

HALLWOOD REALTY PARTNERS, L.P.

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NEWS RELEASE

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

Dallas, Texas, August 3, 1998 - Hallwood Realty Partners, L.P. ("HRP") (HRY-AMEX) announced today its financial results for the quarter ended June 30, 1998. HRP had income before extraordinary item of \$1,655,000 (\$0.98 per unit) for the second quarter of 1998, as compared to income of \$936,000 (\$0.55 per unit) for the 1997 second quarter. In the second quarter of 1998, HRP incurred an extraordinary loss on early extinguishment of debt of \$265,000 (\$0.16 per unit), and accordingly HRP had net income of \$1,390,000 (\$0.82 per unit) for the second quarter of 1998. The net results included \$3,010,000 of non-cash depreciation and amortization expense both in the 1998 and 1997 second quarters.

HRP had income before extraordinary item of \$2,724,000 (\$1.61 per unit) for the first six months of 1998, as compared to income of \$1,004,000 (\$0.59 per unit) for the 1997 comparable six months. During the first six months of 1998, HRP incurred extraordinary losses on early extinguishment of debt of \$1,876,000 (\$1.11 per unit), and accordingly HRP's had net income of \$848,000 (\$0.50 per unit) for the first six months of 1998. The net results included \$6,088,000 and \$5,995,000 of non-cash depreciation and amortization expense in the first six months of 1998 and 1997, respectively.

Total revenues increased \$328,000, or 2.4%, in the second quarter of 1998 from last year's second quarter, primarily due to rental rate increases at a number of properties.

Total revenues increased \$1,243,000, or 4.7%, during the first six months of 1998 versus 1997 primarily due to rental rate increases at a number of properties and also due to a rise in average occupancy between the comparable periods from 92.8% to 93.6%.

Total expenses were \$391,000 lower in 1998's second quarter than 1997's second quarter due to a reduction in property operating expenses of \$258,000, or 4.8%, a reduction in interest expense of \$104,000, or 3.2%, and a reduction in general and administrative expenses of \$29,000.

Total expenses were \$477,000 lower during the first six months of 1998 than in the 1997 period due to a reduction in property operating expenses of \$488,000, or 4.3%, and a reduction in interest expense of \$138,000, or 2.1%, partially offset by increases in depreciation and amortization expenses of \$93,000 and in general and administrative expenses of \$56,000.

Property operating expenses were reduced principally in the second quarter and for the first six months due to real estate tax refunds received in the 1998 periods for tax years 1994 to 1997. Interest expense diminished due to the reduction in the aggregate average interest rate between the periods. Depreciation and amortization increased for the six months due to lease commission amortization from new leases executed in 1997 which have increased the portfolio's occupancy and enhanced revenues.

The losses on early extinguishment of debt represent prepayment penalties incurred with early loan payoffs and the write off of unamortized loan costs associated with the retired loans. As previously announced, HRP refinanced Executive Park's mortgage in the first quarter of 1998. In the second quarter of 1998, HRP refinanced the loan secured by Seattle Business Parks into two loans which reduced the interest rate from 9.25% to 6.97%. The new loans lengthen the amortization period from twenty-two years to thirty years and the maturity date was extended by seven years to June 7, 2008.

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

	Three months ended		Six months ended	
	June 30,		June 30,	
	<u>1998</u>	<u>1997</u>	<u>1998</u>	<u>1997</u>
Total revenues	\$ 13,771	\$ 13,443	\$ 27,594	\$ 26,351
Total expenses	12,116	12,507	24,870	25,347
Income before extraordinary item	1,655	936	2,724	1,004
Loss on early extinguishment of debt	(265)	-	(1,876)	-
Net income	1,390	936	848	1,004
<i>Earnings per unit - basic :</i>				
Income before extraordinary item	\$ 0.98	\$ 0.55	\$ 1.61	\$ 0.59
Loss on early extinguishment of debt	(0.16)	-	(1.11)	-
Net income	\$ <u>0.82</u>	\$ <u>0.55</u>	\$ <u>0.50</u>	\$ <u>0.59</u>
<i>Earnings per unit - assuming dilution :</i>				
Income before extraordinary item	\$ 0.94	\$ 0.54	\$ 1.55	\$ 0.58
Loss on early extinguishment of debt	(0.15)	-	(1.07)	-
Net income	\$ <u>0.79</u>	\$ <u>0.54</u>	\$ <u>0.48</u>	\$ <u>0.58</u>
Weighted average units outstanding -				
Basic	1,673	1,673	1,673	1,673
Assuming dilution	1,743	1,721	1,741	1,721

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.

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