ARMADA HOFFLER PROPERTIES

STONEGATE CAPITAL PARTNERS

3/9/17

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MARKET STATISTICS

Exchange / Symbol	NYSE: AHH
Price:	$13.41
Market Cap ($mm):	$741.4
Enterprise Value ($mm):	$1238.3
Common Shares + OP Units:	55.3M
Insider Ownership:	18%
Volume (3 Month Average):	246,000
52 Week Range:	$10.50-$15.50
Industry:	REIT - Diversified

CONDENSED NAV CALCULATION

(Refer to page 2 for more detail)

Stable Portfolio Cash NOI:	$66.8M
Asset Value @ Median Cap:	$1,069.2M
Add Other Net Assets/Liabilities:	($228.3M)
Total:	$840.9M
NAV Range Midpoint:	$14.79

CONDENSED FINANCIAL DETAIL

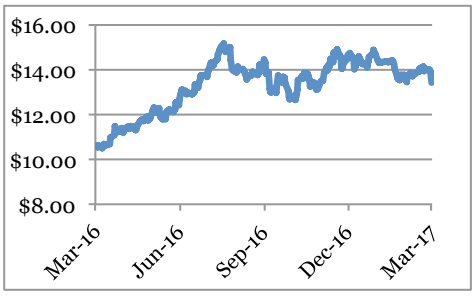
($mm, except per sh data)

FY - 12/31	NOI	Normalized FFO/Sh	Div/Sh	TRS GP
FY15	$54.19	$0.93	$0.68	$5.9
FY16	$67.82	$1.01	$0.72	$5.7
FY17E	$74.45	$1.01	$0.76	$5.4

LARGEST SHAREHOLDERS

Management, BOD, & OP Unit Holders	18,400,000
The Vanguard Group, Inc.	4,121,200
BlackRock, Inc.	2,524,600
FIAM, LLC	1,884,800
Renaissance Technologies Corp.	1,382,200
AllianceBernstein LP	1,175,000
Wellington Mgmt. Group LLP	1,093,800
Principal Global Investors, LLC	911,500
Nuveen Investments, Inc.	855,300
Putnam, LLC	814,100
Chilton Capital Management, LLC	780,000

STOCK CHART



COMPANY DESCRIPTION

Armada Hoffler Properties, Inc. (NYSE: AHH), was originally founded in 1979 and today still operates as a full service real estate company. AHH develops, constructs, owns and manages high quality, institutional grade office, retail and multi-family properties throughout the Mid-Atlantic and Southeastern regions. The company is incorporated in Maryland and operates as a real estate investment trust (REIT) for tax purposes. AHH is headquartered in Virginia Beach, VA, where its flagship property Town Center is also located.

SUMMARY

Armada Hoffler appears capable of delivering sustainable, low-risk growth to investors through its diversified real estate portfolio, which includes a healthy development pipeline.

- The company currently owns 45 stabilized properties representing approximately 4.4M rentable square feet and approximately 1,100 apartment units.
- AHH has dependable cash flow created by occupancy in excess of 94%.
- Since its IPO three years ago, AHH reports successfully producing and delivering over $300 million of new real estate, creating over $50 million of equity in the process, and had approximately $220M in the development pipeline as last reported.
- With its internal construction team and developers, AHH can manage costs and timing on projects, creating immediate equity when taking properties online at an estimated 20% spread; this factor not only gives the company several advantages in the marketplace but also significantly differentiates AHH from other publicly traded REITS operating as pure-play acquirers of income-producing properties.
- Its construction business gross profit was $1.4M in Q4 2016, and management guides to $5.0 - $5.5M annual gross profit for this segment in 2017; AHH reported $218M in its construction backlog as of 12/31/16.
- The company constantly re-evaluates its properties and disposes of non-core assets when identified so that capital can be redeployed; for example, proceeds from the sales of Oceaneering International in Q415 (yielded 6.7% cap rate) and the Richmond Tower (closed in January 2016 at a 7.9% cash cap rate) were used in addition to borrowings to fund the 11 retail centers purchased in Q116 for $170.5M. Additionally, management seeks to lessen its credit risk with any one property or tenant and diversify the income sources of its portfolio – the Q116 sale of Richmond Tower, which made up approximately 11% of rental revenues at fiscal 2015 year-end (and tenant Williams Mullen occupied 80% of the building), significantly changed the weighting of the company's revenues.
- AHH has announced the next phase of the Town Center development in Virginia Beach, a $42M mixed-use project expected to include 39,000 sq. feet of retail space (approximately 50% pre-leased) and 130 luxury apartments; the company disclosed subsequent to year-end that it had acquired the remaining 20% interest in this venture (now at 100%).
- At $13.41, the dividend yield is 5.4% on the most recent quarterly dividend of $0.18; AHH also reported a normalized FFO/diluted share of $0.25 and AFFO/share of $0.24 for Q416.

We believe that AHH offers a well-diversified real estate investment opportunity for the marketplace, with a current share price trading well below the midpoint of our estimated NAV per share range of $14.06 - $15.57.

VALUATION

We believe Armada Hoffler Properties, Inc. holds significant potential for investors - a current yield over 5% from a diversified portfolio with high occupancy rates, coupled with strong industry dynamics and a healthy development pipeline, should result in a growing NAV and stock price. Investing in AHH provides the following benefits:

- An opportunity to limit risk in a real estate investment that has averaged returns significantly greater than those of the common REIT index MSCI US REIT year-to-date
- Occupancy maintained in excess of 94% on properties with leases locked in at favorable rates for the longer-term, with staggered expirations
- A successful track record of developing properties with immediately accretive equity once put into production
- Participation in an area of the real estate industry with predicted strong growth – urban development of mixed-use properties that combine office, living and retail spaces

Our current projections are through FY17 and only include the current development activity, acquisitions and dispositions announced to date. We are projecting 2017 net operating income of $74.5M, representing a 10% increase YOY, with growth being generated by new properties being stabilized in addition to recent acquisitions.

Our estimates for the construction company's annual gross profit are also in agreement with management's projected range of $5.0 - $5.5M, a healthy contribution to AHH's operating results.

We show G&A increasing to $10.2M in 2017, in-line with guidance, but up from $9.6M in the prior year.

Additional debt was added in 2016 related to acquisition activity, and our estimates are in line with management's guidance of $17.9 - $18.5M of interest expense for 2017. We have also included $5.9M of interest income for FY17. Armada Hoffler has guided to a 2017 full-year normalized FFO per diluted share estimate of $0.99 - $1.03. Our model comes in at $1.01 per share normalized FFO for FY17. We factor in the assumption of raising approximately $40M through the ATM program, resulting in a full year weighted average share count of 56.87.

Due to the difficulty of predicting the size, timing and financing structure (equity vs. debt) of acquisitions and the stabilization of development properties, we have not introduced projections beyond FY17. We do note that subsequent to year-end, AHH completed the sale of the Wawa outparcel at Greentree Shopping Center with net proceeds $4.4 million. (January 2017).

Armada Hoffler represents a compelling growth story as a respected developer in its industry, and the company is positioned to continue to provide investors with growth in both current yield and NAV, given a current estimated NAV per share range of approximately $14.06 - $15.57, with a midpoint of approximately $14.79.

Exhibit 1: Net Asset Value (NAV) Analysis Based on AHH Data and Stonegate Estimates (000s)

Cap Rate Range	**5.50%**	**5.75%**	**6.00%**	**6.25%**	**6.50%**	**6.75%**	**7.00%**
Stable Portfolio NOI Annualized on Cash Basis	$ 66,825	$ 66,825	$ 66,825	$ 66,825	66,825	66,825	66,825
Property Market Value @ Cap Rate	**$ 1,215,001**	**$ 1,162,175**	**$ 1,113,751**	**$ 1,069,201**	**$ 1,028,078**	**$ 990,001**	**$ 954,644**
Add: Investment in Developments	$ 150,680	$ 150,680	$ 150,680	$ 150,680	$ 150,680	$ 150,680	$ 150,680
Add: Estimated TRS Value	$ 32,000	$ 32,000	$ 32,000	$ 32,000	$ 32,000	$ 32,000	$ 32,000
Add: Other Assets	$ 218,134	$ 218,134	$ 218,134	$ 218,134	$ 218,134	$ 218,134	$ 218,134
Less: Liabilities	$ 629,090	$ 629,090	$ 629,090	$ 629,090	$ 629,090	$ 629,090	$ 629,090
Total	**$ 986,725**	**$ 933,899**	**$ 885,475**	**$ 840,925**	**$ 799,802**	**$ 761,725**	**$ 726,368**
Diluted Shares and OP Units	56,874	56,874	56,874	56,874	56,874	56,874	56,874
NAV Per Share	**$ 17.35**	**$ 16.42**	**$ 15.57**	**$ 14.79**	**$ 14.06**	**$ 13.39**	**$ 12.77**

BUSINESS OVERVIEW

Armada Hoffler Properties, Inc. is an internally managed, publicly traded full-service REIT that diversifies its portfolio among institutional grade office space, retail and multifamily properties. AHH also offers general contracting services to third-party clients. The company currently has the majority of its producing assets and development projects located in the Mid-Atlantic and Southeastern regions.

AHH's properties are primarily located in the following states:

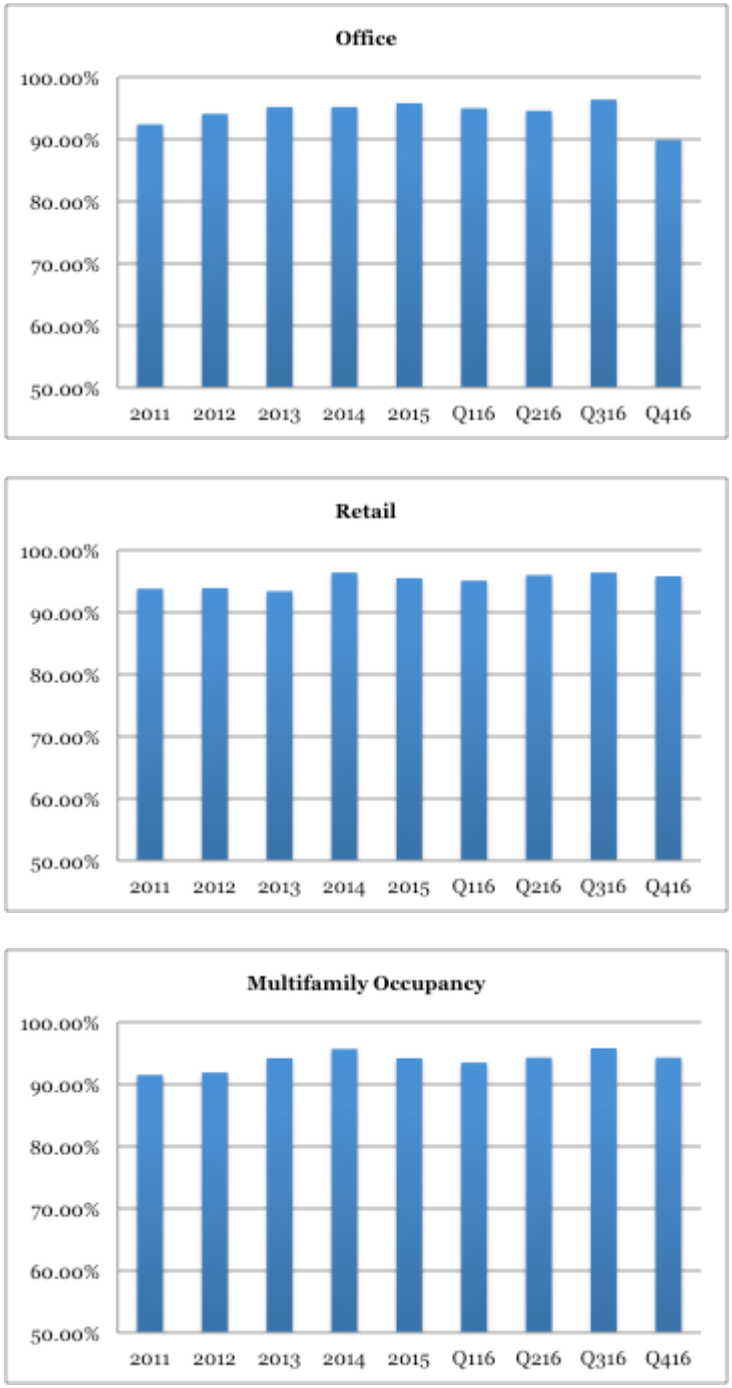
- Virginia
- Maryland
- North Carolina
- South Carolina

Armada Hoffler has three main components within its integrated business model, which we describe in more detail below:

- A stable portfolio of completed properties with high occupancy levels generating healthy cash flow
- Properties under development that create immediate equity at the wholesale level upon completion/occupancy
- A construction segment that services 3rd party needs but overall makes up a smaller part of AHH's business

As most recently reported, Armada Hoffler owns 45 stabilized properties representing approximately 4.4M rentable square feet of office and retail space, plus 1,100 multifamily units, and approximately $220M in its development pipeline. The company has historically high occupancy rates across all three categories.

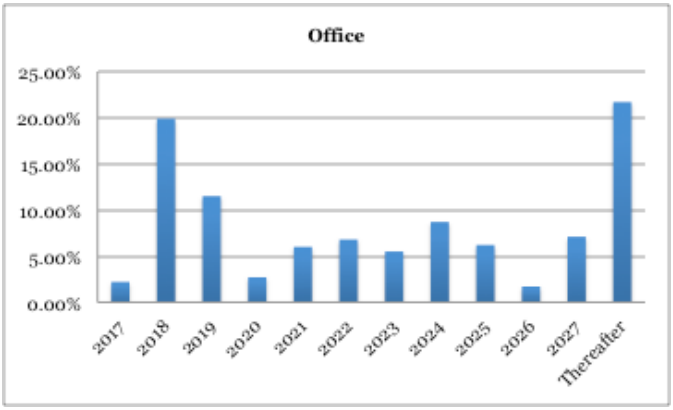
Exhibit 2: Historically High Occupancy Rates

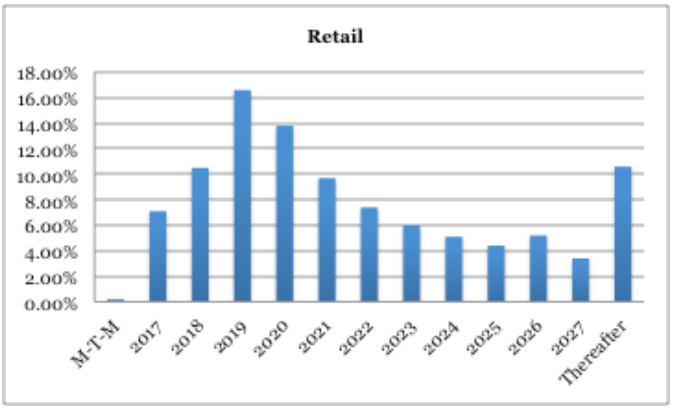


Source: Company Reports, Stonegate Capital Partners

Each portfolio is managed for long-term, stable cash flow. Office and retail lease terms are designed to create low turnover risk; it is notable that a significant portion of office and retail leases expires beyond 2027.

Exhibit 3: Longer-term Staggered Lease Expirations





Source: Company Reports, Stonegate Capital Partners

By developing all of its own properties, AHH can control the entire construction process as well as the associated costs; additionally, there are no fees or mark-ups on the projects, which makes it considerably less expensive than using an outsider. Building designs maximize efficiency and rentable space. Management states that typically there is an approximate 20% spread upon completion of the total capitalized costs vs. the fair market value of the property.

While a smaller part of the overall picture, AHH's construction business is a solid source of gross profit that builds relationships, expands the Armada Hoffler reach, and continues to build upon the company's already strong name recognition in its industry. The company also recognizes revenues from its real estate services group related to development and management opportunities. All general contracting and real estate services are conducted through a taxable REIT subsidiary (TRS).

The company's most significant development to date is its Virginia Beach Town Center. This approximate $700 million development created a now thriving central business district where there was none and was formed through a public/private partnership with the city of Virginia Beach (contributed approximately $200 million in funds to the project). Since 2000, Town Center has been an on-going, 17-block, multi-phase development offering:

- 800,000 square-feet of office space
- 23 restaurants
- 628 apartments
- 410 hotel rooms
- 30,000 square-feet of conference space
- a 1,300-seat performing arts theatre

Town Center made up approximately 38% of the company's stabilized portfolio net operating income for the 12/31/16 quarter. The development has high occupancy rates and garners a premium on most of its spaces due to its location, the quality of its design, and its many A-list tenants that attract significant business to the area. The photos below show the "before and after" for the Town Center development.

MANAGEMENT TEAM

The long-term history of AHH's management is impressive as detailed by the bios included later in this report. Many members of the executive group have been together at Armada Hoffler for 2 – 3 decades and have gained in-depth knowledge of the business working in different areas of the company; the team has extensive experience in portfolio/property management, construction, and real estate development.

In addition to Chairman and founder Dan Hoffler, Vice Chairman Russ Kirk and CEO Lou Haddad, Armada Hoffler's independent board member also bring strong resumes to the company. For example:

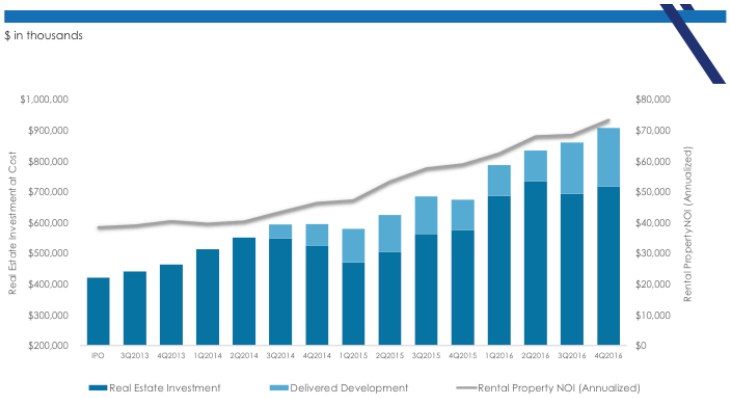
- George Allen – Former congressman, senator, and Governor of Virginia
- James Carroll – President and CEO Crestline Hotels & Resorts, LLC
- James Cherry – Previously Chairman and CEO for the Mid-Atlantic Banking Region at Wachovia
- Eva Hardy – Served as EVP of Public Policy and Corporate Communications at Dominion Resources
- John Snow – Served as US Treasury Secretary under President George W. Bush

As last reported, AHH had approximately 18% insider ownership. Therefore, management is heavily invested on both professional as well as personal levels.

GROWTH STRATEGY

The company recently reported same store NOI for Q416 increasing for the tenth consecutive quarter. Organic growth is gained thru increasing rental rates and high occupancy, while managing/reducing costs on company properties. For AHH, however, the primary avenue for growth is through bringing properties online via its development pipeline, creating instant equity. By developing its own properties, Armada Hoffler can control the process from beginning to end and cut out excess fees to third-parties. And many times, the company has potential tenants looking to be located in a certain area or third-parties interested in pitching AHH an idea on a project. Armada Hoffler does partner with both public and private entities on its developments. Since its IPO three years ago, AHH reports successfully producing and delivering over $300 million of new real estate, creating over $50 million of equity in the process.

Exhibit 4: Portfolio Growth since IPO



Source: Company Reports

Whether considering potential land purchases for development or established properties currently producing income, management looks for assets that offer barriers to entry for future competitors attempting to enter the space. The company also investigates tenant types, tenant satisfaction, growth in sales, and lease terms and renewal opportunities, among other factors, for established properties. Location and the surrounding demographics are key in the decision-making process, as is its list of key retailers that will anchor the development from a retail perspective. Funding is accomplished with outside capital, the use of OP units as well as utilizing proceeds from the sale of another property in order to re-deploy capital.

Exhibit 5: Top 10 Retail Tenants by Annualized Base Rent

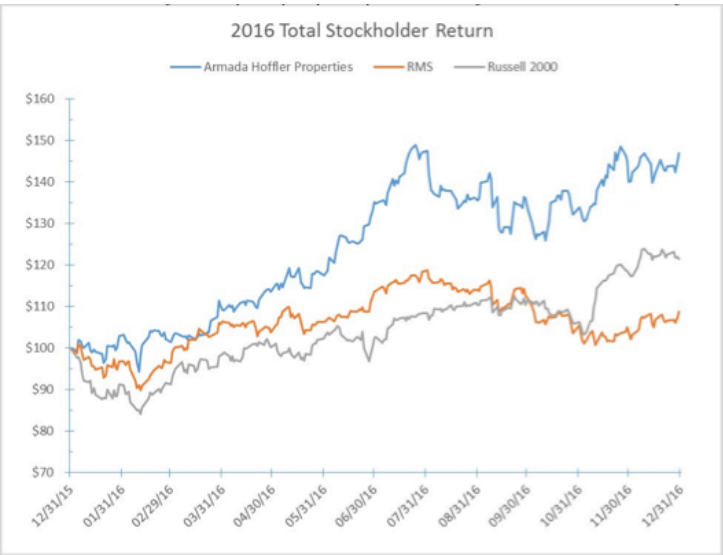
Tenant	# of Leases/ Expiration	% of Retail Portfolio
Kroger/Harris Teeter	11 - 2027	11.5%
Home Depot	2 - 2019	4.3%
Bed Bath & Beyond	4 - 2022	3.3%
Regal Cinemas	2 - 2018	3.1%
PetSmart	5 - 2020	2.7%
Food Lion	3 - 2020	2.5%
Dick's Sporting Goods	1 - 2020	1.6%
Safeway	2 - 2021	1.6%
Weis Markets	1 - 2028	1.6%
Ross Dress for Less	2 - 2020	1.5%
		33.7%

Source: Company Reports, Stonegate Capital Partners

As part of actively managing its portfolio and always re-evaluating each property's contribution to the long-term business goals, assets that no longer fit the bill are strategically disposed of given market conditions, and the capital is re-deployed and put to work elsewhere building value. An excellent example of this is the sale of Whetstone Apartments in Durham, NC, mid-2015 on which the company made an estimated 20%+ profit and immediately utilized the proceeds towards the acquisitions of Providence Plaza in Charlotte, NC, and Socastee Commons in Myrtle Beach, SC. And at the beginning of 2016, AHH acquired a portfolio of 11 retail centers (1.1M square feet of space) throughout the Mid-Atlantic and South-Central US for approximately $170.5M in cash. The company funded the purchase price with net proceeds from the Q415 sale of Oceaneering as well as the Q116 sale of the Richmond Tower and borrowings under its credit facility.

The Armada Hoffler management team has the ultimate goal of increasing total shareholder returns, as demonstrated by its growth over the past year, compared to the common REIT index, MSCI US REIT, and the Russell 2000.

Exhibit 6: Total Returns Comparison



Source: Company Reports

INDUSTRY OVERVIEW

Per *Emerging Trends in Real Estate 2015, US and Canada, by PWC and the Urban Land Institute (ULI),* many factors have been playing into real estate's strengths in this rising market cycle, including above-trend GDP growth, continued drops in unemployment, minimal CPI inflation percentages, and still-low levels of new construction, especially commercial. And many of these factors have been resulting in solid Y-O-Y forecasts for AHH.

While great coastal cities continue to thrive for their around the clock options and activities, re-emergent downtown areas have spurred investment and development raising the quality of life in those areas with a combination of housing, retail, dining, and walk-to-work offices. This concept has lit a fire within the real estate industry and among city planners.

Boomers are healthier and living longer lives, and many are still seeking to recover from the losses during the Recession. They are staying in the workforce longer and often choosing urban over suburban for living – not migrating to Florida and golf course communities as once was the retirement-age trend. This has altered the housing picture for this demographic, many not wanting to be tied to a big house with a big mortgage, and many choosing to live closer to work with little commute. And investors continue to like markets with vibrant urban centers.

According to *Emerging Trends in Real Estate 2015, US and Canada, by PWC and the Urban Land Institute (ULI),* "The development of vibrant urban centers is almost a universal trend among the 75 markets included in the 2015 survey. Only five markets have seen negative growth in urban center population over the past three years. This improvement is not limited to markets that have established urban centers." The tired concept of going to a shopping mall is being replaced by ground-floor retail under small offices or residential units, offering a mix-use development opportunity and is showing great success. Armada Hoffler is currently capitalizing on these industry trends as well as others and appears well-positioned with its office, retail and multifamily segment designs as well as property locations.

And per the ULI Consensus Forecast Fall 2016, the industry outlook for real estate is favorable for the majority of current players. The 2016 report projects continued economic expansion over the next three years but at a slower pace than the prior two years; relatively high but declining commercial real estate volumes; continued commercial price appreciation; rent growth but at decelerating rates; and better than average vacancy and occupancy rates in most sectors.

RISKS

As with any investment, there are certain risks associated with Armada Hoffler's operations as well as with the surrounding economic and regulatory environments.

- Seeking growth principally through acquisitions and development, management must be capable of consistently identifying and closing on suitable locations in their respective target markets in order to continue making accretive additions to their current asset portfolio.

- The scale of the company's development projects is large and can be longer-term; failure to control costs and stay on schedule can have negative consequences on the ultimate cost basis of the completed project. Similar risks apply to its third-party construction business.
- While the current management team has extensive experience and relationships in the real estate market, the company runs the risk of operations being significantly impacted should a member of management choose to leave the company.
- Because of AHH's classification as a REIT, the company is required to distribute annually at least 90% of its taxable income to maintain its elected tax status. This leaves AHH with the need to finance its asset purchases with outside capital at times. Availability and terms for future credit needs might not be favorable, and those as well as any future equity offerings could cause potential dilution.
- As of year-end, the company had approximately 69% and 15% of the total annualized base rent of the properties in its stabilized portfolio located in Virginia and North Carolina, respectively; this creates higher geographic risk of being affected by adverse events, conditions, or governmental regulations in those concentrated areas.
- Armada Hoffler's retail properties rely on several larger, nationally recognized tenants to anchor their shopping centers. The loss of an anchor or similar major tenant could significantly affect the company's overall occupancy levels and thus seriously impair the retail property's ability to produce income and thus its value.
- Because many of the company's costs and expenses are fixed (real estate taxes, insurance, loan payments and maintenance), they will not decline if AHH's revenues decline. Therefore, any adverse economic or other conditions affecting occupancy or rental rates could have a very negative impact on operating results and affect the company's ability to service debt and pay shareholders.
- Overall, Armada Hoffler faces numerous risks commonly related to the real estate industry; the company's business is very influenced by changes in interest rates and the behavior of the lending markets, the potential illiquidity of its properties if the desire/need arises to sell, tenant preferences for renting vs. buying given market conditions and the rental rates that individual markets will bear, public concern over economic downturn or the potential that it will occur, changes to governmental laws and regulations where properties are being developed or located, and/or an oversupply or reduction in demand for office, retail or multifamily space in its markets.

COMMON REIT METRICS AND TERMINOLOGY

Net Asset Value (NAV)	Essentially represents the market value of the company's assets (in this case its income-producing property portfolio, assets under development, and its TRS construction business) less liabilities. For REITS, a common approach to calculating NAV takes net operating income divided by an assumed cap rate to arrive at a current market value for the real estate.
EBITDA	A non-GAAP measure representing earnings before interest, taxes, depreciation and amortization. AHH also excludes gains or losses from sales of depreciable property.
Funds from Operations (FFO)	Calculated as net income (loss) plus depreciation and depletion and excluding gains or losses from sales of depreciable operating property; it is a non-GAAP measure for REIT analysis.
Normalized FFO	Takes FFO and adjusts for acquisition, development, and other pursuit costs, gains or losses from early extinguishment of debt, impairment charges, mark-to-market adjustments on interest rate derivatives and other non-comparable items.
Adjusted Funds from Operations (AFFO)	A frequently used REIT/non-GAAP metric that starts with Normalized FFO, and then adjusts for stock based compensation, tenant improvement, leasing commission and leasing incentive costs associated with second generation rental space, capital expenditures, non-cash interest expense, straight-line rents, and the amortization of leasing incentives above/below market rents and the proceeds from government development grants. Management believes that AFFO provides useful supplemental information to investors regarding the company's cash generated by operations.
Cap Rate	Rate of return on real estate investment property based on the income the property generates after operating costs; it reflects the investor's return on his or her investment given risks associated with certain real estate asset types and asset location, among other factors. A higher cap rate indicates higher returns, and generally greater perceived risk.

RECENT RESULTS

Armada Hoffler, Inc. (NYSE: AHH)
Consolidated Statements of Income ($000s, except per share amounts)
Fiscal Year: December

	Q4 Dec-15	Q4 Dec-16	Variance	
Revenues				
Rental revenues	$ 21,771	$ 26,516	**4,745**	Rental revenues and related expenses will vary by quarter given recent acquisition, disposition, and development activity
General contracting and real estate services revenues	41,309	50,475	**9,166**	Vary because of timing of volume on construction contracts; margins will vary due to the closeout of certain projects and timing of work completed
Total revenues	**63,080**	**76,991**		
Expenses				
Rental expenses	4,948	5,670	**722**	See above
Real estate taxes	2,110	2,542	**432**	See above
General contracting and real estate services expenses	40,203	49,039	**8,836**	See above
Depreciation and amortization	6,162	9,692	**3,530**	Result of property acquisitions
General and administrative expenses	2,100	2,688	**588**	Comparable Y-O-Y as a percentage of revenues
Acquisition, development and other pursuit costs	885	77	**-808**	Varies with timing of deals
Impairment charges	18	171	**153**	
Total expenses	56,426	69,879		
Operating income (loss)	**6,654**	**7,112**		
Other income (expense)				
Interest income	126	1,300	**1,174**	New debt on Point Street Apartments project and Annapolis Junction
Interest expense	(3,411)	(4,573)	**-1,162**	Result of increased borrowings
Loss on extinguishment of debt	(102)	-	**102**	
Gain on real estate dispositions	4,987	93	**-4,894**	Significant gains recognized in the PY quarter on real estate sales
Change in fair value of interest rate derivatives	-	1,323	**1,323**	
Other income/(expense)	72	(7)	**-79**	
Total other income (expense)	1,672	(1,864)		
Income (loss) before taxes	**8,326**	**5,248**		
Income tax benefit (provision)	117	(103)	**-220**	
Net income (loss)	**8,443**	**5,145**		
Net income attributable to predecessor	-	-	**-**	
Net income attributable to non-controlling interests	8,426	(1,687)	**-10,113**	
Net income (loss) attributable to stockholders	**$ 16,869**	**$ 3,458**		
Weighted average common shares outstanding	27,411	36,465		
Weighted average operating partnership units outstanding	16,027	17,793		
Basic and diluted outstanding	43,438	54,258		
Dividends and distributions declared per common share and unit	**$0.18**	**$0.18**		
EBITDA	$ 12,816	$ 19,420		
EBITDA per diluted weighted average share	**$0.30**	**$0.36**		
Funds from operations (FFO)	$ 9,618	$ 14,744		
Normalized FFO	$ 10,614	$ 13,669		
Normalized FFO per diluted weighted average share	**$0.24**	**$0.25**		
Adjusted funds from operations (AFFO)*	$ 9,088	$ 12,892		
AFFO per diluted weighted average share	**$0.21**	**$0.24**		

Source: Company Reports, Stonegate Capital Partners

While recent results were generally in-line with management's guidance to date, based on 2016 results and the outlook for the upcoming year, AHH has raised several of the 2017 guidance ranges. Current expectations are the following:

Total NOI	$73.8M - $74.5M
Construction company annual segment GP	$5.0M - $5.5M
General and administrative expenses	$10.2M - $10.5M
Interest income	$5.7M - $5.9M
Interest expense	$17.9M - $18.5M
Normalized FFO per diluted share	$0.99 - $1.03

Also, subsequent to quarter-end, Armada Hoffler announced that its Board of Directors had declared a cash dividend of $0.19 per common share for the first quarter of 2017; this represents a 5.6% increase over the prior quarter's cash dividend, as well as the third increase in three years. Additionally, AHH announced the sale of the Wawa outparcel at Greentree Shopping Center, with net proceeds after transaction costs of $4.4M and a gain on the disposition was $3.4M. Finally, subsequent to December 31, 2016, the company acquired the remaining 20% interest in Town Center Phase VI.

BALANCE SHEETS

Armada Hoffler, Inc. (NYSE: AHH)
Consolidated Balance Sheets ($000s)
Fiscal Year: December

ASSETS	FY 2013	FY 2014	FY 2015	FY 2016
Assets				
Real estate investments:				
Income producing property	$406,239	$513,918	$579,000	$894,078
Held for development	-	-	1,180	680
Construction in progress	56,737	81,082	53,411	13,529
	462,976	595,000	633,591	$908,287
Accumulated depreciation	(105,228)	(116,099)	(125,380)	(139,553)
Net real estate investments	357,748	478,901	508,211	$768,734
Real estate investments held for sale	-	8,538	40,232	-
Cash and cash equivalents	18,882	25,883	26,989	21,942
Restricted cash	2,160	4,224	2,824	3,251
Accounts receivable, net	18,272	20,548	21,982	15,052
Notes receivable	-	-	7,825	59,546
Construction receivables, including retentions	12,633	19,432	36,535	39,433
Construction contract costs and est. earnings in excess of billings	1,178	272	88	110
Equity method investments	-	-	1,411	10,235
Other assets	24,409	33,108	43,450	64,165
Total Assets	**$ 435,282**	**$590,906**	**$ 689,547**	**$982,468**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Liabilities				
Indebtedness	$277,745	$359,229	$377,593	$522,180
Debt secured by real estate investments held for sale	-	-	-	-
Accounts payable and accrued liabilities	6,463	8,358	6,472	10,804
Construction payables, including retentions	28,139	42,399	52,067	51,130
Billings in excess of construction contract costs and est. earnings	1,541	1,053	2,224	10,167
Other liabilities	15,873	17,961	25,471	39,209
Total Liabilities	**329,761**	**429,000**	**463,827**	**633,490**
Shareholders' Equity				
Common stock - par value	192	250	300	374
Additional paid-in capital	1,247	51,472	102,906	197,114
Distributions in excess of earnings	(47,934)	(54,413)	(53,010)	(49,345)
Accumulated other comprehensive loss	-	-	(649)	-
Total Shareholders' Equity (deficit)	**(46,495)**	**(2,691)**	**49,548**	**148,143**
Non-controlling interests	152,016	164,597	176,172	200,835
Total Liabilities and Shareholders' Equity	**$ 435,282**	**$590,906**	**$ 689,547**	**$982,468**
Ratios				
Liquidity				
Current Ratio	1.5x	1.4x	1.6x	2.2x
Working Capital	$17,345	$19,330	$37,616	$77,290
Availability under Credit Facility	$82M	$87.5M	$76M	$68M*
Leverage				
Core Debt to EV	46.5%	34.6%	37.0%	31.7%
Core Debt to Annualized Core EBITDA	6.5x	6.1x	6.1x	6.3x

Source: Company Reports, Stonegate Capital Partners
**Credit Facility expanded to $275M following the close of the quarter*

INCOME STATEMENTS

Armada Hoffler, Inc. (NYSE: AHH)
Consolidated Statements of Income ($000s, except per share amounts)
Fiscal Year: December

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017 E
Revenues					
Rental revenues	$ 57,520	$ 64,746	$ 81,172	$ 99,355	$ 110,516
General contracting and real estate services revenues	82,516	103,321	171,268	159,030	167,974
Total revenues	**140,036**	**168,067**	**252,440**	**258,385**	**278,490**
Expenses					
Rental expenses	14,025	16,667	19,204	21,904	25,202
Real estate taxes	5,124	5,743	7,782	9,629	10,861
General contracting and real estate services expenses	78,813	98,754	165,344	153,375	162,536
Depreciation and amortization	14,898	17,569	23,153	35,328	39,000
General and administrative expenses	6,937	7,711	8,397	9,552	10,200
Acquisition, development and other pursuit costs	-	229	1,935	1,563	-
Impairment charges	580	15	41	355	-
Total expenses	120,377	146,688	225,856	231,706	247,799
Operating income (loss)	**19,659**	**21,379**	**26,584**	**26,679**	**30,691**
Other income (expense)					
Interest income		-	126	3,228	5,900
Interest expense	(12,303)	(10,648)	(13,333)	(16,466)	(18,000)
Loss on extinguishment of debt	(2,387)	-	(512)	(82)	-
Gain on real estate dispositions	9,460	2,211	18,394	30,533	3,400
Change in fair value of interest rate derivatives	-	-	-	(941)	-
Other income/(expense)	297	(113)	(110)	147	-
Total other income (expense)	(4,933)	(8,550)	4,565	16,419	(8,700)
Income (loss) before taxes	**14,726**	**12,829**	**31,149**	**43,098**	**21,991**
Income tax benefit (provision)	(273)	(70)	34	(343)	(400)
Net income (loss)	**14,453**	**12,759**	**31,183**	**42,755**	**21,591**
Net income attributable to predecessor	(2,020)	-	-	-	-
Net income attributable to non-controlling interests	(5,097)	(5,068)	-	(14,681)	(6,000)
Net income (loss) attributable to stockholders	**$ 7,336**	**$ 7,691**	**$ 31,183**	**$ 28,074**	**$ 15,591**
Weighted average common shares outstanding	19,046	20,946	26,006	33,057	38,880
Weighted average operating partnership units outstanding	13,059	14,125	15,377	17,167	17,994
Basic and diluted outstanding	32,105	35,071	41,383	50,224	56,874
Dividends and distributions declared per common share and unit	**$0.40**	**$0.64**	**$0.68**	**$0.72**	**$0.76**
EBITDA	$ 34,557	$ 38,948	$ 49,241	$ 64,359	$ 69,691
EBITDA per diluted weighted average share	**$1.08**	**$1.11**	**$1.19**	**$1.28**	**$1.23**
Funds from operations (FFO)	$ 19,806	$ 28,117	$ 35,942	$ 47,980	$ 57,191
Normalized FFO	$ 22,785	$ 28,594	$ 38,659	$ 50,921	$ 57,191
Normalized FFO per diluted weighted average share	**$0.71**	**$0.82**	**$0.93**	**$1.01**	**$1.01**
Adjusted funds from operations (AFFO)*	$ 21,420	$ 21,590	$ 33,606	$ 46,282	$ 54,931
AFFO per diluted weighted average share	**$0.67**	**$0.62**	**$0.81**	**$0.92**	**$0.97**

Source: Company Reports, Stonegate Capital Partners

**2013 calculation includes Q3 & Q4 adjustments (post-IPO only)*

TIMELINE FY15 – FY17

February 2017 – BOD declares cash dividend of $0.19 per share for Q117, a 5.6% increase over prior quarter
December 2016 – Company discloses closing on the acquisition of Renaissance Square (paid $17.1M in cash)
November 29, 2016 – AHH announces that it is being added to the MSCI U.S. REIT Index (RMZ) as of the close of the market on 11/30/16
October 13, 2016 – AHH acquires Columbus Village II for purchase price of $26.2M using 2M shares of common stock
September 2016 – Company sells Oyster Point office property for $6.4M with a net gain of $3.8M; AHH also announces new $45M multifamily development in Charlotte, NC, as part of JV with Southern Apartment Group
August 2016 – AHH acquires Southshore Shops in Chesterfield, VA, for $9.3M in cash and Class A Units
June 2016 – AHH sells Willowbrook Commons and Kroger Junction (closed July 29, 2016), two non-core retail properties, for sales price of $12.9M
May 2016 – Company announces plans to develop a $32M mixed-use project in Town Center of Virginia Beach; also, the acquisition of Southgate Square, a 220,000 sq. foot retail center in Colonial Heights, VA is completed for $21.1M and approximately 1.58M OP Units
April 2016 – AHH agrees to invest $42.0M in The Residences at Annapolis Junction Town Center, with options to acquire future controlling interest
February 2016 – AHH enters into JV as a minority partner to develop One City Center, a mixed-use project located in Durham, NC
January 2016 – The company acquires $170.5M retail portfolio; also, sale of Richmond Tower completed for $78M
December 2015 – AHH prices and subsequently closes underwritten public offering of 3.5 million shares of common stock at $10.70
November 2015 – The company announces its commitment to invest in the $93M Point Street Apartments development in Baltimore's Harbor Point, with an option to purchase a majority stake in the asset upon completion
July 2015 - AHH closes on the acquisition of Columbus Village, a retail center adjacent to the Town Center development, its flagship asset, in Virginia Beach with an additional 65,000 square-feet; Town Center currently makes up approximately 35% of the company's NOI
May 2015 - The company completes the sale of Whetstone Apartments in Durham, NC, for $35.6M, making an approximate 20%+ profit
January 2015 – Sale of Sentara Williamsburg office building completed for $15.5M, representing a 6.3% cap rate

CORPORATE GOVERNANCE

Louis S. Haddad, President and Chief Executive Officer
Mr. Haddad has served as President and Chief Executive Officer and a director since the formation of the Company. Mr. Haddad has more than 25 years of experience in the commercial real estate industry. Mr. Haddad has served in executive roles within predecessor entities since 1987, including Chief Executive Officer of predecessor entities between 1999 and the completion of the initial public offering in 2013, and President of AHH's predecessor between 1996 and 1999. From 1987 to 1996, Mr. Haddad served as President of Armada Hoffler Construction Company. Additionally, Mr. Haddad served as an on-site construction supervisor for Armada Hoffler Construction Company from 1985 until 1987. Prior to joining Armada Hoffler, Mr. Haddad worked at Harkins Builders, which provides construction management services, in Baltimore, Maryland.

Michael P. O'Hara, Chief Financial Officer and Treasurer
Mr. O'Hara has served as Chief Financial Officer and Treasurer since the initial public offering. Mr. O'Hara has more than 25 years of experience in commercial real estate, accounting, tax, information technology and structured finance. From 2002 until the completion of the initial public offering, Mr. O'Hara served as chief financial officer for AHH's predecessor. Mr. O'Hara joined the predecessor in 1996 as Controller of the construction company and was promoted to Controller of Armada Hoffler Holding Company in 1999. Prior to joining the predecessor, Mr. O'Hara served as Controller of Beacon Construction in Boston, Massachusetts. Mr. O'Hara received a B.S. in accounting from Fairfield University. Mr. O'Hara was previously licensed as a certified public accountant.

Eric L. Smith, Chief Investment Officer and Corporate Secretary
Mr. Smith serves as Chief Investment Officer and Corporate Secretary and has been with AHH since the initial public offering. Mr. Smith has over 17 years of experience in asset management, strategic planning, finance and development. Mr. Smith previously served as Vice President of Operations for AHH's predecessor. From 2005 until 2011, Mr. Smith served as Asset Manager, Manager of Real Estate Finance and Director of Real Estate Finance of the predecessor. Prior to joining the predecessor, Mr. Smith was an associate within the commercial consulting business of Booz Allen Hamilton, a financial analyst in the international corporate finance group of Federal Express, and owned his own seat as a financial derivative trader on the New York Futures Exchange. Mr. Smith holds a B.S. in finance from the University of Connecticut and an MBA from the Wharton School at the University of Pennsylvania.

Shelly R. Hampton, President of Asset Management
Ms. Hampton has served as President of Asset Management since the initial public offering. Ms. Hampton has over 25 years of experience in accounting, finance, administration, operations and management. Ms. Hampton previously served as President of Asset Management of one of AHH's predecessor entities since 2011 until the completion of the initial public offering. From 2009 to 2011, Ms. Hampton served as Vice President of Asset Management of one of the predecessor entities. From 1999 until 2011, Ms. Hampton served as the Director of Asset Management of one of the predecessor entities. Ms. Hampton previously served as Vice President of Finance at JLM Holdings. Ms. Hampton holds an AAS in Business Management from Metropolitan College and graduated cum laude with a B.S. in Business Administration from Western New England College.

Eric E. Apperson, President of Construction
Mr. Apperson has served as President of Construction since the initial public offering. Mr. Apperson has over 25 years of experience in real estate management, development and construction. Mr. Apperson previously served as President of Construction of one of AHH's predecessor entities, a position he assumed in 2000. Prior to being named President of Construction, Mr. Apperson served as President of a subsidiary of the predecessor formerly known as Goodman Segar Hogan Hoffler Construction. Beginning in 1987, Mr. Apperson served the predecessor as project manager. Mr. Apperson earned a B.A. from Hampden-Sydney College.

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