

HIGHWOODS PROPERTIES INC
Form 10-Q
August 04, 2009

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, 2009

HIGHWOODS PROPERTIES, INC.

(Exact name of registrant as specified in its charter)

Maryland

(State or other jurisdiction
of incorporation or organization)

001-13100

(Commission
File Number)

56-1871668

(I.R.S. Employer
Identification Number)

HIGHWOODS REALTY LIMITED PARTNERSHIP

(Exact name of registrant as specified in its charter)

North Carolina

(State or other jurisdiction
of incorporation or organization)

000-21731

(Commission
File Number)

56-1869557

(I.R.S. Employer
Identification Number)

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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

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 70,860,922 shares of common stock outstanding as of July 31, 2009.

HIGHWOODS PROPERTIES, INC.

HIGHWOODS REALTY LIMITED PARTNERSHIP

QUARTERLY REPORT FOR THE PERIOD ENDED JUNE 30, 2009

TABLE OF CONTENTS

[PART I - FINANCIAL INFORMATION](#)

ITEM 1. FINANCIAL STATEMENTS	2
HIGHWOODS PROPERTIES, INC.:	
Consolidated Balance Sheets as of June 30, 2009 and December 31, 2008	3
Consolidated Statements of Income for the three and six months ended June 30, 2009 and 2008	4
Consolidated Statement of Equity for the six months ended June 30, 2009	5
Consolidated Statements of Cash Flows for the six months ended June 30, 2009 and 2008	6
Notes To Consolidated Financial Statements	8
HIGHWOODS REALTY LIMITED PARTNERSHIP:	
Consolidated Balance Sheets as of June 30, 2009 and December 31, 2008	25
Consolidated Statements of Income for the three and six months ended June 30, 2009 and 2008	26
Consolidated Statement of Equity for the six months ended June 30, 2009	27
Consolidated Statements of Cash Flows for the six months ended June 30, 2009 and 2008	28
Notes To Consolidated Financial Statements	30
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	45
Disclosure Regarding Forward-Looking Statements	45
Results of Operations	46
Liquidity and Capital Resources	50
Critical Accounting Estimates	55
Funds From Operations	55
ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	57
ITEM 4. CONTROLS AND PROCEDURES	57
PART II - OTHER INFORMATION	
ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS	58
ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS	58
ITEM 6. EXHIBITS	58

Table of Contents

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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, the Company's preferred stock as Preferred Stock, 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 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 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.

Table of Contents**HIGHWOODS PROPERTIES, INC.****CONSOLIDATED BALANCE SHEETS**

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

	June 30, 2009	December 31, 2008
Assets:		
Real estate assets, at cost:		
Land	\$ 349,386	\$ 352,872
Buildings and tenant improvements	2,808,834	2,819,844
Development in process	67,563	61,938
Land held for development	99,232	98,946
	3,325,015	3,333,600
Less-accumulated depreciation	(743,753)	(714,224)
Net real estate assets	2,581,262	2,619,376
For-sale residential condominiums	19,660	24,284
Real estate and other assets, net, held for sale	1,249	1,242
Cash and cash equivalents	13,372	13,757
Restricted cash	14,707	2,258
Accounts receivable, net of allowance of \$2,836 and \$1,281, respectively	18,050	23,687
Notes receivable, net of allowance of \$418 and \$459, respectively	3,330	3,602
Accrued straight-line rents receivable, net of allowance of \$1,903 and \$2,082, respectively	81,764	79,979
Investment in unconsolidated affiliates	66,631	67,723
Deferred financing and leasing costs, net of accumulated amortization of \$50,752 and \$52,586, respectively	70,055	73,216
Prepaid expenses and other assets	36,683	37,046
Total Assets	\$ 2,906,763	\$ 2,946,170
Liabilities, Noncontrolling Interests in the Operating Partnership and Equity:		
Mortgages and notes payable	\$ 1,428,650	\$ 1,604,685
Accounts payable, accrued expenses and other liabilities	134,202	135,609
Financing obligations	34,758	34,174
Total Liabilities	1,597,610	1,774,468
Commitments and contingencies		
Noncontrolling interests in the Operating Partnership	90,796	111,278
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), 29,092 shares issued and outstanding	29,092	29,092
8.000% Series B Cumulative Redeemable Preferred Shares (liquidation preference \$25 per share), 2,100,000 shares issued and outstanding	52,500	52,500
Common stock, \$.01 par value, 200,000,000 authorized shares; 70,847,962 and 63,571,705 shares issued and outstanding, respectively	708	636
Additional paid-in capital	1,783,645	1,616,093
Distributions in excess of net earnings	(649,326)	(639,281)
Accumulated other comprehensive loss	(4,327)	(4,792)
Total Stockholders' Equity	1,212,292	1,054,248
Noncontrolling interests in consolidated affiliates	6,065	6,176
Total Equity	1,218,357	1,060,424
Total Liabilities, Noncontrolling Interests in the Operating Partnership and Equity	\$ 2,906,763	\$ 2,946,170

See accompanying notes to consolidated financial statements.

3

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,	
	2009	2008	2009	2008
Rental and other revenues	\$ 113,310	\$ 112,828	\$ 227,123	\$ 224,041
Operating expenses:				
Rental property and other expenses		 		