

# EXELON BUILDING ACQUISITION

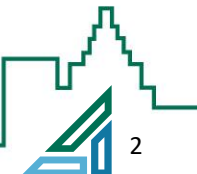
## HARBOR POINT BALTIMORE

DECEMBER 7, 2021



*"The acquisition of the state-of-art Exelon building further solidifies our Harbor Point footprint and is consistent with our long-term plan of building scale in the Harbor Point submarket. We intend to redeploy capital from the sale of our three student housing assets into higher yielding mixed-use assets. This accretive transaction accomplishes that goal in a major way."*

*–Lou Haddad, President & CEO*



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Certain matters within this presentation 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 statements. When used, the words "anticipate," "believe," "expect," "intend," "may," "might," "plan," "seeks," "estimate," "project," "should," "will," "result," and similar expressions, which do not relate solely to historical matters, are intended to identify forward-looking statements. The forwarding-looking statements include, but are not limited to, comments relating to the Company's anticipated acquisition of the Exelon building, including expected net operating income and capitalization rates, the Company's development pipeline, acquisitions or dispositions of properties, the Company's construction and development businesses, including backlog, timing of deliveries and estimated costs, and expected financing activities. The Company's actual future results and trends may differ materially from expectations depending on a variety of factors discussed in the Company's filings with the SEC. These factors include, without limitation: (a) the continuing impacts of the novel coronavirus ("COVID-19") pandemic, including a possible resurgence, measures intended to prevent or mitigate its spread, the timing or effectiveness of vaccines or other treatments, and the Company's ability to accurately assess and predict such impacts on its results of operations, financial condition, acquisition and disposition activities, and growth opportunities; (b) the Company's ability to commence or continue construction and development projects on the timeframes and terms currently anticipated; (c) the Company's ability and the ability of its tenants to access funding under government programs designed to provide financial relief for U.S. businesses in light of the COVID-19 pandemic; (d) continuing adverse economic or real estate developments, either nationally or in the markets in which the Company's properties are located, including as a result of the COVID-19 pandemic; (e) the Company's failure to generate sufficient cash flows to service its outstanding indebtedness; (f) the Company's inability to extend the maturity of or refinance existing debt or comply with the financial covenants in the agreements that govern its existing debt; (g) the information under the heading "Risk Factors" included in the Company's Annual Report on Form 10-K for the year ended December 31, 2020 and in other filings the Company makes from time to time with the SEC, including the Company's Quarterly Reports on Form 10-Q for the quarters ended March 31, 2021, June 30, 2021 and September 30, 2021.

All information within this presentation is as of September 30, 2021 unless otherwise noted.

## Use of Non-GAAP Financial Measures and other Definitions

This presentation contains certain financial measures not calculated and presented in accordance with generally accepted accounting principles in the U.S. ("GAAP") and other terms that have particular definitions when used by us. The definitions and calculations of these non-GAAP financial measures and other terms may differ from those used by other real estate investment trusts and, accordingly, may not be comparable. Please refer to the definitions included later in this presentation.

# The Acquisition is a Familiar Asset with an Investment Grade Tenant



Constructed in 2016  
(by AHH)

Anchor Tenant Is a Leading  
Investment Grade Clean  
Energy Provider

444,000 SF of Office Space  
100% Leased

23-Story Mixed-Use  
Cornerstone of Harbor Point

103 Apartment units  
96% Occupied

38,500 SF of Retail Space  
65% Leased  
Anchored by West Elm

LEED Gold / LEED Platinum  
Status

750 Parking Spaces  
500 Leased by Exelon



Exelon Building  
Harbor Point

**AHH has agreed to acquire the Exelon Building at Harbor Point, Baltimore's premiere downtown waterfront property <sup>(1)</sup>**



## Investment Thesis

- ✓ Acquisition of Exelon Building expected to be immediately accretive to FFO
- ✓ Multifamily component is complimentary to adjacent Baltimore multifamily property
  - Economies of scale
- ✓ Consistent with long-term plan of building scale in Harbor Point submarket
  - Pre-eminent neighborhood
- ✓ Highly familiar with Exelon Building
  - AHH constructed in 2016 alongside Beatty Development Group (25 year working relationship)

## Acquisition Details

- ✓ Acquisition value of \$246mm <sup>(2)</sup>
  - Acquiring 90% economic interest for \$105mm <sup>(3)</sup>
  - 10% retained by Beatty Development Group (\$12mm)
  - Assuming \$156mm of debt to be refinanced at closing <sup>(4)</sup>
- ✓ Estimated Year 1 cap rate <sup>(5)</sup>: 6.1% cash, 7.4% GAAP
- ✓ Transaction expected to close in Q1 2022

## Financial Features

- ✓ Strong credit tenant base
  - Lead tenant is Exelon Generation
- ✓ Exelon lease has 15 remaining years
  - Contractual rent escalation of 3% annually
- ✓ Expected upside of cost synergies due to adjacent multifamily property
- ✓ Desirable retail location and square footage
  - Expected upside from ~13,500 SF of vacant retail space

<sup>(1)</sup> There can be no assurance that we will complete this acquisition on the terms described or at all.

<sup>(2)</sup> Excludes \$12mm of equity and its 10% share of related debt retained by the Beatty Development Group for a total value of \$273mm.

<sup>(3)</sup> Represents a 79% interest and an additional 11% economic interest.

<sup>(4)</sup> Debt expected to be refinanced to \$175mm. There is no assurance we will complete the refinancing on the terms expected or at all.

<sup>(5)</sup> There can be no assurance that we will achieve these estimated capitalization rates. See the Appendix to this presentation for a description of how we calculate capitalization rates and related risks. Cap rate figures for the above transaction excludes the effects of amortization of lease incentives and above/below market rents.

# Expands our Harbor Point Footprint Across Complementary Assets



“The amount of activity in our markets, coupled with our 40-year track record, **have yielded many more opportunities for high-value projects across our diversified platform.**” - Louis Haddad, CEO

## HARBOR POINT FOOTPRINT



Owned 100% by AHH  
3 PROPERTIES

JV with Beatty Development Group  
2 PROPERTIES

Built by AHH  
PROPOSED ACQUISITION

*Note: Asterisk denotes properties in pre-construction phases. Expected to start construction in Q1 2022.*

*AHH acquisition of the Exelon Building further solidifies its presence in the Harbor Point submarket*

1999



2021



## Harbor Point Submarket

- ✓ AHH acts as an investment partner, co-developer and general contractor for Harbor Point submarket
- ✓ Long-term goal of development and ownership of a transformative and vibrant urban core
- ✓ Harbor Point is one of the leading submarkets for multifamily and office properties in Baltimore

- ✓ Recent Relocation of High Quality Tenants



TRANSAMERICA®

Morgan Stanley



T.RowePrice



2010

AHH completes construction of Thames Street Wharf, 263,500 sq ft office development

2016

AHH completes construction of the Exelon Building, a mixed-use development

2018

AHH commences development of Wills Wharf, 328,000 sq ft premier mixed-use office and hotel space

Q2 2019

AHH acquires Thames Street Wharf  
AHH acquires 1405 Point, 289 unit multifamily development

Q4 2021

AHH announced acquisition of Exelon Building, expected to close in Q1 2022 <sup>(1)</sup>



Source: Company filings with the SEC and publicly available information.

(1) There can be no assurance that we will complete this acquisition on the terms described or at all.

# Exelon Generation – Anchor Tenant of Exelon Building



**Exelon Generation, a subsidiary of Exelon Corporation, has announced plans to be spun-off from the parent company in Q1 2022 to create America's leading clean energy company**

## Exelon Generation (“SpinCo”) – Anchor Tenant at Exelon Building

- Spin-off will create two strong pure-play businesses and allow for tailored business strategies to drive value
- SpinCo will be comprised of Exelon Generation (largest clean energy producer) and Constellation (customer facing retail business)
- Produces most zero-carbon generation in the U.S. by nearly a factor of two
  - No coal generation
- Largest customer-facing platform in the country, with strong customer relationships in stable markets
- 31,000 megawatts of generating capacity consisting of nuclear, wind, solar, natural gas and hydro assets
- 13 nuclear power plants operated across four states



**Exelon**  
Generation®

### Business Lines

- Nuclear Generation
- Other Clean Power



**Constellation**®

An Exelon Company

### Business Lines

- Retail
- Wholesale



Source: Exelon Company filings and investor presentations furnished on Exelon's website.

Note: “RemainCo” will be comprised of Exelon’s 100% regulated transmission and utility distribution businesses. Exelon has announced plans to affect a split of its business into two separate publicly traded companies. Based on discussions with Exelon, we expect that, following the split, “SpinCo” one of the newly formed public companies will assume the existing Exelon lease and utilize the Exelon Building as its corporate headquarters. We can provide no assurances that the post-split public company that leases the Exelon Building will have the same credit profile that Exelon currently has as a combined company and, as a result, any decline in the creditworthiness of the post-split public company that leases the Exelon Building could increase the risk of payment defaults on the lease.

# Harbor Point is a Highly Strategic Location for Exelon Generation



**Exelon Generation has demonstrated a commitment to Harbor Point and has communicated that it intends to continue to operate at the property post-spin**



**Exelon  
Generation®**

## Tenant/Lease Info

Investment Grade Tenant

**Baa2 (1)**

Moody's Credit Rating

**15 years**

Remaining Lease Term

**NNN**

Expense Reimbursement

**444,000**

Square Feet Leased

## Property was purpose-built for Exelon Generation

*Leases 100% of the office space*

## America's leading clean energy company

*Lowest carbon free power producer paired with the leading customer-facing platform*

## Committed to Investment Grade rating

*Maintains strong balance sheet and cash flow*

## Exelon Generation produces nearly all of Maryland's clean energy

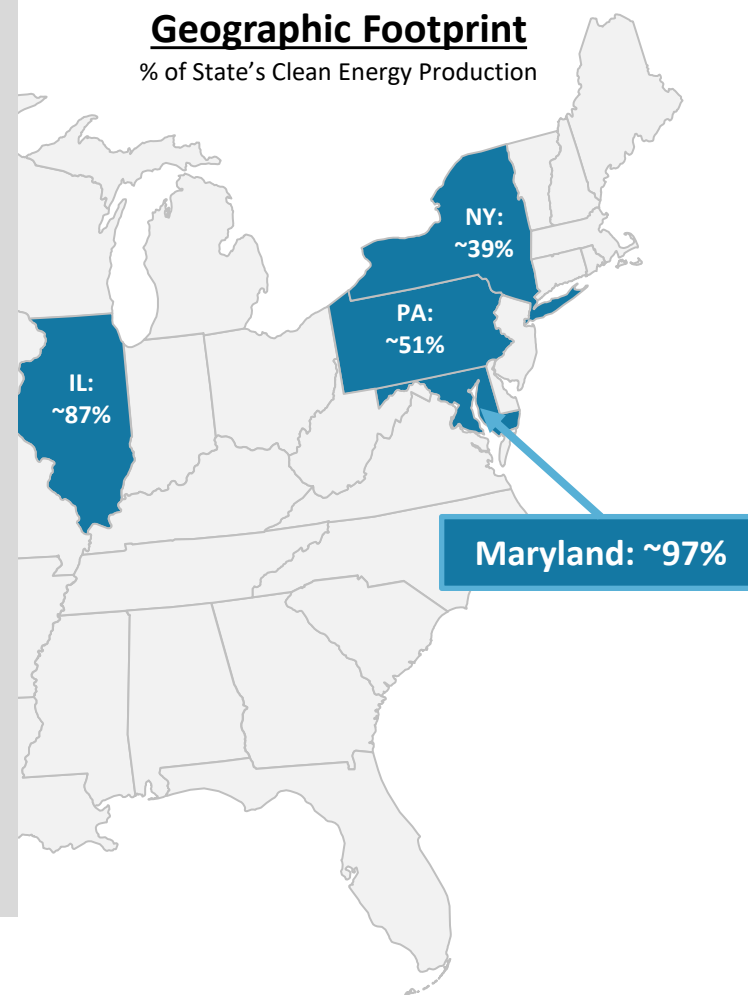
*MD has been a primary focus for the Company*

## Property represents industry leading efficiency

*An important aspect of Exelon Generation's business plan and ESG initiatives*

## Geographic Footprint

% of State's Clean Energy Production



**Exelon Building, a Class A+ office building at Harbor Point, was a bespoke build for Exelon Generation in 2016 and remains a critical part of the Company's identity**

Source: Exelon Company filings, investor presentations furnished on Exelon's website and Exelon Lease as of November 8, 2021. Information regarding Exelon's spin-off and its intended plans is based on Exelon company filings and communications to the Company and there can be no assurance regarding such plans.

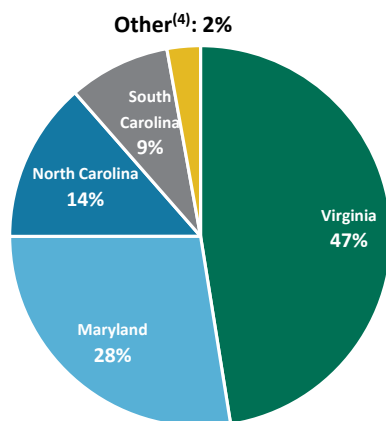
(1) Current rating of Exelon Generation.

# Portfolio Overview and Composition

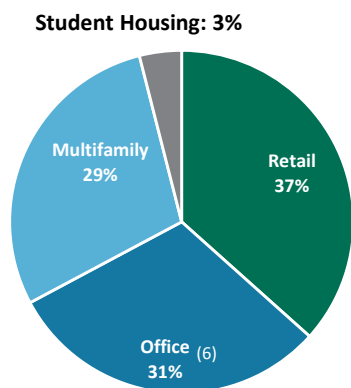


## Composition Pro-Forma for Acquisition

ABR Breakdown by State\*



ABR Breakdown by Property Type\*



\*Includes impact of planned **Exelon Building acquisition** and Wills Wharf (non-stabilized)

## Portfolio at a Glance

OFFICE <sup>(1)</sup>		RETAIL <sup>(1)</sup>	MULTIFAMILY <sup>(1) (3)</sup>
7 Properties ~1.3mm RSF 96.9% Leased	Exelon Building 440,000 RSF 100% Leased	38 Properties ~4.1mm RSF 95.2% Leased	11 Properties 2,300+ Units 97.2% Occupancy
Wills Wharf 70% Leased		6 <sup>(5)</sup> Properties in development pipeline	\$789mm Expected anticipated value of development pipeline

### Maryland <sup>(2)</sup>

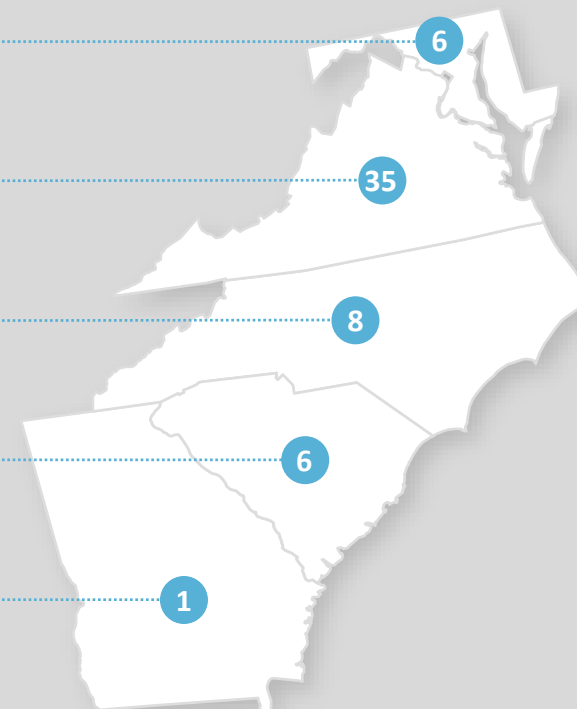
### Virginia

### North Carolina

### South Carolina

### Georgia

### Also Indiana and Florida



Source: Data as of September 30, 2021.

Note: Totals may not foot due to rounding.

(1) Excludes non-stabilized properties and properties in development pipeline. Retail and multifamily metrics exclude impact from planned acquisition of the Exelon Building.

(2) Property count includes planned Exelon Building acquisition and Wills Wharf (non-stabilized). Excludes JHU Village sale that closed on November 16, 2021.

(3) Includes two student housing properties (non-core properties planned to be sold).

(4) Other includes ABR from FL, IN and GA.

(5) Includes four properties in pre-development or pre-construction stages and excludes Wills Wharf.

(6) Includes \$1.1mm of garage ABR contributed from the Exelon Building.

# Appendix



### **CAP RATE:**

For purposes of calculating the estimated capitalization rate on a GAAP basis, [aggregate] net operating income consists of expected rental income and expense reimbursements from in-place leases and anticipated leasing activity reduced by expected operating expenses, real estate taxes, management fees and insurance expenses, in each case, calculated in accordance with GAAP. For purposes of calculating expected [aggregate] net operating income on a cash basis, we adjust net operating income to exclude the effects of straight-line rent and amortization of lease incentives and above/below market rents. The capitalization rate method is one of several valuation methods for estimating asset value and implied equity value. Among the limitations of using the capitalization rate method for determining an implied equity value are that it does not take into account the potential change or variability in future cash flows, potential significant future capital expenditures, the intended hold period of the asset, or a change in the future risk profile of an asset. There can be no assurance that we will achieve these estimated capitalization rates.

These cap rates are subject to risks, uncertainties, and assumptions and are not guarantees of future performance, which may be affected by known and unknown risks, trends, uncertainties, and factors that are beyond our control, including risks related to our ability to meet our estimated forecasts related to stabilized cap rates and those risk factors contained in our Annual Report on Form 10-K for the year ended December 31, 2020 and in our other public filings.