

HIGHWOODS PROPERTIES INC
Form 10-Q
October 29, 2013

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

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, 2013

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)

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.
Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

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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 89,910,944 shares of Common Stock outstanding as of October 21, 2013.

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 virtually all of 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 21, 2013, 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, 2013 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 4 - Investments in and Advances to Affiliates;

- 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, 2013

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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, 2013	December 31, 2012
Assets:		
Real estate assets, at cost:		
Land	\$ 403,556	\$ 345,614
Buildings and tenant improvements	3,756,552	3,172,107
Development in process	56,495	21,198
Land held for development	112,079	115,416
	4,328,682	3,654,335
Less-accumulated depreciation	(981,602)	(903,837)
Net real estate assets	3,347,080	2,750,498
Real estate and other assets, net, held for sale	16,316	129,400
Cash and cash equivalents	31,689	13,783
Restricted cash	15,246	19,702
Accounts receivable, net of allowance of \$1,532 and \$2,848, respectively	30,839	23,073
Mortgages and notes receivable, net of allowance of \$340 and \$182, respectively	26,291	25,472
Accrued straight-line rents receivable, net of allowance of \$1,177 and \$813, respectively	123,047	111,233
Investments in and advances to unconsolidated affiliates	35,856	66,800
Deferred financing and leasing costs, net of accumulated amortization of \$90,241 and \$75,863, respectively	227,826	166,009
Prepaid expenses and other assets, net of accumulated amortization of \$12,835 and \$12,318, respectively	42,675	44,458
Total Assets	\$ 3,896,865	\$ 3,350,428
Liabilities, Noncontrolling Interests in the Operating Partnership and Equity:		
Mortgages and notes payable	\$ 2,050,061	\$ 1,859,162
Accounts payable, accrued expenses and other liabilities	208,536	172,146
Financing obligations	28,192	29,358
Total Liabilities	2,286,789	2,060,666
Commitments and contingencies		
Noncontrolling interests in the Operating Partnership	103,948	124,869
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; 89,910,944 and 80,311,437 shares issued and outstanding, respectively	899	803
Additional paid-in capital	2,371,925	2,040,306
Distributions in excess of net income available for common stockholders	(911,948)	(897,418)
Accumulated other comprehensive loss	(5,003)	(12,628)
Total Stockholders' Equity	1,484,950	1,160,140
Noncontrolling interests in consolidated affiliates	21,178	4,753

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Total Equity	1,506,128	1,164,893
Total Liabilities, Noncontrolling Interests in the Operating Partnership and Equity	\$ 3,896,865	\$ 3,350,428

See accompanying notes to consolidated financial statements.

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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,	
	2013	2012	2013	2012
Rental and other revenues	\$147,294	\$123,418	\$415,961	\$368,029
Operating expenses:				
Rental property and other expenses	55,365	45,904	151,802	134,102
Depreciation and amortization	48,124	37,041	130,390	110,656
General and administrative	8,969	9,725	27,948	28,298
Total operating expenses	112,458	92,670		