

FOR IMMEDIATE RELEASE

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Highwoods Reports First Quarter 2022 Results

\$0.38 Net Income per Share

\$1.03 FFO per Share

Includes \$0.04 of Land Sale Gains

Signed 658,000 SF of 2nd Gen Leases Including 391,000 SF of New Leases

Achieved GAAP Rent Growth of 14.9% and Weighted Average Term of 6.4 Years

Delivered Quarter-End Occupancy of 91.1%

Grew Same Property Cash NOI by 3.1%

\$283 Million Development Pipeline 55% Pre-Leased

Signed 23,000 SF of 1st Gen Leases

Updates 2022 FFO Outlook to \$3.82 to \$3.98 per Share

Previously \$3.76 to \$3.92 per Share

RALEIGH, NC – April 26, 2022 – Highwoods Properties, Inc. (NYSE:HIW) today reported its first quarter 2022 financial and operating results.

Ted Klinck, President and Chief Executive Officer, stated “*We have once again reported strong financial and operating results. The consistency of our performance prior to and throughout the pandemic validates the resiliency of our portfolio, platform and strategy. In the first quarter, we posted meaningful FFO and same property cash NOI growth. In addition, as demonstrated by the signing of 391,000 square feet of new 2nd gen leases, our leasing activity was healthy with lengthening average lease terms and accelerating GAAP rent growth. Based on our strong first quarter results and healthy business trends across our markets, we are pleased to update our outlook, which includes an increase in FFO, same property NOI growth and year-end occupancy at the respective midpoints.*”



First Quarter 2022 Highlights

Operations:

- Reported net income of \$0.38 per share
- Earned FFO of \$1.03 per share
- Earned FFO of \$0.99 per share excluding land sale gains
- Increased average in-place cash rents 4.2% per square foot year-over-year
- Ended the quarter with in-service occupancy of 91.1%
- Grew year-over-year same property cash NOI 3.1%, excluding the net impact of temporary rent deferrals

Second Generation Leasing Activity:

- Leased 658,000 square feet, including 391,000 square feet of new leases
- Achieved a dollar-weighted average term of 6.4 years
- Delivered GAAP rent growth of +14.9% and cash rent growth of +0.1%

Investment Activity:

- Sold \$9.6 million of non-core land, resulting in \$0.04 per share of land sale gains (included in FFO)

Financing Activity:

- Ended the quarter with a net debt-to-Adjusted EBITDAre ratio of 5.3x
- Maintained ample liquidity with \$640 million available on the Company's \$750 million revolving credit facility
- Issued 130,011 shares of common stock through the Company's ATM program at an average gross sales price of \$46.50 per share, raising net proceeds of \$6.0 million
- Maintained a fortress balance sheet and remained on track to return the balance sheet to mid-year 2021 metrics by mid-2022

Development Activity:

- Leased 23,000 square feet of first generation office space
- \$283 million, 615,000 square foot pipeline is 55% pre-leased

First Quarter 2022 Financial Results

Net income available for common stockholders ("net income") was \$40.3 million, or \$0.38 per diluted share, for the first quarter of 2022. Net income was \$54.5 million, or \$0.52 per diluted share, for the first quarter of 2021. Funds from operations available for common stockholders ("FFO") was \$110.4 million, or \$1.03 per diluted share, for the first quarter of 2022. FFO was \$97.5 million, or \$0.91 per diluted share, for the first quarter of 2021. Except as noted below, the following items were included in the determination of net income and FFO for the three months ended March 31, 2022 and 2021:

	Three Months Ended 3/31/2022		Three Months Ended 3/31/2021	
	(000)	Per Share	(000)	Per Share
Lease Termination Income, Net (1)	\$ 1,472	\$ 0.014	\$ 167	\$ 0.002
Straight-Line Rental Income (1) (2)	6,715	0.062	3,090	0.029
Capitalized Interest	712	0.007	2,724	0.026
Losses on Debt Extinguishment	-	-	(76)	(0.001)
Land Sale Gains	4,100	0.038	-	-
Gains on Disposition of Depreciable Properties (3)	-	-	18,937	0.177

(1) Credit losses on straight-line rent receivables related to lease terminations are reflected as a reduction of lease termination income.

(2) Includes \$0.1 million and \$1.2 million of repayments, net of additional temporary rent deferrals granted by the Company, during the three months ended March 31, 2022 and 2021, respectively.

(3) Not included in the determination of FFO.



2022 Outlook

The Company has updated its full year 2022 FFO outlook to \$3.82 to \$3.98 per share, which compares to the prior range of \$3.76 to \$3.92 per share provided on February 8, 2022. This outlook reflects management's view of current and future market conditions, including assumptions such as asset usage due to the pandemic, rental rates, occupancy levels, operating and general and administrative expenses and weighted average diluted shares outstanding. Given the recent upward movement in the interest rate forward curve, the Company's updated FFO outlook also assumes \$0.02 to \$0.04 per share of higher anticipated interest expense during the remaining three quarters of 2022 compared to interest expense forecasted as of February 8, 2022. The Company's updated outlook also includes anticipated impacts related to the planned sale of \$140 to \$190 million of existing non-core assets projected to close by mid-year 2022 but does not include any effects related to any other potential dispositions and acquisitions that occur after the date of this release. Factors that could cause actual results to differ materially from Highwoods current expectations are discussed below and are also detailed in the Company's 2021 Annual Report on Form 10-K and subsequent SEC reports.

Management's outlook for 2022 includes the following additional assumptions:

	Low	High
Effects Assumed in FFO Outlook:		
Growth in Same Property Cash NOI (1)	0.5%	2.0%
Straight-Line Rental Income	\$25.0M	\$28.0M
G&A Expenses (2)	\$41.0M	\$43.0M
Year-End Occupancy	91.0%	92.5%
Weighted Average Diluted Shares and Units Outstanding (3)	107.6M	108.4M
Planned Building Dispositions	\$140M	\$190M
Anticipated Per Share Impact of Planned Building Dispositions	(\$0.04)	(\$0.06)
Effects Not Assumed in FFO Outlook:		
Other Potential Dispositions	\$0M	\$200M
Potential Acquisitions	\$0M	\$200M
Potential Development Announcements	\$100M	\$250M

- (1) Excludes termination fees and net impact of temporary rent deferrals.
- (2) Includes equity incentive compensation costs, which are expected to aggregate \$7.6 million in 2022 as compared to \$8.6 million in 2021. Under GAAP, certain annual long-term equity grants must be expensed at the grant date for employees who have met the age and service eligibility requirements under the Company's long-standing retirement plan. As a result, first quarter 2022 general and administrative expenses were about \$3.9 million higher than the run rate for the subsequent three quarters because the Company's annual grants were made in March.
- (3) There were 107.7 million diluted shares and units outstanding at March 31, 2022.

Supplemental Information

The Company's first quarter 2022 Supplemental Information, which includes financial, leasing and operational statistics, is available in the "Investors/Financials" section of the Company's website at www.highwoods.com. You may also obtain the Supplemental Information by contacting Highwoods Investor Relations at 800-256-2963 or by e-mail to HIW-IR@highwoods.com.

Conference Call

Tomorrow, Wednesday, April 27th, at 11:00 a.m. Eastern time, Highwoods will host a teleconference call to discuss the matters highlighted in this release. For US/Canada callers, dial (800) 756-3565. A live, listen-only webcast and a subsequent replay can be accessed through the Company's website at www.highwoods.com under the "Investors" section.



Planned Dates for Financial Releases for 2022

The Company has set the following dates for the releases of its 2022 financial results. The quarterly financial releases will be distributed after the market closes and conference call will be held at 11:00 a.m. Eastern time.

Quarter	Tuesday Release	Wednesday Call
Second	July 26	July 27
Third	October 25	October 26

Non-GAAP Information

FFO: 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, amortization and impairments 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. 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, 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 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, amortization and impairment. 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.

Our presentation of FFO is consistent with FFO as defined by NAREIT, which is calculated as follows:

- Net income/(loss) computed in accordance with GAAP;
- Less net income attributable to noncontrolling interests in consolidated affiliates;
- Plus depreciation and amortization of depreciable operating properties;
- Less gains, or plus losses, from sales of depreciable operating properties, plus impairments on depreciable operating properties and excluding items that are classified as extraordinary items under GAAP;
- Plus or minus our share of adjustments, including depreciation and amortization of depreciable operating properties, for unconsolidated joint venture investments (to reflect funds from operations on the same basis); and
- Plus or minus adjustments for depreciation and amortization and gains/(losses) on sales of depreciable operating properties, plus impairments on depreciable operating properties, and noncontrolling interests in consolidated affiliates related to discontinued operations.

In calculating FFO, the Company includes net income attributable to noncontrolling interests in its operating partnership, which we believe is consistent with standard industry practice for REITs that operate through an UPREIT structure. We believe 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. In calculating FFO available for common stockholders and FFO per diluted share, the Company further deducts dividends on preferred stock. The Company's FFO calculations are reconciled to net income in a table included with this release.

Net operating income ("NOI"): We define NOI as "Rental and other revenues" less "Rental property and other expenses". We define cash NOI as NOI less lease termination fees, straight-line rental income, amortization of lease incentives and amortization of acquired above and below market leases. Management believes that NOI and cash NOI are useful supplemental measures of the Company's property operating performance because they provide performance measures of the revenues and expenses directly involved in owning real estate assets and a perspective not immediately apparent from net income or FFO. Other REITs may use different methodologies to calculate NOI and accordingly the Company's NOI may not be comparable to other REITs. The Company's NOI calculations are reconciled to net income in a table included with this release.

Same property NOI: We define same property NOI as NOI for in-service properties that were wholly-owned during the entirety of the periods presented (from January 1, 2021 to March 31, 2022). The Company's same property NOI calculations are reconciled to NOI in a table included with this release.

Earnings before interest, taxes, depreciation and amortization for real estate ("EBITDAre"): Our presentation of EBITDAre is consistent with EBITDAre as defined by NAREIT, which is calculated as follows:

- Net income/(loss) computed in accordance with GAAP;
- Plus interest expense;
- Plus income tax expense;
- Plus depreciation and amortization;
- Less gains, or plus losses, from sales of depreciable operating properties, plus impairments on depreciable operating properties; and
- Plus or minus our share of the same adjustments for unconsolidated joint venture investments.

Management believes EBITDAre is an appropriate supplemental measure to use in ratios that evaluate the Company's liquidity and financial condition and ability to service its long-term debt obligations. Other REITs may use different methodologies to calculate EBITDAre and accordingly the Company's EBITDAre may not be comparable to other REITs. The Company's EBITDAre calculations are reconciled to net income in a table included with this release.

Adjusted earnings before interest, taxes, depreciation and amortization for real estate ("Adjusted EBITDAre") is calculated as follows:

- EBITDAre as defined by NAREIT;
- Less gains, or plus losses, on debt extinguishment;
- Less gains, or plus losses, from sales of non-depreciable properties, plus impairments on non-depreciable properties;
- Plus or minus proforma NOI adjustments assuming any acquisitions, dispositions and developments placed in service within the current period had occurred as of the first day of such period; and
- Plus or minus our share of the same adjustments for unconsolidated joint venture investments.

Management believes Adjusted EBITDAre is an appropriate supplemental measure to use in ratios that evaluate the Company's liquidity and financial condition and ability to service its long-term debt obligations. Other REITs may use different methodologies to calculate Adjusted EBITDAre and



accordingly the Company's Adjusted EBITDAre may not be comparable to other REITs. The Company's Adjusted EBITDAre calculations are reconciled to net income in a table included with this release.

About Highwoods

Highwoods Properties, Inc., headquartered in Raleigh, is a publicly-traded (NYSE:HIW) real estate investment trust ("REIT") and a member of the S&P MidCap 400 Index. The Company is a fully-integrated office REIT that owns, develops, acquires, leases and manages properties primarily in the best business districts (BBDs) of Atlanta, Charlotte, Nashville, Orlando, Pittsburgh, Raleigh, Richmond and Tampa. For more information about Highwoods, please visit our website at www.highwoods.com.

Forward-Looking Statements

Some of the information in this press release may contain forward-looking statements. Such statements include, in particular, statements about our plans, strategies and prospects such as the following: the planned sales of non-core assets and expected pricing and impact with respect to such sales, including the tax impact of such sales; the expected financial and operational results and the related assumptions underlying our expected results, including but not limited to potential losses related to customer difficulties, anticipated building usage and expected economic activity due to COVID-19; the continuing ability to borrow under the Company's revolving credit facility; the anticipated total investment, projected leasing activity, estimated replacement cost and expected net operating income of acquired properties and properties to be developed; and expected future leverage of the Company. You can identify forward-looking statements by our use of forward-looking terminology such as "may," "will," "expect," "anticipate," "estimate," "continue" or other similar words. Although we believe that our plans, intentions and expectations reflected in or suggested by such forward-looking statements are reasonable, we cannot assure you that our plans, intentions or expectations will be achieved.

When considering such forward-looking statements, you should keep in mind important factors that could cause our actual results to differ materially from those contained in any forward-looking statement, including the following: buyers may not be available and pricing may not be adequate with respect to planned dispositions of non-core assets; comparable sales data on which we based our expectations with respect to the sales price of non-core assets may not reflect current market trends; the extent to which the ongoing COVID-19 pandemic impacts our financial condition, results of operations and cash flows depends on future developments, which are highly uncertain and cannot be predicted with confidence, including the scope, severity and duration of the pandemic and its impact on the U.S. economy and potential changes in customer behavior that could adversely affect the use of and demand for office space; the financial condition of our customers could deteriorate or further worsen, which could be further exacerbated by the COVID-19 pandemic; our assumptions regarding potential losses related to customer financial difficulties due to the COVID-19 pandemic could prove incorrect; counterparties under our debt instruments, particularly our revolving credit facility, may attempt to avoid their obligations thereunder, which, if successful, would reduce our available liquidity; we may not be able to lease or re-lease second generation space, defined as previously occupied space that becomes available for lease, quickly or on as favorable terms as old leases; we may not be able to lease newly constructed buildings as quickly or on as favorable terms as originally anticipated; we may not be able to complete development, acquisition, reinvestment, disposition or joint venture projects as quickly or on as favorable terms as anticipated; development activity in our existing markets could result in an excessive supply relative to customer demand; our markets may suffer declines in economic and/or office employment growth; unanticipated increases in interest rates could increase our debt service costs; unanticipated increases in operating expenses could negatively impact our operating results; natural disasters and climate change could have an adverse impact on our cash flow and operating results; we may not be able to meet our liquidity requirements or obtain capital on favorable terms to fund our working capital needs and growth initiatives or repay or refinance outstanding debt upon maturity; and the Company could lose key executive officers.



This list of risks and uncertainties, however, is not intended to be exhaustive. You should also review the other cautionary statements we make in “Risk Factors” set forth in our 2021 Annual Report on Form 10-K. Given these uncertainties, you should not place undue reliance on forward-looking statements. We undertake no obligation to publicly release the results of any revisions to these forward-looking statements to reflect any future events or circumstances or to reflect the occurrence of unanticipated events.

Tables Follow



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

	Three Months Ended March 31,	
	2022	2021
Rental and other revenues	\$ 206,378	\$ 183,805
Operating expenses:		
Rental property and other expenses	61,422	56,189
Depreciation and amortization	69,667	60,927
General and administrative	13,556	9,952
Total operating expenses	144,645	127,068
Interest expense	24,393	19,768
Other income	363	312
Gains on disposition of property	4,100	18,937
Equity in earnings of unconsolidated affiliates	300	637
Net income	42,103	56,855
Net (income) attributable to noncontrolling interests in the Operating Partnership	(965)	(1,493)
Net (income) attributable to noncontrolling interests in consolidated affiliates	(257)	(281)
Dividends on Preferred Stock	(621)	(622)
Net income available for common stockholders	\$ 40,260	\$ 54,459
Earnings per Common Share - basic:		
Net income available for common stockholders	\$ 0.38	\$ 0.52
Weighted average Common Shares outstanding - basic	104,933	103,963
Earnings per Common Share - diluted:		
Net income available for common stockholders	\$ 0.38	\$ 0.52
Weighted average Common Shares outstanding - diluted	107,453	106,810

Highwoods Properties, Inc.
Consolidated Balance Sheets
(Unaudited and in thousands, except share and per share data)

	March 31, 2022	December 31, 2021
Assets:		
Real estate assets, at cost:		
Land	\$ 548,190	\$ 549,228
Buildings and tenant improvements	5,735,759	5,718,169
Development in-process	11,928	6,890
Land held for development	211,512	215,257
	6,507,389	6,489,544
Less-accumulated depreciation	(1,502,901)	(1,457,511)
Net real estate assets	5,004,488	5,032,033
Real estate and other assets, net, held for sale	6,031	3,518
Cash and cash equivalents	18,669	23,152
Restricted cash	14,070	8,046
Accounts receivable	17,888	14,002
Mortgages and notes receivable	1,203	1,227
Accrued straight-line rents receivable	275,133	268,324
Investments in and advances to unconsolidated affiliates	14,275	7,383
Deferred leasing costs, net of accumulated amortization of \$149,486 and \$143,111, respectively	252,207	258,902
Prepaid expenses and other assets, net of accumulated depreciation of \$19,515 and \$21,408, respectively	81,153	78,551
Total Assets	\$ 5,685,117	\$ 5,695,138
Liabilities, Noncontrolling Interests in the Operating Partnership and Equity:		
Mortgages and notes payable, net	\$ 2,827,898	\$ 2,788,915
Accounts payable, accrued expenses and other liabilities	250,128	294,976
Total Liabilities	3,078,026	3,083,891
Commitments and contingencies		
Noncontrolling interests in the Operating Partnership	114,570	111,689
Equity:		
Preferred Stock, \$.01 par value, 50,000,000 authorized shares; 8.625% Series A Cumulative Redeemable Preferred Shares (liquidation preference \$1,000 per share), 28,821 shares issued and outstanding	28,821	28,821
Common Stock, \$.01 par value, 200,000,000 authorized shares; 105,143,984 and 104,892,780 shares issued and outstanding, respectively	1,051	1,049
Additional paid-in capital	3,034,155	3,027,861
Distributions in excess of net income available for common stockholders	(591,780)	(579,616)
Accumulated other comprehensive loss	(988)	(973)
Total Stockholders' Equity	2,471,259	2,477,142
Noncontrolling interests in consolidated affiliates	21,262	22,416
Total Equity	2,492,521	2,499,558
Total Liabilities, Noncontrolling Interests in the Operating Partnership and Equity	\$ 5,685,117	\$ 5,695,138

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

	Three Months Ended	
	March 31,	
	2022	2021
Funds from operations:		
Net income	\$ 42,103	\$ 56,855
Net (income) attributable to noncontrolling interests in consolidated affiliates	(257)	(281)
Depreciation and amortization of real estate assets	68,992	60,228
(Gains) on disposition of depreciable properties	-	(18,937)
Unconsolidated affiliates:		
Depreciation and amortization of real estate assets	183	218
Funds from operations	<u>111,021</u>	<u>98,083</u>
Dividends on Preferred Stock	(621)	(622)
Funds from operations available for common stockholders	<u>\$ 110,400</u>	<u>\$ 97,461</u>
Funds from operations available for common stockholders per share	<u>\$ 1.03</u>	<u>\$ 0.91</u>
Weighted average shares outstanding ⁽¹⁾	<u>107,453</u>	<u>106,810</u>

(1) Includes assumed conversion of all potentially dilutive Common Stock equivalents.

Highwoods Properties, Inc.
Net Operating Income Reconciliation
(Unaudited and in thousands)

	Three Months Ended	
	March 31,	
	2022	2021
Net income	\$ 42,103	\$ 56,855
Equity in earnings of unconsolidated affiliates	(300)	(637)
Gains on disposition of property	(4,100)	(18,937)
Other income	(363)	(312)
Interest expense	24,393	19,768
General and administrative expenses	13,556	9,952
Depreciation and amortization	<u>69,667</u>	<u>60,927</u>
Net operating income	144,956	127,616
Non same property and other net operating income	<u>(21,084)</u>	<u>(7,252)</u>
Same property net operating income	<u>\$ 123,872</u>	<u>\$ 120,364</u>
Same property net operating income	\$ 123,872	\$ 120,364
Lease termination fees, straight-line rent and other non-cash adjustments (1)	<u>(4,539)</u>	<u>(3,580)</u>
Same property cash net operating income	<u>\$ 119,333</u>	<u>\$ 116,784</u>

(1) Includes \$0.1 million and \$1.2 million of repayments of temporary rent deferrals, net of additional temporary rent deferrals granted by the Company, during the three months ended March 31, 2022 and March 31, 2021, respectively.

Highwoods Properties, Inc.
Net Debt-to-Adjusted EBITDAre
(Unaudited and in thousands, except ratios)

	Three Months Ended	
	March 31,	
	2022	2021
Net debt-to-Adjusted EBITDAre:		
Net income	\$ 42,103	\$ 56,855
Interest expense	24,393	19,768
Depreciation and amortization	69,667	60,927
(Gains) on disposition of depreciable properties	-	(18,937)
Adjustments to reflect our share of EBITDAre from unconsolidated affiliates	454	526
EBITDAre	\$ 136,617	\$ 119,139
Losses on debt extinguishment	-	76
(Gains) on disposition of non-depreciable properties	(4,100)	-
Proforma NOI adjustments for property changes within period	-	1,085
Adjustments to reflect our share of Adjusted EBITDAre from unconsolidated affiliates	-	-
Adjusted EBITDAre (1)	\$ 132,517	\$ 120,300
Adjusted EBITDAre (annualized) (1) (2)	\$ 530,068	\$ 476,658
Mortgages and notes payable (3)	\$ 2,852,122	\$ 2,498,127
Less - cash and cash equivalents and 1031 restricted cash (3)	(32,246)	(52,978)
Net debt (4)	\$ 2,819,876	\$ 2,445,149
Preferred Stock	28,821	28,826
Net debt plus Preferred Stock	\$ 2,848,697	\$ 2,473,975
Net debt-to-Adjusted EBITDAre (5)	5.32x	5.13x
Net debt plus Preferred Stock-to-Adjusted EBITDAre (6)	5.37x	5.19x

(1) Adjusted EBITDAre is calculated as EBITDAre adjusted for gains or losses on debt extinguishment and land sales, land impairments, proforma NOI adjustments for property changes within period and our share of the same adjustments for unconsolidated affiliates. "Proforma NOI adjustments for property changes within period" means proforma NOI adjustments assuming any acquisitions, dispositions and developments placed in service within the current period had occurred as of the first day of such period.

(2) Adjusted EBITDAre (annualized) is Adjusted EBITDAre multiplied by four. Certain period specific items are not annualized.

(3) Includes our share of unconsolidated affiliates.

(4) Net debt is calculated as mortgages and notes payable at quarter-end less cash and cash equivalents and 1031 restricted cash at quarter-end.

(5) Net debt at quarter-end divided by Adjusted EBITDAre (annualized).

(6) Net debt plus Preferred Stock at quarter-end divided by Adjusted EBITDAre (annualized).