

# HALLWOOD REALTY PARTNERS, L.P.

3710 Rawlins, Suite 1500, Dallas, Texas 75219-4236  
phone: (214) 528-5588 fax: (214) 528-8855

website: www.hallwood.com / hrp  
contact: investor relations department

**NEWS RELEASE**

---

## **HALLWOOD REALTY PARTNERS, L.P. ANNOUNCES THIRD QUARTER 1998 FINANCIAL RESULTS**

Dallas, Texas, November 5, 1998 - Hallwood Realty Partners, L.P. ("HRP") (HRY-AMEX) announced today its financial results for the quarter ended September 30, 1998. HRP had net income of \$1,727,000 (\$1.02 per unit) for the third quarter of 1998, as compared to net income of \$569,000 (\$0.34 per unit) for the 1997 third quarter. The net results included \$2,994,000 and \$3,012,000 of non-cash depreciation and amortization expense in the 1998 and 1997 third quarters, respectively.

HRP had income before extraordinary item of \$4,451,000 (\$2.63 per unit) for the first nine months of 1998, as compared to income of \$1,573,000 (\$0.93 per unit) for the 1997 comparable nine months. During the first nine months of 1998, HRP incurred extraordinary losses on early extinguishment of debt of \$1,876,000 (\$1.11 per unit), and accordingly HRP had net income of \$2,575,000 (\$1.52 per unit) for the first nine months of 1998. The net results included \$9,082,000 and \$9,007,000 of non-cash depreciation and amortization expense in the first nine months of 1998 and 1997, respectively.

Total revenues increased \$982,000, or 7.3%, in the third quarter of 1998 from last year's third quarter, primarily due to rental rate increases at a number of properties.

Total revenues increased \$2,225,000, or 5.6%, during the first nine 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 to 93.6% from 92.9%.

Total expenses were \$176,000 lower in 1998's third quarter than 1997's third quarter primarily due to reductions in general and administrative expense and interest expense. General and administrative expense decreased \$112,000, or 13.1%, due to lower investor mailing costs and professional fees, partially offset by an increase in state franchise taxes. Interest expense was reduced by \$61,000, or 1.9%, due to lower debt levels as a result of scheduled principal payments and due to lower interest rates from the refinancing of two loans during 1998.

Total expenses were \$653,000 lower during the first nine months of 1998 than in the 1997 period primarily due to reductions in property operating expense and interest expense. Property operating expenses decreased \$473,000, or 2.8%, mostly due to real estate tax refunds received in the 1998 periods for tax years 1994 to 1997. Interest expense was reduced by \$199,000, or 2.0%, due to lower debt levels as a result of scheduled principal payments and due to lower interest rates from the refinancing of two loans during 1998.

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.

Continued on Page 2

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

	Three months ended September 30,		Nine months ended September 30,	
	<u>1998</u>	<u>1997</u>	<u>1998</u>	<u>1997</u>
Total revenues	\$ <b>14,515</b>	\$ 13,533	\$ <b>42,109</b>	\$ 39,884
Total expenses	<b>12,788</b>	12,964	<b>37,658</b>	38,311
Income before extraordinary item	<b>1,727</b>	569	<b>4,451</b>	1,573
Loss on early extinguishment of debt	-	-	<b>(1,876)</b>	-
Net income	<b>1,727</b>	569	<b>2,575</b>	1,573
<i>Earnings per unit - basic :</i>				
Income before extraordinary item	\$ <b>1.02</b>	\$ 0.34	\$ <b>2.63</b>	\$ 0.93
Loss on early extinguishment of debt	<u>-</u>	<u>-</u>	<b>(1.11)</b>	<u>-</u>
Net income	\$ <u><b>1.02</b></u>	\$ <u>0.34</u>	\$ <u><b>1.52</b></u>	\$ <u>0.93</u>
<i>Earnings per unit - assuming dilution :</i>				
Income before extraordinary item	\$ <b>0.98</b>	\$ 0.33	\$ <b>2.53</b>	\$ 0.90
Loss on early extinguishment of debt	<u>-</u>	<u>-</u>	<b>(1.07)</b>	<u>-</u>
Net income	\$ <u><b>0.98</b></u>	\$ <u>0.33</u>	\$ <u><b>1.46</b></u>	\$ <u>0.90</u>
Weighted average units outstanding -				
Basic	<b>1,673</b>	1,673	<b>1,673</b>	1,673
Assuming dilution	<b>1,743</b>	1,730	<b>1,741</b>	1,724

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.