

HALLWOOD REALTY PARTNERS, L.P.

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NEWS RELEASE

HALLWOOD REALTY PARTNERS, L.P. ANNOUNCES FIRST QUARTER 1998 FINANCIAL RESULTS

Dallas, Texas, May 6, 1998 - Hallwood Realty Partners, L.P. ("HRP") (HRY-AMEX) announced today its financial results for the quarter ended March 31, 1998. HRP had income before extraordinary item of \$1,069,000 (\$0.63 per unit) for the first quarter of 1998, as compared to income of \$68,000 (\$0.04 per unit) for the 1997 first quarter. In the first quarter of 1998, HRP incurred an extraordinary loss on early extinguishment of debt of \$1,611,000, and accordingly HRP had a net loss of \$542,000 (\$0.32 per unit) for first quarter of 1998. The net results included \$3,078,000 and \$2,985,000 of non-cash depreciation and amortization expense in the 1998 and 1997 first quarters, respectively.

Total revenues increased \$915,000, or 7.1%, in the first quarter of 1998 from last year's first quarter, due to a rise in average occupancy between the comparable periods from 91.6% to 94.0% and due to rental rate increases primarily at the properties in the Atlanta market.

Total expenses were \$86,000 lower in 1998's first quarter than 1997's first quarter due to a reduction in property operating expenses of \$230,000, or 4.0%, and a reduction in interest expense of \$34,000, or 1.1%, partially offset by increases in depreciation and amortization expenses of \$93,000 and general and administrative expenses of \$85,000. Property operating expenses were reduced principally due to lower utility costs as a result of a milder winter at the Michigan properties. Depreciation and amortization increased due to lease commission amortization from new leases executed in 1997 which have increased the portfolio's occupancy and enhanced revenues. General and administrative expenses increased due to an increase in state franchise taxes and certain personnel costs.

The loss on early extinguishment of debt represents a prepayment penalty incurred with the early payoff of a loan secured by Executive Park and the write off of unamortized loan costs associated with the retired loan. HRP refinanced the Executive Park loan during the first quarter of 1998 resulting in a reduction in the interest rate from 8.87% to 7.32% and an extension in the amortization period from fifteen years to twenty-seven years with a maturity date of April 11, 2008. The new loan will generate annual cash flow savings of approximately \$750,000 in reduced principal and interest payments.

The following table sets forth selective unaudited financial information (in thousands, except per unit amounts):

	Three months ended	
	<u>March 31,</u>	
	<u>1998</u>	<u>1997</u>
Total revenues	\$ 13,823	\$ 12,908
Total expenses	12,754	12,840
Income before extraordinary item	1,069	68
Loss on early extinguishment of debt	(1,611)	-
Net income (loss)	(542)	68
 <i>Earnings per unit - basic :</i>		
Income before extraordinary item	\$ 0.63	\$ 0.04
Loss on early extinguishment of debt	(0.95)	-
Net income (loss)	\$ <u>(0.32)</u>	\$ <u>0.04</u>
 <i>Earnings per unit - assuming dilution :</i>		
Income before extraordinary item	\$ 0.61	\$ 0.04
Loss on early extinguishment of debt	(0.92)	-
Net income (loss)	\$ <u>(0.31)</u>	\$ <u>0.04</u>
 Weighted average units outstanding -		
Basic	1,673	1,673
Assuming dilution	1,739	1,720

HRP, a publicly traded Delaware limited partnership, is engaged in diversified real estate activities, including the acquisition, ownership and operation of commercial office and industrial real estate and other real estate related assets.