

HIGHWOODS PROPERTIES INC  
Form 10-Q  
July 29, 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 June 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 90,361,707 shares of Common Stock outstanding as of July 21, 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 July 21, 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 June 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 JUNE 30, 2014

TABLE OF CONTENTS

	Page
PART I - FINANCIAL INFORMATION	
ITEM 1. <u>FINANCIAL STATEMENTS (unaudited)</u>	<u>2</u>
<u>HIGHWOODS PROPERTIES, INC.:</u>	
<u>Consolidated Balance Sheets at June 30, 2014 and December 31, 2013</u>	<u>2</u>
<u>Consolidated Statements of Income for the Three and Six Months Ended June 30, 2014 and 2013</u>	<u>3</u>
<u>Consolidated Statements of Comprehensive Income for the Three and Six Months Ended June 30, 2014 and 2013</u>	<u>4</u>
<u>Consolidated Statements of Equity for the Six Months Ended June 30, 2014 and 2013</u>	<u>5</u>
<u>Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2014 and 2013</u>	<u>6</u>
<u>HIGHWOODS REALTY LIMITED PARTNERSHIP:</u>	
<u>Consolidated Balance Sheets at June 30, 2014 and December 31, 2013</u>	<u>8</u>
<u>Consolidated Statements of Income for the Three and Six Months Ended June 30, 2014 and 2013</u>	<u>9</u>
<u>Consolidated Statements of Comprehensive Income for the Three and Six Months Ended June 30, 2014 and 2013</u>	<u>10</u>
<u>Consolidated Statements of Capital for the Six Months Ended June 30, 2014 and 2013</u>	<u>11</u>
<u>Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2014 and 2013</u>	<u>12</u>
<u>NOTES TO CONSOLIDATED FINANCIAL STATEMENTS</u>	<u>14</u>
ITEM 2. <u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	<u>31</u>
<u>Disclosure Regarding Forward-Looking Statements</u>	<u>31</u>
<u>Executive Summary</u>	<u>32</u>
<u>Results of Operations</u>	<u>33</u>
<u>Liquidity and Capital Resources</u>	<u>37</u>
<u>Critical Accounting Estimates</u>	<u>40</u>
<u>Non-GAAP Information</u>	<u>41</u>
ITEM 3. <u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	<u>44</u>
ITEM 4. <u>CONTROLS AND PROCEDURES</u>	<u>44</u>
PART II - OTHER INFORMATION	
ITEM 2. <u>UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS</u>	<u>44</u>
ITEM 6. <u>EXHIBITS</u>	<u>44</u>

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

HIGHWOODS PROPERTIES, INC.

Consolidated Balance Sheets

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

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	June 30, 2014	December 31, 2013
Assets:		
Real estate assets, at cost:		
Land	\$382,575	\$ 393,602
Buildings and tenant improvements	3,724,554	3,748,869
Development in process	114,790	44,621
Land held for development	104,873	110,374
	4,326,792	4,297,466
Less-accumulated depreciation	(1,011,477 )	(985,244 )
Net real estate assets	3,315,315	3,312,222
Real estate and other assets, net, held for sale	68,159	—
Cash and cash equivalents	18,699	10,184
Restricted cash	10,602	14,169
Accounts receivable, net of allowance of \$1,390 and \$1,648, respectively	27,972	26,430
Mortgages and notes receivable, net of allowance of \$275 and \$302, respectively	10,140	26,409
Accrued straight-line rents receivable, net of allowance of \$798 and \$1,063, respectively	132,051	126,014
Investments in unconsolidated affiliates	30,387	29,901
Deferred financing and leasing costs, net of accumulated amortization of \$102,430 and \$92,220, respectively	218,022	222,211
Prepaid expenses and other assets, net of accumulated amortization of \$13,466 and \$12,905, respectively	45,453	39,561
Total Assets	\$3,876,800	\$ 3,807,101
Liabilities, Noncontrolling Interests in the Operating Partnership and Equity:		
Mortgages and notes payable	\$2,058,972	\$ 1,956,299
Accounts payable, accrued expenses and other liabilities	219,296	218,962
Financing obligations	24,672	26,664
Total Liabilities	2,302,940	2,201,925
Commitments and contingencies		
Noncontrolling interests in the Operating Partnership	123,205	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; 90,361,707 and 89,920,915 shares issued and outstanding, respectively	904	899
Additional paid-in capital	2,366,281	2,370,368
Distributions in excess of net income available for common stockholders	(962,205 )	(920,433 )
Accumulated other comprehensive loss	(4,719 )	(2,611 )
Total Stockholders' Equity	1,429,338	1,477,300
Noncontrolling interests in consolidated affiliates	21,317	21,396
Total Equity	1,450,655	1,498,696
Total Liabilities, Noncontrolling Interests in the Operating Partnership and Equity	\$3,876,800	\$ 3,807,101

See accompanying notes to consolidated financial statements.

Table of Contents

## HIGHWOODS PROPERTIES, INC.

## Consolidated Statements of Income

(Unaudited and in thousands, except per share amounts)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2014	2013	2014	2013
Rental and other revenues	\$152,722	\$132,618	\$301,175	\$262,995
Operating expenses:				
Rental property and other expenses	55,275	47,317	111,665	93,911
Depreciation and amortization	50,443	40,624	98,608	80,712
Impairments of real estate assets	588	—	588	—
General and administrative	8,733	8,397	19,447	18,979
Total operating expenses	115,039	96,338	230,308	