

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): November 17, 1997

HIGHWOODS PROPERTIES, INC.

(Exact name of registrant as specified in its charter)

MARYLAND

(State of Incorporation)

1-13100

(Commission File Number)

56-1871668

(IRS Employer Identification No.)

3100 SMOKETREE COURT, SUITE 600
RALEIGH, NORTH CAROLINA

(Address of principal executive
offices)

27604

(Zip Code)

(919) 872-4924

(Registrant's telephone number, including area code)

Item 5. The purpose of this filing is to set forth audited financial statements of certain businesses recently acquired by Highwoods Properties, Inc.

Item 7. Financial Statements and Exhibits

(a) Financial Statements of Businesses Acquired

WINNERS CIRCLE

Report of Independent Auditors
Statements of Revenue and Certain Expenses
Notes to Statement of Revenue and Certain Expenses

SHELTON PROPERTIES

Report of Independent Auditors
Combined Statement of Revenue and Certain Expenses
Notes to Combined Statement of Revenue and Certain Expenses

RIPARIUS PROPERTIES

Report of Independent Auditors
Combined Statements of Revenue and Certain Expenses
Notes to Combined Statement of Revenue and Certain Expenses

(b) Pro Forma Information

NONE

(c) Exhibits

23 Consent of Independent Auditors

Audited Financial Statement

Winners Circle

Year ended December 31, 1996
with Report of Independent Auditors

Winners Circle
Audited Financial Statement
Year ended December 31, 1996

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Report of Independent Auditors

To the Board of Directors and Stockholders
Highwoods Properties, Inc.

We have audited the accompanying Statement of Revenue and Certain Expenses of Winners Circle as described in Note 1 for the year ended December 31, 1996. This financial statement is the responsibility of Winners Circle's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the basis of accounting used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Statement of Revenue and Certain Expenses was prepared using the basis of accounting described in Note 1 for the purpose of complying with the rules and regulations of the Securities and Exchange Commission for inclusion in the Form 8-K of Highwoods Properties, Inc. and is not intended to be a complete presentation of Winners Circle's revenue and expenses.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenue and certain expenses described in Note 1 of Winners Circle for the year ended December 31, 1996, in conformity with generally accepted accounting principles.

/s/ Ernst & Young LLP

Raleigh, North Carolina
January 16, 1998

Winners Circle

Statements of Revenue and Certain Expenses

	Nine months ended September 30, 1997	Year ended December 31, 1996
	----- (Unaudited)	
Rental income	\$ 956,650	\$ 1,246,984
Expenses:		
Utilities	99,842	144,760
Real estate taxes	68,708	91,611
Repairs and maintenance	109,365	135,967
Insurance	2,715	3,318
Other	2,596	5,278

Total expenses	283,226	380,934
	=====	
Revenue in excess of certain expenses	\$ 673,424	\$ 866,050
	=====	

See accompanying notes.

Winners Circle

Notes To Statement of Revenue and Certain Expenses

December 31, 1996

1. Basis of Presentation

Presented herein is the Statement of Revenue and Certain Expenses related to the operations of one commercial real estate property identified as the Winners Circle. Winners Circle is wholly-owned by Financial Enterprise III, an entity not affiliated with Highwoods Properties, Inc..

The accompanying financial statement is prepared in accordance with Rule 3-14 of Regulation S-X and thus is not necessarily representative of the actual operations for the year presented as certain expenses that may not be comparable to the expenses expected to be incurred by Highwoods Properties, Inc. in the proposed future operations of the aforementioned property have been excluded. Expenses excluded consist of interest, depreciation and general and administrative expenses not directly related to future operations.

2. Significant Accounting Policies

Revenue Recognition

Rental income is recognized on a straight-line basis over the term of the lease. Certain lease agreements contain provisions which provide reimbursement of real estate taxes, insurance, advertising and certain common area maintenance (CAM) costs. These additional rents are recorded on the accrual basis. All rent and other receivables from tenants are due from commercial building tenants located in the properties.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those amounts.

Interim Financial Data

The unaudited financial statements for the nine months ended September 30, 1997 include all adjustments (consisting of normal recurring adjustments) that are, in the opinion of management, necessary for a fair presentation of the revenues and certain operating expenses for such interim period. Operating results for the nine months ended September 30, 1997 are not necessarily indicative of the results to be expected for the entire year ending December 31, 1997.

Winners Circle

Notes To Statement of Revenue and Certain Expenses (continued)

3. Leases

Winners Circle is being leased to tenants under operating leases that will expire over the next 7 years. The minimum rental amounts under the leases are either subject to scheduled fixed increases or adjustments based on the Consumer Price Index. Generally, the leases also require that the tenants reimburse Winners Circle for increases in certain costs above their base year costs.

Expected future minimum rents to be received over the next five years and thereafter from tenants for leases in effect at December 31, 1996 are as follows:

	Total
1997	\$ 1,259,855
1998	1,178,852
1999	979,860
2000	502,175
2001	604,048
Thereafter	835,922
	=====
	\$ 5,360,712
	=====

Two major tenants represented approximately 61% of the total rental income for the year ended December 31, 1996.

Audited Combined Financial Statement

Shelton Properties

Year ended December 31, 1996
with Report of Independent Auditors

Shelton Properties
Audited Combined Financial Statement
Year ended December 31, 1996

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Report of Independent Auditors

To the Board of Directors and Stockholders
Highwoods Properties, Inc.

We have audited the accompanying Combined Statement of Revenue and Certain Expenses of the Shelton Properties as described in Note 1 for the year ended December 31, 1996. This financial statement is the responsibility of Shelton Properties' management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the basis of accounting used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Statement of Revenue and Certain Expenses was prepared using the basis of accounting described in Note 1 for the purpose of complying with the rules and regulations of the Securities and Exchange Commission for inclusion in the Form 8-K of Highwoods Properties, Inc. and is not intended to be a complete presentation of the Shelton Properties' revenue and expenses.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenue and certain expenses described in Note 1 of the Shelton Properties for the year ended December 31, 1996, in conformity with generally accepted accounting principles.

/s/ Ernst & Young LLP
Raleigh, North Carolina
January 16, 1998

Shelton Properties

Combined Statement of Revenue and Certain Expenses

	Nine months ended September 30, 1997	Year ended December 31, 1996
	----- (Unaudited)	
Rental income	\$ 4,131,589	\$ 6,123,215
Expenses:		
Utilities	171,611	209,627
Real estate taxes	313,522	454,447
Repairs and maintenance	240,826	353,554
Insurance	27,330	34,376
Other	15,010	19,986

Total expenses	768,299	1,071,990
	=====	
Revenue in excess of certain expenses	\$ 3,363,290	\$ 5,051,225
	=====	

See accompanying notes.

Shelton Properties

Notes To Combined Statement of Revenue and Certain Expenses

December 31, 1996

1. Basis of Presentation

Presented herein is the Combined Statement of Revenue and Certain Expenses related to the operations of eight commercial real estate properties under common management and ownership by the Shelton Companies identified as the Shelton Properties.

Shelton Properties is not a legal entity but rather a combination of the operations of certain real estate properties acquired by Highwoods Properties, Inc. The accompanying Combined Statement of Revenue and Certain Expenses includes the accounts of the following commercial real estate properties, each of which is under common management and ownership by the Shelton Companies. These properties are not affiliated with Highwoods Properties, Inc.:

Property	Number of Properties	Owner	Location
Consolidated Center I-II	2	Shelton Company	Winston-Salem, NC
Consolidated Center III-IV	2	Chedren Company	Winston-Salem, NC
Champion	1	Chedren Company	Winston-Salem, NC
First Stratford	1	First Stratford Limited Partnership	Winston-Salem, NC
First Associates	2	First Associates Limited Partnership	Winston-Salem, NC

The owners listed in the table above all have a common partner or shareholder.

The accompanying financial statement is prepared in accordance with Rule 3-14 of Regulation S-X and thus is not necessarily representative of the actual operations for the year presented as certain expenses that may not be comparable to the expenses expected to be incurred by Highwoods Properties, Inc. in the proposed future operations of the aforementioned properties have been excluded. Expenses excluded consist of interest, depreciation and general and administrative expenses not directly related to future operations.

Shelton Properties

Notes To Combined Statement of Revenue and Certain Expenses (continued)

2. Significant Accounting Policies

Revenue Recognition

Rental income is recognized on a straight-line basis over the term of the lease. Certain lease agreements contain provisions which provide reimbursement of real estate taxes, insurance, advertising and certain common area maintenance (CAM) costs. These additional rents are recorded on the accrual basis. All rent and other receivables from tenants are due from commercial building tenants located in the properties.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those amounts.

Interim Financial Data

The unaudited financial statements for the nine months ended September 30, 1997 include all adjustments (consisting of normal recurring adjustments) that are, in the opinion of management, necessary for a fair presentation of the revenues and certain operating expenses for such interim period. Operating results for the nine months ended September 30, 1997 are not necessarily indicative of the results to be expected for the entire year ending December 31, 1997.

3. Leases

The Shelton Properties are being leased to tenants under operating leases that will expire over the next 12 years. The minimum rental amounts under the leases are either subject to scheduled fixed increases or adjustments based on the Consumer Price Index. Generally, the leases also require that the tenants reimburse the Shelton Properties for increases in certain costs above their base year costs.

Shelton Properties

Notes To Combined Statement of Revenue and Certain Expenses (continued)

3. Leases (continued)

Expected future minimum rents to be received over the next five years and thereafter from tenants for leases in effect at December 31, 1996 are as follows:

	Total

1997	\$ 5,619,366
1998	5,057,993
1999	5,001,076
2000	4,927,647
2001	4,460,975
Thereafter	19,433,467
	=====
	\$ 44,500,524
	=====

Two major tenants represented approximately 50% of the total rental income for the year ended December 31, 1996.

4. Related Parties

Two affiliates of the Shelton Properties provide repairs and maintenance services for the properties. During 1996, approximately 40% of repairs and maintenance expense was incurred as a result of services provided by these two affiliates.

Audited Combined Financial Statement

Riparius Properties

Year ended December 31, 1996
with Report of Independent Auditors

Riparius Properties
Audited Combined Financial Statement
Year ended December 31, 1996

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Report of Independent Auditors

To the Board of Directors and Stockholders
Highwoods Properties, Inc.

We have audited the accompanying Combined Statement of Revenue and Certain Expenses of the Riparius Properties as described in Note 1 for the year ended December 31, 1996. This financial statement is the responsibility of Riparius Properties' management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the basis of accounting used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Statement of Revenue and Certain Expenses was prepared using the basis of accounting described in Note 1 for the purpose of complying with the rules and regulations of the Securities and Exchange Commission for inclusion in the Form 8-K of Highwoods Properties, Inc. and is not intended to be a complete presentation of the Riparius Properties' revenue and expenses.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenue and certain expenses described in Note 1 of the Riparius Properties for the year ended December 31, 1996, in conformity with generally accepted accounting principles.

/s/ Ernst & Young LLP
Raleigh, North Carolina
January 16, 1998

Riparius Properties

Combined Statements of Revenue and Certain Expenses

	Nine months ended September 30, 1997	Year ended December 31, 1996
	----- (Unaudited)	
Rental income	\$ 4,410,755	\$ 5,555,257
Expenses:		
Utilities	292,613	413,486
Real estate taxes	262,151	356,676
Repairs and maintenance	233,745	477,000
Insurance	34,304	29,034
Other	19,897	26,246

Total expenses	842,710	1,302,442
	=====	
Revenue in excess of certain expenses	\$ 3,568,045	\$ 4,252,815
	=====	

See accompanying notes.

Riparius Properties

Notes To Combined Statement of Revenue and Certain Expenses

December 31, 1996

1. Basis of Presentation

Presented herein is the Combined Statement of Revenue and Certain Expenses related to the operations of five commercial real estate properties under common management and ownership by Riparius Development Corporation identified as the Riparius Properties.

Riparius Properties is not a legal entity but rather a combination of the operations of certain real estate properties acquired by Highwoods Properties, Inc. The accompanying Combined Statement of Revenue and Certain Expenses includes the accounts of the following commercial real estate properties, each of which is wholly-owned by a party not affiliated with Highwoods Properties, Inc.:

Property	Number of Properties	Owner	Location
The Atrium Building	1	Riparius Development Corp.	Baltimore, MD
9690 Deereco Road LP	1	Riparius Development Corp.	Baltimore, MD
Seven Crondall Associates LP	1	Riparius Development Corp.	Baltimore, MD
Eight Crondall Associated LP	1	Riparius Development Corp.	Baltimore, MD
Nine Crondall Associates LP	1	Riparius Development Corp.	Baltimore, MD

The accompanying financial statement is prepared in accordance with Rule 3-14 of Regulation S-X and thus is not necessarily representative of the actual operations for the year presented as certain expenses that may not be comparable to the expenses expected to be incurred by Highwoods Properties, Inc. in the proposed future operations of the aforementioned properties have been excluded. Expenses excluded consist of interest, depreciation and general and administrative expenses not directly related to future operations.

Riparius Properties

Notes To Combined Statement of Revenue and Certain Expenses (continued)

2. Significant Accounting Policies

Revenue Recognition

Rental income is recognized on a straight-line basis over the term of the lease. Certain lease agreements contain provisions which provide reimbursement of real estate taxes, insurance, advertising and certain common area maintenance (CAM) costs. These additional rents are recorded on the accrual basis. All rent and other receivables from tenants are due from commercial building tenants located in the properties.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those amounts.

Interim Financial Data

The unaudited financial statements for the nine months ended September 30, 1997 include all adjustments (consisting of normal recurring adjustments) that are, in the opinion of management, necessary for a fair presentation of the revenues and certain operating expenses for such interim period. Operating results for the nine months ended September 30, 1997 are not necessarily indicative of the results to be expected for the entire year ending December 31, 1997.

3. Leases

The Riparius Properties are being leased to tenants under operating leases that will expire over the next 12 years. The minimum rental amounts under the leases are either subject to scheduled fixed increases or adjustments based on the Consumer Price Index. Generally, the leases also require that the tenants reimburse the Riparius Properties for increases in certain costs above their base year costs.

Riparius Properties

Notes To Combined Statement of Revenue and Certain Expenses (continued)

3. Leases (continued)

Expected future minimum rents to be received over the next five years and thereafter from tenants for leases in effect at December 31, 1996 are as follows:

	Total
1997	\$ 5,900,586
1998	5,184,637
1999	4,365,487
2000	2,524,810
2001	1,847,349
Thereafter	3,679,053
	=====
	\$ 23,501,922
	=====

Two major tenants represented approximately 37% of the total rental income for the year ended December 31, 1996.

4. Related Parties

Two affiliates lease space in the buildings of the Riparius Properties. During 1996, approximately 13% of rental income was earned as a result of rents paid by these two affiliates.

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statements (Form S-3 Nos. 33-93572, 33-97712, 333-08985, 333-13519, 333-24165, 333-31183, 333-39247 and 333-43745 and Form S-8 Nos. 333-12117, 333-29759 and 333-29763) and related Prospectuses of Highwoods Properties, Inc. and in the Registration Statement (Form S-3 No. 333-31183-01) and related Prospectus of Highwoods/Forsyth Limited Partnership of our reports dated January 16, 1998 with respect to the statements of revenues and certain expenses of Shelton Properties, Riparius Properties and Winners Circle for the year ended December 1, 1996 included in the Current Report on Form 8-K of Highwoods Properties Inc. dated November 17, 1997, filed with the Securities and Exchange Commission.

/s/ ERNST & YOUNG LLP

Raleigh, North Carolina
January 30, 1998