

HIGHWOODS PROPERTIES INC  
Form 10-Q  
October 28, 2014

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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FORM 10-Q

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

For the quarterly period ended September 30, 2014

HIGHWOODS PROPERTIES, INC.

(Exact name of registrant as specified in its charter)

Maryland	001-13100	56-1871668
(State or other jurisdiction of incorporation or organization)	(Commission File Number)	(I.R.S. Employer Identification Number)

HIGHWOODS REALTY LIMITED PARTNERSHIP

(Exact name of registrant as specified in its charter)

North Carolina	000-21731	56-1869557
(State or other jurisdiction of incorporation or organization)	(Commission File Number)	(I.R.S. Employer Identification Number)

3100 Smoketree Court, Suite 600

Raleigh, NC 27604

(Address of principal executive offices) (Zip Code)

919-872-4924

(Registrants' telephone number, including area code)

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Highwoods Properties, Inc. Yes  No  Highwoods Realty Limited Partnership Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Highwoods Properties, Inc. Yes  No  Highwoods Realty Limited Partnership Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of 'large accelerated filer,' 'accelerated filer' and 'smaller reporting company' in Rule 12b-2 of the Securities Exchange Act.

Highwoods Properties, Inc.

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Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company   
Highwoods Realty Limited Partnership  
Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act).

Highwoods Properties, Inc. Yes  No  Highwoods Realty Limited Partnership Yes  No

The Company had 91,270,024 shares of Common Stock outstanding as of October 20, 2014.

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## EXPLANATORY NOTE

We refer to Highwoods Properties, Inc. as the “Company,” Highwoods Realty Limited Partnership as the “Operating Partnership,” the Company’s common stock as “Common Stock” or “Common Shares,” the Company’s preferred stock as “Preferred Stock” or “Preferred Shares,” the Operating Partnership’s common partnership interests as “Common Units” and the Operating Partnership’s preferred partnership interests as “Preferred Units.” References to “we” and “our” mean the Company and the Operating Partnership, collectively, unless the context indicates otherwise.

The Company conducts its activities through the Operating Partnership and is its sole general partner. The partnership agreement provides that the Operating Partnership will assume and pay when due, or reimburse the Company for payment of, all costs and expenses relating to the ownership and operations of, or for the benefit of, the Operating Partnership. The partnership agreement further provides that all expenses of the Company are deemed to be incurred for the benefit of the Operating Partnership.

Certain information contained herein is presented as of October 20, 2014, the latest practicable date for financial information prior to the filing of this Quarterly Report.

This report combines the Quarterly Reports on Form 10-Q for the period ended September 30, 2014 of the Company and the Operating Partnership. We believe combining the quarterly reports into this single report results in the following benefits:

- combined reports better reflect how management and investors view the business as a single operating unit;

- combined reports enhance investors' understanding of the Company and the Operating Partnership by enabling them to view the business as a whole and in the same manner as management;

- combined reports are more efficient for the Company and the Operating Partnership and result in savings in time, effort and expense; and

- combined reports are more efficient for investors by reducing duplicative disclosure and providing a single document for their review.

To help investors understand the significant differences between the Company and the Operating Partnership, this report presents the following separate sections for each of the Company and the Operating Partnership:

- Consolidated Financial Statements;

- the following Notes to Consolidated Financial Statements:

- Note 8 - Noncontrolling Interests; and

- Note 13 - Earnings Per Share and Per Unit;

- Item 4 - Controls and Procedures; and

- Item 6 - Certifications of CEO and CFO Pursuant to Sections 302 and 906 of the Sarbanes-Oxley Act.



HIGHWOODS PROPERTIES, INC.  
HIGHWOODS REALTY LIMITED PARTNERSHIP

QUARTERLY REPORT FOR THE PERIOD ENDED SEPTEMBER 30, 2014

TABLE OF CONTENTS

	Page
PART I - FINANCIAL INFORMATION	
ITEM 1. <u>FINANCIAL STATEMENTS (unaudited)</u>	4
<u>HIGHWOODS PROPERTIES, INC.:</u>	
<u>Consolidated Balance Sheets at September 30, 2014 and December 31, 2013</u>	4
<u>Consolidated Statements of Income for the Three and Nine Months Ended September 30, 2014 and 2013</u>	4
<u>Consolidated Statements of Comprehensive Income for the Three and Nine Months Ended September 30, 2014 and 2013</u>	5
<u>Consolidated Statements of Equity for the Nine Months Ended September 30, 2014 and 2013</u>	6
<u>Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2014 and 2013</u>	7
<u>HIGHWOODS REALTY LIMITED PARTNERSHIP:</u>	
<u>Consolidated Balance Sheets at September 30, 2014 and December 31, 2013</u>	9
<u>Consolidated Statements of Income for the Three and Nine Months Ended September 30, 2014 and 2013</u>	10
<u>Consolidated Statements of Comprehensive Income for the Three and Nine Months Ended September 30, 2014 and 2013</u>	11
<u>Consolidated Statements of Capital for the Nine Months Ended September 30, 2014 and 2013</u>	11
<u>Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2014 and 2013</u>	12
<u>NOTES TO CONSOLIDATED FINANCIAL STATEMENTS</u>	14
ITEM 2. <u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	33
<u>Disclosure Regarding Forward-Looking Statements</u>	33
<u>Executive Summary</u>	34
<u>Results of Operations</u>	35
<u>Liquidity and Capital Resources</u>	38
<u>Critical Accounting Estimates</u>	41
<u>Non-GAAP Information</u>	41
ITEM 3. <u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	45
ITEM 4. <u>CONTROLS AND PROCEDURES</u>	45
PART II - OTHER INFORMATION	
ITEM 6. <u>EXHIBITS</u>	46

Table of Contents

## PART I - FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

## HIGHWOODS PROPERTIES, INC.

## Consolidated Balance Sheets

(Unaudited and in thousands, except share and per share data)

	September 30, 2014	December 31, 2013
Assets:		
Real estate assets, at cost:		
Land	\$ 386,333	\$ 393,602
Buildings and tenant improvements	3,756,655	3,748,869
Development in process	184,238	44,621
Land held for development	89,010	110,374
	4,416,236	4,297,466
Less-accumulated depreciation	(1,013,071 )	(985,244 )
Net real estate assets	3,403,165	3,312,222
Real estate and other assets, net, held for sale	1,032	—
Cash and cash equivalents	11,600	10,184
Restricted cash	10,633	14,169
Accounts receivable, net of allowance of \$1,408 and \$1,648, respectively	29,970	26,430
Mortgages and notes receivable, net of allowance of \$255 and \$302, respectively	10,501	26,409
Accrued straight-line rents receivable, net of allowance of \$601 and \$1,063, respectively	136,578	126,014
Investments in unconsolidated affiliates	30,248	29,901
Deferred financing and leasing costs, net of accumulated amortization of \$108,878 and \$92,220, respectively	218,725	222,211
Prepaid expenses and other assets, net of accumulated amortization of \$13,913 and \$12,905, respectively	42,635	39,561
Total Assets	\$ 3,895,087	\$ 3,807,101
Liabilities, Noncontrolling Interests in the Operating Partnership and Equity:		
Mortgages and notes payable	\$ 2,013,824	\$ 1,956,299
Accounts payable, accrued expenses and other liabilities	229,996	218,962
Financing obligations	23,519	26,664
Total Liabilities	2,267,339	2,201,925
Commitments and contingencies		
Noncontrolling interests in the Operating Partnership	114,248	106,480
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), 29,077 shares issued and outstanding	29,077	29,077
Common Stock, \$.01 par value, 200,000,000 authorized shares; 91,270,024 and 89,920,915 shares issued and outstanding, respectively	913	899
Additional paid-in capital	2,413,662	2,370,368
Distributions in excess of net income available for common stockholders	(948,929 )	(920,433 )
Accumulated other comprehensive loss	(2,831 )	(2,611 )
Total Stockholders' Equity	1,491,892	1,477,300
Noncontrolling interests in consolidated affiliates	21,608	21,396

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Total Equity	1,513,500	1,498,696
Total Liabilities, Noncontrolling Interests in the Operating Partnership and Equity	\$ 3,895,087	\$ 3,807,101

See accompanying notes to consolidated financial statements.

HIGHWOODS PROPERTIES, INC.

Consolidated Statements of Income

(Unaudited and in thousands, except per share amounts)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2014	2013	2014	2013
Rental and other revenues	\$ 152,629	\$ 144,827	\$ 453,804	\$ 407,822
Operating expenses:				
Rental property and other expenses	57,383	54,102	169,048	148,013
Depreciation and amortization	48,287	47,338	146,895	128,050
Impairments of real estate assets	—	—	588	—
General and administrative	7,526	8,969	26,973	27,948
Total operating expenses	113,196	110,409	343,504	304,011
Interest expense:				
Contractual	20,962	22,683	62,352	67,879
Amortization of deferred financing costs	819	963	2,270	2,860
Financing obligations	567	26	301	87
	22,348	23,672	64,923	70,826
Other income:				
Interest and other income	1,054	1,582	3,863	4,982
Losses on debt extinguishment	(326 )	(32 )	(308 )	(196 )
	728	1,550	3,555	4,786
Income from continuing operations before disposition of investment properties and activity in unconsolidated affiliates	17,813	12,296	48,932	37,771
Gains/(losses) on disposition of property	36,238	34	42,185	(3 )
Gain on acquisition of controlling interest in unconsolidated affiliate	—	7,451	—	7,451
Equity in earnings/(losses) of unconsolidated affiliates	248	(3,173 )	886	(1,824 )
Income from continuing operations	54,299	16,608	92,003	43,395
Discontinued operations:				
Income from discontinued operations	—	1,514	—	5,853
Impairments of real estate assets	—	—	—	(2,194 )
Net gains on disposition of discontinued operations	—	37,946	384	52,353
	—	39,460	384	56,012
Net income	54,299	56,068	92,387	99,407
Net (income) attributable to noncontrolling interests in the Operating Partnership	(1,673 )	(1,889 )	(2,813 )	(3,713 )
Net (income) attributable to noncontrolling interests in consolidated affiliates	(291 )	(203 )	(1,152 )	(593 )
Dividends on Preferred Stock	(627 )	(627 )	(1,881 )	(1,881 )
Net income available for common stockholders	\$ 51,708	\$ 53,349	\$ 86,541	\$ 93,220
Earnings per Common Share – basic:				
Income from continuing operations available for common stockholders	\$ 0.57	\$ 0.17	\$ 0.96	\$ 0.47
Income from discontinued operations available for common stockholders	—	0.44	—	0.64
Net income available for common stockholders	\$ 0.57	\$ 0.61	\$ 0.96	\$ 1.11
Weighted average Common Shares outstanding – basic	90,668	87,467	90,299	83,793
Earnings per Common Share – diluted:				

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Income from continuing operations available for common stockholders	\$0.57	\$0.17	\$0.96	\$0.47
Income from discontinued operations available for common stockholders	—	0.44	—	0.64
Net income available for common stockholders	\$0.57	\$0.61	\$0.96	\$1.11
Weighted average Common Shares outstanding – diluted	93,723	90,769	93,358	87,443
Dividends declared per Common Share	\$0.425	\$0.425	\$1.275	\$1.275
Net income available for common stockholders:				
Income from continuing operations available for common stockholders	\$51,708	\$15,290	\$86,169	\$39,321
Income from discontinued operations available for common stockholders	—	38,059	372	53,899
Net income available for common stockholders	\$51,708	\$53,349	\$86,541	\$93,220
See accompanying notes to consolidated financial statements.				

4

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Table of Contents

## HIGHWOODS PROPERTIES, INC.

Consolidated Statements of Comprehensive Income  
(Unaudited and in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Comprehensive income:				
Net income	\$54,299	\$56,068	\$92,387	\$99,407
Other comprehensive income/(loss):				
Unrealized gains on tax increment financing bond	23	97	293	396
Unrealized gains/(losses) on cash flow hedges	913	(1,798 )	(3,337 )	4,801
Amortization of cash flow hedges	952	840	2,824	2,428
Total other comprehensive income/(loss)	1,888	(861 )	(220 )	7,625
Total comprehensive income	56,187	55,207	92,167	107,032
Less-comprehensive (income) attributable to noncontrolling interests	(1,964 )	(2,092 )	(3,965 )	(4,306 )
Comprehensive income attributable to common stockholders	\$54,223	\$53,115	\$88,202	\$102,726

See accompanying notes to consolidated financial statements.

Table of Contents

## HIGHWOODS PROPERTIES, INC.

## Consolidated Statements of Equity

(Unaudited and in thousands, except share amounts)

	Number of Common Shares	Common Stock	Series A Cumulative Redeemable Preferred Shares	Additional Paid-In Capital	Accumulated Other Compre- hensive Loss	Non-controlling Interests in Consolidated Affiliates	Distributions in Excess of Net Income Available for Common Stockholders	Total
Balance at December 31, 2013	89,920,915	\$ 899	\$ 29,077	\$ 2,370,368	\$ (2,611 )	\$ 21,396	\$ (920,433 )	\$ 1,498,696
Issuances of Common Stock, net of shares redeemed for tax withholdings	1,175,191	12	—	45,910	—	—	—	45,922
Conversions of Common Units to Common Stock	4,417	—	—	162	—	—	—	162
Dividends on Common Stock	—	—	—	—	—	—	(115,037 )	(115,037 )
Dividends on Preferred Stock	—	—	—	—	—	—	(1,881 )	(1,881 )
Adjustment of noncontrolling interests in the Operating Partnership to fair value	—	—	—	(8,955 )	—	—	—	(8,955 )
Distributions to noncontrolling interests in consolidated affiliates	—	—	—	—	—	(940 )	—	(940 )
Issuances of restricted stock	169,501	—	—	—	—	—	—	—
Share-based compensation expense, net of forfeitures	—	2	—	6,177	—	—	—	6,179
Net (income) attributable to noncontrolling interests in the Operating Partnership	—	—	—	—	—	—	(2,813 )	(2,813 )
Net (income) attributable to noncontrolling interests in consolidated affiliates	—	—	—	—	—	1,152	(1,152 )	—

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Comprehensive income:								
Net income		—	—	—	—	—	92,387	92,387
Other comprehensive loss		—	—	—	(220 )	—	—	(220 )
Total comprehensive income								92,167
Balance at September 30, 2014	91,270,024	\$ 913	\$ 29,077	\$ 2,413,662	\$ (2,831 )	\$ 21,608	\$ (948,929 )	\$ 1,513,500
	Number of Common Shares	Common Stock	Series A Redeemable Preferred Shares	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Non-controlling Interests in Consolidated Affiliates	Distributions in Excess of Net Income Available for Common Stockholders	Total
Balance at December 31, 2012	80,311,437	\$ 803	\$ 29,077	\$ 2,040,306	\$ (12,628 )	\$ 4,753	\$ (897,418 )	\$ 1,164,893
Issuances of Common Stock, net of shares redeemed for tax withholdings	8,660,546	87	—	305,514	—	—	—	305,601
Conversions of Common Units to Common Stock	789,144	—	—	28,788	—	—	—	28,788
Dividends on Common Stock		—	—	—	—	—	(107,750 )	(107,750 )
Dividends on Preferred Stock		—	—	—	—	—	(1,881 )	(1,881 )
Adjustment of noncontrolling interests in the Operating Partnership to fair value		—	—	(8,570 )	—	—	—	(8,570 )
Distributions to noncontrolling interests in consolidated affiliates		—	—	—	—	(408 )	—	(408 )
Contributions from noncontrolling interests in consolidated affiliates		—	—	—	—	16,240	—	16,240
Issuances of restricted stock	151,630	—	—	—	—	—	—	—
Share-based compensation	(1,813 )	9	—	5,887	—	—	—	5,896

expense, net of forfeitures								
Net (income) attributable to noncontrolling interests in the Operating Partnership	—	—	—	—	—	(3,713	)	(3,713
Net (income) attributable to noncontrolling interests in consolidated affiliates	—	—	—	—	593	(593	)	—
Comprehensive income:								
Net income	—	—	—	—	—	99,407		99,407
Other comprehensive income	—	—	—	7,625	—	—		7,625
Total comprehensive income								107,032
Balance at September 30, 2013	89,910,944	\$ 899	\$ 29,077	\$ 2,371,925	\$ (5,003	)	\$ 21,178	\$ (911,948)
								\$ 1,506,128

See accompanying notes to consolidated financial statements.

Table of Contents

HIGHWOODS PROPERTIES, INC.  
Consolidated Statements of Cash Flows  
(Unaudited and in thousands)

	Nine Months Ended September 30,	
	2014	2013
Operating activities:		
Net income	\$92,387	\$99,407
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	146,895	133,556
Amortization of lease incentives and acquisition-related intangible assets and liabilities	249	258
Share-based compensation expense	6,179	5,896
Allowance for losses on accounts and accrued straight-line rents receivable	1,942	1,029
Accrued interest on mortgages and notes receivable	(354)	)
Amortization of deferred financing costs	2,270	2,860
Amortization of cash flow hedges	2,824	2,428
Amortization of mortgages and notes payable fair value adjustments	(845)	) (1,015)
Impairments of real estate assets	588	2,194
Losses on debt extinguishment	308	196
Net gains on disposition of property	(42,569)	) (52,350)
Gain on acquisition of controlling interest in unconsolidated affiliate	—	) (7,451)
Equity in (earnings)/losses of unconsolidated affiliates	(886)	) 1,824
Changes in financing obligations	(241)	) (591)
Distributions of earnings from unconsolidated affiliates	1,634	3,129
Changes in operating assets and liabilities:		
Accounts receivable	(1,762)	) (508)
Prepaid expenses and other assets	(2,927)	) (2,188)
Accrued straight-line rents receivable	(16,202)	) (12,368)
Accounts payable, accrued expenses and other liabilities	(5,815)	) 10,206
Net cash provided by operating activities	183,675	186,512
Investing activities:		
Investments in acquired real estate and related intangible assets, net of cash acquired	(83,751)	) (418,796)
Investment in acquired controlling interest in unconsolidated affiliate	—	) (32,818)
Investments in development in process	(122,106)	) (16,634)
Investments in tenant improvements and deferred leasing costs	(80,132)	) (77,456)
Investments in building improvements	(39,401)	) (38,702)
Net proceeds from disposition of real estate assets	151,987	161,970
Distributions of capital from unconsolidated affiliates	725	16,671
Investments in mortgages and notes receivable	(419)	) (1,301)
Repayments of mortgages and notes receivable	16,974	437
Investments in unconsolidated affiliates	(6,425)	) (429)
Redemption of investment in unconsolidated affiliate	4,660	—
Changes in restricted cash and other investing activities	(1,296)	) 5,484
Net cash (used in) investing activities	(159,184)	) (401,574)
Financing activities:		
Dividends on Common Stock	(115,037)	) (107,750)
Redemptions of Common Units	(93)	) —
Dividends on Preferred Stock	(1,881)	) (1,881)
Distributions to noncontrolling interests in the Operating Partnership	(3,745)	) (4,416)

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Distributions to noncontrolling interests in consolidated affiliates	(940	) (408	)
Proceeds from the issuance of Common Stock	49,216	315,818	
Costs paid for the issuance of Common Stock	(600	) (7,678	)
Repurchase of shares related to tax withholdings	(2,694	) (2,539	)
Borrowings on revolving credit facility	377,700	695,300	
Repayments of revolving credit facility	(443,400	) (511,900	)
Borrowings on mortgages and notes payable	296,949	—	
Repayments of mortgages and notes payable	(172,810	) (157,001	)
Payments on financing obligations	(2,904	) (575	)
Payments of debt extinguishment costs	(369	) —	
Contributions from noncontrolling interests in consolidated affiliates	—	16,240	
Additions to deferred financing costs and other financing activities	(2,467	) (242	)
Net cash (used in)/provided by financing activities	(23,075	) 232,968	
Net increase in cash and cash equivalents	\$1,416	\$17,906	

See accompanying notes to consolidated financial statements.

Table of Contents

## HIGHWOODS PROPERTIES, INC.

Consolidated Statements of Cash Flows – Continued  
(Unaudited and in thousands)

	Nine Months Ended September 30,	
	2014	2013
Net increase in cash and cash equivalents	\$1,416	\$17,906
Cash and cash equivalents at beginning of the period	10,184	13,783
Cash and cash equivalents at end of the period	\$11,600	\$31,689

## Supplemental disclosure of cash flow information:

	Nine Months Ended September 30,	
	2014	2013
Cash paid for interest, net of amounts capitalized	\$63,340	\$67,786

## Supplemental disclosure of non-cash investing and financing activities:

	Nine Months Ended September 30,	
	2014	2013
Unrealized gains/(losses) on cash flow hedges	\$(3,337)	\$4,801
Conversions of Common Units to Common Stock	162	28,788
Changes in accrued capital expenditures	17,255	12,778
Write-off of fully depreciated real estate assets	29,953	24,498
Write-off of fully amortized deferred financing and leasing costs	17,138	17,500
Unrealized gains on marketable securities of non-qualified deferred compensation plan	149	558
Adjustment of noncontrolling interests in the Operating Partnership to fair value	8,955	8,570
Unrealized gains on tax increment financing bond	293	396
Assumption of mortgages and notes payable related to acquisition activities	—	165,515
Reclass of aggregate differences between historical cost basis and the basis reflected at the joint venture level for assets acquired	—	8,206

See accompanying notes to consolidated financial statements.

Table of Contents

## HIGHWOODS REALTY LIMITED PARTNERSHIP

## Consolidated Balance Sheets

(Unaudited and in thousands, except unit and per unit data)

	September 30, 2014	December 31, 2013
Assets:		
Real estate assets, at cost:		
Land	\$ 386,333	\$ 393,602
Buildings and tenant improvements	3,756,655	3,748,869
Development in process	184,238	44,621
Land held for development	89,010	110,374
	4,416,236	4,297,466
Less-accumulated depreciation	(1,013,071 )	(985,244 )
Net real estate assets	3,403,165	3,312,222
Real estate and other assets, net, held for sale	1,032	—
Cash and cash equivalents	11,706	10,281
Restricted cash	10,633	14,169
Accounts receivable, net of allowance of \$1,408 and \$1,648, respectively	29,970	26,430
Mortgages and notes receivable, net of allowance of \$255 and \$302, respectively	10,501	26,409
Accrued straight-line rents receivable, net of allowance of \$601 and \$1,063, respectively	136,578	126,014
Investments in unconsolidated affiliates	30,248	29,901
Deferred financing and leasing costs, net of accumulated amortization of \$108,878 and \$92,220, respectively	218,725	222,211
Prepaid expenses and other assets, net of accumulated amortization of \$13,913 and \$12,905, respectively	42,593	39,561
Total Assets	\$ 3,895,151	\$ 3,807,198
Liabilities, Redeemable Operating Partnership Units and Capital:		
Mortgages and notes payable	\$ 2,013,824	\$ 1,956,299
Accounts payable, accrued expenses and other liabilities	229,932	218,887
Financing obligations	23,519	26,664
Total Liabilities	2,267,275	2,201,850
Commitments and contingencies		
Redeemable Operating Partnership Units:		
Common Units, 2,936,955 and 2,943,872 outstanding, respectively	114,248	106,480
Series A Preferred Units (liquidation preference \$1,000 per unit), 29,077 units issued and outstanding	29,077	29,077
Total Redeemable Operating Partnership Units	143,325	135,557
Capital:		
Common Units:		
General partner Common Units, 937,982 and 924,560 outstanding, respectively	14,655	14,508
Limited partner Common Units, 89,923,233 and 88,587,546 outstanding, respectively	1,451,119	1,436,498
Accumulated other comprehensive loss	(2,831 )	(2,611 )
Noncontrolling interests in consolidated affiliates	21,608	21,396
Total Capital	1,484,551	1,469,791
Total Liabilities, Redeemable Operating Partnership Units and Capital	\$ 3,895,151	\$ 3,807,198

See accompanying notes to consolidated financial statements.





Table of Contents

## HIGHWOODS REALTY LIMITED PARTNERSHIP

## Consolidated Statements of Income

(Unaudited and in thousands, except per unit amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Rental and other revenues	\$152,629	\$144,827	\$453,804	\$407,822
Operating expenses:				
Rental property and other expenses	57,383	54,080	169,015	147,995
Depreciation and amortization	48,287	47,338	146,895	128,050
Impairments of real estate assets	—	—	588	—
General and administrative	7,526	8,991	27,006	27,966
Total operating expenses	113,196	110,409	343,504	304,011
Interest expense:				
Contractual	20,962	22,683	62,352	67,879
Amortization of deferred financing costs	819	963	2,270	2,860
Financing obligations	567	26	301	87
	22,348	23,672	64,923	70,826
Other income:				
Interest and other income	1,054	1,582	3,863	4,982
Losses on debt extinguishment	(326)	(32)	(308)	(196)
	728	1,550	3,555	4,786
Income from continuing operations before disposition of investment properties and activity in unconsolidated affiliates	17,813	12,296	48,932	37,771
Gains/(losses) on disposition of property	36,238	34	42,185	(3)
Gain on acquisition of controlling interest in unconsolidated affiliate	—	7,451	—	7,451
Equity in earnings/(losses) of unconsolidated affiliates	248	(3,174)	886	(1,875)
Income from continuing operations	54,299	16,607	92,003	43,344
Discontinued operations:				
Income from discontinued operations	—	1,514	—	5,853
Impairments of real estate assets	—	—	—	(2,194)
Net gains on disposition of discontinued operations	—	37,946	384	52,353
	—	39,460	384	56,012
Net income	54,299	56,067	92,387	99,356
Net (income) attributable to noncontrolling interests in consolidated affiliates	(291)	(203)	(1,152)	(593)
Distributions on Preferred Units	(627)	(627)	(1,881)	(1,881)
Net income available for common unitholders	\$53,381	\$55,237	\$89,354	\$96,882
Earnings per Common Unit – basic:				
Income from continuing operations available for common unitholders	\$0.57	\$0.17	\$0.96	\$0.47
Income from discontinued operations available for common unitholders	—	0.44	—	0.64
Net income available for common unitholders	\$0.57	\$0.61	\$0.96	\$1.11
Weighted average Common Units outstanding – basic	93,196	90,259	92,828	86,920
Earnings per Common Unit – diluted:				
Income from continuing operations available for common unitholders	\$0.57	\$0.17	\$0.96	\$0.47
Income from discontinued operations available for common unitholders	—	0.44	—	0.64
Net income available for common unitholders	\$0.57	\$0.61	\$0.96	\$1.11

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Weighted average Common Units outstanding – diluted	93,314	90,360	92,949	87,034
Distributions declared per Common Unit	\$0.425	\$0.425	\$1.275	\$1.275
Net income available for common unitholders:				
Income from continuing operations available for common unitholders	\$53,381	\$15,777	\$88,970	\$40,870
Income from discontinued operations available for common unitholders	—	39,460	384	56,012
Net income available for common unitholders	\$53,381	\$55,237	\$89,354	\$96,882
See accompanying notes to consolidated financial statements.				

10

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Table of Contents

## HIGHWOODS REALTY LIMITED PARTNERSHIP

## Consolidated Statements of Comprehensive Income

(Unaudited and in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Comprehensive income:				
Net income	\$54,299	\$56,067	\$92,387	\$99,356
Other comprehensive income/(loss):				
Unrealized gains on tax increment financing bond	23	97	293	396
Unrealized gains/(losses) on cash flow hedges	913	(1,798 )	(3,337 )	4,801
Amortization of cash flow hedges	952	840	2,824	2,428
Total other comprehensive income/(loss)	1,888	(861 )	(220 )	7,625
Total comprehensive income	56,187	55,206	92,167	106,981
Less-comprehensive (income) attributable to noncontrolling interests	(291 )	(203 )	(1,152 )	(593 )
Comprehensive income attributable to common unitholders	\$55,896	\$55,003	\$91,015	\$106,388

See accompanying notes to consolidated financial statements.

## HIGHWOODS REALTY LIMITED PARTNERSHIP

## Consolidated Statements of Capital

(Unaudited and in thousands)