

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported): **May 2, 2017**

ARMADA HOFFLER PROPERTIES, INC.

(Exact name of registrant as specified in its charter)

Maryland

(State or other jurisdiction
of incorporation)

001-35908

(Commission File Number)

46-1214914

(IRS Employer
Identification No.)

222 Central Park Avenue, Suite 2100

Virginia Beach, Virginia

(Address of principal executive offices)

23462

(Zip Code)

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

Not Applicable

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

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

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

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

Emerging growth company

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.

Item 2.02. Results of Operations and Financial Condition.

On May 2, 2017, Armada Hoffer Properties, Inc. (the "Company") issued a press release announcing its financial position as of March 31, 2017, results of operations for the three months ended March 31, 2017 and other related information. Also on May 2, 2017, the Company made available on its website at www.ArmadaHoffer.com certain supplemental information concerning the Company's financial results and operations for the three months ended March 31, 2017. Copies of such press release and supplemental information are furnished as Exhibits 99.1 and 99.2, respectively, to this Current Report on Form 8-K and are incorporated herein by reference.

Item 7.01. Regulation FD Disclosure.

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

In accordance with General Instructions B.2 and B.6 of Form 8-K, the information included in this Current Report on Form 8-K, including Exhibits 99.1, 99.2 and 99.3 hereto, shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference into any filing made by the Company under the Exchange Act or Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such a filing.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

Exhibit No.	Description
99.1	Press Release, dated May 2, 2017, issued by Armada Hoffer Properties, Inc., providing its financial position as of March 31, 2017 and results of operations for the three months ended March 31, 2017.
99.2	Armada Hoffer Properties, Inc. First Quarter 2017 Supplemental Information.

SIGNATURES

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

ARMADA HOFFLER PROPERTIES, INC.

Date: May 2, 2017

/s/ MICHAEL P. O'HARA

Michael P. O'Hara

Chief Financial Officer and Treasurer

EXHIBIT INDEX

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P R O P E R T I E S

PRESS RELEASE

ARMADA HOFFLER PROPERTIES REPORTS FIRST QUARTER 2017 RESULTS**Net Income of \$0.16 Per Diluted Share****Normalized FFO of \$0.26 Per Diluted Share**

VIRGINIA BEACH, VA, May 2, 2017 – Armada Hoffler Properties, Inc. (NYSE: AHH) today announced its results for the quarter ended March 31, 2017 and provided an update on current events.

Highlights include:

- Net income of \$8.8 million, or \$0.16 per diluted share, for the quarter ended March 31, 2017 compared to net income of \$26.5 million, or \$0.57 per diluted share, for the quarter ended March 31, 2016.
- Normalized Funds From Operations (“FFO”) of \$14.6 million, or \$0.26 per diluted share, for the quarter ended March 31, 2017 compared to Normalized FFO of \$11.6 million, or \$0.25 per diluted share, for the quarter ended March 31, 2016.
- FFO of \$14.8 million, or \$0.27 per diluted share, for the quarter ended March 31, 2017 compared to FFO of \$8.4 million, or \$0.18 per diluted share, for the quarter ended March 31, 2016.
- Same Store Net Operating Income (“NOI”) increased for the eleventh consecutive quarter.
- Core operating property portfolio occupancy at 94.3% compared to 94.7% as of March 31, 2016.
- Announced \$100 million of new development in historic downtown Charleston, South Carolina, consisting of two student housing assets that the Company will develop as the majority partner of a new joint venture and build as the general contractor.
- Leased 40,000 square feet at 4525 Main Street in the Town Center of Virginia Beach, bringing occupancy to over 93% for this asset.
- Entered into an agreement to invest in the development of a \$34 million Whole Foods anchored center located in Decatur, Georgia.
- The Company is maintaining its 2017 full-year Normalized FFO guidance range of \$0.99 to \$1.03 per diluted share.

Commenting on the Company’s results, Louis Haddad, President and CEO, said, "Our first quarter results are in line with our expectations and our Normalized FFO guidance for 2017 is unchanged. As we said at the beginning of the year, we remain very focused on delivering the tremendous growth expected from our development pipeline. With delivery commencing later this year and meaningful earnings growth thereafter, we believe these top-quality assets constitute significant value creation for our Company."

Financial Results

Net income for the first quarter decreased to \$8.8 million compared to \$26.5 million for the first quarter of 2016. The period-over-period change was due to the \$26.7 million gain on an asset sale in 2016 partially offset by a \$2.7 million change in fair value on interest rate derivatives.

Normalized FFO for the first quarter increased to \$14.6 million compared to \$11.6 million for the first quarter of 2016. FFO for the first quarter increased to \$14.8 million compared to \$8.4 million for the first quarter of 2016. The period-over-period changes in Normalized FFO and FFO were positively impacted by property acquisitions, organic Same Store NOI growth, higher interest income, and construction segment gross profits, which were partially offset by higher interest expense. FFO was positively impacted by mark-to-market gains on interest rate derivatives.

Operating Performance

At the end of the first quarter, the Company's office, retail and multifamily core operating property portfolios were 87.7%, 96.7% and 92.7% occupied, respectively.

Total construction contract backlog was \$157.7 million at the end of the quarter.

Balance Sheet and Financing Activity

As of March 31, 2017, the Company had \$528 million of total debt outstanding, including \$82 million outstanding under its revolving credit facility. Total debt outstanding excludes unamortized GAAP fair value adjustments and deferred financing costs. Approximately 46% of the Company's debt had fixed interest rates or were subject to interest rate swaps as of March 31, 2017. After considering LIBOR interest rate caps with strike prices at or below 150 basis points as of March 31, 2017, approximately 97% of the Company's debt was fixed or hedged.

During the first quarter, the Company raised an aggregate of \$3.5 million of gross proceeds under its At-The-Market ("ATM") continuous equity offering program at a weighted average price of \$14.17 per share.

Outlook

The Company is maintaining its 2017 full-year guidance and expects 2017 Normalized FFO in the range of \$0.99 to \$1.03 per diluted share to remain unchanged. The following table outlines the Company's assumptions along with Normalized FFO per share estimates for the full-year 2017.

Full-year 2017 Guidance ^[1]	Expected Ranges	
Total NOI	\$73.7M	\$74.2M
Construction company annual segment gross profit	\$5.6M	\$6.3M
General and administrative expenses	\$10.6M	\$11.0M
Interest income	\$6.7M	\$6.9M
Interest expense	\$18.0M	\$18.5M
Normalized FFO per diluted share ^[2]	\$0.99	\$1.03

^[1] Excludes the impact of any future acquisitions, dispositions or other capital markets activity, except for a single tenant asset scheduled to sell in the third quarter as well as opportunistic sales of additional shares under the ATM program, assuming favorable market conditions.

^[2] Normalized FFO excludes certain items, including debt extinguishment losses, acquisition, development and other pursuit costs, mark-to-market adjustments for interest rate derivatives and other non-comparable items. See "Non-GAAP Financial Measures." In addition, the calculation of Normalized FFO per diluted share assumes 57 million weighted average shares and units outstanding, including shares issued under the ATM program. The Company does not provide a reconciliation for its guidance range of Normalized FFO per diluted share to net income per diluted share, the most directly comparable forward-looking GAAP financial measure, because it is unable to provide a meaningful or accurate estimate of reconciling items and the information is not available without unreasonable effort as a result of the inherent difficulty of forecasting the timing and/or amounts of various items that would impact net income per diluted share. For the same reasons, the Company is unable to address the probable significance of the unavailable information and believes that providing a reconciliation for its guidance range of Normalized FFO per diluted share would imply a degree of precision for its forward-looking net income per diluted share that could be misleading to investors.

Supplemental Financial Information

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

Webcast and Conference Call

The Company will host a webcast and conference call on Tuesday, May 2, 2017 at 8:30 a.m. Eastern Time to review financial results and discuss recent events. The live webcast will be available through the Investor Relations page of the Company's website, www.ArmadaHoffler.com, or through www.viavid.com. To participate in the call, please dial 877-407-3982 (domestic) or 201-493-6780 (international). A replay of the conference call will be available through Friday, June 2, 2017 by dialing 844-512-2921 (domestic) or 412-317-6671 (international) and entering the pass code 13658039.

About Armada Hoffler Properties, Inc.

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

Forward-Looking Statements

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

Non-GAAP Financial Measures

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

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

However, because FFO excludes depreciation and amortization and captures neither the changes in the value of the Company's properties that result from use or market conditions nor the level of capital expenditures and leasing commissions necessary to maintain the operating performance of the Company's properties, all of which have real economic effects and could materially impact the Company's results from operations, the utility of FFO as a

measure of the Company's performance is limited. In addition, other equity REITs may not calculate FFO in accordance with the NAREIT definition as the Company does, and, accordingly, the Company's FFO may not be comparable to such other REITs' FFO. Accordingly, FFO should be considered only as a supplement to net income as a measure of the Company's performance.

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

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

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

	March 31, 2017 (Unaudited)	December 31, 2016
<u>ASSETS</u>		
Real estate investments:		
Income producing property	\$ 898,526	\$ 894,078
Held for development	8,042	680
Construction in progress	19,198	13,529
Accumulated depreciation	(145,981)	(139,553)
Net real estate investments	779,785	768,734
Cash and cash equivalents	10,039	21,942
Restricted cash	3,649	3,251
Accounts receivable, net	14,122	15,052
Notes receivable	60,959	59,546
Construction receivables, including retentions	50,151	39,433
Construction contract costs and estimated earnings in excess of billings	812	110
Equity method investments	10,794	10,235
Other assets	62,593	64,165
Total Assets	\$ 992,904	\$ 982,468
<u>LIABILITIES AND EQUITY</u>		
Indebtedness, net	\$ 522,394	\$ 522,180
Accounts payable and accrued liabilities	11,008	10,804
Construction payables, including retentions	57,457	51,130
Billings in excess of construction contract costs and estimated earnings	9,823	10,167
Other liabilities	39,107	39,209
Total Liabilities	639,789	633,490
Redeemable noncontrolling interest	2,000	—
Total Equity	351,115	348,978
Total Liabilities and Equity	\$ 992,904	\$ 982,468

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

	Three Months Ended March 31,	
	2017	2016
	(Unaudited)	
Revenues		
Rental revenues	\$ 27,232	\$ 23,283
General contracting and real estate services	63,519	36,803
Total revenues	<u>90,751</u>	<u>60,086</u>
Expenses		
Rental expenses	6,068	5,329
Real estate taxes	2,509	2,349
General contracting and real estate services	61,196	35,037
Depreciation and amortization	9,475	8,149
General and administrative	2,986	2,484
Acquisition, development and other pursuit costs	47	704
Impairment charges	4	35
Total expenses	<u>82,285</u>	<u>54,087</u>
Operating income	8,466	5,999
Interest income	1,398	182
Interest expense	(4,535)	(3,791)
Gain on real estate dispositions	3,395	26,674
Change in fair value of interest rate derivatives	294	(2,389)
Other income	37	76
Income before taxes	9,055	26,751
Income tax provision	(302)	(218)
Net income	8,753	26,533
Net income attributable to noncontrolling interests	(2,817)	(9,163)
Net income attributable to stockholders	<u>\$ 5,936</u>	<u>\$ 17,370</u>
Per diluted share	<u>\$ 0.16</u>	<u>\$ 0.57</u>
Weighted average shares and units outstanding	55,475	46,218

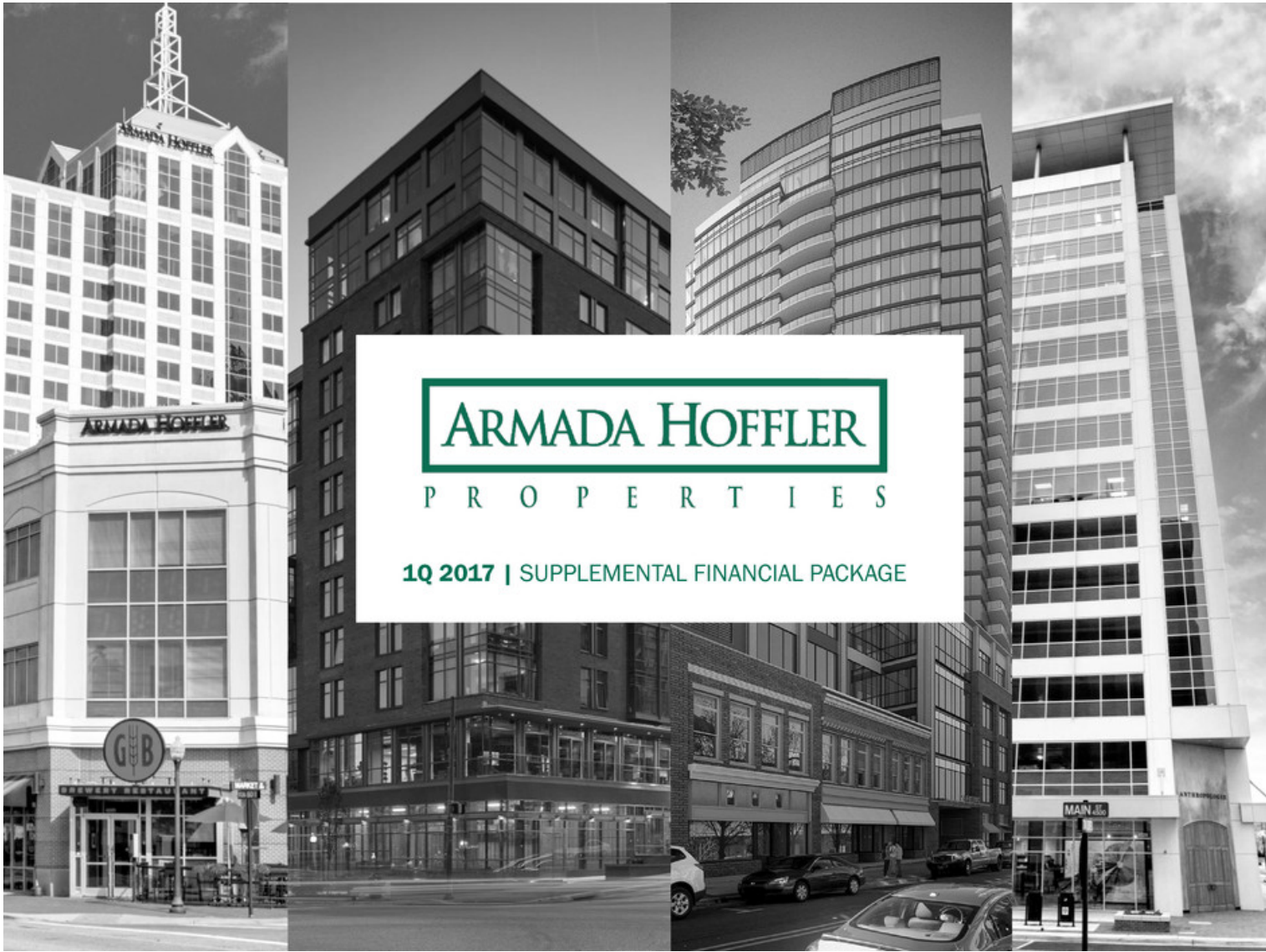
ARMADA HOFFLER PROPERTIES, INC.
RECONCILIATION OF NET INCOME TO FFO & NORMALIZED FFO
(in thousands, except per share amounts)

	Three Months Ended March 31,	
	2017	2016
	(Unaudited)	
Net income	\$ 8,753	\$ 26,533
Depreciation and amortization	9,475	8,149
Gain on dispositions of operating real estate ⁽¹⁾	(3,395)	(26,244)
Funds From Operations (FFO)	\$ 14,833	\$ 8,438
Acquisition costs	47	704
Impairment charges	4	35
Change in fair value of interest rate derivatives	(294)	2,389
Normalized FFO	\$ 14,590	\$ 11,566
Net income per diluted share and unit	\$ 0.16	\$ 0.57
FFO per diluted share and unit	\$ 0.27	\$ 0.18
Normalized FFO per diluted share and unit	\$ 0.26	\$ 0.25
Weighted average shares and units outstanding	55,475	46,218

(1) Excludes gains on non-operating undepreciated real estate of \$430 for the three months ended March 31, 2016.

Contact:

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



ARMADA HOFFLER

P R O P E R T I E S

1Q 2017 | SUPPLEMENTAL FINANCIAL PACKAGE



3	Forward Looking Statements
4	Corporate Profile
5	Highlights
6	Outlook & Assumptions
7	Summary Information
8	Summary Balance Sheet
9	Summary Income Statement
10	FFO, Normalized FFO & Adjusted FFO
11	Outstanding Debt
12	Core Debt to Core EBITDA
13	Debt Information
14	Capitalization & Financial Ratios
15	Property Portfolio
17	Development Pipeline
18	Acquisitions & Dispositions
19	Construction Business Summary
20	Same Store NOI by Segment
21	Top 10 Tenants by Annualized Base Rent
22	Office Lease Summary
23	Office Lease Expirations
24	Retail Lease Summary
25	Retail Lease Expirations
26	Net Asset Value Component Data
27	Appendix – Definitions & Reconciliations
31	Same Store vs Non-Same Store Properties
32	Reconciliation to Property Portfolio NOI
34	Reconciliation to GAAP Net Income

This Supplemental Information should be read in conjunction with the unaudited condensed consolidated financial statements appearing in our press release dated May 2, 2017, which has been furnished as Exhibit 99.1 to our Form 8-K filed on May 2, 2017. The Company makes statements in this Supplemental Information that are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 (set forth in Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act")). In particular, statements pertaining to our capital resources, portfolio performance, development pipeline and results of operations contain forward-looking statements. Likewise, all of our statements regarding anticipated growth in our funds from operations, normalized funds from operations, adjusted funds from operations, and net operating income are forward-looking statements. You can identify forward-looking statements by the use of forward-looking terminology such as "believes," "expects," "may," "will," "should," "seeks," "intends," "plans," "estimates" or "anticipates" or the negative of these words and phrases or similar words or phrases which are predictions of or indicate future events or trends and which do not relate solely to historical matters. You can also identify forward-looking statements by discussions of strategy, plans or intentions.

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

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

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



Board of Directors

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

Corporate Officers

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

Investor Relations

Michael P. O'Hara	Chief Financial Officer and Treasurer
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 - Normalized Funds From Operations (“FFO”) of \$14.6 million, or \$0.26 per diluted share, for the quarter ended March 31, 2017 compared to Normalized FFO of \$11.6 million, or \$0.25 per diluted share, for the quarter ended March 31, 2016.
 - FFO of \$14.8 million, or \$0.27 per diluted share, for the quarter ended March 31, 2017 compared to FFO of \$8.4 million, or \$0.18 per diluted share, for the quarter ended March 31, 2016.
 - Same Store Net Operating Income (“NOI”) increased for the eleventh consecutive quarter.
 - Core operating property portfolio occupancy at 94.3% compared to 94.7% as of March 31, 2016.
 - Announced \$100 million of new development in historic downtown Charleston, South Carolina, consisting of two student housing assets that the Company will develop as the majority partner of a new joint venture and build as the general contractor.
 - Leased 40,000 square feet at 4525 Main Street in the Town Center of Virginia Beach, bringing occupancy to over 93% for this asset.
 - Entered into an agreement to invest in the development of a \$34 million Whole Foods anchored center located in Decatur, Georgia.
 - The Company is maintaining its 2017 full-year Normalized FFO guidance range of \$0.99 to \$1.03 per diluted share.
-

Outlook	Low	High
Total NOI	\$73.7M	\$74.2M
Construction Segment Gross Profit	\$5.6M	\$6.3M
G&A expenses	\$10.6M	\$11.0M
Interest income	\$6.7M	\$6.9M
Interest expense	\$18.0M	\$18.5M
Normalized FFO per diluted share	\$0.99	\$1.03

Guidance Assumptions

Disposition of one additional single tenant asset during the third quarter with the proceeds being used for balance sheet purposes.

- Raising \$53 million through the ATM program, resulting in 57 million weighted average shares outstanding for the full year.

- Interest expense is calculated based on the Forward LIBOR Curve, that has rates increasing 30 bps by year end.

- No acquisitions in 2017.

\$ in thousands, except per share data

	Three months ended				
	3/31/2017	12/31/2016	9/30/2016	6/30/2016	3/31/2016
OPERATIONAL METRICS					
Net income	\$8,753	\$5,145	\$7,946	\$3,131	\$26,533
Net income per diluted share	\$0.16	\$0.09	\$0.15	\$0.06	\$0.57
Rental properties Net Operating Income (NOI)	18,655	18,304	17,115	16,798	15,605
General contracting and real estate services gross profit	2,323	1,436	1,278	1,175	1,766
Adjusted EBITDA ⁽¹⁾	19,376	18,097	16,720	16,077	14,406
Funds From Operations (FFO)	14,833	14,744	13,078	11,720	8,438
FFO per diluted share	\$0.27	\$0.27	\$0.25	\$0.24	\$0.18
Normalized FFO	14,590	13,669	13,156	12,530	11,566
Normalized FFO per diluted share	\$0.26	\$0.25	\$0.26	\$0.26	\$0.25
Annualized dividend yield	5.47%	4.94%	5.37%	5.24%	6.40%
CAPITALIZATION					
Total common shares outstanding	37,813	37,491	34,256	32,825	31,095
Operating Partnership ("OP") units outstanding	17,859	17,793	17,793	17,597	16,027
Common shares and OP units outstanding	55,672	55,284	52,049	50,422	47,122
Market price per common share	\$13.89	\$14.57	\$13.40	\$13.74	\$11.25
Equity market capitalization ⁽²⁾	\$773,284	\$805,488	\$697,457	\$692,798	\$530,123
Total debt ⁽³⁾	527,504	527,082	519,209	512,702	471,876
Total market capitalization	1,300,788	1,332,570	1,216,666	1,205,500	1,001,999
Less: cash	(13,688)	(25,193)	(27,361)	(23,142)	(22,505)
Total enterprise value	\$1,287,100	1,307,377	\$1,189,305	\$1,182,358	\$979,494
BALANCE SHEET METRICS					
Core Debt/enterprise value	32.9%	31.7%	34.3%	35.4%	40.1%
Fixed charge coverage ratio	3.6x	3.3x	3.4x	3.3x	3.1x
Core Debt/Annualized Core EBITDA	6.0x	6.3x	6.4x	6.7x	6.9x
CORE PORTFOLIO OCCUPANCY					
Office ⁽⁴⁾	87.7%	86.8%	96.4%	94.6%	95.0%
Retail ⁽⁴⁾	96.7%	95.8%	96.4%	96.0%	95.1%
Multifamily ⁽⁵⁾	92.7%	94.3%	95.8%	94.3%	93.5%
Weighted Average ⁽⁶⁾	94.3%	93.8%	96.2%	95.3%	94.7%

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

(2) Includes common shares and OP units

(3) Excludes unamortized GAAP adjustments

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

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

(6) Total occupancy weighted by annualized base rent

Summary Balance Sheet

\$ in thousands

	As of	
	3/31/2017 (Unaudited)	12/31/2016
Assets		
Real estate investments:		
Income producing property	\$898,526	\$894,078
Held for development	8,042	680
Construction in progress	19,198	13,529
Accumulated depreciation	<u>(145,981)</u>	<u>(139,553)</u>
Net real estate investments	779,785	768,734
Cash and cash equivalents	10,039	21,942
Restricted cash	3,649	3,251
Accounts receivable, net	14,122	15,052
Notes receivable	60,959	59,546
Construction receivables, including retentions	50,151	39,433
Costs and estimated earnings in excess of billings	812	110
Equity method investments	10,794	10,235
Other assets	<u>62,593</u>	<u>64,165</u>
Total Assets	<u>\$992,904</u>	<u>\$982,468</u>
Liabilities and Equity		
Indebtedness, net	\$522,394	\$522,180
Accounts payable and accrued liabilities	11,008	10,804
Construction payables, including retentions	57,457	51,130
Billings in excess of costs and estimated earnings	9,823	10,167
Other liabilities	<u>39,107</u>	<u>39,209</u>
Total Liabilities	639,789	633,490
Redeemable noncontrolling interest	2,000	-
Total Equity	351,115	348,978
Total Liabilities and Equity	<u>\$992,904</u>	<u>\$982,468</u>

Summary Income Statement

Amounts in thousands, except per share data

	Three months ended	
	<u>3/31/2017</u>	<u>3/31/2016</u>
Revenues	(Unaudited)	
Rental revenues	\$27,232	\$23,283
General contracting and real estate services	63,519	36,803
Total Revenues	<u>90,751</u>	<u>60,086</u>
Expenses		
Rental expenses	6,068	5,329
Real estate taxes	2,509	2,349
General contracting and real estate services	61,196	35,037
Depreciation and amortization	9,475	8,149
General and administrative	2,986	2,484
Acquisition, development & other pursuit costs	47	704
Impairment charges	4	35
Total Expenses	<u>82,285</u>	<u>54,087</u>
Operating Income	8,466	5,999
Interest income	1,398	182
Interest expense	(4,535)	(3,791)
Gain on real estate dispositions	3,395	26,674
Change in fair value of interest rate derivatives	294	(2,389)
Other income	37	76
Income before taxes	9,055	26,751
Income tax provision	(302)	(218)
Net Income	<u>\$8,753</u>	<u>\$26,533</u>
Per Diluted Share	\$0.16	\$0.57
Weighted Average Shares-Diluted	55,475	46,218

FFO, Normalized FFO & Adjusted FFO⁽¹⁾

\$ in thousands, except per share data

	Three months ended (Unaudited)				
	3/31/2017	12/31/2016	9/30/2016	6/30/2016	3/31/2016
Funds From Operations					
Net income	\$8,753	\$5,145	\$7,946	\$3,131	\$26,533
Earnings per diluted share	\$0.16	\$0.09	\$0.15	\$0.06	\$0.57
Depreciation and amortization	9,475	9,692	8,885	8,602	8,149
Gains on dispositions of operating real estate ⁽²⁾	(3,395)	(93)	(3,753)	(13)	(26,244)
FFO	\$14,833	\$14,744	13,078	\$11,720	\$8,438
FFO per diluted share	\$0.27	\$0.27	\$0.25	\$0.24	\$0.18
Normalized FFO					
Acquisition, development & other pursuit costs	47	77	345	437	704
Loss on extinguishment of debt	-	-	82	-	-
Impairment charges	4	171	149	-	35
Change in fair value of interest rate derivatives	(294)	(1,323)	(498)	373	2,389
Normalized FFO	\$14,590	\$13,669	\$13,156	\$12,530	\$11,566
Normalized FFO per diluted share	\$0.26	\$0.25	\$0.26	\$0.26	\$0.25
Adjusted FFO					
Non-cash stock compensation	411	218	212	215	437
Acquisition, development & other pursuit costs	(47)	(77)	(345)	(437)	(704)
Tenant improvements, leasing commissions ⁽³⁾	(943)	(507)	(233)	(1,365)	(287)
Property related capital expenditures	(442)	(434)	(514)	(603)	(390)
Non-cash interest expense	277	293	219	277	191
Net effect of straight-line rents	(245)	(246)	(158)	(194)	(122)
Amortization of leasing incentives & above (below) market rents	(47)	(24)	116	(183)	6
AFFO	\$13,554	\$12,892	\$12,453	\$10,240	\$10,697
Weighted Average Common Shares Outstanding	37,622	36,465	33,792	31,736	30,191
Weighted Average Operating Partnership ("OP") Units Outstanding	17,853	17,793	17,720	17,113	16,027
Total Weighted Average Common Shares and OP Units Outstanding	55,475	54,258	51,512	48,849	46,218

(1) See definitions on pages 28-29

(2) Excludes gain on non-operating real estate of \$430K for the three months ended 3/31/2016

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

Outstanding Debt

\$ in thousands

Debt	Stated Rate	Effective Rate as of 3/31/2017	Maturity Date	Debt Maturities & Principal Payments						Amount Outstanding as of 3/31/2017	
				2017	2018	2019	2020	2021	Thereafter		
Secured Notes Payable - Core Debt											
Harrisonburg Regal	6.06%	6.06%	6/8/2017	3,202							3,202
Commonwealth of Virginia - Chesapeake	(+1.90%)	2.88%	8/28/2017	4,933							4,933
Hanbury Village	6.67%	6.67%	10/11/2017	20,635							20,635
Sandbridge Commons	(+1.85%)	2.83%	1/17/2018	185	9,129						9,314
Columbus Village Note 1	(+2.00%)	3.05% ⁽¹⁾	4/5/2018	135	6,080						6,215
Columbus Village Note 2	(+2.00%)	2.98%	4/5/2018	36	2,218						2,254
North Point Center Note 1	6.45%	6.45%	2/5/2019	155	219	9,352					9,726
Southgate Square	(+2.00%)	2.98%	4/29/2021	391	539	561	584	19,075			21,150
249 Central Park Retail	(+1.95%)	2.93%	8/8/2021	174	229	243	258	16,117			17,021
South Retail	(+1.95%)	2.93%	8/8/2021	75	101	107	113	7,072			7,468
Fountain Plaza Retail	(+1.95%)	2.93%	8/8/2021	103	138	147	156	9,703			10,247
Encore Apartments	3.25%	3.25%	9/10/2021			124	504	24,338			24,966
Socastee Commons	4.57%	4.57%	1/6/2023	70	100	105	109	115	4,343		4,842
North Point Center Note 2	7.25%	7.25%	9/15/2025	81	113	121	130	140	1,954		2,539
Smith's Landing	4.05%	4.05%	6/1/2035	568	791	824	858	890	16,394		20,325
Liberty Apartments	5.66%	5.66%	11/1/2043	246	344	364	385	415	18,171		19,925
The Cosmopolitan	3.75%	3.75%	7/1/2051	497	686	712	739	767	42,320		45,721
Total - Secured Core Debt				\$31,486	\$20,687	\$12,660	\$3,836	\$78,632	\$83,182		\$230,483
Secured Notes Payable - Development Pipeline											
4525 Main Street	3.25%	3.25%	9/10/2021			158	646	31,230			32,034
Lightfoot Marketplace	(+1.90%)	2.88%	11/14/2017	12,894							12,894
Johns Hopkins Village	(+1.90%)	2.88%	7/30/2018		45,093						45,093
Total - Development Pipeline				12,894	45,093	158	646	31,230	-		90,021
Total Secured Notes Payable				\$44,380	\$65,780	\$12,818	\$4,482	\$109,862	\$83,182		\$320,504
Unsecured Core Debt											
Senior unsecured line of credit	(+1.40% - 2.00%)	2.53%	2/20/2019			82,000					82,000
Senior unsecured term loan	(+1.35% - 1.95%)	2.48%	2/20/2020				75,000				75,000
Senior unsecured term loan	(+1.35% - 1.95%)	3.50% ⁽¹⁾	2/20/2020				50,000				50,000
Total - Unsecured Core Debt				-	-	82,000	125,000	-	-		207,000
Total Notes Payable excluding GAAP Adjustments				\$44,380	\$65,780	\$94,818	\$129,482	\$109,862	\$83,182		\$527,504
Weighted Average Interest Rate				4.9%	3.0%	3.0%	2.9%	3.1%	4.4%		3.4%
Balloon Payments				41,491	62,063	91,333	125,000	106,274	5,567		431,728
Principal amortization				2,889	3,717	3,485	4,482	3,588	77,615		95,776
Total Consolidated Debt				\$44,380	\$65,780	\$94,818	\$129,482	\$109,862	\$83,182		\$527,504
Fixed-rate Debt ⁽²⁾				25,589	8,333	11,760	53,371	57,895	83,182		240,130
Variable-rate Debt ⁽¹⁾				18,791	57,447	83,058	76,111	51,967	-		287,374
Total Consolidated Debt				\$44,380	\$65,780	\$94,818	\$129,482	\$109,862	\$83,182		\$527,504
GAAP Adjustments											(5,110)
Total Notes Payable											\$522,394

30 Day LIBOR as
of 3/31/2017 0.983%

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

Core Debt to Core EBITDA⁽¹⁾

\$ in thousands

	Three months ended				
	3/31/2017	12/31/2016	9/30/2016	6/30/2016	3/31/2016
Net Income	\$8,753	\$5,145	\$7,946	\$3,131	\$26,533
Excluding:					
Interest expense	4,535	4,573	4,124	3,978	3,791
Income tax	302	103	16	6	218
Depreciation and amortization	9,475	9,692	8,885	8,602	8,149
Gain on real estate dispositions	(3,395)	(93)	(3,753)	(13)	(26,674)
Change in fair value of interest rate derivatives	(294)	(1,323)	(498)	373	2,389
Adjusted EBITDA	\$19,376	\$18,097	\$16,720	\$16,077	\$14,406
Other adjustments:					
Loss on extinguishment of debt	-	-	82	-	-
Non-cash stock compensation	411	218	212	215	437
Development Pipeline	(2,154)	(1,917)	(1,058)	(719)	(620)
Total Other Adjustments	(1,743)	(1,699)	(764)	(504)	(183)
Core EBITDA	\$17,633	\$16,398	\$15,956	\$15,573	\$14,223
Total Debt⁽²⁾	\$527,504	\$527,082	\$519,209	\$512,702	\$471,876
Adjustments to Debt:					
(Less) Development Pipeline ⁽²⁾	(90,021)	(88,069)	(84,321)	(71,035)	(56,592)
(Less) Cash & restricted cash	(13,688)	(25,193)	(27,361)	(23,142)	(22,505)
Core Debt	\$423,795	\$413,820	\$407,527	\$418,525	\$392,779
Core Debt/Annualized Core EBITDA	6.0x	6.3x	6.4x	6.7x	6.9x

(1) See definitions on page 30

(2) Excludes GAAP Adjustments

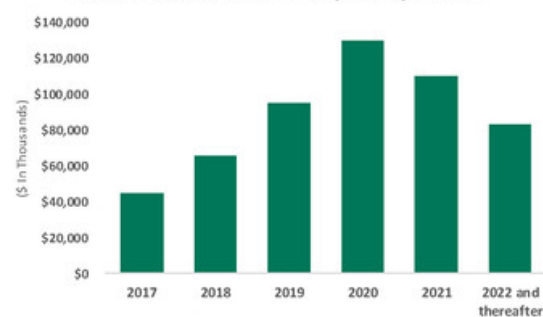
\$ in thousands

Total Debt Composition			
	Percent of Debt	Weighted Average	
		Interest Rate	Maturity
Secured vs. Unsecured Debt			
Unsecured Debt	39.2%	2.7%	2.5 Yrs
Secured Debt	60.8%	3.8%	9.7 Yrs
Variable vs. Fixed-rate Debt			
Variable-rate Debt ⁽¹⁾	54.5%	2.7%	2.4 Yrs
Fixed-rate Debt ⁽²⁾⁽³⁾	45.5%	4.2%	12.3 Yrs
Fixed-rate and Hedged Debt ⁽²⁾⁽³⁾	96.7%		
Total		3.4%	6.9 Yrs



Interest Rate Cap Agreements At or Below 1.50%			
Effective Date	Maturity Date	Strike Rate	Notional Amount
October 26, 2015	October 15, 2017	1.25%	\$75,000
February 25, 2016	March 1, 2018	1.50%	75,000
June 17, 2016	June 17, 2018	1.00%	70,000
February 7, 2017	March 1, 2019	1.50%	50,000
Total Interest Rate Caps at or Below 1.50%			270,000
Fixed-rate Debt ⁽²⁾⁽³⁾			240,130
Fixed-rate and Hedged Debt			\$510,130
% of Total ⁽³⁾			96.7%

Debt Maturities & Principal Payments



(1) Excludes debt subject to interest rate swap locks
(2) Includes debt subject to interest rate swap locks
(3) Excludes GAAP adjustments

\$ in thousands

Capitalization as of March 31, 2017

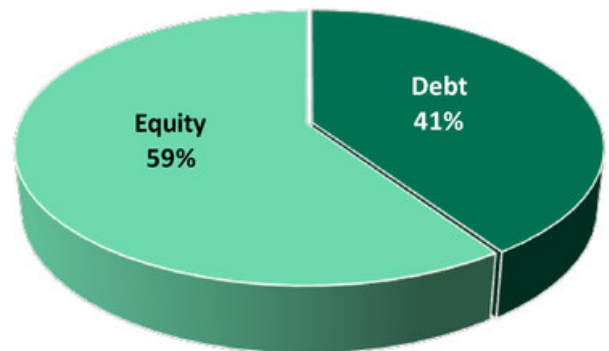
Debt	% of Total	Carrying Value
Unsecured Credit Facility	16%	\$82,000
Unsecured Term Loans	24%	125,000
Mortgages Payable	60%	320,504
Total Debt		\$527,504

Equity	% of Total	Shares/Units	Stock Price	Market Value
Common Stock (NYSE: AHH)	68%	37,813	\$13.89	\$525,223
Common Units	32%	17,859	\$13.89	248,062
Equity Market Capitalization		55,672		\$773,284
Total Market Capitalization				\$1,300,788
Debt/Market Capitalization				40.6%

Dividend Data

	Trailing 12 Months
Common Dividends and Distributions	35,948
AFFO	49,139
AFFO Payout Ratio	73.2%

Capital Structure as of March 31, 2017



Liquidity as of March 31, 2017

Cash on Hand	\$13,688
Availability under Credit Facility	68,000
Total Liquidity	\$81,688

As of 3/31/17

Property	Anchor Tenant	Location	Town Center	Unencumbered ABR	Year Built	Core Properties	Development Properties	Net Rentable Square Feet ⁽¹⁾	Core Occupancy ⁽²⁾	Development Leased ⁽²⁾	ABR ⁽³⁾	ABR per Leased SF ⁽⁴⁾
Retail Properties												
249 Central Park Retail ⁽⁴⁾	Cheesecake Factory, Brooks Brothers, Gordon Biersch	Virginia Beach, VA	✓	-	2004	92,710	-	92,710	93.7%	-	\$2,457,395	\$28.29
Alexander Pointe	Harris Teeter	Salisbury, NC		100%	1997	57,710	-	57,710	97.6%	-	649,950	11.54
Bermuda Crossroads	Food Lion, OfficeMax	Chester, VA		100%	2001	122,566	-	122,566	92.4%	-	1,656,825	14.63
Broad Creek Shopping Center ⁽¹⁴⁾	Home Depot, Food Lion, PetSmart	Norfolk, VA		100%	1997/2001	252,497	-	252,497	100.0%	-	3,842,955	15.22
Broadmoor Plaza	Kroger, Staples, Jo-Ann Fabrics	South Bend, IN		100%	1980	115,059	-	115,059	92.2%	-	1,246,390	11.75
Brooks Crossing	Various Small Shops	Newport News, VA		100%	2016	-	18,343	18,343	-	59.8%	151,380	13.80
Columbus Village	Barnes & Noble	Virginia Beach, VA	✓	-	1980/2013	66,594	-	66,594	93.5%	-	1,200,454	19.27
Columbus Village II	Regal Cinemas, BB&B	Virginia Beach, VA	✓	100%	1995/1996	92,061	-	92,061	100.0%	-	1,580,113	17.16
Commerce Street Retail ⁽¹⁵⁾	Yard House	Virginia Beach, VA	✓	100%	2008	19,173	-	19,173	100.0%	-	853,734	44.53
Courthouse 7-Eleven	7-Eleven	Virginia Beach, VA		100%	2011	3,177	-	3,177	100.0%	-	139,311	43.85
Dick's at Town Center	Dick's Sporting Goods, US!	Virginia Beach, VA	✓	100%	2002	103,335	-	103,335	100.0%	-	1,231,340	11.92
Dimmock Square	Best Buy, Old Navy	Colonial Heights, VA		100%	1998	106,166	-	106,166	97.2%	-	1,738,304	16.85
Fountain Plaza Retail	Ruth's Chris, Ann Taylor	Virginia Beach, VA	✓	-	2004	35,961	-	35,961	100.0%	-	1,019,227	28.34
Gainsborough Square	Food Lion, Rite Aid	Chesapeake, VA		100%	1999	88,862	-	88,862	90.7%	-	1,222,249	15.17
Greentree Shopping Center	Various Small Shops	Chesapeake, VA		100%	2014	15,719	-	15,719	85.9%	-	286,767	21.23
Hanbury Village	Harris Teeter, Walgreens, Starbucks	Chesapeake, VA		32%	2006/2009	116,635	-	116,635	97.6%	-	2,430,794	21.36
Harper Hill Commons	Harris Teeter	Winston-Salem, NC		100%	2004	96,914	-	96,914	80.5%	-	893,877	11.45
Harrisonburg Regal	Regal Cinemas	Harrisonburg, VA		-	1999	49,000	-	49,000	100.0%	-	683,550	13.95
Lightfoot Marketplace	Harris Teeter, CHKD	Williamsburg, VA		-	2016	-	107,793	107,793	-	72.5%	1,113,240	14.24
North Hampton Market	PetSmart, Hobby Lobby, Home Depot	Taylors, SC		100%	2004	114,935	-	114,935	97.2%	-	1,397,423	12.51
North Point Center	Kroger, PetSmart, Home Depot, Costco	Durham, NC		67%	1998/2009	496,246	-	496,246	99.7%	-	3,684,715	7.45
Oakland Marketplace	Kroger	Oakland, TN		100%	2004	64,600	-	64,600	95.7%	-	438,580	7.10
Parkway Marketplace	Rite Aid	Virginia Beach, VA		100%	1998	37,804	-	37,804	95.2%	-	720,220	20.00
Patterson Place	BB&B, PetSmart, DSW, AC Moore	Durham, NC		100%	2004	159,842	-	159,842	97.6%	-	2,485,126	15.93
Perry Hall Marketplace	Safeway	Perry Hall, MD		100%	2001	74,256	-	74,256	100.0%	-	1,243,444	16.75
Providence Plaza	Cranfill, Sumner & Hartzog, Chipotle	Charlotte, NC		100%	2007/2008	103,118	-	103,118	100.0%	-	2,642,044	25.62
Renaissance Square	Harris Teeter	Davidson, NC		100%	2008	80,467	-	80,467	92.2%	-	1,282,983	17.29
Sandbridge Commons	Harris Teeter, Heartland Dental	Virginia Beach, VA		-	2015	69,417	-	69,417	100.0%	-	910,681	13.12
Socastee Commons	Bi-Lo	Myrtle Beach, SC		-	2000/2014	57,273	-	57,273	97.4%	-	634,260	11.37
South Retail	Iululomon, free people, CPK	Virginia Beach, VA	✓	-	2002	38,515	-	38,515	84.9%	-	886,111	27.08
South Square	Ross, Petco, Office Depot	Durham, NC		100%	1977/2005	109,590	-	109,590	100.0%	-	1,896,138	17.30
Southgate Square	Burlington, PetSmart, Michaels	Colonial Heights, VA		-	1991/2016	220,131	-	220,131	96.3%	-	2,879,868	13.59
Southshore Shops	Buffalo Wild Wings	Midlothian, VA		100%	2006	40,333	-	40,333	97.5%	-	780,080	19.83
Stone House Square	Weis Markets	Hagerstown, MD		100%	2008	112,274	-	112,274	90.7%	-	1,741,369	17.10
Studio 56 Retail	McCormick & Schmick's	Virginia Beach, VA	✓	100%	2007	11,594	-	11,594	100.0%	-	375,628	32.40
Tyre Neck Harris Teeter ⁽¹⁶⁾	Harris Teeter	Portsmouth, VA		100%	2011	48,859	-	48,859	100.0%	-	508,134	10.40
Waynesboro Commons	Kroger	Waynesboro, VA		100%	1993	52,415	-	52,415	96.2%	-	404,024	8.01
Wendover Village	BB&B, T.J. Maxx, Petco	Greensboro, NC		100%	2004	135,758	-	135,758	100.0%	-	1,962,026	14.45
Total / Weighted Avg Retail Portfolio⁽¹¹⁾				71%		3,461,566	126,136	3,587,702	96.7%	70.7%	\$51,270,709	\$14.92

As of 3/31/17

Property	Anchor Tenant	Location	Town Center	Unencumbered ABR	Year Built	Net Rentable Square Feet (RSF) ⁽¹⁾			Core Occupancy ⁽²⁾	Development Leased ⁽²⁾	ABR ⁽³⁾	ABR per Leased Sq ⁽⁴⁾
						Core Properties	Development Properties	Total				
Office Properties												
4525 Main Street	Clark Nexsen, Anthropologie, West Elm	Virginia Beach, VA	✓	-	2014	-	237,893	237,893	-	93.1%	\$6,168,427	\$27.86
Armada Hoffer Tower ⁽⁵⁾	AHH, Troutman Sanders, Williams Mullen	Virginia Beach, VA	✓	100%	2002	324,242	-	324,242	91.0%	-	8,346,187	28.29
Commonwealth of VA - Chesapeake	Commonwealth of VA	Chesapeake, VA	-	-	2015	36,227	-	36,227	100.0%	-	645,927	17.83
Commonwealth of VA - Virginia Beach	Commonwealth of VA	Virginia Beach, VA	-	100%	2015	11,139	-	11,139	100.0%	-	245,058	22.00
One Columbus	BB&T, HBA	Virginia Beach, VA	✓	100%	1984	129,272	-	129,272	84.6%	-	2,723,610	24.90
Two Columbus	The Art Institute	Virginia Beach, VA	✓	100%	2009	108,448	-	108,448	76.4%	-	2,195,266	26.48
Total / Weighted Average Office Portfolio				66%		609,328	237,893	847,221	87.7%	93.1%	\$20,324,475	\$26.88
Multifamily												
Encore Apartments		Virginia Beach, VA	✓	-	2014	286	-	286	94.1%	-	\$4,134,012	\$1.77
Johns Hopkins Village ⁽⁶⁾⁽¹⁰⁾		Baltimore, MD	-	-	2016	-	157	157	-	79.0%	5,860,460	2.66
Liberty Apartments ⁽⁹⁾		Newport News, VA	-	-	2013	197	-	197	89.6%	-	2,135,052	1.43
Smith's Landing ⁽¹¹⁾		Blacksburg, VA	-	-	2009	284	-	284	100.0%	-	3,695,580	1.14
The Cosmopolitan ⁽⁹⁾		Virginia Beach, VA	✓	-	2006	342	-	342	87.4%	-	5,670,156	1.65
Total / Weighted Avg Multifamily Portfolio						1,109	157	1,266	92.7%	79.0%	\$21,495,260	\$1.69

- (1) The net rentable square footage for each of our retail & office properties is the sum of (a) the square footage of existing leases, plus (b) for available space, management's estimate of net rentable square footage based, in part, on past leases. The net rentable square footage included in office leases is generally consistent with the Building Owners and Managers Association, or BOMA, 1996 measurement guidelines.
- (2) Occupancy for each of our retail & office properties is calculated as (a) square footage under executed leases as of March 31, 2017, divided by (b) net rentable square feet, expressed as a percentage. Occupancy for our multifamily properties is calculated as (a) total units occupied as of March 31, 2017, divided by (b) total units available, expressed as a percentage.
- (3) For the properties in our office and retail portfolios, annualized base rent, or ABR, is calculated by multiplying (a) monthly base rent (defined as cash base rent, before contractual tenant concessions and abatements, and excluding tenant reimbursements for expenses paid by us) as of March 31, 2017 for in-place leases as of such date by (b) 12, and does not give effect to periodic contractual rent increases or contingent rental revenue (e.g., percentage rent based on tenant sales thresholds). ABR per leased square foot is calculated by dividing (a) ABR by (b) square footage under in-place leases as of March 31, 2017. In the case of triple net or modified gross leases, our calculation of ABR does not include tenant reimbursements for real estate taxes, insurance, common area or other operating expenses.
- (4) As of March 31, 2017, the Company occupied 41,103 square feet at these two properties at an ABR of \$1,210,559, or \$29.45 per leased square foot, which amounts are reflected in this table. The rent paid by us is eliminated in accordance with GAAP.
- (5) Includes \$32,760 of ABR pursuant to a rooftop lease.
- (6) Net rentable square feet at certain of our retail properties includes pad sites leased pursuant to the ground leases in the table below:
- | Properties Subject to Ground Lease | Number of Ground Leases | Square Footage Leased Pursuant to Ground Leases | | ABR |
|------------------------------------|-------------------------|---|--------------------|-----|
| | | Number of Ground Leases | ABR | |
| Bermuda Crossroads | 2 | 11,000 | \$163,350 | |
| Broad Creek Shopping Center | 6 | 24,818 | 607,082 | |
| Hanbury Village | 2 | 55,586 | 1,067,598 | |
| Harper Hill Commons | 1 | 41,520 | 373,680 | |
| Lightfoot Marketplace | 1 | 51,750 | 543,375 | |
| North Point Center | 4 | 280,556 | 1,083,666 | |
| Oakland Marketplace | 1 | 45,000 | 186,300 | |
| Sandbridge Commons | 1 | 53,288 | 582,971 | |
| South Square | 1 | 1,778 | 60,000 | |
| Stone House Square | 1 | 3,650 | 165,000 | |
| Tyre Neck Harris Teeter | 1 | 48,859 | 508,134 | |
| Total / Weighted Avg | 21 | 617,805 | \$5,341,156 | |
- (7) For the properties in our multifamily portfolio, annualized base rent, or ABR, is calculated by multiplying (a) base rental payments for the month ended March 31, 2017 by (b) 12.
- (8) ABR per occupied rentable square foot is calculated by dividing (a) ABR, by (b) net rentable square footage of occupied units as of March 31, 2017.
- (9) The ABR for Liberty, Cosmopolitan, Johns Hopkins Village excludes \$215,000, \$920,000, \$1,159,000 from ground floor retail leases, respectively.
- (10) The Company leases the land underlying this property pursuant to a ground lease.
- (11) Beginning with the three months ended March 31, 2017, our calculation of core occupancy included, and in future periods will include, the square footage from ground leases where we are the lessor. We did not retrospectively apply this new calculation methodology to prior periods. If we were to exclude these ground leases in the calculation of core occupancy, our core occupancy as of March 31, 2017 would have been 96.1%.

Development Pipeline

\$ in thousands

Development, Not Delivered	Property Type	Estimated ⁽¹⁾	% Leased	Schedule ⁽¹⁾			Estimated Cost ⁽¹⁾	Cost to Date	AHH Ownership %	Anchor Tenants & Other Notes
				Construction Start	Initial Occupancy	Stabilized Operation ⁽²⁾				
Meeting Street Charleston, SC	Multifamily	114 units	NA	3Q17	3Q19	3Q19	\$53,000	\$1,000	90%	NA
King Street Charleston, SC	Multifamily	74 units/ 12,200 sf	NA	3Q17	3Q19	3Q19	48,000	8,000	93%	NA
Harding Place Charlotte, NC	Multifamily	225 Units	NA	3Q16	3Q18	1Q20	47,000	11,000	80% ⁽³⁾	NA
Town Center Phase VI Virginia Beach, VA	Mixed-use	39,000 SF 130 Units	46%	4Q16	3Q18	3Q19	43,000	7,000	100%	Anchor tenants not yet announced
Brooks Crossing Newport News, VA	Office	100,000 sf	NA	3Q17	4Q18	4Q18	20,000	1,000	65% ⁽³⁾	Huntington Ingalls Industries ⁽⁴⁾
Total Development, Not Delivered							211,000	28,000		
Development, Delivered Not Stabilized										
Brooks Crossing Newport News, VA	Retail	18,000 sf	60%	3Q15	3Q16	4Q16	3,000	3,000	65% ⁽³⁾	Misc. small shops
4525 Main Street Virginia Beach, VA	Office	239,000 sf	93%	1Q13	3Q14	2Q17	53,000	47,000	100%	Clark Nexsen, Mythics, Anthropologie
Johns Hopkins Village Baltimore, MD	Multifamily	157 units	79%	1Q15	3Q16	3Q17	69,000	68,000	80% ⁽³⁾	CVS
Lightfoot Marketplace Williamsburg, VA	Retail	109,000 sf	73%	3Q14	3Q16	1Q18	24,000	23,000	70% ⁽³⁾	Harris Teeter, CHKD
Total Development, Delivered Not Stabilized							149,000	141,000		
Total							\$360,000	\$169,000		
							Project Cost	Equity Investment		
Joint Ventures - Minority Partner										
One City Center - 37% JV Durham, NC	Mixed-use	152,000 sf	36%	1Q16	2Q18	2Q19	\$36,000	\$10,800	100%	Duke University AHH Equity requirement \$10.8M
Mezzanine Investments										
Point Street Apartments Baltimore, MD	Multifamily	289 units	NA	1Q16	4Q17	1Q19	\$92,000	\$21,000	Option to purchase 88% upon completion	\$23M Mezzanine financing by AHH, earning 8% interest income
Annapolis Junction Annapolis Junction, MD	Multifamily	416 units	NA	2Q16	3Q17	2Q19	102,000	39,900	Option to purchase 88% upon completion	\$43M Mezzanine financing by AHH, earning 10% interest income
Total Mezzanine Investment							\$194,000	\$60,900		

	Q1 2017
Capitalized Interest	\$167
Capitalized Overhead	\$461



Johns Hopkins Village



Lightfoot Marketplace



One City Center



Point Street Apts.

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

\$ in thousands

ACQUISITIONS									
Properties	Location	Square Feet	Purchase Price ⁽¹⁾	Reinvested 1031 Proceeds	\$ Value of OP Units/Stock ⁽²⁾	Cash Cap Rate	Purchase Date	Anchor Tenants	
Renaissance Square	Davidson, NC	80,468	\$17,085	-	-	7.1%	4Q16	Harris Teeter	
Columbus Village II	Virginia Beach, VA	92,061	\$26,200	-	\$26,200	5.6%	4Q16	Regal, Bed Bath & Beyond	
Southshore Shops	Midlothian, VA	40,333	\$9,160	-	\$2,475	7.8%	3Q16	Buffalo Wild Wings	
Southgate Square	Colonial Heights, VA	220,131	\$38,585	-	\$17,485	7.3%	2Q16	PetSmart, Michael's, Burlington	
Retail Portfolio (11 properties)	Mid-Atlantic	1,082,681	\$170,500	\$87,000	-	7.2%	1Q16	Harris Teeter, Bed Bath & Beyond	
Providence Plaza	Charlotte, NC	103,118	\$26,200	\$14,000	-	7.3%	3Q15	Chipotle	
Socastee Commons	Myrtle Beach, SC	57,573	\$8,600	\$3,600	-	7.3%	3Q15	BiLo	
Columbus Village	Virginia Beach, VA	65,746	\$21,025	-	\$14,025	6.4%	3Q15	Barnes & Noble	
Perry Hall Marketplace & Stone House Square	Maryland	182,949	\$39,555	\$15,200	\$4,155	7.4%	2Q15	Safeway & Weis Markets	
Dimmock Square	Colonial Heights, VA	106,166	\$19,662	-	\$9,662	7.3%	3Q14	Old Navy, Best Buy, Pier 1	
Total/Weighted Average		2,031,226	\$376,572	\$119,800	74,002	7.1%			

DISPOSITIONS									
Properties	Location	Square Feet/Units	Sale Price	Cash Proceeds	Gain on Sale	Cash Cap Rate	Disposition Date	Anchor Tenants	
Greentree Wawa	Chesapeake, VA	5,088	\$4,600	\$4,400	\$3,396	5.0%	1Q17	Wawa	
Oyster Point	Newport News, VA	100,139	\$6,500	-	\$3,793	16.4% ⁽³⁾	3Q16	GSA	
Non-Core Retail Portfolio	Various	174,758	\$12,850	\$12,600	(\$27)	7.1%	2Q16 - 3Q16	Kroger, Family Dollar	
Richmond Tower	Richmond, VA	206,969	\$78,000	\$77,000	\$26,674	7.9%	1Q16	Williams Mullen	
Oceaneering	Chesapeake, VA	154,000	\$30,000	\$10,000	\$4,987	6.7%	4Q15	Oceaneering International	
Whetstone Apartments	Durham, NC	203 units	\$35,625	\$17,600	\$7,210	5.7%	2Q15	NA	
Sentara Williamsburg	Williamsburg, VA	49,200	\$15,450	\$15,200	\$6,197	6.3%	1Q15	Sentara	
Virginia Natural Gas	Virginia Beach, VA	31,000	\$8,900	\$7,400	\$2,211	6.3%	4Q14	Virginia Natural Gas	
Total/Weighted Average		721,154sf/ 203 units	\$191,925	\$144,200	\$54,441	7.3%			

(1) Contractual purchase price

(2) Value of OP Units/Stock at issuance

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

\$ in thousands

	<u>Location</u>	<u>Total Contract Value</u>	<u>Work in Place as of 3/31/2017</u>	<u>Backlog</u>	<u>Estimated Date of Completion</u>
Highlighted Projects					
Four Seasons Condominium Expansion	Baltimore, MD	\$72,682	\$61,451	\$11,231	2Q 2017
Point Street Apartments	Baltimore, MD	72,137	34,605	37,532	1Q 2018
Annapolis Junction Apartments	Annapolis Junction, MD	68,905	32,624	36,281	1Q 2018
Durham City Center	Durham, NC	62,525	21,106	41,419	2Q 2018
Dinwiddie Municipal Complex	Dinwiddie, VA	24,042	1,998	22,044	2Q 2019
Sub Total		\$300,291	\$151,784	\$148,507	
All Other Projects		\$290,446	\$281,231	\$9,215	
Total		\$590,737	\$433,015	\$157,722	

Gross Profit Summary		
	<u>Q1 2017</u>	<u>Trailing 12 Months</u>
	(Unaudited)	
Revenue	\$63,519	\$185,746
Expense	(61,196)	(179,534)
Gross Profit	\$2,323	\$6,212



Same Store NOI by Segment

\$ in thousands

(Reconciliation to GAAP located in appendix pg. 32)

	Three months ended		\$ Change	% Change
	3/31/2017	3/31/2016		
Office⁽¹⁾	(Unaudited)			
Revenue	\$3,807	\$3,921	(\$114)	-2.9%
Expenses	1,336	1,390	(54)	-3.9%
Net Operating Income	2,471	2,531	(60)	-2.4%
Retail⁽¹⁾				
Revenue	9,498	9,370	128	1.4%
Expenses	2,668	2,703	(35)	-1.3%
Net Operating Income	6,830	6,667	163	2.4%
Multifamily⁽¹⁾				
Revenue	4,796	4,730	66	1.4%
Expenses	2,111	2,063	48	2.3%
Net Operating Income	2,685	2,667	18	0.7%
Same Store Net Operating Income (NOI)	\$11,986	\$11,865	\$121	1.0%
Net effect of straight-line rents	153	25	128	
Amortization of lease incentives and above (below) market rents	114	124	(10)	
Same store portfolio NOI, cash basis	\$12,253	\$12,014	\$239	2.0%
NOI, Cash Basis:				
Office	\$2,675	\$2,506	\$169	6.7%
Retail	6,885	6,824	61	0.9%
Multifamily	2,693	2,684	9	0.3%
	\$12,253	\$12,014	\$239	2.0%
NOI:				
Office	\$2,471	\$2,531	(\$60)	-2.4%
Retail	6,830	6,667	163	2.4%
Multifamily	2,685	2,667	18	0.7%
	\$11,986	\$11,865	\$121	1.0%

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

Top 10 Tenants by Annualized Base Rent

\$ in thousands
 As of March 31, 2017

Office Portfolio

Tenant	Number of Leases	Lease Expiration	Annualized Base Rent	% of Office Portfolio Annualized Base Rent	% of Total Portfolio Annualized Base Rent
Clark Nexsen	1	2029	\$ 2,487	12.2%	2.7%
Mythics	1	2030	1,052	5.2%	1.1%
Hampton University	2	2023 - 2024	1,023	5.0%	1.1%
Commonwealth of Virginia	2	2029 - 2030	891	4.4%	1.0%
Pender & Coward	1	2030	860	4.2%	0.9%
Kimley-Horn	1	2027	859	4.2%	0.9%
The Art Institute	3	2019	835	4.1%	0.9%
Troutman Sanders	2	2025	822	4.0%	0.9%
City of Va Beach Development Authority	1	2024	701	3.5%	0.8%
Cherry Bekaert	1	2022	698	3.4%	0.7%
Top 10 Total			\$ 10,229	50.3%	11.0%

Retail Portfolio

Tenant	Number of Leases	Lease Expiration	Annualized Base Rent	% of Retail Portfolio Annualized Base Rent	% of Total Portfolio Annualized Base Rent
Kroger/Harris Teeter	11	2018 - 2036	\$ 5,806	11.3%	6.2%
Home Depot	2	2019 - 2023	2,190	4.3%	2.4%
Bed, Bath, & Beyond	4	2020 - 2024	1,677	3.3%	1.8%
Regal Cinemas	2	2019 - 2022	1,607	3.1%	1.7%
PetSmart	5	2020 - 2022	1,438	2.8%	1.5%
Food Lion	3	2019 - 2022	1,291	2.5%	1.4%
Dick's Sporting Goods	1	2020	840	1.6%	0.9%
Safeway	2	2021	821	1.6%	0.9%
Weis Markets	1	2028	802	1.6%	0.9%
Ross Dress for Less	2	2020 - 2022	762	1.5%	0.8%
Top 10 Total			\$ 17,233	33.6%	18.5%

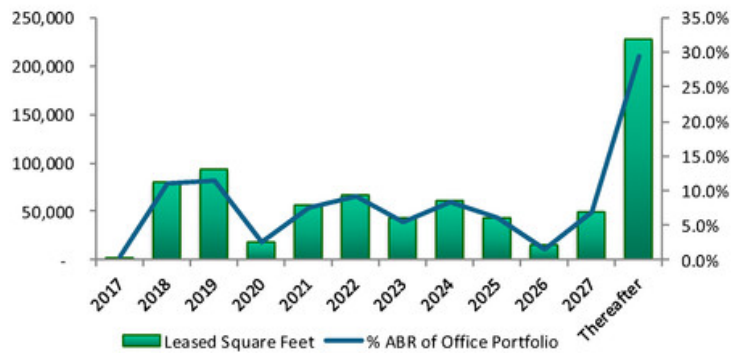
Renewal Lease Summary				GAAP			Cash			Weighted			
Quarter	Number of Leases Signed	Net rentable SF Signed	Leases Expiring	Net rentable SF Expiring	Contractual Rent per SF	Prior Rent per SF	Releasing Spread	Contractual Rent per SF	Prior Rent per SF	Releasing Spread	Average Lease Term (yrs)	TI & LC	TI & LC per SF
Q1 2017	2	7,782	2	4,752	\$31.61	\$25.72	22.9%	\$32.30	\$29.25	10.4%	1.00	\$23,314	\$3.00
Q4 2016	1	22,950	1	777	30.66	26.58	15.3%	28.00	29.75	-5.9%	10.00	569,907	24.83
Q3 2016	-	-	-	-	-	-	0.0%	-	-	0.0%	-	-	-
Q2 2016	1	2,318	2	3,870	33.27	26.53	25.4%	30.00	28.41	5.6%	10.00	-	-

New Lease Summary ⁽¹⁾						
Quarter	Number of Leases Signed	Net rentable SF Signed	Cash Contractual Rent per SF	Weighted Average Lease Term (yrs)	TI & LC	TI & LC per SF
Q1 2017	3	13,491	\$23.92	4.53	390,548	\$28.95
Q4 2016	-	-	-	-	-	-
Q3 2016	1	2,153	25.00	3.08	11,810	5.49
Q2 2016	1	1,806	25.00	5.00	63,579	35.20



(1) Excludes new leases from properties in development

Year of Lease Expiration	Number of Leases Expiring	Square Footage of Leases Expiring ⁽¹⁾	% Portfolio Net Rentable Square Feet	Annualized Base Rent	% of Portfolio Annualized Base Rent	Annualized Base Rent per Leased Square Foot
Available	-	91,176	10.8%	\$ -	-	\$ -
2017	4	2,402	0.3%	98,584	0.5%	41.04
2018	17	80,010	9.4%	2,239,484	11.0%	27.99
2019	15	92,870	11.0%	2,337,841	11.5%	25.17
2020	3	17,840	2.1%	524,457	2.6%	29.40
2021	7	56,046	6.6%	1,533,850	7.5%	27.37
2022	7	67,669	8.0%	1,861,793	9.2%	27.51
2023	4	43,078	5.1%	1,087,325	5.3%	25.24
2024	3	60,751	7.2%	1,712,691	8.4%	28.19
2025	4	43,292	5.1%	1,238,370	6.1%	28.61
2026	3	15,140	1.8%	327,423	1.6%	21.63
2027	3	49,081	5.8%	1,395,538	6.9%	28.43
Thereafter	10	227,866	26.8%	5,967,118	29.4%	26.19
Total / Weighted Average	80	847,221	100.0%	\$20,324,475	100.0%	\$26.88



(1) Includes new leases from properties in development

Renewal Lease Summary

Quarter	Number of Leases Signed	Net rentable SF Signed	Leases Expiring	Net rentable SF Expiring	GAAP			Cash			Weighted Average Lease Term (yrs)	TI & LC	TI & LC per SF
					Contractual Rent per SF	Prior Rent per SF	Releasing Spread	Contractual Rent per SF	Prior Rent per SF	Releasing Spread			
Q1 2017	13	121,282	2	3,174	\$16.46	\$15.37	7.1%	\$16.42	\$15.51	5.9%	5.95	\$461,039	\$3.80
Q4 2016	8	57,227	8	23,035	16.81	17.07	-1.5%	16.25	17.13	-5.1%	6.50	443,344	7.75
Q3 2016	14	80,526	10	22,340	16.84	15.69	7.3%	16.36	15.80	3.5%	7.00	503,893	6.26
Q2 2016	25	98,300	14	33,111	18.28	17.32	5.5%	17.99	17.55	2.5%	6.36	234,929	2.39

New Lease Summary⁽¹⁾

Quarter	Number of Leases Signed	Net rentable SF Signed	Cash Contractual Rent per SF	Weighted Average Lease Term (yrs)	TI & LC	TI & LC per SF
Q1 2017	6	13,698	\$22.91	5.70	\$204,418	\$14.92
Q4 2016	6	21,078	13.25	8.39	365,657	17.35
Q3 2016	3	14,341	14.03	6.52	262,134	18.28
Q2 2016	4	5,560	21.24	7.31	162,432	29.21



(1) Excludes new leases from properties in development

Year of Lease Expiration	Number of Leases Expiring	Square Footage of Leases Expiring ⁽¹⁾	% Portfolio Net Rentable Square Feet	Annualized Base Rent	% of Portfolio Annualized Base Rent	Annualized Base Rent per Leased Square Foot
Available	-	150,524	4.2%	\$ -	-	\$ -
M-T-M	5	7,342	0.2%	118,656	0.2%	16.16
2017	32	77,707	2.2%	1,547,447	3.0%	19.91
2018	73	331,054	9.2%	5,379,750	10.5%	16.25
2019	80	560,445	15.6%	8,541,912	16.7%	15.24
2020	63	536,065	14.9%	7,405,916	14.4%	13.82
2021	50	258,260	7.2%	4,627,481	9.0%	17.92
2022	35	371,564	10.4%	5,771,494	11.3%	15.53
2023	15	247,773	6.9%	3,106,476	6.1%	12.54
2024	17	166,518	4.6%	2,631,156	5.1%	15.80
2025	16	223,948	6.2%	2,274,318	4.4%	10.16
2026	18	151,386	4.2%	2,592,543	5.1%	17.13
2027	12	100,914	2.8%	2,136,389	4.2%	21.17
Thereafter	15	404,202	11.3%	5,137,171	10.0%	12.71
Total / Weighted Average	431	3,587,702	100.0%	\$ 51,270,709	100.0%	\$14.92



(1) Includes new leases from properties in development

In thousands

Stabilized Portfolio NOI (Cash)			Taxable REIT Subsidiary (TRS)	
	Three months ended	Annualized		Trailing 12 Months
	3/31/2017	3/31/2017		
Diversified Portfolio			General contracting and real estate services	\$6,212
Office	\$229	\$916	Non-Property Assets	
Retail	8,977	35,908	As of 3/31/2017	
Multifamily	978	3,912	Cash and Cash Equivalents	\$10,039
Total Diversified Portfolio NOI	\$10,184	\$40,736	Restricted Cash	3,649
			Accounts Receivable	14,122
Virginia Beach Town Center			Notes Receivable	60,959
Office ⁽¹⁾	\$2,654	\$10,616	Construction receivables, including retentions	50,151
Retail ⁽¹⁾	2,184	8,736	Equity method investments (Durham City Center JV)	10,794
Multifamily	1,715	6,860	Land held for development	8,042
Total Virginia Beach Town Center NOI	\$6,553	\$26,212	Other Assets	63,405
			Total Non-Property Assets	\$221,161
Timing of mid-quarter transaction			Liabilities & Share Count	
Acquisition	\$0	\$0	As of 3/31/2017	
Disposition	(12)	(47)	Liabilities	
Total timing Mid-Quarter transaction	(\$12)	(\$47)	Mortgages and notes payable	\$522,394
			Accounts payable and accrued liabilities	11,008
Stabilized Portfolio NOI - Cash Basis	\$16,725	\$66,948	Construction payables, including retentions	57,457
			Other Liabilities	48,930
			Total Liabilities	\$639,789
Development Pipeline			Share Count	
		3/31/2017	As of 3/31/2017	
Income producing property		\$136,000	Weighted average common shares outstanding	37,622
Construction in progress		18,000	Weighted average operating partnership ("OP") Units Outstanding	17,853
Other assets		8,000	Total weighted average common shares and OP units outstanding	55,475
Total cost to date		\$162,000		

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



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

Appendix
Definitions & Reconciliations

Net Operating Income:

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

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

Funds From Operations:

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

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

Normalized Funds From Operations:

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

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

Adjusted Funds From Operations:

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

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

Adjusted EBITDA:

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

Core EBITDA:

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

Core Debt:

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

Same Store Portfolio:

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

	Three Months Ended 3/31/2017 to 2016			Three Months Ended 3/31/2017 to 2016	
	Same Store	Non-Same Store		Same Store	Non-Same Store
Retail Properties					
249 Central Park Retail	X		Sandbridge Commons	X	
Alexander Pointe		X	Socastee Commons	X	
Bermuda Crossroads	X		South Retail	X	
Broad Creek Shopping Center	X		South Square		X
Brooks Crossing (Retail)		X	Southgate Square		X
Broadmoor Plaza		X	Southshore Shops		X
Columbus Village	X		Stone House Square	X	
Columbus Village II		X	Studio 56 Retail	X	
Commerce Street Retail	X		Tyre Neck Harris Teeter	X	
Courthouse 7-Eleven	X		Waynesboro Commons		X
Dick's at Town Center	X		Wendover Village		X
Dimmock Square	X		Willowbrook Commons		X
Greentree Shopping Center	X		Office Properties		
Fountain Plaza Retail	X		4525 Main Street		X
Gainsborough Square	X		Armada Hoffer Tower	X	
Hanbury Village	X		Commonwealth of VA - Chesapeake	X	
Harper Hill Commons		X	Commonwealth of VA - Virginia Beach	X	
Harrisonburg Regal	X		One Columbus	X	
Kroger Junction		X	Oyster Point		X
Lightfoot Marketplace		X	Richmond Tower		X
North Hampton Market		X	Two Columbus	X	
North Point Center	X		Multifamily Properties		
Oakland Marketplace		X	Encore Apartments	X	
Parkway Marketplace	X		Liberty Apartments	X	
Patterson Place		X	Smith's Landing	X	
Perry Hall Marketplace	X		The Cosmopolitan	X	
Providence Plaza	X		Johns Hopkins Village		X
Renaissance Square		X			

\$ in thousands

	Three months ended 3/31	
	2017	2016
<u>Office Same Store</u> ⁽¹⁾		
Rental revenues	\$3,807	\$3,921
Property expenses	1,336	1,390
NOI	2,471	2,531
Non-Same Store NOI	660	995
Segment NOI	3,131	\$3,526
<u>Retail Same Store</u> ⁽¹⁾		
Rental revenues	\$9,498	\$9,370
Property expenses	2,668	2,703
NOI	6,830	6,667
Non-Same Store NOI	4,831	2,745
Segment NOI	\$11,661	\$9,412
<u>Multifamily Same Store</u> ⁽¹⁾		
Rental revenues	\$4,796	\$4,730
Property expenses	2,111	2,063
NOI	2,685	2,667
Non-Same Store NOI	1,178	-
Segment NOI	3,863	2,667
Total Property Portfolio NOI	\$18,655	\$15,605

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

\$ in thousands

	Three months ended 3/31/2017			
	Office	Retail	Multifamily	Total
Diversified Portfolio				
NOI - Cash Basis	\$229	\$8,977	\$978	\$10,184
Net effect of straight-line rents	21	188	2	211
Amortization of lease incentives and (above) below market rents	-	195	(13)	182
NOI	\$250	\$9,360	\$967	\$10,577
Town Center of Virginia Beach				
NOI - Cash Basis	\$2,654	\$2,184	\$1,715	\$6,553
Net effect of straight-line rents	(199)	(18)	3	(214)
Amortization of lease incentives and (above) below market rents	(26)	(49)	-	(75)
Elimination of AHH rent	(208)	(84)	-	(292)
NOI	\$2,221	\$2,033	\$1,718	\$5,972
NOI				
Diversified Portfolio	\$250	\$9,360	\$967	\$10,577
Town Center of Virginia Beach	2,221	2,033	1,718	5,972
Unstabilized Properties	660	268	1,178	2,106
Total Property Portfolio NOI	\$3,131	\$11,661	\$3,863	\$18,655

