR IMMEDIATE RELEASE**

**Ref: 07-07**

**Contact:** Tabitha Zane  
Vice President, Investor Relations  
919-431-1529

**Highwoods Properties Reports Fourth Quarter and Year End  
2006 Financial and Operational Results**

*\$0.71 FFO per Diluted Share Reported for Fourth Quarter 2006*

*\$2.46 FFO per Diluted Share for Full Year 2006*

*(As Adjusted to Exclude Impairment on Depreciable Assets,  
Preferred Stock Redemption Charge and Losses on Debt Extinguishments)*

*90.0% Occupancy – Up 90 bps Year-over-Year*

**Updates Full Year 2007 FFO Guidance  
Narrows Range to \$2.53 to \$2.65 Per Share**

*42 Acres of Land Sold in January 2007, for a Net Gain of \$0.20 Per Share*

**Raleigh, NC – February 14, 2007 – Highwoods Properties, Inc. (NYSE: HIW)** , the largest owner and operator of suburban office properties in the Southeast, today reported financial and operational results for the fourth quarter and full year ended December 31, 2006.

Ed Fritsch, President and CEO stated, “2006 was a year of strong growth for Highwoods on many fronts. Occupancy increased 90 basis points year-over-year to end the year at 90%; we started \$354 million and completed \$110 million of new development, disposed of \$241 million of non-core properties at an average cap rate of 6.8%, sold \$34.5 million of non-core land for a gain of \$12.0 million and redeemed \$50 million of 8% preferred stock.”

“We have also exceeded most of the initial three-year goals outlined in our long-term Strategic Plan and this success has encouraged us to revise a number of these goals even higher. Between 2005 and 2007, we now expect to have started between \$545 million and \$640 million of development, disposed of \$700 million to \$750 million of non-core, non-differentiating properties and sold \$75 million to \$90 million of non-core land. We also expect occupancy at the end of 2007 to be between 91% and 92.5%, versus our original December 2004 forecast of 88% to 90%.”

*“New development will continue to be an important driver of the Company’s growth and will create measurable, long-term value for our shareholders over the next few years. Our current development pipeline, wholly-owned and joint ventures, is \$444 million and encompasses 20 projects in 10 markets. We are actively pursuing additional build-to-suit transactions and are evaluating other opportunities where we own land in highly desirable and highly occupied submarkets where there are significant barriers to entry and where we believe strong demand will be sustained over the long-term. We consider 435 acres, or about 60% of our development land, to be core which can support approximately 3.9 million square feet of office space and 1.4 million square feet of industrial space.”*

*“Over the next three years, we expect to commence an additional \$300 million to \$600 million of development, and the average anticipated stabilized cash yields of all of our development projects are between 9% and 10%. Total office development in our top five office markets remains relatively measured, with construction as a percent of total market square footage at 2.6% at the end of the fourth quarter,”* added Mr. Fritsch.

The Company also announced that in January 2007, it closed on the sale of 42 acres of land in Kansas City for gross proceeds of \$16.5 million and a net gain of \$12.4 million or \$0.20 per share. As a result, the Company has revised its guidance for 2007 Funds from Operations (“FFO”) to \$2.53 to \$2.65 per diluted share.

#### Fourth Quarter and Full Year 2006 Financial Results

For the fourth quarter of 2006, the Company reported net income available for common stockholders of \$20.3 million, or \$0.35 per diluted share. Net income available for common stockholders for the fourth quarter of 2005 was \$1.9 million, or \$0.03 per diluted share.

For the twelve months ended December 31, 2006, net income available for common stockholders was \$34.9 million, or \$0.62 per diluted share, compared to net income available for common stockholders of \$30.9 million, or \$0.58 per diluted share, for full year 2005.

FFO for the fourth quarter of 2006 was \$44.1 million, or \$0.71 per diluted share, compared to \$25.7 million, or \$0.43 per diluted share, for the fourth quarter of 2005. For the twelve months ended December 31, 2006, FFO was \$145.3 million, or \$2.37 per diluted share, compared to FFO of \$127.2 million, or \$2.11 per diluted share for full year 2005.

FFO in 2006 and 2005 included charges related to impairments on depreciable assets, preferred stock redemption charge, debt extinguishments and other charges, as noted in the table below:

	3 Months Ended 12/31/06		3 Months Ended 12/31/05	
	(000)	Per Share	(000)	Per Share
FFO, as reported	\$44,140	\$ 0.71	\$25,689	\$ 0.43
Impairments on depreciable assets	0	0.00	7,677	0.13
Losses on debt extinguishments	27	0.00	0	0.00
Cumulative Impact of FIN 47	0	0.00	503	0.01
FFO as adjusted to exclude these items	\$44,167	\$ 0.71	\$33,869	\$ 0.56(1)

	12 Months Ended 12/31/06		12 Months Ended 12/31/05	
	(000)	Per Share	(000)	Per Share
FFO, as reported	\$145,285	\$ 2.37	\$127,221	\$ 2.11
Impairments on depreciable assets	2,600	0.04	12,789	0.21
Preferred stock redemption charge	1,803	0.03	4,272	0.07
Losses on debt extinguishments	1,218(2)	0.02	453	0.01
Cumulative Impact of FIN 47	0	0.00	503	0.01
Severance costs – Charlotte sale	0	0.00	567	0.01
FFO as adjusted to exclude these items	\$150,906	\$ 2.46	\$145,805	\$ 2.42

(1) Total per share amounts do not equal the sum of the individual items due to rounding.

(2) Includes our share of joint venture loss on debt extinguishment.

Included in 2006 and 2005 fourth quarter and twelve month net income were the following additional items:

	3 Months Ended 12/31/06		3 Months Ended 12/31/05	
	(000)	Per Share	(000)	Per Share
Land sale gains	\$ 6,974	\$ 0.11	\$ 759	\$ 0.01
Lease termination income	618	0.01	485	0.01
Straight line rental income	2,401	0.04	1,639	0.03
Capitalized interest	1,770	0.03	740	0.01
Gains on sales of depreciable assets (1)	10,925	0.18	7,805	0.13
Tenant bankruptcy settlement	1,581	0.03	0	0.00

	12 Months Ended 12/31/06		12 Months Ended 12/31/05	
	(000)	Per Share	(000)	Per Share
Land sale gains, net of impairments	\$12,043	\$ 0.20	\$3,308	\$ 0.05
Lease termination income	3,056(2)	0.05	6,211	0.10
Straight line rental income	8,592(2)	0.14	7,496	0.12
Capitalized interest	5,002	0.08	2,899	0.05
Gains on sales of depreciable assets (1) 19,196	0.31	41,820	0.69	
Tenant bankruptcy settlement	1,581	0.03	0	0.00

(1) Gains on sales of depreciable assets are excluded in the calculation of FFO.

(2) Lease termination income in second quarter 2006 included \$850,000 related to Harborview, a 20% owned consolidated joint venture. Straight line rental income was reduced by \$295,000 to eliminate accrued straight line rent receivables from the same tenant that terminated its lease early. On a net basis after deducting our partner's 80% share in these lease termination effects as financing obligation interest, the contribution to net income and FFO in the twelve months ended December 31, 2006 was \$111,000, or less than \$0.002 per share.

#### Fourth Quarter 2006 Operating Highlights

- Second generation leasing activity in Highwoods' portfolio was 1.4 million square feet, including 868,941 square feet of office space, 539,939 square feet of industrial space and 23,748 square feet of retail space.
- Straight-line (GAAP) rental rates for signed office leases in the fourth quarter increased 2.9% from straight line rental rates under the previous leases. Cash rents for office leases signed in the fourth quarter declined 3.3%, continuing a steadily improving trend from the first three quarters of 2006 when cash rents for newly signed office leases declined 6.3%, 5.5% and 4.2%, respectively.
- Office tenant improvements and leasing commissions for signed second generation leases as a percentage of term base rent (netting out free rent) were 11.9%, compared to the five-quarter average of 12.2%.
- \$63 million of non-core office, industrial, multi-family and retail properties were sold in the fourth quarter. Since January 2005, the Company has sold \$637 million of non-core, non-differentiating properties at an average cap rate of 6.7%, including \$40 million of dispositions to date in 2007. The Company has used most of the disposition proceeds to reduce debt and preferred stock and to fund its development pipeline.
- \$22.8 million of non-core land was sold in the fourth quarter, producing a gain of \$7.0 million, or \$0.11 per diluted share. Since January 2005 through February 14, 2007, the Company has sold \$75 million of non-core land.

*"We remain committed to our long term goal of improving the overall quality of our portfolio – not just through new development - but also through the disposition of an additional \$375 million to \$600 million of non-core, non-differentiating properties between 2007 and 2009. This is in addition to the \$597 million of non-core property sales in 2005 and 2006. We also expect to sell between \$25 million and \$50 million of non-core land over the next three years. A portion of the proceeds from these asset sales will be used to fund our growing development pipeline, make attractive acquisitions and strengthen our balance sheet,"* stated Mr. Fritsch.

#### Funds from Operations Outlook

For 2007, the Company now expects FFO per diluted share to be in the range of \$2.53 to \$2.65. The Company's FFO estimate reflects management's view of current and future market conditions, including assumptions with respect to rental rates, occupancy levels, operating and general and administrative expenses, interest rates, land sale gains, and the potential impact of development deliveries and property dispositions and acquisitions. This estimate assumes 62.5 million diluted shares outstanding and excludes any gains or impairments associated with potential depreciable property dispositions, as well as any one-time, non-recurring charges or credits that may occur during the year. Factors that could cause actual 2007 FFO results to differ materially from Highwoods' current expectations are discussed below and are also detailed in the Company's 2005 Annual Report on Form 10-K.

Management's outlook for 2007 is based on the following operating assumptions, all of which remain unchanged from the 2007 guidance issued on January 17, 2007, except for a narrowing of management's estimate of land sale gains:

	<u>Low</u>	<u>High</u>
Year End Occupancy	91.0%	92.5%
Same Store GAAP NOI Growth	1.5%	2.5%
G&A	\$34.5M	\$36.0M
Termination Fees	\$ 1.0M	\$ 3.0M
Land Sale Gains	\$13.0M	\$16.0M
Dispositions	\$ 100M	\$ 150M
Acquisitions	\$ 10M	\$ 30M

### Supplemental Information

A copy of the Company's fourth quarter 2006 Supplemental Information that includes financial, leasing and operational statistics is available in the "Investor Relations/Quarterly Earnings" section of the Company's Web site at [www.highwoods.com](http://www.highwoods.com). You may also obtain a copy of all Supplemental Information published by the Company by contacting Highwoods Investor Relations at 919-431-1529/ 800-256-2963 or by e-mail to [HIW-IR@highwoods.com](mailto:HIW-IR@highwoods.com). If you would like to receive future Supplemental Information packages by e-mail, 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

On Thursday, February 15, at 11:00 a.m. Eastern time, Highwoods will host a teleconference call to discuss the matters outlined in this press release. For US/Canada callers, dial (888) 202-5268 and international callers dial (706) 643-7509. A live listen-only Web cast can be accessed through the Company's Web site at [www.highwoods.com](http://www.highwoods.com) under the "Investor Relations" section.

Telephone, Web and Pod cast replays will be available two hours after the completion of the call. The telephone replay will be available for one week beginning at 2:00 p.m. Eastern time. Dial-in numbers for the replay are (800) 642-1687 US/Canada, (706) 645-9291 international. The conference ID is 6119737.

### Non-GAAP Information

We believe that FFO and FFO per share are beneficial to management and investors and are important indicators of the performance of any equity REIT. Because FFO and FFO per share calculations exclude such factors as depreciation and amortization of real estate assets and gains or losses from sales of operating real estate assets (which can vary among owners of identical assets in similar conditions based on historical cost accounting and useful life estimates), they facilitate comparisons of operating performance between periods and between other REITs. Our management believes that historical cost accounting for real estate assets in accordance with GAAP implicitly assumes that the value of real estate assets diminishes predictably over time. Since real estate values have historically risen or fallen with market conditions, many industry investors and analysts have considered the presentation of operating results for real estate companies that use historical cost accounting to be insufficient by themselves. As a result, management believes that the use of FFO and FFO per share, together with the required GAAP presentations, provide a more complete understanding of our performance relative to our competitors and a more informed and appropriate basis on which to make decisions involving operating, financing and investing activities.



FFO and FFO per share as disclosed by other REITs may not be comparable to our calculation of FFO and FFO per share as described below. FFO and FFO per share are non-GAAP financial measures and therefore do not represent net income or net income per share as defined by GAAP. Net income and net income per share as defined by GAAP are the most relevant measures in determining our operating performance because FFO and FFO per share include adjustments that investors may deem subjective, such as adding back expenses such as depreciation and amortization. Furthermore, FFO per share does not depict the amount that accrues directly to the stockholders' benefit. Accordingly, FFO and FFO per share should never be considered as alternatives to net income or net income per share as indicators of our operating performance.

The calculation of FFO as defined by the National Association of Real Estate Investment Trusts is as follows:

- Net income (loss) computed in accordance with GAAP;
- Less dividends to holders of preferred stock and less excess of preferred stock redemption cost over carrying value;
- Plus depreciation and amortization of assets uniquely significant to the real estate industry;
- Less gains, or plus losses, from sales of depreciable operating properties (but excluding impairment losses) and excluding items that are classified as extraordinary items under GAAP;
- Plus or minus adjustments for unconsolidated partnerships and joint ventures (to reflect funds from operations on the same basis); and
- Plus or minus adjustments for depreciation and amortization and gains/(losses) on sales and minority interest related to discontinued operations.

In calculating FFO, the Company also adds back minority interest in the income from its operating partnership, which we believe is consistent with standard industry practice for REITs that operate through an UPREIT structure. The Company believes that it is important to present FFO on an as-converted basis since all of the operating partnership units not owned by the Company are redeemable on a one-for-one basis for shares of the Company's common stock.

### **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. At December 31, 2006, the Company owned or had an interest in 392 in-service office, industrial and retail properties encompassing approximately 34.3 million square feet. Highwoods also owns 719 acres of development land. Highwoods is based in Raleigh, North Carolina, and its properties and development land are located in Florida, Georgia, Iowa, Kansas, Missouri, North Carolina, South Carolina, Tennessee and Virginia. For more information about Highwoods Properties, please visit our Web site at [www.highwoods.com](http://www.highwoods.com).

Certain matters discussed in this press release, such as expected 2007 operational results and the related assumptions underlying our expected operational results, are forward-looking statements within the meaning of the federal securities laws. These statements are distinguished by use of the words "will", "expect", "intends" and words of similar meaning. Although Highwoods believes that the expectations reflected in such forward-looking statements are based upon reasonable assumptions, it can give no assurance that its expectations will be achieved.

Factors that could cause actual results to differ materially from Highwoods' current expectations include, among others, the following: the financial condition of our customers could deteriorate; unwaived defaults, if any, under our debt instruments could result in an acceleration of some of our outstanding debt; 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; unexpected difficulties in obtaining additional capital to satisfy our future cash needs or unexpected increases in interest rates would increase our debt service costs; and others detailed in the Company's 2005 Annual Report on Form 10-K and subsequent SEC reports.

**Tables Follow**

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

	Three Months Ended December 31,		Year Ended December 31,	
	2006	2005	2006	2005
<b>Rental and other revenues</b>	\$108,508	\$100,738	\$416,798	\$396,075
<b>Operating expenses:</b>				
Rental property and other expenses	41,352	38,353	153,592	141,575
Depreciation and amortization	30,206	27,164	114,935	109,616
Impairment of assets held for use	—	—	2,600	7,587
General and administrative	11,011	9,204	37,309	33,063
Total operating expenses	82,569	74,721	308,436	291,841
<b>Interest expense:</b>				
Contractual	22,374	24,645	94,229	98,677
Amortization of deferred financing costs	492	864	2,375	3,372
Financing obligations	972	914	4,162	5,032
	23,838	26,423	100,766	107,081
<b>Other income/(expense):</b>				
Interest and other income	2,709	1,630	7,010	7,078
Settlement of tenant bankruptcy claim	1,581	—	1,581	—
Loss on debt extinguishments	(27)	—	(494)	(453)
	4,263	1,630	8,097	6,625
<b>Income before disposition of property, minority interest and equity in earnings of unconsolidated affiliates</b>	6,364	1,224	15,693	3,778
Gains on disposition of property, net	7,862	2,693	16,157	14,172
Minority interest	(1,088)	(69)	(2,226)	475
Equity in earnings of unconsolidated affiliates	1,492	2,339	6,841	9,303
<b>Income from continuing operations</b>	14,630	6,187	36,465	27,728
Discontinued operations:				
Income from discontinued operations, net of minority interest	566	2,451	3,421	11,504
Gains, net of impairments, on sales of discontinued operations, net of minority interest	9,220	(1,639)	13,858	23,226
	9,786	812	17,279	34,730
<b>Net income</b>	24,416	6,999	53,744	62,458
Dividends on preferred stock	(4,113)	(5,113)	(17,063)	(27,238)
Excess of preferred stock redemption cost over carrying value	—	—	(1,803)	(4,272)
<b>Net income available for common stockholders</b>	\$ 20,303	\$ 1,886	\$ 34,878	\$ 30,948
<b>Net income per common share - basic:</b>				
Income/(loss) from continuing operations	\$ 0.19	\$ 0.02	\$ 0.32	\$ (0.07)
Income from discontinued operations	0.17	0.02	0.32	0.65
Net income	\$ 0.36	\$ 0.04	\$ 0.64	\$ 0.58
Weighted average common shares outstanding - basic	55,740	53,774	54,489	53,732
<b>Net Income per common share - diluted:</b>				
Income/(loss) from continuing operations	\$ 0.18	\$ 0.02	\$ 0.31	\$ (0.07)
Income from discontinued operations	0.17	0.01	0.31	0.65
Net income	\$ 0.35	\$ 0.03	\$ 0.62	\$ 0.58
Weighted average common shares outstanding - diluted	62,365	60,125	61,362	53,732

**Highwoods Properties, Inc.**  
**Consolidated Balance Sheets**  
*(Unaudited and In thousands)*

	December 31, 2006	December 31, 2005
<b>Assets:</b>		
Real estate and related assets, at cost:		
Land	\$ 345,548	\$ 341,094
Buildings and tenant improvements	2,573,032	2,499,419
Development in process	101,899	28,727
Land held for development	112,760	142,717
Furniture, fixtures and equipment	23,695	22,467
	<u>3,156,934</u>	<u>3,034,424</u>
Less-accumulated depreciation	(608,612)	(555,506)
Net real estate assets	2,548,322	2,478,918
Real estate and other assets, net, held for sale	34,166	177,235
Cash and cash equivalents	16,690	1,212
Restricted cash	2,027	16,223
Accounts receivable, net	23,347	24,201
Notes receivable, net	7,871	9,232
Accrued straight-line rents receivable, net	68,364	60,349
Investment in unconsolidated affiliates	60,359	69,247
Deferred financing and leasing costs, net	66,352	59,059
Prepaid expenses and other	17,355	13,302
Total Assets	<u>\$2,844,853</u>	<u>\$2,908,978</u>
<b>Liabilities, Minority Interest and Stockholders' Equity:</b>		
Mortgages and notes payable	\$1,465,129	\$1,471,616
Accounts payable, accrued expenses and other liabilities	156,737	127,455
Financing obligations	35,530	34,154
Total Liabilities	<u>1,657,396</u>	<u>1,633,225</u>
Minority interest	79,726	94,134
<b>Stockholders' Equity:</b>		
Preferred stock	197,445	247,445
Common stock	562	540
Additional paid-in capital	1,449,337	1,419,683
Distributions in excess of net earnings	(538,098)	(479,901)
Accumulated other comprehensive loss	(1,515)	(2,212)
Deferred compensation	—	(3,936)
Total Stockholders' Equity	<u>1,107,731</u>	<u>1,181,619</u>
Total Liabilities, Minority Interest and Stockholders' Equity	<u>\$2,844,853</u>	<u>\$2,908,978</u>

**Highwoods Properties, Inc.**  
**Funds from Operations**  
*(Unaudited and In thousands, except per share amounts)*

	<b>Three Months Ended December 31,</b>		<b>Year Ended December 31,</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
<b>Funds from operations:</b>				
Net income	\$ 24,416	\$ 6,999	\$ 53,744	\$ 62,458
Dividends to preferred stockholders	(4,113)	(5,113)	(17,063)	(27,238)
Excess of preferred stock redemption cost over carrying value	—	—	(1,803)	(4,272)
<b>Net income applicable to common shares</b>	<b>20,303</b>	<b>1,886</b>	<b>34,878</b>	<b>30,948</b>
Add/(deduct):				
Depreciation and amortization of real estate assets	29,458	26,557	111,848	106,982
(Gains) on disposition of depreciable properties	(888)	(1,934)	(4,114)	(7,692)
Minority interest from the Operating Partnership in income/(loss) from operations	929	69	1,621	(475)
Unconsolidated affiliates:				
Depreciation and amortization of real estate assets	3,048	2,942	11,191	10,989
Discontinued operations:				
Depreciation and amortization of real estate assets	460	1,957	3,386	16,841
(Gains) on disposition of depreciable properties	(10,037)	(5,871)	(15,082)	(34,128)
Minority interest from the Operating Partnership in income from discontinued operations	867	83	1,557	3,756
<b>Funds from operations</b>	<b>\$ 44,140</b>	<b>\$25,689</b>	<b>\$145,285</b>	<b>\$127,221</b>
<b>Funds from operations per share - diluted:</b>				
Net income applicable to common shares	\$ 0.35	\$ 0.03	\$ 0.62	\$ 0.58
Add/(deduct):				
Depreciation and amortization of real estate assets	0.47	0.44	1.82	1.77
(Gains) on disposition of depreciable properties	(0.01)	(0.03)	(0.06)	(0.13)
Unconsolidated affiliates:				
Depreciation and amortization of real estate assets	0.05	0.05	0.18	0.18
Discontinued operations:				
Depreciation and amortization of real estate assets	0.01	0.03	0.06	0.28
(Gains) on disposition of depreciable properties	(0.16)	(0.09)	(0.25)	(0.57)
<b>Funds from operations</b>	<b>\$ 0.71</b>	<b>\$ 0.43</b>	<b>\$ 2.37</b>	<b>\$ 2.11</b>
<b>Weighted average shares outstanding - diluted</b>	<b>62,365</b>	<b>60,125</b>	<b>61,362</b>	<b>60,301</b>



Supplemental Information  
December 31, 2006

**Supplemental Information**  
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**December 31, 2006**

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The information within refers to all Highwoods Properties' wholly-owned entities, except pages 29 to 35, unless noted otherwise. Wholly-owned entities include properties classified as both continuing operations and discontinued operations.

All financial information contained in this document is "unaudited." In addition, 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

Amounts in thousands, except per share amounts and ratios

	Three Months Ended				
	12/31/06	09/30/06	06/30/06	03/31/06	12/31/05
<b>Shares and Units:</b>					
Common shares outstanding at end of period	56,211	55,635	54,131	54,142	54,029
Common units outstanding at end of period	4,733	5,014	5,234	5,401	5,450
Weighted average common shares outstanding - basic	55,740	54,470	53,879	53,813	53,774
Weighted average common shares outstanding - diluted	62,365	61,457	60,387	60,588	60,125
<b>Share price:</b>					
At end of period	\$ 40.76	\$ 37.21	\$ 36.18	\$ 33.73	\$ 28.45
High close during period	41.31	38.15	36.18	34.77	29.74
Low close during period	36.40	35.39	29.56	29.20	27.15
<b>Financial information:</b>					
Land sale gains, net of (impairments)	\$ 6,974	\$ 2,103	\$ (74)	\$ 3,040	\$ 759
Lease termination income	618	249	1,304	885	485
Straight line rental income	2,401	2,006	1,664	2,521	1,639
Capitalized interest	1,770	1,701	930	601	740
Impairments on depreciable properties	—	2,600	—	—	7,677
Gain on sale of depreciable properties	10,925	3,712	1,395	3,164	7,805
Total debt/ total assets 1/	52.7%	52.9%	53.2%	52.7%	51.8%
Total debt/ total market capitalization 1/	35.9%	37.9%	39.1%	40.2%	43.7%
<b>Funds from operations per share - diluted</b>	<b>\$ 0.71</b>	<b>\$ 0.53</b>	<b>\$ 0.54</b>	<b>\$ 0.59</b>	<b>\$ 0.43</b>
<b>Funds from operations per share - diluted, excluding certain items</b> <b>2/</b>	<b>\$ 0.71</b>	<b>\$ 0.59</b>	<b>\$ 0.55</b>	<b>\$ 0.62</b>	<b>\$ 0.56</b>
<b>Wholly - owned property information:</b>					
<b>In-Service rentable square feet:</b>					
Office	19,244	19,507	19,704	19,691	21,412
Industrial	6,281	6,605	6,706	6,706	6,977
Retail	1,327	1,431	1,408	1,408	1,416
Total	<u>26,852</u>	<u>27,543</u>	<u>27,818</u>	<u>27,805</u>	<u>29,805</u>
<b>In-Service occupancy:</b>					
Office	89.0%	88.1%	87.1%	87.1%	87.5%
Industrial	91.7%	91.8%	89.5%	88.0%	92.4%
Retail	95.7%	96.2%	95.3%	95.7%	97.5%
Total	<u>90.0%</u>	<u>89.4%</u>	<u>88.1%</u>	<u>87.7%</u>	<u>89.1%</u>

1/ Includes financing obligations.

2/ Excludes impairments on depreciable assets, losses on debt extinguishments and preferred stock redemption charges.



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## Corporate Information

### **Board of Directors**

Thomas W. Adler  
Gene H. Anderson  
Kay N. Callison  
Edward J. Fritsch  
Lawrence S. Kaplan  
Sherry A. Kellett  
L. Glenn Orr Jr.  
O. Temple Sloan Jr., Chairman  
F. William Vandiver, Jr.

### **Corporate Officers**

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

President, Chief Executive Officer and Director

#### **Michael E. Harris**

Executive Vice President and Chief Operating Officer

#### **Terry L. Stevens**

Vice President, Chief Financial Officer

#### **S. Hugh Esleeck**

Treasurer

#### **Julie M. Kelly**

Vice President, Compliance and Internal Audit

#### **Carman J. Liuzzo**

Vice President, Investments

#### **Kevin E. Penn**

Chief Information Officer and  
Vice President, Strategy

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

Vice President, General Counsel and  
Secretary

#### **Tabitha N. Zane**

Vice President, Investor Relations and  
Corporate Communications

### **Research Coverage**

#### **Credit Suisse - North America**

John Stewart - 212-538-3183

#### **Deutsche Banc Securities**

Lou Taylor - 212-469-4912

#### **Green Street Advisors**

Jim Sullivan - 949-640-8780

#### **Morgan Stanley**

David Cohen - 212-761-8564

#### **Smith Barney Citigroup**

Jonathan Litt - 212-816-0231

#### **Stifel Nicolaus**

John Guinee - 410-454-5520

#### **Wachovia Securities**

Chris Haley - 443-263-6773

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## Corporate Information

### **Divisional Officers**

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

Gene H. Anderson - Senior Vice President

Atlanta, GA

*James V. Bacchetta, Vice President*

Piedmont Triad, NC

*Mark W. Shumaker, Vice President*

#### **Orlando/Tampa**

Michael F. Beale - Senior Vice President

Orlando, FL

*Michael F. Beale, Senior Vice President*

Tampa, FL

*Dan Woodward, Vice President*

#### **Raleigh**

Raleigh, NC

*Thomas "Skip" Hill, Vice President*

#### **Richmond**

Richmond, VA

*Paul W. Kreckman, Vice President*

#### **Nashville/Memphis/Columbia/Greenville**

W. Brian Reames - Senior Vice President

Nashville, TN; Columbia, SC; and Greenville, SC

*W. Brian Reames, Senior Vice President*

Memphis, TN

*Steven L. Guinn, Vice President*

#### **Kansas City**

Kansas City, MO

*Barrett Brady, Senior 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

Vice President, Investor Relations and Corporate Communications

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Fax:        919-431-1439

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### **Information Request**

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

Phone:     919-431-1521

Email:      HIW-IR@highwoods.com

### **The Company**

Highwoods Properties, Inc., a member of the S&P MidCap 400 Index, is a fully integrated, self-administered and self-managed equity real estate

investment trust (“REIT”) that provides leasing, management, development, construction and other customer-related services for its properties and for third parties. As of December 31, 2006, the Company owned or had an interest in 392 in-service office, industrial and retail properties encompassing approximately 34.3 million square feet. Highwoods also owns 719 acres of development land. Highwoods is based in Raleigh, North Carolina, and its properties and development land are located in Florida, Georgia, Iowa, Kansas, Maryland, Missouri, North Carolina, South Carolina, Tennessee and Virginia. For more information about Highwoods Properties, please visit our website at [www.highwoods.com](http://www.highwoods.com) .



## Consolidated Statements of Income

Amounts in thousands, except per share amounts

	<i>Year Ended</i>		<i>Three Months Ended</i>				
	12/31/06	12/31/05	12/31/06	09/30/06	06/30/06	03/31/06	12/31/05
<b>Rental and other revenues</b>	<b>\$416,798</b>	\$396,075	<b>\$108,508</b>	\$104,328	\$102,883	\$101,079	\$100,738
<b>Operating expenses:</b>							
Rental property and other expenses	153,592	141,575	41,352	39,218	36,905	36,117	38,353
Depreciation and amortization	114,935	109,616	30,206	28,460	28,625	27,644	27,164
Impairment of assets held for use	2,600	7,587	—	2,600	—	—	—
General and administrative	37,309	33,063	11,011	8,546	9,060	8,692	9,204
Total operating expenses	308,436	291,841	82,569	78,824	74,590	72,453	74,721
<b>Interest expense:</b>							
Contractual	94,229	98,677	22,374	23,809	24,236	23,810	24,645
Amortization of deferred financing costs	2,375	3,372	492	557	582	744	864
Financing obligations	4,162	5,032	972	850	1,398	942	914
	100,766	107,081	23,838	25,216	26,216	25,496	26,423
<b>Other income/(expense):</b>							
Interest and other income	7,010	7,078	2,709	1,178	1,146	1,977	1,630
Settlement of tenant bankruptcy claim	1,581	—	1,581	—	—	—	—
Loss on debt extinguishments	(494)	(453)	(27)	—	(467)	—	—
	8,097	6,625	4,263	1,178	679	1,977	1,630
<b>Income before disposition of property, minority interest and equity in earnings of unconsolidated affiliates</b>	<b>15,693</b>	3,778	<b>6,364</b>	1,466	2,756	5,107	1,224
Gains on disposition of property, net	16,157	14,172	7,862	2,977	1,008	4,310	2,693
Minority interest	(2,226)	475	(1,088)	(247)	(356)	(535)	(69)
Equity in earnings of unconsolidated affiliates	6,841	9,303	1,492	1,342	1,924	2,083	2,339
<b>Income from continuing operations</b>	<b>36,465</b>	27,728	<b>14,630</b>	5,538	5,332	10,965	6,187
Discontinued operations:							
Income from discontinued operations, net of minority interest	3,421	11,504	566	776	656	1,423	2,451
Gains, net of impairments, on sales of discontinued operations, net of minority interest	13,858	23,226	9,220	2,595	285	1,758	(1,639)
	17,279	34,730	9,786	3,371	941	3,181	812

<b>Net income</b>	<b>53,744</b>	62,458	<b>24,416</b>	8,909	6,273	14,146	6,999
Dividends on preferred stock	<b>(17,063)</b>	(27,238)	<b>(4,113)</b>	(4,113)	(4,113)	(4,724)	(5,113)
Excess of preferred stock redemption cost over carrying value	<b>(1,803)</b>	(4,272)	<u>—</u>	<u>—</u>	<u>—</u>	<u>(1,803)</u>	<u>—</u>
<b>Net income available for common stockholders</b>	<b><u>\$ 34,878</u></b>	<u>\$ 30,948</u>	<b><u>\$ 20,303</u></b>	<u>\$ 4,796</u>	<u>\$ 2,160</u>	<u>\$ 7,619</u>	<u>\$ 1,886</u>
<b>Net income per common share - diluted:</b>							
Income/(loss) from continuing operations	<b>\$ 0.31</b>	\$ (0.07)	<b>\$ 0.18</b>	\$ 0.03	\$ 0.02	\$ 0.08	\$ 0.02
Income from discontinued operations	<b>0.31</b>	0.65	<b>0.17</b>	0.06	0.02	0.06	0.01
Net income	<b><u>\$ 0.62</u></b>	<u>\$ 0.58</u>	<b><u>\$ 0.35</u></b>	<u>\$ 0.09</u>	<u>\$ 0.04</u>	<u>\$ 0.14</u>	<u>\$ 0.03</u>
Weighted average common shares outstanding - diluted	<b><u>61,362</u></b>	<u>53,732</u>	<b><u>62,365</u></b>	<u>61,457</u>	<u>60,387</u>	<u>60,588</u>	<u>60,125</u>
Dividends declared and paid per common share	<b><u>\$ 1.700</u></b>	<u>\$ 1.700</u>	<b><u>\$ 0.425</u></b>	<u>\$ 0.425</u>	<u>\$ 0.425</u>	<u>\$ 0.425</u>	<u>\$ 0.425</u>

**Statement of Funds from Operations  
and Additional Information**

*Amounts in thousands, except per share amounts*

	<i>Year Ended</i>		<i>Three Months Ended</i>				
	<u>12/31/06</u>	<u>12/31/05</u>	<u>12/31/06</u>	<u>09/30/06</u>	<u>06/30/06</u>	<u>03/31/06</u>	<u>12/31/05</u>
<b>Funds from operations:</b>							
Net income	\$ 53,744	\$ 62,458	\$ 24,416	\$ 8,909	\$ 6,273	\$14,146	\$ 6,999
Dividends to preferred stockholders	(17,063)	(27,238)	(4,113)	(4,113)	(4,113)	(4,724)	(5,113)
Excess of preferred stock redemption cost over carrying value	(1,803)	(4,272)	—	—	—	(1,803)	—
Net income applicable to common stockholders	34,878	30,948	20,303	4,796	2,160	7,619	1,886
Add/(Deduct):							
Depreciation and amortization of real estate assets	111,848	106,982	29,458	27,699	27,883	26,808	26,557
(Gains) on disposition of depreciable properties	(4,114)	(7,692)	(888)	(874)	(1,082)	(1,270)	(1,934)
Minority interest from the Operating Partnership in income/(loss) from operations	1,621	(475)	929	130	118	444	69
Unconsolidated affiliates:							
Depreciation and amortization of real estate assets	11,191	10,989	3,048	2,790	2,678	2,675	2,942
Discontinued operations:							
Depreciation and amortization of real estate assets	3,386	16,841	460	817	1,003	1,106	1,957
(Gains) on disposition of depreciable properties	(15,082)	(34,128)	(10,037)	(2,838)	(313)	(1,894)	(5,871)
Minority interest from the Operating Partnership in income from discontinued operations	1,557	3,756	867	318	92	280	83
Funds from operations	<u>\$ 145,285</u>	<u>\$127,221</u>	<u>\$ 44,140</u>	<u>\$32,838</u>	<u>\$32,539</u>	<u>\$35,768</u>	<u>\$25,689</u>
<b>Funds from operations per share - diluted</b>							
Net income applicable to common shares	\$ 0.62	\$ 0.58	\$ 0.35	\$ 0.09	\$ 0.04	\$ 0.14	\$ 0.03
Add/(Deduct):							
Depreciation and amortization of real estate assets	1.82	1.77	0.47	0.45	0.46	0.44	0.44
(Gains) on disposition of depreciable properties	(0.06)	(0.13)	(0.01)	(0.01)	(0.02)	(0.02)	(0.03)
Unconsolidated affiliates:							
Depreciation and amortization of real estate assets	0.18	0.18	0.05	0.04	0.05	0.04	0.05
Discontinued operations:							
Depreciation and amortization of real estate assets	0.06	0.28	0.01	0.01	0.02	0.02	0.03
(Gains) on disposition of depreciable properties	(0.25)	(0.57)	(0.16)	(0.05)	(0.01)	(0.03)	(0.09)
Funds from operations	<u>\$ 2.37</u>	<u>\$ 2.11</u>	<u>\$ 0.71</u>	<u>\$ 0.53</u>	<u>\$ 0.54</u>	<u>\$ 0.59</u>	<u>\$ 0.43</u>
Weighted average shares outstanding - diluted							

	<b>61,362</b>	60,301	<b>62,365</b>	61,457	60,387	60,588	60,125
<b>Additional information: 1/</b>							
Funds from operations, excluding certain items 2/	<b><u>\$ 150,906</u></b>	<u>\$145,805</u>	<b><u>\$ 44,167</u></b>	<u>\$36,162</u>	<u>\$33,006</u>	<u>\$37,571</u>	<u>\$33,869</u>
Funds from operations per share, excluding certain items 2/	<b><u>\$ 2.46</u></b>	<u>\$ 2.42</u>	<b><u>\$ 0.71</u></b>	<u>\$ 0.59</u>	<u>\$ 0.55</u>	<u>\$ 0.62</u>	<u>\$ 0.56</u>
Straight line rental income	<b>\$ (8,592)</b>						
Amortization of lease incentives	<b>828</b>						
Depreciation of non-real estate assets	<b>2,389</b>						
Amortization of stock-based compensation	<b>3,730</b>						
Amortization of deferred financing costs	<b>2,375</b>						
Amortization of accumulated other comprehensive loss	<b>697</b>						
Harborview non-cash FMV charge	<b>496</b>						
Non-incremental revenue generating capital expenditures paid:							
Building improvements	<b>(17,782)</b>						
2nd generation tenant improvements	<b>(36,565)</b>						
2nd generation lease commissions	<b>(16,488)</b>						
Common dividends and unit distributions paid	<b>(101,783)</b>						

1/ Increase or (decrease) to cash flows.

2/ Excludes impairments on depreciable assets, losses on debt extinguishments and preferred stock redemption charges.

## Consolidated Balance Sheets

Dollars in thousands

	12/31/06	12/31/05
<b>Assets:</b>		
Real estate and related assets, at cost:		
Land	\$ 345,548	\$ 341,094
Buildings and tenant improvements	2,573,032	2,499,419
Development in process	101,899	28,727
Land held for development	112,760	142,717
Furniture, fixtures and equipment	23,695	22,467
	<u>3,156,934</u>	<u>3,034,424</u>
Less-accumulated depreciation	(608,612)	(555,506)
Net real estate assets	2,548,322	2,478,918
Real estate and other assets, net, held for sale	34,166	177,235
Cash and cash equivalents	16,690	1,212
Restricted cash	2,027	16,223
Accounts receivable, net	23,347	24,201
Notes receivable, net	7,871	9,232
Accrued straight-line rents receivable, net	68,364	60,349
Investment in unconsolidated affiliates	60,359	69,247
Deferred financing and leasing costs, net	66,352	59,059
Prepaid expenses and other	17,355	13,302
Total Assets	<u>\$2,844,853</u>	<u>\$2,908,978</u>
<b>Liabilities, Minority Interest and Stockholders' Equity:</b>		
Mortgages and notes payable	\$1,465,129	\$1,471,616
Accounts payable, accrued expenses and other liabilities	156,737	127,455
Financing obligations	35,530	34,154
Total Liabilities	1,657,396	1,633,225
Minority interest	79,726	94,134
Stockholders' Equity:		
Preferred stock	197,445	247,445
Common stock	562	540
Additional paid-in capital	1,449,337	1,419,683
Distributions in excess of net earnings	(538,098)	(479,901)
Accumulated other comprehensive loss	(1,515)	(2,212)
Deferred compensation	—	(3,936)
Total Stockholders' Equity	<u>1,107,731</u>	<u>1,181,619</u>
Total Liabilities, Minority Interest and Stockholders' Equity	<u>\$2,844,853</u>	<u>\$2,908,978</u>



## Estimated Net Asset Value Ranges

*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 Projected Net Operating Income among other Factors. It is not intended to be an asset by asset valuation.**

<b>NOI Cap Rates:</b>			
Office	6.50%	6.75%	7.00%
Retail	5.25%	5.50%	5.75%
Industrial/Other	6.75%	7.00%	7.25%
<b>Weighted average</b>	<b>6.36%</b>	<b>6.61%</b>	<b>6.86%</b>
<b>Wholly-Owned Properties Projected Net Operating Income 1/</b>			
Office	\$ 209,693	\$ 209,693	\$ 209,693
Retail	27,764	27,764	27,764
Industrial/Other	22,038	22,038	22,038
Total Net Operating Income	\$ 259,495	\$ 259,495	\$ 259,495
<b>Wholly-Owned Properties Capitalized Value</b>			
Office	\$3,226,046	\$3,106,563	\$2,995,614
Retail	528,838	504,800	482,852
Industrial/Other	326,489	314,829	303,972
Total capitalized value - wholly owned properties	<u>\$4,081,373</u>	<u>\$3,926,192</u>	<u>\$3,782,439</u>
<b>Highwoods' Share of Joint Ventures (Includes Consolidated JVs)</b>			
Net operating income - projected	\$ 34,608	\$ 34,608	\$ 34,608
Capitalization rates	6.50%	6.75%	7.00%
Capitalized value - joint venture interests	<u>\$ 532,431</u>	<u>\$ 512,711</u>	<u>\$ 494,400</u>
<b>Total In-Service Property Value</b>	<b><u>\$4,613,804</u></b>	<b><u>\$4,438,903</u></b>	<b><u>\$4,276,839</u></b>
<b>Value of Other income</b>			
Development, leasing and management fees	\$ 6,061	\$ 6,061	\$ 6,061
Capitalization rate	20%	20%	20%
Value of other income	<u>\$ 30,306</u>	<u>\$ 30,306</u>	<u>\$ 30,306</u>
<b>Add Other assets:</b>			
Development pipeline investment at 135% of cost 2/	\$ 204,555	\$ 204,555	\$ 204,555
Low occupancy assets at NBV 3/	80,478	80,478	80,478
Property held for sale at net sales price	68,801	68,801	68,801
Land held for development at market value	139,009	139,009	139,009
Cash and cash equivalents	14,388	14,388	14,388
Restricted cash	1,764	1,764	1,764
Accounts receivable, net	23,200	23,200	23,200
Notes receivable and prepaid expenses	25,035	25,035	25,035
Other assets total	<u>\$ 557,229</u>	<u>\$ 557,229</u>	<u>\$ 557,229</u>
<b>Gross Value of Assets</b>	<b><u>\$5,201,339</u></b>	<b><u>\$5,026,438</u></b>	<b><u>\$4,864,374</u></b>
<b>Deductions:</b>			
Total liabilities	\$ 157,709	\$ 157,709	\$ 157,709
Mortgages and notes payable, at estimated fair value	1,445,554	1,445,554	1,445,554
Preferred stock, at redemption value	197,445	197,445	197,445
Highwoods' share of joint ventures liabilities	281,565	281,565	281,565
<b>Estimated Net Asset Value</b>	<b><u>\$3,119,065</u></b>	<b><u>\$2,944,164</u></b>	<b><u>\$2,782,100</u></b>
Estimated diluted common shares and operating units for 2007	62,600	62,600	62,600
<b>Estimated Net Asset Value Per Share</b>	<b><u>\$ 49.83</u></b>	<b><u>\$ 47.03</u></b>	<b><u>\$ 44.44</u></b>

- 1/ *NOI excludes straight line income, lease termination fee income, NOI related to completed not stabilized developments, and NOI on certain low occupancy assets.*
- 2/ *Represents average increase in value based on projected development yields on cost compared to projected market valuations.*
- 3/ *Consolidated Properties NOI is adjusted to eliminate the net NOI for certain low occupancy properties for which a NOI capitalization approach is not appropriate. For those low occupancy assets, their net book value (after depreciation) is added as an estimate of their current valuation.*

## Components of Discontinued Operations

Dollars in thousands

	<i>Year Ended</i>		<i>Three Months Ended</i>				
	<u>12/31/06</u>	<u>12/31/05</u>	<u>12/31/06</u>	<u>09/30/06</u>	<u>06/30/06</u>	<u>03/31/06</u>	<u>12/31/05</u>
<b>Rental and other revenues</b>	<b>\$12,976</b>	\$54,613	<b>\$ 2,106</b>	\$3,521	\$2,967	\$4,382	\$ 8,605
<b>Operating expenses:</b>							
Rental property and other expenses	<b>5,254</b>	23,158	<b>952</b>	1,515	1,163	1,624	3,846
Depreciation and amortization	<b>3,386</b>	16,841	<b>460</b>	817	1,003	1,106	1,957
General and administrative	<b>87</b>	859	<b>12</b>	75	—	—	10
Total operating expenses	<b>8,727</b>	40,858	<b>1,424</b>	2,407	2,166	2,730	5,813
<b>Interest expense</b>	<b>560</b>	1,218	<b>78</b>	277	102	103	146
<b>Other income</b>	<b>65</b>	195	<b>12</b>	14	21	18	55
<b>Income before minority interest and gains, net of impairments, on sales of discontinued operations</b>	<b>3,754</b>	12,732	<b>616</b>	851	720	1,567	2,701
Minority interest in discontinued operations	<b>(333)</b>	(1,228)	<b>(50)</b>	(75)	(64)	(144)	(250)
<b>Income from discontinued operations before net gains on sales and impairment of discontinued operations</b>	<b>3,421</b>	11,504	<b>566</b>	776	656	1,423	2,451
Net gains on sale and (impairment) of discontinued operations	<b>15,082</b>	25,754	<b>10,037</b>	2,838	313	1,894	(1,806)
Minority interest in discontinued operations	<b>(1,224)</b>	(2,528)	<b>(817)</b>	(243)	(28)	(136)	167
<b>Gains on sales and impairment of discontinued operations, net of minority interest</b>	<b>13,858</b>	23,226	<b>9,220</b>	2,595	285	1,758	(1,639)
<b>Total discontinued operations</b>	<b>\$17,279</b>	<u>\$34,730</u>	<b>\$ 9,786</b>	<u>\$3,371</u>	<u>\$ 941</u>	<u>\$3,181</u>	<u>\$ 812</u>

## Capitalization

*Dollars, shares, and units in thousands*

	12/31/06	09/30/06	06/30/06	03/31/06	12/31/05
<b>Long-Term Debt (see pages 7 &amp; 8):</b>	<b><u>\$1,465,129</u></b>	<b><u>\$1,461,105</u></b>	<b><u>\$1,466,839</u></b>	<b><u>\$1,450,251</u></b>	<b><u>\$1,471,616</u></b>
<b>Financing Obligations:</b>	<b><u>\$ 35,530</u></b>	<b><u>\$ 36,098</u></b>	<b><u>\$ 36,002</u></b>	<b><u>\$ 34,282</u></b>	<b><u>\$ 34,154</u></b>
<b>Preferred Stock (at liquidation value):</b>					
Series A 8 <sup>5</sup> / 8 % Perpetual Preferred Stock	<b>\$ 104,945</b>	\$ 104,945	\$ 104,945	\$ 104,945	\$ 104,945
Series B 8% Perpetual Preferred Stock	<b>92,500</b>	92,500	92,500	92,500	142,500
Total preferred stock	<b><u>\$ 197,445</u></b>	<b><u>\$ 197,445</u></b>	<b><u>\$ 197,445</u></b>	<b><u>\$ 197,445</u></b>	<b><u>\$ 247,445</u></b>
<b>Common Shares and Units Outstanding:</b>					
Common stock outstanding	<b>56,211</b>	55,635	54,131	54,142	54,029
Minority interest partnership units	<b>4,733</b>	5,014	5,234	5,401	5,450
Total common shares and units outstanding	<b>60,944</b>	60,649	59,365	59,543	59,479
Stock price at period end	<b>\$ 40.76</b>	\$ 37.21	\$ 36.18	\$ 33.73	\$ 28.45
Market value of common equity	<b><u>\$2,484,077</u></b>	<b><u>\$2,256,749</u></b>	<b><u>\$2,147,826</u></b>	<b><u>\$2,008,385</u></b>	<b><u>\$1,692,178</u></b>
Total market capitalization with debt and obligations	<b><u>\$4,182,181</u></b>	<b><u>\$3,951,397</u></b>	<b><u>\$3,848,112</u></b>	<b><u>\$3,690,363</u></b>	<b><u>\$3,445,393</u></b>

*See pages 29 to 35 for information regarding Highwoods' Joint Ventures.*

## Long-Term Debt Summary

Dollars in thousands

	12/31/06	09/30/06	06/30/06	03/31/06	12/31/05
<b>Balances Outstanding:</b>					
<b>Secured:</b>					
Conventional fixed rate 1/	\$ 730,732	\$ 691,662	\$ 695,832	\$ 699,949	\$ 667,138
Variable rate debt	10,897	12,943	13,007	12,302	53,978
Secured total	<u>741,629</u>	<u>704,605</u>	<u>708,839</u>	<u>712,251</u>	<u>721,116</u>
<b>Unsecured:</b>					
Fixed rate bonds and notes	350,000	460,000	460,000	460,000	460,000
Variable rate debt	—	—	—	100,000	100,000
Credit facility	373,500	296,500	298,000	178,000	190,500
Unsecured total	<u>723,500</u>	<u>756,500</u>	<u>758,000</u>	<u>738,000</u>	<u>750,500</u>
<b>Total</b>	<u><b>\$1,465,129</b></u>	<u><b>\$1,461,105</b></u>	<u><b>\$1,466,839</b></u>	<u><b>\$1,450,251</b></u>	<u><b>\$1,471,616</b></u>

### End of Period Weighted Average Interest Rates:

<b>Secured:</b>					
Conventional fixed rate	6.78%	6.92%	6.93%	6.93%	7.01%
Variable rate debt	6.55%	5.93%	5.85%	5.43%	5.51%
Secured total	<u>6.78%</u>	<u>6.91%</u>	<u>6.91%</u>	<u>6.90%</u>	<u>6.89%</u>
<b>Unsecured:</b>					
Fixed rate bonds	7.48%	7.37%	7.37%	7.37%	7.37%
Variable rate debt	—	—	—	5.80%	5.37%
Credit facility	6.14%	6.22%	5.96%	5.81%	5.42%
Unsecured total	<u>6.79%</u>	<u>6.92%</u>	<u>6.81%</u>	<u>6.78%</u>	<u>6.61%</u>
<b>Average</b>	<u><b>6.78%</b></u>	<u><b>6.91%</b></u>	<u><b>6.86%</b></u>	<u><b>6.84%</b></u>	<u><b>6.75%</b></u>

### Maturity Schedule:

Year	Future Maturities of Debt			Average Interest Rate
	Secured Debt 2/	Unsecured Debt	Total Debt 2/	
2007	\$ 77,291	\$ —	\$ 77,291	8.00%
2008	—	100,000	100,000	7.13%
2009 3/	140,608	423,500	564,108	6.73%
2010	—	—	—	6.90%
2011	—	—	—	7.79%
2012	212,800	—	212,800	6.94%
2013	272,813	—	272,813	5.90%
2014	38,117	—	38,117	5.79%
2015	—	—	—	5.79%
2016	—	—	—	—
Thereafter	—	200,000	200,000	7.50%
<b>Total maturities</b>	<u><b>\$ 741,629</b></u>	<u><b>\$ 723,500</b></u>	<u><b>\$1,465,129</b></u>	<u><b>6.78%</b></u>

Weighted average maturity = 4.37 years

- 1/ Includes a \$22.8 million loan related to a consolidated 20% owned joint venture (Harborview) and \$38.1 million in loans at December 31, 2006 related to a consolidated 50% joint venture (Markel).
- 2/ All periods exclude annual principal amortization.
- 3/ The \$564.1 million of unsecured debt maturities includes \$373.5 million related to the credit facility which matures in 2009 (excludes one-year extension option).

## Long-Term Debt Detail

*Dollars in thousands*

Secured Loans	Rate	Maturity Date	Loan Balance 12/31/06	Undepreciated Book Value of Assets Secured
<b><u>Lender</u></b>				
Northwestern Mutual	6.03%	Mar-13	\$ 137,810	\$ 168,235
Northwestern Mutual	7.05%	Jan-12	190,000	280,498
Massachusetts Mutual Life Ins. Co. 1/	5.68%	Dec-13	123,271	201,022
Northwestern Mutual 2/	8.17%	Feb-07	61,426	137,091
Monumental Life Ins. Co. 3/	7.77%	Nov-09	82,622	199,290
Monumental Life Ins. Co. 3/	7.87%	Nov-09	52,126	—
Metropolitan Life Ins. Co. 4/	6.06%	Oct-12	22,800	38,953
Principal Life Insurance Company 5/	5.79%	Jan-14	11,685	14,888
Principal Life Insurance Company 5/	5.79%	Jan-14	11,685	18,781
PNC/Regions/Wachovia 6/	6.55%	Oct-07	10,897	17,570
Massachusetts Mutual Life Ins. Co. 1/	6.48%	Dec-13	10,858	—
Principal Life Insurance Company 5/	5.74%	Jan-14	9,216	14,285
Principal Life Insurance Company 5/	5.89%	Jan-14	5,531	7,514
PFL Life Ins. Co. 2/	8.07%	Jun-07	4,968	23,676
Lutheran Brotherhood	6.75%	Apr-09	3,806	8,016
Security Life of Denver	8.85%	Aug-09	2,054	9,383
American United Life	9.00%	Jun-13	874	3,321
	<u>6.78%</u>		<u>741,629</u>	<u>\$ 1,142,523</u>
<b><u>Unsecured Bonds</u></b>				
Bonds	7.13%	Feb-08	100,000	
Bonds	8.13%	Jan-09	50,000	
Bonds	<u>7.50%</u>	<u>Apr-18</u>	<u>200,000</u>	
	<u>7.48%</u>		<u>350,000</u>	
<b><u>Unsecured Loans</u></b>				
Credit facility 6/	6.14%	May-09	373,500	
<b><u>Total Debt</u></b>	<u>6.78%</u>		<u>\$1,465,129</u>	

1/ These two loans are secured by the same assets.

2/ This loan was paid off on 2/1/2007.

3/ These two loans are secured by the same assets.

4/ Loan relates to a consolidated 20% owned joint venture (Harborview).

5/ Loans relate to a consolidated 50% owned joint venture (Markel).

6/ Floating rate loan based on one month libor. Maturity date excludes one-year extension option.

# Portfolio Summary - Wholly-Owned Properties Only 1/

(Rentable Square Feet)

	12/31/06	09/30/06	06/30/06	03/31/06	12/31/05
<b>Office Industrial &amp; Retail</b>					
<b>In-Service:</b>					
Office 2/	19,244,000	19,507,000	19,704,000	19,691,000	21,412,000
Industrial	6,281,000	6,605,000	6,706,000	6,706,000	6,977,000
Retail 3/	1,327,000	1,431,000	1,408,000	1,408,000	1,416,000
Total 4/	26,852,000	27,543,000	27,818,000	27,805,000	29,805,000
<b>Development Completed - Not Stabilized:</b>					
Office 2/	504,000	311,000	153,000	—	—
Industrial	418,000	—	—	—	—
Retail	—	—	—	9,600	9,600
Total	922,000	311,000	153,000	9,600	9,600
<b>Development - In Process:</b>					
Office 2/	1,357,000	1,405,000	1,268,000	1,026,000	533,000
Industrial	383,000	681,000	418,000	418,000	—
Retail	—	—	23,000	23,000	—
Total	1,740,000	2,086,000	1,709,000	1,467,000	533,000
<b>Total:</b>					
Office 2/	21,105,000	21,223,000	21,125,000	20,717,000	21,945,000
Industrial	7,082,000	7,286,000	7,124,000	7,124,000	6,977,000
Retail 3/	1,327,000	1,431,000	1,431,000	1,440,600	1,425,600
Total 4/	29,514,000	29,940,000	29,680,000	29,281,600	30,347,600
<b>Same Property</b>					
Office 2/	18,798,000	18,798,000	18,798,000	18,798,000	18,798,000
Industrial	5,928,000	5,928,000	5,928,000	5,928,000	5,928,000
Retail	1,304,000	1,304,000	1,304,000	1,304,000	1,304,000
Total	26,030,000	26,030,000	26,030,000	26,030,000	26,030,000
<b>Percent Leased/Pre-Leased:</b>					
<b>In-Service:</b>					
Office	89.0%	88.1%	87.1%	87.1%	87.5%
Industrial	91.7%	91.8%	89.5%	88.0%	92.4%
Retail	95.7%	96.2%	95.3%	95.7%	97.5%
Total	90.0%	89.4%	88.1%	87.7%	89.1%
<b>Development Completed - Not Stabilized:</b>					
Office	62.8%	52.3%	17.0%	—	—
Industrial	44.0%	—	—	—	—
Retail	—	—	—	88.0%	87.0%
Total	54.3%	52.3%	17.0%	88.0%	87.0%
<b>Development - In Process:</b>					
Office	55.3%	58.4%	53.7%	57.1%	37.2%
Industrial	0.0%	27.0%	44.0%	43.8%	—
Retail	—	—	100.0%	100.0%	—
Total	43.1%	48.2%	51.9%	54.0%	37.2%
<b>Same Property</b>					
Office	88.7%	87.9%	87.0%	87.0%	88.5%
Industrial	91.2%	91.0%	89.3%	87.5%	93.2%
Retail	95.6%	96.1%	95.0%	95.2%	97.9%
Total	89.6%	89.0%	87.9%	87.5%	90.0%

1/ Excludes properties recorded on our Balance Sheet that relate to joint ventures properties that are consolidated under GAAP.

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

3/ Excludes 430,000 square feet of basement space in the Country Club Plaza and other Kansas City Retail properties.

4/ Excludes minor for rent apartment buildings.

## Portfolio Summary

(Continued)

As of December 31, 2006

### Summary by Location, Wholly-Owned Properties Only 1/:

Market	Rentable Square Feet	Occupancy	Percentage of Annualized Cash Revenue 2/			
			Office	Industrial	Retail	Total
Raleigh 3/	3,810,000	86.1%	14.6%	—	—	14.6%
Atlanta	5,515,000	94.0%	10.3%	4.0%	—	14.3%
Kansas City	2,225,000 <sup>4/</sup>	90.1%	4.3%	—	9.7%	14.0%
Tampa	2,332,000	97.7%	13.2%	—	—	13.2%
Nashville	2,876,000	91.6%	13.0%	—	—	13.0%
Piedmont Triad 5/	5,195,000	88.7%	7.0%	3.7%	—	10.7%
Richmond	2,024,000	89.8%	8.9%	—	—	8.9%
Memphis	1,197,000	91.8%	5.6%	—	—	5.6%
Greenville	1,108,000	75.3%	3.4%	0.1%	—	3.5%
Orlando	218,000	100.0%	1.2%	—	—	1.2%
Columbia	252,000	48.7%	0.5%	—	—	0.5%
Other	100,000	73.6%	0.5%	—	—	0.5%
<b>Total</b>	<b>26,852,000</b>	<b>90.0%</b>	<b>82.5%</b>	<b>7.8%</b>	<b>9.7%</b>	<b>100.0%</b>

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

Market	Rentable Square Feet	Occupancy	Percentage of Annualized Cash Revenue 2/ 6/				
			Office	Industrial	Retail	Multi-Family	Total
Atlanta	6,350,000	94.1%	10.5%	3.5%	—	—	14.0%
Kansas City	2,946,000 <sup>4/</sup>	88.1%	4.8%	—	8.5%	—	13.3%
Raleigh	4,265,000	87.5%	13.2%	—	—	—	13.2%
Tampa	2,537,000	97.9%	12.0%	—	—	—	12.0%
Nashville	2,876,000	91.6%	11.4%	—	—	—	11.4%
Piedmont Triad	5,559,000	89.4%	6.6%	3.3%	—	—	9.9%
Richmond	2,437,000	91.6%	8.4%	—	—	—	8.4%
Memphis	1,197,000	91.8%	5.0%	—	—	—	5.0%
Des Moines	2,475,000	93.5%	3.4%	0.5%	0.1%	0.4%	4.4%
Orlando	1,904,000	95.2%	4.3%	—	—	—	4.3%
Greenville	1,108,000	75.4%	3.0%	0.1%	—	—	3.1%
Other	210,000	87.4%	0.5%	—	—	—	0.5%
Columbia	252,000	48.7%	0.4%	—	—	—	0.4%
Charlotte	148,000	100.0%	0.1%	—	—	—	0.1%
<b>Total</b>	<b>34,264,000</b>	<b>90.9%</b>	<b>83.6%</b>	<b>7.4%</b>	<b>8.6%</b>	<b>0.4%</b>	<b>100.0%</b>

1/ Excludes properties recorded on our Balance Sheet that relate to joint ventures properties that are consolidated under GAAP.

2/ Annualized Cash Revenue is December, 2006 cash rental revenue (base rent plus operating expense pass through revenue excluding straight-line rental income) multiplied by 12.

3/ Raleigh Market encompasses Raleigh, Durham, Cary, and Research Triangle metropolitan area.

4/ Excludes 430,000 square feet of basement space in the Country Club Plaza and other Kansas City Retail properties.

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

6/ Includes Highwoods' share of Joint Venture Annualized Rental Revenue, see page 33.

**Portfolio Summary - Wholly-Owned Properties Only**  
(Continued)

As of December 31, 2006

Market	Office Properties 1/			Industrial		
	Rentable Square Feet	Occupancy	Percentage of Office Annualized Cash Revenue 2/	Rentable Square Feet	Occupancy	Percentage of Industrial Annualized Cash Revenue 2/
Raleigh	3,810,000	86.1%	17.8%	—	—	—
Tampa	2,332,000	97.7%	16.2%	—	—	—
Nashville	2,876,000	91.6%	15.7%	—	—	—
Atlanta	2,460,000	90.4%	12.5%	3,055,000	96.9%	51.5%
Richmond	2,024,000	89.8%	10.7%	—	—	—
Piedmont Triad	2,076,000	88.3%	8.4%	3,119,000	88.9%	47.4%
Memphis	1,197,000	91.8%	6.8%	—	—	—
Kansas City	894,000	81.9%	5.2%	4,000	46.5%	0.1%
Greenville	1,005,000	80.5%	4.1%	103,000	25.4%	1.0%
Orlando	218,000	100.0%	1.4%	—	—	—
Columbia	252,000	48.7%	0.6%	—	—	—
Other	100,000	73.6%	0.6%	—	—	—
	<u>19,244,000</u>	<u>89.0%</u>	<u>100.0%</u>	<u>6,281,000</u>	<u>91.7%</u>	<u>100.0%</u>

Market	Retail		
	Rentable Square Feet	Occupancy	Percentage of Retail Annualized Cash Revenue 2/
Kansas City 3/	<u>1,327,000</u>	<u>95.7%</u>	<u>100.0%</u>
	<u>1,327,000</u>	<u>95.7%</u>	<u>100.0%</u>

1/ Excludes properties recorded on our Balance Sheet that relate to joint ventures properties that are consolidated under GAAP.

2/ Annualized Cash Revenue is December, 2006 cash rental revenue (base rent plus operating expense pass through revenue excluding straight-line rental income) multiplied by 12.

3/ Excludes 430,000 square feet of basement space in the Country Club Plaza and other Kansas City Retail properties.



### Occupancy Trends - Office, Industrial and Retail Properties 1/

Market	Measurement	12/31/06	09/30/06	06/30/06	03/31/06	12/31/05
Atlanta	Rentable Square Feet	<b>5,515,000</b>	5,584,000	5,584,000	5,584,000	6,806,000
	Occupancy	<b>94.0%</b>	92.4%	91.8%	91.1%	87.4%
	Current Properties 2/	<b>94.0%</b>	92.7%	92.1%	91.3%	91.1%
Columbia	Rentable Square Feet	<b>252,000</b>	252,000	252,000	252,000	426,000
	Occupancy	<b>48.7%</b>	49.4%	49.8%	41.4%	58.9%
	Current Properties 2/	<b>48.7%</b>	49.4%	49.8%	41.4%	38.2%
Greenville	Rentable Square Feet	<b>1,109,000</b>	1,109,000	1,110,000	1,106,000	1,105,000
	Occupancy	<b>75.3%</b>	75.0%	68.8%	73.4%	73.0%
	Current Properties 2/	<b>75.3%</b>	75.0%	68.9%	73.2%	72.8%
Kansas City 3/	Rentable Square Feet	<b>2,224,000</b>	2,329,000	2,306,000	2,306,000	2,314,000
	Occupancy	<b>90.1%</b>	90.7%	89.9%	90.4%	92.2%
	Current Properties 2/	<b>90.0%</b>	90.3%	89.5%	89.8%	92.2%
Memphis	Rentable Square Feet	<b>1,197,000</b>	1,197,000	1,197,000	1,197,000	1,197,000
	Occupancy	<b>91.8%</b>	91.9%	89.7%	90.0%	88.8%
	Current Properties 2/	<b>91.8%</b>	91.9%	89.7%	89.9%	88.8%
Nashville	Rentable Square Feet	<b>2,876,000</b>	2,875,000	2,874,000	2,874,000	2,874,000
	Occupancy	<b>91.6%</b>	92.8%	90.8%	90.6%	94.0%
	Current Properties 2/	<b>91.6%</b>	92.8%	90.8%	90.6%	93.9%
Orlando	Rentable Square Feet	<b>218,000</b>	218,000	218,000	218,000	218,000
	Occupancy	<b>100.0%</b>	100.0%	100.0%	99.5%	100.0%
	Current Properties 2/	<b>100.0%</b>	100.0%	100.0%	99.5%	100.0%
Piedmont Triad	Rentable Square Feet	<b>5,195,000</b>	5,589,000	5,598,000	5,589,000	5,589,000
	Occupancy	<b>88.7%</b>	89.9%	88.6%	86.7%	93.1%
	Current Properties 2/	<b>88.6%</b>	89.5%	88.6%	86.8%	93.7%
Raleigh	Rentable Square Feet	<b>3,810,000</b>	3,812,000	4,101,000	4,102,000	4,232,000
	Occupancy	<b>86.1%</b>	82.6%	83.0%	82.7%	87.5%
	Current Properties 2/	<b>86.1%</b>	82.6%	82.7%	82.6%	87.6%
Richmond	Rentable Square Feet	<b>2,024,000</b>	1,954,000	1,954,000	1,954,000	1,955,000
	Occupancy	<b>89.8%</b>	88.6%	88.0%	91.3%	94.4%
	Current Properties 2/	<b>89.5%</b>	88.5%	88.0%	91.2%	94.4%
Tampa	Rentable Square Feet	<b>2,332,000</b>	2,524,000	2,524,000	2,523,000	2,989,000
	Occupancy	<b>97.7%</b>	96.0%	93.6%	91.9%	87.6%
	Current Properties 2/	<b>97.7%</b>	96.8%	95.5%	93.3%	90.8%
Total 4/	Rentable Square Feet	<b>26,752,000</b>	27,443,000	27,718,000	27,705,000	29,705,000
	Occupancy	<b>90.0%</b>	89.4%	88.1%	87.7%	89.1%
	Current Properties 2/	<b>89.9%</b>	89.3%	88.3%	87.9%	90.3%

1/ Excludes properties recorded on our Balance Sheet that relate to joint ventures properties that are consolidated under GAAP.

2/ Only includes properties that were owned and in-service for all periods shown.

3/ Excludes 430,000 square feet of basement space in the Country Club Plaza and other Kansas City Retail properties.

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

# Leasing Statistics

## Office Portfolio 1/

	Three Months Ended					
	12/31/06 2/	9/30/06 3/	6/30/06 4/	3/31/06 5/	12/31/05 6/	Average
Net Effective Rents Related to Re-Leased Space:						
Number of lease transactions (signed leases)	137	140	141	188	171	155
Rentable square footage leased	868,941	915,289	950,460	944,222	1,169,148	969,612
Square footage of Renewal Deals	601,796	681,640	486,998	528,275	890,582	637,858
Renewed square footage (% of total)	69.3%	74.5%	51.2%	55.9%	76.2%	65.8%
New Leases square footage (% of total)	30.7%	25.5%	48.8%	44.1%	23.8%	34.2%
Weighted average per rentable square foot over the lease term:						
Base rent	\$ 19.72	\$ 19.23	\$ 17.29	\$ 18.06	\$ 17.37	\$ 18.33
Tenant improvements	(1.77)	(1.56)	(1.71)	(1.52)	(1.67)	(1.65)
Leasing commissions 7/	(0.56)	(0.46)	(0.48)	(0.62)	(0.66)	(0.56)
Rent concessions	(0.22)	(0.11)	(0.22)	(0.31)	(0.27)	(0.23)
Effective rent	17.17	17.10	14.88	15.61	14.77	15.89
Expense stop	(5.45)	(5.04)	(5.53)	(5.57)	(4.79)	(5.28)
Equivalent effective net rent	\$ 11.72	\$ 12.06	\$ 9.35	\$ 10.04	\$ 9.98	\$ 10.61
Weighted average term in years	5.2	4.5	4.5	4.3	5.0	4.7
Capital Expenditures Related to Re-leased Space:						
Tenant Improvements:						
Total dollars committed under signed leases	\$ 9,392,949	\$ 7,994,295	\$ 8,416,490	\$7,270,758	\$10,506,779	\$ 8,716,254
Rentable square feet	868,941	915,289	950,460	944,222	1,169,148	969,612
Per rentable square foot	\$ 10.81	\$ 8.73	\$ 8.86	\$ 7.70	\$ 8.99	\$ 8.99
Leasing Commissions:						
Total dollars committed under signed leases 7/	\$ 2,256,508	\$ 2,144,582	\$ 2,198,017	\$2,363,857	\$ 3,551,312	\$ 2,502,855
Rentable square feet	868,941	915,289	950,460	944,222	1,169,148	969,612
Per rentable square foot	\$ 2.60	\$ 2.34	\$ 2.31	\$ 2.50	\$ 3.04	\$ 2.58
Total:						
Total dollars committed under signed leases	\$11,649,457	\$10,138,877	\$10,614,507	\$9,634,615	\$14,058,091	\$11,219,109
Rentable square feet	868,941	915,289	950,460	944,222	1,169,148	969,612
Per rentable square foot	\$ 13.41	\$ 11.08	\$ 11.17	\$ 10.20	\$ 12.02	\$ 11.57

1/ Excludes properties recorded on our Balance Sheet that relate to joint ventures properties that are consolidated under GAAP.

2/ Includes 17K square feet of leases that start in 2009 or later.

3/ Includes 179K square feet of leases that start in 2008 or later.

4/ Includes 74K square feet of leases that start in 2008 or later.

5/ Includes 82K square feet of leases that start in 2008 or later.

6/ Includes 171K square feet of leases that start in 2008 or later.

7/ Excludes a full allocation of internal leasing costs.

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

	Three Months Ended					
	12/31/06	9/30/06	6/30/06 1/	3/31/06 2/	12/31/05 3/	Average
Net Effective Rents Related to Re-Leased Space:						
Number of lease transactions (signed leases)	17	23	36	22	29	25
Rentable square footage leased	539,939	485,936	974,807	300,496	532,917	566,819
Square footage of Renewal Deals	315,423	237,061	543,537	165,621	274,174	307,163
Renewed square footage (% of total)	58.4%	48.8%	55.8%	55.1%	51.4%	54.2%
New Leases square footage (% of total)	41.6%	51.2%	44.2%	44.9%	48.6%	45.8%
Weighted average per rentable square foot over the lease term:						
Base rent	\$ 3.81	\$ 4.13	\$ 3.44	\$ 4.46	\$ 4.14	\$ 4.00
Tenant improvements	(0.45)	(0.31)	(0.17)	(0.79)	(0.32)	(0.41)
Leasing commissions 4/	(0.14)	(0.09)	(0.07)	(0.15)	(0.14)	(0.12)
Rent concessions	(0.05)	(0.11)	(0.01)	(0.13)	(0.09)	(0.08)
Effective rent	3.17	3.62	3.19	3.39	3.59	3.39
Expense stop	(0.08)	(0.17)	(0.10)	(0.17)	(0.15)	(0.13)
Equivalent effective net rent	\$ 3.09	\$ 3.45	\$ 3.09	\$ 3.22	\$ 3.44	\$ 3.26
Weighted average term in years	5.2	3.8	2.9	3.5	3.9	3.9
Capital Expenditures Related to Re-leased Space:						
Tenant Improvements:						
Total dollars committed under signed leases	\$1,323,790	\$732,593	\$ 895,575	\$1,032,151	\$ 796,212	\$ 956,064
Rentable square feet	539,939	485,936	974,807	300,496	532,917	566,819
Per rentable square foot	\$ 2.45	\$ 1.51	\$ 0.92	\$ 3.43	\$ 1.49	\$ 1.69
Leasing Commissions:						
Total dollars committed under signed leases 4/	\$ 433,927	\$109,087	\$ 144,376	\$ 191,615	\$ 355,767	\$ 246,954
Rentable square feet	539,939	485,936	974,807	300,496	532,917	566,819
Per rentable square foot	\$ 0.80	\$ 0.22	\$ 0.15	\$ 0.64	\$ 0.67	\$ 0.44
Total:						
Total dollars committed under signed leases	\$1,757,717	\$841,680	\$1,039,951	\$1,223,766	\$1,151,979	\$1,203,019
Rentable square feet	539,939	485,936	974,807	300,496	532,917	566,819
Per rentable square foot	\$ 3.26	\$ 1.73	\$ 1.07	\$ 4.07	\$ 2.16	\$ 2.12

1/ Includes 14K square feet of leases that start in 2008 or later.

2/ Includes 10K square feet of leases that start in 2008 or later.

3/ Includes 12K square feet of leases that start in 2008 or later.

4/ Excludes a full allocation of internal leasing costs.

## Leasing Statistics

### Retail Portfolio

	Three Months Ended					
	12/31/06	09/30/06	06/30/06	3/31/06	12/31/05	Average
Net Effective Rents Related to Re-Leased Space:						
Number of lease transactions (signed leases)	8	8	5	12	9	8
Rentable square footage leased	23,748	26,472	13,573	49,479	19,320	26,518
Square footage of Renewal Deals	9,855	17,179	3,919	36,129	2,729	13,962
Renewed square footage (% of total)	41.5%	64.9%	28.9%	73.0%	14.1%	52.7%
New Leases square footage (% of total)	58.5%	35.1%	71.1%	27.0%	85.9%	47.3%
Weighted average per rentable square foot over the lease term:						
Base rent	\$ 18.27	\$ 24.75	\$ 30.32	\$ 19.22	\$ 23.03	\$ 23.12
Tenant improvements	(0.08)	(1.40)	(4.28)	(0.41)	(1.33)	(1.50)
Leasing commissions 1/	(0.41)	(0.61)	(1.04)	(0.28)	(0.60)	(0.59)
Rent concessions	(0.20)	0.00	0.00	(0.06)	(0.35)	(0.12)
Effective rent	17.58	22.74	25.00	18.47	20.75	20.91
Expense stop	0.00	0.00	0.00	0.00	0.00	0.00
Equivalent effective net rent	\$ 17.58	\$ 22.74	\$ 25.00	\$ 18.47	\$ 20.75	\$ 20.91
Weighted average term in years	8.6	5.2	10.8	11.1	6.1	8.3
Capital Expenditures Related to Re-leased Space:						
Tenant Improvements:						
Total dollars committed under signed leases	\$15,000	\$288,272	\$838,555	\$186,372	\$251,252	\$315,890
Rentable square feet	23,748	26,472	13,573	49,479	19,320	26,518
Per rentable square foot	\$ 0.63	\$ 10.89	\$ 61.78	\$ 3.77	\$ 13.00	\$ 11.91
Leasing Commissions:						
Total dollars committed under signed leases 1/	\$ 1,981	\$ 46,048	\$ 63,681	\$ 42,804	\$ 13,721	\$ 33,647
Rentable square feet	23,748	26,472	13,573	49,479	19,320	26,518
Per rentable square foot	\$ 0.08	\$ 1.74	\$ 4.69	\$ 0.87	\$ 0.71	\$ 1.27
Total:						
Total dollars committed under signed leases	\$16,981	\$334,320	\$902,236	\$229,176	\$264,973	\$349,537
Rentable square feet	23,748	26,472	13,573	49,479	19,320	26,518
Per rentable square foot	\$ 0.72	\$ 12.63	\$ 66.47	\$ 4.63	\$ 13.71	\$ 13.18

1/ Excludes a full allocation of internal leasing costs.

## Leasing Statistics by Market

For the Three Months ended December 31, 2006

### Office Portfolio 1/

Market	Rentable Square Feet	Average	GAAP Rental Rate	TI's Per SF	Lease Commissions
	Leased	Term		Per SF	Per SF 2/
Raleigh	226,296	6.2	\$19.93	\$10.40	\$ 3.50
Atlanta	214,566	5.8	19.20	16.85	2.07
Nashville	138,979	5.0	21.77	8.51	3.34
Piedmont Triad	97,288	3.3	16.14	5.15	0.22
Richmond	65,719	5.3	16.46	5.86	1.32
Kansas City	58,427	4.0	22.37	8.61	3.29
Greenville	27,295	5.1	17.99	23.80	5.12
Tampa	21,578	4.0	20.39	5.93	1.07
Memphis	18,793	2.5	21.24	3.85	1.14
	<b>868,941</b>	<b>5.2</b>	<b>\$19.50</b>	<b>\$10.81</b>	<b>\$ 2.60</b>

### Industrial Portfolio

Market	Rentable Square Feet	Average	GAAP Rental Rate	TI's Per SF	Lease Commissions
	Leased	Term		Per SF	Per SF 2/
Piedmont Triad	360,190	5.4	\$ 3.45	\$ 1.63	\$ 0.74
Atlanta	179,749	4.6	4.37	4.09	0.93
	<b>539,939</b>	<b>5.2</b>	<b>\$ 3.76</b>	<b>\$ 2.45</b>	<b>\$ 0.80</b>

### Retail Portfolio

Market	Rentable Square Feet	Average	GAAP Rental Rate	TI's Per SF	Lease Commissions
	Leased	Term		Per SF	Per SF
Kansas City	23,748	8.6	\$18.07	\$ 0.63	\$ 0.08
	<b>23,748</b>	<b>8.6</b>	<b>\$18.07</b>	<b>\$ 0.63</b>	<b>\$ 0.08</b>

1/ Excludes properties recorded on our Balance Sheet that relate to joint ventures properties that are consolidated under GAAP.

2/ Lease commissions per square foot excludes capitalized internal leasing costs.

## Rental Rate Comparisons by Market

For the Three Months ended December 31, 2006

### Office Portfolio 1/

Market	Rentable Square Feet	Current	Previous	Percentage Change Rent
	Leased	Rent	Rent	
Raleigh	226,296	\$19.93	\$18.98	5.0%
Atlanta	214,566	19.20	20.63	-6.9%
Nashville	138,979	21.77	19.58	11.2%
Piedmont Triad	97,288	16.14	15.97	1.0%
Richmond	65,719	16.46	16.30	1.0%
Kansas City	58,427	22.37	20.61	8.5%
Greenville	27,295	17.99	17.11	5.1%
Tampa	21,578	20.39	16.78	21.5%
Memphis	18,793	21.24	18.45	15.1%
GAAP Rent Growth	<b>868,941</b>	<b>\$19.50</b>	<b>\$18.95</b>	<b>2.9%</b>
Cash Rent Growth	<b>868,941</b>	<b>\$19.09</b>	<b>\$19.73</b>	<b>-3.3%</b>

### Industrial Portfolio

Market	Rentable Square Feet	Current	Previous	Percentage Change Rent
	Leased	Rent	Rent	
Piedmont Triad	360,190	\$ 3.45	\$ 3.52	-2.0%
Atlanta	179,749	4.37	4.79	-8.8%
GAAP Rent Growth	<b>539,939</b>	<b>\$ 3.76</b>	<b>\$ 3.94</b>	<b>-4.6%</b>
Cash Rent Growth	<b>539,939</b>	<b>\$ 3.61</b>	<b>\$ 4.07</b>	<b>-11.4%</b>

### Retail Portfolio

Market	Rentable Square Feet	Current	Previous	Percentage Change Rent
	Leased	Rent	Rent 2/	
Kansas City	23,748	\$18.07	\$15.51	16.5%
GAAP Rent Growth	<b>23,748</b>	<b>\$18.07</b>	<b>\$15.51</b>	<b>16.5%</b>
Cash Rent Growth	<b>23,748</b>	<b>\$19.37</b>	<b>\$15.80</b>	<b>22.6%</b>

1/ Excludes properties recorded on our Balance Sheet that relate to joint ventures properties that are consolidated under GAAP.

2/ Excludes percentage rent.

## Lease Expirations

December 31, 2006

*Dollars in thousands*

Year	Rentable Square Feet Expiring	Percent of Rentable Square Feet	Annualized Cash Revenue 1/	Average Rental Rate	Percent of Annualized Cash Revenue 1/
<b>Office: 2/</b>					
2007 /3	1,554,029	9.0%	\$ 28,027	\$18.04	8.7%
2008	2,145,074	12.4%	39,793	18.55	12.4%
2009	2,799,327	16.1%	53,375	19.07	16.5%
2010	2,323,591	13.4%	46,889	20.18	14.6%
2011	2,804,723	16.2%	51,220	18.26	15.9%
2012	1,731,147	10.0%	30,337	17.52	9.4%
2013	838,925	4.8%	15,145	18.05	4.7%
2014	550,008	3.2%	10,668	19.40	3.3%
2015	667,412	3.8%	13,427	20.12	4.2%
2016	729,111	4.2%	13,882	19.04	4.3%
2017 and thereafter	1,198,962	6.9%	19,253	16.06	6.0%
	<b><u>17,342,309</u></b>	<b><u>100.0%</u></b>	<b><u>\$322,016</u></b>	<b><u>\$18.57</u></b>	<b><u>100.0%</u></b>
<b>Industrial:</b>					
2007 /4	1,011,155	17.0%	\$ 5,807	\$ 5.74	19.1%
2008	1,214,386	20.3%	5,589	4.60	18.3%
2009	961,855	16.2%	5,226	5.43	17.1%
2010	558,583	9.4%	3,004	5.38	9.8%
2011	639,024	10.8%	3,123	4.89	10.2%
2012	257,895	4.3%	1,287	4.99	4.2%
2013	166,289	2.8%	1,032	6.21	3.4%
2014	212,965	3.6%	1,151	5.40	3.8%
2015	169,882	2.9%	695	4.09	2.3%
2016	264,597	4.5%	883	3.34	2.9%
2017 and thereafter	486,150	8.2%	2,724	5.60	8.9%
	<b><u>5,942,781</u></b>	<b><u>100.0%</u></b>	<b><u>\$ 30,521</u></b>	<b><u>\$ 5.14</u></b>	<b><u>100.0%</u></b>

1/ Annualized Cash Revenue is December, 2006 cash rental revenue (base rent plus operating expense pass through revenue excluding straight-line rental income) multiplied by 12.

2/ Excludes properties recorded on our Balance Sheet that relate to joint ventures properties that are consolidated under GAAP.

3/ Includes 68,000 square feet of leases that are on a month to month basis or 0.2% of total annualized revenue.

4/ Includes 86,000 square feet of leases that are on a month to month basis or 0.1% of total annualized revenue.

Note: 2007 and beyond expirations that have been renewed are reflected above based on the renewal expiration date.

**Lease Expirations**  
**December 31, 2006**  
*(Continued)*

*Dollars in thousands*

Year	Rentable Square Feet Expiring	Percent of Rentable Square Feet	Annualized Cash Revenue 1/	Average Rental Rate	Percent of Annualized Cash Revenue 1/
<b>Retail:</b>					
2007 2/	65,255	5.1%	\$ 1,771	\$27.14	4.7%
2008	126,550	10.0%	3,658	28.91	9.7%
2009	142,868	11.3%	4,032	28.22	10.7%
2010	98,944	7.8%	3,438	34.75	9.1%
2011	71,009	5.6%	2,075	29.22	5.5%
2012	143,793	11.3%	4,322	30.06	11.5%
2013	55,903	4.4%	2,174	38.89	5.8%
2014	86,274	6.8%	1,673	19.39	4.4%
2015	130,127	10.2%	4,232	32.52	11.2%
2016	67,224	5.3%	2,639	39.26	7.0%
2017 and thereafter	281,837	22.2%	7,653	27.15	20.4%
	<u><b>1,269,784</b></u>	<u><b>100.0%</b></u>	<u><b>\$ 37,667</b></u>	<u><b>\$29.66</b></u>	<u><b>100.0%</b></u>
<b>Total:</b>					
2007 3/ 4/	2,630,439	10.7%	\$ 35,605	\$13.54	9.1%
2008	3,486,010	14.2%	49,040	14.07	12.6%
2009	3,904,050	16.0%	62,633	16.04	16.0%
2010	2,981,118	12.1%	53,331	17.89	13.7%
2011	3,514,756	14.3%	56,418	16.05	14.4%
2012	2,132,835	8.7%	35,946	16.85	9.2%
2013	1,061,117	4.3%	18,351	17.29	4.7%
2014	849,247	3.5%	13,492	15.89	3.5%
2015	967,421	3.9%	18,354	18.97	4.7%
2016	1,060,932	4.3%	17,404	16.40	4.5%
2017 and thereafter	1,966,949	8.0%	29,630	15.06	7.6%
	<u><b>24,554,874</b></u>	<u><b>100.0%</b></u>	<u><b>\$390,204</b></u>	<u><b>\$15.89</b></u>	<u><b>100.0%</b></u>

1/ Annualized Cash Revenue is December, 2006 cash rental revenue (base rent plus operating expense pass through revenue excluding straight-line rental income) multiplied by 12.

2/ Includes 3,000 square feet of leases that are on a month to month basis or 0.0% of total annualized revenue.

3/ Includes 157,000 square feet of leases that are on a month to month basis or 0.3% of total annualized revenue.

4/ Excludes properties recorded on our Balance Sheet that relate to joint ventures properties that are consolidated under GAAP.

Note: 2007 and beyond expirations that have been renewed are reflected above based on the renewal expiration date.



# Office Lease Expirations by Market by Quarter 1/

Dollars in thousands

		Three Months Ended				Total
		03/31/07 2/	06/30/07	09/30/07	12/31/07	
Atlanta	RSF	69,849	62,965	165,123	20,498	318,435
	% of Total Office RSF	0.4%	0.4%	1.0%	0.1%	1.8%
	Annualized Cash Revenue 3/	\$ 855	\$ 1,428	\$ 2,865	\$ 321	\$ 5,469
	% of Total Office Annl Cash Rev	0.3%	0.4%	0.9%	0.1%	1.7%
Columbia	RSF	979	0	0	3,258	4,237
	% of Total Office RSF	0.0%	0.0%	0.0%	0.0%	0.0%
	Annualized Cash Revenue 3/	\$ 14	\$ —	\$ —	\$ 57	\$ 71
	% of Total Office Annl Cash Rev	0.0%	0.0%	0.0%	0.0%	0.0%
Greenville	RSF	6,116	4,849	5,201	0	16,166
	% of Total Office RSF	0.0%	0.0%	0.0%	0.0%	0.1%
	Annualized Cash Revenue 3/	\$ 105	\$ 87	\$ 108	\$ —	\$ 300
	% of Total Office Annl Cash Rev	0.0%	0.0%	0.0%	0.0%	0.1%
Kansas City	RSF	51,845	9,773	20,813	16,189	98,620
	% of Total Office RSF	0.3%	0.1%	0.1%	0.1%	0.6%
	Annualized Cash Revenue 3/	\$ 1,067	\$ 208	\$ 434	\$ 336	\$ 2,045
	% of Total Office Annl Cash Rev	0.3%	0.1%	0.1%	0.1%	0.6%
Memphis	RSF	37,220	15,668	18,629	12,849	84,366
	% of Total Office RSF	0.2%	0.1%	0.1%	0.1%	0.5%
	Annualized Cash Revenue 3/	\$ 1,063	\$ 320	\$ 374	\$ 262	\$ 2,019
	% of Total Office Annl Cash Rev	0.3%	0.1%	0.1%	0.1%	0.6%
Nashville	RSF	49,075	105,782	74,496	12,077	241,430
	% of Total Office RSF	0.3%	0.6%	0.4%	0.1%	1.4%
	Annualized Cash Revenue 3/	\$ 881	\$ 1,593	\$ 1,490	\$ 238	\$ 4,202
	% of Total Office Annl Cash Rev	0.3%	0.5%	0.5%	0.1%	1.3%
Orlando	RSF	2,389	11,607	1,358	6,340	21,694
	% of Total Office RSF	0.0%	0.1%	0.0%	0.0%	0.1%
	Annualized Cash Revenue 3/	\$ 62	\$ 203	\$ 32	\$ 156	\$ 453
	% of Total Office Annl Cash Rev	0.0%	0.1%	0.0%	0.0%	0.1%
Piedmont Triad	RSF	138,294	34,933	11,372	34,674	219,273
	% of Total Office RSF	0.8%	0.2%	0.1%	0.2%	1.3%
	Annualized Cash Revenue 3/	\$ 1,290	\$ 619	\$ 214	\$ 528	\$ 2,651
	% of Total Office Annl Cash Rev	0.4%	0.2%	0.1%	0.2%	0.8%
Raleigh	RSF	115,687	61,331	81,840	37,114	295,972
	% of Total Office RSF	0.6%	0.4%	0.5%	0.2%	1.7%
	Annualized Cash Revenue 3/	\$ 1,969	\$ 1,144	\$ 1,615	\$ 732	\$ 5,460
	% of Total Office Annl Cash Rev	0.6%	0.4%	0.5%	0.2%	1.7%
Richmond	RSF	59,717	27,892	30,460	27,587	145,656
	% of Total Office RSF	0.3%	0.2%	0.2%	0.2%	0.8%
	Annualized Cash Revenue 3/	\$ 1,163	\$ 525	\$ 564	\$ 546	\$ 2,798
	% of Total Office Annl Cash Rev	0.4%	0.2%	0.2%	0.2%	0.9%
Tampa	RSF	18,077	16,507	27,524	31,140	93,248
	% of Total Office RSF	0.1%	0.1%	0.2%	0.2%	0.5%
	Annualized Cash Revenue 3/	\$ 421	\$ 390	\$ 658	\$ 725	\$ 2,194
	% of Total Office Annl Cash Rev	0.1%	0.1%	0.2%	0.2%	0.7%
Other	RSF	1,095	12,707	1,130	0	14,932
	% of Total Office RSF	0.0%	0.1%	0.0%	0.0%	0.1%
	Annualized Cash Revenue 3/	\$ 5	\$ 339	\$ 23	\$ —	\$ 367
	% of Total Office Annl Cash Rev	0.0%	0.1%	0.0%	0.0%	0.1%
Total	RSF	550,343	364,014	437,946	201,726	1,554,029
	% of Total Office RSF	3.1%	2.1%	2.5%	1.2%	8.9%
	Annualized Cash Revenue 3/	\$ 8,895	\$ 6,856	\$ 8,377	\$ 3,901	\$ 28,029
	% of Total Office Annl Cash Rev	2.8%	2.1%	2.6%	1.2%	8.7%

1/ Excludes properties recorded on our Balance Sheet that relate to joint ventures properties that are consolidated under GAAP.

2/ Includes 68,000 square feet of leases that are on a month to month basis or 0.2% of total annualized revenue.

3/ Annualized Cash Revenue is December, 2006 cash rental revenue (base rent plus operating expense pass through revenue excluding

*straight-line rental income) multiplied by 12.*

## Industrial Lease Expirations by Market by Quarter

Dollars in thousands

		Three Months Ended				Total
		03/31/07 1/	06/30/07	09/30/07	12/31/07	
Atlanta	RSF	235,316	36,576	33,600	55,039	360,531
	% of Total Industrial RSF	4.0%	0.6%	0.6%	0.9%	6.1%
	Annualized Cash Revenue 2/	\$ 1,277	\$ 213	\$ 123	\$ 281	\$ 1,894
	% of Total Industrial Annl Cash Rev	4.2%	0.7%	0.4%	0.9%	6.3%
Greenville	RSF	0	16,081	0	0	16,081
	% of Total Industrial RSF	0.0%	0.3%	0.0%	0.0%	0.3%
	Annualized Cash Revenue 2/	\$ —	\$ 212	\$ —	\$ —	\$ 212
	% of Total Industrial Annl Cash Rev	0.0%	0.7%	0.0%	0.0%	0.7%
Kansas City	RSF	0	0	0	0	0
	% of Total Industrial RSF	0.0%	0.0%	0.0%	0.0%	0.0%
	Annualized Cash Revenue 2/	\$ —	\$ —	\$ —	\$ —	\$ —
	% of Total Industrial Annl Cash Rev	0.0%	0.0%	0.0%	0.0%	0.0%
Piedmont Triad	RSF	257,014	193,574	126,755	57,200	634,543
	% of Total Industrial RSF	4.3%	3.3%	2.1%	1.0%	10.7%
	Annualized Cash Revenue 2/	\$ 1,346	\$ 760	\$ 1,156	\$ 440	\$ 3,702
	% of Total Industrial Annl Cash Rev	4.4%	2.5%	3.8%	1.4%	12.1%
Total	RSF	492,330	246,231	160,355	112,239	1,011,155
	% of Total Industrial RSF	8.3%	4.1%	2.7%	1.9%	17.0%
	Annualized Cash Revenue 2/	\$ 2,623	\$ 1,185	\$ 1,279	\$ 721	\$ 5,808
	% of Total Industrial Annl Cash Rev	8.6%	3.9%	4.2%	2.4%	19.1%

1/ Includes 86,000 square feet of leases that are on a month to month basis or 0.1% of total annualized revenue.

2/ Annualized Cash Revenue is December, 2006 cash rental revenue (base rent plus operating expense pass through revenue excluding straight-line rental income) multiplied by 12.

# Office Lease Expirations by Market by Year 1/

Dollars in thousands

		2007 2/	2008	2009	2010	Thereafter
Atlanta	RSF	318,435	365,567	338,354	80,624	1,121,633
	% of Total Office RSF	1.8%	2.1%	2.0%	0.5%	6.5%
	Annualized Cash Revenue 3/	\$ 5,470	\$ 6,272	\$ 5,820	\$ 1,618	\$ 21,171
	% of Total Office Annl Cash Rev	1.7%	1.9%	1.8%	0.5%	6.6%
Columbia	RSF	4,237	69,987	8,409	6,475	33,579
	% of Total Office RSF	0.0%	0.4%	0.0%	0.0%	0.2%
	Annualized Cash Revenue 3/	\$ 71	\$ 1,068	\$ 129	\$ 100	\$ 451
	% of Total Office Annl Cash Rev	0.0%	0.3%	0.0%	0.0%	0.1%
Greenville	RSF	16,166	78,679	60,122	62,986	590,782
	% of Total Office RSF	0.1%	0.5%	0.3%	0.4%	3.4%
	Annualized Cash Revenue 3/	\$ 300	\$ 1,465	\$ 905	\$ 1,034	\$ 9,557
	% of Total Office Annl Cash Rev	0.1%	0.5%	0.3%	0.3%	3.0%
Kansas City	RSF	98,620	80,555	120,971	101,003	330,534
	% of Total Office RSF	0.6%	0.5%	0.7%	0.6%	1.9%
	Annualized Cash Revenue 3/	\$ 2,045	\$ 1,669	\$ 2,403	\$ 2,729	\$ 7,788
	% of Total Office Annl Cash Rev	0.6%	0.5%	0.7%	0.8%	2.4%
Memphis	RSF	84,366	127,831	225,068	206,504	455,208
	% of Total Office RSF	0.5%	0.7%	1.3%	1.2%	2.6%
	Annualized Cash Revenue 3/	\$ 2,019	\$ 2,686	\$ 4,290	\$ 4,197	\$ 8,841
	% of Total Office Annl Cash Rev	0.6%	0.8%	1.3%	1.3%	2.7%
Nashville	RSF	241,430	206,931	685,686	436,527	1,088,935
	% of Total Office RSF	1.4%	1.2%	4.0%	2.5%	6.3%
	Annualized Cash Revenue 3/	\$ 4,201	\$ 4,049	\$ 13,129	\$ 8,588	\$ 20,590
	% of Total Office Annl Cash Rev	1.3%	1.3%	4.1%	2.7%	6.4%
Orlando	RSF	21,694	6,133	6,788	79,163	104,154
	% of Total Office RSF	0.1%	0.0%	0.0%	0.5%	0.6%
	Annualized Cash Revenue 3/	\$ 453	\$ 155	\$ 157	\$ 1,697	\$ 2,139
	% of Total Office Annl Cash Rev	0.1%	0.0%	0.0%	0.5%	0.7%
Piedmont Triad	RSF	219,273	355,696	127,439	196,077	935,161
	% of Total Office RSF	1.3%	2.1%	0.7%	1.1%	5.4%
	Annualized Cash Revenue 3/	\$ 2,651	\$ 5,734	\$ 2,033	\$ 3,002	\$ 13,759
	% of Total Office Annl Cash Rev	0.8%	1.8%	0.6%	0.9%	4.3%
Raleigh	RSF	295,972	399,823	600,774	404,336	1,687,990
	% of Total Office RSF	1.7%	2.3%	3.5%	2.3%	9.7%
	Annualized Cash Revenue 3/	\$ 5,459	\$ 7,509	\$ 11,875	\$ 6,993	\$ 25,345
	% of Total Office Annl Cash Rev	1.7%	2.3%	3.7%	2.2%	7.9%
Richmond	RSF	145,656	250,797	204,517	247,067	1,054,863
	% of Total Office RSF	0.8%	1.4%	1.2%	1.4%	6.1%
	Annualized Cash Revenue 3/	\$ 2,798	\$ 4,637	\$ 3,808	\$ 4,447	\$ 18,870
	% of Total Office Annl Cash Rev	0.9%	1.4%	1.2%	1.4%	5.9%
Tampa	RSF	93,248	186,757	414,414	474,850	1,109,958
	% of Total Office RSF	0.5%	1.1%	2.4%	2.7%	6.4%
	Annualized Cash Revenue 3/	\$ 2,193	\$ 4,004	\$ 8,702	\$ 11,867	\$ 25,264
	% of Total Office Annl Cash Rev	0.7%	1.2%	2.7%	3.7%	7.8%
Other	RSF	14,932	16,318	6,785	27,979	7,491
	% of Total Office RSF	0.1%	0.1%	0.0%	0.2%	0.0%
	Annualized Cash Revenue 3/	\$ 367	\$ 544	\$ 124	\$ 617	\$ 158
	% of Total Office Annl Cash Rev	0.1%	0.2%	0.0%	0.2%	0.0%
Total	RSF	1,554,029	2,145,074	2,799,327	2,323,591	8,520,288
	% of Total Office RSF	9.0%	12.4%	16.1%	13.4%	49.1%
	Annualized Cash Revenue 3/	\$ 28,027	\$ 39,792	\$ 53,375	\$ 46,889	\$ 153,933
	% of Total Office Annl Cash Rev	8.7%	12.4%	16.6%	14.6%	47.8%

1/ Excludes properties recorded on our Balance Sheet that relate to joint ventures properties that are consolidated under GAAP.

2/ Includes 68,000 square feet of leases that are on a month to month basis or 0.2% of total annualized revenue.

3/ Annualized Cash Revenue is December, 2006 cash rental revenue (base rent plus operating expense pass through revenue excluding

*straight-line rental income) multiplied by 12.*

## Industrial Lease Expirations by Market by Year

Dollars in thousands

		2007 1/	2008	2009	2010	Thereafter
Atlanta	RSF	360,531	575,710	340,555	294,369	1,388,085
	% of Total Industrial RSF	6.1%	9.7%	5.7%	5.0%	23.4%
	Annualized Cash Revenue 2/	\$ 1,893	\$ 2,958	\$ 2,156	\$ 1,580	\$ 7,140
	% of Total Industrial Annl Cash Rev	6.2%	9.7%	7.1%	5.2%	23.4%
Greenville	RSF	16,081	5,350	4,794	0	0
	% of Total Industrial RSF	0.3%	0.1%	0.1%	0.0%	0.0%
	Annualized Cash Revenue 2/	\$ 212	\$ 61	\$ 38	\$ —	\$ —
	% of Total Industrial Annl Cash Rev	0.7%	0.2%	0.1%	0.0%	0.0%
Kansas City	RSF	0	0	1,756	0	0
	% of Total Industrial RSF	0.0%	0.0%	0.0%	0.0%	0.0%
	Annualized Cash Revenue 2/	\$ —	\$ —	\$ 20	\$ —	\$ —
	% of Total Industrial Annl Cash Rev	0.0%	0.0%	0.1%	0.0%	0.0%
Piedmont Triad	RSF	634,543	633,326	614,750	264,214	808,717
	% of Total Industrial RSF	10.7%	10.7%	10.3%	4.4%	13.6%
	Annualized Cash Revenue 2/	\$ 3,702	\$ 2,570	\$ 3,012	\$ 1,424	\$ 3,755
	% of Total Industrial Annl Cash Rev	12.1%	8.4%	9.9%	4.7%	12.3%
Total	RSF	1,011,155	1,214,386	961,855	558,583	2,196,802
	% of Total Industrial RSF	17.0%	20.4%	16.2%	9.4%	37.0%
	Annualized Cash Revenue 2/	\$ 5,807	\$ 5,589	\$ 5,226	\$ 3,004	\$ 10,895
	% of Total Industrial Annl Cash Rev	19.0%	18.3%	17.1%	9.8%	35.7%

1/ Includes 86,000 square feet of leases that are on a month to month basis or 0.1% of total annualized revenue.

2/ Annualized Cash Revenue is December, 2006 cash rental revenue (base rent plus operating expense pass through revenue excluding straight-line rental income) multiplied by 12.

# Customer Diversification 1/

December 31, 2006

Dollars in thousands

## Top 20 Customers

Customer	RSF	Annualized Cash Revenue 2/	Percent of Annualized Cash Revenue 2/	Average Remaining Lease Term in Years
Federal Government	1,532,005	\$ 26,486	6.79%	8.1
AT&T	672,986	12,701	3.25%	2.1
Price Waterhouse Coopers	332,931	8,475	2.17%	3.3
State Of Georgia	360,683	7,252	1.86%	3.2
T-Mobile USA	205,855	5,287	1.36%	7.0
Syniverse Technologies	198,750	4,581	1.17%	9.8
US Airways	293,007	3,995	1.02%	0.8
Volvo	278,940	3,974	1.02%	3.3
Lockton Companies	151,076	3,713	0.95%	8.2
Northern Telecom	246,000	3,651	0.94%	1.2
SCI Services	162,784	3,499	0.90%	10.6
Metropolitan Life Insurance	174,944	3,437	0.88%	7.0
BB&T	209,237	3,131	0.80%	5.6
Fluor Enterprises	147,041	2,658	0.68%	4.8
Jacobs Engineering Group	181,794	2,535	0.65%	9.0
Vanderbilt University	126,617	2,386	0.61%	8.8
Lifepoint Corporate Services	122,703	2,351	0.60%	4.5
Wachovia	97,792	2,109	0.54%	3.3
Icon Clinical Research	101,249	2,066	0.53%	6.1
The Martin Agency	118,518	2,038	0.52%	10.3
	<u>5,714,912</u>	<u>\$106,325</u>	<u>27.24%</u>	<u>5.8</u>

## By Industry

Category	Cash Revenue 2/	Percent of Annualized
Professional, Scientific, and Technical Services	21.1%	
Government/Public Administration	9.5%	
Insurance	9.2%	
Finance/Banking	9.0%	
Retail Trade	7.5%	
Telecommunication	7.0%	
Manufacturing	6.9%	
Wholesale Trade	6.1%	
Health Care and Social Assistance	5.5%	
Real Estate Rental and Leasing	3.7%	
Information	2.9%	
Transportation and Warehousing	2.8%	
Accommodation and Food Services	2.8%	
Administrative and Support Services	2.5%	
Other Services (except Public Administration)	2.3%	
Educational Services	1.2%	
	<u>100.0%</u>	

1/ Excludes properties recorded on our Balance Sheet that relate to joint ventures properties that are consolidated under GAAP.

2/ Annualized Cash Revenue is December, 2006 cash rental revenue (base rent plus operating expense pass through revenue excluding straight-line rental income) multiplied by 12.

## Acquisition Activity

*Dollars in thousands*

<u>Name</u>	<u>Market</u>	<u>Type 1/</u>	<u>Date Acquired</u>	<u>Square Footage</u>	<u>Total Cost</u>
<b>First quarter 2006:</b>					
None					
<b>Second quarter 2006:</b>					
None					
<b>Third quarter 2006:</b>					
None					
<b>Fourth quarter 2006:</b>					
Rhodia	Richmond	O	11/01/06	70,000	\$10,725
<b>Fourth quarter totals</b>				<b><u>70,000</u></b>	<b><u>\$10,725</u></b>
<b>2006 totals</b>				<b><u>70,000</u></b>	<b><u>\$10,725</u></b>

*1/ The letter "O" represents Office.*



## Disposition Activity

Dollars in thousands

Name	Market	Type 1/	Date Sold	Square Footage	Occupancy	Gross Sales Price
<b>First quarter 2006:</b>						
Office properties	Atlanta/Columbia/Tampa	O	01/09/06	1,596,000	74.9%	
Industrial properties	Atlanta	I	01/09/06	271,000	72.8%	
				1,867,000	74.6%	\$141,000
Concourse	Raleigh	O	03/30/06	132,000	77.2%	\$ 12,900
<b>First quarter totals</b>				<b>1,999,000</b>	<b>74.8%</b>	<b>\$153,900</b>
<b>Second quarter 2006:</b>						
None				—	—	\$ —
<b>Third quarter 2006:</b>						
Office properties	Raleigh	O	08/29/06	191,000	94.2%	
Industrial properties	Raleigh	I	08/29/06	101,000	63.8%	
				292,000	83.7%	\$ 22,800
<b>Third quarter totals</b>				<b>292,000</b>	<b>83.7%</b>	<b>\$ 22,800</b>
<b>Fourth quarter 2006:</b>						
Shannon Valley	Kansas City	R	10/26/06	105,000	95.3%	\$ 10,525
Office properties	Piedmont Triad	O	11/28/06	70,000	87.1%	
Industrial properties	Piedmont Triad	I	11/28/06	323,000	96.9%	
				393,000	95.2%	\$ 16,525
Bay Vista	Tampa	O	11/29/06	193,000	86.6%	\$ 21,950
<b>Fourth quarter totals</b>				<b>691,000</b>	<b>92.8%</b>	<b>\$ 49,000</b>
<b>2006 totals (wholly-owned only)</b>				<b>2,982,000</b>	<b>79.8%</b>	<b>\$225,700</b>
The Vinings @ University Center 2/	Charlotte	A	11/01/06	156 Units	97.0%	\$ 14,250
<b>2006 totals (including joint ventures) 3/</b>						<b>\$239,950</b>

1/ The letters "O," "I," "R," and "A" represent Office, Industrial, Retail, and Apartments, respectively.

2/ The Vinings properties were owned by a consolidated 50% owned joint venture.

3/ Excludes \$662 thousand of rental unit sales in Kansas City.

## Development Activity

Dollars in thousands

### In - Process

Property	Market	Type 1/	Rentable Square Feet	Anticipated Total Investment	Investment @ 12/31/06	Pre- Leasing	Estimated Completion Date	Estimated Stabilization Date
<b>Office:</b>								
Dept. of Homeland Security	Atlanta	O	91,000	\$ 21,700	\$ 7,587	100%	3Q 07	3Q 07
ThyssenKrupp	Memphis	O	78,000	8,800	9,110	100%	1Q 07	1Q 07
Healthways	Nashville	O	255,000	58,300	14,249	100%	2Q 08	2Q 08
Berkshire	Orlando	O	99,000	13,197	8,680	4%	1Q 07	2Q 08
Glenlake VI	Raleigh	O	122,000	22,600	1,718	14%	1Q 08	3Q 09
RBC Plaza 2/	Raleigh	O	292,000	76,056	6,553	65%	4Q 08	4Q 09
North Shore Commons B	Richmond	O	96,000	13,586	10,019	0%	1Q 07	2Q 08
Highwoods Preserve VII	Tampa	O	115,000	21,245	18,698	100%	1Q 07	4Q 08
Highwoods Baycenter I	Tampa	O	209,000	41,174	15,763	0%	3Q 07	4Q 08
Total or Weighted Average			1,357,000	\$276,658	\$ 92,377	55%		
<b>Industrial:</b>								
Newpoint V	Atlanta	I	263,000	\$ 11,620	\$ 6,248	0%	2Q 07	2Q 08
Enterprise III	Piedmont Triad	I	120,000	5,502	889	0%	3Q 07	4Q 08
Total or Weighted Average			383,000	\$ 17,122	\$ 7,137	0%		
<b>For Sale Residential: 3/</b>						309		
RBC Plaza Condominiums 4/	Raleigh	RC	139 Units	\$ 42,380	\$ 2,336	Reservations	4Q 08	2Q 09
<b>In-Process Total or Weighted Average 4/</b>			<b>1,740,000</b>	<b>\$336,160</b>	<b>\$101,850</b>	<b>43%</b>		
<b>Completed Not Stabilized 5/</b>								
<b>Office:</b>								
Glenlake Four	Raleigh	O	158,000	\$ 26,286	\$ 23,478	72%	3Q 06	1Q 08
Cordoba 6/	Kansas City	O	46,000	6,790	4,376	31%	4Q 06	1Q 08
Stony Point IV	Richmond	O	107,000	13,125	12,208	86%	4Q 06	4Q 07
3330 Healy Rd 6/	Piedmont Triad	O	40,000	4,859	4,192	0%	4Q 06	2Q 07
Cool Springs III	Nashville	O	153,000	22,500	16,917	63%	2Q 06	4Q 07
Total or Weighted Average			504,000	\$ 73,560	\$ 61,171	63%		
<b>Industrial:</b>								
Enterprise II	Piedmont Triad	I	418,000	\$ 15,137	\$ 14,011	44%	4Q 06	4Q 08
<b>Completed Not Stabilized Total or Weighted Average</b>			<b>922,000</b>	<b>\$ 88,697</b>	<b>\$ 75,182</b>	<b>54%</b>		
<b>Grand Total or Weighted Average</b>			<b>2,662,000</b>	<b>\$424,857</b>	<b>\$177,032</b>	<b>47%</b>		

### Placed in Service

Property	Market	Type 1/	In-Service Date	Rentable Square Feet	Investment @ 12/31/06	Occ %	Leasing %
Cordoba 6/	Kansas City	R	9/1/2006	23,000	\$ 8,235	100%	100%
Griffith Rd./Boutique Shops	Piedmont Triad	R	6/1/2006	9,600	2,616	100%	100%
Total or Weighted Average				32,600	\$ 10,851	100%	100%

- 1/ The Letters "O", "I", "R" and "RC" represent: Office, Industrial, Retail and For Sale Residential Condominiums, respectively.
- 2/ Includes ancillary retail space on the ground level of approximately 11,000 square feet.
- 3/ In January 2007 the Company executed a Joint Venture agreement for this development. The Company will have a 93% interest and will consolidate this Joint Venture. The investment amounts shown represent the Company's 93% share.
- 4/ There are currently 309 reservations for the 139 units. Reservations are fully refundable until mid 2007 at which time binding sales contracts will be accepted and non-refundable deposits will be retained. Condo Units and Reservations numbers are not part of In-Process Total or Weighted Average for SF & Pre-Leasing percentage.
- 5/ "Completed Not Stabilized" and Redevelopment properties are recorded in the Consolidated Balance Sheet in the Land and Building accounts, not Development-in-Process.
- 6/ Redevelopment property, the investment amounts shown include original Land and Building basis, in addition to the incremental redevelopment costs.

**Development Land**  
**December 31, 2006**

*Dollars in thousands*

<b>Market</b>	<b>Usable Acres</b>	<b>Total Estimated Market Value</b>
Research Triangle	246	\$ 49,816
Atlanta	140	18,355
Triad	69	16,163
Kansas City	44	19,100
Richmond	44	10,830
Charlotte	41	9,854
Baltimore	39	11,699
Nashville	26	7,386
Tampa	23	8,825
Memphis	21	5,100
Orlando	14	10,800
Greenville	12	1,800
<b>Total 1/ 2/</b>	<b>719</b>	<b>\$ 169,728</b>

1/ Developable square footage on core land holdings, which constitute 435 of the total 719 acres, is approximately 3.9 million of office space and 1.4 million of industrial space.

2/ Includes 108 acres (\$31 million based on expected gross proceeds) included in property held for sale at December 31, 2006.

**Unconsolidated Joint Ventures Assets, Debt and Liabilities**  
December 31, 2006

*Dollars in thousands*

Joint Venture	Type 1/	Own %	Venture's Books		
			Total Assets	Debt	Total Liabilities
Board of Trade Investment Co.	O	49.0%	\$ 6,853	\$ 171	\$ 189
Dallas County Partners I, LP	O/ I	50.0%	39,452	50,258	53,082
Dallas County Partners II, LP	O	50.0%	15,348	18,326	19,688
Dallas County Partners III, LP	O	50.0%	42	—	30
Fountain Three	O/ I / R	50.0%	29,629	33,008	35,159
RRHWoods , LLC	O/ M	50.0%	89,753	77,201	84,402
Kessinger/Hunter, LLC	-	26.5%	8,545	—	390
4600 Madison Associates, LP	O	12.5%	19,179	14,433	14,822
Highwoods DLF 98/29, LP	O	22.8%	131,978	63,914	66,487
Highwoods DLF 97/26 DLF 99/32, LP	O	42.9%	106,554	56,712	59,341
Concourse Center Associates, LLC	O	50.0%	13,749	9,128	9,425
Plaza Colonnade, LLC	O/R	50.0%	74,590	67,904	68,850
Highwoods KC Glenridge Office, LP	O	40.0%	23,318	16,500	16,995
Highwoods KC Glenridge Land, LP	O	40.0%	797	—	81
Highwoods KC Orlando, LLC	O	40.0%	208,848	143,000	148,384
Weston Lakeside, LLC	M	50.0%	31,045	24,897	27,557
<b>Total</b>			<b>\$ 799,680</b>	<b>\$575,452</b>	<b>\$ 604,882</b>

Joint Venture	Type 1/	Own %	Highwoods' Share of Joint Venture		
			Total Assets	Debt	Total Liabilities
Board of Trade Investment Co.	O	49.00%	\$ 3,358	\$ 84	\$ 93
Dallas County Partners I, LP	O/ I	50.00%	19,726	25,129	26,541
Dallas County Partners II, LP	O	50.00%	7,674	9,163	9,844
Dallas County Partners III, LP	O	50.00%	21	—	15
Fountain Three	O/ I / R	50.00%	14,815	16,504	17,580
RRHWoods , LLC	O/ M	50.00%	44,877	38,601	42,201
Kessinger/Hunter, LLC	-	26.50%	2,264	—	103
4600 Madison Associates, LP	O	12.50%	2,397	1,804	1,853
Highwoods DLF 98/29, LP	O	22.81%	30,104	14,579	15,166
Highwoods DLF 97/26 DLF 99/32, LP	O	42.93%	45,744	24,346	25,475
Concourse Center Associates, LLC	O	50.00%	6,875	4,564	4,713
Plaza Colonnade, LLC	O/R	50.00%	37,295	33,952	34,425
Highwoods KC Glenridge Office, LP	O	40.00%	9,327	6,600	6,798
Highwoods KC Glenridge Land, LP	O	40.00%	319	—	32
Highwoods KC Orlando, LLC	O	40.00%	83,539	57,200	59,354
Weston Lakeside, LLC	M	50.00%	15,523	12,449	13,779
<b>Total 2/</b>			<b>\$ 323,858</b>	<b>\$244,975</b>	<b>\$ 257,972</b>

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

2/ Highwoods' share of equity from these tables will not equal Investments in Unconsolidated Affiliates on the Consolidated Balance Sheet due to various purchase accounting and related adjustments as well as negative investment balances reclassified to Liabilities, which are not reflected in the Joint Ventures' stand-alone financial statements.

**Unconsolidated Joint Ventures Income**  
For the Three Months Ended December 31, 2006

Dollars in thousands

Joint Venture	Own %	Venture's Books					
		Revenue	Operating Exp	Interest	Depr/Amort	Loss on Debt Extinguishment	Net Income/(Loss)
Board of Trade Investment Co.	49.00%	\$ 687	\$ 579	\$ 4	\$ 104	\$ —	\$ —
Dallas County Partners I, LP	50.00%	3,277	1,681	831	594	—	171
Dallas County Partners II, LP	50.00%	1,587	718	461	220	—	188
Dallas County Partners III, LP	50.00%	54	53	—	1	—	—
Fountain Three	50.00%	1,935	897	584	395	—	59
RRHWoods , LLC	50.00%	4,069	2,284	968	1,424	—	(607)
Kessinger/Hunter, LLC	26.50%	2,010	1,276	—	152	—	582
4600 Madison Associates, LP	12.50%	1,309	546	252	415	—	96
Highwoods DLF 98/29, LP	22.80%	5,177	1,701	1,085	912	—	1,479
Highwoods DLF 97/26 DLF 99/32, LP	42.93%	4,096	1,309	1,098	1,004	—	685
Concourse Center Associates, LLC	50.00%	534	139	166	83	—	146
Plaza Colonnade, LLC	50.00%	2,253	826	993	528	—	(94)
Highwoods KC Glenridge Office, LP	40.00%	927	385	210	161	—	171
Highwoods KC Glenridge Land, LP	40.00%	—	(12)	—	—	—	12
Highwoods KC Orlando, LLC	40.00%	7,632	3,264	1,881	1,782	—	705
Weston Lakeside, LLC	50.00%	133	231	141	208	—	(447)
<b>Total</b>		<b>\$35,680</b>	<b>\$ 15,877</b>	<b>\$8,674</b>	<b>\$ 7,983</b>	<b>\$ —</b>	<b>\$ 3,146</b>

Joint Venture	Own %	Highwoods' Share of Joint Venture					
		Revenue	Operating Exp	Interest	Depr/Amort	Loss on Debt Extinguishment	Net Income/(Loss)
Board of Trade Investment Co.	49.00%	\$ 337	\$ 284	\$ 2	\$ 51	\$ —	\$ —
Dallas County Partners I, LP	50.00%	1,638	840	415	297	—	86
Dallas County Partners II, LP	50.00%	794	359	230	110	—	95
Dallas County Partners III, LP	50.00%	27	26	—	1	—	—
Fountain Three	50.00%	967	449	292	198	—	28
RRHWoods , LLC	50.00%	2,034	1,142	484	712	—	(304)
Kessinger/Hunter, LLC	26.50%	533	338	—	40	—	155
4600 Madison Associates, LP	12.50%	163	68	31	52	—	12
Highwoods DLF 98/29, LP	22.81%	1,181	388	247	208	—	338
Highwoods DLF 97/26 DLF 99/32, LP	42.93%	1,758	562	472	431	—	293
Concourse Center Associates, LLC	50.00%	267	69	83	41	—	74
Plaza Colonnade, LLC	50.00%	1,127	413	497	264	—	(47)
Highwoods KC Glenridge Office, LP	40.00%	371	154	84	64	—	69
Highwoods KC Glenridge Land, LP	40.00%	—	(4)	—	—	—	4
Highwoods KC Orlando, LLC	40.00%	3,053	1,305	753	713	—	282
Weston Lakeside, LLC	50.00%	67	116	71	104	—	(224)
<b>Total 1/ 2/</b>		<b>\$14,317</b>	<b>\$ 6,509</b>	<b>\$3,661</b>	<b>\$ 3,286</b>	<b>\$ —</b>	<b>\$ 861</b>

- 1/ Highwoods' share of Depreciation and Amortization from these tables will not equal Depreciation and Amortization of Real Estate Assets for Unconsolidated Affiliates on the Statement of Funds from Operations due to various purchase accounting and related adjustments, which are not reflected in the Joint Ventures' stand-alone financial statements.
- 2/ Highwoods' share of Net Income from these tables will not equal Equity in Earnings of Unconsolidated Affiliates on the Consolidated Income Statement due to various purchase accounting and related adjustments, which are not reflected in the Joint Ventures' stand-alone financial statements.

**Unconsolidated Joint Ventures Income**  
For the Year Ended December 31, 2006

Dollars in thousands

Joint Venture	Own %	Venture's Books					Net Income/ (Loss)
		Revenue	Operating Exp	Interest	Depr/Amort	Loss on Debt Extinguishment	
Board of Trade Investment Co.	49.00%	\$ 2,710	\$ 2,038	\$ 21	\$ 517	\$ —	\$ 134
Dallas County Partners I, LP	50.00%	12,110	6,102	2,902	2,269	1,029	(192)
Dallas County Partners II, LP	50.00%	6,079	2,631	1,940	777	—	731
Dallas County Partners III, LP	50.00%	219	218	—	5	—	(4)
Fountain Three	50.00%	7,504	3,461	2,110	1,605	407	(79)
RRHWoods , LLC	50.00%	15,544	8,712	3,843	4,158	12	(1,181)
Kessinger/Hunter, LLC	26.50%	7,381	5,182	—	632	—	1,567
4600 Madison Associates, LP	12.50%	4,841	2,186	1,027	1,616	—	12
Highwoods DLF 98/29, LP	22.80%	20,679	6,618	4,371	3,576	—	6,114
Highwoods DLF 97/26 DLF 99/32, LP	42.93%	16,525	5,198	4,416	4,030	—	2,881
Concourse Center Associates, LLC	50.00%	2,125	536	669	332	—	588
Plaza Colonnade, LLC	50.00%	8,743	3,411	3,975	2,098	—	(741)
Highwoods KC Glenridge Office, LP	40.00%	3,703	1,584	827	645	—	647
Highwoods KC Glenridge Land, LP	40.00%	—	9	2	—	—	(11)
Highwoods KC Orlando, LLC	40.00%	31,215	12,521	7,524	7,814	—	3,356
Weston Lakeside, LLC	50.00%	133	231	141	208	—	(447)
<b>Total</b>		<b>\$139,511</b>	<b>\$ 60,638</b>	<b>\$33,768</b>	<b>\$ 30,282</b>	<b>\$ 1,448</b>	<b>\$ 13,375</b>

Joint Venture	Own %	Highwoods' Share of Joint Venture					Net Income/ (Loss)
		Revenue	Operating Exp	Interest	Depr/Amort	Loss on Debt Extinguishment	
Board of Trade Investment Co.	49.00%	\$ 1,328	\$ 999	\$ 10	\$ 253	\$ —	\$ 66
Dallas County Partners I, LP	50.00%	6,055	3,051	1,451	1,135	514	(96)
Dallas County Partners II, LP	50.00%	3,040	1,316	970	389	—	365
Dallas County Partners III, LP	50.00%	110	109	—	3	—	(2)
Fountain Three	50.00%	3,752	1,731	1,055	803	204	(41)
RRHWoods , LLC	50.00%	7,772	4,356	1,922	2,079	6	(591)
Kessinger/Hunter, LLC	26.50%	1,956	1,373	—	167	—	416
4600 Madison Associates, LP	12.50%	605	273	128	202	—	2
Highwoods DLF 98/29, LP	22.81%	4,717	1,510	997	816	—	1,394
Highwoods DLF 97/26 DLF 99/32, LP	42.93%	7,094	2,232	1,896	1,730	—	1,236
Concourse Center Associates, LLC	50.00%	1,063	268	335	166	—	294
Plaza Colonnade, LLC	50.00%	4,372	1,706	1,988	1,049	—	(371)
Highwoods KC Glenridge Office, LP	40.00%	1,481	634	331	258	—	258
Highwoods KC Glenridge Land, LP	40.00%	—	4	1	—	—	(5)
Highwoods KC Orlando, LLC	40.00%	12,486	5,008	3,010	3,126	—	1,342
Weston Lakeside, LLC	50.00%	67	116	71	104	—	(224)
<b>Total 1/ 2/</b>		<b>\$ 55,898</b>	<b>\$ 24,686</b>	<b>\$14,165</b>	<b>\$ 12,280</b>	<b>\$ 724</b>	<b>\$ 4,043</b>

- 1/ Highwoods' share of Depreciation and Amortization from these tables will not equal Depreciation and Amortization of Real Estate Assets for Unconsolidated Affiliates on the Statement of Funds from Operations due to various purchase accounting and related adjustments, which are not reflected in the Joint Ventures' stand-alone financial statements.
- 2/ Highwoods' share of Net Income from these tables will not equal Equity in Earnings of Unconsolidated Affiliates on the Consolidated Income Statement due to various purchase accounting and related adjustments, which are not reflected in the Joint Ventures' stand-alone financial statements.

# **Joint Ventures Long-Term Debt Detail 1/**

*Dollars in thousands*

Joint Venture	Own %	Lender	Interest Rate	Maturity Date	Loan Balance 12/31/06
Dallas County Partners I, LP	50.0%	Massachusetts Mutual Life Ins. Co.	6.19%	Aug-18	\$ 42,816
Dallas County Partners I, LP	50.0%	Thrivent	8.45%	Aug-10	1,624
Dallas County Partners I, LP	50.0%	Regions	6.30%	Jun-14	3,553
Dallas County Partners I, LP	50.0%	Sun Life	5.92%	Feb-16	1,075
Dallas County Partners I, LP	50.0%	Bankers Trust	8.00%	Jul-11	1,190
			6.31%		50,258
Dallas County Partners II, LP	50.0%	Principal Life Insurance Company	10.19%	Jun-13	18,326
Fountain Three	50.0%	Massachusetts Mutual Life Ins. Co.	6.19%	Aug-18	17,090
Fountain Three	50.0%	Thrivent	7.95%	Oct-10	3,598
Fountain Three	50.0%	Thrivent	7.30%	Apr-09	3,403
Fountain Three	50.0%	Lehman Brothers	8.02%	Jul-09	3,541
Fountain Three	50.0%	Thrivent	7.00%	Sep-12	5,376
			6.82%		33,008
RRHWoods, LLC	50.0%	Industrial Revenue Bonds	3.64%	Nov-15	23,000
RRHWoods, LLC	50.0%	Bank of America	6.80%	Sep-12	26,820
RRHWoods, LLC	50.0%	Industrial Revenue Bonds	2.99%	Sep-15	6,000
RRHWoods, LLC	50.0%	Industrial Revenue Bonds	1.01%	Nov-15	5,500
RRHWoods, LLC	50.0%	Massachusetts Mutual Life Ins. Co.	6.19%	Aug-18	4,728
RRHWoods, LLC	50.0%	Massachusetts Mutual Life Ins. Co.	5.85%	Mar-16	7,600
RRHWoods, LLC	50.0%	Regions	6.30%	Jun-14	3,553
			5.00%		77,201
Plaza Colonnade, LLC	50.0%	Met Life	5.72%	Jan-17	49,409
Plaza Colonnade, LLC	50.0%	Tax Incremental Financing	5.38%	Mar-10	1,818
Plaza Colonnade, LLC	50.0%	Tax Incremental Financing	6.00%	Mar-16	4,394
Plaza Colonnade, LLC	50.0%	Tax Incremental Financing	5.90%	Mar-24	12,283
			5.76%		67,904
4600 Madison Associates, LLC	12.5%	State Farm	6.85%	Apr-18	14,433
Board of Trade Investment Company	49.0%	KC Board of Trade Clearing Corp.	7.75%	Sep-07	171
Highwoods DLF 98/29, LP	22.8%	USG Annuity & Life Company	6.78%	Apr-11	63,914
Highwoods DLF 97/26 DLF 99/32, LP	42.9%	Massachusetts Mutual Life Ins. Co.	7.66%	May-12	56,712
Concourse Center Associates, LLC	50.0%	Lincoln National Life Insurance Co.	6.95%	Jul-10	9,128
Highwoods KC Orlando, LLC	40.0%	Met Life	5.21%	Jul-14	143,000
Highwoods KC Glenridge Office	40.0%	Wachovia	4.84%	Jun-14	16,500
Weston Lakeside, LLC	50.0%	Wachovia	7.10%	Jul-10	24,897
			6.18%		328,755
			<b>6.15%</b>		<b>\$575,452</b>
Highwoods' share of the above					<b>\$244,975</b>

1/ Excludes loans related to two "consolidated" joint ventures.

## Joint Ventures Portfolio Summary

As of December 31, 2006

### Summary by Location:

Market	Rentable Square Feet 1/	Occupancy 2/	Percentage of Annualized Cash Revenue Highwoods' Share Only 3/				
			Office	Industrial	Retail	Multi-Family	Total
Des Moines	2,475,000	93.6%	28.4%	4.2%	1.0%	3.4%	37.0%
Orlando	1,686,000	94.7%	27.2%	—	—	—	27.2%
Atlanta	835,000	95.0%	11.4%	—	—	—	11.4%
Kansas City	721,000	82.2%	8.8%	—	—	—	8.8%
Richmond	413,000	100.0%	5.0%	—	—	—	5.0%
Raleigh	455,000	99.6%	3.7%	—	—	—	3.7%
Piedmont Triad	364,000	100.0%	3.6%	—	—	—	3.6%
Tampa	205,000	100.0%	2.0%	—	—	—	2.0%
Charlotte	148,000	100.0%	0.8%	—	—	—	0.8%
Other	110,000	100.0%	0.5%	—	—	—	0.5%
Total 4/	<u>7,412,000</u>	<u>94.3%</u>	<u>91.4%</u>	<u>4.2%</u>	<u>1.0%</u>	<u>3.4%</u>	<u>100.0%</u>

1/ Excludes Des Moines' apartment units.

2/ Excludes Des Moines' apartment occupancy percentage of 95.9%.

3/ Annualized Cash Revenue is December, 2006 cash rental revenue (base rent plus operating expense pass through revenue excluding straight-line rental income) multiplied by 12.

4/ Includes 618,000 square feet of properties in joint ventures that are consolidated.



# Joint Ventures Lease Expirations

December 31, 2006

Dollars in thousands

Year	Rentable Square Feet Expiring	Percent of Rentable Square Feet	Annualized Cash Revenue 1/	Average Rental Rate	Percent of Annualized Cash Revenue 1/
<b>Total</b>					
2006	682,325	9.7%	\$ 13,895	\$20.36	10.7%
2007	1,341,385	19.2%	24,120	17.98	18.5%
2008	817,777	11.7%	15,895	19.44	12.2%
2009	760,721	10.9%	13,156	17.29	10.1%
2010	897,298	12.8%	15,980	17.81	12.3%
2011	421,695	6.0%	8,859	21.01	6.8%
2012	760,324	10.9%	12,308	16.19	9.5%
2013	388,544	5.5%	8,617	22.18	6.6%
2014	556,965	8.0%	9,108	16.35	7.0%
2015	76,970	1.1%	983	12.77	0.8%
2016 and thereafter	296,828	4.2%	7,202	24.26	5.5%
	<b><u>7,000,832</u></b>	<b><u>100.0%</u></b>	<b><u>\$130,123</u></b>	<b><u>\$18.59</u></b>	<b><u>100.0%</u></b>

1/ Annualized Cash Revenue is December, 2006 cash rental revenue (base rent plus operating expense pass through revenue excluding straight-line rental income) multiplied by 12.

## Joint Venture Development Activity

*Dollars in thousands*

### In-Process

<u>Property</u>	<u>% Ownership</u>	<u>Market</u>	<u>Rentable Square Feet</u>	<u>Anticipated Total Investment</u>	<u>Investment @ 12/31/06</u>	<u>Pre- Leasing</u>	<u>Estimated Completion Date</u>	<u>Estimated Stabilization Date</u>
Brickstone	50%	Des Moines	31,000	\$ 5,149	\$ 4,343	35%	4Q 06	4Q 07
Weston Lakeside 1/	50%	Raleigh	332 Units	33,200	31,104	41%	1Q 07	1Q 08
<b>In-Process Total</b>				<u>\$ 38,349</u>	<u>\$ 35,447</u>			
Highwoods' Share of the above				<u>\$ 19,175</u>	<u>\$ 17,724</u>			

### Placed in Service

<u>Property</u>	<u>% Ownership</u>	<u>Market</u>	<u>In-Service Date</u>	<u>Rentable Square Feet</u>	<u>Investment @ 12/31/06</u>	<u>Occ %</u>
Sonoma	50%	Des Moines	10/01/06	76,000	\$ 9,336	82%
Highwoods Share of the above				<u>38,000</u>	<u>\$ 4,668</u>	

1/ *Estimated completion date is the date the last unit is expected to be delivered, currently there are 136 units leased*