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 x No ¨ Highwoods Realty Limited Partnership Yes x 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 x No ¨ Highwoods Realty Limited Partnership Yes x 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 x    Accelerated filer ¨    Non-accelerated filer ¨    Smaller reporting company ¨
Highwoods Realty Limited Partnership
Large accelerated filer ¨    Accelerated filer ¨    Non-accelerated filer x    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 x    Highwoods Realty Limited Partnership  Yes ¨   No x

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

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 |

| | | |
|---|---|---|
| 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.

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 |

| | | | | |
|---|---|---|---|---|
| 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.

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 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 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) |

| | | |
|---|---|---|
| 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 ) |
| 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 | 8,938 |
| 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 | $ 3,999,229 |
| 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 |

| | | | | |
|---|---|---|---|---|
| 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)

| | Common Units | | Accumulated | Noncontrolling | |
|---|---|---|---|---|---|
| | General Partners' Capital (as revised) | Limited Partners' Capital (as revised) | Other Comprehensive Loss | Interests in Consolidated Affiliates | Total (as revised) |
| Balance at December 31, 2014 | $15,078 | $1,492,948 | $ (3,912) | $ 18,109 | $1,522,223 |
| Issuances of Common Units, net of issuance costs and tax withholdings | 932 | 92,284 | — | — | 93,216 |
| Distributions paid on Common Units | (1,230) | (121,699) | — | — | (122,929) |
| Distributions paid on Preferred Units | (19) | (1,860) | — | — | (1,879) |
| Share-based compensation expense, net of forfeitures | 60 | 5,936 | — | — | 5,996 |
| Distributions to noncontrolling interests in consolidated affiliates | — | — | — | (1,070) | (1,070) |
| Adjustment of Redeemable Common Units to fair value and contributions/distributions from/to the General Partner | 166 | 16,401 | — | — | 16,567 |
| Net (income) attributable to noncontrolling interests in consolidated affiliates | (9) | (939) | — | 948 | — |
| Comprehensive income: | | | | | |
| Net income | 793 | 78,550 | — | — | 79,343 |
| Other comprehensive loss | — | — | (2,698) | — | (2,698) |
| Total comprehensive income | | | | | 76,645 |
| Balance at September 30, 2015 | $15,771 | $1,561,621 | $ (6,610) | $ 17,987 | $1,588,769 |

| | Common Units | | Accumulated | Noncontrolling | |
|---|---|---|---|---|---|
| | General Partners' Capital (as revised) | Limited Partners' Capital (as revised) | Other Comprehensive Loss | Interests in Consolidated Affiliates | Total (as revised) |
| Balance at December 31, 2013 | $14,596 | $1,445,181 | $ (2,611) | $ 21,396 | $1,478,562 |
| Issuances of Common Units, net of issuance costs and tax withholdings | 459 | 45,463 | — | — | 45,922 |
| Redemptions of Common Units | (1) | (92) | — | — | (93) |
| Distributions paid on Common Units | (1,183) | (117,078) | — | — | (118,261) |
| Distributions paid on Preferred Units | (19) | (1,862) | — | — | (1,881) |
| Share-based compensation expense, net of forfeitures | 62 | 6,117 | — | — | 6,179 |
| Distributions to noncontrolling interests in consolidated affiliates | — | — | — | (940) | (940) |
| Adjustment of Redeemable Common Units to fair value and contributions/distributions from/to the General Partner | (83) | (8,250) | — | — | (8,333) |
| | (12) | (1,140) | — | 1,152 | — |

| | | | | | |
|---|---|---|---|---|---|
| Net (income) attributable to noncontrolling interests in consolidated affiliates | | | | | |
| Comprehensive income: | | | | | |
| Net income | 924 | 91,463 | — | — | 92,387 |
| Other comprehensive loss | — | — | (220) | — | (220) |
| Total comprehensive income | | | | | 92,167 |
| Balance at September 30, 2014 | $14,743 | $1,459,802 | $ (2,831) | $ 21,608 | $1,493,322 |

See accompanying notes to consolidated financial statements.

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HIGHWOODS REALTY LIMITED PARTNERSHIP
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 ) | (2,885 ) |
| Accrued straight-line rents receivable | (16,955 ) | (16,202 ) |
| Accounts payable, accrued expenses and other liabilities | (5,748 ) | (5,804 ) |
| Net cash provided by operating activities | 209,496 | 183,728 |
| 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: | | |
| Distributions on Common Units | (122,929) | (118,261) |
| Redemptions/repurchases of Preferred Units | (10 ) | — |
| Redemptions of Common Units | — | (93 ) |
| Distributions on Preferred Units | (1,879 ) | (1,881 ) |

| | | |
|---|---|---|
| Distributions to noncontrolling interests in consolidated affiliates | (1,070 ) | (940 ) |
| Proceeds from the issuance of Common Units | 98,485 | 49,216 |
| Costs paid for the issuance of Common Units | (1,518 ) | (600 ) |
| Repurchase of units 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 | (2,685 ) | (3,032 ) |
| Net cash provided by/(used in) financing activities | 350,845 | (23,119 ) |
| Net increase/(decrease) in cash and cash equivalents | $(3,754 ) | $1,425 |

See accompanying notes to consolidated financial statements.

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HIGHWOODS REALTY LIMITED PARTNERSHIP
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 | $(3,754 ) | $1,425 |
| Cash and cash equivalents at beginning of the period | 8,938 | 10,281 |
| Cash and cash equivalents at end of the period | $5,184 | $11,706 |

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 ) |
| 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 Redeemable Common Units to fair value | (17,280 ) | 7,768 |
| 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 PROPERTIES, INC.
HIGHWOODS REALTY LIMITED PARTNERSHIP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2015
(tabular dollar amounts in thousands, except per share and per unit data)
(Unaudited)

1. Description of Business and Significant Accounting Policies

Description of Business

Highwoods Properties, Inc. (the “Company”) is a fully integrated real estate investment trust (“REIT”) that provides leasing, management, development, construction and other customer-related services for its properties and for third parties. The Company conducts its activities through Highwoods Realty Limited Partnership (the “Operating Partnership”). At September 30, 2015, we owned or had an interest in 32.5 million rentable square feet of in-service properties, 1.4 million rentable square feet of properties under development and approximately 500 acres of development land.

The Company is the sole general partner of the Operating Partnership. At September 30, 2015, the Company owned all of the Preferred Units and 94.9 million, or 97.0%, of the Common Units in the Operating Partnership. Limited partners own the remaining 2.9 million Common Units. During the nine months ended September 30, 2015, the Company redeemed 26,820 Common Units for a like number of shares of Common Stock.

Common Stock Offerings

During the three and nine months ended September 30, 2015, the Company issued 1,206,200 and 2,178,859 shares, respectively, of Common Stock under its equity sales agreements at an average gross sales price of $41.89 and $43.33 per share, respectively, and received net proceeds, after sales commissions, of $49.8 million and $93.0 million, respectively. As a result of this activity and the redemptions discussed above, the percentage of Common Units owned by the Company increased from 96.9% at December 31, 2014 to 97.0% at September 30, 2015.

Basis of Presentation

Our Consolidated Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”). The Company's Consolidated Financial Statements include the Operating Partnership, wholly owned subsidiaries and those entities in which the Company has the controlling interest. The Operating Partnership's Consolidated Financial Statements include wholly owned subsidiaries and those entities in which the Operating Partnership has the controlling interest. All intercompany transactions and accounts have been eliminated. At December 31, 2014, we had involvement with, but were not the primary beneficiary in, an entity that we concluded to be a variable interest entity (see Note 3).

During the second quarter of 2015, as a result of our partner’s irrevocable exercise of a buy-sell provision in our SF-HIW Harborview Plaza, LP ("Harborview") joint venture agreement, our partner’s right to put its 80.0% equity interest back to us became no longer exercisable. As a result, we recorded the original contribution transaction as a partial sale and recognized $2.2 million of gain. Our investment in this joint venture then qualified for the equity method of accounting, which resulted in the retrospective revision of the Consolidated Balance Sheets and Consolidated Statements of Equity and Capital for all prior periods presented. The effects of the retrospective application of the equity method of accounting to the Consolidated Statements of Income, Comprehensive Income and Cash Flows were not material. The effects of the retrospective application of the equity method of accounting to the

Company's December 31, 2014 Balance Sheet were as follows:

| | December 31, 2014 | |
|---|---|---|
| | Previously Reported | As Revised |
| Net real estate assets | $3,481,406 | $3,452,006 |
| Investments in and advances to unconsolidated affiliates | $27,071 | $50,685 |
| Total Assets | $4,004,909 | $3,999,123 |
| Financing obligations | $23,519 | $8,962 |
| Distributions in excess of net income available for common stockholders | $(966,141 ) | $(957,370 ) |
| Total Liabilities, Noncontrolling Interests in the Operating Partnership and Equity | $4,004,909 | $3,999,123 |

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1. Description of Business and Significant Accounting Policies – Continued

The unaudited interim consolidated financial statements and accompanying unaudited consolidated financial information, in the opinion of management, contain all adjustments (including normal recurring accruals) necessary for a fair presentation of our financial position, results of operations and cash flows. We have condensed or omitted certain notes and other information from the interim Consolidated Financial Statements presented in this Quarterly Report as permitted by SEC rules and regulations. These Consolidated Financial Statements should be read in conjunction with our 2014 Annual Report on Form 10-K.

Use of Estimates

The preparation of consolidated financial statements in accordance with GAAP requires us to make estimates and assumptions that affect the amounts reported in the Consolidated Financial Statements and accompanying notes. Actual results could differ from those estimates.

Recently Issued Accounting Standards

The Financial Accounting Standards Board ("FASB") recently issued an accounting standards update that requires the use of a new five-step model to recognize revenue from customer contracts. The five-step model requires that we identify the contract with the customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to the performance obligations in the contract and recognize revenue when we satisfy the performance obligations. We will also be required to disclose information regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The accounting standards update is required to be adopted in 2018. Retrospective application is required either to all periods presented or with the cumulative effect of initial adoption recognized in the period of adoption. We are in the process of evaluating this accounting standards update.

The FASB recently issued an accounting standards update that amends consolidation requirements. The amendments significantly change the consolidation analysis required under GAAP and will require companies to reevaluate all previous consolidation conclusions. The accounting standards update is required to be adopted in 2016. We are in the process of evaluating this accounting standards update.

The FASB recently issued an accounting standards update that requires debt issuance costs related to a recognized debt liability to be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The accounting standards update is required to be adopted in 2016. Retrospective application is required. We are in the process of evaluating this accounting standards update.

(tabular dollar amounts in thousands, except per share and per unit data)

2. Real Estate Assets

Acquisitions

During the third quarter of 2015, we acquired:

- a building in Tampa, FL encompassing 528,000 rentable square feet for a net purchase price of $113.5 million and an adjacent land parcel for a purchase price of $2.2 million; and
- two buildings in Atlanta, GA encompassing 896,000 rentable square feet for a net purchase price of $290.3 million.

During the second quarter of 2015, we acquired:

- land in Atlanta, GA for a purchase price and related transaction costs of $5.2 million (including contingent consideration of $0.9 million); and
- our Highwoods DLF 98/29, LLC joint venture partner’s 77.2% interest in a building in Orlando, FL encompassing 168,000 rentable square feet in exchange for the assumption of secured debt recorded at fair value of $19.3 million (see Note 6).

During the three and nine months ended September 30, 2015, we expensed $0.9 million and $1.0 million, respectively, of acquisition costs (included in general and administrative expenses) related to these acquisitions. The assets acquired and liabilities assumed were recorded at fair value as determined by management based on information available at the acquisition date and on current assumptions as to future operations.

Pro Forma Disclosure

The following table sets forth a summary of the fair value of the major assets acquired and liabilities assumed relating to the above-referenced acquisition of two buildings in Atlanta, GA during the third quarter of 2015:

| | Total Purchase Price Allocation |
|---|---|
| Real estate assets | $275,639 |
| Acquisition-related intangible assets (in deferred financing and leasing costs) | 23,722 |
| Acquisition-related below market lease liabilities (in accounts payable, accrued expenses and other liabilities) | (9,076) |
| Total allocation | $290,285 |

The following table sets forth the Company's revenues and net income, adjusted for interest expense, straight-line rental income, depreciation and amortization related to purchase price allocations and acquisition costs, assuming the above-referenced acquisition of two buildings in Atlanta, GA during the third quarter of 2015 had been completed as of January 1, 2013:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Pro forma revenues | $171,247 | $159,944 | $505,107 | $477,120 |
| Pro forma net income | $33,354 | $54,176 | $80,647 | $92,019 |
| Pro forma net income available for common stockholders | $31,486 | $51,585 | $75,524 | $86,173 |
| Pro forma earnings per share - basic | $0.33 | $0.57 | $0.80 | $0.95 |
| Pro forma earnings per share - diluted | $0.33 | $0.57 | $0.80 | $0.95 |

HIGHWOODS PROPERTIES, INC.
HIGHWOODS REALTY LIMITED PARTNERSHIP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(tabular dollar amounts in thousands, except per share and per unit data)

2. Real Estate Assets - Continued

Dispositions

During the third quarter of 2015, we sold:

- a building for a sale price of $15.3 million and recorded a gain on disposition of property of $6.5 million; and
- land for a sale price of $1.8 million and recorded a gain on disposition of property of $0.5 million.

During the second quarter of 2015, we sold land for a sale price of $0.5 million and recorded a gain on disposition of property of $0.2 million.

During the first quarter of 2015, we sold:

- two buildings for an aggregate sale price of $3.5 million and recorded aggregate gains on disposition of property of $0.4 million; and
- land for a sale price of $2.5 million and recorded a gain on disposition of property of $0.8 million.

3. Mortgages and Notes Receivable

Mortgages and notes receivable were $2.1 million and $13.1 million at September 30, 2015 and December 31, 2014, respectively. During the second quarter of 2015, $9.9 million of secured acquisition financing provided to a third party in 2012 was repaid, including accrued interest. Previously, we concluded this arrangement to be an interest in a variable interest entity. However, since we did not have the power to direct matters that most significantly impact the activities of the entity, we did not qualify as the primary beneficiary. Accordingly, the entity was not consolidated. Our risk of loss with respect to this arrangement was limited to the carrying value of the mortgage receivable.

We evaluate the ability to collect our mortgages and notes receivable by monitoring the leasing statistics and/or market fundamentals of these assets. As of September 30, 2015, our mortgages and notes receivable were not in default and there were no other indicators of impairment.

(tabular dollar amounts in thousands, except per share and per unit data)

4. Investments in and Advances to Unconsolidated Affiliates

We have equity interests of up to 50.0% in various joint ventures with unrelated third parties that are accounted for using the equity method of accounting because we have the ability to exercise significant influence over their operating and financial policies.

The following table sets forth the summarized income statements of our unconsolidated affiliates:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Income Statements: | | | | |
| Rental and other revenues | $12,323 | $12,425 | $36,977 | $37,703 |
| Expenses: | | | | |
| Rental property and other expenses | 5,985 | 6,441 | 17,683 | 18,880 |
| Depreciation and amortization | 3,193 | 3,281 | 9,418 | 10,098 |
| Interest expense | 1,645 | 2,201 | 5,826 | 6,713 |
| Total expenses | 10,823 | 11,923 | 32,927 | 35,691 |
| Income before disposition of property | 1,500 | 502 | 4,050 | 2,012 |
| Gains on disposition of property | — | — | 18,181 | 1,949 |
| Net income | $1,500 | $502 | $22,231 | $3,961 |

During the third quarter of 2015, we sold our 20.0% interest in Harborview to our partner for net proceeds of $6.9 million and recorded a $4.2 million gain on disposition of investment in unconsolidated affiliate. The $20.8 million interest-only secured loan previously provided by us to Harborview was paid in full upon consummation of the sale.

See Note 2 for a description of our acquisition of a building in Orlando, FL from Highwoods DLF 98/29, LLC during the second quarter of 2015. The joint venture recorded a gain on disposition of property of $13.7 million. Our share of $3.1 million was recorded as a reduction to real estate assets.

During the second quarter of 2015, Highwoods KC Glenridge Office, LLC and Highwoods KC Glenridge Land, LLC collectively sold two buildings and land to an unrelated third party for an aggregate sale price of $24.5 million (before closing credits to buyer of $0.3 million for unfunded tenant improvements) and recorded gains on disposition of property of $2.4 million. We recorded $0.9 million as our share of these gains through equity in earnings of unconsolidated affiliates.

During the first quarter of 2015, Highwoods DLF 97/26 DLF 99/32, LP sold a building to an unrelated third party for a sale price of $7.0 million and recorded a gain on disposition of property of $2.1 million. We recorded $1.1 million as our share of this gain through equity in earnings of unconsolidated affiliates.

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HIGHWOODS PROPERTIES, INC.
HIGHWOODS REALTY LIMITED PARTNERSHIP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(tabular dollar amounts in thousands, except per share and per unit data)

5. Intangible Assets and Below Market Lease Liabilities

The following table sets forth total intangible assets and acquisition-related below market lease liabilities, net of accumulated amortization:

| | September 30, 2015 | December 31, 2014 |
|---|---|---|
| Assets: | | |
| Deferred financing costs | $ 19,935 | $ 19,478 |
| Less accumulated amortization | (8,906 ) | (7,953 ) |
| | 11,029 | 11,525 |
| Deferred leasing costs (including lease incentives and above market lease and in-place lease acquisition-related intangible assets) | 359,377 | 322,094 |
| Less accumulated amortization | (114,557 ) | (104,851 ) |
| | 244,820 | 217,243 |
| Deferred financing and leasing costs, net | $ 255,849 | $ 228,768 |
| | | |
| Liabilities (in accounts payable, accrued expenses and other liabilities): | | |
| Acquisition-related below market lease liabilities | $ 65,002 | $ 55,783 |
| Less accumulated amortization | (17,166 ) | (13,548 ) |
| | $ 47,836 | $ 42,235 |

The following table sets forth amortization of intangible assets and below market lease liabilities:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Amortization of deferred financing costs | $873 | $819 | $2,501 | $2,270 |
| Amortization of deferred leasing costs and acquisition-related intangible assets (in depreciation and amortization) | $11,176 | $9,465 | $31,638 | $29,443 |
| Amortization of lease incentives (in rental and other revenues) | $378 | $327 | $1,162 | $1,077 |
| Amortization of acquisition-related intangible assets (in rental and other revenues) | $1,414 | $1,080 | $3,769 | $3,310 |
| Amortization of acquisition-related intangible assets (in rental property and other expenses) | $140 | $140 | $416 | $416 |
| Amortization of acquisition-related below market lease liabilities (in rental and other revenues) | $(1,727 ) | $(1,532 ) | $(5,133 ) | $(4,554 ) |

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HIGHWOODS PROPERTIES, INC.
HIGHWOODS REALTY LIMITED PARTNERSHIP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(tabular dollar amounts in thousands, except per share and per unit data)

5. Intangible Assets and Below Market Lease Liabilities - Continued

The following table sets forth scheduled future amortization of intangible assets and below market lease liabilities:

| | Amortization of Deferred Financing Costs | Amortization of Deferred Leasing Costs and Acquisition-Related Intangible Assets (in Depreciation and Amortization) | Amortization of Lease Incentives (in Rental and Other Revenues) | Amortization of Acquisition-Related Intangible Assets (in Rental and Other Revenues) | Amortization of Acquisition-Related Intangible Assets (in Rental Property and Other Expenses) | Amortization of Acquisition-Related Below Market Lease Liabilities (in Rental and Other Revenues) |
|---|---|---|---|---|---|---|
| October 1 through December 31, 2015 | $1,049 | $ 12,976 | $353 | $ 1,111 | $ 132 | $ (1,888 ) |
| 2016 | 3,252 | 45,955 | 1,298 | 3,884 | 553 | (6,997 ) |
| 2017 | 2,711 | 38,353 | 1,197 | 2,731 | 553 | (6,653 ) |
| 2018 | 1,531 | 31,244 | 1,091 | 1,752 | 553 | (6,216 ) |
| 2019 | 1,123 | 25,530 | 898 | 1,307 | 553 | (5,740 ) |
| Thereafter | 1,363 | 65,865 | 2,845 | 3,553 | 533 | (20,342 ) |
| | $11,029 | $ 219,923 | $7,682 | $ 14,338 | $ 2,877 | $ (47,836 ) |
| Weighted average remaining amortization periods as of September 30, 2015 (in years) | 4.0 | 6.7 | 7.9 | 6.1 | 5.2 | 8.1 |

The following table sets forth the intangible assets acquired and below market lease liabilities assumed as a result of 2015 acquisition activity:

| | Acquisition-Related Intangible Assets (amortized in Rental and Other Revenues) | Acquisition-Related Intangible Assets (amortized in Depreciation and Amortization) | Acquisition-Related Below Market Lease Liabilities (amortized in Rental and Other Revenues) |
|---|---|---|---|
| Amount recorded from acquisition activity | $ 3,051 | $ 35,534 | $ (10,733 ) |
| Weighted average remaining amortization periods as of September 30, 2015 (in years) | 4.9 | 5.5 | 9.7 |

6. Mortgages and Notes Payable

The following table sets forth our mortgages and notes payable:

| | September 30, 2015 | December 31, 2014 |
|---|---|---|
| Secured indebtedness | $ 288,623 | $ 312,868 |
| Unsecured indebtedness | 2,190,130 | 1,758,521 |
| Total mortgages and notes payable | $ 2,478,753 | $ 2,071,389 |

At September 30, 2015, our secured mortgage loans were collateralized by real estate assets with an aggregate undepreciated book value of $547.2 million.

6. Mortgages and Notes Payable - Continued

Our $475.0 million unsecured revolving credit facility is scheduled to mature in January 2018 and includes an accordion feature that allows for an additional $75.0 million of borrowing capacity subject to additional lender commitments. Assuming no defaults have occurred, we have an option to extend the maturity for two additional six-month periods. The interest rate at our current credit ratings is LIBOR plus 110 basis points and the annual facility fee is 20 basis points. There was $265.0 million and $276.0 million outstanding under our revolving credit facility at September 30, 2015 and October 20, 2015, respectively. At both September 30, 2015 and October 20, 2015, we had $0.2 million of outstanding letters of credit, which reduces the availability on our revolving credit facility. As a result, the unused capacity of our revolving credit facility at September 30, 2015 and October 20, 2015 was $209.8 million and $198.8 million, respectively.

During the third quarter of 2015, we obtained a $350.0 million, six-month unsecured bridge facility. The bridge facility is originally scheduled to mature on March 28, 2016. Assuming no defaults have occurred, we have an option to extend the maturity for an additional six-month period. The interest rate on the bridge facility at our current credit ratings is LIBOR plus 110 basis points. There was $250.0 million outstanding under our bridge facility at September 30, 2015. The unused capacity of our bridge facility at September 30, 2015 was $100.0 million.

During the second quarter of 2015, we amended our $225.0 million, seven-year unsecured bank term loan, which was scheduled to mature in January 2019. We increased the borrowed amount to $350.0 million. The amended term loan is now scheduled to mature in June 2020 and the interest rate, based on our current credit ratings, was reduced from LIBOR plus 175 basis points to LIBOR plus 110 basis points. The interest rate is based on the higher of the publicly announced ratings from Moody’s Investors Service or Standard & Poor’s Ratings Services. The financial and other covenants under the amended term loan are unchanged. We incurred $1.3 million of deferred financing fees in connection with this amendment, which will be amortized along with existing unamortized deferred loan fees over the remaining term of the new loan.

During the second quarter of 2015, we prepaid without penalty the remaining $39.4 million balance on a secured mortgage loan with an effective interest rate of 6.43% that was originally scheduled to mature in November 2015. We recorded $0.2 million of loss on debt extinguishment related to this prepayment.

During the second quarter of 2015, we acquired our joint venture partner’s 77.2% interest in a building in Orlando, FL. Simultaneously with this acquisition, the joint venture's previously existing mortgage note was restructured into a new $18.0 million first mortgage note and a $10.2 million subordinated note, both of which are scheduled to mature in July 2017. The first mortgage note is interest only with an effective interest rate of 5.36%, payable monthly. The subordinated note has an effective interest rate of 8.6%. Additionally, we deposited $3.0 million into escrow to fund tenant improvements, leasing commissions and building improvements. The first mortgage note and subordinated note can be prepaid at any time commencing October 2016 upon a sale or refinancing of the property. In such event, the subordinated note and any and all accrued interest thereon would be deemed fully satisfied upon payment of a "waterfall payment," if any. Such "waterfall payment" would be a cash payment equal to 50.0% of the amount, if any, by which the net sale proceeds or appraised value in the event of a refinancing exceeds (1) the outstanding principal of the first mortgage note, (2) the funds deposited by us into escrow to fund tenant improvements, leasing commissions and building improvements and (3) a 10.0% return on such funds deposited by us into escrow. The fair value of the first mortgage note was $18.3 million and the fair value of the subordinated note equaled the projected waterfall payment of $1.0 million.

We are currently in compliance with financial covenants and other requirements with respect to our consolidated debt.

7. Derivative Financial Instruments

Our interest rate swaps have been designated as and are being accounted for as cash flow hedges with changes in fair value recorded in other comprehensive income/(loss) each reporting period. No gain or loss was recognized related to hedge ineffectiveness or to amounts excluded from effectiveness testing on our cash flow hedges during the nine months ended September 30, 2015 and 2014. We have no collateral requirements related to our interest rate swaps.

Amounts reported in accumulated other comprehensive loss ("AOCL") related to derivatives will be reclassified to interest expense as interest payments are made on our variable-rate debt. During the period from October 1, 2015 through September 30, 2016, we estimate that $2.9 million will be reclassified to interest expense.

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7. Derivative Financial Instruments - Continued

The following table sets forth the fair value of our derivatives:

| | September 30, 2015 | December 31, 2014 |
|---|---|---|
| Derivatives: | | |
| Derivatives designated as cash flow hedges in accounts payable, accrued expenses and other liabilities: | | |
| Interest rate swaps | $ 5,535 | $ 2,412 |

The following table sets forth the effect of our cash flow hedges on AOCL and interest expense:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Derivatives Designated as Cash Flow Hedges: | | | | |
| Amount of unrealized gains/(losses) recognized in AOCL on derivatives (effective portion): | | | | |
| Interest rate swaps | $(3,021 ) | $913 | $(5,666 ) | $(3,337 ) |
| Amount of losses reclassified out of AOCL into contractual interest expense (effective portion): | | | | |
| Interest rate swaps | $932 | $952 | $2,781 | $2,824 |

8. Noncontrolling Interests

Noncontrolling Interests in Consolidated Affiliates

At September 30, 2015, our noncontrolling interests in consolidated affiliates relate to our joint venture partner's 50.0% interest in office properties in Richmond, VA. Our joint venture partner is an unrelated third party.

Noncontrolling Interests in the Operating Partnership

The following table sets forth the Company's noncontrolling interests in the Operating Partnership:

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2015 | 2014 |
| Beginning noncontrolling interests in the Operating Partnership | $130,048 | $106,480 |
| Adjustment of noncontrolling interests in the Operating Partnership to fair value | (14,649 ) | 8,955 |
| Conversions of Common Units to Common Stock | (1,206 ) | (162 ) |
| Redemptions of Common Units | — | (93 ) |
| Net income attributable to noncontrolling interests in the Operating Partnership | 2,296 | 2,813 |

| | | |
|---|---|---|
| Distributions to noncontrolling interests in the Operating Partnership | (3,721 ) | (3,745 ) |
| Total noncontrolling interests in the Operating Partnership | $112,768 | $114,248 |

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8. Noncontrolling Interests - Continued

The following table sets forth net income available for common stockholders and transfers from the Company's noncontrolling interests in the Operating Partnership:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Net income available for common stockholders | $29,749 | $51,708 | $74,220 | $86,541 |
| Increase in additional paid in capital from conversions of Common Units to Common Stock | — | — | 1,206 | 162 |
| Change from net income available for common stockholders and transfers from noncontrolling interests | $29,749 | $51,708 | $75,426 | $86,703 |

9. Disclosure About Fair Value of Financial Instruments

The following summarizes the three levels of inputs that we use to measure fair value.

Level 1. Quoted prices in active markets for identical assets or liabilities.

Our Level 1 asset is our investment in marketable securities that we use to pay benefits under our non-qualified deferred compensation plan. Our Level 1 liability is our non-qualified deferred compensation obligation. The Company's Level 1 noncontrolling interests in the Operating Partnership relate to the ownership of Common Units by various individuals and entities other than the Company.

Level 2. Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the related assets or liabilities.

Our Level 2 asset is the fair value of certain of our mortgages and notes receivable. Our Level 2 liabilities include the fair value of our mortgages and notes payable and interest rate swaps.

The fair value of mortgages and notes receivable and mortgages and notes payable is estimated by the income approach utilizing contractual cash flows and market-based interest rates to approximate the price that would be paid in an orderly transaction between market participants. The fair value of interest rate swaps is determined using the market standard methodology of netting the discounted future fixed cash receipts and the discounted expected variable cash payments. The variable cash payments of interest rate swaps are based on the expectation of future LIBOR interest rates (forward curves) derived from observed market LIBOR interest rate curves. In addition, credit valuation adjustments are incorporated in the fair values to account for potential nonperformance risk, but were concluded to not be significant inputs to the calculation for the periods presented.

Level 3. Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Our Level 3 assets include (1) certain of our mortgages and notes receivable, which were estimated by the income approach utilizing internal cash flow projections and market interest rates to estimate the price that would be paid in an orderly transaction between market participants, and (2) our tax increment financing bond, which is not routinely traded but whose fair value is determined by the income approach utilizing contractual cash flows and market-based interest rates to estimate the projected redemption value based on quoted bid/ask prices for similar unrated municipal bonds.

Our Level 3 liability is the fair value of our financing obligation, which was estimated by the income approach to approximate the price that would be paid in an orderly transaction between market participants, utilizing: (1) contractual cash flows; (2) market-based interest rates; and (3) a number of other assumptions including demand for space, competition for customers, changes in market rental rates, costs of operation and expected ownership periods.

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9. Disclosure About Fair Value of Financial Instruments - Continued

The following table sets forth our assets and liabilities and the Company's noncontrolling interests in the Operating Partnership that are measured at fair value within the fair value hierarchy.

| | Total | Level 1 Quoted Prices in Active Markets for Identical Assets or Liabilities | Level 2 Significant Observable Inputs | Level 3 Significant Unobservable Inputs |
|---|---|---|---|---|
| Fair Value at September 30, 2015: | | | | |
| Assets: | | | | |
| Mortgages and notes receivable, at fair value (1) | $2,132 | $— | $2,132 | $ — |
| Marketable securities of non-qualified deferred compensation plan (in prepaid expenses and other assets) | 3,008 | 3,008 | — | — |
| Tax increment financing bond (in prepaid expenses and other assets) | 12,634 | — | — | 12,634 |
| Total Assets | $17,774 | $3,008 | $2,132 | $ 12,634 |
| Noncontrolling Interests in the Operating Partnership | $112,768 | $112,768 | $— | $ — |
| Liabilities: | | | | |
| Mortgages and notes payable, at fair value (1) | $2,520,419 | $— | $2,520,419 | $ — |
| Interest rate swaps (in accounts payable, accrued expenses and other liabilities) | 5,535 | — | 5,535 | — |
| Non-qualified deferred compensation obligation (in accounts payable, accrued expenses and other liabilities) | 3,008 | 3,008 | — | — |
| Financing obligation, at fair value (1) | 7,283 | — | — | 7,283 |
| Total Liabilities | $2,536,245 | $3,008 | $2,525,954 | $ 7,283 |
| Fair Value at December 31, 2014: | | | | |
| Assets: | | | | |
| Mortgages and notes receivable, at fair value (1) | $13,142 | $— | $2,247 | $10,895 |
| Marketable securities of non-qualified deferred compensation plan (in prepaid expenses and other assets) | 3,635 | 3,635 | — | — |
| Tax increment financing bond (in prepaid expenses and other assets) | 12,447 | — | — | 12,447 |
| Total Assets | $29,224 | $3,635 | $2,247 | $23,342 |
| Noncontrolling Interests in the Operating Partnership | $130,048 | $130,048 | $— | $— |
| Liabilities: | | | | |
| Mortgages and notes payable, at fair value (1) | $2,141,334 | $— | $2,141,334 | $— |
| Interest rate swaps (in accounts payable, accrued expenses and other liabilities) | 2,412 | — | 2,412 | — |
| | 3,635 | 3,635 | — | — |

| | | | | |
|---|---|---|---|---|
| Non-qualified deferred compensation obligation (in accounts payable, accrued expenses and other liabilities) | | | | |
| Financing obligation, at fair value (as revised) (1) | 8,623 | — | — | 8,623 |
| Total Liabilities (as revised) | $2,156,004 | $3,635 | $2,143,746 | $8,623 |

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(1) Amounts recorded at historical cost on our Consolidated Balance Sheets at September 30, 2015 and December 31, 2014.

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HIGHWOODS PROPERTIES, INC.
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9. Disclosure About Fair Value of Financial Instruments - Continued

The following table sets forth the changes in our Level 3 asset, which is recorded at fair value on our Consolidated Balance Sheets:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Asset: | | | | |
| Tax Increment Financing Bond: | | | | |
| Beginning balance | $12,641 | $13,673 | $12,447 | $13,403 |
| Unrealized gains/(losses) (in AOCL) | (7) | 23 | 187 | 293 |
| Ending balance | $12,634 | $13,696 | $12,634 | $13,696 |

During 2007, we acquired a tax increment financing bond associated with a parking garage developed by us. This bond amortizes to maturity in 2020. The estimated fair value at September 30, 2015 was $0.3 million below the outstanding principal due on the bond. If the discount rate used to fair value this bond was 100 basis points higher or lower, the fair value of the bond would have been $0.3 million lower or $0.3 million higher, respectively, as of September 30, 2015. Payment of the principal and interest for the bond is guaranteed by us. We have recorded no credit losses related to the bond during the three and nine months ended September 30, 2015 and 2014. There is no legal right of offset with the liability, which we report as a financing obligation, related to this tax increment financing bond.

The following table sets forth quantitative information about the unobservable input of our Level 3 asset, which is recorded at fair value on our Consolidated Balance Sheets:

| | Valuation Technique | Unobservable Input | Rate as of September 30, 2015 | December 31, 2014 |
|---|---|---|---|---|
| Asset: | | | | |
| Tax increment financing bond | Income approach | Discount rate | 7.7% | 8.4% |

10. Share-Based Payments

During the nine months ended September 30, 2015, the Company granted 197,408 stock options with an exercise price equal to the closing market price of a share of Common Stock on the date of grant. The fair value of each option is estimated on the date of grant using the Black-Scholes option pricing model, which resulted in a weighted average grant date fair value per share of $6.19. During the nine months ended September 30, 2015, the Company also granted 71,994 shares of time-based restricted stock and 56,957 shares of total return-based restricted stock with weighted average grant date fair values per share of $45.91 and $43.77, respectively. We recorded share-based compensation expense of $0.9 million and $0.8 million during the three months ended September 30, 2015 and 2014, respectively, and $6.0 million and $6.2 million during the nine months ended September 30, 2015 and 2014, respectively. At

September 30, 2015, there was $5.8 million of total unrecognized share-based compensation costs, which will be recognized over a weighted average remaining contractual term of 2.4 years.

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## 11. Accumulated Other Comprehensive Loss

The following table sets forth the components of AOCL:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Tax increment financing bond: | | | | |
| Beginning balance | $(251) | $(759) | $(445) | $(1,029) |
| Unrealized gains/(losses) on tax increment financing bond | (7) | 23 | 187 | 293 |
| Ending balance | (258) | (736) | (258) | (736) |
| Cash flow hedges: | | | | |
| Beginning balance | (4,263) | (3,960) | (3,467) | (1,582) |
| Unrealized gains/(losses) on cash flow hedges | (3,021) | 913 | (5,666) | (3,337) |
| Amortization of cash flow hedges (1) | 932 | 952 | 2,781 | 2,824 |
| Ending balance | (6,352) | (2,095) | (6,352) | (2,095) |
| Total accumulated other comprehensive loss | $(6,610) | $(2,831) | $(6,610) | $(2,831) |

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(1) Amounts reclassified out of AOCL into contractual interest expense.

## 12. Real Estate and Other Assets Held For Sale

The following table sets forth the major classes of assets of our real estate and other assets, net, held for sale:

| | September 30, 2015 | December 31, 2014 |
|---|---|---|
| Assets: | | |
| Land held for development | $ 2,606 | $ 995 |
| Net real estate assets | 2,606 | 995 |
| Prepaid expenses and other assets | 23 | 43 |
| Real estate and other assets, net, held for sale | $ 2,629 | $ 1,038 |

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13. Earnings Per Share and Per Unit

The following table sets forth the computation of basic and diluted earnings per share of the Company:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Earnings per Common Share - basic: | | | | |
| Numerator: | | | | |
| Income from continuing operations | $31,617 | $54,299 | $79,343 | $92,003 |
| Net (income) attributable to noncontrolling interests in the Operating Partnership from continuing operations | (918) | (1,673) | (2,296) | (2,801) |
| Net (income) attributable to noncontrolling interests in consolidated affiliates from continuing operations | (324) | (291) | (948) | (1,152) |
| Dividends on Preferred Stock | (626) | (627) | (1,879) | (1,881) |
| Income from continuing operations available for common stockholders | 29,749 | 51,708 | 74,220 | 86,169 |
| Income from discontinued operations | — | — | — | 384 |
| Net (income) attributable to noncontrolling interests in the Operating Partnership from discontinued operations | — | — | — | (12) |
| Income from discontinued operations available for common stockholders | — | — | — | 372 |
| Net income available for common stockholders | $29,749 | $51,708 | $74,220 | $86,541 |
| Denominator: | | | | |
| Denominator for basic earnings per Common Share – weighted average shares | 94,693 | 90,668 | 93,996 | 90,299 |
| 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 |
| Earnings per Common Share - diluted: | | | | |
| Numerator: | | | | |
| Income from continuing operations | $31,617 | $54,299 | $79,343 | $92,003 |
| Net (income) attributable to noncontrolling interests in consolidated affiliates from continuing operations | (324) | (291) | (948) | (1,152) |
| Dividends on Preferred Stock | (626) | (627) | (1,879) | (1,881) |
| Income from continuing operations available for common stockholders before net (income) attributable to noncontrolling interests in the Operating Partnership | 30,667 | 53,381 | 76,516 | 88,970 |
| Income from discontinued operations available for common stockholders | — | — | — | 384 |
| Net income available for common stockholders before net (income) attributable to noncontrolling interests in the Operating Partnership | $30,667 | $53,381 | $76,516 | $89,354 |
| Denominator: | | | | |
| | 94,693 | 90,668 | 93,996 | 90,299 |

| | | | | |
|---|---|---|---|---|
| Denominator for basic earnings per Common Share – weighted average shares | | | | |
| Add: | | | | |
| Stock options using the treasury method | 58 | 118 | 89 | 121 |
| Noncontrolling interests Common Units | 2,910 | 2,937 | 2,918 | 2,938 |
| Denominator for diluted earnings per Common Share – adjusted weighted average shares and assumed conversions (1) (2) | 97,661 | 93,723 | 97,003 | 93,358 |
| 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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13. Earnings Per Share and Per Unit - Continued

(1) There were 0.2 million options outstanding during both the three and nine months ended September 30, 2015 that were not included in the computation of diluted earnings per share because the impact of including such options would be anti-dilutive. There were no such options outstanding during both the three and nine months ended September 30, 2014.

(2) Includes all unvested restricted stock where dividends on such restricted stock are non-forfeitable.

The following table sets forth the computation of basic and diluted earnings per unit of the Operating Partnership:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Earnings per Common Unit - basic: | | | | |
| Numerator: | | | | |
| Income from continuing operations | $31,617 | $54,299 | $79,343 | $92,003 |
| Net (income) attributable to noncontrolling interests in consolidated affiliates from continuing operations | (324) | (291) | (948) | (1,152) |
| Distributions on Preferred Units | (626) | (627) | (1,879) | (1,881) |
| 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 |
| Denominator: | | | | |
| Denominator for basic earnings per Common Unit – weighted average units | 97,194 | 93,196 | 96,505 | 92,828 |
| 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 |
| Earnings per Common Unit - diluted: | | | | |
| Numerator: | | | | |
| Income from continuing operations | $31,617 | $54,299 | $79,343 | $92,003 |
| Net (income) attributable to noncontrolling interests in consolidated affiliates from continuing operations | (324) | (291) | (948) | (1,152) |
| Distributions on Preferred Units | (626) | (627) | (1,879) | (1,881) |
| 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 |
| Denominator: | | | | |
| Denominator for basic earnings per Common Unit – weighted average units | 97,194 | 93,196 | 96,505 | 92,828 |
| Add: | | | | |
| Stock options using the treasury method | 58 | 118 | 89 | 121 |
| Denominator for diluted earnings per Common Unit – adjusted weighted average units and assumed conversions (1) (2) | 97,252 | 93,314 | 96,594 | 92,949 |
| 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 |

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(1) There were 0.2 million options outstanding during both the three and nine months ended September 30, 2015 that were not included in the computation of diluted earnings per unit because the impact of including such options would be anti-dilutive. There were no such options outstanding during both the three and nine months ended September 30, 2014.

(2) Includes all unvested restricted stock where dividends on such restricted stock are non-forfeitable.

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14. Segment Information

The following tables summarize the rental and other revenues and net operating income, the primary industry property-level performance metric used by our chief operating decision maker which is defined as rental and other revenues less rental property and other expenses, for each of our reportable segments. Our segment information for the three and nine months ended September 30, 2014 has been retrospectively revised from previously reported amounts to reflect a change in our reportable segments.

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Rental and Other Revenues: | | | | |
| Office: | | | | |
| Atlanta, GA | $25,737 | $24,682 | $76,130 | $71,286 |
| Greensboro, NC | 5,288 | 6,439 | 16,126 | 19,469 |
| Greenville, SC | — | 532 | — | 2,140 |
| Kansas City, MO | 4,207 | 4,218 | 12,565 | 12,401 |
| Memphis, TN | | | | |