

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **August 1, 2017**

ARMADA HOFFLER PROPERTIES, INC.

(Exact name of registrant as specified in its charter)

Maryland

(State or other jurisdiction
of incorporation)

001-35908

(Commission File Number)

46-1214914

(IRS Employer
Identification No.)

222 Central Park Avenue, Suite 2100

Virginia Beach, Virginia

(Address of principal executive offices)

23462

(Zip Code)

Registrant's telephone number, including area code: **(757) 366-4000**

Not Applicable

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company x

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

x

Item 2.02. Results of Operations and Financial Condition.

On August 1, 2017, Armada Hoffer Properties, Inc. (the “Company”) issued a press release announcing its financial position as of June 30, 2017, results of operations for the three months ended June 30, 2017 and other related information. Also on August 1, 2017, the Company made available on its website at www.ArmadaHoffer.com certain supplemental information concerning the Company’s financial results and operations for the three months ended June 30, 2017. Copies of such press release and supplemental information are furnished as Exhibits 99.1 and 99.2, respectively, to this Current Report on Form 8-K and are incorporated herein by reference.

Item 7.01. Regulation FD Disclosure.

The disclosure contained in Item 2.02 is incorporated herein by reference.

In accordance with General Instructions B.2 and B.6 of Form 8-K, the information included in this Current Report on Form 8-K, including Exhibits 99.1 and 99.2 hereto, shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference into any filing made by the Company under the Exchange Act or Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such a filing.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

Exhibit No.	Description
99.1	Press Release, dated August 1, 2017, issued by Armada Hoffer Properties, Inc., providing its financial position as of June 30, 2017 and results of operations for the three months ended June 30, 2017.
99.2	Armada Hoffer Properties, Inc. Second Quarter 2017 Supplemental Information.

SIGNATURES

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

ARMADA HOFFLER PROPERTIES, INC.

Date: August 1, 2017

/s/ MICHAEL P. O'HARA

Michael P. O'Hara

Chief Financial Officer and Treasurer

EXHIBIT INDEX

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PRESS RELEASE

ARMADA HOFFLER PROPERTIES REPORTS SECOND QUARTER 2017 RESULTS

Net Income of \$0.08 Per Diluted Share

Normalized FFO of \$0.25 Per Diluted Share

Company Updated 2017 Full-Year Normalized FFO Guidance

VIRGINIA BEACH, VA, August 1, 2017 – Armada Hoffler Properties, Inc. (NYSE:AHH) today announced its results for the quarter ended June 30, 2017 and provided an update on current events.

Highlights include:

- Net income of \$4.9 million, or \$0.08 per diluted share, for the quarter ended June 30, 2017 compared to net income of \$3.1 million, or \$0.06 per diluted share, for the quarter ended June 30, 2016.
- Normalized Funds From Operations (“FFO”) of \$14.7 million, or \$0.25 per diluted share, for the quarter ended June 30, 2017 compared to Normalized FFO of \$12.5 million, or \$0.26 per diluted share, for the quarter ended June 30, 2016.
- FFO of \$14.2 million, or \$0.24 per diluted share, for the quarter ended June 30, 2017 compared to FFO of \$11.7 million, or \$0.24 per diluted share, for the quarter ended June 30, 2016.
- Core operating property portfolio occupancy at 94.2% as of June 30, 2017 compared to 94.3% as of March 31, 2017.
- Completed an underwritten public offering of 6.9 million shares of common stock at a public offering price of \$13.00 per share, generating net proceeds of \$85.3 million that will be used to fund the Company’s development pipeline.
- Updated 2017 full-year Normalized FFO guidance range to \$0.97 to \$0.99 per diluted share to reflect the impact of the capital raise on May 12, 2017.
- Invested in the development of a \$34 million Whole Foods anchored center located in Decatur, Georgia.
- Added to the S&P SmallCap 600 Index in June 2017.
- After the end of the quarter, the Company:
 - Completed the sale of two Commonwealth of Virginia properties on July 13, 2017 for an aggregate sales price of \$13.2 million representing a 38% profit over development cost.
 - Acquired the outparcel phase of Wendover Village in Greensboro, North Carolina for \$14.3 million. The Company previously acquired the primary phase of Wendover Village in January 2016.

Commenting on the Company’s results, Louis Haddad, President and CEO, said, "As we emphasized at the outset of 2017, this is a year of executing on our robust development pipeline and strengthening our balance sheet. We have made significant progress on both of these top priorities. With our recent capital raise, we have effectively prefunded the equity necessary to absorb these high-quality properties. Similarly, with all construction proceeding on schedule, we look forward to the delivery and stabilization of these assets and the expected rise in both earnings and net asset value."

Financial Results

Net income for the second quarter increased to \$4.9 million compared to \$3.1 million for the second quarter of 2016. The period-over-period change was primarily due to a \$1.5 million increase in construction segment gross profits, which was driven by both higher revenues and a higher margin in this segment, and a \$0.9 million increase in interest income, partially offset by a \$0.7 million increase in depreciation and amortization expense.

Normalized FFO for the second quarter increased to \$14.7 million compared to \$12.5 million for the second quarter of 2016. FFO for the second quarter increased to \$14.2 million compared to \$11.7 million for the second quarter of 2016. The period-over-period changes in Normalized FFO and FFO were positively impacted by property acquisitions, higher interest income, and construction segment gross profits, which were partially offset by higher interest expense and declines in Same Store NOI.

Operating Performance

At the end of the second quarter, the Company's office, retail and multifamily core operating property portfolios were 89.9%, 96.9% and 91.6% occupied, respectively.

Total construction contract backlog was \$116.7 million at the end of the quarter.

Balance Sheet and Financing Activity

As of June 30, 2017, the Company had \$470 million of total debt outstanding, including \$28 million outstanding under its revolving credit facility. Total debt outstanding excludes unamortized GAAP fair value adjustments and deferred financing costs. Approximately 50% of the Company's debt had fixed interest rates or were subject to interest rate swaps as of June 30, 2017. After considering LIBOR interest rate caps with strike prices at or below 150 basis points as of June 30, 2017, 100% of the Company's debt was fixed or hedged.

During the second quarter, the Company raised an aggregate of \$2.8 million of gross proceeds under its At-The-Market ("ATM") continuous equity offering program at a weighted average price of \$13.97 per share.

On May 12, 2017, the Company completed an underwritten public offering of 6.9 million shares of its common stock at a public offering price of \$13.00 per share, which resulted in net proceeds of \$85.3 million.

Outlook

The Company updated its 2017 full-year guidance and now expects 2017 Normalized FFO in the range of \$0.97 to \$0.99 per diluted share. The following table outlines the Company's assumptions along with Normalized FFO per diluted share estimates for the full-year 2017.

Full-year 2017 Guidance ⁽¹⁾

	Expected Ranges	
Total NOI	\$72.8M	\$73.3M
Construction company annual segment gross profit	\$6.9M	\$7.4M
General and administrative expenses	\$10.8M	\$11.0M
Interest income	\$6.7M	\$6.9M
Interest expense ⁽²⁾	\$16.9M	\$17.4M
Normalized FFO per diluted share ⁽³⁾	\$0.97	\$0.99

⁽¹⁾ Excludes the impact of any future acquisitions and dispositions, except for the disposition of the Commonwealth of Virginia office buildings with proceeds being invested in the Wendover Outparcels during the third quarter, and assumes there will be no additional capital market activities, including under the ATM program.

⁽²⁾ Interest expense is calculated based on the Forward LIBOR Curve.

^[3] Normalized FFO excludes certain items, including debt extinguishment losses, acquisition, development and other pursuit costs, mark-to-market adjustments for interest rate derivatives and other non-comparable items. See “Non-GAAP Financial Measures.” In addition, the calculation of Normalized FFO per diluted share assumes 60.3 million weighted average shares and units outstanding. The Company does not provide a reconciliation for its guidance range of Normalized FFO per diluted share to net income per diluted share, the most directly comparable forward-looking GAAP financial measure, because it is unable to provide a meaningful or accurate estimate of reconciling items and the information is not available without unreasonable effort as a result of the inherent difficulty of forecasting the timing and/or amounts of various items that would impact net income per diluted share. For the same reasons, the Company is unable to address the probable significance of the unavailable information and believes that providing a reconciliation for its guidance range of Normalized FFO per diluted share would imply a degree of precision for its forward-looking net income per diluted share that could be misleading to investors.

Supplemental Financial Information

Further details regarding operating results, properties and leasing statistics can be found in the Company’s supplemental financial package available at www.ArmadaHoffler.com under the Investor Relations section.

Webcast and Conference Call

The Company will host a webcast and conference call on Tuesday, August 1, 2017 at 8:30 a.m. Eastern Time to review financial results and discuss recent events. The live webcast will be available through the Investor Relations page of the Company’s website, www.ArmadaHoffler.com, or through www.viavid.com. To participate in the call, please dial 877-407-3982 (domestic) or 201-493-6780 (international). A replay of the conference call will be available through Friday, September 1, 2017 by dialing 844-512-2921 (domestic) or 412-317-6671 (international) and entering the pass code 13664886.

About Armada Hoffler Properties, Inc.

Armada Hoffler Properties, Inc. is a full service real estate company with extensive experience developing, building, owning and managing high-quality, institutional-grade office, retail and multifamily properties in attractive markets primarily throughout the Mid-Atlantic and Southeastern United States. The Company has elected to be taxed as a real estate investment trust (“REIT”) for U.S. federal income tax purposes.

Forward-Looking Statements

Certain matters within this press release are discussed using forward-looking language as specified in the Private Securities Litigation Reform Act of 1995, and, as such, may involve known and unknown risks, uncertainties and other factors that may cause the actual results or performance to differ from those projected in the forward-looking statement. These forward-looking statements may include comments relating to the current and future performance of the Company’s operating property portfolio, the Company’s development pipeline, the Company’s construction and development business, including backlog and timing of deliveries, financing activities, as well as acquisitions, dispositions and the Company’s financial outlook and expectations. For a description of factors that may cause the Company’s actual results or performance to differ from its forward-looking statements, please review the information under the heading “Risk Factors” included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2016, and the other documents filed by the Company with the Securities and Exchange Commission.

Non-GAAP Financial Measures

The Company calculates FFO in accordance with the standards established by the National Association of Real Estate Investment Trusts (“NAREIT”). NAREIT defines FFO as net income (loss) (calculated in accordance with GAAP), excluding gains (or losses) from sales of depreciable operating property, real estate related depreciation and amortization (excluding amortization of deferred financing costs) and after adjustments for unconsolidated partnerships and joint ventures.

FFO is a supplemental non-GAAP financial measure. The Company uses FFO as a supplemental performance measure because it believes that FFO is beneficial to investors as a starting point in measuring the Company's operational performance. Specifically, in excluding real estate related depreciation and amortization and gains and losses from property dispositions, which do not relate to or are not indicative of operating performance, FFO provides a performance measure that, when compared period-over-period, captures trends in occupancy rates, rental rates and operating costs. Management also believes that, as a widely recognized measure of the performance of REITs, FFO will be used by investors as a basis to compare the Company's operating performance with that of other REITs.

However, because FFO excludes depreciation and amortization and captures neither the changes in the value of the Company's properties that result from use or market conditions nor the level of capital expenditures and leasing commissions necessary to maintain the operating performance of the Company's properties, all of which have real economic effects and could materially impact the Company's results from operations, the utility of FFO as a measure of the Company's performance is limited. In addition, other equity REITs may not calculate FFO in accordance with the NAREIT definition as the Company does, and, accordingly, the Company's FFO may not be comparable to such other REITs' FFO. Accordingly, FFO should be considered only as a supplement to net income as a measure of the Company's performance.

Management also believes that the computation of FFO in accordance with NAREIT's definition includes certain items that are not indicative of the results provided by the Company's operating property portfolio and affect the comparability of the Company's period-over-period performance. Accordingly, management believes that Normalized FFO is a more useful performance measure that excludes certain items, including but not limited to, debt extinguishment losses and prepayment penalties, property acquisition, development and other pursuit costs, mark-to-market adjustments for interest rate derivatives and other non-comparable items.

For reference, as an aid in understanding the Company's computation of FFO and Normalized FFO, a reconciliation of net income calculated in accordance with GAAP to FFO and Normalized FFO has been included in the final page of this release.

ARMADA HOFFLER PROPERTIES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(dollars in thousands)

	June 30, 2017 (Unaudited)	December 31, 2016
<u>ASSETS</u>		
Real estate investments:		
Income producing property	\$ 900,782	\$ 894,078
Held for development	680	680
Construction in progress	39,361	13,529
Accumulated depreciation	(152,438)	(139,553)
Net real estate investments	788,385	768,734
Cash and cash equivalents	18,587	21,942
Restricted cash	3,139	3,251
Accounts receivable, net	15,027	15,052
Notes receivable	73,382	59,546
Construction receivables, including retentions	45,820	39,433
Construction contract costs and estimated earnings in excess of billings	53	110
Equity method investments	10,950	10,235
Other assets	58,995	64,165
Total Assets	\$ 1,014,338	\$ 982,468
<u>LIABILITIES AND EQUITY</u>		
Indebtedness, net	\$ 465,291	\$ 522,180
Accounts payable and accrued liabilities	9,311	10,804
Construction payables, including retentions	58,546	51,130
Billings in excess of construction contract costs and estimated earnings	6,780	10,167
Other liabilities	39,889	39,209
Total Liabilities	579,817	633,490
Redeemable noncontrolling interest	2,000	—
Total Equity	432,521	348,978
Total Liabilities and Equity	\$ 1,014,338	\$ 982,468

ARMADA HOFFLER PROPERTIES, INC.
CONDENSED CONSOLIDATED INCOME STATEMENTS
(in thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
	(Unaudited)			
Revenues				
Rental revenues	\$ 26,755	\$ 24,251	\$ 53,987	\$ 47,534
General contracting and real estate services	56,671	33,200	120,190	70,003
Total revenues	83,426	57,451	174,177	117,537
Expenses				
Rental expenses	6,171	5,071	12,239	10,400
Real estate taxes	2,595	2,382	5,104	4,731
General contracting and real estate services	54,015	32,025	115,211	67,062
Depreciation and amortization	9,304	8,602	18,779	16,751
General and administrative	2,678	2,224	5,664	4,708
Acquisition, development and other pursuit costs	369	437	416	1,141
Impairment charges	27	—	31	35
Total expenses	75,159	50,741	157,444	104,828
Operating income	8,267	6,710	16,733	12,709
Interest income	1,658	722	3,056	904
Interest expense	(4,494)	(3,978)	(9,029)	(7,769)
Gain on real estate dispositions	—	13	3,395	26,687
Change in fair value of interest rate derivatives	(81)	(373)	213	(2,762)
Other income	43	43	80	119
Income before taxes	5,393	3,137	14,448	29,888
Income tax provision	(450)	(6)	(752)	(224)
Net income	4,943	3,131	13,696	29,664
Net income attributable to noncontrolling interests	(1,472)	(1,097)	(4,289)	(10,260)
Net income attributable to stockholders	\$ 3,471	\$ 2,034	\$ 9,407	\$ 19,404
Per diluted share	\$ 0.08	\$ 0.06	\$ 0.24	\$ 0.62
Weighted average shares and units outstanding	59,936	48,849	57,718	47,534

ARMADA HOFFLER PROPERTIES, INC.
RECONCILIATION OF NET INCOME TO FFO & NORMALIZED FFO
(in thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
	(Unaudited)			
Net income	\$ 4,943	\$ 3,131	\$ 13,696	\$ 29,664
Depreciation and amortization	9,304	8,602	18,779	16,751
Gain on dispositions of operating real estate ⁽¹⁾	—	(13)	(3,395)	(26,257)
Funds From Operations (FFO)	\$ 14,247	\$ 11,720	\$ 29,080	\$ 20,158
Acquisition costs	369	437	416	1,141
Impairment charges	27	—	31	35
Change in fair value of interest rate derivatives	81	373	(213)	2,762
Normalized FFO	\$ 14,724	\$ 12,530	\$ 29,314	\$ 24,096
Net income per diluted share and unit	\$ 0.08	\$ 0.06	\$ 0.24	\$ 0.62
FFO per diluted share and unit	\$ 0.24	\$ 0.24	\$ 0.50	\$ 0.42
Normalized FFO per diluted share and unit	\$ 0.25	\$ 0.26	\$ 0.51	\$ 0.51
Weighted average shares and units outstanding	59,936	48,849	57,718	47,534

(1) Excludes gains on non-operating undepreciated real estate of \$430 for the six months ended June 30, 2016.

Contact:

Michael P. O'Hara
Armada Hoffer Properties, Inc.
Chief Financial Officer and Treasurer
Email: MOHara@ArmadaHoffer.com
Phone: (757) 366-6684



ARMADA HOFFLER

P R O P E R T I E S

2Q 2017 | SUPPLEMENTAL FINANCIAL PACKAGE



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This Supplemental Financial Package should be read in conjunction with the unaudited condensed consolidated financial statements appearing in our press release dated August 1, 2017, which has been furnished as Exhibit 99.1 to our Form 8-K filed on August 1, 2017. The Company makes statements in this Supplemental financial package that are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 (set forth in Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act")). In particular, statements pertaining to our capital resources, portfolio performance, development pipeline and results of operations contain forward-looking statements. Likewise, all of our statements regarding anticipated growth in our funds from operations, normalized funds from operations, adjusted funds from operations, and net operating income are forward-looking statements. You can identify forward-looking statements by the use of forward-looking terminology such as "believes," "expects," "may," "will," "should," "seeks," "intends," "plans," "estimates" or "anticipates" or the negative of these words and phrases or similar words or phrases which are predictions of or indicate future events or trends and which do not relate solely to historical matters. You can also identify forward-looking statements by discussions of strategy, plans or intentions.

Forward-looking statements involve numerous risks and uncertainties and you should not rely on them as predictions of future events. Forward-looking statements depend on assumptions, estimates, data or methods, which may be incorrect or imprecise, and actual results may vary materially from those anticipated, estimated or projected. The Company does not guarantee that the transactions and events described will happen as described (or that they will happen at all). For further discussion of risk factors and other events that could impact our future results, please refer to the section entitled "Risk Factors" in our most recent Annual Report on Form 10-K filed with the Securities and Exchange Commission (the "SEC"), and the documents subsequently filed by us from time to time with the SEC.

The Company does not provide a reconciliation for its guidance range of Normalized FFO per diluted share to net income per diluted share, the most directly comparable forward-looking GAAP financial measure, because it is unable to provide a meaningful or accurate estimate of reconciling items and the information is not available without unreasonable effort as a result of the inherent difficulty of forecasting the timing and/or amounts of various items that would impact net income per diluted share. For the same reasons, the Company is unable to address the probable significance of the unavailable information and believes that providing a reconciliation for its guidance range of Normalized FFO per diluted share would imply a degree of precision for its forward-looking net income per diluted share that could be misleading to investors.

Armada Hoffler Properties, Inc. (NYSE:AHH) is a full service real estate company that develops, constructs, acquires and manages institutional-grade office, retail and multifamily properties in the Mid-Atlantic and Southeastern United States. The Company also provides general contracting and development services to third-party clients, in addition to developing and building properties to be placed in its stabilized portfolio. Armada Hoffler Properties, Inc. was founded in 1979 and is headquartered in Virginia Beach, VA. The Company has elected to be taxed as a real estate investment trust ("REIT") for U.S. federal income tax purposes.



Board of Directors

Daniel A. Hoffler	Executive Chairman of Board
A. Russell Kirk	Vice Chairman of the Board
Louis S. Haddad	Director
John W. Snow	Lead Independent Director
George F. Allen	Independent Director
James A. Carroll	Independent Director
James C. Cherry	Independent Director
Eva S. Hardy	Independent Director

Corporate Officers

Louis S. Haddad	President and Chief Executive Officer
Michael P. O'Hara	Chief Financial Officer and Treasurer
Eric L. Smith	Chief Investment Officer and Corporate Secretary
Eric E. Apperson	President of Construction
Shelly R. Hampton	President of Asset Management

Investor Relations

Michael P. O'Hara	Chief Financial Officer and Treasurer
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 - Completed an underwritten public offering of 6.9 million shares of common stock at a public offering price of \$13.00 per share, generating net proceeds of \$85.3 million that will be used to fund the Company's development pipeline.
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 - Invested in the development of a \$34 million Whole Foods anchored center located in Decatur, Georgia.
 - Added to the S&P SmallCap 600 Index in June 2017.
 - After the end of the quarter, the Company:
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 - Acquired the outparcel phase of Wendover Village in Greensboro, North Carolina for \$14.3 million. The Company previously acquired the primary phase of Wendover Village in January 2016.
-

Outlook	Low	High
Total NOI	\$72.8M	\$73.3M
Construction Segment Gross Profit	\$6.9M	\$7.4M
G&A 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

Guidance Assumptions

Disposition of the Commonwealth of Virginia office buildings and reinvestment of the net proceeds in the outparcel phase of Wendover Village during the third quarter.

•

No additional capital market activities, including under the ATM program.

•

Interest expense is calculated based on the Forward LIBOR Curve.

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Full year weighted average share count of 60.3 million.

\$ in thousands, except per share data

	Three months ended				
	6/30/2017	3/31/2017	12/31/2016	9/30/2016	6/30/2016
OPERATIONAL METRICS					
Net income	\$4,943	\$8,753	\$5,145	\$7,946	\$3,131
Net income per diluted share	\$0.08	\$0.16	\$0.09	\$0.15	\$0.06
Rental properties Net Operating Income (NOI)	17,989	18,655	18,304	17,115	16,798
General contracting and real estate services gross profit	2,656	2,323	1,436	1,278	1,175
Adjusted EBITDA ⁽¹⁾	19,272	19,376	18,097	16,720	16,077
Funds From Operations (FFO)	14,247	14,833	14,744	13,078	11,720
FFO per diluted share	\$0.24	\$0.27	\$0.27	\$0.25	\$0.24
Normalized FFO	14,724	14,590	13,669	13,156	12,530
Normalized FFO per diluted share	\$0.25	\$0.26	\$0.25	\$0.26	\$0.26
Annualized dividend yield	5.87%	5.47%	4.94%	5.37%	5.24%
CAPITALIZATION					
Total common shares outstanding	44,932	37,813	37,491	34,256	32,825
Operating Partnership ("OP") units outstanding	17,846	17,859	17,793	17,793	17,597
Common shares and OP units outstanding	62,778	55,672	55,284	52,049	50,422
Market price per common share	\$12.95	\$13.89	\$14.57	\$13.40	\$13.74
Equity market capitalization ⁽²⁾	\$812,975	\$773,284	\$805,488	\$697,457	\$692,798
Total debt ⁽³⁾	470,314	527,504	527,082	519,209	512,702
Total market capitalization	1,283,289	1,300,788	1,332,570	1,216,666	1,205,500
Less: cash	(21,726)	(13,688)	(25,193)	(27,361)	(23,142)
Total enterprise value	\$1,261,563	1,287,100	\$1,307,377	\$1,189,305	\$1,182,358
BALANCE SHEET METRICS					
Core Debt/enterprise value	30.9%	32.9%	31.7%	34.3%	35.4%
Fixed charge coverage ratio	3.5x	3.6x	3.3x	3.4x	3.3x
Core Debt/Annualized Core EBITDA	5.3x	6.0x	6.3x	6.4x	6.7x
CORE PORTFOLIO OCCUPANCY					
Office ⁽⁴⁾	89.9%	87.7%	86.8%	96.4%	94.6%
Retail ⁽⁴⁾	96.8%	96.7%	95.8%	96.4%	96.0%
Multifamily ⁽⁵⁾	91.6%	92.7%	94.3%	95.8%	94.3%
Weighted Average ⁽⁶⁾	94.2%	94.3%	93.8%	96.2%	95.3%

(1) Excludes gains on dispositions of real estate and mark-to-market adjustments on interest rate derivatives

(2) Includes common shares and OP units

(3) Excludes unamortized GAAP adjustments

(4) Office and retail occupancy based on leased square feet as a % of respective total

(5) Multifamily occupancy based on occupied units as a % of respective total

(6) Total occupancy weighted by annualized base rent

Summary Balance Sheet

\$ in thousands

	As of	
	6/30/2017 (Unaudited)	12/31/2016
Assets		
Real estate investments:		
Income producing property	\$900,782	\$894,078
Held for development	680	680
Construction in progress	39,361	13,529
Accumulated depreciation	<u>(152,438)</u>	<u>(139,553)</u>
Net real estate investments	788,385	768,734
Cash and cash equivalents	18,587	21,942
Restricted cash	3,139	3,251
Accounts receivable, net	15,027	15,052
Notes receivable	73,382	59,546
Construction receivables, including retentions	45,820	39,433
Costs and estimated earnings in excess of billings	53	110
Equity method investments	10,950	10,235
Other assets	58,995	64,165
Total Assets	<u><u>\$1,014,338</u></u>	<u><u>\$982,468</u></u>
Liabilities and Equity		
Indebtedness, net	\$465,291	\$522,180
Accounts payable and accrued liabilities	9,311	10,804
Construction payables, including retentions	58,546	51,130
Billings in excess of costs and estimated earnings	6,780	10,167
Other liabilities	39,889	39,209
Total Liabilities	579,817	633,490
Redeemable noncontrolling interest	2,000	-
Total Equity	432,521	348,978
Total Liabilities and Equity	<u><u>\$1,014,338</u></u>	<u><u>\$982,468</u></u>

Summary Income Statement

Amounts in thousands, except per share data

	Three months ended		Six Months Ended	
	6/30/2017	6/30/2016	6/30/2017	6/30/2016
Revenues	(Unaudited)			
Rental revenues	\$26,755	\$24,251	\$53,987	\$47,534
General contracting and real estate services	56,671	33,200	120,190	70,003
Total Revenues	83,426	57,451	174,177	117,537
Expenses				
Rental expenses	6,171	5,071	12,239	10,400
Real estate taxes	2,595	2,382	5,104	4,731
General contracting and real estate services	54,015	32,025	115,211	67,062
Depreciation and amortization	9,304	8,602	18,779	16,751
General and administrative	2,678	2,224	5,664	4,708
Acquisition, development & other pursuit costs	369	437	416	1,141
Impairment charges	27	-	31	35
Total Expenses	75,159	50,741	157,444	104,828
Operating Income	8,267	6,710	16,733	12,709
Interest income	1,658	722	3,056	904
Interest expense	(4,494)	(3,978)	(9,029)	(7,769)
Gain on real estate dispositions	-	13	3,395	26,687
Change in fair value of interest rate derivatives	(81)	(373)	213	(2,762)
Other income	43	43	80	119
Income before taxes	5,393	3,137	14,448	29,888
Income tax provision	(450)	(6)	(752)	(224)
Net Income	\$4,943	\$3,131	\$13,696	\$29,664
Per Diluted Share	\$0.08	\$0.06	\$0.24	\$0.62
Weighted Average Shares-Diluted	59,936	48,849	57,718	47,534

\$ in thousands, except per share data

	Three months ended (Unaudited)				
	6/30/2017	3/31/2017	12/31/2016	9/30/2016	6/30/2016
Funds From Operations					
Net income	\$4,943	\$8,753	\$5,145	\$7,946	\$3,131
Earnings per diluted share	\$0.08	\$0.16	\$0.09	\$0.15	\$0.06
Depreciation and amortization	9,304	9,475	9,692	8,885	8,602
Gains on dispositions of operating real estate	-	(3,395)	(93)	(3,753)	(13)
FFO	\$14,247	\$14,833	14,744	\$13,078	\$11,720
FFO per diluted share	\$0.24	\$0.27	\$0.27	\$0.25	\$0.24
Normalized FFO					
Acquisition, development & other pursuit costs	369	47	77	345	437
Loss on extinguishment of debt	-	-	-	82	-
Impairment charges	27	4	171	149	-
Change in fair value of interest rate derivatives	81	(294)	(1,323)	(498)	373
Normalized FFO	\$14,724	\$14,590	\$13,669	\$13,156	\$12,530
Normalized FFO per diluted share	\$0.25	\$0.26	\$0.25	\$0.26	\$0.26
Adjusted FFO					
Non-cash stock compensation	421	411	218	212	215
Acquisition, development & other pursuit costs	(369)	(47)	(77)	(345)	(437)
Tenant improvements, leasing commissions ⁽²⁾	(895)	(943)	(507)	(233)	(1,365)
Property related capital expenditures	(840)	(442)	(434)	(514)	(603)
Non-cash interest expense	283	277	293	219	277
Net effect of straight-line rents	(122)	(245)	(246)	(158)	(194)
Amortization of leasing incentives & above (below) market rents	(43)	(47)	(24)	116	(183)
AFFO	\$13,159	\$13,554	\$12,892	\$12,453	\$10,240
Weighted Average Common Shares Outstanding	42,091	37,622	36,465	33,792	31,736
Weighted Average Operating Partnership ("OP") Units Outstanding	17,845	17,853	17,793	17,720	17,113
Total Weighted Average Common Shares and OP Units Outstanding	59,936	55,475	54,258	51,512	48,849

(1) See definitions on pages 28-29

(2) Excludes development, redevelopment, and first generation space

Outstanding Debt

\$ in thousands

Debt	Stated Rate	Effective Rate as of 6/30/2017	Maturity Date	Debt Maturities & Principal Payments						Amount Outstanding as of 6/30/2017	
				2017	2018	2019	2020	2021	Thereafter		
Secured Notes Payable - Core Debt											
Commonwealth of Virginia - Chesapeake	L+1.90%	3.12%	8/28/2017	\$4,933							\$4,933
Hanbury Village	6.67%	6.67%	10/11/2017	20,567							20,567
Sandbridge Commons	L+1.85%	3.07%	1/17/2018	123	9,129						9,252
Columbus Village Note 1	L+2.00%	3.05% ⁽¹⁾	4/5/2018	89	6,080						6,169
Columbus Village Note 2	L+2.00%	3.22%	4/5/2018	26	2,218						2,244
North Point Center Note 1	6.45%	6.45%	2/5/2019	104	219	9,352					9,675
Southgate Square	L+2.00%	3.22%	4/29/2021	276	539	561	584	19,075			21,035
249 Central Park Retail	L+1.95%	3.17%	8/8/2021	119	229	243	258	16,117			16,966
South Retail	L+1.95%	3.17%	8/8/2021	51	101	107	113	7,072			7,444
Fountain Plaza Retail	L+1.95%	3.17%	8/8/2021	70	138	147	156	9,703			10,214
Encore Apartments	3.25%	3.25%	9/10/2021			124	504	24,338			24,966
4525 Main Street	3.25%	3.25%	9/10/2021			158	646	31,230			32,034
Socastee Commons	4.57%	4.57%	1/6/2023	47	100	105	109	115	4,343		4,819
North Point Center Note 2	7.25%	7.25%	9/15/2025	55	113	121	130	140	1,954		2,513
Smith's Landing	4.05%	4.05%	6/1/2035	383	791	824	858	890	16,394		20,140
Liberty Apartments	5.66%	5.66%	11/1/2043	166	344	364	385	415	18,171		19,845
The Cosmopolitan	3.75%	3.75%	7/1/2051	332	686	712	739	767	42,320		45,556
Total - Secured Core Debt				\$27,341	\$20,687	\$12,818	\$4,482	\$109,862	\$83,182		\$258,372
Secured Notes Payable - Development Pipeline											
Lightfoot Marketplace	L+1.90%	3.12%	11/14/2017	12,894							12,894
Johns Hopkins Village	L+1.90%	3.12%	7/30/2018		46,048						46,048
Total - Development Pipeline				12,894	46,048	-	-	-	-	-	58,942
Total Secured Notes Payable				\$40,235	\$66,735	\$12,818	\$4,482	\$109,862	\$83,182		\$317,314
Unsecured Core Debt											
Senior unsecured line of credit	L+1.40% - 2.00%	2.77%	2/20/2019			28,000					28,000
Senior unsecured term loan	L+1.35% - 1.95%	2.72%	2/20/2020				75,000				75,000
Senior unsecured term loan	L+1.35% - 1.95%	3.50% ⁽¹⁾	2/20/2020				50,000				50,000
Total - Unsecured Core Debt				-	-	28,000	125,000	-	-		153,000
Total Notes Payable excluding GAAP Adjustments				\$40,235	\$66,735	\$40,818	\$129,482	\$109,862	\$83,182		\$470,314
Weighted Average Interest Rate				5.0%	3.2%	3.7%	3.1%	3.2%	4.4%		3.6%
Ballon Payments				38,326	62,956	37,333	125,000	106,274	5,567		375,456
Principal amortization				1,909	3,779	3,485	4,482	3,588	77,615		94,858
Total Consolidated Debt				\$40,235	\$66,735	\$40,818	\$129,482	\$109,862	\$83,182		\$470,314
Fixed-rate Debt ⁽²⁾				21,743	8,333	11,760	53,371	57,895	83,182		236,284
Variable-rate Debt ⁽³⁾				18,492	58,402	29,058	76,111	51,967	-		234,030
Total Consolidated Debt				\$40,235	\$66,735	\$40,818	\$129,482	\$109,862	\$83,182		\$470,314
GAAP Adjustments											(5,023)
Total Notes Payable											\$465,291

30 Day LIBOR as
of 6/30/2017 1.224%

- (1) Subject to an interest rate swap lock
(2) Includes debt subject to interest rate swap locks
(3) Excludes debt subject to interest rate swap locks

Core Debt to Core EBITDA⁽¹⁾

\$ in thousands

	Three months ended				
	6/30/2017	3/31/2017	12/31/2016	9/30/2016	6/30/2016
Net Income	\$4,943	8,753	5,145	7,946	3,131
Excluding:					
Interest expense	4,494	4,535	4,573	4,124	3,978
Income tax	450	302	103	16	6
Depreciation and amortization	9,304	9,475	9,692	8,885	8,602
Gain on real estate dispositions	-	(3,395)	(93)	(3,753)	(13)
Change in fair value of interest rate derivatives	81	(294)	(1,323)	(498)	373
Adjusted EBITDA	\$19,272	\$19,376	\$18,097	\$16,720	\$16,077
Other adjustments:					
Loss on extinguishment of debt	-	-	-	82	-
Non-cash stock compensation	418	411	218	212	215
Development Pipeline	(1,244)	(2,154)	(1,917)	(1,058)	(719)
Total Other Adjustments	(826)	(1,743)	(1,699)	(764)	(504)
Core EBITDA	\$18,446	\$17,633	\$16,398	\$15,956	\$15,573
Total Debt⁽²⁾	\$470,314	\$527,504	\$527,082	\$519,209	\$512,702
Adjustments to Debt:					
(Less) Development Pipeline ⁽²⁾	(58,942)	(90,021)	(88,069)	(84,321)	(71,035)
(Less) Cash & restricted cash	(21,726)	(13,688)	(25,193)	(27,361)	(23,142)
Core Debt	\$389,646	\$423,795	\$413,820	\$407,527	\$418,525
Core Debt/Annualized Core EBITDA	5.3x	6.0x	6.3x	6.4x	6.7x

(1) See definitions on page 30

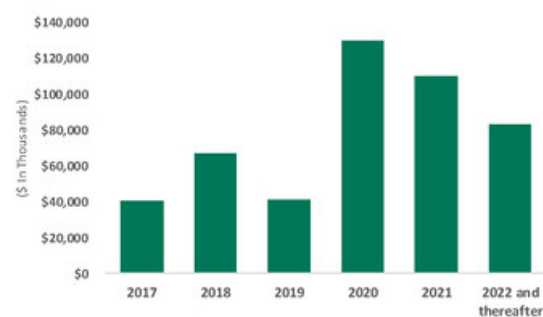
(2) Excludes GAAP Adjustments

\$ in thousands

Total Debt Composition			
	Percent of Debt	Weighted Average	
		Interest Rate	Maturity
Secured vs. Unsecured Debt			
Unsecured Debt	32.5%	3.0%	2.5 Yrs
Secured Debt	67.5%	3.8%	9.6 Yrs
Variable vs. Fixed-rate Debt			
Variable-rate Debt ⁽¹⁾	49.8%	3.0%	2.3 Yrs
Fixed-rate Debt ⁽²⁾⁽³⁾	50.2%	4.2%	12.2 Yrs
Fixed-rate and Hedged Debt ⁽²⁾⁽³⁾	100.0%		
Total		3.6%	7.2 Yrs



Interest Rate Cap Agreements			
Effective Date	Maturity Date	Strike Rate	Notional Amount
October 26, 2015	October 15, 2017	1.25%	\$75,000
February 25, 2016	March 1, 2018	1.50%	75,000
June 17, 2016	June 17, 2018	1.00%	70,000
February 7, 2017	March 1, 2019	1.50%	50,000
June 23, 2017	July 1, 2019	1.50%	50,000
Total Interest Rate Caps			320,000
Fixed-rate Debt ⁽²⁾⁽³⁾			236,284
Fixed-rate and Hedged Debt			\$556,284
% of Total ⁽³⁾			100.0%



(1) Excludes debt subject to interest rate swap locks

(2) Includes debt subject to interest rate swap locks

(3) Excludes GAAP adjustments

\$ in thousands

Capitalization as of June 30, 2017

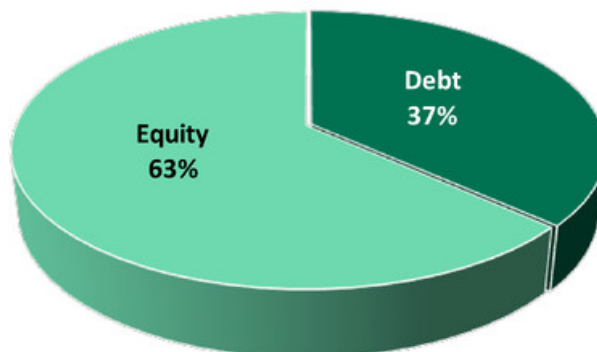
Debt	% of Total	Carrying Value
Unsecured Credit Facility	6%	\$28,000
Unsecured Term Loans	27%	125,000
Mortgages Payable	67%	317,314
Total Debt		\$470,314

Equity	% of Total	Shares/Units	Stock Price	Market Value
Common Stock (NYSE: AHH)	72%	44,932	\$12.95	\$581,869
Common Units	28%	17,846	\$12.95	231,106
Equity Market Capitalization		62,778		\$812,975
Total Market Capitalization				\$1,283,289
Debt/Market Capitalization				36.6%

Dividend Data

	Trailing 12 Months
Common Dividends and Distributions	38,067
AFFO	52,058
AFFO Payout Ratio	73.1%

Capital Structure as of June 30, 2017



Liquidity as of June 30, 2017

Cash on Hand	\$21,726
Availability under Credit Facility	117,900
Total	\$139,626

As of 6/30/17

Property	Anchor Tenant	Location	Town Center	Unencumbered ABR	Year Built	Net Rentable Square Feet (RSF) ⁽¹⁾			Core Occupancy ⁽²⁾	Development Leased ⁽²⁾	ABR ⁽¹⁾	ABR per Leased SF ⁽¹⁾
						Core Properties	Development Properties	Total				
Retail Properties												
249 Central Park Retail ⁽⁴⁾	Cheesecake Factory, Brooks Brothers, Gordon Biersch	Virginia Beach, VA	✓	-	2004	92,710	-	92,710	93.7%	-	\$2,468,512	\$28.42
Alexander Pointe	Harris Teeter	Salisbury, NC		100%	1997	57,710	-	57,710	97.6%	-	649,530	11.53
Bermuda Crossroads ⁽⁶⁾	Food Lion, OfficeMax	Chester, VA		100%	2001	122,566	-	122,566	93.7%	-	1,691,826	14.73
Broad Creek Shopping Center ⁽⁶⁾⁽¹⁶⁾	Home Depot, Food Lion, PetSmart	Norfolk, VA		100%	1997/2001	251,504	-	251,504	100.0%	-	3,836,640	15.25
Broadmoor Plaza	Kroger, Staples, Jo-Ann Fabrics	South Bend, IN		100%	1980	115,059	-	115,059	92.2%	-	1,251,946	11.81
Brooks Crossing	Various Small Shops	Newport News, VA		100%	2016	-	18,343	18,343	-	59.8%	151,380	13.80
Columbus Village	Barnes & Noble	Virginia Beach, VA	✓	-	1980/2013	66,594	-	66,594	88.5%	-	1,145,259	19.42
Columbus Village II	Regal Cinemas, B&B	Virginia Beach, VA	✓	100%	1995/1996	92,061	-	92,061	100.0%	-	1,580,113	17.16
Commerce Street Retail ⁽⁵⁾	Yard House	Virginia Beach, VA	✓	100%	2008	19,173	-	19,173	100.0%	-	855,348	44.61
Courthouse 7-Eleven	7-Eleven	Virginia Beach, VA		100%	2011	3,177	-	3,177	100.0%	-	139,311	43.85
Dick's at Town Center	Dick's Sporting Goods, USI	Virginia Beach, VA	✓	100%	2002	103,335	-	103,335	100.0%	-	1,241,201	12.01
Dimmock Square	Best Buy, Old Navy	Colonial Heights, VA		100%	1998	106,166	-	106,166	97.2%	-	1,742,666	16.89
Fountain Plaza Retail	Ruth's Chris, Ann Taylor	Virginia Beach, VA	✓	-	2004	35,961	-	35,961	100.0%	-	1,025,369	28.51
Gainsborough Square	Food Lion, Rite Aid	Chesapeake, VA		100%	1999	88,862	-	88,862	92.5%	-	1,241,449	15.11
Greentree Shopping Center	Various Small Shops	Chesapeake, VA		100%	2014	15,719	-	15,719	85.9%	-	288,720	21.38
Hanbury Village ⁽¹⁾	Harris Teeter, Walgreens, Starbucks	Chesapeake, VA		32%	2006/2009	116,635	-	116,635	97.6%	-	2,448,107	21.52
Harper Hill Commons ⁽⁶⁾	Harris Teeter	Winston-Salem, NC		100%	2004	96,914	-	96,914	80.5%	-	895,067	11.47
Harrisonburg Regal	Regal Cinemas	Harrisonburg, VA		-	1999	49,000	-	49,000	100.0%	-	683,550	13.95
Lightfoot Marketplace ⁽⁶⁾	Harris Teeter, CHKD	Williamsburg, VA		-	2016	-	107,643	107,643	-	72.6%	1,113,240	14.24
North Hampton Market	PetSmart, Hobby Lobby	Taylors, SC		100%	2004	114,935	-	114,935	99.0%	-	1,435,243	12.52
North Point Center ⁽¹⁾	Kroger, PetSmart, Home Depot, Costco	Durham, NC		67%	1998/2009	496,246	-	496,246	100.0%	-	3,688,215	7.43
Oakland Marketplace ⁽¹⁾	Kroger	Oakland, TN		100%	2004	64,600	-	64,600	97.8%	-	453,378	7.17
Parkway Marketplace	Rite Aid	Virginia Beach, VA		100%	1998	37,804	-	37,804	100.0%	-	753,814	19.94
Patterson Place	B&B, PetSmart, DSW, AC Moore	Durham, NC		100%	2004	160,942	-	160,942	96.1%	-	2,441,875	15.78
Perry Hall Marketplace	Safeway	Perry Hall, MD		100%	2001	74,256	-	74,256	100.0%	-	1,247,059	16.79
Providence Plaza	Cranfill, Sumner & Hartzog, Chipotle	Charlotte, NC		100%	2007/2008	103,118	-	103,118	97.5%	-	2,623,698	26.11
Renaissance Square	Harris Teeter	Davidson, NC		100%	2008	80,467	-	80,467	92.2%	-	1,288,047	17.36
Sandbridge Commons ⁽¹⁾	Harris Teeter	Virginia Beach, VA		-	2015	69,417	-	69,417	100.0%	-	911,425	13.13
Socastee Commons	Bi-Lo	Myrtle Beach, SC		-	2000/2014	57,273	-	57,273	100.0%	-	655,260	11.44
South Retail	Iululemon, free people, CPK	Virginia Beach, VA	✓	-	2002	38,515	-	38,515	84.9%	-	886,084	27.08
South Square ⁽⁶⁾	Ross, Petco, Office Depot	Durham, NC		100%	1977/2005	109,590	-	109,590	100.0%	-	1,897,056	17.31
Southgate Square	Burlington, PetSmart, Michaels	Colonial Heights, VA		-	1991/2016	220,131	-	220,131	96.3%	-	2,890,231	13.64
Southshore Shops	Buffalo Wild Wings	Midlothian, VA		100%	2006	40,333	-	40,333	97.5%	-	781,321	19.86
Stone House Square ⁽¹⁾	Weis Markets	Hagers town, MD		100%	2008	112,274	-	112,274	90.7%	-	1,740,313	17.09
Studio 56 Retail	McCormick & Schmick's	Virginia Beach, VA	✓	100%	2007	11,594	-	11,594	100.0%	-	397,917	34.32
Tyre Neck Harris Teeter ⁽¹⁾⁽¹⁶⁾	Harris Teeter	Portsmouth, VA		100%	2011	48,859	-	48,859	100.0%	-	533,052	10.91
Waynesboro Commons	Kroger	Waynesboro, VA		100%	1993	52,415	-	52,415	96.2%	-	404,996	8.03
Wendover Village	B&B, T.J. Maxx, Petco	Greensboro, NC		100%	2004	135,758	-	135,758	100.0%	-	1,967,761	14.49
Total / Weighted Avg Retail Portfolio⁽¹⁾				72%		3,461,673	125,986	3,587,659	96.8%	70.7%	\$51,445,979	\$14.95

As of 6/30/17

Property	Anchor Tenant	Location	Town Center	Unencumbered ABR	Year Built	Net Rentable Square Feet (RSF) ⁽¹⁾			Core Occupancy ⁽²⁾	Development Leased ⁽²⁾	ABR ⁽³⁾	ABR per Leased SF ⁽⁴⁾
						Core Properties	Development Properties	Total				
Office Properties												
4525 Main Street	Clark Nexsen, Anthropologie, Mythics	Virginia Beach, VA	✓	-	2014	237,893	-	237,893	93.1%	-	\$6,143,796	\$27.75
Armada Hoffer Tower ⁽⁵⁾⁽⁶⁾	AHJ, Troutman Sanders, Williams Mullen	Virginia Beach, VA	✓	100%	2002	324,242	-	324,242	92.4%	-	8,498,198	28.37
Commonwealth of VA - Chesapeake	Commonwealth of VA	Chesapeake, VA	-	-	2015	36,227	-	36,227	100.0%	-	645,927	17.83
Commonwealth of VA - Virginia Beach	Commonwealth of VA	Virginia Beach, VA	-	100%	2015	11,139	-	11,139	100.0%	-	245,058	22.00
One Columbus ⁽⁵⁾	BB&T, HBA	Virginia Beach, VA	✓	100%	1984	129,272	-	129,272	86.9%	-	2,791,411	24.84
Two Columbus	The Art Institute	Virginia Beach, VA	✓	100%	2009	108,448	-	108,448	74.4%	-	2,160,491	26.77
Total / Weighted Average Office Portfolio				67%		847,221	-	847,221	89.9%	-	\$20,484,881	\$26.90
Multifamily												
Encore Apartments		Virginia Beach, VA	✓	-	2014	286	-	286	95.8%	-	\$4,193,280	\$1.79
Johns Hopkins Village ⁽⁹⁾⁽¹⁰⁾		Baltimore, MD	-	-	2016	-	157	157	-	51.1%	3,643,116	2.56
Liberty Apartments ⁽¹¹⁾		Newport News, VA	-	-	2013	197	-	197	83.2%	-	2,021,328	1.43
Smith's Landing ⁽¹⁰⁾		Blacksburg, VA	-	-	2009	284	-	284	95.4%	-	3,576,276	1.16
The Cosmopolitan ⁽⁹⁾		Virginia Beach, VA	✓	-	2006	342	-	342	89.8%	-	5,836,776	1.65
Total / Weighted Avg Multifamily Portfolio						1,109	157	1,266	91.6%	51.1%	\$19,270,776	\$1.63

- (1) The net rentable square footage for each of our retail & office properties is the sum of (a) the square footage of existing leases, plus (b) for available space, management's estimate of net rentable square footage based, in part, on past leases. The net rentable square footage included in office leases is generally consistent with the Building Owners and Managers Association, or BOMA, 1996 measurement guidelines.
- (2) Occupancy for each of our retail & office properties is calculated as (a) square footage under executed leases as of June 30, 2017, divided by (b) net rentable square feet, expressed as a percentage. Occupancy for our multifamily properties is calculated as (a) total units occupied as of June 30, 2017, divided by (b) total units available, expressed as a percentage.
- (3) For the properties in our office and retail portfolios, annualized base rent, or ABR, is calculated by multiplying (a) monthly base rent (defined as cash base rent, before contractual tenant concessions and abatements, and excluding tenant reimbursements for expenses paid by us) as of June 30, 2017 for in-place leases as of such date by (b) 12, and does not give effect to periodic contractual rent increases or contingent rental revenue (e.g., percentage rent based on tenant sales thresholds). ABR per leased square foot is calculated by dividing (a) ABR by (b) square footage under in-place leases as of June 30, 2017. In the case of triple net or modified gross leases, our calculation of ABR does not include tenant reimbursements for real estate taxes, insurance, common area or other operating expenses.
- (4) As of June 30, 2017, the Company occupied 41,103 square feet at these two properties at an ABR of \$1,210,559, or \$29.45 per leased square foot, which amounts are reflected in this table. The rent paid by us is eliminated in accordance with GAAP.
- (5) Includes ABR pursuant to a rooftop lease.
- (6) Net rentable square feet at certain of our retail properties includes pad sites leased pursuant to the ground leases in the table below:
- | Properties Subject to Ground Lease | Number of Ground Leases | Square Footage Leased Pursuant to Ground Leases | | ABR |
|------------------------------------|-------------------------|---|----------------|--------------------|
| | | Number of Ground Leases | Square Footage | |
| Bermuda Crossroads | 2 | | 11,000 | \$163,350 |
| Broad Creek Shopping Center | 6 | | 23,825 | 607,081 |
| Hanbury Village | 2 | | 55,586 | 1,082,118 |
| Harper Hill Commons | 1 | | 41,520 | 373,680 |
| Lightfoot Marketplace | 1 | | 51,750 | 543,375 |
| North Point Center | 4 | | 280,556 | 1,083,666 |
| Oakland Marketplace | 1 | | 45,000 | 186,300 |
| Sandbridge Commons | 1 | | 53,288 | 582,971 |
| South Square | 1 | | 1,778 | 60,000 |
| Stone House Square | 1 | | 3,650 | 165,000 |
| Tyre Neck Harris Teeter | 1 | | 48,859 | 533,052 |
| Total / Weighted Avg | 21 | | 616,812 | \$5,380,593 |
- (7) For the properties in our multifamily portfolio, annualized base rent, or ABR, is calculated by multiplying (a) base rental payments for the month ended June 30, 2017 by (b) 12.
- (8) ABR per occupied rentable square foot is calculated by dividing (a) ABR, by (b) net rentable square footage of occupied units as of June 30, 2017.
- (9) The ABR for Liberty, Cosmopolitan, Johns Hopkins Village excludes \$241,000, \$594,000, \$1,159,000 from ground floor retail leases, respectively.
- (10) The Company leases the land underlying this property pursuant to a ground lease.
- (11) Beginning with the three months ended March 31, 2017, our calculation of core occupancy included, and in future periods will include, the square footage from ground leases where we are the lessor. We did not retrospectively apply this new calculation methodology to prior periods. If we were to exclude these ground leases in the calculation of core occupancy, our core occupancy as of June 30, 2017 would have been 96.2%.

Development Pipeline

\$ in thousands

Development, Not Delivered	Property Type	Estimated ⁽¹⁾	% Leased	Schedule ⁽¹⁾			Estimated Cost ⁽¹⁾	Cost to Date	AHH Ownership %	Anchor Tenants & Other Notes
				Construction Start	Initial Occupancy	Stabilized Operation ⁽²⁾				
Meeting Street Charleston, SC	Multifamily	114 units	NA	3Q17	3Q19	3Q19	\$53,000	\$1,000	90%	NA
King Street Charleston, SC	Multifamily	74 units	NA	3Q17	3Q19	3Q19	48,000	9,000	93%	NA
Harding Place Charlotte, NC	Multifamily	225 Units	NA	3Q16	3Q18	1Q20	47,000	16,000	80% ⁽³⁾	NA
Town Center Phase VI Virginia Beach, VA	Mixed-use	39,000 SF 130 Units	46%	4Q16	3Q18	3Q19	43,000	10,000	100%	Anchor tenants not yet announced
Brooks Crossing Newport News, VA	Office	100,000 sf	100%	1Q18	1Q19	1Q19	20,000	1,000	65% ⁽³⁾	Huntington Ingalls Industries ⁽⁴⁾
Total Development, Not Delivered							211,000	37,000		
Development, Delivered Not Stabilized										
Brooks Crossing Newport News, VA	Retail	18,000 sf	60%	3Q15	3Q16	2Q18	3,000	3,000	65% ⁽²⁾	Misc. small shops
Johns Hopkins Village Baltimore, MD	Multifamily	157 units	51%	1Q15	3Q16	3Q17	69,000	68,000	80% ⁽³⁾	CVS
Lightfoot Marketplace Williamsburg, VA	Retail	109,000 sf	73%	3Q14	3Q16	2Q18	25,000	23,000	70% ⁽³⁾	Harris Teeter, CHKD
Total Development, Delivered Not Stabilized							97,000	94,000		
Total							\$308,000	\$131,000		
Joint Ventures - Minority Partner										
One City Center - 37% JV Durham, NC	Mixed-use	152,000 sf	36%	1Q16	2Q18	2Q19	\$36,000	\$11,000	100%	Duke University AHH Equity requirement \$11.0M
Mezzanine Investments										
Point Street Apartments Baltimore, MD	Multifamily	289 units	NA	1Q16	4Q17	1Q19	\$92,000	\$22,000	Option to purchase 88% upon completion	\$23M Mezzanine financing by AHH, earning 8% interest income
Annapolis Junction Annapolis Junction, MD	Multifamily	416 units	NA	2Q16	3Q17	2Q19	102,000	41,000	Option to purchase 88% upon completion	\$43M Mezzanine financing by AHH, earning 10% interest income
Total Mezzanine Investment							\$194,000	\$63,000		

	Q2 2017	Year to Date
Capitalized Interest	\$246	\$412
Capitalized Overhead	\$681	\$1,142



Johns Hopkins Village



Lightfoot Marketplace



One City Center



Point Street Apts.

- (1) Represents estimates that may change as the development process proceeds
- (2) First full stabilized quarter
- (3) AHH earns a preferred return on equity prior to any distributions to JV Partners
- (4) Signed letter of intent

\$ in thousands

ACQUISITIONS									
Properties	Location	Square Feet	Purchase Price ⁽¹⁾	Reinvested 1031 Proceeds	\$ Value of OP Units/Stock ⁽²⁾	Cash Cap Rate	Purchase Date	Anchor Tenants	
Wendover Village Outparcel	Greensboro, NC	35,895	\$14,300	\$7,900	-	7.7%	3Q17	Panera, Rooms to Go Kids	
Renaissance Square	Davidson, NC	80,468	\$17,085	-	-	7.1%	4Q16	Harris Teeter	
Columbus Village II	Virginia Beach, VA	92,061	\$26,200	-	\$26,200	5.6%	4Q16	Regal, Bed Bath & Beyond	
Southshore Shops	Midlothian, VA	40,333	\$9,160	-	\$2,475	7.8%	3Q16	Buffalo Wild Wings	
Southgate Square	Colonial Heights, VA	220,131	\$38,585	-	\$17,485	7.3%	2Q16	PetSmart, Michael's, Burlington	
Retail Portfolio (11 properties)	Mid-Atlantic	1,082,681	\$170,500	\$87,000	-	7.2%	1Q16	Harris Teeter, Bed Bath & Beyond	
Providence Plaza	Charlotte, NC	103,118	\$26,200	\$14,000	-	7.3%	3Q15	Chipotle	
Socastee Commons	Myrtle Beach, SC	57,573	\$8,600	\$3,600	-	7.3%	3Q15	BiLo	
Columbus Village	Virginia Beach, VA	65,746	\$21,025	-	\$14,025	6.4%	3Q15	Barnes & Noble	
Perry Hall Marketplace & Stone House Square	Maryland	182,949	\$39,555	\$15,200	\$4,155	7.4%	2Q15	Safeway & Weis Markets	
Dimmock Square	Colonial Heights, VA	106,166	\$19,662	-	\$9,662	7.3%	3Q14	Old Navy, Best Buy, Pier 1	
Total/Weighted Average		2,067,121	\$390,872	\$127,700	74,002	7.1%			

DISPOSITIONS									
Properties	Location	Square Feet/Units	Sale Price	Cash Proceeds	Gain on Sale	Cash Cap Rate	Disposition Date	Anchor Tenants	
Commonwealth of VA Buildings	Virginia Beach & Chesapeake, VA	47,366	\$13,150	\$8,000	\$4,194	6.8%	3Q17	Commonwealth of VA	
Greentree Wawa	Chesapeake, VA	5,088	\$4,600	\$4,400	\$3,396	5.0%	1Q17	Wawa	
Oyster Point	Newport News, VA	100,139	\$6,500	-	\$3,793	16.4% ⁽³⁾	3Q16	GSA	
Non-Core Retail Portfolio	Various	174,758	\$12,850	\$12,600	(\$27)	7.1%	2Q16 - 3Q16	Kroger, Family Dollar	
Richmond Tower	Richmond, VA	206,969	\$78,000	\$77,000	\$26,674	7.9%	1Q16	Williams Mullen	
Oceanneering	Chesapeake, VA	154,000	\$30,000	\$10,000	\$4,987	6.7%	4Q15	Oceanneering International	
Whetstone Apartments	Durham, NC	203 units	\$35,625	\$17,600	\$7,210	5.7%	2Q15	NA	
Sentara Williamsburg	Williamsburg, VA	49,200	\$15,450	\$15,200	\$6,197	6.3%	1Q15	Sentara	
Virginia Natural Gas	Virginia Beach, VA	31,000	\$8,900	\$7,400	\$2,211	6.3%	4Q14	Virginia Natural Gas	
Total/Weighted Average		768,520sf/ 203 units	\$205,075	\$152,200	\$58,635	7.2%			

(1) Contractual purchase price

(2) Value of OP Units/Stock at issuance

(3) Anchor tenant vacated 9/30/16, which would represent a 2.5% Cash Cap Rate

\$ in thousands

	<u>Location</u>	<u>Total Contract Value</u>	<u>Work in Place as of 6/30/2017</u>	<u>Backlog</u>	<u>Estimated Date of Completion</u>
Highlighted Projects					
Four Seasons Condominium Expansion	Baltimore, MD	\$73,457	\$69,538	\$3,919	3Q 2017
Point Street Apartments	Baltimore, MD	72,631	45,046	27,585	1Q 2018
Annapolis Junction Apartments	Annapolis Junction, MD	69,184	51,308	17,876	1Q 2018
Durham City Center	Durham, NC	63,298	29,908	33,390	2Q 2018
Dinwiddie Municipal Complex	Dinwiddie, VA	24,042	2,763	21,279	2Q 2019
Sub Total		\$302,612	\$198,563	\$104,049	
All Other Projects		\$303,644	\$291,036	\$12,608	
Total		<u>\$606,256</u>	<u>\$489,599</u>	<u>\$116,657</u>	

Gross Profit Summary		
	<u>Q2 2017</u>	<u>Trailing 12 Months</u>
	<small>(Unaudited)</small>	
Revenue	\$56,671	\$209,217
Expense	<u>(54,015)</u>	<u>(201,524)</u>
Gross Profit	\$2,656	\$7,693



Same Store NOI by Segment

\$ in thousands

(Reconciliation to GAAP located in appendix pg. 32)

	Three months ended				Six months ended			
	6/30/2017	6/30/2016	\$ Change	% Change	6/30/2017	6/30/2016	\$ Change	% Change
Office⁽¹⁾	(Unaudited)				(Unaudited)			
Revenue	\$3,657	\$3,867	(\$210)	-5.4%	\$7,463	\$7,788	(\$325)	-4.2%
Expenses	1,387	1,269	118	9.3%	2,723	2,659	64	2.4%
Net Operating Income	2,270	2,598	(328)	-12.6%	4,740	5,129	(389)	-7.6%
Retail⁽¹⁾								
Revenue	13,146	12,961	185	1.4%	18,861	18,534	327	1.8%
Expenses	3,554	3,325	229	6.9%	5,300	5,160	140	2.7%
Net Operating Income	9,592	9,636	(44)	-0.5%	13,561	13,374	187	1.4%
Multifamily⁽¹⁾								
Revenue	4,641	4,752	(111)	-2.3%	9,437	9,482	(45)	-0.5%
Expenses	2,128	2,074	54	2.6%	4,239	4,136	103	2.5%
Net Operating Income	2,513	2,678	(165)	-6.2%	5,198	5,346	(148)	-2.8%
Same Store Net Operating Income (NOI)	\$14,375	\$14,912	(\$537)	-3.6%	\$23,499	\$23,849	(\$350)	-1.5%
Net effect of straight-line rents	140	(62)	202		355	5	350	
Amortization of lease incentives and above (below) market rents	(23)	(4)	(19)		230	250	(20)	
Same store portfolio NOI, cash basis	\$14,492	\$14,846	(\$354)	-2.4%	\$24,084	\$24,104	(\$20)	-0.1%
NOI, Cash Basis:								
Office	\$2,431	\$2,568	(\$137)	-5.3%	\$5,104	\$5,074	\$31	0.6%
Retail	9,537	9,593	(56)	-0.6%	13,761	13,660	100	0.7%
Multifamily	2,524	2,685	(161)	-6.0%	5,218	5,370	(151)	-2.8%
	\$14,492	\$14,846	(\$354)	-2.4%	\$24,084	\$24,104	(\$20)	-0.1%
NOI:								
Office	\$2,270	\$2,598	(\$328)	-12.6%	\$4,740	\$5,129	(\$389)	-7.6%
Retail	9,592	9,636	(44)	-0.5%	13,561	13,374	187	1.4%
Multifamily	2,513	2,678	(165)	-6.2%	5,198	5,346	(148)	-2.8%
	\$14,375	\$14,912	(\$537)	-3.6%	\$23,499	\$23,849	(\$350)	-1.5%

(1) See page 31 for Same Store vs. Non - Same Store Properties

Top 10 Tenants by Annualized Base Rent

\$ in thousands
As of June 30, 2017

Office Portfolio

Tenant	Number of Leases	Lease Expiration	Annualized Base Rent	% of Office Portfolio Annualized Base Rent	% of Total Portfolio Annualized Base Rent
Clark Nexsen	1	2029	\$ 2,487	12.1%	2.7%
Mythics	1	2030	1,052	5.1%	1.2%
Hampton University	2	2023 - 2024	1,033	5.0%	1.1%
Commonwealth of Virginia	2	2029 - 2030	891	4.3%	1.0%
Pender & Coward	1	2030	860	4.2%	0.9%
Kimley-Horn	1	2027	859	4.2%	0.9%
Troutman Sanders	2	2025	838	4.1%	0.9%
The Art Institute	3	2019	835	4.1%	0.9%
City of Va Beach Development Authority	1	2024	701	3.4%	0.8%
Cherry Bekaert	1	2022	698	3.4%	0.8%
Top 10 Total			\$ 10,255	50.1%	11.2%

Retail Portfolio

Tenant	Number of Leases	Lease Expiration	Annualized Base Rent	% of Retail Portfolio Annualized Base Rent	% of Total Portfolio Annualized Base Rent
Kroger/Harris Teeter	11	2018 - 2036	\$ 5,830	11.3%	6.4%
Home Depot	2	2019 - 2023	2,190	4.3%	2.4%
Bed, Bath, & Beyond	4	2020 - 2024	1,677	3.3%	1.8%
Regal Cinemas	2	2019 - 2022	1,607	3.1%	1.8%
PetSmart	5	2020 - 2022	1,438	2.8%	1.6%
Food Lion	3	2019 - 2022	1,283	2.5%	1.4%
Dick's Sporting Goods	1	2020	840	1.6%	0.9%
Safeway	2	2021	821	1.6%	0.9%
Weis Markets	1	2028	802	1.6%	0.9%
Ross Dress for Less	2	2020 - 2022	762	1.5%	0.8%
Top 10 Total			\$ 17,249	33.5%	18.9%

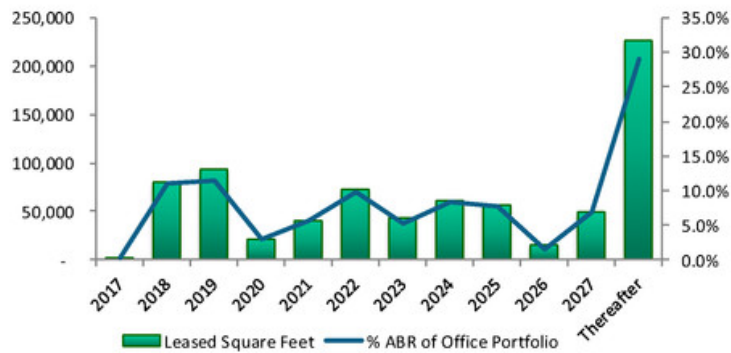
Renewal Lease Summary				GAAP			Cash			Weighted			
Quarter	Number of Leases Signed	Net rentable SF Signed	Leases Expiring	Net rentable SF Expiring	Contractual Rent per SF	Prior Rent per SF	Releasing Spread	Contractual Rent per SF	Prior Rent per SF	Releasing Spread	Average Lease Term (yrs)	TI & LC	TI & LC per SF
Q2 2017	2	13,420	-	-	\$27.94	\$27.22	2.7%	\$27.38	\$28.42	-3.7%	7.21	\$153,873	\$11.47
Q1 2017	2	7,782	2	4,752	31.61	25.72	22.9%	32.30	29.25	10.4%	1.00	23,314	3.00
Q4 2016	1	22,950	1	777	30.66	26.58	15.3%	28.00	29.75	-5.9%	10.00	569,907	24.83
Q3 2016	-	-	-	-	-	-	0.0%	-	-	0.0%	-	-	-

New Lease Summary ⁽¹⁾						
Quarter	Number of Leases Signed	Net rentable SF Signed	Cash Contractual Rent per SF	Weighted Average Lease Term (yrs)	TI & LC	TI & LC per SF
Q2 2017	2	7,541	\$24.39	4.36	259,901	\$34.47
Q1 2017	3	13,491	23.92	4.53	390,548	28.95
Q4 2016	-	-	-	-	-	-
Q3 2016	1	2,153	25.00	3.08	11,810	5.49



(1) Excludes new leases from properties in development

Year of Lease Expiration	Number of Leases Expiring	Square Footage of Leases Expiring ⁽¹⁾	% Portfolio Net Rentable Square Feet	Annualized Base Rent	% of Portfolio Annualized Base Rent	Annualized Base Rent per Leased Square Foot
Available	-	85,835	10.1%	\$ -	-	\$ -
2017	2	2,582	0.3%	57,107	0.3%	22.12
2018	16	80,010	9.4%	2,259,556	11.0%	28.24
2019	15	92,870	11.0%	2,341,688	11.4%	25.21
2020	5	20,864	2.5%	608,835	3.0%	29.18
2021	6	41,023	4.8%	1,151,787	5.6%	28.08
2022	9	72,783	8.6%	1,995,859	9.7%	27.42
2023	4	43,078	5.1%	1,083,861	5.3%	25.16
2024	3	60,751	7.2%	1,712,466	8.4%	28.19
2025	5	56,115	6.6%	1,597,628	7.8%	28.47
2026	3	15,140	1.8%	327,423	1.6%	21.63
2027	3	49,081	5.8%	1,395,538	6.8%	28.43
Thereafter	9	227,089	26.8%	5,953,132	29.1%	26.21
Total / Weighted Average	80	847,221	100.0%	\$20,484,881	100.0%	\$26.90



(1) Includes new leases from properties in development

Renewal Lease Summary

Quarter	Number of Leases Signed	Net rentable SF Signed	Leases Expiring	Net rentable SF Expiring	GAAP			Cash			Weighted Average Lease Term (yrs)	TI & LC	TI & LC per SF
					Contractual Rent per SF	Prior Rent per SF	Releasing Spread	Contractual Rent per SF	Prior Rent per SF	Releasing Spread			
Q2 2017	14	73,961	7	14,087	\$19.46	\$18.75	3.8%	\$19.60	\$18.85	3.9%	3.78	\$93,362	\$1.26
Q1 2017	13	121,282	2	3,174	16.46	15.37	7.1%	16.42	15.51	5.9%	5.95	461,039	3.80
Q4 2016	8	57,227	8	23,035	16.81	17.07	-1.5%	16.25	17.13	-5.1%	6.50	443,344	7.75
Q3 2016	14	80,526	10	22,340	16.84	15.69	7.3%	16.36	15.80	3.5%	7.00	503,893	6.26

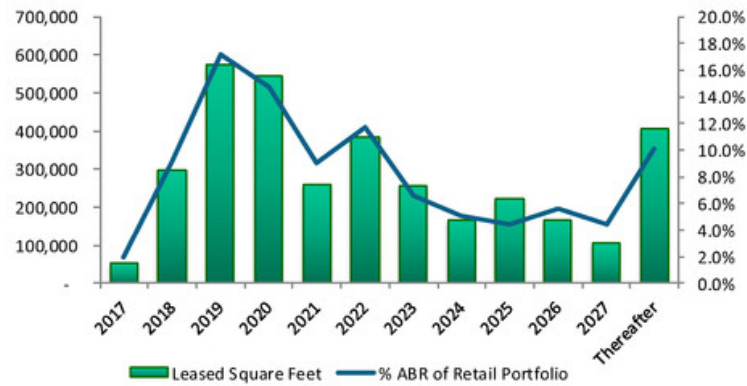
New Lease Summary⁽¹⁾

Quarter	Number of Leases Signed	Net rentable SF Signed	Cash Contractual Rent per SF	Weighted Average Lease Term (yrs)	TI & LC	TI & LC per SF
Q2 2017	9	14,315	\$20.66	7.65	\$376,170	\$26.28
Q1 2017	6	13,698	22.91	5.70	204,418	14.92
Q4 2016	6	21,078	13.25	8.39	365,657	17.35
Q3 2016	3	14,341	14.03	6.52	262,134	18.28



(1) Excludes new leases from properties in development

Year of Lease Expiration	Number of Leases Expiring	Square Footage of Leases Expiring ⁽¹⁾	% Portfolio Net Rentable Square Feet	Annualized Base Rent	% of Portfolio Annualized Base Rent	Annualized Base Rent per Leased Square Foot
Available	-	147,293	4.1%	\$ -	-	\$ -
M-T-M	4	4,728	0.1%	68,990	0.1%	14.59
2017	20	50,090	1.4%	993,633	1.9%	19.84
2018	70	295,814	8.2%	4,662,204	9.1%	15.76
2019	81	577,019	16.1%	8,842,564	17.2%	15.32
2020	69	546,650	15.2%	7,586,515	14.7%	13.88
2021	50	258,260	7.2%	4,634,520	9.0%	17.95
2022	42	383,964	10.7%	6,001,745	11.7%	15.63
2023	18	256,235	7.1%	3,390,249	6.6%	13.23
2024	17	166,518	4.6%	2,631,996	5.1%	15.81
2025	16	222,955	6.2%	2,278,337	4.4%	10.22
2026	19	166,645	4.6%	2,877,886	5.6%	17.27
2027	14	105,286	2.9%	2,274,209	4.4%	21.60
Thereafter	16	406,202	11.3%	5,203,131	10.1%	12.81
Total / Weighted Average	436	3,587,659	100.0%	\$ 51,445,979	100.0%	\$14.95



(1) Includes new leases from properties in development

In thousands

Stabilized Portfolio NOI (Cash)		
	Three months ended	Annualized
	6/30/2017	6/30/2017
Diversified Portfolio		
Office	\$223	\$892
Retail	9,149	36,596
Multifamily	958	3,832
Total Diversified Portfolio NOI	\$10,330	\$41,320
Virginia Beach Town Center		
Office ⁽¹⁾	\$2,978	\$11,912
Retail ⁽¹⁾	2,080	8,320
Multifamily	1,566	6,264
Total Virginia Beach Town Center NOI	\$6,624	\$26,496
Stabilized Portfolio NOI - Cash Basis	\$16,954	\$67,816

Development Pipeline		
	6/30/2017	
Income producing property	\$92,000	
Construction in progress	36,000	
Other assets	3,000	
Total cost to date	\$131,000	

Taxable REIT Subsidiary (TRS)	
	Trailing 12 Months
General contracting and real estate services	\$7,693

Non-Property Assets	
	As of 6/30/2017
Cash and Cash Equivalents	\$18,587
Restricted Cash	3,139
Accounts Receivable	15,027
Notes Receivable	73,382
Construction receivables, including retentions	45,820
Equity method investments (Durham City Center JV)	10,950
Other Assets	59,048
Land held for development	680
Total Non-Property Assets	\$226,633

Liabilities & Share Count	
	As of 6/30/2017
Liabilities	
Mortgages and notes payable	\$465,291
Accounts payable and accrued liabilities	9,311
Construction payables, including retentions	58,546
Other Liabilities	46,669
Total Liabilities	\$579,817

Share Count	
	Three months ended 6/30/2017
Weighted average common shares outstanding	42,091
Weighted average operating partnership ("OP") Units Outstanding	17,845
Total weighted average common shares and OP units outstanding	59,936

(1) Includes leases for space occupied by Armada Hoffer which are eliminated for GAAP purposes



ARMADA HOFFLER
P R O P E R T I E S

Appendix
Definitions & Reconciliations

Net Operating Income:

We calculate Net Operating Income (“NOI”) as property revenues (base rent, expense reimbursements and other revenue) less property expenses (rental expenses and real estate taxes). Other REITs may use different methodologies for calculating NOI, and accordingly, our NOI may not be comparable to such other REITs’ NOI. NOI is not a measure of operating income or cash flows from operating activities as measured by GAAP and is not indicative of cash available to fund cash needs. As a result, NOI should not be considered an alternative to cash flows as a measure of liquidity. We consider NOI to be an appropriate supplemental measure to net income because it assists both investors and management in understanding the core operations of our real estate business.

To calculate NOI on a cash basis, we adjust NOI to exclude the net effects of straight-line rent and the amortization of lease incentives and above/below market rents.

Funds From Operations:

We calculate Funds From Operations (“FFO”) in accordance with the standards established by the National Association of Real Estate Investment Trusts (“NAREIT”). NAREIT defines FFO as net income (loss) (calculated in accordance with accounting principles generally accepted in the United States (“GAAP”)), excluding gains (or losses) from sales of depreciable operating property, real estate related depreciation and amortization (excluding amortization of deferred financing costs) and after adjustments for unconsolidated partnerships and joint ventures.

FFO is a supplemental non-GAAP financial measure. Management uses FFO as a supplemental performance measure because it believes that FFO is beneficial to investors as a starting point in measuring our operational performance. Specifically, in excluding real estate related depreciation and amortization and gains and losses from property dispositions, which do not relate to or are not indicative of operating performance, FFO provides a performance measure that, when compared period-over-period, captures trends in occupancy rates, rental rates and operating costs. Other equity REITs may not calculate FFO in accordance with the NAREIT definition as we do, and, accordingly, our FFO may not be comparable to such other REITs’ FFO.

Normalized Funds From Operations:

We calculate Normalized Funds From Operations ("Normalized FFO") as FFO calculated in accordance with the standards established by NAREIT, adjusted for acquisition, development and other pursuit costs, gains or losses from the early extinguishment of debt, impairment charges, mark-to-market adjustments on interest rate derivatives and other non-comparable items.

Management believes that the computation of FFO in accordance to NAREIT's definition includes certain items that are not indicative of the results provided by the Company's operating portfolio and affect the comparability of the Company's period-over-period performance. Our calculation of Normalized FFO differs from NAREIT's definition of FFO. Other equity REITs may not calculate Normalized FFO in the same manner as us, and, accordingly, our Normalized FFO may not be comparable to other REITs' Normalized FFO.

Adjusted Funds From Operations:

We calculate Adjusted Funds From Operations ("AFFO") as Normalized FFO adjusted for the impact of non-cash stock compensation, tenant improvement, leasing commission and leasing incentive costs associated with second generation rental space, capital expenditures, non-cash interest expense, straight-line rents, the amortization of leasing incentives and above (below) market rents and proceeds from government development grants.

Management believes that AFFO provides useful supplemental information to investors regarding our operating performance as it provides a consistent comparison of our operating performance across time periods and allows investors to more easily compare our operating results with other REITs. However, other REITs may use different methodologies for calculating AFFO or similarly entitled FFO measures and, accordingly, our AFFO may not always be comparable to AFFO or other similarly entitled FFO measures of other REITs.

Adjusted EBITDA:

We calculate Adjusted EBITDA as net income (loss) (calculated in accordance with GAAP), excluding interest expense, income taxes, depreciation and amortization, gains (or losses) from sales of depreciable operating property and mark-to-market adjustments on interest rate derivatives. Management believes Adjusted EBITDA is useful to investors in evaluating and facilitating comparisons of our operating performance between periods and between REITs by removing the impact of our capital structure (primarily interest expense) and asset base (primarily depreciation and amortization) from our operating results along with other non-comparable items.

Core EBITDA:

We calculate Core EBITDA as EBITDA, excluding certain items, including, but not limited to, debt extinguishment losses, mark-to-market adjustments on interest rate derivatives, non-cash stock compensation and the impact of development pipeline projects that are still in lease-up. We generally consider a property to be in lease-up until the earlier of (i) the quarter after which the property reaches 80% occupancy or (ii) the thirteenth quarter after the property receives its certificate of occupancy. Management believes that Core EBITDA provides useful supplemental information to investors regarding our ongoing operating performance as it provides a consistent comparison of our operating performance across time periods and allows investors to more easily compare our operating results with other REITs. However, other REITs may use different methodologies for calculating Core EBITDA or similarly entitled measures and, accordingly, our Core EBITDA may not always be comparable to Core EBITDA or other similarly entitled measures of other REITs.

Core Debt:

We calculate Core Debt as our total debt, excluding loans associated with our development pipeline, cash & cash equivalents, and restricted cash.

Same Store Portfolio:

We define same store properties as those that we owned and operated for the entirety of the comparative periods presented. We generally consider a property to be in lease-up until the earlier of (i) the quarter after which the property reaches 80% occupancy or (ii) the thirteenth quarter after the property receives its certificate of occupancy. The following table shows the properties included in the same store and non-same store portfolio for the comparative periods presented.

	Three Months Ended 6/30/2017 to 2016		Six Months Ended 6/30/2017 to 2016	
	Same Store	Non-Same Store	Same Store	Non-Same Store
Retail Properties				
249 Central Park Retail	X		X	
Alexander Pointe	X			X
Bermuda Crossroads	X		X	
Broad Creek Shopping Center	X		X	
Brooks Crossing (Retail)		X		X
Broadmoor Plaza	X			X
Columbus Village	X		X	
Columbus Village II		X		X
Commerce Street Retail	X		X	
Courthouse 7-Eleven	X		X	
Dick's at Town Center	X		X	
Dimmock Square	X		X	
Greentree Shopping Center	X		X	
Fountain Plaza Retail	X		X	
Gainsborough Square	X		X	
Hanbury Village	X		X	
Harper Hill Commons	X			X
Harrisonburg Regal	X		X	
Lightfoot Marketplace		X		X
North Hampton Market	X			X
North Point Center	X		X	
Oakland Marketplace	X			X
Parkway Marketplace	X		X	
Patterson Place	X			X
Perry Hall Marketplace	X		X	
Providence Plaza	X		X	
Renaissance Square		X		X

	Three Months Ended 6/30/2017 to 2016		Six Months Ended 6/30/2017 to 2016	
	Same Store	Non-Same Store	Same Store	Non-Same Store
Retail Properties (Continued)				
Sandbridge Commons	X		X	
Socastee Commons	X		X	
South Retail	X		X	
South Square	X			X
Southgate Square		X		X
Southshore Shops		X		X
Stone House Square	X		X	
Studio 56 Retail	X		X	
Tyre Neck Harris Teeter	X		X	
Waynesboro Commons	X			X
Wendover Village	X			X
Office Properties				
4525 Main Street		X		X
Armada Hoffer Tower	X		X	
Commonwealth of VA - Chesapeake	X		X	
Commonwealth of VA - Virginia Beach	X		X	
One Columbus	X		X	
Two Columbus	X		X	
Multifamily Properties				
Encore Apartments	X		X	
Liberty Apartments	X		X	
Smith's Landing	X		X	
The Cosmopolitan	X		X	
Johns Hopkins Village		X		X

Reconciliation to Property Portfolio NOI

\$ in thousands

	Three months ended 6/30		Six months ended 6/30	
	2017	2016	2017	2016
Office Same Store⁽¹⁾				
Rental revenues	\$3,657	\$3,867	\$7,463	\$7,788
Property expenses	1,387	1,269	2,723	2,659
NOI	2,270	2,598	4,740	5,129
Non-Same Store NOI	673	877	1,333	1,872
Segment NOI	\$2,943	\$3,475	\$6,073	\$7,001
Retail Same Store⁽¹⁾				
Rental revenues	\$13,146	\$12,961	\$18,861	\$18,534
Property expenses	\$3,554	3,325	5,300	5,160
NOI	\$9,592	9,636	13,561	13,374
Non-Same Store NOI	\$1,987	927	9,680	6,601
Segment NOI	\$11,579	\$10,563	\$23,241	\$19,975
Multifamily Same Store⁽¹⁾				
Rental revenues	\$4,641	\$4,752	\$9,437	\$9,482
Property expenses	\$2,128	2,074	4,239	4,136
NOI	\$2,513	2,678	5,198	5,346
Non-Same Store NOI	\$954	82	2,132	81
Segment NOI	\$3,467	2,760	\$7,330	\$5,427
Total Property Portfolio NOI	\$17,989	\$16,798	\$36,644	\$32,403

(1) See page 31 for the Same Store vs. Non-Same Store properties

Reconciliation to Property Portfolio NOI

\$ in thousands

	Three months ended 6/30/2017			
	Office	Retail	Multifamily	Total
Diversified Portfolio				
NOI - Cash Basis	\$223	\$9,149	\$958	\$10,330
Net effect of straight-line rents	21	61	1	83
Amortization of lease incentives and (above) below market rents	-	186	(13)	173
NOI	\$244	\$9,396	\$946	\$10,586
Town Center of Virginia Beach				
NOI - Cash Basis	\$2,978	\$2,080	\$1,566	\$6,624
Net effect of straight-line rents	5	(17)	-	(12)
Amortization of lease incentives and (above) below market rents	(71)	(50)	-	(121)
Elimination of AHH rent	(213)	(97)	-	(310)
NOI	2,699	1,916	1,566	\$6,181
NOI				
Diversified Portfolio	\$244	\$9,396	\$946	\$10,586
Town Center of Virginia Beach	2,699	1,916	1,566	6,181
Unstabilized Properties	-	267	955	1,222
Total Property Portfolio NOI	\$2,943	\$11,579	\$3,467	\$17,989

Reconciliation to GAAP Net Income

\$ in thousands

Three months ended 6/30/2017

	Office	Retail	Multifamily	Total Rental Properties	General Contracting & Real Estate Services	Total
Segment revenues	\$ 4,759	\$ 15,578	\$ 6,418	\$ 26,755	\$ 56,671	\$ 83,426
Segment expenses	1,816	3,999	2,951	8,766	54,015	62,781
Net operating income	\$ 2,943	\$ 11,579	\$ 3,467	\$ 17,989	\$ 2,656	\$ 20,645
Depreciation and amortization						(9,304)
General and administrative expenses						(2,678)
Acquisition, development and other pursuit costs						(369)
Impairment charges						(27)
Interest income						1,658
Interest expense						(4,494)
Change in fair value of interest rate derivatives						(81)
Other income						43
Income tax provision						(450)
Net income						\$ 4,943

Six months ended 6/30/2017

	Office	Retail	Multifamily	Total Rental Properties	General Contracting & Real Estate Services	Total
Segment revenues	\$ 9,665	\$ 31,209	\$ 13,113	\$ 53,987	\$ 120,190	\$ 174,177
Segment expenses	3,592	7,968	5,783	17,343	115,211	132,554
Net operating income	\$ 6,073	\$ 23,241	\$ 7,330	\$ 36,644	\$ 4,979	\$ 41,623
Depreciation and amortization						(18,779)
General and administrative expenses						(5,664)
Acquisition, development and other pursuit costs						(416)
Impairment charges						(31)
Interest income						3,056
Interest expense						(9,029)
Gain on real estate dispositions						3,395
Change in fair value of interest rate derivatives						213
Other income						80
Income tax provision						(752)
Net income						\$ 13,696

