

## MARKET STATISTICS

Exchange / Symbol	NYSE: AHH
Price:	\$14.91
Market Cap (\$mm):	\$936.08
Enterprise Value (\$mm):	\$1,433.1
Common Shares + OP Units:	62.8M
Float:	71%
Volume (3 Month Average):	282,200
52 Week Range:	\$12.66-\$15.16
Industry:	REIT - Diversified

## CONDENSED NAV CALCULATION

(Refer to page 2 for more detail)

Stable Portfolio Cash NOI:	\$70.8M
Asset Value @ Median Cap:	\$1,132.7M
Add Other Net Assets/Liabilities:	(\$244.4M)
Total:	\$888.3M
NAV Range Midpoint:	\$14.75

## CONDENSED FINANCIAL DETAIL

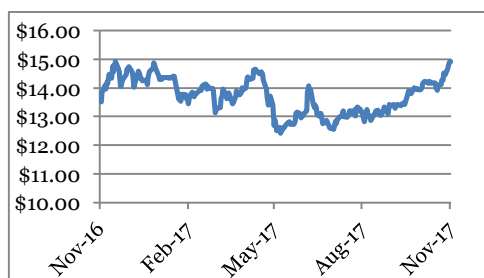
(\$mm, except per sh data)

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	\$72.80	\$0.98	\$0.76	\$7.5

## 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.	897,800

## 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 almost \$440M in the development pipeline as most recently 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 \$1.8M in Q3 2017, and management guides to \$7.2 - \$7.5M annual gross profit for this segment in 2017; AHH reported \$76.7M in its construction backlog as of 9/30/17.
- 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.
- At \$14.91, the dividend yield is 5.1% 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 Q317.

We believe that AHH offers a well-diversified real estate investment opportunity for the marketplace, with a current share price trading around the midpoint of our estimated NAV per share range of \$14.02 - \$15.53.

## 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 \$72.8M, representing an 7.3% 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 \$7.2 - \$7.5M, a healthy contribution to AHH's operating results.

We show G&A increasing to \$10.5M 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 \$17.4M, and we have included \$7.0M of interest income for FY17. Armada Hoffler guided to a 2017 full-year normalized FFO per diluted share estimate of \$0.98 - \$1.00. Our model comes in at \$0.98 per share normalized FFO for FY17, factoring in the 60.2M weighted average shares and units estimated by management to be outstanding for annual estimates per the most recent earnings release.

Armada Hoffler represents a compelling growth story as a dominant player in its industry with an attractive dividend yield and a significant development pipeline; we calculate a current estimated NAV per share range of approximately \$14.02 - \$15.53.

*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	\$ 70,792	\$ 70,792	\$ 70,792	\$ 70,792	\$ 70,792	\$ 70,792	\$ 70,792
<b>Property Market Value @ Cap Rate</b>	<b>\$ 1,287,127</b>	<b>\$ 1,231,165</b>	<b>\$ 1,179,867</b>	<b>\$ 1,132,672</b>	<b>\$ 1,089,108</b>	<b>\$ 1,048,770</b>	<b>\$ 1,011,314</b>
Add: Investment in Developments	\$ 84,000	\$ 84,000	\$ 84,000	\$ 84,000	\$ 84,000	\$ 84,000	\$ 84,000
Add: Estimated TRS Value	\$ 49,434	\$ 49,434	\$ 49,434	\$ 49,434	\$ 49,434	\$ 49,434	\$ 49,434
Add: Other Assets	\$ 219,757	\$ 219,757	\$ 219,757	\$ 219,757	\$ 219,757	\$ 219,757	\$ 219,757
Less: Liabilities	\$ 597,565	\$ 597,565	\$ 597,565	\$ 597,565	\$ 597,565	\$ 597,565	\$ 597,565
<b>Total</b>	<b>\$ 1,042,753</b>	<b>\$ 986,791</b>	<b>\$ 935,493</b>	<b>\$ 888,298</b>	<b>\$ 844,734</b>	<b>\$ 804,396</b>	<b>\$ 766,940</b>
Diluted Shares and OP Units	60,235	60,235	60,235	60,235	60,235	60,235	60,235
<b>NAV Per Share</b>	<b>\$ 17.31</b>	<b>\$ 16.38</b>	<b>\$ 15.53</b>	<b>\$ 14.75</b>	<b>\$ 14.02</b>	<b>\$ 13.35</b>	<b>\$ 12.73</b>

## 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:

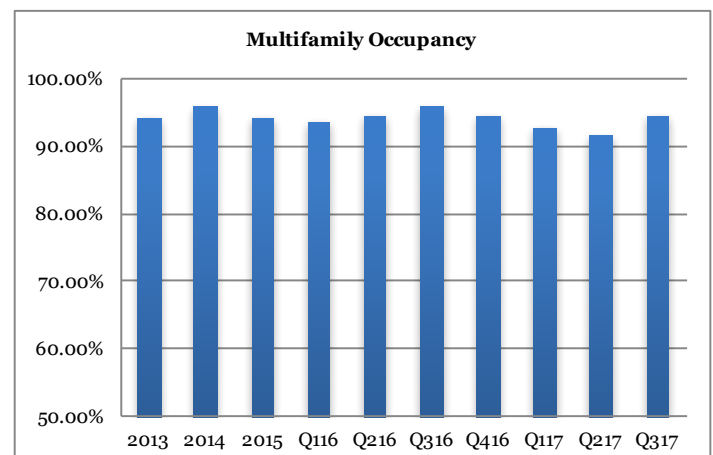
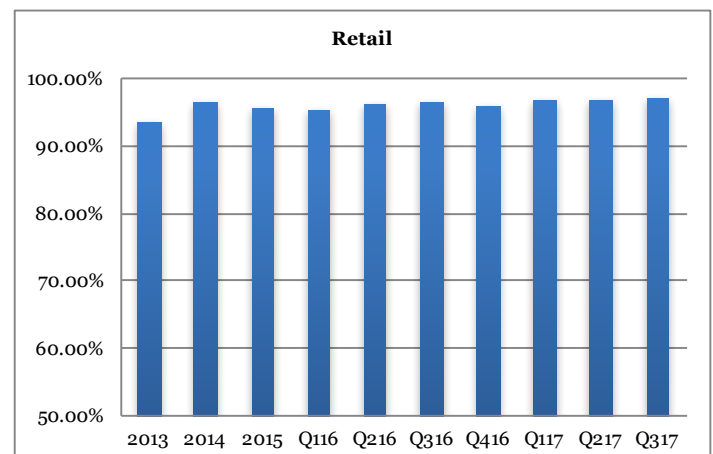
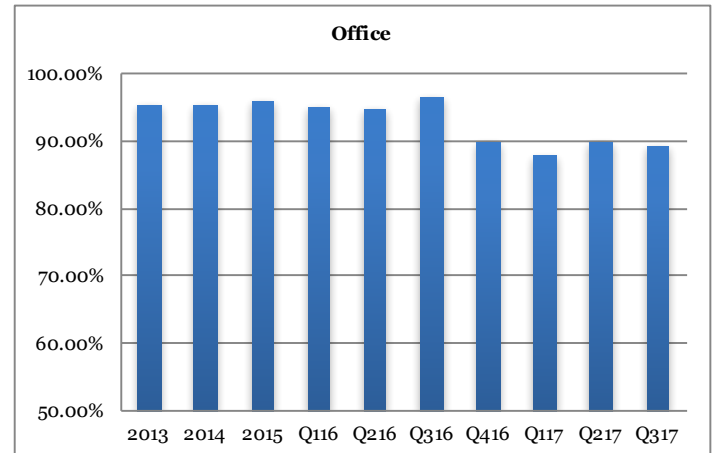
- Virginia
- Maryland
- North Carolina
- South Carolina

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 3<sup>rd</sup> 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 almost \$440M in its development pipeline. The company has historically high occupancy rates across all three categories.

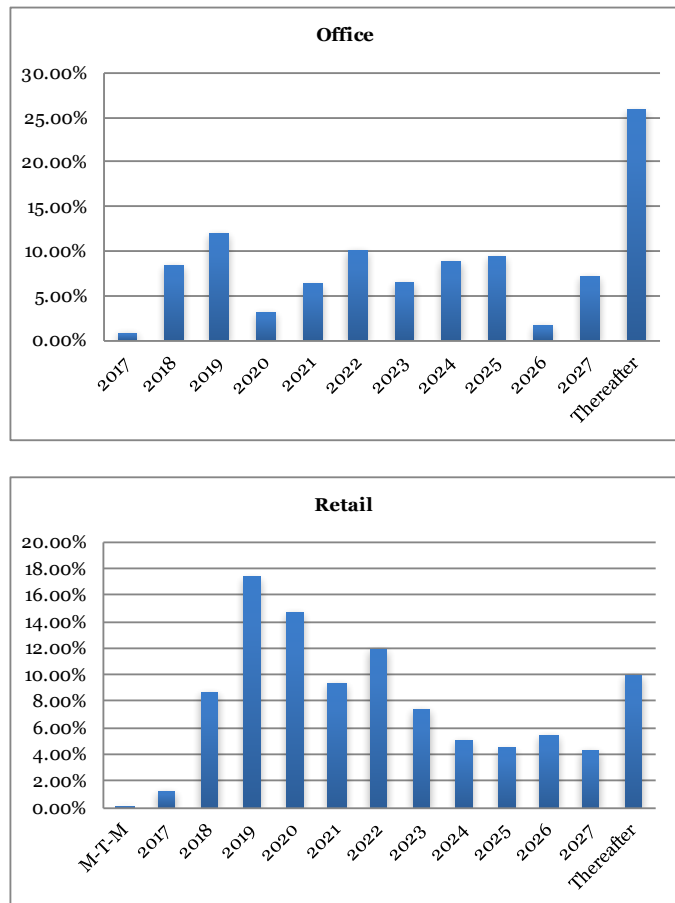
*Exhibit 2: Historically High Occupancy Rates*



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 Hoffer 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 & cafés
- 628 residential units
- 2 hotels
- 30,000 square-feet of conference space
- a 1,300-seat performing arts theatre

As reported in the company's 10K, Town Center contributes just over 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 Hoffer 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 Hoffer, Vice Chairman Russ Kirk and CEO Lou Haddad, Armada Hoffer's independent board member also bring strong resumes to the company. For example:

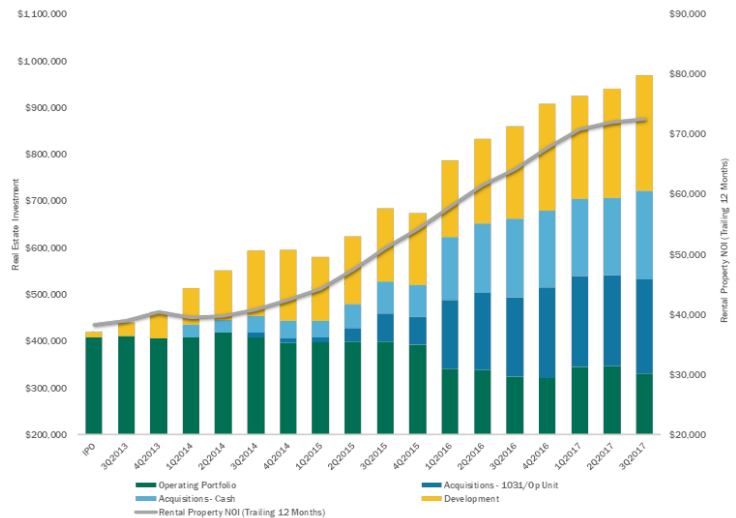
- George Allen – Former congressman, senator, and Governor of Virginia
- James Carroll – President and CEO Crestline Hotels & Resorts, LLC
- James Cherry – Previously Chairman and CEO for the Mid-Atlantic Banking Region at Wachovia
- Eva Hardy – Served as EVP of Public Policy and Corporate Communications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

As last reported (Q117 factsheet), 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 Hoffer 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 Hoffer 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. As previously mentioned, AHH currently has almost \$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

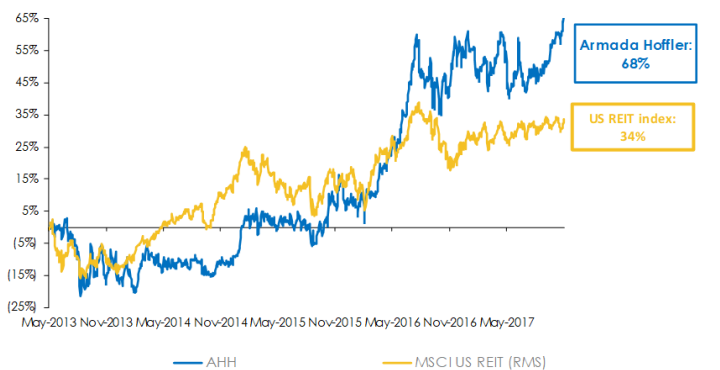
Tenant	# of Leases/ Expiration	% of Retail Portfolio
Kroger/Harris Teeter	11 - 2036	11.1%
Home Depot	2 - 2023	4.2%
Bed Bath & Beyond	4 - 2024	3.2%
Regal Cinemas	2 - 2022	3.0%
PetSmart	5 - 2022	2.7%
Food Lion	3 - 2022	2.4%
Dick's Sporting Goods	1 - 2020	1.6%
Safeway	2 - 2021	1.6%
Weis Markets	1 - 2028	1.5%
Ross Dress for Less	2 - 2022	1.4%
		<u>32.8%</u>

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 Hoffer 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 3000 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 Hoffer 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 Hoffer'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 Hoffer'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 Hoffer 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

<b>Net Asset Value (NAV)</b>	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.
<b>EBITDA</b>	A non-GAAP measure representing earnings before interest, taxes, depreciation and amortization. AHH also excludes gains or losses from sales of depreciable property.
<b>Funds from Operations (FFO)</b>	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.
<b>Normalized FFO</b>	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.
<b>Adjusted Funds from Operations (AFFO)</b>	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.
<b>Cap Rate</b>	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 Hoffer, Inc. (NYSE: AHH) Consolidated Statements of Income (\$000s, except per share amounts) Fiscal Year: December			
	Q3 Jun-16	Q3 Jun-17	Variance
<b>Revenues</b>			
Rental revenues	\$ 25,305	\$ 27,096	1,791
General contracting and real estate services revenues	38,552	41,201	2,649
<b>Total revenues</b>	<b>63,857</b>	<b>68,297</b>	
<b>Expenses</b>			
Rental expenses	5,834	6,830	996
Real estate taxes	2,356	2,693	337
General contracting and real estate services expenses	37,274	39,377	2,103
Depreciation and amortization	8,885	9,239	354
General and administrative expenses	2,156	2,098	(58)
Acquisition, development and other pursuit costs	345	61	(284)
Impairment charges	149	19	(130)
<b>Total expenses</b>	<b>56,999</b>	<b>60,317</b>	
<b>Operating income (loss)</b>	<b>6,858</b>	<b>7,980</b>	
Other income (expense)			
Interest income	1,024	1,910	886
Interest expense	(4,124)	(4,253)	(129)
Loss on extinguishment of debt	(82)	-	82
Gain on real estate dispositions	3,753	4,692	939
Change in fair value of interest rate derivatives	498	87	(411)
Other income/(expense)	35	74	39
Total other income (expense)	1,104	2,510	
<b>Income (loss) before taxes</b>	<b>7,962</b>	<b>10,490</b>	
Income tax benefit (provision)	(16)	(29)	(13)
<b>Net income (loss)</b>	<b>7,946</b>	<b>10,461</b>	
Net income attributable to non-controlling interests	(2,734)	(2,973)	(239)
<b>Net income (loss) attributable to stockholders</b>	<b>\$ 5,212</b>	<b>\$ 7,488</b>	
Weighted average common shares outstanding	33,792	44,934	
Weighted average operating partnership units outstanding	17,720	17,845	
Basic and diluted outstanding	51,512	62,779	
<b>Dividends and distributions declared per common share and unit</b>	<b>\$0.18</b>	<b>\$0.19</b>	
EBITDA	\$ 17,218	\$ 17,219	
<b>EBITDA per diluted weighted average share</b>	<b>\$0.33</b>	<b>\$0.27</b>	
Funds from operations (FFO)	\$ 13,078	\$ 15,500	
Normalized FFO	\$ 13,156	\$ 15,493	
<b>Normalized FFO per diluted weighted average share</b>	<b>\$0.26</b>	<b>\$0.25</b>	
Adjusted funds from operations (AFFO)*	\$ 12,453	\$ 13,944	
<b>AFFO per diluted weighted average share</b>	<b>\$0.24</b>	<b>\$0.22</b>	

Source: Company Reports, Stonegate Capital Partners

While recent results were generally in-line with management's guidance to date, based on Q317 results and the outlook for the remainder of the year, AHH has adjusted its 2017 guidance ranges. Expectations as of the earnings call were detailed as follows:

Total NOI	\$72.6M - \$73.0M
Construction company annual segment GP	\$7.2M - \$7.5M
General and administrative expenses	\$10.4M - \$10.6M
Interest income	\$6.9M - \$7.1M
Interest expense	\$17.2M - \$17.5M
Normalized FFO per diluted share	\$0.98 - \$1.00

Subsequent to quarter-end, Armada Hoffer:

- Announced Williams Sonoma and Pottery Barn as the anchor tenants of Phase VI of the Town Center of Virginia Beach
- Broke ground in downtown Charleston, SC, on two student housing properties (represents ~ \$100M new development)
- Obtained a new unsecured \$300M credit facility, which includes a \$150M term loan
- Invested in the development of a \$20M Whole Foods anchored center in Delray, FL
- Updated its company branding with a new logo and enhanced corporate website, launched October 2017



## BALANCE SHEETS

<b>Armada Hoffler, Inc. (NYSE: AHH)</b> <b>Consolidated Balance Sheets (\$'000s)</b> <b>Fiscal Year: December</b>				
ASSETS	FY 2014	FY 2015	FY 2016	Q3 FY17
<b>Assets</b>				
Real estate investments:				
Income producing property	\$513,918	\$579,000	\$894,078	\$906,225
Held for development	-	1,180	680	680
Construction in progress	81,082	53,411	13,529	62,948
	595,000	633,591	\$908,287	\$969,853
Accumulated depreciation	(116,099)	(125,380)	(139,553)	(157,932)
Net real estate investments	478,901	508,211	\$768,734	\$811,921
Real estate investments held for sale	8,538	40,232	-	-
Cash and cash equivalents	25,883	26,989	21,942	19,721
Restricted cash	4,224	2,824	3,251	3,195
Accounts receivable, net	20,548	21,982	15,052	15,826
Notes receivable	-	7,825	59,546	75,522
Construction receivables, including retentions	19,432	36,535	39,433	35,923
Construction contract costs and est. earnings in excess of billings	272	88	110	110
Equity method investments	-	1,411	10,235	11,169
Other assets	33,108	43,450	64,165	57,611
<b>Total Assets</b>	<b>\$ 590,906</b>	<b>\$ 689,547</b>	<b>\$982,468</b>	<b>\$1,030,998</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>Liabilities</b>				
Indebtedness	\$359,229	\$377,593	\$522,180	488,609
Debt secured by real estate investments held for sale	-	-	-	-
Accounts payable and accrued liabilities	8,358	6,472	10,804	14,383
Construction payables, including retentions	42,399	52,067	51,130	48,160
Billings in excess of construction contract costs and est. earnings	1,053	2,224	10,167	5,232
Other liabilities	17,961	25,471	39,209	41,181
<b>Total Liabilities</b>	<b>429,000</b>	<b>463,827</b>	<b>633,490</b>	<b>597,565</b>
Redeemable non-controlling interest	-	-	-	2,000
<b>Shareholders' Equity</b>				
Common stock - par value	250	300	374	449
Additional paid-in capital	51,472	102,906	197,114	288,485
Distributions in excess of earnings	(54,413)	(53,010)	(49,345)	(56,755)
Accumulated other comprehensive loss	-	(649)	-	-
<b>Total Shareholders' Equity (deficit)</b>	<b>(2,691)</b>	<b>49,548</b>	<b>148,143</b>	<b>232,179</b>
Non-controlling interests	164,597	176,172	200,835	199,254
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 590,906</b>	<b>\$ 689,547</b>	<b>\$ 982,468</b>	<b>\$1,030,998</b>
<b>Ratios</b>				
<b>Liquidity</b>				
Current Ratio	1.4x	1.6x	2.2x	2.4x
Working Capital	\$19,330	\$37,616	\$77,290	\$87,644
Availability under Credit Facility	\$87.5M	\$76M	\$68M	\$87.9M
<b>Leverage</b>				
Core Debt to EV	34.6%	37.0%	31.7%	34.2%
Core Debt to Annualized Core EBITDA	6.1x	6.1x	6.3x	6.0x

Source: Company Reports, Stonegate Capital Partners

## INCOME STATEMENTS

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

	FY 2014	FY 2015	FY 2016	FY 2017 E
<b>Revenues</b>				
Rental revenues	\$ 64,746	\$ 81,172	\$ 99,355	\$ 108,531
General contracting and real estate services revenues	103,321	171,268	159,030	198,678
<b>Total revenues</b>	<b>168,067</b>	<b>252,440</b>	<b>258,385</b>	<b>307,209</b>
<b>Expenses</b>				
Rental expenses	16,667	19,204	21,904	25,543
Real estate taxes	5,743	7,782	9,629	10,192
General contracting and real estate services expenses	98,754	165,344	153,375	191,129
Depreciation and amortization	17,569	23,153	35,328	37,081
General and administrative expenses	7,711	8,397	9,552	10,487
Acquisition, development and other pursuit costs	229	1,935	1,563	527
Impairment charges	15	41	355	50
<b>Total expenses</b>	<b>146,688</b>	<b>225,856</b>	<b>231,706</b>	<b>275,009</b>
<b>Operating income (loss)</b>	<b>21,379</b>	<b>26,584</b>	<b>26,679</b>	<b>32,200</b>
Other income (expense)				
Interest income	-	126	3,228	6,966
Interest expense	(10,648)	(13,333)	(16,466)	(17,382)
Loss on extinguishment of debt	-	(512)	(82)	-
Gain on real estate dispositions	2,211	18,394	30,533	8,087
Change in fair value of interest rate derivatives	-	-	(941)	300
Other income/(expense)	(113)	(110)	147	204
Total other income (expense)	(8,550)	4,565	16,419	(1,825)
<b>Income (loss) before taxes</b>	<b>12,829</b>	<b>31,149</b>	<b>43,098</b>	<b>30,375</b>
Income tax benefit (provision)	(70)	34	(343)	(831)
<b>Net income (loss)</b>	<b>12,759</b>	<b>31,183</b>	<b>42,755</b>	<b>29,544</b>
Net income attributable to predecessor	-	-	-	-
Net income attributable to non-controlling interests	(5,068)	-	(14,681)	(8,762)
<b>Net income (loss) attributable to stockholders</b>	<b>\$ 7,691</b>	<b>\$ 31,183</b>	<b>\$ 28,074</b>	<b>\$ 20,782</b>
Weighted average common shares outstanding	20,946	26,006	33,057	42,387
Weighted average operating partnership units outstanding	14,125	15,377	17,167	17,849
Basic and diluted outstanding	35,071	41,383	50,224	60,235
<b>Dividends and distributions declared per common share and unit</b>	<b>\$0.64</b>	<b>\$0.68</b>	<b>\$0.72</b>	<b>\$0.76</b>
EBITDA	\$ 38,948	\$ 49,241	\$ 64,359	\$ 69,281
<b>EBITDA per diluted weighted average share</b>	<b>\$1.11</b>	<b>\$1.19</b>	<b>\$1.28</b>	<b>\$1.15</b>
Funds from operations (FFO)	\$ 28,117	\$ 35,942	\$ 47,980	\$ 58,538
Normalized FFO	\$ 28,594	\$ 38,659	\$ 50,921	\$ 58,815
<b>Normalized FFO per diluted weighted average share</b>	<b>\$0.82</b>	<b>\$0.93</b>	<b>\$1.01</b>	<b>\$0.98</b>
Adjusted funds from operations (AFFO)	\$ 21,590	\$ 33,606	\$ 46,282	\$ 54,680
<b>AFFO per diluted weighted average share</b>	<b>\$0.62</b>	<b>\$0.81</b>	<b>\$0.92</b>	<b>\$0.91</b>

Source: Company Reports, Stonegate Capital Partners

## RECENT TIMELINE

**October 2017** – AHH closes on \$300M unsecured credit facility; updated company logo and website released, and investment in the development of a \$20M Whole Foods anchored center in Delray Beach, FL

**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 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 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

## 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 Hoffer Construction Company. Additionally, Mr. Haddad served as an on-site construction supervisor for Armada Hoffer Construction Company from 1985 until 1987. Prior to joining Armada Hoffer, 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 Hoffer 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 Hoffer 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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