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Highwoods Reports Third Quarter 2022 Results

$0.36 Net Income per Share
$1.04 FFO per Share

Includes $0.07 of Net Land Sale Gains
Signed 1,035,000 SF of 2nd Gen Leases Including 518,000 SF of New Leases
Achieved GAAP Rent Growth of 13.4% and Weighted Average Term of 7.4 Years
Substantially Backfilled Largest 2023 Lease Expiration

Acquired SIX50 at Legacy Union in Charlotte for $203M

Sold $23M Mixed-Use Land Parcel in Richmond

$533M Total Development Pipeline (at HIW Share)

Placed in Service $38M, 100% Leased Virginia Springs II in Nashville

Announces Development of Four Morrocroft in Charlotte

$12M, 100% Pre-Leased Boutique Office Building

Updates 2022 FFO Outlook to $4.02 to $4.04 per Share

Previously $3.92 to $4.00 per Share
Projects 0.5% to 2.0% Growth in Same Property Cash NOI

RALEIGH, NC – October 25, 2022 – Highwoods Properties, Inc. (NYSE:HIW) today reported its third quarter 2022 financial and operating results.

Ted Klinck, President and Chief Executive Officer, stated *"Our third quarter performance reflects the strong activity we continue to see across our markets. We leased over one million square feet of second gen office, including 518,000 square feet of new leases, our highest volume of new leasing since 2014, with net effective rents that were more than 20% above our prior five-quarter average. Importantly, we substantially backfilled our largest 2023 lease expiration. In addition to healthy operating metrics, we once again delivered excellent financial results, with FFO of $1.04 per share, and continued to* *strengthen our cash flows. This strong performance validates the ongoing quality and resiliency of our portfolio, platform and strategy."*

Third Quarter 2022 Highlights

Operations:

- Reported net income of $0.36 per share
- Earned FFO of $1.04 per share
    - Generated $0.07 per share of net land sale gains
- Increased average in-place cash rents 5.9% per square foot year-over-year
- Ended the quarter with in-service occupancy of 90.7%

Second Generation Leasing Activity:

- Leased 1,035,000 square feet, including 518,000 square feet of new leases
- Achieved a dollar-weighted average term of 7.4 years
- Delivered GAAP rent growth of +13.4% and cash rent growth of +0.3%
- Garnered net effective rents 22.4% higher than the prior five-quarter average

Investment Activity:

- Acquired SIX50 at Legacy Union, a 367,000 square foot office property in Uptown Charlotte, for $203 million
- Sold a $23 million mixed-use land parcel in Richmond

Development Activity:

- Placed in service Virginia Springs II, a 111,000 square foot, $38 million, 100% leased office property in Nashville
- Announces Four Morrocroft, an 18,000 square foot, $12 million, 100% pre-leased boutique office development in Charlotte
- Current total development pipeline is $533 million (at HIW share) encompassing 1.6 million square feet that is 29.8% pre-leased on a dollar-weighted basis
    - $57 million (at HIW share) of completed, not stabilized development is 92.5% leased

Financing Activity:

- Ended the quarter with a net debt-to-Adjusted EBITDA*re* ratio of 5.6x
- Maintained ample liquidity with $640 million available on the Company's $750 million revolving credit facility at quarter-end

Subsequent to Quarter-End Financing Activity:

- Obtained a $200 million unsecured bank term loan scheduled to mature in October 2025, including a one-year extension option
- Prepaid without penalty $250 million of unsecured notes that were scheduled to mature in January 2023, the Company's last remaining debt maturity until the fourth quarter of 2025

Third Quarter 2022 Financial Results

Net income available for common stockholders (“net income”) was $38.3 million, or $0.36 per diluted share, for the third quarter of 2022. Net income was $72.1 million, or $0.69 per diluted share, for the third quarter of 2021. Funds from operations available for common stockholders (“FFO”) was $111.6 million, or $1.04 per diluted share, for the third quarter of 2022. FFO was $102.8 million, or $0.96 per share, in the third quarter of 2021.

Net income was $129.0 million, or $1.23 per diluted share, for the nine months ended September 30, 2022. Net income was $185.9 million, or $1.79 per diluted share, for the nine months ended September 30, 2021. FFO was $330.2 million, or $3.07 per diluted share, for the nine months ended September 30, 2022. FFO was $299.8 million, or $2.80 per share, for the nine months ended September 30, 2021.

Except as noted below, the following items were included in the determination of net income and FFO for the three and nine months ended September 30, 2022 and 2021:

	Three Months Ended 9/30/2022		Three Months Ended 9/30/2021	
	(000)	Per Share	(000)	Per Share
Lease Termination Income, Net (1)	$ 1,166	$ 0.011	$ 110	$ 0.001
Straight-Line Rental Income (1) (2)	7,927	0.074	5,737	0.054
Capitalized Interest	1,035	0.010	2,995	0.028
Land Sale Gains (4)	9,402	0.087	632	0.006
Gains on Disposition of Depreciable Properties (3)	-	-	37,309	0.348
Land Impairments	(1,515)	(0.014)	-	-

	Nine Months Ended 9/30/2022		Nine Months Ended 9/30/2021	
	(000)	Per Share	(000)	Per Share
Lease Termination Income, Net (1)	$ 3,200	$ 0.030	$ 336	$ 0.003
Straight-Line Rental Income (1) (2)	19,521	0.181	12,487	0.117
Capitalized Interest	2,438	0.023	8,620	0.081
Losses on Debt Extinguishment	-	-	(134)	(0.001)
Land Sale Gains (4)	15,739	0.146	632	0.006
Gains on Disposition of Depreciable Properties (3)	47,807	0.444	79,108	0.740
Impairments of Depreciable Properties (3)	(35,000)	(0.325)	-	-
Land Impairments	(1,515)	(0.014)	-	-

(1) Credit losses on straight-line rent receivables related to lease terminations are reflected as a reduction of lease income.
(2) Includes $0.4 million and $0.2 million of temporary rent deferrals granted by the Company, net of repayments, during the three and nine months ended September 30, 2022, respectively. Includes $0.4 million and $2.5 million of repayments of temporary rent deferrals, net of additional temporary rent deferrals granted by the Company, during the three and nine months ended September 30, 2021, respectively.
(3) Not included in the determination of FFO.
(4) $0.6M non-controlling interest on land sold in 2021 by our 50% owned consolidated joint venture in Richmond.

2022 Outlook

The Company updated its full year 2022 FFO outlook to $4.02 to $4.04 per share, which compares to the prior range of $3.92 to $4.00 per share provided on July 26, 2022. This outlook also reflects the impact of higher anticipated interest rates and the early repayment in the fourth quarter of the January 2023 unsecured notes, which reduced the outlook by approximately $0.01 to $0.02 per share compared to the prior outlook provided in July, as well as management's view of current and future market conditions, including assumptions such as asset usage, rental rates, occupancy levels, operating and general and administrative expenses and weighted average diluted shares outstanding. The Company's updated FFO outlook does not include any effects related to potential dispositions or acquisitions that may 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
Growth in Same Property Cash NOI (1)	0.5%	2.0%
Straight-Line Rental Income	$26.5M	$27.5M
G&A Expenses	$41.5M	$43.0M
Year-End Occupancy	91.0%	92.0%
Weighted Average Diluted Shares and Units Outstanding (2)	107.6M	107.6M
Dispositions	$133M	$200M
Acquisitions	$203M	$300M
Development Announcements	$382M	$450M

(1) Excludes termination fees and net impact of temporary rent deferrals.
(2) There were 107.6 million diluted shares and units outstanding at September 30, 2022.

Supplemental Information

The Company's third 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, October 26th, 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 in 2023

The Company has set the following dates for the releases of its financial results for the fourth quarter 2022 and first, second and third quarters of 2023. The quarterly financial releases will be distributed after the market closes and the conference call will be held at 11:00 a.m. Eastern time.

Quarter	Tuesday Release	Wednesday Call
Fourth	February 7	February 8
First	April 25	April 26
Second	July 25	July 26
Third	October 24	October 25

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 September 30, 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, Dallas, Nashville, Orlando, 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 expected financial and operational results and the related assumptions underlying our expected results; 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 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.

Factors that could cause our actual results to differ materially from Highwoods’ current expectations include, among others, 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 or otherwise 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 September 30,		Nine Months Ended September 30,	
	2022	2021	2021	2021
Rental and other revenues	$ 206,997	$ 195,495	$ 617,216	$ 564,802
Operating expenses:				
Rental property and other expenses	66,334	60,567	190,125	172,982
Depreciation and amortization	73,057	66,547	212,466	189,423
Impairments of real estate assets	1,515	-	36,515	-
General and administrative	9,586	10,350	32,733	30,409
Total operating expenses	150,492	137,464	471,839	392,814
Interest expense	26,392	21,986	75,812	60,755
Other income	138	424	621	1,068
Gains on disposition of property	9,402	38,572	63,546	80,371
Equity in earnings of unconsolidated affiliates	457	546	1,083	1,614
Net income	40,110	75,587	134,815	194,286
Net (income) attributable to noncontrolling interests in the Operating Partnership	(881)	(1,967)	(3,049)	(5,084)
Net (income) attributable to noncontrolling interests in consolidated affiliates	(357)	(894)	(880)	(1,469)
Dividends on Preferred Stock	(621)	(621)	(1,864)	(1,864)
Net income available for common stockholders	$ 38,251	$ 72,105	$ 129,022	$ 185,869
Earnings per Common Share - basic:				
Net income available for common stockholders	$ 0.36	$ 0.69	$ 1.23	$ 1.79
Weighted average Common Shares outstanding - basic	105,184	104,277	105,094	104,117
Earnings per Common Share - diluted:				
Net income available for common stockholders	$ 0.36	$ 0.69	$ 1.23	$ 1.79
Weighted average Common Shares outstanding - diluted	107,601	107,139	107,570	106,972

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

	September 30, 2022	December 31, 2021
Assets:		
Real estate assets, at cost:		
Land	$ 548,720	$ 549,228
Buildings and tenant improvements	5,867,137	5,718,169
Development in-process	29,774	6,890
Land held for development	231,911	215,257
	6,677,542	6,489,544
Less-accumulated depreciation	(1,562,374)	(1,457,511)
Net real estate assets	5,115,168	5,032,033
Real estate and other assets, net, held for sale	-	3,518
Cash and cash equivalents	23,055	23,152
Restricted cash	6,038	8,046
Accounts receivable	24,589	14,002
Mortgages and notes receivable	1,103	1,227
Accrued straight-line rents receivable	284,515	268,324
Investments in and advances to unconsolidated affiliates	88,974	7,383
Deferred leasing costs, net of accumulated amortization of $157,205 and $143,111, respectively	255,831	258,902
Prepaid expenses and other assets, net of accumulated depreciation of $20,753 and $21,408, respectively	71,278	78,551
Total Assets	$ 5,870,551	$ 5,695,138
Liabilities, Noncontrolling Interests in the Operating Partnership and Equity:		
Mortgages and notes payable, net	$ 2,973,369	$ 2,788,915
Accounts payable, accrued expenses and other liabilities	307,294	294,976
Total Liabilities	3,280,663	3,083,891
Commitments and contingencies		
Noncontrolling interests in the Operating Partnership	64,219	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;		
105,197,658 and 104,892,780 shares issued and outstanding, respectively	1,052	1,049
Additional paid-in capital	3,083,229	3,027,861
Distributions in excess of net income available for common stockholders	(608,181)	(579,616)
Accumulated other comprehensive loss	(1,137)	(973)
Total Stockholders' Equity	2,503,784	2,477,142
Noncontrolling interests in consolidated affiliates	21,885	22,416
Total Equity	2,525,669	2,499,558
Total Liabilities, Noncontrolling Interests in the Operating Partnership and Equity	$ 5,870,551	$ 5,695,138

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	**2021**	**2022**	**2021**
Funds from operations:				
Net income	$ 40,110	$ 75,587	$ 134,815	$ 194,286
Net (income) attributable to noncontrolling interests in consolidated affiliates	(357)	(894)	(880)	(1,469)
Depreciation and amortization of real estate assets	72,323	65,823	210,362	187,344
Impairments of depreciable properties	-	-	35,000	-
(Gains) on disposition of depreciable properties	-	(37,309)	(47,807)	(79,108)
Unconsolidated affiliates:				
Depreciation and amortization of real estate assets	181	185	548	584
Funds from operations	112,257	103,392	332,038	301,637
Dividends on Preferred Stock	(621)	(621)	(1,864)	(1,864)
Funds from operations available for common stockholders	$ 111,636	$ 102,771	$ 330,174	$ 299,773
Funds from operations available for common stockholders per share	$ 1.04	$ 0.96	$ 3.07	$ 2.80
Weighted average shares outstanding (1)	107,601	107,139	107,570	106,972

(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 September 30,		Nine Months Ended September 30,	
	2022	**2021**	**2022**	**2021**
Net income	$ 40,110	$ 75,587	$ 134,815	$ 194,286
Equity in earnings of unconsolidated affiliates	(457)	(546)	(1,083)	(1,614)
Gains on disposition of property	(9,402)	(38,572)	(63,546)	(80,371)
Other income	(138)	(424)	(621)	(1,068)
Interest expense	26,392	21,986	75,812	60,755
General and administrative expenses	9,586	10,350	32,733	30,409
Impairments of real estate assets	1,515	-	36,515	-
Depreciation and amortization	73,057	66,547	212,466	189,423
Net operating income	140,663	134,928	427,091	391,820
Non same property and other net operating income	(22,018)	(16,925)	(66,899)	(35,293)
Same property net operating income	$ 118,645	$ 118,003	$ 360,192	$ 356,527
Same property net operating income	$ 118,645	$ 118,003	$ 360,192	$ 356,527
Lease termination fees, straight-line rent and other non-cash adjustments (1)	(5,401)	(2,809)	(11,952)	(10,291)
Same property cash net operating income	$ 113,244	$ 115,194	$ 348,240	$ 346,236

(1) Includes $0.3 million and $0.1 million of temporary rent deferrals granted by the Company, net of repayments, during the three and nine months ended September 30, 2022, respectively. Includes $0.4 million and $2.4 million of repayments of temporary rent deferrals, net of additional temporary rent deferrals granted by the Company, during the three and nine months ended September 30, 2021, respectively.

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

	Three Months Ended September 30,	
	2022	2021
Net debt-to-Adjusted EBITDAre:		
Net income	$ 40,110	$ 75,587
Interest expense	26,392	21,986
Depreciation and amortization	73,057	66,547
(Gains) on disposition of depreciable properties	-	(37,309)
Impairments of depreciable properties	-	-
Adjustments to reflect our share of EBITDAre from unconsolidated affiliates	448	472
EBITDAre	$ 140,007	$ 127,283
Losses on debt extinguishment	-	-
(Gains) on disposition of non-depreciable properties	(9,402)	(1,263)
Impairments of non-depreciable properties	1,515	-
Proforma NOI adjustments for property changes within period	-	6,191
Adjustments to reflect our share of Adjusted EBITDAre from unconsolidated affiliates	(219)	(220)
Adjusted EBITDAre (1)	$ 131,901	$ 131,991
Adjusted EBITDAre (annualized) (1) (2)	$ 527,604	$ 527,964
Mortgages and notes payable (3)	$ 2,997,006	$ 2,967,486
Less - cash and cash equivalents and 1031 restricted cash (3)	(43,647)	(31,424)
Net debt (4)	$ 2,953,359	$ 2,936,062
Preferred Stock	28,821	28,821
Net debt plus Preferred Stock	$ 2,982,180	$ 2,964,883
Net debt-to-Adjusted EBITDAre (5)	5.60x	5.56x
Net debt plus Preferred Stock-to-Adjusted EBITDAre (6)	5.65x	5.62x

(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).