

# HALLWOOD REALTY PARTNERS, L.P.

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## **NEWS RELEASE**

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### HALLWOOD REALTY PARTNERS, L.P. ANNOUNCES FIRST QUARTER 2002 FINANCIAL RESULTS

Dallas, Texas, May 9, 2002 - Hallwood Realty Partners, L.P. ("HRP") (HRY-AMEX) announced today its financial results for the quarter ended March 31, 2002. HRP had funds from operations of \$6,201,000 (\$3.73 per unit) for the first quarter of 2002, as compared to \$2,814,000 (\$1.69 per unit) for the same period in 2001. HRP had net income of \$2,474,000 (\$1.49 per unit) for the first quarter of 2002, compared to income before extraordinary loss and cumulative effect of SFAS No. 133 adoption of \$3,456,000 (\$2.08 per unit) for the first quarter of 2001. The net results included \$3,727,000 and \$3,577,000 of non-cash depreciation and amortization expense in the 2002 and 2001 first quarters, respectively. During the 2001 quarter, HRP had an extraordinary loss from the early extinguishment of debt of \$45,000 (\$0.03 per unit) and a cumulative effect of SFAS No. 133 adoption of \$192,000 (\$0.11 per unit), and accordingly HRP had net income of \$3,219,000 (\$1.94 per unit) for the first three months of 2001.

Total revenues decreased \$4,582,000, or 20.7%, in the first quarter of 2002 from last year's first quarter primarily as a result of gains from property sales of \$4,219,000 in the 2001 period. Excluding the previously reported property sales, revenues decreased \$363,000, or 2.0%, due to decreases in revenue from property operations of \$131,000 and interest income of \$232,000. Revenue from property operations were lower primarily due to a decline in average occupancy between the periods from 90.4% to 89.6%. Interest income decreased as a result of decreased earnings on overnight cash investments due to significantly lower interest rates available between the periods.

Total expenses were \$3,600,000, or 19.3%, less in 2002's first quarter than in 2001's first quarter due to decreases in litigation costs of \$2,473,000, interest expense of \$754,000, property operating expenses of \$404,000, and general and administrative expenses of \$119,000, partially offset by an increase in depreciation and amortization expense of \$150,000. Litigation costs are related to the on-going lawsuits. Interest expense decreased in the first quarter due to a lower interest rate for HRP's only variable rate mortgage, the construction capitalization of interest, as well as lower loan cost amortization and other interest costs. Property operating expenses decreased in the period as a result of overall lower electrical and/or natural gas usage. General and administrative expenses decreased in the first quarter primarily due to lower personnel costs and certain overhead costs. Depreciation and amortization increased in the first quarter primarily due to higher lease commission amortization as a result of the write off of unamortized costs associated with an early lease termination.

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## First Quarter 2002 Financial Results

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

	Three months ended March 31,	
	<u>2002</u>	<u>2001</u>
Total revenues	\$ <b>17,508</b>	\$ 22,090
Total expenses	<b>15,034</b>	<u>18,634</u>
Income before extraordinary loss and cumulative effect of SFAS No. 133 adoption	<b>2,474</b>	3,456
Loss from early extinguishment of debt	-	(45)
Cumulative effect of SFAS No. 133 adoption	-	<u>(192)</u>
Net income	\$ <b><u>2,474</u></b>	\$ <b><u>3,219</u></b>
<i>Earnings per unit - basic :</i>		
Income before extraordinary loss and cumulative effect of SFAS No. 133 adoption	\$ <b>1.54</b>	\$ 2.15
Loss from early extinguishments of debt	-	(0.03)
Cumulative effect of SFAS No. 133 adoption	-	<u>(0.12)</u>
Net income	\$ <b><u>1.54</u></b>	\$ <b><u>2.00</u></b>
<i>Earnings per unit - assuming dilution :</i>		
Income before extraordinary loss and cumulative effect of SFAS No. 133 adoption	\$ <b>1.49</b>	\$ 2.08
Loss from early extinguishments of debt	-	(0.03)
Cumulative effect of SFAS No. 133 adoption	-	<u>(0.11)</u>
Net income	\$ <b><u>1.49</u></b>	\$ <b><u>1.94</u></b>
Funds from operations (a) -		
Income before extraordinary loss and cumulative effect of SFAS No. 133 adoption	\$ <b>2,474</b>	\$ 3,456
Gain from property sales	-	(4,219)
Depreciation and amortization	<b>3,727</b>	<u>3,577</u>
Funds from operations	\$ <b><u>6,201</u></b>	\$ <b><u>2,814</u></b>
Funds from operations per unit -		
Basic	\$ <b><u>3.86</u></b>	\$ <u>1.75</u>
Assuming dilution	\$ <b><u>3.73</u></b>	\$ <u>1.69</u>
Weighted average units outstanding -		
Basic	<b>1,590</b>	<u>1,590</u>
Assuming dilution	<b><u>1,647</u></b>	<u>1,645</u>

(a) Funds from operations is computed in accordance with the National Policy Bulletin by NAREIT dated November 8, 1999.

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

Certain statements in this news release may constitute "forward-looking statements" which are subject to known and unknown risks and uncertainties including, among other things, certain economic conditions, competition, development factors and operating costs that may cause the actual results to differ materially from results implied by such forward-looking statements. These risks and uncertainties are described in greater detail in HRP's periodic filings with the SEC.