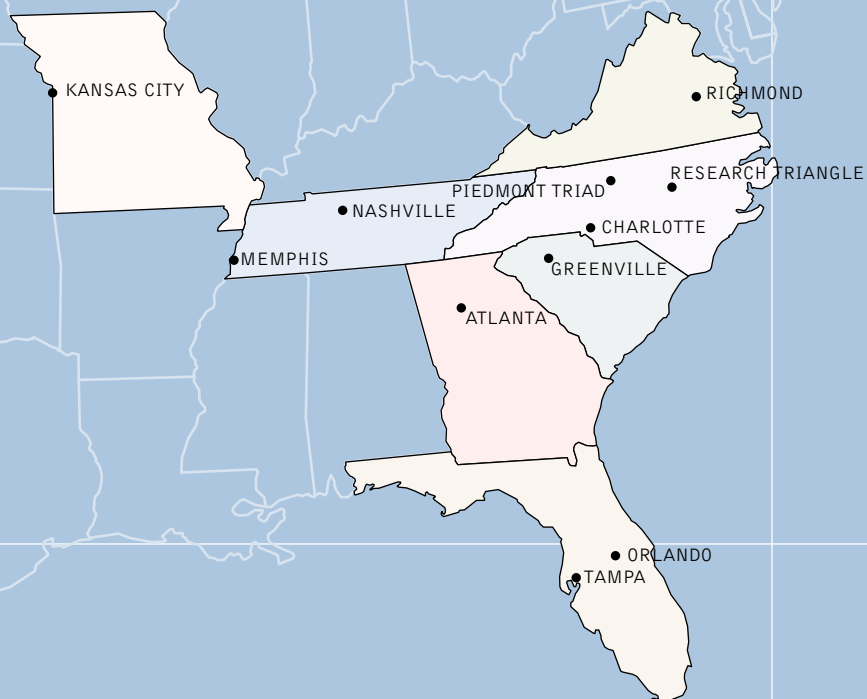


2001 ANNUAL REPORT



CORPORATE PROFILE

Highwoods is a fully integrated, self-administered 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 owns or has an interest in 595 office, industrial, retail and service center properties encompassing approximately 47 million square feet, including 23 development projects encompassing approximately 2.6 million square feet. The Company also controls more than 1,550 acres of land for future development. Highwoods is based in Raleigh, North Carolina, and its properties and development land are located in Florida, Georgia, Iowa, Kansas, Missouri, North Carolina, South Carolina, Tennessee and Virginia.

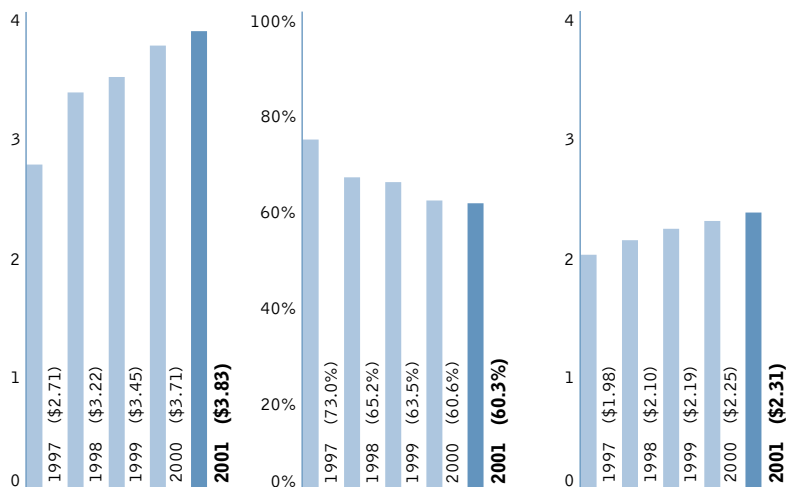
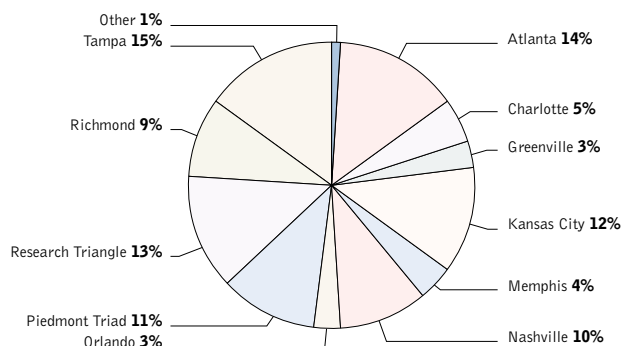


FINANCIAL HIGHLIGHTS

	2001	2000	1999
<i>in thousands, except per share amounts and ratios for the years ended December 31.</i>			
Total Revenue	\$ 540,615	\$ 566,431	\$ 584,935
Net Income Available for Common Shareholders	99,711	100,907	105,513
Net Income Available for Common Shareholders per Diluted Share	1.83	1.70	1.71
Funds From Operations	238,009	251,423	244,232
Funds From Operations per Diluted Share	3.83	3.71	3.45
Dividends per Share	2.31	2.25	2.19
Dividend Payout Ratio	60.3%	60.6%	63.5%
Real Estate Assets, at Cost	\$ 3,665,711	\$ 3,408,869	\$ 3,911,473
Mortgages and Notes Payable	1,719,230	1,587,019	1,766,117
Total Market Capitalization	3,661,330	3,625,050	3,815,619

Core Markets

percent of total annualized revenue including joint ventures



Funds From Operations
in dollars per diluted share

Dividend Payout Ratio
percent of funds from operations

Dividends
in dollars per share

TO OUR SHAREHOLDERS

2001 Highlights:

When we reported to you last year, we were proactively taking steps to position our Company for a period of slower growth driven by a very uncertain economy. In 2001 all commercial real estate companies were confronted with declining real estate fundamentals as the dramatic employment growth, which fueled our markets during the period from 1994 to 2000, slowed. As a result, the office real estate markets across the country experienced rising vacancy rates and negative absorption of office space. National office vacancy rates increased by 5.7 percent in 2001, while the vacancy in our office markets increased by 2.8 percent. Our southeastern markets were soft, but as history has proven, they are expected to be more resilient than their national counterparts. By example, during the 1990–1991 recession, while the national markets took more than 35 months to return to peak employment levels, our southeastern markets returned to peak employment in just 24 months.

The leaders of our Company, including the officers who are responsible for our 10 divisions, average 23 years of real estate experience and have performed through several real estate cycles. We have learned from these prior cycles and we believe that a

For the year, Funds From Operations of \$238 million, or \$3.83 per diluted share, were 3.2 percent higher than the prior year's FFO of \$251 million or \$3.71 per diluted share. Overall we earned \$541 million in revenues for 2001.

We completed \$157 million of asset repositioning in 2001, including the sale of \$120 million of multi-family assets in Kansas City. We continue to concentrate on and improve the quality of our portfolio, while realizing the value we have created.

We started \$90 million of new development and ended the year with a development pipeline of \$285 million compared with \$336 million for December 31, 2000. The pipeline was 62 percent pre-leased and 79 percent funded at year-end.

In 2001, net operating income (excluding the impact of dispositions and properties contributed to joint ventures during 1999, 2000 and 2001) grew by 8 percent from \$314 million to \$339 million.

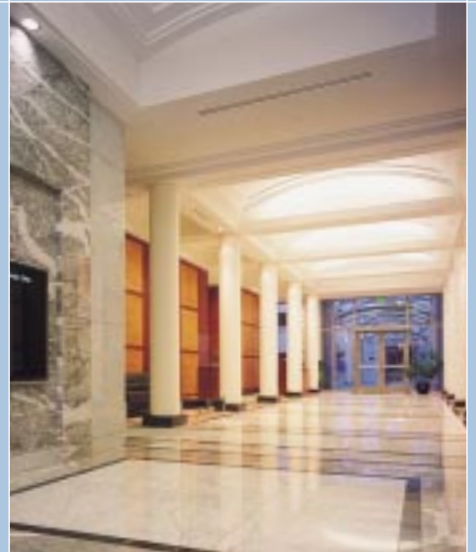
Our same property net operating income increased by 1.8 percent.

We leased 4.4 million square feet of second generation office, industrial and retail space with rental rate growth of 4.7 percent.

In 2001, we repurchased 5.9 million shares and units of our common stock at an average price of \$24.99. Over the course of our share repurchase program, which began in the fourth quarter of 1999, we have repurchased 11.3 million shares at a total investment of \$273 million.

“It’s time we steered by the **stars** and not by the lights of each passing ship.”

—GENERAL OMAR N. BRADLEY



The leaders of our Company average **23 years of real estate experience**, and we believe that a downturn will provide Highwoods with an excellent opportunity to create value.



Years of Experience

CEO	Ron Gibson	29
COO	Ed Fritsch	20

Atlanta Senior Vice President Gene Anderson 31	Orlando Senior Vice President Mike Beale 24	Research Triangle Senior Vice President Marcus Jackson 16	Memphis Senior Vice President Mike Harris 23		
Piedmont Triad Vice President Mark Shumaker 18	Tampa Vice President Steve Meyers 17	Richmond Vice President Paul Kreckman 29	Charlotte/Greenville Senior Vice President Tom Cochran 25	Kansas City Senior Vice President Barry Brady 32	Nashville Vice President Brian Reames 15

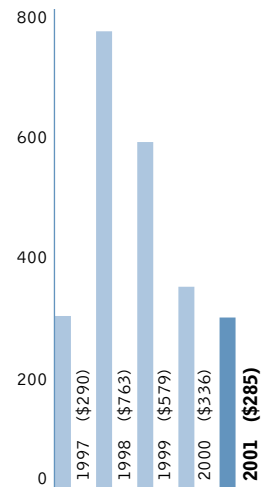
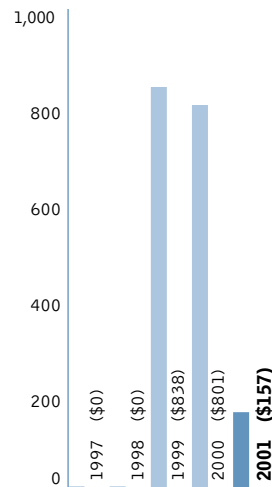
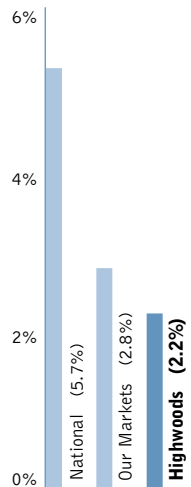
downturn will provide Highwoods with an excellent opportunity to create value.

This past year and the one ahead will allow “real estate cycle-tested” management teams—like Highwoods—to demonstrate their operating strengths. We are proud of and have extreme confidence in our real estate professionals throughout the organization.

At the core of our operating strategy is an ongoing commitment to our customers, shareholders and employees. We continue to implement this strategy with a unique blend of centralized control and entrepreneurial spirit that is characterized by an alignment of management and shareholder interests. This strategy is clearly focused on increasing shareholder value and providing a secure, growing dividend.



Highwoods Properties experienced a significantly lower increase in vacancy rates than the national average during 2001.




Increase in Office Vacancy Rates
2000-2001

Source: REIS and Company Reports

Asset Repositioning Volume
in millions of dollars

Development Pipeline
in millions of dollars
(at December 31)



This year will be a challenging one for our industry and for Highwoods. We expect sluggish economic conditions to continue through midyear; however, we anticipate an economic recovery in our core markets in the third and fourth quarters. Highwoods is well prepared for this economy given our solid base of long-term customers, our preleased development pipeline, strong balance sheet and, as highlighted earlier, our cycle-tested real estate team.

The great American general, Omar N. Bradley, encouraged his troops to remain focused on a strategy that would lead to victory in World War II when he said, "It's time we steered by the stars and not by the lights of each passing ship." In 2002 we will continue to navigate by the stars and will concentrate on:

- Securing occupancy through aggressive leasing efforts;
- Limiting new development starts unless a project contains significant preleasing;
- Containing our costs through process improvement and technology, and;
- Continuing our capital recycling aimed at realizing value and improving the quality of the portfolio, while generating capital to invest in opportunistic, franchise-strengthening investments.

**In guiding our
Company, we will:**

Continue to build an organization of skilled professionals that places customer satisfaction and customer service at the top of our list of priorities.

Expand and leverage our market leading positions and utilize our local market expertise to provide superior customer service.

Provide our customers with quality choices of properties that fit a multitude of business space needs.

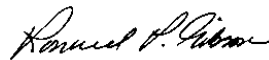
Continue to reposition our real estate to create value for our customers and growth for our shareholders.

Maintain a conservative and flexible capital structure so we can make opportunistic investments.

It is our privilege to work with a dedicated team of loyal professionals who are excited about conquering the challenges before them, and we thank our employees for their continued commitment to Highwoods and to our communities.

We also thank our board of directors for its guidance and support. Most importantly, we say thank you to our valued customers and shareholders.

We look forward to a productive 2002 and to sharing our progress with you throughout the year.



Ronald P. Gibson
President and Chief Executive Officer



O. Temple Sloan, Jr.
Chairman of the Board

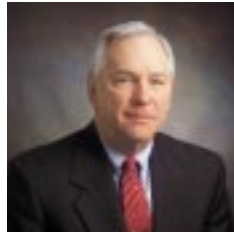


BOARD OF DIRECTORS

SENIOR OFFICERS



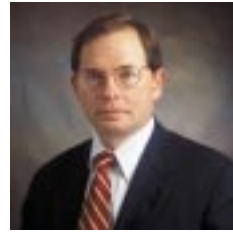
Ronald P. Gibson
President and
Chief Executive Officer



O. Temple Sloan, Jr.
Chairman of the Board of Directors
Chairman of the Board of Directors
of General Parts, Inc.



Thomas W. Adler
Chairman of PSF Management



Gene H. Anderson
Senior Vice President

Ronald P. Gibson*
President, Chief Executive Officer and
Director

Edward J. Fritsch*
Executive Vice President,
Chief Operating Officer, Director
and Secretary

Gene H. Anderson*
Senior Vice President and Director

Michael F. Beale*
Senior Vice President

Barrett Brady
Senior Vice President

Thomas F. Cochran
Senior Vice President

Michael E. Harris*
Senior Vice President

Marcus H. Jackson*
Senior Vice President

Paul W. Kreckman
Vice President

Carman J. Liuzzo*
Vice President,
Chief Financial Officer and Treasurer

Stephen A. Meyers
Vice President

Mack D. Pridgen III*
Vice President,
General Counsel and Assistant Secretary

W. Brian Reames
Vice President

W. Mark Shumaker
Vice President

*Officers subject to the reporting require-
ments of Section 16 of the Securities
Exchange Act of 1934.



Kay N. Callison
Past Director of
J.C. Nichols Company
and Community Volunteer



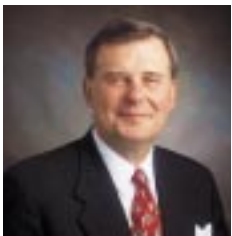
Edward J. Fritsch
Executive Vice President,
Chief Operating Officer
and Secretary



William E. Graham, Jr.
Senior Counsel, Hunton & Williams
and Past Vice Chairman of Carolina
Power and Light



Lawrence S. Kaplan
Past Tax Partner of
Ernst & Young LLP



L. Glenn Orr, Jr.
Director and Past Chairman,
President and Chief Executive Officer
of Southern National Corporation



Willard H. Smith Jr.
Past Managing Director
of Merrill Lynch



John L. Turner
Vice Chairman of the Board of
Directors

SHAREHOLDER INFORMATION

Shareholder Contact

For shareholder mailings and Company information:

Highwoods Properties, Inc.
 Attention: Investor Relations
 3100 Smoketree Court, Suite 600
 Raleigh, North Carolina 27604
 T (919) 872-4924
 (800) 256-2963
 F (919) 876-6929
 E websitemail@highwoods.com

Annual Meeting

May 20, 2002, at 11:00 a.m.
 Marriott Crabtree Valley
 4500 Marriott Drive
 Raleigh, North Carolina
 T (919) 781-7000

Corporate Address

3100 Smoketree Court, Suite 600
 Raleigh, North Carolina 27604
 T (919) 872-4924
 F (919) 873-0088
 w www.highwoods.com

Transfer Agent

For information regarding change of address or other matters concerning your shareholder account, please contact the transfer agent at:

First Union National Bank
 Shareholder Services Group
 1525 West W.T. Harris Boulevard, 3C2
 Charlotte, North Carolina 28288-1153
 T (800) 829-8432
 F (704) 590-0394

Dividend Reinvestment Plan

As provided by the terms of the Dividend Reinvestment and Stock Purchase Plan (the "Plan"), eligible shareholders are able to reinvest all or a portion of their dividends in shares of the Company's stock. Shareholders are also able to make optional cash payments for the purchase of additional shares. No brokerage commissions or fees will be charged under either option.

For assistance or questions about the Plan, please contact Highwoods' Investor Relations Coordinator at the Corporate Office.

MARKET INFORMATION

The Common Stock has been traded on the New York Stock Exchange ("NYSE") under the symbol HIW since the Company's initial public offering. The following table sets forth the quarterly high and low sales prices per share as reported on the NYSE for the periods indicated and distributions paid per share during each such period.

QUARTER ENDED	2001			2000		
	HIGH	LOW	DISTRIBUTION	HIGH	LOW	DISTRIBUTION
March 31	\$ 25.99	\$ 24.00	\$ 0.57	\$ 23.50	\$ 20.25	\$ 0.555
June 30	26.65	24.15	0.57	25.94	21.31	0.555
September 30	26.67	23.45	0.585	27.19	23.50	0.57
December 31	26.42	23.52	0.585	24.94	21.25	0.57

On February 26, 2002, the last reported stock price of the Common Stock on the NYSE was \$26.70 per share, and the Company had 1,474 stockholders of record.

