ARMADA HOFFLER PROPERTIES

STONEGATE CAPITAL PARTNERS

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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 has demonstrated its ability to deliver sustainable, low-risk growth to investors through its diversified real estate portfolio, which includes a healthy development pipeline. With May 2018 marking five years since the IPO, it is notable that AHH has almost tripled its market cap over that timeframe, growing earnings, NAV and dividends annually, with a total return in excess of 75%.

- The company's operating portfolio consists of approximately 4.5M+ rentable square feet and approximately 1,200+ apartment units.
- AHH has dependable cash flow created by occupancy at ~ 95%.
- As last reported, AHH had delivered ~ $264 million of projects since its IPO in 2013; the company had ~$605M in the development pipeline as reported for Q218.
- 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 $7.4M in FY 2017, and management guides to $5.6 - $6.4M annual gross profit for this segment in 2018. AHH reported $37.9M in its construction backlog as of 6/30/18 but has stated the expectation for this number to increase over the upcoming months.
- The company constantly re-evaluates its properties and disposes of non-core assets when identified so that capital can be redeployed; for example, AHH closed on the sale of 2 of its build-to-suit state office buildings in Q317, recognizing an approximate 40% profit margin upon delivery, and these proceeds were used to partially fund the purchase of the out-parcel space at Wendover Village in Greensboro, NC, for $14.3M. Management most recently announced the sale of the Wawa outparcel at a 5.4% cap rate in Q218, with the sale proceeds utilized for balance sheet purposes.
- AHH reported a normalized FFO/diluted share of $0.24 and AFFO/share of $0.21 for Q218; at $15.59, the dividend yield is 5.1% on the most recent quarterly dividend paid of $0.20.

We believe that AHH offers a well-diversified real estate investment opportunity for the marketplace, with a current share price trading well below the $15.99 midpoint of our estimated NAV per share range.

MARKET STATISTICS

Exchange / Symbol	NYSE: AHH
Price:	$15.59
Market Cap ($mm):	$1,034.1
Enterprise Value ($mm):	$1,599.2
Common Shares + OP Units:	66.3M
Float:	72.6%
Volume (3 Month Average):	361,000
52 Week Range:	$12.73-$16.01
Industry:	REIT - Diversified

CONDENSED NAV CALCULATION

(Refer to page 2 for more detail)

Stable Portfolio Cash NOI:	$83.9M
Asset Value @ Median Cap:	$1,342.4M
Add Other Net Assets/Liabilities:	($311.3M)
Total:	$1,031.1M
NAV Range Midpoint:	$15.99

CONDENSED FINANCIAL DETAIL

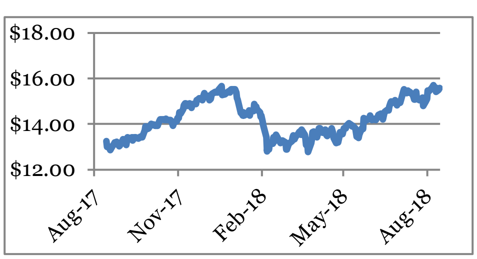
($mm, except per sh data)

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
FY17	$72.79	$0.99	$0.76	$7.4
FY18E	$79.21	$1.07	$0.80	$6.3

LARGEST INSTITUTIONAL HOLDERS

BlackRock, Inc.	6,691,200
The Vanguard Group, Inc.	4,745,200
Renaissance Technologies Corp.	2,646,600
AllianceBerstein, LP	2,432,500
FMR, LLC	2,228,000
Nuveen Investments, Inc.	1,400,600
State Street Global Advisors, Inc.	1,241,700
Macquarie Investment Management	1,133,300
Fuller & Thaier Asset Management	985,000
Invesco Capital Management, LLC	898,300

STOCK CHART



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 at ~ 95% 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 income statement projections (see page 10) are through FY18 and only include the current development activity, acquisitions and dispositions announced to date. We are projecting 2018 net operating income of $79.2M, representing an ~9% increase YOY, with growth being generated by portfolio leasing, new properties being delivered, in addition to announced acquisition activity.

Our estimate for the construction company's annual gross profit of $6.3M is in agreement with management's projected range of $5.6 - $6.4M, a healthy contribution to AHH's operating results.

We show G&A increasing from $10.4M in 2017 to $11M in FY18, in-line with guidance as well.

We assume that interest expense will increase in FY18 to $18.6M, and we have included $8.0M of interest income for FY18. Armada Hoffler guided to a 2018 full-year normalized FFO per diluted share estimate of $1.05 - $1.08. Our model comes in at $1.07 per share normalized FFO for FY18, factoring in the 64.5M 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; below we calculate a current estimated NAV per share range of approximately $15.19 - $16.86, with a midpoint of $15.99.

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	$ 83,901	$ 83,901	$ 83,901	$ 83,901	83,901	83,901	83,901
Property Market Value @ Cap Rate	**$ 1,525,473**	**$ 1,459,148**	**$ 1,398,350**	**$ 1,342,416**	**$ 1,290,785**	**$ 1,242,978**	**$ 1,198,586**
Add: Investment in Developments	$ 144,000	$ 144,000	$ 144,000	$ 144,000	$ 144,000	$ 144,000	$ 144,000
Add: Estimated TRS Value	$ 34,500	$ 34,500	$ 34,500	$ 34,500	$ 34,500	$ 34,500	$ 34,500
Add: Other Assets	$ 200,613	$ 200,613	$ 200,613	$ 200,613	$ 200,613	$ 200,613	$ 200,613
Less: Liabilities	$ 690,401	$ 690,401	$ 690,401	$ 690,401	$ 690,401	$ 690,401	$ 690,401
Total	**$ 1,214,185**	**$ 1,147,860**	**$ 1,087,062**	**$ 1,031,128**	**$ 979,497**	**$ 931,690**	**$ 887,298**
Diluted Shares and OP Units	64,491	64,491	64,491	64,491	64,491	64,491	64,491
NAV Per Share	**$ 18.83**	**$ 17.80**	**$ 16.86**	**$ 15.99**	**$ 15.19**	**$ 14.45**	**$ 13.76**

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:

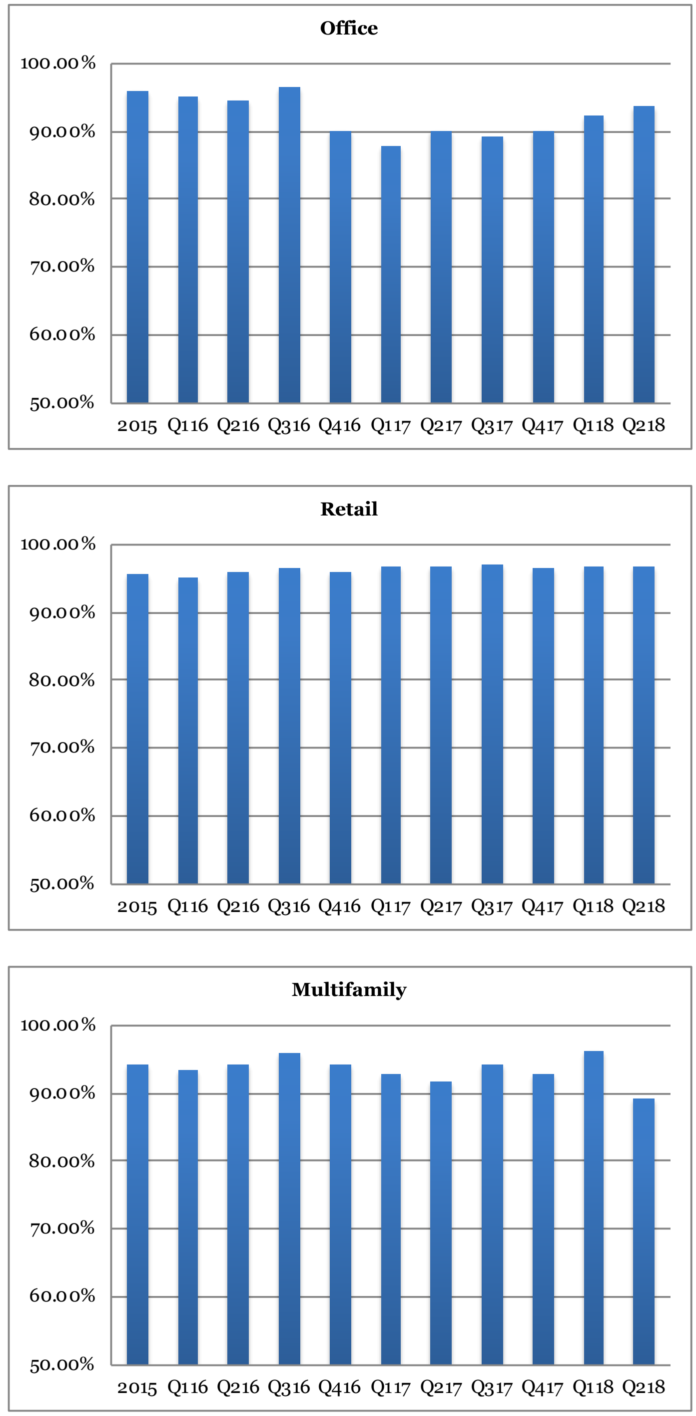
- Virginia
- Maryland
- North Carolina
- South Carolina

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 4.5M+ rentable square feet of office and retail space, in addition to 1,200+ multifamily units, and has ~$605M in its development pipeline. The company has historically high occupancy rates across all three categories.

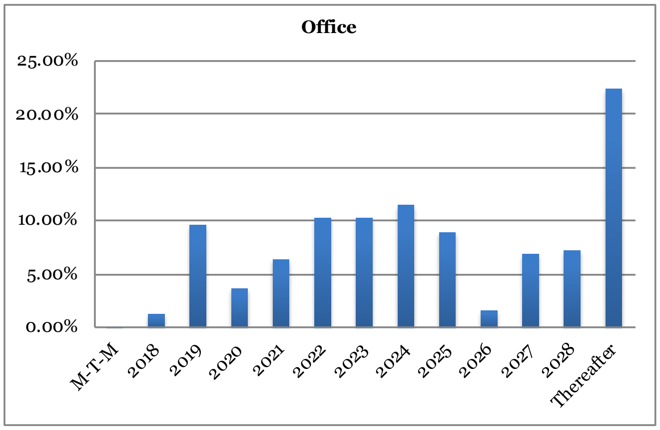
Exhibit 2: Historically High Occupancy Rates



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 leases expires beyond 2028.

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 & cafés
- 628 residential units
- 410 hotel rooms
- 30,000 square-feet of conference space
- a 1,300-seat performing arts theatre

As reported in the company's last supplemental, Town Center contributes ~35% of the company's total NOI. 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 members also bring strong resumes to the company. For example:

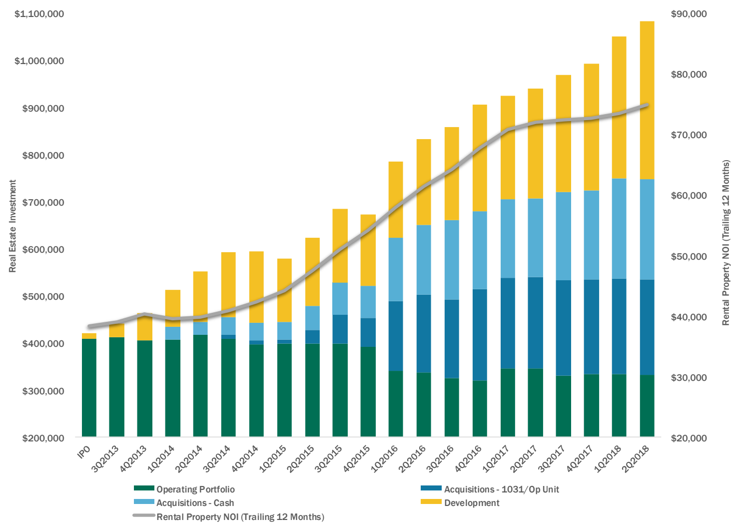
- George Allen – Former congressman, senator, and Governor of Virginia
- James Carroll – President and CEO Crestline Hotels & Resorts, LLC
- James Cherry – Previously Chairman and CEO for the Mid-Atlantic Banking Region at Wachovia
- Eva Hardy – Served as EVP of Public Policy and Corporate Communications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

As last reported, AHH had approximately 16% 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. As last reported, AHH has delivered ~ $264M of projects since its IPO in 2013, and as previously mentioned, AHH currently has ~$605M in its development pipeline.

Exhibit 4: Portfolio Growth since IPO through Q218 ($ 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

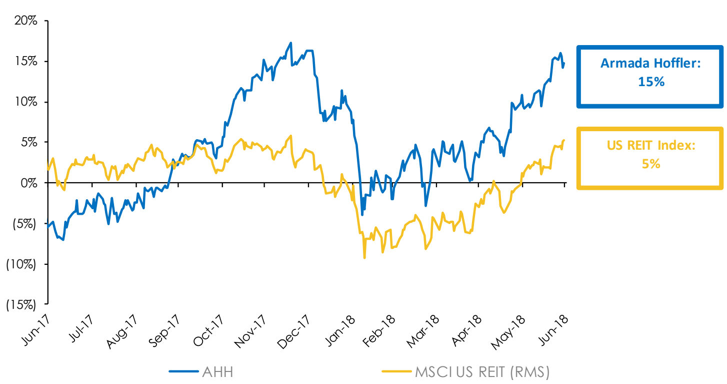
Tenant	# of Leases/ Expiration	% of Retail Portfolio
Kroger/Harris Teeter	12 - 2036	11.6%
Home Depot	1 - 2019	3.1%
Regal Cinemas	2 - 2022	3.0%
Bed, Bath, & Beyond	4 - 2024	3.0%
PetSmart	5 - 2022	2.6%
Food Lion	3 - 2022	2.3%
Dick's Sporting Goods	1 - 2020	1.5%
Safeway	2 - 2021	1.5%
Weis Markets	1 - 2028	1.4%
Ross Dress for Less	2 - 2022	1.4%
		31.4%

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, AHH closed on the sale of 2 of its build-to-suit state office buildings in Q317, recognizing an approximate 40% profit margin upon delivery, and these proceeds were 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. Additionally, new lower tax rates will enable AHH to utilize proceeds from future sales as needed for balance sheet purposes, or the company can choose to continue the use of 1031 tax-free exchanges.

The Armada Hoffler management team has the ultimate goal of increasing total shareholder returns, as demonstrated by its recent growth as compared to the US REIT index. In the trailing twelve months, AHH has outperformed the US REIT index by approximately 1000 bps.

Exhibit 6: Total Shareholder Return TTM



Source: Company Reports

INDUSTRY OVERVIEW

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 moderate 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 2018, US and Canada, by PWC and the Urban Land Institute (ULI),* the development of vibrant urban centers is almost a universal trend. 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.

Per the ULI Consensus Forecast Fall 2017, the industry outlook for real estate is favorable for the majority of current players. The 2017 report projects continued moderate economic expansion over the next three years; relatively high but moderating commercial real estate volumes; continued commercial price appreciation but at a decelerating rate; rent growth; positive returns but at lower levels; relatively stable vacancy and occupancy rates in most sectors; and continued growth for single family housing starts.

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 12/31/17, the company had approximately 68% and 17% 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.

STONEGATE CAPITAL PARTNERS

RECENT RESULTS

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

	Q2 Jun-18	Q2 Jun-17	Variance	
Revenues				
Rental revenues	$ 28,598	$ 26,755	1,843	Rental revenues and related expenses will vary by quarter given recent acquisition, disposition, and development
General contracting and real estate services revenues	20,654	56,671	(36,017)	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	**49,252**	**83,426**		
Expenses				
Rental expenses	6,522	6,171	351	See above
Real estate taxes	2,735	2,595	140	See above
General contracting and real estate services expenses	20,087	54,015	(33,928)	See above
Depreciation and amortization	9,179	9,304	(125)	Primarily result of in-place leases associated with previously acquired properties becoming fully amortized after 6/30/17
General and administrative expenses	2,764	2,678	86	Comparable y-o-y
Acquisition, development and other pursuit costs	9	369	(360)	Varies with timing of deals
Impairment charges	98	27	71	
Total expenses	41,394	75,159		
Operating income (loss)	**7,858**	**8,267**		
Other income (expense)				
Interest income	2,375	1,658	717	Higher notes receivable balances, including Decatur mezzanine loan originated May 2017
Interest expense	(4,497)	(4,494)	(3)	Comparable y-o-y
Loss on extinguishment of debt	-	-	0	
Gain on real estate dispositions	-	-	0	
Change in fair value of interest rate derivatives	(11)	(81)	70	Less dramatic changes in forward LIBOR rates
Other income/(expense)	54	43	11	Comparable y-o-y
Total other income (expense)	(2,079)	(2,874)		
Income (loss) before taxes	**5,779**	**5,393**		
Income tax benefit (provision)	166	(450)	616	Attributable to the taxable profits and losses of the development and construction businesses
Net income (loss)	**5,945**	**4,943**		
Net income attributable to non-controlling interests	(1,626)	(1,472)	(154)	
Net income (loss) attributable to stockholders	**$ 4,319**	**$ 3,471**		
Weighted average common shares outstanding	45,928	42,091		
Weighted average operating partnership units outstanding	17,286	17,845		
Basic and diluted outstanding	63,214	59,936		
Dividends and distributions declared per common share and unit	**$0.20**	**$0.19**		
EBITDA	$ 17,037	$ 17,571		
EBITDA per diluted weighted average share	**$0.27**	**$0.29**		
Funds from operations (FFO)	$ 15,124	$ 14,247		
Normalized FFO	$ 15,242	$ 14,724		
Normalized FFO per diluted weighted average share	**$0.24**	**$0.25**		
Adjusted funds from operations (AFFO)	$ 13,074	$ 13,159		
AFFO per diluted weighted average share	**$0.21**	**$0.22**		

Source: Company Reports, Stonegate Capital Partners

Recent results were generally in-line with management's guidance to date for Q218. AHH reviewed 2018 guidance ranges on the most recent earnings call, and expectations are as follows:

Total NOI	$78.8M - $79.5M
Construction company annual segment GP	$5.6M - $6.4M
General and administrative expenses	$10.8M - $11.0M
Interest income	$7.9M - $8.1M
Interest expense	$18.3M - $18.8M
Normalized FFO per diluted share	$1.05 - $1.08

This guidance includes certain assumptions:

- Acquisition of one additional retail center, a gain of $5M - $6M from the sale of Annapolis Junction option during the third quarter of 2018, and no additional capital market activity
- Interest expense is calculated based on the Forward LIBOR Curve, which forecasts rates rising to 2.38% by year end
- Includes a gain of $2.4M to $3.2M from the sale of build-to-suit distribution center during Q418

BALANCE SHEETS

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

ASSETS	FY 2015	FY 2016	FY 2017	Q2 2018
Assets				
Real estate investments:				
Income producing property	$579,000	$894,078	$910,686	$934,929
Held for development	1,180	680	680	1,474
Construction in progress	53,411	13,529	83,071	157,795
	633,591	$908,287	$994,437	$1,094,198
Accumulated depreciation	(125,380)	(139,553)	(164,521)	(177,966)
Net real estate investments	508,211	$768,734	$829,916	$916,232
Real estate investments held for sale	40,232	-	-	-
Cash and cash equivalents	26,989	21,942	19,959	12,279
Restricted cash	2,824	3,251	2,957	3,139
Accounts receivable, net	21,982	15,052	15,691	16,444
Notes receivable	7,825	59,546	83,058	93,478
Construction receivables, including retentions	36,535	39,433	23,933	19,868
Construction contract costs and est. earnings in excess of billings	88	110	245	1,287
Equity method investments	1,411	10,235	11,411	14,538
Other assets	43,450	64,165	55,953	55,106
Total Assets	**$ 689,547**	**$982,468**	**$1,043,123**	**$1,132,371**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Liabilities				
Indebtedness	$377,593	$522,180	517,272	580,446
Debt secured by real estate investments held for sale	-	-	-	-
Accounts payable and accrued liabilities	6,472	10,804	15,180	11,525
Construction payables, including retentions	52,067	51,130	47,445	40,719
Billings in excess of construction contract costs and est. earnings	2,224	10,167	3,591	1,711
Other liabilities	25,471	39,209	39,352	41,000
Total Liabilities	**463,827**	**633,490**	**622,840**	**675,401**
Redeemable non-controlling interest	-	-	-	-
Total Shareholders' Equity (deficit)	**49,548**	**148,143**	**226,690**	**268,417**
Non-controlling interests	176,172	200,835	193,593	188,553
Total Liabilities and Shareholders' Equity	**$ 689,547**	**$ 982,468**	**$1,043,123**	**$ 1,132,371**
Ratios				
Liquidity				
Current Ratio	1.6x	2.2x	2.3x	2.8x
Working Capital	$37,616	$77,290	$82,973	$92,964
Availability under Lending Agreements	$76M	$68M	$81.9M	$185.6M
Leverage				
Core Debt to EV	37.0%	31.7%	36.8%	34.1%
Core Debt to Annualized Core EBITDA	6.1x	6.3x	6.6x	6.8%

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 2015	FY 2016	FY 2017	FY 2018 E
Revenues				
Rental revenues	$ 81,172	$ 99,355	$ 108,737	$ 117,000
General contracting and real estate services revenues	171,268	159,030	194,034	139,000
Total revenues	**252,440**	**258,385**	**302,771**	**256,000**
Expenses				
Rental expenses	19,204	21,904	25,422	26,910
Real estate taxes	7,782	9,629	10,528	10,881
General contracting and real estate services expenses	165,344	153,375	186,590	132,745
Depreciation and amortization	23,153	35,328	37,321	40,200
General and administrative expenses	8,397	9,552	10,435	11,000
Acquisition, development and other pursuit costs	1,935	1,563	648	450
Impairment charges	41	355	110	100
Total expenses	225,856	231,706	271,054	222,286
Operating income (loss)	**26,584**	**26,679**	**31,717**	**33,714**
Other income (expense)				
Interest income	126	3,228	7,077	8,000
Interest expense	(13,333)	(16,466)	(17,439)	(18,600)
Loss on extinguishment of debt	(512)	(82)	(50)	-
Gain on real estate dispositions	18,394	30,533	8,087	-
Change in fair value of interest rate derivatives	-	(941)	1,127	-
Gain on sale of Annapolis Junction option	-	-	-	5,000
Other income/(expense)	(110)	147	131	200
Total other income (expense)	4,565	16,419	(1,067)	(5,400)
Income (loss) before taxes	**31,149**	**43,098**	**30,650**	**28,314**
Income tax benefit (provision)	34	(343)	(725)	-
Net income (loss)	**31,183**	**42,755**	**29,925**	**28,314**
Net income attributable to predecessor	-	-	-	-
Net income attributable to non-controlling interests	-	(14,681)	(8,878)	(8,400)
Net income (loss) attributable to stockholders	**$ 31,183**	**$ 28,074**	**$ 21,047**	**$ 19,914**
Weighted average common shares outstanding	26,006	33,057	42,423	47,200
Weighted average operating partnership units outstanding	15,377	17,167	17,758	17,291
Basic and diluted outstanding	41,383	50,224	60,181	64,491
Dividends and distributions declared per common share and unit	**$0.68**	**$0.72**	**$0.76**	**$0.80**
EBITDA	$ 49,241	$ 64,359	$ 69,038	$ 73,914
EBITDA per diluted weighted average share	**$1.19**	**$1.28**	**$1.15**	**$1.15**
Funds from operations (FFO)	$ 35,942	$ 47,980	$ 59,651	$ 68,514
Normalized FFO	$ 38,659	$ 50,921	$ 59,332	$ 69,064
Normalized FFO per diluted weighted average share	**$0.93**	**$1.01**	**$0.99**	**$1.07**
Adjusted funds from operations (AFFO)	$ 33,606	$ 46,282	$ 52,811	$ 63,814
AFFO per diluted weighted average share	**$0.81**	**$0.92**	**$0.88**	**$0.99**

Source: Company Reports, Stonegate Capital Partners

IN THE NEWS

July 2018 – AHH announces investment in a new mixed-use development project in west midtown Atlanta as part of a public-private partnership with Georgia Tech; a new $117M mixed-use development along Baltimore's Inner Harbor was also disclosed

June 2018 – AHH provides update on ATM program, detailing that ~3.5M shares were issued 4/1/18 – 6/14/18 at a weighted average offering price of $14.07, and the Company received ~$49.9M in gross proceeds, which will fulfill its equity needs for the balance of 2018

February 2018 – Company details addition of ~132K sq. feet of retail space with acquisitions of grocer-anchored centers in Moultrie, GA, and Virginia Beach, VA; acquisition of a Lowes Foods-anchored center in SC announced and expected to close 2H2018; JV announced on $23M Lowes Foods-anchored retail center in Mt. Pleasant, SC; dividend raised to $0.20 for Q118, a 5.3% increase over the prior quarter's cash dividend

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) 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

CORPORATE GOVERNANCE

Louis S. Haddad, President and Chief Executive Officer
Lou Haddad was recruited to Armada Hoffler in 1985 as an on-site construction superintendent who quickly distinguished himself among tradesmen in the field and company executives. He was promoted two years later to President of Armada Hoffler Construction Company and quickly grew the company's annual revenue from $5 million to $150 million. In 1996, Mr. Haddad was promoted to President of Armada Hoffler Holding Company, the parent of all Armada Hoffler entities. In 1999, he was given the additional title of Chief Executive Officer. Under his leadership Armada Hoffler became one of the largest commercial real estate firms in the state of Virginia. In 2013, Mr. Haddad spearheaded the company's initial public offering and transition into a publicly-traded REIT listed on the New York Stock Exchange. With Lou as CEO, the Company has nearly tripled its market cap since going public and produced returns that have outpaced both the MSCI REIT and Russell 2000 Index.

Mr. Haddad is also recognized by the Hampton Roads community for his philanthropic efforts. Mr. Haddad and his wife, Mary, co-founded in 1999 The Haddad Foundation, dedicated to improving the lives of disadvantaged and at-risk children. Lou is also a member of the Hampton Roads Business Roundtable and is currently serving on the Executive Committee of Virginia Beach's Central Business District Association (CBDA). Lou was recently recognized as the silver winner of the 2017 Best Local Leaders Making a Difference.

Eric L. Smith, Chief Operating Officer
Named Chief Operating Officer by the company's Board of Directors in 2018, Mr. Smith applies his financial and operations experience and expertise as he leads the daily operations of Armada Hoffler with oversight over the company's operating divisions as well as the tactical execution of the company's business plan. Since joining Armada Hoffler in 2005, Mr. Smith's roles have spanned finance, investments, development, operations and asset management. Prior to his appointment to Chief Operating Officer, Mr. Smith most recently served as the company's Chief Investment Officer since 2015, during which time he was responsible for evaluating and managing the investments of Armada Hoffler's capital and resources across the company's portfolio of development projects, acquisitions and existing assets. Mr. Smith's experience prior to joining Armada Hoffler includes recommending and implementing quantitative-based strategic solutions to Fortune 100 companies as a management consultant with Booz Allen Hamilton, driving pricing strategies on the international product line of Federal Express within its corporate finance group, and financial derivative trading for his own account on the New York Futures Exchange. Mr. Smith holds a B.S. in Finance from the University of Connecticut and an M.B.A. from the Wharton School at the University of Pennsylvania.

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.

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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