

# HALLWOOD REALTY PARTNERS, L.P.

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## **NEWS RELEASE**

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### HALLWOOD REALTY PARTNERS, L.P. ANNOUNCES THIRD QUARTER 1999 FINANCIAL RESULTS AND TWO PROPERTY ACQUISITIONS

Dallas, Texas, November 10, 1999 - Hallwood Realty Partners, L.P. ("HRP") (HRY-AMEX) announced today its financial results for the quarter ended September 30, 1999. HRP had net income of \$1,239,000 (\$0.70 per unit) for the third quarter of 1999, as compared to net income of \$1,727,000 (\$0.98 per unit) for the third quarter of 1998. The net results included \$2,985,000 and \$2,994,000 of non-cash depreciation and amortization expense in the 1999 and 1998 third quarters, respectively.

Total revenues increased \$625,000, or 4.3%, in the third quarter of 1999 from last year's third quarter primarily as a result of an increase in rental income principally due to higher rental rates.

Total expenses were \$1,113,000, or 8.7%, higher in 1999's third quarter than in 1998's third quarter due to increases in property operating expenses of \$156,000, interest expense of \$223,000, and general and administrative expenses of \$743,000, partially offset by a decrease in depreciation and amortization expense of \$9,000.

HRP had income of \$3,635,000 (\$2.07 per unit) for the first nine months of 1999, as compared to income before an extraordinary item of \$4,451,000 (\$2.53 per unit) for the 1998 comparable nine months. During the first nine months of 1998, HRP incurred extraordinary losses on the early extinguishments of debt of \$1,876,000 (\$1.07 per unit), and accordingly, HRP had net income of \$2,575,000 (\$1.46 per unit) for the first nine months of 1998. The net results included \$8,965,000 and \$9,082,000 of non-cash depreciation and amortization expense in the 1999 and 1998 nine month periods, respectively.

Total revenues increased \$1,842,000, or 4.4%, during the first nine months of 1999 versus 1998 primarily as a result of an increase in rental income principally due to higher rental rates and also due to increases in parking revenues, tenant utility reimbursements, and various tenant services.

Total expenses were \$2,658,000, or 7.1%, higher during the first nine months of 1999 than in the 1998 period due to increases in property operating expenses of \$819,000, interest expense of \$671,000, and general and administrative expenses of \$1,285,000, partially offset by a decrease in depreciation and amortization expense of \$117,000.

Property operating expenses were higher in the three month and nine month periods due to higher taxable values at certain properties. Additionally, property operating expenses were higher in the nine month period due to refunds received in the 1998 periods for prior years' taxes. Interest expense increased in the three month and nine month periods because of non-cash loan forgiveness amortization credits in 1998, partially offset by lower cash interest during 1999 as a result of lower rates achieved from 1998 loan refinancings. General and administrative expenses increased in the three month and nine month periods primarily as a result of an increase in litigation costs.

The losses on early extinguishments of debt in the 1998 periods represent previously announced costs from the early payoff of loans.

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**Hallwood Realty Partners, L.P.**

## Property Acquisitions -

In August 1999, HRP acquired two 3-story office buildings in San Diego, California (Rancho Mission Plaza) containing 40,300 net rentable square feet on 1.6 acres of land for \$2,352,000 in cash. Prior to the acquisition, management determined certain improvements were required and therefore \$558,000 has been budgeted for the needed improvements. Currently, the property is 51% leased and occupied. HRP is in negotiations to fully lease the buildings with occupancy to coincide with the completion of the property improvements, which are anticipated to be completed by April 2000.

In October 1999, HRP acquired a 5-building industrial park in Dearborn, Michigan (Gulley Road Industrial Park) containing 154,000 net rentable square feet on 11 acres of land. The property is 100% occupied. The purchase price of approximately \$8,179,000 included the assumption of an outstanding mortgage of \$5,149,000. The loan fully amortizes over the next eleven and a half years, matures in May 2011, and has an interest rate of 7.375%.

## Selected Financial Information -

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

	Three months ended September 30,		Nine months ended September 30,	
	<u>1999</u>	<u>1998</u>	<u>1999</u>	<u>1998</u>
Total revenues	\$ <b>15,140</b>	\$ 14,515	\$ <b>43,951</b>	\$ 42,109
Total expenses	<u><b>13,901</b></u>	<u>12,788</u>	<u><b>40,316</b></u>	<u>37,658</u>
Income before extraordinary item	<b>1,239</b>	1,727	<b>3,635</b>	4,451
Loss on early extinguishments of debt	-	-	-	(1,876)
Net income	\$ <u><b>1,239</b></u>	\$ <u>1,727</u>	\$ <u><b>3,635</b></u>	\$ <u>2,575</u>
<i>Earnings per unit - basic :</i>				
Income before extraordinary item	\$ <b>0.73</b>	\$ 1.02	\$ <b>2.15</b>	\$ 2.63
Loss on early extinguishment of debt	-	-	-	(1.11)
Net income	\$ <u><b>0.73</b></u>	\$ <u>1.02</u>	\$ <u><b>2.15</b></u>	\$ <u>1.52</u>
<i>Earnings per unit - assuming dilution :</i>				
Income before extraordinary item	\$ <b>0.70</b>	\$ 0.98	\$ <b>2.07</b>	\$ 2.53
Loss on early extinguishment of debt	-	-	-	(1.07)
Net income	\$ <u><b>0.70</b></u>	\$ <u>0.98</u>	\$ <u><b>2.07</b></u>	\$ <u>1.46</u>
Weighted average units outstanding -				
Basic	<b>1,673</b>	1,673	<b>1,673</b>	1,673
Assuming dilution	<b>1,740</b>	1,743	<b>1,740</b>	1,741

HRP, a publicly traded Delaware limited partnership, is engaged in the acquisition, ownership and operation of commercial real estate assets.

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