

HALLWOOD REALTY PARTNERS, L.P.

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NEWS RELEASE

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

Dallas, Texas, March 18, 1999 - Hallwood Realty Partners, L.P. ("HRP") (HRY-AMEX) announced today its financial results for the year ended December 31, 1998. HRP had income before extraordinary item of \$6,246,000 (\$3.70 per unit) for 1998, as compared to income of \$2,357,000 (\$1.40 per unit) for 1997. During 1998, HRP had a net extraordinary gain from the early extinguishments of debt of \$5,347,000 (\$3.16 per unit), and accordingly HRP had net income of \$11,593,000 (\$6.86 per unit) for 1998. The net results included \$12,114,000 and \$12,055,000 of non-cash depreciation and amortization expense in 1998 and 1997, respectively.

Total revenues increased \$2,781,000, or 5.2%, in 1998 as compared to 1997, primarily due to rental rate increases at a number of properties and, to a lesser degree, due to a rise in average occupancy to 93.5% in 1998 from 93.1% in 1997. The revenues for 1997 include a \$394,000 gain from the sale of a 3,500 square foot building at the Fairlane Commerce Park property in the fourth quarter.

Total expenses were \$1,108,000, or 2.2%, lower in 1998 than in 1997 primarily due reductions in property operating expense and interest expense. Property operating expenses decreased \$987,000, or 4.2%, mostly due to real estate tax refunds received in 1998 for tax years 1994 to 1997 and due to fewer building repairs needed between the two years. Interest expense was reduced by \$164,000, or 1.3%, due to lower debt levels as a result of scheduled principal payments and due to lower interest rates from loan refinancings in 1998.

HRP had income before extraordinary item of \$1,795,000 (\$1.07 per unit) for the fourth quarter of 1998, as compared to income of \$784,000 (\$0.47 per unit) for the same period in 1997. The net results included \$3,032,000 and \$3,048,000 of non-cash depreciation and amortization expense in the 1998 and 1997 fourth quarters, respectively.

Total revenues increased \$556,000, or 4.0%, for the fourth quarter of 1998 as compared to the same period in 1997, primarily as the result of an increase in rental rates between the periods, partially offset by the gain in the 1997 period for the property sale.

Total expenses were \$455,000, or 3.4%, lower in the fourth quarter of 1998 as compared to the same period in 1997, for essentially the same reasons that the expenses were reduced for the year comparison.

The net gain on the early extinguishments of debt is the result of three transactions. In the fourth quarter of 1998, HRP recognized a gain of \$7,223,000 from the early payoff of the loan secured by First Maryland Building comprised of \$7,441,000 of unamortized loan forgiveness, net of a \$200,000 prepayment penalty and \$18,000 of unamortized loan costs. This gain was partially offset by losses previously announced of \$1,611,000 in the first quarter and \$265,000 in the second quarter from the early payoffs of the loans secured by Executive Park and Seattle Business Parks, respectively.

The interest rate for First Maryland Building's loan was effectively reduced to 6.78% from LIBOR plus 3.25% (or 8.47% as of November 1998) and the maturity date was extended three years to April 30, 2006. The new loan does not require any principal amortization. The loan proceeds of \$25,000,000 plus \$15,000 of cash were used (i) to pay the outstanding principal balance of \$24,531,000 with the former lender, (ii) to pay transaction costs of \$284,000, and (iii) to pay a prepayment penalty of \$200,000.

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The following tables set forth selective financial information (in thousands, except per unit amounts):

STATEMENT OF OPERATIONS:

	Three months ended		Year ended	
	December 31,		December 31,	
	<u>1998</u>	<u>1997</u>	<u>1998</u>	<u>1997</u>
Total revenues	\$ 14,571	\$ 14,015	\$ 56,680	\$ 53,899
Total expenses	12,776	13,231	50,434	51,542
Income before extraordinary item	1,795	784	6,246	2,357
Net gain on early extinguishment of debt	7,223	-	5,347	-
Net income	9,018	784	11,593	2,357
<i>Earnings per unit - basic :</i>				
Income before extraordinary item	\$ 1.07	\$ 0.47	\$ 3.70	\$ 1.40
Loss on early extinguishment of debt	<u>4.27</u>	<u>-</u>	<u>3.16</u>	<u>-</u>
Net income	\$ <u>5.34</u>	\$ <u>0.47</u>	\$ <u>6.86</u>	\$ <u>1.40</u>
<i>Earnings per unit - assuming dilution :</i>				
Income before extraordinary item	\$ 1.02	\$ 0.45	\$ 3.55	\$ 1.35
Loss on early extinguishment of debt	<u>4.11</u>	<u>-</u>	<u>3.04</u>	<u>-</u>
Net income	\$ <u>5.13</u>	\$ <u>0.45</u>	\$ <u>6.59</u>	\$ <u>1.35</u>
Weighted average units outstanding -				
Basic	1,673	1,673	1,673	1,673
Assuming dilution	1,743	1,730	1,741	1,730

BALANCE SHEET:

	As of December 31,	
	<u>1998</u>	<u>1997</u>
Real estate property, net	\$ 175,779	\$ 179,028
Total assets	214,023	207,134
Mortgages payable	162,078	157,911
Partners' capital	44,634	33,041

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

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