

HIGHWOODS PROPERTIES INC
Form 10-Q
October 24, 2017

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 September 30, 2017

HIGHWOODS PROPERTIES, INC.
(Exact name of registrant as specified in its charter)
Maryland 001-13100 56-1871668
(State or other jurisdiction (Commission (I.R.S. Employer
of incorporation or organization) File Number) 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 (Commission (I.R.S. Employer
of incorporation or organization) File Number) Identification Number)

3100 Smoketree Court, Suite 600
Raleigh, NC 27604
(Address of principal executive offices) (Zip Code)
919-872-4924
(Registrants' telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Highwoods Properties, Inc. Yes No Highwoods Realty Limited Partnership Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Highwoods Properties, Inc. Yes No Highwoods Realty Limited Partnership Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of 'large accelerated filer,' 'accelerated filer,' 'smaller reporting company,' and 'emerging growth company' in Rule 12b-2 of the Exchange Act.
Highwoods Properties, Inc.

Large accelerated filer Accelerated filer Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company Emerging growth company

Highwoods Realty Limited Partnership

Large accelerated filer Accelerated filer Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Highwoods Properties, Inc. Highwoods Realty Limited Partnership

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Highwoods Properties, Inc. Yes No Highwoods Realty Limited Partnership Yes No

The Company had 103,248,940 shares of Common Stock outstanding as of October 18, 2017.

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 18, 2017, 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, 2017 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;

- Note 12 to Consolidated Financial Statements - 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, 2017

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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, 2017	December 31, 2016
Assets:		
Real estate assets, at cost:		
Land	\$ 488,013	\$ 474,375
Buildings and tenant improvements	4,605,061	4,313,373
Development in-process	58,578	279,602
Land held for development	76,969	77,355
	5,228,621	5,144,705
Less-accumulated depreciation	(1,196,642)	(1,134,103)
Net real estate assets	4,031,979	4,010,602
Cash and cash equivalents	4,864	49,490
Restricted cash	47,761	29,141
Accounts receivable, net of allowance of \$504 and \$624, respectively	18,027	17,372
Mortgages and notes receivable, net of allowance of \$80 and \$105, respectively	6,789	8,833
Accrued straight-line rents receivable, net of allowance of \$324 and \$692, respectively	194,639	172,829
Investments in and advances to unconsolidated affiliates	23,523	18,846
Deferred leasing costs, net of accumulated amortization of \$145,814 and \$140,081, respectively	202,814	213,500
Prepaid expenses and other assets, net of accumulated amortization of \$22,341 and \$19,904, respectively	30,070	40,437
Total Assets	\$ 4,560,466	\$ 4,561,050
Liabilities, Noncontrolling Interests in the Operating Partnership and Equity:		
Mortgages and notes payable, net	\$ 1,966,398	\$ 1,948,047
Accounts payable, accrued expenses and other liabilities	227,575	313,885
Total Liabilities	2,193,973	2,261,932
Commitments and contingencies		
Noncontrolling interests in the Operating Partnership	147,451	144,802
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), 28,892 and 28,920 shares issued and outstanding, respectively	28,892	28,920
Common Stock, \$.01 par value, 200,000,000 authorized shares; 103,248,940 and 101,665,554 shares issued and outstanding, respectively	1,032	1,017
Additional paid-in capital	2,924,048	2,850,881
Distributions in excess of net income available for common stockholders	(758,484)	(749,412)
Accumulated other comprehensive income	5,910	4,949
Total Stockholders' Equity	2,201,398	2,136,355
Noncontrolling interests in consolidated affiliates	17,644	17,961
Total Equity	2,219,042	2,154,316

Total Liabilities, Noncontrolling Interests in the Operating Partnership and Equity	\$ 4,560,466	\$ 4,561,050
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See accompanying notes to consolidated financial statements.

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HIGHWOODS PROPERTIES, INC.

Consolidated Statements of Income

(Unaudited and in thousands, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Rental and other revenues	\$180,185	\$166,269	\$526,876	\$497,988
Operating expenses:				
Rental property and other expenses	61,234	58,620	177,484	173,715
Depreciation and amortization	56,973	52,923	168,934	161,734
Impairments of real estate assets	1,445	—	1,445	—
General and administrative	9,247	9,863	29,787	29,327
Total operating expenses	128,899	121,406	377,650	364,776
Interest expense:				
Contractual	16,395	17,722	48,763	56,111
Amortization of debt issuance costs	796	844	2,445	2,645
	17,191	18,566	51,208	58,756
Other income:				
Interest and other income	558	833	1,806	1,884
Gains on debt extinguishment	—	—	826	—
	558	833	2,632	1,884
Income from continuing operations before disposition of investment properties and activity in unconsolidated affiliates	34,653	27,130	100,650	76,340
Gains on disposition of property	19,849	3,902	25,181	14,160
Equity in earnings of unconsolidated affiliates	5,047	2,808	6,757	5,010
Income from continuing operations	59,549	33,840	132,588	95,510
Discontinued operations:				
Income from discontinued operations	—	—	—	4,097
Net gains on disposition of discontinued operations	—	—	—	414,496
	—	—	—	418,593
Net income	59,549	33,840	132,588	514,103
Net (income) attributable to noncontrolling interests in the Operating Partnership	(1,571)	(926)	(3,502)	(14,876)
Net (income) attributable to noncontrolling interests in consolidated affiliates	(315)	(319)	(914)	(941)
Dividends on Preferred Stock	(623)	(624)	(1,869)	(1,877)
Net income available for common stockholders	\$57,040	\$31,971	\$126,303	\$496,409
Earnings per Common Share – basic:				
Income from continuing operations available for common stockholders	\$0.55	\$0.32	\$1.23	\$0.92
Income from discontinued operations available for common stockholders	—	—	—	4.16
Net income available for common stockholders	\$0.55	\$0.32	\$1.23	\$5.08
Weighted average Common Shares outstanding – basic	103,237	98,973	102,489	97,669
Earnings per Common Share – diluted:				
Income from continuing operations available for common stockholders	\$0.55	\$0.32	\$1.23	\$0.92
Income from discontinued operations available for common stockholders	—	—	—	4.16
Net income available for common stockholders	\$0.55	\$0.32	\$1.23	\$5.08
Weighted average Common Shares outstanding – diluted	106,145	101,939	105,402	100,645

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Dividends declared per Common Share	\$0.440	\$0.425	\$1.320	\$1.275
Net income available for common stockholders:				
Income from continuing operations available for common stockholders	\$57,040	\$31,971	\$126,303	\$90,081
Income from discontinued operations available for common stockholders	—	—	—	406,328
Net income available for common stockholders	\$57,040	\$31,971	\$126,303	\$496,409
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,	
	2017	2016	2017	2016
Comprehensive income:				
Net income	\$59,549	\$33,840	\$132,588	\$514,103
Other comprehensive income/(loss):				
Unrealized gains/(losses) on cash flow hedges	(347)	1,610	(31)	(7,785)
Amortization of cash flow hedges	211	758	992	2,336
Total other comprehensive income/(loss)	(136)	2,368	961	(5,449)
Total comprehensive income	59,413	36,208	133,549	508,654
Less-comprehensive (income) attributable to noncontrolling interests	(1,886)	(1,245)	(4,416)	(15,817)
Comprehensive income attributable to common stockholders	\$57,527	\$34,963	\$129,133	\$492,837

See accompanying notes to consolidated financial statements.

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HIGHWOODS PROPERTIES, INC.

Consolidated Statements of Equity

(Unaudited and in thousands, except share amounts)

	Number of Common Shares	Common Stock	Series A Cumulative Redeemable Preferred Shares	Additional Paid-In Capital	Accumulated Other Compre- hensive Income	Non-controlling Interests in Consolidated Affiliates	Distributions in Excess of Net Income Available for Common Stockholders	Total
Balance at December 31, 2016	101,665,554	\$ 1,017	\$ 28,920	\$ 2,850,881	\$ 4,949	\$ 17,961	\$(749,412)	\$ 2,154,316
Issuances of Common Stock, net of issuance costs and tax withholdings	1,464,638	15	—	70,292	—	—	—	70,307
Conversions of Common Units to Common Stock	8,000	—	—	408	—	—	—	408
Dividends on Common Stock	—	—	—	—	—	—	(135,375)	(135,375)
Dividends on Preferred Stock	—	—	—	—	—	—	(1,869)	(1,869)
Adjustment of noncontrolling interests in the Operating Partnership to fair value	—	—	—	(3,297)	—	—	—	(3,297)
Distributions to noncontrolling interests in consolidated affiliates	—	—	—	—	—	(1,231)	—	(1,231)
Issuances of restricted stock	110,748	—	—	—	—	—	—	—
Redemptions/repurchases of Preferred Stock	—	—	(28)	—	—	—	—	(28)
Share-based compensation expense, net of forfeitures	—	—	—	5,764	—	—	—	5,764
Net (income) attributable to noncontrolling interests in the Operating Partnership	—	—	—	—	—	—	(3,502)	(3,502)
Net (income) attributable to noncontrolling interests in consolidated affiliates	—	—	—	—	—	914	(914)	—
Comprehensive income: Net income	—	—	—	—	—	—	132,588	132,588
	—	—	—	—	961	—	—	961

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Other comprehensive income								
Total comprehensive income								133,549
Balance at September 30, 2017	103,248,940	\$ 1,032	\$ 28,892	\$ 2,924,048	\$ 5,910	\$ 17,644	\$(758,484)	\$ 2,219,042

	Number of Common Shares	Common Stock	Series A Cumulative Redeemable Preferred Shares	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Non-controlling Interests in Consolidated Affiliates	Distributions in Excess of Net Income Available for Common Stockholders	Total
Balance at December 31, 2015	96,091,932	\$ 961	\$ 29,050	\$ 2,598,242	\$(3,811)	\$ 17,975	\$(1,023,135)	\$ 1,619,282
Issuances of Common Stock, net of issuance costs and tax withholdings	3,930,262	39	—	187,175	—	—	—	187,214
Conversions of Common Units to Common Stock	60,048	—	—	3,006	—	—	—	3,006
Dividends on Common Stock	—	—	—	—	—	—	(124,228)	(124,228)
Dividends on Preferred Stock	—	—	—	—	—	—	(1,877)	(1,877)
Adjustment of noncontrolling interests in the Operating Partnership to fair value	—	—	—	(13,390)	—	—	—	(13,390)
Distributions to noncontrolling interests in consolidated affiliates	—	—	—	—	—	(966)	—	(966)
Issuances of restricted stock	130,752	—	—	—	—	—	—	—
Redemptions/repurchases of Preferred Stock	—	—	(130)	—	—	—	—	(130)
Share-based compensation expense, net of forfeitures	(8,888)	2	—	5,410	—	—	—	5,412
Net (income) attributable to noncontrolling interests in the Operating Partnership	—	—	—	—	—	—	(14,876)	(14,876)
Net (income) attributable to noncontrolling interests in consolidated affiliates	—	—	—	—	—	941	(941)	—
Comprehensive income:								
Net income	—	—	—	—	—	—	514,103	514,103
	—	—	—	—	(5,449)	—	—	(5,449)

Other comprehensive
loss

Total comprehensive
income 508,654

Balance at September 30,
2016 100,204,106 \$1,002 \$28,920 \$2,780,443 \$(9,260) \$17,950 \$(650,954) \$2,168,101

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,	
	2017	2016
Operating activities:		
Net income	\$ 132,588	\$ 514,103
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	168,934	161,734
Amortization of lease incentives and acquisition-related intangible assets and liabilities	(666)	(1,599)
Share-based compensation expense	5,764	5,412
Allowance for losses on accounts and accrued straight-line rents receivable	435	1,846
Accrued interest on mortgages and notes receivable	(391)	(364)
Amortization of debt issuance costs	2,445	2,645
Amortization of cash flow hedges	992	2,336
Amortization of mortgages and notes payable fair value adjustments	422	(175)
Impairments of real estate assets	1,445	—
Gains on debt extinguishment	(826)	—
Net gains on disposition of property	(25,181)	(428,656)
Equity in earnings of unconsolidated affiliates	(6,757)	(5,010)
Distributions of earnings from unconsolidated affiliates	4,815	3,936
Settlement of cash flow hedges	7,322	—
Changes in operating assets and liabilities:		
Accounts receivable	916	4,798
Prepaid expenses and other assets	2,735	(2,243)
Accrued straight-line rents receivable	(24,473)	(18,931)
Accounts payable, accrued expenses and other liabilities	(308)	(7,447)
Net cash provided by operating activities	270,211	232,385
Investing activities:		
Investments in acquired real estate and related intangible assets, net of cash acquired	—	(110,249)
Investments in development in-process	(121,367)	(122,839)
Investments in tenant improvements and deferred leasing costs	(78,691)	(63,715)
Investments in building improvements	(41,862)	(51,714)
Net proceeds from disposition of real estate assets	85,538	680,994
Distributions of capital from unconsolidated affiliates	11,670	2,639
Investments in mortgages and notes receivable	—	(7,934)
Repayments of mortgages and notes receivable	2,435	869
Investments in and advances to unconsolidated affiliates	(10,063)	(105)
Repayments from unconsolidated affiliates	—	448
Changes in restricted cash and other investing activities	(24,225)	(23,310)
Net cash provided by/(used in) investing activities	(176,565)	305,084
Financing activities:		
Dividends on Common Stock	(135,375)	(124,228)
Special dividend on Common Stock	(81,205)	—
Redemptions/repurchases of Preferred Stock	(28)	(130)
Dividends on Preferred Stock	(1,869)	(1,877)
Distributions to noncontrolling interests in the Operating Partnership	(3,742)	(3,684)
Special distribution to noncontrolling interests in the Operating Partnership	(2,271)	—

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Distributions to noncontrolling interests in consolidated affiliates	(1,231)	(966)
Proceeds from the issuance of Common Stock	75,517	194,518
Costs paid for the issuance of Common Stock	(1,244)	(2,888)
Repurchase of shares related to tax withholdings	(3,966)	(4,416)
Borrowings on revolving credit facility	492,300	257,800
Repayments of revolving credit facility	(420,300)	(528,800)
Borrowings on mortgages and notes payable	456,001	75,000
Repayments of mortgages and notes payable	(507,114)	(395,455)
Payments of debt extinguishment costs	(57)	—
Changes in debt issuance costs and other financing activities	(3,688)	(992)
Net cash used in financing activities	(138,272)	(536,118)
Net increase/(decrease) in cash and cash equivalents	\$(44,626)	\$1,351

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,	
	2017	2016
Net increase/(decrease) in cash and cash equivalents	\$(44,626)	\$1,351
Cash and cash equivalents at beginning of the period	49,490	5,036
Cash and cash equivalents at end of the period	\$4,864	\$6,387

Supplemental disclosure of cash flow information:

	Nine Months Ended September 30,	
	2017	2016
Cash paid for interest, net of amounts capitalized	\$50,025	\$58,138

Supplemental disclosure of non-cash investing and financing activities:

	Nine Months Ended September 30,	
	2017	2016
Unrealized losses on cash flow hedges	\$(31)	\$(7,785)
Conversions of Common Units to Common Stock	408	3,006
Changes in accrued capital expenditures	(6,327)	25,037
Write-off of fully depreciated real estate assets	41,860	28,783
Write-off of fully amortized leasing costs	28,343	16,075
Write-off of fully amortized debt issuance costs	4,324	916
Adjustment of noncontrolling interests in the Operating Partnership to fair value	3,297	13,390

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, 2017	December 31, 2016
Assets:		
Real estate assets, at cost:		
Land	\$ 488,013	\$ 474,375
Buildings and tenant improvements	4,605,061	4,313,373
Development in-process	58,578	279,602
Land held for development	76,969	77,355
	5,228,621	5,144,705
Less-accumulated depreciation	(1,196,642)	(1,134,103)
Net real estate assets	4,031,979	4,010,602
Cash and cash equivalents	4,864	49,490
Restricted cash	47,761	29,141
Accounts receivable, net of allowance of \$504 and \$624, respectively	18,027	17,372
Mortgages and notes receivable, net of allowance of \$80 and \$105, respectively	6,789	8,833
Accrued straight-line rents receivable, net of allowance of \$324 and \$692, respectively	194,639	172,829
Investments in and advances to unconsolidated affiliates	23,523	18,846
Deferred leasing costs, net of accumulated amortization of \$145,814 and \$140,081, respectively	202,814	213,500
Prepaid expenses and other assets, net of accumulated amortization of \$22,341 and \$19,904, respectively	30,070	40,437
Total Assets	\$ 4,560,466	\$ 4,561,050
Liabilities, Redeemable Operating Partnership Units and Capital:		
Mortgages and notes payable, net	\$ 1,966,398	\$ 1,948,047
Accounts payable, accrued expenses and other liabilities	227,575	313,885
Total Liabilities	2,193,973	2,261,932
Commitments and contingencies		
Redeemable Operating Partnership Units:		
Common Units, 2,830,704 and 2,838,704 outstanding, respectively	147,451	144,802
Series A Preferred Units (liquidation preference \$1,000 per unit), 28,892 and 28,920 units issued and outstanding, respectively	28,892	28,920
Total Redeemable Operating Partnership Units	176,343	173,722
Capital:		
Common Units:		
General partner Common Units, 1,056,708 and 1,040,954 outstanding, respectively	21,665	21,023
Limited partner Common Units, 101,783,423 and 100,215,791 outstanding, respectively	2,144,931	2,081,463
Accumulated other comprehensive income	5,910	4,949
Noncontrolling interests in consolidated affiliates	17,644	17,961
Total Capital	2,190,150	2,125,396
Total Liabilities, Redeemable Operating Partnership Units and Capital	\$ 4,560,466	\$ 4,561,050

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,	
	2017	2016	2017	2016
Rental and other revenues	\$180,185	\$166,269	\$526,876	\$497,988
Operating expenses:				
Rental property and other expenses	61,234	58,620	177,484	173,715
Depreciation and amortization	56,973	52,923	168,934	161,734
Impairments of real estate assets	1,445	—	1,445	—
General and administrative	9,247	9,863	29,787	29,327
Total operating expenses	128,899	121,406	377,650	364,776
Interest expense:				
Contractual	16,395	17,722	48,763	56,111
Amortization of debt issuance costs	796	844	2,445	2,645
	17,191	18,566	51,208	58,756
Other income:				
Interest and other income	558	833	1,806	1,884
Gains on debt extinguishment	—	—	826	—
	558	833	2,632	1,884
Income from continuing operations before disposition of investment properties and activity in unconsolidated affiliates	34,653	27,130	100,650	76,340
Gains on disposition of property	19,849	3,902	25,181	14,160
Equity in earnings of unconsolidated affiliates	5,047	2,808	6,757	5,010
Income from continuing operations	59,549	33,840	132,588	95,510
Discontinued operations:				
Income from discontinued operations	—	—	—	4,097
Net gains on disposition of discontinued operations	—	—	—	414,496
	—	—	—	418,593
Net income	59,549	33,840	132,588	514,103
Net (income) attributable to noncontrolling interests in consolidated affiliates	(315)	(319)	(914)	(941)
Distributions on Preferred Units	(623)	(624)	(1,869)	(1,877)
Net income available for common unitholders	\$58,611	\$32,897	\$129,805	\$511,285
Earnings per Common Unit – basic:				
Income from continuing operations available for common unitholders	\$0.55	\$0.32	\$1.24	\$0.93
Income from discontinued operations available for common unitholders	—	—	—	4.18
Net income available for common unitholders	\$0.55	\$0.32	\$1.24	\$5.11
Weighted average Common Units outstanding – basic	105,660	101,422	104,914	100,142
Earnings per Common Unit – diluted:				
Income from continuing operations available for common unitholders	\$0.55	\$0.32	\$1.24	\$0.92
Income from discontinued operations available for common unitholders	—	—	—	4.18
Net income available for common unitholders	\$0.55	\$0.32	\$1.24	\$5.10
Weighted average Common Units outstanding – diluted	105,736	101,530	104,993	100,236
Distributions declared per Common Unit	\$0.440	\$0.425	\$1.320	\$1.275
Net income available for common unitholders:				
Income from continuing operations available for common unitholders	\$58,611	\$32,897	\$129,805	\$92,692
Income from discontinued operations available for common unitholders	—	—	—	418,593

Net income available for common unitholders	\$58,611	\$32,897	\$129,805	\$511,285
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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,	
	2017	2016	2017	2016
Comprehensive income:				
Net income	\$59,549	\$33,840	\$132,588	\$514,103
Other comprehensive income/(loss):				
Unrealized gains/(losses) on cash flow hedges	(347)	1,610	(31)	(7,785)
Amortization of cash flow hedges	211	758	992	2,336
Total other comprehensive income/(loss)	(136)	2,368	961	(5,449)
Total comprehensive income	59,413	36,208	133,549	508,654
Less-comprehensive (income) attributable to noncontrolling interests	(315)	(319)	(914)	(941)
Comprehensive income attributable to common unitholders	\$59,098	\$35,889	\$132,635	\$507,713

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	Limited	Other	Interests in	Total
	Partners'	Partners'	Comprehensive	Consolidated	
	Capital	Capital	Income	Affiliates	
Balance at December 31, 2016	\$21,023	\$2,081,463	\$ 4,949	\$ 17,961	\$2,125,396
Issuances of Common Units, net of issuance costs and tax withholdings	703	69,604	—	—	70,307
Distributions on Common Units	(1,386)	(137,191)	—	—	(138,577)
Distributions on Preferred Units	(19)	(1,850)	—	—	(1,869)
Share-based compensation expense, net of forfeitures	58	5,706	—	—	5,764
Distributions to noncontrolling interests in consolidated affiliates	—	—	—	(1,231)	(1,231)
Adjustment of Redeemable Common Units to fair value and contributions/distributions from/to the General Partner	(31)	(3,158)	—	—	(3,189)
Net (income) attributable to noncontrolling interests in consolidated affiliates	(9)	(905)	—	914	—
Comprehensive income:					
Net income	1,326	131,262	—	—	132,588
Other comprehensive income	—	—	961	—	961
Total comprehensive income					133,549
Balance at September 30, 2017	\$21,665	\$2,144,931	\$ 5,910	\$ 17,644	\$2,190,150

	Common Units		Accumulated	Noncontrolling	
	General	Limited	Other	Interests in	Total
	Partners'	Partners'	Comprehensive	Consolidated	
	Capital	Capital	Loss	Affiliates	
Balance at December 31, 2015	\$15,759	\$1,560,309	\$ (3,811)	\$ 17,975	\$1,590,232
Issuances of Common Units, net of issuance costs and tax withholdings	1,872	185,342	—	—	187,214
Distributions on Common Units	(1,274)	(126,117)	—	—	(127,391)
Distributions on Preferred Units	(19)	(1,858)	—	—	(1,877)
Share-based compensation expense, net of forfeitures	54	5,358	—	—	5,412
Distributions to noncontrolling interests in consolidated affiliates	—	—	—	(966)	(966)
Adjustment of Redeemable Common Units to fair value and contributions/distributions from/to the General Partner	(221)	(21,876)	—	—	(22,097)
Net (income) attributable to noncontrolling interests in consolidated affiliates	(9)	(932)	—	941	—
Comprehensive income:					
Net income	5,141	508,962	—	—	514,103

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Other comprehensive loss	—	—	(5,449)	—	(5,449)
Total comprehensive income						508,654	
Balance at September 30, 2016	\$21,303	\$2,109,188	\$ (9,260)	\$ 17,950	\$2,139,181	

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,	
	2017	2016
Operating activities:		
Net income	\$ 132,588	\$ 514,103
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	168,934	161,734
Amortization of lease incentives and acquisition-related intangible assets and liabilities	(666)	(1,599)
Share-based compensation expense	5,764	5,412
Allowance for losses on accounts and accrued straight-line rents receivable	435	1,846
Accrued interest on mortgages and notes receivable	(391)	(364)
Amortization of debt issuance costs	2,445	2,645
Amortization of cash flow hedges	992	2,336
Amortization of mortgages and notes payable fair value adjustments	422	(175)
Impairments of real estate assets	1,445	—
Gains on debt extinguishment	(826)	—
Net gains on disposition of property	(25,181)	(428,656)
Equity in earnings of unconsolidated affiliates	(6,757)	(5,010)
Distributions of earnings from unconsolidated affiliates	4,815	3,523
Settlement of cash flow hedges	7,322	—
Changes in operating assets and liabilities:		
Accounts receivable	916	4,798
Prepaid expenses and other assets	2,735	(2,243)
Accrued straight-line rents receivable	(24,473)	(18,931)
Accounts payable, accrued expenses and other liabilities	(308)	(7,447)
Net cash provided by operating activities	270,211	231,972
Investing activities:		
Investments in acquired real estate and related intangible assets, net of cash acquired	—	(110,249)
Investments in development in-process	(121,367)	(122,839)
Investments in tenant improvements and deferred leasing costs	(78,691)	(63,715)
Investments in building improvements	(41,862)	(51,714)
Net proceeds from disposition of real estate assets	85,538	680,994
Distributions of capital from unconsolidated affiliates	11,670	3,052
Investments in mortgages and notes receivable	—	(7,934)
Repayments of mortgages and notes receivable	2,435	869
Investments in and advances to unconsolidated affiliates	(10,063)	(105)
Repayments from unconsolidated affiliates	—	448
Changes in restricted cash and other investing activities	(24,225)	(23,310)
Net cash provided by/(used in) investing activities	(176,565)	305,497
Financing activities:		
Distributions on Common Units	(138,577)	(127,391