

CAPTRUST TOWER

STRATEGIC ACQUISITIONS

APRIL 19, 2021

 Highwoods®
PROPERTIES

CAPITOL TOWERS

A stylized blue silhouette of a lighthouse is positioned on the left side of the slide. It features a multi-tiered tower with several windows, a spiral staircase on the exterior, and a lantern room at the top.

SAFE HARBOR

Certain matters discussed in this presentation are forward-looking statements within the meaning of the federal securities laws, such as: the planned acquisition of a portfolio of office assets from Preferred Apartment Communities, Inc. (NYSE:APTS) (“PAC”) on the terms described in this presentation; the terms of the bridge facility; the planned sales of non-core assets and expected pricing and impact with respect to such sales, including the tax impact of such sales; the anticipated total investment, projected leasing activity, estimated replacement cost and expected net operating income of acquired properties and properties to be developed; and expected future leverage of the Company. These statements are distinguished by use of the words “will,” “expect,” “intend,” “plan,” “anticipate” and words of similar meaning. Although Highwoods believes the expectations reflected in such forward-looking statements are based upon reasonable assumptions, it can give no assurance that its expectations will be achieved.

Factors that could cause actual results to differ materially from Highwoods' current expectations include, among others, the following: closing of the planned acquisition of a portfolio of office assets from PAC may not occur on the terms described in this presentation or at all; buyers may not be available and pricing may not be adequate with respect to the planned dispositions of non-core assets; comparable sales data on which we based our expectations with respect to the sales price of the non-core assets may not reflect current market trends; anticipated G&A expense savings may not be realized; the financial condition of our customers could deteriorate; development activity by our competitors in our existing markets could result in excessive supply of properties relative to customer demand; development, acquisition, reinvestment, disposition or joint venture projects may not be completed as quickly or on as favorable terms as anticipated; we may not be able to lease or re-lease second generation space quickly or on as favorable terms as old leases; our markets may suffer declines in economic growth; we may not be able to lease our newly constructed buildings as quickly or on as favorable terms as originally anticipated; unanticipated increases in interest rates could increase our debt service costs; unanticipated increases in operating expenses could negatively impact our NOI; we may not be able to meet our liquidity requirements or obtain capital on favorable terms to fund our working capital needs and growth initiatives or to repay or refinance outstanding debt upon maturity; the Company could lose key executive officers; and others detailed in the Company's 2020 Annual Report on Form 10-K and subsequent SEC reports.

HIGHWOODS IS IN THE WORK-PLACEMAKING BUSINESS.

We believe that in creating environments and experiences where the best and brightest can achieve together what they cannot apart, Highwoods delivers greater value to our customers, their teammates and in-turn, our shareholders.

Our simple strategy is to own and manage high-quality workplaces in the Best Business Districts (BBDs) within our footprint, maintain a strong balance sheet to be opportunistic throughout economic cycles, employ a talented and dedicated team and communicate transparently with all stakeholders.

We focus on owning and managing buildings in the most dynamic and vibrant BBDs. BBDs are highly-energized and amenitized workplace locations that enhance our customers' ability to attract and retain talent. They are both urban **and** suburban.

Providing the most talent-supportive workplace options in these environments is core to the Highwoods work-placemaking strategy.



PORTFOLIO

25.9M

SQUARE FEET

(AS OF 12/31/20)

90.3%

OCCUPANCY

(AS OF 12/31/20)

4.0%

RENT CAGR

(2013-2020)

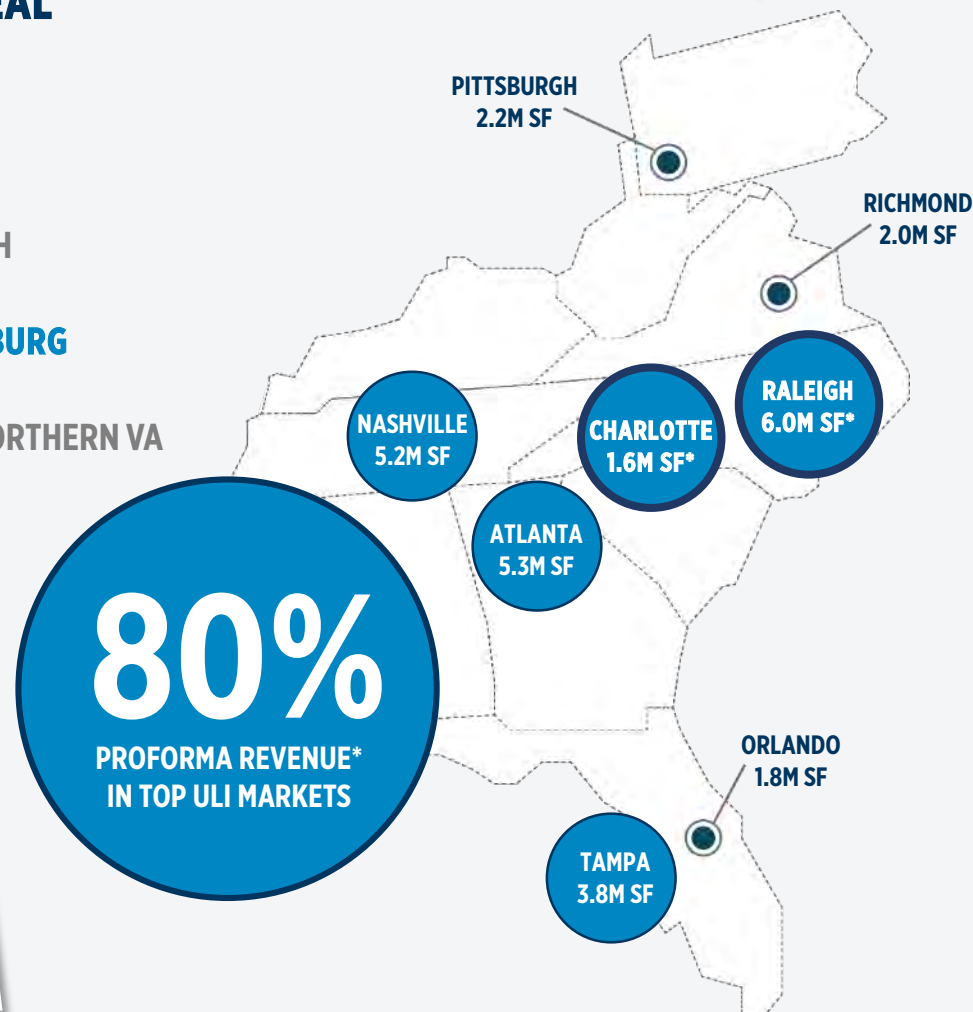
>99%

RENT COLLECTIONS

(DURING COVID-19)

ULI's 2021 TOP REAL ESTATE MARKETS

- 1 **RALEIGH-DURHAM**
- 2 **AUSTIN**
- 3 **NASHVILLE**
- 4 **DALLAS/FORT WORTH**
- 5 **CHARLOTTE**
- 6 **TAMPA/ST. PETERSBURG**
- 7 **SALT LAKE CITY**
- 8 **WASHINGTON, DC-NORTHERN VA**
- 9 **BOSTON**
- 10 **LONG ISLAND**
- 11 **ATLANTA**



* Based on Dec. 2020 annualized revenues plus planned acquisitions and projected revenue from development in-process. Charlotte & Raleigh SF proforma for planned acquisitions.

TRANSACTION OVERVIEW

TOTAL INVESTMENT

- Total investment of \$769M after planned capex (including non-core assets)
- Non-core properties <12% of total investment

ASSETS TO BE ACQUIRED

- | | | | |
|---|--|---|--|
| CHARLOTTE | RALEIGH | ATLANTA | NON-CORE ASSETS |
| <ul style="list-style-type: none"> • Capitol Towers • Morrocroft Centre | <ul style="list-style-type: none"> • 150 Fayetteville • CAPTRUST Tower | <ul style="list-style-type: none"> • Galleria 75 (Redevelopment) | <ul style="list-style-type: none"> • Armour Yards • Mezzanine Loan |

FUNDING

- HIW is posting \$50M of earnest money deposits
- Assumption of acquired portfolio's in-place mortgage debt (\$403M relating to core assets)
- Remaining funds to close the acquisition primarily from \$200M unsecured bridge facility from JPMorgan Chase Bank, N.A.

SCHEDULED CLOSING

- Third quarter 2021

ASSET SALES

- HIW will accelerate sales of existing non-core assets with plans to sell \$500-600M within one year of closing
- HIW will seek to monetize the non-core assets acquired in the transaction

FINANCIAL IMPACT

- Represents a year-one cap rate¹ of 6.5% (GAAP) / 5.7% (cash) on core assets after planned capex
- Accretive to cash flows and neutral to FFO run-rate after planned asset sales
- Plan to return balance sheet metrics to current levels by mid-2022

¹ Galleria 75 will be classified as a development property and therefore NOI will not be included in the calculation of FFO. Stated cap rate excludes NOI from Galleria 75.

STRATEGIC RATIONALE

RARE COMBINATION OF SCALE & QUALITY

- Opportunities to acquire high-quality office portfolios of scale within the Sun Belt are scarce
- 4 Class-A office assets¹ (1.6M SF) amid live / work / play locations within Charlotte and Raleigh

HIGH-GROWTH MARKETS

- Strengthens long-term growth trajectory
- Charlotte and Raleigh top ULI growth markets for 2021
- Top cities for projected population growth and lower exposure to WFH risk

STRATEGIC FIT

- Assets to be acquired in Charlotte and Raleigh complement HIW existing portfolio
- HIW to enter two high-barrier-to-entry BBDs (SouthPark in Charlotte and North Hills in Raleigh)
- Plan to match-fund with non-core dispositions

STABLE & DIVERSIFIED CASH FLOW

- 7.3 years of acquired WALT
- Strong occupancy (95% as of 12/31/20) and rent collections through COVID (99%+) reflects portfolio strength
- Diversified customer roster

FAVORABLE FINANCIAL IMPACT

- Immediately accretive to cash flow
- Roughly neutral to unaffected FFO run-rate following completion of planned non-core dispositions
- Funding plan preserves balance sheet strength and flexibility

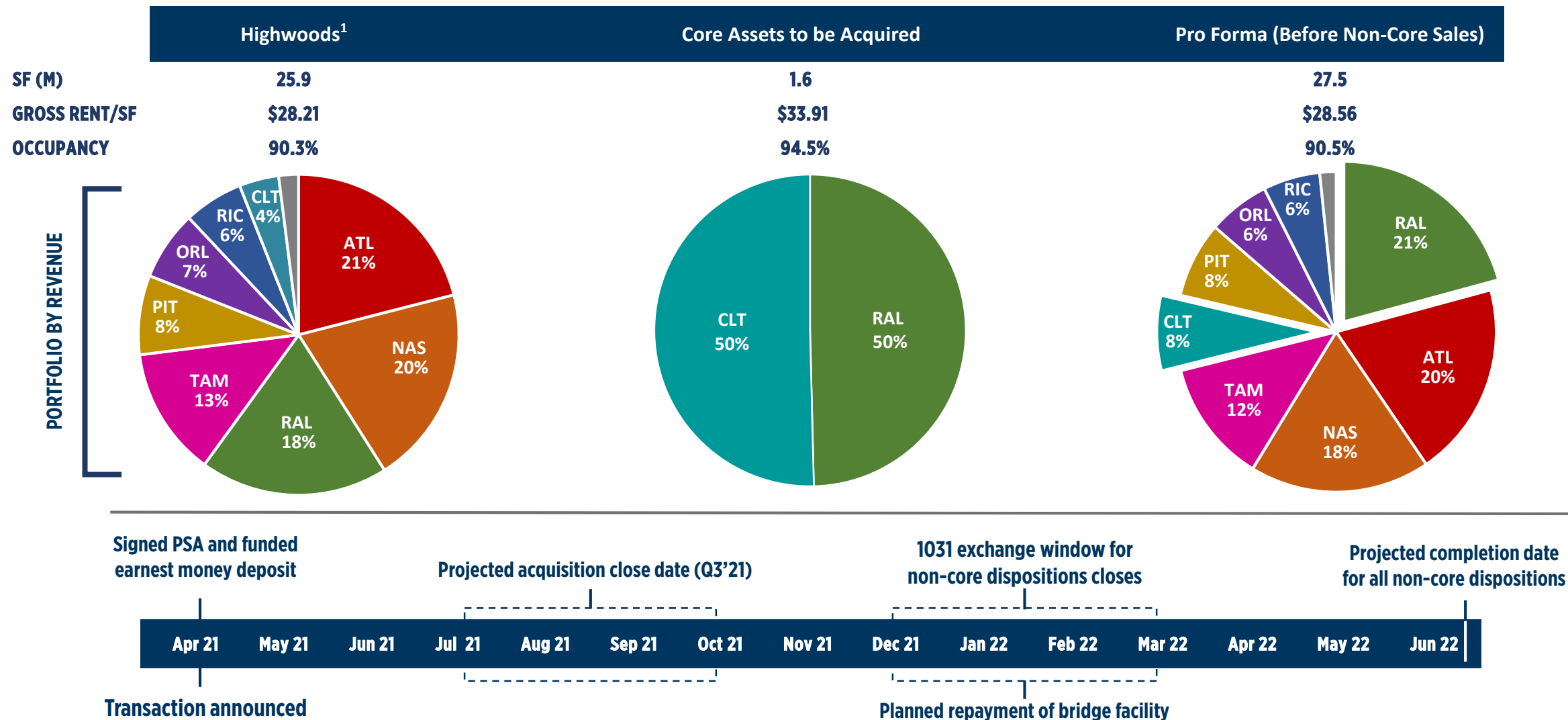
¹ Does not include 111K SF from Galleria 75, which will be classified as development.

SUMMARY OF CORE ASSETS

	OFFICE BUILDINGS	MARKET	SUBMARKET	RENT PSF	SF (000s)	OFFICE BLDGS	YEAR(S) BUILT	WALT (YEARS)	LEASED¹	MAJOR CUSTOMERS
	CAPITOL TOWERS	CHARLOTTE	SOUTHPARK	\$36.27	479	2	2015-2017	8.9	98%	ALBEMARLE CORP DIXON HUGHES J.P. MORGAN
	MORROCROFT CENTRE	CHARLOTTE	SOUTHPARK	\$35.24	291	3	1992-2000	6.1	95%	AGDATA WYNDHAM MORTGAGE MORGAN STANLEY
	150 FAYETTEVILLE	RALEIGH	CBD	\$29.30	560	1	1991	5.8	91%	SMITH ANDERSON WELLS FARGO US ATTORNEY'S OFFICE
	CAPTRUST TOWER	RALEIGH	NORTH HILLS	\$36.56	300	1	2010	8.3	98%	CAPTRUST AMERICAN BOARD OF ANESTHESIOLOGY KILPATRICK TOWNSEND
	TOTAL / WEIGHTED AVG			\$33.91	1,630	7		7.3	95%	
	REDEVELOPMENT	MARKET	SUBMARKET	ANNUAL NOI	SF (000s)	OFFICE BLDGS	FUTURE OFFICE DEVELOPMENT		FUTURE MULTI-FAMILY DEVELOPMENT	
	GALLERIA 75	ATLANTA	CUMBERLAND	\$1.2M	111	2	300K-600K SF		300 +/- UNITS	

¹ As of Dec. 31 2020.

PORTFOLIO OVERVIEW



¹HIW at 12/31/20

OVERVIEW OF ACQUISITION PORTFOLIO



CAPITOL TOWERS



MORROCROFT CENTRE



150 FAYETTEVILLE



CAPTRUST TOWER

MARKET OVERVIEW CHARLOTTE



BANK OF AMERICA TOWER

5.5%

**UNEMPLOYMENT
RATE**

(NATIONAL UNEMPLOYMENT RATE 6.2%,
FEB. 2021)

9.0%

**EST.
POPULATION
GROWTH**

(2019 - 2024)

6.3%

RENT CAGR

(2013 - 2020)

5.6%

**5-YEAR
WAGE
GROWTH**

11.7%

**HOUSEHOLD
INCOME GROWTH**

(2015 - 2020)

#6

**BEST PLACES
TO LIVE
IN 2021**

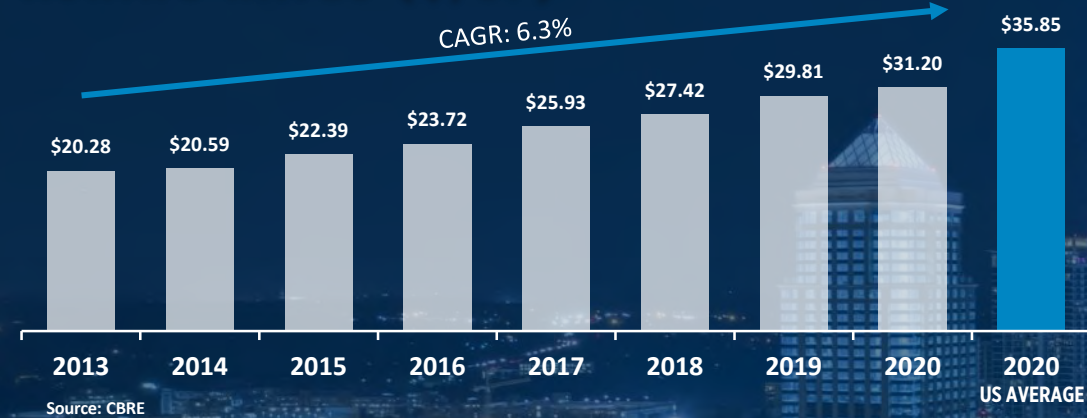
(HOTSPOT FOR MILLENNIALS)

#15

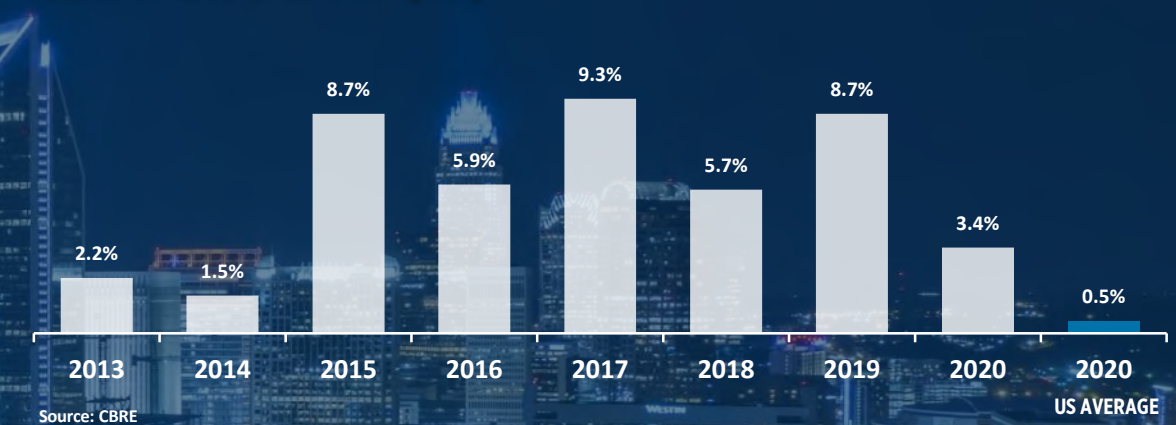
**LARGEST
U.S. CITY**

OFFICE MARKET OVERVIEW CHARLOTTE

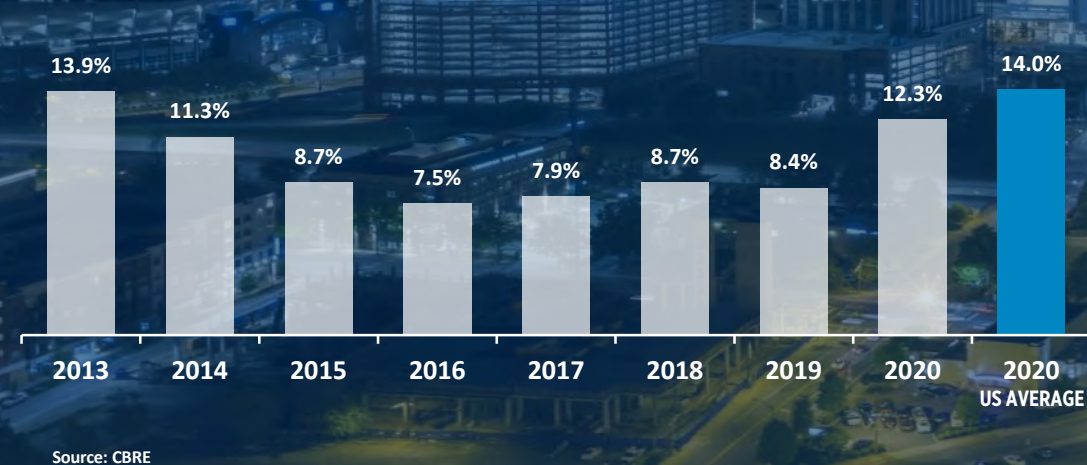
ASKING RATES (\$/SF)



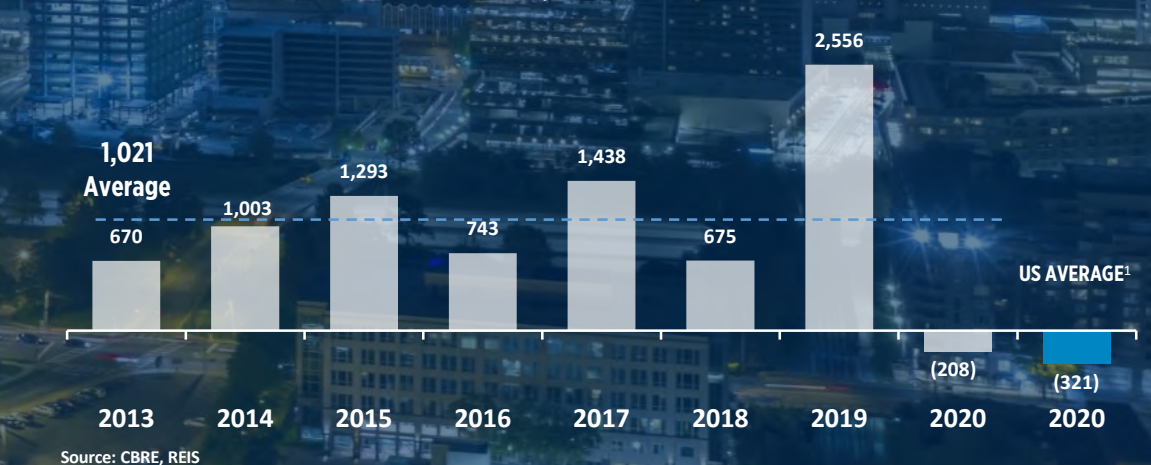
RENT GROWTH (%)



VACANCY RATE (%)



NET ABSORPTION (SF,000s)



¹ Average based on top 50 U.S. markets, weighted by SF

MOMENTUM IN CHARLOTTE

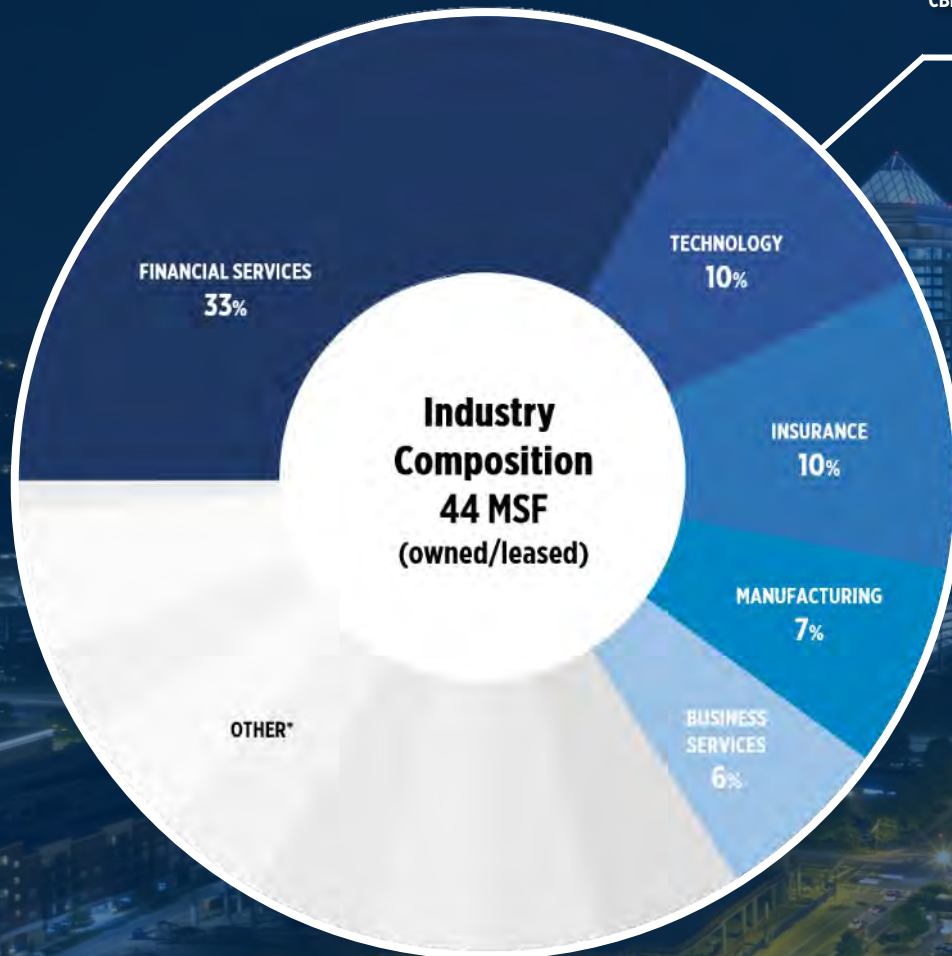
#1
TECH JOB
GROWTH IN
THE U.S.
(48% INCREASE 2016 – 2018
CBRE)

#1
HIGH-GROWTH
TECH TALENT
MARKET
(FORRESTER)

#1
TECH TOWN
(COMPTIA)

#3
LOWEST
OFFICE
VACANCY
RATE
(CBRE)

#4
IN “BRAIN
GAIN”
(DRAWING TECH WORKERS
FROM OTHER CITIES, CBRE)



*OTHER: Industries $\leq 4\%$ include Energy, Retail, Telecommunications, Government, Creative, Legal, Healthcare, Education, Coworking

10,000+ JOB ANNOUNCEMENTS



NEW MEDICAL SCHOOL OPENING 2024



SOUTH PARK CHARLOTTE

CAPITOL TOWERS

MORROCROFT CENTRE



4.4M
SQUARE FEET

10.9%
CLASS A
VACANCY

0 SF
UNDER
CONSTRUCTION

\$36.76
SOUTHPARK
RENT/SF

\$32.92
METRO
RENT/SF

5.8%
RENT CAGR*
*2013-2020 SouthPark

29%
HIW
SHARE
(PRO FORMA CLASS A)

\$141K
AVG HHI
1-MILE RADIUS

SOUTHPARK

CAPITOL TOWERS

Highwoods[®]
PROPERTIES

\$36.27
RENT/SF

479K
SQUARE FEET

2 OFFICE
BUILDINGS

2015-2017
YEARS BUILT

8.9
YEARS OF
WALT

98%
LEASED

SOUTH PARK

MORROCROFT CENTRE

Highwoods[®]
PROPERTIES

\$35.24
RENT/SF

291K
SQUARE FEET

3 OFFICE
BUILDINGS

1992-2000
YEARS BUILT

6.1
YEARS
OF WALT

95%
LEASED

MARKET OVERVIEW

RALEIGH



PNC PLAZA

150 FAYETTEVILLE

4.7%

**UNEMPLOYMENT
RATE**

(NATIONAL UNEMPLOYMENT RATE
6.2%, FEB. 2021)

11.2%

**EST.
POPULATION
GROWTH**

(2019 – 2024)

4.4%

RENT CAGR

(2013 – 2020)

10.9%

**5-YEAR WAGE
GROWTH**

12.8%

HHI GROWTH

(2015 – 2019)

#1

**BEST CITY
FOR JOBS IN
2020 IN U.S.**

(GLASSDOOR 2020)

#3

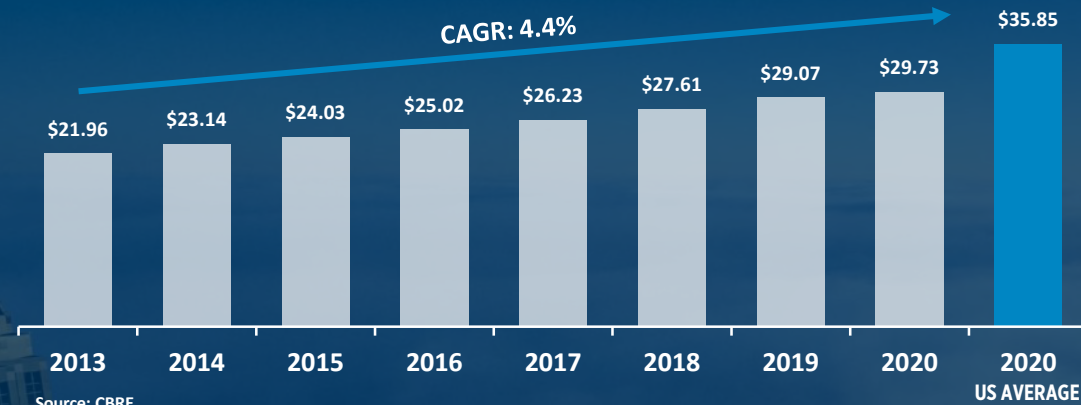
**BEST CITY FOR
MILLENNIALS
TO RELOCATE**

(INDYWEEK)

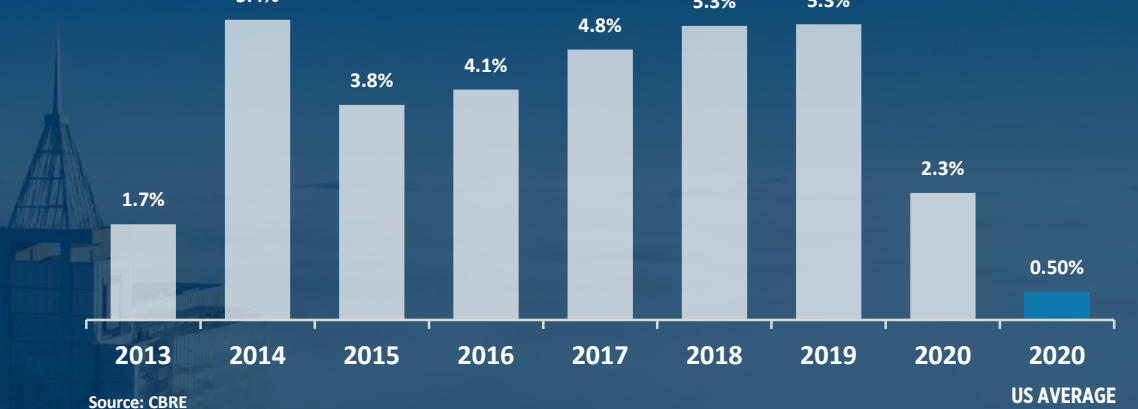
OFFICE MARKET OVERVIEW

RALEIGH

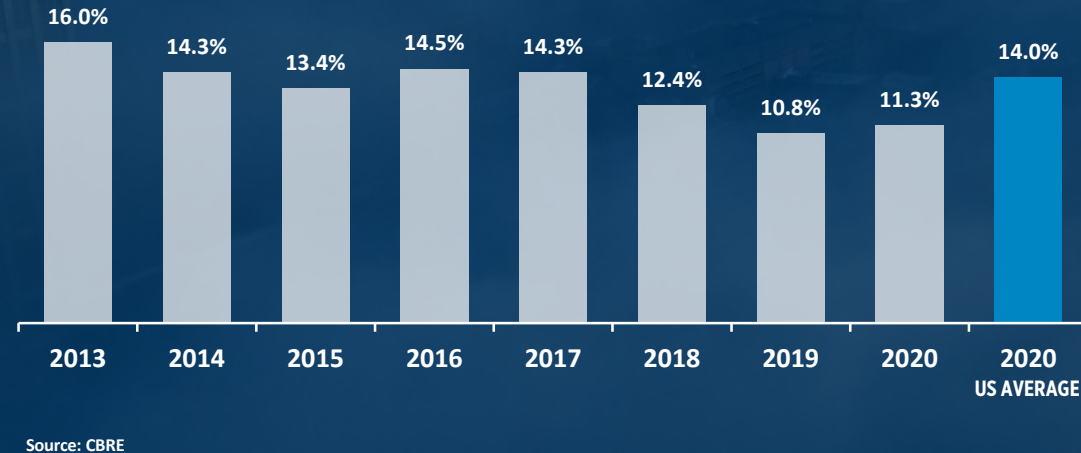
ASKING RATES (\$/SF)



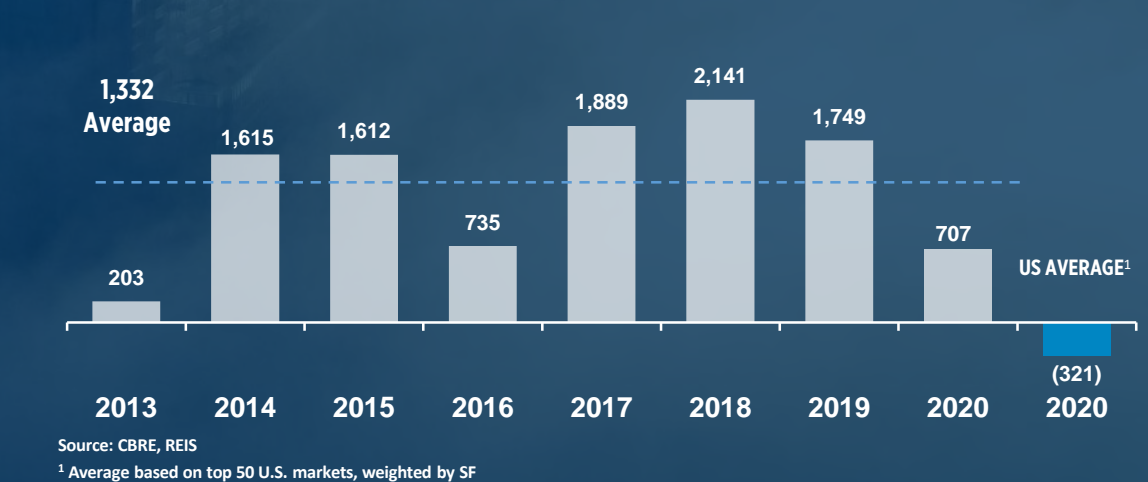
RENT GROWTH (%)



VACANCY RATE (%)



NET ABSORPTION (SF,000s)



MOMENTUM IN RALEIGH

#1
BEST PLACES
TO LIVE
(MONEY MAGAZINE)

#2
MOST EDUCATED
CITY IN THE U.S.
(FORBES)

#1
AMERICAN CITIES
OF THE FUTURE
(FINANCIAL TIMES)

#2
TOP CITIES FOR
TECH JOBS
(FORBES)

HOME TO 12 COLLEGES AND
UNIVERSITIES WHICH COMBINED
PRODUCE THE MOST LIFE SCIENCE
DOCTORATES IN THE U.S.

Duke
UNIVERSITY

NC STATE
UNIVERSITY



THE UNIVERSITY
of NORTH CAROLINA
at CHAPEL HILL

STRONG POPULATION & EMPLOYMENT GROWTH

Raleigh-Durham is projected to be the
second fastest growing large city in the
United States, according to the U.N.

#1
IN NIH FUNDING
PER CAPITA
(State Science & Technology
Institute - SSTI)

#4
LIFE SCIENCE
CLUSTER IN U.S.
(JLL Life Science Report)

10,000+ NEW JOB ANNOUNCEMENTS

xerox

 **Microsoft**

Google

Lilly

FUJIFILM
Diosynth
biotechnologies

 **Fidelity**
INVESTMENTS

 **Biogen**

 **bandwidth**

EPIC
GAMES

 **PennyMac**

CBD

RALEIGH

Highwoods
PROPERTIES

STATE CAPITOL

150 FAYETTEVILLE

CONVENTION CENTER

PERFORMING ARTS
CENTER

EXISTING PORTFOLIO

DEVELOPMENT SITES

5.4M
SQUARE FEET

4.9%
CLASS A
VACANCY

\$33.36
CLASS A
SUBMARKET
RENT/SF

\$29.73
CLASS A
METRO
RENT/SF

817K SF
UNDER
CONSTRUCTION

38%
HIW SHARE
CLASS A
(AFTER ACQUISITION)

Source: CBRE, HIW

NORTH HILLS / SIX FORKS RALEIGH

NORTH HILLS IS A "MICRO-MARKET" WITHIN THE SIX FORKS SUBMARKET WITH: 1.4M SF OFFICE, 1.0M SF RETAIL, 2,079 APARTMENTS, 501 HOTEL ROOMS & 350 EVENTS/YEAR

CAPTRUST TOWER

6.6M
SQUARE FEET

7.9%
DIRECT
VACANCY

\$40.50
NORTH HILLS
SUBMARKET
RENT/SF

\$29.73
METRO
MARKET
RENT/SF

0 SF
UNDER
CONSTRUCTION

22%
HIW SHARE
CLASS A
(AFTER ACQUISITION)

\$104K
AVG. HHI
1-MI. RADIUS

RALEIGH

ACQUISITIONS

150
FAYETTEVILLE

\$29.30
RENT/SF

560K SF

5.8
YEARS OF WALT

91%
LEASED



CAPTRUST
TOWER

\$36.56
RENT/SF

300K SF

8.3
YEARS OF WALT

98%
LEASED



GALLERIA 75 REDEVELOPMENT SITE ATLANTA

Highwoods
PROPERTIES

Braves

INTERSTATE
285

INTERSTATE
75



RIVERWOOD 200



RIVERWOOD 100



GALLERIA 75



111K SF
EXISTING
BUILDINGS

90%
LEASED

300K-600K SF
OFFICE
(FUTURE MIXED-USE DEVELOPMENT)

300 +/- UNITS
MULTI-FAMILY
(FUTURE MIXED-USE DEVELOPMENT)

NON-CORE ASSETS

MEZZANINE LOAN

8WEST



195K SF OFFICE & RETAIL

CREATIVE OFFICE

ARMOUR YARDS



187K SF STABILIZED OFFICE

251 ARMOUR



36K SF REDEVELOPMENT

Google Fiber

COYOTE
LOGISTICS
a UPS Company

PAC WILL SEPARATELY MARKET ARMOUR YARDS FOR SALE TO A THIRD PARTY. IF PAC CHOOSES NOT TO SELL TO A THIRD PARTY, HIW WILL CLOSE BY Q1 2022.

ACQUISITION RESULTS IN ATTRACTIVE FINANCIAL IMPACT TO HIW AFTER NON-CORE SALES

CASH FLOW ACCRETION

- Strong WALT with high-quality assets

FFO NEUTRAL

- Accretion over time with embedded upside

ACCELERATE NON-CORE ASSET SALES

- Plan to sell \$500-600M of non-core assets by mid-2022

PRESERVE BALANCE SHEET STRENGTH & LIQUIDITY

- Expect to return balance sheet to pre-acquisition metrics by mid-2022
- Weighted average debt maturity to be extended
- Unencumbered NOI projected to remain >90%

PLANNED

DISPOSITIONS

BY YEAR-END
2021

UP TO
\$300M

UP TO
800K
SF

100%
OCCUPANCY

9+
WALT (YEARS)

BY MID-YEAR
2022

UP TO
\$300M

UP TO
1.8M
SF

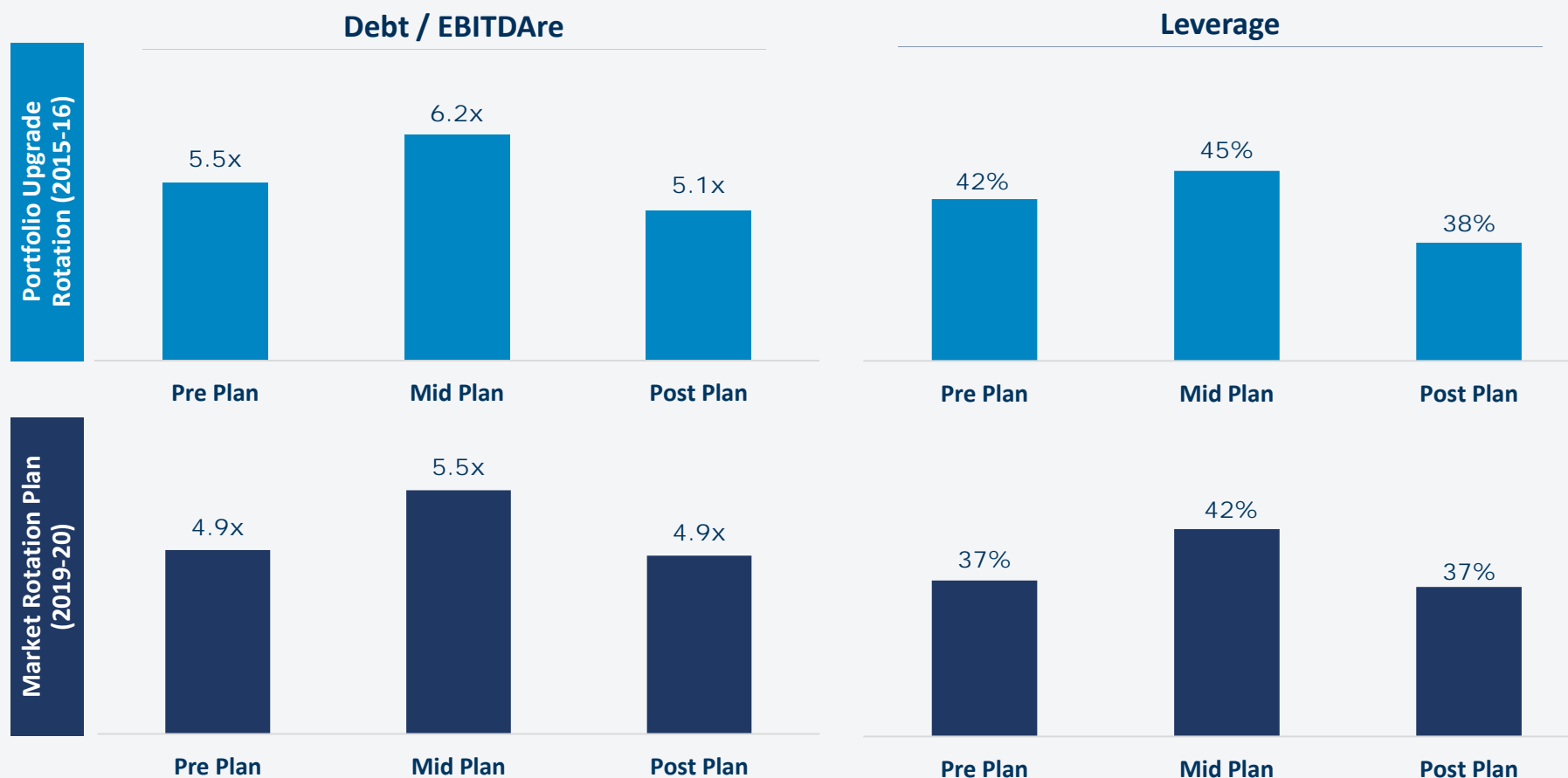
~80%
OCCUPANCY

5+
WALT (YEARS)



BALANCE SHEET

TRACK RECORD OF DE-LEVERING POST-ACQUISITIONS



● Sold \$660M of assets to return balance sheet to pre-acquisition metrics

● Sold \$428M of assets to return balance sheet to pre-acquisition metrics

150 FAYETTEVILLE

WELLS FARGO

WELLS FARGO

THANK YOU

 Highwoods®
PROPERTIES

MORROCROFT CENTRE