ARMADA HOFFLER PROPERTIES

STONEGATE CAPITAL PARTNERS

9/26/17

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MARKET STATISTICS

Exchange / Symbol	NYSE: AHH
Price:	$13.72
Market Cap ($mm):	$822.32
Enterprise Value ($mm):	$1319.3
Common Shares + OP Units:	59.9M
Float:	72%
Volume (3 Month Average):	346,500
52 Week Range:	$12.52-$14.98
Industry:	REIT - Diversified

CONDENSED NAV CALCULATION

(Refer to page 2 for more detail)

Stable Portfolio Cash NOI:	$72.0M
Asset Value @ Median Cap:	$1,151.3M
Add Other Net Assets/Liabilities:	($244.9M)
Total:	$906.4M
NAV Range Midpoint:	$15.04

CONDENSED FINANCIAL DETAIL

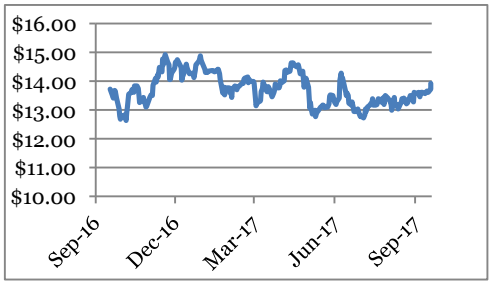
($mm, except per sh data)

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	$73.33	$0.98	$0.76	$7.4

LARGEST INSTITUTIONAL HOLDERS

BlackRock, Inc.	6,104,100
The Vanguard Group, Inc.	5,283,100
AllianceBernstein LP	2,758,000
FMR, LLC	1,883,500
Renaissance Technologies Corp.	1,602,000
Nuveen Investments, Inc.	1,297,400
State Street Global Advisors, Inc.	1,072,600
Thrivent Investment Management, Inc.	984,700
Putnam, LLC	902,200
American Century Inv. Mgmt., Inc.	871,200

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's operating portfolio consists of approximately 4.4M rentable square feet and approximately 1,200 apartment units.
- AHH has dependable cash flow created by occupancy in excess of 94%.
- AHH reports successfully developing over $1.6 billion of commercial real estate since inception and delivering over $260 million of projects since its IPO in 2013; the company had approximately $440M 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 $2.7M in Q2 2017, and management guides to $6.9 - $7.4M annual gross profit for this segment in 2017; AHH reported $117M in its construction backlog as of 6/30/17.
- The company constantly re-evaluates its properties and disposes of non-core assets when identified so that capital can be redeployed; for example, AHH recently closed on the sale of 2 of its build-to-suit state office buildings, recognizing an approximate 40% profit margin upon delivery, and these proceeds are being used to partially fund the purchase of the out-parcel space at Wendover Village in Greensboro, NC, for $14.3M, which complements nicely a previous nearby purchase.
- Highlights of the most recent quarter included AHH announcing completion of a public offering of 6.9M shares, generating net proceeds of $85.3M designated for the company's development pipeline, investing $34M in a Whole Foods-anchored development in Decatur, GA, and being added to the S&P SmallCap 600 Index.
- At $13.72, the dividend yield is 5.5% on the most recent quarterly dividend of $0.19; AHH also reported a normalized FFO/diluted share of $0.25 and AFFO/share of $0.22 for Q217.

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 $14.30 - $15.83.

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 since its IPO
- 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 $73.3M, representing an 8% increase YOY, with growth being generated by new properties being stabilized in addition to acquisitions over the past year.

Our estimates for the construction company's annual gross profit are also in agreement with management's projected range of $6.9 - $7.4M, a healthy contribution to AHH's operating results.

We show G&A increasing to $11.0M in 2017, in-line with guidance, but up from $9.6M in the prior year.

We assume that interest expense will increase in FY17 to $16.9M; we note that subsequent to quarter-end, AHH increased borrowings on LOC by $30M. We have also included $6.9M of interest income for FY17. Armada Hoffler guided to a 2017 full-year normalized FFO per diluted share estimate of $0.97 - $0.99. Our model comes in at $0.98 per share normalized FFO for FY17, factoring in the 60.3M weighted average shares and units estimated by management to be outstanding for annual estimates per the most recent earnings release.

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.

Armada Hoffler represents a compelling growth story as a respected developer in its industry, with a current estimated NAV per share range of approximately $14.30 - $15.83, with a midpoint of approximately $15.04 per our calculations.

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	$ 71,956	$ 71,956	$ 71,956	$ 71,956	71,956	71,956	71,956
Property Market Value @ Cap Rate	**$ 1,308,291**	**$ 1,251,409**	**$ 1,199,267**	**$ 1,151,296**	**$ 1,107,015**	**$ 1,066,015**	**$ 1,027,943**
Add: Investment in Developments	$ 63,000	$ 63,000	$ 63,000	$ 63,000	$ 63,000	$ 63,000	$ 63,000
Add: Estimated TRS Value	$ 46,158	$ 46,158	$ 46,158	$ 46,158	$ 46,158	$ 46,158	$ 46,158
Add: Other Assets	$ 220,733	$ 220,733	$ 220,733	$ 220,733	$ 220,733	$ 220,733	$ 220,733
Less: Liabilities	$ 574,817	$ 574,817	$ 574,817	$ 574,817	$ 574,817	$ 574,817	$ 574,817
Total	**$ 1,063,365**	**$ 1,006,483**	**$ 954,341**	**$ 906,370**	**$ 862,089**	**$ 821,089**	**$ 783,017**
Diluted Shares and OP Units	60,281	60,281	60,281	60,281	60,281	60,281	60,281
NAV Per Share	**$ 17.64**	**$ 16.70**	**$ 15.83**	**$ 15.04**	**$ 14.30**	**$ 13.62**	**$ 12.99**

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:

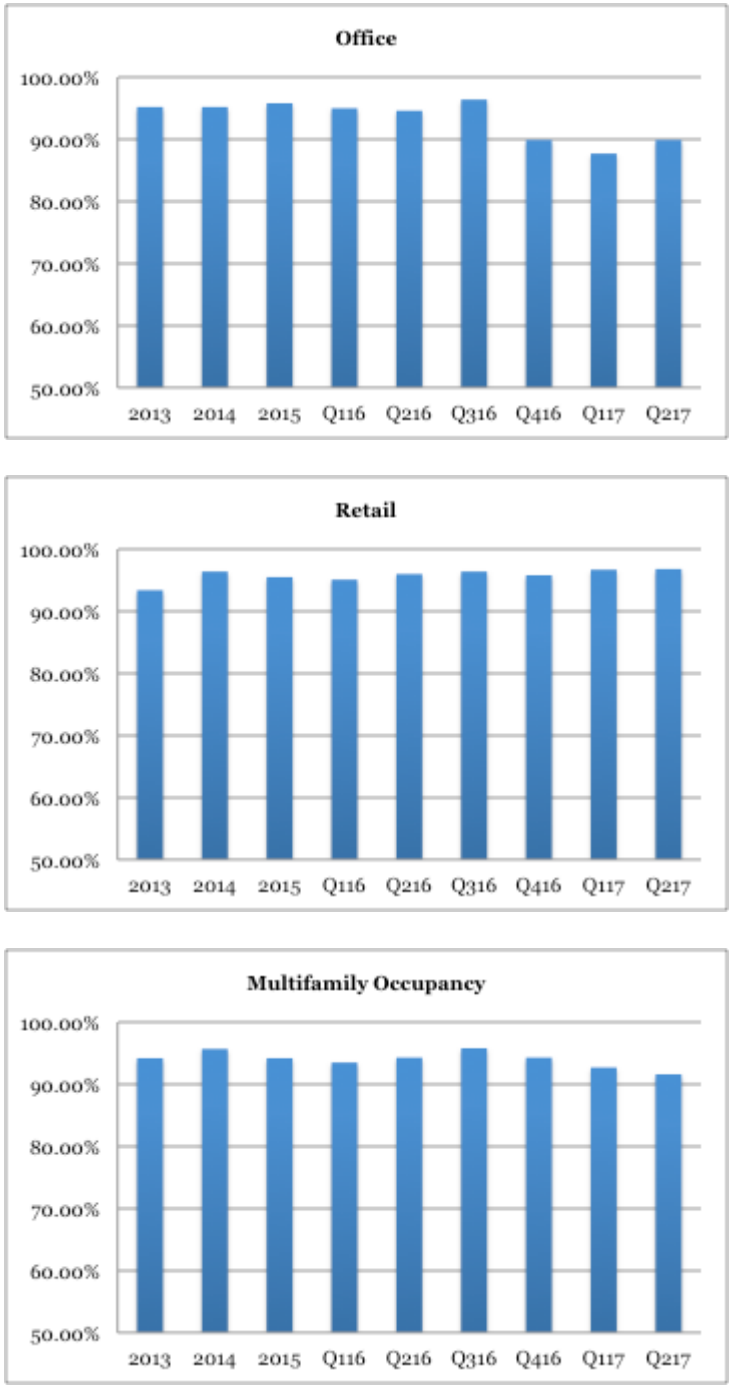
- Virginia
- Maryland
- North Carolina
- South Carolina

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 approximately 4.4M rentable square feet of office and retail space, plus 1,200 multifamily units, and has approximately $440M in its development pipeline. The company has historically high occupancy rates across all three categories.

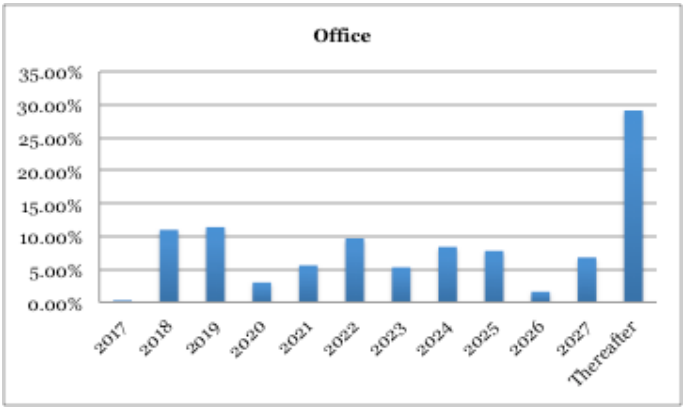
Exhibit 2: Historically High Occupancy Rates



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
- 25+ restaurants
- 628 residential units
- 2 hotels
- 30,000 square-feet of conference space
- a 1,300-seat performing arts theatre

As last reported, Town Center made ~ 40% of the company's total rental revenues. 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:

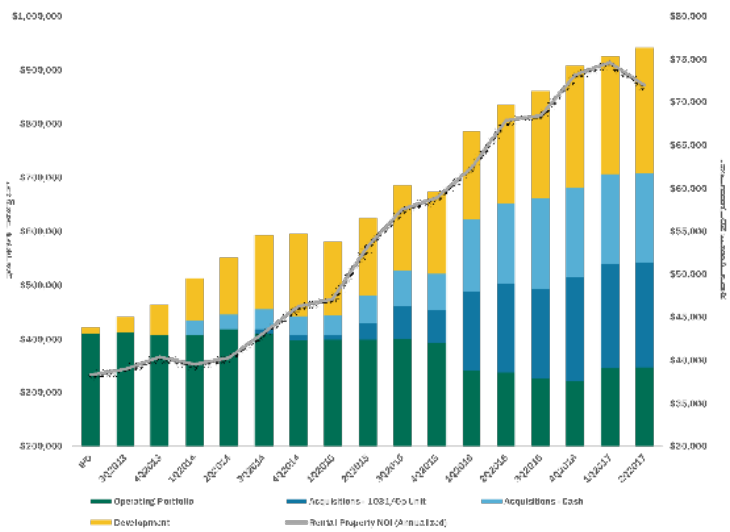
- George Allen – Former congressman, senator, and Governor of Virginia
- James Carroll – President and CEO Crestline Hotels & Resorts, LLC
- James Cherry – Previously Chairman and CEO for the Mid-Atlantic Banking Region at Wachovia
- Eva Hardy – Served as EVP of Public Policy and Corporate Communications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

As last reported, AHH had approximately 17% insider ownership. Therefore, management is heavily invested on both professional as well as personal levels.

GROWTH STRATEGY

Organic growth for AHH is gained thru increasing rental rates and high occupancy, while managing/reducing costs on company properties. The company's primary avenue for growth, however, 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 inception, AHH has developed approximately $1.6B of commercial real estate (as last reported), and the company also details delivering in excess of $260M of projects since its IPO in 2013. AHH currently has ~ $440M in its development pipeline.

Exhibit 4: Portfolio Growth since IPO ($ in thousands)



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

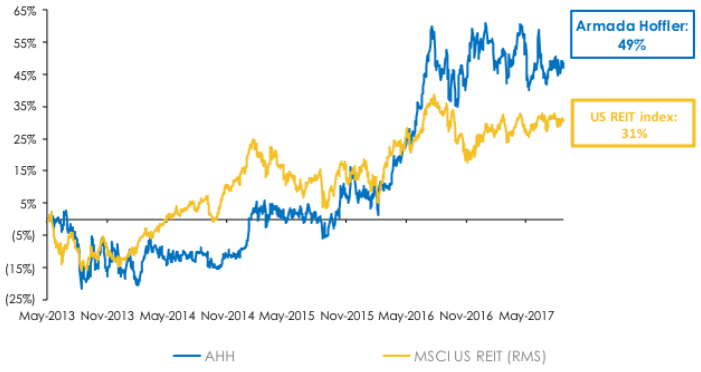
Tenant	# of Leases/ Expiration	% of Retail Portfolio
Kroger/Harris Teeter	11 - 2036	11.3%
Home Depot	2 - 2023	4.3%
Bed Bath & Beyond	4 - 2024	3.3%
Regal Cinemas	2 - 2022	3.1%
PetSmart	5 - 2022	2.8%
Food Lion	3 - 2022	2.5%
Dick's Sporting Goods	1 - 2020	1.6%
Safeway	2 - 2021	1.6%
Weis Markets	1 - 2028	1.6%
Ross Dress for Less	2 - 2022	1.5%
		33.5%

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. For example, management recently announced that the company might sell or repurpose some of its smaller retail centers in the upcoming quarters; also, AHH recently closed on the sale of 2 of its build-to-suit state office buildings, recognizing an approximate 40% profit margin upon delivery, and these proceeds are being used to partially fund the purchase of the out-parcel space at Wendover Village in Greensboro, NC, for $14.3M, which complements nicely a previous nearby purchase.

The Armada Hoffler management team has the ultimate goal of increasing total shareholder returns, as demonstrated by its growth since the IPO as compared to the US REIT index. Since its IPO, AHH has outperformed the US REIT index by approximately 1800 bps.

Exhibit 6: Total Shareholder Return since IPO



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 FY16, 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

	Q2 Jun-16	Q2 Jun-17	Variance	
Revenues				
Rental revenues	$ 24,251	$ 26,755	**2,504**	Rental revenues and related expenses will vary by quarter given recent acquisition, disposition, and development activity
General contracting and real estate services revenues	33,200	56,671	**23,471**	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	**57,451**	**83,426**		
Expenses				
Rental expenses	5,071	6,171	**1,100**	See above
Real estate taxes	2,382	2,595	**213**	See above
General contracting and real estate services expenses	32,025	54,015	**21,990**	See above
Depreciation and amortization	8,602	9,304	**702**	Result of property acquisitions and completion of development projects
General and administrative expenses	2,224	2,678	**454**	Incurred higher regulatory and compliance costs, comp and benefit costs from increased headcount, and franchise taxes
Acquisition, development and other pursuit costs	437	369	**(68)**	Varies with timing of deals
Impairment charges	-	27	**27**	
Total expenses	50,741	75,159		
Operating income (loss)	**6,710**	**8,267**		
Other income (expense)				
Interest income	722	1,658	**936**	Higher notes receivable balances
Interest expense	(3,978)	(4,494)	**(516)**	Result of increased borrowings and higher interest rates
Loss on extinguishment of debt	-	-	**0**	
Gain on real estate dispositions	13	-	**(13)**	
Change in fair value of interest rate derivatives	(373)	(81)	**292**	Less dramatic changes in forward LIBOR rates
Other income/(expense)	43	43	**0**	
Total other income (expense)	(3,573)	(2,874)		
Income (loss) before taxes	**3,137**	**5,393**		
Income tax benefit (provision)	(6)	(450)	**(444)**	Attributable to the taxable profits and losses of the development and construction businesses
Net income (loss)	**3,131**	**4,943**		
Net income attributable to non-controlling interests	(1,097)	(1,472)	**(375)**	
Net income (loss) attributable to stockholders	**$ 2,034**	**$ 3,471**		
Weighted average common shares outstanding	31,736	42,091		
Weighted average operating partnership units outstanding	17,113	17,845		
Basic and diluted outstanding	48,849	59,936		
Dividends and distributions declared per common share and unit	**$0.18**	**$0.19**		
EBITDA	$ 15,704	$ 17,571		
EBITDA per diluted weighted average share	**$0.32**	**$0.29**		
Funds from operations (FFO)	$ 11,720	$ 14,247		
Normalized FFO	$ 12,530	$ 14,724		
Normalized FFO per diluted weighted average share	**$0.26**	**$0.25**		
Adjusted funds from operations (AFFO)*	$ 10,240	$ 13,159		
AFFO per diluted weighted average share	**$0.21**	**$0.22**		

Source: Company Reports, Stonegate Capital Partners

While recent results were generally in-line with management's guidance to date, based on Q217 results and the outlook for the second half of the year, AHH adjusted several of the 2017 guidance ranges. Expectations as of the earnings call were detailed as follows:

Total NOI	$72.8M - $73.3M
Construction company annual segment GP	$6.9M - $7.4M
General and administrative expenses	$10.8M - $11.0M
Interest income	$6.7M - $6.9M
Interest expense	$16.9M - $17.4M
Normalized FFO per diluted share	$0.97 - $0.99

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 third quarter of 2017. Additionally, the company acquired undeveloped land in Charleston, SC for $6.7M as well as the out-parcel phase of Wendover Village in Greensboro, NC for $14.3M. Also, AHH completed the sale of two office properties in Virginia. Finally, in July 2017, the company increased its borrowings under the revolving credit facility by $30M.

BALANCE SHEETS

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

ASSETS	FY 2014	FY 2015	FY 2016	Q2 FY17
Assets				
Real estate investments:				
Income producing property	$513,918	$579,000	$894,078	$900,782
Held for development	-	1,180	680	680
Construction in progress	81,082	53,411	13,529	39,361
	595,000	633,591	$908,287	$940,823
Accumulated depreciation	(116,099)	(125,380)	(139,553)	(152,438)
Net real estate investments	478,901	508,211	$768,734	$788,385
Real estate investments held for sale	8,538	40,232	-	-
Cash and cash equivalents	25,883	26,989	21,942	18,587
Restricted cash	4,224	2,824	3,251	3,139
Accounts receivable, net	20,548	21,982	15,052	15,027
Notes receivable	-	7,825	59,546	73,382
Construction receivables, including retentions	19,432	36,535	39,433	45,820
Construction contract costs and est. earnings in excess of billings	272	88	110	53
Equity method investments	-	1,411	10,235	10,950
Other assets	33,108	43,450	64,165	58,995
Total Assets	**$590,906**	**$ 689,547**	**$982,468**	**$1,014,338**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Liabilities				
Indebtedness	$359,229	$377,593	$522,180	465,291
Debt secured by real estate investments held for sale	-	-	-	-
Accounts payable and accrued liabilities	8,358	6,472	10,804	9,311
Construction payables, including retentions	42,399	52,067	51,130	58,546
Billings in excess of construction contract costs and est. earnings	1,053	2,224	10,167	6,780
Other liabilities	17,961	25,471	39,209	39,889
Total Liabilities	**429,000**	**463,827**	**633,490**	**579,817**
Redeemable non-controlling interest	-	-	-	2,000
Shareholders' Equity				
Common stock - par value	250	300	374	449
Additional paid-in capital	51,472	102,906	197,114	288,162
Distributions in excess of earnings	(54,413)	(53,010)	(49,345)	(55,709)
Accumulated other comprehensive loss	-	(649)	-	-
Total Shareholders' Equity (deficit)	**(2,691)**	**49,548**	**148,143**	**232,902**
Non-controlling interests	164,597	176,172	200,835	199,619
Total Liabilities and Shareholders' Equity	**$590,906**	**$ 689,547**	**$982,468**	**$1,014,338**
Ratios				
Liquidity				
Current Ratio	1.4x	1.6x	2.2x	2.3x
Working Capital	$19,330	$37,616	$77,290	$88,098
Availability under Credit Facility	$87.5M	$76M	$68M	$117.9M
Leverage				
Core Debt to EV	34.6%	37.0%	31.7%	30.9%
Core Debt to Annualized Core EBITDA	6.1x	6.1x	6.3x	5.3x

Source: Company Reports, Stonegate Capital Partners

INCOME STATEMENTS

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

	FY 2014	FY 2015	FY 2016	FY 2017 E
Revenues				
Rental revenues	$ 64,746	$ 81,172	$ 99,355	$ 107,012
General contracting and real estate services revenues	103,321	171,268	159,030	217,097
Total revenues	**168,067**	**252,440**	**258,385**	**324,109**
Expenses				
Rental expenses	16,667	19,204	21,904	23,484
Real estate taxes	5,743	7,782	9,629	10,197
General contracting and real estate services expenses	98,754	165,344	153,375	209,696
Depreciation and amortization	17,569	23,153	35,328	37,951
General and administrative expenses	7,711	8,397	9,552	10,989
Acquisition, development and other pursuit costs	229	1,935	1,563	1,016
Impairment charges	15	41	355	31
Total expenses	146,688	225,856	231,706	293,363
Operating income (loss)	**21,379**	**26,584**	**26,679**	**30,746**
Other income (expense)				
Interest income	-	126	3,228	6,906
Interest expense	(10,648)	(13,333)	(16,466)	(16,929)
Loss on extinguishment of debt	-	(512)	(82)	-
Gain on real estate dispositions	2,211	18,394	30,533	3,395
Change in fair value of interest rate derivatives	-	-	(941)	213
Other income/(expense)	(113)	(110)	147	180
Total other income (expense)	(8,550)	4,565	16,419	(6,235)
Income (loss) before taxes	**12,829**	**31,149**	**43,098**	**24,511**
Income tax benefit (provision)	(70)	34	(343)	(852)
Net income (loss)	**12,759**	**31,183**	**42,755**	**23,659**
Net income attributable to predecessor	-	-	-	-
Net income attributable to non-controlling interests	(5,068)	-	(14,681)	(7,289)
Net income (loss) attributable to stockholders	**$ 7,691**	**$ 31,183**	**$ 28,074**	**$ 16,370**
Weighted average common shares outstanding	20,946	26,006	33,057	42,365
Weighted average operating partnership units outstanding	14,125	15,377	17,167	17,916
Basic and diluted outstanding	35,071	41,383	50,224	60,281
Dividends and distributions declared per common share and unit	**$0.64**	**$0.68**	**$0.72**	**$0.76**
EBITDA	$ 38,948	$ 49,241	$ 64,359	$ 69,090
EBITDA per diluted weighted average share	**$1.11**	**$1.19**	**$1.28**	**$1.15**
Funds from operations (FFO)	$ 28,117	$ 35,942	$ 47,980	$ 58,215
Normalized FFO	$ 28,594	$ 38,659	$ 50,921	$ 59,049
Normalized FFO per diluted weighted average share	**$0.82**	**$0.93**	**$1.01**	**$0.98**
Adjusted funds from operations (AFFO)	$ 21,590	$ 33,606	$ 46,282	$ 56,268
AFFO per diluted weighted average share	**$0.62**	**$0.81**	**$0.92**	**$0.93**

Source: Company Reports, Stonegate Capital Partners

TIMELINE FY16 – FY17

July 2017 – Company acquires both undeveloped land in Charleston, SC, for $6.7M as well as the out-parcel phase of Wendover Village in Greensboro, NC, for $14.3M; two office properties in VA are sold for net proceeds of $12.8M

June 2017 – AHH is added to the S&P SmallCap 600 Index

May 2017 – AHH announces closing of a public offering of 6.9M shares at $13/share for net proceeds of $85.4M; BOD also declares $0.19 per share cash dividend for Q217; AHH enters into an agreement to invest $11M in the development of a Whole Foods-anchored center in Decatur, GA

March 2017 – Company announces $100M development in downtown Charleston, SC, teaming up with Spandrel Development Partners

January 2017 – AHH completes sale of Wawa outparcel at Greentree Shopping Center for net proceeds of $4.4M

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

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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