UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

☒ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2019
or
☐TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission file number 001-35908

ARMADA HOFFLER PROPERTIES, INC.
(Exact Name of Registrant as Specified in Its Charter)

Maryland	**46-1214914**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
222 Central Park Avenue , Suite 2100	
Virginia Beach , Virginia	**23462**
(Address of principal executive offices)	**(Zip Code)**

Registrant's Telephone Number, Including Area Code: (757) 366-4000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.01 par value per share	AHH	New York Stock Exchange
6.75% Series A Cumulative Redeemable Perpetual Preferred Stock, $0.01 par value per share	AHHPrA	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

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. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

As of June 28, 2019, the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was approximately $861.5 million, based on the closing sales price of $16.55 per share as reported on the New York Stock Exchange. (For purposes of this calculation all of the registrant's directors and executive officers are deemed affiliates of the registrant.)

As of February 20, 2020, the registrant had 56,370,060 shares of common stock outstanding. In addition, as of February 20, 2020, Armada Hoffler, L.P., the registrant's operating partnership subsidiary (the "Operating Partnership"), had 21,272,962 common units of limited partnership interest ("OP Units") outstanding (other than OP Units held by the registrant). Based on the 56,370,060 shares of common stock and 21,272,962 OP Units held by limited partners other than the registrant, the registrant had a total common equity market capitalization of $1,444,936,639 as of February 20, 2020 (based on the closing sales price of $18.61 on the New York Stock Exchange on such date).

Documents Incorporated by Reference

Portions of the registrant's Definitive Proxy Statement relating to its 2020 Annual Meeting of Stockholders are incorporated by reference into Part III of this report. The registrant expects to file its Definitive Proxy Statement with the Securities and Exchange Commission within 120 days after December 31, 2019.

Armada Hoffler Properties, Inc.

Form 10-K
For the Fiscal Year Ended December 31, 2019

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

The following discussion should be read in conjunction with the financial statements and notes thereto appearing elsewhere in this report. This report contains forward-looking statements within the meaning of the federal securities laws. We caution investors that any forward-looking statements presented in this report, or which management may make orally or in writing from time to time, are based on beliefs and assumptions made by, and information currently available to, management. When used, the words "anticipate," "believe," "expect," "intend," "may," "might," "plan," "estimate," "project," "should," "will," "result" and similar expressions, which do not relate solely to historical matters, are intended to identify forward-looking statements. Such statements are subject to risks, uncertainties, and assumptions and are not guarantees of future performance, which may be affected by known and unknown risks, trends, uncertainties, and factors that are beyond our control. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated, or projected. We caution you that while forward-looking statements reflect our good faith beliefs when we make them, they are not guarantees of future performance and are impacted by actual events when they occur after we make such statements. We expressly disclaim any responsibility to update forward-looking statements, whether as a result of new information, future events, or otherwise, except as required by law. Accordingly, investors should use caution in relying on past forward-looking statements, which are based on results and trends at the time they are made, to anticipate future results or trends.

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, data, or methods which may be incorrect or imprecise, and we may not be able to realize them. We do not guarantee that the transactions and events described will happen as described (or that they will happen at all). The following factors, among others, could cause actual results and future events to differ materially from those set forth or contemplated in the forward-looking statements:

- adverse economic or real estate developments, either nationally or in the markets in which our properties are located;
- our failure to develop the properties in our development pipeline successfully, on the anticipated timelines, or at the anticipated costs;
- our failure to generate sufficient cash flows to service our outstanding indebtedness;
- defaults on, early terminations of, or non-renewal of leases by tenants, including significant tenants;
- bankruptcy or insolvency of a significant tenant or a substantial number of smaller tenants;
- the inability of one or more mezzanine loan borrowers to repay mezzanine loans in accordance with their contractual terms;
- difficulties in identifying or completing development, acquisition, or disposition opportunities;
- our failure to successfully operate developed and acquired properties;
- our failure to generate income in our general contracting and real estate services segment in amounts that we anticipate;
- fluctuations in interest rates and increased operating costs;
- our failure to obtain necessary outside financing on favorable terms or at all;
- our inability to extend the maturity of or refinance existing debt or comply with the financial covenants in the agreements that govern our existing debt;
- financial market fluctuations;
- risks that affect the general retail environment or the market for office properties or multifamily units;
- the competitive environment in which we operate;
- decreased rental rates or increased vacancy rates;

- conflicts of interests with our officers and directors;
- lack or insufficient amounts of insurance;
- environmental uncertainties and risks related to adverse weather conditions and natural disasters;
- other factors affecting the real estate industry generally;
- our failure to maintain our qualification as a real estate investment trust ("REIT") for U.S. federal income tax purposes;
- limitations imposed on our business and our ability to satisfy complex rules in order for us to maintain our qualification as a REIT for U.S. federal income tax purposes;
- changes in governmental regulations or interpretations thereof, such as real estate and zoning laws and increases in real property tax rates and taxation of REITs; and
- potential negative impacts from the recent changes to the U.S. tax laws.

While forward-looking statements reflect our good faith beliefs, they are not guarantees of future performance. We caution investors not to place undue reliance on these forward-looking statements. For a further discussion of these and other factors that could impact our future results, performance, or transactions, see the risk factors described in Item 1A herein and in other documents that we file from time to time with the Securities and Exchange Commission (the "SEC").

PART I

Item 1. Business.

Our Company

References to "we," "our," "us," and "our company" refer to Armada Hoffler Properties, Inc., a Maryland corporation, together with our consolidated subsidiaries, including Armada Hoffler, L.P., a Virginia limited partnership (the "Operating Partnership"), of which we are the sole general partner.

We are 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. In addition to the ownership of our operating property portfolio, we develop and build properties for our own account and through joint ventures between us and unaffiliated partners and also invest in development projects through mezzanine lending arrangements. We also provide general contracting services to third parties. Our construction and development experience includes mid- and high-rise office buildings, retail strip malls, retail power centers, multifamily apartment communities, hotels and conference centers, single- and multi-tenant industrial, distribution, and manufacturing facilities, educational, medical and special purpose facilities, government projects, parking garages, and mixed-use town centers. Our third-party construction contracts have included signature properties across the Mid-Atlantic region, such as the Inner Harbor East development in Baltimore, Maryland, including the Four Seasons Hotel and Legg Mason office tower, the Mandarin Oriental Hotel in Washington, D.C., and a $50.0 million proton therapy institute for Hampton University in Hampton, Virginia.

We were formed on October 12, 2012 under the laws of the State of Maryland and are headquartered in Virginia Beach, Virginia. We elected to be taxed as a REIT for U.S. federal income tax purposes commencing with the taxable year ended December 31, 2013. Substantially all of our assets are held by, and all of our operations are conducted through, our Operating Partnership. As of December 31, 2019, we owned, through a combination of direct and indirect interests, 72.6% of the common units of limited partnership interest in our Operating Partnership ("OP Units").

2019 Highlights

The following highlights our results of operations and significant transactions for the year ended December 31, 2019:

- Net income attributable to common stockholders and OP Unit holders of $21.6 million, or $0.41 per diluted share, compared to $17.2 million, or $0.36 per diluted share, for the year ended December 31, 2018.

- Funds from operations attributable to common stockholders and OP Unit holders ("FFO") of $80.0 million, or $1.10 per diluted share, compared to $64.3 million, or $0.99 per diluted share, for the year ended December 31, 2018.

- Normalized funds from operations attributable to common stockholders and OP Unit holders ("Normalized FFO") of $85.1 million, or $1.17 per diluted share, compared to $66.5 million, or $1.03 per diluted share, for the year ended December 31, 2018.

- Property segment net operating income ("NOI") of $102.0 million compared to $78.4 million for the year ended December 31, 2018:

  - Office NOI of $21.1 million compared to $12.8 million

  - Retail NOI of $58.0 million compared to $50.3 million

  - Multifamily NOI of $22.9 million compared to $15.3 million

- Same store NOI of $71.1 million compared to $68.5 million for the year ended December 31, 2018:

  - Office same store NOI of $13.5 million compared to $13.2 million

  - Retail same store NOI of $44.4 million compared to $43.4 million

  - Multifamily same store NOI of $13.2 million compared to $11.9 million

- Stabilized portfolio occupancy by segment, as of December 31, 2019 compared to December 31, 2018:
    - Office occupancy at 96.6% compared to 93.3%
    - Retail occupancy at 96.9% compared to 96.2%
    - Multifamily occupancy at 95.6% compared to 97.3%
- Core operating property portfolio occupancy at 96.5% as of December 31, 2019 compared to 95.8% as of December 31, 2018.
- Completed the acquisition and refinancing of the commercial office and retail components of our One City Center development project in downtown Durham, North Carolina from the joint venture partnership.
- Exercised our purchase option to acquire a 79% controlling interest in 1405 Point, the 17-story luxury high-rise apartment building located in the Harbor Point area of the Baltimore waterfront, in exchange for the Company's mezzanine loan investment and the assumption of existing debt.
- Completed the acquisitions of Red Mill Commons and Marketplace at Hilltop in Virginia Beach, Virginia for aggregate consideration of $105.0 million, including $63.8 million in OP Units.
- Completed the acquisition of Thames Street Wharf, a certified LEED Gold Class A trophy office building located on the waterfront in the Harbor Point development of Baltimore, Maryland, for $101.0 million.
- Completed the sale of Lightfoot Marketplace for $30.3 million, representing a 5.8% cap rate on in-place net operating income at the time of acquisition.
- Introduced a redesigned website - ArmadaHoffler.com - to include additional functionality and enhancements including a new sustainability section.
- Added $109.2 million to third-party construction backlog during the fourth quarter and ended 2019 with total backlog of $242.6 million.
- Announced that Apex Entertainment has entered into a long-term lease for all 84,000 square feet previously occupied by Dick's Sporting Goods in the Town Center of Virginia Beach.
- Announced that the Company will be the majority partner in a joint venture to develop Ten Tryon, a new 220,000 square foot urban mixed-use development anchored by a new Publix grocery store and a Fortune 100 office tenant in Charlotte, North Carolina.
- Announced that the Company will be the majority partner in a joint venture to redevelop the historic Chronicle Mill as part of a new multifamily development in Belmont, North Carolina.
- Extended the maturity of our credit facility to 2024 for the senior unsecured revolving component and 2025 for the senior unsecured term loan component.
- Raised $25.5 million of gross proceeds through our at-the-market equity offering program at a weighted-average price of $18.30 per share during the quarter ended December 31, 2019. Raised $98.4 million of gross proceeds at a weighted-average price of $16.76 per share during the year ended December 31, 2019.
- Raised $61.3 million of net proceeds before offering expenses through an underwritten public offering of 2.5 million shares of 6.75% Series A Cumulative Redeemable Perpetual Preferred Stock ("Series A Preferred Stock") at a public offering price of $25.00 per share.
- Declared cash dividends of $0.84 per share for the year ended December 31, 2019 compared to $0.80 per share for the year ended December 31, 2018.

For definitions and discussion of FFO, Normalized FFO, NOI, and same store NOI, see the sections below entitled "Item 6. Selected Financial Data" and "Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations."

Our Competitive Strengths

We believe that we distinguish ourselves from other REITs through the following competitive strengths:

- *High-Quality, Diversified Portfolio*. Our portfolio consists of institutional-grade, premier office, retail, and multifamily properties located primarily in Virginia, Maryland, North Carolina, South Carolina, and Georgia. Our properties are generally in the top tier of commercial properties in their markets and offer Class-A amenities and finishes.

- *Seasoned, Committed and Aligned Senior Management Team with a Proven Track Record.* Our senior management team has extensive experience developing, constructing, owning, operating, renovating, and financing institutional-grade office, retail, multifamily, and hotel properties in the Mid-Atlantic and Southeastern regions. As of December 31, 2019, our named executive officers and directors collectively owned approximately 13% of our company on a fully diluted basis, which we believe aligns their interests with those of our stockholders.

- *Strategic Focus on Attractive Mid-Atlantic and Southeastern Markets.* We focus our activities in our target markets in the Mid-Atlantic and Southeastern regions of the United States that demonstrate attractive fundamentals driven by favorable supply and demand characteristics and limited competition from other large, well-capitalized operators. We believe that our longstanding presence in our target markets provides us with significant advantages in sourcing and executing development opportunities, identifying and mitigating potential risks, and negotiating attractive pricing.

- *Extensive Experience with Construction and Development.* Our platform consists of development, construction, and asset management capabilities, which comprise an integrated delivery system for every project that we build for our own account or for third-party clients. This integrated approach provides a single source of accountability for design and construction, simplifies coordination and communication among the relevant stakeholders in each project, and provides us valuable insight from an operational perspective. We believe that being regularly engaged in construction and development projects provides us significant and distinct advantages, including enhanced market intelligence, greater insight into best practices, enhanced operating leverage, and "first look" access to development and ownership opportunities in our target markets. We also use mezzanine lending arrangements, which may enable us to acquire completed development projects at prices that are below market or at cost and may enable us to realize profit on projects we do not intend to own.

- *Longstanding Public and Private Relationships*. We have extensive experience with public/private real estate development projects dating back to 1984, having worked with the Commonwealth of Virginia, the State of Georgia, and the Kingdom of Sweden, as well as various municipalities. Through our experience and longstanding relationships with governmental entities such as these, we have learned to successfully navigate the often complex and time-consuming government approval process, which has given us the ability to capture opportunities that we believe many of our competitors are unable to pursue.

Our Business and Growth Strategies

Our primary business objectives are to: (i) continue to develop, build, and own institutional-grade office, retail, and multifamily properties in our target markets, (ii) finance and operate our portfolio in a manner that increases cash flow and property values, (iii) execute new third-party construction work with consistent operating margins, and (iv) pursue selective acquisition opportunities, particularly when the acquisition involves a significant redevelopment aspect. We will seek to achieve our objectives through the following strategies:

- *Pursue a Disciplined, Opportunistic Development and Acquisition Strategy Focused on Office, Retail, and Multifamily Properties*. We intend to continue to grow our asset base through continued strategic development of office, retail, and multifamily properties, and the selective acquisition of high-quality properties that are well-located in their submarkets. Furthermore, we believe our construction and development expertise provides a high level of quality control while ensuring that the projects we construct and develop are completed more quickly and at a lower cost than if we engaged a third-party general contractor.

- *Pursue New, and Expand Existing, Public/Private Relationships*. We intend to continue to leverage our extensive experience in completing large, complex, mixed-use, public/private projects to establish relationships with new public partners while expanding our relationships with existing public partners.

- *Leverage our Construction and Development Platform to Attract Additional Third-Party Clients*. We believe that we have a unique advantage over many of our competitors due to our integrated construction and development business that provides expertise, oversight, and a broad array of client-focused services. We intend to continue to conduct and grow our construction business and other third-party services by pursuing new clients and expanding our relationships with existing clients. We also intend to continue to use our mezzanine lending program to leverage our development and construction expertise in serving clients.

- *Engage in Disciplined Capital Recycling*. We intend to opportunistically divest properties when we believe returns have been maximized and to redeploy the capital into new development, acquisition, repositioning, or redevelopment projects that are expected to generate higher potential risk-adjusted returns.

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Our Properties

The table below sets forth certain information regarding our stabilized portfolio as of December 31, 2019. We generally consider a property to be stabilized upon the earlier of: (i) the quarter after the property reaches 80% occupancy or (ii) the thirteenth quarter after the property receives its certificate of occupancy. Additionally, any property that is fully or partially taken out of service for the purpose of redevelopment is no longer considered stabilized until the redevelopment activities are complete, the asset is placed back into service, and the stabilization criteria above are again met.

Property	Location	Year Built	Ownership Interest	Net Rentable Square Feet (1)	Occupancy (2)	ABR (3)	ABR per Leased SF(3)
Retail Properties							
249 Central Park Retail	Virginia Beach, VA	2004	100%	92,400	97.9%	$ 2,559,701	$ 28.30
Alexander Pointe (4)	Salisbury, NC	1997	100%	64,724	95.7%	649,308	10.49
Apex Entertainment (5)	Virginia Beach, VA	2002	100%	103,335	100.0%	1,471,503	14.24
Bermuda Crossroads (4)	Chester, VA	2001	100%	122,566	98.4%	1,755,052	14.56
Broad Creek Shopping Center(4)(6)	Norfolk, VA	1997/2001	100%	121,504	95.5%	2,071,357	17.85
Broadmoor Plaza	South Bend, IN	1980	100%	115,059	97.5%	1,382,468	12.32
Brooks Crossing Retail (7)	Newport News, VA	2016	65%	18,349	66.3%	169,740	13.95
Columbus Village (4)	Virginia Beach, VA	1980/2013	100%	62,362	84.3%	1,556,163	29.59
Columbus Village II	Virginia Beach, VA	1995/1996	100%	92,061	96.7%	1,595,334	17.92
Commerce Street Retail (8)	Virginia Beach, VA	2008	100%	19,173	100.0%	881,292	45.97
Courthouse 7-Eleven	Virginia Beach, VA	2011	100%	3,177	100.0%	139,311	43.85
Dimmock Square	Colonial Heights, VA	1998	100%	106,166	97.2%	1,779,915	17.25
Fountain Plaza Retail	Virginia Beach, VA	2004	100%	35,961	100.0%	1,028,958	28.61
Gainsborough Square	Chesapeake, VA	1999	100%	88,862	95.6%	1,324,529	15.59
Greentree Shopping Center	Chesapeake, VA	2014	100%	15,719	92.6%	293,359	20.15
Hanbury Village (4)	Chesapeake, VA	2006/2009	100%	116,635	100.0%	2,538,926	21.77
Harper Hill Commons (4)	Winston-Salem, NC	2004	100%	96,914	85.0%	928,028	11.26
Harrisonburg Regal	Harrisonburg, VA	1999	100%	49,000	100.0%	717,850	14.65
Indian Lakes Crossing (4)	Virginia Beach, VA	2008	100%	64,973	95.0%	845,097	13.70
Lexington Square	Lexington, SC	2017	100%	85,540	98.2%	1,829,558	21.78
Market at Mill Creek (4)(7)	Mount Pleasant, SC	2018	70%	80,405	93.8%	1,700,522	22.55
Marketplace at Hilltop (4)(6)	Virginia Beach, VA	2000/2001	100%	116,953	100.0%	2,654,816	22.70
North Hampton Market	Taylors, SC	2004	100%	114,935	100.0%	1,479,285	12.87
North Point Center (4)	Durham, NC	1998/2009	100%	494,746	100.0%	3,842,617	7.77
Oakland Marketplace (4)	Oakland, TN	2004	100%	64,538	100.0%	478,857	7.42
Parkway Centre	Moultrie, GA	2017	100%	61,200	98.0%	812,760	13.55
Parkway Marketplace	Virginia Beach, VA	1998	100%	37,804	94.4%	726,757	20.36
Patterson Place	Durham, NC	2004	100%	160,942	94.3%	2,397,055	15.79
Perry Hall Marketplace	Perry Hall, MD	2001	100%	74,256	100.0%	1,270,853	17.11
Providence Plaza	Charlotte, NC	2007/2008	100%	103,118	98.8%	2,803,576	27.53
Red Mill Commons (4)	Virginia Beach, VA	2000-2005	100%	373,808	96.5%	6,427,485	17.81
Renaissance Square	Davidson, NC	2008	100%	80,467	90.4%	1,267,552	17.43
Sandbridge Commons (4)	Virginia Beach, VA	2015	100%	76,650	98.5%	1,056,840	14.00
Socastee Commons	Myrtle Beach, SC	2000/2014	100%	57,273	96.7%	632,797	11.43
South Retail	Virginia Beach, VA	2002	100%	38,515	100.0%	992,999	25.78
South Square (4)	Durham, NC	1977/2005	100%	109,590	98.1%	1,873,007	17.42
Southgate Square	Colonial Heights, VA	1991/2016	100%	260,131	94.4%	3,365,533	13.70
Southshore Shops	Chesterfield, VA	2006	100%	40,307	85.3%	720,087	20.94
Stone House Square (4)	Hagerstown, MD	2008	100%	112,274	93.1%	1,784,568	17.07
Studio 56 Retail	Virginia Beach, VA	2007	100%	11,594	100.0%	473,695	40.86
Tyre Neck Harris Teeter (4)(6)	Portsmouth, VA	2011	100%	48,859	100.0%	533,285	10.91
Wendover Village	Greensboro, NC	2004	100%	176,939	99.3%	3,510,597	19.98
Total / Weighted Average				**4,169,784**	**99.2%**	**$ 66,322,992**	**$ 16.44**

	Location	Year Built	Ownership Interest	Net Rentable Square Feet [1]	Occupancy [2]	ABR [3]	ABR per Leased SF[3]
Office Properties							
4525 Main Street	Virginia Beach, VA	2014	100%	234,938	98.1%	$ 6,718,239	$ 29.14
Armada Hoffler Tower [8][9]	Virginia Beach, VA	2002	100%	320,680	95.8%	8,889,551	28.94
Brooks Crossing Office [7]	Newport News, VA	2019	100%	98,061	100.0%	1,814,129	18.50
One City Center	Durham, NC	2019	100%	152,815	84.0%	4,145,189	32.28
One Columbus [8]	Virginia Beach, VA	1984	100%	128,876	98.5%	3,184,938	25.10
Thames Street Wharf [9]	Baltimore, Maryland	2010	100%	263,426	100.0%	7,141,829	27.11
Two Columbus	Virginia Beach, VA	2009	100%	108,459	100.0%	2,907,497	26.81
Total / Weighted Average				**1,307,255**	**96.6%**	**$ 34,801,372**	**$ 27.56**

	Location	Year Built	Ownership Interest	Units/Beds	Occupancy [2]	ABR [10]	Monthly Rent per Occupied Unit/Bed [11]
Multifamily Properties							
1405 Point [6][12]	Baltimore, MD	2018	79%	289	92.0%	$ 6,933,252	$ 2,172
Encore Apartments	Virginia Beach, VA	2014	100%	286	95.8%	4,318,296	1,313
Greenside Apartments	Charlotte, NC	2018	100%	225	93.8%	4,010,676	1,584
Hoffler Place [12]	Charleston, SC	2019	93%	258	89.1%	3,553,932	1,244
Johns Hopkins Village [6][12]	Baltimore, MD	2016	100%	568	98.8%	7,692,984	1,143
Liberty Apartments [12]	Newport News, VA	2013	100%	197	93.9%	2,439,588	1,099
Premier Apartments	Virginia Beach, VA	2018	100%	131	97.7%	2,212,920	1,441
Smith's Landing [6]	Blacksburg, VA	2009	100%	284	100.0%	4,250,868	1,247
Total / Weighted Average				**2,238**	**95.6%**	**$ 35,412,516**	**$ 1,379**

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(1) The net rentable square footage for each of our office and retail 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 1996 measurement guidelines.

(2) Occupancy for each of our office and retail properties is calculated as (a) square footage under executed leases as of December 31, 2019 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 December 31, 2019 divided by (b) total units available, expressed as a percentage.

(3) For the properties in our office and retail portfolios, annualized base rent ("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 December 31, 2019 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 December 31, 2019. 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) 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
Alexander Pointe	1	7,014	$ 10,000
Bermuda Crossroads	2	11,000	179,685
Broad Creek Shopping Center	6	23,825	649,818
Columbus Village	1	3,403	200,000
Hanbury Village	2	55,586	1,082,118
Harper Hill Commons	1	41,520	373,680
Indian Lakes Crossing	1	50,311	592,385
Market at Mill Creek	1	7,014	63,000
Marketplace at Hilltop	1	4,211	150,000
North Point Center	4	280,556	1,146,700
Oakland Marketplace	1	45,000	186,347
Red Mill Commons	8	33,961	773,609
Sandbridge Commons	3	60,521	738,500
Stone House Square	1	3,650	181,500
Tyre Neck Harris Teeter	1	48,859	533,285
Total / Weighted Average	**34**	**676,431**	**$ 6,860,627**

(5) Dick's Sporting Goods, one of the anchor tenants at the property previously known as "Dick’s at Town Center," notified the Company during 2019 that it would not renew its lease beyond January 31, 2020, the end of the current term. In October 2019, the Company signed a lease with a replacement tenant, Apex Entertainment, which will take the entire space currently occupied by Dick's Sporting Goods after the redevelopment and buildout of the facility is completed, which is expected to occur by the end of 2020.

(6) We lease the land underlying this property pursuant to a ground lease.

(7) We are entitled to a preferred return on our investment in this property.

(8) Includes ABR pursuant to a rooftop lease.

(9) As of December 31, 2019, we occupied 55,390 square feet at these two properties at an ABR of $1.7 million, or $31.30 per leased square foot, which amounts are reflected in this table. The rent paid by us is eliminated in accordance with U.S. generally accepted accounting principles ("GAAP").

(10) For the properties in our multifamily portfolio, ABR is calculated by multiplying (a) base rental payments for the month ended December 31, 2019 by (b) 12.

(11) Monthly rent per occupied unit/bed is calculated by dividing total base rental payments for the month ended December 31, 2019 by the number of occupied units (or, in the case of Johns Hopkins Village and Hoffler Place, occupied beds of the 568 and 258 total beds, respectively) as of December 31, 2019.

(12) The ABR for Liberty, John Hopkins Village, Hoffler Place and 1405 Point excludes approximately $0.3 million, $1.1 million, $0.1million and $0.4 million, respectively from ground floor retail leases.

Lease Expirations

The following tables summarize the scheduled expirations of leases in our office and retail operating property portfolios as of December 31, 2019. The information in the following tables does not assume the exercise of any renewal options.

Office Lease Expirations

Year of Lease Expiration	Number of Leases Expiring	Square Footage of Leases Expiring	% Portfolio Net Rentable Square Feet	Annualized Base Rent	% of Office Portfolio Annualized Base Rent	Annualized Base Rent per Leased Square Foot
Available	—	44,285	3.4%	$ —	—%	$ —
Month-to-Month	2	—	—%	2,400	—%	—
2019	—	—	—%	—	—%	—
2020	11	24,796	1.9%	781,419	2.2%	31.51
2021	11	48,532	3.7%	1,312,408	3.8%	27.04
2022	11	77,259	5.9%	2,213,506	6.4%	28.65
2023	12	103,647	7.9%	2,707,291	7.8%	26.12
2024	11	136,575	10.4%	3,442,021	9.9%	25.20
2025	13	131,701	10.1%	3,859,343	11.1%	29.30
2026	8	36,863	2.8%	926,963	2.7%	25.15
2027	4	244,864	18.7%	6,921,178	19.9%	28.27
2028	6	63,319	4.8%	1,754,231	5.0%	27.70
2029	7	242,709	18.6%	6,136,048	17.6%	25.28
Thereafter	6	152,705	11.8%	4,744,562	13.6%	31.07
Total / Weighted Average	**102**	**1,307,255**	**100.0%**	**$ 34,801,370**	**100.0%**	**$ 27.55**

Retail Lease Expirations

Year of Lease Expiration	Number of Leases Expiring	Square Footage of Leases Expiring	% Portfolio Net Rentable Square Feet	Annualized Base Rent	% of Office Portfolio Annualized Base Rent	Annualized Base Rent per Leased Square Foot
Available	—	144,938	3.4%	$ —	—%	$ —
Month-to-Month	3	4,200	0.1%	83,758	0.1%	19.94
2019	5	25,565	0.6%	457,889	0.7%	17.91
2020	54	240,266	5.7%	3,578,216	5.3%	14.89
2021	92	351,636	8.4%	6,781,107	10.1%	19.28
2022	89	507,590	12.1%	8,349,932	12.4%	16.45
2023	89	514,434	12.2%	8,398,508	12.5%	16.33
2024	86	530,254	12.6%	8,696,487	12.9%	16.40
2025	59	544,465	12.9%	7,332,252	10.9%	13.47
2026	27	164,729	3.9%	3,209,776	4.8%	19.49
2027	22	136,840	3.3%	3,019,722	4.5%	22.07
2028	24	252,999	6.0%	3,521,547	5.2%	13.92
2029	23	108,253	2.6%	2,152,130	3.2%	19.88
Thereafter	41	682,777	16.2%	11,710,681	17.4%	17.15
Total / Weighted Average	**614**	**4,208,946**	**100.0%**	**$ 67,292,005**	**100.0%**	**$ 16.56**

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Tenant Diversification

The following tables list the 10 largest tenants in each of our office and retail operating property portfolios, based on annualized base rent as of December 31, 2019 ($ in thousands):

Office Tenant	Annualized Base Rent	% of Office Portfolio Annualized Base Rent	% of Total Portfolio Annualized Base Rent
Morgan Stanley	$ 5,761	16.6%	4.1%
Clark Nexsen	2,639	7.6%	1.9%
WeWork	2,259	6.5%	1.6%
Duke University	1,540	4.4%	1.1%
Huntington Ingalls	1,513	4.3%	1.1%
Mythics	1,187	3.4%	0.8%
Johns Hopkins Medicine	1,118	3.2%	0.8%
Pender & Coward	904	2.6%	0.6%
Kimley-Horn	894	2.6%	0.6%
Troutman Sanders	872	2.5%	0.6%
Top 10 Total	**$ 18,687**	**53.7%**	**13.2%**

Retail Tenant	Annualized Base Rent	% of Retail Portfolio Annualized Base Rent	% of Total Portfolio Annualized Base Rent
Harris Teeter/Kroger	$ 5,645	8.4%	4.0%
Lowes Foods	1,976	2.9%	1.4%
Regal Cinemas	1,713	2.5%	1.2%
Bed, Bath, & Beyond	1,710	2.5%	1.2%
PetSmart	1,438	2.1%	1.0%
Food Lion	1,315	2.0%	0.9%
Petco	877	1.3%	0.6%
Weis Markets	802	1.2%	0.6%
Total Wine & More	765	1.1%	0.5%
Ross Dress for Less	762	1.1%	0.5%
Top 10 Total	**$ 17,003**	**25.1%**	**11.9%**

Development Pipeline

In addition to the properties in our operating property portfolio as of December 31, 2019, we had the following properties in various stages of development, redevelopment, and stabilization. We generally consider a property to be stabilized upon the earlier of: (i) the quarter after the property reaches 80% occupancy or (ii) the thirteenth quarter after the property receives its certificate of occupancy.

Development, Not Delivered			($ in '000s)		Schedule [1]				
Property	Location	Estimated Size [1]	Estimated Cost [1]	Incurred Cost	Start	Initial Occupancy	Stabilized Operation [2]	AHH Ownership %	Property Type
Summit Place	Charleston, SC	357 beds	$ 56,000	$ 51,300	3Q17	3Q20	4Q20	90 %	Multifamily
Wills Wharf	Baltimore, MD	325,000 sf	120,000	86,500	3Q18	2Q20	2Q21	100%	Office
	Total Development, Pending Delivery		$ 176,000	$ 137,800					

Development/Redevelopment, Delivered Not Stabilized			($ in '000s)		Schedule				
		Estimated	Estimated	Incurred		Initial	Stabilized	AHH	
Property	Location	Size (1)	Cost (1)	Cost	Start	Occupancy	Operation (1)(2)	Ownership %	Property Type
Premier Retail	Virginia Beach, VA	39,000 sf	$ 15,000	$ 15,000	4Q16	3Q18	1Q21	100%	Retail
The Cosmopolitan	Virginia Beach, VA	342 units	14,000	6,300	1Q18	N/A	1Q21	100%	Multifamily
Total Development/Redevelopment, Delivered Not Stabilized			29,000	21,300					
Total			**$ 205,000**	**$ 159,100**					

(1) Represents estimates that may change as the development/stabilization process proceeds.
(2) Estimated first full quarter of stabilized operations. Estimates are inherently uncertain, and we can provide no assurance that our assumptions regarding the timing of stabilization will prove accurate.

Our execution on all of the projects identified in the preceding tables are subject to, among other factors, regulatory approvals, financing availability, and suitable market conditions.

Wills Wharf is a mixed-use development project in the Harbor Point area of Baltimore, Maryland. The project will include office space occupied primarily by WeWork and Ernst & Young and will also include a lease to the operator of a Canopy by Hilton hotel with expected delivery in 2020.

Summit Place is a $56.0 million student housing property being developed in Charleston, South Carolina with expected delivery in 2020.

Premier Retail is the retail portion of the most recent phase of development in the Town Center of Virginia Beach, our ongoing public-private partnership with the City of Virginia Beach. Premier Retail is part of a $45.0 million mixed-use project that includes 39,000 square feet of retail space, which was 75.6% leased as of December 31, 2019, and 131 luxury apartments, which were 97.7% leased as of December 31, 2019.

The Cosmopolitan is a $14.0 million redevelopment project of a multifamily property in the Town Center of Virginia Beach, which includes renovation of all 342 units and modernization of the residential clubhouse and the business center. The project started during the first quarter of 2018 and is expected to be completed during the fourth quarter of 2020.

Other Investments

The Residences at Annapolis Junction

On April 21, 2016, we entered into a note receivable with a maximum principal balance of $48.1 million in the residential component of the Annapolis Junction Town Center project in Maryland ("Annapolis Junction"). Annapolis Junction is an apartment development project with 416 residential units. It is part of a mixed-use development project that is also planned to have 17,000 square feet of retail space and a 150-room hotel. Annapolis Junction Apartments Owner, LLC ("AJAO") is the developer of the residential component and engaged us to serve as construction general contractor for the residential component. Annapolis Junction opened during 2017 and 2018 and is currently in lease-up.

Interest on the AJAO loan accrues at 10.0% per annum. On November 16, 2018, AJAO refinanced the senior construction loan with a one year senior loan of $83.0 million. This senior loan includes two six-month extension options subject to minimum debt yields and minimum debt service coverage ratios. We have agreed to guarantee $8.3 million of the senior loan, and the AJAO loan will mature concurrent with the new senior loan. In conjunction with this refinancing, we received a $5.0 million loan modification fee, which is being accounted for as a loan discount that was recognized as interest income over the one year loan term from November 2018 to November 2019 using the effective interest method. Additionally, AJAO repaid $11.1 million of the outstanding mezzanine loan balance as part of this refinancing. On December 1, 2019, the first six-month extension option for the senior loan was exercised, and our mezzanine loan was extended in tandem. AJAO will pay an exit fee of $3.0 million upon full repayment of the loan, which is being recognized through the current remaining term of the loan as interest income using the effective interest method.

The balance on the Annapolis Junction note was $40.0 million as of December 31, 2019. During the year ended December 31, 2019, we recognized $8.8 million of interest income on the note. See Note 6 to our consolidated financial statements in Item 8 of this Annual Report on Form 10-K.

Delray Plaza

On October 27, 2017, we invested in the development of an estimated $20.0 million Whole Foods-anchored center located in Delray Beach, Florida. The Company's investment is in the form of a mezzanine loan of up to $13.1 million to the developer, Delray Plaza Holdings, LLC. On January 8, 2019, this loan was modified to increase the maximum amount of the loan to $15.0 million. The mezzanine loan bears interest at a rate 15.0% per annum. The note matures on the earliest of (i) October 27, 2020, (ii) the date of any sale or refinance of the development project, or (iii) the disposition or change in control of the development project. The balance on the Delray Plaza note was $13.0 million as of December 31, 2019. During the year ended December 31, 2019, we recognized $1.6 million of interest income on the note. See Note 6 to our consolidated financial statements in Item 8 of this Annual Report on Form 10-K.

Nexton Square

On December 4, 2018, we entered into a mezzanine loan agreement with the developer of Nexton Square, a shopping center development project located in Summerville, South Carolina, which has a maximum capacity of $17.0 million. On February 8, 2019, the developer closed on a senior construction loan with a maximum borrowing capacity of $25.2 million. This loan bears interest at a rate of 10.0% per annum. The note matures on the earliest of (i) December 4, 2020, (ii) the maturity date of the senior construction loan, including any extension options available and exercised under that loan, or (iii) the date of any sale, transfer, or refinancing of the project.

We agreed to guarantee 50% of the senior construction loan in exchange for the option to purchase the property upon completion according to a predetermined formula primarily dependent upon the developer's leasing activities and the extent to which the developer elects to complete all or a portion of the total planned space, if applicable, in response to leasing activities.

The balance on the Nexton Square loan was $15.1 million as of December 31, 2019. During the year ended December 31, 2019, we recognized $2.0 million of interest income on the loan. See Note 6 to our consolidated financial statements in Item 8 of this Annual Report on Form 10-K.

Interlock Commercial

On December 21, 2018, we entered into a mezzanine loan agreement with the developer of the office and retail components of The Interlock, a new mixed-use public-private partnership with Georgia Tech in West Midtown Atlanta. The loan has a maximum principal amount of $67.0 million and a total maximum commitment, including accrued interest reserves, of $95.0 million. The mezzanine loan bears interest at a rate of 15.0% per annum and matures on the earlier of (i) 24 months after the original maturity date or earlier termination date of the senior construction loan or (ii) any sale, transfer, or refinancing of the project. In the event that the maturity date is established as being 24 months after the original maturity date or earlier termination date of the senior construction loan, the developer will have the right to extend the maturity date for five years.

On April 19, 2019, the borrower executed its senior construction loan, and the Company's payment guarantee of up to $30.7 million became effective.

The balance on the Interlock Commercial note was $59.2 million as of December 31, 2019. During the year ended December 31, 2019, we recognized $6.1 million of interest income on the note. See Note 6 to our consolidated financial statements in Item 8 of this Annual Report on Form 10-K.

Solis Apartments at Interlock

On December 21, 2018, we entered into a mezzanine loan agreement with the developer of Solis Apartments at Interlock, which is the apartment component of The Interlock in West Midtown Atlanta. The mezzanine loan has a maximum principal commitment of $25.2 million and a total maximum commitment, including accrued interest reserves, of $41.1 million. The mezzanine loan bears interest at a rate of 13.0% per annum and matures on the earlier of (a) the later of (i) December 21, 2021 or (ii) the maturity date or earlier termination date of the senior construction loan, including any extensions of the senior construction loan, or (b) the date of any sale of the project or refinance of the loan.

The balance on the Solis Apartments at Interlock note was $25.6 million as of December 31, 2019. During the year ended December 31, 2019, we recognized $2.3 million of interest income on the note. See Note 6 to our consolidated financial statements in Item 8 of this Annual Report on Form 10-K.

Acquisitions and Dispositions

On February 6, 2019, we acquired an additional outparcel phase of Wendover Village in Greensboro, North Carolina for a contract price of $2.7 million. This phase is leased by a single tenant.

On March 14, 2019, we acquired the office and retail portions of the One City Center project in Durham, North Carolina, in exchange for a redemption of our 37% equity ownership in the joint venture with Austin Lawrence Partners, which totaled $23.0 million as of the acquisition date, and a cash payment of $23.2 million.

On April 24, 2019, we purchased a 79% controlling interest in the partnership that owns 1405 Point, a 17-story luxury high-rise apartment building located in the emerging Harbor Point area of the Baltimore waterfront in exchange for extinguishing our $31.3 million note receivable on the project, making a cash payment of $0.3 million, and assuming a loan payable of $64.9 million.

On May 23, 2019, we acquired Red Mill Commons and Marketplace at Hilltop from Venture Realty Group for consideration comprised of 4.1 million OP Units, the assumption of $35.7 million of mortgage debt, and $4.5 million in cash. The negotiated price was $105.0 million, which contemplated the price of our common stock of $15.55 per share when the purchase and sale agreement was executed. In connection with the acquisition, we and the Operating Partnership entered into a tax protection agreement with the contributors pursuant to which we and the Operating Partnership agreed, subject to certain exceptions, to indemnify the contributors for up to 10 years against certain tax liabilities incurred by them, if such liabilities result from a transaction involving a direct or indirect taxable disposition of either or both of these properties or if the Operating Partnership fails to maintain and allocate to the contributors for taxation purposes minimum levels of Operating Partnership liabilities.

On June 26, 2019, we acquired Thames Street Wharf, a Class A office building located in the Harbor Point development of Baltimore, Maryland for $101.0 million in cash.

On October 25, 2019, we purchased land in Roswell, Georgia for a purchase price of $5.0 million. We plan to use the land to develop a mixed-use property.

Subsequent to December 31, 2019

On January 10, 2020, we purchased land in Charlotte, North Carolina for a purchase price of $6.3 million for the development of a mixed-use property.

Tax Status

We have elected and qualified to be taxed as a REIT for U.S. federal income tax purposes commencing with our taxable year ended December 31, 2013. Our continued qualification as a REIT will depend upon our ability to meet, on a continuing basis, through actual investment and operating results, various complex requirements under the Internal Revenue Code of 1986, as amended (the "Code"), relating to, among other things, the sources of our gross income, the composition and values of our assets, our distribution levels, and the diversity of ownership of our capital stock. We believe that we are organized in conformity with the requirements for qualification as a REIT under the Code and that our manner of operation will enable us to maintain the requirements for qualification and taxation as a REIT for U.S. federal income tax purposes. In addition, we have elected to treat AHP Holding, Inc., which, through its wholly-owned subsidiaries, operate our construction, development, and third-party asset management businesses, as a taxable REIT subsidiary ("TRS").

As a REIT, we generally will not be subject to U.S. federal income tax on our net taxable income that we distribute currently to our stockholders. Under the Code, REITs are subject to numerous organizational and operational requirements, including a requirement that they distribute each year at least 90% of their REIT taxable income, determined without regard to the deduction for dividends paid and excluding any net capital gains. If we fail to qualify for taxation as a REIT in any taxable year and do not qualify for certain statutory relief provisions, our income for that year will be taxed at regular corporate rates, and we would be disqualified from taxation as a REIT for the four taxable years following the year during which we ceased to qualify as a REIT. Even if we qualify as a REIT for U.S. federal income tax purposes, we may still be subject to state and local taxes on our income and assets and to federal income and excise taxes on our undistributed income. Additionally, any income earned by our services company, and any other TRS we form in the future, will be fully subject to federal, state and local corporate income tax.

Insurance

We carry comprehensive liability, fire, extended coverage, business interruption, and rental loss insurance covering all of the properties in our portfolio under a blanket insurance policy in addition to other coverage that may be appropriate for certain of our properties. We believe the policy specifications and insured limits are appropriate and adequate for our properties given the relative risk of loss, the cost of the coverage, and industry practice; however, our insurance coverage may not be sufficient to fully cover our losses. We do not carry insurance for certain losses, including, but not limited to, losses caused by riots or war. Some of our policies, such as those covering losses due to terrorism and earthquakes, are insured subject to limitations involving large deductibles or co-payments and policy limits that may not be sufficient to cover losses for such events. In addition, all but two of the properties in our portfolio as of December 31, 2019 were located in Maryland, Virginia, North Carolina, South Carolina, and Georgia, which are areas subject to an increased risk of hurricanes. While we will carry hurricane insurance on certain of our properties, the amount of our hurricane insurance coverage may not be sufficient to fully cover losses from hurricanes. We may reduce or discontinue hurricane, terrorism, or other insurance on some or all of our properties in the future if the cost of premiums for any of these policies exceeds, in our judgment, the value of the coverage discounted for the risk of loss. Also, if destroyed, we may not be able to rebuild certain of our properties due to current zoning and land use regulations. As a result, we may incur significant costs in the event of adverse weather conditions and natural disasters. In addition, our title insurance policies may not insure for the current aggregate market value of our portfolio, and we do not intend to increase our title insurance coverage as the market value of our portfolio increases. If we or one or more of our tenants experiences a loss that is uninsured or that exceeds policy limits, we could lose the capital invested in the damaged properties as well as the anticipated future cash flows from those properties. In addition, if the damaged properties are subject to recourse indebtedness, we would continue to be liable for the indebtedness, even if these properties were irreparably damaged. Furthermore, we may not be able to obtain adequate insurance coverage at reasonable costs in the future as the costs associated with property and casualty renewals may be higher than anticipated.

Regulation

General

Our properties are subject to various covenants, laws, ordinances, and regulations, including regulations relating to common areas and fire and safety requirements. We believe that each of the properties in our portfolio has the necessary permits and approvals to operate its business.

Americans With Disabilities Act

Our properties must comply with Title III of the Americans with Disabilities Act of 1990 (the "ADA"), to the extent that such properties are "public accommodations" as defined by the ADA. Under the ADA, all public accommodations must meet federal requirements related to access and use by disabled persons. The ADA may require removal of structural barriers to access by persons with disabilities in certain public areas of our properties where such removal is readily achievable. Although we believe that the properties in our portfolio in the aggregate substantially comply with present requirements of the ADA, we have not conducted a comprehensive audit or investigation of all of our properties to determine our compliance, and we are aware that some particular properties may currently be in non-compliance with the ADA. Noncompliance with the ADA could result in the incurrence of additional costs to attain compliance, the imposition of fines, an award of damages to private litigants, and a limitation on our ability to refinance outstanding indebtedness. The obligation to make readily achievable accommodations is an ongoing one, and we will continue to assess our properties and to make alterations as appropriate in this respect.

Environmental Matters

Under various federal, state, and local laws and regulations relating to the environment, as a current or former owner or operator of real property, we may be liable for costs and damages resulting from the presence or discharge of hazardous or toxic substances, waste, or petroleum products at, on, in, under, or migrating from such property, including costs to investigate and clean up such contamination and liability for harm to natural resources. Such laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the presence of such contamination, and the liability may be joint and several. These liabilities could be substantial, and the cost of any required remediation, removal, fines, or other costs could exceed the value of the property and our aggregate assets. In addition, the presence of contamination or the failure to remediate contamination at our properties may expose us to third-party liability for costs of remediation and personal or property damage or materially adversely affect our ability to sell, lease, or develop our properties or to borrow using the properties as collateral. In addition, environmental laws may create liens on contaminated sites in favor of the government for damages and costs it incurs to address such contamination. Moreover, if contamination is discovered on our properties, environmental laws may impose restrictions on the manner in which property may be used or businesses may be operated, and these restrictions may require substantial expenditures.

Some of our properties contain, have contained, or are adjacent to or near other properties that have contained or currently contain storage tanks for the storage of petroleum products, propane, or other hazardous or toxic substances. Similarly, some of our properties were used in the past for commercial or industrial purposes, or are currently used for commercial purposes, that involve or involved the use of petroleum products or other hazardous or toxic substances, or are adjacent to or near properties that have been or are used for similar commercial or industrial purposes. As a result, some of our properties have been or may be impacted by contamination arising from the releases of such hazardous substances or petroleum products. Where we have deemed appropriate, we have taken steps to address identified contamination or mitigate risks associated with such contamination; however, we are unable to ensure that further actions will not be necessary. As a result of the foregoing, we could potentially incur material liability.

Environmental laws also govern the presence, maintenance, and removal of asbestos-containing building materials, or ACBM, and may impose fines and penalties for failure to comply with these requirements or expose us to third-party liability. Such laws require that owners or operators of buildings containing ACBM (and employers in such buildings) properly manage and maintain the asbestos, adequately notify or train those who may come into contact with asbestos, and undertake special precautions, including removal or other abatement, if asbestos would be disturbed during renovation or demolition of a building. In addition, the presence of ACBM in our properties may expose us to third-party liability (e.g. liability for personal injury associated with exposure to asbestos). We are not presently aware of any material adverse issues at our properties including ACBM.

Similarly, environmental laws govern the presence, maintenance, and removal of lead-based paint in residential buildings, and may impose fines and penalties for failure to comply with these requirements. Such laws require, among other things, that owners or operators of residential facilities that contain or potentially contain lead-based paint notify residents of the presence or potential presence of lead-based paint prior to occupancy and prior to renovations and manage lead-based paint waste appropriately. In addition, the presence of lead-based paint in our buildings may expose us to third-party liability (e.g., liability for personal injury associated with exposure to lead-based paint). We are not presently aware of any material adverse issues at our properties involving lead-based paint.

In addition, the properties in our portfolio also are subject to various federal, state, and local environmental and health and safety requirements, such as state and local fire requirements. Moreover, some of our tenants may handle and use hazardous or regulated substances and wastes as part of their operations at our properties, which are subject to regulation. Such environmental and health and safety laws and regulations could subject us or our tenants to liability resulting from these activities. Environmental liabilities could affect a tenant’s ability to make rental payments to us. In addition, changes in laws could increase the potential liability for noncompliance. Our leases sometimes require our tenants to comply with environmental and health and safety laws and regulations and to indemnify us for any related liabilities. However, in the event of the bankruptcy or inability of any of our tenants to satisfy such obligations, we may be required to satisfy such obligations. In addition, we may be held directly liable for any such damages or claims regardless of whether we knew of, or were responsible for, the presence or disposal of hazardous or toxic substances or waste and irrespective of tenant lease provisions. The costs associated with such liability could be substantial and could have a material adverse effect on us.

When excessive moisture accumulates in buildings or on building materials, mold growth may occur, particularly if the moisture problem remains undiscovered or is not addressed over a period of time. Some molds may produce airborne toxins or irritants. Indoor air quality issues can also stem from inadequate ventilation, chemical contamination from indoor or outdoor sources, and other biological contaminants such as pollen, viruses, and bacteria. Indoor exposure to airborne toxins or irritants above certain levels can be alleged to cause a variety of adverse health effects and symptoms, including allergic or other reactions. As a result, the presence of significant mold or other airborne contaminants at any of our properties could require us to undertake a costly remediation program to contain or remove the mold or other airborne contaminants from the affected property or increase indoor ventilation. In addition, the presence of significant mold or other airborne contaminants could expose us to liability from our tenants, employees of our tenants, or others if property damage or personal injury occurs. We are not presently aware of any material adverse indoor air quality issues at our properties.

Competition

We compete with a number of developers, owners, and operators of office, retail, and multifamily real estate, many of which own properties similar to ours in the same markets in which our properties are located and some of which have greater financial resources than we do. In operating and managing our portfolio, we compete for tenants based on a number of factors, including location, rental rates, security, flexibility, and expertise to design space to meet prospective tenants’ needs and the manner in which the property is operated, maintained, and marketed. As leases at our properties expire, we may encounter significant competition to renew or re-lease space in light of the large number of competing properties within the markets in which we operate. As a result, we may be required to provide rent concessions or abatements, incur charges for tenant improvements and other inducements, including early termination rights or below-market renewal options, or we may not be able to timely lease vacant space.

We also face competition when pursuing development, acquisition, and lending opportunities. Our competitors may be able to pay higher property acquisition prices, may have private access to opportunities not available to us, may have more financial resources than we do, and may otherwise be in a better position to acquire or develop a property. Competition may also have the effect of reducing the number of suitable development and acquisition opportunities available to us or increasing the price required to consummate a development or acquisition opportunity.

In addition, we face competition in our construction business from other construction companies in the markets in which we operate, including small local companies and large regional and national companies. In our construction business, we compete for construction projects based on several factors, including cost, reputation for quality and timeliness, access to machinery and equipment, access to and relationships with high-quality subcontractors, financial strength, knowledge of local markets, and project management abilities. We believe that we compete favorably on the basis of the foregoing factors and that our construction business is well-positioned to compete effectively in the markets in which we operate. However, some of the construction companies with which we compete have different cost structures and greater financial and other resources than we do, which may put them at an advantage when competing with us for construction projects. Competition from other construction companies may reduce the number of construction projects that we are hired to complete and increase pricing pressure, either of which could reduce the profitability of our construction business.

Employees

As of December 31, 2019, we had 169 employees. None of our employees are represented by a collective bargaining unit. We believe that our relationship with our employees is good.

Corporate Information

Our principal executive office is located at 222 Central Park Avenue, Suite 2100, Virginia Beach, Virginia 23462 in the Armada Hoffler Tower at the Town Center of Virginia Beach. In addition, we have construction offices located at 222 Central Park Avenue, Suite 1000, Virginia Beach, Virginia 23462 and 1300 Thames Street, Suite 30, Baltimore, Maryland 21231. The telephone number for our principal executive office is (757) 366-4000. We maintain a website located at ArmadaHoffler.com. The information on, or accessible through, our website is not incorporated into and does not constitute a part of this Annual Report on Form 10-K or any other report or document we file with or furnish to the SEC.

Available Information

We file our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and all amendments to those reports with the SEC. You may obtain copies of these documents by accessing the SEC’s website at www.sec.gov. In addition, as soon as reasonably practicable after such materials are furnished to the SEC, we make copies of these documents available to the public free of charge through our website or by contacting our Corporate Secretary at the address set forth above under "—Corporate Information."

Our Corporate Governance Guidelines, Code of Business Conduct and Ethics, and the charters of our audit committee, compensation committee and nominating and corporate governance committee are all available in the Corporate Governance section of the Investor Relations section of our website. Any amendment to or waiver of our Code of Business Conduct and Ethics will be disclosed in the Corporate Governance section of the Investor Relations section of our website within four business days of the amendment or waiver.

Financial Information

For required financial information related to our operations, please refer to our consolidated financial statements, including the notes thereto, included with this Annual Report on Form 10-K.

Item 1A. Risk Factors

Set forth below are the risks that we believe are material to our stockholders. You should carefully consider the following risks in evaluating our Company and our business. The occurrence of any of the following risks could materially and adversely impact our financial condition, results of operations, cash flow, the market price of shares of our common stock, and our ability to, among other things, satisfy our debt service obligations and to make distributions to our stockholders, which in turn could cause our stockholders to lose all or a part of their investment. Some statements in this Annual Report on Form 10-K, including statements in the following risk factors constitute forward-looking statements. Please refer to the section entitled "Special Note Regarding Forward-Looking Statements" at the beginning of this Annual Report on Form 10-K.

Risks Related to Our Business

Our failure to establish new development relationships with public partners and expand our development relationships with existing public partners could have a material adverse effect on our results of operations, cash flow, and growth prospects.

Our growth strategy depends significantly on our ability to leverage our extensive experience in completing large, complex, mixed-use public/private projects to establish new relationships with public partners and expand our relationships with existing public partners. Future increases in our revenues may depend significantly on our ability to expand the scope of the work we do with the state and local government agencies with which we currently have partnered and attract new state and local government agencies to undertake public/private development projects with us. Our ability to obtain new work with state and local governmental authorities on new public/private development and financing partnerships could be adversely affected by several factors, including decreases in state and local budgets, changes in administrations, the departure of government personnel with whom we have worked, and negative public perceptions about public/private partnerships. In addition, to the extent that we engage in public/private partnerships in states or local communities in which we have not previously worked, we could be subject to risks associated with entry into new markets, such as lack of market knowledge or understanding of the local economy, lack of business relationships in the area, competition with other companies that already have an established presence in the area, difficulties in hiring and retaining key personnel, difficulties in evaluating quality tenants in the area, and unfamiliarity with local governmental and permitting procedures. If we fail to establish new relationships with public partners and expand our relationships with existing public partners, it could have a material adverse effect on our results of operations, cash flow, and growth prospects.

We may be unable to identify and complete development opportunities and acquisitions of properties that meet our investment criteria, which may materially and adversely affect our results of operations, cash flow, and growth prospects.

Our business and growth strategy involves the development and selective acquisition of office, retail, and multifamily properties. We may expend significant management time and other resources, including out-of-pocket costs, in pursuing these investment opportunities. Our ability to complete development projects or acquire properties on favorable terms, or at all, may be exposed to the following significant risks:

- we may incur significant costs and divert management attention in connection with evaluating and negotiating potential development opportunities and acquisitions, including those that we are subsequently unable to complete;

- we have agreements for the development or acquisition of properties that are subject to conditions, which we may be unable to satisfy; and

- we may be unable to obtain financing on favorable terms or at all.

If we are unable to identify attractive investment opportunities and successfully develop new properties, our results of operations, cash flow, and growth prospects could be materially and adversely affected.

The success of our activities to design, construct and develop properties in which we will retain an ownership interest is dependent, in part, on the availability of suitable undeveloped land at acceptable prices as well as our having sufficient liquidity to fund investments in such undeveloped land and subsequent development.

Our success in designing, constructing, and developing projects for our own account depends, in part, upon the continued availability of suitable undeveloped land at acceptable prices. The availability of undeveloped land for purchase at favorable prices depends on a number of factors outside of our control, including the risk of competitive over-bidding on land and governmental regulations that restrict the potential uses of land. If the availability of suitable land opportunities decreases, the number of development projects we may be able to undertake could be reduced. In addition, our ability to make land purchases will depend upon our having sufficient liquidity or access to external sources of capital to fund such purchases. Thus, the lack of availability of suitable land opportunities and insufficient liquidity to fund the purchases of any such available land opportunities could have a material adverse effect on our results of operations and growth prospects.

Our real estate development activities are subject to risks particular to development, such as unanticipated expenses, delays and other contingencies, any of which could materially and adversely affect our financial condition, results of operations, and cash flow.

We engage in development and redevelopment activities and will be subject to the following risks associated with such activities:

- unsuccessful development or redevelopment opportunities could result in direct expenses to us and cause us to incur losses;
- construction or redevelopment costs of a project may exceed original estimates, possibly making the project less profitable than originally estimated, or unprofitable;
- the inability to obtain or delays in obtaining necessary governmental or quasi-governmental permits and authorizations could result in increased costs or abandonment of the project if necessary permits or authorizations are not obtained;
- delayed construction may give tenants the right to terminate pre-development leases, which may adversely impact the financial viability of the project;
- occupancy rates, rents and concessions of a completed project may fluctuate depending on a number of factors and may not be sufficient to make the project profitable; and
- the availability and pricing of financing to fund our development activities on favorable terms or at all may result in delays or even abandonment of certain development activities.

These risks could result in substantial unanticipated delays or expenses and, under certain circumstances, could prevent completion of development or redevelopment activities once undertaken, any of which could have a material adverse effect on our financial condition, results of operations, and cash flow.

The geographic concentration of our portfolio could cause us to be more susceptible to adverse economic or regulatory developments in the markets in which our properties are located than if we owned a more geographically diverse portfolio.

The majority of the properties in our portfolio are located in Virginia, Maryland, and North Carolina, which expose us to greater economic risks than if we owned a more geographically diverse portfolio. As of December 31, 2019, our properties in the Virginia, Maryland and North Carolina markets represented approximately 56%, 18%, and 18%, respectively, of the total annualized base rent of the properties in our portfolio. Furthermore, many of our properties are located in the Town Center of Virginia Beach, and rental revenues from our Town Center properties represented 31% of our total rental revenues for the year ended December 31, 2019. As a result of this geographic concentration, we are particularly susceptible to adverse economic, regulatory or other conditions in the Virginia, Maryland and North Carolina markets (such as periods of economic slowdown or recession, business layoffs or downsizing, industry slowdowns, relocations of businesses, increases in real estate and other taxes, and the cost of complying with governmental regulations or increased regulation), as well as to natural disasters that occur in these markets (such as hurricanes and other events). For example, the markets in Virginia, Maryland, and North Carolina in which many of the properties in our portfolio are located contain high concentrations of military personnel and operations, and a reduction of the military presence or cuts in defense spending in these markets could have a material adverse effect on us. If there is a downturn in the economy in Virginia, Maryland or North Carolina, our operations, revenue, and cash available for distribution, including cash available to pay distributions to our stockholders, could be materially and adversely affected. We cannot assure you that these markets will grow or that underlying real estate fundamentals will be favorable to owners and operators of office, retail, or multifamily properties. Our operations may also be adversely affected if competing properties are built in these markets. Moreover, submarkets within any of our target markets may be dependent upon a limited number of industries. Any adverse economic or real estate developments in our markets, or any decrease in demand for office, retail or multifamily space resulting from the regulatory environment, business climate or energy or fiscal problems, could materially and adversely affect our financial condition, results of operations, cash flow, cash available for distribution, and ability to satisfy our debt service obligations.

We have a substantial amount of indebtedness outstanding, which may expose us to the risk of default under our debt obligations and may include covenants that restrict our ability to pay distributions to our stockholders.

As of December 31, 2019, we had total debt of approximately $950.5 million, including amounts drawn under our credit facility, a substantial portion of which is guaranteed by our Operating Partnership, and we may incur significant additional debt to finance future acquisition and development activities. Excluding unamortized fair value adjustments and debt issuance costs, the aggregate outstanding principal balance of our debt was $960.8 million as of December 31, 2019. Payments of principal and interest on borrowings may leave us with insufficient cash resources to operate our properties or to pay the dividends currently contemplated or necessary to maintain our REIT qualification. Our level of debt and the limitations imposed on us by our debt agreements could have significant adverse consequences, including the following:

- our cash flow may be insufficient to meet our required principal and interest payments;
- we may be unable to borrow additional funds as needed or on favorable terms, which could, among other things, adversely affect our ability to meet operational needs;
- we may be unable to refinance our indebtedness at maturity or the refinancing terms may be less favorable than the terms of our original indebtedness;
- we may be forced to dispose of one or more of our properties, possibly on unfavorable terms or in violation of certain covenants to which we may be subject;
- we may default on our obligations, in which case the lenders or mortgagees may have the right to foreclose on any properties that secure the loans or collect rents and other income from our properties;
- we may violate restrictive covenants in our loan documents, which would entitle the lenders to accelerate our debt obligations or reduce our ability to pay, or prohibit us from paying, distributions to our stockholders; and
- our default under any loan with cross-default provisions could result in a default on other indebtedness.

If any one of these events were to occur, our financial condition, results of operations, cash flow, cash available for distribution, and ability to service our debt obligations could be materially and adversely affected. Furthermore, foreclosures could create taxable income without accompanying cash proceeds, which could hinder our ability to meet the REIT distribution requirements imposed by the Code. See "Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources."

We may be unable to renew leases, lease vacant space, or re-lease space on favorable terms or at all as leases expire, which could materially and adversely affect our financial condition, results of operations, cash flow, cash available for distribution, and ability to service our debt obligations.

As of December 31, 2019, approximately 3.4% of the square footage of the properties in our office and retail portfolios was available. Additionally, 2.2% and 3.8% of the annualized base rent in our office portfolio was scheduled to expire in 2020 and 2021, respectively, and 5.3% and 10.1% of the annualized base rent in our retail portfolio was scheduled to expire in 2020 and 2021, respectively. We cannot assure you that new leases will be entered into, that leases will be renewed, or that our properties will be re-leased at net effective rental rates equal to or above the current average net effective rental rates or that substantial rent abatements, tenant improvements, early termination rights or below-market renewal options will not be offered to attract new tenants or retain existing tenants. In addition, our ability to lease our multifamily properties at favorable rates, or at all, may be adversely affected by the increase in supply of multifamily properties in our target markets. Our ability to lease our properties depends upon the overall level of spending in the economy, which is adversely affected by, among other things, job losses and unemployment levels, fears of a recession, personal debt levels, the housing market, stock market volatility, and uncertainty about the future. If rental rates for our properties decrease, our existing tenants do not renew their leases, or we do not re-lease a significant portion of our available space and space for which leases expire, our financial condition, results of operations, cash flow, cash available for distribution, and ability to service our debt obligations could be materially and adversely affected.

The short-term leases in our multifamily portfolio expose us to the effects of declining market rents, which could adversely affect our results of operations, cash flow and cash available for distribution.

Substantially all of the leases in our multifamily portfolio are for terms of 12 months or less. As a result, even if we are able to renew or re-lease apartment and student housing units as leases expire, our rental revenues will be impacted by declines in market rents more quickly than if all of our leases had longer terms, which could adversely affect our results of operations, cash flow, and cash available for distribution.

Competition for property acquisitions and development opportunities may reduce the number of opportunities available to us and increase our costs, which could have a material adverse effect on our growth prospects.

The current market for property acquisitions and development opportunities continues to be extremely competitive. This competition may increase the demand for the types of properties in which we typically invest and, therefore, reduce the number of suitable investment opportunities available to us and increase the purchase prices for such properties in the event we are able to acquire or develop such properties. We face significant competition for attractive investment opportunities from an indeterminate number of investors, including publicly traded and privately held REITs, private equity investors, and institutional investment funds, some of which have greater financial resources than we do, a greater ability to borrow funds to make investments in properties than we do, and the ability to accept more risk than we can prudently manage, including risks with respect to the geographic proximity of investments and the payment of higher acquisition prices. This competition will increase if investments in real estate become more attractive relative to other forms of investment. If the level of competition for investment opportunities is significant in our target markets, it could have a material adverse effect on our growth prospects.

Increased competition and increased affordability of residential homes could limit our ability to retain our residents, lease apartment units, or increase or maintain rents at our multifamily apartment communities.

Our multifamily apartment communities compete with numerous housing alternatives in attracting residents, including other multifamily apartment communities and single-family rental units, as well as owner-occupied single-family and multifamily units. Competitive housing in a particular area and an increase in affordability of owner-occupied single-family and multifamily units due to, among other things, declining housing prices, oversupply, mortgage interest rates, and tax incentives and government programs to promote home ownership, could adversely affect our ability to retain residents, lease apartment units, and increase or maintain rents at our multifamily properties, which could adversely impact our results of operations, cash flow, and cash available for distribution.

The failure of properties that we develop or acquire in the future to meet our financial expectations could have a material adverse effect on us, including our financial condition, results of operations, cash flow, cash available for distribution, ability to service our debt obligations, the per share trading price of our common stock, and growth prospects.

Our future acquisitions and development projects and our ability to successfully operate these properties may be exposed to the following significant risks, among others:

- we may acquire or develop properties that are not accretive to our results upon acquisition, and we may not successfully manage and lease those properties to meet our expectations;
- our cash flow may be insufficient to enable us to pay the required principal and interest payments on the debt secured by the property;
- we may spend more than budgeted amounts to make necessary improvements or renovations to acquired properties or to develop new properties;
- we may be unable to quickly and efficiently integrate new acquisitions or developed properties into our existing operations;
- market conditions may result in higher than expected vacancy rates and lower than expected rental rates; and

- we may acquire properties subject to liabilities without any recourse, or with only limited recourse, with respect to unknown liabilities such as liabilities for clean-up of undisclosed environmental contamination, claims by tenants, vendors, or other persons dealing with the former owners of the properties, liabilities incurred in the ordinary course of business, and claims for indemnification by general partners, directors, officers, and others indemnified by the former owners of the properties.

If we cannot operate acquired or developed properties to meet our financial expectations, our financial condition, results of operations, cash flow, cash available for distribution, ability to service our debt obligations, the per share trading price of our common stock, and growth prospects could be materially and adversely affected.

Failure to succeed in new markets may limit our growth.

We have acquired in the past, and we may acquire in the future if appropriate opportunities arise, properties that are outside of our primary markets. Entering into new markets exposes us to a variety of risks, including difficulty evaluating local market conditions and local economies, developing new business relationships in the area, competing with other companies that already have an established presence in the area, hiring and retaining key personnel, evaluating quality tenants in the area, and a lack of familiarity with local governmental and permitting procedures. Furthermore, expansion into new markets may divert management time and other resources away from our current primary markets. As a result, we may not be successful in expanding into new markets, which could adversely impact our financial condition, results of operations, cash flow, cash available for distribution, and ability to service our debt obligations.

Mezzanine loans and similar loan investments are subject to significant risks, and losses related to these investments could have a material adverse effect on our financial condition and results of operations.

We have originated, and in the future expect to originate or acquire, mezzanine or similar loans, which take the form of subordinated loans secured by second mortgages on the underlying property or loans secured by a pledge of the ownership interests of either the entity owning the property or a pledge of the ownership interests of the entity that owns the interest in the entity owning the property. As of December 31, 2019, we had approximately $153.0 million in outstanding mezzanine loans or similar investments. These types of loans involve a higher degree of risk than long-term senior mortgage loans secured by income-producing real property because the loan may become unsecured as a result of foreclosure by the senior lender. In addition, these loans may have higher loan-to-value ratios than conventional mortgage loans, with little or no equity invested by the borrower, increasing the risk of loss of principal. If a borrower defaults on our mezzanine loan or debt senior to our loan, or in the event of a borrower bankruptcy, our mezzanine loan will be satisfied only after the senior debt is paid in full. In the event of a bankruptcy of the entity providing the pledge of its ownership interests as security, we may not have full recourse to the assets of such entity, or the assets of the entity may not be sufficient to satisfy our mezzanine loan. As a result, we may not recover some or all of our initial investment. Additionally, in conjunction with certain mezzanine loans, we issue partial payment guarantees to the senior lender for the property, which may require us to make payments to the senior lender in the event of a default on the senior note. Finally, in connection with our loan investments, we may have options to purchase all or a portion of the underlying property upon maturity of the loan; however, if a developer’s costs for a project are higher than anticipated, exercising such options may not be attractive or economically feasible, or we may not have sufficient funds to exercise such options even if we desire to do so. Significant losses related to mezzanine or similar loan investments could have a material adverse effect on our financial condition and results of operations.

A bankruptcy or insolvency of any of our significant tenants in our office or retail properties could have a material adverse effect on our financial condition, results of operations, cash flow, cash available for distribution, and ability to service our debt obligations.

If a significant tenant in our office or retail properties becomes bankrupt or insolvent, federal law may prohibit us from evicting such tenant based solely upon such bankruptcy or insolvency. In addition, a bankrupt or insolvent tenant may be authorized to reject and terminate its lease with us. Any claim against such tenant for unpaid, future rent would be subject to a statutory cap that might be substantially less than the remaining rent owed under the lease. If any of these tenants were to experience a downturn in its business or a weakening of its financial condition resulting in its failure to make timely rental payments or causing it to default under its lease, we may experience delays in enforcing our rights as landlord and may incur substantial costs in protecting our investment. In many cases, we may have made substantial initial investments in the applicable leases through tenant improvement allowances and other concessions that we may not be able to recover. Any such event could have a material adverse effect on our financial condition, results of operations, cash flow, cash available for distribution, and ability to service our debt obligations.

Many of our operating costs and expenses are fixed and will not decline if our revenues decline.

Our results of operations depend, in large part, on our level of revenues, operating costs, and expenses. The expense of owning and operating a property is not necessarily reduced when circumstances such as market factors and competition cause a reduction in revenue from the property. As a result, if revenues decline, we may not be able to reduce our expenses to keep pace with the corresponding reductions in revenues. Many of the costs associated with real estate investments, such as real estate taxes, insurance, loan payments, and maintenance generally will not be reduced if a property is not fully occupied or other circumstances cause our revenues to decrease, which could have a material adverse effect on our financial condition, results of operations, cash flow, cash available for distribution, and ability to service our debt obligations.

Adverse conditions in the general retail environment could have a material adverse effect on our financial condition, results of operations, cash flow, cash available for distribution, and ability to service our debt obligations.

Approximately 47.3% of our total annualized base rent as of December 31, 2019 is from retail properties. As a result, we are subject to factors that affect the retail sector generally as well as the market for retail space. The retail environment and the market for retail space have been, and in the future could be, adversely affected by weakness in the national, regional, and local economies, the level of consumer spending and consumer confidence, the adverse financial condition of some large retail companies, the ongoing consolidation in the retail sector, the excess amount of retail space in a number of markets, and increasing competition from discount retailers, outlet malls, internet retailers, and other online businesses. Increases in consumer spending via the internet may significantly affect our retail tenants' ability to generate sales in their stores. New and enhanced technologies, including new digital and web services technologies, may increase competition for certain of our retail tenants.

Any of the foregoing factors could adversely affect the financial condition of our retail tenants and the willingness of retailers to lease space in our retail properties, including the anchor stores or major tenants in our retail shopping center properties, the loss of which could result in a material impact on our retail tenants. In turn, these conditions could negatively affect market rents for retail space and could materially and adversely affect our financial condition, results of operations, cash flow, cash available for distribution, and ability to service our debt obligations.

Increases in interest rates, or failure to hedge effectively against interest rate changes, will increase our interest expense and may adversely affect our financial condition, results of operations, cash flow, cash available for distribution, and ability to service our debt obligations.

We have incurred, and may in the future incur, additional indebtedness that bears interest at a variable rate. An increase in interest rates would increase our interest expense and increase the cost of refinancing existing debt and issuing new debt, which would adversely affect our cash flow and ability to make distributions to our stockholders. In addition, if we need to repay existing debt during periods of rising interest rates, we could be required to liquidate one or more of our investments at times that may not permit realization of the maximum return on such investments. The effect of prolonged interest rate increases could adversely impact our ability to make acquisitions and develop properties.

Subject to maintaining our qualification as a REIT, we expect to continue to enter into hedging transactions to protect us from the effects of interest rate fluctuations on floating rate debt. Our existing hedging transactions have included, and future hedging transactions may include, entering into interest rate cap agreements or interest rate swap agreements, which involve risk. Our failure to hedge effectively against interest rate changes may adversely affect our financial condition, results of operations, cash flow, cash available for distribution, and ability to service our debt obligations.

The phase-out of LIBOR and transition to SOFR as a benchmark interest rate could have adverse effects.

The interest rate on our variable rate debt is based on LIBOR (the London Inter-Bank Offered Rate). In 2018, the Alternative Reference Rate Committee identified the Secured Overnight Financing Rate ("SOFR") as the alternative to LIBOR. SOFR is a broad measure of the cost of borrowing cash overnight collateralized by U.S. Treasury securities, published by the Federal Reserve Bank of New York. By the end of 2021, it is expected that no new contracts will reference LIBOR and will instead use SOFR. Due to the broad use of LIBOR as a reference rate, all financial market participants, including us, are impacted by the risks associated with this transition and, therefore, it could adversely affect our operations and cash flows.

Mortgage debt obligations expose us to the possibility of foreclosure, which could result in the loss of our investment in a property or group of properties subject to mortgage debt.

Mortgage and other secured debt obligations increase our risk of property losses because defaults on indebtedness secured by properties may result in foreclosure actions initiated by lenders and ultimately our loss of the property securing any loans for which we are in default. Any foreclosure on a mortgaged property or group of properties could adversely affect the overall value of our portfolio of properties. For tax purposes, a foreclosure on any of our properties that is subject to a nonrecourse mortgage loan would be treated as a sale of the property for a purchase price equal to the outstanding balance of the debt secured by the mortgage. If the outstanding balance of the debt secured by the mortgage exceeds our tax basis in the property, we would recognize taxable income on foreclosure, but would not receive any cash proceeds, which could hinder our ability to meet the REIT distribution requirements imposed by the Code. Foreclosures could also trigger our tax indemnification obligations under the terms of our tax protection agreements with respect to the sales of certain properties.

Our credit facility restricts our ability to engage in certain business activities, including our ability to incur additional indebtedness, make capital expenditures, and make certain investments.

Our credit facility contains customary negative covenants and other financial and operating covenants that, among other things:

- restrict our ability to incur additional indebtedness;
- restrict our ability to incur additional liens;
- restrict our ability to make certain investments (including certain capital expenditures);
- restrict our ability to merge with another company;
- restrict our ability to sell or dispose of assets;
- restrict our ability to make distributions to our stockholders; and
- require us to satisfy minimum financial coverage ratios, minimum tangible net worth requirements, and maximum leverage ratios.

These limitations restrict our ability to engage in certain business activities, which could materially and adversely affect our financial condition, results of operations, cash flow, cash available for distribution, and ability to service our debt obligations. In addition, our credit facility may contain specific cross-default provisions with respect to specified other indebtedness, giving the lenders the right, in certain circumstances, to declare a default if we are in default under other loans.

Adverse economic and geopolitical conditions and dislocations in the credit markets could have a material adverse effect on our financial condition, results of operations, cash flow, cash available for distribution, and ability to service our debt obligations.

Our business may be affected by market and economic challenges experienced by the U.S. economy or the real estate industry as a whole. Such conditions may materially and adversely affect us as a result of the following potential consequences, among others:

- decreased demand for office, retail and multifamily space, which would cause market rental rates and property values to be negatively impacted;
- reduced values of our properties may limit our ability to dispose of assets at attractive prices or obtain debt financing secured by our properties and may reduce the availability of unsecured loans;
- our ability to obtain financing on terms and conditions that we find acceptable, or at all, may be limited, which could reduce our ability to pursue acquisition and development opportunities and refinance existing debt, reduce our returns from our acquisition and development activities, and increase our future debt service expense; and

- one or more lenders under our credit facility could refuse to fund their financing commitment to us or could otherwise fail to do so, and we may not be able to replace the financing commitment of any such lenders on favorable terms or at all.

If the U.S. economy experiences an economic downturn, we may see increases in bankruptcies and defaults by our tenants, and we may experience higher vacancy rates and delays in re-leasing vacant space, which could negatively impact our financial condition, results of operations, cash flow, cash available for distribution, and ability to service our debt obligations.

A cybersecurity incident or other technology disruptions could negatively impact our business, our relationships, and our reputation.

We use computers and computer networks in most aspects of our business operations. We also use mobile devices to communicate with our employees, suppliers, business partners, and tenants. These devices are used to transmit sensitive and confidential information including financial and strategic information about us, employees, business partners, tenants, and other individuals and organizations. Additionally, we utilize third-party service providers that host personally identifiable information and other confidential information of our employees, business partners, tenants, and others. We also maintain confidential financial and business information regarding us and persons and entities with which we do business on our information technology systems. We have in the past experienced cyberattacks on our computers and computer networks, and, while none to date have been material, we expect that additional cyberattacks will occur in the future. The theft, destruction, loss, or release of sensitive and confidential information or operational downtime of the systems used to store and transmit our or our tenants' confidential business information could result in disruptions to our business, negative publicity, brand damage, violation of privacy laws, financial liability, difficulty attracting and retaining tenants, loss of business partners, and loss of business opportunities, any of which may materially and adversely affect our financial condition, results of operations, cash flow, cash available for distribution, and ability to service our debt obligations.

Any material weakness in our internal control over financial reporting could have an adverse effect on the trading price of our common stock.

Management is required to have an independent auditor assess the effectiveness of our internal control over financial reporting, pursuant to Section 404 of the Sarbanes-Oxley Act. We cannot give any assurances that material weaknesses will not be identified in the future in connection with our compliance with the provisions of Section 404 of the Sarbanes-Oxley Act. The existence of any material weakness described above would preclude a conclusion by management and our independent auditors that we maintained effective internal control over financial reporting. Our management may be required to devote significant time and expense to remediate any material weaknesses that may be discovered and may not be able to remediate such material weaknesses in a timely manner. The existence of any material weakness in our internal control over financial reporting could also result in errors in our financial statements that could require us to restate our financial statements, cause us to fail to meet our reporting obligations, and cause investors to lose confidence in our reported financial information, any of which could lead to a decline in the per share trading price of our common stock.

We may be required to make rent or other concessions or significant capital expenditures to improve our properties in order to retain and attract tenants, which may materially and adversely affect our financial condition, results of operations, cash flow, cash available for distribution, and ability to service our debt obligations.

Upon expiration of our leases to our tenants, we may be required to make rent or other concessions, accommodate requests for renovations, build-to-suit remodeling, and other improvements, or provide additional services to our tenants, any of which would increase our costs. As a result, we may have to make significant capital or other expenditures in order to retain tenants whose leases expire and to attract new tenants in sufficient numbers. Additionally, we may need to raise capital to make such expenditures. If we are unable to do so or capital is otherwise unavailable, we may be unable to make the required expenditures. This could result in non-renewals by tenants upon expiration of their leases. If any of the foregoing were to occur, it could have a material adverse effect on our financial condition, results of operations, cash flow, cash available for distribution, and ability to service our debt obligations.

Our use of units in our Operating Partnership as currency to acquire properties could result in stockholder dilution or limit our ability to sell such properties, which could have a material adverse effect on us.

We have acquired, and in the future may acquire, properties or portfolios of properties through tax deferred contribution transactions in exchange for OP Units. This acquisition structure may have the effect of, among other things, reducing the amount of tax depreciation we could deduct over the tax life of the acquired properties and requiring that we agree to protect the contributors' ability to defer recognition of taxable gain through restrictions on our ability to dispose of the acquired properties or the allocation of partnership debt to the contributors to maintain their tax bases. These restrictions also could limit our ability to sell properties at a time, or on terms, that would be favorable absent such restrictions. In addition, future issuances of OP Units would reduce our ownership percentage in our Operating Partnership and affect the amount of distributions made to us by our Operating Partnership and, therefore, the amount of distributions we can make to our stockholders. To the extent that our stockholders do not directly own OP Units, our stockholders will not have any voting rights with respect to any such issuances or other partnership level activities of our Operating Partnership.

Our success depends on key personnel whose continued service is not guaranteed, and the loss of one or more of our key personnel could adversely affect our ability to manage our business and to implement our growth strategies or could create a negative perception of our company in the capital markets.

Our continued success and our ability to manage anticipated future growth depend, in large part, upon the efforts of key personnel who have extensive market knowledge and relationships and exercise substantial influence over our operational, financing, development, and construction activity. Individuals currently considered key personnel each has a national or regional industry reputation that attracts business and investment opportunities and assists us in negotiations with lenders, existing and potential tenants, and industry personnel, and we have not currently entered into employment agreements with any of these individuals. If we lose their services, our relationships with such industry personnel could diminish.

Many of our other senior executives also have extensive experience and strong reputations in the real estate industry, which aid us in identifying opportunities, having opportunities brought to us, and negotiating with tenants and build-to-suit prospects. The loss of services of one or more members of our senior management team, or our inability to attract and retain highly qualified personnel, could adversely affect our business, diminish our investment opportunities, and weaken our relationships with lenders, business partners, existing and prospective tenants, and industry participants, which could materially and adversely affect our financial condition, results of operations, cash flow, and the per share trading price of our common stock.

We may not be able to rebuild our existing properties to their existing specifications if we experience a substantial or comprehensive loss of such properties, including as a result of hurricanes or other disasters.

In the event that we experience a substantial or comprehensive loss of one of our properties, we may not be able to rebuild such property to its existing specifications. For example, all but two of the properties in our portfolio as of December 31, 2019 are located in Maryland, Virginia, North Carolina, South Carolina, and Georgia, which are areas particularly susceptible to hurricanes. While we carry insurance on certain of our properties, the amount of our insurance coverage may not be sufficient to fully cover losses from hurricanes and will be subject to limitations involving large deductibles or co-payments. Further, reconstruction or improvement of properties would likely require significant upgrades to meet zoning and building code requirements. Environmental and legal restrictions could also restrict the rebuilding of our properties.

Joint venture investments could be materially and adversely affected by our lack of sole decision-making authority, our reliance on co-venturers' financial condition, and disputes between us and our co-venturers.

In the past, we have, and in the future, we expect to, co-invest with third parties through partnerships, joint ventures or other entities, acquiring noncontrolling interests in or sharing responsibility for developing properties and managing the affairs of a property, partnership, joint venture, or other entity. In particular, in connection with the formation transactions related to our initial public offering, we provided certain of the prior investors with the right to co-develop certain projects with us in the future and the right to acquire a minority equity interest in certain properties that we may develop in the future, in each case under certain circumstances and subject to certain conditions set forth in the applicable agreement. Furthermore, as of December 31, 2019, we were the 90% joint venture partner in our Summit Place development project. In the event that we co-develop a property together with a third party, we would be required to share a portion of the development fee. With respect to any such arrangement or any similar arrangement that we may enter into in the future, we may not be in a position to exercise sole decision-making authority regarding the development, property, partnership, joint venture, or other entity.

Investments in partnerships, joint ventures or other entities may, under certain circumstances, involve risks not present where a third party is not involved, including the possibility that partners or co-venturers might become bankrupt or fail to fund their share of required capital contributions. Partners or co-venturers may have economic or other business interests or goals which are inconsistent with our business interests or goals and may be in a position to take actions contrary to our policies or objectives, and they may have competing interests in our markets that could create conflicts of interest. Such investments may also have the potential risk of impasses on decisions, such as a sale or financing, because neither we nor the partner(s) or co-venturer(s) would have full control over the partnership or joint venture. In addition, a sale or transfer by us to a third party of our interests in the joint venture may be subject to consent rights or rights of first refusal, in favor of our joint venture partners, which would in each case restrict our ability to dispose of our interest in the joint venture.

Where we are a limited partner or non-managing member in any partnership or limited liability company, if such entity takes or expects to take actions that could jeopardize our status as a REIT or require us to pay tax, we may be forced to dispose of our interest in such entity. Disputes between us and partners or co-venturers may result in litigation or arbitration that would increase our expenses and prevent our officers and directors from focusing their time and effort on our business. Consequently, actions by or disputes with partners or co-venturers might result in subjecting properties owned by the partnership or joint venture to additional risk. In addition, we may in certain circumstances be liable for the actions of our third-party partners or co-venturers. Our joint ventures may be subject to debt and, during periods of volatile credit markets, the refinancing of such debt may require equity capital calls.

Our growth depends on external sources of capital that are outside of our control and may not be available to us on commercially reasonable terms or at all, which could limit our ability to, among other things, meet our capital and operating needs or make the cash distributions to our stockholders necessary to maintain our qualification as a REIT.

In order to maintain our qualification as a REIT, we are required under the Code to, among other things, distribute annually at least 90% of our REIT taxable income, determined without regard to the dividends paid deduction and excluding any net capital gain. In addition, we will be subject to income tax at regular corporate rates to the extent that we distribute less than 100% of our REIT taxable income, including any net capital gains. Because of these distribution requirements, we may not be able to fund future capital needs, including any necessary capital expenditures, from operating cash flow. Consequently, we intend to rely on third-party sources to fund our capital needs. We may not be able to obtain such financing on favorable terms or at all and any additional debt we incur will increase our leverage and likelihood of default. Our access to third-party sources of capital depends, in part, on:

- general market conditions;
- the market’s perception of our growth potential;
- our current debt levels;
- our current and expected future earnings;
- our cash flow and cash distributions; and
- the market price per share of our common stock.

If we cannot obtain capital from third-party sources, we may not be able to acquire or develop properties when strategic opportunities exist, meet the capital and operating needs of our existing properties, satisfy our debt service obligations or make the cash distributions to our stockholders necessary to maintain our qualification as a REIT.

Expectations of our company relating to environmental, social and governance factors may impose additional costs and expose us to new risks.

There is an increasing focus from certain investors, tenants, employees, and other stakeholders concerning corporate responsibility, specifically related to environmental, social and governance factors. Some investors may use these factors to guide their investment strategies and, in some cases, may choose not to invest in us if they believe our policies relating to corporate responsibility are inadequate. Third-party providers of corporate responsibility ratings and reports on companies have increased to meet growing investor demand for measurement of corporate responsibility performance. In addition, the criteria by which companies’ corporate responsibility practices are assessed may change, which could result in greater expectations of us and cause us to undertake costly initiatives to satisfy such new criteria. Alternatively, if we elect not to or are unable to satisfy such new criteria, investors may conclude that our policies with respect to corporate responsibility are inadequate. We may face reputational damage in the event that our corporate responsibility procedures or standards do not meet the standards set by various constituencies. Furthermore, if our competitors’ corporate responsibility performance is perceived to be greater than ours, potential or current investors may elect to invest with our competitors instead. In addition, in the event that we communicate certain initiatives and goals regarding environmental, social and governance matters, we could fail, or be perceived to fail, in our achievement of such initiatives or goals, or we could be criticized for the scope of such initiatives or goals. If we fail to satisfy the expectations of investors, tenants and other stakeholders or our initiatives are not executed as planned, our reputation and financial results could be materially and adversely affected.

We may be subject to ongoing or future litigation, including existing claims relating to the entities that owned the properties prior to our initial public offering and otherwise in the ordinary course of business, which could have a material adverse effect on our financial condition, results of operations, cash flow, the per share trading price of our common stock, cash available for distribution, and ability to service our debt obligations.

We may be subject to ongoing or future litigation, including existing claims relating to the entities that owned the properties and operated the businesses prior to our initial public offering and otherwise in the ordinary course of business. Some of these claims may result in significant defense costs and potentially significant judgments against us, some of which are not, or cannot be, insured against. We generally intend to vigorously defend ourselves; however, we cannot be certain of the ultimate outcomes of currently asserted claims or of those that may arise in the future. In addition, we may become subject to litigation in connection with the formation transactions related to our initial public offering in the event that prior investors dispute the valuation of their respective interests, the adequacy of the consideration received by them in the formation transactions or the interpretation of the agreements implementing the formation transactions. Resolution of these types of matters against us may result in our having to pay significant fines, judgments, or settlements, which, if uninsured, or if the fines, judgments, and settlements exceed insured levels, could adversely impact our earnings and cash flow, thereby having an adverse effect on our financial condition, results of operations, cash flow, the per share trading price of our common stock, cash available for distribution, and ability to service our debt obligations. Certain litigation or the resolution of certain litigation may affect the availability or cost of some of our insurance coverage, which could materially and adversely affect our results of operations and cash flow, expose us to increased risks that would be uninsured, and adversely impact our ability to attract officers and directors.

Risks Related to Our Third-Party Construction Business

Adverse economic and regulatory conditions, particularly in the Mid-Atlantic region, could adversely affect our construction and development business, which could have a material adverse effect on our financial condition, results of operations, cash flow, cash available for distribution, and ability to service our debt obligations.

Our third-party construction activities have been, and are expected to continue to be, primarily focused in the Mid-Atlantic region, although we have also historically undertaken construction projects in various states in the Southeast, Northeast, and Midwest regions of the U.S. As a result of our concentration of construction projects in the Mid-Atlantic region of the U.S., we are particularly susceptible to adverse economic or other conditions in markets in this region (such as periods of economic slowdown or recession, business layoffs or downsizing, industry slowdowns, relocations of businesses, labor disruptions, and the costs of complying with governmental regulations or increased regulation), as well as to natural disasters that occur in this region. We cannot assure you that our target markets will support construction and development projects of the type in which we typically engage. While we have the ability to provide a wide range of development and construction services, any adverse economic or real estate developments in the Mid-Atlantic region could materially and adversely affect our financial condition, results of operations, cash flow, cash available for distribution, and ability to service our debt obligations.

There can be no assurance that all of the projects for which our construction business is engaged as general contractor will be commenced or completed in their entirety in accordance with the anticipated cost, or that we will achieve the financial results we expect from the construction of such properties, which could materially and adversely affect our results of operations, cash flow, and growth prospects.

For serving as general contractor, our construction business earns profit equal to the difference between the total construction fees that we charge and the costs that we incur to build a property. If the decision is made by a third-party client to abandon a construction project for any reason, our anticipated fee revenue from such project could be significantly lower than we expect. In addition, we defer pre-contract costs when such costs are directly associated with specific anticipated construction contracts and their recovery is deemed probable. In the event that we determine that the execution of a construction contract is no longer probable, we would be required to expense those pre-contract costs in the period in which such determination is made, which could materially and adversely affect our results of operations in such period. Our ability to complete the projects in our construction pipeline on time and on budget could be materially and adversely affected as a result of the following factors, among others:

- shortages of subcontractors, equipment, materials, or skilled labor;
- unscheduled delays in the delivery of ordered materials and equipment;
- unanticipated increases in the cost of equipment, labor, and raw materials;

- unforeseen engineering, environmental, or geological problems;
- weather interferences;
- difficulties in obtaining necessary permits or in meeting permit conditions;
- client acceptance delays; or
- work stoppages and other labor disputes.

If we do not complete construction projects on time and on budget, it could have a material adverse effect on us, including our results of operations, cash flow, and growth prospects.

Our dependence on third-party subcontractors and equipment and material providers could result in material shortages and project delays and could reduce our profits or result in project losses, which could materially and adversely affect our financial condition, results of operations, and cash flow.

Because our construction business provides general contracting services, we rely on third-party subcontractors and equipment and material providers. For example, we procure equipment and construction materials as needed when engaged in large construction projects. To the extent that we cannot engage subcontractors or acquire equipment and materials at reasonable costs or if the amount we are required to pay for subcontractors or equipment exceeds our estimates, our ability to complete a construction project in a timely fashion or at a profit may be impaired. In addition, if a subcontractor or a manufacturer is unable to deliver its services, equipment, or materials according to the negotiated terms for any reason, including the deterioration of its financial condition, we may be required to purchase the services, equipment, or materials from another source at a higher price. Additionally, while our construction contracts generally provide that our obligation to pay subcontractors is expressly made subject to the condition precedent that we shall have first received payment, we cannot assure you that these so called "pay-if-paid" or "pay-when-paid" provisions will be recognized in all jurisdictions in which we do business, or that a subcontractor or payment bond surety may not otherwise be entitled to payment or to record a lien on the affected property. In such event, we may be required to pay a payment bond surety or the subcontractors we engage even though we have yet to receive our fees as general contractor. This may reduce the profit to be realized or result in a loss on a project for which the services, equipment, or materials are needed, which may materially and adversely affect our financial condition, results of operations, and cash flow.

Our construction business recognizes certain revenue using the input method and upon the achievement of contractual milestones, and any delay or cancellation of a construction project could materially and adversely affect our cash flow and results of operations.

Our construction business recognizes certain revenue using the input method and, as a result, revenue from our construction business is driven by the performance of our contractual obligations. The input method of accounting is inherently subjective because it relies on estimates of total project cost as a basis for recognizing revenue and profit. Accordingly, revenue and profit recognized under the input method is potentially subject to adjustments in subsequent periods based on refinements in the estimated cost to complete a project, which could result in a reduction or reversal of previously recorded revenues and profits. In addition, delays in, or the cancellation of, any particular construction project could adversely impact our ability to recognize revenue in a particular period. Furthermore, changes in job performance, job conditions, and estimated profitability, including those arising from contract penalty provisions and final contract settlements, may result in revisions to costs and income in the period in which they are determined. If any of the foregoing were to occur, it could have a material adverse effect on our cash flow and results of operations.

Construction project sites are inherently dangerous workplaces, and, as a result, our failure to maintain safe construction project sites could result in deaths or injuries, reduced profitability, the loss of projects or clients, and possible exposure to litigation, any of which could materially and adversely affect our financial condition, results of operations, cash flow, and reputation.

Construction and maintenance sites often put our employees, employees of subcontractors, our tenants, and members of the public in close proximity with mechanized equipment, moving vehicles, chemical and manufacturing processes, and highly regulated materials. On many sites, we are responsible for safety and, accordingly, must implement appropriate safety procedures. If we fail to implement these procedures or if the procedures we implement are ineffective, we may suffer the loss of or injury to our employees, fines, or expose our tenants and members of the public to potential injury, thereby creating exposure to litigation. As a result, our failure to maintain adequate safety standards could result in reduced profitability or the loss of projects, clients, and tenants, which may materially and adversely affect our financial condition, results of operations, cash flow, and reputation.

Supply shortages and other risks associated with demand for skilled labor could increase construction costs and delay performance of our obligations under construction contracts, which could materially and adversely affect the profitability of our construction business, our cash flow, and our results of operations.

There is a high level of competition in the construction industry for skilled labor. Increased costs, labor shortages, or other disruptions in the supply of skilled labor, such as carpenters, roofers, electricians, and plumbers, could cause increases in construction costs and construction delays. We may not be able to pass on increases in construction costs because of market conditions or negotiated contractual terms. Sustained increases in construction costs due to competition for skilled labor and delays in performance under construction contracts may materially and adversely affect the profitability of our construction business, our cash flow, and results of operations.

Our failure to successfully and profitably bid on construction contracts could materially and adversely affect our results of operations and cash flow.

Many of the costs related to our construction business, such as personnel costs, are fixed and are incurred by us irrespective of the level of activity of our construction business. The success of our construction business depends, in part, on our ability to successfully and profitably bid on construction contracts for private and public sector clients. Contract proposals and negotiations are complex and frequently involve a lengthy bidding and selection process, which can be impacted by a number of factors, many of which are outside our control, including market conditions, financing arrangements, and required governmental approvals. If we are unable to maintain a consistent backlog of third-party construction contracts, our results of operations and cash flow could be materially and adversely affected.

If we fail to timely complete a construction project, miss a required performance standard, or otherwise fail to adequately perform on a construction project, we may incur losses or financial penalties, which could materially and adversely affect our financial condition, results of operations, cash flow, cash available for distribution, ability to service our debt obligations, and reputation.

We may contractually commit to a construction client that we will complete a construction project by a scheduled date at a fixed cost. We may also commit that a construction project, when completed, will achieve specified performance standards. If the construction project is not completed by the scheduled date or fails to meet required performance standards, we may either incur significant additional costs or be held responsible for the costs incurred by the client to rectify damages due to late completion or failure to achieve the required performance standards. In addition, completion of projects can be adversely affected by a number of factors beyond our control, including unavoidable delays from governmental inaction, public opposition, inability to obtain financing, weather conditions, unavailability of vendor materials, availabilities of subcontractors, changes in the project scope of services requested by our clients, industrial accidents, environmental hazards, labor disruptions, and other factors. In some cases, if we fail to meet required performance standards or milestone requirements, we may also be subject to agreed-upon financial damages in the form of liquidated damages, which are determined pursuant to the contract governing the construction project. To the extent that these events occur, the total costs of the project could exceed our estimates and our contracted cost and we could experience reduced profits or, in some cases, incur a loss on a project, which may materially and adversely affect our financial condition, results of operations, cash flow, cash available for distribution, and ability to service our debt obligations. Failure to meet performance standards or complete performance on a timely basis could also adversely affect our reputation.

Unionization or work stoppages could have a material adverse effect on us.

From time to time, our construction business and the subcontractors we engage may use unionized construction workers, which requires us to pay the prevailing wage in a jurisdiction to such workers. Due to the highly labor-intensive and price-competitive nature of the construction business, the cost of unionization or prevailing wage requirements for new developments could be substantial, which could adversely affect our profitability. In addition, the use of unionized construction workers could cause us to become subject to organized work stoppages, which would materially and adversely affect our ability to meet our construction timetables and could significantly increase the cost of completing a construction project.

Risks Related to the Real Estate Industry

Our business is subject to risks associated with real estate assets and the real estate industry, which could materially and adversely affect our financial condition, results of operations, cash flow, cash available for distribution, and ability to service our debt obligations.

Our ability to pay expected dividends to our stockholders depends on our ability to generate revenues in excess of expenses, scheduled principal payments on debt, and capital expenditure requirements. Events and conditions generally applicable to owners and operators of real property that are beyond our control may decrease cash available for distribution and the value of our properties. These events include many of the risks set forth above under "—Risks Related to Our Business," as well as the following:

- oversupply or reduction in demand for office, retail, or multifamily space in our markets;
- adverse changes in financial conditions of buyers, sellers, and tenants of properties;
- vacancies or our inability to rent space on favorable terms, including possible market pressures to offer tenants rent abatements, tenant improvements, early termination rights, or below-market renewal options, and the need to periodically repair, renovate, and re-lease space;
- increased operating costs, including insurance premiums, utilities, real estate taxes, and state and local taxes;
- increased property taxes due to property tax changes or reassessments;
- a favorable interest rate environment that may result in a significant number of potential residents of our multifamily apartment communities deciding to purchase homes instead of renting;
- rent control or stabilization laws or other laws regulating rental housing, which could prevent us from raising rents to offset increases in operating costs;
- civil unrest, acts of war, terrorist attacks, and natural disasters, including hurricanes, which may result in uninsured or underinsured losses;
- decreases in the underlying value of our real estate;
- changing submarket demographics; and
- changing traffic patterns.

In addition, periods of economic downturn or recession, rising interest rates or declining demand for real estate, or the public perception that any of these events may occur, could result in a general decline in rents or an increased incidence of defaults under existing leases, which could materially and adversely affect our financial condition, results of operations, cash flow, cash available for distribution, and ability to service our debt obligations.

Illiquidity of real estate investments could significantly impede our ability to respond to adverse changes in the performance of our properties and harm our financial condition.

The real estate investments made, and to be made, by us are difficult to sell quickly. As a result, our ability to promptly sell one or more properties in our portfolio in response to changing economic, financial, and investment conditions is limited.

Return of capital and realization of gains, if any, from an investment generally will occur upon disposition or refinancing of the underlying property. We may be unable to realize our investment objectives by disposition or refinancing at attractive prices within any given period of time or may otherwise be unable to complete any exit strategy. In particular, our ability to dispose of one or more properties within a specific time period is subject to certain limitations imposed by our tax protection agreements, as well as weakness in or even the lack of an established market for a property, changes in the financial condition or prospects of prospective purchasers, changes in national or international economic conditions, and changes in laws, regulations or fiscal policies of jurisdictions in which the property is located.

In addition, the Code imposes restrictions on a REIT’s ability to dispose of properties that are not applicable to other types of real estate companies. In particular, the tax laws applicable to REITs effectively require that we hold our properties for investment, rather than primarily for sale in the ordinary course of business, which may cause us to forego or defer sales of properties that otherwise would be in our best interests. Therefore, we may not be able to vary our portfolio in response to economic or other conditions promptly or on favorable terms.

Our tax protection agreements could limit our ability to sell or otherwise dispose of certain properties.

In connection with the formation transactions related to our initial public offering, our Operating Partnership entered into tax protection agreements that provide that if we dispose of any interest in certain protected properties in a taxable transaction prior to the seventh (or, in a limited number of cases, the tenth) anniversary of the completion of the formation transactions, subject to certain exceptions, we will indemnify certain contributors, including Messrs. Hoffler, Haddad, Kirk, and Apperson and their respective affiliates and certain of our other officers, for their tax liabilities attributable to the built-in gain that existed with respect to such property interests as of the time of our initial public offering, and the tax liabilities incurred as a result of such tax protection payment. In addition, in connection with certain acquisitions completed since our initial public offering, we entered into tax protection agreements that require us to indemnify the contributors for their tax liabilities in the event that we dispose of the properties subject to the tax protection agreements, and may enter into similar agreements in connection with future property acquisitions. Therefore, although it may be in our stockholders’ best interests that we sell one of these properties, it may be economically prohibitive or unattractive for us to do so because of these obligations. Moreover, as a result of these potential tax liabilities, Messrs. Hoffler, Haddad, Kirk, and Apperson and certain of our other officers may have a conflict of interest with respect to our determination as to certain of our properties.

As an owner of real estate, we could incur significant costs and liabilities related to environmental matters.

Under various federal, state, and local laws and regulations relating to the environment, as a current or former owner or operator of real property, we may be liable for costs and damages resulting from the presence or discharge of hazardous or toxic substances, waste, or petroleum products at, on, in, under, or migrating from such property, including costs to investigate and clean up such contamination and liability for harm to natural resources. Such laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the presence of such contamination, and the liability may be joint and several. These liabilities could be substantial and the cost of any required remediation, removal, fines, or other costs could exceed the value of the property and our aggregate assets. In addition, the presence of contamination or the failure to remediate contamination at our properties may expose us to third-party liability for costs of remediation and personal or property damage or materially and adversely affect our ability to sell, lease, or develop our properties or to borrow using the properties as collateral. In addition, environmental laws may create liens on contaminated sites in favor of the government for damages and costs it incurs to address such contamination. Moreover, if contamination is discovered on our properties, environmental laws may impose restrictions on the manner in which the properties may be used or businesses may be operated, and these restrictions may require substantial expenditures. See "Part I—Business—Regulation."

Some of our properties have been or may be impacted by contamination arising from current or prior uses of the property, or adjacent properties, for commercial or industrial purposes. Such contamination may arise from spills of petroleum or hazardous substances or releases from tanks used to store such materials. For example, some of the tenants of properties in our retail portfolio operate gas stations or other businesses that utilize storage tanks to store petroleum products, propane, or wastes typically associated with automobile service or other operations conducted at the properties, and spills or leaks of hazardous materials from those storage tanks could expose us to liability. See "Part I—Business—Regulation—Environmental Matters." In addition to the foregoing, while we obtained Phase I Environmental Site Assessments for each of the properties in our portfolio, the assessments are limited in scope and may have failed to identify all environmental conditions or concerns. For example, they do not generally include soil sampling, subsurface investigations or hazardous materials surveys. Furthermore, we do not have current Phase I Environmental Site Assessment reports for all of the properties in our portfolio and, as such, may not be aware of all potential or existing environmental contamination liabilities at the properties in our portfolio. As a result, we could potentially incur material liability for these issues.

As the owner of the buildings on our properties, we could face liability for the presence of hazardous materials, such as asbestos or lead, or other adverse conditions, such as poor indoor air quality, in our buildings. Environmental laws govern the presence, maintenance, and removal of hazardous materials in buildings, and if we do not comply with such laws, we could face fines for such noncompliance. Also, we could be liable to third parties, such as occupants of the buildings, for damages related to exposure to hazardous materials or adverse conditions in our buildings, and we could incur material expenses with respect to abatement or remediation of hazardous materials or other adverse conditions in our buildings. In addition, some of our tenants may routinely handle and use hazardous or regulated substances and wastes as part of their operations at our properties, which are subject to regulation. Such environmental and health and safety laws and regulations could subject us or our tenants to liability resulting from these activities. Environmental liabilities could affect a tenant's ability to make rental payments to us, and changes in laws could increase the potential liability for noncompliance. This may result in significant unanticipated expenditures or may otherwise materially and adversely affect our operations, or those of our tenants, which could in turn have an adverse effect on us. If we incur material environmental liabilities in the future, we may face significant remediation costs, and we may find it difficult to sell any affected properties.

We may be subject to unknown or contingent liabilities related to acquired properties and properties that we may acquire in the future, which could have a material adverse effect on us.

Properties that we have acquired and properties that we may acquire in the future may be subject to unknown or contingent liabilities for which we may have no recourse, or only limited recourse, against the sellers. In general, the representations and warranties provided under the transaction agreements related to the purchase of properties that we acquire may not survive the completion of the transactions. Furthermore, indemnification under such agreements may be limited and subject to various materiality thresholds, a significant deductible, or an aggregate cap on losses. As a result, there is no guarantee that we will recover any amounts with respect to losses due to breaches by the sellers of their representations and warranties. In addition, the total amount of costs and expenses that may be incurred with respect to liabilities associated with these properties may exceed our expectations, and we may experience other unanticipated adverse effects, all of which may materially and adversely affect us.

Our properties may contain or develop harmful mold or suffer from other air quality issues, which could lead to liability for adverse health effects and costs of remediation.

When excessive moisture accumulates in buildings or on building materials, mold growth may occur, particularly if the moisture problem remains undiscovered or is not addressed over a period of time. Some molds may produce airborne toxins or irritants. Indoor air quality issues can also stem from inadequate ventilation, chemical contamination from indoor or outdoor sources, and other biological contaminants such as pollen, viruses, and bacteria. Indoor exposure to airborne toxins or irritants above certain levels can be alleged to cause a variety of adverse health effects and symptoms, including allergic or other reactions. As a result, the presence of significant mold or other airborne contaminants at any of our properties could require us to undertake a costly remediation program to contain or remove the mold or other airborne contaminants from the affected property or increase indoor ventilation. In addition, the presence of significant mold or other airborne contaminants could expose us to liability from our tenants, employees of our tenants, or others if property damage or personal injury is alleged to have occurred.

We may incur significant costs complying with various federal, state and local laws, regulations, and covenants that are applicable to our properties.

Properties are subject to various covenants and federal, state, and local laws and regulatory requirements, including permitting and licensing requirements. Local regulations, including municipal or local ordinances, zoning restrictions, and restrictive covenants imposed by community developers may restrict our use of our properties and may require us to obtain approval from local officials or community standards organizations at any time with respect to our properties, including prior to developing or acquiring a property or when undertaking renovations of any of our existing properties. Among other things, these restrictions may relate to fire and safety, seismic, or hazardous material abatement requirements. There can be no assurance that existing laws and regulatory policies will not adversely affect us or the timing or cost of any future development, acquisitions, or renovations, or that additional regulations will not be adopted that increase such delays or result in additional costs. Our growth strategy may be affected by our ability to obtain permits, licenses, and zoning relief.

In addition, federal and state laws and regulations, including laws such as the ADA and the Fair Housing Amendment Act of 1988 ("FHAA"), impose further restrictions on our properties and operations. Under the ADA and the FHAA, all public accommodations must meet federal requirements related to access and use by disabled persons. Some of our properties may currently be in non-compliance with the ADA or the FHAA. If one or more of the properties in our portfolio is not in compliance with the ADA, the FHAA, or any other regulatory requirements, we may incur additional costs to bring the property into compliance, incur governmental fines or the award of damages to private litigants, or be unable to refinance such properties. In addition, we do not know whether existing requirements will change or whether future requirements will require us to make significant unanticipated expenditures that will adversely impact our financial condition, results of operations, cash flow, cash available for distribution, and ability to service our debt obligations.

Risks Related to Our Organizational Structure

Daniel Hoffler and his affiliates own, directly or indirectly, a substantial beneficial interest in our company on a fully diluted basis and have the ability to exercise significant influence on our company and our Operating Partnership, including the approval of significant corporate transactions.

As of December 31, 2019, Daniel Hoffler, our Executive Chairman, owned approximately 6% and, collectively, Messrs. Hoffler, Haddad, and Kirk owned approximately 11% of the combined outstanding shares of our common stock and OP Units of our Operating Partnership (which OP Units may be redeemable for shares of our common stock). Consequently, these individuals may be able to significantly influence the outcome of matters submitted for stockholder action, including the approval of significant corporate transactions, including business combinations, consolidations, and mergers.

Conflicts of interest may exist or could arise in the future between the interests of our stockholders and the interests of holders of units in our Operating Partnership, which may impede business decisions that could benefit our stockholders.

Conflicts of interest may exist or could arise in the future as a result of the relationships between us and our affiliates, and our Operating Partnership or any partner thereof. Our directors and officers have duties to our company under Maryland law in connection with their management of our company. At the same time, we, as the general partner of our Operating Partnership, have fiduciary duties and obligations to our Operating Partnership and its limited partners under Virginia law and the partnership agreement of our Operating Partnership in connection with the management of our Operating Partnership. Our fiduciary duties and obligations as the general partner of our Operating Partnership may come into conflict with the duties of our directors and officers to our company. Messrs. Hoffler, Haddad, and Kirk own a significant interest in our Operating Partnership as limited partners and may have conflicts of interest in making decisions that affect both our stockholders and the limited partners of our Operating Partnership.

Under Virginia law, a general partner of a Virginia limited partnership has fiduciary duties of loyalty and care to the partnership and its partners and must discharge its duties and exercise its rights as general partner under the partnership agreement or Virginia law consistently with the obligation of good faith and fair dealing. The partnership agreement provides that, in the event of a conflict between the interests of our Operating Partnership or any partner, and the separate interests of our company or our stockholders, we, in our capacity as the general partner of our Operating Partnership, are under no obligation not to give priority to the separate interests of our company or our stockholders, and that any action or failure to act on our part or on the part of our directors that gives priority to the separate interests of our company or our stockholders that does not result in a violation of the contractual rights of the limited partners of the Operating Partnership under its partnership agreement does not violate the duty of loyalty that we, in our capacity as the general partner of our Operating Partnership, owe to the Operating Partnership and its partners.

Additionally, the partnership agreement provides that we will not be liable to the Operating Partnership or any partner for monetary damages for losses sustained, liabilities incurred, or benefits not derived by the Operating Partnership or any limited partner, except for liability for our intentional harm or gross negligence. Our Operating Partnership must indemnify us, our directors and officers, and our designees from and against any and all claims that relate to the operations of our Operating Partnership, unless: (i) an act or omission of the person was material to the matter giving rise to the action and either was committed in bad faith or was the result of active and deliberate dishonesty, (ii) the person actually received an improper personal benefit in violation or breach of the partnership agreement, or (iii) in the case of a criminal proceeding, the indemnified person had reasonable cause to believe that the act or omission was unlawful. Our Operating Partnership must also pay or reimburse the reasonable expenses of any such person upon its receipt of a written affirmation of the person’s good faith belief that the standard of conduct necessary for indemnification has been met and a written undertaking to repay any amounts paid or advanced if it is ultimately determined that the person did not meet the standard of conduct for indemnification. Our Operating Partnership will not indemnify or advance funds to any person with respect to any action initiated by the person seeking indemnification without our approval (except for any proceeding brought to enforce such person’s right to indemnification under the partnership agreement) or if the person is found to be liable to our Operating Partnership on any portion of any claim in the action.

Our charter contains certain provisions restricting the ownership and transfer of our stock that may delay, defer, or prevent a change of control transaction that might involve a premium price for our common stock or that our stockholders otherwise believe to be in their best interests.

Our charter contains certain ownership limits with respect to our stock. Our charter, among other restrictions, prohibits the beneficial or constructive ownership by any person of more than 9.8% in value or number of shares, whichever is more restrictive, of the outstanding shares of any class or series of our stock, excluding any shares that are not treated as outstanding for federal income tax purposes. Our board of directors, in its sole and absolute discretion, may exempt a person, prospectively or retroactively, from this ownership limit if certain conditions are satisfied. This ownership limit as well as other restrictions on ownership and transfer of our stock in our charter may:

- discourage a tender offer or other transactions or a change in management or of control that might involve a premium price for our common stock or that our stockholders otherwise believe to be in their best interests; and

- result in the transfer of shares acquired in excess of the restrictions to a trust for the benefit of a charitable beneficiary and, as a result, the forfeiture by the acquirer of certain of the benefits of owning the additional shares.

We could increase the number of authorized shares of stock, classify and reclassify unissued stock, and issue stock without stockholder approval.

Our board of directors, without stockholder approval, has the power under our charter to amend our charter to increase or decrease the aggregate number of shares of stock or the number of shares of stock of any class or series that we are authorized to issue. In addition, under our charter, our board of directors, without stockholder approval, has the power to authorize us to issue authorized but unissued shares of our common stock or preferred stock and to classify or reclassify any unissued shares of our common stock or preferred stock into one or more classes or series of stock and set the preference, conversion or other rights, voting powers, restrictions, limitations as to dividends and other distributions, qualifications, or terms or conditions of redemption for such newly classified or reclassified shares. As a result, we may issue series or classes of common stock or preferred stock with preferences, dividends, powers, and rights, voting or otherwise, that are senior to, or otherwise conflict with, the rights of holders of our common stock. Although our board of directors has no such intention at the present time, it could establish a class or series of preferred stock that could, depending on the terms of such series, delay, defer, or prevent a transaction or a change of control that might involve a premium price for our common stock or that our stockholders otherwise believe to be in their best interests.

Certain provisions of Maryland law could inhibit changes of control, which may discourage third parties from conducting a tender offer or seeking other change of control transactions that could involve a premium price for our common stock or that our stockholders otherwise believe to be in their best interests.

Certain provisions of the Maryland General Corporation Law (the "MGCL") may have the effect of inhibiting a third party from making a proposal to acquire us or of impeding a change of control under circumstances that otherwise could provide the holders of shares of our common stock with the opportunity to realize a premium over the then-prevailing market price of such shares, including:

- "business combination" provisions that, subject to limitations, prohibit certain business combinations between us and an "interested stockholder" (defined generally as any person who beneficially owns 10% or more of the voting power of our outstanding voting shares or an affiliate or associate of ours who was the beneficial owner, directly or indirectly, of 10% or more of the voting power of our then outstanding stock at any time within the two-year period immediately prior to the date in question) or an affiliate thereof for five years after the most recent date on which the stockholder becomes an interested stockholder, and thereafter impose certain fair price and supermajority stockholder voting requirements on these combinations; and

- "control share" provisions that provide that holders of "control shares" of our company (defined as shares of stock that, when aggregated with other shares of stock controlled by the stockholder, entitle the stockholder to exercise one of three increasing ranges of voting power in electing directors) acquired in a "control share acquisition" (defined as the direct or indirect acquisition of ownership or control of issued and outstanding "control shares") have no voting rights with respect to their control shares, except to the extent approved by our stockholders by the affirmative vote of at least two-thirds of all the votes entitled to be cast on the matter, excluding all interested shares.

By resolution of our board of directors, we have opted out of the business combination provisions of the MGCL and provided that any business combination between us and any other person is exempt from the business combination provisions of the MGCL, provided that the business combination is first approved by our board of directors (including a majority of directors who are not affiliates or associates of such persons). In addition, pursuant to a provision in our bylaws, we have opted out of the control share provisions of the MGCL. However, our board of directors may by resolution elect to opt in to the business combination provisions of the MGCL and we may, by amendment to our bylaws, opt in to the control share provisions of the MGCL in the future.

Certain provisions of the MGCL permit our board of directors, without stockholder approval and regardless of what is currently provided in our charter or bylaws, to implement certain corporate governance provisions, some of which are not currently applicable to us. If implemented, these provisions may have the effect of limiting or precluding a third party from making an unsolicited acquisition proposal for us or of delaying, deferring, or preventing a change in control of us under circumstances that otherwise could provide the holders of shares of our common stock with the opportunity to realize a premium over the then current market price. Our charter contains a provision whereby we elect, at such time as we become eligible to do so, to be subject to the provisions of Title 3, Subtitle 8 of the MGCL relating to the filling of vacancies on our board of directors.

Certain provisions in the partnership agreement of our Operating Partnership may delay, make more difficult, or prevent unsolicited acquisitions of us.

Provisions in the partnership agreement of our Operating Partnership may delay, make more difficult, or prevent unsolicited acquisitions of us or changes of our control. These provisions could discourage third parties from making proposals involving an unsolicited acquisition of us or change of our control, although some of our stockholders might consider such proposals, if made, desirable. These provisions include, among others:

- redemption rights;
- a requirement that we may not be removed as the general partner of our Operating Partnership without our consent;
- transfer restrictions on OP Units;
- our ability, as general partner, in some cases, to amend the partnership agreement and to cause the Operating Partnership to issue units with terms that could delay, defer, or prevent a merger or other change of control of us or our Operating Partnership without the consent of the limited partners; and
- the right of the limited partners to consent to direct or indirect transfers of the general partnership interest, including as a result of a merger or a sale of all or substantially all of our assets, in the event that such transfer requires approval by our common stockholders.

The limited partners in our Operating Partnership (other than us) owned approximately 27.4% of the outstanding OP Units of our Operating Partnership as of December 31, 2019.

Our rights and the rights of our stockholders to take action against our directors and officers are limited.

Under Maryland law, generally, a director will not be liable if he or she performs his or her duties in good faith, in a manner he or she reasonably believes to be in our best interests and with the care that an ordinarily prudent person in a like position would use under similar circumstances. In addition, our charter limits the liability of our directors and officers to us and our stockholders for money damages, except for liability resulting from:

- actual receipt of an improper benefit or profit in money, property or services; or
- active and deliberate dishonesty by the director or officer that was established by a final judgment as being material to the cause of action adjudicated.

Our charter authorizes us to indemnify our directors and officers for actions taken by them in those capacities to the maximum extent permitted by Maryland law. Our bylaws require us to indemnify each director and officer, to the maximum extent permitted by Maryland law, in the defense of any proceeding to which he or she is made, or threatened to be made, a party by reason of his or her service to us. In addition, we may be obligated to advance the defense costs incurred by our directors and officers. We have entered into indemnification agreements with each of our executive officers and directors whereby we agreed to indemnify our directors and executive officers to the fullest extent permitted by Maryland law against all expenses and liabilities incurred in their capacity as an officer or director, subject to limited exceptions. As a result, we and our stockholders may have more limited rights against our directors and officers than might otherwise exist absent the current provisions in our charter and bylaws and the indemnification agreements or that might exist with other companies.

We are a holding company with no direct operations and, as such, we will rely on funds received from our Operating Partnership to pay liabilities, and the interests of our stockholders will be structurally subordinated to all liabilities and obligations of our Operating Partnership and its subsidiaries.

We are a holding company and conduct substantially all of our operations through our Operating Partnership. We do not have, apart from an interest in our Operating Partnership, any independent operations. As a result, we rely on cash distributions from our Operating Partnership to pay any dividends we might declare on shares of our common stock and preferred stock. We also rely on distributions from our Operating Partnership to meet any of our obligations, including any tax liability on taxable income allocated to us from our Operating Partnership. In addition, because we are a holding company, your claims as a stockholder will be structurally subordinated to all existing and future liabilities and obligations (whether or not for borrowed money) of our Operating Partnership and its subsidiaries. Therefore, in the event of our bankruptcy, liquidation, or reorganization, our assets and those of our Operating Partnership and its subsidiaries will be available to satisfy the claims of our stockholders only after all of our and our Operating Partnership’s and its subsidiaries’ liabilities and obligations have been paid in full.

Our Operating Partnership may issue additional OP Units to third parties without the consent of our stockholders, which would reduce our ownership percentage in our Operating Partnership and could have a dilutive effect on the amount of distributions made to us by our Operating Partnership and, therefore, the amount of distributions we can make to our stockholders.

As of December 31, 2019, we owned 72.6% of the outstanding OP Units in our Operating Partnership. We regularly have issued OP Units to third parties as consideration for acquisitions, and we may continue to do so in the future. Any such future issuances would reduce our ownership percentage in our Operating Partnership and could affect the amount of distributions made to us by our Operating Partnership and, therefore, the amount of distributions we can make to our stockholders. Because stockholders do not directly own OP Units, you do not have any voting rights with respect to any such issuances or other partnership level activities of our Operating Partnership.

Risks Related to Our Status as a REIT

Failure to qualify as a REIT, or failure to remain qualified as a REIT, would cause us to be taxed as a regular corporation, which would substantially reduce funds available for distribution to our stockholders.

We have elected to be taxed and to operate in a manner that will allow us to qualify as a REIT for federal income tax purposes commencing with our taxable year ended December 31, 2013. We have not requested and do not plan to request a ruling from the Internal Revenue Service (the "IRS") that we qualify as a REIT. Therefore, we cannot be assured that we will qualify as a REIT, or that we will remain qualified as such in the future. If we fail to qualify as a REIT or otherwise lose our REIT status in any taxable year, we will face serious tax consequences that would substantially reduce the funds available for distribution to our stockholders for each of the years involved because:

- we would not be allowed a deduction for dividends paid to stockholders in computing our taxable income and would be subject to U.S. federal income tax at regular corporate rates;

- we could be subject to increased state and local taxes; and

- unless we are entitled to relief under certain U.S. federal income tax laws, we could not re-elect REIT status until the fifth calendar year after the year in which we failed to qualify as a REIT.

In addition, if we fail to qualify as a REIT, we will no longer be required to make distributions. As a result of all these factors, our failure to qualify as a REIT could impair our ability to expand our business and raise capital, and it would adversely affect the value of our common stock.

Even if we qualify as a REIT, we may face other tax liabilities that reduce our cash flows.

Even if we qualify for taxation as a REIT, we may be subject to certain federal, state, and local taxes on our income and assets, including taxes on any undistributed income, tax on income from some activities conducted as a result of a foreclosure, and state or local income, property, and transfer taxes. In addition, our TRS will be subject to regular corporate federal, state, and local taxes. Any of these taxes would decrease cash available for distribution to our stockholders.

Complying with REIT requirements may cause us to forego otherwise attractive opportunities or liquidate otherwise attractive investments.

To qualify as a REIT for federal income tax purposes, we must continually satisfy tests concerning, among other things, the sources of our income, the nature and diversification of our assets, the amounts we distribute to our stockholders, and the ownership of our capital stock. In order to meet these tests, we may be required to forego investments we might otherwise make. Thus, compliance with the REIT requirements may hinder our performance.

In particular, we must ensure that at the end of each calendar quarter, at least 75% of the value of our assets consists of cash, cash items, government securities, and qualified real estate assets. The remainder of our investment in securities (other than government securities, securities of TRSs, and qualified real estate assets) generally cannot include more than 10% of the outstanding voting securities of any one issuer or more than 10% of the total value of the outstanding securities of any one issuer. In addition, in general, no more than 5% of the value of our assets (other than government securities, securities of TRSs, and qualified real estate assets) can consist of the securities of any one issuer, and no more than 20% of the value of our total assets can be represented by the securities of one or more TRSs. If we fail to comply with these requirements at the end of any calendar quarter, we must correct the failure within 30 days after the end of the calendar quarter or qualify for certain statutory relief provisions to avoid losing our REIT qualification and suffering adverse tax consequences. As a result, we may be required to liquidate otherwise attractive investments. These actions could have the effect of reducing our income and amounts available for distribution to our stockholders.

The prohibited transactions tax may limit our ability to dispose of our properties.

A REIT’s net income from prohibited transactions is subject to a 100% tax. In general, prohibited transactions are sales or other dispositions of property other than foreclosure property, held primarily for sale to customers in the ordinary course of business. We may be subject to the prohibited transaction tax equal to 100% of the net gain upon a disposition of real property. Although a safe harbor to the characterization of the sale of real property by a REIT as a prohibited transaction is available, we cannot assure you that we can comply with the safe harbor or that we will avoid owning property that may be characterized as held primarily for sale to customers in the ordinary course of business. Consequently, we may choose not to engage in certain sales of our properties or may conduct such sales through our TRS, which would be subject to federal and state income taxation.

The ability of our board of directors to revoke our REIT qualification without stockholder approval may cause adverse consequences to our stockholders.

Our charter provides that our board of directors may revoke or otherwise terminate our REIT election, without the approval of our stockholders, if it determines that it is no longer in our best interests to continue to qualify as a REIT. If we cease to qualify as a REIT, we would become subject to U.S. federal income tax on our taxable income and would no longer be required to distribute most of our taxable income to our stockholders, which may have adverse consequences on our total return to our stockholders.

Our ownership of our TRS will be subject to limitations and our transactions with our TRS will cause us to be subject to a 100% penalty tax on certain income or deductions if those transactions are not conducted on arm’s-length terms.

Overall, no more than 20% of the value of a REIT’s assets may consist of stock or securities of one or more TRS. In addition, the Code limits the deductibility of interest paid or accrued by a TRS to its parent REIT to assure that the TRS is subject to an appropriate level of corporate taxation. The Code also imposes a 100% excise tax on certain transactions between a TRS and its parent REIT that are not conducted on an arm’s-length basis. Furthermore, we will monitor the value of our respective investments in our TRS for the purpose of ensuring compliance with TRS ownership limitations and will structure our transactions with our TRS on terms that we believe are arm’s length to avoid incurring the 100% excise tax described above. There can be no assurance, however, that we will be able to comply with the 20% REIT subsidiaries limitation or to avoid application of the 100% excise tax.

You may be restricted from acquiring or transferring certain amounts of our common stock.

The restrictions on ownership and transfer in our charter may inhibit market activity in our capital stock and restrict our business combination opportunities.

In order to qualify as a REIT for each taxable year after 2013, five or fewer individuals, as defined in the Code, may not own, beneficially or constructively, more than 50% in value of our issued and outstanding stock at any time during the last half of a taxable year. Attribution rules in the Code determine if any individual or entity beneficially or constructively owns our capital stock under this requirement. Additionally, at least 100 persons must beneficially own our capital stock during at least 335 days of a taxable year for each taxable year after 2013. To help ensure that we meet these tests, our charter restricts the acquisition and ownership of shares of our capital stock.

Our charter, with certain exceptions, authorizes our directors to take such actions as are necessary to preserve our qualification as a REIT. Unless exempted by our board of directors, our charter prohibits any person from beneficially or constructively owning more than 9.8% in value or number of shares, whichever is more restrictive, of the outstanding shares of any class or series of our capital or preferred stock. Our board of directors may not grant an exemption from this restriction to any proposed transferee whose ownership in excess of 9.8% of the value of our outstanding shares would result in our failing to qualify as a REIT. This restriction, as well as other restrictions on transferability and ownership will not apply, however, if our board of directors determines that it is no longer in our best interests to continue to qualify as a REIT.

Dividends payable by REITs do not qualify for the reduced tax rates available for some dividends.

The maximum tax rate applicable to "qualified dividend income" payable to U.S. stockholders that are taxed at individual rates is 20%. Dividends payable by REITs, however, generally are not eligible for the reduced rates on qualified dividend income. Instead, our ordinary dividends generally are taxed at the higher tax rates applicable to ordinary income, the current maximum rate of which is 37%. However, for taxable years prior to 2026, individual stockholders are generally allowed to deduct 20% of the aggregate amount of ordinary dividends distributed by us, subject to certain limitations, which would reduce the maximum marginal effective tax rate for individuals on the receipt of such ordinary dividends to 29.6%.

Changes to the U.S. federal income tax laws, including the enactment of certain tax reform measures, could have an adverse impact on our business and financial results.

The legislation commonly known as the Tax Cuts and Jobs Act (the "Tax Act") was enacted on December 22, 2017. The Tax Act significantly changed the U.S. federal income taxation of U.S. businesses and their owners, including REITs and their stockholders. The full impact of the act on us and our shareholders is uncertain and may not become evident for some period of time. For example, the act contained provisions that may reduce the relative competitive advantage of operating as a REIT, including the lowering of income tax rates on individuals and corporations, which eases the burden of double taxation on corporate dividends and potentially causes the single level of taxation on REIT distributions to become relatively less attractive. The act also contains provisions allowing the expensing of capital expenditures, which could result in the bunching of taxable income and required distributions for REITs, and provisions extending the depreciable lives of certain real estate assets and further limiting the deductibility of interest expense, which could negatively impact the real estate market. In addition, although the Tax Act was recently passed, there can be no assurance that future changes to the U.S. federal income tax laws or regulatory changes will not be proposed or enacted that could impact our business and financial results. The REIT rules are constantly under review by persons involved in the legislative process and by the Internal Revenue Service and the U.S. Treasury Department, which may result in revisions to regulations and interpretations in addition to statutory changes. If enacted, certain of such changes could have an adverse impact on our business and financial results.

We cannot predict whether, when, or to what extent the Tax Act and any new U.S. federal tax laws, regulations, interpretations, or rulings will impact the real estate investment industry or REITs. Prospective investors are urged to consult their tax advisors regarding the effect of the Tax Act and potential future changes to the federal tax laws on an investment in our shares.

If our Operating Partnership failed to qualify as a partnership for federal income tax purposes, we would cease to qualify as a REIT and suffer other adverse consequences.

We believe that our Operating Partnership will be treated as a partnership for federal income tax purposes. As a partnership, our Operating Partnership will not be subject to federal income tax on its income. Instead, each of its partners, including us, will be allocated, and may be required to pay tax with respect to, its share of our Operating Partnership’s income. We cannot assure you, however, that the IRS will not challenge the status of our Operating Partnership or any other subsidiary partnership in which we own an interest as a partnership for federal income tax purposes, or that a court would not sustain such a challenge. If the IRS were successful in treating our Operating Partnership or any such other subsidiary partnership as an entity taxable as a corporation for federal income tax purposes, we would fail to meet the gross income tests and certain of the asset tests applicable to REITs and, accordingly, we would likely cease to qualify as a REIT. Also, the failure of our Operating Partnership or any subsidiary partnerships to qualify as a partnership could cause it to become subject to federal and state corporate income tax, which would reduce significantly the amount of cash available for debt service and for distribution to its partners, including us.

To maintain our REIT status, we may be forced to borrow funds during unfavorable market conditions, and the unavailability of such capital on favorable terms at the desired times, or at all, may cause us to curtail our investment activities or dispose of assets at inopportune times or on unfavorable terms, which could materially and adversely affect our financial condition, results of operations, cash flow, cash available for distribution, and ability to service our debt obligations.

To qualify as a REIT, we generally must distribute to our stockholders at least 90% of our REIT taxable income each year, excluding net capital gains, and we will be subject to regular corporate income taxes to the extent that we distribute less than 100% of our REIT taxable income each year. In addition, we will be subject to a 4% nondeductible excise tax on the amount, if any, by which distributions paid by us in any calendar year are less than the sum of 85% of our ordinary income, 95% of our capital gain net income and 100% of our undistributed income from prior years. In order to maintain our REIT status and avoid the payment of income and excise taxes, we may need to borrow funds to meet the REIT distribution requirements even if the then prevailing market conditions are not favorable for these borrowings. These borrowing needs could result from, among other things, differences in timing between the actual receipt of cash and inclusion of income for federal income tax purposes, or the effect of non-deductible capital expenditures, the creation of reserves or required principal or amortization payments. These sources, however, may not be available on favorable terms or at all. Our access to third-party sources of capital depends on a number of factors, including the market's perception of our growth potential, our current debt levels, the market price of our common stock, and our current and potential future earnings. We cannot assure you that we will have access to such capital on favorable terms at the desired times, or at all, which may cause us to curtail our investment activities or dispose of assets at inopportune times or on unfavorable terms, which could materially and adversely affect our financial condition, results of operations, cash flow, cash available for distribution, and ability to service our debt obligations.

Risks Related to Our Capital Stock

We may be unable to make distributions at expected levels, which could result in a decrease in the market price of our common stock and Series A Preferred Stock.

We intend to continue to pay regular quarterly distributions to our stockholders. All distributions will be made at the discretion of our board of directors and will be based upon, among other factors, our historical and projected results of operations, financial condition, cash flows and liquidity, maintenance of our REIT qualification and other tax considerations, capital expenditure and other expense obligations, debt covenants, contractual prohibitions or other limitations, applicable law, and such other matters as our board of directors may deem relevant from time to time. If sufficient cash is not available for distribution from our operations, we may have to fund distributions from working capital, borrow to provide funds for such distributions, or reduce the amount of such distributions. To the extent we borrow to fund distributions, our future interest costs would increase, thereby reducing our earnings and cash available for distribution from what they otherwise would have been. If cash available for distribution generated by our assets is less than our current estimate, or if such cash available for distribution decreases in future periods from expected levels, our inability to make the expected distributions could result in a decrease in the market price of our common stock and Series A Preferred Stock.

Our ability to make distributions may also be limited by our credit facility. Under the terms of the credit facility, our ability to make distributions during any twelve-month period is limited to the greater of (1) 95% of our adjusted funds from operations (as defined in the credit agreement) or (2) the aggregate amount of Restricted Payments (as defined in the credit agreement) required for us to (a) maintain our REIT status and (b) avoid the payment of federal or state income or excise tax. In addition, if a default or events of default exist or would result from a distribution, we are precluded from making certain distributions other than those required to allow us to maintain our status as a REIT.

As a result of the foregoing, we may not be able to make distributions in the future, and our inability to make distributions, or to make distributions at expected levels, could result in a decrease in the market price of our common stock and Series A Preferred Stock.

The market price and trading volume of our common stock and Series A Preferred Stock may be volatile and could decline substantially in the future.

The market price of our common stock and Series A Preferred Stock may be volatile in the future. In addition, the trading volume in our common stock and Series A Preferred Stock may fluctuate and cause significant price variations to occur. We cannot assure stockholders that the market price of our common stock and Series A Preferred Stock will not fluctuate or decline significantly in the future, including as a result of factors unrelated to our operating performance or prospects in 2020 compared to 2019. In particular, the market price of our common stock and Series A Preferred Stock could be subject to wide fluctuations in response to a number of factors, including, among others, the following:

- actual or anticipated variations in our quarterly operating results or dividends;
- changes in our FFO, Normalized FFO, or earnings estimates;
- publication of research reports about us or the real estate industry;
- increases in market interest rates that lead purchasers of our shares to demand a higher yield;
- changes in market valuations of similar companies;
- adverse market reaction to any additional debt we incur in the future;
- additions or departures of key management personnel;
- actions by institutional stockholders;
- speculation in the press or investment community;
- the realization of any of the other risk factors presented in this Annual Report on Form 10-K;
- the extent of investor interest in our securities;
- the general reputation of REITs and the attractiveness of our equity securities in comparison to other equity securities, including securities issued by other real estate-based companies;
- changes in the federal government;
- our underlying asset value;
- investor confidence in the stock and bond markets generally;
- further changes in tax laws;
- future equity issuances;
- failure to meet earnings estimates;
- failure to meet and maintain REIT qualifications;
- changes in our credit ratings;
- general market and economic conditions;
- our issuance of debt securities or additional preferred equity securities; and
- our financial condition, results of operations, and prospects.

In the past, securities class action litigation has often been instituted against companies following periods of volatility in the price of their common stock. This type of litigation could result in substantial costs and divert our management’s attention and resources, which could have a material and adverse effect on our financial condition, results of operations, cash flow, cash available for distribution, ability to service our debt obligations, and the per share trading price of our common stock and Series A Preferred Stock.

Increases in market interest rates may have an adverse effect on the trading prices of our common stock and Series A Preferred Stock as prospective purchasers of our common stock and Series A Preferred Stock may expect a higher dividend yield and as an increased cost of borrowing may decrease our funds available for distribution.

One of the factors that will influence the trading prices of our common stock and Series A Preferred Stock will be the dividend yield on the stock (as a percentage of the price of our common stock or Series A Preferred Stock, as applicable) relative to market interest rates. An increase in market interest rates, which are currently at low levels relative to historical rates, may lead prospective purchasers of our common stock or Series A Preferred Stock to expect a higher dividend yield (with a resulting decline in the trading prices of our common stock or Series A Preferred Stock, as applicable) and higher interest rates would likely increase our borrowing costs and potentially decrease funds available for distribution. Thus, higher market interest rates could cause the market price of our common stock or Series A Preferred Stock to decrease.

Our Series A Preferred Stock is subordinate to our existing and future debt, and the interests of holders of our Series A Preferred Stock could be diluted by the issuance of additional shares of preferred stock and by other transactions.

Our Series A Preferred Stock ranks junior to all of our existing and future indebtedness, any classes and series of our capital stock expressly designated as ranking senior to our Series A Preferred Stock as to distribution rights and rights upon our liquidation, dissolution or winding up, and other non-equity claims on us and our assets available to satisfy claims against us, including claims in bankruptcy, liquidation, or similar proceedings. Subject to limitations prescribed by Maryland law and our charter, our Board of Directors is authorized to issue, from our authorized but unissued shares of capital stock, preferred stock in such classes or series as our Board of Directors may determine and to establish from time to time the number of shares of preferred stock to be included in any such class or series. The issuance of additional shares of Series A Preferred Stock or additional shares of capital stock ranking on parity with our Series A Preferred Stock would dilute the interests of the holders of our Series A Preferred Stock, and the issuance of shares of any class or series of our capital stock expressly designated as ranking senior to our Series A Preferred Stock as to distribution rights and rights upon our liquidation, dissolution or winding up, or the incurrence of additional indebtedness could adversely affect our ability to pay dividends on, redeem, or pay the liquidation preference on our Series A Preferred Stock. Other than the conversion right afforded to holders of our Series A Preferred Stock that may become exercisable in connection with a change of control (as defined in the articles supplementary designating the terms of our Series A Preferred Stock), none of the provisions relating to our Series A Preferred Stock contain any terms relating to or limiting our indebtedness or affording the holders of our Series A Preferred Stock protection in the event of a highly leveraged or other transaction, including a merger or the sale, lease, or conveyance of all or substantially all our assets, that might adversely affect the holders of our Series A Preferred Stock, so long as the rights of the holders of our Series A Preferred Stock are not materially and adversely affected.

Holders of our Series A Preferred Stock have extremely limited voting rights.

Our common stock is the only class of our securities that carry full voting rights. Voting rights for holders of our Series A Preferred Stock exist primarily with respect to the ability to elect, together with holders of our capital stock ranking on parity with our Series A Preferred Stock and having similar voting rights, two additional directors to our Board of Directors in the event that six quarterly dividends (whether or not consecutive) payable on our Series A Preferred Stock are in arrears, and with respect to voting on amendments to our charter or articles supplementary relating to our Series A Preferred Stock that materially and adversely affect the rights of the holders of our Series A Preferred Stock or create additional classes or series of our capital stock expressly designated as ranking senior to our Series A Preferred Stock as to distribution rights and rights upon our liquidation, dissolution, or winding up. Other than as described above and as set forth in more detail in the articles supplementary designating the terms of our Series A Preferred Stock, holders of our Series A Preferred Stock will not have any voting rights.

Holders of our Series A Preferred Stock may not be permitted to exercise conversion rights upon a change of control. If exercisable, the change of control conversion feature of our Series A Preferred Stock may not adequately compensate preferred stockholders, and the change of control conversion and redemption features of our Series A Preferred Stock may make it more difficult for a party to take over our company or discourage a party from taking over our company

Upon the occurrence of a change of control (as defined in the articles supplementary designating the terms of our Series A Preferred Stock), holders of our Series A Preferred Stock will have the right to convert some or all of their Series A Preferred Stock into shares of our common stock (or equivalent value of alternative consideration). Notwithstanding that we generally may not redeem our Series A Preferred Stock prior to June 18, 2024, we have a special optional redemption right to redeem our Series A Preferred Stock in the event of a change of control, and holders of our Series A Preferred Stock will not have the right to convert any shares of our Series A Preferred Stock that we have elected to redeem prior to the change of control conversion date. Upon such a conversion, the holders will be limited to a maximum number of shares of our common stock equal to the 2.97796 (i.e. the "Share Cap"), subject to certain adjustments, multiplied by the number of our Series A Preferred Stock converted. If the Common Stock Price (as defined in the articles supplementary designating the terms of our Series A Preferred Stock) is less than $8.395 (which is approximately 50% of the per-share closing sale price of our common stock on June 10, 2019), subject to adjustment, each holder will receive a maximum of 2.97796 shares of our common stock per share of our Series A Preferred Stock, which may result in a holder receiving value that is less than the liquidation preference of our Series A Preferred Stock. In addition, those features of our Series A Preferred Stock may have the effect of inhibiting a third party from making an acquisition proposal for our company or of delaying, deferring or preventing a change of control of our company under circumstances that otherwise could provide the holders of our common stock and Series A Preferred Stock with the opportunity to realize a premium over the then-current market price or that stockholders may otherwise believe is in their best interests.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

The information set forth under the captions "Our Properties" and "Development Pipeline" in Item 1 of this Annual Report on Form 10-K is incorporated by reference herein.

Item 3. Legal Proceedings.

The nature of our business exposes our properties, us and the Operating Partnership to the risk of claims and litigation in the normal course of business. Other than routine litigation arising out of the ordinary course of business, we are not presently subject to any material litigation nor, to our knowledge, is any material litigation threatened against us.

Item 4. Mine Safety Disclosures.

Not Applicable.

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PART II

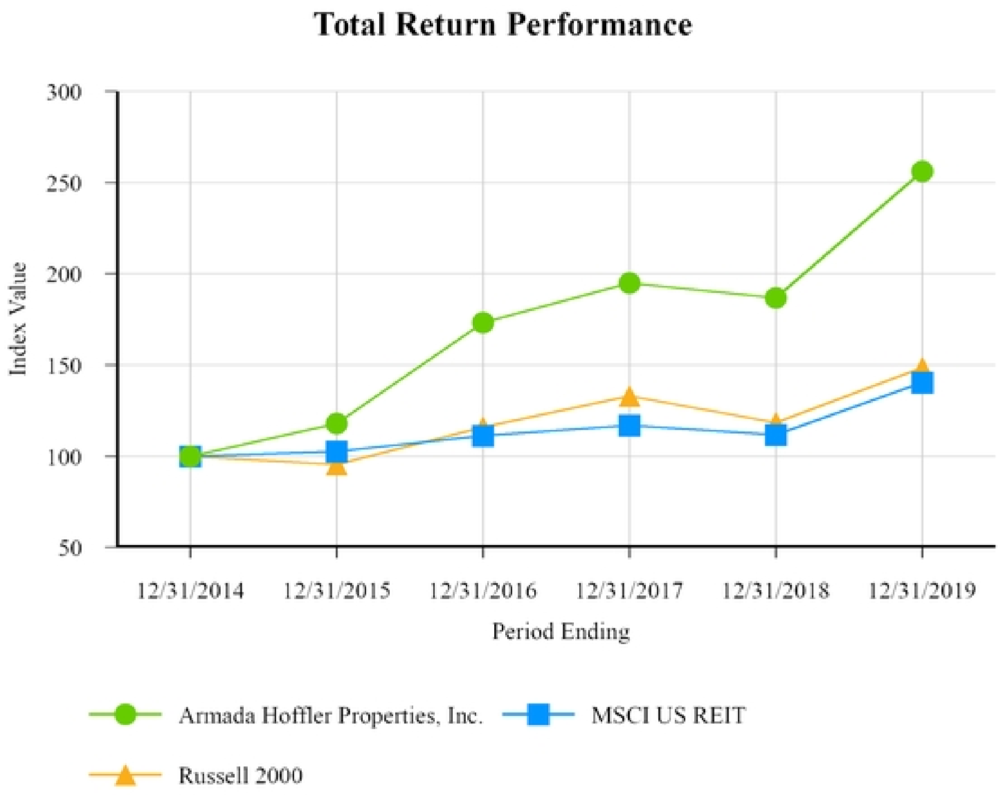
Item 5. Market For Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information

Our common stock trades on the New York Stock Exchange under the symbol "AHH."

Stock Performance Graph

The following graph sets forth the cumulative total stockholder return (assuming reinvestment of dividends) to our stockholders during the period December 31, 2014 through December 31, 2019, as well as the corresponding returns on an overall stock market index (Russell 2000) and a peer group index (MSCI US REIT Index). The stock performance graph assumes that $100 was invested on December 31, 2014. Historical total stockholder return is not necessarily indicative of future results. The information in this paragraph and the following graph shall not be deemed to be "soliciting material" or to be "filed" with the SEC or subject to Regulation 14A or 14C, other than as provided in Item 201 of Regulation S-K, or to the liabilities of Section 18 of the Exchange Act, except to the extent we specifically request that such information be treated as soliciting material or specifically incorporate it by reference into a filing under the Securities Act or the Exchange Act.



	Period Ending					
Index	12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018	12/31/2019
Armada Hoffler Properties, Inc.	100.00	117.91	173.27	194.97	186.74	256.04
MSCI US REIT	100.00	102.52	111.34	116.98	111.64	140.48
Russell 2000	100.00	95.59	115.95	132.94	118.30	148.49

Distribution Information

Since our initial quarter as a publicly-traded REIT, we have made regular quarterly distributions to our stockholders. We intend to continue to declare quarterly distributions. However, we cannot provide any assurance as to the amount or timing of future distributions.

Any future distributions will be at the sole discretion of our board of directors, and their form, timing, and amount, if any, will depend upon a number of factors, including our actual and projected financial condition, liquidity, EBITDA, FFO, Normalized FFO, results of operations, the revenue we actually receive from our properties, our operating expenses, our debt service requirements, our capital expenditures, prohibitions and other limitations under our financing arrangements, as described above, our REIT taxable income, the annual REIT distribution requirements, applicable law, and such other factors as our board of directors deems relevant. To the extent that our cash available for distribution is less than 90% of our REIT taxable income, we may consider various means to cover any such shortfall, including borrowing under our credit facility or other loans, selling certain of our assets, or using a portion of the net proceeds we receive from offerings of equity, equity-related, or debt securities, or declaring taxable share dividends.

To the extent that we make distributions in excess of our earnings and profits, as computed for federal income tax purposes, these distributions will represent a return of capital, rather than a dividend, for federal income tax purposes. Distributions that are treated as a return of capital for federal income tax purposes will reduce the stockholder's basis in its shares (but not below zero) and therefore can result in the stockholder having a higher gain upon a subsequent sale of such shares. Return of capital distributions in excess of a stockholder's basis generally will be treated as gain from the sale of such shares for federal income tax purposes.

Stockholder Information

As of February 20, 2020, there were approximately 114 holders of record of our common stock. However, because many shares of our common stock are held by brokers and other institutions on behalf of stockholders, we believe there are substantially more beneficial holders of our common stock than record holders. As of February 20, 2020, there were 104 holders (other than our company) of our OP units. Our OP units are redeemable for cash or, at our election, for shares of our common stock.

Unregistered Sales of Equity Securities

Subject to the satisfaction of certain conditions, holders of OP Units in the Operating Partnership may tender their units for redemption by the Operating Partnership in exchange for cash equal to the market price of shares of the Company's common stock at the time of redemption or, at the Company's option and sole discretion, for shares of common stock on a one-for-one basis. During the three months ended December 31, 2019, the Company elected to satisfy certain redemption requests by issuing a total of 4,896 shares of common stock in reliance upon an exemption from registration provided by Section 4(a)(2) of the Securities Act of 1933, as amended.

Issuer Purchases of Equity Securities

None.

Item 6. Selected Financial Data.

The following selected historical consolidated and combined financial information should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the historical consolidated and combined financial statements as of December 31, 2019 and 2018 and for the three years ended December 31, 2019 and the related notes included elsewhere in this Annual Report on Form 10-K. The selected historical consolidated financial information as of and for the years ended December 31, 2019, 2018, 2017, 2016 and 2015 has been derived from our audited historical financial statements.

	Years Ended December 31,				
	2019	2018	2017	2016	2015
	($ in thousands, except per share data)				
Operating Data:					
Rental revenues	$ 151,339	$ 116,958	$ 108,737	$ 99,355	$ 81,172
General contracting and real estate services revenues	105,859	76,359	194,034	159,030	171,268
Rental expenses	34,332	27,222	25,422	21,904	19,204
Real estate taxes	14,961	11,383	10,528	9,629	7,782
General contracting and real estate services expenses	101,538	73,628	186,590	153,375	165,344
Depreciation and amortization	54,564	39,913	37,321	35,328	23,153
Interest expense on indebtedness	(30,776)	(19,087)	(17,439)	(16,466)	(13,333)
Gain on real estate dispositions	4,699	4,254	8,087	30,533	18,394
Net income	32,258	23,492	29,925	42,755	31,183
Net income attributable to common stockholders	21,598	17,203	21,047	28,074	19,642
Net income attributable to common stockholders per share (basic and diluted)	$ 0.41	$ 0.36	$ 0.50	$ 0.85	$ 0.75
Cash dividends declared per common share	$ 0.84	$ 0.80	$ 0.76	$ 0.72	$ 0.68
Balance Sheet Data:					
Real estate investments, at cost	$ 1,606,324	$ 1,176,586	$ 994,437	$ 908,287	$ 633,591
Accumulated depreciation	(224,738)	(188,775)	(164,521)	(139,553)	(125,380)
Net real estate investments	1,381,586	987,811	829,916	768,734	508,211
Real estate investments held for sale	1,460	929	—	—	40,232
Cash and cash equivalents	39,232	21,254	19,959	21,942	26,989
Notes receivable	159,371	138,683	83,058	59,546	7,825
Construction assets	36,610	17,512	24,178	39,543	36,623
Total assets	1,804,897	1,265,382	1,043,123	982,468	689,547
Indebtedness, net	950,537	694,239	517,272	522,180	377,593
Construction liabilities	58,688	53,833	51,036	61,297	54,291
Total liabilities	1,149,450	809,492	622,840	633,490	463,827
Total equity	655,447	455,890	420,283	348,978	225,720
Other Data:					
FFO attributable to common stockholders and OP Unit holders (1)	$ 79,986	$ 64,339	$ 59,651	$ 47,980	$ 35,942
Normalized FFO attributable to common stockholders and OP Unit holders (1)	85,088	66,458	59,332	50,921	38,659
Cash provided by operating activities	67,729	56,087	51,236	56,985	33,266
Cash used for investing activities	(295,063)	(240,563)	(95,355)	(223,031)	(57,961)
Cash provided by financing activities	246,862	185,611	41,842	161,426	24,401

(1) For definitions and discussion of FFO and Normalized FFO, see the section below entitled "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations--Non-GAAP Financial Measures." The

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following table sets forth a reconciliation of our FFO and Normalized FFO to net income, the most directly comparable GAAP equivalent, for the periods presented:

	Years Ended December 31,				
	2019	2018	2017	2016	2015
	($ in thousands)				
Net income attributable to common stockholders and OP Unit holders	$ 29,590	$ 23,492	$ 29,925	$ 42,755	$ 31,183
Depreciation and amortization (1)	53,616	40,178	37,321	35,328	23,153
Gain on operating real estate dispositions (2)	(3,220)	(833)	(7,595)	(30,103)	(18,394)
Impairment of real estate assets	—	1,502	—	—	—
FFO attributable to common stockholders and OP Unit holders	79,986	64,339	59,651	47,980	35,942
Acquisition, development and other pursuit costs	844	352	648	1,563	1,935
Impairment of intangible assets and liabilities	252	117	110	355	41
Loss on extinguishment of debt	30	11	50	82	512
Amortization of right-of-use assets - finance leases	377	—	—	—	—
Change in fair value of interest rate derivatives	3,599	951	(1,127)	941	229
Severance related costs	—	688	—	—	—
Normalized FFO attributable to common stockholders and OP Unit holders	$ 85,088	$ 66,458	$ 59,332	$ 50,921	$ 38,659

(1) The adjustment for depreciation and amortization for the years ended December 31, 2019 and 2018 includes $0.2 million and $0.3 million, respectively, of depreciation attributable to the Company's investment in One City Center, which was an unconsolidated real estate investment until March 14, 2019. Additionally, the adjustment for depreciation and amortization for the year ended December 31, 2019 excludes $1.2 million of depreciation attributable to the Company's joint venture partners.

(2) The adjustment for gain on operating real estate dispositions for the year ended December 31, 2019 excludes the portion of the gain on Lightfoot Marketplace that was allocated to our joint venture partner and excludes the gain on sale of a non-operating land parcel. The adjustment for gain on operating real estate dispositions for the year ended December 31, 2018 excludes the gain on the River City industrial facility because this property was sold before being placed into service. The adjustment for gain on operating real estate dispositions for the year ended December 31, 2017 excludes the gain on the land outparcel at Sandbridge Commons because this was a non-operating parcel. Additionally, the adjustment for gain on real estate dispositions for the year ended December 31, 2016 excludes the gain on the Newport News Economic Authority building because this property was sold before being placed in service.

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

References to "we," "our," "us," and "our company" refer to Armada Hoffler Properties, Inc., a Maryland corporation, together with our consolidated subsidiaries, including Armada Hoffler, L.P., a Virginia limited partnership, of which we are the sole general partner and to which we refer in this Annual Report on Form 10-K as our Operating Partnership.

Business Description

We are 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 throughout the Mid-Atlantic and Southeastern United States. As of December 31, 2019, our stabilized operating property portfolio was comprised of 42 retail properties, 7 office properties, and 8 multifamily properties. In addition to our operating property portfolio, we had one office property, two multifamily properties, and one retail property in various stages of development, redevelopment, or stabilization as of December 31, 2019. We also provide general contracting services to third parties and invest in development projects through mezzanine lending arrangements.

Substantially all of our assets are held by, and all of our operations are conducted through, our Operating Partnership. We are the sole general partner of our Operating Partnership and, as of December 31, 2019, we owned, through a combination of direct and indirect interests, 72.6% of the outstanding OP units in our Operating Partnership.

We elected to be taxed as a REIT for U.S. federal income tax purposes commencing with the taxable year ended December 31, 2013.

Our principal executive office is located at 222 Central Park Avenue, Suite 2100, Virginia Beach, Virginia 23462 in the Armada Hoffler Tower at the Virginia Beach Town Center. In addition, we have construction offices located at 222 Central Park Avenue, Suite 1000, Virginia Beach, Virginia 23462 and 1300 Thames Street, Suite 30, Baltimore, Maryland 21231. The telephone number for our principal executive office is (757) 366-4000. We maintain a website at ArmadaHoffler.com. The information on, or accessible through, our website is not incorporated into and does not constitute a part of this report.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements that have been prepared in accordance with GAAP. The Company's accounting policies are more fully described in Note 2 of our consolidated financial statements in Item 8 of this Annual Report on Form 10-K. As disclosed in Note 2, the preparation of these financial statements requires us to exercise our best judgment in making estimates that affect the reported amounts of assets, liabilities, revenues, and expenses. We base our estimates on historical experience and other assumptions that we believe to be reasonable under the circumstances. We evaluate our estimates on an ongoing basis, based upon current available information. Actual results could differ from these estimates.

We believe the following accounting policies and estimates are the most critical to understanding our reported financial results as their effect on our financial condition and results of operations is material.

Rental Revenues

We lease our properties under operating leases and recognize base rents on a straight-line basis over the lease term. We also recognize revenue from tenant recoveries, through which tenants reimburse us for expenses paid by us such as utilities, janitorial, repairs and maintenance, security and alarm, parking lot and grounds, general and administrative, management fees, insurance, and real estate taxes on an accrual basis. Our rental revenues are reduced by the amount of any leasing incentives on a straight-line basis over the term of the applicable lease. We include a renewal period in the lease term only if it appears at lease inception that the renewal is reasonably certain. We begin recognizing rental revenue when the tenant has the right to take possession of or controls the physical use of the property under lease.

Rental revenue is recognized subject to management’s evaluation of tenant credit risk. The extended collection period for accrued straight-line rental revenue along with our evaluation of tenant credit risk may result in the nonrecognition of all or a portion of straight-line rental revenue until the collection of substantially all such revenue for a tenant is probable.

General Contracting and Real Estate Services Revenues

We recognize general contracting revenues as a customer obtains control of promised goods or services in an amount that reflects the consideration we expect to receive in exchange for those goods or services. For each construction contract, we identify the performance obligations, which typically include the delivery of a single building constructed according to the specifications of the contract. We estimate the total transaction price, which generally includes a fixed contract price and may also include variable components such as early completion bonuses, liquidated damages, or cost savings to be shared with the customer. Variable components of the contract price are included in the transaction price to the extent that it is probable that a significant reversal of revenue will not occur. We recognize the estimated transaction price as revenue as we satisfy our performance obligations; we estimate our progress in satisfying performance obligations for each contract using the input method, based on the proportion of incurred costs relative to total estimated construction costs at completion. Construction contract costs include all direct material, direct labor, subcontract costs, and overhead costs directly related to contract performance. Changes in job performance, job conditions, and estimated profitability, including those arising from contract penalty provisions and final contract settlements, are all significant judgments that may result in revisions to costs and income and are recognized in the period in which they are determined. Additionally, the estimated costs at completion are affected by management’s forecasts of anticipated costs to be incurred and contingency reserves for exposures related to unknown costs, such as design deficiencies and subcontractor defaults. The estimated variable consideration is also affected by claims and unapproved change orders, which may result from changes in the scope of the contract. Provisions for estimated losses on uncompleted contracts are recognized immediately in the period in which such losses are determined.

We recognize real estate services revenues from property development and management as we satisfy our performance obligations under these service arrangements.

We assess whether multiple contracts with a single counterparty may be combined into a single contract for the revenue recognition purposes based on factors such as the timing of the negotiation and execution of the contracts and whether the economic substance of the contracts was contemplated separately or in tandem.

Operating Property Acquisitions

Acquisitions of operating properties have been and will generally be accounted for as acquisitions of a group of assets, with costs incurred to effect an acquisition, including title, legal, accounting, brokerage commissions, and other related costs being capitalized as part of the cost of the assets acquired. In connection with operating property acquisitions, we identify and recognize all assets acquired and liabilities assumed at their relative fair values as of the acquisition date. The purchase price allocations to tangible assets, such as land, site improvements, and buildings and improvements, are presented within income producing property in the consolidated balance sheets and depreciated over their estimated useful lives. Acquired lease intangible assets are presented as a separate component of assets on the consolidated balance sheets. Acquired lease intangible liabilities are presented within other liabilities in the consolidated balance sheets. We amortize in-place lease assets as depreciation and amortization expense on a straight-line basis over the remaining term of the related leases. We amortize above-market lease assets as reductions to rental revenues on a straight-line basis over the remaining term of the related leases. We amortize below-market lease liabilities as increases to rental revenues on a straight-line basis over the remaining term of the related leases. We amortize below-market ground lease assets as increases to rental expenses on a straight-line basis over the remaining term of the related leases. We capitalize the costs related to operating property acquisitions that do not meet the definition of a business.

We value land based on a market approach, looking to recent sales of similar properties, adjusting for differences due to location, the state of entitlement, and the shape and size of the parcel. Improvements to land are valued using a replacement cost approach. The approach applies industry standard replacement costs adjusted for geographic specific considerations and reduced by estimated depreciation. The value of buildings acquired is estimated using the replacement cost approach, assuming the buildings were vacant at acquisition. The replacement cost approach considers the composition of the structures acquired, adjusted for an estimate of depreciation. The estimate of depreciation is made considering industry standard information and depreciation curves for the identified asset classes. The value of acquired lease intangible assets and liabilities considers the estimated cost of leasing the properties as if the acquired buildings were vacant, as well as the value of the current leases relative to market-rate leases. The in-place lease value is determined using an estimated total lease-up time and lost rental revenues during such time. The value of current leases relative to market-rate leases is based on market rents obtained for market comparables. Given the significance of unobservable inputs used in the valuation of acquired real estate assets, we classify them as Level 3 inputs in the fair value hierarchy.

We value debt assumed in connection with operating property acquisitions based on a discounted cash flow analysis of the expected cash flows of the debt. Such analysis considers the contractual terms of the debt, including the period to maturity, credit characteristics, and other terms of the arrangements, which are Level 3 inputs in the fair value hierarchy.

Real Estate Project Costs

We capitalize direct and certain indirect costs clearly associated with the development, redevelopment, construction, leasing, or expansion of our real estate assets. Capitalized project costs include direct material, labor, subcontract costs, real estate taxes, insurance, utilities, ground rent, interest on borrowing obligations, and salaries and related personnel costs.

We capitalize direct and indirect project costs associated with the initial construction or redevelopment of a property up to the time the property is substantially complete and ready for its intended use. We believe the completion of the building shell is the proper basis for determining substantial completion of initial construction.

We also capitalize direct and indirect costs, including interest costs, on vacant space during extended lease-up periods after construction of the building shell has been completed if costs are being incurred to prepare the vacant space for its intended use. If costs and activities incurred to prepare the vacant space for its intended use cease, then cost capitalization is also discontinued until such activities are resumed. Once necessary work has been completed on a vacant space, project costs are no longer capitalized. In addition, all leasing commissions paid to third parties for new leases or lease renewals are capitalized.

We depreciate buildings on a straight-line basis over 39 years and tenant improvements over the shorter of their estimated useful lives or the term of the related lease.

Real Estate Impairment

We evaluate our real estate assets for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. If such an evaluation is necessary, we compare the carrying amount of any such real estate asset with the undiscounted expected future cash flows that are directly associated with, and that are expected to arise as a direct result of, its use and eventual disposition. Our estimate of the expected future cash flows attributable to a real estate asset is based upon, among other things, our estimates regarding future market conditions, rental rates, occupancy levels, tenant improvements, leasing commissions, tenant concessions, and assumptions regarding the residual value of our properties. If the carrying amount of a real estate asset exceeds its associated undiscounted expected future cash flows, we recognize an impairment loss to reduce the carrying amount of the real estate asset to its fair value based on marketplace participant assumptions.

Interest Income

Interest income on notes receivable is accrued based on the contractual terms of the loans and when, in the opinion of management, it is deemed collectible. Many loans provide for accrual of interest that will not be paid until maturity of the loan. Interest is recognized on these loans at the accrual rate subject to management's determination that accrued interest is ultimately collectible, based on the underlying collateral and the status of development activities, as applicable. If management cannot make this determination, recognition of interest income may be fully or partially deferred until it is ultimately paid.

Allowance for Loan Losses

We evaluate the collectability of both the interest on and principal of each of our notes receivable based primarily upon the value of the underlying development project. We consider factors such as the progress of development activities, including leasing activities, projected development costs, current and projected loan balances, and the estimated realizable value of the loan. The calculation of the estimated realizable value includes an estimation of the projected sales proceeds from the sale of the underlying development property, which is largely dependent on the estimated fair value of the underlying development property and is highly sensitive to significant assumptions based on management’s expectations about future real estate market or economic conditions and the projected operating results of the property. A loan is determined to be impaired when, based upon then-current information, it is no longer probable that we will be able to collect all contractual amounts then due from the borrower. The allowance for loan losses reflects management's estimate of loan losses inherent in the loan portfolio as of the balance sheet date.

Recent Accounting Pronouncements

For a summary of recent accounting pronouncements and the anticipated effects on our consolidated financial statements see Note 2 to our Consolidated Financial Statements included in Item 8 of this Form 10-K.

Segment Results of Operations

As of December 31, 2019, we operated our business in four segments: (i) office real estate, (ii) retail real estate, (iii) multifamily residential real estate, and (iv) general contracting and real estate services that are conducted through our taxable REIT subsidiaries ("TRS"). Net operating income (segment revenues minus segment expenses) ("NOI") is the measure used by management to assess segment performance and allocate our resources among our segments. 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. Not all companies calculate NOI in the same manner. 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 and construction businesses. See Note 3 to our consolidated financial statements in Item 8 of this Annual Report on Form 10-K for a reconciliation of NOI to net income, the most directly comparable GAAP measure.

We define same store properties as those that we owned and operated and that were stabilized for the entirety of both periods compared. We generally consider a property to be stabilized upon the earlier of: (i) the quarter after the property reaches 80% occupancy or (ii) the thirteenth quarter after the property receives its certificate of occupancy. Additionally, any property that is fully or partially taken out of service for the purpose of redevelopment is no longer considered stabilized until the redevelopment activities are complete, the asset is placed back into service, and the stabilization criteria above are again met. A property may also be fully or partially taken out of service as a result of a partial disposition, depending on the significance of the portion of the property disposed. Finally, any property classified as held for sale is taken out of service for the purpose of computing same store operating results.

This section of this Form 10-K generally discusses 2019 and 2018 items and year-to-year comparisons between 2019 and 2018. Discussions of 2017 items and year-to-year comparisons between 2018 and 2017 that are not included in this Form

10-K can be found in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2018.

Office Segment Data

Office rental revenues, property expenses, and NOI for the years ended December 31, 2019, 2018 and 2017 were as follows ($ in thousands):

	Years Ended December 31,		
	2019	2018	2017
Rental revenues	$ 33,269	$ 20,701	$ 19,207
Property expenses	12,193	7,892	7,342
NOI	$ 21,076	$ 12,809	$ 11,865
Square feet (1)	1,307,255	796,509	799,855
Occupancy (1)	96.6%	93.3%	89.9%

(1) Stabilized properties as of the end of the periods presented.

Rental revenues for the year ended December 31, 2019 increased $12.6 million compared to the year ended December 31, 2018. NOI for the year ended December 31, 2019 increased $8.3 million compared to the year ended December 31, 2018. The increase in rental revenues and NOI resulted from the acquisition of One City Center in March 2019, the commencement of operations at Brooks Crossing Office in April 2019, and the acquisition of Thames Street Wharf in June 2019, as well as increased occupancy across the rest of the office portfolio.

Office Same Store Results

Office same store rental revenues, property expenses, and NOI for the comparative years ended December 31, 2019 and 2018 and December 31, 2018 and 2017 were as follows (in thousands):

	Years Ended December 31,			Years Ended December 31,		
	2019 (1)	2018 (1)	Change	2018 (2)	2017 (2)	Change
Rental revenues	$ 21,239	$ 20,701	$ 538	$ 14,125	$ 13,615	$ 510
Property expenses	7,735	7,507	228	5,496	5,196	300
Same Store NOI	$ 13,504	$ 13,194	$ 310	$ 8,629	$ 8,419	$ 210
Non-Same Store NOI	7,572	(385)	7,957	4,180	3,446	734
Segment NOI	$ 21,076	$ 12,809	$ 8,267	$ 12,809	$ 11,865	$ 944

(1) Same store excludes One City Center, Brooks Crossing Office, and Thames Street Wharf.

(2) Same store excludes 4525 Main Street, the Commonwealth of Virginia-Chesapeake, and Commonwealth of Virginia-Virginia Beach office buildings.

Same store rental revenues and NOI for the year ended December 31, 2019 increased compared to the year ended December 31, 2018 due to higher occupancy across the same store office portfolio.

Retail Segment Data

Retail rental revenues, property expenses, and NOI for the years ended December 31, 2019, 2018 and 2017 were as follows ($ in thousands):

	Years Ended December 31,		
	2019	2018	2017
Rental revenues	$ 77,593	$ 67,959	$ 63,109
Property expenses	19,572	17,704	16,409
NOI	$ 58,021	$ 50,255	$ 46,700
Square feet (1)	4,208,946	3,702,733	3,498,480
Occupancy (1)	96.9%	96.2%	96.5%

(1) Stabilized properties as of the end of the periods presented.

Rental revenues for the year ended December 31, 2019 increased $9.6 million compared to the year ended December 31, 2018. NOI for the year ended December 31, 2019 increased $7.8 million compared to the year ended December 31, 2018. The increases in rental revenues and NOI resulted primarily from the three property acquisitions completed during 2018, the commencement of operations at Premier Retail during the third quarter of 2018, the acquisition of the additional outparcel phase of Wendover Village in February 2019, the commencement of operations at Market at Mill Creek in April 2019, and the acquisition of Red Mill Commons and Marketplace at Hilltop in May 2019. These increases were partially offset by the disposal of the leasehold interest in the building previously leased by Home Depot at Broad Creek Shopping Center in December 2018 as well as the disposition of Waynesboro Commons in April 2019 and Lightfoot Marketplace in August 2019.

Retail Same Store Results

Retail same store rental revenues, property expenses, and NOI for the comparative years ended December 31, 2019 and 2018 and December 31, 2018 and 2017 were as follows (in thousands):

	Years Ended December 31,			Years Ended December 31,		
	2019 (1)	2018 (1)	Change	2018 (2)	2017 (2)	Change
Rental revenues	$ 57,651	$ 56,435	$ 1,216	$ 56,693	$ 56,348	$ 345
Property expenses	13,247	13,077	170	13,156	12,844	312
Same Store NOI	$ 44,404	$ 43,358	$ 1,046	$ 43,537	$ 43,504	$ 33
Non-Same Store NOI	13,617	6,897	6,720	6,718	3,196	3,522
Segment NOI	$ 58,021	$ 50,255	$ 7,766	$ 50,255	$ 46,700	$ 3,555

(1) Same store excludes Broad Creek Shopping Center, Brooks Crossing Retail, Premier Retail, Lexington Square, Columbus Village (due to redevelopment), the additional outparcel phase of Wendover Village (acquired in February 2019), Market at Mill Creek, Red Mill Commons and Marketplace at Hilltop (acquired in May 2019), Parkway Centre and Indian Lakes Crossing (acquired in January 2018), Waynesboro Commons (disposed in April 2019), and Lightfoot Marketplace (disposed in August 2019).

(2) Same store excludes Lightfoot Marketplace, Brooks Crossing Retail, the outparcel phase of Wendover Village, Indian Lakes Crossing, Parkway Centre, Lexington Square, Premier Retail, Broad Creek Shopping Center, and Waynesboro Commons.

Same store rental revenues and NOI for the year ended December 31, 2019 increased slightly compared to the year ended December 31, 2018. The increases in rental revenues resulted primarily from higher occupancy as well as higher recoveries from tenants for capital expenditures.

Multifamily Segment Data

Multifamily rental revenues, property expenses, and NOI for the years ended December 31, 2019, 2018 and 2017 were as follows ($ in thousands):

	Years Ended December 31,		
	2019	2018	2017
Rental revenues	$ 40,477	$ 28,298	$ 26,421
Property expenses	17,528	13,009	12,199
NOI	$ 22,949	$ 15,289	$ 14,222
Apartment units/beds	2,580	1,586	1,266
Occupancy	95.6%	97.3%	92.9%

Rental revenues for the year ended December 31, 2019 increased $12.2 million compared to the year ended December 31, 2018. NOI increased $7.7 million compared to the year ended December 31, 2018. The increases in rental revenues and NOI resulted primarily from the commencement of operations at Greenside Apartments and Premier Apartments during the third quarter of 2018, the acquisition of 1405 Point in April 2019, the commencement of operations at Hoffler Place in August 2019, and increases in rental rates and occupancy across the rest of the multifamily portfolio, especially at Johns Hopkins Village and Smith’s Landing.

Multifamily Same Store Results

Multifamily same store rental revenues, property expenses, and NOI for the comparative years ended December 31, 2019 and 2018 and December 31, 2018 and 2017 were as follows (in thousands):

	Years Ended December 31,			Years Ended December 31,		
	2019 (1)	2018 (1)	Change	2018 (2)	2017 (2)	Change
Rental revenues	$ 21,849	$ 20,241	$ 1,608	$ 11,834	$ 11,473	$ 361
Property expenses	8,666	8,332	334	4,989	4,869	120
Same Store NOI	$ 13,183	$ 11,909	$ 1,274	$ 6,845	$ 6,604	$ 241
Non-Same Store NOI	9,766	3,380	6,386	8,444	7,618	826
Segment NOI	$ 22,949	$ 15,289	$ 7,660	$ 15,289	$ 14,222	$ 1,067

(1) Same store excludes Greenside Apartments and Premier Apartments (placed in service in August 2018), 1405 Point (acquired in April 2019), Hoffler Place (placed in service in August 2019), and The Cosmopolitan (due to redevelopment).

(2) Same store excludes Johns Hopkins Village, Greenside Apartments, Premier Apartments, and the Cosmopolitan.

Same store rental revenues and NOI for the year ended December 31, 2019 increased compared to the year ended December 31, 2018 primarily as a result of increases in rental rates and occupancy across the same store multifamily portfolio, especially at Johns Hopkins Village and Smith’s Landing.

General Contracting and Real Estate Services Segment Data

General contracting and real estate services revenues, expenses, and gross profit for the years ended December 31, 2019, 2018 and 2017 were as follows ($ in thousands):

	Years Ended December 31,		
	2019	2018	2017
Segment revenues	$ 105,859	$ 76,359	$ 194,034
Gross profit	$ 4,321	$ 2,731	$ 7,444
Operating margin	4.1%	3.6%	3.8%
Construction backlog	$ 242,622	$ 165,863	$ 49,167

Segment revenues for the year ended December 31, 2019 increased $29.5 million compared to the year ended December 31, 2018. Gross profit for the year ended December 31, 2019 increased $1.6 million compared to the year ended December 31, 2018. The increase in segment revenues resulted primarily from the increase in revenues from Interlock Commercial and Solis Apartments at Interlock projects, which were executed at the end of 2018 and began construction in 2019.

The changes in construction backlog for each of the years ended December 31, 2019, 2018 and 2017 were as follows (in thousands):

	Years Ended December 31,		
	2019	2018	2017
Beginning backlog	$ 165,863	$ 49,167	$ 217,718
New contracts/change orders	182,495	192,852	25,224
Work performed	(105,736)	(76,156)	(193,775)
Ending backlog	$ 242,622	$ 165,863	$ 49,167

During the year ended December 31, 2019, we executed new contracts for the Bellyard Hotel at Interlock, Boulder Lakeside Apartments and 27th Street Apartments & Garage projects, which added $28.0 million, $35.4 million, and $79.3 million, respectively, to the December 31, 2019 backlog.

During the year ended December 31, 2018, we executed new contracts for the Interlock Commercial and Solis Apartments at Interlock projects, which added $84.9 million and $62.3 million, respectively, to the December 31, 2018 backlog.

Consolidated Results of Operations

The following table summarizes our results of operations for the years ended December 31, 2019, 2018, and 2017:

	Years Ended December 31,			2019	2018
	2019	2018	2017	Change	Change
			(in thousands)		
Revenues					
Rental revenues	$ 151,339	$ 116,958	$ 108,737	$ 34,381	$ 8,221
General contracting and real estate services revenues	105,859	76,359	194,034	29,500	(117,675)
Total revenues	257,198	193,317	302,771	63,881	(109,454)
Expenses					
Rental expenses	34,332	27,222	25,422	7,110	1,800
Real estate taxes	14,961	11,383	10,528	3,578	855
General contracting and real estate services expenses	101,538	73,628	186,590	27,910	(112,962)
Depreciation and amortization	54,564	39,913	37,321	14,651	2,592
Amortization of right-of-use assets - finance leases	377	—	—	377	—
General and administrative expenses	12,392	11,431	10,435	961	996
Acquisition, development and other pursuit costs	844	352	648	492	(296)
Impairment charges	252	1,619	110	(1,367)	1,509
Total expenses	219,260	165,548	271,054	53,712	(105,506)
Gain on real estate dispositions	4,699	4,254	8,087	445	(3,833)
Operating income	42,637	32,023	39,804	10,614	(7,781)
Interest income	23,215	10,729	7,077	12,486	3,652
Interest expense on indebtedness	(30,776)	(19,087)	(17,439)	(11,689)	(1,648)
Interest expense on finance leases	(568)	—	—	(568)	—
Equity in income of unconsolidated real estate entities	273	372	—	(99)	372
Change in fair value of interest rate derivatives	(3,599)	(951)	1,127	(2,648)	(2,078)
Other income (expense), net	585	377	81	208	296
Income before taxes	31,767	23,463	30,650	8,304	(7,187)
Income tax benefit (provision)	491	29	(725)	462	754
Net income	32,258	23,492	29,925	8,766	(6,433)
Net income attributable to noncontrolling interests in investment entities	(213)	—	—	(213)	—
Preferred stock dividends	(2,455)	—	—	(2,455)	—
Net income attributable to common stockholders and OP Unit holders	$ 29,590	$ 23,492	$ 29,925	$ 6,098	$ (6,433)

Rental Revenues. Rental revenues by segment for the years ended December 31, 2019, 2018, and 2017 were as follows (in thousands):

	Years Ended December 31,			2019	2018
	2019	2018	2017	Change	Change
Office	$ 33,269	$ 20,701	$ 19,207	$ 12,568	$ 1,494
Retail	77,593	67,959	63,109	9,634	4,850
Multifamily	40,477	28,298	26,421	12,179	1,877
	$ 151,339	$ 116,958	$ 108,737	$ 34,381	$ 8,221

Rental revenues increased $34.4 million during the year ended December 31, 2019 compared to the year ended December 31, 2018. The increase in office rental revenues resulted primarily from the acquisition of One City Center in March 2019, the commencement of operations at Brooks Crossing Office in April 2019, and the acquisition of Thames Street Wharf in June 2019, as well as increased occupancy across the rest of the office portfolio. The increase in retail rental revenues resulted primarily from the acquisition of six additional properties during 2018 and 2019, as well as the commencement of operations at Premier Retail during the third quarter of 2018 and Market at Mill Creek in April 2019. These increases in retail rental revenues were partially offset by the disposition of two properties and a portion of a third property. The increase in multifamily rental revenues resulted primarily from the commencement of operations at Greenside Apartments and Premier Apartments during the third quarter of 2018, the acquisition of 1405 Point in April 2019, the commencement of operations at Hoffler Place in August 2019, and increases in rental rates and occupancy across the rest of the multifamily portfolio.

General Contracting and Real Estate Services Revenues. General contracting and real estate services revenues increased $29.5 million during the year ended December 31, 2019 compared to the year ended December 31, 2018. The increase resulted primarily from the increase in revenues from Interlock Commercial and Solis Apartments at Interlock projects that were executed at the end of 2018 and began construction in 2019.

Rental Expenses. Rental expenses by segment for each of the three years ended December 31, 2019 were as follows (in thousands):

	Years Ended December 31,			2019	2018
	2019	2018	2017	Change	Change
Office	$ 8,722	$ 5,858	$ 5,483	$ 2,864	$ 375
Retail	11,656	10,903	10,234	753	669
Multifamily	13,954	10,461	9,705	3,493	756
	$ 34,332	$ 27,222	$ 25,422	$ 7,110	$ 1,800

Rental expenses increased $7.1 million during the year ended December 31, 2019 compared to the year ended December 31, 2018. Office rental expenses increased primarily as a result of the acquisition of One City Center in March 2019, the commencement of operations at Brooks Crossing Office in April 2019, and the acquisition of Thames Street Wharf in June 2019. The increase in retail rental expenses resulted primarily from the acquisition of six additional properties during 2018 and 2019, as well as the commencement of operations at Premier Retail during the third quarter of 2018 and Market at Mill Creek in April 2019. These increases in retail rental expenses were partially offset by the disposition of two properties and a portion of a third property. The increase in multifamily rental expenses resulted primarily from the commencement of operations at Greenside Apartments and Premier Apartments during the third quarter of 2018, the acquisition of 1405 Point in April 2019, and the commencement of operations at Hoffler Place in August 2019.

Real Estate Taxes. Real estate taxes by segment for the years ended December 31, 2019, 2018, and 2017 were as follows (in thousands):

	Years Ended December 31,			2019	2018
	2019	2018	2017	Change	Change
Office	3,471	2,034	1,859	$ 1,437	$ 175
Retail	7,916	6,801	6,175	1,115	626
Multifamily	3,574	2,548	2,494	1,026	54
	$ 14,961	$ 11,383	$ 10,528	$ 3,578	$ 855

Real estate taxes increased $3.6 million during the year ended December 31, 2019 compared to the year ended December 31, 2018. Office real estate taxes increased primarily as a result of the acquisition of One City Center in March 2019, the commencement of operations at Brooks Crossing Office in April 2019, and the acquisition of Thames Street Wharf in June 2019. The increase in retail real estate taxes resulted primarily from the acquisition of six additional properties during 2018 and 2019, as well as the commencement of operations at Premier Retail during the third quarter of 2018 and Market at Mill Creek in April 2019. These increases in retail real estate taxes were partially offset by the disposition of two properties and a portion of a third property. The increase in multifamily real estate taxes resulted primarily from the commencement of operations at Greenside Apartments and Premier Apartments during the third quarter of 2018, the acquisition of 1405 Point in April 2019, and the commencement of operations at Hoffler Place in August 2019.

General Contracting and Real Estate Services Expenses. General contracting and real estate services expenses for the year ended December 31, 2019 increased $27.9 million compared to the year ended December 31, 2018**.** The increase resulted primarily from the increase in expenses from Interlock Commercial and Solis Apartments at Interlock projects, which were executed at the end of 2018 and began construction in 2019.

Depreciation and Amortization. Depreciation and amortization for the year ended December 31, 2019 increased $14.7 million compared to the year ended December 31, 2018. The increase was attributable to property acquisitions, new real estate placed into service, and accelerated depreciation relating to assets that were placed into redevelopment. The increase was partially offset by dispositions in 2019 and certain assets that became fully depreciated.

Amortization of right-of-use assets - finance leases. Amortization of right-of-use assets - finance leases relates to new ground leases acquired during 2019 for which the Company is the lessee, which are classified as finance leases. See Note 2 to our consolidated financial statements in Item 8 of this Annual Report on Form 10-K.

General and Administrative Expenses. General and administrative expenses for the year ended December 31, 2019 increased $1.0 million compared to the year ended December 31, 2018. The increase resulted from higher compensation and benefit costs from increased employee headcount and higher charitable contributions made during 2019.

Acquisition, Development and Other Pursuit Costs. During the year ended December 31, 2019 and 2018, we recognized $0.8 million and $0.4 million, respectively, of costs relating primarily to predevelopment costs for projects that are no longer viable.

Impairment Charges. Impairment charges during the year ended December 31, 2019 primarily relate to the tenants that vacated prior to their lease expiration. Impairment charges were greater than normal during the year ended December 31, 2018 primarily due to the impairment of Waynesboro Commons.

Gain on Real Estate Dispositions. During the year ended December 31, 2019, we recognized gains on real estate dispositions of $4.7 million, related to the sale of Lightfoot Marketplace and a non-operating land parcel. During the year ended December 31, 2018, we recognized gains on real estate dispositions of $4.3 million, which included a gain of $3.4 million on our sale of the River City industrial facility and a gain of $0.8 million on our sale of the leasehold interest in the building previously leased by Home Depot at Broad Creek Shopping Center.

Interest Income. Interest income for the years ended December 31, 2019 and 2018 totaled $23.2 million and $10.7 million, respectively, and was attributable to our mezzanine loans. As of December 31, 2019 and 2018, our outstanding mezzanine loan balances were $153.0 million and $139.1 million, respectively.

Interest expense on indebtedness. Interest expense for the year ended December 31, 2019 increased $11.7 million compared to the year ended December 31, 2018 primarily as a result of the increase in interest rates between periods and the increase in net indebtedness of $256.3 million during 2019 through increased borrowings on the corporate credit facility, construction loans, and additional borrowings on the refinanced property loans.

Interest expense on finance leases. Interest expense on finance leases relates to new ground leases acquired during 2019 for which the Company is the lessee, which are classified as finance leases. See Note 2 to our consolidated financial statements in Item 8 of this Annual Report on Form 10-K.

Equity in income of unconsolidated real estate entities. Equity in income of unconsolidated real estate entities for the years ended December 31, 2019 and 2018 relates to our investment in One City Center, which was an unconsolidated real estate investment until we purchased the retail and office portion of the property from our partner on March 14, 2019.

Change in Fair Value of Interest Rate Derivatives. During the year ended December 31, 2019, we recognized losses on changes in fair value of interest rate derivatives of $3.6 million due to projected decreases in interest rate forward curves.
During the year ended December 31, 2018, we recognized losses on changes in fair value of interest rate derivatives of $1.0 million, due to projected increases in interest rate forward curves at that time.

Other Income. Other income for the years ended December 31, 2019 and 2018 was relatively unchanged, with a small increase in 2019 due to miscellaneous non-tenant income.

Income Taxes. Our TRS, through which we conduct our development and construction business, is subject to federal, state, and local corporate income taxes. The income tax benefit recognized during the years ended December 31, 2019 and 2018 is attributable to the taxable profits and losses of our development and construction businesses that we operate through our TRS.

Liquidity and Capital Resources

Overview

We believe our primary short-term liquidity requirements consist of general contractor expenses, operating expenses, and other expenditures associated with our properties, including tenant improvements, leasing commissions and leasing incentives, dividend payments to our stockholders required to maintain our REIT qualification, debt service, capital expenditures, new real estate development projects, mezzanine loan funding requirements, and strategic acquisitions. We expect to meet our short-term liquidity requirements through net cash provided by operations, reserves established from existing cash, borrowings under construction loans to fund new real estate development and construction, borrowings available under our credit facility, and net proceeds from the sale of common stock through our at-the-market continuous equity offering program (the "ATM Program"), which is discussed below.

Our long-term liquidity needs consist primarily of funds necessary for the repayment of debt at or prior to maturity, general contracting expenses, property development and acquisitions, tenant improvements, and capital improvements. We expect to meet our long-term liquidity requirements with net cash from operations, long-term secured and unsecured indebtedness, and the issuance of equity and debt securities. We also may fund property development and acquisitions and capital improvements using our credit facility pending long-term financing.

As of December 31, 2019, we had unrestricted cash and cash equivalents of $39.2 million available for both current liquidity needs as well as development activities. As of December 31, 2019, we also had restricted cash in escrow of $4.3 million, some of which is available for capital expenditures at our operating properties. As of December 31, 2019, we had $40.0 million available under our credit facility to meet our short-term liquidity requirements and $58.1 million available under construction loans to fund development activities.

ATM Program

On February 26, 2018, we commenced the ATM Program through which we may, from time to time, issue and sell shares of common stock. On August 6, 2019, we entered into amendments (the "Amendments") to the separate sales agreements related to the ATM Program, which, among other things, increased the aggregate offering price of shares of our common stock under the ATM Program from $125.0 million to $180.7 million. Prior to the date of the ATM Amendments, we had sold shares having an aggregate offering price of $105.7 million, resulting in shares having an aggregate offering price of $75.0 million remaining available for sale under the ATM Program as of August 6, 2019. During the year ended December 31, 2019, we issued and sold 5,871,519 shares of common stock at a weighted average price of $16.76 per share under the ATM Program, receiving net proceeds of $97.0 million after offering costs and commissions.

As of December 31, 2019, we had $15.9 million in availability under the ATM Program.

Series A Preferred Stock Offering

On June 18, 2019, we issued 2,530,000 shares of 6.75% Series A Preferred Stock with a liquidation preference of $25.00 per share, which included 330,000 shares issued upon the underwriters' full exercise of their option to purchase additional shares. Net proceeds from the offering, after the underwriting discount but before offering expenses payable by us, were approximately $61.3 million. We used the net proceeds to fund a portion of the purchase price of Thames Street Wharf, a 263,426 square foot office building located in the Harbor Point neighborhood of Baltimore, Maryland. The balance of the net proceeds was used to repay a portion of the outstanding borrowings under our unsecured revolving credit facility and for general corporate purposes.

Credit Facility

On October 3, 2019, we entered into an amended and restated credit agreement (the "credit agreement"), which provides for a $355.0 million credit facility comprised of a $150.0 million senior unsecured revolving credit facility (the "revolving credit facility") and a $205.0 million senior unsecured term loan facility (the "term loan facility" and, together with the revolving credit facility, the "credit facility"), with a syndicate of banks. We intend to use future borrowings under the credit facility for general corporate purposes, including funding acquisitions, mezzanine lending, and development and redevelopment of properties in our portfolio and for working capital.

The credit facility includes an accordion feature that allows the total commitments to be increased to $700.0 million, subject to certain conditions, including obtaining commitments from any one or more lenders. The revolving credit facility has a scheduled maturity date of January 24, 2024, with two six-month extension options, subject to certain conditions, including payment of a 0.075% extension fee at each extension. The term loan facility has a scheduled maturity date of January 24, 2025.

The revolving credit facility bears interest at LIBOR (the London Inter-Bank Offered Rate) plus a margin ranging from 1.30% to 1.85%, and the term loan facility bears interest at LIBOR plus a margin ranging from 1.25% to 1.80%, in each case depending on our total leverage. We are also obligated to pay an unused commitment fee of 15 or 25 basis points on the unused portions of the commitments under the revolving credit facility, depending on the amount of borrowings under the credit facility. As of December 31, 2019, the interest rates on the revolving credit facility and the term loan facility were 3.26% and 3.21%, respectively. If we attain investment grade credit ratings from S&P and Moody's, we may elect to have borrowings become subject to interest rates based on such credit ratings. We may, at any time, voluntarily prepay any loan under the credit facility in whole or in part without premium or penalty.

The Operating Partnership is the borrower under the credit facility, and its obligations under the credit facility are guaranteed by us and certain of its subsidiaries that are not otherwise prohibited from providing such guaranty.

The credit agreement contains customary representations and warranties and financial and other affirmative and negative covenants. Our ability to borrow under the credit facility is subject to our ongoing compliance with a number of financial covenants, affirmative covenants and other restrictions, including the following:

- Total leverage ratio of not more than 60% (or 65% for the two consecutive quarters following any acquisition with a purchase price of at least up to $100.0 million, but only up to two times during the term of the credit facility);
- Ratio of adjusted EBITDA (as defined in the credit agreement) to fixed charges of not less than 1.50 to 1.0;
- Tangible net worth of not less than the sum of $567,106,000 and amount equal to 75% of the net equity proceeds received after June 30, 2019;
- Ratio of secured indebtedness to total asset value of not more than 40%;
- Ratio of secured recourse debt to total asset value of not more than 20%;
- Total unsecured leverage ratio of not more than 60% (or 65% for the two consecutive quarters following any acquisition with a purchase price of at least up to $100.0 million, but only up to two times during the term of the credit facility);
- Unencumbered interest coverage ratio (as defined in the credit agreement) of not less than 1.75 to 1.0;
- Maintenance of a minimum of at least 15 unencumbered properties (as defined in the credit agreement) with an unencumbered asset value (as defined in the credit agreement) of not less than $300.0 million at any time; and
- Minimum occupancy rate (as defined in the credit agreement) for all unencumbered properties of not less than 80% at any time.
- Maximum aggregate rental revenue from any single tenant of not more than 30% of rental revenues with respect to all leases of unencumbered properties (as defined in the credit agreement).

The credit agreement limits our ability to pay cash dividends. However, so long as no default or event of default exists, the credit agreement allows us to pay cash dividends with respect to any 12-month period in an amount not to exceed the greater of: (i) 95% of adjusted funds from operations (as defined in the credit agreement) or (ii) the amount required for us (a) to maintain our status as a REIT and (b) to avoid income or excise tax under the Code. If certain defaults or events of default exist, we may pay cash dividends with respect to any 12-month period to the extent necessary to maintain our status as a REIT. The credit agreement also restricts the amount of capital that we can invest in specific categories of assets, such as unimproved land holdings, development properties, notes receivable, mortgages, mezzanine loans, and unconsolidated affiliates, and restricts the amount of stock and OP units that we may repurchase during the term of the credit facility.

We may, at any time, voluntarily prepay any loan under the credit facility in whole or in part without premium or penalty, except for those portions subject to an interest rate swap agreement.

The credit agreement includes customary events of default, in certain cases subject to customary periods to cure. The occurrence of an event of default, following the applicable cure period, would permit the lenders to, among other things, declare the unpaid principal, accrued and unpaid interest, and all other amounts payable under the credit facility to be immediately due and payable.

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We are currently in compliance with all covenants under the credit agreement.

Consolidated Indebtedness

The following table sets forth our consolidated indebtedness as of December 31, 2019 ($ in thousands):

Secured Debt	Amount Outstanding	Interest Rate [(a)]	Effective Rate for Variable-Rate Debt	Maturity Date	Balance at Maturity
Hoffler Place [(b)]	$ 29,059	LIBOR + 3.24%	5.00%	January 1, 2021	$ 29,059
Summit Place [(b)]	28,824	LIBOR + 3.24%	5.00%	January 1, 2021	28,824
Southgate Square	20,562	LIBOR + 1.60%	3.36%	April 29, 2021	19,462
Encore Apartments [(c)]	24,842	3.25%		September 10, 2021	23,993
4525 Main Street [(c)]	31,876	3.25%		September 10, 2021	30,786
Red Mill West	11,296	4.23%		June 1, 2022	10,187
Thames Street Wharf	70,000	LIBOR + 1.30%	3.06%	June 26, 2022	70,000
Hanbury Village	18,515	3.78%		August 15, 2022	17,121
Marketplace at Hilltop	10,517	4.42%		October 1, 2022	9,383
1405 Point	53,000	LIBOR + 2.25%	4.01%	January 1, 2023	51,532
Socastee Commons	4,567	4.57%		January 6, 2023	4,223
Sandbridge Commons	8,020	LIBOR + 1.75%	3.51%	January 17, 2023	7,247
Wills Wharf	29,154	LIBOR + 2.25%	4.01%	June 26, 2023	29,154
249 Central Park Retail [(d)]	16,828	LIBOR + 1.60%	3.85% [(e)]	August 10, 2023	15,935
Fountain Plaza Retail [(d)]	10,127	LIBOR + 1.60%	3.85% [(e)]	August 10, 2023	9,590
South Retail [(d)]	7,388	LIBOR + 1.60%	3.85% [(e)]	August 10, 2023	6,996
One City Center	25,286	LIBOR + 1.85%	3.61%	April 1, 2024	22,559
Red Mill Central	2,538	4.80%		June 17, 2024	1,765
Premier Apartments [(f)]	16,750	LIBOR + 1.55%	3.31%	October 31, 2024	15,848
Premier Retail [(f)]	8,250	LIBOR + 1.55%	3.31%	October 31, 2024	7,806
Red Mill South	6,137	3.57%		May 1, 2025	4,383
Brooks Crossing Office	14,411	LIBOR + 1.60%	3.36%	July 1, 2025	11,181
Market at Mill Creek	14,727	LIBOR + 1.55%	3.31%	July 12, 2025	11,167
Johns Hopkins Village	51,800	LIBOR + 1.25%	4.19% [(e)]	August 7, 2025	45,967
North Point Center Note 2	2,214	7.25%		September 15, 2025	1,328
Lexington Square	14,696	4.50%		September 1, 2028	12,044
Red Mill North	4,394	4.73%		December 31, 2028	3,295
Greenside Apartments	34,000	3.17%		December 15, 2029	26,329
Smith's Landing	18,174	4.05%		June 1, 2035	384
Liberty Apartments	14,165	5.66%		November 1, 2043	—
The Cosmopolitan	43,702	3.35%		July 1, 2051	—
Total secured debt	**$ 645,819**				**$ 527,548**
Unsecured Debt					
Senior unsecured revolving credit facility	110,000	LIBOR+1.30%-1.85%	3.26%	January 24, 2024	110,000
Senior unsecured term loan	44,500	LIBOR+1.25%-1.80%	3.21%	January 24, 2025	44,500
Senior unsecured term loan	160,500	LIBOR+1.25%-1.80%	3.55% - 4.57% [(e)]	January 24, 2025	160,500
Total unsecured debt	**$ 315,000**				**$ 315,000**
Total principal balances	960,819				842,548
Unamortized GAAP adjustments	(10,282)				—
Indebtedness, net	**$ 950,537**				**$ 842,548**

(a) LIBOR rate is determined by individual lenders.
(b) Cross collateralized.
(c) Cross collateralized.
(d) Cross collateralized.
(e) Includes debt subject to interest rate swap agreements.
(f) Cross collateralized.

We currently are in compliance with all covenants on our outstanding indebtedness.

As of December 31, 2019, our scheduled principal repayments and maturities during each of the next five years and thereafter were as follows ($ in thousands):

Year [1]	Amount Due	Percentage of Total
2020	$ 10,191	1%
2021	143,038	15%
2022	116,374	12%
2023	132,429	14%
2024	164,960	17%
Thereafter	393,827	41%
	$ 960,819	**100%**

(1) Does not reflect the exercise of any maturity extension options.

Interest Rate Derivatives

As of December 31, 2019, the Company held the following floating-to-fixed interest rate swaps ($ in thousands):

Related Debt	Notional Amount		Index	Swap Fixed Rate	Debt effective rate	Effective Date	Expiration Date
Senior unsecured term loan	$ 50,000		1-month LIBOR	2.00%	3.45%	3/1/2016	2/20/2020
Senior unsecured term loan	50,000		1-month LIBOR	2.78%	4.23%	5/1/2018	5/1/2023
John Hopkins Village	51,800	(a)	1-month LIBOR	2.94%	4.19%	8/7/2018	8/7/2025
Senior unsecured term loan	10,500	(a)(b)	1-month LIBOR	3.02%	4.47%	10/12/2018	10/12/2023
249 Central Park Retail, South Retail, and Fountain Plaza Retail	34,342	(a)	1-month LIBOR	2.25%	3.85%	4/1/2019	8/10/2023
Senior unsecured term loan	50,000	(a)	1-month LIBOR	2.26%	3.71%	4/1/2019	10/26/2022
Total	$ 246,642						

(a) Designated as a cash flow hedge.
(b) Prior to August 15, 2019, this swap was used as a hedge for the cash flows for the loan secured by Lightfoot Marketplace.

As of December 31, 2019, we were party to the following LIBOR interest rate cap agreements ($ in thousands):

Effective Date	Maturity Date	Strike Rate	Notional Amount
3/7/2018	4/1/2020	2.25%	50,000
7/16/2018	8/1/2020	2.50%	50,000
12/11/2018	1/1/2021	2.75%	50,000
5/15/2019	6/1/2022	2.50%	100,000
Total			$ 250,000

Contractual Obligations

The following table summarizes the future payments for known contractual obligations as of December 31, 2019 (in thousands):

Contractual Obligations	Total	Payments due by period Less than 1 year	1 – 3 years	3 – 5 years	More than 5 years
Principal payments and maturities of long-term indebtedness	$ 960,819	$ 10,191	$ 259,412	$ 297,389	$ 393,827
Ground and other operating leases	162,309	2,944	6,230	6,597	146,538
Interest payments on long-term debt—fixed interest	126,282	19,952	36,223	29,308	40,799
Interest payments on long-term debt—variable interest (1)(2)	57,206	17,351	26,866	12,424	565
Tenant-related and other commitments	27,182	26,262	805	—	115
Total (3)	**$ 1,333,798**	**$ 76,700**	**$ 329,536**	**$ 345,718**	**$ 581,844**

(1) For long-term debt that bears interest at variable rates, we estimated future interest payments using the indexed rates as of December 31, 2019. LIBOR as of December 31, 2019 was 176 basis points.

(2) Assumes the balance outstanding of $110.0 million and the weighted average interest rate of 3.26% in effect at December 31, 2019 remain in effect until maturity of our secured revolving credit facility. Amounts also include unused credit facility fees assuming the balance outstanding at December 31, 2019 remains outstanding through maturity of our secured revolving credit facility.

(3) Contractual obligations above do not include funding obligations to non-wholly owned development projects as well as unfunded mezzanine loan commitments due to the uncertainty of the timing and amounts of certain of these obligations. Refer to "Item 1. Business" for information about our development projects and mezzanine loans.

Off-Balance Sheet Arrangements

In connection with our mezzanine lending activities, we have made guarantees to pay portions of certain senior loans of third parties associated with the development projects. The following table summarizes the guarantees made by us as of December 31, 2019 (in thousands):

	Payment guarantee amount
The Residences at Annapolis Junction	$ 8,300
Delray Plaza	5,180
Nexton Square	12,600
Interlock Commercial	30,654
Total	$ 56,734

Cash Flows

	Years Ended December 31, 2019	2018	Change
		($ in thousands)	
Operating Activities	$ 67,729	$ 56,087	$ 11,642
Investing Activities	(295,063)	(240,563)	(54,500)
Financing Activities	246,862	185,611	61,251
Net Increase	$ 19,528	$ 1,135	$ 18,393
Cash, Cash Equivalents, and Restricted Cash, Beginning of Period	$ 24,051	$ 22,916	
Cash, Cash Equivalents, and Restricted Cash, End of Period	$ 43,579	$ 24,051	

	Years Ended December 31, 2018	Years Ended December 31, 2017	Change
	($ in thousands)		
Operating Activities	$ 56,087	$ 51,236	$ 4,851
Investing Activities	(240,563)	(95,355)	(145,208)
Financing Activities	185,611	41,842	143,769
Net Increase (Decrease)	$ 1,135	$ (2,277)	$ 3,412
Cash, Cash Equivalents, and Restricted Cash, Beginning of Period	$ 22,916	$ 25,193	
Cash, Cash Equivalents, and Restricted Cash, End of Period	$ 24,051	$ 22,916	

Net cash provided by operating activities for the year ended December 31, 2019 increased $11.6 million compared to the year ended December 31, 2018 primarily as a result of timing differences in operating assets and liabilities, as well as increased net operating income from the property portfolio.

Net cash used for investing activities for the year ended December 31, 2019 increased $54.5 million compared to the year ended December 31, 2018 primarily due to increased acquisition activity and increased funding of mezzanine loans, which was partially offset by the disposition of Lightfoot Marketplace and the collection of the Decatur mezzanine loan receivable.

Net cash provided by financing activities for the year ended December 31, 2019 increased $61.3 million compared to the year ended December 31, 2018 primarily as a result of the issuance of the Series A Preferred Stock.

Non-GAAP Financial Measures

FFO and Normalized FFO

We calculate 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), impairment of real estate assets, 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 we believe 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 year-over-year, captures trends in occupancy rates, rental rates, and operating costs. We also believe that, as a widely recognized measure of the performance of REITs, FFO will be used by investors as a basis to compare our operating performance with that of other REITs.

However, because FFO excludes depreciation and amortization and captures neither the changes in the value of our properties that result from use or market conditions nor the level of capital expenditures and leasing commissions necessary to maintain the operating performance of our properties, all of which have real economic effects and could materially impact our results from operations, the utility of FFO as a measure of our performance is limited. In addition, other equity REITs may not calculate FFO in accordance with the Nareit definition as we do, and, accordingly, our calculation of FFO may not be comparable to such other REITs' calculation of FFO. Accordingly, FFO should be considered only as a supplement to net income as a measure of our performance. FFO should not be used as a measure of our liquidity, nor is it indicative of funds available to fund our cash needs, including our ability to pay dividends or service indebtedness. FFO also should not be used as a supplement to or substitute for cash flow from operating activities computed in accordance with GAAP.

We also believe that the computation of FFO in accordance with Nareit's definition includes certain items that are not indicative of the results provided by our operating property portfolio and affect the comparability of our year-over-year 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, impairment of intangible assets and liabilities, property acquisition, development, and other pursuit costs, mark-to-market adjustments for interest rate derivatives, amortization of right-of-use assets attributable to finance leases, severance related costs, and other non-comparable items.

The following table sets forth a reconciliation of FFO and Normalized FFO for each of the years ended December 31, 2019, 2018 and 2017 to net income, the most directly comparable GAAP measure:

	Years Ended December 31,		
	2019	2018	2017
	(in thousands, except per share and unit amounts)		
Net income attributable to common stockholders and OP Unit holders	$ 29,590	$ 23,492	$ 29,925
Depreciation and amortization [(1)]	53,616	40,178	37,321
Gain on operating real estate dispositions [(2)]	(3,220)	(833)	(7,595)
Impairment of real estate assets	—	1,502	—
FFO attributable to common stockholders and OP Unit holders	79,986	64,339	59,651
Acquisition, development and other pursuit costs	844	352	648
Impairment of intangible assets and liabilities	252	117	110
Loss on extinguishment of debt	30	11	50
Amortization of right-of-use assets - finance leases	377	—	—
Change in fair value of interest rate derivatives	3,599	951	(1,127)
Severance related costs	—	688	—
Normalized FFO attributable to common stockholders and OP Unit holders	$ 85,088	$ 66,458	$ 59,332
Net income attributable to common stockholders and OP Unit holders per diluted share and unit	$ 0.41	$ 0.36	$ 0.50
FFO per diluted share and unit attributable to common stockholders and OP Unit holders	$ 1.10	$ 0.99	$ 0.99
Normalized FFO per diluted share and unit attributable to common stockholders and OP Unit holders	$ 1.17	$ 1.03	$ 0.99
Weighted average common shares and units - diluted	72,644	64,754	60,181

(1) The adjustment for depreciation and amortization for the years ended December 31, 2019 and 2018 includes $0.2 million and $0.3 million, respectively, of depreciation attributable to the Company's investment in One City Center, which was an unconsolidated real estate investment until March 14, 2019. Additionally, the adjustment for depreciation and amortization for the year ended December 31, 2019 excludes $1.2 million of depreciation attributable to the Company's joint venture partners.

(2) The adjustment for gain on operating real estate dispositions for the year ended December 31, 2019 excludes the portion of the gain on Lightfoot Marketplace that was allocated to our joint venture partner and excludes the gain on sale of a non-operating land parcel. The adjustment for gain on operating real estate dispositions for the year ended December 31, 2018 excludes the gain on the River City industrial facility because this property was sold before being placed into service. Additionally, the adjustment for gain on operating real estate dispositions for the year ended December 31, 2017 excludes the gain on the land outparcel at Sandbridge Commons because this was a non-operating parcel.

Inflation

Substantially all of our office and retail leases provide for the recovery of increases in real estate taxes and operating expenses. In addition, substantially all of the leases provide for annual rent increases. We believe that inflationary increases may be offset in part by the contractual rent increases and expense escalations previously described. In addition, our multifamily leases generally have lease terms ranging from 7 to 15 months with a majority having 12-month lease terms allowing negotiation of rental rates at term end, which we believe reduces our exposure to the effects of inflation.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

The primary market risk to which we are exposed is interest rate risk. Our primary interest rate exposure is LIBOR. We primarily use fixed interest rate financing to manage our exposure to fluctuations in interest rates. On a limited basis, we also use derivative financial instruments to manage interest rate risk. We do not use these derivatives for trading or other speculative purposes.

As of December 31, 2019 and excluding unamortized GAAP adjustments, approximately $488.3 million, or 50.8%, of our debt had fixed interest rates or was subject to interest rate swaps and approximately $472.5 million, or 49.2%, had variable interest rates. Considering interest rate swaps and caps, 76.8% of our debt is either fixed-rate or economically hedged. As of December 31, 2019, LIBOR was approximately 176 basis points. Assuming no change in the level of our variable-rate debt or derivative instruments, if interest rates were to increase by 100 basis points, our cash flow would decrease by approximately $4.1 million per year due to our interest rate derivatives. Assuming no change in the level of our variable-rate debt or derivative instruments, if LIBOR were reduced by 100 basis points, our cash flow would increase by approximately $4.7 million per year.

Item 8. Financial Statements and Supplementary Data.

Our consolidated financial statements and supplementary data are included as a separate section of this Annual Report on Form 10-K commencing on page F-1 and are incorporated herein by reference.

Item 9. Changes and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as such term is defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) that are designed to ensure that information required to be disclosed in our reports under the Exchange Act is processed, recorded, summarized, and reported within the time periods specified in the rules and regulations of the SEC and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

We have carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, regarding the effectiveness of our disclosure controls and procedures as of December 31, 2019, the end of the period covered by this report. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer have concluded, as of December 31, 2019, that our disclosure controls and procedures were effective in ensuring that information required to be disclosed by us in reports filed or submitted under the Exchange Act (i) is processed, recorded, summarized, and reported within the time periods specified in the SEC's rules and forms and (ii) is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate to allow for timely decisions regarding required disclosure.

Management’s Annual Report on Internal Control over Financial Reporting

The Company’s management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2019 based on the Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). Based on that evaluation, the Company’s management concluded that our internal control over financial reporting was effective as of December 31, 2019.

Our internal control over financial reporting as of December 31, 2019 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report, which is included elsewhere herein.

Changes in Internal Control over Financial Reporting

There have been no changes in the Company’s internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended December 31, 2019 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

Item 9B. Other Information.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

This information is incorporated by reference from the Company’s Proxy Statement with respect to the 2020 Annual Meeting of Stockholders to be filed with the SEC no later than April 29, 2020.

Item 11. Executive Compensation.

This information is incorporated by reference from the Company’s Proxy Statement with respect to the 2020 Annual Meeting of Stockholders to be filed with the SEC no later than April 29, 2020.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

This information is incorporated by reference from the Company’s Proxy Statement with respect to the 2020 Annual Meeting of Stockholders to be filed with the SEC no later than April 29, 2020.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

This information is incorporated by reference from the Company’s Proxy Statement with respect to the 2020 Annual Meeting of Stockholders to be filed with the SEC no later than April 29, 2020.

Item 14. Principal Accountant Fees and Services.

This information is incorporated by reference from the Company’s Proxy Statement with respect to the 2020 Annual Meeting of Stockholders to be filed with the SEC no later than April 29, 2020.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

The following is a list of documents filed as a part of this report:

(1) Financial Statements

Included herein at pages F-1 through F-49.

(2) Financial Statement Schedules

The following financial statement schedule is included herein at pages F-50 through F-52:

Schedule III—Consolidated Real Estate Investments and Accumulated Depreciation

All other schedules for which provision is made in Regulation S-X are either not required to be included herein under the related instructions, are inapplicable, or the related information is included in the footnotes to the applicable financial statements and, therefore, have been omitted.

(3) Exhibits

The exhibits required to be filed by Item 601 of Regulation S-K are listed in the Index to Exhibits of this report and incorporated by reference herein.

Item 16. Form 10-K Summary.

None.

INDEX TO EXHIBITS

Exhibit Number	Description
3.1	Articles of Amendment and Restatement of Armada Hoffler Properties, Inc. (Incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-3, filed on June 2, 2014)
3.2	Amended and Restated Bylaws of Armada Hoffler Properties, Inc. (Incorporated by reference to Exhibit 3.2 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2017, filed on February 23, 2018)
3.3	Articles Supplementary Designating the Rights and Preferences of the 6.75% Series A Cumulative Redeemable Perpetual Preferred Stock (Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed on June 17, 2019).
3.4	Articles Supplementary relating to Section 3-802(c) of the Maryland General Corporation Law (Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed on February 24, 2020).
4.1	Form of Certificate of Common Stock of Armada Hoffler Properties, Inc. (Incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-11/A, filed on May 2, 2013)
4.2*	Description of Securities of Armada Hoffler Properties, Inc.
10.1	Amended and Restated Agreement of Limited Partnership of Armada Hoffler, L.P. (Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q, filed on November 12, 2013)
10.2†	Armada Hoffler Properties, Inc. Amended and Restated 2013 Equity Incentive Plan (Incorporated by reference to Exhibit 10.1 to the Company's Registration Statement on Form S-8, filed on June 15, 2017)
10.3†*	Form of Restricted Stock Award Agreement for Executive officers.
10.4†	Indemnification Agreement between Armada Hoffler Properties, Inc. and each of the Directors and Officers listed on Schedule A thereto (Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q, filed on November 6, 2019)
10.5†	Tax Protection Agreement by and among Armada Hoffler Properties, Inc. and the person listed on the signature page thereto. (Incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q, filed on November 12, 2013)
10.6†*	Armada Hoffler, L.P. Amended and Restated Executive Severance Benefit Plan with the participants listed on Schedule A thereto.
10.7*	Form of Restricted Stock Award Agreement for Directors.
10.8	Amendment No. 1, dated as of March 19, 2014, to the First Amended and Restated Agreement of Limited Partnership of Armada Hoffler, L.P., dated as of May 13, 2013 (Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q, filed on May 15, 2014)
10.9	Amendment No. 2, dated as of July 10, 2015, to the First Amended and Restated Agreement of Limited Partnership of Armada Hoffler, L.P., dated as of May 13, 2013 (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed on July 16, 2015)
10.10†	Armada Hoffler Properties, Inc. Amended and Restated Short-Term Incentive Program. (Incorporated by reference to Exhibit 10.9 to the Company's Annual Report on Form 10-K, filed on February 28, 2019)
10.11	Second Amended and Restated Credit Agreement, dated October 3, 2019, among Armada Hoffler, L.P., as Borrower, Armada Hoffler Properties, Inc., as Parent, Bank of America, N.A., as Administrative Agent, and the other agents and Lenders party thereto (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed on October 9, 2019)
10.12	Second Amended and Restated Guaranty Agreement, dated October 3, 2019, among certain subsidiaries of Armada Hoffler, L.P. named therein for the benefit of the Administrative Agent and the Lenders named in the Second Amended and Restated Credit Agreement (Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed on October 9, 2019)
10.13	Amendment No. 3 to the First Amended and Restated Agreement of Limited Partnership of the Operating Partnership. (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed on June 17, 2019).
21.1*	List of Subsidiaries of Armada Hoffler Properties, Inc.

Exhibit Number	Description
23.1*	Consent of Ernst & Young LLP, Independent Public Accounting Firm
31.1*	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1**	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2**	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101*	The following materials from the Company's Annual Report on Form 10-K for the year ended December 31, 2019, were formatted in Inline XBRL (Extensible Business Reporting Language): (i) Consolidated Balance Sheet, (ii) Consolidated Statements of Comprehensive Income, (iii) Consolidated Statements of Equity, (iv) Consolidated Statements of Cash Flows, and (v) Notes to Consolidated Financial Statements. The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
104*	Cover page Interactive Data File - the cover page XBRL tags are embedded within the Inline XBRL.
*	Filed herewith
**	Furnished herewith
†	Management contract or compensatory plan or arrangement

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: February 24, 2020

ARMADA HOFFLER PROPERTIES, INC.

By: /s/ Louis S. Haddad
Louis S. Haddad
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Daniel A. Hoffler Daniel A. Hoffler	Executive Chairman and Director	February 24, 2020
/s/ Louis S. Haddad Louis S. Haddad	Vice Chairman, President, Chief Executive Officer and Director (principal executive officer)	February 24, 2020
/s/ Michael P. O’Hara Michael P. O’Hara	Chief Financial Officer, Treasurer, and Secretary (principal financial officer and principal accounting officer)	February 24, 2020
/s/ George F. Allen George F. Allen	Director	February 24, 2020
/s/ James A. Carroll James A. Carroll	Director	February 24, 2020
/s/ James C. Cherry James C. Cherry	Director	February 24, 2020
/s/ Eva S. Hardy Eva S. Hardy	Director	February 24, 2020
/s/ A. Russell Kirk A. Russell Kirk	Director	February 24, 2020
/s/ Dorothy S. McAuliffe Dorothy S. McAuliffe	Director	February 24, 2020
/s/ John W. Snow John W. Snow	Director	February 24, 2020

Armada Hoffler Properties, Inc.

Form 10-K
For the Fiscal Year Ended December 31, 2019

Item 8, Item 15(a)(1) and (2)

Index to Financial Statements and Schedule

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Armada Hoffler Properties, Inc.

Opinion on Internal Control over Financial Reporting

We have audited Armada Hoffler Properties, Inc.'s internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Armada Hoffler Properties, Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the 2019 consolidated financial statements of the Company and our report dated February 24, 2020 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Tysons, Virginia

February 24, 2020

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Armada Hoffler Properties, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Armada Hoffler Properties, Inc. (the Company) as of December 31, 2019 and 2018, the related consolidated statements of comprehensive income, equity and cash flows for each of the three years in the period ended December 31, 2019, and the related notes and Financial Statement Schedule listed in the Index at Item 15(2) (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company’s internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated February 24, 2020 expressed an unqualified opinion thereon.

Adoption of ASU No. 2016-02

As discussed in Note 2 to the consolidated financial statements, the Company changed its method of accounting for leases in 2019 due to the adoption of ASU No. 2016-02, Leases (Topic 842), and the related amendments.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Allowance for Loan Losses - Notes Receivable

Description of the Matter	At December 31, 2019, the Company’s notes receivable portfolio totaled $159.4 million. As discussed in Notes 2 and 6 to the consolidated financial statements, management estimates the allowance for loan losses on outstanding notes receivable based primarily upon the value of the underlying development project. For loans determined to be impaired, the Company recognizes impairment losses calculated as the difference between the carrying amount of the loan and its estimated realizable value. The calculation of the estimated realizable value includes an estimation of the projected sales proceeds from the sale of the underlying development property. Auditing management’s estimate of the allowance for loan losses was complex and highly judgmental due to the significant estimation required to determine the estimated realizable value of each loan. In particular, the estimated realizable value of each loan was largely dependent on the estimated fair value of the underlying development property, which was highly sensitive to significant assumptions based on management’s expectations about future real estate market or economic conditions and the projected operating results of the property.
How We Addressed the Matter in Our Audit	We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the allowance for loan losses process. For example, we tested controls over management’s review of the estimated allowance, the significant assumptions, and the data used to calculate the estimated realizable values of loans. To test the allowance for loan losses, we performed audit procedures that included, among others, assessing methodologies used and testing the significant assumptions and underlying data used by the Company in calculating the estimated realizable values of loans. We compared the significant assumptions used by management to external evidence, including comparable market capitalization rates and recent appraisals of the subject property. We tested the projected operating results of subject properties by comparing inputs and assumptions to executed or draft lease agreements and operating expenses incurred at similar operating properties owned by the Company. We performed sensitivity analyses of significant assumptions to evaluate the changes to the estimated realizable value of each loan that would result from changes in the assumptions. We also assessed the historical accuracy of management’s estimates.

General contracting revenue recognition

Description of the Matter	For the year ended December 31, 2019, the Company’s general contracting revenues totaled approximately $105.9 million. As described in Note 2 to the consolidated financial statements, for each construction contract, the Company estimates its progress in satisfying performance obligations based on the proportion of incurred costs to total estimated costs at completion. The Company also estimates the total transaction price, including variable components, for each construction contract. Auditing the Company’s measurement of general contracting revenue was challenging due to the significant estimation required to determine the estimated total costs at completion and variable consideration. Estimated costs at completion are affected by management’s forecasts of anticipated costs to be incurred and contingency reserves for exposures related to unknown costs, such as design deficiencies and subcontractor defaults. Estimated variable consideration is affected by claims and unapproved change orders, which may result from changes in the scope of the contract.
How We Addressed the Matter in Our Audit	We obtained an understanding, evaluated the design and tested the operating effectiveness of the Company’s controls over the measurement of general contracting revenue. For example, we tested controls over management’s review and monitoring of the variable consideration calculation and the underlying assumptions related to estimates of costs at completion. To test general contracting revenue recognition, our audit procedures included, among others, evaluating the estimates discussed above and testing the completeness and accuracy of the underlying data used by the Company to calculate variable consideration and total estimated costs at completion. For example, we tested variable consideration by inspecting subsequently executed change orders, reviewing legally enforceable terms of the contracts or confirming the value of executed change orders directly with the customers. We also confirmed directly with customers specific contract details, including the current and original contract value as well as the estimated percentage of completion. We tested the estimated costs at completion by comparing management’s cost estimates of materials, labor, and subcontractors to third-party evidence, such as subcontractor bids. In addition, we visited development sites, conducted interviews with the Company’s project management personnel, and involved our engineering specialists to assist in testing the Company’s estimated costs at completion. We also assessed the historical accuracy of management’s estimates of variable consideration and estimated costs at completion through retrospective review of actual gross-margins of completed projects compared to the anticipated gross margins during the projects.

Accounting for Acquisition of Operating Properties

Description of the Matter	During 2019, the Company completed a series of six operating property acquisitions for a total purchase price of $361.1 million as described in Notes 2 and 5 to the consolidated financial statements. These transactions were accounted for as asset acquisitions. Auditing the Company's accounting for these acquisitions was challenging due to the significant estimation required by management to determine the fair values of the acquired assets used to allocate costs of the acquisitions on a relative fair value basis. The significant estimation was primarily due to the sensitivity of the respective fair values to underlying assumptions. The significant assumptions used to estimate the values of the tangible and intangible assets included the replacement cost of the properties, total lease-up time and lost rental revenues during such time, market rents, estimated future cash flows and other valuation assumptions.
How We Addressed the Matter in Our Audit	We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company’s acquisition and purchase price allocation process, including controls over management’s review of the significant assumptions described above. For example, we tested controls over management’s review of the valuation methodology, the purchase price allocation, and the significant assumptions used. To test the costs allocated to the tangible and intangible assets, we involved our valuation specialists and performed audit procedures that included, among others, evaluating the Company’s valuation methodologies, testing the significant assumptions described above and testing the completeness and accuracy of the underlying data. For example, we compared the significant assumptions to observable market data, including other properties within the same submarkets and to historical costs incurred by the Company in developing and constructing similar assets. We also performed sensitivity analyses of the significant assumptions to evaluate the change in fair values resulting from the changes in assumptions. In addition, we compared the Company’s estimated fair values of acquired assets to independent estimates developed by our valuation specialist.

/s/ Ernst & Young LLP

We have served as the Company’s auditor since 2012.

Tysons, Virginia

February 24, 2020

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ARMADA HOFFLER PROPERTIES, INC.
Consolidated Balance Sheets
(In thousands, except par value and share data)

	DECEMBER 31, 2019	DECEMBER 31, 2018
ASSETS		
Real estate investments:		
Income producing property	$ 1,460,723	$ 1,037,917
Held for development	5,000	2,994
Construction in progress	140,601	135,675
	1,606,324	1,176,586
Accumulated depreciation	(224,738)	(188,775)
Net real estate investments	1,381,586	987,811
Real estate investments held for sale	1,460	929
Cash and cash equivalents	39,232	21,254
Restricted cash	4,347	2,797
Accounts receivable, net	23,470	19,016
Notes receivable	159,371	138,683
Construction receivables, including retentions	36,361	16,154
Construction contract costs and estimated earnings in excess of billings	249	1,358
Equity method investments	—	22,203
Operating lease right-of-use assets	33,088	—
Finance lease right-of-use assets	24,130	—
Acquired lease intangible assets, net	68,702	27,561
Other assets	32,901	27,616
Total Assets	$ 1,804,897	$ 1,265,382
LIABILITIES AND EQUITY		
Indebtedness, net	$ 950,537	$ 694,239
Accounts payable and accrued liabilities	17,803	15,217
Construction payables, including retentions	53,382	50,796
Billings in excess of construction contract costs and estimated earnings	5,306	3,037
Operating lease liabilities	41,474	—
Finance lease liabilities	17,903	—
Other liabilities	63,045	46,203
Total Liabilities	1,149,450	809,492
Stockholders' equity:		
Preferred stock, $0.01 par value, 100,000,000 shares authorized; 6.75% Series A Cumulative Redeemable Perpetual Preferred Stock, 2,530,000 shares issued and outstanding as of December 31, 2019 and zero shares issued and outstanding as of December 31, 2018	63,250	—
Common stock, $0.01 par value, 500,000,000 shares authorized; 56,277,971 and 50,013,731 shares issued and outstanding as of December 31, 2019 and 2018, respectively	563	500
Additional paid-in capital	455,680	357,353
Distributions in excess of earnings	(106,676)	(82,699)
Accumulated other comprehensive loss	(4,240)	(1,283)
Total stockholders' equity	408,577	273,871
Noncontrolling interests in investment entities	4,462	—
Noncontrolling interests in Operating Partnership	242,408	182,019
Total Equity	655,447	455,890
Total Liabilities and Equity	$ 1,804,897	$ 1,265,382

See Notes to Consolidated Financial Statements.

ARMADA HOFFLER PROPERTIES, INC.
Consolidated Statements of Comprehensive Income
(In thousands, except per share and unit data)

	YEARS ENDED DECEMBER 31,		
	2019	2018	2017
Revenues			
Rental revenues	$ 151,339	$ 116,958	$ 108,737
General contracting and real estate services revenues	105,859	76,359	194,034
Total revenues	257,198	193,317	302,771
Expenses			
Rental expenses	34,332	27,222	25,422
Real estate taxes	14,961	11,383	10,528
General contracting and real estate services expenses	101,538	73,628	186,590
Depreciation and amortization	54,564	39,913	37,321
Amortization of right-of-use assets - finance leases	377	—	—
General and administrative expenses	12,392	11,431	10,435
Acquisition, development and other pursuit costs	844	352	648
Impairment charges	252	1,619	110
Total expenses	219,260	165,548	271,054
Gain on real estate dispositions	4,699	4,254	8,087
Operating income	42,637	32,023	39,804
Interest income	23,215	10,729	7,077
Interest expense on indebtedness	(30,776)	(19,087)	(17,439)
Interest expense on finance leases	(568)	—	—
Equity in income of unconsolidated real estate entities	273	372	—
Change in fair value of interest rate derivatives	(3,599)	(951)	1,127
Other income (expense), net	585	377	81
Income before taxes	31,767	23,463	30,650
Income tax benefit (provision)	491	29	(725)
Net income	32,258	23,492	29,925
Net income attributable to noncontrolling interests:			
Investment entities	(213)	—	—
Operating Partnership	(7,992)	(6,289)	(8,878)
Net income attributable to Armada Hoffler Properties, Inc.	24,053	17,203	21,047
Preferred stock dividends	(2,455)	—	—
Net income attributable to common stockholders	$ 21,598	$ 17,203	$ 21,047
Net income attributable to common stockholders per share (basic and diluted)	$ 0.41	$ 0.36	$ 0.50
Weighted-average Common shares outstanding (basic and diluted)	53,119	47,512	42,423
Comprehensive income:			
Net income	$ 32,258	$ 23,492	$ 29,925
Unrealized cash flow hedge losses	(4,504)	(1,894)	—
Realized cash flow hedge losses reclassified to net income	501	169	—
Comprehensive income	28,255	21,767	29,925
Comprehensive income attributable to noncontrolling interests			
Investment entities	(213)	—	—
Operating Partnership	(6,946)	(5,847)	(8,878)
Comprehensive income attributable to Armada Hoffler Properties, Inc.	$ 21,096	$ 15,920	$ 21,047

See Notes to Consolidated Financial Statements.

ARMADA HOFFLER PROPERTIES, INC.
Consolidated Statements of Equity
(In thousands, except share data)

	Preferred stock	Common stock	Additional paid-in capital	Distributions in excess of earnings	Accumulated other comprehensive loss	Total stockholders' equity (deficit)	Noncontrolling interests in investment entities	Noncontrolling interests in Operating Partnership	Total equity
Balance, January 1, 2017	$ —	$ 374	$ 197,114	$ (49,345)	$ —	$ 148,143	$ —	$ 200,835	$ 348,978
Net income	—	—	—	21,047	—	21,047	—	8,878	29,925
Net proceeds from sales of common stock	—	74	91,307	—	—	91,381	—	—	91,381
Restricted stock awards, net of tax withholding	—	1	1,442	—	—	1,443	—	—	1,443
Restricted stock award forfeitures	—	—	(2)	—	—	(2)	—	—	(2)
Acquisitions of noncontrolling interests in real estate investments	—	—	(1,493)	—	—	(1,493)	—	982	(511)
Redemption of operating partnership units	—	—	(961)	—	—	(961)	—	(4,194)	(5,155)
Dividends and distributions declared	—	—	—	(32,868)	—	(32,868)	—	(12,908)	(45,776)
Balance, December 31, 2017	—	449	287,407	(61,166)	—	226,690	—	193,593	420,283
Net income	—	—	—	17,203	—	17,203	—	6,289	23,492
Unrealized cash flow hedge losses	—	—	—	—	(1,410)	(1,410)	—	(484)	(1,894)
Realized cash flow hedge losses reclassified to net income	—	—	—	—	127	127	—	42	169
Net proceeds from sales of common stock	—	46	65,198	—	—	65,244	—	—	65,244
Restricted stock awards, net of tax withholding	—	2	1,562	—	—	1,564	—	—	1,564
Restricted stock award forfeitures	—	—	(32)	—	—	(32)	—	—	(32)
Issuance of operating partnership units for acquisitions	—	—	(5)	—	—	(5)	—	2,201	2,196
Redemption of operating partnership units	—	3	3,223	—	—	3,226	—	(5,821)	(2,595)
Dividends and distributions declared	—	—	—	(38,736)	—	(38,736)	—	(13,801)	(52,537)
Balance, December 31, 2018	—	500	357,353	(82,699)	(1,283)	273,871	—	182,019	455,890
Cumulative effect of accounting change (1)	—	—	—	(125)	—	(125)	—	(42)	(167)
Net income	—	—	—	24,053	—	24,053	213	7,992	32,258
Unrealized cash flow hedge losses	—	—	—	—	(3,321)	(3,321)	—	(1,183)	(4,504)
Realized cash flow hedge losses reclassified to net income	—	—	—	—	364	364	—	137	501
Net proceeds from issuance of cumulative redeemable perpetual preferred stock	63,250	—	(2,249)	—	—	61,001	—	—	61,001
Net proceeds from sales of common stock	—	59	96,786	—	—	96,845	—	—	96,845
Restricted stock awards, net of tax withholding	—	2	2,029	—	—	2,031	—	—	2,031
Noncontrolling interest in acquired real estate entity	—	—	—	—	—	—	4,870	—	4,870
Restricted stock award forfeitures	—	—	(7)	—	—	(7)	—	—	(7)
Issuance of operating partnership units for acquisitions	—	—	(986)	—	—	(986)	—	73,169	72,183
Redemption of operating partnership units	—	2	2,754	—	—	2,756	—	(2,756)	—
Distributions to Joint Venture Partners	—	—	—	—	—	—	(621)	—	(621)
Dividends and distributions declared on preferred stock				(2,455)		(2,455)	—	—	(2,455)
Dividends and distributions declared on common shares and units	—	—	—	(45,450)	—	(45,450)	—	(16,928)	(62,378)
Balance, December 31, 2019	$ 63,250	$ 563	$ 455,680	$ (106,676)	$ (4,240)	$ 408,577	$ 4,462	$ 242,408	$ 655,447

(1) The Company recorded cumulative effect adjustments related to the new lease standard in the first quarter of 2019. See "Financial Statements — Note 2 — Significant Accounting Policies — Recent Accounting Pronouncements" for additional information.

See Notes to Consolidated Financial Statements.

ARMADA HOFFLER PROPERTIES, INC.
Consolidated Statements of Cash Flows
(In thousands)

	YEARS ENDED DECEMBER 31,		
	2019	2018	2017
OPERATING ACTIVITIES			
Net income	$ 32,258	$ 23,492	$ 29,925
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation of buildings and tenant improvements	37,839	30,395	25,974
Amortization of leasing costs, in-place lease intangibles and below market ground rents - operating leases	16,725	9,518	11,347
Accrued straight-line rental revenue	(3,402)	(2,731)	(1,222)
Amortization of leasing incentives and above or below-market rents	(629)	(266)	(195)
Amortization of right-of-use assets - finance leases	377	—	—
Accrued straight-line ground rent expense	(16)	214	530
Adjustment for uncollectable accounts	511	419	564
Noncash stock compensation	1,613	1,281	1,323
Impairment charges	252	1,619	110
Noncash interest expense	1,258	1,116	1,274
Interest expense on finance leases	568	—	—
Gain on real estate dispositions	(4,699)	(4,254)	(8,087)
Adjustment for Annapolis Junction modification fee [1]	(4,489)	4,489	—
Change in the fair value of interest rate derivatives	3,599	951	(1,127)
Equity in income of unconsolidated real estate entities	(273)	(372)	—
Changes in operating assets and liabilities:			
Property assets	(2,499)	(3,539)	(2,415)
Property liabilities	3,368	1,720	2,843
Construction assets	(20,356)	7,554	17,573
Construction liabilities	18,671	(15,248)	(20,110)
Interest receivable	(12,947)	(271)	(7,071)
Net cash provided by operating activities	67,729	56,087	51,236
INVESTING ACTIVITIES			
Development of real estate investments	(133,445)	(133,791)	(45,730)
Tenant and building improvements	(19,721)	(11,723)	(12,252)
Acquisitions of real estate investments, net of cash received	(138,380)	(57,544)	(30,026)
Dispositions of real estate investments, net of selling costs	32,944	34,673	12,557
Notes receivable issuances	(54,555)	(58,208)	(16,219)
Notes receivable paydowns	22,522	1,165	—
Leasing costs	(3,893)	(4,607)	(2,235)
Leasing incentives	—	(108)	(274)
Contributions to equity method investments	(535)	(10,420)	(1,176)
Net cash used for investing activities	(295,063)	(240,563)	(95,355)
FINANCING ACTIVITIES			
Proceeds from issuance of cumulative redeemable perpetual preferred stock, net	61,001	—	—
Proceeds from issuance of common stock, net	96,845	65,244	91,381
Common shares tendered for tax withholding	(369)	(409)	(289)
Debt issuances, credit facility and construction loan borrowings	427,286	349,580	162,585
Debt and credit facility repayments, including principal amortization	(270,851)	(173,855)	(160,661)
Debt issuance costs	(5,546)	(1,457)	(2,403)
Redemption of operating partnership units	—	(2,595)	(5,155)
Dividends and distributions	(61,504)	(50,897)	(43,616)
Net cash provided by financing activities	246,862	185,611	41,842
Net increase (decrease) in cash, cash equivalents, and restricted cash	19,528	1,135	(2,277)
Cash, cash equivalents, and restricted cash, beginning of period [2]	24,051	22,916	25,193
Cash, cash equivalents, and restricted cash, end of period [2]	$ 43,579	$ 24,051	$ 22,916

See Notes to Consolidated Financial Statements.

ARMADA HOFFLER PROPERTIES, INC.
Consolidated Statements of Cash Flows (Continued)
(In thousands)

YEARS ENDED DECEMBER 31,

	2019	2018	2017
Supplemental cash flow information:			
Cash paid for interest	$ 28,878	$ (17,319)	$ (16,318)
Cash refunded (paid) for income taxes	247	31	(371)
Increase in dividends payable	3,950	1,640	2,160
Common shares and OP units issued for acquisitions (3)	73,169	1,702	506
(Decrease) increase in accrued capital improvements and development costs	(12,666)	18,310	10,899
Operating Partnership units redeemed for common shares	2,756	3,715	—
Debt principal extinguished in conjunction with real estate sales	—	—	5,594
Debt assumed at fair value in conjunction with real estate purchases	101,390	—	—
Redeemable noncontrolling interest from development	—	—	2,000
Deferred payment for land acquisition	—	—	600
Note receivable extinguished in conjunction with real estate purchase	31,252	—	—
Equity method investment redeemed for real estate acquisition	23,011	—	—
Noncontrolling interest in acquired real estate entity	4,870	—	—
Recognition of operating lease ROU assets (4)	33,965	—	—
Recognition of operating lease liabilities (4)	41,631	—	—
Recognition of finance lease ROU assets	24,500	—	—
Recognition of finance lease liabilities	17,871	—	—
De-recognition of operating lease ROU assets - lease termination	440	—	—
De-recognition of operating lease liabilities - lease termination	440	—	—

(1) Borrower paid $5.0 million in 2018 in exchange for the Company's purchase option. This was accounted for as a loan modification fee; interest income was recognized as additional interest income on the note receivable over the one-year remaining term.

(2) The following table sets forth the items from the Company's Consolidated Balance Sheets that are included in cash, cash equivalents, and restricted cash in the consolidated statements of cash flows:

	As of December 31,	
	2019	2018
Cash and cash equivalents	$ 39,232	$ 21,254
Restricted cash (a)	4,347	2,797
Cash, cash equivalents, and restricted cash	$ 43,579	$ 24,051

(a) Restricted cash represents amounts held by lenders for real estate taxes, insurance, and reserves for capital improvements.

(3) 2017 issuance consists of OP Units contingently issuable upon the satisfaction of certain conditions relating to the Johns Hopkins Village property. These OP Units were issued in 2018.

(4) Net of $0.4 million disposal related to the Company's preexisting lease at the Thames Street Wharf property, which was acquired on June 26, 2019.

See Notes to Consolidated Financial Statements.

ARMADA HOFFLER PROPERTIES, INC.
Notes to Consolidated Financial Statements

1. *Business and Organization*

Armada Hoffler Properties, Inc. (the "Company") 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 is a real estate investment trust ("REIT"), the sole general partner of Armada Hoffler, L.P. (the "Operating Partnership"), and as of December 31, 2019, owned 72.6% of the economic interest in the Operating Partnership, of which 0.1% is held as general partnership units. The operations of the Company are carried on primarily through the Operating Partnership and the wholly owned subsidiaries of the Operating Partnership. Both the Company and the Operating Partnership were formed on October 12, 2012 and commenced operations upon completion of the underwritten initial public offering of shares of the Company’s common stock (the "IPO") and certain related formation transactions on May 13, 2013.

As of December 31, 2019, the Company's operating portfolio consisted of the following properties:

Property	Segment	Location	Ownership Interest
4525 Main Street	Office	Virginia Beach, Virginia*	100%
Armada Hoffler Tower	Office	Virginia Beach, Virginia*	100%
Brooks Crossing Office	Office	Newport News, Virginia	100%
One City Center	Office	Durham, North Carolina	100%
One Columbus	Office	Virginia Beach, Virginia*	100%
Thames Street Wharf	Office	Baltimore, Maryland	100%
Two Columbus	Office	Virginia Beach, Virginia*	100%
249 Central Park Retail	Retail	Virginia Beach, Virginia*	100%
Alexander Pointe	Retail	Salisbury, North Carolina	100%
Apex Entertainment (1)	Retail	Virginia Beach, Virginia*	100%
Bermuda Crossroads	Retail	Chester, Virginia	100%
Broad Creek Shopping Center	Retail	Norfolk, Virginia	100%
Broadmoor Plaza	Retail	South Bend, Indiana	100%
Brooks Crossing Retail (2)	Retail	Newport News, Virginia	65%
Columbus Village	Retail	Virginia Beach, Virginia*	100%
Columbus Village II	Retail	Virginia Beach, Virginia*	100%
Commerce Street Retail	Retail	Virginia Beach, Virginia*	100%
Courthouse 7-Eleven	Retail	Virginia Beach, Virginia	100%
Dimmock Square	Retail	Colonial Heights, Virginia	100%
Fountain Plaza Retail	Retail	Virginia Beach, Virginia*	100%
Gainsborough Square	Retail	Chesapeake, Virginia	100%
Greentree Shopping Center	Retail	Chesapeake, Virginia	100%
Hanbury Village	Retail	Chesapeake, Virginia	100%
Harper Hill Commons	Retail	Winston-Salem, North Carolina	100%
Harrisonburg Regal	Retail	Harrisonburg, Virginia	100%
Indian Lakes Crossing	Retail	Virginia Beach, Virginia	100%
Lexington Square	Retail	Lexington, South Carolina	100%
Market at Mill Creek (2)	Retail	Mount Pleasant, South Carolina	70%
Marketplace at Hilltop	Retail	Virginia Beach, Virginia	100%
North Hampton Market	Retail	Taylors, South Carolina	100%

Property	Segment	Location	Ownership Interest
North Point Center	Retail	Durham, North Carolina	100%
Oakland Marketplace	Retail	Oakland, Tennessee	100%
Parkway Centre	Retail	Moultrie, Georgia	100%
Parkway Marketplace	Retail	Virginia Beach, Virginia	100%
Patterson Place	Retail	Durham, North Carolina	100%
Perry Hall Marketplace	Retail	Perry Hall, Maryland	100%
Providence Plaza	Retail	Charlotte, North Carolina	100%
Red Mill Commons	Retail	Virginia Beach, Virginia	100%
Renaissance Square	Retail	Davidson, North Carolina	100%
Sandbridge Commons	Retail	Virginia Beach, Virginia	100%
Socastee Commons	Retail	Myrtle Beach, South Carolina	100%
South Retail	Retail	Virginia Beach, Virginia*	100%
South Square	Retail	Durham, North Carolina	100%
Southgate Square	Retail	Colonial Heights, Virginia	100%
Southshore Shops	Retail	Chesterfield, Virginia	100%
Stone House Square	Retail	Hagerstown, Maryland	100%
Studio 56 Retail	Retail	Virginia Beach, Virginia*	100%
Tyre Neck Harris Teeter	Retail	Portsmouth, Virginia	100%
Wendover Village	Retail	Greensboro, North Carolina	100%
1405 Point	Multifamily	Baltimore, Maryland	79%
Encore Apartments	Multifamily	Virginia Beach, Virginia*	100%
Greenside Apartments	Multifamily	Charlotte, North Carolina	100%
Hoffler Place	Multifamily	Charleston, South Carolina	93%
Johns Hopkins Village	Multifamily	Baltimore, Maryland	100%
Liberty Apartments	Multifamily	Newport News, Virginia	100%
Premier Apartments	Multifamily	Virginia Beach, Virginia*	100%
Smith’s Landing	Multifamily	Blacksburg, Virginia	100%

* Located in the Town Center of Virginia Beach
(1) Dick's Sporting Goods, one of the anchor tenants at the property previously known as "Dick’s at Town Center," notified the Company during 2019 that it would not renew its lease beyond January 31, 2020, the end of the current term. In October 2019, the Company signed a lease with a replacement tenant, Apex Entertainment, which will take the entire space currently occupied by Dick's Sporting Goods after the redevelopment and buildout of the facility is completed, which is expected to occur by the end of 2020.
(2) The Company is entitled to a preferred return on its investment in this property.

As of December 31, 2019, the following properties were under development, redevelopment or not yet stabilized:

Property	Segment	Location	Ownership Interest
Wills Wharf	Office	Baltimore, Maryland	100%
Premier Retail	Retail	Virginia Beach, Virginia*	100%
Summit Place	Multifamily	Charleston, South Carolina	90%
The Cosmopolitan	Multifamily	Virginia Beach, Virginia*	100%

* Located in the Town Center of Virginia Beach

2. *Significant Accounting Policies*

Basis of Presentation

The accompanying consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States ("GAAP").

The consolidated financial statements include the financial position and results of operations of the Company, the Operating Partnership, its wholly owned subsidiaries, and any interests in variable interest entities ("VIEs") where the Company has been determined to be the primary beneficiary. All significant intercompany transactions and balances have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported and disclosed. Such estimates are based on management's historical experience and best judgment after considering past, current, and expected events and economic conditions. Actual results could differ from management's estimates.

Segments

Segment information is prepared on the same basis that management reviews information for operational decision-making purposes. Management evaluates the performance of each of the Company's properties individually and aggregates such properties into segments based on their economic characteristics and classes of tenants. The Company operates in four business segments: (i) office real estate, (ii) retail real estate, (iii) multifamily residential real estate, and (iv) general contracting and real estate services. The Company's general contracting and real estate services business develops and builds properties for its own account and also provides construction and development services to both related and third parties.

Reclassifications

Certain amounts previously reported in the consolidated financial statements have been reclassified in the accompanying consolidated financial statements to conform to the current period's presentation.

The Company revised the presentation of its consolidated Balance Sheet for all reporting periods by reclassifying "Acquired intangible lease assets" as a separate line item. As a result, the Company no longer includes acquired intangible lease assets as part of "Other assets". The Company also revised the presentation in its consolidated statement of cash flows for all reporting periods by reclassifying offering cost charges on its common stock issuance and including the charges with "Proceeds from issuance of common stock, net" line item. This presentation change had no other impact on the Company's consolidated financial statements or any other operating measure for the periods affected.

Revenue Recognition

Rental Revenues

The Company leases its properties under operating leases and recognizes base rents when earned on a straight-line basis over the lease term. Rental revenues include $3.4 million, $2.7 million and $1.2 million of straight-line rent adjustments for the years ended December 31, 2019, 2018, and 2017, respectively. The Company begins recognizing rental revenue when the tenant has the right to take possession of or controls the physical use of the property under lease. The extended collection period for accrued straight-line rental revenue along with the Company's evaluation of tenant credit risk may result in the nonrecognition of all or a portion of straight-line rental revenue until the collection of substantially all such revenue for a tenant is probable. The Company recognizes contingent rental revenue (e.g., percentage rents based on tenant sales thresholds) when the sales thresholds are met. Contingent rents included in rental revenues were $0.3 million, $0.3 million, and $0.4 million for the years ended December 31, 2019, 2018, and 2017, respectively. The Company recognizes leasing incentives as reductions to rental revenue on a straight-line basis over the lease term. Leasing incentive amortization was $0.7 million, $0.7 million, and $0.8 million for the years ended December 31, 2019, 2018, and 2017, respectively. The Company recognizes fair value adjustments recorded at the time of lease assumption in rental income on a straight line basis as a reduction to revenue over the remaining life of the lease or any renewal periods for which the Company determines have value at the time of acquisition. The Company recognizes cost reimbursement revenue for real estate taxes, operating expenses, and common area maintenance costs on an accrual basis during the periods in which the expenses are incurred. The Company recognizes lease termination fees either upon termination or amortizes them over any remaining lease term.

General Contracting and Real Estate Services Revenues

The Company recognizes general contracting revenues as a customer obtains control of promised goods or services in an amount that reflects the consideration the Company expects to receive in exchange for those goods or services. For each construction contract, the Company identifies the performance obligations, which typically include the delivery of a single building constructed according to the specifications of the contract. The Company estimates the total transaction price, which generally includes a fixed contract price and may also include variable components such as early completion bonuses, liquidated damages, or cost savings to be shared with the customer. Variable components of the contract price are included in the transaction price to the extent that it is probable that a significant reversal of revenue will not occur. The Company recognizes the estimated transaction price as revenue as it satisfies its performance obligations; the Company estimates its progress in satisfying performance obligations for each contract using the input method, based on the proportion of incurred costs relative to total estimated construction costs at completion. Construction contract costs include all direct material, direct labor, subcontract costs, and overhead costs directly related to contract performance. Changes in job performance, job conditions, and estimated profitability, including those arising from contract penalty provisions and final contract settlements, are all significant judgments that may result in revisions to costs and income and are recognized in the period in which they are determined. Additionally, the estimated costs at completion are affected by management’s forecasts of anticipated costs to be incurred and contingency reserves for exposures related to unknown costs, such as design deficiencies and subcontractor defaults. The estimated variable consideration is also affected by claims and unapproved change orders, which may result from changes in the scope of the contract. Provisions for estimated losses on uncompleted contracts are recognized immediately in the period in which such losses are determined. The Company defers precontract costs when such costs are directly associated with specific anticipated contracts and their recovery is probable.

The Company recognizes real estate services revenues from property development and management as it satisfies its performance obligations under these service arrangements.

The Company assesses whether multiple contracts with a single counterparty may be combined into a single contract for the revenue recognition purposes based on factors such as the timing of the negotiation and execution of the contracts and whether the economic substance of the contracts was contemplated separately or in tandem.

Real Estate Investments

Income producing property primarily includes land, buildings, and tenant improvements and is stated at cost. Real estate investments held for development include land and capitalized development costs. The Company reclassifies real estate investments held for development to construction in progress upon commencement of construction. Construction in progress is stated at cost. Direct and certain indirect costs clearly associated with the development, redevelopment, construction, leasing, or expansion of real estate assets are capitalized as a cost of the property. Repairs and maintenance costs are expensed as incurred.

The Company capitalizes direct and indirect project costs associated with the initial development of a property until the property is substantially complete and ready for its intended use. Capitalized project costs include preacquisition, development, and preconstruction costs including overhead, salaries, and related costs of personnel directly involved, real estate taxes, insurance, utilities, ground rent, and interest. Interest capitalized during the years ended December 31, 2019, 2018, and 2017 was $5.9 million, $5.0 million and $1.3 million, respectively. Overhead, salaries and related personnel costs capitalized during the years ended December 31, 2019, 2018, and 2017 were $3.1 million, $3.1 million and $2.4 million, respectively.

The Company capitalizes preacquisition development costs directly identifiable with specific properties when the acquisition of such properties is probable. Capitalized preacquisition development costs are presented within other assets in the consolidated balance sheets. Capitalized preacquisition development costs as of December 31, 2019 and 2018 were $6.5 million and $1.2 million, respectively. Costs attributable to unsuccessful projects are expensed.

Income producing property is depreciated on a straight-line basis over the following estimated useful lives:

Buildings	39 years
Capital improvements	5—20 years
Equipment	3—7 years
Tenant improvements	Term of the related lease
	(or estimated useful life, if shorter)

Operating Property Acquisitions

Acquisitions of operating properties have been and will generally be accounted for as acquisitions of a group of assets, with costs incurred to effect an acquisition, including title, legal, accounting, brokerage commissions, and other related costs, being capitalized as part of the cost of the assets acquired. In connection with such acquisitions, the Company identifies and recognizes all assets acquired and liabilities assumed at their relative fair values as of the acquisition date. The purchase price allocations to tangible assets, such as land, site improvements, and buildings and improvements are presented within income producing property in the consolidated balance sheets and depreciated over their estimated useful lives. Acquired lease intangible assets are presented as a separate component of assets on the consolidated balance sheets. Acquired lease intangible liabilities are presented within other liabilities in the consolidated balance sheets. The Company amortizes in-place lease assets as depreciation and amortization expense on a straight-line basis over the remaining term of the related leases. The Company amortizes above-market lease assets as reductions to rental revenues on a straight-line basis over the remaining term of the related leases. The Company amortizes below-market lease liabilities as increases to rental revenues on a straight-line basis over the remaining term of the related leases. The Company amortizes below-market ground lease assets as increases to rental expenses on a straight-line basis over the remaining term of the related leases.

The Company values land based on a market approach, looking to recent sales of similar properties, adjusting for differences due to location, the state of entitlement, as well as the shape and size of the parcel. Improvements to land are valued using a replacement cost approach. The approach applies industry standard replacement costs adjusted for geographic specific considerations and reduced by estimated depreciation. The value of buildings acquired is estimated using the replacement cost approach, assuming the buildings were vacant at acquisition. The replacement cost approach considers the composition of the structures acquired, adjusted for an estimate of depreciation. The estimate of depreciation is made considering industry standard information and depreciation curves for the identified asset classes. The value of acquired lease intangibles considers the estimated cost of leasing the properties as if the acquired buildings were vacant, as well as the value of the current leases relative to market-rate leases. The in-place lease value is determined using an estimated total lease-up time and lost rental revenues during such time. The value of current leases relative to market-rate leases is based on market rents obtained for market comparables. Given the significance of unobservable inputs used in the valuation of acquired real estate assets, the Company classifies them as Level 3 inputs in the fair value hierarchy.

The Company values debt assumed in connection with operating property acquisitions based on a discounted cash flow analysis of the expected cash flows of the debt. Such analysis considers the contractual terms of the debt, including the period to maturity, credit characteristics, and other terms of the arrangements, which are Level 3 inputs in the fair value hierarchy.

Real Estate Sales

The Company accounts for the sale of real estate assets and any related gain in accordance with the accounting guidance applicable to sales of real estate, which establishes standards for recognition of profit on all real estate sales transactions other than retail land sales. The Company recognizes the sale and associated gain or loss once it transfers control of the real estate asset and the Company does not have significant continuing involvement.

Real Estate Investments Held for Sale

Real estate assets classified as held for sale are reported at the lower of their carrying value or their fair value, less estimated costs to sell. Once a property is classified as held for sale, it is no longer depreciated. A property is classified as held for sale when: (i) senior management commits to a plan to sell the property, (ii) the property is available for immediate sale in its present condition, subject only to conditions usual and customary for such sales, (iii) an active program to locate a buyer and other actions required to complete the plan to sell have been initiated, (iv) the sale is expected to be completed within one year, (v) the property is being actively marketed for sale at a price that is reasonable in relation to its current fair value, and (vi) actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

As of December 31, 2019, a land parcel adjacent to the Market at Mill Creek shopping center was classified as held for sale. As of December 31, 2018, the Waynesboro Commons shopping center was classified as held for sale.

Impairment of Long Lived Assets

The Company evaluates its real estate assets for impairment on a property by property basis whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. If such an evaluation is necessary, the Company compares the carrying amount of any such real estate asset with the undiscounted expected future cash flows that are directly associated with, and that are expected to arise as a direct result of, its use and eventual disposition. If the carrying amount of a real estate asset exceeds the associated estimate of undiscounted expected future cash flows, an impairment loss is recognized to reduce the real estate asset’s carrying value to its fair value. The impairment charges recognized during the years ended December 31, 2019 and 2017 represent unamortized leasing or acquired intangible assets related to vacated tenants. The impairment charges recognized during the year ended December 31, 2018 primarily relate to the $1.5 million impairment of Waynesboro Commons, which was classified as of held for sale as of December 31, 2018.

Interest Income

Interest income on notes receivable is accrued based on the contractual terms of the loans and when it is deemed collectible. Many loans provide for accrual of interest and fees that will not be paid until maturity of the loan. Interest is recognized on these loans at the accrual rate subject to the determination that accrued interest and fees are ultimately collectible, based on the underlying collateral and the status of development activities, as applicable. If this determination cannot be made, recognition of interest income may be fully or partially deferred until it is ultimately paid.

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits, investments in money market funds, and investments with an original maturity of three months or less.

Restricted Cash

Restricted cash represents amounts held by lenders for real estate taxes, insurance, and reserves for capital improvements.

Accounts Receivable, net

Accounts receivable include amounts from tenants for base rents, contingent rents, and cost reimbursements as well as accrued straight-line rental revenue. As of December 31, 2019 and 2018, accrued straight-line rental revenue presented within accounts receivable in the consolidated balance sheets was $17.9 million and $15.2 million, respectively.

The Company’s evaluation of the collectability of accounts receivable and the adequacy of the allowance for doubtful accounts is based primarily upon evaluations of individual receivables, current economic conditions, historical experience, and other relevant factors. The Company establishes a reserve for the receivables associated with a tenant when collection of substantially all operating lease payments for a tenant is not probable. As of December 31, 2019 and 2018, the allowance for doubtful accounts was $0.3 million and $0.6 million, respectively. The Company reflects these amounts as a component of rental income on the consolidated statements of comprehensive income.

Notes Receivable and Allowance for Loan Losses

Notes receivable primarily represent financing to third parties in the form of mortgage or mezzanine loans for the development of new real estate. The Company's mezzanine loans are typically made to borrowers who have little or no equity in the underlying development projects. Mezzanine loans are secured, in part, by pledges of ownership interests of the entities that own the underlying real estate. The loans generally have junior liens on the respective real estate projects.

The Company evaluates the collectability of both the interest on and principal of each of its notes receivable based primarily upon the value of the underlying development project. The Company considers factors such as the progress of development activities, including leasing activities, projected development costs, current and projected loan balances, and the estimated realizable value of the loan. The calculation of the estimated realizable value includes an estimation of the projected sales proceeds from the sale of the underlying development property, which is largely dependent on the estimated fair value of the underlying development property and is highly sensitive to significant assumptions based on management’s expectations about future real estate market or economic conditions and the projected operating results of the property. A loan is determined to be impaired when, based upon then-current information, it is no longer probable that the Company will be able to collect all contractual amounts then due from the borrower. The amount of impairment loss recognized is measured as the difference between the carrying amount of the loan and its estimated realizable value.

The allowance for loan losses reflects management's estimate of loan losses inherent in the loan portfolio as of the balance sheet date.

Guarantees

The Company measures and records a liability for the fair value of its guarantees on a nonrecurring basis upon issuance using Level 3 internally-developed inputs. These guarantees typically relate to payments that could be required of the Company to senior lenders on its mezzanine loan investments. The Company bases its estimated fair value on the market approach, which compares the guarantee terms and credit characteristics of the underlying development project to other projects for which guarantee pricing terms are available. The offsetting entry for the guarantee liability is a premium on the related loan receivable. The liability is amortized on a straight-line basis over the remaining term of the loan. On a quarterly basis, the Company assesses the likelihood of a contingent liability in connection with these guarantees and will record an additional guarantee liability if the unamortized guarantee liability is insufficient.

Leasing Costs

Commissions paid by the Company to third parties to originate a lease are deferred and amortized as depreciation and amortization expense on a straight-line basis over the term of the related lease. Leasing costs are presented within other assets in the consolidated balance sheets.

Leasing Incentives

Incentives paid by the Company to tenants are deferred and amortized as reductions to rental revenues on a straight-line basis over the term of the related lease. Leasing incentives are presented within other assets in the consolidated balance sheets.

Debt Issuance Costs

Financing costs are deferred and amortized as interest expense using the effective interest method over the term of the related debt. Debt issuance costs are presented as a direct deduction from the carrying value of the associated debt liability in the consolidated balance sheets.

Derivative Financial Instruments

The Company may enter into interest rate derivatives to manage exposure to interest rate risks. The Company does not use derivative financial instruments for trading or speculative purposes. The Company recognizes derivative financial instruments at fair value and presents them within other assets and liabilities in the consolidated balance sheets. Gains and losses resulting from changes in the fair value of derivatives that are neither designated nor qualify as hedging instruments are recognized within the change in fair value of interest rate derivatives caption in the consolidated statements of comprehensive income. For derivatives that qualify as cash flow hedges, the gain or loss is reported as a component of other comprehensive income (loss) and reclassified into earnings in the periods during which the hedged forecasted transaction affects earnings.

Stock-Based Compensation

The Company measures the compensation cost of restricted stock awards based on the grant date fair value. The Company recognizes compensation cost for the vesting of restricted stock awards using the accelerated attribution method. Compensation cost associated with the vesting of restricted stock awards is presented within either general and administrative expenses or general contracting and real estate services expenses in the consolidated statements of comprehensive income. Stock-based compensation for personnel directly involved in the construction and development of a property is capitalized. The effect of forfeitures of awards is recorded as they occur.

Income Taxes

The Company has elected to be taxed as a REIT for U.S. federal income tax purposes. For continued qualification as a REIT for federal income tax purposes, the Company must meet certain organizational and operational requirements, including a requirement to pay distributions to stockholders of at least 90% of annual taxable income, excluding net capital gains. As a REIT, the Company generally is not subject to income tax on net income distributed as dividends to stockholders. The Company is subject to state and local income taxes in some jurisdictions and, in certain circumstances, may also be subject to federal excise taxes on undistributed income. In addition, certain of the Company's activities must be conducted by subsidiaries that have elected to be treated as a taxable REIT subsidiary ("TRS") subject to both federal and state income taxes. The Operating Partnership conducts its development and construction businesses through the TRS. The related income tax provision or benefit attributable to the profits or losses of the TRS and any taxable income of the Company is reflected in the consolidated financial statements.

The Company uses the liability method of accounting for deferred income tax in accordance with GAAP. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the carrying value of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the statutory rates expected to be applied in the periods in which those temporary differences are settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in the period of the change. A valuation allowance is recorded on the Company's deferred tax assets when it is more likely than not that such assets will not be realized. When evaluating the realizability of the Company's deferred tax assets, all evidence, both positive and negative, is evaluated. Items considered in this analysis include the ability to carry back losses, the reversal of temporary differences, tax planning strategies, and expectations of future earnings.

Under GAAP, the amount of tax benefit to be recognized is the amount of benefit that is more likely than not to be sustained upon examination. Management analyzes its tax filing positions in the U.S. federal, state and local jurisdictions where it is required to file income tax returns for all open tax years. If, based on this analysis, management determines that uncertainties in tax positions exist, a liability is established. The Company recognizes accrued interest and penalties related to unrecognized tax positions in the provision for income taxes. If recognized, the entire amount of unrecognized tax positions would be recorded as a reduction to the provision for income taxes.

Discontinued Operations

Disposals representing a strategic shift that has or will have a major effect on the Company's operations and financial results are reported as discontinued operations.

Net Income Per Share and Unit

The Company calculates net income per share and unit based upon the weighted average shares and units outstanding. Diluted net income per share and unit is calculated after giving effect to all significant potential dilutive shares outstanding during the period. Potential dilutive shares outstanding during the period include nonvested restricted stock awards. However, there were no significant potential dilutive shares or units outstanding for each of the three years ended December 31, 2019, 2018, and 2017. As a result, basic and diluted outstanding shares and units were the same for each period presented.

Recent Accounting Pronouncements

Recently Issued Accounting Standards Adopted:

On February 25, 2016, the Financial Accounting Standards Board ("FASB") issued an Accounting Standards Update ("ASU") that requires lessees to recognize most leases on their balance sheets as lease liabilities with corresponding right-of-use assets (ASU 2016-02—Leases (Topic 842)). The new standard also makes targeted changes to lessor accounting. The Company adopted the new standard on January 1, 2019, using the modified retrospective approach for all leases existing at, or entered into after, the beginning of the earliest comparative period presented as permitted in Accounting Standards Codification ("ASC") Topic 842.

In addition, the Company elected the package of practical expedients permitted under the transition guidance within the new standard, which allowed the Company to not reassess whether any expired or existing contracts are or contain leases, not reassess the lease classification for any expired or existing leases, and not reassess initial direct costs for existing leases. As of January 1, 2019, the Company did not have any leases classified as finance leases. The Company also elected a practical expedient that allowed it to not separate non-lease components from lease components and instead to account for each lease and non-lease component as a single lease component. The adoption of the new standard as of January 1, 2019 did not impact the Company's consolidated results of operations and had no impact on cash flows.

As a lessee, the Company had six ground leases on five properties as of January 1, 2019 with initial terms that ranged from 20 to 65 years and options to extend up to an additional 70 years in certain cases. The exercise of lease renewal options is at the Company's sole discretion. The depreciable life of assets and leasehold improvements are limited by the expected lease term. The Company recognizes lease expense for operating leases on a straight-line basis over the lease term. The Company's lease agreements do not contain any residual value guarantees or material restrictive covenants.

The long-term ground leases represent a majority of the Company's current operating lease payments. The Company recorded right-of-use assets totaling $32.2 million and lease liabilities totaling $41.4 million upon adopting this standard on January 1, 2019. The Company utilized a weighted average discount rate of 5.4% to measure its lease liabilities upon adoption.

As a lessor, the Company leases its properties under operating leases and recognizes base rents on a straight-line basis over the lease term. The Company also recognizes revenue from tenant recoveries, through which tenants reimburse the Company on an accrual basis for certain expenses such as utilities, janitorial services, repairs and maintenance, security and alarms, parking lot and ground maintenance, administrative services, management fees, insurance, and real estate taxes. Rental revenues are reduced by the amount of any leasing incentives amortized on a straight-line basis over the term of the applicable lease. In addition, the Company recognizes contingent rental revenue (e.g., percentage rents based on tenant sales thresholds) when the sales thresholds are met. Many tenant leases include one or more options to renew, with renewal terms that can extend the lease term from one to 15 years or more. The exercise of lease renewal options is at the tenant's sole discretion. The Company includes a renewal period in the lease term only if it appears at lease inception that the renewal is reasonably certain.

The new standard includes new considerations regarding the recognition of rental revenue when collection is not probable. The Company changed its presentation and measurement of charges for uncollectable lease revenue associated with its office, retail, and residential leasing activity, reflecting those amounts as a component of rental income on the accompanying Consolidated Statement of Comprehensive Income for the year ended December 31, 2019. However, in accordance with its prospective adoption of the standard, the Company did not adjust the prior year period presentation of charges for uncollectable lease revenue associated with its office, retail, and residential leasing activity as a component of operating expenses, excluding property taxes, on the accompanying Consolidated Statement of Comprehensive Income for the years ended December 31, 2018 and 2017. The Company recorded a combined adjustment of $0.2 million to the opening balances for distributions in excess of earnings and noncontrolling interest relating to receivables where collection of substantially all operating lease payments was not probable as of January 1, 2019.

Lease-related receivables, which include contractual amounts accrued and unpaid from tenants and accrued straight-line rents receivable, are reduced for credit losses. Such amounts are recognized as a reduction to real estate rental revenues. The Company evaluates the collectability of lease receivables using several factors, including a lessee's creditworthiness. The Company recognizes a credit loss on lease-related receivables when, in the opinion of management, collection of substantially all lease payments is not probable. When collectability is determined not probable, any lease income subsequent to recognizing the credit loss is limited to the lesser of the lease income reflected on a straight-line basis or cash collected.

Recently Issued Accounting Standards Not Yet Adopted:

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments and in November 2018 issued ASU No. 2018-19, Codification Improvements to Topic 326, Financial Instruments - Credit Losses. The guidance significantly changes how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The guidance will replace the "incurred loss" approach under existing guidance with an "expected loss" model for instruments measured at amortized cost, such as our notes receivable. The guidance is effective for fiscal years beginning after December 15, 2019 and is to be adopted through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. The Company continues to evaluate the impact of adopting this new accounting standard on the Company's consolidated financial statements accounting policy and operational implementation issues. The Company expects that the adoption will result in earlier recognition of a provision for loan losses on its notes receivable and an insignificant increase in allowance for bad debt relating to construction receivables as a result of new forward-looking estimation requirements. The Company anticipates recording a reserve for expected credit losses for its notes receivable in an amount between $2.3 million and $3.3 million and an immaterial reserve on its construction receivables as a result of adopting the new standard on January 1, 2020.

In August 2018, the FASB issued ASU 2018-13, "Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement" ("ASU 2018-13"). ASU 2018-13 eliminates, adds and modifies certain disclosure requirements for fair value measurements as part of its disclosure framework project. The standard is effective for all entities for financial statements issued for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. ASU 2018-13 is not expected to have a material impact on Company's consolidated financial statements or disclosures.

3. Segments

Net operating income (segment revenues minus segment expenses) is the measure used by the Company's chief operating decision-maker to assess segment performance. Net operating income 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, net operating income should not be considered as an alternative to cash flows as a measure of liquidity. Not all companies calculate net operating income in the same manner. The Company considers net operating income to be an appropriate supplemental measure to net income because it assists both investors and management in understanding the core operations of the Company's real estate and construction businesses.

Net operating income of the Company's reportable segments for the years ended December 31, 2019, 2018, and 2017 was as follows (in thousands):

	Years Ended December 31,		
	2019	2018	2017
Office real estate			
Rental revenues	$ 33,269	$ 20,701	$ 19,207
Rental expenses	8,722	5,858	5,483
Real estate taxes	3,471	2,034	1,859
Segment net operating income	21,076	12,809	11,865
Retail real estate			
Rental revenues	77,593	67,959	63,109
Rental expenses	11,656	10,903	10,234
Real estate taxes	7,916	6,801	6,175
Segment net operating income	58,021	50,255	46,700
Multifamily residential real estate			
Rental revenues	40,477	28,298	26,421
Rental expenses	13,954	10,461	9,705
Real estate taxes	3,574	2,548	2,494
Segment net operating income	22,949	15,289	14,222
General contracting and real estate services			
Segment revenues	105,859	76,359	194,034
Segment expenses	101,538	73,628	186,590
Segment gross profit	4,321	2,731	7,444
Net operating income	$ 106,367	$ 81,084	$ 80,231

Rental expenses represent costs directly associated with the operation and management of the Company's real estate properties. Rental expenses include asset management fees, property management fees, repairs and maintenance, insurance, and utilities.

General contracting and real estate services revenues for the years ended December 31, 2019, 2018, and 2017 exclude revenue related to intercompany construction contracts of $99.9 million, $134.4 million and $51.5 million, respectively, as it is eliminated in consolidation. General contracting and real estate services expenses for the years ended December 31, 2019, 2018, and 2017 exclude expenses related to intercompany construction contracts of $99.0 million, $133.4 million and $51.0 million, respectively, as it is eliminated in consolidation.

The following table reconciles net operating income to net income for the years ended December 31, 2019, 2018, and 2017 (in thousands):

	Years Ended December 31,		
	2019	2018	2017
Net operating income	$ 106,367	$ 81,084	$ 80,231
Depreciation and amortization	(54,564)	(39,913)	(37,321)
Amortization of right-of-use assets - finance leases	(377)	—	—
General and administrative expenses	(12,392)	(11,431)	(10,435)
Acquisition, development and other pursuit costs	(844)	(352)	(648)
Impairment charges	(252)	(1,619)	(110)
Gain on real estate dispositions	4,699	4,254	8,087
Interest income	23,215	10,729	7,077
Interest expense on indebtedness	(30,776)	(19,087)	(17,439)
Interest expense on finance leases	(568)	—	—
Equity in income of unconsolidated real estate entities	273	372	—
Loss on extinguishment of debt	—	(11)	(50)
Change in fair value of interest rate derivatives	(3,599)	(951)	1,127
Other income (expense), net	585	388	131
Income tax benefit (provision)	491	29	(725)
Net income	$ 32,258	$ 23,492	$ 29,925

General and administrative expenses represent costs not directly associated with the operation and management of the Company's real estate properties and general contracting and real estate services businesses. General and administrative expenses include corporate office personnel salaries and benefits, bank fees, accounting fees, legal fees, and other corporate office expenses.

4. *Leases*

Lessee Disclosures

The components of lease cost for the years ended December 31, 2019, 2018, and 2017 were as follows (in thousands):

	Years Ended December 31,		
	2019	2018 [b]	2017 [b]
Operating lease cost	$ 2,700	$ 2,962	$ 2,686
Finance lease cost:			
Amortization of right-of-use assets [a]	369	—	—
Interest on lease liabilities	568	—	—

(a) Includes amortization of below-market ground lease intangible assets.
(b) All of the Company's leases were classified as operating leases prior to 2019.

The table below presents supplemental cash flow information related to leases during the years ended December 31, 2019, 2018, and 2017 (in thousands):

	Years Ended December 31,		
	2019	2018 [a]	2017 [a]
Cash paid for amounts included in the measurement of lease liabilities			
Operating cash flows from operating leases	$ 1,969	$ 2,354	$ 2,103
Operating cash flows from finance leases	533	—	—

(a) All of the Company's leases were classified as operating leases prior to 2019.

Additional information related to leases as of December 31, 2019 and 2018 were as follows:

	December 31,	
	2019	2018 [(a)]
Weighted Average Remaining Lease Term (years)		
Operating leases	45.4	46.2
Finance leases	41.2	0.0
Weighted Average Discount Rate [(b)]		
Operating leases	5.4%	—%
Finance leases	5.2%	—%

(a) All of the Company's leases were classified as operating leases prior to 2019.
(b) Prior to the adoption of ASC 842 on January 1, 2019, the use of a discount rate to calculate lease liability as the net present value of the minimum lease payments was not required.

The undiscounted cash flows to be paid on an annual basis for the next five years and thereafter are presented below. The total amount of lease payments, on an undiscounted basis, are reconciled to the lease liability, on the consolidated balance sheet by considering the present value discount.

Year Ending December 31,	Operating Leases	Finance Leases
	(in thousands)	
2020	$ 2,080	$ 864
2021	2,137	864
2022	2,361	868
2023	2,400	873
2024	2,436	888
Thereafter	103,524	43,014
Total undiscounted cash flows	114,938	47,371
Present value discount	(73,464)	(29,468)
Discounted cash flows	$ 41,474	$ 17,903

Lessor Disclosures

Rental revenue for the years ended December 31, 2019, 2018, and 2017 comprised the following (in thousands):

	Years Ended December 31,		
	2019	2018	2017
Base rent and tenant charges	$ 147,309	$ 114,012	$ 107,320
Accrued straight-line rental adjustment	3,402	2,731	1,222
Lease incentive amortization	(739)	(732)	(785)
Above/below market lease amortization	1,367	947	980
Total rental revenue	$ 151,339	$ 116,958	$ 108,737

The Company's commercial tenant leases provide for minimum rental payments during each of the next five years and thereafter as follows (in thousands):

Year Ending December 31,	Operating Leases
2020	$ 96,374
2021	90,165
2022	82,862
2023	72,673
2024	61,926
Thereafter	266,467
Total	$ 670,467

5. *Real Estate Investments and Equity Method Investments*

The Company’s real estate investments comprised the following as of December 31, 2019 and 2018 (in thousands):

	December 31, 2019			
	Income producing property	Held for development	Construction in progress	Total
Land	$ 263,258	$ 5,000	$ 7,265	$ 275,523
Land improvements	58,636	—	—	58,636
Buildings and improvements	1,138,829	—	—	1,138,829
Development and construction costs	—	—	133,336	133,336
Real estate investments	$ 1,460,723	$ 5,000	$ 140,601	$ 1,606,324

	December 31, 2018			
	Income producing property	Held for development	Construction in progress	Total
Land	$ 192,677	$ 2,994	$ 17,961	$ 213,632
Land improvements	53,521	—	—	53,521
Buildings and improvements	791,719	—	—	791,719
Development and construction costs	—	—	117,714	117,714
Real estate investments	$ 1,037,917	$ 2,994	$ 135,675	$ 1,176,586

2019 Operating Property Acquisitions

On February 6, 2019, the Company acquired an additional outparcel phase of Wendover Village in Greensboro, North Carolina for a contract price of $2.7 million plus capitalized acquisition costs of $0.1 million. This phase is leased by a single tenant.

On March 14, 2019, the Company acquired the office and retail portions of the One City Center project in Durham, North Carolina in exchange for a redemption of its 37% equity ownership in the joint venture with Austin Lawrence Partners, which totaled $23.0 million as of the acquisition date, and a cash payment of $23.2 million. The Company also incurred capitalized acquisition costs of $0.1 million.

On April 24, 2019, the Company exercised its option to purchase 79% of the interests in the partnership that owns 1405 Point in exchange for extinguishing the Company's $31.3 million note receivable on the project, making a cash payment of $0.3 million, and assuming a loan payable of $64.9 million, which was recorded at its fair value of $65.8 million. The Company also incurred capitalized acquisition costs of $0.1 million.

On May 23, 2019, the Company acquired Red Mill Commons and Marketplace at Hilltop from Venture Realty Group for consideration comprised of 4.1 million Class A units of limited partnership interest in the Operating Partnership

("Class A Units" or "OP Units"), the assumption of $35.7 million of mortgage debt principal, and $4.5 million in cash. The negotiated price was $105.0 million, which contemplated the price of the Company's common stock of $15.55 per share when the purchase and sale agreement was executed. The aggregate acquisition cost was $109.3 million, which consisted of 4.1 million Class A Units valued at $68.1 million (using the price of the Company's common stock of $16.50 on the date of the acquisition), mortgage debt valued at $35.6 million, cash consideration of $4.5 million, and capitalized acquisition costs of $1.1 million. In connection with the acquisition, the Company and the Operating Partnership entered into a tax protection agreement with the contributors pursuant to which the Company and the Operating Partnership agreed, subject to certain exceptions, to indemnify the contributors for up to 10 years against certain tax liabilities incurred by them, if such liabilities result from a transaction involving a direct or indirect taxable disposition of either or both of these properties or if the Operating Partnership fails to maintain and allocate to the contributors for taxation purposes minimum levels of Operating Partnership liabilities.

On June 26, 2019, the Company acquired Thames Street Wharf, a Class A office building located in the Harbor Point development of Baltimore, Maryland, for $101.0 million in cash and $0.3 million of capitalized acquisition costs.

The following table summarizes the purchase price allocation (including acquisition costs) based on the relative fair value of the assets acquired and intangible liabilities assumed for the six operating properties acquired during the year ended December 31, 2019 (in thousands):

	Wendover Village additional outparcel	One City Center	1405 Point	Red Mill Commons	Marketplace at Hilltop	Thames Street Wharf
Land	$ 1,633	$ 2,678	$ — (a)	$ 44,252	$ 2,023 (b)	$ 15,861
Site improvements	50	163	298	2,558	691	150
Building and improvements	888	28,039	92,866	27,790	19,195	64,539
Furniture and fixtures	—	—	2,302	—	—	—
In-place leases	101	15,140	3,371	9,973	4,565	24,385
Above-market leases	111	—	—	1,463	599	—
Below-market leases	—	—	—	(6,221)	(1,136)	(3,636)
Finance lease liabilities	—	—	(8,671)	—	(9,200)	—
Finance lease right-of-use assets	—	—	11,730 (a)	—	12,770 (b)	—
Net assets acquired	$ 2,783	$ 46,020	$ 101,896	$ 79,815	$ 29,507	$ 101,299

(a) Land is subject to a ground lease.
(b) Portion of land is subject to a ground lease.

2018 Operating Property Acquisitions

On January 9, 2018, the Company acquired Indian Lakes Crossing, a Harris Teeter-anchored shopping center in Virginia Beach, Virginia, for a contract price of $14.7 million plus capitalized acquisition costs of $0.2 million.

On January 29, 2018, the Company acquired Parkway Centre, a newly developed Publix-anchored shopping center in Moultrie, Georgia, for total consideration of $11.3 million (comprised of $9.6 million in cash and $1.7 million in the form of Class A Units) plus capitalized acquisition costs of $0.3 million.

On August 28, 2018, the Company acquired Lexington Square, a newly developed Lowes Foods-anchored shopping center in Lexington, South Carolina, for a purchase price of $27.0 million, consisting of cash consideration of $24.2 million and $2.8 million of additional consideration in the form of Class A Units issued during 2019. As part of this transaction, the Company also capitalized acquisition costs of $0.4 million.

The following table summarizes the purchase price allocation (including acquisition costs) based on relative fair value of the assets acquired and liabilities assumed for the three operating properties purchased during the year ended December 31, 2018 (in thousands):

	Indian Lakes Crossing	Parkway Centre	Lexington Square
Land	$ 10,926	$ 1,372	$ 3,036
Site improvements	531	696	7,396
Building and improvements	1,913	7,168	10,387
In-place leases	1,648	2,346	4,113
Above-market leases	11	—	89
Below-market leases	(175)	(10)	(447)
Net assets acquired	$ 14,854	$ 11,572	$ 24,574

2017 Operating Property Acquisitions

On July 25, 2017, the Company acquired an outparcel phase of Wendover Village in Greensboro, North Carolina for a contract price of $14.3 million plus capitalized acquisition costs of $0.1 million. The following table summarizes the purchase price allocation, including acquisition costs, for this property (in thousands):

Land	$ 5,550
Site improvements	232
Building and improvements	6,977
In-place leases	1,382
Above-market leases	327
Below-market leases	(50)
Net assets acquired	$ 14,418

Other 2019 Real Estate Transactions

On April 1, 2019, the Company sold Waynesboro Commons for a sale price of $1.1 million. There was no gain or loss recognized on the disposition.

On August 15, 2019, the Company sold Lightfoot Marketplace for a sale price of $30.3 million. The gain on disposition was $4.5 million. In conjunction with this sale, the Company paid off the $17.9 million note payable secured by this property. The Company retained the interest rate swap associated with the note payable.

On October 15, 2019, the Company entered into an operating agreement with a partner to develop a mixed-use project in Roswell, Georgia. The Company has an 80% interest in the partnership. On October 25, 2019, the partnership, 1023 Roswell, LLC, purchased land for a purchase price of $5.0 million in cash for this project. The Company is responsible for funding the equity requirements of this development, including the $5.0 million purchase of the land. Management has concluded that this entity is a VIE as it lacks sufficient equity to fund its operations without additional financial support. The Company is the developer of the project and has the power to direct the activities of the project that most significantly impact its performance and is the party most closely associated with the project. Therefore, the Company is the project's primary beneficiary and consolidates the project in its consolidated financial statements.

Subsequent to December 31, 2019

On January 10, 2020, the Company purchased land in Charlotte, North Carolina for a purchase price of $6.3 million for the development of a mixed-use property.

Other 2018 Real Estate Transactions

On November 30, 2017, the Company entered into a lease agreement with Bottling Group, LLC for a new distribution facility that the Company developed and constructed. On January 29, 2018, the Company acquired undeveloped land in Chesterfield, Virginia, a portion of which serves as the site for this facility, for a contract price of $2.4 million plus capitalized acquisition costs of $0.1 million. On December 20, 2018, the Company sold the completed facility for $25.9 million, resulting in a gain of $3.4 million.

On January 18, 2018, the Company entered into an operating agreement with a partner to develop a Lowes Foods-anchored shopping center in Mount Pleasant, South Carolina. The Company has a 70% ownership interest in the partnership. The partnership, Market at Mill Creek Partners, LLC, acquired undeveloped land on February 16, 2018 for a contract price of $2.9 million plus capitalized acquisition costs of $0.1 million. The Company is responsible for funding the equity requirements of this development. Management has concluded that this entity is a VIE as it lacks sufficient equity to fund its operations without additional financial support. The Company was the developer of the shopping center and has the power to direct the activities of the project that most significantly impact its performance and is the party most closely associated with the project. Therefore, the Company is the project's primary beneficiary and consolidates the project in its consolidated financial statements.

On April 2, 2018, the Company acquired undeveloped land in Newport News, Virginia for less than $0.1 million. This land parcel was used in the development of the Brooks Crossing Office property.

On May 24, 2018, the Company completed the sale of the Wawa outparcel at Indian Lakes Crossing for a contract price of $4.4 million. There was no gain or loss on the disposition.

On July 2, 2018, the Company executed a ground lease for the site of a new mixed-use development project at Wills Wharf, a site in the Harbor Point area of Baltimore, Maryland. The lease has an initial term of five years and includes ten extension options of seven years each.

On December 31, 2018, the Company sold the leasehold interest in the building previously leased by Home Depot at Broad Creek Shopping Center for $2.4 million, resulting in a gain on sale of $0.8 million.

Other 2017 Real Estate Transactions

On January 4, 2017, the Company acquired undeveloped land in Charleston, South Carolina for a contract price of $7.1 million plus capitalized acquisition costs of $0.2 million. The Company used the land for the development of the Hoffler Place property.

On January 20, 2017, the Company completed the sale of the Wawa outparcel at Greentree Shopping Center. Net proceeds after transaction costs were $4.4 million. The gain on the disposition was $3.4 million.

On July 11, 2017, the Company acquired undeveloped land in Charleston, South Carolina for a contract price of $7.2 million plus capitalized acquisition costs of $0.1 million. The Company is using the land for the development of the Summit Place property.

On July 13, 2017, the Company completed the sale of two office properties leased by the Commonwealth of Virginia in Chesapeake, Virginia and Virginia Beach, Virginia. Aggregate net proceeds from the dispositions of the properties after transaction costs and repayment of the loan associated with the Chesapeake, Virginia property were $7.9 million, and the aggregate gain on the dispositions was $4.2 million.

On August 10, 2017, the Company completed the sale of a land outparcel at Sandbridge Commons. Net proceeds after transaction costs and a partial loan paydown were $0.3 million. The gain on the disposition was $0.5 million.

Equity Method Investments

One City Center

On February 25, 2016, the Company acquired a 37% interest in One City Center, a joint venture with Austin Lawrence Partners, for purposes of developing a 22-story mixed-use tower in Durham, North Carolina. The Company was a minority partner in the joint venture and served as the project's general contractor. During the years ended

December 31, 2019, 2018 and 2017, the Company invested $0.5 million, $7.3 million and $11.2 million, respectively, in One City Center.

For the period from January 1, 2019 to March 13, 2019, One City Center had operating income of $0.3 million allocated to the Company. For the year ended December 31, 2018, One City Center had operating income of $0.4 million allocated to the Company. For the year ended December 31, 2017, One City Center had no operating activity, and therefore the Company received no allocated income.

On March 14, 2019, the Company acquired the office and retail portions of One City Center in exchange for its 37% equity ownership in the joint venture and a cash payment of $23.2 million.

6. *Notes Receivable*

The Company had the following loans receivable outstanding as of December 31, 2019 and December 31, 2018 ($ in thousands):

	Outstanding loan amount				
Development Project	**December 31, 2019**	**December 31, 2018**	**Maximum loan commitment**	**Interest rate**	**Interest compounding**
1405 Point	$ —	$ 30,238	$ 31,032	8.0%	Monthly
The Residences at Annapolis Junction	40,049	36,361	48,105	10.0%	Monthly
North Decatur Square	—	18,521	29,673	15.0%	Annually
Delray Plaza	12,995	7,032	15,000	15.0%	Annually
Nexton Square	15,097	14,855	17,000	10.0% (b)	Monthly
Interlock Commercial	59,224	18,269	95,000	15.0%	None
Solis Apartments at Interlock	25,588	13,821	41,100	13.0%	Annually
Total mezzanine	152,953	139,097	$ 276,910		
Other notes receivable	1,147	1,275			
Notes receivable guarantee premium	5,271	2,800			
Notes receivable discount, net (a)	—	(4,489)			
Total notes receivable	$ 159,371	$ 138,683			

(a) Represents the remaining unamortized portion of the $5.0 million loan modification fee for The Residences at Annapolis Junction paid by the borrower in November 2018.
(b) The interest rate was 15% until October 1, 2019.

Interest on the mezzanine loans is accrued and funded utilizing the interest reserves for each loan, which are components of the respective maximum loan commitments, and such accrued interest is added to the loan receivable balances. The Company recognized interest income for the years ended December 31, 2019, 2018, and 2017 as follows (in thousands):

	Years Ended December 31,		
Development Project	**2019**	**2018**	**2017**
1405 Point	$ 783	$ 2,080	$ 1,741
The Residences at Annapolis Junction	8,776 (a)	4,939 (a)	4,132
North Decatur Square	1,509	2,212	1,035
Delray Plaza	1,622	928	163
Nexton Square	1,962	235	—
Interlock Commercial	6,142 (b)	202	—
Solis Apartments at Interlock	2,333	55	—
Total mezzanine	23,127	10,651	7,071
Other interest income	88	78	6
Total interest income	$ 23,215	$ 10,729	$ 7,077

(a) Includes amortization of the $5.0 million loan modification fee paid by the borrower in November 2018. Additionally, the 2019 amount includes $0.5 million of interest income recognition relating to an exit fee that is due upon repayment of the loan.
(b) Includes $0.6 million of interest income recognition relating to an exit fee that is due upon repayment of the loan.

Based upon current information, there are no loans for which it is no longer probable that the Company will be able to collect all contractual amounts then due from the borrower. As of December 31, 2019 and 2018, there was no allowance for loan losses. During the years ended December 31, 2019, 2018, and 2017, there was no provision for loan losses recorded for any of the Company's notes receivable.

1405 Point

On October 15, 2015, the Company entered into a note receivable with a maximum principal balance of $28.2 million for the 1405 Point project in the Harbor Point area of Baltimore, Maryland (also known as Point Street Apartments).

On April 24, 2019, the Company exercised its option to purchase 79% of the interest in the partnership that owns 1405 Point in exchange for extinguishing its note receivable on the project and a cash payment of $0.3 million. The Company consolidated the project in its consolidated financial statements for the year ended December 31, 2019. The project was acquired subject to a loan payable of $64.9 million.

The Residences at Annapolis Junction

On April 21, 2016, the Company entered into a note receivable with a maximum principal balance of $48.1 million in the Annapolis Junction residential component of the Annapolis Junction Town Center project in Maryland ("Annapolis Junction"). Annapolis Junction is an apartment development project with 416 residential units. It is part of a mixed-use development project that is also planned to have 17,000 square feet of retail space and a 150-room hotel. Annapolis Junction Apartments Owner, LLC ("AJAO") is the developer of the residential component and engaged the Company to serve as construction general contractor for the residential component. Annapolis Junction opened during 2017 and 2018 and is currently in lease-up.

AJAO secured a senior construction loan of up to $60.0 million to fund the development and construction of Annapolis Junction's residential component on September 30, 2016. The Company agreed to guarantee up to $25.0 million of the senior construction loan in exchange for the option to purchase up to an 88% controlling interest in Annapolis Junction upon completion of the project as follows: (i) an option to purchase an 80% indirect interest in Annapolis Junction's residential component for 91% of the lesser of the seller’s budgeted or actual cost, exercisable within one year from the project’s completion (the "First Option") and (ii) provided that the Company exercised the First Option, an option to purchase an additional 8% indirect interest in Annapolis Junction for 9% of the lesser of the seller’s actual or budgeted cost, exercisable within 27 months from the project’s completion (the "Second Option"). Interest on the AJAO loan accrues at 10.0% per annum.

On November 16, 2018, AJAO refinanced the senior construction loan with a one year senior loan of $83.0 million. This senior loan includes two six-month extension options subject to minimum debt yields and minimum debt service coverage ratios. Concurrent with the refinancing of the senior construction loan, the Company agreed to modify the mezzanine loan receivable with AJAO as follows:

- The Company agreed to guarantee $8.3 million of the new senior loan;
- The Company agreed to extend the maturity of the mezzanine loan, which will mature concurrently with the new senior loan;
- The Company terminated its rights under the purchase options;
- AJAO paid a modification fee of $5.0 million;
- AJAO will pay an exit fee of $3.0 million upon full repayment of the loan; and
- AJAO paid down $11.1 million of the outstanding mezzanine loan balance, which was comprised of a $9.9 million payment of accrued interest and a $1.2 million payment of principal.

The fee of $5.0 million paid by AJAO was accounted for as a loan discount that was recognized as interest income over the one year loan term from November 2018 to November 2019 using the effective interest method. On December 1, 2019, the first six-month extension option for the senior loan was exercised, and the Company's mezzanine loan was extended in tandem. AJAO will pay an exit fee of $3.0 million upon full repayment of the loan, which is being recognized through the current remaining term of the loan as interest income using the effective interest method.

Management has concluded that this entity is a VIE. Because AJAO is the developer of Annapolis Junction, the Company does not have the power to direct the activities of the project that most significantly impact its performance. Therefore, the Company is not the project's primary beneficiary and does not consolidate the project in its consolidated financial statements.

North Decatur Square

On May 15, 2017, the Company invested in the development of an estimated $34.0 million Whole Foods-anchored center located in Decatur, Georgia. The Company's investment was in the form of a mezzanine loan of up to $21.8 million to the developer, North Decatur Square Holdings, LLC ("NDSH"). Interest on the loan had accumulated at a rate of 15.0% per annum. During 2018, this loan was modified to increase the maximum amount of the loan to $29.7 million due to an increase in the square footage of the Whole Foods store.

On July 22, 2019, the borrower paid off the North Decatur Square note receivable in full. The Company received the outstanding principal and interest in the amount of $20.0 million.

Delray Plaza

On October 27, 2017, the Company invested in the development of an estimated $20.0 million Whole Foods-anchored center located in Delray Beach, Florida. The Company's investment was in the form of a mezzanine loan of up to $13.1 million to the developer, Delray Plaza Holdings, LLC ("DPH"). The Company has agreed to guarantee payment of up to $4.8 million of the senior construction loan. On January 8, 2019, this loan was modified to increase the maximum amount of the loan to $15.0 million and the payment guarantee amount increased to $5.2 million. The mezzanine loan bears interest at a rate of 15.0% per annum. The note matures on the earliest of (i) October 27, 2020, (ii) the date of any sale or refinance of the development project, or (iii) the disposition or change in control of the development project.

Management has concluded that this entity is a VIE. Because DPH is the developer of Delray Plaza, the Company does not have the power to direct the activities of the project that most significantly impact its performance. Therefore, the Company is not the project's primary beneficiary and does not consolidate the project in its consolidated financial statements.

Nexton Square

On August 31, 2018, the Company financed a $2.2 million bridge loan to SC Summerville Brighton, LLC ("Brighton"), the developer of Nexton Square, a shopping center development project located in Summerville, South Carolina. The shopping center may comprise as many as 16 buildings. On November 7, 2018, the Company increased the maximum loan amount to $4.9 million. This loan was subsequently modified as described below.

On December 4, 2018, the Company entered into a mezzanine loan agreement with Brighton, which provides for a maximum capacity of $17.0 million. The previous loan was repaid from proceeds of the mezzanine loan. This note originally bore interest at a rate of 15% per annum which decreased to 10.0% upon completion of certain portions of the project. The modified note matures on the earliest of (i) December 4, 2020, (ii) the maturity date of the senior construction loan, including any extension options available and exercised under that loan, or (iii) the date of any sale, transfer, or refinancing of the project.

The Company agreed to guarantee 50% of the senior construction loan in exchange for the option to purchase the property upon completion according to a predetermined formula, which is primarily dependent upon Brighton's leasing activities and the extent to which Brighton elects to complete all or a portion of the total planned space, if applicable, in response to leasing activities.

On February 8, 2019, Brighton closed on a senior construction loan with a maximum borrowing capacity of $25.2 million. Brighton used proceeds from its original draw in part to repay $2.1 million of the mezzanine loan. Upon the closing of this senior construction loan, the Company entered into a payment guarantee for $12.6 million of the senior loan.

Management has concluded that this entity is a VIE. Because Brighton is the developer of Nexton Square, the Company does not have the power to direct the activities of the project that most significantly impact its performance. Therefore, the Company is not the project's primary beneficiary and does not consolidate the project in its consolidated financial statements.

Interlock Commercial

In October 2018, the Company financed a bridge loan with a maximum commitment of $4.0 million to The Interlock, LLC ("Interlock"), the developer of the office and retail components of The Interlock, a new mixed-use public-private partnership with Georgia Tech in West Midtown Atlanta. This loan was subsequently modified as described below.

On December 21, 2018, the Company entered into a mezzanine loan agreement with Interlock for a maximum principal amount of $67.0 million and a total maximum commitment, including accrued interest reserves, of $95.0 million. The previous loan was repaid from proceeds of the mezzanine loan. The mezzanine loan bears interest at a rate of 15.0% per annum and matures at the earlier of (i) 24 months after the original maturity date or earlier termination date of the senior construction loan or (ii) any sale, transfer, or refinancing of the project. In the event that the maturity date is established as being 24 months after the original maturity date or earlier termination date of the senior construction loan, Interlock will have the right to extend the maturity date for 5 years.

On April 19, 2019, the borrower executed its senior construction loan, and the Company's payment guarantee of up to $30.7 million became effective. See Note 15 for additional information. See Note 18 for additional discussion.

Management has concluded that this entity is a VIE. Because Interlock is the developer of The Interlock, the Company does not have the power to direct the activities of the project that most significantly impact its performance. Therefore, the Company is not the project's primary beneficiary and does not consolidate the project in its consolidated financial statements.

Solis Apartments at Interlock

On December 21, 2018, the Company entered into a mezzanine loan agreement with Interlock Mezz Borrower, LLC ("Solis Interlock"), the developer of Solis Apartments at Interlock, which is the apartment component of The Interlock. The mezzanine loan has a maximum principal commitment of $25.2 million and a total maximum commitment, including accrued interest reserves, of $41.1 million. The mezzanine loan bears interest at a rate of 13.0% per annum and matures on the earlier of (a) the later of (i) December 21, 2021 or (ii) the maturity date or earlier termination date of the senior construction loan, including any extensions of the senior construction loan, or (b) the date of any sale of the project or refinance of the loan.

Management has concluded that this entity is a VIE. Because Solis Interlock is the developer of Solis Apartments at Interlock, the Company does not have the power to direct the activities of the project that most significantly impact its performance. Therefore, the Company is not the project's primary beneficiary and does not consolidate the project in its consolidated financial statements.

Guarantee liabilities

As of December 31, 2019, the Company had outstanding payment guarantees for the senior loans on Residences at Annapolis Junction, Delray Plaza, Nexton Square, and Interlock Commercial as described above. As of December 31, 2019 and 2018, the Company has recorded a guarantee liability of $5.3 million and $2.8 million, respectively, representing their unamortized fair value. These guarantees are classified as other liabilities on the Company's consolidated balance sheets, with a corresponding adjustment to the notes receivable balance on the consolidated balance sheets. See Note 18 for additional information on the Company's outstanding guarantees.

7. *Construction Contracts*

Construction contract costs and estimated earnings in excess of billings represent reimbursable costs and amounts earned under contracts in progress as of the balance sheet date. Such amounts become billable according to contract terms, which usually consider the passage of time, achievement of certain milestones, or completion of the project. The Company expects to bill and collect substantially all construction contract costs and estimated earnings in excess of billings as of December 31, 2019 during the year ending December 31, 2020.

Billings in excess of construction contract costs and estimated earnings represent billings or collections on contracts made in advance of revenue recognized.

The following table summarizes the changes to the balances in the Company’s construction contract costs and estimated earnings in excess of billings account and the billings in excess of construction contract costs and estimated earnings account for the year ended December 31, 2019 and 2018 (in thousands):

	Year ended December 31, 2019		Year ended December 31, 2018	
	Construction contract costs and estimated earnings in excess of billings	**Billings in excess of construction contract costs and estimated earnings**	**Construction contract costs and estimated earnings in excess of billings**	**Billings in excess of construction contract costs and estimated earnings**
Beginning balance	$ 1,358	$ 3,037	$ 245	$ 3,591
Revenue recognized that was included in the balance at the beginning of the period	—	(3,037)	—	(3,591)
Increases due to new billings, excluding amounts recognized as revenue during the period	—	6,283	—	4,243
Transferred to receivables	(2,557)	—	(245)	—
Construction contract costs and estimated earnings not billed during the period	249	—	352	—
Changes due to cumulative catch-up adjustment arising from changes in the estimate of the stage of completion	1,199	(977)	1,006	(1,206)
Ending balance	$ 249	$ 5,306	$ 1,358	$ 3,037

The Company defers pre-contract costs when such costs are directly associated with specific anticipated contracts and their recovery is probable. Pre-contract costs of $0.9 million and $1.4 million were deferred as of December 31, 2019 and 2018, respectively. Amortization of pre-contract costs for the years ended December 31, 2019 and 2018 was $0.6 million and less than $0.1 million, respectively.

Construction receivables and payables include retentions—amounts that are generally withheld until the completion of the contract or the satisfaction of certain restrictive conditions such as fulfillment guarantees. As of December 31, 2019 and 2018, construction receivables included retentions of $9.0 million and $8.5 million, respectively. The Company expects to collect substantially all construction receivables as of December 31, 2019 during the year ending December 31, 2020. As of December 31, 2019 and 2018, construction payables included retentions of $18.0 million and $21.6 million, respectively. The Company expects to pay substantially all construction payables as of December 31, 2019 during the year ending December 31, 2020.

The Company’s net position on uncompleted construction contracts comprised the following as of December 31, 2019 and 2018 (in thousands):

	December 31,	
	2019	2018
Costs incurred on uncompleted construction contracts	$ 695,564	$ 594,006
Estimated earnings	24,553	20,375
Billings	(725,174)	(616,060)
Net position	$ (5,057)	$ (1,679)
Construction contract costs and estimated earnings in excess of billings	$ 249	$ 1,358
Billings in excess of construction contract costs and estimated earnings	(5,306)	(3,037)
Net position	$ (5,057)	$ (1,679)

The Company's balances and changes in construction contract price allocated to unsatisfied performance obligations (backlog) for each of the three years ended December 31, 2019, 2018 and 2017 were as follows (in thousands):

	Years Ended December 31,		
	2019	2018	2017
Beginning backlog	$ 165,863	$ 49,167	$ 217,718
New contracts/change orders	182,495	192,852	25,224
Work performed	(105,736)	(76,156)	(193,775)
Ending backlog	**$ 242,622**	**$ 165,863**	**$ 49,167**

The Company expects to complete a majority of the uncompleted contracts as of December 31, 2019 during the next 12 to 18 months.

8. *Indebtedness*

The Company’s indebtedness comprised the following as of December 31, 2019 and 2018 (dollars in thousands):

	Principal Balance		Interest Rate [(a)]	Maturity Date
	December 31,		December 31,	
	2019	2018	2019	
Secured Debt				
North Point Center Note 1 [(b)]	$ —	$ 9,352	6.45%	February 5, 2019
Lightfoot Marketplace [(c)]	—	10,500	LIBOR + 1.75%	October 12, 2023
Hoffler Place [(d)]	29,059	11,445	LIBOR + 3.24%	January 1, 2021
Summit Place [(d)]	28,824	11,057	LIBOR + 3.24%	January 1, 2021
Southgate Square	20,562	21,442	LIBOR + 1.60%	April 29, 2021
Encore Apartments [(e)]	24,842	24,966	3.25%	September 10, 2021
4525 Main Street [(e)]	31,876	32,034	3.25%	September 10, 2021
Red Mill West	11,296	—	4.23%	June 1, 2022
Thames Street Wharf	70,000	—	LIBOR + 1.30%	June 26, 2022
Hanbury Village	18,515	19,019	3.78%	August 15, 2022
Marketplace at Hilltop	10,517	—	4.42%	October 1, 2022
1405 Point	53,000	—	LIBOR + 2.25%	January 1, 2023
Socastee Commons	4,567	4,671	4.57%	January 6, 2023
Sandbridge Commons	8,020	8,258	LIBOR + 1.75%	January 17, 2023
Wills Wharf	29,154	—	LIBOR + 2.25%	June 26, 2023
249 Central Park Retail [(f)]	16,828	17,045	LIBOR + 1.60% [(g)]	August 10, 2023
Fountain Plaza Retail [(f)]	10,127	10,257	LIBOR + 1.60% [(g)]	August 10, 2023
South Retail [(f)]	7,388	7,483	LIBOR + 1.60% [(g)]	August 10, 2023
One City Center	25,286	—	LIBOR + 1.85%	April 1, 2024
Red Mill Central	2,538	—	4.80%	June 17, 2024
Premier Apartments [(h)]	16,750	12,873	LIBOR + 1.55%	October 31, 2024
Premier Retail [(h)]	8,250	6,341	LIBOR + 1.55%	October 31, 2024
Red Mill South	6,137	—	3.57%	May 1, 2025
Brooks Crossing Office	14,411	6,910	LIBOR + 1.60%	July 1, 2025
Market at Mill Creek	14,727	7,283	LIBOR + 1.55%	July 12, 2025
Johns Hopkins Village	51,800	52,708	LIBOR + 1.25% [(g)]	August 7, 2025
North Point Center Note 2	2,214	2,346	7.25%	September 15, 2025
Lexington Square	14,696	14,940	4.50%	September 1, 2028
Red Mill North	4,394	—	4.73%	December 31, 2028
Greenside Apartments	34,000	25,902	3.17%	December 15, 2029
Smith's Landing	18,174	18,985	4.05%	June 1, 2035
Liberty Apartments	14,165	14,437	5.66%	November 1, 2043
The Cosmopolitan	43,702	44,468	3.35%	July 1, 2051
Total secured debt	**$ 645,819**	**$ 394,722**		
Unsecured Debt				
Senior unsecured revolving credit facility	110,000	126,000	LIBOR+1.30%-1.85%	January 24, 2024
Senior unsecured term loan	44,500	80,000	LIBOR+1.25%-1.80%	January 24, 2025
Senior unsecured term loan	160,500	100,000	LIBOR+1.25%-1.80% [(g)]	January 24, 2025
Total unsecured debt	**$ 315,000**	**$ 306,000**		
Total principal balances	**$ 960,819**	**$ 700,722**		
Unamortized fair value adjustments	(878)	(1,173)		
Unamortized debt issuance costs	(9,404)	(5,310)		
Indebtedness, net	**$ 950,537**	**$ 694,239**		

(a) LIBOR rate is determined by individual lenders.
(b) On January 31, 2019, North Point Note 1 was paid off.
(c) On August 15, 2019, Lightfoot Note was paid off upon the sale of the property.
(d) Cross collateralized.

(e) Cross collateralized.
(f) Cross collateralized.
(g) Includes debt subject to interest rate swap agreements.
(h) Cross collateralized.

The Company’s indebtedness was comprised of the following fixed and variable-rate debt as of December 31, 2019 and 2018 (in thousands):

	December 31,	
	2019	2018
Fixed-rate debt	$ 488,276	$ 348,426
Variable-rate debt	472,543	352,296
Total principal balance	$ 960,819	$ 700,722

Certain loans require the Company to comply with various financial and other covenants, including the maintenance of minimum debt coverage ratios. As of December 31, 2019, the Company was in compliance with all loan covenants.

Scheduled principal repayments and maturities during each of the next five years and thereafter are as follows (in thousands):

Year Ending December 31,	Scheduled Principal Payments	Maturities	Total Payments
2020	$ 10,191	$ —	$ 10,191
2021	10,914	132,124	143,038
2022	9,683	106,691	116,374
2023	7,752	124,677	132,429
2024	6,982	157,978	164,960
Thereafter	72,749	321,078	393,827
Total	$ 118,271	$ 842,548	$ 960,819

Credit Facility

On October 3, 2019, the Operating Partnership entered into an amended and restated credit agreement (the "credit agreement"), which provides for a $355.0 million credit facility comprised of a $150.0 million senior unsecured revolving credit facility (the "revolving credit facility") and a $205.0 million senior unsecured term loan facility (the "term loan facility" and, together with the revolving credit facility, the "credit facility"), with a syndicate of banks. The amended credit facility replaces the prior $150.0 million revolving credit facility, which was scheduled to mature on October 26, 2021, and the prior $205.0 million term loan facility, which was scheduled to mature on October 26, 2022.

The credit facility includes an accordion feature that allows the total commitments to be increased to $700.0 million, subject to certain conditions, including obtaining commitments from any one or more lenders. The revolving credit facility has a scheduled maturity date of January 24, 2024, with two six-month extension options, subject to certain conditions, including payment of a 0.075% extension fee at each extension. The term loan facility has a scheduled maturity date of January 24, 2025.

The revolving credit facility bears interest at LIBOR (the London Inter-Bank Offered Rate) plus a margin ranging from 1.30% to 1.85%, and the term loan facility bears interest at LIBOR plus a margin ranging from 1.25% to 1.80%, in each case depending on the Company's total leverage. The Company is also obligated to pay an unused commitment fee of 15 or 25 basis points on the unused portions of the commitments under the revolving credit facility, depending on the amount of borrowings under the credit facility. As of December 31, 2019, the interest rates on the revolving credit facility and the term loan facility were 3.26% and 3.21%, respectively. If the Company attains investment grade credit ratings from S&P and Moody’s, the Operating Partnership may elect to have borrowings become subject to interest rates based on such credit ratings. The Company may, at any time, voluntarily prepay any loan under the credit facility in whole or in part without premium or penalty.

The Operating Partnership is the borrower under the credit facility, and its obligations under the credit facility are guaranteed by the Company and certain of its subsidiaries that are not otherwise prohibited from providing such guaranty. The credit agreement contains customary representations and warranties and financial and other affirmative and negative covenants. The Company's ability to borrow under the credit facility is subject to ongoing compliance with a number of financial covenants, affirmative covenants, and other restrictions. The credit agreement includes customary events of default, in certain cases subject to customary cure periods. The occurrence of an event of default, if not cured within the applicable cure period, would permit the lenders to, among other things, declare the unpaid principal, accrued and unpaid interest, and all other amounts payable under the credit facility to be immediately due and payable.

The Company is currently in compliance with all covenants under the credit agreement.

Other 2019 Financing Activity

On January 31, 2019, the Company paid off North Point Center Note 1.

On March 11, 2019, the Company received $7.4 million of additional funding on the loan secured by Lightfoot Marketplace. On August 15, 2019, the Company sold the property and paid off the outstanding balance of $17.9 million. The Company retained the interest rate swap associated with the loan.

On March 14, 2019, the Company obtained a loan secured by One City Center in the amount of $25.6 million in conjunction with the acquisition of this property. This loan may be increased to $27.6 million subject to certain conditions. The loan bears interest at a rate of LIBOR plus a spread of 1.85% and will mature on April 1, 2024.

On April 24, 2019, the Company exercised its option to purchase 79% of the partnership that owns 1405 Point in exchange for extinguishing its note receivable on the project and a cash payment of $0.3 million. The project was acquired subject to a loan payable of $64.9 million, which was recorded at its fair value of $65.8 million. On December 27, 2019, the Company extended and modified the 1405 Point loan. The Company decreased the balance on the loan to $53.0 million by paying the balance of $12.3 million. The loan matures on January 1, 2023 and bears interest at a rate of LIBOR plus a spread of 2.25%; this spread will decrease to 2.00% upon achieving Debt Yield of 8.5% and further to 1.75% upon achieving Debt Yield of 9.5% (as defined in the loan agreement).

On May 23, 2019, the Company assumed notes payable in connection with the acquisition of Red Mill Commons and Marketplace at Hilltop with outstanding principal balances of $24.9 million and $10.8 million, respectively. The following table summarizes the note balance at assumption, fair value at assumption, maturity date, and interest rate for each loan ($ in thousands):

Loan name	Note balance at assumption	Fair value of loan at assumption	Loan maturity date	Loan interest rate
Red Mill North	$ 4,451	$ 4,520	12/31/2028	4.73%
Red Mill South	6,310	6,090	5/1/2025	3.57%
Red Mill Central	2,640	2,690	6/17/2024	4.80%
Red Mill West	11,548	11,540	6/1/2022	4.23%
Marketplace at Hilltop	10,740	10,790	10/1/2022	4.42%
	$ 35,689	$ 35,630		

On June 26, 2019, the Company obtained a loan secured by Thames Street Wharf in the amount of $70.0 million in conjunction with the acquisition of this property. The loan bears interest at a rate of LIBOR plus a spread of 1.30% and will mature on June 26, 2022.

On June 26, 2019, the Company entered into a $76.0 million syndicated construction loan facility for the Wills Wharf development project in Baltimore, Maryland. The facility bears interest at a rate of LIBOR plus a spread of 2.25% during construction activities and will mature on June 26, 2023.

On October 29, 2019, the Company extended and modified the Premier loan. The Company increased the balance on the loan to $25.0 million by receiving additional proceeds of $2.7 million. The loan bears interest at a rate of LIBOR plus a spread of 1.55% and will mature on October 31, 2024.

On December 12, 2019, the Company refinanced the Greenside loan. The Company increased the balance to $34.0 million by receiving additional proceeds of $5.1 million. The loan bears interest at a rate of 3.17% and will mature on December 15, 2029.

During the year ended December 31, 2019, the Company borrowed $96.3 million under its construction loans to fund development and construction.

Subsequent to December 31, 2019

Borrowings under the revolving credit facility were $130.0 million on February 20, 2020.

Other 2018 Financing Activity

On January 22, 2018, the Company extended and modified the Sandbridge Commons note. The note bears interest at a rate of LIBOR plus a spread of 1.75% and will mature on January 17, 2023.

On March 27, 2018, the Company paid off Columbus Village Note 1 and Columbus Village Note 2 in full for an aggregate amount of $8.3 million.

On May 31, 2018, the Company modified the Southgate Square note. The principal amount of the note was increased to $22.0 million, and the note now bears interest at a rate of LIBOR plus a spread of 1.60%. This note will still mature on April 29, 2021.

On June 1, 2018, the Company entered into a $16.3 million construction loan for the River City industrial facility in Chesterfield, Virginia. The loan bore interest at a rate of LIBOR plus a spread of 1.50%. On December 20, 2018, the Company sold the completed facility and paid the loan in full.

On June 14, 2018, the Company extended and modified the note secured by 249 Central Park Retail, Fountain Plaza Retail, and South Retail. The principal amount of the note was increased to $35.0 million. The note bears interest at a rate of LIBOR plus a spread of 1.60% and will mature on August 10, 2023.

On June 29, 2018, the Company entered into a $15.6 million construction loan for the Brooks Crossing Office development project. The loan bears interest at a rate of LIBOR plus a spread of 1.60% and will mature on July 1, 2025.

On July 12, 2018, the Company entered into a $16.2 million construction loan for the Market at Mill Creek development project in Mt. Pleasant, South Carolina. The loan bears interest at a rate of LIBOR plus a spread of 1.55% and will mature on July 12, 2025.

On July 27, 2018, the Company paid off the Johns Hopkins Village note and entered into a new loan. The principal amount of the new loan is $53.0 million. The loan bears interest at a rate of LIBOR plus a spread of 1.25% and will mature on August 7, 2025. The Company simultaneously entered into an interest rate swap agreement that effectively fixes the interest rate at 4.19% for the term of the loan.

On August 28, 2018, the Company entered into a $15.0 million note secured by the newly acquired Lexington Square shopping center. The note bears interest at a rate of 4.50% and will mature on September 1, 2028.

On October 12, 2018, the Company extended and modified the note secured by Lightfoot Marketplace. The Company borrowed an initial tranche of $10.5 million on this note, which bore interest at a rate of LIBOR plus a spread of 1.75%. The Company simultaneously entered into an interest rate swap agreement that effectively fixed the interest rate of the initial tranche at 4.77% per annum. On March 11, 2019, the Company received $7.4 million of additional funding under this note. On August 15, 2019, the Company paid off the $17.9 million outstanding balance of the note in conjunction with the sale of the property.

During the year ended December 31, 2018, the Company borrowed $86.9 million under its existing construction loans to fund new development and construction and repaid $10.5 million in conjunction with the sale of the River City industrial facility.

Other 2017 Financing Activity

On February 1, 2017, the Company paid off the North Point Center Note 5 in full for $0.6 million.

On February 24, 2017, the Company secured a $29.8 million construction loan for the Greenside project in Charlotte, North Carolina.

On April 7, 2017, the Company paid off the Harrisonburg Regal note in full for $3.2 million.

On April 19, 2017, the Company entered into a second amendment to the credit agreement for the Lightfoot Marketplace loan, which amended certain definitions and covenant requirements.

On June 29, 2017, the Company secured a $27.9 million construction loan for the Premier Apartments project in Virginia Beach, Virginia.

On July 13, 2017, the Company paid off the remaining balance of $4.9 million for the note secured by the Commonwealth of Virginia building in Chesapeake, Virginia in conjunction with the sale of this property.

On August 9, 2017, the Company refinanced the Hanbury Village note. The new note matures in August 2022 and has a fixed annual interest rate of 3.78%.

On August 10, 2017, the Company paid off $0.7 million of the Sandbridge Commons note in conjunction with the sale of a land outparcel at this property.

On September 1, 2017, the Company entered into a modification of The Cosmopolitan note, which reduced the interest rate from 3.75% to 3.35%.

On October 13, 2017, the Company paid down $5.0 million of the Liberty Apartments note.

On November 1, 2017, the Company extended the Lightfoot construction loan after paying the balance down to $10.5 million and paying an extension fee.

On December 28, 2017, the Company secured a $66.5 million construction loan for the 595 King Street and 530 Meeting Street development projects.

During the year ended December 31, 2017, the Company borrowed $8.9 million under its construction loans to fund new development and construction.

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9. *Derivative Financial Instruments*

During the three years ended December 31, 2019, the Company had the following LIBOR interest rate caps, which are not designated as cash flow hedges for accounting purposes ($ in thousands):

Origination Date	Expiration Date	Notional Amount	Strike Rate	Premium Paid
10/26/2015	10/15/2017	$ 75,000	1.25%	$ 137
2/25/2016	3/1/2018	75,000	1.50%	57
6/17/2016	6/17/2018	70,000	1.00%	150
2/7/2017	3/1/2019	50,000	1.50%	187
6/23/2017	7/1/2019	50,000	1.50%	154
9/18/2017	10/1/2019	50,000	1.50%	199
11/28/2017	12/1/2019	50,000	1.50%	359
3/7/2018	4/1/2020	50,000	2.25%	310
7/16/2018	8/1/2020	50,000	2.50%	319
12/11/2018	1/1/2021	50,000	2.75%	210
5/15/2019	6/1/2022	100,000	2.50%	288
				$ 2,370

As of December 31, 2019, the Company held the following floating-to-fixed interest rate swaps ($ in thousands):

Related Debt	Notional Amount		Index	Swap Fixed Rate	Debt effective rate	Effective Date	Expiration Date
Senior unsecured term loan	$ 50,000		1-month LIBOR	2.00%	3.45%	3/1/2016	2/20/2020
Senior unsecured term loan	50,000		1-month LIBOR	2.78%	4.23%	5/1/2018	5/1/2023
John Hopkins Village	51,800	(a)	1-month LIBOR	2.94%	4.19%	8/7/2018	8/7/2025
Senior unsecured term loan	10,500	(a)(b)	1-month LIBOR	3.02%	4.47%	10/12/2018	10/12/2023
249 Central Park Retail, South Retail, and Fountain Plaza Retail	34,342	(a)	1-month LIBOR	2.25%	3.85%	4/1/2019	8/10/2023
Senior unsecured term loan	50,000	(a)	1-month LIBOR	2.26%	3.71%	4/1/2019	10/26/2022
Total	$ 246,642						

(a) Designated as a cash flow hedge.
(b) Prior to August 15, 2019, this swap was used as a hedge for the cash flows for the loan secured by Lightfoot Marketplace.

For the interest rate swaps designated as cash flow hedges, realized losses are reclassified out of accumulated other comprehensive loss to interest expense in the Consolidated Statements of Comprehensive Income due to payments made to the swap counterparty. During the next 12 months, the Company anticipates reclassifying approximately $1.4 million of net hedging losses from accumulated other comprehensive loss into earnings to offset the variability of the hedged items during this period.

The Company's derivatives comprised the following as of December 31, 2019 and 2018 (in thousands):

	December 31, 2019			December 31, 2018		
		Fair Value			Fair Value	
	Notional Amount	Asset	Liability	Notional Amount	Asset	Liability
Derivatives not designated as accounting hedges						
Interest rate swaps	$ 100,000	$ —	$ (1,992)	$ 100,000	$ 303	$ (749)
Interest rate caps	250,000	25	—	350,000	1,790	—
Total derivatives not designated as accounting hedges	350,000	25	(1,992)	450,000	2,093	(749)
Derivatives designated as accounting hedges						
Interest rate swaps	146,642	—	(5,728)	63,208	—	(1,725)
Total derivatives	$ 496,642	$ 25	$ (7,720)	$ 513,208	$ 2,093	$ (2,474)

The changes in the fair value of the Company's derivatives during the years ended December 31, 2019, 2018, and 2017 was as follows (in thousands):

	Years Ended December 31,		
	2019	2018	2017
Interest rate swaps	$ (6,050)	$ (2,281)	$ 770
Interest rate caps	(2,053)	(564)	357
Total change in fair value of interest rate derivatives	$ (8,103)	$ (2,845)	$ 1,127
Comprehensive income statement presentation:			
Change in fair value of interest rate derivatives	$ (3,599)	$ (951)	$ 1,127
Unrealized cash flow hedge losses	(4,504)	(1,894)	—
Total change in fair value of interest rate derivatives	$ (8,103)	$ (2,845)	$ 1,127

Subsequent to December 31, 2019

On January 10, 2020, the Company entered into a LIBOR interest rate cap agreement on a notional amount of $50.0 million at a strike rate of 1.75% for a premium of $0.1 million. The interest rate cap agreement will expire on February 1, 2022.

On January 28, 2020, the Company entered into an additional LIBOR interest rate cap agreement on a notional amount of $50.0 million at a strike rate of 1.75% for a premium of $0.1 million. The interest rate cap agreement will expire on February 1, 2022.

10. Equity

Stockholders' Equity

As of December 31, 2019 and 2018, the Company's authorized capital was 500 million shares of common stock and 100 million shares of preferred stock. The Company had 56.3 million and 50.0 million shares of common stock issued and outstanding as of December 31, 2019 and 2018, respectively. The Company had 2.5 million shares of its Series A Preferred Stock (as defined below) issued and outstanding as of December 31, 2019. No shares of preferred stock were issued and outstanding as of December 31, 2018.

On May 4, 2016, the Company commenced an at-the-market continuous equity offering program (the "2016 ATM Program") through which the Company was able to, from time to time, issue and sell shares of its common stock having an aggregate offering price of up to $75.0 million. During the year ended December 31, 2017, the Company issued and sold 450,890 shares of common stock at a weighted average price of $14.08 per share under the 2016 ATM Program, receiving net proceeds after offering costs and commissions of $6.2 million.

On May 12, 2017, the Company completed an underwritten public offering of 6,900,000 shares of common stock at a public offering price of $13.00 per share, which resulted in net proceeds after offering costs and commissions of $85.3 million.

On February 26, 2018, the Company commenced an at-the-market continuous equity offering program (the "2018 ATM Program") through which the Company may, from time to time, issue and sell shares of its common stock. Upon commencing the 2018 ATM Program, the Company simultaneously terminated the 2016 ATM Program. On August 6, 2019, the Company entered into amendments (the "Amendments") to the separate sales agreements related to the 2018 ATM Program, which, among other things, increased the aggregate offering price of shares of the Company's common stock under the ATM Program from $125.0 million to $180.7 million. During the years ended December 31, 2019 and 2018, the Company issued and sold 5,871,519 and 4,617,409 shares of common stock at a weighted average price of $16.76 and $14.39 per share under the 2018 ATM Program, receiving net proceeds after offering costs and commissions of $97.0 million and $65.2 million, respectively.

On June 18, 2019, the Company issued 2,530,000 shares of its 6.75% Series A Cumulative Redeemable Perpetual Preferred Stock, $0.01 par value per share ("Series A Preferred Stock"), with a liquidation preference of $25.00 per share, which included 330,000 shares issued upon the underwriters' full exercise of their option to purchase additional shares. Net proceeds from the offering, after the underwriting discount but before offering expenses payable by the Company, were approximately $61.3 million. The Company used the net proceeds to fund a portion of the purchase price of Thames Street Wharf, a 263,426 square foot office building located in the Harbor Point neighborhood of Baltimore, Maryland. The balance of the net proceeds was used to repay a portion of the outstanding borrowings under the Company's unsecured revolving credit facility and for general corporate purposes.

In connection with the issuance of the Series A Preferred Stock, on June 18, 2019, the Operating Partnership issued to the Company 2,530,000 6.75% Series A Cumulative Redeemable Perpetual Preferred Units (the "Series A Preferred Units"), which have economic terms that are identical to the Company's Series A Preferred Stock. The Series A Preferred Units were issued in exchange for the Company's contribution of the net proceeds from the offering of the Series A Preferred Stock to the Operating Partnership.

Dividends on the Series A Preferred Stock are payable quarterly in arrears on or about the 15th day of each January, April, July and October. The first dividend on the Series A Preferred Stock was paid on October 15, 2019. The Series A Preferred Stock does not have a stated maturity date and is not subject to any sinking fund or mandatory redemption provisions. Upon liquidation, dissolution or winding up, the Series A Preferred Stock will rank senior to the Company's common stock with respect to the payment of distributions and other amounts. Except in instances relating to preservation of the Company's qualification as a REIT or pursuant to the Company's special optional redemption right, the Series A Preferred Stock is not redeemable prior to June 18, 2024. On and after June 18, 2024, the Company may, at its option, redeem the Series A Preferred Stock, in whole, at any time, or in part, from time to time, for cash at a redemption price of $25.00 per share, plus any accrued and unpaid dividends (whether or not declared) to, but excluding, the redemption date.

Upon the occurrence of a change of control (as defined in the articles supplementary designating the terms of the Series A Preferred Stock), the Company has a special optional redemption right that enables it to redeem the Series A Preferred Stock, in whole or in part and within 120 days after the first date on which a change of control has occurred resulting in neither the Company nor the surviving entity having a class of common stock listed on the New York Stock Exchange, NYSE American, or NASDAQ or the acquisition of beneficial ownership of its stock entitling a person to exercise more than 50% of the total voting power of all our stock entitled to vote generally in election of directors. The special optional redemption price is $25.00 per share, plus any accrued and unpaid dividends (whether or not declared) to, but excluding, the date of redemption.

Upon the occurrence of a change of control, holders will have the right (unless the Company has elected to exercise its special optional redemption right to redeem their Series A Preferred Stock) to convert some or all of such holder's Series A Preferred Stock into a number of shares of the Company's common stock equal to the lesser of:

- the quotient obtained by dividing (i) the sum of the $25.00 liquidation preference plus the amount of any accrued and unpaid distributions to, but not including, the change of control conversion date (unless the change of control conversion date is after a record date for a Series A Preferred Stock distribution payment and prior to the corresponding Series A Preferred Stock distribution payment date, in which case no additional amount for such accrued and unpaid distribution will be included in this sum) by (ii) the Common Stock Price (as defined in the articles supplementary designating the terms of the Series A Preferred Stock); and

- 2.97796 (i.e., the Share Cap), subject to certain adjustments;

subject, in each case, to certain adjustments and provisions for the receipt of alternative consideration of equivalent value as described in the articles supplementary designating the terms of the Series A Preferred Stock.

Redeemable Noncontrolling Interests

The former noncontrolling interest holder of Johns Hopkins Village had an option to redeem the 20% noncontrolling interest in that entity. The noncontrolling interest of $2.0 million was included in temporary equity. On December 21, 2017, the Company redeemed the noncontrolling interest for a cash payment of $2.0 million and contingent future consideration of $0.5 million to be paid in Class A Units of the Operating Partnership upon the satisfaction of certain conditions. On April 17, 2018, the Operating Partnership issued 36,684 Class A Units valued at $13.77 per unit due to the satisfaction of these conditions.

Noncontrolling Interests

As of December 31, 2019 and 2018, the Company held a 72.6% and 74.5% common interest in the Operating Partnership, respectively. As of December 31, 2019, the Company also held a preferred interest in the Operating Partnership in the form of preferred units with a liquidation preference of $63.3 million. The Company is the primary beneficiary of the Operating Partnership as it has the power to direct the activities of the Operating Partnership and the rights to absorb 72.6% of the net income of the Operating Partnership. As the primary beneficiary, the Company consolidates the financial position and results of operations of the Operating Partnership. Noncontrolling interests in the Company represent units of limited partnership interest in the Operating Partnership not held by the Company. As of December 31, 2019, there were 21,272,962 Class A Units of limited partnership interest in the Operating partnership not held by the Company. The Company's financial position and results of operations are the same as those of the Operating Partnership.

Additionally, the Operating Partnership owns a majority interest in certain non-wholly-owned operating and development properties. The noncontrolling interest for investment entities of $4.5 million relates to the minority partners' interest in certain joint venture entities as of December 31, 2019, including 1405 Point and Hoffler Place. The noncontrolling interest for the consolidated entities under development or construction was zero as of December 31, 2018.

As partial consideration for Columbus Village, the Operating Partnership issued 1,000,000 class B units of limited partnership interest in the Operating Partnership ("Class B Units") on July 10, 2015 and issued 275,000 class C units of limited partnership interest in the Operating Partnership ("Class C Units") on January 10, 2017. The Class B Units were automatically converted to Class A Units on July 10, 2017. The Class C Units were automatically converted to Class A Units on January 10, 2018.

As partial consideration for the acquisition of Parkway Centre, the Operating Partnership issued 117,228 Class A Units on January 29, 2018.

On April 17, 2018, the Operating Partnership issued 36,684 Class A Units to the former noncontrolling interest holder of John Hopkins Village due to the satisfaction of a contingent event that was part of the redemption of its redeemable noncontrolling interest in Johns Hopkins Village in December 2017.

On January 2, 2019, due to the holders of Class A Units tendering an aggregate of 118,471 Class A Units for redemption by the Operating Partnership, the Company elected to satisfy the redemption requests through the issuance of an equal number of shares of common stock.

On May 23, 2019, the Operating Partnership issued 4,125,759 Class A Units valued at $68.1 million in connection with the acquisitions of Red Mill Commons and Marketplace at Hilltop.

On May 30, 2019, the Operating Partnership issued 60,000 Class A Units valued at $1.0 million in exchange for the remaining 35% ownership interest in Brooks Crossing Office, which was previously owned by Tidewater Partners.

On July 1, 2019, due to the holders of Class A Units tendering an aggregate of 125,118 Class A Units for redemption by the Operating Partnership, the Company elected to satisfy the redemption requests through the issuance of an equal number of shares of common stock.

On August 20, 2019, the Operating Partnership issued 40,864 Class A Units valued at $0.7 million due to the satisfaction of certain leasing requirements associated with the 2018 acquisition of Lexington Square.

On September 20, 2019, the Operating Partnership issued 73,666 Class A Units valued at $1.3 million upon the satisfaction of certain leasing and development requirements associated with the 2016 acquisition of Southgate Square.

On October 1, 2019, due to a holder of Class A Units tendering 4,896 Class A Units for redemption by the Operating Partnership, the Company elected to satisfy the redemption request through the issuance of an equal number of shares of common stock.

On December 16, 2019, the Operating Partnership issued additional 110,754 Class A Units valued at $2.1 million due to the satisfaction of certain leasing requirements associated with the 2018 acquisition of Lexington Square.

Holders of OP Units may not transfer their units without the Company's prior consent as general partner of the Operating Partnership. Subject to the satisfaction of certain conditions, holders of Class A Units may tender their units for redemption by the Operating Partnership in exchange for cash equal to the market price of shares of the Company's common stock at the time of redemption or, at the Company's option and sole discretion, for unregistered or registered shares of common stock on a one-for-one basis. Accordingly, the Company presents OP Units of the Operating Partnership not held by the Company as noncontrolling interests within equity in the consolidated balance sheets.

Dividends and Class A Unit Distributions

During the years ended December 31, 2019, 2018, and 2017, the Company declared dividends per common share and distributions per unit of $0.84, $0.80, and $0.76, respectively. During the years ended December 31, 2019, 2018, and 2017, these common stock dividends totaled $45.4 million, $38.7 million, and $31.1 million, respectively, and these Operating Partnership distributions totaled $16.9 million, $13.8 million, and $12.6 million, respectively.

The tax treatment of dividends paid to common stockholders during the years ended December 31, 2019, 2018, and 2017 was as follows (unaudited):

	Years ended December 31,		
	2019	2018	2017
Capital gains	10.62%	9.49%	9.06%
Ordinary income	68.83%	63.40%	71.59%
Return of capital	20.55%	27.11%	19.35%
Total	100.00%	100.0%	100.0%

During the year ended December 31, 2019 the Company declared dividends of $0.970315 per share to holders of Series A Preferred Stock totaling $2.5 million. The Company did not have dividends for preferred shares during the years ended December 31, 2018 and 2017.

Subsequent to December 31, 2019

On January 2, 2020, the Company paid cash dividends of $11.8 million to common stockholders and the Operating Partnership paid cash distributions of $4.5 million to holders of Class A Units. These dividends and distributions were declared and accrued as of December 31, 2019.

On January 15, 2020, the Company paid cash dividends of $1.1 million to the holders of the Series A Preferred Stock. These dividends were declared and accrued as of December 31, 2019.

On February 20, 2020, the Company announced that its Board of Directors declared a cash dividend of $0.22 per common share for the first quarter of 2020. This represents a 4.8% increase over the prior quarter's cash dividend. The first quarter dividend will be payable in cash on April 2, 2020 to stockholders of record on March 25, 2020.

On February 20, 2020, the Company announced that its Board of Directors declared a cash dividend of $0.421875 per share of Series A Preferred Stock for the first quarter of 2020. The dividend will be payable in cash on April 15, 2020 to stockholders of record on April 1, 2020.

11. Stock-Based Compensation

The Company's Amended and Restated 2013 Equity Incentive Plan (the "Equity Plan") permits the grant of restricted stock awards, stock options, stock appreciation rights, performance units, and other equity-based awards up to an aggregate of 1,700,000 shares of common stock. As of December 31, 2019, the Company had 890,990 shares of common stock reserved for issuance under the Equity Plan.

During the years ended December 31, 2019, 2018, and 2017, the Company granted an aggregate of 154,030, 164,241 and 118,361 shares of restricted stock to employees and nonemployee directors, respectively. The grant date fair value of the restricted stock awards granted during the years ended December 31, 2019, 2018, and 2017 was $2.4 million, $2.2 million and $1.7 million, respectively. Employee restricted stock awards generally vest over a period of two years: one-third immediately on the grant date and the remaining two-thirds in equal amounts on the first two anniversaries following the grant date, subject to continued service to the Company. Nonemployee director restricted stock awards vest either immediately upon grant or over a period of one year, subject to continued service to the Company. Unvested restricted stock awards are entitled to receive dividends from their grant date.

During the years ended December 31, 2019, 2018, and 2017, the Company recognized $2.4 million, $2.0 million and $1.5 million of stock-based compensation, respectively. As of December 31, 2019, the total unrecognized compensation cost related to nonvested restricted shares was $0.1 million, substantially all of which the Company expects to recognize over the next 15 months.

Compensation cost relating to stock-based compensation for the years ended December 31, 2019, 2018, and 2017 was recorded as follows (in thousands):

	Years Ended December 31,		
	2019	2018	2017
General and administrative expense	$ 1,211	$ 1,073	$ 977
General contracting and real estate services expenses	402	213	335
Capitalized in conjunction with development projects	746	661	408
Total stock-based compensation cost	$ 2,359	$ 1,947	$ 1,720

The following table summarizes the changes in the Company's nonvested restricted stock awards during the year ended December 31, 2019:

	Restricted Stock Awards	Weighted Average Grant Date Fair Value Per Share
Nonvested as of January 1, 2019	125,229	$ 13.68
Granted	154,030	15.43
Vested	(134,346)	14.39
Forfeited	(961)	14.24
Nonvested as of December 31, 2019	143,952	$ 14.88

Restricted stock awards granted and vested during the year ended December 31, 2019 include 19,245 shares tendered by employees to satisfy minimum statutory tax withholding obligations.

12. *Fair Value of Financial Instruments*

Fair value measurements are based on assumptions that market participants would use in pricing an asset or a liability. The hierarchy for inputs used in measuring fair value is as follows:

Level 1 Inputs — quoted prices in active markets for identical assets or liabilities

Level 2 Inputs — observable inputs other than quoted prices in active markets for identical assets and liabilities

Level 3 Inputs — unobservable inputs

Except as disclosed below, the carrying amounts of the Company's financial instruments approximate their fair values. Financial assets and liabilities whose fair values are measured on a recurring basis using Level 2 inputs consist of interest rate swaps and caps. The Company measures the fair values of these assets and liabilities based on prices provided by independent market participants that are based on observable inputs using market-based valuation techniques.

Financial assets and liabilities whose fair values are not measured at fair value but for which the fair value is disclosed include the Company's notes receivable and indebtedness. The fair value is estimated by discounting the future cash flows of each instrument at estimated market rates consistent with the maturity, credit characteristics, and other terms of the arrangements, which are Level 3 inputs under the fair value hierarchy.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. For disclosure purposes, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement.

Considerable judgment is used to estimate the fair value of financial instruments. The estimates of fair value presented herein are not necessarily indicative of the amounts that could be realized upon disposition of the financial instruments.

The carrying amounts and fair values of the Company's financial instruments as of December 31, 2019 and 2018 were as follows (in thousands):

	December 31,			
	2019		2018	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Indebtedness, net	$ 950,537	$ 958,421	$ 694,239	$ 688,437
Notes receivable	159,371	159,371	138,683	138,683
Interest rate swap liabilities	7,720	7,720	2,474	2,474
Interest rate swap and cap assets	25	25	2,093	2,093

13. *Income Taxes*

The income tax benefit (provision) for the years ended December 31, 2019, 2018, and 2017 comprised the following (in thousands):

	Years Ended December 31,		
	2019	2018	2017
Federal income taxes:			
Current	$ 430	$ (14)	$ (516)
Deferred	(20)	37	(131)
State income taxes:			
Current	85	(1)	(62)
Deferred	(4)	7	(16)
Income tax benefit (provision)	$ 491	$ 29	$ (725)

The legislation commonly known as the Tax Cuts and Jobs Act (the "Tax Act") was enacted on December 22, 2017. The Tax Act reduced the U.S. federal corporate tax rate from 35% to 21% (including with respect to taxable REIT subsidiaries), resulting in the Company's remeasuring its existing deferred tax balances. In addition, generally beginning in 2018, the Tax Act alters the deductibility of certain items (e.g., interest expense) and allows the cost of certain qualifying capital asset investments to be deducted fully in the year they were purchased, subject to a phase-down of the deduction percentage over time. The provisional amounts recorded in the year ended December 31, 2017 related to the remeasurement of the deferred tax balance was approximately $0.2 million of tax expense.

As of December 31, 2019 and 2018, the Company had $0.9 million and $0.4 million, respectively, of net deferred tax assets representing net operating losses of the TRS that are being carried forward and basis differences in the assets of the TRS. The deferred tax assets are presented within other assets in the consolidated balance sheets.

Management has evaluated the Company’s income tax positions and concluded that the Company has no uncertain income tax positions as of December 31, 2019 and 2018. The Company is generally subject to examination by the applicable taxing authorities for the tax years 2016 through 2019. The Company does not currently have any ongoing tax examinations by taxing authorities.

14. *Other Assets*

Other assets were comprised of the following as of December 31, 2019 and 2018 (in thousands):

	December 31,	
	2019	2018
Leasing costs, net	$ 11,357	$ 10,881
Leasing incentives, net	2,855	3,592
Interest rate swaps and caps	25	2,093
Prepaid expenses and other	12,192	9,836
Preacquisition and predevelopment costs	6,472	1,214
Other assets	$ 32,901	$ 27,616

15. *Other Liabilities*

Other liabilities were comprised of the following as of December 31, 2019 and 2018 (in thousands):

	December 31, 2019	December 31, 2018
Dividends and distributions payable	$ 17,477	$ 13,527
Deferred ground rent payable [(a)]	—	9,287
Acquired lease intangibles, net	21,300	12,678
Prepaid rent and other	8,604	3,509
Security deposits	2,673	1,927
Interest rate swaps	7,720	2,475
Guarantee Liability	5,271	2,800
Other liabilities	$ 63,045	$ 46,203

(a) Effective with the adoption of ASC 842 on January 1, 2019, deferred ground rent payable is included in operating lease right-of-use assets on the consolidated balance sheets.

16. *Acquired Lease Intangibles*

The following table summarizes the Company's acquired lease intangibles as of December 31, 2019 (in thousands):

	December 31, 2019		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
In-place lease assets	$ 112,555	$ 47,341	$ 65,214
Above-market lease assets	7,039	3,551	3,488
Below-market ground lease assets			
Below-market operating ground lease assets	1,920	352	1,568
Below-market finance ground lease assets	6,629	102	6,527
Below-market lease liabilities	29,575	8,275	21,300

The following table summarizes the Company's acquired lease intangibles as of December 31, 2018 (in thousands):

	December 31, 2018		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
In-place lease assets	$ 57,689	$ 32,370	$ 25,319
Above-market lease assets	4,917	2,676	2,241
Below-market ground lease assets			
Below-market operating ground lease assets	1,920	299	1,621
Below-market finance ground lease assets [(a)]	—	—	—
Below-market lease liabilities	18,692	6,014	12,678

(a) All of the Company's leases were classified as Operating Leases prior to 2019.

During the years ended December 31, 2019, 2018, and 2017, the Company recognized the following amortization of intangible lease assets and liabilities (in thousands):

	Years Ended December 31,		
	2019	2018	2017
Intangible lease assets			
In-place lease assets	$ 14,971	$ 7,676	$ 9,732
Above-market lease assets	875	753	783
Below-market ground lease assets			
Amortization of below-market operating ground lease assets [a]	53	53	53
Amortization of below-market finance ground lease assets [a][b]	102	—	—
Intangible lease liabilities			
Below-market lease liabilities	2,261	1,754	1,762

(a) Prior to 2019, Amortization of Below Market Ground Leases was included in Rental Expenses. With the adoption of ASC 842 on 1/1/2019, Amortization of below market ground rents became a component of the amortization of the right-of-use assets of Operating and Finance Leases, respectively.
(b) All of the Company's leases were classified as Operating Leases prior to 2019.

As of December 31, 2019, the weighted-average remaining lives of in-place lease assets, above-market lease assets, below-market lease liabilities, below-market ground lease assets - operating and below-market ground lease assets - finance were 7.8 years, 5.2 years, 11.5 years, 29.5 years, and 41.2 years, respectively. As of December 31, 2019, the weighted-average remaining life of below-market lease renewal options was 12.2 years.

Estimated amortization of acquired lease intangibles for each of the five succeeding years is as follows (in thousands):

	Rental Revenues	Depreciation and Amortization
Year ending December 31,		
2020	$ 1,522	$ 12,360
2021	1,545	9,858
2022	1,552	8,312
2023	1,413	6,823
2024	1,411	5,609

17. Related Party Transactions

The Company provides general contracting and real estate services to certain related party entities that are included in these consolidated financial statements. Revenue from construction contracts with related party entities of the Company was $5.7 million, $1.5 million and $7.6 million for the years ended December 31, 2019, 2018, and 2017, respectively. Gross profits from such contracts were $0.2 million, $0.3 million and $0.4 million for the years ended December 31, 2019, 2018, and 2017, respectively. As of December 31, 2019 and 2018, there was $1.9 million and $0.2 million, respectively, outstanding from related parties of the Company included in net construction receivables. Real estate services fees from affiliated entities of the Company were not material for any of the years ended December 31, 2019, 2018, and 2017. In addition, affiliated entities also reimburse the Company for monthly maintenance and facilities management services provided to the properties. Cost reimbursements earned by the Company from affiliated entities were not material for any of the years ended December 31, 2019, 2018, and 2017.

The general contracting services described above include contracts with an aggregate price of $79.3 million with the developer of a mixed-use project, including an apartment building, retail space, and a parking garage to be located in Virginia Beach, Virginia. The developer is owned in part by executives of the Company, not including the Chief Executive Officer and Chief Financial Officer. These contracts were executed in October and December 2019 and are projected to result in aggregate gross profit of $3.0 million to the Company, representing a gross profit margin of 4.0%. As part of these contracts and per the requirements of the lender for this project, the Company issued a letter of credit for $9.5 million to secure certain performances of the Company's subsidiary construction company under the contracts, which remains outstanding as of December 31, 2019.

18. Commitments and Contingencies

Legal Proceedings

The Company is from time to time involved in various disputes, lawsuits, warranty claims, environmental and other matters arising in the ordinary course of its business. Management makes assumptions and estimates concerning the likelihood and amount of any potential loss relating to these matters.

The Company currently is a party to various legal proceedings, none of which management expects will have a material adverse effect on the Company's financial position, results of operations, or liquidity. Management accrues a liability for litigation if an unfavorable outcome is determined to be probable and the amount of loss can be reasonably estimated. If an unfavorable outcome is determined by management to be probable and a range of loss can be reasonably estimated, management accrues the best estimate within the range; however, if no amount within the range is a better estimate than any other, the minimum amount within the range is accrued. Legal fees related to litigation are expensed as incurred. Management does not believe that the ultimate outcome of these matters, either individually or in the aggregate, could have a material adverse effect on the Company's financial position or results of operations; however, litigation is subject to inherent uncertainties.

Under the Company's leases, tenants are typically obligated to indemnify the Company from and against all liabilities, costs, and expenses imposed upon or asserted against it as owner of the properties due to certain matters relating to the operation of the properties by the tenant.

Guarantees

In connection with the Company's mezzanine lending activities, the Company has made guarantees to pay portions of certain senior loans of third parties associated with the development projects. The following table summarizes the payment guarantees made by the Company as of December 31, 2019 (in thousands):

	Payment guarantee amount
The Residences at Annapolis Junction	$ 8,300
Delray Plaza	5,180
Nexton Square	12,600
Interlock Commercial	30,654
Total	$ 56,734

Commitments

The Company has a bonding line of credit for its general contracting construction business and is contingently liable under performance and payment bonds, bonds for cancellation of mechanics liens, and defect bonds. Such bonds collectively totaled $4.3 million and $34.8 million as of December 31, 2019 and 2018, respectively. In addition, as of December 31, 2019, the Company has issued a letter of credit for $9.5 million to secure certain performances of the Company's subsidiary construction company under a related party project.

The Operating Partnership has entered into standby letters of credit related to the guarantee of future performance on certain of the Company's construction contracts. Letters of credit generally are available for draw down in the event the Company does not perform. As of December 31, 2019, the Operating Partnership had an outstanding letter of credit of $9.5 million, as noted above. As of December 31, 2018, the Operating Partnership had an outstanding letter of credit of $2.1 million related to the guarantee on the Point Street Apartments senior construction loan.

Concentrations of Credit Risk

The majority of the Company's properties are located in Hampton Roads, Virginia. For the years ended December 31, 2019, 2018, and 2017, rental revenues from Hampton Roads properties represented 48%, 53% and 53%, respectively, of the Company's rental revenues. Many of the Company's Hampton Roads properties are located in the Town Center of Virginia Beach. For the years ended December 31, 2019, 2018, and 2017, rental revenues from Town Center properties represented 31%, 38% and 38%, respectively, of the Company's rental revenues.

A group of three construction customers comprised 67%, 55%, and 41% of the Company's general contracting and real estate services revenues for the years ended December 31, 2019, 2018, and 2017, respectively. The same customers represented 66%, 28%, and 20% of the Company's general contracting and real estate services segment gross profit for the years ended December 31, 2019, 2018, and 2017, respectively.

19. *Selected Quarterly Financial Data (Unaudited)*

The following tables summarize certain selected quarterly financial data for 2019 and 2018 (in thousands, except per share data):

	2019 Quarters			
	First	Second	Third	Fourth
Rental revenues	$ 30,909	$ 36,378	$ 42,220	$ 41,832
General contracting and real estate services revenues	17,036	21,444	27,638	39,741
Net operating income	21,806	26,333	29,359	28,869
Net income	6,514	5,826	12,063	7,855
Net income attributable to common stockholders	4,884	4,412	7,079	5,223
Net income attributable to common stockholders per share (basic and diluted)	$ 0.10	$ 0.08	$ 0.13	$ 0.09

	2018 Quarters			
	First	Second	Third	Fourth
Rental revenues	$ 28,699	$ 28,598	$ 28,930	$ 30,731
General contracting and real estate services revenues	23,050	20,654	19,950	12,705
Net operating income	20,098	19,908	19,964	21,114
Net income	6,983	5,945	5,669	4,895
Net income attributable to common stockholders	5,040	4,319	4,202	3,642
Net income attributable to common stockholders per share (basic and diluted)	$ 0.11	$ 0.09	$ 0.09	$ 0.07

SCHEDULE III—Consolidated Real Estate Investments and Accumulated Depreciation
December 31, 2019

		Initial Cost		Cost Capitalized	Gross Carrying Amount					Year of
	Encumbrances	Land	Building and Improvements	Subsequent to Acquisition	Land	Building and Improvements	Total	Accumulated Depreciation	Net Carrying Amount (1)	Construction/ Acquisition
Office										
4525 Main Street	$ 31,876	$ 982	$ —	$ 46,282	$ 982	$ 46,282	$ 47,264	$ 8,097	$ 39,167	2014
Armada Hoffler Tower	— (2)	1,976	—	63,304	1,976	63,304	65,280	34,237	31,043	2002
Brooks Crossing Office	14,411	295	—	19,709	295	19,709	20,004	462	19,542	2016
One City Center	25,286	2,911	28,202	4,632	2,911	32,834	35,745	661	35,084	2018/2019
One Columbus	— (2)	960	10,269	12,009	960	22,278	23,238	11,958	11,280	1984
Thames Street Wharf	70,000	15,861	64,689	63	15,861	64,752	80,613	858	79,755	2010/2019
Two Columbus	— (2)	53	—	20,704	53	20,704	20,757	8,747	12,010	2009
Wills Wharf	29,154	—	—	84,119	—	84,119	84,119	—	84,119	2019 (4)
Total office	**$ 170,727**	**$ 23,038**	**$ 103,160**	**$ 250,822**	**$ 23,038**	**$ 353,982**	**$ 377,020**	**$ 65,020**	**$ 312,000**	
Retail										
249 Central Park Retail	$ 16,828	$ 712	$ —	$ 15,703	$ 712	$ 15,703	$ 16,415	$ 9,406	$ 7,009	2004
Alexander Pointe	— (2)	4,050	4,880	149	4,050	5,029	9,079	950	8,129	1997/2016
Apex Entertainment (Dick's)	— (2)	67	—	10,596	67	10,596	10,663	4,778	5,885	2002
Bermuda Crossroads	— (2)	5,450	10,641	1,431	5,450	12,072	17,522	2,951	14,571	2001/2013
Broad Creek Shopping Center	— (2)	—	—	9,135	—	9,135	9,135	4,327	4,808	1997-2001
Broadmoor Plaza	— (2)	2,410	9,010	966	2,410	9,976	12,386	1,843	10,543	1980/2016
Brooks Crossing Retail	—	359	—	2,334	359	2,334	2,693	229	2,464	2016
Columbus Village	— (2)	7,631	10,135	7,028	7,631	17,163	24,794	2,512	22,282	1980/2015
Columbus Village II	— (2)	14,536	10,922	64	14,536	10,986	25,522	1,364	24,158	1995/2016
Commerce Street Retail	— (2)	118	—	3,307	118	3,307	3,425	1,697	1,728	2008
Courthouse 7-Eleven	— (2)	1,007	—	1,044	1,007	1,044	2,051	217	1,834	2011
Dimmock Square	— (2)	5,100	13,126	314	5,100	13,440	18,540	2,034	16,506	1998/2014
Fountain Plaza Retail	10,127	425	—	7,251	425	7,251	7,676	3,585	4,091	2004
Gainsborough Square	— (2)	2,229	—	7,590	2,229	7,590	9,819	3,662	6,157	1999
Greentree Shopping Center	— (2)	1,103	—	4,036	1,103	4,036	5,139	888	4,251	2014
Hanbury Village	18,515 (3)	3,793	—	19,579	3,793	19,579	23,372	7,486	15,886	2006
Harper Hill Commons	— (2)	2,840	8,510	263	2,840	8,773	11,613	1,169	10,444	2004/2016
Harrisonburg Regal	—	1,554	—	4,148	1,554	4,148	5,702	2,203	3,499	1999
Indian Lakes Crossing	— (2)	7,009	2,274	30	7,009	2,304	9,313	171	9,142	2008/2018
Lexington Square	14,696	3,035	20,581	110	3,035	20,691	23,726	915	22,811	2017/2018
Market at Mill Creek	14,727	2,243	—	20,386	2,243	20,386	22,629	415	22,214	2018
Marketplace at Hilltop	10,517	2,023	19,886	35	2,023	19,921	21,944	388	21,556	2000/2019

North Hampton Market	— (2)	7,250	10,210	602	7,250	10,812	18,062	1,811	16,251	2004/2016
North Point Center	2,214 (3)	1,936	—	25,716	1,936	25,716	27,652	14,353	13,299	1998
Oakland Marketplace	— (2)	1,850	3,370	690	1,850	4,060	5,910	932	4,978	2004/2016
Parkway Centre	— (2)	1,372	7,864	105	1,372	7,969	9,341	470	8,871	2017/2018
Parkway Marketplace	— (2)	1,150	—	3,832	1,150	3,832	4,982	2,010	2,972	1998
Patterson Place	— (2)	15,059	20,180	631	15,059	20,811	35,870	2,638	33,232	2004/2016
Perry Hall Marketplace	— (2)	3,240	8,316	424	3,240	8,740	11,980	1,555	10,425	2001/2015
Premier Retail	8,250	318	—	14,216	318	14,216	14,534	434	14,100	2018
Providence Plaza	— (2)	9,950	12,369	1,454	9,950	13,823	23,773	1,904	21,869	2007/2015
Red Mill Commons	24,365 (3)	44,252	30,348	98	44,252	30,446	74,698	921	73,777	2000/2019
Renaissance Square	— (2)	6,730	8,439	186	6,730	8,625	15,355	927	14,428	2008/2016
Sandbridge Commons	8,020	4,825	—	7,332	4,825	7,332	12,157	1,500	10,657	2015
Socastee Commons	4,567	2,320	5,380	147	2,320	5,527	7,847	940	6,907	2000/2015
South Retail	7,388	190	—	8,123	190	8,123	8,313	4,527	3,786	2002
South Square	— (2)	14,130	12,670	757	14,130	13,427	27,557	1,966	25,591	1977/2016
Southgate Square	20,562	10,238	25,950	4,352	10,238	30,302	40,540	3,257	37,283	1991/2016
Southshore Shops	— (2)	1,770	6,509	84	1,770	6,593	8,363	710	7,653	2006/2016
Stone House Square	— (2)	6,360	16,350	561	6,360	16,911	23,271	2,735	20,536	2008/2015
Studio 56 Retail	— (2)	76	—	2,532	76	2,532	2,608	994	1,614	2007
Tyre Neck Harris Teeter	— (2)	—	—	3,306	—	3,306	3,306	1,255	2,051	2011
Wendover Village	— (2)	19,893	22,638	429	19,893	23,067	42,960	2,451	40,509	2004/2016-2019
Total retail	**$ 160,776**	**$220,603**	**$ 300,558**	**$ 191,076**	**$220,603**	**$ 491,634**	**$ 712,237**	**$ 101,480**	**$ 610,757**	
Multifamily										
1405 Point	$ 53,000	$ —	$ 95,466	$ 2,106	$ —	$ 97,572	$ 97,572	$ 2,109	$ 95,463	2018/2019
Encore Apartments	24,842	1,293	—	30,322	1,293	30,322	31,615	5,144	26,471	2014
Greenside Apartments	34,000	5,711	—	45,012	5,711	45,012	50,723	1,822	48,901	2018
Hoffler Place	29,059	7,401	—	39,758	7,401	39,758	47,159	486	46,673	2019
Johns Hopkins Village	51,800	—	—	69,931	—	69,931	69,931	7,711	62,220	2016
Liberty Apartments	14,165	3,580	23,494	1,883	3,580	25,377	28,957	5,146	23,811	2013/2014
Premier Apartments	16,750	647	—	29,139	647	29,139	29,786	1,171	28,615	2018
Smith's Landing	18,174	—	35,105	2,418	—	37,523	37,523	8,002	29,521	2009/2013
Summit Place	28,824	7,265	—	43,674	7,265	43,674	50,939	—	50,939	— (4)
The Cosmopolitan	43,702	985	—	66,877	985	66,877	67,862	26,647	41,215	2006
Total multifamily	**$ 314,316**	**$ 26,882**	**$ 154,065**	**$ 331,120**	**$ 26,882**	**$ 485,185**	**$ 512,067**	**$ 58,238**	**$ 453,829**	
Held for development	**$ —**	**$ 5,000**	**$ —**	**$ —**	**$ 5,000**	**$ —**	**$ 5,000**	**$ —**	**$ 5,000**	
Real estate investments	**$ 645,819**	**$275,523**	**$ 557,783**	**$ 773,018**	**$275,523**	**$ 1,330,801**	**$1,606,324**	**$ 224,738**	**$ 1,381,586**	

(1) The net carrying amount of real estate for federal income tax purposes was $1,122.8 million as of December 31, 2019.
(2) Borrowing base collateral for the credit facility as of December 31, 2019.
(3) A portion of this property is borrowing base collateral for the credit facility as of December 31, 2019.
(4) Construction in progress as of December 31, 2019.

Income producing property is depreciated on a straight-line basis over the following estimated useful lives:

Buildings	39 years
Capital improvements	5—20 years
Equipment	3—7 years
Tenant improvements	Term of the related lease (or estimated useful life, if shorter)

	Real Estate Investments		Accumulated Depreciation	
	December 31,			
	2019	2018	2019	2018
Balance at beginning of the year	$ 1,176,586	$ 994,437	$ 188,775	$ 164,521
Construction costs and improvements	143,700	144,926	—	—
Acquisitions	314,898	51,613	—	—
Dispositions	(28,117)	(11,420)	(1,818)	(5,559)
Reclassifications	(743)	(2,970)	(58)	(582)
Depreciation	—	—	37,839	30,395
Balance at end of the year	$ 1,606,324	$ 1,176,586	$ 224,738	$ 188,775

DESCRIPTION OF SECURITIES
OF ARMADA HOFFLER PROPERTIES, INC.

As of December 31, 2019, Armada Hoffler Properties, Inc. (“we,” “our” or “us”) had two classes of securities, our common stock, $0.01 par value per share (“common stock”), and our 6.75% Series A Cumulative Redeemable Perpetual Preferred Stock, $0.01 par value per share (“Series A preferred stock”), registered under Section 12 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”).

The following is a description of the rights and privileges of our common stock and of our Series A preferred stock and related provisions of our Articles of Amendment and Restatement, including any articles supplementary (our “charter”), our Amended and Restated Bylaws, as amended (our “bylaws”), and applicable Maryland law. This description is qualified in its entirety by, and should be read in conjunction with, our charter and bylaws and the applicable provisions of Maryland law.

DESCRIPTION OF COMMON STOCK

General

We are authorized to issue 600,000,000 shares of our capital stock, consisting of 500,000,000 shares of our common stock, $0.01 par value per share, and 100,000,000 shares of our preferred stock, $0.01 par value per share (“preferred stock”). Our charter authorizes our board of directors, with the approval of a majority of the entire board of directors and without any action on the part of our stockholders, to amend our charter to increase or decrease the aggregate number of authorized shares of stock or the number of authorized shares of stock of any class or series without stockholder approval. As of December 31, 2019, we had 56,277,971 shares of our common stock outstanding. Under Maryland law, stockholders generally are not liable for a corporation’s debts or obligations.

Dividends, Liquidation and Other Rights

Subject to the preferential rights, if any, of holders of any other class or series of stock and to the provisions of our charter regarding restrictions on ownership and transfer of our stock, holders of our common stock:

- have the right to receive ratably any distributions from funds legally available therefor, when, as and if authorized by our board of directors and declared by us; and

- are entitled to share ratably in the assets of our company legally available for distribution to the holders of our common stock in the event of our liquidation, dissolution or winding up of our affairs.

There are generally no redemption, sinking fund, conversion, preemptive or appraisal rights with respect to our common stock.

Voting Rights of Common Stock

Subject to the provisions of our charter regarding restrictions on ownership and transfer of our stock and except as may otherwise be specified in the terms of any class or series of stock, each outstanding share of our common stock entitles the holder to one vote on all matters submitted to a vote of stockholders, including the election of directors and, except as may be provided with respect to any other class or series of stock, the holders of such shares will possess the exclusive voting power. In uncontested elections, in which the number of director nominees equals the number of directors to be elected at the meeting, a director will be elected only by the affirmative vote of a majority of the total votes cast “for,” “against” or affirmatively withheld at a meeting of stockholders duly called and at which a quorum is present. However, in any contested election, in which the number of director nominees exceeds the number of directors to be elected at the meeting, directors will be elected by a plurality of the votes cast at a meeting of stockholders duly called and at which a quorum is present. There is no cumulative voting in the election of our directors. Consequently, at each annual meeting of stockholders, the holders of a majority of the outstanding shares of our common stock can elect all of the directors then standing for election, and the holders of the remaining shares will not be able to elect any directors.

Power to Reclassify and Issue Stock

Our board of directors may classify any unissued shares of our preferred stock, and reclassify any unissued shares of our common stock or any previously classified but unissued shares of our preferred stock into other classes or series of stock, including one or more classes or series of stock that have priority over our common stock with respect to voting rights or distributions or upon liquidation, and authorize us to issue the newly classified shares. Prior to the issuance of shares of each class or series, our board of directors is required by the Maryland General Corporation Law (the "MGCL") and our charter to set, subject to the provisions of our charter regarding the restrictions on ownership and transfer of our stock, the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications or terms or conditions of redemption for each such class or series. These actions can be taken without stockholder approval, unless stockholder approval is required by applicable law, the terms of any other class or series of our stock or the rules of any stock exchange or automated quotation system on which our stock may be then listed or quoted.

Power to Increase Authorized Stock and Issue Additional Shares of our Common Stock and Preferred Stock

Our charter authorizes our board of directors, with the approval of a majority of the entire board of directors, to amend our charter to increase or decrease the aggregate number of authorized shares of stock or the number of authorized shares of stock of any class or series without stockholder approval. We believe that the power of our board of directors to increase or decrease the number of authorized shares of stock and to classify or reclassify unissued shares of our common stock or preferred stock and thereafter to cause us to issue such shares of stock will provide us with increased flexibility in structuring possible future financings and acquisitions and in meeting other needs which might arise. The additional classes or series, as well as the additional shares of stock, will be available for future issuance without further action by our stockholders, unless such action is required by applicable law, the terms of any other class or series of stock or the rules of any stock exchange or automated quotation system on which our securities may be listed or traded. Our board of directors could authorize us to issue a class or series that could, depending upon the terms of the particular class or series, delay, defer or prevent a transaction or a change in control of our company that might involve a premium price for our stockholders or otherwise be in their best interests.

Restrictions on Ownership and Transfer

In order to qualify as a REIT under the Internal Revenue Code of 1986, as amended (the "Code"), our shares of stock must be beneficially owned by 100 or more persons during at least 335 days of a taxable year of 12 months (other than the first year for which an election to be a REIT has been made) or during a proportionate part of a shorter taxable year. Also, not more than 50% of the value of our outstanding shares of capital stock may be owned, directly or indirectly, by five or fewer individuals (as defined in the Code to include certain entities) during the last half of a taxable year (other than the first year for which an election to be a REIT has been made).

Because our board of directors believes it is at present essential for us to qualify as a REIT, among other purposes, our charter, subject to certain exceptions, contains restrictions on the number of our shares of stock that a person may own. Our charter, among other restrictions, prohibits the beneficial or constructive ownership by any person of more than 9.8% in value or in number of shares, whichever is more restrictive, of the outstanding shares of any class or series of our stock, excluding any shares that are not treated as outstanding for U.S. federal income tax purposes. Our board of directors, in its sole and absolute discretion, may exempt a person, prospectively or retroactively, from this ownership limit if certain conditions are satisfied. For a fuller description of these restrictions and the constructive ownership rules, see "Restrictions on Ownership and Transfer."

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is Broadridge Corporate Issuer Solutions, Inc.

Listing

Our common stock is listed on the NYSE under the symbol "AHH."

Certain Provisions of Maryland Law and Our Charter and Bylaws

See "Certain Provisions of Maryland Law and Our Charter and Bylaws."

DESCRIPTION OF SERIES A PREFERRED STOCK

General

As of December 31. 2019, we had 2,530,000 preferred shares classified as Series A preferred stock, with a liquidation preference of $25.00 per share, of which 2,530,000 shares of our Series A preferred stock were issued and outstanding. As of December 31, 2019, our board of directors had not established any class or series of our preferred stock other than our Series A preferred stock. Our charter and the MGCL permit us to “reopen” our Series A preferred stock without the consent of the holders of our Series A preferred stock in order to issue additional shares of Series A preferred stock. Accordingly, we may in the future issue additional shares of our Series A preferred stock without stockholder approval.

Ranking

Our Series A preferred stock ranks, with respect to dividend rights and rights upon voluntary or involuntary liquidation, dissolution or winding up of our affairs:

- senior to all classes or series of our common stock and to any other class or series of our capital stock expressly designated as ranking junior to our Series A preferred stock;

- on parity with any class or series of our capital stock expressly designated as ranking on parity with our Series A preferred stock;

- junior to any other class or series of our capital stock expressly designated as ranking senior to our Series A preferred stock, none of which exists on the date hereof.

The term “capital stock” does not include convertible or exchangeable debt securities, which, prior to conversion or exchange, rank senior in right of payment to our Series A preferred stock. Our Series A preferred stock ranks junior in right of payment to our other existing and future debt obligations.

Dividends

Subject to the preferential rights of the holders of any class or series of our capital stock ranking senior to our Series A preferred stock with respect to dividend rights, holders of shares of our Series A preferred stock are entitled to receive, when, as and if authorized by our board of directors and declared by us out of funds legally available for the payment of dividends, cumulative cash dividends at the rate of 6.75% per annum of the $25.00 liquidation preference per share of our Series A preferred stock (equivalent to the fixed annual amount of $1.6875 per share of our Series A preferred stock).

Dividends on our Series A preferred stock accrue and are cumulative from and including the date of original issue and are payable to holders quarterly in arrears on the 15th day of January, April, July and October of each year or, if such day is not a business day, on the immediately preceding business day, in each case with the same force and effect as if made on such date. The term “business day” means each day, other than a Saturday or a Sunday, which is not a day on which banks in New York are required to close.

The amount of any dividend payable on our Series A preferred stock for any partial dividend period will be prorated and computed on the basis of a 360-day year consisting of twelve 30-day months. A dividend period is the respective period commencing on and including the 15th day of January, April, July and October of each year and ending on and including the day preceding the first day of the next succeeding dividend period (other than the initial dividend period and the dividend period during which any shares of our Series A preferred stock shall be redeemed). Dividends are payable to holders of record as they appear in our stock records at the close of business on the applicable record date. The record dates for our Series A preferred stock are the first day of each January, April, July or October immediately preceding the applicable dividend payment date or, if such day is not a business day, on the immediately succeeding business day.

Dividends on our Series A preferred stock accrue whether or not:

- we have earnings;

- there are funds legally available for the payment of those dividends; or

- those dividends are authorized or declared

Except as described in the next two paragraphs, unless full cumulative dividends on our Series A preferred stock for all past dividend periods shall have been or contemporaneously are declared and paid in cash or declared and a sum sufficient for the payment thereof in cash is set apart for payment, we will not:

- declare and pay or declare and set aside for payment of dividends, and we will not declare and make any distribution of cash or other property, directly or indirectly, on or with respect to any shares of our common stock or shares of any other class or series of our capital stock ranking, as to dividends, on parity with or junior to our Series A preferred stock, for any period; or

- redeem, purchase or otherwise acquire for any consideration, or make any other distribution of cash or other property, directly or indirectly, on or with respect to, or pay or make available any monies for a sinking fund for the redemption of, any common stock or shares of any other class or series of our capital stock ranking, as to dividends and upon liquidation, on parity with or junior to our Series A preferred stock.

The foregoing sentence, however, does not prohibit:

- dividends payable solely in capital stock ranking junior to our Series A preferred stock;

- the conversion into or exchange for other shares of any class or series of capital stock ranking junior to our Series A preferred stock; and

- our purchase of shares of our Series A preferred stock, preferred stock ranking on parity with our Series A preferred stock as to payment of dividends and upon liquidation, dissolution or winding up or capital stock or equity securities ranking junior to our Series A preferred stock pursuant to our charter to the extent necessary to preserve our status as a REIT as discussed under "-Restrictions on Ownership and Transfer."

When we do not pay dividends in full (and do not set apart a sum sufficient to pay them in full) on our Series A preferred stock and the shares of any other class or series of capital stock ranking, as to dividends, on parity with our Series A preferred stock, we will declare any dividends upon our Series A preferred stock and each such other class or series of capital stock ranking, as to dividends, on parity with our Series A preferred stock pro rata, so that the amount of dividends declared per share of Series A preferred stock and such other class or series of capital stock will in all cases bear to each other the same ratio that accrued dividends per share on our Series A preferred stock and such other class or series of capital stock (which will not include any accrual in respect of unpaid dividends on such other class or series of capital stock for prior dividend periods if such other class or series of capital stock does not have a cumulative dividend) bear to each other. No interest, or sum of money in lieu of interest, will be payable in respect of any dividend payment or payments on our Series A preferred stock that may be in arrears.

Holders of shares of our Series A preferred stock are not entitled to any dividend, whether payable in cash, property or shares of capital stock, in excess of full cumulative dividends on our Series A preferred stock as described above. Any dividend payment made on our Series A preferred stock will first be credited against the earliest accrued but unpaid dividends due with respect to those shares which remain payable. Accrued but unpaid dividends on our Series A preferred stock will accumulate as of the dividend payment date on which they first become payable.

We do not intend to declare dividends on our Series A preferred stock, or pay or set apart for payment dividends on our Series A preferred stock, if the terms of any of our agreements, including any agreements relating to our indebtedness, prohibit such a declaration, payment or setting apart for payment or provide that such declaration, payment or setting apart for payment would constitute a breach of or default under such an agreement. Likewise, no dividends will be authorized by our board of directors and declared by us or paid or set apart for payment if such authorization, declaration or payment is restricted or prohibited by law.

Our revolving credit facility prohibits us from making distributions to our stockholders, or redeeming, or otherwise repurchasing shares of our capital stock, including our Series A preferred stock, after the occurrence and during the continuance of an event of default, except in limited circumstances including as necessary to enable us to maintain our qualification as a REIT and to avoid the payment of income or excise tax. Consequently, after the occurrence and during the continuance of an event of default under our revolving credit facility or term loan facility, we may not be able to pay all or a portion of the dividends payable to the holders of our Series A preferred stock or redeem all or a portion of our Series A preferred stock. In addition, in the event of a default under our revolving credit facility or term loan facility, we would be unable to borrow under such facilities and any amounts we have borrowed thereunder could become immediately due and payable. The agreements governing our future debt instruments may also include restrictions on our ability to pay dividends to holders or make redemptions of our Series A preferred stock.

Liquidation Preference

Upon any voluntary or involuntary liquidation, dissolution or winding up of our affairs, before any distribution or payment shall be made to holders of shares of our common stock or any other class or series of capital stock ranking, as to rights upon any voluntary or involuntary liquidation, dissolution or winding up of our affairs, junior to our Series A preferred stock, holders of shares of our Series A preferred stock will be entitled to be paid out of our assets legally available for distribution to our stockholders, after payment of or provision for our debts and other liabilities, a liquidation preference of $25.00 per share of Series A preferred stock, plus an amount equal to any accrued and unpaid dividends (whether or not authorized or declared) up to but excluding the date of payment. If, upon our voluntary or involuntary liquidation, dissolution or winding up, our available assets are insufficient to pay the full amount of the liquidating distributions on all outstanding shares of our Series A preferred stock and the corresponding amounts payable on all shares of each other class or series of capital stock ranking, as to rights upon liquidation, dissolution or winding up, on parity with our Series A preferred stock in the distribution of assets, then holders of shares of our Series A preferred stock and each such other class or series of capital stock ranking, as to rights upon any voluntary or involuntary liquidation, dissolution or winding up, on parity with our Series A preferred stock will share ratably in any distribution of assets in proportion to the full liquidating distributions to which they would otherwise be respectively entitled.

Holders of shares of our Series A preferred stock are entitled to written notice of any distribution in connection with any voluntary or involuntary liquidation, dissolution or winding up of our affairs not less than 30 days and not more than 60 days prior to the distribution payment date. After payment of the full amount of the liquidating distributions to which they are entitled, holders of shares of our Series A preferred stock will have no right or claim to any of our remaining assets. Our consolidation or merger with or into any other corporation, trust or other entity, or the voluntary sale, lease, transfer or conveyance of all or substantially all of our property or business, will not be deemed to constitute a liquidation, dissolution or winding up of our affairs.

In determining whether a distribution (other than upon voluntary or involuntary liquidation), by dividend, redemption or other acquisition of shares of our capital stock or otherwise, is permitted under Maryland law, amounts that would be needed, if we were to be dissolved at the time of the distribution, to satisfy the preferential rights upon dissolution of holders of shares of our Series A preferred stock will not be added to our total liabilities.

Optional Redemption

Except with respect to the special optional redemption described below and in certain limited circumstances relating to our maintenance of our ability to qualify as a REIT as described in “-Restrictions on Ownership and Transfer,” we cannot redeem our Series A preferred stock prior to June 18, 2024. On and after June 18, 2024, we may, at our option, upon not fewer than 30 and not more than 60 days’ written notice, redeem our Series A preferred stock, in whole or in part, at any time or from time to time, for cash at a redemption price of $25.00 per share, plus all accrued and unpaid dividends (whether or not authorized or declared) up to but excluding the date fixed for redemption, without interest, to the extent we have funds legally available for that purpose.

If fewer than all of the outstanding shares of our Series A preferred stock are to be redeemed, we will select the shares of our Series A preferred stock to be redeemed pro rata (as nearly as may be practicable without creating fractional shares) or by lot as we determine. If such redemption is to be by lot and, as a result of such redemption, any holder of shares of our Series A preferred stock, other than a holder of Series A preferred stock that has received an exemption from the ownership limit, would have beneficial or constructive ownership of more than 9.8% of the issued and outstanding shares of our Series A preferred stock by value or number of shares, whichever is more restrictive, because such holder’s shares of our Series A preferred stock were not redeemed, or were only redeemed in part, then, except as otherwise provided in the charter, we will redeem the requisite number of shares of our Series A preferred stock of such holder such that no holder will own in excess of the stock ownership limit subsequent to such redemption. See “-Restrictions on Ownership and Transfer.” In order for their shares of our Series A preferred stock to be redeemed, holders must surrender their shares at the place, or in accordance with the book-entry procedures, designated in the notice of redemption. Holders will then be entitled to the redemption price (including any accrued and unpaid dividends) payable upon redemption following surrender of the shares as detailed below. If a notice of redemption has been given (in the case of a redemption of our Series A preferred stock other than to preserve our status as a REIT), if the funds necessary for the redemption have been set aside by us in trust for the benefit of the holders of any shares of our Series A preferred stock called for redemption and if irrevocable instructions have been given to pay the redemption price (including any accrued and unpaid dividends), then from and after the redemption date, dividends will cease to accrue on such shares of our Series A preferred stock and such shares of our Series A preferred stock will no longer be deemed outstanding. At such time, all rights of the holders of such shares will terminate, except the right to receive the redemption price (including any accrued and unpaid dividends) payable upon redemption, without interest. So long as no dividends are in arrears and subject to the provisions of applicable law, we may from time to time repurchase all or any part of our Series A preferred stock, including the repurchase of shares of our Series A preferred stock in open-market transactions and individual purchases at such prices as we negotiate, in each case as duly authorized by our board of directors.

Unless full cumulative dividends on all shares of our Series A preferred stock have been or contemporaneously are authorized, declared and paid or declared and a sum sufficient for the payment thereof set apart for payment for all past dividend periods, no shares of our Series A preferred stock will be redeemed by us unless all outstanding shares of our Series A preferred stock are simultaneously redeemed and we will not purchase or otherwise acquire directly or indirectly any shares of our Series A preferred stock or any class or series of our capital stock ranking, as to dividends or upon liquidation, dissolution or winding up, on parity with or junior to our Series A preferred stock (except by exchange for our capital stock ranking junior to our Series A preferred stock as to dividends and upon liquidation); provided, however, that whether or not the requirements set forth above have been met, we may purchase shares of our Series A preferred stock, preferred stock ranking on parity with our Series A preferred stock as to payment of dividends and upon liquidation, dissolution or winding up or capital stock or equity securities ranking junior to our Series A preferred stock pursuant to our charter to the extent necessary to ensure that we continue to meet the requirements for qualification as a REIT for federal income tax purposes, and may purchase or acquire shares of our Series A preferred stock pursuant to a purchase or exchange offer made on the same terms to holders of all outstanding shares of our Series A preferred stock. See "-Restrictions on Ownership and Transfer" below.

We will mail notice of redemption, postage prepaid, not less than 30 nor more than 60 days prior to the redemption date, addressed to the respective holders of record of our Series A preferred stock to be redeemed at their respective addresses as they appear on our stock transfer records as maintained by the transfer agent named in "-Transfer Agent and Registrar." No failure to give such notice or any defect therein or in the mailing thereof will affect the validity of the proceedings for the redemption of any shares of our Series A preferred stock except as to the holder to whom notice was defective or not given. In addition to any information required by law or by the applicable rules of any exchange upon which our Series A preferred stock may be listed or admitted to trading, each notice will state:

- the redemption date;
- the redemption price;
- the number of shares of our Series A preferred stock to be redeemed;
- the place or places where the certificates, if any, representing shares of our Series A preferred stock are to be surrendered for payment of the redemption price;
- procedures for surrendering noncertificated shares of our Series A preferred stock for payment of the redemption price;
- that dividends on the shares of our Series A preferred stock to be redeemed will cease to accumulate on such redemption date; and
- that payment of the redemption price, including any accrued and unpaid dividends, will be made upon presentation and surrender of such Series A preferred stock.

If fewer than all of the shares of our Series A preferred stock held by any holder are to be redeemed, the notice mailed to such holder will also specify the number of shares of our Series A preferred stock held by such holder to be redeemed.

We are not required to provide such notice in the event we redeem shares of our Series A preferred stock in order to maintain our status as a REIT.

If a redemption date falls after a dividend record date and on or prior to the corresponding dividend payment date, each holder of shares of our Series A preferred stock at the close of business of such dividend record date will be entitled to the dividend payable on such shares on the corresponding dividend payment date notwithstanding the redemption of such shares on or prior to such dividend payment date and each holder of shares of our Series A preferred stock that surrenders such shares on such redemption date will be entitled to the dividends accruing after the end of the applicable dividend period, up to but excluding the redemption date. Except as described above, we will make no payment or allowance for unpaid dividends, whether or not in arrears, on Series A preferred stock for which a notice of redemption has been given.

All shares of our Series A preferred stock that we redeem or repurchase will be retired and restored to the status of authorized but unissued shares of preferred stock, without designation as to series or class.

Our revolving credit facility prohibits us from redeeming or otherwise repurchasing any shares of our capital stock, including our Series A preferred stock, after the occurrence and during the continuance of an event of default, except in limited circumstances.

Special Optional Redemption

Upon the occurrence of a Change of Control (as defined below), we may, at our option, redeem our Series A preferred stock, in whole or in part within 120 days after the first date on which such Change of Control occurred, by paying $25.00 per share, plus any accrued and unpaid dividends to, but not including, the date of redemption. If, prior to the Change of Control Conversion Date, we have provided or provide notice of redemption with respect to our Series A preferred stock (whether pursuant to our optional redemption right or our special optional redemption right), the holders of Series A preferred stock will not have the conversion right described below under "-Conversion Rights" with respect to any shares of our Series A preferred stock that we call for redemption.

We will mail to record holders of our Series A preferred stock, a notice of redemption no fewer than 30 days nor more than 60 days before the redemption date. We will send the notice to a holder of Series A preferred stock's address as it appears in our stock transfer records. A failure to give notice of redemption or any defect in the notice or in its mailing will not affect the validity of the redemption of any shares of our Series A preferred stock except as to the holder to whom notice was defective. Each notice will state the following:

- the redemption date;
- the redemption price;
- the number of shares of our Series A preferred stock to be redeemed;
- the place or places where the certificates, if any, representing shares of our Series A preferred stock are to be surrendered for payment of the redemption price;
- procedures for surrendering noncertificated shares of our Series A preferred stock for payment of the redemption price;
- that dividends on the shares of our Series A preferred stock to be redeemed will cease to accumulate on such redemption date;
- that payment of the redemption price, including any accrued and unpaid dividends, will be made upon presentation and surrender of such Series A preferred stock;
- that our Series A preferred stock is being redeemed pursuant to our special optional redemption right in connection with the occurrence of a Change of Control and a brief description of the transaction or transactions constituting such Change of Control; and

- that the holders of our Series A preferred stock to which the redemption notice relates will not be able to tender such Series A preferred stock for conversion in connection with the Change of Control and each share of Series A preferred stock tendered for conversion that is selected, prior to the Change of Control Conversion Date, for redemption will be redeemed on the related date of redemption rather than converted on the Change of Control Conversion Date.

If we redeem fewer than all of the outstanding shares of our Series A preferred stock, the notice of redemption mailed to each stockholder will also specify the number of shares of our Series A preferred stock that we will redeem from each stockholder. In this case, we will determine the number of shares of our Series A preferred stock to be redeemed as described above in “-Optional Redemption.”

If we have given a notice of redemption and have set aside sufficient funds for the redemption in trust for the benefit of the holders of our Series A preferred stock called for redemption, then from and after the redemption date, those shares of our Series A preferred stock will be treated as no longer being outstanding, no further dividends will accrue and all other rights of the holders of those shares of our Series A preferred stock will terminate. The holders of those shares of our Series A preferred stock will retain their right to receive the redemption price (including any accrued and unpaid dividends for their shares through, but not including, the redemption date), without interest.

The holders of Series A preferred stock at the close of business on a dividend record date will be entitled to receive the dividend payable with respect to our Series A preferred stock on the corresponding payment date notwithstanding the redemption of our Series A preferred stock between such record date and the corresponding payment date or our default in the payment of the dividend due. Except as provided above, we will make no payment or allowance for unpaid dividends, whether or not in arrears, on Series A preferred stock to be redeemed.

A “Change of Control” is when, after the original issuance of our Series A preferred stock, the following have occurred and are continuing:

- the acquisition by any person, including any syndicate or group deemed to be a “person” under Section 13(d)(3) of the Exchange Act, of beneficial ownership, directly or indirectly, through a purchase, merger or other acquisition transaction or series of purchases, mergers or other acquisition transactions of stock of our company entitling that person to exercise more than 50% of the total voting power of all stock of our company entitled to vote generally in the election of our directors (except that such person will be deemed to have beneficial ownership of all securities that such person has the right to acquire, whether such right is currently exercisable or is exercisable only upon the occurrence of a subsequent condition); and

- following the closing of any transaction referred to in the bullet point above, neither we nor the acquiring or surviving entity has a class of common securities (or ADRs representing such securities) listed on the NYSE, the NYSE American or NASDAQ or listed or quoted on an exchange or quotation system that is a successor to the NYSE, the NYSE American or NASDAQ.

Conversion Rights

Upon the occurrence of a Change of Control, each holder of Series A preferred stock will have the right, unless, prior to the Change of Control Conversion Date, we have provided or provide notice of our election to redeem our Series A preferred stock as described under “-Optional Redemption” or “-Special Optional Redemption,” to convert some or all of our Series A preferred stock held by such holder (the “Change of Control Conversion Right”) on the Change of Control Conversion Date into a number of shares of our common stock per share of Series A preferred stock (the “Common Stock Conversion Consideration”), which is equal to the lesser of:

- the quotient obtained by dividing (i) the sum of the $25.00 liquidation preference plus the amount of any accrued and unpaid dividends to, but not including, the Change of Control Conversion Date (unless the Change of Control Conversion Date is after a record date for a Series A preferred stock dividend payment and prior to the corresponding Series A preferred stock dividend payment date, in which case no additional amount for such accrued and unpaid dividend will be included in this sum) by (ii) the Common Stock Price (such quotient, the “Conversion Rate”); and

- 2.97796 (i.e., the Share Cap), subject to certain adjustments.

The Share Cap is subject to pro rata adjustments for any share splits (including those effected pursuant to a distribution of our common stock), subdivisions or combinations (in each case, a "Share Split") with respect to our common stock as follows: the adjusted Share Cap as the result of a Share Split will be the number of shares of our common stock that is equivalent to the product obtained by multiplying (i) the Share Cap in effect immediately prior to such Share Split by (ii) a fraction, the numerator of which is the number of shares of our common stock outstanding after giving effect to such Share Split and the denominator of which is the number of shares of our common stock outstanding immediately prior to such Share Split.

In the case of a Change of Control pursuant to which our common stock will be converted into cash, securities or other property or assets (including any combination thereof), or Alternative Form Consideration, a holder of Series A preferred stock will receive upon conversion of such Series A preferred stock the kind and amount of Alternative Form Consideration which such holder would have owned or been entitled to receive upon the Change of Control had such holder held a number of shares of our common stock equal to the Common Stock Conversion Consideration immediately prior to the effective time of the Change of Control, or Alternative Conversion Consideration, and the Common Stock Conversion Consideration or the Alternative Conversion Consideration, as may be applicable to a Change of Control, is referred to as the Conversion Consideration).

If the holders of our common stock have the opportunity to elect the form of consideration to be received in the Change of Control, the Conversion Consideration will be deemed to be the kind and amount of consideration actually received by holders of a majority of our common stock that voted for such an election (if electing between two types of consideration) or holders of a plurality of our common stock that voted for such an election (if electing between more than two types of consideration), as the case may be, and will be subject to any limitations to which all holders of our common stock are subject, including, without limitation, pro rata reductions applicable to any portion of the consideration payable in the Change of Control.

We will not issue fractional shares of common stock upon the conversion of our Series A preferred stock. Instead, we will pay the cash value of such fractional shares.

Within 15 days following the occurrence of a Change of Control, we will provide to holders of our Series A preferred stock a notice of occurrence of the Change of Control that describes the resulting Change of Control Conversion Right. This notice will state the following:

- the events constituting the Change of Control;
- the date of the Change of Control;
- the last date on which the holders of Series A preferred stock may exercise their Change of Control Conversion Right;
- the method and period for calculating the Common Stock Price;
- the Change of Control Conversion Date;
- that if, prior to the Change of Control Conversion Date, we have provided or provide notice of our election to redeem all or any portion of our Series A preferred stock, holders will not be able to convert shares of our Series A preferred stock designated for redemption and such shares will be redeemed on the related redemption date rather than converted, even if such shares have already been tendered for conversion pursuant to the Change of Control Conversion Right;
- if applicable, the type and amount of Alternative Conversion Consideration entitled to be received per share of Series A preferred stock;
- the name and address of the paying agent and the conversion agent; and
- the procedures that the holders of Series A preferred stock must follow to exercise the Change of Control Conversion Right.

We will issue a press release for publication on the Dow Jones & Company, Inc., Business Wire, PR Newswire or Bloomberg Business News (or, if these organizations are not in existence at the time of issuance of the press release, such other news or press organization as is reasonably calculated to broadly disseminate the relevant information to the public), or post a notice on our website, in any event prior to the opening of business on the first business day following any date on which we provide the notice described above to the holders of Series A preferred stock.

To exercise the Change of Control Conversion Right, the holders of Series A preferred stock will be required to deliver, on or before the close of business on the Change of Control Conversion Date, the certificates (if any) representing Series A preferred stock to be converted, duly endorsed for transfer, together with a written conversion notice completed, to our transfer agent. The conversion notice must state:

- the relevant Change of Control Conversion Date;
- the number of shares of our Series A preferred stock to be converted; and
- that our Series A preferred stock is to be converted pursuant to the applicable provisions of our Series A preferred stock.

The "Change of Control Conversion Date" is the date our Series A preferred stock is to be converted, which will be a business day that is no fewer than 20 days nor more than 35 days after the date on which we provide the notice described above to the holders of Series A preferred stock.

The "Common Stock Price" will be (i) if the consideration to be received in the Change of Control by the holders of our common stock is solely cash, the amount of cash consideration per share of our common stock or (ii) if the consideration to be received in the Change of Control by holders of our common stock is other than solely cash (x) the average of the closing sale prices per share of our common stock (or, if no closing sale price is reported, the average of the closing bid and ask prices or, if more than one in either case, the average of the average closing bid and the average closing ask prices) for the ten consecutive trading days immediately preceding, but not including, the effective date of the Change of Control as reported on the principal U.S. securities exchange on which our common stock is then traded, or (y) the average of the last quoted bid prices for our common stock in the over-the-counter market as reported by OTC Markets Group, Inc. or similar organization for the ten consecutive trading days immediately preceding, but not including, the effective date of the Change of Control, if our common stock is not then listed for trading on a U.S. securities exchange.

Holders of our Series A preferred stock may withdraw any notice of exercise of a Change of Control Conversion Right (in whole or in part) by a written notice of withdrawal delivered to our transfer agent prior to the close of business on the business day prior to the Change of Control Conversion Date. The notice of withdrawal must state:

- that our Series A preferred stock is to be converted pursuant to the applicable provisions of our Series A preferred stock;
- if certificated Series A preferred stock has been issued, the certificate numbers of the withdrawn shares of our Series A preferred stock; and
- the number of shares of our Series A preferred stock, if any, which remain subject to the conversion notice.

Notwithstanding the foregoing, if our Series A preferred stock is held in global form, the conversion notice and/or the notice of withdrawal, as applicable, must comply with applicable procedures of The Depository Trust Company.

Our Series A preferred stock as to which the Change of Control Conversion Right has been properly exercised and for which the conversion notice has not been properly withdrawn will be converted into the applicable Conversion Consideration in accordance with the Change of Control Conversion Right on the Change of Control Conversion Date, unless prior to the Change of Control Conversion Date we have provided or provide notice of our election to redeem such Series A preferred stock, whether pursuant to our optional redemption right or our special optional redemption right. If we elect to redeem some or all of the shares of our Series A preferred stock that would otherwise be converted into the applicable Conversion Consideration on a Change of Control Conversion Date, such shares of our Series A preferred stock that we call for redemption will not be so converted and the holders of such shares will be entitled to receive on the applicable redemption date $25.00 per share, plus any accrued and unpaid dividends thereon to, but not including, the redemption date, in accordance with our optional redemption right or special optional redemption right. See "-Optional Redemption" and "-Special Optional Redemption" above.

We will deliver amounts owing upon conversion no later than the third business day following the Change of Control Conversion Date.

In connection with the exercise of any Change of Control Conversion Right, we will comply with all federal and state securities laws and stock exchange rules in connection with any conversion of Series A preferred stock into shares of our common stock. Notwithstanding any other provision of our Series A preferred stock, no holder of Series A preferred stock will be entitled to convert such Series A preferred stock into shares of our common stock to the extent that receipt of such common stock would cause such holder (or any other person) to exceed the stock ownership limits contained in our charter, unless we provide an exemption from this limitation for such holder. See “-Restrictions on Ownership and Transfer” below.

The Change of Control conversion feature may make it more difficult for a party to take over our company or discourage a third party from taking over our company.

Except as provided above in connection with a Change of Control, our Series A preferred stock is not convertible into or exchangeable for any other securities or property.

No Maturity, Sinking Fund or Mandatory Redemption

Our Series A preferred stock has no maturity date and we are not required to redeem our Series A preferred stock at any time. Accordingly, our Series A preferred stock will remain outstanding indefinitely, unless we decide, at our option, to exercise our optional redemption right or, under circumstances where the holders of our Series A preferred stock have a conversion right, such holders convert our Series A preferred stock into our common stock. Our Series A preferred stock is not subject to any sinking fund.

Limited Voting Rights

Holders of shares of our Series A preferred stock generally do not have any voting rights, except as set forth below.

If dividends on our Series A preferred stock are in arrears for six or more quarterly periods, whether or not consecutive (which we refer to as a preferred dividend default), holders of shares of our Series A preferred stock (voting separately as a class together with the holders of all other classes or series of preferred stock upon which like voting rights have been conferred and are exercisable) will be entitled to vote for the election of two additional directors to serve on our board of directors (which we refer to as preferred stock directors), until all unpaid dividends for past dividend periods with respect to our Series A preferred stock and any other class or series of preferred stock upon which like voting rights have been conferred and are exercisable have been paid. In such a case, the number of directors serving on our board of directors will be increased by two. The preferred stock directors will be elected by a plurality of the votes cast in the election for a one-year term and each preferred stock director will serve until his successor is duly elected and qualifies or until the director’s right to hold the office terminates, whichever occurs earlier. The election will take place at:

- a special meeting called upon the written request of holders of at least 10% of the outstanding shares of our Series A preferred stock together with any other class or series of preferred stock upon which like voting rights have been conferred and are exercisable, if this request is received more than 90 days before the date fixed for our next annual or special meeting of stockholders or, if we receive the request for a special meeting within 90 days before the date fixed for our next annual or special meeting of stockholders, at our annual or special meeting of stockholders; and

- each subsequent annual meeting (or special meeting held in its place) until all dividends accumulated on our Series A preferred stock and on any other class or series of preferred stock upon which like voting rights have been conferred and are exercisable have been paid in full for all past dividend periods.

If and when all accumulated dividends on our Series A preferred stock and all other classes or series of preferred stock upon which like voting rights have been conferred and are exercisable shall have been paid in full, holders of shares of our Series A preferred stock shall be divested of the voting rights set forth above (subject to re-vesting in the event of each and every preferred dividend default) and the term and office of such preferred stock directors so elected will terminate and the entire board of directors will be reduced accordingly.

Any preferred stock director elected by holders of shares of our Series A preferred stock and other holders of preferred stock upon which like voting rights have been conferred and are exercisable may be removed at any time with or without cause by the vote of, and may not be removed otherwise than by the vote of, the holders of record of a majority of the outstanding shares of our Series A preferred stock and other parity preferred stock entitled to vote thereon when they have the voting rights described above (voting as a single class). So long as a preferred dividend default continues, any vacancy in the office of a preferred stock director may be filled by written consent of the preferred stock director remaining in office, or if none remains in office, by a vote of the holders of record of a majority of the outstanding shares of our Series A preferred stock when they have the voting rights described above (voting as a single class with all other classes or series of preferred stock upon which like voting rights have been conferred and are exercisable). The preferred stock directors shall each be entitled to one vote on any matter.

In addition, so long as any shares of our Series A preferred stock remain outstanding, we will not, without the consent or the affirmative vote of the holders of at least two-thirds of the outstanding shares of our Series A preferred stock together with each other class or series of preferred stock ranking on parity with Series A preferred stock with respect to the payment of dividends and the distribution of assets upon our liquidation, dissolution or winding up and upon which like voting rights have been conferred and are exercisable (voting together as a single class):

- authorize, create or issue, or increase the number of authorized or issued shares of, any class or series of stock ranking senior to such Series A preferred stock with respect to payment of dividends, or the distribution of assets upon our liquidation, dissolution or winding up, or reclassify any of our authorized capital stock into any such shares, or create, authorize or issue any obligation or security convertible into or evidencing the right to purchase any such shares; or

- amend, alter or repeal the provisions of our charter, including the terms of our Series A preferred stock, whether by merger, consolidation, transfer or conveyance of substantially all of the company’s assets or otherwise, so as to materially and adversely affect any right, preference, privilege or voting power of our Series A preferred stock,

except that with respect to the occurrence of any of the events described in the second bullet point immediately above, so long as our Series A preferred stock remains outstanding with the terms of our Series A preferred stock materially unchanged, taking into account that, upon the occurrence of an event described in the second bullet point above, the company may not be the surviving entity, the occurrence of such event will not be deemed to materially and adversely affect the rights, preferences, privileges or voting power of our Series A preferred stock, and in such case such holders shall not have any voting rights with respect to the events described in the second bullet point immediately above. Furthermore, if holders of shares of our Series A preferred stock receive the greater of the full trading price of our Series A preferred stock on the date of an event described in the second bullet point immediately above or the $25.00 per share liquidation preference pursuant to the occurrence of any of the events described in the second bullet point immediately above, then such holders shall not have any voting rights with respect to the events described in the second bullet point immediately above. If any event described in the second bullet point above would materially and adversely affect the rights, preferences, privileges or voting powers of our Series A preferred stock disproportionately relative to other classes or series of preferred stock ranking on parity with our Series A preferred stock with respect to the payment of dividends and the distribution of assets upon our liquidation, dissolution or winding up, the affirmative vote of the holders of at least two-thirds of the outstanding shares of our Series A preferred stock, voting separately as a class, will also be required.

Holders of shares of our Series A preferred stock will not be entitled to vote with respect to any increase in the total number of authorized shares of our common stock or preferred stock, any increase in the number of authorized shares of our Series A preferred stock or the creation or issuance of any other class or series of capital stock, or any increase in the number of authorized shares of any other class or series of capital stock, in each case ranking on parity with or junior to our Series A preferred stock with respect to the payment of dividends and the distribution of assets upon liquidation, dissolution or winding up.

Holders of shares of our Series A preferred stock do not have any voting rights with respect to, and the consent of the holders of shares of our Series A preferred stock is not required for, the taking of any corporate action, including any merger or consolidation involving us or a sale of all or substantially all of our assets, regardless of the effect that such merger, consolidation or sale may have upon the powers, preferences, voting power or other rights or privileges of our Series A preferred stock, except as set forth above.

In addition, the voting provisions above will not apply if, at or prior to the time when the act with respect to which the vote would otherwise be required would occur, we have redeemed or called for redemption upon proper procedures all outstanding shares of our Series A preferred stock.

In any matter in which Series A preferred stock may vote (as expressly provided in the articles supplementary setting forth the terms of our Series A preferred stock), each share of Series A preferred stock shall be entitled to one vote per $25.00 of liquidation preference. As a result, each share of Series A preferred stock will be entitled to one vote.

Restrictions on Ownership and Transfer

In order for us to qualify as a REIT under the Code, our stock must be beneficially owned by 100 or more persons during at least 335 days of a taxable year of 12 months (other than the first year for which an election to be a REIT has been made) or during a proportionate part of a shorter taxable year. Also, not more than 50% of the value of the outstanding shares of our stock may be owned, directly or indirectly, by five or fewer individuals (as defined in the Code to include certain entities such as private foundations) during the last half of a taxable year (other than the first year for which an election to be a REIT has been made).

Our charter contains restrictions on the ownership and transfer of shares of our capital stock, which are intended to assist us in complying with these requirements and continuing to qualify as a REIT. Our charter provides that, subject to certain exceptions, no person or entity may beneficially own, or be deemed to own by virtue of the applicable constructive ownership provisions of the Code, subject to limited exceptions, more than 9.8% (by value or by number of shares, whichever is more restrictive) of the outstanding shares of any class or series of our capital stock, including our Series A preferred stock. For a fuller description of these restrictions and the constructive ownership rules, see “Restrictions on Ownership and Transfer.”

Transfer Agent

The transfer agent and registrar for our Series A preferred stock is Broadridge Corporate Issuer Solutions, Inc.

Listing

Our Series A preferred stock is listed on the NYSE under the symbol “AHHPrA.”

Certain Provisions of Maryland Law and Our Charter and Bylaws

See “Certain Provisions of Maryland Law and Our Charter and Bylaws.”

CERTAIN PROVISIONS OF MARYLAND LAW AND OUR CHARTER AND BYLAWS

Our Board of Directors

Our charter and bylaws provide that the number of directors of our company may be established, increased or decreased by our board of directors, but may not be less than the minimum number required under the MGCL, which is one, or more than fifteen. We have elected by a provision of our charter to be subject to a provision of Maryland law requiring that, subject to the rights of holders of one or more classes or series of preferred stock, any vacancy may be filled only by a majority of the remaining directors, even if the remaining directors do not constitute a quorum, and any director elected to fill a vacancy will serve for the full term of the directorship in which such vacancy occurred and until his or her successor is duly elected and qualifies.

Each member of our board of directors is elected by our stockholders to serve until the next annual meeting of stockholders and until his or her successor is duly elected and qualifies. In uncontested elections, in which the number of director nominees equals the number of directors to be elected at the meeting, a director will be elected only by the affirmative vote of a majority of the total votes cast “for,” “against” or affirmatively withheld at a meeting of stockholders duly called and at which a quorum is present. However, directors will be elected by a plurality of the votes cast at a meeting of stockholders duly called and at which a quorum is present for which (i) our secretary of receives notice that a stockholder has nominated an individual for election as a director in compliance with the requirements for advance notice of stockholder nominees set forth in our bylaws and (ii) such nomination has not been withdrawn by such stockholder on or before the close of business on the tenth day before the date of filing of our definitive proxy statement with the Securities and Exchange Commission, and, as a result of which, the number of nominees is greater than the number of directors to be elected at the meeting. Holders of shares of our common stock will have no right to cumulative voting in the election of directors. Consequently, at each annual meeting of stockholders, the holders of a majority of the shares of our common stock will be able to elect all of our directors.

Removal of Directors

Our charter provides that, subject to the rights of holders of one or more classes or series of preferred stock to elect or remove one or more directors, a director may be removed only for cause (as defined in our charter) and only by the affirmative vote of holders of shares entitled to cast at least two-thirds of the votes entitled to be cast generally in the election of directors. This provision, when coupled with the exclusive power of our board of directors to fill vacant directorships, may preclude stockholders from removing incumbent directors except for cause and by a substantial affirmative vote and filling the vacancies created by such removal with their own nominees.

Business Combinations

Under the MGCL, certain “business combinations” (including a merger, consolidation, share exchange or, in circumstances specified in the statute, an asset transfer or issuance or reclassification of equity securities) between a Maryland corporation and an interested stockholder (i.e., any person (other than the corporation or any subsidiary) who beneficially owns 10% or more of the voting power of the corporation’s outstanding voting stock after the date on which the corporation had 100 or more beneficial owners of its stock, or an affiliate or associate of the corporation who, at any time within the two-year period immediately prior to the date in question, was the beneficial owner of 10% or more of the voting power of the then outstanding stock of the corporation after the date on which the corporation had 100 or more beneficial owners of its stock) or an affiliate of an interested stockholder, are prohibited for five years after the most recent date on which the interested stockholder becomes an interested stockholder. Thereafter, any such business combination between the Maryland corporation and an interested stockholder generally must be recommended by the board of directors of such corporation and approved by the affirmative vote of at least (1) 80% of the votes entitled to be cast by holders of outstanding shares of voting stock of the corporation and (2) two-thirds of the votes entitled to be cast by holders of voting stock of the corporation other than shares held by the interested stockholder with whom (or with whose affiliate) the business combination is to be effected or held by an affiliate or associate of the interested stockholder, unless, among other conditions, the corporation’s common stockholders receive a minimum price (as defined in the MGCL) for their shares and the consideration is received in cash or in the same form as previously paid by the interested stockholder for its shares. A person is not an interested stockholder under the statute if the board of directors approved in advance the transaction by which the person otherwise would have become an interested stockholder. The board of directors may provide that its approval is subject to compliance, at or after the time of approval, with any terms and conditions determined by it.

The statute permits various exemptions from its provisions, including business combinations that are exempted by the board of directors prior to the time that the interested stockholder became an interested stockholder. As permitted by the MGCL, our board of directors has adopted a resolution exempting any business combination between us and any other person from the provisions of this statute, provided that the business combination is first approved by our board of directors (including a majority of directors who are not affiliates or associates of such persons). However, our board of directors may repeal or modify this resolution at any time in the future, in which case the applicable provisions of this statute will become applicable to business combinations between us and interested stockholders.

Control Share Acquisitions

The MGCL provides that holders of “control shares” of a Maryland corporation acquired in a “control share acquisition” have no voting rights with respect to those shares except to the extent approved by the affirmative vote of at least two-thirds of the votes entitled to be cast by stockholders entitled to vote generally in the election of directors, excluding votes cast by (1) the person who makes or proposes to make a control share acquisition, (2) an officer of the corporation or (3) an employee of the corporation who is also a director of the corporation. “Control shares” are voting shares of stock which, if aggregated with all other such shares of stock previously acquired by the acquirer or in respect of which the acquirer is able to exercise or direct the exercise of voting power (except solely by virtue of a revocable proxy), would entitle the acquirer to exercise voting power in electing directors within one of the following ranges of voting power: (1) one-tenth or more but less than one-third, (2) one-third or more but less than a majority or (3) a majority or more of all voting power. Control shares do not include shares the acquiring person is then entitled to vote as a result of having previously obtained stockholder approval. A "control share acquisition" means the acquisition of issued and outstanding control shares, subject to certain exceptions.

A person who has made or proposes to make a control share acquisition, upon satisfaction of certain conditions (including an undertaking to pay expenses), may compel the board of directors to call a special meeting of stockholders to be held within 50 days of demand to consider the voting rights of the shares. If no request for a meeting is made, the corporation may itself present the question at any stockholders meeting.

If voting rights are not approved at the meeting or if the acquiring person does not deliver an acquiring person statement as required by the statute, then, subject to certain conditions and limitations, the corporation may redeem any or all of the control shares (except those for which voting rights have previously been approved) for fair value determined, without regard to the absence of voting rights for the control shares, as of the date of the last control share acquisition by the acquirer or of any meeting of stockholders at which the voting rights of such shares are considered and not approved. If voting rights for control shares are approved at a stockholders meeting and the acquirer becomes entitled to vote a majority of the shares entitled to vote, all other stockholders may exercise appraisal rights. The fair value of the shares as determined for purposes of such appraisal rights may not be less than the highest price per share paid by the acquirer in the control share acquisition.

The control share acquisition statute does not apply to, among other things, (1) shares acquired in a merger, consolidation or share exchange if the corporation is a party to the transaction or (2) acquisitions approved or exempted by the charter or bylaws of the corporation.

Our bylaws contain a provision exempting from the control share acquisition statute any acquisition by any person of shares of our stock. There can be no assurance that such provision will not be amended or eliminated at any time in the future by our board of directors.

Subtitle 8

Subtitle 8 of Title 3 of the MGCL permits a Maryland corporation with a class of equity securities registered under the Exchange Act and at least three independent directors to elect to be subject, by provision in its charter or bylaws or a resolution of its board of directors, without stockholder approval, and notwithstanding any contrary provision in the charter or bylaws, to any or all of five provisions of the MGCL which provide, respectively, that:

- the corporation's board of directors will be divided into three classes;
- the affirmative vote of two-thirds of the votes cast in the election of directors generally is required to remove a director;
- the number of directors may be fixed only by vote of the directors;
- a vacancy on its board of directors be filled only by the remaining directors and that directors elected to fill a vacancy will serve for the remainder of the full term of the class of directors in which the vacancy occurred; and
- the request of stockholders entitled to cast at least a majority of all the votes entitled to be cast at the meeting is required for stockholders to require the calling of a special meeting of stockholders.

We have elected by a provision in our charter to be subject to the provisions of Subtitle 8 relating to the filling of vacancies on our board of directors. In addition, without our having elected to be subject to Subtitle 8, our charter and bylaws already (1) require the affirmative vote of holders of shares entitled to cast at least two-thirds of all the votes entitled to be cast generally in the election of directors to remove a director from our board of directors, (2) vest in our board of directors the exclusive power to fix the number of directors and (3) require, unless called by our chairman, our president and chief executive officer or our board of directors, the request of stockholders entitled to cast not less than a majority of all the votes entitled to be cast at the meeting to call a special meeting. Our board of directors is prohibited from electing to classify into three classes without first obtaining stockholder approval.

Meetings of Stockholders

Pursuant to our bylaws, an annual meeting of our stockholders for the purpose of the election of directors and the transaction of any business will be held on a date and at the time and place set by our board of directors. Each of our directors is elected by our stockholders to serve until the next annual meeting and until his or her successor is duly elected and qualifies under Maryland law. In addition, our chairman, our president and chief executive officer or our board of directors may call a special meeting of our stockholders. Subject to the provisions of our bylaws, a special meeting of our stockholders to act on any matter that may properly be considered by our stockholders will also be called by our secretary upon the written request of stockholders entitled to cast a majority of all the votes entitled to be cast at the meeting on such matter, accompanied by the information required by our bylaws. Our secretary will inform the requesting stockholders of the reasonably estimated cost of preparing and mailing the notice of meeting (including our proxy materials), and the requesting stockholder must pay such estimated cost before our secretary may prepare and mail the notice of the special meeting.

Amendments to our Charter and Bylaws

Under the MGCL, a Maryland corporation generally cannot amend its charter unless approved by the affirmative vote of stockholders entitled to cast at least two-thirds of the votes entitled to be cast on the matter unless a lesser percentage (but not less than a majority of all of the votes entitled to be cast on the matter) is set forth in the corporation’s charter. Except for certain amendments related to the removal of directors and the restrictions on ownership and transfer of our stock and the vote required to amend those provisions (which must be declared advisable by our board of directors and approved by the affirmative vote of stockholders entitled to cast not less than two-thirds of all the votes entitled to be cast on the matter), our charter generally may be amended only if the amendment is declared advisable by our board of directors and approved by the affirmative vote of stockholders entitled to cast a majority of all of the votes entitled to be cast on the matter. Our board of directors, with the approval of a majority of the entire board, and without any action by our stockholders, may also amend our charter to increase or decrease the aggregate number of shares of stock or the number of shares of stock of any class or series we are authorized to issue.

Our board of directors shall have the power to adopt, alter or repeal any provision of our bylaws and to make new bylaws; provided, however, that, pursuant to a binding proposal that is submitted to the stockholders for approval at a duly called annual meeting or special meeting of stockholders by a stockholder or group of no more than six stockholders:

- each of which provides our secretary a timely notice of such proposal which satisfies the notice procedures and all other relevant provisions of our bylaws and is otherwise permitted by applicable law;

- that owned at least one percent or more of our common stock outstanding from time to time continuously for at least one year as of both the date the notice is delivered or mailed to and received by our secretary in accordance with our bylaws and the close of business on the record date for determining the stockholders entitled to vote at such annual meeting or special meeting of stockholders; and

- that continuously owns such shares of common stock through the date of such annual meeting or special meeting of stockholders,

our stockholders have the power, by the affirmative vote of a majority of all votes entitled to be cast on the matter, to alter or repeal any provision of our bylaws and to adopt new bylaws, except that our stockholders do not have the power to alter, adopt or repeal or adopt any provision inconsistent with provisions relating to indemnification and advance of expenses or the amendment of our bylaws without the approval of the board of directors.

Extraordinary Transactions

Under the MGCL, a Maryland corporation generally cannot dissolve, merge, sell all or substantially all of its assets, engage in a statutory share exchange or engage in similar transactions outside the ordinary course of business unless approved by the affirmative vote of stockholders entitled to cast at least two-thirds of the votes entitled to be cast on the matter unless a lesser percentage (but not less than a majority of all of the votes entitled to be cast on the matter) is set forth in the corporation’s charter. As permitted by the MGCL, our charter provides that any of these actions may be approved by the affirmative vote of stockholders entitled to cast a majority of all of the votes entitled to be cast on the matter. Many of our operating assets are held by our subsidiaries, and these subsidiaries may be able to merge or sell all or substantially all of their assets without the approval of our stockholders.

Appraisal Rights

Our charter provides that our stockholders generally will not be entitled to exercise statutory appraisal rights.

Dissolution

Our dissolution must be declared advisable by a majority of our board of directors and approved by the affirmative vote of stockholders entitled to cast a majority of all of the votes entitled to be cast on the matter.

Advance Notice of Director Nominations and New Business

Our bylaws provide that, with respect to an annual meeting of stockholders, nominations of individuals for election to our board of directors and the proposal of other business to be considered by our stockholders at an annual meeting of stockholders may be made only (1) pursuant to our notice of the meeting, (2) by or at the direction of our board of directors or (3) by a stockholder who was a stockholder of record both at the time of giving of notice and at the time of the meeting, who is entitled to vote at the meeting on the election of the individual so nominated or such other business and who has complied with the advance notice procedures set forth in our bylaws, including a requirement to provide certain information about the stockholder and its affiliates and the nominee or business proposal, as applicable.

With respect to special meetings of stockholders, only the business specified in the notice of meeting may be brought before the meeting. Nominations of individuals for election to our board of directors may be made at a special meeting of stockholders at which directors are to be elected only (1) by or at the direction of our board of directors or (2) provided that the special meeting has been properly called in accordance with our bylaws for the purpose of electing directors, by a stockholder who is a stockholder of record both at the time of giving of notice and at the time of the meeting, who is entitled to vote at the meeting on the election of each individual so nominated and who has complied with the advance notice provisions set forth in our bylaws, including a requirement to provide certain information about the stockholder and its affiliates and the nominee.

Anti-Takeover Effect of Certain Provisions of Maryland Law and Our Charter and Bylaws

Our charter and bylaws and Maryland law contain provisions that may delay, defer or prevent a change in control or other transaction that might involve a premium price for our common stock or otherwise be in the best interests of our stockholders, including:

- supermajority vote and cause requirements for removal of directors;
- requirement that stockholders holding at least a majority of our outstanding common stock must act together to make a written request before our stockholders can require us to call a special meeting of stockholders;
- provisions that vacancies on our board of directors may be filled only by the remaining directors for the full term of the directorship in which the vacancy occurred;
- the power of our board of directors, without stockholder approval, to increase or decrease the aggregate number of authorized shares of stock or the number of shares of any class or series of stock;
- the power of our board of directors to cause us to issue additional shares of stock of any class or series and to fix the terms of one or more classes or series of stock without stockholder approval;
- the restrictions on ownership and transfer of our stock; and
- advance notice requirements for director nominations and stockholder proposals.

Likewise, if the resolution opting out of the business combination provisions of the MGCL was repealed, or the business combination is not approved by our board of directors, or the provision in the bylaws opting out of the control share acquisition provisions of the MGCL were rescinded, these provisions of the MGCL could have similar anti-takeover effects.

Ownership Limit

Subject to certain exceptions, our charter contains certain ownership limits with respect to our stock. Our charter, among other restrictions, prohibits the beneficial or constructive ownership by any person of more than 9.8% in value or in number of shares, whichever is more restrictive, of the outstanding shares of any class or series of our capital stock, excluding any shares that are not treated as outstanding for federal income tax purposes. Our board of directors, in its sole and absolute discretion, may exempt a person, prospectively or retroactively, from this ownership limit if certain conditions are satisfied. For a fuller description of these restrictions and the constructive ownership rules, see "Restrictions on Ownership and Transfer."

Limitation of Liability and Indemnification of Directors and Officers

Maryland law permits a Maryland corporation to include in its charter a provision limiting the liability of its directors and officers to the corporation and its stockholders for money damages, except for liability resulting from (1) actual receipt of an improper benefit or profit in money, property or services or (2) active and deliberate dishonesty that is established by a final judgment and is material to the cause of action. Our charter contains a provision that eliminates such liability to the maximum extent permitted by Maryland law.

Our charter and bylaws provide for indemnification of our officers and directors against liabilities to the maximum extent permitted by the MGCL, as amended from time to time.

The MGCL requires a corporation (unless its charter provides otherwise, which our charter does not) to indemnify a director or officer who has been successful, on the merits or otherwise, in the defense of any proceeding to which he or she is made, or threatened to be made, a party by reason of his or her service in that capacity. The MGCL permits a corporation to indemnify its present and former directors and officers, among others, against judgments, penalties, fines, settlements and reasonable expenses actually incurred by them in connection with any proceeding to which they may be made, or threatened to be made, a party by reason of their service in those or other capacities unless it is established that:

- the act or omission of the director or officer was material to the matter giving rise to the proceeding and (1) was committed in bad faith or (2) was the result of active and deliberate dishonesty;
- the director or officer actually received an improper personal benefit in money, property or services; or
- in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful.

However, under the MGCL, a Maryland corporation may not indemnify for an adverse judgment in a suit by or in the right of the corporation or for a judgment of liability on the basis that personal benefit was improperly received, unless in either case a court orders indemnification if it determines that the director or officer is fairly and reasonably entitled to indemnification, and then only for expenses. In addition, the MGCL permits a Maryland corporation to advance reasonable expenses to a director or officer upon its receipt of:

- a written affirmation by the director or officer of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification by the corporation; and
- a written undertaking by the director or officer or on the director's or officer's behalf to repay the amount paid or reimbursed by the corporation if it is ultimately determined that the director or officer did not meet the standard of conduct.

Our charter authorizes us, and our bylaws obligate us, to the maximum extent permitted by Maryland law in effect from time to time, to indemnify and, without requiring a preliminary determination of the ultimate entitlement to indemnification, pay or reimburse reasonable expenses in advance of final disposition of such a proceeding to:

- any present or former director or officer of our company who is made, or threatened to be made, a party to the proceeding by reason of his or her service in that capacity; or

- any individual who, while a director or officer of our company and at our request, serves or has served as a director, officer, partner, trustee, member or manager of another corporation, real estate investment trust, limited liability company, partnership, joint venture, trust, employee benefit plan or other enterprise and who is made, or threatened to be made, a party to the proceeding by reason of his or her service in that capacity.

Our charter and bylaws also permit us to indemnify and advance expenses to any individual who served our predecessor in any of the capacities described above and to any employee or agent of our company or our predecessor.

We have entered into indemnification agreements with each of our directors and executive officers that provide for indemnification to the maximum extent permitted by Maryland law.

REIT Qualification

Our charter provides that our board of directors may revoke or otherwise terminate our REIT election, without approval of our stockholders, if it determines that it is no longer in our best interests to continue to qualify as a REIT.

ARMADA HOFFLER PROPERTIES, INC.

Executive Stock Award Agreement

THIS EXECUTIVE STOCK AWARD AGREEMENT (the “Agreement”), dated as of ____________, governs the Stock Award granted by ARMADA HOFFLER PROPERTIES, INC., a Maryland corporation (the “Company”), to ____________ (the “Participant”), in accordance with and subject to the provisions of the Company’s Amended and Restated 2013 Equity Incentive Plan (the “Plan”). A copy of the Plan has been made available to the Participant. All terms used in this Agreement that are defined in the Plan have the same meaning given them in the Plan.

1. Grant of Stock Award. In accordance with the Plan, and effective as of ____________ (the “Date of Grant”), the Company granted to the Participant, subject to the terms and conditions of the Plan and this Agreement, a Stock Award of ____________ shares of Common Stock (the “Stock Award”).

2. Vesting. The Participant’s interest in the shares of Common Stock covered by the Stock Award shall become vested and nonforfeitable to the extent provided in paragraphs (a), (b), (c), (d) and (e) below.

(a) **Continued Employment**. The Participant’s interest in the number of shares of Common Stock that most nearly equals (but does not exceed) ____________ of the Common Stock covered by the Stock Award shall be vested and nonforfeitable on the Date of Grant. The Participant’s interest in the number of shares of Common Stock that most nearly equals (but does not exceed) ____________ of the Common Stock covered by the Stock Award shall become vested and nonforfeitable on ____________, if the Participant remains in the continuous employ of the Company or an Affiliate from the Date of Grant until such date. [The Participant’s interest in the number of shares of Common Stock that most nearly equals (but does not exceed) ____________ of the Common Stock covered by the Stock Award shall become vested and nonforfeitable on ____________, if the Participant remains in the continuous employ of the Company or an Affiliate from the Date of Grant until such date.] The Participant’s interest in the remaining shares of Common Stock covered by the Stock Award shall become vested and nonforfeitable on ____________, if the Participant remains in the continuous employ of the Company or an Affiliate from the Date of Grant until such date.

(b) **Change in Control**. The Participant’s interest in all of the shares of Common Stock covered by the Stock Award (if not sooner vested), shall become vested and nonforfeitable on a Control Change Date if the Participant remains in the continuous employ of the Company or an Affiliate from the Date of Grant until the Control Change Date.

(c) **Death or Disability**. The Participant’s interest in all of the shares of Common Stock covered by the Stock Award (if not sooner vested), shall become vested and nonforfeitable on the date that the Participant’s employment by the Company and its Affiliates ends if (i) such employment ends on account of the Participant’s death or because the Participant is “disabled” (as defined in Code section 409A(a)(2)(c)) and (ii) the Participant remains in the continuous employ of the Company or an Affiliate from the Date of Grant until the date such employment ends on account of the Participant’s death or because the Participant is disabled.

(d) **Termination of Employment Without Cause**. The Participant’s interest in all of the shares of Common Stock covered by the Stock Award (if not sooner vested), shall become vested and nonforfeitable on the date that the Participant’s employment by the Company and its Affiliates ends if (i) such employment is terminated by the Company or an Affiliate without Cause and (ii) the Participant remains in the continuous employ of the Company or an Affiliate from the Date of Grant until the date such employment ends on account of a termination by the Company or an Affiliate without Cause. For purposes of this Agreement, a termination of the Participant's employment with the Company or an Affiliate is with Cause if such employment is terminated by action of the Board on account of (w) the Participant's failure to perform a material duty or the Participant's material breach of an obligation under an agreement with the Company or a breach of a material and written Company policy other than by reason of mental or physical illness or injury, (x) the Participant's breach of a fiduciary duty to the Company, (y) the Participant's conduct that is demonstrably and materially injurious to the Company, materially or otherwise or (z) the Participant's conviction of, or plea of nolo contendre to, a felony or crime involving moral turpitude or fraud or dishonesty involving assets of the Company and that in all cases is described in a written notice from the Board and that is not cured, to the reasonable satisfaction of the Board, within thirty (30) days after such notice is received by the Participant.

(e) Resignation With Good Reason. The Participant's interest in all of the shares of Common Stock covered by the Stock Award (if not sooner vested) shall become vested and nonforfeitable on the date that the Participant's employment by the Company and its Affiliates ends if (i) such employment is terminated by the Participant with Good Reason and (ii) the Participant remains in the continuous employ of the Company or an Affiliate from the Date of Grant until the date such employment ends on account of the Participant's resignation with Good Reason. For purposes of this Agreement, the Participant's resignation is with Good Reason if the Participant resigns on account of (w) the Company's material breach of an agreement with the Participant or a direction from the Board that the Participant act or refrain from acting which in either case would be unlawful or contrary to a material and written Company policy, (x) a material diminution in the Participant's duties, functions and responsibilities to the Company and its Affiliates without the Participant's consent or the Company preventing the Participant from fulfilling or exercising the Participant's material duties, functions and responsibilities to the Company and its Affiliates without the Participant's consent, (y) a material reduction in the Participant's base salary or annual bonus opportunity or (z) a requirement that the Participant relocate the Participant's employment more than fifty (50) miles from the location of the Participant's principal office on the Date of Grant, without the consent of the Participant. The Participant's resignation shall not be a resignation with Good Reason unless the Participant gives the Board written notice (delivered within thirty (30) days after the Participant knows of the event, action, etc. that the Participant asserts constitutes Good Reason), the event, action, etc. that the Participant asserts constitutes Good Reason is not cured, to the reasonable satisfaction of the Participant, within thirty (30) days after such notice and the Participant resigns effective not later than thirty (30) days after the expiration of such cure period.

Except as provided in this Section 2, any shares of Common Stock covered by the Stock Award that are not vested and nonforfeitable on or before the date that the Participant's employment by the Company and its Affiliates ends shall be forfeited on the date that such employment terminates.

3. Transferability. Shares of Common Stock covered by the Stock Award that have not become vested and nonforfeitable as provided in Section 2 cannot be transferred. Shares of Common Stock covered by the Stock Award may be transferred, subject to the requirements of applicable securities laws, after they become vested and nonforfeitable as provided in Section 2.

4. Stockholder Rights. On and after the Date of Grant and prior to their forfeiture, the Participant shall have all of the rights of a stockholder of the Company with respect to the shares of

Common Stock covered by the Stock Award, including the right to vote the shares and to receive, free of all restrictions, all dividends declared and paid on the shares. Notwithstanding the preceding sentence, the Company shall retain custody of the certificates evidencing the shares of Common Stock covered by the Stock Award until the date that the shares of Common Stock become vested and nonforfeitable and the Participant hereby appoints the Company's Secretary as the Participant's attorney in fact, with full power of substitution, with the power to transfer to the Company and cancel any shares of Common Stock covered by the Stock Award that are forfeited under Section 2.

5. No Right to Continued Employment. This Agreement and the grant of the Stock Award does not give the Participant any rights with respect to continued employment by the Company or an Affiliate. This Agreement and the grant of the Stock Award shall not interfere with the right of the Company or an Affiliate to terminate the Participant's employment.

6. Governing Law. This Agreement shall be governed by the laws of the State of Maryland except to the extent that Maryland law would require the application of the laws of another State.

7. Conflicts. In the event of any conflict between the provisions of the Plan as in effect on the Date of Grant and this Agreement, the provisions of the Plan shall govern. All references herein to the Plan shall mean the Plan as in effect on the Date of Grant.

8. Participant Bound by Plan. The Participant hereby acknowledges that a copy of the Plan has been made available to the Participant and the Participant agrees to be bound by all the terms and provisions of the Plan.

9. Binding Effect. Subject to the limitations stated above and in the Plan, this Agreement shall be binding upon the Participant and the Participant's successors in interest and the Company and any successors of the Company.

[signature page follows]

IN WITNESS WHEREOF, the Company and the Participant have executed this Agreement as of the date first set forth above.

ARMADA HOFFLER PROPERTIES, INC. [NAME OF PARTICIPANT]

By:___________________________ _______________________________

Title:_________________________

Exhibit 10.6

ARMADA HOFFLER, L.P.

AMENDED AND RESTATED EXECUTIVE SEVERANCE BENEFIT PLAN

I. PURPOSE

Armada Hoffler, L.P. (the "Company") recognizes that outstanding management of the Company and its Affiliates is essential to advancing the interests of the Company and its Affiliates. The Company also recognizes that the risk and uncertainty of an unexpected termination of employment could distract its executive officers from the performance of their duties and frustrate the Company's ability to retain their services. The Company has adopted this Amended and Restated Executive Severance Benefit Plan in order to minimize the distraction that could result from unexpected terminations of employment and in order to enhance the Company's ability to attract and retain executives who possess the level of skill, judgment and experience essential to the Company's success.

The Company also has a legitimate business interest in assuring that Participants do not take advantage of relationships developed, or information acquired, by the Participant during the Participant's employment with the Company or an Affiliate. Accordingly, the Company has adopted this Amended and Restated Executive Severance Benefit Plan to provide Participants, in accordance with the terms of this Amended and Restated Executive Severance Benefit Plan, additional and significant benefits to which Participants are not otherwise entitled. In consideration for the right to receive those additional and significant benefits, each Participant agrees to comply with the covenants set forth in Article VI.

II. DEFINITIONS

The following terms shall have the definitions set forth below:

2.01 Affiliate. "Affiliate" means any entity, whether now or hereafter existing, which controls, is controlled by, or is under common control with the Company (including, but not limited to, joint ventures, limited liability companies and partnerships). For this purpose, the term "control" shall mean ownership of fifty percent (50%) or more of the total combined voting power or value of all classes of shares or interests in the entity, or the power to direct the management and policies of the entity, by contract or otherwise.

2.02 Bonus. "Bonus" means the "target" amount or level of any incentive compensation payable in cash or securities of the Company or an Affiliate but does not include any equity or equity-based awards granted to a Participant under the Armada Hoffler Properties, Inc. 2013 Equity Incentive Plan. If a "target" level of Bonus is not established for a Participant, then for purposes of Section 5.01 the Bonus shall equal 75% of the Tier I Participant's Salary, for purposes of Section 5.02 the Bonus shall equal 50% of the Tier II Participant's Salary and for purposes of Section 5.03 the Bonus shall equal 25% of the Tier III Participant's Salary (in each case disregarding any reduction in Salary that constitutes Good Reason).

2.03 Cause. "Cause" means (i) a Participant's willful failure or refusal to perform specific reasonable written directives of the Committee (or the board of directors or managers of an Affiliate, as applicable), which directives are consistent with the scope and nature of the Participant's duties and responsibilities to the Company or an Affiliate and which is not remedied by the Participant within sixty (60) days after written notice of the failure by the Committee; (ii) a Participant's conviction of, or plea of guilty or nolo contendre, to a felony; (iii) any act of dishonesty by a Participant involving the Company or an Affiliate which results in a material unjust gain or enrichment to the Participant at the expense of the

Company or an Affiliate; (iv) any act of a Participant involving moral turpitude which materially and adversely affects the business of the Company or an Affiliate; (v) a Participant's material breach of the obligations set forth in Article VI; or (vi) a Participant's failure to perform a material duty or a Participant's material breach of an obligation under an agreement with the Company or its Affiliates or a breach of a material and written policy of the Company or its Affiliates other than by reason of mental or physical illness or injury. No act or failure to act on the part of a Participant shall be deemed "willful" unless it was done or omitted to be done by the Participant not in good faith and without reasonable belief that the action or omission was in the best interests of the Company or an Affiliate. A termination of a Participant's employment shall not be deemed to have been for Cause unless the termination is approved in a resolution duly adopted by the affirmative vote of not less than a majority of the Committee then in office (excluding the Participant or any immediate family member of the Participant) adopted at a meeting of the Committee called and held for such purpose, after reasonable notice to the Participant and an opportunity for the Participant, together with counsel (if the Participant chooses), to be heard before the Committee, finding that, in the good faith opinion of the Committee, the Participant committed an act or omission constituting Cause as defined above.

2.04 Change in Control. "Change in Control" shall mean a change in control of Armada Hoffler Properties, Inc. (the "REIT") which will be deemed to have occurred after the date hereof if:

(a) any "person" as such term is used in Section 3(a)(9) of the Securities Exchange Act of 1934 (the "Exchange Act"), as modified and used in Sections 13(d) and 14(d) thereof except that such term shall not include (A) the REIT or any of its subsidiaries, (B) any trustee or other fiduciary holding securities under an employee benefit plan of the REIT or any of its affiliates, (C) an underwriter temporarily holding securities pursuant to an offering of such securities, (D) any corporation owned, directly or indirectly, by the stockholders of the REIT in substantially the same proportions as their ownership of the REIT's common stock, or (E) any person or group as used in Rule 13d-1(b) under the Exchange Act, is or becomes the Beneficial Owner, as such term is defined in Rule 13d-3 under the Exchange Act, directly or indirectly, of securities of the REIT representing at least 50% of the combined voting power or common stock of the REIT;

(b) during any period of two consecutive years, individuals who at the beginning of such period constitute the board of directors of the REIT, and any new director (other than (A) a director designated by a person who has entered into an agreement with the REIT to effect a transaction described in clause (1), (3), or (4) of this Section 2.04 or (B) a director of the REIT whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of the REIT) whose election by the REIT's board of directors or nomination for election by the REIT's shareholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority thereof;

(c) there is consummated a merger or consolidation of the REIT or any direct or indirect subsidiary of the REIT with any other corporation, other than a merger or consolidation which would result in the voting securities of the REIT outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof) in combination with the ownership of any trustee or other fiduciary holding securities under an employee benefit plan of the REIT or any subsidiary of the REIT, more than 50% of the combined voting power and common stock of the REIT or such surviving entity or any parent thereof outstanding immediately after such merger or consolidation; or

(d) there is consummated a sale or disposition by the REIT of all or substantially all of the REIT's assets (or any transaction having a similar effect, including a liquidation) other than a sale or disposition by the REIT of all or substantially all of the REIT's assets to an entity, more than fifty percent (50%) of the combined voting power and common stock of which is owned by stockholders of the REIT in substantially the same proportions as their ownership of the common stock of the REIT immediately prior to such sale.

2.05 Code. "Code" means the Internal Revenue Code of 1986, and any amendments thereto.

2.06 Committee. "Committee" means the committee appointed by the REIT, in its capacity as general partner of the Company, to administer the Plan; *provided*, *however*, that if there is no committee, then "Committee" means the REIT, in its capacity as general partner of the Company.

2.07 Company. "Company" means Armada Hoffler, L.P.

2.08 Control Change Date. "Control Change Date" means the date on which a Change in Control occurs. If a Change in Control occurs on account of a series of transactions, the "Control Change Date" is the date of the last of such transactions.

2.09 ERISA. "ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

2.10 Good Reason. "Good Reason" means (i) a material breach by the Company or an Affiliate of any written agreement between the Participant and the Company or an Affiliate; (ii) a material reduction in the nature or scope of the Participant's title, authority, powers, functions, duties or responsibilities (other than a reduction for Cause), (iii) a material reduction in the Participant's Salary or Bonus opportunity (other than a reduction for Cause or a reduction related to a general reduction that affects similarly situated individuals in a comparable manner) or (iv) a requirement that the Participant, without his or her consent, transfer the Participant's principal office to a location more than fifty (50) miles from his or her then-current principal office. A Participant shall not be deemed to have resigned with Good Reason unless the Participant gives the Board written notice of the grounds that the Participant asserts constitute Good Reason within ninety (90) days after the initial existence of such grounds, the Company or an Affiliate, as applicable fails to cure or remedy such grounds to the reasonable satisfaction of the Participant within thirty (30) days thereafter and the Participant resigns from the employ of the Company and its Affiliates within thirty (30) days after the expiration of such cure period.

2.11 Participant. "Participant" means an individual who satisfies the eligibility requirements set forth in Article III, is selected by the Committee to participate in the Plan and who enters into a Participation Agreement with the Company.

2.12 Participation Agreement. "Participation Agreement" means the agreement, in a form approved by the Committee, confirming an individual's participation in the Plan and his or her agreement to be bound by all of the terms and conditions of the Plan, including the covenants set forth in Article VI.

2.13 Plan. "Plan" means this Armada Hoffler, L.P. Amended and Restated Executive Severance Benefit Plan, as amended from time to time.

2.14 Salary. "Salary" means a Participant's base salary as in effect on the date the Participant's employment with the Company and its Affiliates is terminated or terminates in accordance with Article IV; *provided*, *however*, that a Participant's Salary shall be determined without regard to any reduction in base salary that constitutes Good Reason.

2.15 Standard Termination Benefits. "Standard Termination Benefits" means the sum of any Salary that has been earned but remains unpaid, any Bonus that has been earned but remains unpaid and any accrued but unused vacation pay.

2.16 Tier I Participant. "Tier I Participant" means a Participant who is designated as a Tier I Participant by the Committee.

2.17 Tier II Participant. "Tier II Participant" means a Participant who is designated as a Tier II Participant by the Committee.

2.18 Tier III Participant. "Tier III Participant means a Participant who is designated as a Tier III Participant by the Committee.

III. ELIGIBILITY

Participation in the Plan shall be limited to employees of the Company or an Affiliate who (i) are members of a "select group of management or highly compensated employees" as such phrase is defined for purposes of Title I of ERISA, (ii) are selected to participate in the Plan by the Committee and (iii) execute a Participation Agreement. The Committee's designation shall also designate whether the individual is a Tier I Participant, a Tier II Participant or a Tier III Participant.

IV. ELIGIBILITY TO RECEIVE BENEFITS

A Participant shall be entitled to receive the benefits described in the applicable section of Article V if the Participant (a) remains in the continuous employ of the Company or an Affiliate from the date the Participant is designated as eligible to participate in the Plan until the date that the Participant's employment with the Company and its Affiliates is terminated without Cause or the date that the Participant's employment with the Company and its Affiliates is terminated by the Participant's resignation with Good Reason and (b) satisfies the requirement to provide a Release as described in Section 5.04.

V. SEVERANCE BENEFITS

5.01 Tier I Participants. A Participant who is designated a Tier I Participant and who satisfies the requirements of Article IV and Section 5.04 shall be eligible to receive the following benefits:

(a) Unless previously paid, the Tier I Participant shall be entitled to receive the Standard Termination Benefits.

(b) A payment equal to a *pro rata* amount (based on the portion of the calendar year that the Participant was employed by the Company or an Affiliate) of the Tier I Participant's Bonus for the year in which employment is terminated or terminates; *provided*, *however*, that any reduction in Bonus that constitutes Good Reason shall be disregarded.

(c) A payment equal to the product of three (3.0) times the Tier I Participant's Salary as in effect on the date the Tier I Participant's employment with the Company and its Affiliates is terminated or ends in accordance with Article IV; *provided*, *however*, that any reduction in Salary that constitutes Good Reason shall be disregarded.

(d) A payment equal to the product of three (3.0) times the Tier I Participant's Bonus for the year in which the Tier I Participant's employment with the Company and its Affiliates is terminated or ends in accordance with Article IV; *provided*, *however*, that any reduction in Bonus that constitutes Good Reason shall be disregarded.

(e) A payment equal to the product of three (3.0) times the sum of (i) the annual COBRA premium that the Company is permitted to charge "qualified beneficiaries" (as defined in Section 4980B of the Code) for the same level and type of coverage that were in effect for the Tier I Participant and dependents on the date employment terminates or ends in accordance with Article IV and (ii) the annual premium for the life insurance, long-term disability insurance and accidental death and dismemberment insurance that were in effect on the date employment terminates or ends in accordance with Article IV.

5.02 Tier II Participants. A Participant who is designated a Tier II Participant and who satisfies the requirements of Article IV and Section 5.04 shall be eligible to receive the following benefits:

(a) Unless previously paid, the Tier II Participant shall be entitled to receive the Standard Termination Benefits.

(b) A payment equal to a *pro rata* amount (based on the portion of the calendar year that the Participant was employed by the Company or an Affiliate) of the Tier II Participant's Bonus for the year in which employment is terminated or terminates; *provided*, *however*, that any reduction in Bonus that constitutes Good Reason shall be disregarded.

(c) A payment equal to the product of two (2.0) times the Tier II Participant's Salary as in effect on the date the Tier II Participant's employment with the Company and its Affiliates is terminated or ends in accordance with Article IV; *provided*, *however*, that any reduction in Salary that constitutes Good Reason shall be disregarded.

(d) A payment equal to the product of two (2.0) times the Tier II Participant's Bonus for the year in which the Tier II Participant's employment with the Company and its Affiliates is terminated or ends in accordance with Article IV; *provided*, *however*, that any reduction in Bonus that constitutes Good Reason shall be disregarded.

(e) A payment equal to the product of two (2.0) times the sum of (i) the annual COBRA premium that the Company is permitted to charge "qualified beneficiaries" (as defined in Section 4980B of the Code) for the same level and type of coverage that were in effect for the Tier II Participant and dependents on the date employment terminates or ends in accordance with Article IV and (ii) the annual premium for the life insurance, long-term disability insurance and accidental death and dismemberment insurance that were in effect on the date employment terminates or ends in accordance with Article IV.

(f) If a Tier II Participant satisfies the requirements of Article IV and Section 5.04 and is terminated without Cause or resigns with Good Reason, in either case within ninety (90) days before a Change in Control or within one (1) year after a Change in Control, then the benefits described in the preceding Sections 5.02(c), (d) and (e) shall be calculated by substituting "two and one-half (2.5)" for "two (2.0)" therein.

5.03 Tier III Participants. A Participant who is designated a Tier III Participant and who satisfies the requirements of Article IV and Section 5.04 shall be eligible to receive the following benefits:

(a) Unless previously paid, the Tier III Participant shall be entitled to receive the Standard Termination Benefits.

(b) A payment equal to a *pro rata* amount (based on the portion of the calendar year that the Participant was employed by the Company or an Affiliate) of the Tier III Participant's Bonus for the year in which employment is terminated or terminates; *provided*, *however*, that any reduction in Bonus that constitutes Good Reason shall be disregarded.

(c) A payment equal to the product of one (1.0) times the Tier III Participant's Salary as in effect on the date the Tier III Participant's employment with the Company and its Affiliates is terminated or ends in accordance with Article IV; *provided*, *however*, that any reduction in Salary that constitutes Good Reason shall be disregarded.

(d) A payment equal to the product of one (1.0) times the Tier III Participant's Bonus for the year in which the Tier III Participant's employment with the Company and its Affiliates is terminated or ends in accordance with Article IV; *provided*, *however*, that any reduction in Bonus that constitutes Good Reason shall be disregarded.

(e) A payment equal to the product of one (1.0) times the sum of (i) the annual COBRA premium that the Company is permitted to charge "qualified beneficiaries" (as defined in Section 4980B of the Code) for the same level and type of coverage that were in effect for the Tier III Participant and dependents on the date employment terminates or ends in accordance with Article IV and (ii) the annual premium for the life insurance, long-term disability insurance and accidental death and dismemberment insurance that were in effect on the date employment terminates or ends in accordance with Article IV.

(f) If a Tier III Participant satisfies the requirements of Article IV and Section 5.04 and is terminated without Cause or resigns with Good Reason, in either case within ninety (90) days before a Change in Control or within one (1) year after a Change in Control, then the benefits described in the preceding Sections 5.03(c), (d) and (e) shall be calculated by substituting "one and one-half (1.5)" for "one (1.0)" therein.

5.04 Release. A Participant shall not be entitled to receive any benefits (other than the Standard Termination Benefits) unless the Participant signs a general release and waiver of claims, on a form provided by the Company, and the general release and waiver of claims becomes effective and irrevocable on or before the forty-fifth (45th) day after the date that the Participant's employment is terminated or ends in accordance with Article IV. The Company shall deliver the general release and waiver of claims to the Participant no later than ten (10) days after the date that the Participant's employment is terminated or ends in accordance with Article IV.

5.05 Payment. The Standard Termination Benefits shall be paid to each Participant as soon as practicable after the date that the Participant ceases to be employed by the Company and its Affiliates. Any other benefits payable under the Plan shall be paid to the Participant, in a single cash payment, within five (5) days after the release described in Section 5.04 becomes effective and irrevocable; provided, however, that if a Tier II Participant or a Tier III Participant becomes entitled to additional benefits pursuant to Section 5.02(f) or 5.03(f), respectively, after the payment of the benefits due before the application of Section 5.02(f) or 5.03(f), the additional benefits shall be paid within five (5) days after the Control Change Date. Applicable income and employment taxes shall be deducted from any payment to a Participant.

VI. RESTRICTIVE COVENANTS

6.01 Covenant Against Competition. As a condition of participation in the Plan and as set forth in the Participation Agreement, each Participant agrees that during his or her employment with the

Company or an Affiliate and for a period of one (1) year following the termination of the Participant's employment with the Company and its Affiliates for any reason, that the Participant shall not engage in any business which is competitive with the business of the Company or any Affiliate as of the date such employment terminates or is terminated. A business shall be deemed "competitive" with the business of the Company or an Affiliate if its business consists of or includes any type or line of business engaged in by the Company or any Affiliate as of the date of such termination and is conducted, in whole or in part, within the states of North Carolina or Maryland, the Commonwealth of Virginia or the District of Columbia. A Participant shall be deemed to "engage in a business" if the Participant (a) participates, directly or indirectly, in such business as a director, officer, stockholder, employee, salesman, partner or individual proprietor, (ii) acts as a paid consultant, representative or advisor to such business, (iii) participates in such business as an investor (whether through loans, contributions to capital or otherwise) or has a controlling influence over such business or (iv) permits his or her name to be used by or in connection with such business; *provided*, *however*, that this Section 6.01 shall not preclude the purchase of securities that are listed on a national securities exchange of any entity that is competitive with the Company or an Affiliate, provided that the Participant may not beneficially own more than five percent (5%) or more of any class of such securities.

6.02 Covenant Against Solicitation. As a condition of participation in the Plan and as set forth in the Participation Agreement, each Participant agrees that during his or her employment with the Company or an Affiliate and for a period of one (1) year following the termination of the Participant's employment with the Company and its Affiliates for any reason, that the Participant shall not, directly or indirectly through another person or entity (i) solicit any employee of the Company or an Affiliate to leave the employ of the Company or Affiliate or in any way interfere with the relationship between the Company or its Affiliate, on the one hand, and any employee thereof, on the other hand, (ii) hire any person who was an employee of the Company or an Affiliate until one year after such individual's employment relationship with the Company and its Affiliates has been terminated or (iii) induce or attempt to induce any customer, client, supplier, contractor or other business relation of the Company or an Affiliate to cease doing business with the Company or an Affiliate or in any way interfere with the relationship between any such customer, client, supplier, contractor or business relation, on the one hand, and the Company or its Affiliate, on the other hand.

6.03 Covenant Regarding Confidentiality. As a condition of participation in the Plan and as set forth in the Participation Agreement, each Participant agrees that he or she shall not at any time use or divulge, furnish or make accessible to anyone (other than in the regular course of the business of the Company or its Affiliates) any information regarding trade secrets, proprietary information or other confidential information (including, but not limited to, any information concerning customers, clients or accounts) with respect to the business affairs of the Company or any Affiliate. This Section 6.03 shall not apply to information that is or becomes generally available (i) to the public other than as a result of a disclosure by the Participant or his or her representatives.

VII. LIMITATION ON BENEFITS

The benefits that a Participant may be entitled to receive under this Plan and other benefits that a Participant is entitled to receive under other plans, agreements and arrangements (which, together with the benefits provided under this Plan, are referred to as "Payments"), may constitute Parachute Payments that are subject to Code Sections 280G and 4999. As provided in this Article VII, the Parachute Payments will be reduced if, and only to the extent that, a reduction will allow a Participant to receive a greater Net After Tax Amount than a Participant would receive absent a reduction.

The Accounting Firm will first determine the amount of any Parachute Payments that are payable to a Participant. The Accounting Firm also will determine the Net After Tax Amount attributable to the Participant's total Parachute Payments.

The Accounting Firm will next determine the largest amount of Payments that may be made to the Participant without subjecting the Participant to tax under Code Section 4999 (the "Capped Payments"). Thereafter, the Accounting Firm will determine the Net After Tax Amount attributable to the Capped Payments.

The Participant will receive the total Parachute Payments or the Capped Payments, whichever provides the Participant with the higher Net After Tax Amount. If the Participant will receive the Capped Payments, the total Parachute Payments will be adjusted by first reducing the amount of any noncash benefits under this Plan or any other plan, agreement or arrangement (with the source of the reduction to be directed by the Participant) and then by reducing the amount of any cash benefits under this Plan or any other plan, agreement or arrangement (with the source of the reduction to be directed by the Participant). The Accounting Firm will notify the Participant and the Company if it determines that the Parachute Payments must be reduced to the Capped Payments and will send the Participant and the Company a copy of its detailed calculations supporting that determination.

As a result of the uncertainty in the application of Code Sections 280G and 4999 at the time that the Accounting Firm makes its determinations under this Article VII, it is possible that amounts will have been paid or distributed to the Participant that should not have been paid or distributed under this Article VII ("Overpayments"), or that additional amounts should be paid or distributed to the Participant under this Article VII ("Underpayments"). If the Accounting Firm determines, based on either the assertion of a deficiency by the Internal Revenue Service against the Company or the Participant, which assertion the Accounting Firm believes has a high probability of success or controlling precedent or substantial authority, that an Overpayment has been made, the Participant must repay to the Company, without interest; provided, however, that no loan will be deemed to have been made and no amount will be payable by the Participant to the Company unless, and then only to the extent that, the deemed loan and payment would either reduce the amount on which the Participant is subject to tax under Code Section 4999 or generate a refund of tax imposed under Code Section 4999. If the Accounting Firm determines, based upon controlling precedent or substantial authority, that an Underpayment has occurred, the Accounting Firm will notify the Participant and the Company of that determination and the amount of that Underpayment will be paid to the Participant promptly by the Company.

For purposes of this Article VII, the term "Accounting Firm" means the independent accounting firm engaged by the Company immediately before the Control Change Date. For purposes of this Article VII, the term "Net After Tax Amount" means the amount of any Parachute Payments or Capped Payments, as applicable, net of taxes imposed under Code Sections 1, 3101(b) and 4999 and any State or local income taxes applicable to the Participant on the date of payment. The determination of the Net After Tax Amount shall be made using the highest combined effective rate imposed by the foregoing taxes on income of the same character as the Parachute Payments or Capped Payments, as applicable, in effect on the date of payment. For purposes of this Article VII, the term "Parachute Payment" means a payment that is described in Code Section 280G(b)(2), determined in accordance with Code Section 280G and the regulations promulgated or proposed thereunder.

VIII. CODE SECTION 409A

The Plan and all payments under the Plan are intended to be exempt from, or otherwise comply with, Section 409A of the Code ("Section 409A"), after giving effect to the exemptions in Treasury

Regulation sections 1.409A-1(b)(3) through (b)(12). This Plan and the Participation Agreements shall be administered, interpreted and construed in a manner consistent with that intent. If any provision of the Plan or the payment of any benefit under the Plan is found not to be exempt from and found not to comply with, the provisions of Section 409A, it shall be modified and given effect, in the sole discretion of the Committee and without requiring the Participant's consent, in such manner as the Committee determines is necessary or appropriate to effectuate an exemption from, or to comply with, Section 409A. Each payment under the Plan shall be treated as a separate identified payment for purposes of Section 409A.

If a payment obligation under the Plan constitutes "deferred compensation" (as defined in Treasury Regulation section 1.409A-1(b)(1), after giving effect to the exemptions in Treasury Regulation sections 1.409A-1(b)(3) through (b)(12)), it shall be payable only after the Participant's "separation from service" (as defined under Treasury Regulation section 1.409A-1(h)); *provided, however*, that if the Participant is a "specified employee" (as defined under Treasury Regulation section 1.409A-1(i)), any such payment that is subject to Section 409A and that is scheduled to be paid within six months after such separation from service shall accrue without interest and shall be paid on the first day of the seventh month beginning after the date of the Participant's separation from service or, if earlier, within fifteen (15) days after the appointment of the personal representative or executor of the Participant's estate following the Participant's death.

IX. ADMINISTRATION; CLAIMS PROCEDURE; REVIEW

9.01 Administration. The Committee shall serve as the "plan administrator" and "named fiduciary" of the Plan for purposes of the Employee Retirement Income Security Act of 1974, as amended. The Committee shall have full power and discretionary authority to determine eligibility to participate in the Plan, to designate Participants as Tier I Participants, Tier II Participants and Tier III Participants, to determine eligibility to receive Plan benefits and to construe and interpret the terms of the Plan. The Committee shall have the authority to make all factual determinations necessary to administer the Plan. The decisions of the Committee shall be final and conclusive with respect to all questions concerning administration of the Plan; subject only to the claims procedure and review procedure set forth in Sections 9.02 and 9.03. No member of the Committee shall be liable for any act done in good faith with respect to the Plan.

The Committee may delegate to other persons responsibility for performing ministerial acts with respect to the administration of the Plan. The Committee may seek such expert advice as the Committee deems necessary or desirable with respect to the Plan. The Committee shall be entitled to rely upon the information and advice furnished by such delegates and experts, unless the Committee has actual knowledge that such information or advice is inaccurate or unlawful. No Participant shall be entitled to challenge a decision of the Committee in court or in any other administrative proceeding unless and until the claim and review procedures set forth in Sections 9.02 and 9.03 have been complied with and exhausted.

9.02 Claim Procedure. A Participant is not required to file a claim in order to receive any benefits that are payable under the Plan but a Participant who believes he or she is entitled to benefits or additional benefits may file a written claim for benefits with the Committee. The Committee shall review any written claim for benefits that is submitted to it. If a claim is wholly or partially denied, the Committee will furnish the Participant written notice in accordance with Department of Labor regulations of the Committee's decision within ninety (90) days of receipt of the written claim. The Committee's notification shall include (a) the specific reasons for the denial, (b) the specific reference to the pertinent Plan provisions upon which the denial is based, (c) a description of any additional material or information necessary for the Participant to perfect the claim and an explanation of why such material or information is necessary and (d) a description of the Plan's claims review procedures describing the steps to be taken and the applicable time limits to submit a claim for review, including a statement of the Participant's right to bring a civil action under Section 502(a) of ERISA following an adverse benefit determination on review.

If special circumstances require an extension of time for the Committee to process a written claim for benefits, the ninety (90) day period may be extended for an additional ninety (90) days. Prior to the expiration of the initial ninety (90) day period, the Participant shall be furnished with a written or electronic notice setting forth the reason for the extension and the special circumstances requiring an extension of time and the date by which the Committee expects to render its decision on the written claim for benefits.

9.03 Review of Claim Denials. If a written claim for benefits is wholly or partially denied, the Participant may (a) request a full and fair review of the Committee's decision upon written application to the Committee filed within sixty (60) days after receipt of the written notification of the Committee's decision, (b) submit written comments, documents, records and other information relating to the claim to the Committee and (c) upon request (and free of charge) be given reasonable access to and copies of documents and records and other information relevant to the claim. Upon receipt of timely, written application for review, the Committee shall undertake a review, taking into account all comments, documents, records and information submitted by the Participant or considered in the initial benefit determination. If the Participant fails to appeal the initial benefit determination in writing within the prescribed period of time, then the Committee's prior determination shall be final, binding and conclusive.

The Committee will render a decision upon review no later than sixty (60) days after receipt of the written request for review. If special circumstances (such as the need to hold a hearing on any matter pertaining to the denied claim) warrant additional time, the decision will be rendered as soon as possible, but not later than one hundred twenty (120) days after receipt of the written request for review. Written notice specifying the circumstances requiring an extension of time will be furnished to the Participant prior to the expiration of the sixty (60) day period. The decision of the Committee on review will be in writing and will include specific reasons for the decision and specific references to the pertinent provisions of the Plan on which the decision is based, including a statement of the Participant's right to bring a civil action under Section 502(a) of ERISA. If the decision on review is not furnished to the Participant within the time limits prescribed above, the claim will be deemed denied on review.

X. AMENDMENT AND TERMINATION

The Plan may be amended at any time by action of the Committee; *provided*, *however*, that no amendment shall be effective with respect to any Participant without the Participant's consent if the amendment adversely affects the Participants rights under the Plan or the Participant's obligations under Article VI. In addition, the Committee may not revoke a Participant's designation as a Participant (except in the case that the Participant's continued participation in the Plan would prevent the Plan from satisfying the requirements for exemption under ERISA for plans maintained primarily for a select group of management or highly compensated employees). In addition, the Committee may not change a Tier I Participant's designation to a Tier II Participant or Tier III Participant and may not change a Tier II Participant's designation to a Tier III Participant.

The Plan may be terminated at any time by action of the Committee or the Board; *provided, however*, that a termination of the Plan shall not affect the rights of a Participant whose employment was terminated or ended as provided in Article IV before the date of the Plan termination and *provided further* that the Plan may not be amended or terminated with respect to any Participant without the Participant's consent within twelve (12) months after a Control Change Date.

XI. GENERAL

11.01 No Employment Rights. The Plan, and a Participant's participation in the Plan, does not confer on any Participant any right to continued employment by the Company or an Affiliate. Nothing in the Plan shall restrict the right of the Company or an Affiliate to terminate the employment of any Participant at any time for any reason or no reason.

11.02 No Assignment. The benefits payable under the Plan are not subject to anticipation, alienation, pledge, sale, transfer, assignment, garnishment, attachment, or other transfer and any attempt to cause such transfer shall not be recognized except to the extent required by law.

11.03 Severability. If any provision of the Plan is found, held or deemed by a court of competent jurisdiction to be void, unlawful or unenforceable under any applicable statute or other controlling law, the remainder of the Plan shall continue in full force and effect.

11.04 Unfunded Obligation. The benefits payable under the Plan are unfunded obligations of the Company and shall be paid from the general assets of the Company. No Participant has any right in or title to any assets, funds or property of the Company with respect to the payment of Plan benefits and each Participant is a general unsecured creditor of the Company with respect to any Plan benefits that may become payable to the Participant.

11.05 Death of Participant. If a Participant becomes entitled to receive Plan benefits but dies before all of the Plan benefits have been paid to the Participant, any remaining Plan benefits shall be paid to the estate of the Participant.

11.06 Governing Law. The Plan shall be governed and construed in accordance with the laws of the State of Maryland except to the extent that the laws of the State of Maryland would require the application of the laws of another state and except to the extent that the laws of the State of Maryland are preempted by ERISA.

11.07 Successors. The Plan shall be binding on, and inure to the benefit of, the successors and personal representatives, legatees, heirs, etc. of a Participant and the successors to the Company.

Schedule A

Participant Name	Participation Date	Tier Designation
Louis Haddad	August 1, 2013	Tier I
Eric Apperson	August 1, 2013	Tier II
Shelly Hampton	August 1, 2013	Tier II
Michael O'Hara	August 1, 2013	Tier II
Al Hunt	August 1, 2013	Tier II
Christopher Harvey	August 1, 2013	Tier III
Shawn Tibbetts	February 20, 2020	Tier III

Exhibit 10.7

ARMADA HOFFLER PROPERTIES, INC.

Director Stock Award Agreement

THIS DIRECTOR STOCK AWARD AGREEMENT (the “Agreement”), dated as of _______________, governs the Stock Award granted by ARMADA HOFFLER PROPERTIES, INC., a Maryland corporation (the “Company”), to _______________ (the “Participant”), in accordance with and subject to the provisions of the Company’s Amended and Restated 2013 Equity Incentive Plan (the “Plan”). A copy of the Plan has been made available to the Participant. All terms used in this Agreement that are defined in the Plan have the same meaning given them in the Plan.

1. Grant of Stock Award. In accordance with the Plan, and effective as of ____________ (the “Date of Grant”), the Company granted to the Participant, subject to the terms and conditions of the Plan and this Agreement, a Stock Award of ____________ shares of Common Stock (the “Stock Award”).

2. Vesting. The Participant’s interest in the shares of Common Stock covered by the Stock Award shall become vested and nonforfeitable to the extent provided in paragraphs (a), (b) and (c) below.

(a) **Continued Service**. The Participant’s interest in shares of Common Stock covered by the Stock Award shall become vested and nonforfeitable ________________________, if the Participant remains a member of the Board from the Date of Grant until such date.

(b) **Change in Control**. The Participant’s interest in all of the shares of Common Stock covered by the Stock Award (if not sooner vested), shall become vested and nonforfeitable on a Control Change Date if the Participant remains a member of the Board from the Date of Grant until the Control Change Date.

(c) **Death or Disability**. The Participant’s interest in all of the shares of Common Stock covered by the Stock Award (if not sooner vested), shall become vested and nonforfeitable on the date that the Participant’s service on the Board ends if (i) such service ends on account of the Participant’s death or because the Participant is “disabled” (as defined in Code section 409A(a)(2)(c)) and (ii) the Participant remains a member of the Board from the Date of Grant until the date such service ends on account of the Participant’s death or because the Participant is disabled.

Except as provided in this Section 2, any shares of Common Stock covered by the Stock Award that are not vested and nonforfeitable on or before the date that the Participant’s service on the Board ends shall be forfeited on the date that such service terminates.

3. Transferability. Shares of Common Stock covered by the Stock Award that have not become vested and nonforfeitable as provided in Section 2 cannot be transferred. Shares of Common Stock covered by the Stock Award may be transferred, subject to the requirements of applicable securities laws, after they become vested and nonforfeitable as provided in Section 2.

4. Stockholder Rights. On and after the Date of Grant and prior to their forfeiture, the Participant shall have all of the rights of a stockholder of the Company with respect to the shares of Common Stock covered by the Stock Award, including the right to vote the shares and to receive, free of all restrictions, all dividends declared and paid on the shares. Notwithstanding the preceding sentence, the Company shall retain custody of the certificates evidencing the shares of Common Stock covered by the Stock Award until the date that the shares of Common Stock become vested and nonforfeitable and the Participant hereby appoints the Company’s Secretary as the Participant’s attorney in fact, with full power of substitution, with the power to transfer to the Company and cancel any shares of Common Stock covered by the Stock Award that are forfeited under Section 2.

5. No Right to Continued Service. This Agreement and the grant of the Stock Award does not give the Participant any rights with respect to continued service on the Board. This Agreement and the grant of the Stock Award shall not interfere with the right of the Company or an Affiliate to terminate the Participant’s service on the Board.

6. Governing Law. This Agreement shall be governed by the laws of the State of Maryland except to the extent that Maryland law would require the application of the laws of another State.

7. Conflicts. In the event of any conflict between the provisions of the Plan as in effect on the Date of Grant and this Agreement, the provisions of the Plan shall govern. All references herein to the Plan shall mean the Plan as in effect on the Date of Grant.

8. Participant Bound by Plan. The Participant hereby acknowledges that a copy of the Plan has been made available to the Participant and the Participant agrees to be bound by all the terms and provisions of the Plan.

9. Binding Effect. Subject to the limitations stated above and in the Plan, this Agreement shall be binding upon the Participant and the Participant's successors in interest and the Company and any successors of the Company.

[signature page follows]

IN WITNESS WHEREOF, the Company and the Participant have executed this Agreement as of the date first set forth above.

ARMADA HOFFLER PROPERTIES, INC.	[NAME OF PARTICIPANT]
By:___________________________	_______________________________
Title:_________________________	

List of Subsidiaries of Armada Hoffler Properties, Inc.

Name	Place of Organization
10th and Tryon Partners, LLC	Virginia
530 Meeting Street Residential Partners, LLC	Virginia
595 King Street Residential Partners, LLC	Virginia
631 North Tryon II, LLC	Virginia
1023 Roswell, LLC	Virginia
1300 Thames Street	Virginia
A/H Harrisonburg Regal L.L.C.	Virginia
A/H North Pointe, Inc.	Virginia
AH Columbus II, L.L.C.	Virginia
AH Durham Apartments, L.L.C.	Virginia
AH Greentree, L.L.C.	Virginia
AH Richmond Tower I, L.L.C.	Virginia
AH Sandbridge, L.L.C.	Virginia
AH Southeast Commerce Center, L.L.C.	Virginia
AHP Acquisitions, LLC	Virginia
AHP Asset Services, LLC	Virginia
AHP Construction, LLC	Virginia
AHP Development, LLC	Virginia
AHP Holding, Inc.	Virginia
AHP Tenant Services, LLC	Virginia
Alexander Pointe Salisbury, LLC	Virginia
Armada Hoffler Manager, LLC	Virginia
Armada Hoffler, L.P.	Virginia
Armada/Hoffler Block 8 Associates, L.L.C.	Virginia
Armada/Hoffler Charleston Associates, L.P.	Virginia
Armada/Hoffler Tower 4, L.L.C.	Virginia
Bermuda Shopping Center, L.L.C.	Virginia
Block Street Holding, LLC	Virginia
Broad Creek PH. I, L.L.C.	Virginia
Broad Creek PH. II, L.L.C.	Virginia
Broad Creek PH. III, L.L.C.	Virginia
Broadmoor Plaza Indiana, LLC	Virginia
BSE/AH Blacksburg Apartments, LLC	Virginia
Block 11 Manager, LLC	Virginia
Brooks Crossing I, LLC	Virginia
Brooks Crossing II, LLC	Virginia
Chronicle Holdings, LLC	Virginia
Chronicle Mill Belmont, LLC	Virginia
City Center Durham, LLC *	Virginia
Columbus Tower, L.L.C.	Virginia
Columbus Town Center, LLC	Virginia
Columbus Town Center II, LLC	Virginia
Courthouse Marketplace Outparcels, L.L.C.	Virginia

Name	Place of Organization
Courthouse Office Building, LLC	Virginia
Dimmock Square Marketplace, LLC	Virginia
Ferrell Parkway Associates, L.L.C.	Virginia
Gateway Centre, L.L.C.	Virginia
Greenbrier Ocean Partners II, LLC	Virginia
Greenbrier Ocean Partners, LLC	Virginia
Greenbrier Technology Center II Associates, L.L.C.	Virginia
Hanbury Village II, L.L.C.	Virginia
Harding Place Residential Partners, LLC	Virginia
Harper Hill North Carolina, LLC	Virginia
Hilltop Laskin, LLC	Virginia
Hoffler and Associates EAT, LLC	Virginia
Hopkins Village, L.L.C.	Virginia
HT Tyre Neck, L.L.C.	Virginia
Indian Lakes Virginia Beach, LLC	Virginia
Interlock Mezz Lender, LLC	Virginia
Lexington at Hope Ferry, LLC	Virginia
Lightfoot Marketplace Shopping Center, LLC *	Virginia
Market at Mill Creek Partners, LLC	Virginia
New Armada Hoffler Properties I, LLC	Virginia
New Armada Hoffler Properties II, LLC	Virginia
North Hampton Market South Carolina, LLC	Virginia
North Point Development Associates, L.L.C.	Virginia
North Point Development Associates, L.P.	Virginia
North Pointe Outparcels, L.L.C.	Virginia
North Pointe PH. 1 Limited Partnership	Virginia
North Pointe VW4, L.L.C.	Virginia
North Pointe-CGL, L.L.C.	Virginia
OCC Commercial, LLC	Virginia
Oakland Marketplace Tennessee, LLC	Virginia
Oyster Point Office Building, LLC	Virginia
Parkway Centre Moultrie, LLC	Virginia
Paterson Place Durham, LLC	Virginia
Perry Hall Maryland, LLC	Virginia
Providence Plaza Charlotte, LLC	Virginia
Red Mill Central, LLC	Virginia
Red Mill North, LLC	Virginia
Red Mill Outparcels, LLC	Virginia
Red Mill South, LLC	Virginia
Red Mill West, LLC	Virginia
Renaissance Charlotte, LLC	Virginia
River City Chesterfield, LLC	Virginia
River City Chesterfield II, LLC	Virginia
Socastee Myrtle Beach, LLC	Virginia
Solis Interlock Mezz Lender, LLC	Virginia

Name	Place of Organization
Southeast Commerce Center Associates, LLC	Virginia
Southeast Commerce Center Associates II, LLC	Virginia
Southern Post, LLC	Georgia
Southgate Square Virginia, LLC	Virginia
Southshore Pointe, LLC	Virginia
South Square Durham, LLC	Virginia
Stone House Maryland, LLC	Virginia
TCA 9 Plaza, LLC	Virginia
TCA 10 GP, LLC	Virginia
TCA Block 11 Apartments, LLC	Virginia
TCA Block 11 Office, LLC	Virginia
TCA Block 4 Retail, L.L.C.	Virginia
TCA Block 6, L.L.C.	Virginia
Tower Manager, LLC	Virginia
Town Center Associates, LLC	Virginia
Town Center Associates 9, LLC	Virginia
Town Center Associates 11, LLC	Virginia
Town Center Associates 12, L.L.C.	Virginia
Town Center Associates 7, L.L.C.	Virginia
Town Center Block 10 Apartments, L.P.	Virginia
Washington Avenue Apartments, L.L.C.	Virginia
Waynesboro Commons Virginia, LLC *	Virginia
Wendover Village III, LLC	Virginia
Wendover Village Greensboro, LLC	Virginia
Wendover Village Greensboro II, LLC	Virginia
Williamsburg Medical Building, LLC	Virginia
Wills Wharf Baltimore, LLC	Virginia

* Waynesboro Commons Virginia, LLC, Lightfoot Marketplace Shopping Center, LLC and River City Chesterfield, LLC all sold their real estate asset but no decision has been made whether to terminate or withdraw the entities from the Secretary of State.

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement (Form S-8 No.333-188545, and 333-218750) pertaining to the Amended and Restated 2013 Equity Incentive Plan of Armada Hoffler Properties, Inc., and

(2) Registration Statements (Forms S-3 No. 333-204063, 333-214176, and 333-216795) of Armada Hoffler Properties, Inc.;

of our reports dated February 24, 2020, with respect to the consolidated financial statements of Armada Hoffler Properties, Inc. and the effectiveness of internal control over financial reporting of Armada Hoffler Properties, Inc. included in this Annual Report (Form 10-K) of Armada Hoffler Properties, Inc. for the year ended December 31, 2019.

/s/ Ernst & Young LLP

Tysons, Virginia
February 24, 2020

EXHIBIT 31.1

SARBANES-OXLEY SECTION 302(a) CERTIFICATION

I, Louis S. Haddad, certify that:

1. I have reviewed this Annual Report on Form 10-K of Armada Hoffler Properties, Inc.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 24, 2020

/s/ Louis S. Haddad

Louis S. Haddad

President and Chief Executive Officer

EXHIBIT 31.2

SARBANES-OXLEY SECTION 302(a) CERTIFICATION

I, Michael P. O'Hara, certify that:

1. I have reviewed this Annual Report on Form 10-K of Armada Hoffler Properties, Inc.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting.

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: February 24, 2020

/s/ Michael P. O'Hara

Michael P. O'Hara
Chief Financial Officer, Treasurer, and Secretary

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Armada Hoffler Properties Inc. (the “Company”) on Form 10-K for the period ended December 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Louis S. Haddad, President and Chief Executive Officer, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, in my capacity as an officer of the Company that, to my knowledge:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 24, 2020	/s/ Louis S. Haddad
	Louis S. Haddad
	President and Chief Executive Officer

EXHIBIT 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Armada Hoffler Properties Inc. (the “Company”) on Form 10-K for the period ended December 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Michael P. O'Hara, Chief Financial Officer and Treasurer, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, in my capacity as an officer of the Company that, to my knowledge:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 24, 2020

/s/ Michael P. O'Hara

Michael P. O'Hara

Chief Financial Officer, Treasurer, and Secretary