FORM 10QSB

Optional form for quarterly and transition reports of small business issuers under section 13 or 15(d)

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FILER

PARKWAY PROPERTIES INC
CIK:**729237**| IRS No.: **742123597** | State of Incorp.:**MD** | Fiscal Year End: **1231**
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SIC: **6512** Operators of nonresidential buildings

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-QSB

Quarterly Report Under Section 13 or 15(d)
of the Securities Exchange Act of 1934

For Quarterly Period Ended September 30, 1996
Commission File Number 1-11533

Parkway Properties, Inc.

(Exact name of small business issuer as specified in its charter)

Maryland	74-2123597
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

300 One Jackson Place
188 East Capitol Street
P. O. Box 24647

Jackson, Mississippi	39225-4647
(Address of principal executive offices)	(Zip Code)

Issuer's telephone number, including area code   (601) 948-4091

The Parkway Company
188 East Capitol Street
P. O. Box 22728
Jackson, Mississippi 39225-2728

Former name, former address and former fiscal year,
if changed since last report

Check whether the issuer (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES X NO

4,212,771 shares of common stock, $1.00 par value, were outstanding at November 11, 1996.

PARKWAY PROPERTIES, INC.

FORM 10-QSB

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FOR THE QUARTER ENDED SEPTEMBER 30, 1996

Signatures

Authorized signatures 28

CONSOLIDATED BALANCE SHEETS
(In thousands)

	September 30 1996	December 31 1995
Assets		
Real estate related investments		
Office buildings........................	$129,507	$ 59,406
Accumulated depreciation...............	(8,671)	(7,122)
	120,836	52,284
Real estate held for sale		
Land.................................	8,206	8,441
Operating properties.................	3,928	3,990
Mortgage loans.........................	6,173	11,161
Real estate securities.................	507	2,866
Real estate partnerships and corporate joint venture.............	312	685
	139,962	79,427
Interest and rents receivable and other assets................................	3,865	2,572
Cash and cash equivalents................	134	6,044
	$143,961	$ 88,043
Liabilities		
Notes payable to banks...................	$ 6,836	$ -
Mortgage notes payable without recourse..	53,452	29,336
Mortgage notes payable on wrap mortgages.	4,470	5,368
Accounts payable and other liabilities...	5,999	3,834
Deferred gain............................	-	294
	70,757	38,832

Shareholders' Equity
Preferred stock, $.001 par value, 576,000

shares authorized, 576,000 shares issued in 1996........................	1	-
Common stock, $.001 par value, 69,424,000 shares authorized and 3,636,421 shares issued in 1996; $1.00 par value, 10,000,000 shares authorized and 2,007,658 shares issued in 1995........	3	2,008
Additional paid-in capital..............	51,924	32,882
Retained earnings.......................	21,061	13,729
	72,989	48,619
Unrealized gain on securities...........	215	592
	73,204	49,211
	$143,961	$ 88,043

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Three Months Ended September 30		Nine Months Ended September 30	
	1996	1995	1996	1995
	(In thousands, except per share data)			
Revenues				
Income from real estate properties...........	$ 5,475	$ 2,314	$ 13,559	$ 6,045
Management company income...............	117	405	537	885
Interest on mortgage loans................	332	422	1,435	915
Equity in earnings:				
Real estate companies..........	-	-	-	135
Real estate partnerships and corporate joint venture.......	51	46	121	93
Gain on securities.....	432	1,292	304	1,393
Interest on investments................	288	32	471	67
Deferred gains and				

other income.........	18	90	91	307
Dividend income........	10	206	118	467
Gain on real estate and mortgage loans...	163	3,342	5,863	4,178
	6,886	8,149	22,499	14,485
Expenses				
Real estate owned:				
Operating expense....	2,621	1,308	6,570	3,364
Interest expense.....	1,059	559	2,390	1,631
Depreciation and amortization.......	647	348	1,591	911
Minority interest....	(16)	(44)	(12)	(113)
Interest expense:				
Notes payable to banks..............	1	44	95	155
Notes payable on wrap mortgages..........	110	44	340	73
Management company expenses............	121	298	483	621
General and administrative expenses........	722	658	2,198	1,631
	5,265	3,215	13,655	8,273
Income before taxes....	1,621	4,934	8,844	6,212
Income tax provision...	-	83	23	83
Net income............	$ 1,621	$ 4,851	$ 8,821	$ 6,129
Net income per share...	$ .39	$ 1.62	$ 2.54	$ 2.26
Weighted average shares outstanding..........	4,193	2,994	3,474	2,715

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

Nine Months Ended
September 30

	1996	1995
	(In thousands)	
Operating Activities		
Net income	$ 8,821	$ 6,129
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity in earnings	(121)	(228)
Dividends received	-	76
Distributions from operations of real estate partnership and corporate joint venture	353	229
Depreciation and amortization	1,591	911
Amortization of discounts, deferred gains and other	(22)	(106)
Gain on real estate and mortgage loans	(5,863)	(4,178)
Gain on securities	(304)	(1,393)
Minority interest depreciation	(134)	(155)
Changes in operating assets and liabilities:		
Decrease (increase) in receivables	(232)	146
Increase in accounts payable and accrued expenses	2,163	701
Cash provided by operating activities	6,252	2,132
Investing Activities		
Payments received on mortgage loans	397	1,782
Purchases of investments in real estate companies	-	(992)
Purchase of investment in corporate joint venture	(325)	-
Purchase of mortgage loans	(600)	-
Purchase of real estate properties	(70,956)	(13,759)
Proceeds from sale of real estate properties	2,681	5,739
Proceeds from sale of mortgage loans	9,888	-
Proceeds from sale of investments in real estate companies	2,281	8,010
Improvements to real estate owned	(1,257)	(357)
Proceeds from merger of EB, Inc	-	2,702
Cash provided by (used in) investing activities	(57,885)	3,125
Financing Activities		
Principal payments on long-term debt	(1,782)	(465)
Proceeds from borrowings on		

mortgage notes payable.................	25,120	-
Proceeds from bank borrowings...........	17,030	19,344
Principal payments on bank borrowings....	(10,194)	(13,498)
Stock options exercised.................	426	30
Dividends paid..........................	(1,489)	(908)
Proceeds from private placement of stock...............................	16,612	-
Purchase of treasury stock..............	-	(18)
Cash provided by financing activities.....	45,723	4,485
Increase (decrease) in cash...............	(5,910)	9,742
Cash and cash equivalents at beginning of period..............................	6,044	320
Cash and cash equivalents at end of period.................................	$ 134	$ 10,062

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(In thousands)

	Nine Months Ended September 30	
	1996	1995
	(In thousands)	
Preferred stock, $.001 par value		
Balance at beginning of period......	$ -	$ -
Modification of private placement...	1	-
Balance at end of period...........	1	-
Common stock, $.001 par value		
Balance at beginning of period......	2,008	1,563
Shares issued in merger with EB, Inc............................	-	429
Exercise stock options.............	37	5
Shares issued - stock dividend......	1,006	-
Shares issued - private placement...	1,140	-
Modification of private placement...	(1)	-
Reincorporation in Maryland.........	(4,187)	-
Retire treasury shares..............	-	(1)

Balance at end of period	3	1,996
Additional paid-in capital		
Balance at beginning of period	32,882	26,847
Shares issued in merger with EB, Inc.	-	5,941
Exercise stock options	389	25
Stock dividend	(1,006)	-
Shares issued private placement	15,472	-
Reincorporation in Maryland	4,187	-
Retire treasury shares	-	(17)
Balance at end of period	51,924	32,796
Retained Earnings		
Balance at beginning of period	13,729	3,158
Net income	8,821	6,129
Cash dividends declared	(1,489)	(907)
Balance at end of period	21,061	8,380
Treasury shares, at cost		
Balance at beginning of period	-	-
Purchase treasury shares	-	18
Retire treasury shares	-	(18)
Balance at end of period	-	-
Unrealized gain on securities		
Balance at beginning of period	592	670
Unrealized gain on securities	(377)	2,302
Balance at end of period	215	2,972
Total shareholders' equity	$73,204	$46,144

See notes to consolidated financial statements

Notes to Consolidated Financial Statements (Unaudited)
September 30, 1996

(1) Basis of Presentation

The accompanying financial statements reflect all adjustments which are, in the opinion of management, necessary for a fair statement of the results for the interim periods presented. All such adjustments are of a normal recurring nature. The financial statements should be read in conjunction with the annual report and the notes thereto.

(2) Reclassifications

Certain reclassifications have been made in the 1995 financial statements to conform to the 1996 classifications.

(3) Stock Split

On April 30, 1996, the Company completed a 3 for 2 common stock split effected as a dividend of one share for every two shares outstanding. Per share information for all periods presented reflects the stock split.

(4) Supplemental Cash Flow Information

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

	Nine Months Ended September 30	
	1996	1995
Cash paid for interest.......	$2,350,000	$1,860,000
Cash paid for income taxes...	23,000	102,000

(5) Acquisitions and Dispositions

On March 7, 1996, Parkway Texas Corporation, a wholly-owned subsidiary of the Company purchased the One Park 10 Plaza Office Building in Houston, Texas from a major insurance company. One Park 10 Plaza is an eight-story office building with approximately 161,235 square feet of rentable area and 609 parking spaces located in the Katy Freeway/Energy Corridor office submarket of Houston. The $6,700,000 purchase price was funded with existing cash reserves.

On April 15, 1996, Parkway Houston, Inc., a wholly-owned subsidiary of the Company purchased the 400 North Belt Centre' Office Building and the Woodbranch Office Building in Houston, Texas from a major insurance company. The 400 North Belt Centre' Office Building is a 12-story Class A office building with approximately 220,934 square feet of rentable area and a 723 space parking garage located in the Greenspoint/North Belt office submarket of Houston near the Houston Intercontinental Airport. The Woodbranch Office Building is a 6-story office building with approximately 109,392 square feet of rentable area and a 352 space parking garage located in the Katy Freeway/Energy Corridor.

The total purchase price for these two buildings was $13,900,000 and was funded with existing cash reserves and advances on the Company's acquisition line of credit and working capital line of credit.

On May 31, 1996, the Company sold 157 mortgage loans which resulted in a gain of $4,760,000 and net cash proceeds of $9,888,000.

On July 9, 1996, Parkway Virginia, Inc., a wholly-owned subsidiary of the Company purchased three office buildings in northern Virginia from a major insurance company. The 8381 and 8391 Courthouse Road Buildings are each three-story buildings connected by a common courtyard located in Tysons Corner, Virginia. The two buildings contain an aggregate of approximately 94,929 square feet of rentable area and have a 333 space parking area. The Cherokee Business Center is a three-story office building located in Alexandria, Virginia containing approximately 53,710 square feet of rentable area and a 221 space parking area. The purchase price for this three-building portfolio of $11,050,000 was funded with existing cash reserves.

On July 10, 1996, the Company received funds totaling $14,700,000 from the placement of non-recourse mortgage financing on three office properties recently purchased in Houston, Texas. The three loans are fully amortizing over a 15-year period at an average rate of 8.28% and are detailed as follows:

Property	Term	Rate	Amount
One Park 10 Plaza	15 yrs.	8.35%	$4,700,000
400 North Belt Centre'	15 yrs.	8.25%	$6,750,000
Woodbranch Building	15 yrs.	8.25%	$3,250,000

On August 9, 1996, Parkway Atlanta, Inc., a wholly-owned subsidiary of the Company, purchased two office buildings in Atlanta, Georgia. The Falls Pointe Building contains approximately 105,655 square feet of rentable area and has a 420 space surface parking area. The Roswell North Building contains approximately 57,715 square feet of rentable area and has a 232 space two level parking deck. The $14,000,000 purchase price for the two building portfolio was funded from existing cash reserves.

On September 30, 1996, Parkway Carolina, Inc. a wholly-owned subsidiary of Parkway Properties, Inc. purchased the BB&T Financial Center in Winston-Salem, North Carolina from a major insurance company. The BB&T Financial Center is a 19-story Class A office building with approximately 238,919 square feet of rentable area situated in a one-block landscaped park in the central business district of Winston-Salem. The purchase price of

$24,500,000 was funded with existing cash reserves and borrowings of $6,836,000 on a line of credit with Deposit Guaranty National Bank at a rate equal to the 90-day LIBOR rate plus 2.35%.

(6) Subsequent Events

Subsequent to September 30, 1996, the Company sold its remaining 20,575 shares of beneficial interest in EastGroup Properties. The sales will result in a gain in the fourth quarter of $207,000 and cash proceeds of $498,000. Funds from these sales were used to pay down the working capital line of credit.

On October 31, 1996, Parkway Houston, Inc., a wholly-owned subsidiary of the Company purchased the Tensor Building in Houston, Texas for $2,820,000. The Tensor Building contains approximately 92,017 square feet of rentable area. The $2,820,000 purchase price was funded with advances on the Company's working capital line of credit.

In two separate sales transactions in November, the Company sold approximately 16 acres of land in Sugar Land, Texas for a net sales price of $2,224,000 which will result in a gain of $239,000 in the fourth quarter. Funds from these sales were used to reduce the outstanding balance of the working capital line of credit.

(7) Capital Transactions

On June 14, 1996, the Company sold an aggregate of 1,140,000 shares of common stock at $15.25 per share in a private placement transaction to seven institutional investors for an aggregate cash purchase price of $17,385,000. Expenses of the transaction were $773,000, resulting in net cash proceeds of $16,612,000. On August 16, 1996, the Company modified this private placement by having two of the institutional investors who subscribed to the private placement amend their subscriptions to accept in lieu of shares of Common Stock an equal number of shares of the Company's non-voting Class A Preferred Stock, $.001 par value ("Preferred Stock"). This modification of the private placement was done to bring the private placement in compliance with a technical rule of the NASDAQ National Market (the market upon which the Company's Common Stock was traded at the time of the private placement) that restricts a listed company's ability to engage in private placements for more than 20% of a listed company's outstanding voting securities at a price less than the Company's book value per share. On October 18, 1996, the Company's stockholders approved a further amendment to the subscriptions allowing such investors to exchange all of their Preferred Stock for Common Stock on a share-for-share basis (the "Exchange Right"), and the Company and the two investors entered into the amendment immediately after the stockholder vote approving the Exchange Right. On October 29 and 30, 1996, the investors exchanged all of the their Preferred Stock for Common Stock pursuant to the Exchange Right, and no shares of Preferred Stock remain outstanding.

An outline of the terms of the Preferred Stock, which is no longer outstanding, follows. Dividends on outstanding shares of Preferred Stock were declared and paid simultaneously with any dividends payable on the Common Stock, and, for all dividends paid and declared on or before December 31, 1996, such dividend was paid at a per share dividend rate of the greater of (i) twenty-four cents ($0.24) per share per quarter or (ii) the per share dividend declared and paid on Common Stock for the same quarter, as adjusted for stock dividends, stock splits or similar capital changes. If the Preferred Stock had remained outstanding after December 31, 1996, the dividend rate was to have increased. No dividend was to be paid or declared, nor any distribution made on any other class of stock)other than a dividend payable in stock of the same class) nor could any shares of Common Stock be acquired for consideration by the Company unless all accrued dividends on the Preferred Stock for all past dividend periods had been paid.

Effective August 2, 1996, The Parkway Company merged with and into its recently organized, wholly-owned subsidiary, Parkway Properties, Inc., a Maryland corporation, pursuant to the Agreement and Plan of Merger dated as of July 17, 1996. As a result of the merger, each stockholder received one share of common stock of Parkway Properties, Inc. in exchange for one share of common stock of The Parkway Company. Additionally, Parkway Properties, Inc. succeeded to all the rights and properties, and became subject to all the obligations and liabilities, of The Parkway Company.

PARKWAY PROPERTIES, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FINANCIAL CONDITION

(Comments are for the balance sheet dated September 30, 1996 compared to the balance sheet dated December 31, 1995.

Total assets of the Company were $143,961,000 at September 30, 1996, an increase of $55,918,000 from December 31, 1995. Liabilities increased $31,925,000 to $70,757,000 during the same period. Book value per share increased from $16.34 at December

31, 1995 to $17.38 at September 30, 1996.

Office building investments increased a net $68,552,000 during the nine months ended September 30, 1996. This is primarily due to the purchase of eight office buildings during this nine month period. Those purchases are outlined below.

Date	Building	Sq. Ft.	Capitalized Costs
03/07/96	One Park Ten	161,235	$ 6,721,000
04/15/96	400 North Belt Centre'	220,934	10,205,000
04/15/96	Woodbranch	109,392	3,984,000
07/09/96	Cherokee	53,710	3,521,000
07/09/96	Courthouse Rd. (2 Bldgs.)	94,929	7,609,000
08/09/96	Falls Pointe	105,655	9,078,000
08/09/96	Roswell North	57,715	4,654,000
09/30/96	BB&T	238,919	24,507,000
			$70,279,000

During the nine months, the Company also purchased an additional 5% ownership interest in the One Jackson Place office building from a limited partner in the partnership that owned the building for $5,000 cash plus assumption of its pro rata share of liabilities. Other net changes in office building investments include capital improvements of $980,000 and depreciation of $1,591,000.

Real estate held for sale decreased a net $297,000 during the nine months ended September 30, 1996. Land held for sale decreased $235,000 due to the sale of seven residential lots and approximately 25 acres of land, as well as writedowns of $445,000 taken to reflect current market prices, as evidenced by signed contracts with third-party purchasers on certain properties. The sales mentioned above resulted in gains of $226,000 with net cash proceeds of $451,000. The Company purchased the remaining $34.55% interest in Golf Properties, Inc., the corporate joint venture, from its prior owner on September 30, 1996 for $325,000. Golf Properties, Inc. is now a wholly-owned subsidiary of the Company and its assets totaling $435,000 are reflected in real estate held for sale. Operating properties held for sale decreased a net $62,000 during the nine months. On March 26, 1996, the Company purchased the minority owner's interest in two properties received in the EB, Inc. merger. The Company purchased an additional 16% interest in the Club at Winter Park for $404,000 and an additional 13% interest in the Oak Creek Apartments for $268,000. On June 15, 1996, the Company sold its 53% investment in Oak Creek Apartments having a basis of $826,000 which resulted in a gain of $998,000 with net cash proceeds of

$1,824,000. During the nine months, the Company also sold twelve townhomes located in Corpus Christi and Houston, Texas which resulted in gains of $181,000 with net cash proceeds of $408,000. Other increases in operating properties held for sale for the nine months include improvements of $277,000 and the foreclosure of one mortgage loan with a net basis of $43,000.

Mortgage loans decreased a net $4,988,000 during the nine months. In March 1996, the Company purchased a portfolio of 10 mortgage loans with a principal balance of $648,000 for $600,000 and a current yield to the Company of 10%. In connection with the purchase, the Company received repayment of notes receivable from a former affiliate of $177,000. On May 31, 1996, the Company sold 157 mortgage loans, including the ten loans discussed above, which resulted in a gain of $4,760,000 and net cash proceeds of $9,888,000. Mortgage loans also decreased $397,000 due to principal payments received and increased $20,000 due to the amortization of interest rate valuations on mortgage loans. The Company foreclosed on one mortgage loan during the nine months with a net balance of $30,000 and recognized $143,000 in gains on collection of mortgage loans. At September 30, 1996, the Company's investment in mortgage loans totaled $6,173,000 and consisted of 5 mortgage loans.

The investment in real estate securities decreased a net $2,359,000 during the nine months ended September 30, 1996, in part due to the sale of an investment in a real estate investment trust that resulted in a loss of $190,000 and cash proceeds of $799,000. The Company also sold 70,000 shares of common stock in EastGroup Properties that resulted in gains of $491,000 and cash proceeds of $1,482,000. The Company recorded a net decrease in unrealized gains for the nine months of $377,000.

The net decrease in real estate partnerships and corporate joint venture for the nine months was $373,000. The Company recorded equity in earnings of real estate partnerships and corporate joint venture of $121,000 and received distributions of $353,000. In addition, the Company purchased the remaining 34.55% interest in Golf Properties, Inc., the corporate joint venture, from its prior owner on September 30, 1996 for $325,000. Golf Properties, Inc. is now a wholly-owned subsidiary of the Company and its assets are reflected in real estate held for sale, resulting in a decrease in Corporate Joint Venture of $466,000.

During the nine months ended September 30, 1996, the Company made net advances of $6,836,000 on the working capital line of credit which includes advances of $7,800,000 and repayments of $964,000. Advances and repayments on the acquisition line for the nine months totaled $9,230,000.

Notes payable without recourse increased a net $24,116,000 largely due to the placement of long-term financing on five of the office building properties purchased in late 1995 and 1996. The detail of those placements are as follows:

Property	Amount	Maturity Date	Fixed Rate	Terms
IBM Building	$ 4,800,000	3/2011	7.70%	15 year fully amortizing
Waterstone	5,620,000	7/2011	8.00%	15 year fully amortizing
One Park 10	4,700,000	8/2011	8.35%	15 year fully amortizing
400 North Belt	6,750,000	8/2011	8.25%	15 year fully amortizing
Woodbranch	3,250,000	8/2011	8.25%	15 year fully amortizing
	$25,120,000			

Decreases of $1,004,000 in notes payable without recourse reflect scheduled principal payments.

Mortgage notes payable on wrap mortgages decreased $898,000 due to the payoff of one wrap note totaling $698,000 and scheduled principal payments of $200,000.

Deferred gains totaling of $292,000 were recognized upon the sale of 157 mortgage loans discussed previously.

Shareholders' equity increased $23,993,000 during the comparison period as a result of the following factors:

	Increase (decrease) (In thousands)
Net income	$ 8,821
Dividends declared and paid	(1,489)
Decrease in unrealized gains	(377)
Exercise of stock options	426
Shares issued - private placement	16,612
	$23,993

On April 30, 1996, the Company completed a 3 for 2 common stock split, effected in the form of a stock dividend of one share for every two shares outstanding. Common stock and additional paid-in capital for June 30, 1996 reflect the stock split.

On June 14, 1996, the Company sold an aggregate of 1,140,000 shares of common stock at $15.25 per share in a private placement transaction to seven institutional investors for an aggregate cash purchase price of $17,385,000. Expenses of the transaction were $773,000, resulting in net cash proceeds of $16,612,000. Further details with respect to certain modifications are described under "Part II. -- Item 2. Changes to Securities".

Effective August 2, 1996, The Parkway Company merged with and into its recently organized, wholly-owned subsidiary, Parkway Properties, Inc., a Maryland corporation, pursuant to the Agreement and Plan of Merger dated as of July 17, 1996. As a result of the merger, each stockholder received one share of common stock of Parkway Properties, Inc. in exchange for one share of common stock of The Parkway Company. Additionally, Parkway Properties, Inc. succeeded to all the rights and properties, and became subject to all the obligations and liabilities of The Parkway Company.

RESULTS OF OPERATIONS

(Comments are for the three months and nine months ended September 30, 1996 compared to the three months and nine months ended September 30, 1995.)

Operations of office buildings properties are summarized below:

	Three Months Ended September 30		Nine Months Ended September 30	
	1996	1995	1996	1995
	(In thousands)			
Income from real estate properties..	$ 5,054	$ 1,797	$12,184	$ 4,347
Real estate operating expense..	(2,329)	(781)	(5,503)	(1,782)
	2,725	1,016	6,681	2,565
Interest expense on real estate properties.........	(1,059)	(553)	(2,390)	(1,605)

Depreciation and amortization.......	(647)	(303)	(1,591)	(806)
Minority interest....	16	44	12	113
	$ 1,035	$ 204	$ 2,712	$ 267

Operations for the three months and nine months ending September 30, 1996 reflect the purchase of the following office buildings:

Building	Purchase Date	Sq. Feet
Mtel Centre'	07/31/95	260,559
IBM Building	10/02/95	91,276
Waterstone	12/18/95	92,600
One Park 10	03/07/96	161,235
400 North Belt Centre'	04/15/96	220,934
Woodbranch	04/15/96	109,392
Cherokee	07/09/96	53,710
Courthouse	07/09/96	94,929
Falls Pointe	08/09/96	105,655
Roswell North	08/09/96	57,715
BB&T	09/30/96	238,919

Income from real estate properties increased significantly during the three months and nine months ending September 30, 1996 compared to the three months and nine months ending September 30, 1995 due to the purchases above increasing the number of office properties owned.

Operations of other real estate properties held for sale are summarized below:

	Three Months Ended September 30		Nine Months Ended September 30	
	1996	1995	1996	1995
	(In thousands)			
Income from real estate properties..	$ 421	$ 517	$ 1,375	$ 1,698
Real estate operating expense..	(292)	(527)	(1,067)	(1,582)
	129	(10)	308	116
Interest expense on real estate				

properties.........	-	(6)	-	(26)
Depreciation and amortization.......	-	(45)	-	(105)
	$ 129	$ (61)	$ 308	$ (15)

The decrease in revenues of other real estate properties held for sale for the three months and nine months ending September 30, 1996 compared to the same periods of 1995 is primarily due to the June 1996 sale of the Oak Creek Apartments and the August 1995 sale of the American Inn North Motel. The decrease also reflects sales in 1996 of twelve townhomes located in Corpus Christi and Houston, Texas, seven residential lots and approximately 25 acres of land as well as sales in 1995 of four townhomes in Corpus Christi, Texas, four foreclosed homes in San Antonio, Texas and various residential lots and parcels of real estate.

The effect on the Company's operations related to One Jackson Place included in the operations of office buildings above is as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	1996	1995	1996	1995
	(In thousands)			
Revenue	$ 893	$ 893	$ 2,771	$ 2,735
Operating expenses	(395)	(350)	(1,119)	(1,031)
Interest expense	(363)	(518)	(1,093)	(1,554)
Depreciation	(218)	(224)	(646)	(674)
Minority interest income	16	43	12	113
Net income (loss)	$ (67)	$ (156)	$ (75)	$ (411)

The effect on the Company's operations related to Mtel Centre' included in the operations of office buildings above is as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	1996	1995	1996	1995
	(In thousands)			

Revenue	$ 977	$ 587	$ 2,923	$ 587
Operating expenses	(406)	(281)	(1,191)	(281)
Interest expense	(210)	(29)	(637)	(29)
Depreciation	(83)	(51)	(245)	(51)
Net income	$ 278	$ 226	$ 850	$ 226

The decrease in interest on mortgage loans of $90,000 for the three months ending September 30, 1996 compared to 1995 as well as the increase of $520,000 for the nine months ending September 30, 1996 compared to 1995 reflect the many changes in the investment in mortgage loans over the last two years. Increases in interest on mortgage loans were due primarily to income recorded on mortgages received in the April 27, 1995 merger with EB, Inc., loans made to facilitate sales in 1995 and loans purchased in 1996. Decreases in interest on mortgage loans are primarily due to payoffs of loans received in 1995 and the sale of 157 mortgage loans on May 31, 1996.

Equity in earnings of real estate companies for the nine months ended September 30, 1995 reflects $135,000 recognized on the Company's investment in EB, Inc. prior to the April 27, 1995 merger of EB with a wholly-owned subsidiary.

Equity in earnings of real estate partnerships and corporate joint venture consists of the following:

	Three Months Ended September 30		Nine Months Ended September 30	
	1996	1995	1996	1995
	(In thousands)			
Golf Properties, Inc.	$ 40	$ 37	$ 83	$ 67
Wink/Parkway Partnership	11	9	38	26
Net income	$ 51	$ 46	$ 121	$ 93

Gains on securities for the three months ending September 30, 1996 is due primarily to the sale of 62,000 shares of beneficial interest in EastGroup Properties for $1,306,000 net of closing costs with a basis of $877,000 resulting in a gain of $429,000. For the comparative period of 1995, the gains are due primarily to the sale of 215,000 shares of Union Planters stock acquired in the EB, Inc. merger for $6,259,000 with a basis of 5,081,000 resulting in a gain of $1,178,000. Also during 1995, the Company sold 17,400 shares of EastGroup stock for $353,000 with a basis of $246,000 and other investments in real estate company securities for $179,000 with a basis of $172,000.

Net gains on sale of securities for the nine months ending September 30, 1996 include the sale of 70,000 shares of EastGroup stock for $1,482,000 with a basis of $991,000 resulting in a gain of $491,000 as well as the sale of shares in a real estate investment trust for $799,000 with a basis of $989,000 resulting in a loss of $190,000. The net gain on securities of $1,393,000 for the nine months ended September 30, 1995 is due to the sale of 252,705 shares of Union Planters stock for $7,275,000 with a basis of $5,972,000, 17,400 shares of EastGroup stock for $353,000 with a basis of $246,000 and other investments in real estate company securities for $382,000 with a basis of $399,000.

The increase in interest on investments reflects higher cash balances invested in interest bearing accounts in 1996 as compared to 1995.

Gain on real estate and mortgage loans consists of the following:

	Three Months Ended September 30		Nine Months Ended September 30	
	1996	1995	1996	1995
	(In thousands)			
Sales:				
Land	$ 48	$ 2,239	$ 226	$ 2,601
Other operating properties	115	463	1,179	575
Mortgages	-	-	4,760	-
Writedowns to land	-	(179)	(445)	(179)
Gains recognized on collection of mortgage loans	-	819	143	1,181
	$ 163	$ 3,342	$ 5,863	$ 4,178

The sales shown above provided net cash proceeds of $377,000 and $12,572,000 during the three months and nine months ended September 30, 1996, respectively.

Interest expense on notes payable on wrap mortgages for the nine months ending September 30, 1996 of $340,000 reflects interest on notes received in the April 27, 1995 merger with EB, Inc. At the date of merger, the Company owned 40% of the notes and subsequently increased its ownership to 100%, accounting for the increase in this expense. Interest expense on notes payable to banks of $95,000 for the nine months ending September 30, 1996 reflects interest on borrowings under bank lines of credit.

The increase in general and administrative expenses is primarily due to an increase in costs associated with recent mergers and acquisitions and the Company's move to the New York Stock Exchange from the NASDAQ National Market System. Effective August, 1996, the Company was listed on the New York Stock Exchange (NYSE). Included in general and administrative expenses is a one-time listing fee of $78,000. The EB, Inc. merger was effective April 27, 1995, therefore, general and administrative expenses of EB, Inc. for only five months have been included in the nine months ended September 30, 1995 compared to nine months of expenses included in the nine months ended September 30, 1996. Professional fees also increased $79,000 as compared to 1995, reflecting primarily the $65,000 cost of conducting an odd-lot program to reduce the number of shareholders owning less than 100 shares of stock as a result of the recent mergers. The EB, Inc. merger resulted in over 4,000 new shareholders for the Company which also contributed to an $83,000 increase in shareholder reporting expenses. Other increases in legal and accounting fees were due to the Company's recent growth.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents were $134,000 at September 30, 1996 compared to $6,044,000 at December 31, 1995.

Funds provided by operations, mortgage loan receivable payments, proceeds from the sale of investments in real estate securities, sales of real estate, sales of mortgage loans, proceeds from long term financing, borrowings on lines of credit and proceeds from a private placement of stock were the primary sources of funds for the Company during the nine months ended September 30, 1996. Funds provided by these sources and cash balances were sufficient to cover repayment of long-term debt, dividends paid to shareholders, improvements to real estate properties, the payment of operating expenses and the purchase of real estate properties and mortgage loans. At September 30, 1996, the Company had available $134,000 in cash and short-term investments. Management believes that funds generated from operations, borrowings on lines of credit and cash on hand will be sufficient to cover long and short-term operating cash requirements.

At September 30, 1996, the Company had $53,452,000 of non-recourse fixed rate mortgage indebtedness with an average interest rate of 7.95% secured by office properties. Based on the Company's total market capitalization of $87,934,000 at September 30, 1996 (at the September 30, 1996 stock price of $20.88 per share), the Company's debt represented approximately 42% of its total market capitalization.

At September 30, 1996, the Company had available $45,000,000 on its acquisition line of credit and $3,164,000 on its working capital line of credit with Deposit Guaranty National Bank in Jackson, Mississippi. The Company plans to continue actively pursuing the purchase of office building investments that meet the Company's investment criteria and intends to use these lines of credit and cash balances to fund those acquisitions. Both lines of credit have an interest rate equal to the 90-day LIBOR rate plus 2.35% (adjusted quarterly), interest due monthly and commitment fees of .125% due upon acceptance. In addition, both lines of credit have fees of .125% on the unused balances due quarterly. The acquisition line of credit matures June 30, 1998 and the $10,000,000 working capital line of credit matures June 30, 1997.

Subsequent to quarter end, the Company sold its remaining 20,575 shares of beneficial interest in EastGroup Properties. The sales will result in a gain in the fourth quarter of $207,000 and cash proceeds of $498,000. Funds from these sales were used to pay down the working capital line of credit.

On October 31, 1996, Parkway Houston, Inc., a wholly-owned subsidiary of the Company purchased the Tensor Building in Houston, Texas for $2,820,000. The Tensor Building contains approximately 88,000 square feet of rentable area. The $2,820,000 purchase price was funded using existing cash reserves and advances on the Company's working capital line of credit.

In two separate sales transactions in November, the Company sold approximately 16 acres of land in Sugar Land, Texas for a net sales price of $2,224,000 which will result in a gain of $239,000 in the fourth quarter. Funds from these sales were used to reduce the outstanding balance on the working capital line of credit.

PARKWAY PROPERTIES, INC.

PART II. OTHER INFORMATION

Item 2. Changes in Securities

On June 14, 1996, the Company sold an aggregate of 1,140,000 shares of common stock at $15.25 per share in a private placement transaction to seven institutional investors for an aggregate cash purchase price of $17,385,000. Expenses of the transaction were $773,000, resulting in net cash proceeds of $16,612,000. On August 16, 1996, the Company modified this private placement by having two of the institutional investors who subscribed to the private placement amend their subscriptions to accept in lieu of shares of Common Stock an equal number of shares of the Company's non-voting Class A Preferred Stock, $.001 par value ("Preferred Stock"). This modification of the private placement was done to bring the private placement in compliance with a technical rule of the NASDAQ National Market (the market upon which the Company's Common Stock was traded at the time of the private placement) that restricts a listed company's ability to engage in private placements for more than 20% of a listed company's outstanding voting securities at a price less than the Company's book value per share. On October 18, 1996, the Company's stockholders approved a further amendment to the subscriptions allowing such investors to exchange all of their Preferred Stock for Common Stock on a share-for-share basis (the "Exchange Right"), and the Company and the two investors entered into the amendment immediately after the stockholder vote approving the Exchange Right. On October 29 and 30, 1996, the investors exchanged all of the their Preferred Stock for Common Stock pursuant to the Exchange Right, and no shares of Preferred Stock remain outstanding.

An outline of the terms of the Preferred Stock, which is no longer outstanding, follows. Dividends on outstanding shares of Preferred Stock were declared and paid simultaneously with any dividends payable on the Common Stock, and, for all dividends paid and declared on or before December 31, 1996, such dividend was paid at a per share dividend rate of the greater of (I) twenty-four cents ($0.24) per share per quarter or (ii) the per share dividend declared and paid on Common Stock for the same quarter, as adjusted for stock dividends, stock splits or similar capital changes. If the Preferred Stock had remained outstanding after December 31, 1996, the dividend rate was to have increased. No dividend was to be paid or declared, nor any distribution made on any other class of stock)other than a dividend payable in stock of the same class) nor could any shares of Common Stock be acquired for consideration by the Company unless all accrued dividends on the Preferred Stock for all past dividend periods had been paid.

Item 4. Submission of Matters to a Vote of Security Holders

On October 18, 1996, the Company held a Special Meeting of

Stockholders at which stockholder's voted as follows on the proposal described below:

(1) Approval of the Company entering into an agreement with two institutional investors which agreement will allow such investors to exchange 576,000 shares of the Company's Class A Preferred Stock, $.001 par value per share, for 576,000 shares of the Company's Common Stock, $.001 par value per share on a share-for-share basis.

FOR	2,270,948
AGAINST	27,532
ABSTAIN	28,704

Item 6. Exhibits and Reports on Form 8-K

(a) Reports on Form 8-K

(1) Filed July 11, 1996

Reporting the June 14, 1996 Private Placement transaction with seven institutional investors.

(2) Filed July 23, 1996

Reporting the July 9, 1996 purchase of The Cherokee Building and 8381 and 8391 Courthouse Road Buildings.

(3) Filed August 5, 1996

Reporting the merger of The Parkway Company, a Texas corporation into Parkway Properties, Inc., a Maryland corporation.

(4) Filed August 23, 1996

Reporting the August 9, 1996 purchase of The Falls Pointe and Roswell North Buildings.

(5) Filed August 30, 1996

Amendment to Form 8-K filed July 23, 1996 reporting "Item 7. Financial Statements and Exhibits".

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

DATED: November 14, 1996

PARKWAY PROPERTIES, INC.

/s/ Regina P. Shows
Regina P. Shows, CPA
Controller

/s/ Sarah P. Clark
Sarah P. Clark, CPA
Vice-President,
Chief Financial Officer,
Treasurer and Secretary

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