

HIGHWOODS PROPERTIES INC  
Form 10-Q  
October 27, 2015

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, 2015

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 95,326,219 shares of Common Stock outstanding as of October 20, 2015.

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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, 2015, 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, 2015 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, 2015

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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, 2015	December 31, 2014 (as revised)
Assets:		
Real estate assets, at cost:		
Land	\$ 460,111	\$ 384,301
Buildings and tenant improvements	4,336,244	3,807,315
Development in process	157,100	205,971
Land held for development	71,997	79,355
	5,025,452	4,476,942
Less-accumulated depreciation	(1,096,129 )	(1,024,936 )
Net real estate assets	3,929,323	3,452,006
Real estate and other assets, net, held for sale	2,629	1,038
Cash and cash equivalents	5,184	8,832
Restricted cash	19,310	14,595
Accounts receivable, net of allowance of \$1,835 and \$1,314, respectively	27,576	48,557
Mortgages and notes receivable, net of allowance of \$362 and \$275, respectively	2,132	13,116
Accrued straight-line rents receivable, net of allowance of \$993 and \$600, respectively	156,481	142,037
Investments in and advances to unconsolidated affiliates	20,674	50,685
Deferred financing and leasing costs, net of accumulated amortization of \$123,463 and \$112,804, respectively	255,849	228,768
Prepaid expenses and other assets, net of accumulated amortization of \$15,697 and \$14,259, respectively	43,537	39,489
Total Assets	\$ 4,462,695	\$ 3,999,123
Liabilities, Noncontrolling Interests in the Operating Partnership and Equity:		
Mortgages and notes payable	\$ 2,478,753	\$ 2,071,389
Accounts payable, accrued expenses and other liabilities	245,953	237,633
Financing obligation	7,402	8,962
Total Liabilities	2,732,108	2,317,984
Commitments and contingencies		
Noncontrolling interests in the Operating Partnership	112,768	130,048
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), 29,050 and 29,060 shares issued and outstanding, respectively	29,050	29,060
Common Stock, \$.01 par value, 200,000,000 authorized shares; 95,329,758 and 92,907,310 shares issued and outstanding, respectively	953	929
Additional paid-in capital	2,579,318	2,464,275
Distributions in excess of net income available for common stockholders	(1,002,879 )	(957,370 )
Accumulated other comprehensive loss	(6,610 )	(3,912 )
Total Stockholders' Equity	1,599,832	1,532,982

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Noncontrolling interests in consolidated affiliates	17,987	18,109
Total Equity	1,617,819	1,551,091
Total Liabilities, Noncontrolling Interests in the Operating Partnership and Equity	\$ 4,462,695	\$ 3,999,123

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 September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Rental and other revenues	\$163,736	\$152,629	\$482,182	\$453,804
Operating expenses:				
Rental property and other expenses	59,758	57,383	174,549	169,048
Depreciation and amortization	54,652	48,287	156,200	146,895
Impairments of real estate assets	—	—	—	588
General and administrative	9,182	7,526	29,511	26,973
Total operating expenses	123,592	113,196	360,260	343,504
Interest expense:				
Contractual	20,484	20,962	61,783	62,352
Amortization of deferred financing costs	873	819	2,501	2,270
Financing obligation	155	567	653	301
	21,512	22,348	64,937	64,923
Other income:				
Interest and other income	1,038	1,054	3,475	3,863
Losses on debt extinguishment	—	(326)	(220)	(308)
	1,038	728	3,255	3,555
Income from continuing operations before disposition of investment properties and activity in unconsolidated affiliates	19,670	17,813	60,240	48,932
Gains on disposition of property	7,012	36,238	10,581	42,185
Gain on disposition of investment in unconsolidated affiliate	4,155	—	4,155	—
Equity in earnings of unconsolidated affiliates	780	248	4,367	886
Income from continuing operations	31,617	54,299	79,343	92,003
Discontinued operations:				
Net gains on disposition of discontinued operations	—	—	—	384
	—	—	—	384
Net income	31,617	54,299	79,343	92,387
Net (income) attributable to noncontrolling interests in the Operating Partnership	(918)	(1,673)	(2,296)	(2,813)
Net (income) attributable to noncontrolling interests in consolidated affiliates	(324)	(291)	(948)	(1,152)
Dividends on Preferred Stock	(626)	(627)	(1,879)	(1,881)
Net income available for common stockholders	\$29,749	\$51,708	\$74,220	\$86,541
Earnings per Common Share – basic:				
Income from continuing operations available for common stockholders	\$0.31	\$0.57	\$0.79	\$0.96
Income from discontinued operations available for common stockholders	—	—	—	—
Net income available for common stockholders	\$0.31	\$0.57	\$0.79	\$0.96
Weighted average Common Shares outstanding – basic	94,693	90,668	93,996	90,299
Earnings per Common Share – diluted:				
Income from continuing operations available for common stockholders	\$0.31	\$0.57	\$0.79	\$0.96
Income from discontinued operations available for common stockholders	—	—	—	—
Net income available for common stockholders	\$0.31	\$0.57	\$0.79	\$0.96



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Weighted average Common Shares outstanding – diluted	97,661	93,723	97,003	93,358
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	\$29,749	\$51,708	\$74,220	\$86,169
Income from discontinued operations available for common stockholders	—	—	—	372
Net income available for common stockholders	\$29,749	\$51,708	\$74,220	\$86,541
See accompanying notes to consolidated financial statements.				

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## HIGHWOODS PROPERTIES, INC.

Consolidated Statements of Comprehensive Income  
(Unaudited and in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Comprehensive income:				
Net income	\$31,617	\$54,299	\$79,343	\$92,387
Other comprehensive income/(loss):				
Unrealized gains/(losses) on tax increment financing bond	(7 )	23	187	293
Unrealized gains/(losses) on cash flow hedges	(3,021 )	913	(5,666 )	(3,337 )
Amortization of cash flow hedges	932	952	2,781	2,824
Total other comprehensive income/(loss)	(2,096 )	1,888	(2,698 )	(220 )
Total comprehensive income	29,521	56,187	76,645	92,167
Less-comprehensive (income) attributable to noncontrolling interests	(1,242 )	(1,964 )	(3,244 )	(3,965 )
Comprehensive income attributable to common stockholders	\$28,279	\$54,223	\$73,401	\$88,202

See accompanying notes to consolidated financial statements.

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## 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 (as revised)	Total (as revised)
Balance at December 31, 2014	92,907,310	\$929	\$29,060	\$2,464,275	\$(3,912)	\$18,109	\$(957,370)	\$1,551,091
Issuances of Common Stock, net of issuance costs and tax withholdings	2,268,380	23	—	93,193	—	—	—	93,216
Conversions of Common Units to Common Stock	26,820	—	—	1,206	—	—	—	1,206
Dividends on Common Stock	—	—	—	—	—	—	(119,729)	(119,729)
Dividends on Preferred Stock	—	—	—	—	—	—	(1,879)	(1,879)
Adjustment of noncontrolling interests in the Operating Partnership to fair value	—	—	—	14,649	—	—	—	14,649
Distributions to noncontrolling interests in consolidated affiliates	—	—	—	—	—	(1,070)	—	(1,070)
Issuances of restricted stock	128,951	—	—	—	—	—	—	—
Redemptions/repurchases of Preferred Stock	—	—	(10)	—	—	—	—	(10)
Share-based compensation expense, net of forfeitures	(1,703)	1	—	5,995	—	—	—	5,996
Net (income) attributable to noncontrolling interests in the Operating Partnership	—	—	—	—	—	—	(2,296)	(2,296)
Net (income) attributable to noncontrolling interests in consolidated affiliates	—	—	—	—	—	948	(948)	—
Comprehensive income:								
Net income	—	—	—	—	—	—	79,343	79,343
Other comprehensive loss	—	—	—	—	(2,698)	—	—	(2,698)
Total comprehensive income								76,645

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Balance at September 30, 2015 95,329,758 \$953 \$29,050 \$2,579,318 \$(6,610) \$17,987 \$(1,002,879) \$1,617,819

	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 (as revised)	Total (as revised)
Balance at December 31, 2013	89,920,915	\$ 899	\$ 29,077	\$2,370,368	\$ (2,611 )	\$ 21,396	\$ (911,662 )	\$1,507,467
Issuances of Common Stock, net of issuance costs and 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 )	—

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	\$ (940,158)	\$ 1,522,271

See accompanying notes to consolidated financial statements.

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

	Nine Months Ended September 30,	
	2015	2014
Operating activities:		
Net income	\$79,343	\$92,387
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	156,200	146,895
Amortization of lease incentives and acquisition-related intangible assets and liabilities	214	249
Share-based compensation expense	5,996	6,179
Allowance for losses on accounts and accrued straight-line rents receivable	1,851	1,942
Accrued interest on mortgages and notes receivable	(313 )	(354 )
Amortization of deferred financing costs	2,501	2,270
Amortization of cash flow hedges	2,781	2,824
Amortization of mortgages and notes payable fair value adjustments	7	(845 )
Impairments of real estate assets	—	588
Losses on debt extinguishment	220	308
Net gains on disposition of property	(10,581 )	(42,569 )
Gain on disposition of investment in unconsolidated affiliate	(4,155 )	—
Equity in earnings of unconsolidated affiliates	(4,367 )	(886 )
Changes in financing obligation	162	(241 )
Distributions of earnings from unconsolidated affiliates	4,099	1,634
Changes in operating assets and liabilities:		
Accounts receivable	1,716	(1,762 )
Prepaid expenses and other assets	(3,475 )	(2,927 )
Accrued straight-line rents receivable	(16,955 )	(16,202 )
Accounts payable, accrued expenses and other liabilities	(5,834 )	(5,815 )
Net cash provided by operating activities	209,410	183,675
Investing activities:		
Investments in acquired real estate and related intangible assets, net of cash acquired	(408,634)	(83,751 )
Investments in development in process	(87,222 )	(122,106)
Investments in tenant improvements and deferred leasing costs	(85,234 )	(80,132 )
Investments in building improvements	(38,295 )	(39,401 )
Net proceeds from disposition of real estate assets	22,781	151,987
Net proceeds from disposition of investment in unconsolidated affiliate	6,919	—
Distributions of capital from unconsolidated affiliates	10,227	725
Investments in mortgages and notes receivable	(1,772 )	(419 )
Repayments of mortgages and notes receivable	9,301	16,974
Investments in and advances/repayments to/from unconsolidated affiliates	20,416	(6,425 )
Redemption of investment in unconsolidated affiliate	—	4,660
Changes in restricted cash and other investing activities	(12,582 )	(1,296 )
Net cash used in investing activities	(564,095)	(159,184)
Financing activities:		
Dividends on Common Stock	(119,729)	(115,037)
Redemptions/repurchases of Preferred Stock	(10 )	—
Redemptions of Common Units	—	(93 )
Dividends on Preferred Stock	(1,879 )	(1,881 )

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Distributions to noncontrolling interests in the Operating Partnership	(3,721 )	(3,745 )
Distributions to noncontrolling interests in consolidated affiliates	(1,070 )	(940 )
Proceeds from the issuance of Common Stock	98,485	49,216
Costs paid for the issuance of Common Stock	(1,518 )	(600 )
Repurchase of shares related to tax withholdings	(3,751 )	(2,694 )
Borrowings on revolving credit facility	393,900	377,700
Repayments of revolving credit facility	(337,900)	(443,400)
Borrowings on mortgages and notes payable	375,000	296,949
Repayments of mortgages and notes payable	(43,076 )	(172,810)
Payments on financing obligation	(1,722 )	(2,904 )
Payments of debt extinguishment costs	—	(369 )
Additions to deferred financing costs and other financing activities	(1,972 )	(2,467 )
Net cash provided by/(used in) financing activities	351,037	(23,075 )
Net increase/(decrease) in cash and cash equivalents	\$(3,648 )	\$1,416

See accompanying notes to consolidated financial statements.

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## HIGHWOODS PROPERTIES, INC.

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

	Nine Months Ended September 30,	
	2015	2014
Net increase/(decrease) in cash and cash equivalents	\$(3,648 )	\$1,416
Cash and cash equivalents at beginning of the period	8,832	10,184
Cash and cash equivalents at end of the period	\$5,184	\$11,600

## Supplemental disclosure of cash flow information:

	Nine Months Ended September 30,	
	2015	2014
Cash paid for interest, net of amounts capitalized	\$62,661	\$63,340

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

	Nine Months Ended September 30,	
	2015	2014
Unrealized losses on cash flow hedges	\$(5,666 )	\$(3,337 )
Conversions of Common Units to Common Stock	1,206	162
Changes in accrued capital expenditures	1,759	17,255
Write-off of fully depreciated real estate assets	44,742	29,953
Write-off of fully amortized deferred financing and leasing costs	27,658	17,138
Adjustment of noncontrolling interests in the Operating Partnership to fair value	(14,649 )	8,955
Unrealized gains on tax increment financing bond	187	293
Assumption of mortgages and notes payable related to acquisition activities	19,277	—
Reduction in the carrying amount of real estate purchased from unconsolidated affiliate by our share of the unconsolidated affiliate's gain	3,124	—
Contingent consideration in connection with the acquisition of land	900	—

See accompanying notes to consolidated financial statements.



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## HIGHWOODS REALTY LIMITED PARTNERSHIP

## Consolidated Balance Sheets

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

	September 30, 2015	December 31, 2014 (as revised)
Assets:		
Real estate assets, at cost:		
Land	\$ 460,111	\$ 384,301
Buildings and tenant improvements	4,336,244	3,807,315
Development in process	157,100	205,971
Land held for development	71,997	79,355
	5,025,452	4,476,942
Less-accumulated depreciation	(1,096,129 )	(1,024,936 )
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Cash and cash equivalents	5,184	8,938
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Accounts receivable, net of allowance of \$1,835 and \$1,314, respectively	27,576	48,557
Mortgages and notes receivable, net of allowance of \$362 and \$275, respectively	2,132	13,116
Accrued straight-line rents receivable, net of allowance of \$993 and \$600, respectively	156,481	142,037
Investments in and advances to unconsolidated affiliates	20,674	50,685
Deferred financing and leasing costs, net of accumulated amortization of \$123,463 and \$112,804, respectively	255,849	228,768
Prepaid expenses and other assets, net of accumulated amortization of \$15,697 and \$14,259, respectively	43,537	39,489
Total Assets	\$ 4,462,695	\$ 3,999,229
Liabilities, Redeemable Operating Partnership Units and Capital:		
Mortgages and notes payable	\$ 2,478,753	\$ 2,071,389
Accounts payable, accrued expenses and other liabilities	245,953	237,547
Financing obligation	7,402	8,962
Total Liabilities	2,732,108	2,317,898
Commitments and contingencies		
Redeemable Operating Partnership Units:		
Common Units, 2,910,135 and 2,936,955 outstanding, respectively	112,768	130,048
Series A Preferred Units (liquidation preference \$1,000 per unit), 29,050 and 29,060 units issued and outstanding, respectively	29,050	29,060
Total Redeemable Operating Partnership Units	141,818	159,108
Capital:		
Common Units:		
General partner Common Units, 978,311 and 954,355 outstanding, respectively	15,771	15,078
Limited partner Common Units, 93,942,638 and 91,544,146 outstanding, respectively	1,561,621	1,492,948
Accumulated other comprehensive loss	(6,610 )	(3,912 )
Noncontrolling interests in consolidated affiliates	17,987	18,109
Total Capital	1,588,769	1,522,223
Total Liabilities, Redeemable Operating Partnership Units and Capital	\$ 4,462,695	\$ 3,999,229

See accompanying notes to consolidated financial statements.

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## 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,	
	2015	2014	2015	2014
Rental and other revenues	\$163,736	\$152,629	\$482,182	\$453,804
Operating expenses:				
Rental property and other expenses	59,758	57,383	174,549	169,015
Depreciation and amortization	54,652	48,287	156,200	146,895
Impairments of real estate assets	—	—	—	588
General and administrative	9,182	7,526	29,511	27,006
Total operating expenses	123,592	113,196	360,260	343,504
Interest expense:				
Contractual	20,484	20,962	61,783	62,352
Amortization of deferred financing costs	873	819	2,501	2,270
Financing obligation	155	567	653	301
	21,512	22,348	64,937	64,923
Other income:				
Interest and other income	1,038	1,054	3,475	3,863
Losses on debt extinguishment	—	(326)	(220)	(308)
	1,038	728	3,255	3,555
Income from continuing operations before disposition of investment properties and activity in unconsolidated affiliates	19,670	17,813	60,240	48,932
Gains on disposition of property	7,012	36,238	10,581	42,185
Gain on disposition of investment in unconsolidated affiliate	4,155	—	4,155	—
Equity in earnings of unconsolidated affiliates	780	248	4,367	886
Income from continuing operations	31,617	54,299	79,343	92,003
Discontinued operations:				
Net gains on disposition of discontinued operations	—	—	—	384
	—	—	—	384
Net income	31,617	54,299	79,343	92,387
Net (income) attributable to noncontrolling interests in consolidated affiliates	(324)	(291)	(948)	(1,152)
Distributions on Preferred Units	(626)	(627)	(1,879)	(1,881)
Net income available for common unitholders	\$30,667	\$53,381	\$76,516	\$89,354
Earnings per Common Unit – basic:				
Income from continuing operations available for common unitholders	\$0.32	\$0.57	\$0.79	\$0.96
Income from discontinued operations available for common unitholders	—	—	—	—
Net income available for common unitholders	\$0.32	\$0.57	\$0.79	\$0.96
Weighted average Common Units outstanding – basic	97,194	93,196	96,505	92,828
Earnings per Common Unit – diluted:				
Income from continuing operations available for common unitholders	\$0.32	\$0.57	\$0.79	\$0.96
Income from discontinued operations available for common unitholders	—	—	—	—
Net income available for common unitholders	\$0.32	\$0.57	\$0.79	\$0.96
Weighted average Common Units outstanding – diluted	97,252	93,314	96,594	92,949
Distributions declared per Common Unit	\$0.425	\$0.425	\$1.275	\$1.275

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Net income available for common unitholders:

Income from continuing operations available for common unitholders	\$30,667	\$53,381	\$76,516	\$88,970
Income from discontinued operations available for common unitholders	—	—	—	384
Net income available for common unitholders	\$30,667	\$53,381	\$76,516	\$89,354

See accompanying notes to consolidated financial statements.

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## HIGHWOODS REALTY LIMITED PARTNERSHIP

## Consolidated Statements of Comprehensive Income

(Unaudited and in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Comprehensive income:				
Net income	\$31,617	\$54,299	\$79,343	\$92,387
Other comprehensive income/(loss):				
Unrealized gains/(losses) on tax increment financing bond	(7 )	23	187	293
Unrealized gains/(losses) on cash flow hedges	(3,021 )	913	(5,666 )	(3,337 )
Amortization of cash flow hedges	932	952	2,781	2,824
Total other comprehensive income/(loss)	(2,096 )	1,888	(2,698 )	(220 )
Total comprehensive income	29,521	56,187	76,645	92,167
Less-comprehensive (income) attributable to noncontrolling interests	(324 )	(291 )	(948 )	(1,152 )
Comprehensive income attributable to common unitholders	\$29,197	\$55,896	\$75,697	\$91,015

See accompanying notes to consolidated financial statements.

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HIGHWOODS REALTY LIMITED PARTNERSHIP

Consolidated Statements of Capital

(Unaudited and in thousands)