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): June 18, 1998

HIGHWOODS PROPERTIES, INC.
(Exact name of registrant specified in its charter)

Maryland	1-13100	56-1871668
(State of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)

3100 Smoketree Court, Suite 600, Raleigh, North Carolina 27604
(Address of principal executive offices, zip code)

Registrant's telephone number, including area code: (919) 872-4924

ITEM 5. OTHER EVENTS

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

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS

(a) Financial Statements of Businesses Acquired

LANDMARK CENTER

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

(b) Pro Forma Information

None

(c) Exhibits

23 Consent of Independent Auditors

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: December 23, 1998

HIGHWOODS PROPERTIES, INC.

By: /s/ Carman J. Liuzzo
Carman J. Liuzzo
Vice-President, Chief Executive Officer
and Treasurer

Audited Combined Financial Statement

Landmark Center

Year ended December 31, 1997
with Report of Independent Auditors

Landmark Center

Audited Combined Financial Statement

Year ended December 31, 1997

Contents

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 Landmark Center as described in Note 1 for the year ended December 31, 1997. This financial statement is the responsibility of Landmark Center'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 Combined 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 Landmark Center'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 Landmark Center for the year ended December 31, 1997, in conformity with generally accepted accounting principles.

/s/ Ernst & Young LLP

Raleigh, North Carolina
June 18, 1998

Landmark Center

Combined Statement of Revenue and Certain Expenses

Year ended December 31, 1997

Rental income	$8,217,908
Expenses:	
Repairs and maintenance	1,495,293
Taxes	973,349
Utilities	564,049
Insurance	26,645
Management fees	61,186
Total expenses	3,120,522
Revenue in excess of certain expenses	$5,097,386

See accompanying notes.

Landmark Center

Notes to Combined Statement of Revenue and Certain Expenses

December 31, 1997

1. Basis of Presentation

Presented herein is the Combined Statement of Revenue and Certain Expenses related to the operations of two commercial real estate properties located in the Orlando, Florida metropolitan market identified as Landmark Center.

Landmark Center is not a legal entity but rather a combination of the operations of certain real estate properties acquired by Highwoods Properties, Inc. in February 1998. The accompanying Combined Statement of Revenue and Certain Expenses includes the accounts of the following commercial real estate properties, each of which is owned by entities under common control, but not affiliated with Highwoods Properties, Inc.

Property	Number of Properties	Owner
Landmark Center I	1	Landmarks Orlando I Limited Partnership
Landmark Center II	1	Landmarks Orlando II Limited Partnership

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.

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.

2. Significant Accounting Policies (continued)

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.

3. Leases

Landmark Center is being leased to tenants under operating leases that will expire over the next nine 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 Landmark Center 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, 1997 are as follows:

	Total
1998	$ 7,778,749
1999	6,647,040
2000	5,593,267
2001	4,343,103
2002	2,369,008
Thereafter	4,916,422
	$31,647,589

4. Environmental Matters

All of the Company's properties have been subjected to Phase I environmental reviews. Such reviews have not revealed, nor is management aware of, any environmental liability that management believes would have a material adverse effect on the accompanying combined financial statement.

Audited Combined Financial Statement

Shelton Properties

Year ended December 31, 1997
with Report of Independent Auditors

Shelton Properties

Audited Combined Financial Statement

Year ended December 31, 1997

Contents

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, 1997. 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 Combined 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 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 Shelton Properties for the year ended December 31, 1997, in conformity with generally accepted accounting principles.

/s/ Ernst & Young LLP

Raleigh, North Carolina
July 1, 1998

Shelton Properties

Combined Statement of Revenue and Certain Expenses

Year ended December 31, 1997

Rental income	$17,997,279
Expenses:	
Repairs and maintenance	438,420
Taxes	1,220,276
Utilities	31,077
Insurance	102,409
Management fees	35,844
Total expenses	1,828,026
Revenue in excess of certain expenses	$16,169,253

See accompanying notes.

Shelton Properties

Notes to Combined Statement of Revenue and Certain Expenses

December 31, 1997

1. Basis of Presentation

Presented herein is the Combined Statement of Revenue and Certain Expenses related to the 32 commercial real estate properties and one parking deck located in Winston-Salem, Greensboro and Charlotte, North Carolina.

Shelton Properties is not a legal entity but rather a combination of the operations of certain real estate properties under common control 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 was owned by a party not affiliated with Highwoods Properties, Inc.

Property	Number of Properties	Owner
Colony Center	1	Chedren, Inc.
Madison	1	Chedren, Inc.
Chimney Rock Road	6	SMS Partnership
Madison Park	7	Shelton Company
Northridge	7	Shelton Company
Members	1	Shelton Company
Twin Lakes	1	Shelton Company
Grassy Creek	3	GMS Partnership
Clementine Road	5	Hampton Investments
Indiana Avenue	1	Wright-Shelton Partners

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.

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.

3. Leases

Shelton Properties are being leased to tenants under operating leases that will expire over the next eleven 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.

Expected future minimum rents to be received over the next five years and thereafter from tenants for leases in effect at December 31, 1997 are as follows:

	Total
1998	$ 16,488,722
1999	15,570,220
2000	13,563,201
2001	11,218,683
2002	9,756,293
Thereafter	39,006,202
	$105,603,321

Three major tenants represent 63% of rental income for the year ended December 31, 1997.

4. Environmental Matters

All of the Company's properties have been subjected to Phase I environmental reviews. Such reviews have not revealed, nor is management aware of, any environmental liability that management believes would have a material adverse effect on the accompanying combined financial statement.

EXHIBIT 23

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statements (Form S-3 Nos. 333-39247, 333-51671-01, 333-51759 and 333-61913, and Form S-8 Nos. 333-12117, 333-29759, 333-29763 and 333-55901) and related Prospectuses of Highwoods Properties, Inc. and in the Registration Statement (Form S-3 Nos. 333-51671) and related Prospectus of Highwoods Realty Limited Partnership of our report dated June 18, 1998 with respect to the statement of revenue and certain expenses of Landmark Center for the year ended December 31, 1997, and of our report dated July 1, 1998 with respect to the statement of revenue and certain expenses of Shelton Properties for the year ended December 31, 1997, included in the Current Reports on Form 8-K of Highwoods Properties, Inc. and Highwoods Realty Limited Partnership dated June 18, 1998, filed with the Securities and Exchange Commission.

ERNST & YOUNG LLP

/s/ Ernst & Young LLP

Raleigh, North Carolina
December 22, 1998