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

FORM 8-K

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

Date of Report (Date of earliest event reported): August 4, 2015

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))
-
-

Item 2.02. Results of Operations and Financial Condition.

On August 4, 2015, Armada Hoffler Properties, Inc. (the “Company”) issued a press release announcing its financial position as of June 30, 2015, results of operations for the three and six months ended June 30, 2015 and other related information. Also on August 4, 2015, the Company made available on its website at www.ArmadaHoffler.com certain supplemental information concerning the Company’s financial results and operations for the three and six months ended June 30, 2015. 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.

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

Item 7.01. Regulation FD Disclosure.

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

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press Release, dated August 4, 2015, issued by Armada Hoffler Properties, Inc., providing its financial position as of June 30, 2015 and results of operations for the three and six months ended June 30, 2015.
99.2	Armada Hoffler Properties, Inc. Second Quarter 2015 Supplemental Information.

SIGNATURES

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

ARMADA HOFFLER PROPERTIES, INC.

Date: August 4, 2015

/s/ MICHAEL P. O'HARA

Michael P. O'Hara

Chief Financial Officer and Treasurer

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press Release, dated August 4, 2015, issued by Armada Hoffler Properties, Inc., providing its financial position as of June 30, 2015 and results of operations for the three and six months ended June 30, 2015.
99.2	Armada Hoffler Properties, Inc. Second Quarter 2015 Supplemental Information.



PRESS RELEASE

ARMADA HOFFLER PROPERTIES REPORTS SECOND QUARTER 2015 RESULTS

Normalized FFO of \$0.24 Per Diluted Share

Core Operating Property Portfolio at 95.3% Occupancy

Company Raised 2015 Full-Year Normalized FFO Guidance

VIRGINIA BEACH, VA, August 4, 2015 – Armada Hoffler Properties, Inc. (NYSE: AHH) today announced its results for the quarter ended June 30, 2015.

Highlights include:

- Funds From Operations (“FFO”) of \$8.8 million, or \$0.22 per diluted share, for the quarter ended June 30, 2015 compared to FFO of \$6.3 million, or \$0.19 per diluted share, for the quarter ended June 30, 2014.
- Normalized FFO of \$9.7 million, or \$0.24 per diluted share, for the quarter ended June 30, 2015 compared to Normalized FFO of \$6.6 million, or \$0.20 per diluted share, for the quarter ended June 30, 2014.
- The Company raised its 2015 full-year Normalized FFO Guidance – now \$0.88 to \$0.91 per diluted share – from its previous guidance of \$0.86 to \$0.90 per diluted share.
- Core operating property portfolio occupancy up to 95.3% compared to 94.6% as of June 30, 2014.
- Increased quarterly GAAP Same Store Net Operating Income (“NOI”) 3.2% and cash Same Store NOI 5.4% compared to the second quarter of 2014.
- Added to its core operating property portfolio five projects that were previously in development, representing over 200,000 square feet of fully-leased office space and over 85,000 square feet of stabilized retail space in Hampton Roads, Virginia.
- Added over 185,000 square feet of retail space to the Company’s portfolio with the acquisitions of Perry Hall Marketplace and Stone House Square in Maryland.
- Completed the disposition of Whetstone Apartments in Durham, North Carolina.
- Added over 120,000 square feet of retail space in July with the acquisitions of Columbus Village in Virginia Beach, Virginia and Socastee Commons in Myrtle Beach, South Carolina.
- Added \$104.1 million to construction contract backlog during the quarter ended June 30, 2015. Total construction backlog was \$195.5 million as of June 30, 2015.

“We had another tremendous quarter,” commented Louis Haddad, Chief Executive Officer. “Continued positive momentum in third party construction profits, robust multi-family leasing, stabilization of nearly 300,000 square feet of development projects and accretive capital recycling through acquisitions and dispositions, have once again enabled us to raise our earnings guidance for the year. Activity across the broad spectrum of our business model continues to accelerate rapidly.”

Financial Results

Net income for the second quarter increased to \$10.3 million compared to \$2.3 million for the second quarter of 2014. The increase was primarily due to the \$7.2 million gain on the sale of Whetstone Apartments.

FFO for the second quarter increased 39.7% to \$8.8 million compared to \$6.3 million for the second quarter of 2014. Normalized FFO for the second quarter increased 46.8% to \$9.7 million compared to \$6.6 million for the second quarter of 2014.

The year-over-year increases in FFO and Normalized FFO were primarily attributable to the delivery of seven new real estate development projects, three property acquisitions and organic growth in the Same Store property portfolio.

Net income for the second quarter was \$0.25 per diluted share compared to \$0.07 per diluted share for the second quarter of 2014. FFO for the second quarter was \$0.22 per diluted share compared to \$0.19 per diluted share for the second quarter of 2014. Normalized FFO for the second quarter was \$0.24 per diluted share compared to \$0.20 per diluted share for the second quarter of 2014.

Operating Performance

At the end of the second quarter, the Company’s office, retail and multifamily core operating property portfolios were 94.6%, 95.6% and 96.5% occupied, respectively.

During the second quarter, the Company added \$104.1 million to construction contract backlog, which includes contracts to construct two new hotels at the Oceanfront in Virginia Beach, Virginia. Total construction backlog was \$195.5 million at the end of the second quarter.

-MORE-

Balance Sheet and Financing Activity

At the end of the second quarter, the Company had total outstanding debt of approximately \$386.9 million, including \$83.0 million outstanding under the \$150.0 million revolving credit facility. Approximately 55% of the Company's debt had fixed interest rates or were subject to interest rate swap locks at June 30, 2015. After considering LIBOR interest rate caps with strike prices at or below 150 basis points, approximately 83% of the Company's debt was fixed or hedged at June 30, 2015.

Since the inception of the At-The-Market ("ATM") continuous equity offering program in May, the Company has raised over \$3.8 million of gross proceeds at a weighted average price of \$10.50 per share. In May, the Company also refinanced the mortgage secured by Smith's Landing with a new \$21.6 million 4.05% fixed rate loan that matures in 2035 and in July, closed on a \$50.0 million construction loan to fund the Johns Hopkins Village project.

Outlook

The Company raised 2015 full-year Normalized FFO guidance due to better than expected multi-family leasing and increased profit from the third party construction fee business, as well as lower expected general and administrative and interest expenses. The Company now expects 2015 full-year Normalized FFO in the range of \$0.88 to \$0.91 per diluted share compared to previous guidance of \$0.86 to \$0.90 per diluted share.

The following table outlines the Company's assumptions along with Normalized FFO per share estimates for the full-year 2015.

<u>Full-year 2015 Guidance [1]</u>	<u>Expected Ranges</u>	
Total GAAP NOI [2]	\$53.3M	\$53.8M
Construction company annual segment gross profit	\$ 5.4M	\$ 5.9M
General and administrative expenses	\$ 8.1M	\$ 8.4M
Interest expense [3]	\$13.3M	\$13.8M
Normalized FFO per diluted share [4]	\$ 0.88	\$ 0.91

[1] Excludes the impact of any future, unannounced acquisitions, dispositions or other capital markets activity, except for the acquisition of a replacement property for the remaining Whetstone Apartments sale proceeds and additional shares that may be issued under the ATM program in an amount consistent with the second quarter, assuming favorable market conditions.

-MORE-

- [2] Includes approximately \$8.0 million from development pipeline projects.
- [3] The mid-point of the range reflects the assumption factors in the LIBOR forward yield curve, which anticipates increasing LIBOR during the year.
- [4] Normalized FFO excludes certain items, including debt extinguishment losses, property acquisition 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 assumes 41.1 million weighted average shares and units outstanding, including the shares and units issued in connection with the acquisitions of Perry Hall Marketplace and Columbus Village and shares issued under the ATM program.

Supplemental Financial Information

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

Webcast and Conference Call

The Company will host a webcast and conference call on Tuesday, August 4, 2015 at 8:30 a.m. Eastern Time to review quarterly results and discuss recent events. The live webcast will be available through the Investor Relations page of the Company’s website, www.ArmadaHoffler.com, or through www.viavid.com. To participate in the call, please dial 877-407-3982 (domestic) or 201-493-6780 (international). A replay of the conference call will be available through Friday, September 4, 2015 by dialing 877-870-5176 (domestic) or 858-384-5517 (international) and entering the pass code 13612677.

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 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

-MORE-

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, 2014, and 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

-MORE-

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 on page nine of this release.

-MORE-

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

	<u>June 30,</u> 2015 (Unaudited)	<u>December 31,</u> 2014
Assets		
Real estate investments:		
Income producing property	\$ 599,339	\$ 513,918
Held for development	1,180	—
Construction in progress	24,169	81,082
Accumulated depreciation	(124,975)	(116,099)
Net real estate investments	499,713	478,901
Real estate investments held for sale	—	8,538
Cash and cash equivalents	27,356	25,883
Restricted cash	3,090	4,224
Accounts receivable, net	21,412	20,548
Construction receivables, including retentions	39,603	19,432
Construction costs and estimated earnings in excess of billings	53	272
Other assets	41,829	33,108
Total Assets	<u>\$ 633,056</u>	<u>\$ 590,906</u>
Liabilities and Equity		
Indebtedness	\$ 386,871	\$ 359,229
Accounts payable and accrued liabilities	4,606	8,358
Construction payables, including retentions	42,700	42,399
Billings in excess of construction costs and estimated earnings	1,683	1,053
Other liabilities	22,833	17,961
Total Liabilities	<u>458,693</u>	<u>429,000</u>
Total Equity	<u>174,363</u>	<u>161,906</u>
Total Liabilities and Equity	<u>\$ 633,056</u>	<u>\$ 590,906</u>

-MORE-

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
	(Unaudited)			
Revenues				
Rental revenues	\$19,908	\$15,319	\$ 38,098	\$30,512
General contracting and real estate services	47,066	20,495	76,137	39,729
Total revenues	<u>66,974</u>	<u>35,814</u>	<u>114,235</u>	<u>70,241</u>
Expenses				
Rental expenses	4,631	3,840	9,391	7,816
Real estate taxes	1,959	1,408	3,616	2,751
General contracting and real estate services	45,283	19,354	73,425	37,339
Depreciation and amortization	5,766	4,057	10,674	8,026
General and administrative	2,096	1,981	4,424	4,027
Acquisition, development and other pursuit costs	591	—	762	—
Impairment charges	23	—	23	—
Total expenses	<u>60,349</u>	<u>30,640</u>	<u>102,315</u>	<u>59,959</u>
Operating income	6,625	5,174	11,920	10,282
Interest expense	(3,358)	(2,678)	(6,404)	(5,243)
Loss on extinguishment of debt	(180)	—	(407)	—
Gain on real estate dispositions	7,210	—	13,407	—
Other (expense) income	(16)	(194)	(148)	(82)
Income before taxes	10,281	2,302	18,368	4,957
Income tax benefit (provision)	4	(29)	35	(178)
Net income	<u>\$10,285</u>	<u>2,273</u>	<u>18,403</u>	<u>4,779</u>
Per diluted share	\$ 0.25	\$ 0.07	\$ 0.46	\$ 0.15
Weighted average shares - diluted	40,356	33,035	40,088	32,931

-MORE-

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
	(Unaudited)			
Net income	\$10,285	\$ 2,273	\$ 18,403	\$ 4,779
Depreciation and amortization	5,766	4,057	10,674	8,026
Gain on real estate dispositions	(7,210)	—	(13,407)	—
Funds From Operations (FFO)	\$ 8,841	\$ 6,330	\$ 15,670	\$12,805
Acquisition, development and other pursuit costs	591	—	762	—
Impairment charges	23	—	23	—
Loss on extinguishment of debt	180	—	407	—
Derivative mark-to-market adjustments	40	262	187	169
Normalized FFO	\$ 9,675	\$ 6,592	\$ 17,049	\$12,974
FFO per diluted share	\$ 0.22	\$ 0.19	\$ 0.39	\$ 0.39
Normalized FFO per diluted share	\$ 0.24	\$ 0.20	\$ 0.43	\$ 0.39
Weighted average shares - diluted	40,356	33,035	40,088	32,931

Contact:

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

###



ARMADA HOFFLER PROPERTIES, INC.

SECOND QUARTER 2015 SUPPLEMENTAL INFORMATION



TABLE OF CONTENTS

Forward Looking Statements	3
Corporate Profile	4
Highlights	5
2015 Outlook	6
Summary Information	7
Summary Balance Sheet	8
Summary Income Statement	9
FFO, Normalized FFO & Adjusted FFO	10
Outstanding Debt	11
Core Debt to Core EBITDA	12
Debt Information	13
Property Portfolio	14
Property Portfolio Footnotes	15
Development Pipeline	16
Acquisitions & Dispositions	17
Construction Business Summary	18
Same Store NOI by Segment	19
Top 10 Tenants by Annualized Base Rent	20
Office Lease Summary	21
Office Lease Expirations	22
Retail Lease Summary	23
Retail Lease Expirations	24
Net Asset Value Component Data	26
Appendix - Definitions & Reconciliations	27
Definitions	28
Reconciliations	32

FORWARD LOOKING STATEMENTS

This Supplemental Information should be read in conjunction with our Quarterly Report on Form 10-Q for the quarter ended June 30, 2015, and the unaudited condensed consolidated financial statements appearing in our press release dated August 4, 2015, which has been furnished as Exhibit 99.1 to our Form 8-K filed on August 4, 2015. 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 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, funds available for distribution 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,” “approximately,” “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, data or methods which may be incorrect or imprecise and the Company may not be able to realize them. 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.

CORPORATE PROFILE

Armada Hoffler Properties, Inc. (NYSE: AHH) is a full service real estate company that develops, constructs and owns institutional grade office, retail and multifamily properties in the Mid-Atlantic United States. The Company also provides general contracting and development services to third-party clients throughout the Mid-Atlantic and Southeastern regions. 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 the 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
Joseph W. Prueher	Independent Director

Corporate Officers

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

Analyst Coverage

Raymond James & Associates Bill Crow (727) 567-2594 bill.crow@raymondjames.com	Robert W. Baird & Co. David Rodgers (216) 737-7341 drodgers@rwbaird.com	Stifel, Nicolaus & Company, Inc. John Guinee (443) 224-1307 jwguinee@stifel.com	Wunderlich Securities Craig Kucera (540) 277-3366 ckucera@wundernet.com
---	--	---	---

Investor Relations Contact

Michael P. O'Hara
Chief Financial Officer and Treasurer
(757) 366-4000
mohara@armadahoffler.com



HIGHLIGHTS

- Funds From Operations (“FFO”) of \$8.8 million, or \$0.22 per diluted share, for the quarter ended June 30, 2015 compared to FFO of \$6.3 million, or \$0.19 per diluted share, for the quarter ended June 30, 2014.
- Normalized FFO of \$9.7 million, or \$0.24 per diluted share, for the quarter ended June 30, 2015 compared to Normalized FFO of \$6.6 million, or \$0.20 per diluted share, for the quarter ended June 30, 2014.
- The Company raised its 2015 full-year Normalized FFO Guidance - now \$0.88 to \$0.91 per diluted share - from its previous guidance of \$0.86 to \$0.90 per diluted share.
- Core operating property portfolio occupancy up to 95.3% compared to 94.6% as of June 30, 2014.
- Increased quarterly GAAP Same Store Net Operating Income (“NOI”) 3.2% and cash Same Store NOI 5.4% compared to the second quarter of 2014.
- Added to its core operating property portfolio five projects that were previously in development, representing over 200,000 square feet of fully-leased office space and over 85,000 square feet of stabilized retail space in Hampton Roads, Virginia.
- Added over 185,000 square feet of retail space to the Company’s portfolio with the acquisitions of Perry Hall Marketplace and Stone House Square in Maryland.
- Completed the disposition of Whetstone Apartments in Durham, North Carolina.
- Added over 120,000 square feet of retail space in July with the acquisitions of Columbus Village in Virginia Beach, Virginia and Socastee Commons in Myrtle Beach, South Carolina.
- Added \$104.1 million to construction contract backlog during the quarter ended June 30, 2015. Total construction backlog was \$195.5 million as of June 30, 2015.

2015 OUTLOOK

The Company raised 2015 full-year Normalized FFO guidance due to better than expected multi-family leasing and increased profit from the third party construction fee business, as well as lower expected general and administrative and interest expenses. The Company now expects 2015 full-year Normalized FFO in the range of \$0.88 to \$0.91 per diluted share compared to previous guidance of \$0.86 to \$0.90 per diluted share.

The following table outlines the Company's assumptions along with Normalized FFO per share estimates for the full-year 2015.

Full-year 2015 Guidance ^[1]	Expected Ranges	
Total GAAP NOI ^[2]	\$53.3M	\$53.8M
Construction company annual segment gross profit	\$5.4M	\$5.9M
General and administrative expenses	\$8.1M	\$8.4M
Interest expense ^[3]	\$13.3M	\$13.8M
Normalized FFO per diluted share ^[4]	\$0.88	\$0.91

^[1] Excludes the impact of any future, unannounced acquisitions, dispositions or other capital markets activity, except for the acquisition of a replacement property for the remaining Whetstone Apartments sale proceeds and additional shares that may be issued under the ATM program in an amount consistent with the second quarter, assuming favorable market conditions.

^[2] Includes approximately \$8.0 million from development pipeline projects.

^[3] The mid-point of the range reflects the assumption factors in the LIBOR forward yield curve, which anticipates increasing LIBOR during the year.

^[4] Normalized FFO excludes certain items, including debt extinguishment losses, property acquisition 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 assumes 41.1 million weighted average shares and units outstanding, including the shares and units issued in connection with the acquisitions of Perry Hall Marketplace and Columbus Village and shares issued under the ATM program.

SUMMARY INFORMATION

Amounts in thousands, except per share data

	Three months ended				
	6/30/2015	3/31/2015	12/31/2014	9/30/2014	6/30/2014
OPERATIONAL METRICS					
Rental revenues	\$19,908	\$18,190	\$17,521	\$16,713	\$15,319
General contracting and real estate services revenues	47,066	29,071	32,060	31,532	20,495
Rental properties Net Operating Income (NOI)	13,318	11,773	11,572	10,819	10,071
General contracting and real estate services gross profit	1,783	929	1,113	1,064	1,141
EBITDA ⁽¹⁾	12,195	9,844	10,597	10,012	9,037
Net income	10,285	8,118	5,226	2,754	2,273
Funds From Operations (FFO)	8,841	6,829	7,991	7,321	6,330
FFO per diluted share	\$0.22	\$0.17	\$0.20	\$0.21	\$0.19
Normalized FFO	9,675	7,374	8,156	7,464	6,592
Normalized FFO per diluted share	\$0.24	\$0.19	\$0.20	\$0.22	\$0.20
CAPITALIZATION					
Total common shares outstanding	25,855	25,084	25,023	25,019	19,266
Operating Partnership ("OP") units outstanding	14,769	14,776	14,776	14,776	13,785
Common shares and OP units outstanding	40,624	39,860	39,799	39,795	33,051
Market price per common share	\$9.99	\$10.66	\$9.49	\$9.08	\$9.68
Equity market capitalization	405,834	424,908	377,693	361,339	319,934
Total debt	386,871	381,072	359,229	335,792	349,840
Total market capitalization	792,705	805,980	736,922	697,131	669,774
Less: cash	(30,446)	(35,505)	(30,107)	(21,526)	(19,495)
Total enterprise value	\$762,259	\$770,475	\$706,815	\$675,605	\$650,279
BALANCE SHEET METRICS					
Core debt/enterprise value	40.3%	33.2%	34.6%	35.7%	42.4%
Fixed charge coverage ratio	3.0x	2.6x	3.1x	2.9x	2.6x
Core Debt/Annualized Core EBITDA	6.7x	6.9x	6.1x	6.3x	7.2x
CORE PORTFOLIO OCCUPANCY					
Office ⁽²⁾	94.6%	93.5%	95.2%	94.8%	95.3%
Retail ⁽²⁾	95.6%	97.4%	96.4%	94.7%	93.5%
Multifamily ⁽³⁾	96.5%	96.6%	95.7%	96.6%	94.9%
Weighted Average ⁽⁴⁾	95.3%	95.6%	95.7%	95.1%	94.6%

(1) Excludes gains on real estate dispositions

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

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

(4) Total occupancy weighted by annualized base rent

SUMMARY BALANCE SHEET

\$ in thousands

	As of	
	6/30/2015 (Unaudited)	12/31/2014
Assets		
Real estate investments:		
Income producing property	\$599,339	\$513,918
Held for development	1,180	-
Construction in progress	24,169	81,082
Accumulated depreciation	(124,975)	(116,099)
Net real estate investments	499,713	478,901
Real estate investments held for sale	-	8,538
Cash and cash equivalents	27,356	25,883
Restricted cash	3,090	4,224
Accounts receivable, net	21,412	20,548
Construction receivables, including retentions	39,603	19,432
Costs and estimated earnings in excess of billings	53	272
Other assets	41,829	33,108
Total Assets	\$633,056	\$590,906
Liabilities and Equity		
Indebtedness	\$386,871	\$359,229
Accounts payable and accrued liabilities	4,606	8,358
Construction payables, including retentions	42,700	42,399
Billings in excess of costs and estimated earnings	1,683	1,053
Other liabilities	22,833	17,961
Total Liabilities	458,693	429,000
Total Equity	174,363	161,906
Total Liabilities and Equity	\$633,056	\$590,906

SUMMARY INCOME STATEMENT

Amounts in thousands, except per share data

	Three months ended		Six Months Ended	
	6/30/2015	6/30/2014	6/30/2015	6/30/2014
Revenues				
Rental revenues	\$19,908	\$15,319	\$38,098	\$30,512
General contracting and real estate services	47,066	20,495	76,137	39,729
Total Revenues	66,974	35,814	114,235	70,241
Expenses				
Rental expenses	4,631	3,840	9,391	7,816
Real estate taxes	1,959	1,408	3,616	2,751
General contracting and real estate services	45,283	19,354	73,425	37,339
Depreciation and amortization	5,766	4,057	10,674	8,026
General and administrative	2,096	1,981	4,424	4,027
Acquisition, development & other pursuit costs	591	-	762	-
Impairment charges	23	-	23	-
Total Expenses	60,349	30,640	102,315	59,959
Operating Income	6,625	5,174	11,920	10,282
Interest expense	(3,358)	(2,678)	(6,404)	(5,243)
Loss on extinguishment of debt	(180)	-	(407)	-
Gain on real estate dispositions	7,210	-	13,407	-
Other income (loss)	(16)	(194)	(148)	(82)
Income before taxes	10,281	2,302	18,368	4,957
Income tax benefit (provision)	4	(29)	35	(178)
Net Income	\$10,285	\$2,273	\$18,403	\$4,779
Per Diluted Share	\$0.25	\$0.07	\$0.46	\$0.15
Weighted Average Shares-Diluted	40,356	33,035	40,088	32,931

FFO, NORMALIZED FFO & ADJUSTED FFO

\$ in thousands, except per share data

	Three months ended				
	6/30/2015	3/31/2015	12/31/2014 (Unaudited)	9/30/2014	6/30/2014
Funds From Operations					
Net income	\$10,285	\$8,118	\$5,226	\$2,754	\$2,273
Depreciation and amortization	5,766	4,908	4,976	4,567	4,057
Gain on real estate dispositions	(7,210)	(6,197)	(2,211)	-	-
FFO	\$8,841	\$6,829	\$7,991	\$7,321	\$6,330
FFO per diluted share	\$0.22	\$0.17	\$0.20	\$0.21	\$0.19
Normalized FFO					
Acquisition costs	591	171	55	174	-
Loss on extinguishment of debt	180	227	-	-	-
Impairment charges	23	-	-	15	-
Derivative (income) losses	40	147	110	(46)	262
Normalized FFO	\$9,675	\$7,374	\$8,156	\$7,464	\$6,592
Normalized FFO per diluted share	\$0.24	\$0.19	\$0.20	\$0.22	\$0.20
Adjusted FFO					
Non-cash stock compensation	203	379	197	198	193
Acquisition costs	(591)	(171)	(55)	(174)	-
Tenant improvements, leasing commissions ⁽¹⁾	(756)	(484)	(3,114)	(981)	(1,007)
Leasing incentives ⁽¹⁾	-	-	(334)	(65)	(63)
Property related capital expenditures	(366)	(149)	(583)	(355)	(322)
Non-cash interest expense	240	318	104	117	160
GAAP Adjustments					
Net effect of straight-line rents	(545)	(646)	(394)	(803)	(301)
Amortization of leasing incentives and above (below) market rents	217	177	172	144	157
Government development grants	-	-	-	300	-
AFFO	\$8,077	\$6,798	\$4,149	\$5,845	\$5,409
AFFO per diluted share	\$0.20	\$0.17	\$0.10	\$0.17	\$0.16

OUTSTANDING DEBT

\$ in thousands

Debt	Stated Rate	Effective rate as of June 30, 2015	Maturity Date	Debt Maturities & Principal Payments						Amount Outstanding	
				2015	2016	2017	2018	2019	Thereafter		
Secured Notes Payable - Core Debt											
Oyster Point	5.41%	5.41%	12/1/2015	\$6,173							\$6,173
249 Central Park Retail	5.99%	5.99%	9/8/2016	143	15,282						15,425
South Retail	5.99%	5.99%	9/8/2016	63	6,742						6,805
Fountain Plaza Retail	5.99%	5.99%	9/8/2016	71	7,641						7,712
Harrisonburg Regal	6.06%	6.06%	6/8/2017	99	207	3,256					3,562
Commonwealth of Virginia - Chesapeake	L+1.90%	2.09%	8/28/2017			4,933					4,933
North Point Note 5	L+2.00%	3.57% ⁽¹⁾	2/1/2017	11	21	643					675
Hanbury Village	6.67%	6.67%	10/11/2017	124	261	20,709					21,094
Sandbridge Commons	L+1.85%	2.04%	1/17/2018		238	247	7,884				8,369
Oceanneering	L+1.75%	1.94%	2/28/2018		300	360	17,833				18,493
North Point Center Note 1	6.45%	6.45%	2/5/2019	91	193	205	219	9,352			10,060
North Point Center Note 2	7.25%	7.25%	9/15/2025	46	98	105	113	121	2,225		2,708
Smith's Landing	4.05%	4.05%	6/1/2035	354	730	760	791	824	18,115		21,573
The Cosmopolitan	3.75%	3.75%	7/1/2051	310	636	660	686	712	43,825		46,829
Total - Secured Core Debt				\$7,486	\$32,348	\$31,878	\$27,526	\$11,008	\$64,165		\$174,411
Secured Notes Payable - Development Pipeline											
4525 Main Street	L+1.95%	2.14%	1/30/2017			31,414					31,414
Encore Apartments	L+1.95%	2.14%	1/30/2017			23,782					23,782
Lightfoot Marketplace	L+1.90%	2.09%	11/14/2017			5,221					5,221
Liberty Apartments ⁽²⁾	5.66%	5.66%	11/1/2043	148	308	325	344	364	18,971		20,460
Total - Development Pipeline				148	308	60,742	344	364	18,971		80,877
Total Secured Notes Payable				\$7,634	\$32,656	\$92,620	\$27,870	\$11,372	\$83,136		\$255,288
Unsecured Core Debt											
Senior unsecured line of credit	L+1.40% - 2.00%	1.94%	2/20/2019					83,000			83,000
Senior unsecured term loan	L+1.35% - 1.95%	1.89% ⁽¹⁾	2/20/2020						50,000		50,000
Total - Unsecured Core Debt				-	-	-	-	83,000	50,000		133,000
Unamortized fair value adjustments				(27)	(53)	(54)	(55)	(56)	(1,172)		(1,417)
Total Notes Payable				\$7,607	\$32,603	\$92,566	\$27,815	\$94,316	\$131,964		\$386,871
Balloon Payments				6,089	29,281	89,655	25,657	92,333	51,344		294,359
Principal amortization				1,518	3,322	2,911	2,158	1,983	80,620		92,512
Total Consolidated Debt				\$7,607	\$32,603	\$92,566	\$27,815	\$94,316	\$131,964		\$386,871
Fixed-rate Debt ⁽³⁾				7,607	32,065	26,609	2,098	11,316	131,964		211,659
Variable-rate Debt ⁽⁴⁾				-	538	65,957	25,717	83,000	-		175,212
Total Consolidated Debt				\$7,607	\$32,603	\$92,566	\$27,815	\$94,316	\$131,964		\$386,871

(1) Subject to an interest rate swap lock.

(2) Principal balance excluding any unamortized fair value adjustments recognized upon acquisition.

(3) Includes debt subject to interest rate swap locks.

(4) Excludes debt subject to interest rate swap locks.

30 Day LIBOR 0.185%

CORE DEBT TO CORE EBITDA

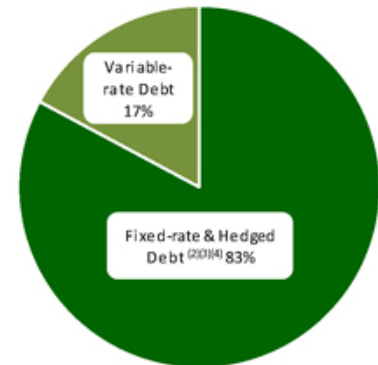
\$ in thousands

	Three months ended				
	6/30/2015	3/31/2015	12/31/2014	9/30/2014	6/30/2014
Net Income	\$10,285	\$8,118	\$5,226	\$2,754	\$2,273
Excluding:					
Interest expense	3,358	3,046	2,671	2,734	2,678
Income tax	(4)	(31)	(65)	(43)	29
Depreciation and amortization	5,766	4,908	4,976	4,567	4,057
Gain on real estate dispositions	(7,210)	(6,197)	(2,211)	-	-
EBITDA	\$12,195	\$9,844	\$10,597	\$10,012	\$9,037
Adjustments to EBITDA:					
Loss on extinguishment of debt	180	227	-	-	-
Derivative (income) losses	40	147	110	(46)	262
Non-cash stock compensation	203	379	197	198	193
Development Pipeline	(1,086)	(1,386)	(802)	(523)	63
Total Other Adjustments	(663)	(633)	(495)	(371)	518
Core EBITDA	\$11,532	\$9,211	\$10,102	\$9,641	\$9,555
Total Debt	\$386,871	\$381,072	\$359,229	\$335,792	\$349,840
Adjustments to Debt:					
(Less) Development Pipeline	(79,460)	(125,125)	(114,716)	(94,537)	(73,873)
Core Debt	\$307,411	\$255,947	\$244,513	\$241,255	\$275,967
Core Debt/Annualized Core EBITDA	6.7x	6.9x	6.1x	6.3x	7.2x

DEBT INFORMATION

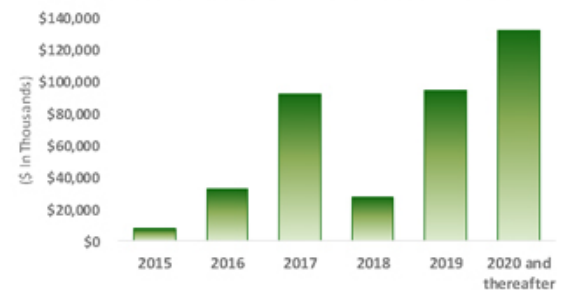
\$ in thousands

Total Debt Composition			
	Percent of Debt	Weighted Average	
		Interest Rate	Maturity
Secured vs. Unsecured Debt			
Unsecured Debt	34.4%	1.9%	4.0 Yrs
Secured Debt	65.6%	4.1%	12.0 Yrs
Variable vs. Fixed-rate Debt			
Variable-rate Debt ⁽¹⁾	45.1%	2.0%	3.2 Yrs
Fixed-rate Debt ⁽²⁾⁽³⁾	54.9%	5.2%	17.5 Yrs
Fixed-rate and Hedged Debt ⁽²⁾⁽³⁾⁽⁴⁾	82.8%		
Total		3.3%	9.2 Yrs



Interest Rate Cap Agreements At or Below 1.50%			
Effective Date	Maturity Date	Strike Rate	Notional Amount
September 1, 2013	March 1, 2016	1.50%	\$40,000
October 4, 2013	April 1, 2016	1.50%	18,500
March 14, 2014	March 1, 2017	1.25%	50,000
Total Interest Rate Caps at or Below 1.50%			\$108,500
Fixed-rate Debt ⁽²⁾⁽³⁾			213,076
Fixed-rate and Hedged Debt			\$321,576
% of Total ⁽³⁾			82.8%

Debt Maturities & Principal Payments



- (1) Excludes debt subject to interest rate swap locks.
- (2) Includes debt subject to interest rate swap locks.
- (3) Excludes unamortized fair value adjustments.
- (4) Includes interest rate caps greater than or equal to 1.50%

PROPERTY PORTFOLIO

As of 6/30/15

Property	Location	Town Center	Unencumbered ABR	Year Built	Net Rentable Square Foot (RSF) ⁽¹⁾			Core Occupancy ⁽²⁾	Development Leased ⁽²⁾	ABR ⁽³⁾	ABR per Leased SF ⁽⁴⁾
					Core Properties	Development Properties	Total				
Office Properties											
4525 Main Street	Virginia Beach, VA	✓	-	2014	-	237,558	237,558	-	57.7%	\$1,763,634	\$27.46
Armada Hoffer Tower ⁽¹⁾	Virginia Beach, VA	✓	100%	2002	323,966	-	323,966	95.8%	-	8,445,605	27.22
Commonwealth of VA - Chesapeake	Chesapeake, VA	-	-	2015	36,227	-	36,227	100.0%	-	645,927	17.83
Commonwealth of VA - Virginia Beach	Virginia Beach, VA	-	100%	2015	11,139	-	11,139	100.0%	-	241,048	21.64
Oceanering	Chesapeake, VA	-	-	2015	154,000	-	154,000	100.0%	-	1,909,600	12.40
One Columbus	Virginia Beach, VA	✓	100%	1984	129,424	-	129,424	94.7%	-	2,914,027	23.78
Oyster Point	Newport News, VA	-	-	1989	100,139	-	100,139	75.5%	-	1,638,690	21.67
Richmond Tower	Richmond, VA	-	100%	2010	206,969	-	206,969	98.6%	-	7,587,028	37.18
Two Columbus	Virginia Beach, VA	✓	100%	2009	108,464	-	108,464	91.2%	-	2,594,716	26.23
Total / Weighted Average Office Portfolio⁽⁵⁾			73%		1,070,928	237,558	1,307,886	94.6%	57.7%	\$29,740,276	\$25.86
Retail Properties											
249 Central Park Retail ⁽⁶⁾	Virginia Beach, VA	✓	-	2004	91,171	-	91,171	91.6%	-	\$2,439,958	\$29.23
Bermuda Crossroads	Chester, VA	-	100%	2001	111,566	-	111,566	100.0%	-	1,550,357	13.90
Broad Creek Shopping Center	Norfolk, VA	-	100%	1997-2001	227,659	-	227,659	98.8%	-	3,149,041	14.00
Commerce Street Retail ⁽⁷⁾	Virginia Beach, VA	✓	100%	2008	19,173	-	19,173	100.0%	-	786,784	41.04
Courthouse 7-Eleven	Virginia Beach, VA	-	100%	2011	3,177	-	3,177	100.0%	-	125,015	39.35
Dick's at Town Center	Virginia Beach, VA	✓	100%	2002	103,335	-	103,335	100.0%	-	1,221,866	11.82
Dimmock Square	Colonial Heights, VA	-	100%	1998	106,166	-	106,166	100.0%	-	1,771,475	16.69
Fourtain Plaza Retail	Virginia Beach, VA	✓	-	2004	35,961	-	35,961	100.0%	-	1,008,244	28.04
Gainsborough Square	Chesapeake, VA	-	100%	1999	88,862	-	88,862	89.3%	-	1,204,722	15.18
Greentree Shopping Center	Chesapeake, VA	-	100%	2014	15,751	-	15,751	85.7%	-	281,918	20.87
Hanbury Village	Chesapeake, VA	-	32%	2006-2009	61,049	-	61,049	94.9%	-	1,385,970	23.93
Harrisonburg Regal	Harrisonburg, VA	-	-	1999	49,000	-	49,000	100.0%	-	683,550	13.95
North Point Center	Durham, NC	-	53%	1998-2009	215,690	-	215,690	95.9%	-	2,525,272	12.21
Parkway Marketplace	Virginia Beach, VA	-	100%	1998	37,804	-	37,804	92.9%	-	698,515	19.84
Perry Hall Marketplace	Perry Hall, MD	-	100%	2001	74,256	-	74,256	100.0%	-	1,196,752	16.12
Sandbridge Commons	Virginia Beach, VA	-	-	2015	16,227	-	16,227	47.8%	-	166,834	21.50
South Retail	Virginia Beach, VA	✓	-	2002	38,515	-	38,515	100.0%	-	941,582	24.45
Stone House Square	Hagerstown, MD	-	100%	2008	108,693	-	108,693	84.8%	-	1,456,387	15.80
Studio 56 Retail	Virginia Beach, VA	✓	100%	2007	11,594	-	11,594	100.0%	-	373,360	32.20
Total / Weighted Avg Retail Portfolio⁽⁸⁾			68%		1,415,649	0	1,415,649	95.6%	-	\$22,965,603	\$16.96
Subtotal / Weighted Average Retail and Office Portfolio			71%		2,485,977	237,558	2,723,535	95.2%	57.7%	\$52,705,879	\$21.05
Retail Properties Subject to Ground Lease											
Bermuda Crossroads ⁽⁹⁾	Chester, VA	-	-	2001	11,000	-	11,000	100.0%	-	\$163,350	\$14.85
Broad Creek Shopping Center ⁽¹⁰⁾	Norfolk, VA	-	-	1997-2001	24,818	-	24,818	100.0%	-	588,126	23.70
Greentree Shopping Center	Chesapeake, VA	-	-	2014	5,088	-	5,088	100.0%	-	230,004	45.21
Hanbury Village ⁽¹¹⁾	Chesapeake, VA	-	-	2006-2009	55,586	-	55,586	100.0%	-	1,067,598	19.21
North Point Center ⁽¹²⁾	Durham, NC	-	15%	1998-2009	280,556	-	280,556	100.0%	-	1,062,853	3.79
Sandbridge Commons	Virginia Beach, VA	-	-	2015	53,288	-	53,288	100.0%	-	583,000	10.94
Stone House Square	Hagerstown, MD	-	100%	2008	3,650	-	3,650	100.0%	-	165,000	45.21
Tyre Neck Harris Teeter ⁽¹³⁾	Portsmouth, VA	-	100%	2011	48,859	-	48,859	100.0%	-	508,134	10.40
Total / Weighted Avg Retail Portfolio Subject to Ground Leases			19%		482,845	-	482,845	100.0%	-	\$4,868,065	\$9.05
Subtotal / Total Weighted Average Retail (including ground leases) and Office Portfolio			67%		2,968,822	237,558	3,206,380	96.0%	57.7%	\$57,073,944	\$19.11
Units											
Multifamily											
Encore Apartments	Virginia Beach, VA	✓	-	2014	-	286	286	-	72.7%	\$2,896,644	\$17.71
Liberty Apartments	Newport News, VA	-	-	2014	-	197	197	-	67.4%	1,854,937	1.39
Smith's Landing ⁽¹⁴⁾	Blacksburg, VA	-	-	2009	284	-	284	96.8%	-	3,432,240	1.09
The Cosmopolitan ⁽¹⁵⁾	Virginia Beach, VA	✓	-	2006	342	-	342	96.2%	-	7,056,375	1.57
Total / Weighted Avg Multifamily Portfolio					626	483	1,109	96.5%	70.6%	\$15,330,195	\$14.2

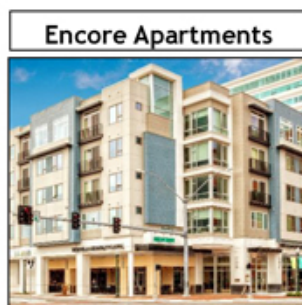
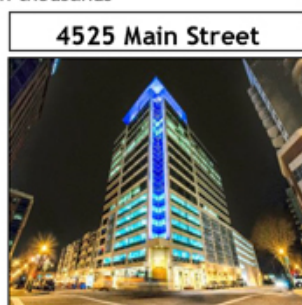


PROPERTY PORTFOLIO FOOTNOTES

- 1)The net rentable square footage for each of our 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 determined consistent with the Building Owners and Managers Association, or BOMA, 1996 measurement guidelines. The net rentable square footage for each of our retail properties is the sum of (a) the square footage of existing leases, plus (b) for available space, the field verified square footage.
- 2)Occupancy for each of our office and retail properties is calculated as (a) square footage under executed leases as of June 30, 2015, divided by (b) net rentable square feet, expressed as a percentage. Occupancy for our multifamily properties is calculated as (a) total units occupied as of June 30, 2015, 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) base rental payments for executed leases as of June 30, 2015 (defined as cash base rents (before abatements) excluding tenant reimbursements for expenses paid by the landlord), by (b) 12. ABR per leased square foot is calculated by dividing (a) ABR, by (b) square footage under executed leases as of June 30, 2015. In the case of triple net or modified gross leases, ABR does not include tenant reimbursements for real estate taxes, insurance, common area or other operating expenses.
- 4)As of June 30, 2015, the Company occupied 18,984 square feet at this property at an ABR of \$529,746 or \$27.90 per leased square foot, which amounts are reflected in this table. The rent paid by us is eliminated in accordance with GAAP. In addition, effective March 1, 2013, the Company subleases approximately 5,000 square feet of space from a tenant at this property.
- 5)Includes square footage and ABR pursuant to leases for space occupied by the Company.
- 6)As of June 30, 2015, the Company occupied 8,995 square feet at this property at an ABR of \$295,900, or \$32.90 per leased square foot, which amounts are reflected in this table. The rent paid by us is eliminated in accordance with GAAP.
- 7)Includes \$32,460 of ABR pursuant to a rooftop lease.
- 8)Reflects square footage and ABR pursuant to leases for space occupied by the Company.
- 9)Pursuant to this ground lease, the Company owns the land and the tenant owns the improvements thereto. The Company will succeed to the ownership of the improvements to the land upon the termination of the ground lease.
- 10)The Company leases the land underlying this property and re-leases it to our tenant under a ground lease pursuant to which our tenant owns the improvements on the land.
- 11)Excludes the square footage of land subject to ground leases.
- 12)For the properties in our multifamily portfolio, annualized base rent, or ABR, is calculated by multiplying (a) base rental payments for the month ended June 30, 2015 by (b) 12.
- 13)ABR per occupied rentable square foot is calculated by dividing (a) ABR, by (b) net rentable square footage of occupied units as of June 30, 2015.
- 14)The Company leases the land underlying this property pursuant to a ground lease.
- 15)The ABR for The Cosmopolitan includes \$847,000 of ABR from 12 retail leases at the property.

DEVELOPMENT PIPELINE

\$ in thousands



Development, Not Delivered	Property Type	Estimated	%leased	Schedule ⁽¹⁾			Estimated Cost ⁽¹⁾	Cost to Date	AHH Ownership %	Anchor Tenants
				Start	Initial Occupancy	Stabilized Operation ⁽²⁾				
Johns Hopkins Village Baltimore, MD	Multifamily	157 units	NA	1Q15	3Q16	4Q16	\$68,000	\$9,000	80% ⁽³⁾	CVS ⁽⁴⁾
Lightfoot Marketplace Williamsburg, VA	Retail	88,000 sf ⁽⁵⁾	60%	3Q14	1Q16	2Q17	24,000	13,000	60% ⁽³⁾	Harris Teeter
Total Development, Not Delivered							92,000	22,000		
Development, Delivered Not Stabilized										
4525 Main Street Virginia Beach, VA	Office	239,000 sf	58%	1Q13	3Q14	3Q16	51,000	45,000	100%	Clark Nexsen, Development Authority of Virginia Beach, Anthropologie
Encore Apartments Virginia Beach, VA	Multifamily	286 units	73%	1Q13	3Q14	4Q15	32,000	32,000	100%	NA
Total Development, Delivered Not Stabilized							83,000	77,000		
Total							<u>\$175,000</u>	<u>\$99,000</u>		

	Q2 2015	Year to Date
Capitalized Interest	\$104	\$520
Capitalized Overhead	\$500	\$1,117



- (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) Ground floor retail tenant
- (5) Includes space subject to ground lease

ACQUISITIONS & DISPOSITIONS

\$ in thousands

ACQUISITIONS

Properties	Location	Square Feet	Purchase Price ⁽¹⁾	Purchase Date	Property Type	%leased	Anchor Tenants
Providence Plaza	Charlotte, NC	103,000 sf	\$26,200	3Q15	Retail	97%	Chipotle
Socastee Commons	Myrtle Beach, SC	57,000 sf	\$8,600	3Q15	Retail	100%	BiLo
Columbus Village	Virginia Beach, VA	65,000 sf	\$21,025	3Q15	Retail	100%	Barnes & Noble
Perry Hall Marketplace & Stone House Square	Maryland	185,000 sf	\$39,555	2Q15	Retail	90%	Safeway & Weis Markets
Dimmock Square	Colonial Heights, VA	106,166 sf	\$19,662	3Q14	Retail	100%	Old Navy, Best Buy, Pier 1

DISPOSITIONS

Properties	Location	Square Feet/Units	Sale Price	Disposition Date	Property Type	%leased	Anchor Tenants
Oyster Point	Newport News, VA	100,139 sf	\$6,500	1Q17	Office	76%	GSA
Whetstone Apartments	Durham, NC	203 units	\$35,625	2Q15	Multifamily	26%	NA
Sentara Williamsburg	Williamsburg, VA	49,200 sf	\$15,450	1Q15	Office	100%	Sentara
Virginia Natural Gas	Virginia Beach, VA	31,000 sf	\$8,900	4Q14	Office	100%	Virginia Natural Gas



(1) Non-GAAP purchase price



CONSTRUCTION BUSINESS SUMMARY

\$ in thousands

	<u>Location</u>	<u>Total Contract Value</u>	<u>Work in Place as of 6/30/2015</u>	<u>Backlog</u>	<u>Estimated Date of Completion</u>
Highlighted Projects					
Exelon	Baltimore, MD	\$172,800	\$91,441	\$81,359	2Q 2016
27th Street Hotels	Virginia Beach, VA	93,514	4,982	88,532	1Q 2017
City of Suffolk Municipal Center	Suffolk, VA	25,577	24,651	926	2Q 2015
Four Seasons Condominium Expansion	Baltimore, MD	30,613	18,697	11,916	4Q 2015
Sub Total		\$322,504	\$139,771	\$182,733	
All Other Projects		97,413	84,634	12,779	
Total		<u>\$419,917</u>	<u>\$224,405</u>	<u>\$195,512</u>	

Gross Profit Summary

	<u>Q2 2015</u>	<u>Trailing 12 Months</u>
	(Unaudited)	
Revenue	\$47,066	\$139,729
Expense	(45,283)	(134,840)
Gross Profit	\$1,783	\$4,889



SAME STORE NOI BY SEGMENT

\$ in thousands

	Three months ended				Six Months Ended			
	6/30/2015	6/30/2014	\$ Change	% Change	6/30/2015	6/30/2014	\$ Change	% Change
Office⁽¹⁾								
Revenue	\$6,154	\$6,048	\$106	1.8%	\$12,403	\$12,173	\$230	1.9%
Expenses	2,023	1,931	92	4.8%	4,129	4,026	103	2.6%
Net Operating Income	4,131	4,117	14	0.3%	8,274	8,147	127	1.6%
Retail⁽¹⁾								
Revenue	5,884	5,671	213	3.8%	11,871	11,441	430	3.8%
Expenses	1,697	1,689	8	0.5%	3,547	3,514	33	0.9%
Net Operating Income	4,187	3,982	205	5.1%	8,324	7,927	397	5.0%
Multifamily⁽¹⁾								
Revenue	3,027	2,894	133	4.6%	5,964	5,685	279	4.9%
Expenses	1,321	1,280	41	3.2%	2,571	2,488	83	3.3%
Net Operating Income	1,706	1,614	92	5.7%	3,393	3,197	196	6.1%
Same Store Net Operating Income (NOI), GAAP basis	\$10,024	\$9,713	\$311	3.2%	\$19,991	\$19,271	\$720	3.7%
Net effect of straight-line rents	(16)	(238)	222		(194)	(612)	418	
Amortization of lease incentives and above (below) market rents	139	152	(13)		280	308	(28)	
Same store portfolio NOI, cash basis	\$10,147	\$9,627	\$520	5.4%	\$20,076	\$18,967	\$1,109	5.8%
Cash Basis:								
Office	\$4,008	\$3,769	\$239	6.4%	\$7,968	\$7,317	\$650	8.9%
Retail	4,398	4,216	182	4.3%	8,648	8,396	252	3.0%
Multifamily	1,741	1,642	99	6.0%	3,460	3,253	207	6.4%
	\$10,147	\$9,627	\$520	5.4%	\$20,076	\$18,967	\$1,109	5.8%
GAAP Basis:								
Office	\$4,131	\$4,117	\$14	0.3%	\$8,274	\$8,147	\$127	1.6%
Retail	4,187	3,982	205	5.1%	8,324	7,927	397	5.0%
Multifamily	1,706	1,614	92	5.7%	3,393	3,197	196	6.1%
	\$10,024	\$9,713	\$311	3.2%	\$19,991	\$19,271	\$720	3.7%



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

TOP 10 TENANTS BY ANNUALIZED BASE RENT

\$ in thousands
As of June 30, 2015

Office Portfolio

Tenant	Number of Leases	Properties	Lease Expiration	Annualized Base Rent	% of Office Portfolio Annualized Base Rent	% of Total Portfolio Annualized Base Rent
Williams Mullen	3	Armada Hoffler Tower, Richmond Tower	2026	\$ 8,681	29.2%	12.0%
Clark Nexsen	1	4525 Main Street	2029	2,391	8.0%	3.3%
Oceaneering International, Inc.	1	Oceaneering	2030	1,910	6.4%	2.6%
Cherry Bekaert	3	Armada Hoffler Tower, Richmond Tower, Oyster Point	2022	967	3.3%	1.3%
Hampton University	2	Armada Hoffler Tower	2024	954	3.2%	1.3%
Commonwealth of Virginia	2	Commonwealth of Virginia - Chesapeake & Virginia Beach	2030	887	3.0%	1.2%
GSA	1	Oyster Point	2017	855	2.9%	1.2%
Pender & Coward	1	Armada Hoffler Tower	2030	819	2.8%	1.1%
Troutman Sanders	1	Two Columbus	2025	806	2.7%	1.1%
The Art Institute	1	Armada Hoffler Tower	2019	803	2.7%	1.1%
Top 10 Total				\$ 19,072	64.1%	26.3%

Retail Portfolio

Tenant	Number of Leases	Properties	Lease Expiration	Annualized Base Rent	% of Retail Portfolio Annualized Base Rent	% of Total Portfolio Annualized Base Rent
Home Depot	2	Broad Creek Shopping Center, North Point Center	2019	\$ 2,190	8.0%	3.0%
Harris Teeter	3	Tyre Neck Harris Teeter, Hanbury Village, Sandbridge	2030	2,014	7.4%	2.8%
Food Lion	3	Broad Creek Shopping Center, Bermuda Crossroads, Gainsborough Square	2020	1,283	4.7%	1.8%
Dick's Sporting Goods	1	Dick's at Town Center	2020	840	3.1%	1.2%
Weis Markets, Inc.	1	Stone House Square	2028	802	2.9%	1.1%
Safeway Inc.	2	Perry Hall Marketplace	2021	798	2.9%	1.1%
Regal Cinemas	1	Harrisonburg Regal	2019	684	2.5%	0.9%
PetSmart	2	Broad Creek Shopping Center, North Point Center	2018	629	2.3%	0.9%
Kroger	1	North Point Center	2018	553	2.0%	0.8%
Yard House	1	Commerce Street Retail	2023	538	2.0%	0.7%
Top 10 Total				\$ 10,330	37.8%	14.3%

OFFICE LEASE SUMMARY

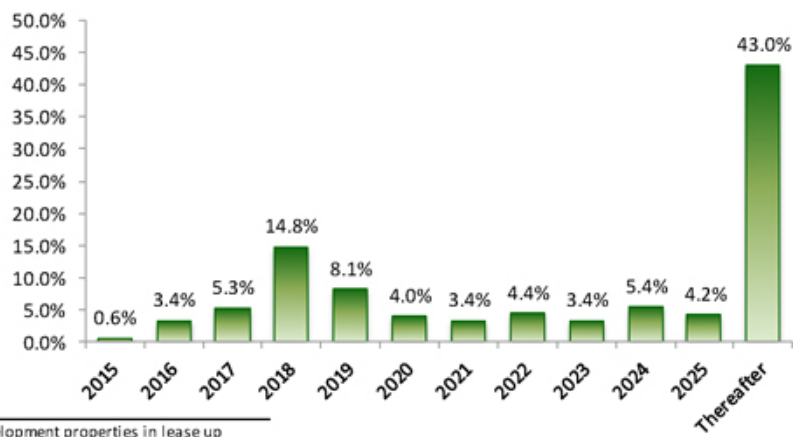
Renewal Lease Summary					GAAP			Cash			Weighted Average Lease Term (yrs)	TI, LC, & Incentives	TI, LC, & Incentives per SF	
Quarter	Number of Leases Signed	Net rentable SF Signed	Leases Expiring	Net rentable SF Expiring	Contractual Rent per SF	Prior Rent per SF	Annual Change in Rent per SF	Contractual Rent per SF	Prior Rent per SF	Annual Change in Rent per SF				
Q2 2015	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Q1 2015	1	1,120	1	2,153	\$37.00	\$37.00	-	\$37.00	\$37.00	-	4.00	\$3,315	\$2.96	
Q4 2014	6	26,386	3	5,726	21.08	21.23	(0.15)	20.50	22.14	(1.65)	3.65	182,728	6.93	
Q3 2014	3	6,859	2	6,082	18.50	19.63	(1.13)	18.48	19.85	(1.36)	2.62	68,913	10.05	

New Lease Summary						
Quarter	Number of Leases Signed	Net rentable SF Signed	Contractual Rent per SF	Weighted Average Lease Term (yrs)	TI, LC, & Incentives	TI, LC, & Incentives per SF
Q2 2015	1	3,500	\$18.25	3.00	\$22,345	\$6.38
Q1 2015	-	-	-	-	-	-
Q4 2014	1	4,754	17.50	10.00	103,266	21.72
Q3 2014	2	2,853	22.65	2.56	55,892	19.59



OFFICE LEASE EXPIRATIONS

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	-	158,037	12.1%	\$ -	-	\$ -
2015	6	7,236	0.6%	176,206	0.6%	24.35
2016	16	39,688	3.0%	996,700	3.4%	25.11
2017	6	65,186	5.0%	1,574,897	5.3%	24.16
2018	19	159,321	12.2%	4,406,386	14.8%	27.66
2019	12	101,851	7.8%	2,415,355	8.1%	23.71
2020	5	42,016	3.2%	1,193,961	4.0%	28.42
2021	4	41,363	3.2%	1,001,685	3.4%	24.22
2022	3	48,117	3.7%	1,303,750	4.4%	27.10
2023	1	44,250	3.4%	1,001,927	3.4%	22.64
2024	3	60,751	4.6%	1,620,425	5.4%	26.67
2025	4	42,957	3.3%	1,261,649	4.2%	29.37
Thereafter	10	497,113	38.0%	12,787,335	43.0%	25.72
Total / Weighted Average	89	1,307,886	100.0%	\$29,740,276	100.0%	\$25.86



RETAIL LEASE SUMMARY

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, & Incentives	TI, LC, & Incentives per SF
					Contractual Rent per SF	Prior Rent per SF	Annual Change in Rent per SF	Contractual Rent per SF	Prior Rent per SF	Annual Change in Rent per SF			
Q2 2015	4	10,352	3	5,255	\$19.81	\$17.65	\$2.16	\$19.37	\$19.25	\$0.11	4.37	\$ -	\$ -
Q1 2015	-	-	4	12,120	-	-	-	-	-	-	-	-	-
Q4 2014	6	17,361	2	2,991	24.91	21.35	3.57	24.80	23.10	1.71	4.37	18,858	1.09
Q3 2014	6	26,900	3	6,012	17.64	16.19	1.45	17.76	16.98	0.78	5.11	44,109	1.64

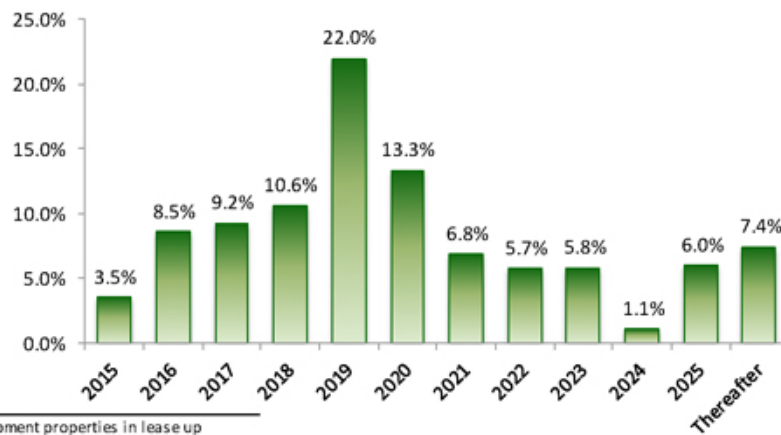
New Lease Summary

Quarter	Number of Leases Signed	Net rentable SF Signed	Contractual Rent per SF	Weighted Average Lease Term (yrs)	TI, LC, & Incentives	TI, LC, & Incentives per SF
Q2 2015	3	5,012	\$13.69	5.59	\$65,253	\$13.02
Q1 2015	4	20,531	18.00	9.08	1,575,260	76.73
Q4 2014	1	2,140	16.00	5.00	2,140	1.00
Q3 2014	7	35,574	20.30	6.83	\$22,738	14.69



RETAIL LEASE EXPIRATIONS

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	-	61,724	4.4%	\$ -	-	\$ -
2015	11	38,771	2.7%	799,231	3.5%	20.61
2016	28	83,053	5.9%	1,963,478	8.5%	23.64
2017	24	149,935	10.6%	2,122,887	9.2%	14.16
2018	31	152,212	10.8%	2,432,252	10.6%	15.98
2019	27	337,691	23.9%	5,052,174	22.0%	14.96
2020	25	212,072	15.0%	3,056,536	13.3%	14.41
2021	8	86,960	6.1%	1,570,632	6.8%	18.06
2022	8	88,838	6.3%	1,318,353	5.7%	14.84
2023	6	49,460	3.5%	1,331,093	5.8%	26.91
2024	4	13,277	0.9%	244,202	1.1%	18.39
2025	11	47,308	3.3%	1,370,953	6.0%	28.98
Thereafter	6	94,348	6.7%	1,703,812	7.4%	18.06
Total / Weighted Average	189	1,415,649	100.0%	\$22,965,603	100.0%	\$16.96



COMPONENTS OF NET ASSET VALUE

Stabilized Portfolio NOI ÷ Market Cap Rate = Stabilized Portfolio Value

+

Investment in Development Pipeline

+

Trailing 12 Months General Contracting and Real Estate Services x Appropriate Multiple = TRS Value

+

Other Assets

-

Liabilities

NAV

NET ASSET VALUE COMPONENT DATA

In thousands

Stabilized Portfolio NOI (Cash)		
	Three months ended	Annualized
	6/30/2015	6/30/2015
Diversified Portfolio		
Office	\$2,286	\$9,144
Retail	4,376	17,504
Multifamily	583	2,332
Total Diversified Portfolio NOI	\$7,245	\$28,980
Virginia Beach Town Center		
Office ⁽¹⁾	\$2,287	\$9,148
Retail ⁽¹⁾	1,456	5,824
Multifamily	1,183	4,732
Total Virginia Beach Town Center NOI	\$4,926	\$19,704
Stabilized Portfolio NOI (Cash)	\$12,171	\$48,684

Development Pipeline		
	6/30/2015	
Income producing property	\$73,000	
Construction in progress	21,000	
Other assets	5,000	
Total cost to date (p. 16)	\$99,000	
Liberty Apartments (GAAP purchase price)	\$26,735	
Land held for development	1,180	

Taxable REIT Subsidiary (TRS)	
	Trailing 12 Months
	6/30/2015
General contracting and real estate services	\$4,889

Other Assets	
	As of 6/30/2015
Other Assets	
Cash and Cash Equivalents	\$27,356
Restricted Cash	3,090
Accounts Receivable	21,412
Construction receivables, including retentions	39,603
Other Assets	41,882
Total Other Assets	\$133,343

Liabilities & Share Count	
	As of 6/30/2015
Liabilities	
Mortgages and notes payable	\$386,871
Accounts payable and accrued liabilities	4,606
Construction payables, including retentions	42,700
Other Liabilities	24,516
Total Liabilities	\$458,693

Share Count	
	Three months ended
	6/30/2015
Weighted average common shares outstanding	25,587
Weighted average operating partnership ("OP") Units Outstanding	14,769
Total weighted average common shares and OP units outstanding	40,356



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



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

APPENDIX –
DEFINITIONS &
RECONCILIATIONS

DEFINITIONS

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.

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.

DEFINITIONS

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 noncomparable 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, acquisition, development and other pursuit costs, 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.

DEFINITIONS

EBITDA:

We calculate EBITDA as net income (loss) (calculated in accordance with GAAP), excluding interest expense, income taxes and depreciation and amortization. We also exclude gains (or losses) from sales of depreciable operating property from our calculation of EBITDA. Management believes 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.

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.

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.

SAME STORE VS. NON-SAME STORE PROPERTIES

	Comparison of Three Months Ended 6/30/2015 to 2014		Comparison of Six Months Ended 6/30/2015 to 2014	
	Same Store	Non-Same Store	Same Store	Non-Same Store
Office Properties				
4525 Main Street		X		X
Armada Hoffer Tower	X		X	
Commonwealth of VA - Chesapeake		X		X
Commonwealth of VA - Virginia Beach		X		X
Oceanering		X		X
One Columbus	X		X	
Oyster Point	X		X	
Richmond Tower	X		X	
Sentara Williamsburg		X		X
Two Columbus	X		X	
Virginia Natural Gas		X		X
Retail Properties				
249 Central Park Retail	X		X	
Bermuda Crossroads	X		X	
Broad Creek Shopping Center	X		X	
Commerce Street Retail	X		X	
Courthouse 7-Eleven	X		X	
Dick's at Town Center	X		X	
Dimmock Square		X		X
Fountain Plaza Retail	X		X	
Gainsborough Square	X		X	
Greentree Shopping Center		X		X
Hanbury Village	X		X	
Harrisonburg Regal	X		X	
North Point Center	X		X	
Parkway Marketplace	X		X	
Perry Hall Marketplace		X		X
Sandbridge Commons		X		X
South Retail	X		X	
Stone House Square		X		X
Studio 56 Retail	X		X	
Tyre Neck Harris Teeter	X		X	
Multifamily Properties				
Encore Apartments		X		X
Liberty Apartments		X		X
Smith's Landing	X		X	
The Cosmopolitan	X		X	
Whetstone Apartments		X		X

RECONCILIATION TO PROPERTY PORTFOLIO NOI

\$ in thousands

	Three months ended 6/30		Six Months Ended 6/30	
	2015	2014	2015	2014
Office Same Store⁽¹⁾				
Rental revenues	\$6,154	\$6,048	\$12,403	\$12,173
Property expenses	2,023	1,931	4,129	4,026
NOI	4,131	4,117	8,274	8,147
Non-Same Store NOI	1,414	431	2,529	819
Segment NOI	\$5,545	\$4,548	\$10,803	\$8,966
Retail Same Store⁽¹⁾				
Rental revenues	\$5,884	\$5,671	\$11,871	\$11,441
Property expenses	1,697	1,689	3,547	3,514
NOI	4,187	3,982	8,324	7,927
Non-Same Store NOI	1,330	31	1,853	31
Segment NOI	\$5,517	\$4,013	\$10,177	\$7,958
Multifamily Same Store⁽¹⁾				
Rental revenues	\$3,027	\$2,894	\$5,964	\$5,685
Property expenses	1,321	1,280	2,571	2,488
NOI	1,706	1,614	3,393	3,197
Non-Same Store NOI	550	(104)	718	(176)
Segment NOI	2,256	1,510	\$4,111	\$3,021
Total Property Portfolio NOI	\$13,318	\$10,071	\$25,091	\$19,945



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

RECONCILIATION TO PROPERTY PORTFOLIO NOI

\$ in thousands

	Three months ended 6/30/2015			
	Office	Retail	Multifamily	Total
<u>Diversified Portfolio</u>				
Cash NOI	\$2,286	\$4,376	\$583	\$7,245
Net effect of straight-line rents	397	(35)	(13)	349
Amortization of lease incentives and (above) below market rents	(12)	14	(13)	(11)
GAAP NOI	\$2,671	\$4,355	\$557	\$7,583
<u>Town Center of Virginia Beach</u>				
Cash NOI	\$2,287	\$1,456	\$1,183	\$4,926
Net effect of straight-line rents	160	(122)	(22)	16
Amortization of lease incentives and (above) below market rents	(37)	(89)	(13)	(139)
Elimination of AHH rent	(169)	(77)	-	(246)
GAAP NOI	\$2,241	\$1,168	\$1,148	\$4,557
<u>GAAP NOI</u>				
Diversified Portfolio	\$2,671	\$4,355	\$557	\$7,583
Town Center of Virginia Beach	2,241	1,168	1,148	4,557
Unstabilized Properties	633	(6)	551	1,178
Total Property Portfolio NOI	\$5,545	\$5,517	\$2,256	\$13,318

RECONCILIATION TO GAAP NET INCOME

\$ in thousands

	Three months ended 6/30/2015					
	Office	Retail	Multifamily	Total Property Portfolio	General Contracting & Real Estate Services	Total
Segment revenues	\$ 8,052	\$ 7,567	\$ 4,289	\$ 19,908	\$ 47,066	\$ 66,974
Segment expenses	2,507	2,050	2,033	6,590	45,283	51,873
Net operating income	\$ 5,545	\$ 5,517	\$ 2,256	\$ 13,318	\$ 1,783	\$ 15,101
Depreciation and amortization						(5,766)
General and administrative expenses						(2,096)
Acquisition, development and other pursuit costs						(591)
Impairment charges						(23)
Interest expense						(3,358)
Loss on extinguishment of debt						(180)
Gain on real estate dispositions						7,210
Other income (loss)						(16)
Income tax benefit (provision)						4
Net income						\$ 10,285

	Six Months Ended 6/30/2015					
	Office	Retail	Multifamily	Total Rental Properties	General Contracting & Real Estate Services	Total
Segment revenues	\$ 15,755	\$ 14,192	\$ 8,151	\$ 38,098	\$ 76,137	\$ 114,235
Segment expenses	4,952	4,015	4,040	13,007	73,425	86,432
Net operating income	\$ 10,803	\$ 10,177	\$ 4,111	\$ 25,091	\$ 2,712	\$ 27,803
Depreciation and amortization						(10,674)
General and administrative expenses						(4,424)
Acquisition, development and other pursuit costs						(762)
Impairment charges						(23)
Interest expense						(6,404)
Loss on extinguishment of debt						(407)
Gain on real estate dispositions						13,407
Other income (loss)						(148)
Income tax benefit (provision)						35
Net income						\$ 18,403