

HIGHWOODS PROPERTIES INC
Form 10-Q
November 09, 2007

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, 2007

Commission file number: 001-13100

HIGHWOODS PROPERTIES, INC.

(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction
of incorporation or organization)

56-1871668
(I.R.S. Employer
Identification Number)

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3100 Smoketree Court, Suite 600, Raleigh, N.C.

(Address of principal executive office)

27604

(Zip Code)

(919) 872-4924

(Registrant's 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. Yes No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer or a

non-accelerated filer. See definition of "accelerated filer" and "large accelerated filer" in Rule 12b-2 of the Securities Exchange Act. Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act). Yes No

The Company had 57,158,461 shares of common stock outstanding as of September 30, 2007.

HIGHWOODS PROPERTIES, INC.

QUARTERLY REPORT FOR THE PERIOD ENDED SEPTEMBER 30, 2007

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

We refer to (1) Highwoods Properties, Inc. as the Company, (2) Highwoods Realty Limited Partnership as the Operating Partnership, (3) the Company's common stock as Common Stock, (4) the Company's preferred stock as Preferred Stock, (5) the Operating Partnership's common partnership interests as Common Units, (6) the Operating Partnership's preferred partnership interests as Preferred Units and (7) in-service properties (excluding rental residential units) to which the Company and/or the Operating Partnership have title and 100.0% ownership rights as the Wholly Owned Properties.

The information furnished in the accompanying Consolidated Financial Statements reflects all adjustments (consisting of normal recurring accruals) that are, in our opinion, necessary for a fair presentation of the aforementioned financial statements for the interim period.

The aforementioned financial statements should be read in conjunction with the notes to Consolidated Financial Statements, Management's Discussion and Analysis of Financial Condition and Results of Operations and Risk Factors included herein and in our 2006 Annual Report on Form 10-K.

HIGHWOODS PROPERTIES, INC.**Consolidated Balance Sheets**

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

	September 30, 2007	December 31, 2006
Assets:		
Real estate assets, at cost:		
Land	\$ 353,659	\$ 345,548
Buildings and tenant improvements	2,663,378	2,573,032
Development in process	134,088	101,899
Land held for development	111,384	111,517
	3,262,509	3,131,996
Less-accumulated depreciation	(638,265)	(588,307)
Net real estate assets	2,624,244	2,543,689
Real estate and other assets, net, held for sale	3,200	35,446
Cash and cash equivalents	3,468	16,690
Restricted cash	19,367	2,027
Accounts receivable, net of allowance of \$1,007 and \$1,253, respectively	27,263	23,347
Notes receivable, net of allowance of \$133 and \$786, respectively	5,430	7,871
Accrued straight-line rents receivable, net of allowance of \$410 and \$301, respectively	71,328	68,364
Investment in unconsolidated affiliates	57,970	60,359
Deferred financing and leasing costs, net of accumulated amortization	71,178	66,352
Prepaid expenses and other assets	23,475	20,708
Total Assets	\$ 2,906,923	\$ 2,844,853
Liabilities, Minority Interest and Stockholders' Equity:		
Mortgages and notes payable	\$ 1,601,474	\$ 1,465,129
Accounts payable, accrued expenses and other liabilities	167,716	156,737
Financing obligations	34,919	35,530
Total Liabilities	1,804,109	1,657,396
Commitments and Contingencies (see Note 11)		
Minority interest	70,716	79,726
Stockholders' Equity:		
Preferred Stock, \$.01 par value, 50,000,000 authorized shares; 8 5/8% Series A Cumulative Redeemable Preferred Shares (liquidation preference \$1,000 per share), 82,937 and 104,945 shares issued and outstanding at September 30, 2007 and December 31, 2006, respectively	82,937	104,945
8% Series B Cumulative Redeemable Preferred Shares (liquidation preference \$25 per share), 2,100,000 and 3,700,000 shares issued and outstanding at September 30, 2007 and December 31, 2006, respectively	52,500	92,500
Common stock, \$.01 par value, 200,000,000 authorized shares; 57,158,461 and 56,211,148 shares issued and outstanding at September 30, 2007 and December 31, 2006, respectively	572	562
Additional paid-in capital	1,446,609	1,449,337
Distributions in excess of net earnings	(549,436)	(538,098)
Accumulated other comprehensive loss	(1,084)	(1,515)
Total Stockholders' Equity	1,032,098	1,107,731
Total Liabilities, Minority Interest and Stockholders' Equity	\$ 2,906,923	\$ 2,844,853

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, 2007	2006	September 30, 2007	2006
Rental and other revenues	\$ 110,166	\$ 103,395	\$ 325,384	\$ 305,853
Operating expenses:				
Rental property and other expenses	39,958	38,895	117,530	111,511
Depreciation and amortization				