

HALLWOOD REALTY PARTNERS, L.P.

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NEWS RELEASE

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

Dallas, Texas, July 29, 2002 - Hallwood Realty Partners, L.P. ("HRP") (HRY-AMEX) announced today its financial results for the quarter ended June 30, 2002. HRP had funds from operations of \$5,744,000 (\$3.45 per unit) for the second quarter of 2002, as compared to \$6,079,000 (\$3.66 per unit) for the same period in 2001. HRP had net income of \$1,942,000 (\$1.17 per unit) for the second quarter of 2002, as compared to \$2,371,000 (\$1.43 per unit) for the second quarter of 2001. The net results included \$3,802,000 and \$3,709,000 of non-cash depreciation and amortization expense in the 2002 and 2001 second quarters, respectively.

Total revenues decreased \$394,000, or 2.2%, in the second quarter of 2002 from last year primarily as a result of decreases in revenue from property operations of \$255,000 and interest income of \$138,000. Revenue from property operations were affected by a reduction in expense recoveries from tenants and a decline in average occupancy between the periods from 92.9% to 87.0%, partially offset by an overall increase in rental rates. 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 \$35,000, or 0.2%, more in 2002's second quarter than in 2001 due to increases in general and administrative expenses of \$203,000, property operating expenses of \$177,000, depreciation and amortization expense of \$93,000, and interest expense of \$53,000, partially offset by a decrease in litigation costs of \$491,000 associated with the on-going lawsuits.

General and administrative expenses were higher in the second quarter primarily due to increases in certain professional fees, general legal expenses, partnership level personnel costs, and overhead costs. Property operating expenses increased 2.8% in the period and include general increases in real estate taxes, property level salaries, property and liability insurance premiums, and security costs. Depreciation and amortization increased in the second quarter primarily due to depreciation for the newly completed building at Executive Park in Atlanta, Georgia. Interest expense increased in the second quarter due to changes in the estimated fair value of an interest rate cap, partially offset by lower mortgage interest, which decreased primarily due to a lower interest rate for HRP's only variable rate mortgage. Litigation costs are related to the on-going lawsuits.

HRP had funds from operations of \$11,945,000 (\$7.18 per unit) for the first six months of 2002, as compared to \$8,893,000 (\$5.35 per unit) for the same period in 2001. HRP had net income of \$4,416,000 (\$2.65 per unit) for the first six months of 2002, as compared to net income of \$5,590,000 (\$3.36 per unit) for the comparable period in 2001. The net results included \$7,529,000 and \$7,286,000 of non-cash depreciation and amortization expense in the 2002 and 2001 periods, respectively.

Total revenues decreased \$4,976,000, or 12.4%, in the first six months of 2002 from last year primarily as a result of gains from property sales of \$4,220,000 in the 2001 period. Excluding the previously reported property sales, revenues decreased \$756,000, or 2.1%, due to decreases in revenue from property operations of \$386,000 and interest income of \$370,000. Revenue from property operations were affected by a reduction in expense recoveries from tenants and a decline in average occupancy between the periods from 91.6% to 88.3%, partially offset by an overall increase in rental rates. 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 \$3,565,000, or 10.4%, less in the first six months of 2002 than in 2001 due to decreases in litigation costs of \$2,964,000, interest expense of \$701,000, and property operating expenses of \$227,000, partially offset by increases in depreciation and amortization expense of \$243,000 and in general and administrative expenses of \$84,000.

Litigation costs are related to the on-going lawsuits. Interest expense decreased in the six month period 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 six month period as a result of overall lower electrical and natural gas usage, partially offset by general increases in real estate taxes, property level salaries, property and liability insurance premiums, and security costs. Depreciation and amortization increased primarily due to depreciation for the newly completed building at Executive Park. General and administrative expenses were higher in the six month period primarily due to increases in certain professional fees and overhead costs.

Hallwood Realty Partners, L.P.
Second 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 June 30,		Six months ended June 30,	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
Total revenues	\$ 17,531	\$ 17,925	\$ 35,039	\$ 40,015
Total expenses	15,589	15,554	30,623	34,188
Income before extraordinary loss and cumulative effect of SFAS No. 133 adoption	1,942	2,371	4,416	5,827
Loss from early extinguishment of debt	-	-	-	(45)
Cumulative effect of SFAS No. 133 adoption	-	-	-	(192)
Net income	\$ <u>1,942</u>	\$ <u>2,371</u>	\$ <u>4,416</u>	\$ <u>5,590</u>
<i>Earnings per unit - basic :</i>				
Income before extraordinary loss and cumulative effect of SFAS No. 133 adoption	\$ 1.21	\$ 1.48	\$ 2.75	\$ 3.63
Loss from early extinguishments of debt	-	-	-	(0.03)
Cumulative effect of SFAS No. 133 adoption	-	-	-	(0.12)
Net income	\$ <u>1.21</u>	\$ <u>1.48</u>	\$ <u>2.75</u>	\$ <u>3.48</u>
<i>Earnings per unit - assuming dilution :</i>				
Income before extraordinary loss and cumulative effect of SFAS No. 133 adoption	\$ 1.17	\$ 1.43	\$ 2.65	\$ 3.51
Loss from early extinguishments of debt	-	-	-	(0.03)
Cumulative effect of SFAS No. 133 adoption	-	-	-	(0.12)
Net income	\$ <u>1.17</u>	\$ <u>1.43</u>	\$ <u>2.65</u>	\$ <u>3.36</u>
Funds from operations (a) -				
Income before extraordinary loss and cumulative effect of SFAS No. 133 adoption	\$ 1,942	\$ 2,371	\$ 4,416	\$ 5,827
Gain from property sales	-	(1)	-	(4,220)
Depreciation and amortization	3,802	3,709	7,529	7,286
Funds from operations	\$ <u>5,744</u>	\$ <u>6,079</u>	\$ <u>11,945</u>	\$ <u>8,893</u>
Funds from operations per unit -				
Basic	\$ <u>3.58</u>	\$ <u>3.79</u>	\$ <u>7.44</u>	\$ <u>5.54</u>
Assuming dilution	\$ <u>3.45</u>	\$ <u>3.66</u>	\$ <u>7.18</u>	\$ <u>5.35</u>
Weighted average units outstanding -				
Basic	<u>1,590</u>	<u>1,590</u>	<u>1,590</u>	<u>1,590</u>
Assuming dilution	<u>1,647</u>	<u>1,646</u>	<u>1,647</u>	<u>1,646</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.

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