

HIGHWOODS PROPERTIES INC
Form 10-Q
July 25, 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 June 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 S 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 S Highwoods Realty Limited Partnership Yes No S

The Company had 84,483,948 shares of Common Stock outstanding as of July 18, 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,” the Operating Partnership’s preferred partnership interests as “Preferred Units” and in-service properties (excluding for-sale residential condominiums) to which the Company and/or the Operating Partnership have title and 100.0% ownership rights as the “Wholly Owned Properties.” 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 July 18, 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 June 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 JUNE 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)

	June 30, 2013	December 31, 2012
Assets:		
Real estate assets, at cost:		
Land	\$ 389,431	\$ 365,762
Buildings and tenant improvements	3,482,057	3,253,805
Development in process	37,559	21,198
Land held for development	120,580	115,416
	4,029,627	3,756,181
Less-accumulated depreciation	(978,777)	(929,598)
Net real estate assets	3,050,850	2,826,583
Real estate and other assets, net, held for sale	—	47,508
Cash and cash equivalents	10,122	13,783
Restricted cash	15,987	19,702
Accounts receivable, net of allowance of \$1,465 and \$2,848, respectively	25,266	23,073
Mortgages and notes receivable, net of allowance of \$376 and \$182, respectively	25,583	25,472
Accrued straight-line rents receivable, net of allowance of \$853 and \$857, respectively	122,742	115,030
Investments in and advances to unconsolidated affiliates	65,272	66,800
Deferred financing and leasing costs, net of accumulated amortization of \$85,548 and \$76,840, respectively	181,802	168,019
Prepaid expenses and other assets, net of accumulated amortization of \$12,561 and \$12,318, respectively	41,959	44,458
Total Assets	\$ 3,539,583	\$ 3,350,428
Liabilities, Noncontrolling Interests in the Operating Partnership and Equity:		
Mortgages and notes payable	\$ 1,931,655	\$ 1,859,162
Accounts payable, accrued expenses and other liabilities	185,087	172,146
Financing obligations	28,392	29,358
Total Liabilities	2,145,134	2,060,666
Commitments and contingencies		
Noncontrolling interests in the Operating Partnership	130,351	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; 83,968,412 and 80,311,437 shares issued and outstanding, respectively	840	803
Additional paid-in capital	2,160,698	2,040,306
Distributions in excess of net income available for common stockholders	(927,110)	(897,418)
Accumulated other comprehensive loss	(4,142)	(12,628)
Total Stockholders' Equity	1,259,363	1,160,140
Noncontrolling interests in consolidated affiliates	4,735	4,753

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Total Equity	1,264,098	1,164,893
Total Liabilities, Noncontrolling Interests in the Operating Partnership and Equity	\$3,539,583	\$ 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 June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Rental and other revenues	\$138,515	\$126,728	\$274,631	\$250,762
Operating expenses:				
Rental property and other expenses	49,633	45,884	98,372	90,066
Depreciation and amortization	42,394	38,991	84,208	75,687
Impairments of real estate assets	1,066	—	1,066	—
General and administrative	8,397	8,900	18,979	18,573
Total operating expenses	101,490	93,775	202,625	184,326
Interest expense:				
Contractual	22,398	23,548	45,196	47,399
Amortization of deferred financing costs	948	900	1,897	1,802
Financing obligations	(60)	(76)	61	(152)
	23,286	24,372	47,154	49,049
Other income:				
Interest and other income	1,617	1,737	3,400	3,967
Losses on debt extinguishment	—	(973)	(164)	(973)
	1,617	764	3,236	2,994
Income from continuing operations before disposition of property and condominiums	15,356	9,345	28,088	20,381
and equity in earnings of unconsolidated affiliates				
Losses on disposition of property	(37)	—	(37)	—
Gains on for-sale residential condominiums	—	110	—	175
Equity in earnings of unconsolidated affiliates	913	1,508	1,349	1,346
Income from continuing operations	16,232	10,963	29,400	21,902
Discontinued operations:				
Income from discontinued operations	184	2,150	245	4,409
Net gains on disposition of discontinued operations	13,163	1,385	13,694	6,519
	13,347	3,535	13,939	10,928
Net income	29,579	14,498	43,339	32,830
Net (income) attributable to noncontrolling interests in the Operating Partnership	(1,243)	(686)	(1,824)	(1,513)
Net (income) attributable to noncontrolling interests in consolidated affiliates	(187)	(223)	(390)	(407)
Dividends on Preferred Stock	(627)	(627)	(1,254)	(1,254)
Net income available for common stockholders	\$27,522	\$12,962	\$39,871	\$29,656
Earnings per Common Share – basic:				
Income from continuing operations available for common stockholders	\$0.18	\$0.13	\$0.33	\$0.26
Income from discontinued operations available for common stockholders	0.15	0.04	0.16	0.14
Net income available for common stockholders	\$0.33	\$0.17	\$0.49	\$0.40
Weighted average Common Shares outstanding – basic	82,811	74,662	81,925	73,749
Earnings per Common Share – diluted:				
Income from continuing operations available for common stockholders	\$0.18	\$0.13	\$0.33	\$0.26
	0.15	0.04	0.16	0.14

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Income from discontinued operations available for common stockholders

Net income available for common stockholders	\$0.33	\$0.17	\$0.49	\$0.40
Weighted average Common Shares outstanding – diluted	86,631	78,521	85,752	77,601
Dividends declared per Common Share	\$0.425	\$0.425	\$0.850	\$0.850
Net income available for common stockholders:				
Income from continuing operations available for common stockholders	\$14,746	\$9,596	\$26,529	\$19,259
Income from discontinued operations available for common stockholders	12,776	3,366	13,342	10,397
Net income available for common stockholders	\$27,522	\$12,962	\$39,871	\$29,656

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 June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Comprehensive income:				
Net income	\$29,579	\$14,498	\$43,339	\$32,830
Other comprehensive income:				
Unrealized gains/(losses) on tax increment financing bond	(91)	296	299	583
Unrealized gains/(losses) on cash flow hedges	6,319	(7,481)	6,599	(7,087)
Amortization of cash flow hedges	800	782	1,588	1,459
Total other comprehensive income/(loss)	7,028	(6,403)	8,486	(5,045)
Total comprehensive income	36,607	8,095	51,825	27,785
Less-comprehensive (income) attributable to noncontrolling interests	(1,430)	(909)	(2,214)	(1,920)
Comprehensive income attributable to common stockholders	\$35,177	\$7,186	\$49,611	\$25,865

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-control 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 tax withholdings	3,434,687	34	—	122,456	—	—	—	122,490
Conversions of Common Units to Common Stock	72,471	—	—	2,851	—	—	—	2,851
Dividends on Common Stock		—	—		—	—	(69,563)	(69,563)
Dividends on Preferred Stock		—	—		—	—	(1,254)	(1,254)
Adjustment of noncontrolling interests in the Operating Partnership to fair value		—	—	(9,649)	—	—	—	(9,649)
Distributions to noncontrolling interests in consolidated affiliates		—	—	—	—	(408)	—	(408)
Issuances of restricted stock	151,630	—	—	—	—	—	—	—
Share-based compensation expense, net of forfeitures	(1,813)	3	—	4,734	—	—	—	4,737
Net (income) attributable to noncontrolling interests in the Operating Partnership		—	—	—	—	—	(1,824)	(1,824)
Net (income) attributable to noncontrolling		—	—	—	—	390	(390)	—

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interests in consolidated affiliates								
Comprehensive income:								
Net income	—	—	—	—	—	—	43,339	43,339
Other comprehensive income	—	—	—	—	8,486	—	—	8,486
Total comprehensive income								51,825
Balance at June 30, 2013	83,968,412	\$ 840	\$ 29,077	\$ 2,160,698	\$ (4,142)	\$ 4,735	\$ (927,110)	\$ 1,264,098

	Number of Common Shares	Common Stock	Series A Cumulative 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, 2011	72,647,697	\$ 726	\$ 29,077	\$ 1,803,997	\$ (5,734)	\$ 4,646	\$ (845,853)	\$ 986,859
Issuances of Common Stock, net of tax withholdings	2,794,340	28	—	91,808	—	—	—	91,836
Conversions of Common Units to Common Stock	18,366	—	—	631	—	—	—	631
Dividends on Common Stock	—	—	—	—	—	—	(62,787)	(62,787)
Dividends on Preferred Stock	—	—	—	—	—	—	(1,254)	(1,254)
Adjustment of noncontrolling interests in the Operating Partnership to fair value	—	—	—	(16,501)	—	—	—	(16,501)
Distributions to noncontrolling interests in consolidated affiliates	—	—	—	—	—	(460)	—	(460)
Issuances of restricted stock	158,885	—	—	—	—	—	—	—
Share-based compensation expense, net of forfeitures	—	2	—	4,457	—	—	—	4,459
Net (income) attributable to noncontrolling	—	—	—	—	—	—	(1,513)	(1,513)

interests in the Operating Partnership Net (income) attributable to noncontrolling interests in consolidated affiliates						407	(407)	—
Comprehensive income:									
Net income						—	32,830		32,830
Other comprehensive loss						(5,045	)	—	(5,045
Total comprehensive income									27,785
Balance at June 30, 2012	75,619,288	\$ 756	\$ 29,077	\$ 1,884,392	\$ (10,779)	\$ 4,593	\$ (878,984) \$ 1,029,055

See accompanying notes to consolidated financial statements.

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

	Six Months Ended June 30,	
	2013	2012
Operating activities:		
Net income	\$43,339	\$32,830
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	84,767	79,113
Amortization of lease incentives and acquisition-related intangible assets and liabilities	(198)	) 180
Share-based compensation expense	4,737	4,459
Allowance for losses on accounts and accrued straight-line rents receivable	380	538
Amortization of deferred financing costs	1,897	1,802
Amortization of cash flow hedges	1,588	1,459
Impairments of real estate assets	1,481	—
Losses on debt extinguishment	164	973
Net gains on disposition of property	(13,657)	) (6,519)
Gains on for-sale residential condominiums	—	) (175)
Equity in earnings of unconsolidated affiliates	(1,349)	) (1,346)
Changes in financing obligations	(391)	) (584)
Distributions of earnings from unconsolidated affiliates	2,827	2,225
Changes in operating assets and liabilities:		
Accounts receivable	2,295	7,298
Prepaid expenses and other assets	(2,284)	) (3,158)
Accrued straight-line rents receivable	(8,009)	) (9,415)
Accounts payable, accrued expenses and other liabilities	(661)	) (16,352)
Net cash provided by operating activities	116,926	93,328
Investing activities:		
Investments in acquired real estate and related intangible assets, net of cash acquired	(228,461)) —
Investments in development in process	(11,499)	) (1,531)
Investments in tenant improvements and deferred leasing costs	(42,343)	) (43,851)
Investments in building improvements	(26,466)	) (19,758)
Net proceeds from disposition of real estate assets	60,381	19,898
Net proceeds from disposition of for-sale residential condominiums	—	2,492
Distributions of capital from unconsolidated affiliates	435	901
Investments in and repayments of mortgages and notes receivable	(156)	) 1,544
Investments in and advances/repayments to/from unconsolidated affiliates	(429)	) (2,750)
Changes in restricted cash and other investing activities	7,853	4,031
Net cash used in investing activities	(240,685)	) (39,024)
Financing activities:		
Dividends on Common Stock	(69,563)	) (62,787)
Dividends on Preferred Stock	(1,254)	) (1,254)
Distributions to noncontrolling interests in the Operating Partnership	(3,140)	) (3,158)
Distributions to noncontrolling interests in consolidated affiliates	(408)	) (460)
Proceeds from the issuance of Common Stock	126,738	95,289
Costs paid for the issuance of Common Stock	(1,711)	) (1,316)
Repurchase of shares related to tax withholdings	(2,537)	) (2,137)
Borrowings on revolving credit facility	346,300	106,300
Repayments of revolving credit facility	(233,900)) (392,800)

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Borrowings on mortgages and notes payable	—	225,000	
Repayments of mortgages and notes payable	(39,610)	(19,359)
Payments on financing obligations	(575	)	(38)
Additions to deferred financing costs and other financing activities	(242	)	(2,245)
Net cash provided by/(used in) financing activities	120,098		(58,965)
Net decrease in cash and cash equivalents	\$(3,661)	\$(4,661)

See accompanying notes to consolidated financial statements.

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HIGHWOODS PROPERTIES, INC.

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

	Six Months Ended June 30,	
	2013	2012
Net decrease in cash and cash equivalents	\$(3,661)	\$(4,661)
Cash and cash equivalents at beginning of the period	13,783	11,188
Cash and cash equivalents at end of the period	\$10,122	\$6,527

Supplemental disclosure of cash flow information:

	Six Months Ended June 30,	
	2013	2012
Cash paid for interest, net of amounts capitalized	\$40,480	\$48,063

Supplemental disclosure of non-cash investing and financing activities:

	Six Months Ended June 30,	
	2013	2012
Unrealized gains/(losses) on cash flow hedges	\$6,599	\$(7,087)
Conversions of Common Units to Common Stock	2,851	631
Changes in accrued capital expenditures	12,618	(2,448)
Write-off of fully depreciated real estate assets	17,732	28,629
Write-off of fully amortized deferred financing and leasing costs	11,363	8,765
Unrealized gains on marketable securities of non-qualified deferred compensation plan	312	216
Adjustment of noncontrolling interests in the Operating Partnership to fair value	9,649	16,501
Unrealized gains on tax increment financing bond	299	583
Reduction of advances to unconsolidated affiliates related to acquisition activities	—	26,000

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)

	June 30, 2013	December 31, 2012
Assets:		
Real estate assets, at cost:		
Land	\$ 389,431	\$ 365,762
Buildings and tenant improvements	3,482,057	3,253,805
Development in process	37,559	21,198
Land held for development	120,580	115,416
	4,029,627	3,756,181
Less-accumulated depreciation	(978,777)	(929,598)
Net real estate assets	3,050,850	2,826,583
Real estate and other assets, net, held for sale	—	47,508
Cash and cash equivalents	10,205	13,867
Restricted cash	15,987	19,702
Accounts receivable, net of allowance of \$1,465 and \$2,848, respectively	25,266	23,073
Mortgages and notes receivable, net of allowance of \$376 and \$182, respectively	25,583	25,472
Accrued straight-line rents receivable, net of allowance of \$853 and \$857, respectively	122,742	115,030
Investments in and advances to unconsolidated affiliates	64,249	65,813
Deferred financing and leasing costs, net of accumulated amortization of \$85,548 and \$76,840, respectively	181,802	168,019
Prepaid expenses and other assets, net of accumulated amortization of \$12,561 and \$12,318, respectively	41,864	44,458
Total Assets	\$ 3,538,548	\$ 3,349,525
Liabilities, Redeemable Operating Partnership Units and Equity:		
Mortgages and notes payable	\$ 1,931,655	\$ 1,859,162
Accounts payable, accrued expenses and other liabilities	185,041	172,026
Financing obligations	28,392	29,358
Total Liabilities	2,145,088	2,060,546
Commitments and contingencies		
Redeemable Operating Partnership Units:		
Common Units, 3,660,545 and 3,733,016 outstanding, respectively	130,351	124,869
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	159,428	153,946
Equity:		
Common Units:		
General partner Common Units, 872,201 and 836,356 outstanding, respectively	12,332	11,427
Limited partner Common Units, 82,687,402 and 79,066,272 outstanding, respectively	1,221,107	1,131,481
Accumulated other comprehensive loss	(4,142)	(12,628)
Noncontrolling interests in consolidated affiliates	4,735	4,753
Total Equity	1,234,032	1,135,033
Total Liabilities, Redeemable Operating Partnership Units and Equity	\$ 3,538,548	\$ 3,349,525

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 June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Rental and other revenues	\$138,515	\$126,728	\$274,631	\$250,762
Operating expenses:				
Rental property and other expenses	49,611	45,825	98,376	89,945
Depreciation and amortization	42,394	38,991	84,208	75,687
Impairments of real estate assets	1,066	—	1,066	—
General and administrative	8,419	8,959	18,975	18,694
Total operating expenses	101,490	93,775	202,625	184,326
Interest expense:				
Contractual	22,398	23,548	45,196	47,399
Amortization of deferred financing costs	948	900	1,897	1,802
Financing obligations	(60)	(76)	61	(152)
	23,286	24,372	47,154	49,049
Other income:				
Interest and other income	1,617	1,737	3,400	3,967
Losses on debt extinguishment	—	(973)	(164)	(973)
	1,617	764	3,236	2,994
Income from continuing operations before disposition of property and condominiums and equity in earnings of unconsolidated affiliates	15,356	9,345	28,088	20,381
Losses on disposition of property	(37)	—	(37)	—
Gains on for-sale residential condominiums	—	110	—	175
Equity in earnings of unconsolidated affiliates	916	1,511	1,299	1,351
Income from continuing operations	16,235	10,966	29,350	21,907
Discontinued operations:				
Income from discontinued operations	184	2,150	245	4,409
Net gains on disposition of discontinued operations	13,163	1,385	13,694	6,519
	13,347	3,535	13,939	10,928
Net income	29,582	14,501	43,289	32,835
Net (income) attributable to noncontrolling interests in consolidated affiliates	(187)	(223)	(390)	(407)
Distributions on Preferred Units	(627)	(627)	(1,254)	(1,254)
Net income available for common unitholders	\$28,768	\$13,651	\$41,645	\$31,174
Earnings per Common Unit – basic:				
Income from continuing operations available for common unitholders	\$0.18	\$0.13	\$0.33	\$0.26
Income from discontinued operations available for common unitholders	0.15	0.05	0.16	0.14
Net income available for common unitholders	\$0.33	\$0.18	\$0.49	\$0.40
Weighted average Common Units outstanding – basic	86,090	77,971	85,223	77,063
Earnings per Common Unit – diluted:				
Income from continuing operations available for common unitholders	\$0.18	\$0.13	\$0.33	\$0.26
Income from discontinued operations available for common unitholders	0.15	0.04	0.16	0.14
Net income available for common unitholders	\$0.33	\$0.17	\$0.49	\$0.40

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Weighted average Common Units outstanding – diluted	86,222	78,112	85,343	77,192
Distributions declared per Common Unit	\$0.425	\$0.425	\$0.850	\$0.850
Net income available for common unitholders:				
Income from continuing operations available for common unitholders	\$15,421	\$10,116	\$27,706	\$20,246
Income from discontinued operations available for common unitholders	13,347	3,535	13,939	10,928
Net income available for common unitholders	\$28,768	\$13,651	\$41,645	\$31,174

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 June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Comprehensive income:				
Net income	\$29,582	\$14,501	\$43,289	\$32,835
Other comprehensive income:				
Unrealized gains/(losses) on tax increment financing bond	(91)	296	299	583
Unrealized gains/(losses) on cash flow hedges	6,319	(7,481)	6,599	(7,087)
Amortization of cash flow hedges	800	782	1,588	1,459
Total other comprehensive income/(loss)	7,028	(6,403)	8,486	(5,045)
Total comprehensive income	36,610	8,098	51,775	27,790
Less-comprehensive (income) attributable to noncontrolling interests	(187)	(223)	(390)	(407)
Comprehensive income attributable to common unitholders	\$36,423	\$7,875	\$51,385	\$27,383

See accompanying notes to consolidated financial statements.

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HIGHWOODS REALTY LIMITED PARTNERSHIP

Consolidated Statements of Capital

(Unaudited and in thousands)

	Common Units		Accumulated	Noncontrolling	Total
	General	Limited	Other	Interests in	Partners'
	Partners'	Partners'	Comprehensive	Consolidated	Capital
	Capital	Capital	Loss	Affiliates	
Balance at December 31, 2012	\$11,427	\$1,131,481	\$ (12,628)	\$ 4,753	\$1,135,033
Issuances of Common Units, net of tax withholdings	1,225	121,265	—	—	122,490
Distributions paid on Common Units	(724)	(71,631)	—	—	(72,355)
Distributions paid on Preferred Units	(13))			